CAYMAN ISLANDS
GOVERNMENT

Entire Public Sector

Annual Report

For the 18-month period ended

31 December 2017

INTRODUCTION

These financial statements contain the results and position for the 18-month period ended 31 December 2017 (the "period"). 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 Parliament. Accordingly, the comparative figures in the financial statements are for the twelve months ended 30 June 2016 and are not comparable to the period's results. Due to the change in financial year the comparability of the financial statements of the Government of the Cayman Islands will be also be impacted for the year ending 31 December 2018.

Also included in the information presented are:

- the original budget for the year as published in the 2016/17 Annual Plan & Estimates; and
- the audited actuals for the prior year, 2015/16.

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 defence 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 seven ministers (the ‘‘Ministers’’) – one of whom is the Premier – 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 Government’s organisational structure is broken into Core Government and Statutory Authorities and Government Companies (SAGCs), 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 SAGCs.

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

KEY FINANCIAL HIGHLIGHTS

The Government of the Cayman Islands has again posted a Surplus. The four previous surpluses have all been the results of a 12-month fiscal financial year ending 30 June. However, this latest surplus of $140.5 million was achieved by the Entire Public Sector (EPS), for the 18-month period. For the prior year that ended 30 June 2016, the EPS achieved a Surplus of $148.5 million. Historically Government has recorded the highest revenue and collected the highest volume of cash between the months of December and March as fees associated with financial services are due in January. Additionally, the period included a double portion of the year when revenues are typically at their lowest, the months of July through November.

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

The Government's financial position remains strong as:

Net Assets (total Assets less all recognised Liabilities) were $1.0 billion as at 31 December 2017. EPS debt continued to decline based on no new borrowings during the period with debt repayments.

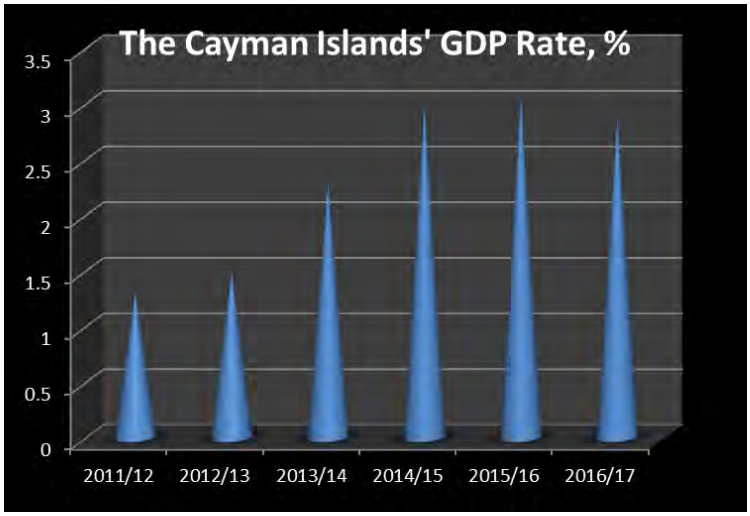
For the second consecutive time since 2012 the Government achieved full compliance with the Framework for Fiscal Responsibility (FFR) as required by the Foreign and Commonwealth Office (FCO) and the Public Management and Finance Act (PMFA) (2017 Revision), for prudent fiscal management.

In the previous three consecutive years, total contributions from SAGCs have been positive. SAGCs posted a net surplus of $1.4 million as at 31 December 2017, (2015/16: $18.2 million surplus).

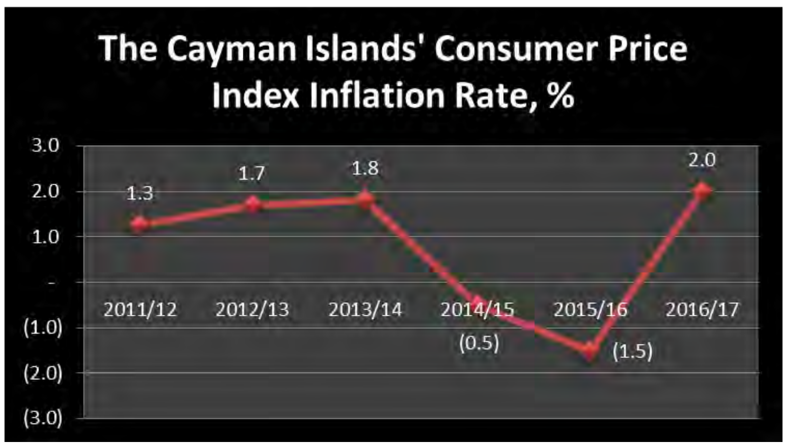
ECONOMIC OVERVIEW BASED ON ANNUAL ECONOMIC REPORT 2017 (Calendar Year)

- The international economy recorded robust growth and higher inflation in 2017, driven by increased investment and trade.
- The Cayman Islands' gross domestic product (GDP) expanded anew in 2017 at an estimated rate of 2.9 percent, marginally lower than the 3.1 percent growth recorded in 2016.
- Growth was indicated in all sectors led by hotels and restaurants, construction, real estate, renting and business activities including legal and accounting services, and electricity and water supply.
- Nominal GDP per capita income was estimated at $49,228, higher relative to the $48,314 recorded for 2016. A faster pace of growth in nominal GDP drove the increase for the year.
- The average inflation rate in 2017 was 2.0 percent, compared to -0.7 percent a year ago. Inflationary pressures emanated mainly from increased domestic demand coupled with a rise in international crude oil prices.
- Total employment increased by 1.1 percent to 40,856 from a year ago. The growth in employment was, however, outweighed by a stronger growth in the labour force which resulted in a rise in the unemployment rate to 4.9 percent in 2017. The unemployment rate among Caymanians was estimated at 7.3 percent.
- In 2017, merchandise imports grew by 2.7 percent to reach $876.0 million, supported by increases of 17.0 percent and 1.0 percent in oil-related and non-oil imports, respectively.
- Money supply expanded by 18.4 percent to register at $7.3 billion in 2017. This monetary expansion was due mainly to a 22.0 percent increase in foreign currency-denominated deposits, augmented by a 7.9 percent growth in local currency deposits.
- Domestic credit from commercial banks grew by $104.7 million (or 3.4%) to settle at $3,188.5 million. Credit to the private sector increased by 5.0 percent while that to the public sector contracted by 13.3 percent. The increase in private sector credit was due mainly to higher credit for households' domestic property and motor vehicles.
- Indicators for the financial services industry showed a mix overall performance with trust companies, stock exchange listings and market capitalization, new company registration and new partnership registrations growing, while bank and trust licences, insurance licences and mutual funds (including master funds) declined.
- In 2017, total visitors to the Cayman Islands increased to total 2.1 million. Growth of 8.5 percent and 1.0 percent in stay-over arrivals and cruise passengers, respectively, spurred arrivals during the year.
- Building intention indicators were mixed in 2017. The value of planning approvals in Grand Cayman rose by 96.4 percent to $798.7 million, mainly due to a large hotel project. On the other hand, the value of building permits in Grand Cayman declined by 5.0 percent to $234.7 million.
- Real estate activity declined during the year as the total value of property transfers fell by 3.5 percent to $830.2 million, due solely to freehold transfers as leasehold transfers increased in value.
- The central government's overall surplus in 2017 reached $140.6 million (4.5% of GDP) compared with $99.6 million (3.4% of GDP) in 2016. The larger surplus resulted from a higher increase in revenue (6.7%) relative to the rise in expenditure (0.8%).
- The central government's total outstanding debt continued to decline, settling at $449.1 million (14.5 percent of GDP) at the end of 2017, lower by $34.8 million compared to the level at end 2016.
- GDP is projected to grow in 2018 by 3.0 percent, due largely to expected growth in the construction of private and public sector projects, and continued growth in tourism-related services. Stable growth is projected in the financing and insurance sector. The inflation rate is expected at 2.7 percent arising principally from external pressures. The overall unemployment rate is projected to fall to 4.4 percent.

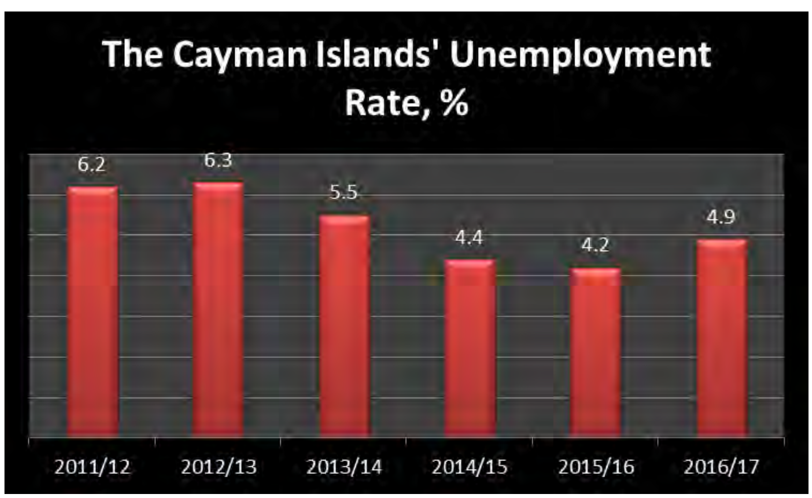
Source: Economics and Statistics Office



Source: Economics and Statistics Office



Source: Economics and Statistics Office



Source: Economics and Statistics Office

PERFORMANCE OVERVIEW AND ANALYSIS

Government Revenue and Expenditure

Revenue

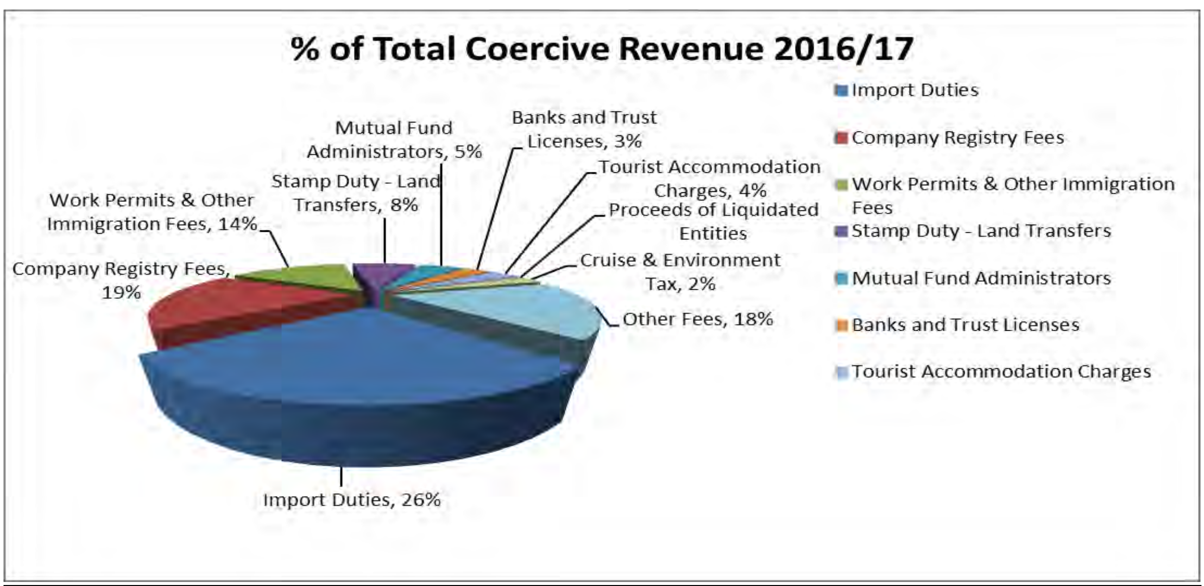
	EPS Actual CI$000	
Revenue	**2016/17**	**2015/16**
Coercive Revenue	952,834	673,261
Sales of Goods & Services	384,810	261,390
Investment Revenue	15,631	5,669
Donations	2,405	931
Other Revenue	71	2,771
Total Revenue	**1,355,751**	**944,022**

The 2016/17 reporting period covers an 18-month period and is not comparable to prior periods which reflect the results of a 12-month reporting period.

- Annualised total EPS revenue was $903.8 million.
- Annualised total oercive revenue calculates to $635.2 million.

What is the Government's primary source of revenue?

The primary source of revenue is coercive revenue, which was 70% of total public sector revenue in 2016/17 (2015/16: 71%), while sale of goods and services represented 28%. Coercive revenues are those revenues collected by Government under its coercive powers authorised under various laws passed by the Parliament (e.g. import duties, work permit fees, bank license fees, etc.) and for which there is no direct exchange of goods or services. The primary type of coercive revenue is import duties, which represents 26% of total coercive revenue in financial year 2016/17 (2015/16: 24%). See chart 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 27% of total coercive revenue and 19% of total public sector revenue as at 31 December 2017.

Six-year trend table on coercive revenue below:

DESCRIPTION	EPS Actual CI$000					
	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Import Duties	159,923	169,113	161,670	156,393	159,834	243,239
Banks and Trust Licenses	23,373	33,511	34,225	32,795	31,592	30,074
Company Registry Fees	54,828	62,145	134,355	140,739	146,863	182,135
Work Permits & Other Immigration Fees	97,759	107,557	71,278	79,914	79,364	135,145
Mutual Fund Administrators	34,717	41,893	45,140	43,139	44,544	49,213
Stamp Duty - Land Transfers	23,254	35,422	30,502	38,967	52,987	76,340
Cruise & Environment Tax	13,468	13,946	13,695	15,409	16,494	23,061
Tourist Accommodation Charges	11,783	14,105	18,725	20,643	21,134	33,559
Proceeds of Liquidated Entities	-	-	-	-	16,652	3,550
Other Fees	67,983	82,485	102,027	95,505	103,797	176,518
Total Coercive Revenue	**487,088**	**560,177**	**611,617**	**623,503**	**673,261**	**952,834**

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See Note 21 of the EPS Accounts.

Proceeds of Liquidated Entities – the 2015 amendment to the PMFA 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 50% of total expenditure as at 31 December 2017, 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	
	2016/17	2015/16	2016/17	2015/16
Personnel costs	610,639	400,116	50%	50%
Supplies and consumables (including Leases)	346,418	223,896	29%	28%
Depreciation	88,098	53,851	7%	7%
Outputs from Non-Government Organisations	51,585	32,538	4%	4%
Transfer Payments	48,556	30,251	4%	4%
Other Operating Expenses	26,457	24,316	2%	3%
Financing expense	43,540	31,007	4%	4%
Total Expenses	**1,215,293**	**795,975**	**100%**	**100%**

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Personnel Costs

Salaries and wages accounted for the largest portion of personnel expenses (Annualised 2016/17: $346.0 million). Core Government costs for salaries, wages and allowances were $304.5 million (Annualised 2016/17: $203.0 million). Core Government represented 63% (2015/16: 66%) of total EPS personnel costs.

Description	EPS Actual CI$000	
	2016/17	2015/16
Salaries, Wages and Allowances	518,883	333,653
Health Care	14,877	7,625
Pension	28,086	19,713
Leave	(813)	552
Defined Benefit Pension Liability	14,304	25,389
Post Retirement Health Care Liability	26,755	5,868
Other Personnel Costs	8,547	7,316
Total Personnel Costs	**610,639**	**400,116**

The 2016/17 reporting period covers an 18-month period and is not comparable to prior periods which reflect the results of a 12-month reporting period.

See Note 25 of the EPS Accounts.

Supplies and Consumables

Supplies and consumables annualised for 2016/17 were $222.7 million. See table of details of supplies and consumables below:

Description	EPS Actual CI$000	
	2016/17	2015/16
Supplies and Materials	76,126	48,323
Purchase of services	152,143	95,491
Utilities	29,373	20,760
General Insurance	12,751	11,606
Travel and Subsistence	6,037	4,232
Recruitment & Training	4,741	3,365
Other	52,867	32,245
Supplies & Consumables	**334,038**	**216,022**
Leases	12,380	7,874
Total Supplies & Consumables and Leases	**346,418**	**223,896**

The 2016/17 reporting period covers an 18-month period and is not comparable to prior periods which reflect the results of a 12-month reporting period.

See Note 26 of the EPS Accounts.

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 in 2016/17 was $51.6 million (Annualised 2016/17: $34.4 million, 2015/16: $32.5 million). The largest category of these payments was for the provision of tertiary care by overseas organisations for referred persons, which totalled $30.1 million or 58% of Outputs from NGOs (2015/16: $17.4 million or 53%). See Note 28 for more information on outputs to NGOs.

Transfer Payments

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

- receive any goods or services directly in return as would occur in a purchase/sales transaction;
- expect to be repaid in the future, as would be expected in a loan; or
- expect a financial return, as would be expected in an investment.

During the period, the Government of the Cayman Islands made transfer payments of $48.6 million (Annualised 2016/17: $32.4 million, 2015/16: $30.2 million); included in this amount was $17.8 million (Annualised 2016/17 $11.9 million, 2015/16: $10.8 million) in local and overseas education scholarships,

$11.5 million (Annualised 2016/17: $7.7 million, 2015/16: $7.3 million) in Poor Relief, $9.6 million (Annualised 2016/17 $6.4 million, 2015/16: $6.2 million) in benefit payments to seamen and ex-servicemen. See Note 29 of the EPS accounts.

Financing Expenses

What does Government Pay to Finance its Liabilities?

The most significant element of financing costs as at 31 December 2017 was Debt financing expense of $43.5 million (2015/16: $31.0 million). This consists of interest paid on bank borrowings and to bond holders.

Net Revenue or Surplus (Revenue less Expenses)

The surplus for the period was $140.5 million (Annualised $93.6 million, 2015/16: $148.5 million). On an annualised basis total revenues calculate to $903.8 million and total expenses annualised results are $810.2 million. See table of five-year revenue and expenditure summary below:

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

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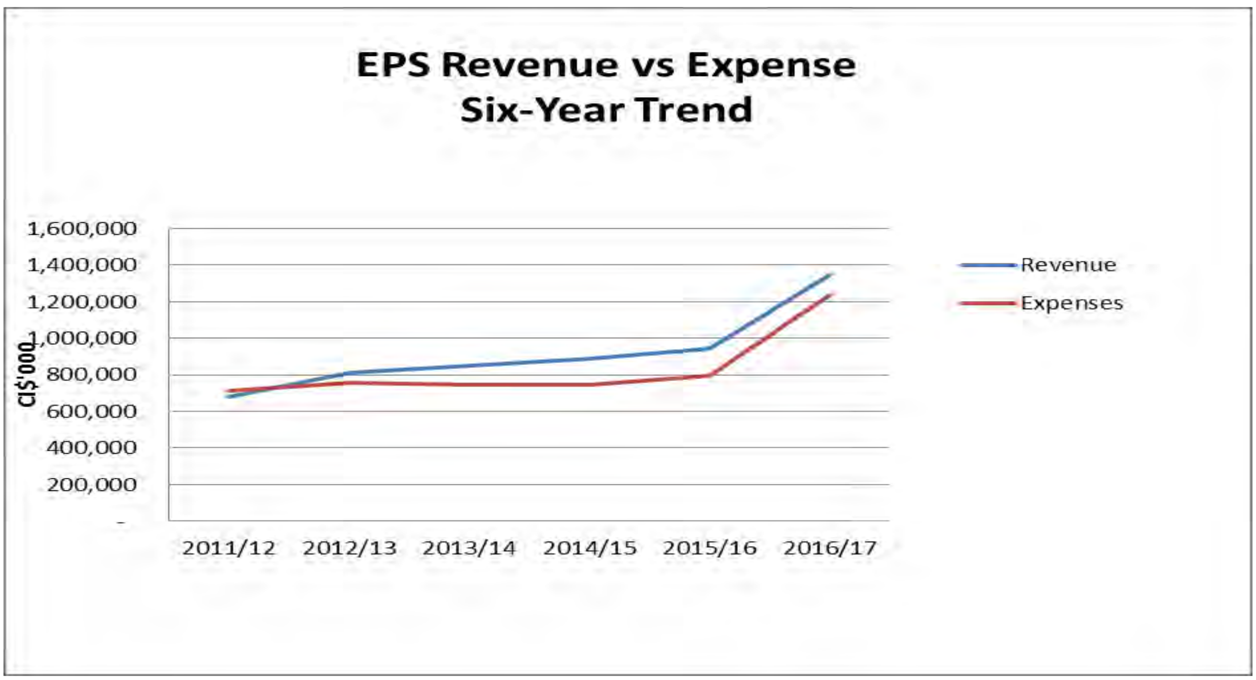

Government Assets and Liabilities

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

	EPS Actual CI$000		
Assets	**2016/2017**	**2015/16**	**2014/15**
Property Plant and Equipment	1,752,736	1,732,843	2,068,405
Investments	554,591	438,511	102,077
Cash and Cash Equivalents (including Bank Overdraft)	220,281	231,415	406,435
Trade Receivables	3,488	32,165	31,707
Loans Made	26,243	30,285	30,470

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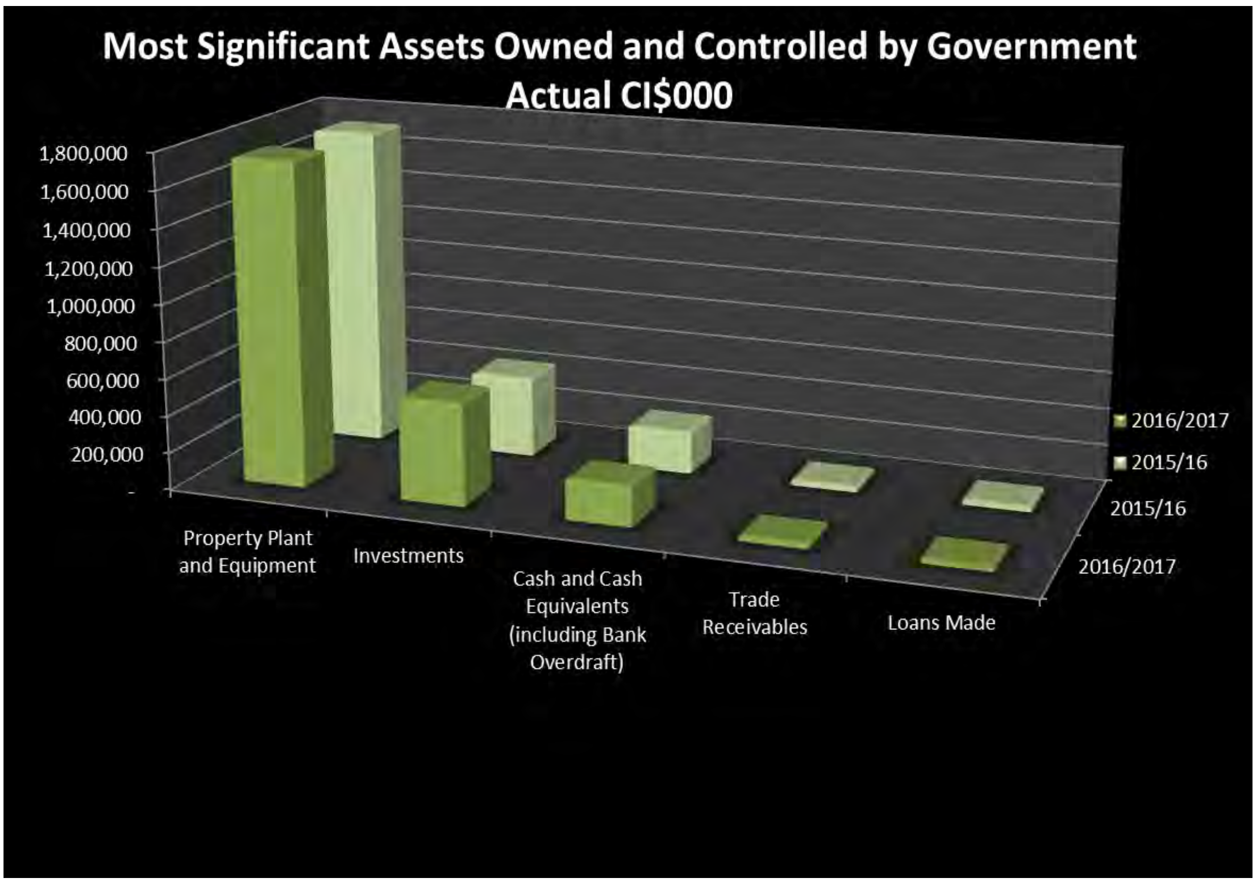

Property, Plant and Equipment

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

Investments

Investments increased due to the shift of longer-term fixed deposits. Over 76% of investments consist of fixed deposits (over 90 days and within 365 days). Core Government investments of $401.7 million as at 31 December 2017 represents approximately 72% of total investments, with the SAGCs holding less than 28%. The majority of the $152.9 million investments held by SAGCs forms part of the Currency Reserve Assets of the Cayman Islands Monetary Authority (the 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 70% of trade receivables as at 31 December 2017 while less than 30% were held by Core Government. See Note 3 of the EPS accounts.

The table below shows gross trade receivables of $129.4 million (2015/16: $143.8 million) as at 31 December 2017 less provision for doubtful debts of $98.9 million (2015/16: $111.6 million), resulting in net trade receivables of $31.0 million (2015/16: $32.2 million).

Additional provisions for doubtful debts of $4.7 million were incurred during 18-month period 2016/17 (2015/16: $14.6 million); the majority of which relate to doubtful trade receivables in the SAGCs.

Loans Made

Loans Made consists 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	**2016/17**	**2015/16**
Borrowings/Public Debt	518,645	593,191
Retirement Benefits	709,833	481,283
Currency Issued	119,544	106,876
Unearned Revenue	86,929	65,282
Other Payables & Accruals	121,635	62,830
Trade Payables	28,206	20,213

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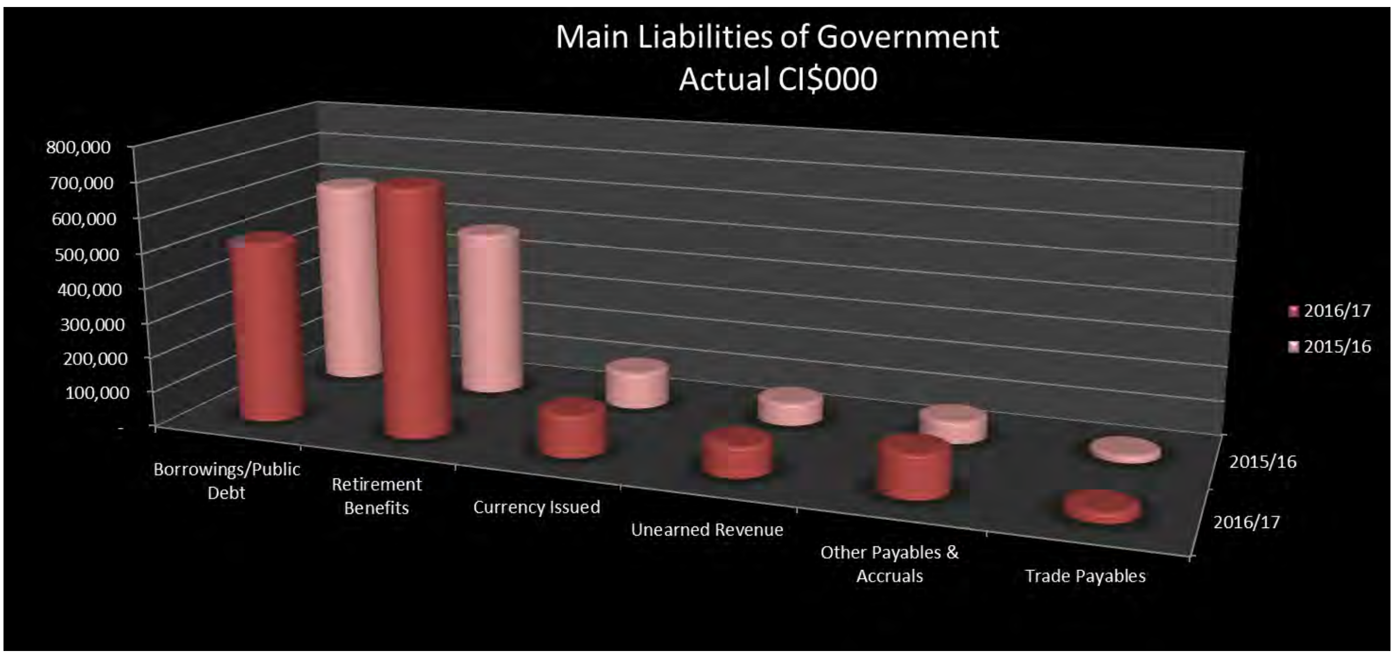


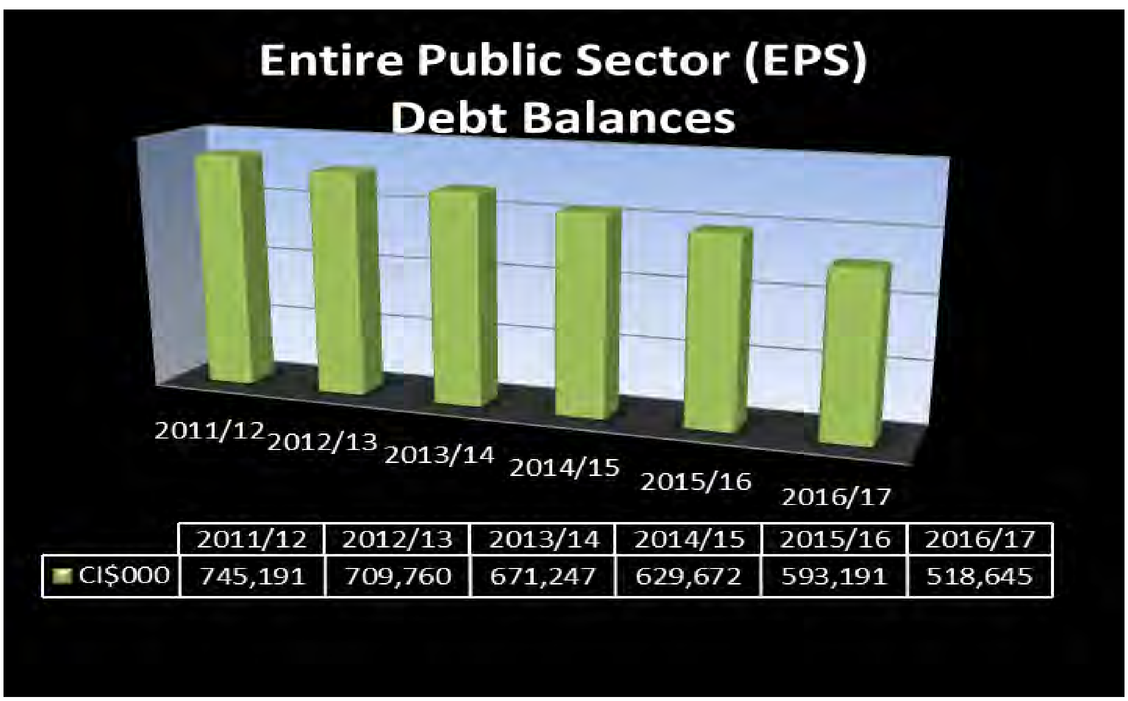
Public Sector Debt

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 period. See table of public sector debt below:

Description	Opening Balance 1st July 2016	Drawdowns/ Additions	Repayments	Revaluation	Closing Balance 31st December 2017
	CI$000	CI$000	CI$000	CI$000	CI$000
Core	503,318	-	52,306	69	451,081
Water Authority of the Cayman Islands	3,926	-	2,144	-	1,782
Port Authority of the Cayman Islands	1,753	-	1,753	-	-
Cayman Islands Development Bank	32,209	-	8,282	-	23,927
Health Services Authority	1,389	-	1,389	-	-
National Housing Development Trust	15,743	-	1,918	-	13,825
Cayman Airways Limited	20,368	-	376	-	19,992
Cayman Islands Turtle Farm (1983) Limited	14,486	-	6,449	-	8,038
Total	**593,191**	**-**	**74,615**	**69**	**518,645**

The 2016/17 reporting period covers an 18-month period and is not comparable to prior periods which reflect the results of a 12-month reporting period.

See Note 17 of the EPS Accounts.



Total Public debt continued to decline, from $593.2 million to $518.6 million, as principal repayments of $74.6 million were applied and no new borrowing.

Public Service Retirement Benefits

The other significant liability is public service retirement benefits; the liability consists of $459.3 million of pension liability and $250.5 million of post-retirement healthcare liability for some SAGCs. Pension liability reflects pensions that will be paid out over employees' lifetimes as current employees in the public service retire and start to draw their pension, funded by future revenues or pension scheme assets. See pension liability by category below:

Pension Liability

Description	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
				CI$000		
Core Government	399,808	398,622	183,794	183,794	183,794	183,794
Parliamentarian Pensions	20,747	17,030	12,910	12,910	12,910	12,910
Judicial Pensions	(220)	124	(447)	(447)	(447)	(447)
Central Government Pension Liability Fair Value	**420,335**	**415,776**	**196,257**	**196,257**	**196,257**	**196,257**
Statutory Authorities and Government Companies	38,966	33,719	30,791	29,262	15,473	12,777
Entire Public Sector Pension Liability Fair Value	**459,301**	**449,495**	**227,048**	**225,519**	**211,730**	**209,034**

The 2016/17 reporting period covers an 18-month period and is not comparable to prior periods which reflect the results of a 12-month reporting period.

See Note 16 of the EPS Accounts.

Health Care Liability

The results of health care liability actuarial valuation, completed in March 2018, estimated the post-retirement health care obligation as at December 2017 to be $1.7 billion (net $1.6 billion) with the post-retirement medical expense totalling $250.5 million for the period ended 31 December 2017. The assumptions of the actuarial valuation have not been accepted by the Government and therefore the post-retirement health care obligation and related expenditure has not been formally recognised on the Statements of Financial Position and Performance.

Therefore, for all intents and purposes, 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 to help fund the Government's post-retirement health care liability.

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. See Note 19 of the EPS accounts.

Unearned Revenue

Unearned revenue consists of revenues collected but not yet earned. See table of unearned revenue below:

	EPS Actual CI$000	
Description	**2016/17**	**2015/16**
Customs Deposits	1,369	1,493
Immigration Deposits	25,425	26,411
Cayman Airways Deposits	7,266	8,966
General Registry Deposits	27,897	5,416
Lease of Crown Lands	13,918	14,220
Revenue and Other Deposits Held	11,054	8,776
Total Unearned Revenue	**86,929**	**65,282**

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See Note 14 of the EPS Accounts.

Trade Payables, and Other Payable and Accruals

Trade payables, and other payable and accruals are expenses incurred (service and or goods and supplies were received) but not paid before 31 December 2017; they are non-interest bearing and are normally settled on 30 day terms. Accounts payable includes invoices received from suppliers not yet settled. See Note 13 of the EPS accounts.

PERFORMANCE ANALYSIS

Net Assets/Equity (Assets minus Liabilities)

Net assets equalled $1.0 billion in 2016/17 (2015/16: $1.2 billion). See table with six-year trend in key assets and liabilities below:

DESCRIPTION	EPS Actual CI$000					
Assets	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Cash and Cash Equivalents (including Bank Overdraft)	157,275	196,013	281,182	406,435	231,415	220,281
Trade Receivables	48,721	48,864	26,185	31,707	32,165	31,034
Investments	110,388	98,884	99,582	102,077	438,511	554,591
Loans Made	36,598	34,542	32,774	30,470	30,285	26,243
Property Plant and Equipmer	2,058,506	2,105,054	2,078,619	2,068,405	1,732,843	1,752,736
Liabilities						
Borrowings/Public Debt	745,191	709,760	671,247	629,672	593,191	518,645
Retirement Benefits	220,696	221,509	219,290	227,048	481,283	709,833
Currency Issued	88,696	87,229	91,720	94,887	106,876	119,544
Unearned Revenue	32,133	33,054	37,313	40,238	65,282	86,929
Other Payables & Accruals	49,501	52,748	63,942	49,717	62,830	121,634
Trade Payables	29,142	25,454	27,369	30,163	20,213	28,206

The 2016/17 reporting period covers an 18-month period and is not comparable to prior periods which reflect the results of a 12-month reporting period.

Assets

Total assets as at 31 December 2017 were $2.7 billion (2015/16: $2.5 billion). The largest categories of assets were Property, Plant and Equipment of $1.8 billion followed by $554.6 million worth of Investments, held mainly in short-term marketable securities and deposits.

Cash & Cash Equivalents and Investments

Cash and cash equivalents as at 31 December 2017 were $220.3 million (2015/16: $231.4 million). During 2016/17, short-term fixed deposits were transferred another category of investments with maturities over 90 days but no more than 365 days. See table of cash and cash equivalents below:

	EPS Actual CI$000	
Description	**2016/17**	**2015/16**
Cash on hand and in operationa accounts	180,134	126,610
Fixed Deposits (Less than 90 days)	40,147	104,805
Cash and Cash Equivalents	**220,281**	**231,415**
Held by		
Central Government	61,240	89,096
Statutory Authorities & Government Companies	159,041	142,319
Cash and Cash Equivalents	**220,281**	**231,415**

The 2016/17 reporting period covers an 18-month period and is not comparable to prior periods which reflect the results of a 12-month reporting period.

Investments

Deposits previously reported as cash and cash equivalents are now being classified as investments due to longer maturity dates. See table below:

	EPS Actual CI$000	
Description	**2016/17**	**2015/16**
Short-Term Investments	519,435	433,314
Long-Term Investments	35,156	5,197
Total Investments	**554,591**	**438,511**
Held by		
Central Government	401,700	320,353
Statutory Authorities & Government Companies	152,891	118,158
Total Investments	**554,591**	**438,511**

The 2016/17 reporting period covers an 18-month period and is not comparable to prior periods which reflect the results of a 12-month reporting period.

Overall, Central Government's cash and cash equivalents, and investments increased by $53.5 million compared to the prior year. The increase in cash coupled with reduction in debt, enabled the Government to meet its fiscal strategy and ensure compliance with the Framework for Fiscal Responsibility.

Liabilities

Total EPS liabilities at 31 December 2017 were $1.6 billion (2015/16: $1.4 billion). Retirement Benefits and Long-Term Debt are the largest balances held as liabilities.

Retirement Benefits Liability

IPSAS 39 requires that the pension liabilities be revalued annually in order to present the fair value of the fund balances. Core Government and SAGCs have employed consultants to carry-out this annual fair value assessment. The result of the 2017 actuarial valuation is a net liability of $709.8 million (Central Government net liability – $415.8 million).

Currency Issued (Demand Liabilities)

These liabilities increased due to increased amounts of notes and coins in circulation. See Note 19 of the EPS accounts.

Unearned Revenue

Unearned revenues represent cash collected but not earned as at 31 December 2017. Unearned revenue consists mostly of General Registry deposits of $27.9 million and Immigration deposits of $25.4 million.

Contingent Liabilities

A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. Contingent liabilities 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.

The Government discloses contingent liabilities in note 35 of the EPS annual accounts in two categories, environmental remediation and legal proceedings and disputes. The environmental remediation liability is as a result of the operation of waste landfills on all three Islands. The capping of the Grand Cayman landfill was out to tender at the signing of the EPS annual accounts.

The Government is routinely engaged in litigation arising from 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.

Guarantees

Guarantees of the Government include: Guarantees of the borrowings of SAGCs, 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 2017	Loan Balance as at 31 December 2017
		CI$'000	CI$'000
Cayman Islands Turtle Farm (1983) Limited	**80%**	6,430	8,038
Cayman Airways Limited	**80%**	15,994	19,992
Water Authority of the Cayman Islands	**20%**	356	1,782
Cayman Islands Development Bank	**50%**	11,964	23,927
Port Authority of the Cayman Islands	**20%**	-	-
National Housing Development Trust	**80%**	11,060	13,825
		45,804	**67,564**

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 and are given an 80% weighting;
- are financially stable and require predictable levels of support and are given a 50% weighting; and
- have not required budgetary support during the last three (3) years and are given 20% weighting.

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into as at 31 December 2017. See table of commitments below:

	One Year or Less	One to Five Years	Over Five Years	31 December 2017	30 June 2016
Type	**CI$000**	**CI$000**	**CI$000**	**CI$000**	**CI$000**
Capital Commitments					
Capital Commitments	4,500	270	12,000	16,770	69,403
	489	-	-	489	-
	20	-	-	20	-
Total Capital Commitments	**5,008**	**270**	**12,000**	**17,278**	**69,403**
Operating Commitments					
Non-Cancellable Accommodation Leases					
Accommodation leases	121,584	187,000	118,382	426,966	16,880
Accommodation leases	770	-	-	770	-
Other Non-Cancellable Leases					
Land Lease	12,375	49,460	80,176	142,011	446
Premises Lease	169,694	170,170	-	339,864	83
Aircraft Leases	-	-	-	-	1,614
Licensing Agreement	224	824	-	1,048	159
Other Operating Lease	-	-	-	-	-
Other Operating Commitments					
Other Operating Commitments	5,110	415	265	5,790	347
Total Operating Commitments	**309,757**	**407,869**	**198,823**	**916,449**	**19,529**
Total Commitments	**314,765**	**408,139**	**210,823**	**933,727**	**88,932**

See Note 34 of the EPS Accounts.

BUDGET ANALYSIS

Actual EPS total revenue out-performed the original budget by $122.3 million or 10% as coercive revenue exceeded expectations by 12%. Total expenses exceeded the budget by $26.0 million or 2%.

See 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 PERIOD ENDED 31 DECEMBER 2017 ENTIRE PUBLIC SECTOR						
	Original Budget 2016/17	Forecast 2016/17	Actual 2016/17	Performance Difference Original Budget	Performance Difference Forecast	% Change Actual vs. Budget
				CI$000		
Revenue						
Coercive Revenue	851,989	875,656	952,834	100,845	77,178	12%
Sales of Goods & Services	367,261	354,249	384,810	17,549	30,561	5%
Other Revenue	14,169	9,686	18,107	3,938	8,421	28%
Total Revenue	**1,233,419**	**1,239,591**	**1,355,751**	**122,332**	**116,160**	**10%**
Expenses						
Personnel Costs	609,046	614,302	610,639	1,593	(3,663)	0%
Supplies and Consumables	345,788	326,802	346,418	630	19,616	0%
Depreciation & Amortisation	71,709	79,026	88,098	16,389	9,072	-23%
Transfer Payments	48,929	51,564	48,556	(373)	(3,008)	1%
Other Executive Expenses	71,705	82,033	79,749	8,044	(2,284)	-11%
Finance Costs	43,810	43,242	43,540	(270)	298	1%
Total Expenses	**1,190,987**	**1,196,969**	**1,217,000**	**26,013**	**20,031**	**-2%**
Total Other (Gains)/Losses	(4,192)	(3,511)	(1,707)	2,485	1,804	59%
Surplus/(Deficit) for the period	**46,624**	**46,133**	**140,458**	**93,834**	**94,325**	**201%**

The 2016/17 reporting period covers an 18-month period and is not comparable to prior periods which reflect the results of a 12-month reporting period.

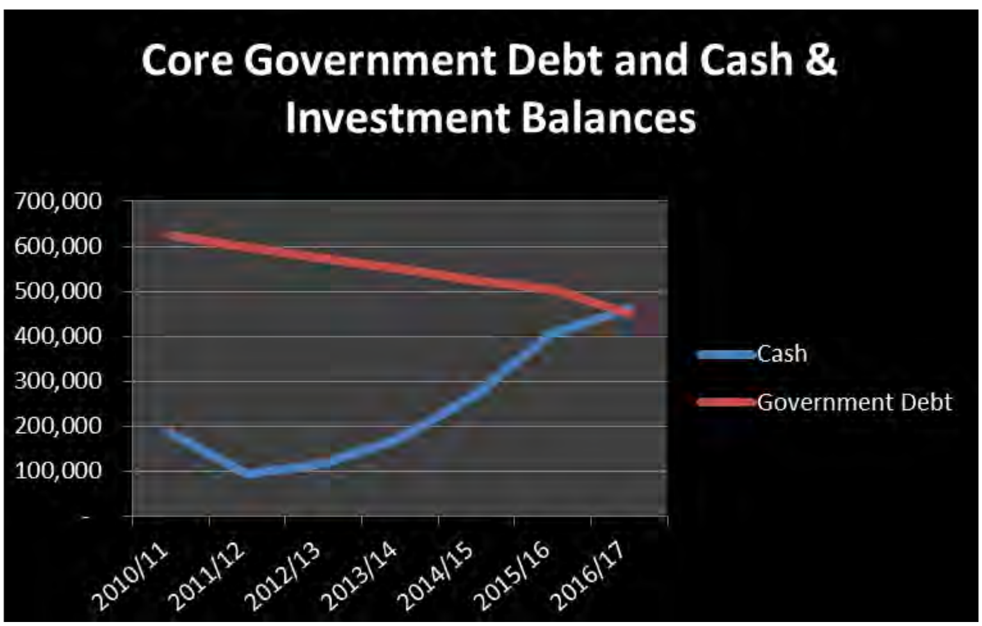
KEY FINANCIAL ACCOMPLISHMENT

The Government of the Cayman Islands manages its day-to-day operations 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 in the PMFA 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 FCDO.

The two key areas of the FFR that achieved compliance in the 2016/17 financial year were debt service ratio and cash reserves due mainly to reduction in debt balances and growth in cash and investment balances. See below table showing year-end cash (includes cash equivalents and investments) and debt balances for Core Government:

Core Government CI$000							
Indicator	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Cash & Investments	184,708	95,222	117,045	173,901	272,315	408,619	462,110
Government Debt	625,215	599,285	573,850	548,933	523,322	503,318	451,081

The chart below depicts the trend of a narrowing gap between cash and debt balances for Core Government:



At 31 December 2017 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.

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

Principle	Degree of Compliance	
	Unaudited 2016/17 Actual	**Approved 2016/17 Budget**
Core Government Operating Surplus : should be positive* (Operating surplus = Core Government operating revenue – Core Government operating expenses)	**Complies** Surplus = $162.1 million	**Complies** Surplus = $46.1 million
Net Worth: should be positive (Net worth = Core Government assets – Core Government liabilities)	**Complies** Net Worth = $1.05 billion	**Complies** Net Worth = $1.19 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 = 9.2%	**Complies** Debt servicing = 9.8%
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 = 14.5 %	**Complies** Net debt = 34.3%
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 = 216.9 days	**Complies** Cash Reserves = 154.3 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 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 Law 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 the 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 and 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 annual accounts reflect balances in the main financial statements of each agency.

The EPS Governance Framework

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

- supported in the responsibilities by the Internal Audit function; and
- internal framework of governance and risk management. The 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 information and report their findings on the accounts to Parliament via the Public Accounts Committee.

Ministry of Finance's role in Managing Financial Risk

In addition to the EPS accounts governance framework, the 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 PMFA and Financial Regulations – provide 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 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. Annual budgets are then prepared based on these goals and objectives and within the expenditure limits.

The budget and estimates process for Core Government and SAGC agencies – the government uses the annual budgeting system to plan and control public expenditure. The Ministry of Finance presents estimates of budgetary plans to the LA 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 the taxpayer.

The PMFA and its regulations set the financial reporting framework for Central Government; the Ministry of Finance works with the other agencies across government and help to ensure IPSAS are practiced uniformly.

The Ministry of Finance provides strategic challenge to, and monitoring of agencies' spending on an ongoing basis. The Ministry of Finance 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 on 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 an 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 has characteristics of a trust, it would be best for the PSPB law 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 Home Affairs, Health and Culture.

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 trust assets under the definition of the PMFA, and therefore are not 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 asset(s)-

a. to be held pending the completion of a transaction or dispute; or
b. that belong(s) 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 18-MONTH PERIOD ENDED

31 DECEMBER 2017

Contents

MINISTRY OF
FINANCE & ECONOMIC DEVELOPMENT
GOVERNMENT OF THE CAYMAN ISLANDS

Statement of Responsibility

These financial statements are prepared in accordance with the provisions of Sections 29 of the Public Management and Finance Law (2017 Revision), as amended. They report the financial results and position for Central Government and the Entire Public Sector for the 18-month financial period ended 31 December 2017.

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 Law (2017 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 25, 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. Roy McTaggart, JP
Minister for Finance & Economic Development
Government of the Cayman Islands

Dated: 9 September, 2019

Hon. Alden McLaughlin, MBE, JP
Premier
Government of the Cayman Islands

Dated: 9th September, 2019

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CAYMAN ISLANDS

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AUDITOR GENERAL'S REPORT

To the Members of the Legislative Assembly

Adverse Opinion

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 2017 and the consolidated statement of financial performance, statement of changes in net worth and statement of cash flows for the 18-month period from 1 July 2016 to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies as set out on pages 19 to 128.

In my opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of my report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Government as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the 18-month period from 1 July 2016 to 31 December 2017 in accordance with International Public Sector Accounting Standards ("IPSAS").

Basis for Adverse Opinion

Exclusion of the Public Service Pensions Board from consolidation

The consolidated financial statements exclude material transactions and balances relating to the Public Service Pensions Board ("Pensions Board") as management concluded 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 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 2017.

Pervasive inaccuracies arising from opening balances and subsequent adjustments in subsidiaries

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

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 $360 million related to infrastructure, roads and sidewalks as disclosed in Note 10 to the consolidated financial statements.

Basis for Adverse Opinion (continued)

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

Furthermore, the accounting policies used to measure the Statutory Authorities and Government Companies ("SAGC") 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 SAGC. The total carrying amount of these SAGC assets is $89 million and the revaluation reserve, which is also impacted, amounts to $52 million.

As a result of the matters identified, the property, plant & equipment appearing in the consolidated financial statements is materially misstated as at 31 December 2017.

Depreciation and amortization expenses inaccuracy

The depreciation and amortization expenses amounting to $88 million recorded in the statement of financial performance are materially misstated as a result from the valuation and completeness issues affecting property, plant & equipment as discussed above.

Understatement of retirement benefits liabilities

Core Government did not record its post-retirement healthcare liabilities of $1.6 billion and post-retirement medical expense totaling $240 million as at 31 December 2017. Furthermore, the post-retirement health care liabilities for a number of SAGCs were understated by $16 million.

During the period, management has recognized a pension liability of $459 million relating to the Government's participation in the Defined Benefit Pension Plan. The pension net liability includes amounts relating to SAGC, which totaled to $39 million. This was compared and agreed to the individual subsidiary's actuarial valuation reports and resulted in the understatement of $15 million of current retirement benefits in the statement of financial position.

Completeness of provisions

Management has represented that there is no process in place to properly assess 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 & contingent liability disclosures as it relates to these liabilities as at 31 December 2017.

Personnel costs understated

The personnel costs amounting to $611 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.

Basis for Adverse Opinion (continued)

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 $953 million on the statement of financial performance for the period ended 31 December 2017. Additionally, I was not able to conclude on the fairness of the amounts reported in the statement of financial performance for sales of goods and services amounting to $385 million because of poor controls for patient revenues.

Also, due to the exclusion of the Public Service Pensions Board from consolidation of financial statements, investment revenues were understated by $109 million (net) for the period ended 31 December 2017.

As a result of the revenue incompleteness, I have not been able to conclude on the related current and non-current portion of trade receivables balances of $31 million, total other receivables of $23 million and unearned revenue of $87 million appearing on the statement of financial position as at 31 December 2017.

Net worth

The revaluation reserve totaling $534 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 $140 million and $171 million respectively are materially misstated as a result of inaccuracy of depreciation and amortization expenses, understatement of personnel costs and incompleteness of revenues.

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 period's results of operations.

Consolidated Financial statement disclosures

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

- Significant deficiency in the Government's reporting of 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 disclosure of IPSAS 25 - Employee Benefits.

Basis for Adverse Opinion (continued)

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are 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 Ethics 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 audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Other Matter

Compliance with laws, 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 laws or regulations matters as it relates to these consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Government's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Government or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Government's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR GENERAL'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Government's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Government's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Government to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2018 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Sue Winspear, CPFA
Auditor General

9 September 2019
Cayman Islands

Financial Statements

Statement of Financial Position

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

Core Actual 2015/2016	EPS Actual 2015/2016		Note	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000			CI$000	CI$000
		Current Assets			
89,097	233,449	Cash and Cash Equivalents	2	61,241	222,110
10,422	32,015	Trade Receivables	3	8,804	30,617
12,108	13,390	Other Receivables	4	17,702	21,270
1,399	-	Dividend Receivable	4	8,223	200
2,975	16,778	Inventories	5	3,149	15,239
543	2,671	Loans Made	6	592	1,888
319,522	433,314	Investments	7	400,869	519,435
4,989	9,867	Prepayments	8	2,375	7,438
-	1,640	Biological Assets	9	-	1,533
441,055	743,124	**Total Current Assets**		502,955	819,730
		Non-Current Assets			
150	150	Trade Receivables	3	427	427
-	993	Other Receivables	4	-	2,172
854	27,614	Loans Made	6	456	24,355
1,431,199	1,732,843	Property, Plant and Equipment	10	1,419,697	1,752,736
3,265	6,516	Intangible Assets	11	3,018	5,672
-	15,378	Investment Property	12	-	14,764
831	5,197	Investments	7	831	35,156
364,773	-	Net Worth - Public Entities	41	219,851	-
448	448	Other Non-Current Assets		253	436
1,801,520	1,789,139	**Total non-current assets**		1,644,533	1,835,718
2,242,575	**2,532,263**	**Total Assets**		**2,147,488**	**2,655,448**
		Current Liabilities			
15,947	20,213	Trade Payables	13	19,094	27,779
70,351	62,626	Other Payables & Accruals	13	126,271	121,508
-	2,034	Bank Overdraft	2	-	1,829
51,396	65,282	Unearned Revenue	14	61,739	73,019
8,607	10,497	Employee Entitlements	15	7,460	8,961
29,400	33,312	Retirement Benefits	16	10,000	26,269
35,727	48,388	Borrowings/Public Debts	17	31,116	43,901
-	12,877	Provisons	18	-	12,696
211,428	255,229	**Total Current Liabilities**		255,680	315,962
		Non-Current Liabilities			
-	204	Other Payables & Accruals	13	-	126
-	-	Unearned Revenue	14	13,910	13,910
386,376	447,971	Retirement Benefits	16	410,335	683,564
467,591	544,803	Borrowings/Public Debts	17	419,965	474,744
-	106,876	Currency Issued	19	-	119,544
853,967	1,099,854	**Total Non-Current Liabilities**		844,210	1,291,888
1,065,395	**1,355,083**	**Total Liabilities**		**1,099,890**	**1,607,850**
1,177,180	**1,177,180**	**Net Assets**		**1,047,598**	**1,047,598**
		Net Assets/Equity			
134,077	157,940	Reserves	20	171,245	201,746
489,490	522,158	Revaluation Reserve	20	490,848	534,146
148,532	148,532	Current Period Surplus (Deficit)		140,458	140,458
405,081	348,550	Accumulated Surplus (Deficit)		245,047	171,248
1,177,180	**1,177,180**	**Total Net Assets/Equity**		**1,047,598**	**1,047,598**

Statement of Financial Performance

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2017

Core Actual 2015/2016 CI$000	EPS Actual 2015/2016 CI$000		Note	Core Actual 2016/2017 CI$000	EPS Actual 2016/2017 CI$000
		Revenue			
674,079	673,261	Coercive Revenue	21	952,951	952,834
35,828	261,390	Sales of Goods & Services	22	59,601	384,810
2,161	5,669	Investment Revenue	23	9,242	15,631
317	931	Donations	24	1,101	2,405
36	2,771	Other Revenue		61	71
712,421	**944,022**	**Total Revenue**		**1,022,956**	**1,355,751**
		Expenses			
263,586	400,116	Personnel Costs	25	390,204	610,639
83,026	216,022	Supplies and Consumables	26	126,659	334,038
4,863	7,874	Leases		7,764	12,380
33,686	53,851	Depreciation/Amortisation	27	55,814	88,098
98,533	-	Outputs from Statutory Authorities and Government Companies	40	150,969	-
32,538	32,538	Outputs from Non-government Organisations	28	51,585	51,585
30,251	30,251	Transfer Payments	29	48,556	48,556
316	1,151	Litigation Costs		561	1,536
10,061	24,316	Other Executive Expenses	30	15,108	26,628
27,609	31,007	Finance Costs	31	39,064	43,540
584,469	**797,126**	**Total Expenses**		**886,284**	**1,217,000**
		Other (Gains)/Losses			
(350)	(350)	(Gains)/Losses on Derecognition of Assets/Liabilities		46	46
-	(107)	Impairment of Inventory		-	(313)
(2,789)	(2,913)	(Gains)/Losses on Financial Instruments		(3,498)	(3,092)
628	1,604	(Gains)/Losses on Non-financial Instruments		1,083	1,652
130	130	(Gains)/Losses on Revaluation of Asset		-	-
(18,199)	-	(Surplus)/Deficit on Statutory Authorities & Government Companies		(1,417)	-
(20,580)	**(1,636)**	**Total Other (Gains)/Losses**		**(3,786)**	**(1,707)**
148,532	**148,532**	**Surplus for the Period**		**140,458**	**140,458**

Statement of Cash Flows

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF CASH FLOWS

FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2017

Prior Year 2015/2016 CI$000		Note	Actual 2016/2017 CI$000
	Operating Activities		
	Cash received		
698,175	Coercive Receipts		957,762
253,647	Sales of Goods & Services		391,924
5,008	Interest received		13,998
837	Donations / Grants received		2,342
23,868	Other receipts		39,337
981,535	***Total cash received***		**1,405,363**
	Cash used		
(436,373)	Personnel costs		(612,770)
(169,537)	Supplies and consumables		(312,312)
(31,260)	Outputs from non-governmental organisations		(55,629)
(30,263)	Transfer payments		(47,915)
(31,812)	Financing/interest payments		(45,479)
(49,276)	Other payments		(57,477)
(748,521)	***Total cash used***		**(1,131,582)**
233,014	**Net cash flows from (used by) operating activities**	**32**	**273,781**
	Investing activities		
	Cash received		
1,603	Proceeds from sale of property, plant and equipment		212
303,989	Proceeds from the sale of Investments		668,253
305,592	***Total cash received***		**668,465**
	Cash used		
(43,588)	Purchase of property, plant and equipment		(114,995)
(453,728)	Loans Made/Investments		(764,604)
(497,316)	***Total cash used***		**(879,599)**
(191,724)	**Net cash flows from (used by) investing activities**		**(211,134)**
	Financing activities		
	Cash used		
(35,900)	Repayment of Borrowings		(73,781)
(35,900)	***Total cash used***		**(73,781)**
(35,900)	**Net cash flows from (used by) financing activities**		**(73,781)**
5,390	**Net increase/(decrease) in cash and cash equivalents held**		**(11,134)**
226,025	Cash and cash equivalents at beginning of period		231,415
231,415	**Cash and cash equivalents at end of period**	**2**	**220,281**
233,449	Cash and cash equivalents (excluding bank overdrafts)		222,110
(2,034)	Less Overdraft		(1,829)
231,415	**Cash and cash equivalents**		**220,281**

Statement of Changes in Net Worth

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF CHANGES IN NET WORTH

FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2017

	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 2015	156,612	806,179	648,047	1,610,838
Changes in net worth for 2015/16				
Property revaluation adjustments	-	(239,189)	-	(239,189)
Movement in Post Retirement Benefit	-	-	(236,366)	(236,366)
Prior Year Adjustments	-	(44,832)	(61,803)	(106,635)
Movement in Reserves	1,328	-	(1,328)	-
Net revenue / expenses recognised directly in net worth	1,328	(284,021)	(299,497)	(582,190)
Surplus/(deficit)for the year 2015/16	-	-	148,532	148,532
Total recognised revenues and expenses for the year	1,328	(284,021)	(150,965)	(433,658)
Balance at 30 June 2016 carried forward	**157,940**	**522,158**	**497,082**	**1,177,180**

	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 Year 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 2016/17	-	-	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**

Statement of Comparison of Budget and Actual Amounts

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

ENTIRE PUBLIC SECTOR

	Note	Original Budget 2016/2017 CI$000	Actual 2016/2017 CI$000	Performance Difference CI$000
Current Assets				
Cash and Cash Equivalents	2	428,901	222,110	(206,791)
Trade Receivables	3	45,904	30,617	(15,287)
Other Receivables	4	4,431	21,270	16,839
Dividends Receivable	4		200	200
Inventories	5	21,549	15,239	(6,310)
Loans Made	6	3,079	1,888	(1,191)
Investments	7	-	519,435	519,435
Prepayments	8	12,484	7,438	(5,046)
Biological Assets	9	-	1,533	1,533
Total Current Assets		**516,348**	**819,730**	**303,382**
Non-Current Assets				
Trade Receivables	3	-	427	427
Other Receivables	4	-	2,172	2,172
Loans Made	6	31,503	24,355	(7,148)
Property, Plant and Equipment	10	1,731,585	1,752,736	21,151
Intangible Assets	11	5,943	5,672	(271)
Investment Property	12	-	14,764	14,764
Investments	7	101,806	35,156	(66,650)
Other Non-Financial Assets		-	436	436
Total Non-Current Assets		**1,870,837**	**1,835,718**	**(35,119)**
Total Assets		**2,387,185**	**2,655,448**	**268,263**
Current Liabilities				
Trade Payables	13	19,379	27,779	8,400
Other Payables & Accruals	13	49,359	121,508	72,149
Bank Overdraft	2	1,589	1,829	240
Unearned Revenue	14	28,077	73,019	44,942
Employee Entitlements	15	10,473	8,961	(1,512)
Retirement Benefits	16	-	26,269	26,269
Borrowings	17	41,819	43,901	2,082
Provisons	18	-	12,696	12,696
Total Current Liabilities		**150,696**	**315,962**	**165,266**
Non-Current Liabilities				
Other Payables & Accruals	13	268	126	(142)
Unearned Revenue	14	10,500	13,910	3,410
Retirement Benefits	16	420,611	683,564	262,953
Post-Retirement Health Care		34,231	-	(34,231)
Borrowings	17	481,294	474,744	(6,550)
Currency Issued	19	97,500	119,544	22,044
Total Non-Current Liabilities		**1,044,404**	**1,291,888**	**247,484**
Total Liabilities		**1,195,100**	**1,607,850**	**412,750**
Net Assets		**1,192,085**	**1,047,598**	**(144,487)**
Net Assets/Equity				
Reserves	20	173,851	201,746	27,895
Revaluation Reserve	20	340,622	534,146	193,524
Current Period Surplus		46,624	140,458	93,834
Accumulated Surplus/(Deficit)		630,988	171,248	(459,740)
Total Net Assets/Equity		**1,192,085**	**1,047,598**	**(144,487)**

Statement of Comparison of Budget and Actual Amounts (continued)

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

CORE GOVERNMENT

	Note	Original Budget 2016/2017 CI$000	Actual 2016/2017 CI$000	Performance Difference CI$000
Current Assets				
Cash and Cash Equivalents	2	341,211	61,241	(279,970)
Trade Receivables	3	30,936	8,804	(22,132)
Other Receivables	4	8,623	17,702	9,079
Dividends Receivable	4	-	8,223	8,223
Inventories	5	3,401	3,149	(252)
Loans Made	6	735	592	(143)
Investments	7	-	400,869	400,869
Prepayments	8	7,343	2,375	(4,968)
Biological Assets			-	-
Total Current Assets		**392,249**	**502,955**	**110,706**
Non-Current Assets				
Trade Receivables	3	-	427	427
Loans Made	6	360	456	96
Property, Plant and Equipment	10	1,366,904	1,419,697	52,793
Intangible Assets	11	3,869	3,018	(851)
Investments	7	831	831	-
Net Worth - Public Entities	41	369,261	219,851	(149,410)
Other Non-Financial Assets		-	253	253
Total Non-Current Assets		**1,741,225**	**1,644,533**	**(96,692)**
Total Assets		**2,133,474**	**2,147,488**	**14,014**
Current Liabilities				
Trade Payables	13	27,591	19,094	(8,497)
Other Payables & Accruals	13	39,542	126,271	86,729
Unearned Revenue	14	16,332	61,739	45,407
Employee Entitlements	15	7,970	7,460	(510)
Retirement Benefits	16	21,400	10,000	(11,400)
Borrowings	17	30,280	31,116	836
Total Current Liabilities		**143,115**	**255,680**	**112,565**
Non-Current Liabilities				
Unearned Revenue	14	10,500	13,910	3,410
Retirement Benefits	16	366,940	410,335	43,395
Borrowings	17	420,834	419,965	(869)
Total Non-Current Liabilities		**798,274**	**844,210**	**45,936**
Total Liabilities		**941,389**	**1,099,890**	**158,501**
Net Assets		**1,192,085**	**1,047,598**	**(144,487)**
Net Assets/Equity				
Reserves	20	173,851	171,245	(2,606)
Revaluation Reserve	20	340,622	490,848	150,226
Current Period Surplus		46,624	140,458	93,834
Accumulated Surplus/(Deficit)		630,988	245,047	(385,941)
Total Net Assets/Equity		**1,192,085**	**1,047,598**	**(144,487)**

Statement of Comparison of Budget and Actual Amounts (continued)

GOVERNMENT OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2017

ENTIRE PUBLIC SECTOR

	Note	Original Budget 2016/2017 CI$000	Actual 2016/2017 CI$000	Performance Difference CI$000
Revenue				
Coercive Revenue	21	851,989	952,834	100,845
Sales of Goods & Services	22	367,261	384,810	17,549
Investment Revenue	23	6,609	15,631	9,022
Donations	24	1,033	2,405	1,372
Other Revenue		6,527	71	(6,456)
Total Revenue		**1,233,419**	**1,355,751**	**122,332**
Expenses				
Personnel Costs	25	609,046	610,639	1,593
Supplies and Consumables	26	328,224	334,038	5,814
Leases		17,564	12,380	(5,184)
Depreciation & Amoritisation	27	71,709	88,098	16,389
Outputs from Non-Government Organizations	28	34,365	51,585	17,220
Transfer Payments	29	48,929	48,556	(373)
Litigation Costs		3,078	1,536	(1,542)
Other Executive Expenses	30	33,812	26,628	(7,184)
Finance Costs	31	43,810	43,540	(270)
Total Expenses		**1,190,537**	**1,217,000**	**26,463**
Other (Gains)/Losses				
(Gains)/Losses on Derecognition of Assets/Liabilities		450	46	(404)
Impairment of Inventory		-	(313)	(313)
(Gains)/Losses on Financial Instruments		(4,192)	(3,092)	1,100
(Gains)/Losses on Non-financial Instruments		-	1,652	1,652
Total Other (Gains)/Losses		**(3,742)**	**(1,707)**	**2,035**
Surplus for the period		**46,624**	**140,458**	**93,834**

Statement of Comparison of Budget and Actual Amounts (continued)

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2017

CORE GOVERNMENT

	Note	Original Budget 2016/2017	Actual 2016/2017	Performance Difference
		CI$000	CI$000	CI$000
Revenue				
Coercive Revenue	21	851,989	952,951	100,962
Sales of Goods & Services	22	51,832	59,601	7,769
Investment Revenue	23	4,628	9,242	4,614
Donations	24	60	1,101	1,041
Other Revenue		25	61	36
Total Revenue		**908,534**	**1,022,956**	**114,422**
Expenses				
Personnel Costs	25	402,293	390,204	(12,089)
Supplies and Consumables	26	134,318	126,659	(7,659)
Leases		7,949	7,764	(185)
Depreciation & Amortisation	27	39,674	55,814	16,140
Outputs to Statutory Authorities and Government Companies	40	152,574	150,969	(1,605)
Outputs from Non-Government Organizations	28	34,365	51,585	17,220
Transfer Payments	29	48,929	48,556	(373)
Litigation Costs		722	561	(161)
Other Executive Expenses	30	7,089	15,108	8,019
Finance Costs	31	38,991	39,064	73
Total Expenses		**866,904**	**886,284**	**19,380**
Other (Gains)/Losses				
(Gains)/Losses on Derecognition of Assets/Liabilities		-	46	46
(Gains)/Losses on Financial Instruments		(4,474)	(3,498)	976
(Gains)/Losses on Non-financial Instruments		-	1,083	1,083
(Surplus)/Deficit on Statutory Authorities & Government Companies		(520)	(1,417)	(897)
Total Other (Gains)/Losses		**(4,994)**	**(3,786)**	**1,208**
Surplus for the Period		**46,624**	**140,458**	**93,834**

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18-MONTH FINANCIAL PERIOD ENDED 31 DECEMBER 2017

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.

While 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 18-month period from 1 July 2016 to 31 December 2017.

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 Law (2017 Revision) authorized by the Legislative Assembly on 27 March 2017.

Accordingly, the comparative figures in the financial statements are for the twelve months ended 30 June 2016 and are not comparable to the 31 December 2017 results. Due to the change in financial year the comparability of the financial statements of the Government of the Cayman Islands will be also be compromised for the year ending 31 December 2018.

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 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 were dealt with by using expected outcomes.

Actual results may differ from these estimates.

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

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.

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:

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.*

Amendments to IPSAS issued and applicable:

- *IPSAS 4, The Effects of Changes in Foreign Exchange Rates*
- *IPSAS 5, Borrowing Costs*
- *IPSAS 10, Financial Reporting in Hyperinflationary Economies;*
- *IPSAS 22, Disclosure of Financial Information about the General Government Sector*
- *IPSAS 24, Presentation of Budget Information in Financial Statements*
- *IPSAS 16, Investment Property*
- *IPSAS 17, Property, Plant, and Equipment*
- *IPSAS 31, Intangible Assets*
- *IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*
- *IPSAS 34, Separate Financial Statements*
- *IPSAS 36, Investments in Associates and Joint Ventures*
- *IPSAS 37, Joint Arrangements*
- *IPSAS 39, Employee Benefits*

New IPSAS issued but not yet applicable and not early adopted:

- *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).

Amendments to IPSAS issued but not yet applicable and not early adopted:

- *IPSAS 2, Cash Flow Statements* (effective for period beginning on or after January 1, 2022)
- *IPSAS 40, Public Sector Combinations.*

Budget Amounts

The original budget amounts for the financial year are as presented in the 2016/2017 Annual Plan and Estimates as approved by the Legislative Assembly on the 24 June 2016. The Final Budget does not include amounts authorised in advance of appropriation issued under section 11 (5) of the Public Management and Finance Law (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

Revenue Type	*Revenue Recognition Point*
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.

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 turtles that are either reared for slaughter or breeding.

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, 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
• Firefighting 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 period 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 period 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 Law 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 Law (2017 Revision), as amended ("the Law" or "PMFL"), 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 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
329	Cash on Hand	950
71,174	Operational Accounts - KYD	125,275
41,349	Operational Accounts - USD	41,745
5,524	Operational Accounts - GBP	2
10,268	Other Bank Accounts	13,991
104,805	Fixed Deposits (Less than 90 days)	40,147
233,449	**Cash and Cash Equivalents (excluding bank overdrafts)**	**222,110**
(2,034)	Less Overdrafts	(1,829)
231,415	**Cash and Cash Equivalents**	**220,281**

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

EPS Actual 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
179,202	Unrestricted Cash	212,331
52,213	Restricted Funds	7,950
231,415	**Cash and Cash Equivalents**	**220,281**

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 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 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$'000	CI$'000		CI$000	CI$'000
8,572	6,287	Coercive Revenue Receivable	7,152	4,872
14,889	137,466	Non-Coercive Receivable	18,392	125,041
23,461	**143,753**	**Total Trade Receivables**	**25,544**	**129,913**
(12,889)	(111,588)	Less: Provision for Doubtful Debts	(16,313)	(98,869)
10,572	**32,165**	**Net Trade Receivables**	**9,231**	**31,044**

Movement in Provision and Impairment

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
(17,307)	(98,525)	Balance at 1 July	(12,889)	(111,588)
(191)	(14,557)	Additional provisions made during the year	(3,424)	(4,680)
4,609	1,494	Receivables written off during the period	-	17,399
(12,889)	**(111,588)**	**Provision for Doubtful Debts**	**(16,313)**	**(98,869)**

Maturity Profile

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
10,422	32,015	Trade Receivables due in one year	8,804	30,617
150	150	Trade Receivabels due after one year	427	427
10,572	**32,165**	**Total Trade Receivables**	**9,231**	**31,044**

Note 4: Other Receivables

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
3,827	2,637	Advances and Expenditure Reimbursable	98	40
811	811	Dishonoured Cheques	893	893
-	33	Interest Receivable	1	106
1,399	-	Dividends Receivable	8,223	200
-	993	Long Term Other Receivables	-	2,172
7,527	9,966	Other Receivable	16,741	20,262
13,564	**14,440**	**Total Other Receivables**	**25,956**	**23,673**
(57)	(57)	Less: provision for Doubtful Debts	(31)	(31)
13,507	**14,383**	**Net Other Receivables**	**25,925**	**23,642**

Movement in Provision and Impairment

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
(57)	(57)	Balance at 1 July	(57)	(57)
-	-	Additional provisions made during the year	26	26
(57)	**(57)**	**Provision for Doubtful Debts**	**(31)**	**(31)**

Maturity profile

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
13,507	13,389	Other Receivables due in one year	25,925	21,470
-	994	Other Receivabels due after one year	-	2,172
13,507	**14,383**	**Total Trade Receivables**	**25,925**	**23,642**

Note 5: Inventories

EPS Actual 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
338	Raw Materials (including consumable stores)	311
2,625	Inventory held for use in the provision of goods and services	3,136
1,621	Other Inventories for use within one year	1,714
1,323	Water Inventory	1,280
7,389	Pharmaceutical and Medical Supplies	6,306
2,003	Inventory of Unissued Currency Notes and Coins	1,602
818	Coins awaiting melt-down, Coins for resale and Bullions	765
661	Affordable Houses	125
16,778	**Total Inventories**	**15,239**

Managed by:		
CI$000		CI$000
2,975	Central Government	3,149
13,803	Statutory Authorities & Government Companies	12,090
16,778	**Total Inventories**	**15,239**

Maturity profile

Maturity Profile EPS Actual 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
16,778	Inventories for use in one year	15,239
16,778	**Total Inventories**	**15,239**

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

Total write off of inventory due to impairment was $312,682 (2016: $231,000)

Note 6: Loans Made

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
12,331	Medical Loans	12,008
268	Mortgage Loans	220
74	Home School Association	74
2,673	Loans (due within 12 months)	1,888
31,060	Commercial Loans	27,799
137	Private Schools	77
46,543	**Total Loans Made**	**42,066**
(16,258)	Less: Provision for Impairment Losses	(15,823)
30,285	**Net Loans Made**	**26,243**

Managed by:

CI$000		CI$000
1,397	Central Government	1,048
28,888	Statutory Authorities & Government Companies	25,195
30,285	**Total Net Loans Made**	**26,243**

Movement in Provision and Impairment

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
(18,285)	Balance at 1 July	(16,258)
939	Additional provisions made/Write-back of provisions during the year	435
1,088	Write off of Loans Made during the period	-
(16,258)	**Provision for Impairment Losses**	**(15,823)**

Maturity Profile

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
2,671	Amounts due within 12 months	1,888
27,614	Amounts due after 1 year	24,355
30,285	**Total Net Loans Made**	**26,243**

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 2017, the Government had investments amounting to $554.6 million (2016: $438.5 million).

Short -Term Investments

EPS Actual 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
432,501	Marketable Securities and Deposits	516,989
813	Interest Receivable	2,446
433,314	**Short-Term Investments**	**519,435**

Long-Term Investment

EPS Actual 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
4,366	Marketable Securities	34,325
591	Caribbean Development Bank	591
240	Cayman First Insurance Limited	240
5,197	**Long-Term Investments**	**35,156**
438,511	**Total Investments**	**554,591**

Investment Held by:

EPS Actual 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
320,353	Central Government	401,700
118,158	Statutory Authorities & Government Companies	152,891
438,511	**Total Investment**	**554,591**

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 18 January 2018 and 31 October 2018, and the Federal Reserve Repurchase Agreement with a maturity date 02 January 2018, 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 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
44,333	Federal Reserves repurchase Agreement at 0.07%	57,583
52,334	US Treasury Notes	36,594
6,561	AAA Corporate bonds	-
2,494	US Fed Farm Disc Note	-
326,779	Fixed Deposits (over 90 days but within 365 days)	422,812
813	Interest receivable	2,446
433,314	**Short-Term Investments**	**519,435**

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 3.043% and maturity dates between 30 April 2019 and 20 October 2042.

EPS Actual 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
-	1-5 years	31,119
-	6-10 years	689
4,366	Over 10 years	2,517
4,366	**Marketable Securities**	**34,325**

Caribbean Development Bank

The Government holds 533 Authorised Capital Stock and Member Subscription shares in the Caribbean Development Bank; of which 117 shares valued at $591,000 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.

Reserve Fixed Deposits

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
386,298	Unrestricted Funds	260,783
52,213	Restricted Funds	293,808
438,511	**Total Investment**	**554,591**

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 Core Government held restricted funds of $178.1 million of which $170.2 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 Law (2017 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 Law, 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 2017, the value of Currency Reserve Assets was $131.9 million (2016: $118.5 million) representing 110.36% (2016: 110.88%) of total Demand Liabilities. The value of external assets equated to 105.92% (2016: 105.65%) while the value of local assets as at 31 December 2017 equated to 4.44% (2016: 5.32%) of Demand Liabilities.

Note 8: Prepayments

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
2,491	4,520	Prepaid Insurance	364	479
2,498	5,347	Other Prepayments	2,012	6,960
4,989	**9,867**	**Total Prepayments**	**2,376**	**7,439**

Maturity Profile

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
4,989	9,867	Prepayments due in one year	2,376	7,439
4,989	**9,867**	**Total Prepayments**	**2,376**	**7,439**

Note 9: Biological Assets

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
	Livestock, at fair values:	
1,290	Secondary herd	1,195
350	Breeder herd	338
1,640	**Biological Assets**	**1,533**

CI$000	Held by:	CI$000
-	Central Government	-
1,640	Statutory Authorities & Government Companies	1,533
1,640	**Total Biological Assets**	**1,533**

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

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
1,101	Carrying value at beginning of year	1,290
140	Change attributable to differences in fair values	(97)
598	Biological transformation	470
(549)	Sales, at year end fair values	(468)
189	Net change in biological assets included in income	(95)
1,290	**Carrying value at end of year**	**1,195**

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

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

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
336	Carrying value at beginning of year	350
14	Net (decrease)/increase during the year	(12)
350	**Carrying value at end of year**	**338**

Net additions during the year comprise the costs attributable to new breeders added, weight gained during the year, less mortalities. During the years ended 31 December

2017 no new breeder (2016: Nil) was added to the herd and 9 turtles (2016: 8) were transferred to the secondary herd or died. As of 31 December 2017 there was $500,000 (2016: $500,000) insurance coverage associated with the livestock.

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 2015	576,942	66,556	570,409	19,917	30,453	8,248	8,152	26,827	721,793	96,315	39,537	5,222	22,028	96,748	2,289,149
Additions	5,170	5,069	5,012	637	1,343	445	785	2,294	2,018	144	6,975	141	3,656	17,437	51,127
Revaluations	698		48,652			-		72	(231,145)		-		(283)	-	(182,006)
Disposal / Derecognition	(1,290)	(2,622)	(32)	(159)	(661)	(190)	(169)	(184)	(35)	-	(1,350)	-	-	417	(6,275)
Adjustments & Transfers	-	624	852	66	311	44	126	297	-	3,604	(154)	-	-	(3,892)	1,878
Balance as at 30 June 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	2,153,873
Balance as at 01 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	2,153,873
Additions	2,823	2,960	808	1,227	2,583	306	654	1,876	197	6,910	167	399	7,959	63,652	92,720
Revaluations		4	26,110	120	42	187	20	-	12	(903)	1,689	15	-	(2,085)	25,210
Disposal / Derecognition	(82)	(728)	-	(454)	(656)	(332)	(520)		(4)	(150)	-		-	(2,518)	(5,444)
Adjustments & Transfers	62,329	(84)	(96,374)	(2,110)	(564)	(686)	(215)	1,233	(109,256)	10,174	(1,874)	72	(2,207)	(8,579)	(148,140)
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

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 2015	-	45,853	143,577	13,782	25,490	6,552	5,671	17,788	44,455	39,068	30,464	2,269	6,706	-	381,674
Eliminate on Disposal/Derecognition	-	(2,913)	(23,575)	(98)	(773)	(310)	(169)	(151)	(261)	(108)	(1,900)		-	-	(30,257)
Adjustments & Transfers	-	206	(33)	414	289	46	135	15	6	(11)	21	-	-	-	1,088
Depreciation Expense	-	4,673	20,595	1,201	2,334	611	401	1,564	12,030	3,261	2,809	327	1,633	-	51,439
Impairment	-	49	17,036	-	-	-	-	-	-	-	-	-	-	-	17,085
Balance as at 30 June 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	-	421,029
Balance as at 01 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	-	421,029
Eliminate on Disposal/Derecognition	-	(1,994)	(19,206)	(268)	(2,564)	(411)	-	(1,114)	(885)	(1,301)	(2,442)	-	-	-	(30,186)
Adjustments & Transfers	-	(633)	(59,640)	(1,904)	(1,211)	(574)	(248)	654	(50,206)	8,583	(1,197)	15	(2,036)	-	(108,398)
Depreciation Expense	-	5,989	33,124	1,757	3,690	663	584	3,226	18,546	5,936	5,269	505	3,748	-	83,038
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
Net Book value 30 June 2015	576,942	20,703	426,832	6,135	4,963	1,697	2,481	9,040	677,338	57,247	9,074	2,953	15,322	96,748	1,907,475
Net Book value 30 June 2016	581,519	21,760	467,293	5,161	4,107	1,648	2,857	10,091	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

Assets under Construction or Development

Below is a summary of major projects under construction or development as at 31 December 2017:

Agency	Description	2017 CI$000	2016 CI$000
Ministry of Education, Employment & Gender Affairs	NJGHS Construction	44,796	46,819
Cayman Islands Airports Authority	ORIA Expansion Project	46,557	12,937
Water Authority of the Cayman Islands	Grand Cayman – WBSS – Pipeline Install	810	-
Water Authority of the Cayman Islands	Cayman Brac – Site Preparation	546	546
Cayman Islands Port Authority	Spotts Landing Facility	-	315
Cayman Islands Port Authority	CDC Development	349	-
Cayman Islands Port Authority	New Building (CYB)	121	120

Owen Roberts International Airport Expansion and Renovation Project

The Owen Roberts International Airport Expansion and Renovation Project 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. The first phase on the west end of the terminal commenced in September 2015 is now complete. Phase Two will be carried out in sub-phases to enable the terminal to remain fully functional, safe and secure throughout the construction periods.

In December 2017 a major milestone was met with the opening of the new check-in area. The entire project is scheduled to be completed in 2018 with the airport almost tripling in size to over 207,000 square feet.

Pledged Assets

The Statutory Authorities and Government-Owned Companies have pledged a number of assets that secured loans as detailed below:

Agency	Asset Class	Carrying Value/Registered Charges as at 31 December 2017 CI$000
Health Services Authority	Land and Buildings	2,632
Water Authority	Buildings	4,292

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
- Cayman land Info 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 Cayman land Info 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 2015	22,514	56	1,684	24,254
Additions	1,293	-	44	1,337
Revaluations	591	-	-	591
Disposal/ Derecognition	(1,198)	-	-	(1,198)
Adjustments & Transfers	(273)	-	(50)	(323)
Balance as at 30 June 2016	22,926	56	1,678	24,660

Balance as at 1 July 2016	22,926	56	1,678	24,660
Additions	1,503	-	-	1,503
Disposal/ Derecognition	(67)	-	-	(67)
Adjustments & Transfers	(2,698)	-	(1,678)	(4,376)
Balance as at 31 December 2017	21,664	56	-	21,720

Accumulated Amortization and impairment losses

	Computer Software	*Other Intangible Assets*	*Intangible Assets under construction or development*	*Total*
Balance as at 1 July 2015	16,730	37	-	16,767
Eliminate on Disposal/Derecognition	(137)	-	-	(137)
Adjustments & Transfers	(299)	-	-	(299)
Amortization Expense	1,801	12	-	1,813
Balance as at 30 June 2016	18,095	49	-	18,144

Balance as at 01 July 2016	18,095	49	-	18,144
Eliminate on Disposal/Derecognition	(334)	-	-	(334)
Adjustments & Transfers	(4,184)	-	-	(4,184)
Amortization Expense	2,420	2	-	2,422
Balance as at 31 December 2017	15,997	51	-	16,048

Net Book value 30 June 2015	5,784	19	1,684	7,487
Net Book value 30 June 2016	4,831	7	1,678	6,516
Net Book value 31 December 2017	5,667	5	-	5,672

Note 12: Investment Property

EPS Net 2015/2016 CI$000	Description	EPS Net 2016/2017 CI$000
	Cost	
19,906	Balance as at 1 July	19,949
43	Additions	46
19,949	**Total Cost**	**19,995**
	Accumulated Depreciation	
4,133	Balance as at 1 July	4,571
438	Charge for Period	660
4,571	**Total Accumulated Depreciation**	**5,231**
15,378	**Net Book value**	**14,764**
	Managed by:	
CI$000		**CI$000**
-	Central Government	-
15,378	Statutory Authorities & Government Companies	14,764
15,378	**Total Loans Made**	**14,764**

Investment Property consist of retail shops which are leased.

Management received an independent professional appraisal of the Investment Property from BCQS as at 30 June 2014. The fair value of the investment property was indicated at CI$24.5 million. Despite this, Management decided to retain the historical cost basis of accounting for the Investment Property.

Management has decided to obtain a second valuation to better inform the decision to move to the fair value method. This is being pursued but was not concluded for the period ended 30 December 2017.

EPS Net 2015/2016 CI$000	Description	EPS Net 2016/2017 CI$000
1,088	Rental income from investment properties	1,562
-	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 2015/2016 CI$000	EPS Actual 2015/2016 CI$000	Description	Core Actual 2016/2017 CI$000	EPS Actual 2016/2017 CI$000
15,947	20,213	Trade Payables	19,094	27,779
1,201	1,632	Payroll Deductions	2,394	1,850
34,768	38,385	Accruals	98,102	96,337
1	1	Trust liabilities	1	1,384
31	862	Transfers payable	22	269
3,782	3,848	Interest	3,353	3,723
22,417	-	Core government trade with other public entities	12,320	-
2,028	-	Amounts due to public entities	2,073	-
3,676	3,677	Owing to trusts	3,811	3,812
377	-	Accruals- Equity Injection	1,116	-
2,070	14,425	Other Payables	3,079	14,259
86,298	**83,043**	**Total Trade Payables, Accruals and Other Payables**	**145,365**	**149,413**

Maturity Profile

Core Actual 2015/2016 CI$000	EPS Actual 2015/2016 CI$000	Description	Core Actual 2016/2017 CI$000	EPS Actual 2016/2017 CI$000
86,298	82,839	Current	145,365	149,160
-	204	Non-current	-	253
86,298	**83,043**	**Total Trade Payables, Accruals and Other Payables**	**145,365**	**149,413**

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

Note 14: Unearned Revenue

EPS Actual 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
1,493	Customs Deposits	1,369
26,411	Immigration Deposits	25,425
8,966	Cayman Airways Deposits	7,266
5,416	General Registry Deposits	27,897
14,282	Lease of Crown Lands	13,918
8,714	Revenue and Other Deposits Held	11,054
65,282	**Total Unearned Revenue**	**86,929**

Held by

CI$000		CI$000
51,396	Central Government	75,649
13,886	Statutory Authorities & Government Companies	11,280
65,282	**Total Unearned Revenue**	**86,929**

Maturity Profile

EPS Actual 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
65,282	Current	73,019
-	Non-current	13,910
65,282	**Total Unearned Revenue**	**86,929**

Note 15: Employee Entitlements

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
6,051	7,174	Annual Leave	5,100	6,045
593	1,008	Salary & Wages	527	769
1,963	2,315	Other	1,833	2,146
8,607	**10,497**	**Total Employment Entitlement**	**7,460**	**8,960**

Maturity Profile

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
8,607	10,497	Current	7,460	8,960
8,607	**10,497**	**Total Employment Entitlement**	**7,460**	**8,960**

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 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
415,776	449,495	Pension Liability	420,335	459,301
-	31,758	Post Retirement Health Care Liability	-	250,532
-	30	Other Post Retirement Liability	-	-
415,776	**481,283**	**Total Retirement Benefits**	**420,335**	**709,833**

Maturity Profile

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
29,400	33,312	Current	10,000	26,269
386,376	447,971	Non-current	410,335	683,564
415,776	**481,283**	**Total Retirement Benefits**	**420,335**	**709,833**

The Government, under the provisions of the Public Service Management Law, 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

IPSAS 25 – 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 2017 actuarial valuation is a net liability of $464.9 million (central government net liability - $420.3 million). A summary of the results are shown below:

	2016/2017 CI$000	2015/2016 CI$000
Core Government	399,808	398,622
Parliamentarian Pensions	20,747	17,030
Judicial Pensions	(220)	124
Central Government Pension Liability Fair Value	420,335	415,776
Statutory Authorities and Government Companies	38,966	33,719
Entire Public Sector Pension Liability Fair Value	**459,301**	**449,495**

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	722,570	29,902	6,118	**758,590**	**69,162**	**827,752**
Fair Value of plan assets	325,905	10,920	7,053	**343,878**	**30,196**	**374,074**
Deficit/Surplus for funded plans	396,665	18,982	(935)	**414,712**	**38,966**	**453,678**
Unrecognised net actuarial gain/(loss)	3,143	1,765	715	**5,623**	-	**5,623**
Net liability/(asset)	**399,808**	**20,747**	**(220)**	**420,335**	**38,966**	**459,301**

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:

	2017	2016
Discount rate (weighted average assumptions to determine benefit obligations)		
1. Discount rate	3.80%	4.00%
2. Rate of salary increase	2.50%	3.50%
3. Rate of price inflation	2.00%	2.50%
4. Rate of pension increases	2.00%	2.50%
Discount rate (weighted average assumptions to determine net pension cost)		
1. Discount rate used to determine DBO at beginning of year	4.00%	4.75%
2. Discount rate used to determine current service cost	4.10%	4.75%
3. Discount rate used to determine interest on current service cost	3.80%	4.75%
4. Discount rate used to determine interest on defined benefit obligation	3.40%	3.50%
5. Expected long term rate of return on plan assets	7.00%	7.00%
6. Rate of salary increase	3.50%	2.50%
7. Rate of price inflation	2.50%	2.50%
8. Rate of pension increases	2.50%	2.50%
Assumed life expectations on retirement age 65		
1. Retiring today (member age 65)	30.24	30.21
2. Retiring in 25 years (member age 40 today)	32.51	32.49

Plan Assets

Percentage of plan assets by asset allocation:

	2017
Equity Investments	80.00%
Debt Securities	19.00%
Other	1.00%

Actual return on plan assets was $72 million.

Pensions Funding Valuation

An Actuarial Valuation with an effective date of 1 January 2014 was conducted for the Public Service Pension Fund. The Public Service Pension Fund constitutes three separate Plans; the Public Service Pensions Plan, the Parliamentary Pensions Plan and the Judiciary Pensions Plan. These Actuarial Valuation Reports were accepted by the Public Service Pension Board and are waiting Cabinet to be tabled in the Legislative Assembly.

The actuarial valuation calculated a fund deficiency of $226 million as at 1 January 2014, using a discount rate of 7%. This represents fund deficiencies arising from participants having accrued considerable defined benefit entitlements prior to the establishment of the pension fund.

Future contribution requirement

In order to sustain the Fund, contributions for defined contribution participants need to be 12.4% or $23.19 million per year of salary and wages.

The contribution needed for defined benefit participants is required to be $29.87 million based on cost plus amortization of the actuarial deficiency over a 20 year period.

Based on the above, the total annual cost, based on the active pensionable payroll is estimated at $53.06 million or 15.04% of salary and wages.

Post-Retirement Health Care Benefit

In addition to the Past Service Pension Liability, the Government also recognizes its obligations for the future health care 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 health care benefit upon retirement. However, the Public Service Management Law 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 health care liability actuarial valuation, completed in March 2018, estimated the post-retirement health care obligation as at 31 December 2017 to be $1.7 billion (net $1.6 billion) with the post-retirement medical expense totalling $240.1 million for the period ended 31 December 2017. The assumptions of the actuarial valuation have not been accepted by the Government and therefore the post-retirement health care obligation and related expenditure has not been formally 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 health care liability.

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

Other Post Retirement Benefit

In 1997 the Board of Directors of Cayman Turtle Farm (1983) Limited approved a severance pay package entitling employees with over 25 years of service to a cash payment on retirement and payment of their health insurance premiums after retirement for a period to be determined by the Board of Directors. There are no eligible employees at 31 December 2017 (2016: None) and the total liability of the Company in respect of past service benefits for retired employees is approximately CI$Nil (2016: CI$29,771).

Note 17: Borrowing /Public Debt

Description	Opening Balance 1 July 2016	Drawdowns/ Additions	Repayments	Revaluation	Closing Balance 31 December 2017
	CI$000	CI$000	CI$000	CI$000	CI$000
Core	503,318	-	52,306	69	451,081
Water Authority of the Cayman Islands	3,926	-	2,144	-	1,782
Port Authority of the Cayman Islands	1,753	-	1,753	-	-
Cayman Islands Development Bank	32,209	-	8,282	-	23,927
Health Services Authority	1,389	-	1,389	-	-
National Housing Development Trust	15,742	-	1,917	-	13,825
Cayman Airways Limited	20,368	-	376	-	19,992
Cayman Islands Turtle Farm (1983) Limited	14,486	-	6,448	-	8,038
Total	**593,191**	**-**	**74,615**	**69**	**518,645**

Maturity Profile

Core Net 2015/2016	EPS 2015/2016		Core Net 2016/2017	EPS 2016/2017
CI$000	CI$000		CI$000	CI$000
		Local Currency Debt		
-	882	Not later than one year	-	620
-	786	Between one and two years	-	449
-	2,701	Between two and five years	-	1,617
-	3,779	Later than five Years	-	3,086
-	**8,148**	**Total Local Currency Debt**	**-**	**5,772**
		Foreign Currency Debt (stated in $CI)		
34,878	46,979	Not later than one year	30,280	41,499
34,869	46,035	Between one and two years	312,726	325,504
337,759	363,744	Between two and five years	68,909	98,005
95,812	128,285	Later than five years	39,166	47,865
503,318	**585,043**	**Total Foreign Currency Debt**	**451,081**	**512,873**
503,318	**593,191**	**Total Outstanding Debt**	**451,081**	**518,645**
		Local Currency Marketable Securities and Deposits		
-	7,875	Not later than one year	-	23,123
-	-	Between one and two years	-	-
-	-	Between two and five years	-	-
-	-	Later than five years	-	-
-	**7,875**	**Total Local Currency Marketable Securities and Deposits**	**-**	**23,123**
		Foreign Currency Marketable Securities and Deposits (stated in CI$)		
319,522	425,440	Not later than one year	400,869	501,487
-	-	Between one and two years	-	25,944
-	-	Between two and five years	-	689
-	4,366	Later than five years	-	2,517
319,522	**429,806**	**Total Foreign Currency Marketable Securities and Deposits**	**400,869**	**530,637**
319,522	**437,681**	**Less :Total Marketable Securities and Deposits**	**400,869**	**553,760**
183,796	**155,510**	**Net Public Debt**	**50,212**	**(35,115)**

Core Net 2015/2016	EPS 2015/2016		Core Net 2016/2017	EPS 2016/2017
CI$000	CI$000		CI$000	CI$000
34,878	47,861	Current Portion	30,280	42,119
468,440	545,330	Non-current Portion	420,801	476,526
503,318	**593,191**	**Total Debt**	**451,081**	**518,645**

Credit Rating

Based on the 2017 credit rating done by Moody's Investor Services the Cayman Islands Government has an international credit rating of Aa3/STA. As of August 2018 this rating remains the same.

Note 18: Provisions

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
10,216	Provision for health claims incurred but not yet reported	10,206
2,661	Other Provisions	2,490
12,877	**Total Provisions**	**12,696**

Movement in Provisions

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
11,657	Balance at 1 July	12,877
1,226	Additional provisions made during the year	34
(6)	Provisions utlised during the year	(215)
12,877	**Provision for Impairment Losses**	**12,696**

Maturity Profile

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
12,877	Current	12,696
12,877	**Total Provisions**	**12,696**

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 inforce. 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 Law 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 on the Statement of Financial Position.

Casualty Investigation Fund

The Cayman Islands Government/Maritime Authority of the Cayman Islands (MACI) is party to the SOLAS Convention 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 the sinking fund to be designated for carrying out casualty investigation on board Cayman registered vessels. The fund currently has a balance of $238,624 (2016:$109,484) of which the full amount form part of the 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 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
95,738	Currency notes in circulation	107,804
11,138	Currency coins in circulation	11,740
106,876	**Total Demand Liabilities**	**119,544**

The Monetary Authority Law (2011 Revision) mandates that a reserve shall represent at least 15% of Demand Liabilities.

Note 20: Reserves

EPS Actual 2015/2016	Description	EPS Actual 2016/2017
CI$000		CI$000
1,248	Housing Guarantee Reserve Fund	815
59,227	Environmental Protection Fund	56,572
2,228	Infrastructure Development Fund	2,228
18,336	Sinking Fund for 2009 Bond Issue	6,434
2,021	Student Loan Reserve Fund	2,144
5,077	National Hurricane Disaster Reserve Fund	5,575
67,976	General Reserve	119,594
375	Currency Issue Reserve	375
1,252	Capital Expenditure Reserve	7,809
200	Restricted Funds and Contigency Reserves	200
522,158	Asset Revaluation Reserve	534,146
680,098	**Total Reserves**	**735,892**

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 Law (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) Law 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.

Sinking Fund for 2009 Bond Issue

The Sinking Fund for 2009 Bond Issue was created to fund future payments for the retirement of a 2009 Bond that matures in 2018.

Student Loan Reserve Fund

The Student Loan Reserve Fund was established in 1999 in accordance with Section 30 of the Public Finance and Audit Law (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 Law (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, General Reserve for the Cayman Islands Monetary Authority and the Statutory Reserve Fund.

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 $97.5 million (2016: $45.9 million).

Cayman Islands Monetary Authority maintains a General Reserve in accordance with Section 8 of the Monetary Authority Law (2017 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 2017, The General Reserve was $21.5 million (2016: $20.6 million) equating to 17.98% (2016: 19.31%) of Demand Liabilities.

Under Section 20 of the Cayman Islands Development Bank Law (2004 Revision), the Bank is required to establish a Statutory Reserve Fund. The Bank transfers 20% of its annual net income until the balance reaches the paid-up portion of the authorized capital of the Bank (currently $7.3 Million). There was no transfer to the Reserve Fund for the 18 months ended December 31, 2017 as the bank made a loss (2016: 2,126). As of December 31, 2017, the Statutory Reserve Fund has a balance of $62,973 (2016: $62,973).

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 Law (2017 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.

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 2017, the Museum's equity includes a contingency reserve of CI\$200,000 (2016: 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. A revaluation was carried out during the fiscal year 2015/2016 for the majority of fixed assets owned by the Cayman Islands Government and a total reduction of \$257 million was debited to the Assets Revaluation Reserves.

Note 21: Coercive Revenue

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
176,328	Levies on International Trade and Transactions	266,300
421,301	Domestic Levies on Goods and Services	574,956
55,428	Levies on Property	96,120
2,151	Fines	3,519
18,053	Other Executive Revenue	11,939
673,261	**Total Coercive Revenue**	**952,834**

Coercive revenue types and percentages (%) of earnings during the 18-month period with 2015/2016 (12-month period) data is shown below:

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000	% of Total Coercive %
159,834	Import Duties	243,239	26%
31,592	Banks and Trust Licenses	30,074	3%
146,863	Company Registry Fees	182,135	19%
79,364	Work Permits & Other Immigration Fees	135,145	14%
44,544	Mutual Fund Administrators	49,213	5%
52,987	Stamp Duty - Land Transfers	76,340	8%
16,494	Cruise & Environment Tax	23,061	2%
21,134	Tourist Accommodation Charges	33,559	4%
16,652	Proceeds of Liquidated Entities	3,550	0%
103,797	Other Fees	176,518	19%
673,261	**Total Coercive Revenue**	**952,834**	**100%**

Note 22: Sales of Goods and Services

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$'000	CI$000		CI$000	CI$000
25,938	63,048	Fees and Charges	41,968	80,823
5,567	154,418	General Sales	8,512	242,717
842	2,703	Rentals	2,010	3,955
2,416	-	Outputs to Other Government Agencies	3,800	-
1,065	41,221	Other Sales of Goods and Services	3,311	57,315
35,828	**261,390**	**Total Sales of Goods and Services**	**59,601**	**384,810**

A summary of the entity revenues earned during the 18-month period ended 31 December 2017 along with the 2015/2016 (12-month period) data is provided below:

EPS Actual 2015/2016	Description	EPS Actual 2016/2017	% of Total Sales of Goods and Services
CI$000		CI$000	%
74,096	Airline Revenues	73,670	19%
122,288	Other Miscellaneous fees	225,592	59%
31,401	Water Sales	42,091	11%
16,868	Port Revenues	26,227	7%
5,386	Marine Survey Fees	7,151	2%
169	Health Care Services	378	0%
4,382	Passenger Charges and Taxes	6,070	2%
4,288	Sewerage fees	-	0%
2,512	Garbage Fees	3,631	1%
261,390	**Total Sales of Goods and Services**	**384,810**	**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 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
2,143	2,930	Interest on Cash and Deposits	8,948	11,060
1	1,257	Royalties	2	1,929
17	1,482	Other	22	2,372
-	-	Investment in Sagicor	270	270
2,161	**5,669**	**Total Investment Revenue**	**9,242**	**15,631**

Note 24: Donations

During the period ended 31 December 2017, the Government received donations totalling \$2.4 million. The majority of these funds, approximately \$1.3 million were received by Statutory Authorities and Government Owned Companies, which normally receive donations as part of normal operations. All obligations relating to these donations have been satisfied and are therefore recognised as revenue.

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI\$000	CI\$000		CI\$000	CI\$000
317	931	Donation Received	1,101	2,405
317	**931**	**Total Donation Received**	**1,101**	**2,405**

Note 25: Personnel Costs

Core Actual 2015/2016 CI$000	EPS Actual 2015/2016 CI$000	Description	Core Actual 2016/2017 CI$000	EPS Actual 2016/2017 CI$000
195,525	333,653	Salaries, Wages and Allowances	304,490	518,883
32,906	7,625	Health Care	51,461	14,877
11,404	19,713	Pension	17,804	28,086
558	552	Leave	(431)	(813)
22,052	25,389	Defined Benefit Pension Liability	14,250	14,304
-	5,868	Post Retirement Health Care Liability	-	26,755
1,141	7,316	Other Personnel Costs	2,630	8,547
-	-	Voluntary Separation Package	-	-
263,586	**400,116**	**Total Personnel Costs**	**390,204**	**610,639**

As at 31 December 2017 Government total staff complement was 6,250 employees (2016: 5,964 employees):

	2017	2016
Core Government	3,778	3,603
Statutory Authorities & Government Companies	2,472	2,361
Total number of employees	**6,250**	**5,964**

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 Law.

Note 26: Supplies and Consumables

Core Actual 2015/2016 CI$000	EPS Actual 2015/2016 CI$000	Description	Core Actual 2016/2017 CI$000	EPS Actual 2016/2017 CI$000
16,720	48,323	Supplies and Materials	22,782	76,126
41,186	95,491	Purchase of services	70,019	152,143
11,714	20,760	Utilities	16,116	29,373
5,785	11,606	General Insurance	7,038	12,751
1,828	4,232	Travel and Subsistence	3,118	6,037
2,246	3,365	Recruitment & Training	2,343	4,741
3,547	32,245	Other	5,243	52,867
83,026	**216,022**	**Total Supplies & Consumables**	**126,659**	**334,038**

Note 27: Depreciation and Amortisation Expense

Core Actual 2015/2016	EPS Actual 2015/2016	Description	Core Actual 2016/2017	EPS Actual 2016/2017
CI$000	CI$000		CI$000	CI$000
32,711	51,552	Property, Plant, and Equipment	54,391	85,016
975	1,861	Intangible Assets	1,423	2,422
-	438	Investment Property	-	660
33,686	**53,851**	**Total Depreciation and Amortization**	**55,814**	**88,098**

Note 28: Outputs from Non-Government Organizations

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 18-month period ending 31 December 2017 was $51.6 million (2016: $32.4 million). The largest category of these payments was for the provision of tertiary care to overseas organisations, which totalled $30.1 million or 58% (2016: $17.3 million or 54%) of Outputs from Non-Government Organizations.

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
30	Organize, Administer and Execute the Cayman Islands Fishing Tournament	30
3,100	Legal Aid Services	3,786
30	Organization of Batabano Festival	45
22	HIV/AIDS and First Aid Public Education Programmes	33
231	Management of Small Business Development	345
126	Employee Assistance Programme	218
16	Spaying and Neutering of Dogs and Cats	48
90	Teaching of Tertiary Education Courses	485
50	Miss Cayman Committee	125
54	Supervision of Pre-School Children	54
1,530	Primary and Secondary Education by Private Schools	2,217
3,430	Services for Irregular Migrants	4,023
9	Mentoring Cayman Programme	9
51	Palliative Care Nursing	120
45	Social Marketing for Prevention of HIV/AIDS	68
17,352	Tertiary Care at Various Overseas Institutions	30,093
3	Gardening Projects and Landscaping	5
79	Elite Athletes Programme	118
39	Youth Development Programmes	290
679	Sports Programmes	979
-	Community Development, Prevention and Beautification Programmes	31
124	School Lunch and Uniform Programmes	162
1,800	Care of the Indigent, Elderly and Disabled Persons	2,100
117	General Programmes and Children Services	176
225	Foster Care for Children	338
124	Community Programmes	226
1,853	Rental Accommodation for Persons in Need	3,689
99	Burial Assistance for Indigents	196
300	Support for Battered Women and Children	482
11	Therapeutic Services for Young Persons	37
770	Preservation of Natural Environments and Places of Historic Significance	855
26	Autism Diagnostics and Sexual Trauma Recovery Programme	43
23	K9 Security Services	41
79	Other Sports Programmes	97
21	Other Health and Cultural Programmes	21
32,538	**Total Outputs from Non-government Organizations**	**51,585**

Note 29: Transfer Payments

Transfer payments are the transfer of money from Government to an individual, organization 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 18-month period ending 31 December 2017, the Government of the Cayman Islands made transfer payments of $48.6 million (2016: $30.2 million). Included in the amount was $17.8 million (2016: 10.7 million) in local and overseas education scholarships, $11.5 million (2016: $7.3 million) in Poor Relief, $9.6 million (2016: $6.2 million) in benefit payments to seamen and ex-servicemen.

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
626	Tourism Scholarships	1,188
17	Miss Cayman Scholarships	75
714	Pre-School Educational Assistance	1,008
10,763	Local and Overseas Scholarships and Bursaries	17,820
5,799	Poor Relief Payments	8,562
1,500	Poor Relief Vouchers	2,944
13	Temporary Poor Relief for Young Parents Programme (YPP) Students	24
13	Youth After Care Payments	39
99	Emergency Relief Payments	130
5,222	Ex-Gratia Benefit Payments to Seamen	8,262
999	Benefit Payments to Ex-Servicemen	1,307
82	Youth Programmes and Other Non-Governmental Organisations	68
19	Pre-School Assistance	90
180	Other Educational and Training Assistance	202
180	Promotion of Nation	-
607	Employment Initiatives	905
358	Children and Family Services Support	578
70	Support for Services at the Red Cross	105
172	Housing Assistance	500
555	Student Enrichment and Support Services	870
140	Support to Local Business Associations	168
93	Sister Islands Home Repairs Assistance	270
437	Sports and Cultural Tourism Programmes Assistance	899
60	Support for the Bridge Foundation	165
520	Other Youth and Sports Programmes	627
150	Other Health & Cultural Programme Assistance	195
25	Assistance in respect to Importation of Livestock	112
393	Needs Assessment Support	919
26	Assistance for Infrastructure Development	14
419	Disaster Relief Assistance	-
-	Ex-Gratia Payments Compensation - Linford Pierson expansion	510
30,251	**Total Outputs from Non-government Organizations**	**48,556**

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 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
40	Universal Postal Union	53
120	Conference Contributions	205
14,257	Doubtful Debt Expenses	12,474
5,039	Settlement of Case - Entity	831
2	Postal Supplies-Exec Org	-
45	Executive bank Charges	77
499	Debt Write off-Executive Transactions	164
1,305	Judiciary Expenses	1,894
671	Constituency Allowance	1,198
46	Contribution to Caribbean Financial Action Task Force	89
153	Caribbean Economic Community (CARICOM) Fees	232
-	Caribbean Regional Technical Assistance Centre (CARTAC) Contribution	377
11	Subscription to Caribbean Examinations Council	-
161	University of the West Indies	243
3	Caribbean Food & Nutrition Institution	-
6	Pan American Health Organisation Subscription	6
5	Caribbean Health Research Council	-
13	CAREC	-
454	Caribbean Catastrophe Risk Insurance Facility - Annual Premium	1,256
468	Court of Appeal Expenses	871
-	United Nations Caribbean Environmental Programme	12
125	Commonwealth Parliamentary Association	187
5	World Anti-Doping Agency	3
3	Regional Anti-Doping Organization	-
268	Compensation	515
59	GGHAM Demand Payment	-
-	Caribbean Agriculture Research and Development Institute (CARDI)	141
-	Organisation for Economic Co-peration Development (OECD) Global Forum	1
208	New Court House	85
-	Caribbean Public Health Agency (CARPHA)	18
350	Settlement of Claims - Executive	5,000
-	Project Future	150
-	Regional Security Initiatives (OE 115)	546
24,316	**Total Other Operational Expenses**	**26,628**

Note 31: Financing Costs

During the 18-month period ending 31 December 2017, the Government incurred financing charges of $43.5 million (2016: $31.0) in relation to its public debt.

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
30,209	Interest on borrowings	42,370
798	Other borrowing costs	1,143
-	Interest on overdraft	27
31,007	**Total Finance Costs**	**43,540**

Costs attributed to

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
27,609	Central Government	39,064
3,398	Statutory Authorities & Government Companies	4,476
31,007	**Total Finance Costs**	**43,540**

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 2017

	Actual 2016/2017 CI$000
Surplus/(deficit) from ordinary activities	140,458
Non-cash movements	
Depreciation expense	88,098
Losses on non-financial instruments	1,083
Losses on revaluation of assets	
Impairment of assets	46
Gain on foreign exchange transactions	(3,498)
Increase in provision for bad debt	4,680
Changes in assets and liabilities:	
(Increase)/decrease in receivables	(7,084)
Decrease/(increase) in inventories	1,539
Decrease/(increase) in other assets	3,224
Decrease/(increase) in biological assets	107
Increase/(decrease) in payables and other liabilities	36,549
Increase/(decrease) in provisions relating to employee costs	8,579
Net cash flows from operating activities	**273,781**

Note 33: Explanation of Major Variances to Budget

Statement of Financial Performance

Budget variances were overall impacted by the improved economy as revenues from import duties financial services fees increased, while additional costs to purchases services from Non-Government Organisations, and depreciation and amortisation increased.

Revenue

Actual EPS total revenue of $1.36 billion out-performed the original budget by $122.3 million or 10% as collection of coercive revenue exceeded expectations by 12%.

Coercive Revenue of $952.8 million (which generated 70% of total Revenue earned), was $100.8 million (12%) higher than the budget; due mainly to: (variance shown in brackets)

- *Building Permit Fees ($5.2 million)* – due to residential projects commencing earlier than expected, coupled with amendments to the Development and Planning Regulations;
- *Import duties ($21.1 million)* – due to an increased volume of imported gasoline and diesel and motor vehicles compared to projections; as well as an increased number of suppliers of alcoholic beverages;
- *Land Holding Companies Share Transfer Tax Charges ($17.9 million)* – this was mainly due to do the shares transfer involved in the sale of a major hotel;
- *Motor Vehicle Duty ($11.4 million)* – due to an increased volume of imported motor vehicles compared to projections;
- *Stamp Duty - Land Transfer ($21.3 million)* – the transfer of some major properties resulted in the supernormal income; and
- *Tourist Accommodation Charges ($8.8 million)* – partially due to the increased number of rooms with the opening of two new hotels in 2016 and 2017.

Sale of Goods and Services earned $384.8 million, which was $17.5 million or 5% above the budget of $367.3 million.

Investment Revenue earned $15.6 million which was $9 million more than the budget of $6.6 million. Cash balances are significantly higher than anticipated and have afforded higher values being placed on deposits, coupled with increases in the US prime rates, have driven higher yields on investments (mostly held in the form of fixed deposits).

Donations of $2.4 million were $1.4 million higher than the budget. This was mainly due to the donation of a ballistic identification system to the Police Department by the Foreign

& Commonwealth Office; and the donation of USD $369,000 given by Rotary Club to use for the Bonaventure Boys' Home Expansion Project.

Expenses

EPS Actual total expenses of $1.22 billion exceeded the budget by $26.5 million or 2%.

Personnel Costs of $610.6 million were $1.6 million more than the budget of $609 million mostly due to the recognition of Post-Retirement Health Care Liabilities by Statutory Authorities and Government Companies (SAGCs) of $26.8 million. This was offset by the savings in all other areas of personnel cost of $25.1 million, mainly attributed to delayed recruitment.

Supplies and Consumables and Operating Leases were $346.4 million and marginally above budget of $$345.8 million.

Depreciation & Amortisations of $88.1 million were $16.4 million more than budget as a result of the revaluation of property plant and equipment at the end of prior year.

Outputs from Non-Government Output Suppliers of $51.6 million were $17.2 million more than the budget of $34.4 million, mainly related to additional cost incurred for Tertiary Care at Various Overseas Institutions and for the provision of Services for Irregular Migrants.

Other executive expenses of $26.6 million were $7.2 million less than budget due mainly to protracted spending in other operational costs of SAGCs during the period.

<u>Statement of Financial Position</u>

As at 31 December 2017 net assets of $1.1 billion were $144.5 million less than the expected net assets of $1.2 billion.

Assets

Total EPS assets as at 31 December 2017 were $2.7 billion, 11% higher than the anticipated balance of $2.4 million; and was mainly attributable to investments as marketable securities along with an increase in property, plant and equipment.

Cash and cash equivalents were $207 million less than the budgeted cash balance of $427.3 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 \$452.8 million more than the budgeted balance of \$101.8 million owing to higher values being placed on longer-term fixed deposits driven by increases in the US prime rates, resulting in higher yields on investments.

Property, plant and Equipment of \$1.75 billion were \$21 million more than the budgeted balance of \$1.73 billion. This is owing to additional capital expenditure for projects such as the Waste Management Project, expansion of the Linford Pierson Highway and the John Grey High School Gymnasium.

Liabilities

Total EPS liabilities as at 31 December 2017 of \$1.6 billion were 35% higher than the anticipated balance of \$1.2 million; which was mainly due to an increase in the post-retirement health care liability recorded in the SAGCs.

Retirement benefits liability were \$255 million more than budgeted \$454.8 million due to the recognition of the 2017 pension actuarial valuation and the recognition of the increased post-retirement health care liability of the SAGCs.

Debt Balance which stood at \$518.6 million as at 31 were \$4.5 million less than budgeted due to higher repayment of debt balances than forecasted by some SAGCs such as Health Services Authority and Cayman Islands Development Bank.

Currency issued were \$22 million more than the budget of \$97.5 million due to there being increased amounts of notes and coins in circulation.

Unearned revenue of \$86.9 million was \$48.4 million more than budget mainly due to the increase in General registry deposits, up \$22.6 million due mostly to entities paying in advance of the January 2018 deadline.

Note 34: Commitments

Type	One Year or Less CI$000	One to Five Years CI$000	Over Five Years CI$000	31 December 2017 CI$000	30 June 2016 CI$000
Capital Commitments					
Capital Commitments	4,500	270	12,000	16,770	69,403
	489	-	-	489	-
	20	-	-	20	-
Total Capital Commitments	**5,009**	**270**	**12,000**	**17,279**	**69,403**
Operating Commitments					
Non-Cancellable Accommodation Leases					
Accommodation leases	121,584	187,000	118,382	426,966	16,880
Accommodation leases	770	-	-	770	-
Other Non-Cancellable Leases					
Land Lease	12,375	49,460	80,176	142,011	446
Premises Lease	169,694	170,170	-	339,864	83
Aircraft Leases	-	-	-	-	1,614
Licensing Agreement	224	824	-	1,048	159
Other Operating Lease	-	-	-	-	-
Other Operating Commitments					
Other Operating Commitments	5,110	415	265	5,790	347
Total Operating Commitments	**309,757**	**407,869**	**198,823**	**916,449**	**19,529**
Total Commitments	**314,766**	**408,139**	**210,823**	**933,728**	**88,932**

Capital Commitments

The largest capital commitment is held by the National Housing and Development Trust (NHDT).

Operating Commitments

Operating commitments relate to leases held by several SAGCs. The vast majority of the non-cancellable accommodation leases are held by the National Museum and the National Drug Council. Water Authority holds virtually all of the land leases, likewise, the Civil Aviation Authority. Other operating commitments are mainly held by the Ministry of Education, Youth, Sports 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 2017 the Government has estimated contingent liabilities of $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.

Cayman Islands National Insurance Company

On July 19, 2013 Simplifi Health Benefit Management, LLC ("Simplifi") filed a lawsuit against the Company in the state of Ohio. In the lawsuit, Simplifi alleges that the Company did not provide appropriate notice as per the terms of the contract, for the termination of the TPA services provided by Simplifi ("Plaintiff"). The Administrative Services Agreement ("ASA") between the Company and Simplifi provided for an automatic one year renewal of the contract unless either party gave written notice of non-renewal at least 120 days prior to the termination date. The ASA further stated that any notices shall be delivered in person, by certified mail, by commercial overnight courier, or by facsimile. The Company provided timely e-mailed notification of non-renewal within the required notice period specified in the contract. The Plaintiff is seeking damages for the period July 1, 2013 to June 30, 2014 in the amount of $1,084,941 plus attorney's fees, which it claims are the lost profits and "reliance damages" for that period. Counsel to the Company has informed Simplifi ESO in writing that the notice of termination was effective under the laws of the State of Ohio, which governed the agreement with Simplifi. On August 2, 2016, the Court issued an Opinion and Order denying CINICO's motion for summary judgment holding that there was a factual question requiring a trial on whether Simplifi had actual knowledge of CINICO's intention not to renew the ASA. The Court also directed the parties to engage in good faith negotiations to settle the dispute. A provision has been recorded for the expected cost of settlement as at June 30, 2015. Subsequent to the year end, the Company settled the lawsuit for $252,000 to avoid future increase in legal costs which would have been eminent has the case gone to trial.

Civil Aviation Authority

The Authority signed a Ground Lease on 17 May 2016 with the Cayman Islands Airports Authority (CIAA) as the lessor for use of land to build office accommodation for the CAACI (lessee). The ground lease specifies a single payment of CI$400,000 to be paid to the CIAA within 30 days of the CAACI acquiring planning permission for the Designated Use of the land. Planning permission for the office development was granted in November 2017 and the Authority received notice of the filing in January 2018 when the full amount of the ground lease was paid to the CIAA.

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 $6,385,000 and nil (2016: $6,417,000 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.

There are a number of claims outstanding that relate to services provided prior to the establishment of the Health Authority or prior to 1 July 2002. Neither provision nor contingent liability has been made for these claims in the financial statements, as the Health Authority believes any costs encountered [that are not covered by insurance] will be met by the Ministry of Health , Environment, Culture & Housing (the "Ministry").

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.

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 organized 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. A portion of these costs are recoverable under an insurance policy to the benefit of the Foundation.

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.

<u>Guarantees</u>

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 2017	Loan Balance as at 31 December 2017
		CI$'000	CI$'000
Cayman Islands Turtle Farm (1983) Limited	80%	6,430	8,038
Cayman Airways Limited	80%	15,994	19,992
Water Authority of the Cayman Islands	20%	356	1,782
Cayman Islands Development Bank	50%	11,964	23,927
Port Authority of the Cayman Islands	20%	-	-
National Housing Development Trust	80%	11,060	13,825
		45,804	67,564

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 on November 9th, 2007 and to date has helped 323 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. To date, the GGHAM drawn balance is approximately $38.2 million for which on face value indicates that Central Government is committed to a contingent liability of 35% which equates to $13.4 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 2017 the reserve balance was adjusted to $541,721 (2016: $1,248,000).

As at 31 December 2017 four local banks have called in the guarantees of three GGHAM loans totalling $59,500. 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 2017. Based on the delinquency as at 31 December 2017 a provision of $895,444 (2016: $1,248,000) has been made for potential claims.

Other Contingent Liabilities

Pursuant to the agreements between Cayman Airways Limited ("CAL" or the "Company") and RBC Royal Bank of Canada and CIBC First Caribbean International Bank (the "Banks"), the Company 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 banks may, by written notice to the Company, declare all borrowings under the agreements to be immediately due and payable. During the years ending 30 June 2016, the Company had 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 30 June 2016 the local banks provided waivers of such covenants to the Company.

Letters of Credit

RBC Royal Bank of Canada has issued a number of letters of credit on behalf of the Cayman Airways Ltd. These are used as collateral for United States Customs bonds and credit account support.

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

The Health Services Authority is exposed to credit-related losses in the event of non-performance by counter parties to these financial instruments. Most importantly, the

Authority has escalated the credit risk concentration to the Ministry of Health for policy changes to reduce bad debts.

Accounts receivable consist of a large number of customers that either have health insurance policies 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 which are estimated to be 65% - 100% uncollectible.

The carrying amount of financial assets recorded in the financial statements as accounts receivable from "self-pay" group of customers, which is net of allowance for bad debts, represents the maximum exposure to credit risk.

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. Whilst the Office does not believe that it has any significant credit risk exposure to any single licensee, it is inherently exposed in its entirety to the telecommunications industry in the Cayman Islands. The Office's licensees include well-established telecommunication and media companies and, at 31 December 2017, there have been no indications of any insolvency in those entities that impacts their ability to pay the Authority. 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.

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 December 31, 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 $4million 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 0.53% and 1.00% (2016: 0.35% and 0.45%) per annum in the year ending 31 December 2017. 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 (2016: £16,000) was held as a deposit. This deposit earns between 0.5% and 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 Law (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. Total remuneration paid to key management personnel were as follows:

Prior Year (Gross) CI$000	Description	Current Year (Gross) CI$000
31,062	Salaries & other short term employee benefits	46,551
134	Other long term benefits	215
31,196	**Total Remuneration**	**46,766**

231	**Number of Key Management Personnel**	**299**

Loans to Key Management Personnel

Prior Year (Gross) CI$000	Description	Current Year (Gross) CI$000
93	Loans to Key Management Personnel	80

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

Board Members Remuneration

Prior Year (Gross) CI$000	Description	Current Year (Gross) CI$000
502	Remuneration for services	701
502	**Total Remuneration**	**701**

125	**Number of Board Members**	115

Note 39: Segment Reporting

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Central Government CI$000	Statutory Authorities & Government Companies CI$000	Inter-government trade CI$000	EPS Actual 2016/2017 CI$000
Current Assets					
Cash and Cash Equivalents	2	61,241	160,869	-	222,110
Trade Receivables	3	8,804	47,743	25,930	30,617
Other Receivables	4	17,702	12,231	8,663	21,270
Dividends Receivable	4	8,223	-	8,023	200
Inventories	5	3,149	12,090	-	15,239
Loans Made	6	592	1,296	-	1,888
Investments	7	400,869	120,639	2,073	519,435
Prepayments	8	2,375	5,173	110	7,438
Biological Assets	9	-	1,533	-	1,533
Total Current Assets		**502,955**	**361,574**	**44,799**	**819,730**
Non-Current Assets					
Trade Receivables	3	427	-	-	427
Other Receivables	4	-	2,172	-	2,172
Loans Made	6	456	24,156	257	24,355
Property, Plant and Equipment	10	1,419,697	333,039	-	1,752,736
Intangible Assets	11	3,018	2,654	-	5,672
Investment Property	12	-	14,764	-	14,764
Investments	7	831	34,325	-	35,156
Net Worth - Public Entities		219,851	-	219,851	-
Other Non-Current Assets		253	183	-	436
Total Non-Current Assets		**1,644,533**	**411,293**	**220,108**	**1,835,718**
Total Assets		**2,147,488**	**772,867**	**264,907**	**2,655,448**
Current Liabilities					
Trade Payables	13	19,094	15,435	6,750	27,779
Other Payables & Accruals	13	126,271	24,861	29,624	121,508
Bank Overdraft	2	-	1,829	-	1,829
Unearned Revenue	14	61,739	11,631	351	73,019
Employee Entitlements	15	7,460	1,501	-	8,961
Retirement Benefits	16	10,000	16,269	-	26,269
Borrowings/Public Debts	17	31,116	12,820	35	43,901
Repayment of Surplus		-	8,024	8,024	-
Provisons	18	-	12,696	-	12,696
Total Current Liabilities		**255,680**	**105,066**	**44,784**	**315,962**
Non-Current Liabilities					
Other Payables & Accruals	13	-	176	50	126
Unearned Revenue	14	13,910	-	-	13,910
Retirement Benefits	16	410,335	273,229	-	683,564
Borrowings/Public Debts	17	419,965	55,001	222	474,744
Currency Issued	19	-	119,544	-	119,544
Total Non-Current Liabilities		**844,210**	**447,950**	**272**	**1,291,888**
Total Liabilities		**1,099,890**	**553,016**	**45,056**	**1,607,850**
Net Assets		**1,047,598**	**219,851**	**219,851**	**1,047,598**
Net Assets/Equity					
Reserves	20	171,245	30,501	-	201,746
Revaluation Reserve	20	490,848	43,298	-	534,146
Current Period Surplus		140,458	1,417	1,417	140,458
Accumlated Surplus/(Deficit)		245,047	144,635	218,434	171,248
Total Net Assets/Equity		**1,047,598**	**219,851**	**219,851**	**1,047,598**

Segment Reporting (continued)

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2017

	Note	Central Government CI$000	Statutory Authorities & Government Companies CI$000	Inter-government Trade CI$000	EPS Actual 2016/2017 CI$000
Revenue					
Coercive Revenue	21	952,951	-	117	952,834
Sales of Goods & Services	22	59,601	413,596	88,387	384,810
Cabinet Revenue		-	128,217	128,217	-
Investment Revenue	23	9,242	6,434	45	15,631
Donations	24	1,101	1,304	-	2,405
Other Revenue		61	292	282	71
Total Revenue		**1,022,956**	**549,843**	**217,048**	**1,355,751**
Expenses					
Personnel Costs	25	390,204	272,684	52,249	610,639
Supplies and Consumables	26	126,659	219,831	12,452	334,038
Leases		7,764	5,195	579	12,380
Depreciation/Amortisation	27	55,814	32,284	-	88,098
Outputs from Statutory Authorities and Government Companies	40	150,969	-	150,969	-
Outputs from Non-government Organisations	28	51,585	-	-	51,585
Transfer Payments	29	48,556	-	-	48,556
Litigation Costs		561	975	-	1,536
Other Executive Expenses	30	15,108	12,274	754	26,628
Finance Costs	31	39,064	4,521	45	43,540
Total Expenses		**886,284**	**547,764**	**217,048**	**1,217,000**
Other (Gains)/Losses					
(Gains)/Losses on Derecognition of Assets/Liabilities		46	-	-	46
Impairment of Inventory		-	(313)	-	(313)
(Gains)/Losses on Financial Instruments		(3,498)	406	-	(3,092)
(Gains)/Losses on Non-financial Instruments		1,083	569	-	1,652
(Surplus)/Deficit on Statutory Authorities & Government Companies		(1,417)	-	(1,417)	-
Total Other (Gains)/Losses		**(3,786)**	**662**	**(1,417)**	**(1,707)**
Surplus for the Period		**140,458**	**1,417**	**1,417**	**140,458**

Segment Reporting (continued)

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF CASH FLOWS

FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2017

	Note	Central Government CI$000	Statutory Authorities & Government Companies CI$000	Inter-government trade & Adjustments CI$000	Actual 2016/2017 CI$000
Operating Activities					
Cash received					
Coercive Receipts		957,762	-	-	957,762
Sales of Goods & Services		55,132	451,126	(114,334)	391,924
Outputs to Cabinet		-	147,542	(147,542)	-
Outputs to other government agencies		3,384	51,423	(54,807)	-
Interest received		7,403	6,595	-	13,998
Donations / Grants received		1,038	1,304	-	2,342
Other receipts		26,554	12,783	-	39,337
Total cash received		**1,051,273**	**670,773**	**(316,683)**	**1,405,363**
Cash used					
Personnel costs		(404,593)	(259,541)	51,364	(612,770)
Supplies and consumables		(107,122)	(322,967)	117,777	(312,312)
Outputs from public authorities		(147,542)	-	147,542	-
Outputs from non-governmental organisations		(55,629)	-	-	(55,629)
Transfer payments		(47,915)	-	-	(47,915)
Financing/interest payments		(39,573)	(5,906)	-	(45,479)
Other payments		(31,697)	(25,780)	-	(57,477)
Extraordinary payments		-	-	-	-
Transfers to Org 40		-	-	-	-
Total cash used		**(834,071)**	**(614,194)**	**316,683**	**(1,131,582)**
Net cash flows from (used by) operating activities	**32**	**217,202**	**56,579**	**-**	**273,781**
Investing activities					
Cash received					
Proceeds from sale of property, plant and equipment		212	-	-	212
Proceeds from the sale of Investments		651,122	17,131	-	668,253
Total cash received		**651,334**	**17,131**	**-**	**668,465**
Cash used					
Purchase of property, plant and equipment		(54,944)	(60,051)	-	(114,995)
Loans Made/Investments		(728,233)	(36,371)	-	(764,604)
Equity injection in public authorities		(60,984)	-	60,984	-
Total cash used		**(844,161)**	**(96,422)**	**60,984**	**(879,599)**
Net cash flows from (used by) investing activities		**(192,827)**	**(79,291)**	**60,984**	**(211,134)**
Financing activities					
Cash received					
Proceeds from Borrowing		-	60,984	(60,984)	-
Total cash received		**-**	**60,984**	**(60,984)**	**-**
Cash used					
Repayment of Borrowings		(52,231)	(21,550)	-	(73,781)
Total cash used		**(52,231)**	**(21,550)**	**-**	**(73,781)**
Net cash flows from (used by) financing activities		**(52,231)**	**39,434**	**(60,984)**	**(73,781)**
Net increase/(decrease) in cash and cash equivalents held		(27,856)	16,722	-	(11,134)
Cash and cash equivalents at beginning of period		89,097	142,318	-	231,415
Cash and cash equivalents at end of period	**2**	**61,241**	**159,039**	**-**	**220,281**

Note 40: Subsequent Event

New Governor's arrival

The Cayman Islands received a new Governor, Martyn Roper, who was sworn into office on the afternoon of Monday 29 October 2018.

New Cruise Facility

The Cayman Islands Government has received formal financial commitments from two cruise lines on Tuesday 27 November 2018 and Cabinet has approved the terms from the cruise lines. The Ministry of Tourism issued the final tender documents to the three shortlisted bidders in the cruise berthing project at the end of November 2018. The bidders' final submissions are due in the first quarter of 2019.

Strategic Development of the Port Authority

The Port Authority has embarked on a multi-year strategic development plan, which incorporates the replacement of equipment that supports the provision of services to the public. The multifaceted plan involves the purchase of Rubber Tyre Gantry (RTG) cranes and the development of the Cargo Distribution Centre to facilitate the proper operation of this equipment. The total projected capital expenditure for the next three years is $8.7M. This could increase or decrease depending on the levels of surpluses that can be assigned to this project. At the reporting date, this project was underway and ahead of schedule.

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AUDITOR GENERAL'S REPORT ON THE ANNUAL SCHEDULE OF APPROPRIATIONS

TO THE MEMBERS OF THE LEGISLATIVE ASSEMBLY

I have been engaged to provide assurance services on the Cayman Islands Government's ("Government") schedule of appropriations for the period ended 31 December 2017. The terms of the engagement requires that it be carried out in accordance with the International Standard on Assurance Engagements 3000 ***Assurance Engagements Other than Audits or Reviews of Historical Financial Information*** ("ISAE 3000").

Scope

The objective of this engagement is to provide an opinion on whether the schedule of appropriations presents fairly the actual and budgeted figures as authorized in the *Appropriation Law (July 2016 to December 2017) Law, 2016*.

Management's responsibilities

The Government is required by the *Public Management and Finance Law ("PMFL")* to include in its annual report an audited annual schedule of appropriations used for the period compared with the appropriations granted under the Appropriation Law (together with any supplementary Appropriation Law) for the financial period.

Responsibility of the Auditor General

My responsibility in accordance with the ISAE 3000 is to report whether the schedule of appropriation presents fairly a comparison of the appropriations used and appropriations granted. Because of the significance of the matter described in the basis for a disclaimer of opinion paragraph, I was not able to obtain sufficient, appropriate evidence to provide a basis for an opinion.

Basis for Disclaimer of Opinion

Management is not able to make assertions on the fairness of the reported figures and comparison of the appropriations used and appropriations granted that makes up the annual schedule of appropriations. As an illustration, there are instances where the appropriations used are based solely on appropriations granted.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion under ISAE 3000. Accordingly, I do not express an opinion on the schedule of appropriations.

Sue Winspear, CPFA
Auditor General

9 September 2019
Cayman Islands

Statements of Appropriations

Annual Statement of Appropriations

Government of the Cayman Islands Statement of Appropriations For the 18-Month Period Ended 31 December 2017			
	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriations to the Premier			
CBO 1- Development and Coordination of Government Policy	4,221,351	3,207,911	(1,013,440)
CBO 2- Cabinet and National Security Council Support and Servicing	1,189,371	1,094,213	(95,158)
CBO 9 - Protocol Services	553,720	754,438	200,718
CBO 11 - Freedom of Information and Data Protection Coordination	120,378	143,815	23,437
CBO 17 - Information Services Provided to Other Government Agencies	1,784,325	1,316,941	(467,384)
CBO 20 - Advice and Assistance to the Premier and Administration of the Premier's Office	1,277,493	1,399,579	122,086
CBO 21 - Broadcasting of Public Information and On Air Programmes	2,038,519	1,948,789	(89,730)
CBO 22 - Services provided by the London Office	1,078,562	1,351,326	272,764
Other Executive Expenses			
OE 5- Constituency Allowance	1,198,150	1,116,050	(82,100)
OE 96 - Executive Salary Reimbursements			
Equity Investments			
EI 36 - Cabinet Office	1,003,929	2,305,000	1,301,071

Annual Statement of Appropriations (continued)

	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriations to the Minister of Home Affairs, Health& Culture (Home Affairs)			
HCA 1- Policy Advice and Ministerial Services on Home Affairs Matters	4,286,440	4,585,019	298,579
HCA 2 - Licensing Services	1,062,371	1,062,371	-
HCA 3 - Enforcement of Immigration Laws	2,470,019	2,470,018	(1)
HCA 4 - Processing Status and Permanent Residency Certificates	267,398	267,398	-
HCA 5 - Immigration Entry and Extension Services	7,263,333	4,793,317	(2,470,016)
HCA 6 - Processing Entry Documents and Passports	2,467,487	2,640,081	172,594
HCA 7 - Incident Responses	1,841,895	3,014,053	1,172,158
HCA 8 - Police Security Services	335,251	1,671,929	1,336,678
HCA 9 - National Disaster Preparedness and Response Services	1,091,906	2,095,344	1,003,438
HCA 10 - Police Criminal Justice Services	756,454	1,272,533	516,079
HCA 11 - Prison Services	12,469,726	17,115,098	4,645,372
HCA 12 - Correctional Supervision, Intervention and Support Services	6,435,132	9,994,596	3,559,464
HCA 14 - Protection and Investigative Services	44,471,354	50,834,759	6,363,405
HCA 15 - Emergency Domestic Fire Services	7,352,671	10,177,199	2,824,528
HCA 17 - Aerodrome Fire Services	4,534,683	6,820,660	2,285,977
HCA 20 - Technology Support Services	6,085,996	10,520,412	4,434,416
Public Entities			
NDC 1 - Policy, Prevention, Surveillance, Research, Information, Monitoring and Evaluation	1,057,877	955,000	(102,877)
Non-Governmental Suppliers			
NGS 38 - Services for Irregular Migrants	4,022,888	405,000	(3,617,888)
Transfer Payments			
TP 46 - Emergency Relief Payments	129,948	120,000	(9,948)
TP 58 - Support for Services of the Red Cross	105,000	105,000	-
TP 69 - Support for the Bridge Foundation	165,000	150,000	(15,000)
Other Executive Expenses			
OE 57 - Bank Charges	1,745	9,000	7,255
Equity Investments			
EI 11- Ministry of Home Affairs, Health and Culture - Home Affairs	2,823,072	3,983,302	1,160,230

Annual Statement of Appropriations (continued)

	CI$000	CI$000	CI$000
Appropriations to Minister of Community Affairs, Youth & Sports			
HCA 27 - Policy Advice and Support to the Minister of Community Affairs, Youth and Sports	2,894,928	2,763,623	(131,305)
HCA 28 - Administration of Community Assistance Programmes	9,308,409	9,606,694	298,285
HCA 29 - Public Education on Social Issues	382,561	390,836	8,275
HCA 30 - Counselling and Support Services	7,230,269	7,327,462	97,193
HCA 31 - Supervision and Support of Children	5,852,233	3,206,155	(2,646,078)
HCA 32 - Community Development Services	499,589	499,589	-
HCA 34 - Sports Services	4,235,243	5,824,799	1,589,556
HCA 35 - Youth Services	464,452	627,860	163,408
HCA 36 - Cadet Corps Services	481,506	494,943	13,437
Public Entities			
CAY 2 - Children and Youth Services (CAYS) Foundation	3,617,000	3,267,000	(350,000)
Non-Governmental Suppliers			
NGS 47- Mentoring Cayman Programme	9,025	9,025	-
NGS 58 -Elite Athletes Programme	118,275	118,275	-
NGS 59 - Youth Development Programmes	290,150	290,150	-
NGS 60 - Sports Programmes	978,613	1,057,451	78,838
NGS 62 - Community Development, Prevention and Beautification Programmes	31,487	50,000	18,513
NGS 63 - School Lunch and Uniform Programmes	161,560	186,000	24,440
NGS 64 - Care of the Indigent, Elderly and Disabled Persons	2,100,001	2,100,000	(1)
NGS 65 - General Programmes and Children Services	175,770	175,770	-
NGS 66 - Foster Care for Children	337,500	337,500	-
NGS 67 - Community Programmes	226,375	226,375	-
NGS 68 - Rental Accommodation for Persons in Need	3,688,331	2,920,000	(768,331)
NGS 70 - Burial Assistance for Indigents	195,695	225,000	29,305
NGS 71 - Support for Battered Women and Children	482,382	482,382	-
NGS 72 - Therapeutic Services for Young Persons	36,978	37,500	522
NGS 82 - Other Sports Programmes	95,215	137,280	42,065
Transfer Payments			
TP 41 - Poor Relief Payments	8,562,350	9,390,000	827,650
TP 43 - Poor Relief Vouchers	2,943,814	2,325,000	(618,814)
TP 44 - Temporary Poor Relief for Young Parents Programme (YPP) Students	23,860	45,000	21,140
TP 45 - Youth After Care Payments	39,209	90,000	50,791
TP 47 - Ex-Gratia Benefit Payments to Seamen	8,262,100	9,009,000	746,900
TP 48 - Benefit Payments to Ex-Servicemen	1,307,350	1,528,800	221,450
TP 49 - Youth Programmes and Other Non-Governmental Organizations	68,425	131,100	62,675
TP 50 - Pre-School Assistance	89,809	150,000	60,191
TP 57 - Children and Family Services Support	577,608	726,720	149,112
TP 60 - Housing Assistance	500,461	556,977	56,516
TP 72 - Other Youth and Sports Programmes	627,141	751,838	124,697
TP 75 - Needs Assessment Support	918,570	750,000	(168,570)
Other Executive Expenses			
OE 78 - Depreciation of Ministry of Community Affairs, Youth and Sports - Executive Assets	70,070	40,500	(29,570)
OE 81 - World Anti-Doping Agency	2,888	9,000	6,112
OE 82 - Regional Anti-Doping Organization	-	6,000	6,000
OE 115 - Regional Security Initiatives	545,933	-	(545,933)
Equity Investments			
EI 41 - Children and Youth Services (CAYS) Foundation	1,400,000	-	(1,400,000)
EI 54 - Ministry of Community Affairs, Youth and Sports	467,373	5,500,000	5,032,627

Annual Statement of Appropriations (continued)

	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriations to the Minister of District Administration, Tourism & Transport			
DAT 1 - Advice and Support to the Minister of District Administration, Tourism and Transport	3,986,273	3,986,271	(2)
DAT 2 - Government Services in Cayman Brac and Little Cayman	6,051,010	6,143,596	92,586
DAT 3 - Management of Executive Assets in Cayman Brac and Little Cayman	6,337,393	6,465,938	128,545
DAT 5 - Inspection, Testing and Licensing Services	1,057,696	1,057,696	-
DAT 6 - Public Education Programmes	1,435,355	1,435,354	(1)
DAT 7 - Tourism Public Relations	2,579,261	2,579,261	-
DAT 8 - Tourism Advertising Activities	10,156,504	10,156,504	-
DAT 9 - Tourism Sales and Promotion	6,932,675	6,932,675	-
DAT 10 - Tourism Marketing	2,786,485	2,786,485	-
DAT 11 - Support for Local Tourism Providers	2,569,231	2,569,234	3
DAT 12 - Collection of Coercive Revenue	202,677	202,678	1
DAT 13 - Weather Forecast Services	1,848,186	1,848,186	-
DAT 14 - Public Transport Services	914,002	914,000	(2)
			-
Public Entities			-
CAL 1 - Strategic Domestic Air Services	3,951,213	3,951,207	(6)
CAL 2 - Strategic Tourism, Regional and Core Air Services	20,743,794	20,743,793	(1)
TAB 1- Management of Pedro St. James National Historic Site	1,275,150	1,275,150	-
TAB 2- Management of Queen Elizabeth II Botanic Park	1,007,468	1,007,469	2
TAB 3- Annual Pirates Week Festivals and Events	412,578	412,578	-
TAB 4 - Management of Cayman Islands Craft Market	187,667	187,667	1
TAB 5 - Management of Hell Attraction	45,159	45,159	-
SIH 1 - Sister Islands Affordable Housing Programme	108,000	108,000	-
			-
Non-Governmental Suppliers			-
NGS 1- Organize, Administer and Execute the Cayman Islands Fishing Tournament	30,044	30,044	-
NGS 3- Organization of Batabano Festival	45,000	45,000	-
NGS 7- Management of Small Business Development	345,000	345,000	-
NGS 26 - Organization of the Miss Cayman Committee	125,000	75,000	(50,000)
NGS 57 - Gardening Projects and Landscaping	5,134	5,134	-
			-
Transfer Payments			-
TP 12- Tourism Scholarships	1,187,761	1,222,500	34,739
TP 13- Miss Cayman Scholarship	75,000	75,000	-
TP 66 - Sister Islands Home Repairs Assistance	270,000	150,000	(120,000)
TP 67 - Sports and Cultural Tourism Programmes Assistance	899,440	658,500	(240,940)
			-
Other Executive Expenses			-
OE 91 - Depreciation of Ministry of District Administration, Tourism and Transport Executive Assets	344,323	725,000	380,677
			-
Equity Investments			-
EI 1 - Cayman Airways Limited	16,150,000	7,650,000	(8,500,000)
EI 49 - Cayman Turtle Farm (1983) Limited	13,811,145	12,700,000	(1,111,145)
EI 51 - Ministry of Financial Services Tourism, and Development	566,929	-	(566,929)
EI 68 - Ministry of District Administration, Tourism and Transport	91,283	100,000	8,717
EI - 74 Cayman Islands Airports Authority	2,500,000	7,500,000	5,000,000
			-
Equity Assets			-
EA 55 - Cayman Brac & Little Cayman Roads	1,075,677	1,799,500	723,823
EA 60 - Cayman Brac: Bluff Playfield	2,150,000	900,000	(1,250,000)
EA 95 - Cemetery Vaults - Cayman Brac and Little Cayman	23,107	25,500	2,393
EA 125 - Cayman Brac Emergency Shelter	1,115,048	2,000,000	884,952
EA 139 - Little Cayman Boat Launch Ramp	47,158	-	(47,158)
EA 143 - Cruise Berthing Facility	500,000	500,000	-
EA 144 - Public Restrooms	50,000	100,000	50,000

Annual Statement of Appropriations (continued)

	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriations to the Minister of Planning, Lands, Agriculture, Housing and Infrastructure			
PAH 1 - Advice and Support to the Minister of Planning, Lands, Agriculture, Housing & Infrastructure	2,910,216	3,040,296	130,080
PAH 2 - Emergency Response Services	199,479	390,599	191,120
PAH 3 - National Mail Service	2,030,240	2,739,254	709,014
PAH 4 - Management of Public Recreational Facilities and Cemeteries	2,277,238	2,169,648	(107,590)
PAH 5 - Agriculture Regulatory Services	1,929,585	2,734,834	805,249
PAH 6 - Agriculture Development Services	374,872	610,665	235,793
PAH 8 - Management of Special Projects	1,788,001	2,161,449	373,448
PAH 9 - Management of Land Information	2,531,729	4,333,926	1,802,197
PAH 10 - Management of Government Properties	17,400,664	18,166,036	765,372
PAH 11 - Procurement and Maintenance of Government Fleet	5,049,456	4,891,216	(158,240)
PAH 12 - Handling of Dangerous Substances	232,471	560,051	327,580
PAH 13 - Provision of Planning Services	9,052	98,521	89,469
PAH 14 - Management of Planning Applications	3,769,373	5,034,765	1,265,392
PAH 15 - Administration of Temporary Housing Initiative	21,130	38,880	17,750
PAH 16 - Licensing of Drivers and Vehicles	27,373	414,258	386,885
PAH 17 - Services to Farmers	2,250,918	3,737,212	1,486,294
Public Entities			
ERA 12 - Support to National Energy Policy Secretariat	20,000	50,000	30,000
ICT 8 - Drafting Instruction for the Development of Legislation	16,538	45,798	29,260
ICT 9 - Management of KY Internet Domain	13,542	37,500	23,958
ICT 10 - Collection and Verification of Licence Fees	54,374	150,575	96,201
ICT 11 - Policy Advice on ICT Matters	23,702	65,636	41,934
ICT 12 - Education of Local Businesses and the General Public on ICT Issues	4,450	12,323	7,873
ICT 13 - Regional and International Representation	23,076	63,903	40,827
ICT 14 - National Cyber Security Initiatives	40,624	112,500	71,876
NHT 4 - Administration of the Affordable Housing Initiative	218,298	218,288	(10)
NHT 5 - Administration of the Government Guaranteed Home Assisted Mortgage	346,553	346,553	-
NHT 6 - Administration of the New Affordable Housing Initiative	281,053	281,053	-
NHT 7 - Administration of the Build on Your Own Property Initiative	25,000	25,000	-
Non-Governmental Suppliers			
NGS 24 - Spaying and Neutering of Dogs and Cats	48,316	64,800	16,484
Transfer Payments			
TP 74 - Assistance in respect to Importation of Livestock	112,000	112,500	500
TP 76 - Assistance for Infrastructure Development	13,716	37,500	23,784
TP 78 - Ex Gratia Payments-Compensation Road Widening	498,978	-	(498,978)
Other Executive Expenses			
OE 93 - Caribbean Agriculture Research and Development Institute (CARDI)	141,212	141,212	-
OE 101 - Depreciation of Planning, Lands, Agriculture, Housing and Infrastructure	2,653,375	10,790,951	8,137,576
OE 104 - Caribbean Energy Information System Membership	-	3,769	3,769
Equity Investments			
EI 57 - National Housing Development Trust	912,188	3,353,537	2,441,349
EI 71 - Ministry of Planning, Lands, Agriculture, Housing and Infrastructure	5,050,305	5,022,293	(28,012)
Executive Assets			
EA 4 - Land Purchase	800,000	750,000	(50,000)
EA 8 - Abattoir	96,652	175,000	78,348
EA 9- Land Purchase: Gazetted Claims	369,654	3,000,000	2,630,346
EA 36 - Miscellaneous Road Surface Upgrades	815,930	1,500,000	684,070
EA 37 - Farm Roads	-	75,000	75,000
EA 78 - Government Office Accommodations Project 1	341,491	375,000	33,509
EA 142 - George Town Revitalization	7,800,000	6,950,000	(850,000)
EA 147 - Miscellaneous Infrastructure Development Works	772,049	-	(772,049)

Annual Statement of Appropriations (continued)

	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriations to the Minister of Financial Services, Commerce and Environment			
FSC 7 - An Internationally Competitive Financial Services Industry	5,719,614	5,753,608	33,994
FSC 8 - A Business Climate Conducive to Local Commerce	-		-
FSC 10 - A Robust, Efficient Regime for the Registration of Corporate and Vital Information, and the Licensing of Businesses	2,282,195	2,441,370	159,175
FSC 11 - Fair Competition in Domestic Commercial activity	1,356,345	-	(1,356,345)
FSC 12 - Ministry Strategy, Communications and Operations Support	1,309,047	1,309,047	-
FSC 13 - Environmental Services and Research	5,017,276	5,437,161	419,885
Public Entities			
AOA 1 - Auditors Oversight Authority	472,500	472,500	-
CMA 1 - Policy Advice on Maritime Matters	235,422	235,422	-
CMA 2 - Technical Advice and Support on Maritime Matters	100,207	100,207	-
CMA 4 - State Inspections and Investigation Services	101,844	101,844	-
CMA 5 - Long Range Identification and Tracking of Ships	101,672	101,672	-
DVB 1- Administration of Lending for Human Resource Development	190,698	190,698	-
DVB 2- Administration of Lending for Micro and Small Businesses Development	234,036	234,037	1
DVB 3- Administration of Mortgage Lending	364,740	364,740	-
MOA 6 - Regulation of the Cayman Islands Currency	2,099,960	2,100,000	40
MOA 8 - Collection of Fees	450,000	450,000	-
MOA 12 - Regulation of the Financial Services Industry	15,417,500	15,417,500	-
MOA 13 - Assistance to Overseas Regulatory Authorities	1,469,980	1,470,000	20
MOA 14 - Policy Advice and Ministerial Services	1,312,500	1,312,500	-
Non-Governmental Suppliers			
NGS 74 - Preservation of Natural Environments and Places of Historic Significance	855,000	855,000	-
Transfer Payments			
TP 63 - Support to Local Business Associations	167,500	167,500	-
Other Executive Expenses			
OE 66 - United Nations Caribbean Environmental Programme	11,894	16,000	4,106
OE 94 - OECD-Global Forum	(733)	25,000	25,733
OE 106 - Organisation for Economic Co-operation Development (OECD) CAIPA	-	3,360	3,360
Equity Investments			
EI 4 - Cayman Islands Development Bank	14,927,603	2,000,000	(12,927,603)
EI 66 - Audit Oversight Committee	46,022	-	(46,022)
EI 67 - Ministry of Financial Services, Commerce and Environment	1,320,678	602,000	(718,678)
Executive Assets			
EA 146 - Land Purchases - Conservation	4,875,274	6,000,000	1,124,726

Annual Statement of Appropriations (continued)

	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriations to the Minister of Finance & Economic Development			
FED 1 - Policy Advice and Ministerial Services	2,641,614	3,191,540	549,926
FED 2 - Governance and Administrative Services	311,293	440,063	128,770
FED 3 - Collection of Coercive Revenue	2,892,657	2,901,193	8,536
FED 4 - Preparation and Publication of Statistical Reports	1,941,442	2,388,744	447,302
FED 5 - Financial Reporting and Management Services	6,246,454	6,625,385	378,931
FED 6 - Processing of Passengers and Inspection of Aircrafts, Vessels and Cargo	11,537,710	11,541,896	4,186
FED 7 - Detection, Interdiction and Prosecution of Customs Offences	2,194,123	3,584,765	1,390,642
FED 9 - Administration and Processing of Applications	411,676	454,482	42,806
FED 11 - Monitoring and Reporting on the Economy	368,885	281,074	(87,811)
Public Entities			
CIN 1- Health Insurance for Seamen and Veterans for Primary and Secondary Health Care	11,337,339	11,175,336	(162,003)
Other Executive Expenses			
OE 9- Caribbean Economic Community (CARICOM) Fees	231,903	232,000	97
OE 10 - Caribbean Regional Technical Assistance Centre (CARTAC) Contribution	376,875	525,000	148,125
OE 27- Past Service Pension Liability Payment	17,100,000	17,100,000	-
OE 54 - Caribbean Catastrophe Risk Insurance Facility - Annual Premium	1,256,251	750,000	(506,251)
OE 57 - Executive Bank Charges	33,009	38,000	4,991
OE 86 - Compensation	515,025	700,000	184,975
Equity Investments			
EI 31 - Cayman Islands National Insurance Company (CINICO)	7,100,000	-	(7,100,000)
EI 70 - Ministry of Finance and Economic Development	575,534	350,000	(225,534)
Loans Made			
LM 1- Civil Service Mortgages to Staff	47,549	90,000	42,451
LM 3- Personal Loans to Staff	58,895	120,000	61,105
LM 4 - Overseas Medical Loans	99,814	330,000	230,186
LM 11 - Settlement Loans	628,318	480,000	(148,318)
Financing Expenses			
FE 3- Interest on Public Debt	39,019,205	38,990,622	(28,583)

Annual Statement of Appropriations (continued)

	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriations to the Minister of Education, Employment and Gender Affairs			
EGA 1- Policy Advice, Governance and Ministerial Support Services	8,344,269	8,838,424	494,155
EGA 2- Job Placement and Employer Support Activities	2,197,368	2,418,415	221,047
EGA 3- Employment Regulatory Activities	1,572,747	1,808,762	236,015
EGA 4- Public Library Services	2,426,000	2,426,000	-
EGA 5 - Primary Education Services	31,594,555	30,392,872	(1,201,683)
EGA 6 - Secondary Education Services	35,228,064	36,215,891	987,827
EGA 7- Education Services for Students with Special Needs	12,947,637	10,959,854	(1,987,783)
EGA 8 - Facilities Maintenance and Procurement Management	13,976,485	13,976,485	-
EGA 9 - Training and Support for Adults with Disabilities	2,211,660	2,211,660	-
EGA 10 - Education Evaluation and Support Services	8,515,768	9,185,239	669,471
Public Entities			
CCO 1- Teaching of Tertiary Level Professional and Vocational Programmes	6,315,099	6,325,223	10,124
CDB 1 - Disbursement Government Scholarship Funding	60,677	60,677	-
Non-Governmental Suppliers			
NGS 25- Teaching of Tertiary Education Courses	485,000	135,000	(350,000)
NGS 27- Supervision of Pre-School Children	54,000	54,000	-
NGS 34- Primary and Secondary Education by Private Schools	2,217,004	2,295,000	77,996
NGS 76 - Autism Diagnostics and Sexual Trauma Recovery Programme	43,238	43,238	-
NGS 79 - K9 Security Services	41,130	44,100	2,970
Transfer Payments			
TP 27 - Pre-School Educational Assistance	1,007,575	1,053,316	45,741
TP 30 - Local and Overseas Scholarships and Bursaries	17,819,604	15,894,035	(1,925,569)
TP 51 - Other Educational Assistance	202,167	373,731	171,564
TP 52 - Young Nation Builders Scholarships	-		-
TP 56 - Employment Initiatives	905,040	2,256,755	1,351,715
TP 61 - Student Enrichment & Support Services	869,755	869,775	20
TP 78 - Ex Gratia Payments-Compensation Road Widening	12,175	-	(12,175)
Other Executive Expenses			
OE 11 - Subscription to Caribbean Examinations Council	-	20,183	20,183
OE 12- University of the West Indies Membership Levy	242,528	242,528	-
Equity Investments			
EI 12- Ministry of Education, Employment and Gender Affairs	10,986,563	13,663,200	2,676,637

Annual Statement of Appropriations (continued)

	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriations to the Minister of Home Affairs, Health& Culture (Health)			
HES 1 - Policy Advice and Ministerial Services	2,751,916	2,751,915	(1)
HES 2 - Health Regulatory Services	1,729,617	1,765,268	35,651
HES 7 - Collection, Recycling and Disposal of Waste	11,176,000	7,231,245	(3,944,755)
HES 8 - Public Health Services	2,539,273	2,539,271	(2)
HES 9 - Environmental Health Monitoring Services	462,848	506,751	43,903
HES 10 - Emergency Response Services	136,705	230,345	93,640
HES 11 - Mosquito Control Services	10,901,801	9,609,900	(1,291,901)
HEA 2- Medical Care for Indigents	16,456,508	16,456,508	-
HEA 6 - Medical Services in Cayman Brac and Little Cayman	5,167,737	5,167,737	-
HEA 10 - Ambulance Services	3,370,940	3,370,940	-
HEA 11 - Services at District Health Clinics	3,364,421	3,364,421	-
HEA 12 - Mental Health Services	3,346,806	3,346,806	-
HEA 16 - Geriatric Services	1,242,622	1,223,046	(19,576)
HEA 17 - Medical Care Beyond Insurance Coverage/Un-Insured	2,299,865	3,030,000	730,135
HEA 18 - School Health Services	2,205,608	2,205,668	60
HEA 19 - Medical Care For Chronic Ailments	1,176,963	1,163,412	(13,551)
HEA 20 - Public Health Programmes, Investigations and Treatements	2,431,625	3,053,864	622,239
HEA 21 - Medical Internship Programme	225,000	225,000	-
HEA 23 - Provision of Antiretroviral Medication	863,676	1,413,000	549,324
HEA 24 - Provision of Psychological Trauma Diagnosis and Treatment for Children	150,000	150,000	-
HEA 25 - Management and Maintenance of Cancer Registry	58,000	58,000	-
Public Entities			
MUS 4 - Collection and Preservation of Significant Material Evidence	221,616	221,616	-
MUS 5 - Museum Facilities, Exhibitions and Displays	812,592	812,592	-
MUS 6 - Provision of Policy and General Advice on Museum Matters	196,992	196,992	-
NCF 7 - Arts and Culture Preservation, Documentation and Promotion	149,810	149,810	-
NCF 8 - National Festivals and Stage Productions	701,160	701,157	(3)
NCF 9 - Training and Support for Artistic Development	92,382	92,384	2
NAG 1- Exhibitions and Art Festivals	174,290	174,290	-
NAG 2 - National Art Collection	100,554	100,554	-
NAG 3 - Art Education and Outreach Programmes	327,930	327,932	2
TAB 6 - Cultural Programmes	17,100	17,100	-
Non-Governmental Suppliers			
NGS 4- HIV/AIDS and First Aid Public Education Programmes	33,486	33,488	2
NGS 53 - Palliative Care Nursing	120,237	120,237	-
NGS 54 - Social Marketing for Prevention of HIV/AIDS	67,688	67,688	-
NGS 55 - Tertiary Care at Various Overseas Institutions	30,092,725	17,165,771	(12,926,954)
NGS 83 - Other Health and Cultural Programmes	21,375	21,375	-
Transfer Payments			
TP 73 - Other Health & Cultural Programme Assistance	194,771	225,000	30,229
Other Executive Expenses			
OE 14 - Caribbean Food & Nutrition Institute Subscription	-		-
OE 15- Pan American Health Organisation Subscription	6,139	18,000	11,861
OE 16- Caribbean Health Research Council Subscription	-		-
OE 17 -Caribbean Epidemiology Centre Subscription	-		-
OE 103 - Caribbean Public Health Agency (CARPHA)	17,582	22,500	4,918
OE 105 - Settlement of Claims	5,000,000	-	(5,000,000)
Equity Investments			
EI 23 - Cayman Islands National Museum	240,000	240,000	-
EI 29 - Health Services Authority	2,170,728	1,642,500	(528,228)
EI 47 - Cayman National Gallery	101,000	72,000	(29,000)
EI 53 - Ministry of Home Affairs, Health and Culture - Health	8,166,226	11,088,000	2,921,774
EI 65 - Ministry of Home Affairs, Health and Culture-Health - CINICO	-	600,000	600,000
EI 72 - Cayman National Cultural Foundation	50,000	50,000	-
Executive Assets			
EA 30 - Cemetery Vaults - Grand Cayman	-	100,000	100,000

Annual Statement of Appropriations (continued)

	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriations to the Deputy Governor			
CIV 1 - Policy Advice to the Head of the Civil Service	1,495,263	1,495,263	-
CIV 2 - Auditing Compliance with Human Resource & Internal Financial Policies	1,813,835	1,531,739	(282,096)
CIV 3 - Management of Public Sector Reform	1,262,219	1,262,219	-
CIV 7 - Civil Service College	564,191	846,287	282,096
CIV 8 - Human Resource and Accounting Services	1,216,976	1,289,156	72,180
CIV 10 - Servicing of the Legislative Assembly and Members of the Legislative Assembly	1,716,216	1,716,216	-
CIV 11 - Servicing and Support for H.E. the Govenor	930,573	956,598	26,025
CIV 12 - Preservation and Management of Records	1,607,635	1,607,635	-
CIV 13 - Maintenance of the Electoral Register	1,981,999	1,982,000	1
CIV 14 - Support for Commissions	1,286,220	1,286,220	-
CIV 15 - Policy Advice and Administrative Support Provided to the Deputy Governor	395,123	395,123	-
Public Entities			
CIN 2 - Health Insurance for Civil Service Pensioners	30,977,975	31,712,156	734,181
Non-Governmental Suppliers			
NGS 20 - Employee Assistance Programme	217,997	218,000	3
Other Executive Expenses			
OE 2- Personal Emoluments for H.E. the Governor, Premier, Deputy Premier, Speaker of the Legislative Assembly, Ministers, Elected Members of the Legislative Assembly and Deputy Governor	5,289,704	5,182,000	(107,704)
OE 19 - Ex-Gratia Recipients Plan Payments	2,070,000	2,070,000	-
OE 71 - Commonwealth Parliamentary Association	187,000	187,000	-
OE 99 - Ex-Gratia Payments for Former Members of the Legislative Assembly	-	18,000	18,000
OE 100 - Depreciation of the Portfolio of Civil Service Executive Assets	216,255	255,006	38,751
OE 107 - Project Future	149,657	400,000	250,343
OE 108 - Pay Stagnation	-	1,989,000	1,989,000
OE 109 - Public Ombudsman	-	290,000	290,000
Equity Investments			
EI 35 - Portfolio of the Civil Service	-	508,000	508,000
Executive Assets			
EA 141 - Upgrades and repairs to LA Building	127,000	-	(127,000)

Annual Statement of Appropriations (continued)

	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriations to the Attorney General			
LGA 1- Provision of Legal Advice and Representation	2,863,971	2,863,971	-
LGA 3- Law Teaching and Publications	2,044,922	2,044,922	-
LGA 4- Drafting of Legislation	1,616,038	1,616,038	-
LGA 5- Policy Advice to the Attorney General	1,678,130	1,678,130	-
LGA 6 - Financial Intelligence Services	1,531,722	1,531,722	-
LGA 7 - Review & Modernization of Laws	584,086	584,086	-
Other Executive Expenses			
OE 6 - Contribution to Caribbean Financial Action Task Force	89,026	100,000	10,974
OE 26- Personal Emoluments for the Attorney General	332,015	280,233	(51,782)
Equity Investments			
EI 34 - Portfolio of Legal Affairs	-	75,000	75,000
Appropriations to Cabinet on behalf of the Office of the Director of Public Prosecutions			
DPA 1 - Prosecution and International Co-operation	4,747,471	4,747,471	-
Equity Investments			
EI 60 - Office of Director of Public Prosecution	-	10,000	10,000
Appropriations to the Cabinet on Behalf of the Chief Justice			
JAD 1- Administrative Support to the Judiciary	1,878,100	1,878,100	-
JAD 2- Support for Court Proceedings	6,519,610	6,854,610	335,000
JAD 3- Collection of Revenue	689,211	689,211	-
JAD 4- Financial Management of Court Funds	633,957	633,957	-
Public Entities			
HEA 8 - Autopsy and Coroner Services	401,379	360,000	(41,379)
Non-Governmental Suppliers			
NGS 2 - Legal Aid Services	3,786,421	3,990,000	203,579
Other Executive Expenses			
OE 1 - Personal Emoluments for the Judiciary	3,026,208	3,019,999	(6,209)
OE 4 - Judiciary Expenses	1,909,093	1,394,503	(514,590)
OE 43 - Depreciation of Judical Executive Assets	32,013	139,146	107,133
OE 57 - Bank Charges	-	1,500	1,500
OE 65 - Court of Appeal Expenses	871,353	800,000	(71,353)
OE 102 - New Court House	85,000	200,000	115,000
Equity Investments			
EI 21 - Judicial Administration	335,000	-	(335,000)

Annual Statement of Appropriations (continued)

	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriation to the Public Accounts Committee			
ADO 1- Services to the Legislative Assembly and its Committee	921,000	921,000	-
Equity Investments			
EI 18 - Cayman Islands Audit Office	-	23,000	23,000
Appropriations to the Oversight Committee of the Legislative Assembly (Complaints Commissioner)			
TCC 1- Public Interest Investigations	568,322	979,835	411,513
TCC 2 - Policy Advice and Public Education Outreach	113,428	195,565	82,137
Equity Investments			
EI 75 - Office of the Ombudsman	500,000	-	(500,000)
Appropriations to the Oversight Committee of the Legislative Assembly (Information Commissioner)			
ICO 1 - Compliance with Freedom of Information Legislation	546,520	1,196,472	649,952
Total Appropriations	**917,138,249**	**929,714,936**	**12,576,686**

Statement of Un-Appropriated Financial Transactions

Government of the Cayman Islands
Statement of Un-Appropriated Expenditure
For the Year Ended 31 December 2017

	Actual CI$000	Original Budget CI$000	Actual vs Budget CI$000
Appropriations to the Premier			
CBO 1- Development and Coordination of Government Policy	4,221,351	3,207,911	(1,013,440)
CBO 2- Cabinet and National Security Council Support and Servicing	1,189,371	1,094,213	(95,158)
CBO 17 - Information Services Provided to Other Government Agencies	1,784,325	1,316,941	(467,384)
CBO 21 - Broadcasting of Public Information and On Air Programmes	2,038,519	1,948,789	(89,730)
Other Executive Expenses			
OE 5- Constituency Allowance	1,198,150	1,116,050	(82,100)
Appropriations to the Minister of Home Affairs, Health& Culture (Home Affairs)			
HCA 5 - Immigration Entry and Extension Services	7,263,333	4,793,317	(2,470,016)
Public Entities			
NDC 1 - Policy, Prevention, Surveillance, Research, Information, Monitoring and Evaluation	1,057,877	955,000	(102,877)
Transfer Payments			
TP 69 - Support for the Bridge Foundation	165,000	150,000	(15,000)
Appropriations to Minister of Community Affairs, Youth & Sports			
HCA 27 - Policy Advice and Support to the Minister of Community Affairs, Youth and Sports	2,894,928	2,763,623	(131,305)
HCA 31 - Supervision and Support of Children	5,852,233	3,206,155	(2,646,078)
Other Executive Expenses			
OE 78 - Depreciation of Ministry of Community Affairs, Youth and Sports - Executive Assets	70,070	40,500	(29,570)
OE 115 - Regional Security Initiatives	545,933	-	(545,933)
Appropriations to the Minister of District Administration, Tourism & Transport			
Equity Investments			-
EI 51 - Ministry of Financial Services Tourism, and Development	566,929	-	(566,929)
Appropriations to the Minister of Planning, Lands, Agriculture, Housing and Infrastructure			
PAH 11 - Procurement and Maintenance of Government Fleet	5,049,456	4,891,216	(158,240)
Equity Investments			
EI 71 - Ministry of Planning, Lands, Agriculture, Housing and Infrastructure	5,050,305	5,022,293	(28,012)
Appropriations to the Minister of Financial Services, Commerce and Environment			
FSC 11 - Fair Competition in Domestic Commercial activity	1,356,345	-	(1,356,345)
Equity Investments			
EI 66 - Audit Oversight Committee	46,022	-	(46,022)

Statement of Un-Appropriated Financial Transactions (continued)

Appropriations to the Minister of Finance & Economic Development			
FED 11 - Monitoring and Reporting on the Economy	368,885	281,074	(87,811)
Public Entities			
CIN 1- Health Insurance for Seamen and Veterans for Primary and Secondary Health Care	11,337,339	11,175,336	(162,003)
Equity Investments			
EI 70 - Ministry of Finance and Economic Development	575,534	350,000	(225,534)
Financing Expenses			
FE 3- Interest on Public Debt	39,019,205	38,990,622	(28,583)
Appropriations to the Minister of Education, Employment and Gender Affairs			
Transfer Payments			
TP 78 - Ex Gratia Payments-Compensation Road Widening	12,175	-	(12,175)
Appropriations to the Minister of Home Affairs, Health& Culture (Health)			
HEA 16 - Geriatric Services	1,242,622	1,223,046	(19,576)
HEA 19 - Medical Care For Chronic Ailments	1,176,963	1,163,412	(13,551)
Non-Governmental Suppliers			
NGS 55 - Tertiary Care at Various Overseas Institutions	30,092,725	17,165,771	(12,926,954)
Appropriations to the Deputy Governor			
CIV 2 - Auditing Compliance with Human Resource & Internal Financial Policies	1,813,835	1,531,739	(282,096)
Other Executive Expenses			
OE 2- Personal Emoluments for H.E. the Governor, Premier, Deputy Premier, Speaker of the Legislative Assembly, Ministers, Elected Members of the Legislative Assembly and Deputy Governor	5,289,704	5,182,000	(107,704)
Executive Assets			
EA 141 - Upgrades and repairs to LA Building	127,000	-	(127,000)
Appropriations to the Deputy Governor			
CIV 2 - Auditing Compliance with Human Resource & Internal Financial Policies	1,813,835	1,531,739	(282,096)
Other Executive Expenses			
OE 2- Personal Emoluments for H.E. the Governor, Premier, Deputy Premier, Speaker of the Legislative Assembly, Ministers, Elected Members of the Legislative Assembly and Deputy Governor	5,289,704	5,182,000	(107,704)
Executive Assets			
EA 141 - Upgrades and repairs to LA Building	127,000	-	(127,000)
Appropriations to the Attorney General			
Other Executive Expenses			
OE 26- Personal Emoluments for the Attorney General	332,015	280,233	(51,782)
Public Entities			
HEA 8 - Autopsy and Coroner Services	401,379	360,000	(41,379)
Other Executive Expenses			
OE 1 - Personal Emoluments for the Judiciary	3,026,208	3,019,999	(6,209)
OE 4 - Judiciary Expenses	1,909,093	1,394,503	(514,590)
OE 65 - Court of Appeal Expenses	871,353	800,000	(71,353)
Total Appropriations	**145,176,722**	**120,137,482**	**(25,039,240)**

Statement of Expenses or Capital Expenditure Incurred in Emergencies

There were no emergency situations which warranted emergency spending during the period ended 31 December 2017.

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 law specific to that particular entity, with ultimate governance provided by the Public Authorities Law (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 18-month financial period 31 December 2017, the Government provided subsidies amounting to $151.0 million (2016: $98.5).

EPS Actual 2015/2016 CI$000	Description	EPS Actual 2016/2017 CI$000
315	Auditors Oversight Authority	473
17,306	Cayman Airways Ltd	24,695
569	Cayman Islands Development Bank	850
10,693	Cayman Islands Monetary Authority	20,805
28,599	Cayman Islands National Insurance Company	42,315
629	Cayman National Cultural Foundation	943
2,515	Children & Youth Services Foundation	3,617
1	Electricity Regulatory Authority	-
28,746	Health Services Authority	42,761
325	Utility Regulation and Competition Office	895
419	Martime Authority Cayman Islands	539
553	National Drug Council	1,003
402	National Gallery of the Cayman Islands	603
580	National Housing Development Trust	871
821	National Museum	1,231
72	Sister Islands Affordable Housing Corporation	108
1,911	Tourism Attractions Board	2,945
4,078	University College of the Cayman Islands	6,315
98,533	**Total Outputs from Public Entities**	**150,969**

Note 42: Investment in Statutory Authorities & Government Companies

Actual 2015/2016 CI$000	Description	Equity Injection CI$000	Prior Period Adjustments CI$000	Withdrawals CI$000	Surplus/ (Deficit) CI$000	Actual 2016 /2017 CI$000
300	Auditors Oversight Authority	-	-	-	46	346
1,523	Sister Islands Affordable Housing Corporation	-	(81)	-	30	1,472
24,493	Cayman Islands Monetary Authority	-	(2,772)	-	10,128	31,849
73,593	Water Authority-Cayman	-	(7,492)	(250)	(1,795)	64,056
21,200	Port Authority	-	35	-	(2,257)	18,978
8,016	Cayman Islands Development Bank	9,780	(1,389)	-	(620)	15,787
2,708	National Gallery of the Cayman Islands	-	113	-	104	2,925
2,769	National Museum	-	3	-	29	2,801
8,145	University College of the Cayman Islands	-	61	-	181	8,387
6,828	Civil Aviation Authority	-	(6,849)	(2,031)	5,518	3,466
359	National Drug Council	-	(1)	-	39	397
4,585	Cayman National Cultural Foundation	50	4,140	-	(297)	8,478
98,758	Health Services Authority	2,542	(142,430)	-	1,885	(39,245)
9,524	Tourism Attractions Board	-	(537)	-	160	9,147
3,337	Utility Regulation and Competition Office	-	306	-	(1,396)	2,247
3,895	Maritime Authority of the Cayman Islands	-	(5,375)	-	(64)	(1,544)
1,460	Children & Youth Services Foundation	1,400	36	-	(125)	2,771
4,842	National Housing Development Trust	3,353	(335)	-	(1,818)	6,042
(27,928)	Cayman Airways Ltd	16,150	53	-	(9,981)	(21,706)
2,424	Cayman Islands Stock Exchange	-	(820)	(368)	956	2,192
13,534	Cayman Turtle Conservation and Education Centre Ltd	13,816	(181)	-	(10,615)	16,554
4,831	National Roads Authority	-	(16,993)	-	560	(11,602)
79,652	Cayman Islands Airports Authority	2,500	(15,621)	-	16,833	83,364
15,925	Cayman Islands National Insurance Company	7,100	(4,252)	-	(6,084)	12,689
364,773	**Total**	**56,691**	**(200,381)**	**(2,649)**	**1,417**	**219,851**

Note 43: Details of Borrowings

Central Government

CAYMAN ISLANDS GOVERNMENT
DETAILS OF BORROWINGS
as at 31 DECEMBER 2017

	Type of Debt	Managed By	Original Borrowing $000	Balance as at 31 December 2017 CI$000	Balance as at 30th June 2016 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	18,224
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 bullit 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	4,800	7,200
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 payts 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	20,125	25,375
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	14,567	18,367
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	13,755	17,685
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	131,094	154,228

CAYMAN ISLANDS GOVERNMENT
DETAILS OF BORROWINGS
as at 31 DECEMBER 2017

	Type of Debt	Managed By	Original Borrowing $000	Balance as at 31 December 2017 CI$000	Balance as at 30th June 2016 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	652
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	41
European Investment Bank Loan # 8.0244 **1987 Civil Aviation Authorioty (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	246
TOTAL DEBTS MANAGED BY CENTRAL GOVERNMENT				451,081	503,318

Statutory Authorities and Government Companies

STATUTORY AUTHORITIES AND GOVERNMENT OWNED COMPANIES
DETAILS OF BORROWINGS
as at 31 DECEMBER 2017

	Type of Debt	Managed By	Original Borrowing $000	Balance as at 31 December 2017 CI$000	Balance as at 30th June 2016 CI$000
RBC Royal Bank of Canada During the year ended 30 June 2004, the Company entered into a loan agreement with Royal Bank of Canada (Cayman Islands) ("RBC") to obtain funds to a total value of $23,602,333, which was to be repaid over a fifteen year period. This funding was obtained in order to provide funds for operational needs. In November 2011, the Company entered in new agreement with RBC covering all existing credit facilities ("Credit Facilities") with RBC at that time, the terms of which supersede all previous borrowing agreements. In June 2013, the agreement was amended to add US$5 million from the overdraft facility onto the existing loan facility.The Company is required to pay an amount of $189,825 monthly relating to both principal and interest. The loan bears a floating rate of interest priced at one month Libor plus 2.5% per annum. The loan is secured by way of guarantee from the Government.	Foreign Currency - USD	Cayman Airways Ltd	US 28,602	-	7,629
RBC Royal Bank of Canada During the year ended 30 June 2004, the Company entered into a loan agreement with RBC to obtain funds to a total value of $21,055,000, which will was to be repaid over a fifteen year period. The agreement required a local bank in the Cayman Islands to provide 50% of the required funds (see (iii) below). This funding was obtained in order to provide funds for operational needs. In November 2011, the Company entered in new agreement with RBC covering all existing credit facilities ("Credit Facilities") with RBC at that time, the terms of which supersede all previous borrowing agreements. The Company is required to pay principal payments of$110,052 (2014: $111,720) plus accrued nterest on the outstanding balance. The loan bears a floating rate of interest priced at one month Libor plus 2.5% per annum. The loan is secured by way of guarantee from the Government.	Foreign Currency - USD	Cayman Airways Ltd	US 10,528	-	2,175
CIBC FirstCaribbean International Bank Consequent to the agreement as described above, RBC entered into a loan agreement with First Caribbean International Bank (Cayman) Ltd. ("FCIB") to provide funding to a total value of $10,527,500, which will be repaid over a fifteen year period (collectively, the "Club Loan").Pursuant to this agreement, the Company must comply with the covenants contained in (ii) above. In the event of default, FCIB may, by written notice to the Company through RBC, declare all borrowings under the Club Loan agreement to be immediately due and payable. During the years ending 30 June 2015 and 2014, the Company had 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 . However, as at 30 June 2015 and 2014, neither RBC nor FCIB had provided written notice of intent to act as a result of this failure and had instead provided waivers of such covenants to the Company. The loan is secured by way of guarantee from the Government.	Foreign Currency - USD	Cayman Airways Ltd	US 10,528	-	2,175
CIBC FirstCaribbean International Bank During the year ended 30 June 2007, the Company entered into a loan agreement with FCIB to obtain funds to a total value of $4,200,000, which will be repaid over a ten year period. This funding was obtained in order to provide funds for capital expenditure. The Company is required to pay an amount of $40,000 monthly relating to both principle and interest. The loan bears a floating rate of interest priced at one month Libor plus 0.75% per annum. The loan is secured by way of guarantee from the Government.	Foreign Currency - USD	Cayman Airways Ltd	US 4,200	-	452
CIBC FirstCaribbean International Bank During the year ended 30 June 2009, the Company entered into a loan agreement with FCIB to obtain funds to a total value of $15,000,000, which will be repaid over a fifteen year period. This funding was obtained in order to provide funds for operational needs. As at June 30, 2015, and as a result of the 12 month principal moratorium noted above the monthly principal and interest instalments were revised to $108,415, subject to fluctuation in interest rates (2014: $116,000). The loan bears a floating rate of interest priced at one month Libor plus 3.5% per annum. The loan is secured by way of guarantee from the Government.	Foreign Currency - USD	Cayman Airways Ltd	US 15,000	-	7,937
RBC Royal Bank of Canada 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.	Foreign Currency - USD	Cayman Airways Ltd	US 23,800	19,992	-

STATUTORY AUTHORITIES AND GOVERNMENT OWNED COMPANIES
DETAILS OF BORROWINGS
as at 31 DECEMBER 2017

	Type of Debt	Managed By	Original Borrowing $000	Balance as at 31 December 2017 CI$000	Balance as at 30th June 2016 CI$000
Caribbean Development Bank Mortgage: Commenced 2002 and maturing 2021. Interest rate of 3.95%. In May 2002, CDB granted a new line of credit of US$5 million (CI$4.154 million) for mortgage financing to the Cayman Islands Government with the CIDB acting as Executing Agent. This was in addition to 7/OR-CI line of credit of $996,960 (US$1,200,000).	Foreign Currency - USD	Cayman Islands Development Bank	US 4,875	-	1,636
CIBC FirstCaribbean International Bank - Debt Consolidation 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.	Foreign Currency - USD	Cayman Islands Development Bank	US 36,800	23,927	30,573
CIBC FirstCaribbean International Bank (Cayman) Limited The Authority secured a loan of $800,000 from First Caribbean International Bank (FCIB) at an interest rate of 3.75% for 10 years. A building with carrying amount of $893,187 (2014: $920,444) is subject to a first charge to secure the loan.	Local Currency - KYD	Health Services Authority	$800	-	409
CIBC FirstCaribbean International Bank (Cayman) Limited On 4 November 2011, The Health Authority secured a loan of $1,700,000 from FCIB at an interest rate of 3.75% for 10 years. A land with carrying amount of $1,739,125 (2014: $1,739,125) is subject to a first charge to secure the loan.	Local Currency - KYD	Health Services Authority	$1,700	-	980
Bond Issued at 5.238% 28th October 2004 for 20 years to 28th October 2024 with semi-annual payments.	Foreign Currency - USD	National Housing Development Trust	US 14,500	5,772	6,760
Bond 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.	Local Currency - KYD	National Housing Development Trust	$12,083	8,053	8,983
RBC Royal Bank of Canada and Scotiabank $14,350,000 (US$17,500,000) issued 30 March 2004 for the Royal Watler Terminal and bearing interest of LIBOR (1.06920% as at 30 June 2012) plus 1.5% and repayable in monthly instalments starting from May 1, 2005 until July 31, 2017.	Foreign Currency - USD	Port Authority	US 17,500	-	1,752
Cayman National Bank & CIBC FirstCaribbean International Bank The Cayman Islands Government by way of letter of undertaking guarantees the loan facilities for US$14,800,000 (CI$12,432,000). Facilities 1 to 2 bear interest between 0.5% and 1.0% above US Dollar prime rate, reset monthly. Facility 3 bears interest at 3.75% above the 90-day London Interbank offer rate (LIBOR). The effective rate at June 30, 2015 is between 3.75% and 4.02% (2014: between 3.75% and 4.02%). The details of each facility is as below; On March 26, 2006, the Company obtained a loan facility ("Facility 1") from Cayman National Bank to assist the Company with budget shortfalls relating to the Park which is guaranteed by the Cayman Islands Government. On November 7, 2006, the Company obtained a loan facility ("Facility 2") from Cayman National Bank to assist the Company with budget shortfalls relating to the Park which is guaranteed by the Cayman Islands Government. On May 21, 2009, the Company obtained a loan facility ("Facility 3") from First Caribbean International Bank to assist the Company with operating cashflow shortfalls. The facility is fully guaranteed by the Cayman Islands Government. During the availability period (May 21, 2009 to October 30, 2009) the facility is carried on an interest only basis, payable monthly in arrears.	Foreign Currency - USD	Cayman Islands Turtle Farm (1983) Ltd	US 14,800	-	1,583

STATUTORY AUTHORITIES AND GOVERNMENT OWNED COMPANIES
DETAILS OF BORROWINGS
as at 31 DECEMBER 2017

	Type of Debt	Managed By	Original Borrowing $000	Balance as at 31 December 2017 CI$000	Balance as at 30th June 2016 CI$000
Guaranteed Senior Notes 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.	Foreign Currency - USD	Cayman Islands Turtle Farm (1983) Ltd	US 44,600	8,038	12,904
Ocean Conversion (Cayman) Ltd North Side-Original: 10 Year Loan of US$9,176,442 commenced July 2009. Interest is 6.48%.	Foreign Currency - USD	Water Authority - Cayman	US 9,176	1,782	3,399
Ocean Conversion (Cayman) Ltd Red Gate-Upgrade: 7 year Loan of US$3,063,816 commenced July 2009. Interest is 6.48%.	Foreign Currency - USD	Water Authority - Cayman	US 3,064	-	527
TOTAL DEBTS MANAGED BY STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES				67,564	89,873
TOTAL BORROWINGS				518,645	593,191

SUMMARY OF BORROWINGS
as at 31 DECEMBER 2017

	Number of Debts	Original Borrowing US$/CI$/€000	Balance as at 31 December 2017 CI$000	Balance as at 30th June 2016 CI$000
Summary by Type				
Total USD Debt	12	US$ 1,142,709	509,708	581,880
Total KYD Debt	1	$14,583	8,053	10,372
Other Currency Debt	3	€ 2,488	884	939
Total Public Debt	**16**		**518,645**	**593,191**
Summary by assignment				
Central Government - USD Debt	7	US$ 844,834	450,197	502,379
Central Government - Euros Debt	3	€ 2,488	884	939
Statutory Authorities & Government Companies - USD Debt	5	US$ 92,076	59,511	48,928
Statutory Authorities & Government Companies - KYD Debt	1	12,083	8,053	10,372
Total Public Debt	**16**		**518,645**	**562,618**

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 2017, the Government held $257.2 million (2016:$101.4 million) in trust assets as shown below.

GOVERNMENT OF THE CAYMAN ISLANDS

Statement of Trust Assets
As at 31 December 2017

	Opening Balance CI$000	Prior Period Adjustment 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	298	2	16	(8)	308
Asset Forfeiture	397	12	1,293	(501)	1,201
Defunct Companies	26,286	21,092	38,753	(7,166)	78,965
Court Fund Trusts	58,161	68,306	112,802	(79,543)	159,726
Dormant Trusts Account	10,324	382	1,370,873	(1,369,794)	11,785
Immigration Bail Bonds	15	-	6	(2)	19
Other Trusts	463	-	302	(715)	50
Total Trust Assets	**101,442**	**89,794**	**1,524,045**	**(1,457,729)**	**257,552**

Note 45: Government Reporting Entities as at 31 December 2017

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 Turtle Farm (1983) Ltd	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