

GOVERNMENT OF THE CAYMAN ISLANDS

MINISTRY OF FINANCE, TOURISM AND DEVELOPMENT – FINANCIAL SERVICES

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Financial Statements for the year ended 30 June 2011

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MINISTRY OF FINANCE, TOURISM AND DEVELOPMENT – FINANCIAL SERVICES

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Ministry of Finance, Tourism and Development – Financial Services in accordance with the provisions of the Public Management and Finance Law (2010 Revision).

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

As Chief Officer I am responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Ministry of Finance, Tourism and Development – Financial Services.

As Chief Officer and Chief Financial Officer we are responsible for the preparation of the Ministry of Finance, Tourism and Development – Financial Services financial statements, representation and judgements made in these statements.

The Ministry does not make any assertion in regards to the following:

(a) Valuation of buildings – the Government of the Cayman Islands opted for the valuation model in prior fiscal years but has not carried out a revaluation every five years as required by the Financial Regulations (2010) and IPSAS 17, Property, Plant and Equipment.

With exception to the issues raised in the preceding paragraph, the financial statements fairly present the financial position, financial performance and cash flows of the Ministry of Finance, Tourism and Development – Financial Services for the financial year ended 30 June 2011.

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

(a) completely and reliably reflect the financial transactions of Ministry of Finance, Tourism and Development – Financial Services for the year ended 30 June 2011;
(b) fairly reflect the financial position as at 30 June 2011 and performance for the Year ended 30 June 2011;
(c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants. Where guidance is not available, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Committee or accounting practice that is generally accepted in the United Kingdom as appropriate for reporting in the public sector.

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

Dax Basdeo
Chief Officer

Date – 25 June 2013

Wendy Manzanares
Chief Financial Officer

Date – 25 JUNE 2013

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AUDITOR GENERAL'S REPORT

To the Chief Officer and Members of the Legislative Assembly of the Cayman Islands

I have audited the accompanying financial statements of the **Ministry of Finance, Tourism and Development – Financial Services** (the "Ministry"), which comprise the statement of financial position as of 30 June 2011, and the statement of financial performance, statement of changes in net worth and cash flow statement, for the year then ended and a summary of significant accounting policies and other explanatory notes, in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2012 Revision)* ("PMFL").

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

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

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

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

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

Basis for Qualified Opinion

Comparatives

The Ministry has not reported prior year comparative figures within its financial statements as required by IPSAS 1 -Presentation of Financial Statements. Under the standards except when an IPSAS permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements.

Fixed Assets

The Ministry has not revalued its buildings within five (5) years preceding the year ended June 30, 2011, in accordance with The Financial Regulations (2012 revision) and as required by IPSAS 17. I could therefore not determine if fixed assets were fairly stated as at June 30, 2011.

Depreciation

I am unable to verify the amount of depreciation expense due to the uncertainties surrounding the value of the Ministry's fixed assets.

Statement of Cash Flows

I am unable to verify the cash flows reported as I was unable to obtain sufficient and appropriate support in order to allow me to validate the cash flows reported.

Surplus Payable ($19M)

Due to the qualifications issued on the areas disclosed above and the inability to support the contributed capital amount we are unable to conclude on the accuracy of the surplus payable.

Net Worth

There are numerous matters concerning the net worth balance reported within the accounts. The main components of the net worth include, the revaluation surplus, accumulated surpluses and contributed capital.

Revaluation of Land and Buildings

The entity has adopted the revaluation model which is outlined in IPSAS 17. This standard requires that those classes of assets which are accounted for under this model should be revalued with sufficient regularity to ensure that the carrying value does not differ materially from that which would be determined using fair value at the reporting date. As such, I noted that the ministry has not revalued its buildings within five (5) years preceding the year ended June 30, 2011 financial statements.

Therefore the revaluation surplus has not been updated with the effects from a revaluation. Typically if the carrying amount of a class of assets is increased or decreased as a result of a revaluation, the change should be reflected within the revaluation surplus.

I am therefore unable to conclude on the impact on the Net Worth and unable to conclude that Net Worth is fairly stated at 30 June 2011.

Contributed Capital

This contributed capital balance which represents the equity investments into the ministry by CIG was reported on the statement of financial position in the amount of $6,478,000. We did not receive support to substantiate the balances represented within the statement of financial position. As such, I am therefore unable to conclude on the impact on the Net Worth, am unable to conclude that Net Worth is fairly stated at 30 June 2011.

Accumulated Surplus

The accumulated surplus represents the cumulative net surpluses that accrued to the entity over prior years. This balance is deemed to be unreliable due to the fact that there are a number of accounting issues as noted above that affect the integrity of this balance.

Related Party Transactions

International Public Sector Accounting Standards (IPSAS) 20 requires the identification of transactions with related parties and disclosure of related party transactions and outstanding balance in the financial statements. This is to ensure that the entity's financial statements contain the disclosure necessary to draw attention to the possibility that its financial position and financial performance may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. I was unable to determine the entity's compliance with this standard due to the non-presentation of the declaration forms by some of the officers who are so required by the standard. The absence of these declarations would inhibit the Ministry from identifying, monitoring and disclosing all related party transactions by senior managers and those charged with governance.

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis of Opinion paragraphs, these financial statements present fairly, in all material respects, the financial position of the Ministry as at June 30, 2011, its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Other Matter

Without further qualifying my audit opinion, I draw your attention to the fact that the Ministry did not disclose its final budget consistent with the requirements of IPSAS 24 (presentation of budgeted information in financial statements). The standard requires that an entity shall present a comparison of the approved budget amounts for which it is held publicly accountable to actual amounts. However as discussed in the notes to the financial statements the Ministry of Finance, Tourism and Development, the entity for which the budget was approved, was separated into three reporting entities, consequently the budget numbers presented in these financial statements relate only to the operations of the Ministry under audit and represents only a portion of the approved budget.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
June 28, 2013

MINISTRY OF FINANCE, TOURISM AND DEVELOPMENT - FINANCIAL SERVICES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	Current Year Actual $'000	Original Budget $'000	Final Budget $'000	Variance (Original vs Actual) $'000
Current Assets					
Cash and cash equivalents	2	20,372	432	432	(19,940)
Trade receivables	3	4,525	798	798	(3,727)
Other receivables	3	18	40	40	22
Prepayments		56	29	29	(27)
Total Current Assets		**24,971**	**1,299**	**1,299**	**(23,672)**
Non-Current Assets					
Property, plant and equipment	4	1,391	648	648	(743)
Total Non-Current Assets		**1,391**	**648**	**648**	**(743)**
Total Assets		**26,362**	**1,947**	**1,947**	**(24,415)**
Current Liabilities					
Trade payables	5	11	240	240	229
Other payables and accruals	5	428	-	-	(428)
Employee entitlements	6	100	82	82	(18)
Repayment of surplus		19,320	-	-	(19,320)
Total Current Liabilities		**19,859**	**322**	**322**	**(19,537)**
Total Liabilities		**19,859**	**322**	**322**	**(19,537)**
Net Assets		**6,503**	**1,625**	**1,625**	**(4,878)**
Net Worth					
Contributed capital		6,478	(15,853)	(15,853)	(22,331)
Accumulated surplus		25	17,478	17,478	17,453
Total Net Worth		**6,503**	**1,625**	**1,625**	**(4,878)**

The accounting policies and notes on pages 9 to 24 form part of these financial statements.

MINISTRY OF FINANCE, TOURISM AND DEVELOPMENT - FINANCIAL SERVICES
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Current Year Actual $'000	Original Budget $'000	Final Budget $'000	Variance (Original vs Actual) $'000
Revenue					
Sale of goods and services	7	27,314	25,665	25,665	(1,649)
Total Revenue		**27,314**	**25,665**	**25,665**	**(1,649)**
Expenses					
Personnel costs	8	4,392	5,220	5,220	828
Supplies and consumables	9	3,431	4,066	4,066	635
Depreciation	4	173	390	390	217
Gains/(losses) on foreign exchange transactions	10	(2)	20	20	22
Total Expenses		**7,994**	**9,696**	**9,696**	**1,702**
Surplus for the Period		**19,320**	**15,969**	**15,969**	**(3,351)**

The accounting policies and notes on pages 9 to 24 form part of these financial statements.

MINISTRY OF FINANCE, TOURISM AND DEVELOPMENT - FINANCIAL SERVICES
GOVERNMENT OF THE CAYMAN ISLANDS
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 JUNE 2011

	Attributable to Cayman Islands Government					
	Contributed Capital $000	Accumulated Surplus $000	Total Net Worth $000	Final Budget $000	Original Budget $000	Variance (Original vs Actual) $000
Balance at 1 July 2010	-	-	-	-	-	-
Transfer of net assets from Ministry of Finance, Tourism and Development	6,451	25	6,476	17,478	17,478	11,002
Balance at 1 July 2010 brought forward	6,451	25	6,476	17,478	17,478	11,002
Changes in net worth for 2010/11						
Equity Investment from Cabinet	27	-	27	118	118	91
Repayment of surplus to Cabinet	-	(19,320)	(19,320)	(15,971)	(15,971)	3,349
Surplus for the period 2010/11	-	19,320	19,320	-	-	(19,320)
Total net changes for the period	27	-	27	(15,853)	(15,853)	(15,880)
Balance at 30 June 2011	**6,478**	**25**	**6,503**	**1,625**	**1,625**	**(4,878)**

The accounting policies and notes on pages 9 to 24 form part of these financial statements.

MINISTRY FINANCE, TOURISM AND DEVELOPMENT - FINANCIAL SERVICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Current Year Actual $'000	Original Budget $'000	Final Budget $'000	Variance (Original vs Actual) $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Outputs to Cabinet		3,930	6,188	6,188	2,005
Sale of goods and services - third party		23,029	19,478	19,478	(3,551)
Other receipts		104	-	-	(104)
Payments					
Personnel costs		(4,334)	(5,220)	(5,220)	(886)
Supplies and consumables		(2,339)	(4,066)	(4,066)	(1,474)
Other payments		-	(20)	(20)	(20)
Net cash flows from operating activities	12	**20,390**	**16,360**	**16,360**	**(4,030)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(45)	(118)	(118)	(73)
Net cash flows from investing activities		**(45)**	**(118)**	**(118)**	**(73)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Equity investment		27	118	118	91
Repayment of surplus		-	(15,970)	(15,970)	(15,970)
Net cash flows from financing activities		**27**	**(15,852)**	**(15,852)**	**(15,879)**
Net increase in cash and cash equivalents		20,372	390	390	(19,982)
Cash and cash equivalents at beginning of period		-	-	-	-
Cash and cash equivalents at end of period	3	**20,372**	**390**	**390**	**(19,982)**

The accounting policies and notes on pages 9 to 24 form part of these financial statements.

Description and Principal Activities

The Ministry of Finance, Tourism and Development – Financial Services ("the Ministry") is a Government owned entity as defined by section 2 of the Public Management and Finance Law (2010 Revision) and it is domiciled in the Cayman Islands.

The Ministry of Finance, Tourism and Development was formed after the General Election of 2009 by combining the Portfolio of Finance and Economics and the Ministry of Tourism. Effective 1 July 2010 the Ministry of Finance, Tourism and Development was split into three separate reporting entities: Tourism and Development; Public Finance and Financial Services. The departments which formed the Financial Services portion of the Ministry of Finance, Tourism and Development were transferred into the new Financial Services entity.

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

Note 1: Significant Accounting Policies

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

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will impact these financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of Preparation

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

Note 1: Significant Accounting Policies (continued)

Changes in Accounting Policies

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

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

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

(b) Budget Amounts

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

(c) Judgments and Estimates

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

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

(d) Changes in Accounting Estimates

There have been no changes to accounting estimates as defined by IPSAS 3.

(e) Revenue

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

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

(f) Expenses

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

Note 1: Significant Accounting Policies (continued)

(g) Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are recognised as expenses on a straight-line basis over the lease term.

(h) Cash and Cash Equivalents

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

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

(i) Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment in these financial statements.

(j) Property, Plant and Equipment

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

Depreciation is expensed on a straight-line basis at rates stipulated below 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
• Leasehold Improvement	Over the unexpired period of lease or the useful life of the improvement
• Computer Equipment	3 – 10 years
• Developed software	4 – 10 years
• Office equipment and furniture	3 – 25 years
• Motor vehicles	3 – 20 years
• Telecommunications	5 – 50 years
• Other equipment	5 – 20 years

Note 1: Significant Accounting Policies (continued)

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

(k) 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 settied 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 Ministry are paid to the Public Service Pension Fund and administered by the Public Service Pension Board (the "Board"). Contributions of 12% - employer 6% and employee 6% are made to the Fund by the Ministry.

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

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

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

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

Recognition
The Ministry 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.

Note 1: Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

Measurement

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

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

De-recognition

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

(m) Contingent Liabilities and Assets (including guarantees)

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

(n) Foreign Currency

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

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

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

Note 1: Significant Accounting Policies (continued)

(o) Comparative Figures

The Ministry has not presented prior year comparative information in the financial statements as required under IPSAS 1, Presentation of Financial Statements. This is because the Ministry is essentially a new ministry created from departments previously under the Ministry of Finance, Tourism and Development. These departments were not audited in isolation nor did they prepare and present departmental audited financial statements. Therefore presentation of comparative figures is deemed unnecessarily complex, misleading and of little value since the previous ministry did not present audited financial statements on a department basis and furthermore the former Ministry received a disclaimed opinion for the year ended June 30, 2010.

(p) Revenue from Non-Exchange Transactions

The Ministry receives various services from other government entities for which payment is made by the Cayman Islands Government. These services include but are not limited to computer repairs and software maintenance by the computer services department and human resources management by the Portfolio of the Civil Service. The Ministry has designated these non-exchange transactions as Services in-Kind as defined under IPSAS 23 – Revenue from non-exchange Transactions. When fair values of such services can be reliably estimated then the non-exchange transaction is recorded as an expense and an equal amount is recorded in other income as a service in-kind. Where services in-kind offered are directly related to construction or acquisition of a fixed asset, such service in-kind is recognised in the cost of the fixed asset.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents include cash on hand; bank accounts in the name of the Ministry of Finance, Tourism and Development – Financial Services maintained at Royal Bank of Canada and Barclays Bank (UK), and short term deposits invested with the Cayman Islands Government Treasury. As at 30 June 2011 the Ministry held no restricted cash balances.

Description	Foreign Currency $'000	Exchange Rate	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
Cash in transit	-	-	10	-	-	(10)
CI$ Operational Current Account	-	-	19,892	432	432	(19,460)
US$ Operational Current Account	164	0.8375	137	-	-	(137)
Payroll Current Account	-	-	229	-	-	(229)
GBP Operational Account held at Barclays Bank (UK Office)	-	-	104	-	-	(104)
Total cash and cash equivalents	**164**		**20,372**	**432**	**432**	**(19,940)**

Note 3: Trade Receivables and Other Receivables

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

As at 30 June 2011 Trade Receivables are as follows:

Description	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
Outputs to Cabinet	4,412	798	798	(3,614)
Sale of goods and services	57	-	-	(57)
Outputs to other government agencies	56	-	-	(56)
Total trade receivables	**4,525**	**798**	**798**	**(3,727)**

Note 3: Trade Receivables and Other Receivables (continued)

As at 30 June 2011, Other Receivables are as follows:

Description	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
Advances (salary, official travel, etc.)	18	38	38	20
Other receivable	-	2	2	2
Total other receivables	**18**	**40**	**40**	**22**

As at 30 June 2011, the ageing analysis of trade receivables and other receivables are as follows:

Description	Trade Receivable $'000	Other Receivable $'000	Total Receivable $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
Past due 1-30 days	4,525	18	4,543	838	838	(3,705)
Past due 31-60 days	-	-	-	-	-	-
Past due 61-90 days	-	-	-	-	-	-
Past due 90 and above	-	-	-	-	-	-
Total	**4,525**	**18**	**4,543**	**838**	**838**	**(3,705)**

As of 30 June 2011, trade receivables and other receivables are all due within one year from financial position date.

Note 4: Property, Plant and Equipment

Cost	Buildings $'000	Furniture and Fittings $'000	Computer Equip $'000	Other Assets $'000	Assets in progress $'000	Total $'000
Balance as at 1 July 2010	-	-	-	-	-	-
Additions	-	-	23	-	22	45
Transfers	1,216	580	348	82	124	2,350
Balance as at 30 June 2011	1,216	580	371	82	146	2,395
Accumulated Depreciation						
Balance as at 1 July 2010	-	-	-	-	-	-
Depreciation Expense	62	46	59	6	-	173
Transfers	268	254	252	57	-	831
Balance as at 30 June 2011	330	300	311	63	-	1,004
Carrying value at 30 June 2011	**886**	**280**	**60**	**19**	**146**	**1,391**

Summary of major projects in work-in-progress:

Description	Current Year Actual $'000
General Registry Online System	22

Note 5: Trade Payables, Other Payables and Accruals

Description	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
Creditors	9	-	-	(9)
Trade payables	11	240	240	229
Payroll deductions	58	-	-	(58)
Accrued expenses	361	-	-	(361)
Total trade payables, other payables and accruals	**439**	**240**	**240**	**199**

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

Note 6: Employee Entitlements

Description	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
Annual leave	100	82	-	(18)
Total employee entitlements	**100**	**82**	**82**	**(18)**

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

Note 7: Revenue

Description	Current Year Actual $'000	Original Budget $'000	Final Budget $'000	Variance (Original vs Actual) $'000
Outputs to Cabinet [1]	4,182	6,188	6,188	2,006
Fees and charges [2]	23,029	19,382	19,382	(3,647)
Other [2]	103	95	95	(8)
Total sales of goods and services	**27,314**	**25,665**	**25,665**	**(1,649)**

[1] Outputs to Cabinet comprises goods delivered to and services performed on behalf of the Cayman Islands Government. These are detailed in the ABS accompanying these statements and are covered by the appropriation law.

[2] Fees and Charges, General Sales, Rentals and Others include administrative fees and user charges levied on the public for the delivery of government services. The respective rates and fee structures are gazetted and governed by the relevant revenue laws.

No revenue concessions were granted during the financial year ended 30 June 2011.

Note 8: Personnel Costs

Description	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
Salaries, wages and allowances	3,637	4,388	4,388	751
Health care	544	594	594	50
Pension	197	236	236	39
Leave	11	-	-	(11)
Other personnel related costs	3	2	2	(1)
Total personnel costs	**4,392**	**5,220**	**5,220**	**828**

Note 9: Supplies and Consumables

Description	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
Purchase of services	1,855	2,514	2,514	659
Lease of property and equipment	671	720	720	49
Travel and subsistence	328	392	392	64
Utilities	196	270	270	74
Interdepartmental expenses	65	-	-	(65)
Supplies and materials	45	127	127	82
General insurance	33	43	43	10
Recruitment and training	3	-	-	(3)
Others	235	-	-	(235)
Total supplies and consumables	**3,431**	**4,066**	**4,066**	**635**

Note 10: Gains / (Losses)

Description	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
Net gain on foreign exchange transactions	(2)	-	-	(2)
Total gains/ (losses)	**(2)**	**-**	**-**	**(2)**

Note 11: Revenue from Non-Exchange Transactions

During the year ended 30 June 2011, the Ministry received services in-kind in the form of computer repairs and software maintenance by the computer services department and human resources management by the Portfolio of the Civil Service. The fair value of these services cannot be determined and therefore no expense has been recognised in these financial statements.

Note 12: Reconciliation of Net Cash Flows from Operating Activities to Surplus

Description	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
Surplus for the period	19,457	15,969	15,969	(3,488)
Non-cash movements				
Depreciation expense	173	390	390	217
Foreign exchange gains/(losses)	(2)	-	-	2
Changes in current assets and liabilities:				
Decrease in other current assets	549	-	-	(549)
Increase in receivables	(74)	-	-	74
Increase in receivables - Cabinet	(253)	-	-	253
Increase in payables	440	-	-	(440)
Increase in provisions relating to employee cost	100	-	-	(100)
Net cash flows from operating activities	**20,390**	**16,359**	**16,359**	**(4,031)**

Note 13: Contingent liabilities and assets

The Ministry has no contingent assets as at 30 June 2011. Any contingent liabilities relating to the Ministry as at 30 June 2011 are reported in the consolidated accounts for the Cayman Islands Government.

Note 14: Commitments

There were no commitments as at 30 June 2011.

Note 15: Explanation of Major Variances against Budget
Explanations for major variances for the Ministry's performance against the original budget are as follows:

Statement of financial performance

Cabinet revenue
Revenue from cabinet was $2 million below budget due to lower funding in order to meet the Government's overall financial targets.

Other Revenue
Revenue from other sources was $3.6 million above budget due to performance of the economy.

Personnel Costs
Personnel costs were $.8 million below budget due to cost savings arising from Government's overall financial targets.

Supplies and consumables
Supplies and consumables were $.7 million below budget due to cost saving measures implemented during the year.

Depreciation
Depreciation expenses were $.2 million below budget due to uncertainty as to the assets to be utilized by the new entity during the budget setting process.

Note 15: Explanation of Major Variances against Budget (continued)

Statement of financial position

Cash and cash equivalents

The actual year-end cash balances were $20 million above budget due to the surplus in the year not being paid over as budgeted.

Trade Receivables

Trade receivables were $3.8 million higher than the original budget due to delay in transferring revenue from the Executive account to the Entity.

Fixed assets

Fixed assets were $.7million higher than the original budget due to uncertainty as to the assets to be utilized by the new entity during the budget setting process.

Note 16: Related Party and Key Management Personnel Disclosures

Related party disclosure

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

Key management personnel

Key management personnel including Ministers of the Government, are also considered to be related parties, and as such received the following remuneration.

Description	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
Salaries and other short-term benefits	309	-	-	(309)
Other long-term benefits	37	-	-	(37)
Total	**346**	**-**	**-**	**-**

There were no loans granted to key management personnel and or their close relatives.

Note 17: Events Occurring after Reporting Date

No events materially effecting these financial statements occurred after 30 June 2011.

Note 18: Financial Instrument Risks

The Ministry is party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash and bank balances, advances, accounts receivable, debtor-Cabinet and creditors and other payables. The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Credit risk
In the normal course of its business the Ministry is subject to credit risk from debtors other than the Cabinet. The Ministry does not have significant concentrations of credit risk for its other financial instruments.

Currency and interest rate risk
The Ministry has no significant exposure to currency exchange loss risk and interest rate risk.

Liquidity risk
In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash drawdowns from Cabinet and receipts from third parties. The Ministry maintains a target level of available cash to meet liquidity requirements.

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

Note 19: Financial instruments – fair values

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

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

Note 20: Appropriations Used

Code	Appropriation	Amount Appropriated	Appropriation Used	Variance
FSA 1	Policy Advice	168,216	168,216	-
FSA 2	Ministerial Servicing	128,216	107,709	20,507
FSA 3	Consultative and Secretarial Services for Boards	64,108	-	64,108
FSS 1	Policy Advice on International Tax and Regulatory Initiatives	829,173	829,173	-
FSS 2	Tax Cooperation Agreements	419,798	183,489	236,309
FSS 4	Media and Public Relations Support	531,891	355,467	176,424
FSS 5	Financial Services Marketing and Event Management	224,370	224,370	-
IVB 7	Policy Advice and Ministerial Servicing	224,129	-	224,129
IVB 1	Production of Collateral and Promotional Material	127,653	126,146	1,507
IVB 2	Marketing and Public Relations Activities	252,551	215,133	37,418
IVB 3	Special Events and Conferences	247,664	133,307	114,357
IVB 4	Inward Investment Targeting	975,148	172,163	802,985
IVB 5	Advice and Support to Investors and Entrepreneurs	344,463	330,043	14,420
IVB 6	Training and Advocacy for Local Businesses	132,649	102,825	29,824
IVB 8	Cayman Islands Film Commission Project Facilitation	148,784	52,222	96,562
IVB 9	Trade and Business Licenses	78,587	78,587	-
REG 1	Policy Advice on General Registry Matters	14,151	4,786	9,365
REG 12	Collection of Executive Revenue	168,307	152,093	16,214
REG 13	Birth, Death and Marriages Registration	90,685	51,868	38,817
TIA 3	Acting as a Competent Authority for Tax Information Agreements	268,848	268,848	-
TIA 4	Acting as a Competent Authority with European Union States on Reporting of Savings Income Information	179,232	83,657	95,575
UKO 1	Promotion of the Cayman Islands in Europe	63,937	63,937	-
UKO 11	Information on Cayman Islands to the Public in Europe	91,841	91,841	-
UKO 12	Consular Services	77,051	49,973	27,078
UKO 13	Representational Duties and International Relations	230,973	230,973	-
UKO 3	Recruitment of Government Agencies	73,696	73,696	-
UOK 9	Policy Advice on Overseas Matters	32,151	32,151	-
Total		**6,188,272**	**4,182,673**	**2,005,599**