Financial Statements of

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

31 December 2017

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

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April 30, 2018

STATEMENT OF RESPONSIBILITY FOR THE 2017 FINANCIAL STATEMENTS

These financial statements have been prepared by the Cayman Islands Health Services Authority ("Health Authority") in accordance with the provisions of the *Public Management and Finance Law* (*2017 Revision*), and *International Financial Reporting Standards*.

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*), and *International Financial Reporting Standards*.

As the Chief Executive Officer and Chairman of the Board of Directors of the Health Authority, we are responsible for establishing, and have established and maintained, a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and have properly recorded the financial transactions of the Health Authority.

As Chief Executive Officer and Financial Controller, we are responsible for the preparation of the Health Authority's financial statements and for the judgements and estimates made in them.

Except for the effects of weaknesses in internal control over completeness of patient revenues and the impact this has on our ability to provide assurance over the completeness of patient receivables, we confirm that these financial statements fairly present the financial position, comprehensive income, and cash flows of the Health Authority for the 18-month period ended 31 December 2017.

To the best of our knowledge, and subject to the exceptions noted in the preceding paragraph, we represent that these financial statements:

a) completely and reliably reflect the financial transactions of the Health Authority for the 18-month period ended 31 December 2017;
b) fairly reflect the financial position as at 31 December 2017 and comprehensive income for the 18-month period ended 31 December 2017;
c) comply with the provisions of the *Public Management and Finance law* (*2017 Revision*) and *International Financial Reporting Standards*.

The Office of the Auditor General has conducted an independent audit and expressed 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 on Auditing.

Lizzette R. Yearwood, BScN, MHA, MMH, JP
Chief Executive Officer

April 30th 2018
Date

Jonathan Tibbetts
Chairman, HSA Board

April 30th 2018
Date

Salome Trinidad
Financial Controller

April 30th 2018
Date

CC: Interim CFO

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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands Health Services Authority

Qualified Opinion

I have audited the financial statements of the Cayman Islands Health Services Authority (the "Authority" or the "HSA"), which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 18-month period from 1 July 2016 to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 12 to 51.

In my opinion, except for the the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Cayman Islands Health Services Authority as at 31 December 2017 and its financial performance and its cash flows for the 18-month period from 1 July 2016 to 31 December 2017 in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

Patient services fees

I was unable to satisfy myself that the reported amount for patient service fees of $138.7 million is fairly stated on the statement of comprehensive income. The Authority could not represent to me that the controls for the recording of patient service fees are effective to ensure that reported revenues are complete. Furthermore, I was unable to perform sufficient audit procedures because of the lack of internal controls.

Patient related accounts receivable

I was unable to satisfy myself that the net amount of accounts receivable of $12.2 million as shown on the statement of financial position is fairly stated. As the amount reported for patient related accounts receivable is directly related to our concerns relating to the amount reported for revenues, I was also unable to perform sufficient audit procedures for this amount. My review of subsequent receipts from patients to satisfy myself of the provision for bad debts at 31 December 2017 was also impaired for the same reason.

Accumulated deficit

Due to the concerns I have regarding the amount reported for patient related accounts receivable, I was unable to satisfy myself that the amount of $208.0 million reported as the accumulated deficit in the net worth section of the statement of financial position was accurately reported.

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 Financial Statements* section of my report. I am independent of the Authority in accordance with the International Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the 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 our qualified opinion.

Emphasis of Matter
I draw attention to note 23 of the financial statements, which states that the recognition of post-retirement health liability resulted in a net deficit of $34.7 million and a new loss for the year of $8.9 million. This event raised a substantial doubt about the Heath Authority's ability to continue as a going concern. The note also describes the series of action plans taken by management to alleviate this concern.

My opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements
My objectives are to obtain reasonable assurance about whether the 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 financial statements.

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 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 Authority'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 Authority'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 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 Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR GENERAL'S REPORT (continued)

I have undertaken the audit in accordance with the provisions of Section 60(1)(a)(ii) of the *Public Management and Finance Law (2017 Revision) and Section 24(1) of the Health Services Authority Law (2010 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
Auditor General

30 April 2018
Cayman Islands

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Financial Position

As at December 31, 2017 and 30 June 2016
(stated in Cayman Islands dollars)

	Note	December 31, 2017	Budget	*June 30, 2016 (As Restated)*	*June 30, 2015 (As Restated)*
Current assets					
Cash and cash equivalents	4	$31,892,703	$8,403,387	*$3,896,842*	*$6,633,017*
Accounts receivable - net	5	12,246,401	20,241,087	*27,856,470*	*22,366,268*
Other receivables - net	6	2,393,771	3,021,958	*1,486,667*	*1,940,774*
Inventory - net	7	6,306,218	6,307,317	*7,370,219*	*6,113,235*
Advances to suppliers		265,505	1,675,769	*1,928,643*	*1,684,651*
Prepaid expenses		561,951	316,667	*116,667*	*105,676*
Total current assets		53,666,549	39,966,185	*42,655,508*	*38,843,621*
Non-current assets					
Fixed assets	8	71,934,917	63,444,133	*72,648,372*	*63,117,364*
Total assets		$125,601,466	$103,410,318	*$115,303,880*	*$101,960,985*
Current liabilities					
Accounts payable and accrued expenses	9, 22	$3,799,480	$7,335,065	*$6,504,576*	*$12,804,066*
Employee pension benefits, net	16	7,432,000	11,470,000	*13,261,000*	*10,220,000*
Loans payable	10	-	256,557	*251,028*	*243,295*
Total current liabilities		11,231,480	19,061,622	*20,016,604*	*23,267,361*
Non-current liabilities					
Employee healthcare benefits, net	17, 22	149,118,000	-	*142,878,000*	*111,749,000*
Loans payable	10	-	750,057	*1,137,580*	*1,388,017*
Total non-current liabilities		149,118,000	750,057	144,015,580	113,137,017
Total liabilities		$160,349,480	$19,811,679	$164,032,184	$136,404,378
Net (liabilities) assets		($34,748,014)	$83,598,639	*($48,728,304)*	*($34,443,393)*
Represented by:					
Contributed capital		140,805,201	$133,867,722	*$138,262,937*	*$131,225,222*
Accumulated deficit	22	(208,008,753)	(66,360,841)	*(199,107,779)*	*(188,459,373)*
Other comprehensive income (loss)	22	4,873,000	-	*(15,466,000)*	*6,699,000*
Asset revaluation		27,582,538	16,091,758	*27,582,538*	*16,091,758*
Net (deficit) worth		($34,748,014)	$83,598,639	*($48,728,304)*	*($34,443,393)*

See accompanying notes to financial statements.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Comprehensive Income

For the 18-month period ended December 31, 2017
(stated in Cayman Islands dollars)

	Note	December 31, 2017	Budget	*June 30, 2016 (As Restated)*
Revenue				
Patient services fees	11	$138,687,735	$138,320,503	*$89,485,126*
Government programme	12	19,884,435	19,884,435	*13,077,623*
Other income		1,918,250	697,350	*2,673,187*
		160,490,420	158,902,288	*105,235,936*
Operating expenses				
Staff costs	13, 22	112,166,026	92,829,275	*73,230,674*
Supplies and materials		22,843,942	20,248,821	*11,952,475*
Provision for bad debts	5, 6	11,091,467	17,951,582	*14,013,265*
Other operating expense	14	8,882,770	10,213,313	*5,898,971*
Depreciation	8	5,026,387	4,748,189	*3,068,180*
Utilities		3,895,640	5,395,097	*2,826,698*
Insurance		3,373,291	3,783,417	*2,517,568*
Loss on fixed asset revaluation		-	-	*934,025*
Legal and professional fees	15	1,032,606	1,610,944	*393,814*
Travel and subsistence		694,448	598,563	*308,672*
Training		288,260	620,550	*152,589*
Reference materials		48,321	93,923	*13,170*
Inventory write-downs	7	48,236	-	*574,241*
		169,391,394	158,093,674	*115,884,342*
Net (loss) income for the year		**(8,900,974)**	**808,614**	***(10,648,406)***
Other comprehensive income (loss)				
Re-measurement of defined pension benefit	16	7,576,000	-	*(1,752,000)*
Re-measurement of defined healthcare benefit	17, 22	12,763,000	-	*(20,413,000)*
		20,339,000	-	*(22,165,000)*
Total comprehensive income (loss) for the year		***11,438,026***	**$808,614**	***($32,813,406)***

See accompanying notes to financial statements.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Changes in Equity

For the 18-month period ended December 31, 2017
(stated in Cayman Islands dollars)

	Note	Contributed capital	Accumulated deficit (As Restated)	Other comprehensive income (loss) (As Restated)	Asset revaluation	Total (As Restated)
Balance, 30 June 2015, as previously reported	22	131,225,222	($70,456,547)	385,000	16,091,758	77,245,433
Prior period adjustment	22	-	(118,002,826)	6,314,000	-	(111,688,826)
Balance, 01 July 2015, as restated		131,225,222	(188,459,373)	6,699,000	16,091,758	(34,443,393)
Net loss for the year	22	-	(10,648,406)	-	-	(10,648,406)
Other comprehensive loss for the year	22	-	-	(22,165,000)	-	(22,165,000)
Asset Revaluation increment	8	-	-	-	11,490,780	11,490,780
Capital contribution during the year	20	7,037,715	-	-	-	7,037,715
Balance, 30 June 2016, as restated	22	138,262,937	(199,107,779)	(15,466,000)	27,582,538	(48,728,304)
Net loss for the year		-	(8,900,974)	-	-	(8,900,974)
Other comprehensive income for the year		-	-	20,339,000	-	20,339,000
Capital contribution during the year	20	2,542,264	-	-	-	2,542,264
Balance, 31 December 2017		140,805,201	(208,008,753)	4,873,000	27,582,538	(34,748,014)

See accompanying notes to financial statements.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Cash Flows

For the 18-month period ended December 31, 2017
(stated in Cayman Islands dollars)

	Note	December 31, 2017	Budget	*June 30, 2016 (As Restated)*
Cash provided by/(applied in):				
Operating activities				
Net (loss) income for the year	22	($8,900,974)	$808,614	*($10,648,406)*
Add item not affecting working capital:				
Provision for bad debts	5, 6	11,091,467	17,951,582	*14,013,265*
Write-down of insurance premium liability		-	-	6,415,060
Depreciation	8	5,026,387	4,748,189	*3,068,180*
Inventory write-downs	7	48,236	-	*574,241*
Loss on asset revaluation		-	-	*934,025*
Loss on disposal of fixed assets		110,261	-	*12,279*
Net changes in non-cash working capital balances relating to operations:				
Accounts receivable, net, decrease (increase)		4,637,579	(25,874,690)	*(19,158,234)*
Other receivables, (increase) decrease		(17,199)	(85,636)	*108,874*
Inventory, net, decrease (increase)		1,015,765	(50,000)	*(1,831,225)*
Advances to suppliers, (increase) decrease		(265,505)	50,000	*(243,992)*
Prepaid expenses, increase		(445,284)	(25,000)	*(10,991)*
Accounts payable and accrued expenses, (decrease) increase		(2,705,096)	599,290	*(6,299,490)*
Employee pension benefits, net, increase	16	1,747,000	-	*1,289,000*
Employee healthare benefits, net , increase	17, 22	19,003,000	-	*10,716,000*
Net cash generated from (used in) operating activities		*30,345,637*	*(1,877,651)*	*(1,061,414)*
Investing activities				
Cost of fixed assets purchased	8	(2,494,550)	(4,142,500)	*(2,054,712)*
Financing activities				
Capital contribution from Government	20	1,533,382	1,642,500	*622,655*
Loans payable, net of payment	10	(1,388,608)	(381,403)	*(242,704)*
Net cash generated from financing activities		144,774	1,261,097	*379,951*
Increase (decrease) in cash during the year		27,995,861	(4,759,054)	*(2,736,175)*
Cash and cash equivalents at beginning of year		3,896,842	13,162,441	*6,633,017*
Cash and cash equivalents at end of year		$31,892,703	$8,403,387	*$3,896,842*

See accompanying notes to financial statements.

1. Background information

The Cayman Islands Health Services Authority (the "Health Authority") is a statutory body established on July 1, 2002 under the Health Services Authority Law. The purpose of the Health Authority is to provide health care services and facilities in the Cayman Islands in accordance with the National Strategic Plan for Health prepared by the Cayman Islands Government (the "Government").

The Health Authority is comprised of the following health care agencies:

- Cayman Islands Hospital
- Faith Hospital
- Community-based service:
  - Little Cayman Health Centre
  - George Town General Practice Clinic
  - West Bay Health Centre
  - Bodden Town Health Centre
  - East End Health Centre
  - North Side Health Centre
  - Public Health Unit
  - Lions Eye Clinic
  - George Town Dental Clinic
  - Merren's Dental Clinic
  - Cayman Brac Dental Clinic

The Health Authority is located on Hospital Road, PO Box 915, Grand Cayman, KY1-1103 Cayman Islands.

Comparative Information:

The Health Authority's financial year was changed from 30 June to 31 December as a result of an amendment to the *Public Management and Finance Law (2013 Revision)* that was passed by the Legislative Assembly on 27 March 2017. Accordingly, the financial statements have been prepared for the 18-month period ended 31 December 2017, however the comparatives are for the 12 month period ended 30 June 2016 and are not entirely comparable to the 31 December 2017 numbers.

2. Changes in Accounting Standards/ IFRS

Below are several new standards and amendments that have been issued but are not yet effective. They do not impact the annual financial statements of the Health Authority. The nature and impact of each new standard/amendment is described below

(i) IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: (1) Classification and measurement, (2) Impairment, (3) Hedge accounting and (4) Derecognition.

(ii) IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018).

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: (1) Identify the contract with the customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contracts, and (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

(iii) Clarifications to IFRS 15 'Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018).

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

(iv) IFRS 16 Leases - (Effective for annual periods beginning on or after 1 January 2019)

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

(v) IFRS 17 Insurance Contracts - (Effective for annual periods beginning on or after 1 January 2021)

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

2. Changes in Accounting Standards/ IFRS (continued)

(vi) IFRIC 22 Foreign Currency Transactions and Advance Consideration - (Effective for annual periods beginning on or after 1 January 2018)

The interpretation addresses the foreign currency transactions or parts of transactions where: (1) there is consideration that is denominated or priced in a foreign currency; (2) the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and (3) the prepayment asset or deferred income liability is non-monetary.

3. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted by the Health Authority are as follows:

(a) Basis of accounting

The financial statements of the Health Authority are prepared on an accrual basis under the historical cost convention except for: (1) the annual revaluation of land and buildings [see (d) below] and (2) employee benefits [see (j) below].

Changes in accounting policies

When presentation or reclassification 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.

(b) Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year of the revision and future years, where applicable.

3. Significant accounting policies (continued)

(c) Financial instruments

(i) Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise cash and cash equivalents, accounts receivable and other receivables.

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

(ii) Recognition

The Health Authority recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

(iii) Measurement

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

(iv) Specific instruments

Cash and cash equivalents

For the purposes of the statement of cash flows, the Health Authority considers cash on hand and in banks to be cash and cash equivalents, as well as fixed deposits with original maturities of six months or less. Bank accounts held at same institution are presented at net amount.

Accounts receivables

A non-derivative financial asset with fixed or determinable payments and not quoted in an active market is classified as accounts receivables.

Accounts payable and accrued expenses

Accounts payable and accrued expenses will be classified as financial liability and are measured at fair value when goods or services have been received or invoiced, with any adjustments to the carrying amount going through the statement of comprehensive income.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Derecognition

A financial asset is derecognised when the Health Authority realises the rights to the benefits specified in the contract or the Health Authority 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.

(d) Fixed assets and depreciation

Land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the statement of financial position date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in net worth to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the statement of comprehensive income, in which case the increase is credited to statement of comprehensive income to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to statement of comprehensive income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to statement of comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings (deficit). No transfer is made from the revaluation reserve to retained earnings (deficit) except when an asset is derecognised.

Properties in the course of construction for the main healthcare business, administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Health Authority's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Medical equipment and other fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

3. Significant accounting policies (continued)

(d) Fixed assets/depreciation (continued)

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is charged to the statement of comprehensive income on a straight-line basis based on the following periods estimated to write off the cost of the assets over their expected useful lives:

Buildings	50 years
Medical equipment	8-15 years
Other fixed assets	3-15 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

(e) Impairment

The carrying amount of the Health Authority's assets other than inventory (see note 3(h)) is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(f) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Cayman Islands dollars at the exchange rate ruling at the statement of financial position date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Cayman Islands dollars at the foreign currency exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Cayman Islands dollars at the foreign exchange rates ruling at the dates that the values were determined.

3. Significant accounting policies (continued)

(g) Allowance for doubtful debts

The allowance for doubtful debts is established through a provision for doubtful debts charged to expenses. Accounts receivable are written off against the allowance when management believes that the collectability of the account is unlikely. The allowance is an amount that management believes will be adequate to cover any doubtful debts, based on an evaluation of collectability and prior doubtful debts experience.

(h) Inventory

Inventory is valued at the lower of net realisable value or cost, on a moving average basis. Inventory is recorded net of obsolete and expired items.

(i) Revenue recognition

Patient revenue is recognized on the day services are provided.

Revenue from sale of goods and services such as Government programmes is recognized when invoiced. Other income such as donation, rental and other miscellaneous income are recognized when a grant is received or when services are provided.

(j) Employee benefits

The Health Authority employees and their dependants receive free medical benefits of which a portion is provided by the Health Authority. The portion provided by the Health Authority within its facility is valued at $6,928,396 (30 June 2016: $4,981,688) netted against revenue as this is considered as contractual adjustments.

The Health Authority provides post-employment benefits through defined benefit and defined contribution plans.

Defined benefit plans

The Health Authority's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees, and mortality rates. When the calculation results in a net benefit asset, the recognised assets is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

3. Significant accounting policies (continued)

(j) Employee benefits (continued)

Defined benefit plans (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income (loss). The net interest expense on the net defined benefit liability for the period is determined by applying the discount rate applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

The discount rate used to value the defined benefit obligation is based on a combination of high quality corporate bonds, in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations and the long-term rate of return of plan assets.

In addition to employee pension benefits, the Health Authority also provides certain employee health care benefits to current and future retirees. To be eligible, employees must meet the following criteria at retirement: hired prior to 1 November 2010; complete 10 consecutive years with the Health Authority and Cayman Islands Government (CIG) as principal employer; retire from the Health Authority at age 65 (statutory retirement age) or after age 50 (early retirement age) on the advice of the Medical Board; hired by CIG and transferred to the Health Authority without a break in service.

In accordance with IAS 19, the Health Authority recognizes a liability when an employee has provided services in exchange for employee benefits to be paid in the future; and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits. These amounts are reported in the statements of financial position and comprehensive income, respectively. They are also presented in additional details in the notes to the financial statements.

The Health Authority presently pays its post-retirement health care obligations annually from its operating expenditure budget. The Health Authority is presently considering alternative funding arrangements which will set aside funds to meet future post-retirement health care obligations as and when they fall due.

Defined Contribution Plans:

The Health Authority's obligations for contributions to employee defined contribution pension plans are recognized in the statement of comprehensive income in the periods during which services are rendered by employees.

3. Significant accounting policies (continued)

(k) Provisions

Provisions are recognised when Health Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Health Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Cash and cash equivalents

	2017	*2016*
Petty cash	$8,900	*$8,900*
Bank accounts	31,883,803	*3,887,942*
	$31,892,703	*$3,896,842*

At 31 December 2017, out of the $2.7 million unsecured bank overdraft facility which is reviewed annually, $303,010 (*2016:* $713,736) was used most recently in 13 June 2017.

5. Accounts receivable - net

	2017	*2016*
Gross accounts receivable	$96,828,877	*$117,573,393*
Allowance for doubtful debts	(84,582,476)	*(89,716,923)*
	$12,246,401	*$27,856,470*

5. Accounts receivable - net (continued)

Allowance for doubtful debts movement:

	2017	*2016*
Balance at 1 July	$89,716,923	*$75,583,324*
Additional provisions	10,972,490	*13,668,032*
Additional contractual adjustments	1,517,655	*1,202,549*
Write-offs	(17,624,592)	*(736,982)*
	$84,582,476	*$89,716,923*

Below is the aging profile of accounts receivable as at 31 December 2017 and 30 June 2016:

	2017	*2016*
1 – 30 days	$6,486,218	*$8,151,855*
31 – 90 days	5,272,863	*12,610,658*
91 – 365 days	10,523,381	*18,654,057*
Over 365 days	74,546,416	*78,156,823*
	$96,828,878	$117,573,393

6. Other receivables - net

	2017	*2016*
Cabinet receivable	$3,913,182	*$3,055,320*
Other accounts receivable	394,694	*451,080*
Contractual adjustment (Note 3j)	2,635,882	4,751,476
Salary advance	52,976	*52,999*
	6,996,734	*8,310,875*
Less allowance for doubtful debts	4,602,963	*6,824,208*
	$2,393,771	*$1,486,667*

6. Other receivables - net (continued)

Allowance for doubtful debts movement:

	2017	*2016*
Balance at 1 July	$6,824,208	*$4,274,112*
Additional provisions	118,977	*345,233*
Additional contractual adjustment (Note 3j)	6,928,396	4,981,688
Write-offs	(9,268,618)	(2,776,825)
	$4,602,963	*$6,824,208*

Health Authority provided medical benefits to its employees and their dependents during the period under review. These benefits were recorded as contractual adjustment (or reduction to revenue) with an allowance for bad debts, as these are not collectible.

Accounts Receivable balances are written off monthly based on adjudication from British Caymanian with an uncollectible allowance of 100 percent provided for any remaining balance.

The receivable for employee benefits were previously presented as part of the overall gross accounts receivable shown on the financial position in prior years. However as at July 1, 2016, a reclassification was done to segregate these contractual adjustments from the gross account receivable, to other receivable. Additional disclosure is presented as part of Note 13- Staff Costs.

7. Inventory - net

	2017	*2016*
Pharmaceutical supplies	$2,732,470	*$4,019,431*
Medical supplies	3,706,363	*3,691,597*
Other supplies	450,142	*390,345*
	6,888,975	*8,101,373*
Less allowance for inventory impairment	582,757	*731,154*
	$6,306,218	*$7,370,219*

The cost of inventories recognized as operating expenses during the period was $22,843,941 (*2016: $11,952,475*).

The inventory write-downs presented in the Statement of comprehensive income as at 31 December 2017 amounts to $48,236 (*2016: $574,241*) and this represent the write-off for expired drugs and inventory adjustments after year end count.

8. Fixed assets

For the year ended December 31, 2017	Land	Buildings	Medical equipment	Other assets	Total
Cost:					
At beginning of year	8,298,000	55,557,715	16,696,838	15,560,492	96,113,045
Additions during year	-	2,420,619	1,509,787	492,788	4,423,194
Derecognition during year	-	-	(753,115)	(178,910)	(932,025)
At end of year	8,298,000	57,978,334	17,453,510	15,874,370	99,604,214
Accumulated depreciation:					
At beginning of year	-	-	12,278,144	11,186,529	23,464,673
Charge for year	-	2,318,859	1,661,763	1,045,765	5,026,387
Derecognition during year	-	-	(640,596)	(181,167)	(821,763)
At end of year	-	2,318,859	13,299,311	12,051,127	27,669,297
Carrying value:					
At December 31, 2017	$8,298,000	$55,659,475	$4,154,199	$3,823,244	$71,934,917

For the year ended June 30, 2016	Land	Buildings	Medical equipment	Other assets	Total
Cost:					
At beginning of year	*8,253,125*	*52,996,110*	*16,004,991*	*14,275,550*	*91,529,776*
Additions during year	-	*40,713*	*691,847*	*1,322,152*	*2,054,712*
Derecognition during year	-	*(1,995)*	-	*(37,210)*	*(39,205)*
Revaluation adjustment	*44,875*	*2,522,887*	-	-	*2,567,762*
At end of year	*8,298,000*	*55,557,715*	*16,696,838*	*15,560,492*	*96,113,045*
Accumulated depreciation:					
At beginning of year	-	*6,630,615*	*11,083,628*	*10,698,169*	*28,412,412*
Charge for year	-	*1,358,378*	*1,194,516*	*515,286*	*3,068,180*
Derecognition during year	-	-	-	*(26,926)*	*(26,926)*
Revaluation adjustment	-	*(7,988,993)*	-	-	*(7,988,993)*
At end of year	-	-	*12,278,144*	*11,186,529*	*23,464,673*
Carrying value:					
At June 30, 2016	*$8,298,000*	*$55,557,715*	*$4,418,694*	*$4,373,963*	*$72,648,372*

8. Fixed assets (continued)

Included in other fixed assets are: cost of buildings under construction, computer hardware & software, furniture & fittings, motor vehicles and office equipment. The cost of buildings under construction as at 31 December 2017 amounts to nil (*2016: $1,864,531*).

Under the Health Services Authority Law, the Cayman Islands Government vested in the Health Authority's various health care facilities in the Cayman Islands. These properties were valued on January 1, 2001, June 17, 2011 and July 5, 2016 by the Department of Lands & Survey and DDL Studio Ltd., an independent appraiser, respectively on depreciated replacement cost basis. The June 30, 2016 balance of fixed assets after asset revaluation on the same date includes an amount relating to gross revaluation surplus of $11,490,780 (included in statement of changes in net worth) and gross revaluation loss of $934,025 (charged to statement of comprehensive income).

9. Accounts payable and accrued expenses

	2017	*2016 (As restated)*
Accounts payable	$898,456	*$3,320,550*
Accrued expenses	2,647,151	*2,977,657*
Employee benefits (Note 3 (j))	253,873	*206,369*
	$3,799,480	*$6,504,576*

10. Loans payable

	2017	*2016*
Current	$-	*$251,028*
Non-current	-	*1,137,580*
	$-	*$1,388,608*

Health Authority purchased seven units at the Lemon Grove Apartments located in George Town at a purchase price of $990,000 including chattels on 25 February 2011 to serve as housing for locums, visiting specialist, newly recruited employees and all other guests who needs temporary housing. This was funded by a secured loan of $800,000 obtained from First Caribbean International Bank (FCIB) at an interest rate of 3.75% for 10 years. A building with carrying amount of $917,613 (*2016: $*950,000) is subject to a first charge to secure the loan.

On 4 November 2011, Health Authority also purchased a 1.53 acre piece of land located at the corner of Hospital Road and Smith Road at a purchase price of $1.7 million. This was funded by a secured loan of $1.7 million obtained from FCIB at an interest rate of 3.75% for 10 years. A land with carrying amount of *$1,545,000* (*2016*: *$1,545,000*) is subject to a first charge to secure the loan.

10. Loans payable (continued)

With these two loans obtained from FCIB the overdraft facility was reduced to $1.539 million from $4 million and each repayment of loan will be added back to the overdraft facility every year based on the bank agreement signed on 21 October 2011. As at 31 December 2017, the overdraft facility has been restored to a balance of $2.673 million from $1.906 million. The finance charge paid for both of these loans as at 31 December 2017 amounts to $46,352 (*2016: $*53,923).

All the outstanding balance of the loan as at June 2, 2017 has been fully paid by Health Authority through the equity injection of the Government. Subsequently, as at January 24, 2018 the loan facility agreement has been renewed thereby the overdraft has been restored to $4 million.

11. Patient services fees

	2017 (18 Months)	*2016* (12 Months)
Fees from the rendering of services-net	$108,086,698	*$69,189,144*
Fees from sale of goods	30,601,037	*20,295,982*
	$138,687,735	*$89,485,126*

The amounts shown above for fees from sale of goods are derived from the sale of drugs at pharmacy stores, district clinics, wards and all other locations. Patient services sold to the Government under Purchase Agreement such as medical care for beyond insurance coverage and indigent are included in the above.

The amount netted against fees from rendering of services, represent the medical benefit of employees and their dependants that has been provided by Health Authority and public health revenues.

12. Government programmes

	2017 (18 Months)	*2016* (12 Months)
Faith Hospital	5,167,737	*$3,445,158*
Ambulance	3,370,940	*2,247,293*
District Clinics	3,364,420	*2,242,947*
Mental Health	3,346,806	*2,231,204*
Public Health	1,995,864	*1,330,576*
Special Needs	1,172,490	*741,660*
School Health	1,033,178	*688,785*
Medical Internship	225,000	*150,000*
Child Abuse Program	150,000	-
Cancer Registrar	58,000	-
	$19,884,435	*$13,077,623*

The amount reported as government programmes as stated above has no budget shortfall for both years ended 31 December 2017 and 30 June 2016.

13. Staff costs

	2017 (18 Months)	*2016 (As Restated)* (12 Months)
Salaries & Wages (including overtime)	$75,312,052	*$48,411,179*
Health Care – Overseas/Local	5,937,612	*5,889,225*
Pension Contribution	4,180,013	*2,813,115*
Allowances	2,737,368	*2,637,283*
Other Staff Cost	3,248,981	*1,474,872*
Unfunded Defined Benefit, net of re-measurement (Notes 15 & 16)	20,750,000	*12,005,000*
	$112,166,026	*$73,230,674*

The Health Authority employees and their dependants receive free medical benefits within Authority's facility and is valued at $6,928,396 (30 June 2016: $4,981,688), as discussed in Note 3j this is netted against revenue. Therefore, the total health care cost of employees and their dependants amounts to $12,866,008 (*2016:$10,870,913*) excluding the unfunded defined benefit portion of healthcare cost for its current and future retirees.

14. Other operating expenses

	2017 (18 Months)	*2016* (12 Months)
Software licensing fees	$2,493,491	$1,727,010
Freight and shipping	1,502,443	1,012,220
Repairs and maintenance	1,267,951	944,276
Overseas laboratory tests	946,631	643,014
Leases	549,866	340,958
Public relations and publicity	282,815	189,358
Computer maintenance	293,165	171,128
Mail courier service	338,922	170,017
Loss on disposal of fixed assets	110,261	-
Bank charges	108,301	136,203
Advertising	104,266	55,250
Finance charges (Note 10)	46,352	53,923
Custom duties	157	14,127
Miscellaneous	838,149	*441,487*
	$8,882,770	$5,898,971

15. Legal and professional fees

	2017 (18 Months)	*2016* (12 Months)
Professional fees	$686,723	$158,961
Legal fees	197,109	51,078
Audit services	140,000	177,460
Others	8,774	6,315
	$1,032,606	$393,814

16. Employee pension benefits, net

(a) Defined Benefit Plan

The Public Service Pension Plan (the "Plan") is managed by the Public Service Pension Board (the "PSPB"). The PSPB is responsible for, among other things, administering the Public Service Pensions Fund (the "Fund"), communicating with plan participants and employers, prescribing contribution rates in accordance with the latest actuarial valuation and recommending amendments to the Plan as needed.

In March 2005, the Government's Financial Secretary informed the Health Authority that the decision to keep the unfunded defined benefit liability a central liability of the Government has been reversed and the Health Authority is expected to recognize the unfunded defined benefit liability on its financial statements.

Contributions towards benefits accruing in respect of the current service (i.e. for the period since the employee was enrolled in the plan) are funded at rates periodically advised to Health Authority by the Pensions Board and are recognised as an expense in the period incurred. The Health Authority is also required to make payments to the plan to fund benefits accruing in respect of past service (the "past service funding liability").

This past service funding liability, which is generally equivalent to the actuarially determined present value of the defined benefit obligations less the value of the assets available to meet such obligations, is calculated periodically by the Plan actuaries and reported to the Health Authority by the Pensions Board.

The Health Authority recognizes changes in the past service funding liability, adjusted for funding payments made, as an expense or gain in the period in which such changes are incurred. In the absence of formal notification from the Pensions Board, the Health Authority has no reliable way to quantify its liability to the Plan in respect of unfunded past service benefits.

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

To determine the defined benefit obligation of the Health Authority under the Plan, a professional actuary of PSPB was engaged to conduct annual studies. The most recent provisional actuarial estimate was performed as of December 31, 2017 by the PSPB indicated a plan deficit attributable to the Health Authority of $7,432,000 (*2016:* $13,261,000). The Health Authority has engaged the PSPB and the new actuaries, Mercer, in discussions concerning the basis appropriateness of the calculation of the defined benefit liability and basis on which the obligation was assigned to the entity.

Pension Expense and Reconciliation of Defined Pension Liability

	31.12.17	***30.06.16***
	CI$(000)	***CI$(000)***
Provision at the beginning of the year	13,261	*10,220*
Pension expense for the year	(5,157)	*3,331*
Employer contributions	(672)	*(290)*
Provision at end of year	7,432	*13,261*
Reconciliation of Funded Status:		
Company's share of defined benefit obligation	18,580	*23,104*
Less: Fair value of plan assets	11,148	*9,843*
Defined benefit liability	7,732	*13,261*
Components of Defined Benefit Cost for the year:		
Current service cost	1,764	*1,107*
Total net interest cost	655	*472*
Administrative expenses and taxes	-	-
Defined benefit cost included in P&L	2,419	*1,579*

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

	31.12.17	***30.06.16***
	CI$(000)	***CI$(000)***
Remeasurement Included in Other Comprehensive Income (OCI):		
Demographic assumptions change	(2,248)	-
Financial assumptions change	(2,308)	*3,305*
Experience adjustments	(1,585)	*(1,558)*
Return on plan asset (excluding interest)	(1,435)	*5*
Total remeasurement included in OCI	(7,576)	*1,752*
Pension Expense for the year	(5,157)	*3,331*

The change in fair value of plan assets is as follows:

	31.12.17	***30.06.16***
	$000	***$000***
Fair value of plan assets at beginning of year (negative)	9,843	*10,126*
Interest income	523	*494*
Cash flows		
Employer and participant contributions	1,018	*539*
Benefit payments from plan	(631)	*(1,311)*
Transfers between other participating employers	(1,040)	-
Remeasurements – return on plan assets (excluding interest income)	1,435	*(5)*
Fair value of plan assets at end of year (negative)	11,148	*9,843*

The defined benefit liability reconciliation is as follows:

	31.12.17	***30.06.16***
	$000	***$000***
Defined benefit obligation at beginning of year	23,104	*20,346*
Current service cost	1,764	*1,107*
Interest expense	1,178	*966*
Effect of changes in demographic assumptions	(2,248)	-
Effect of changes in financial assumptions	(2,308)	*3,305*
Effect of changes in experience adjustments	(1,585)	*(1,558)*
Cash flows	(1,325)	*(1,062)*
Defined benefit obligation at end of year	18,580	*23,104*

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

The sensitivity analysis on defined benefit obligation is shown below:

	31.12.17	***30.06.16***
1. Discount rate		
a. Discount rate - 25 basis points	19,626	*24,383*
b. Discount rate + 25 basis points	17,608	*21,919*
2. Inflation rate		
a. Inflation rate - 25 basis points	17,602	*21,932*
b. Inflation rate + 25 basis points	19,628	*24,362*
3. Mortality		
a. Mortality - 10% of current rates	19,014	*23,588*
b. Mortality +10% of current rates	18,183	*22,662*

The expected cash flow for the following year is as follows:

	31.12.17	***30.06.16***
	$000	***$000***
Expected employer contributions	380	450

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine benefit obligations	**31.12.17**	***30.06.16***
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%*
5. Post-retirement mortality table	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected using Scale MP-2016	*RP-2014 generationally projected using Scale MP-2014*
6. Cost Method	Projected Unit Credit	*Projected Unit Credit*
7. Asset valuation method	Market Value	*Market Value*

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

Weighted-average assumptions to determine defined benefit cost	**31.12.17**	***30.06.16***
1. Discount rate used to determine:		
Current service cost	4.10%	*4.75%*
Interest on current service cost	3.80%	*4.75%*
Interest on DBO	3.40%	*4.75%*
2. Rate of salary increase	3.50%	*3.50%*
3. Rate of price inflation	2.50%	*2.50%*
4. Rate of pension increases	2.50%	*2.50%*
5. Post-retirement mortality table	RP-2017 projected on a generational basis using Scale MP-2014	*RP-2014 generationally projected using Scale MP-2014*

Plan Assets

The Defined Benefit assets as well as Defined Contribution assets of the Plan are held as part of the Fund and managed by the PSPB. The assets of two other pension plans are pooled together to constitute the Fund.

The assets are notionally allocated to each of the three participating pension plans through an international accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income based on the rate of return earned by the Fund. Based on the data provided, the gross rate of return earned by the Fund for the 2016/17 fiscal year was 13.44% (2016: 4.89%). Similar internal accounting is used for developing each participating entity's share of the asset portfolio of the Fund.

The valuations are based on the asset values as at 31 December 2017 provided by the PSPB, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon. The data provided by the PSPB had been relied without further audit.

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at 31 December 2017 and 30 June 2016, the Fund was invested as follows:

		31.12.17		***30.06.16***
Plan Assets by Asset Category	**($000)**	**Percentage**	***($000)***	***Percentage***
Global equities securities	547,500	80%	*431,083*	*80%*
Debt securities	129,083	19%	*103,167*	*19%*
Cash	9,000	1%	*2,583*	*1%*
Total	685,583	100%	*536,833*	*100%*

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

The share of the Fund that has been notionally allocated to the Health Authority with regards to its participation in the Defined Benefit Part of the Plan is $11,148,000 as at 31 December 2017 (*2016 :$* 9,843,000).

The Actuarial Assumptions
The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the defined benefit cost of the following year using the actuarial assumptions approved by the Financial Secretary. The principal financial and demographic assumptions used at 31 December 2017 and 30 June 2016 are shown in the table below.

Measurement Date	**31.12.17**	***30.06.2016***
Discount rate		
- BOY disclosure and current year expense	4.00% per year	*4.75% per year*
- EOY disclosure	3.80% per year	*4.00% per year*
- Following year current service cost	3.85% per year	*4.10% per year*
Increases in pensionable earnings	2.50% per year	*3.50% per year*
Rate of Pension Increases	2.00% per year	*2.50% per year*
Mortality		
- BOY disclosure and current year expense	RP-2014 generationally projected using Scale MP-2014	*RP-2014 generationally projected using Scale MP-2014*
- EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected using Scale MP-2016	*RP-2014 generationally projected using Scale MP-2014*
Disability	None	*None*
Turnover Rates	Age related table	*Age related table*

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

Measurement Date	**31.12.17**	***30.06.2016***
Retirement	Age-related retirement used. See table below	*Age 57 and 10 years of service*
Assumed life expectations on retirement	Retiring today (member age 57): 29.13	*Retiring today (member age 57): 30.21*
	Retiring in 25 years (at age 57): 31.42	*Retiring in 25 years (at age 57): 32.40*
Liability Cost Method	Projected unit credit method	*Projected unit credit method*
Asset Value Method	Market Value of Assets	*Market Value of Assets*
Commutation of pension	All members commute 25% at retirement	*All members commute 25% at retirement*

Turnover Rates at sample ages:

Age	**Males**	**Females**
20	7.5%	12.5%
25	5.0%	12.5%
30	3.5%	7.5%
35	2.5%	4.5%
40	1.5%	2.5%
45	0.5%	5.0%
50	0.0%	0.0%

Retirement Rates:

Age	
Below 55	0%
55-59	8%
60	60%
61-64	8%
65	100%

There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the table above.

16. Employee pension benefits, net (continued)

(a) Defined Benefit Plan (continued)

Effective 1 July 2016, separate discount rates are being used to value the benefit obligation, service cost, interest cost and interest cost on the service cost. The discount rate used to calculate the benefit obligations is determined by multiplying the liability cashflows by the spot rates and determining a level equivalent discount rate. The discount rate used to calculate the services cost is determined by multiplying the service cost cashflows by the spot rates and determining level discount rate. Interest cost is determined by summing the product of the discounted liability cashflows and the spot rates. Interest on the service cost is determined by summing the product of the discounted service cost cashflows and the spot rates.

Participant Data
The defined benefit obligation at 31 December 2017 of the Health Authority as it relates to its participation in the Plan is based on the member data as at 30 September 2017 (76 active members). The data was updated from that used for the calculation of the defined benefit obligation as at 30 June 2016 (January 1, 2016).

b) Defined contribution plan
Employees who are not participants in the defined benefit part of the Plan are enrolled in defined contribution part of the Plan. The total number of employees enrolled in the defined contribution with the PSPB at 31 December 2017 is 699 (*2016: 656*).

During the year ended 31 December 2017, the Authority and its employees contributed to the fund 6.4% and 6%, respectively (*2016: 7% and 6%, respectively*).

The total amount recognised as a pension expense for the year ended 31 December 2017, inclusive of both defined benefit and defined contribution parts, was $5,927,013 (*2016: $*4,102,115*).*

17. Employee healthcare benefits, net

The Health Authority provides post-retirement health care benefits to staff employed before 1 November 2010 who provide qualifying periods of service, and existing retirees whose medical coverage was dropped by Portfolio of the Civil Service (POCS).

Starting April 2010, the Health Authority has paid for medical bills of its retirees whose medical coverage was dropped by the POCS. A policy directive has been received from POCS making Health Authority liable for future medical bills of such retirees. Subsequently, the Board made a policy decision that all new employees hired after 1 November 2010 will no longer be extended post-retirement medical benefits.

17. Employee healthcare benefits, net (continued)

Therefore, to be eligible for the post-retirement healthcare program, an employee must meet the following criteria at retirement:

- Must be hired before November 1, 2010
- Must have completed 10 consecutive years of service with the Health Authority and CIG as principal employer
- Must retire from the Health Authority at the age 65 (statutory retirement age) or after age 50 (early retirement age) or on the advice of the Medical Board
- Employees hired with the CIG and transferred to the Health Authority without a break in service

The benefit entails a continuation of health insurance coverage on the medical plan offered to active employees. The premiums for this health insurance coverage are paid for by Health Authority for all eligible retirees until the end of their lives. This coverage falls within the definition of a defined benefit by the International Accounting Standards and as such represents a future liability of the Health Authority. The Health Authority is required to use the actuarial valuation method to determine the present value of its health insurance benefit obligations for its former workers as well as future retirees and the related current service costs. International Accounting Standards No. 19 (IAS 19) directs that funded or unfunded post-employment benefits be recognized in the statement of financial position (in the case of net defined liability or asset) and the statement of comprehensive income (for the annual expense).

These actuarial valuations use several financial and demographic assumptions to determine the liability and current expense of the benefits which will be honoured on behalf of the retirees. Financial assumptions include, the discount rate, estimated future costs of the medical premiums, and the claims rate for the medical plans. Demographic assumptions include estimated mortality and benefits levels.

The Authority commissioned Mercer Actuaries to provide this service and the results of their assessment are included hereunder. The Health Authority has a present value net defined benefit obligation of $149,118,000 as at 31 December 2017 (2016:$142,878,000). The details of the valuation and the assumptions used are reproduced hereunder in accordance with IAS 19.

The financial obligation and annual expense were not previously reflected in Health Authority's Financial Statements, except for premiums paid on behalf of retirees and actual medical cost incurred by retirees. These were previously reported as medical costs and shown as a part of staff costs in the Statement of Comprehensive Income.

The Health Authority has not contributed to any fund in order to meet the future obligation. Consequently, the entire $149,118,000 is currently unfunded. Management's plan to address this unfunded post-retirement health liability is discussed in Note 23.

17. Employee healthcare benefits, net (continued)

Disclosure Information:

Financial year ending on	**31 December 2017**	***30 June 2016***
	CI$(000)	***CI$(000)***
A. Change in defined benefit obligation		
1. Defined benefit obligation at end of prior year	142,878	*111,749*
2. Service cost		
a. Current service cost	13,052	*6,973*
b. Past service cost	-	-
c. (Gain)/loss on settelements	-	-
3. Interest expnese	7,671	*5,308*
4. Cash flows		
a. Benefit payments from plan assets	-	-
b. Benefit payment from employer	(1,720)	*(1,565)*
5. Other significant events	-	
6. Remeasurements		
a. Effect of chages in demographic assumptions	(20,300)	-
b. Effect of chages in financial asumptions	6,572	-
c. Effect of experience adjustments	965	*20,413*
7. Effect of changes in foreign exchange rates	-	-
8. Defined benefit obligation at end ofyear	**149,118**	***142,878***
B. Change in fair value of plan assets		
1. Fair value of plan assets at end of prior year	-	-
2. Interest income	-	-
3. Cash flows		
a. Total employer contributions		
(i) Employer contributions	-	-
(ii) Employer direct benefit payments	1,720	*1,565*
(iii) Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	-	-
d. Benefit payments from employer	(1,720)	*(1,565)*
e. Settlement payments from plan assets	-	-
f. Settlement payments from employer	-	-
4. Other significant events	-	-
5. Remeasurements	-	-
6. Effect of changes in foreign exchange rates	-	-
7. Fair value of plan assets at end of year	-	-

17. Employee healthcare benefits, net (continued)

Disclosure Information: (continued)

Financial year ending on	31 December 2017	*30 June 2016*
	CI$(000)	***CI$(000)***
C. Amounts recognized in the statement of financial position		
1. Defined benefit obligation	149,118	*142,878*
2. Fair value of plan assets	-	-
3. Funded status	**149,118**	***142,878***
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability (asset)	**149,118**	***142,878***
D. Components of defined benefit cost		
1. Service cost		
a. Current service cost	13,052	*6,973*
b. Reimbursement service cost	-	-
c. Past servcie cost	-	-
d. (Gain)/loss of settlements	-	-
e. Total service cost	**13,052**	***6,973***
2. Net interest cost		
a. Interest expense on DBO	7,671	*5,308*
b. Interest (income) on plan assets	-	-
c. Interest (income) on reimbursement rights	-	-
d. Interest expense on effect of (asset ceiling)/onerous liability	-	-
e. Total net interest cost	**7,671**	***5,308***
3. Remeasurements of Other Long Term Benefits	-	-
4. Administrative expenses and/or taxes (not reserved within DBO)	-	-
5. Defined benefit cost included in P&L	**20,723**	***12,281***
6. Remeasurements (recognized in other comprehensive income)		
a. Effect of changes in demographic assumptions	(20,300)	-
b. Effect of changes in financial assumptions	6,572	-
c. Effect of experience adjustments	965	*20,413*
d. Total remeasurements included in OCI	**(12,763)**	***20,413***
7. Total defined benefit cost recognized in P&L and OCI	**7,960**	***32,694***

17. Employee healthcare benefits, net (continued)

Disclosure Information: (continued)

Financial year ending on	**31 December 2017**	***30 June 2016***
	CI$(000)	***CI$(000)***
E. Net defined benefit liability (asset) reconciliation		
1. Net defined benefit liability (asset)	142,878	*111,749*
2. Defined benefit cost included in P&L	20,723	*12,281*
3. Total remeasurements included in OCI	(12,763)	*20,413*
4. Other significant events	-	-
5. Cash flows		
a. Employer contributions	-	-
b. Employer direct benefit payments	(1,720)	*(1,565)*
c. Employer direct settlement payments	-	-
6. Credit to reimbursements	-	-
7. Effect of changes in foreign exchange rates	-	-
8. Net defined benefit liability (asset) as of end of year	**149,118**	***142,878***
F. Defined benefit obligation		
1. Defined benefit obligation by participant status		
a. Actives	132,226	*127,768*
b. Vested deferreds	-	-
c. Retirees	16,892	*15,110*
d. Total	**149,118**	***142,878***
G. Significant actuarial assumptions		
Weighted-average assumptions to determine defined benefit obligation		
Effective discount rate for defined benefit obligation	3.85%	*4.05%*
Health care cost trend rates		
Immediate trend rate	5.00%	*5.00%*
Ultimate trend rate	5.00%	*5.00%*
Year rate reaches ultimate trend rate	N/A	*N/A*
Mortality assumption	RP-2014 projected with MP-2016	*RP-2014 projected with MP-2014*

17. Employee healthcare benefits, net (continued)

Disclosure Information: (continued)

Financial year ending on	31 December 2017	*30 June 2016*
	CI$(000)	***CI$(000)***
G. Significant actuarial assumptions		
Weighted-average assumptions to determine defined benefit cost		
Effective discount rate for defined benefit obligaiton	4.05%	*4.75%*
Effective rate for net interest cost	3.60%	*4.75%*
Effective discount rate for service cost	4.20%	*4.75%*
Effective rate for interest on service cost	4.10%	*4.75%*
Health care cost trend rates		
Immediate trend rate	5.00%	*5.00%*
Ultimate trend rate	5.00%	*5.00%*
Year rate reaches ultimate trend rate	N/A	*N/A*
Mortality assumption	RP-2014 projected with MP-2016	*RP-2014 projected with MP-2014*
H. Sensitivity analysis		
Change in the defined benefit obligaiton		
Effective discount rates - 25 basis points	8,787	*8,413*
Effective discount rate + 25 basis points	(8,156)	*(7,798)*
Health care cost trend rates - 100 basis points	(29,004)	*(26,443)*
Health care cost trend rates + 100 basis points	39,163	*34,733*
Mortality assumption + 10%	(6,531)	*(5,429)*
I. Expected cash flows for following year		
1. Expected employer contributions	1,148	*1,636*
2. Expected contributions to reimbursement rights	-	-
3. Expected total benefit payments		
Year 1	1,148	*1,636*
Year 2	1,498	*1,733*
Year 3	1,844	*2,006*
Year 4	2,178	*2,352*
Year 5	2,523	*2,699*
Next 5 years	18,529	*19,357*

Participant data:

The defined benefit obligation at 31 December 2017 of the Health Authority as it relates to its participation in the plan were based on the data provided as at 31 May 2017 (494 active participants). The same data was used for the calculation of the defined benefit obligation at 30 June 2016.

17. Defined benefit liability: Post-retirement health liability (continued)

Actuarial Assumptions:

The assumptions as at the reporting date are used to determine the present value of the defined benefit obligation (DBO) at the date and the defined benefit cost for the following year. Mercer have used the actuarial assumptions selected by Health Authority. The assumptions, other than the claims cost and the future healthcare coverage assumption, are consistent with the assumptions used to determine the results for the CIG's post-retirement healthcare program. The principal financial and demographic assumptions used at 31 December 2017 and 30 June 2016 are shown in the table below:

Economic Assumptions	Post-retirement Healthcare	Basis of Development - Accounting Specific Assumptions
Discount rate for benefit obligation (p.a.) . 30 June 2016 . 31 December 2017	 4.05% 3.85%	Per IAS 19 para. 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. Mercer US Above Mean Yield Curve (referencing US corporate bond yields) used to determine discount rates due to strong economic
Discount rate for the following year's current service cost (p.a.) . 30 June 2016 . 31 December 2017	 4.20% 3.90%	
Rate of Medical Inflation (p.a.)	5.00%	Based on an analysis of historical claims information and long-term medical inflation expectations.

Demographic Assumptions	Post-retirement Healthcare	Basis of Development - Accounting Specific Assumptions
Current mortality rates . 30 June 2016 . 31 December 2017	 RP-2014 RP-2014 Mortality Table scaled back to 2006 using MP-2016	Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the US over the last 20 years.
Mortality improvements . 30 June 2016 . 31 December 2017	 Scale MP-2014 Scale MP-2016	Broad consensus amongst longevity experts that mortality improvement will continue in the future. In the U.S., the future mortality improvement scale has been updated to Scale MP-2016.

17. Defined benefit liability: Post-retirement health liability (continued)

Actuarial Assumptions: (continued)

Demographic Assumptions	Post-retirement Healthcare	Basis of Development - Accounting Specific Assumptions
Turnover rates	Rate Age / Male / Female 20-24 7.5% 12.5% 25-29 5.0% 12.5% 30-34 3.5% 7.5% 35-39 2.5% 4.5% 40-44 1.5% 2.5% 45-49 0.5% 0.5% 50+ 0.0% 0.0%	
Disablity rates	None	
Retirement age . 30 June 2016 . 31 December 2017	Age 57 & 10 years of service Age / Rate <55 0.0% 55-59 8.0% 60 60.0% 61-64 8.0% 65 100.0%	
Marital assumption	80% married, wife 3 years younger	

Demographic Assumptions	Post-retirement Healthcare	Basis of Development - Accounting Specific Assumptions
Current healthcare claims cost assumption at age 65 (at 31 May 2017)	Health - $6,300 per participant per year Dental - $660 per participant per year Administrative expenses - %100.77 per retiree per month	Based on 2017 premium rates (converted to KYD)
Healthcare coverage-future pensioners	Male - 50% single, 50% family Female - 60% single, 40% family	Based on Health Services Authority experience.
Healthcare utilization changes due to age	Mercer standard healthcare aging assumptions for medical and dental	Based on analysis of healthcare utilization for Mercer clients in Canada and US and by reference to Society of Actuaries studies.

18. Provision

The Health Authority is a defendant to several claims that have been brought against it by patients and employees as a result of its medical operations. Estimated liability for the lawsuits as of 31 December 2017 is nil (2016: nil). As of 31 December 2017, nil (2016: nil) was paid out as settlement for medical malpractice claims and employee claim, respectively.

19. Contingencies and commitments

(a) Contingent legal claims

The Health Authority believes that the outflow of funds for the malpractice and employee related legal claims amounting to $6,360,000 and nil (*2016:* $6,385,000 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").

(b) Capital and operating commitments

Type	One year or less	One to five years	Over five years	Total
Capital Commitments				
Land and buildings	$ -	$ -	$ -	$ -
Other fixed assets	263,032	-	-	263,032
Total Capital Commitments	**263,032**	**-**	**-**	**263,032**
Operating Commitments				
Non-cancellable contracts for the supply of goods and services	3,327,467	2,132,457	18	5,459,942
Total Operating Commitments	**3,327,467**	**2,132,457**	**18**	**5,459,942**
Total Commitments	**$ 3,590,500**	**$ 2,132,457**	**$ 18**	**$ 5,722,974**

The outstanding capital commitments are for the completion of an ambulance bay and the purchase of medical equipment. These amount to $263,032 (*2016:* $160,207*)* and the contracts are with Island Builders and Andar, respectively.

19. Contingencies and commitments (continued)

(b) Capital and operating commitments (continued)

In addition, the Health Authority has entered into various operating commitments with terms less than one year to over five years term amounting to $5,459,942 (*2016:* $483,171*)*. A substantial part of this amount pertains to the contract with Cerner Corporation for the off-site storage and management of clinical and financial electronic data which was renewed after it expired in 31 December 2017 for another three-year contract totaling US$3.2 million. This new contract will expire on 31 December 2020.

20. Related party transactions

The Health Authority is directly controlled by the Government and has transactions with entities directly or indirectly controlled by the Government through its government authorities, agencies, affiliations and other organizations (collectively referred to as "government-related entities"). The Health Authority has transactions with other government-related entities but not limited to the sale and purchase of goods and ancillary materials, rendering and receiving services, lease of assets, depositing money, and use of public utilities.

These transactions are conducted in the ordinary course of Health Authority's business on terms comparable with other entities that are not government-related. The Health Authority has established procurement policies, pricing strategy and approval process for purchases and sales of goods and services, which are independent of whether the counterparties are government-related entities or non-government-related entities.

For the year ended 31 December 2017, management estimates that the aggregate amount of Health Authority's transactions with government-related entities are at least 69% (30 June *2016:66%)* of its revenue and between 5-10% (30 June *2016:5-10%)* of its operating expenditures. Significant transactions with the government-related entities are discussed as follows:

- The Health Authority provides health care for a large portion of the employees of the Government and their dependants including other ancillary services to other government related-entities and reported this as revenue in the amount of $68,010,883 (30 June *2016: $*42,891,385). The Health Authority is reimbursed by Cayman Islands National Insurance Company (CINICO) for the services provided to the employees of the Government and their dependants.
- The Health Authority has drawn equity injection during the year amounting to $2,542,264 (30 June *2016: $*7,037,715*)* from the Government's Cabinet. Approximately $1,161,846 of this amount was additional injection by the Government for the early payment of loans with First Caribbean International Bank (FCIB). The equity injection do not impose a future obligation on Health Authority and are composed as follows:

20. Related party transactions (continued)

	2017	***2016***
Subsidy for Capital expenditures	$1,380,418	*$622,655*
Subsidy for Payment of Loans	1,161,846	-
Subsidy for Insurance premiums	-	*6,415,060*
	$2,542,264	*$7,037,715*

- Pursuant to the general and supplemental appropriation for the year ended 31 December 2017, the Health Authority billed the Government's Cabinet $51,519,946 (30 June *2016: $27,075,848*) during the year for the outputs that have been purchased by the Government to provide medical care for indigent persons and under/un-insured children (included in patient services fees) and other government programmes totalling $19,884,435 (30 June *2016: $13,077,623*) and the maintenance of Faith Hospital in the amount of $5,167,737 (30 June *2016: $3,445,158).* The amount outstanding as cabinet receivable relating to other government programmes as of 31 December 2017 amounts to $3,913,181 (30 June *2016: $*3,055,320) and this is presented as other receivables.
- Below is the cost incurred by Health Authority for the other government programmes delivered to the Government and the budget amount:

	Billed	Budget
Faith Hospital	$5,167,737	*$*5,167,737
Ambulance	3,370,940	3,370,940
District Clinics	3,364,420	3,364,420
Mental Health	3,346,806	3,346,806
Public Health	1,995,864	1,995,864
Special Needs	1,172,490	1,172,490
School Health	1,033,178	1,033,178
Medical Internship	225,000	225,000
Child Abuse Program	150,000	150,000
Cancer Registrar	58,000	58,000
	$19,884,435	$19,884,435

The remuneration of directors and other members of key management mainly included as staff costs including pension during the year was as follows:

	2017 (18 Months)	***2016 (12 Months)***
Short-term benefits:		
Senior management	$2,659,929	*$1,623,361*
Board of directors	23,700	*18,813*
	$2,683,629	*$1,642,174*

20. Related party transactions (continued)

For the 18-month period ended 31 December 2017 the Health Authority had incurred a medical cost for its key management and their dependants in the amount of $154,483 (30 June *2016:* $13,294) including the cost provided in its own facility.

The Health Authority also had transactions with members of key management or with their family such as official travel reimbursements et al with an annual disbursement of $27,246 *(30 June 2016:* $34,347*)* and salary of other related party amounting to $420,535 *(30 June 2016:* $256,628*).*

21. Financial instruments and associated risks

The carrying amounts of Health Authority's financial instruments, including cash and cash equivalents, other receivables, accounts receivable, accounts payable and accrued expenses, approximate fair value due to the immediate or short-term nature of these financial instruments.

Fair value estimates 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 could significantly affect the estimates. The Health Authority's activities expose it to various types of risk. The most important type of financial risks to which the Health Authority is exposed are as follows:

21.1 Credit risk

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

Accounts receivable consist of a large number of customers who would either have health insurance coverage with CINICO or with various commercial insurance, or no insurance coverage at all. Concentration of credit risk belongs to the group of customers known as "self-pay". These amounts are owed by customers who have neither insurance coverage nor sufficient coverage. These are estimated to be 65% - 100% (*30 June 2016: 75%-100%)* uncollectible.

21. Financial instruments and associated risks (continued)

21.1 Credit risk (continued)

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 doubtful debts, represents the maximum exposure to credit risk:

	Less than 1 month	1-3 months	3 months to 1 year	1 year over	Total
	$000	$000	$000	$000	$000
2017					
Gross accounts receivable	481	1,143	5,640	50,471	57,735
Allowance for bad debts	312	939	5,114	50,471	56,836
	169	204	526	-	899
2016					
Gross accounts receivable	762	1,220	7,188	52,611	61,781
Allowance for bad debts	572	1,037	6,963	52,599	61,171
	190	183	225	12	610

21.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Health Authority's funding and liquidity management requirements. The Health Authority manages liquidity risk by maintaining the $4 million credit facility, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables indicate the contractual timing of cash flows arising from assets and liabilities included in the financial statements as of 31 December 2017 and 30 June 2016.

21. Financial instruments and associated risks (continued)

21.2 Liquidity risk (continued)

	Carrying amount	No stated maturity	Contractual cash flows (undiscounted)				
31 December 2017			0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	>5 yrs
Financial assets							
Cash and cash equivalents	$31,892,703		$31,892,703	$ -	$ -	$ -	$ -
Accounts receivable, net	12,246,401		12,246,401				
Other receivables	2,393,771		2,393,771				
	46,532,875	-	46,532,875	-	-	-	-
Financial liabilities							
Accounts payable and accrued expenses	3,799,480		3,799,480				
Unfunded pension obligation	7,432,000		7,432,000				
	11,231,480	-	11,231,480	-	-	-	-
Difference in contractual flows	$35,301,395	-	$35,301,395	-	-	-	-

	Carrying amount	*No stated maturity*	*Contractual cash flows (undiscounted)*				
30 June 2016			*0-1 yr*	*1-2 yrs*	*2-3 yrs*	*3-4 yrs*	*>5 yrs*
Financial assets							
Cash and cash equivalents	*$3,896,842*		*$3,896,842*	*$ -*	*$ -*	*$ -*	*$ -*
Accounts receivable, net	*27,856,470*		*27,856,470*				
Other receivables	*1,486,667*		*1,486,667*				
	33,239,979	-	*33,239,979*	-	-	-	-
Financial liabilities							
Accounts payable and accrued expenses	*6,504,576*		*6,504,576*				
Unfunded pension obligation	*13,261,000*		*13,261,000*				
Loans payable	*1,388,608*		*251,028*	*251,028*	*251,028*	*251,028*	*384,496*
	21,154,184	-	*20,016,604*	*251,028*	*251,028*	*251,028*	*384,496*
Difference in contractual flows	*$12,085,795*	-	*$13,223,375*	*($251,028)*	*($251,028)*	*($251,028)*	*($384,496)*

21. Financial instruments and associated risks (continued)

21.3 Interest risk

Interest rate risk – The Health Authority is exposed to interest rate risk for the $4 million credit facility with First Caribbean International Bank (Cayman) Ltd ("FCIB") at a prime rate plus 0.25% per annum. This interest rate will fluctuate from time to time in line with the general level of interest rates. The risk is managed by the Health Authority by maintaining a short-term credit agreement that is renewable every year to have a negotiable and preferred rate. In addition, the Health 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.

22. Prior period adjustments

For the prior year ended 30 June 2016

The financial statements for the year ended 30 June 2016 and 30 June 2015 were restated due to the significant adjustments required to account for the actuarially determined defined benefit liability for the Health Authority post-retirement health liability.

The actuarial valuation results showed a liability of $142,878,000 existed at 30 June 2016, represented by accumulated liability of $111,749,000 as at 30 June 2015 and service cost and adjustments totalling to $31,129,000 for the year ended 30 June 2016, resulting in a closing liability of $142,878,000 at 30 June 2016.

In addition, the Health Authority conducted a review of accrued liabilities and some of which were over accrued in prior year in the amount of $60,174.

Overall, this has resulted to a prior period adjustment amounting to $142,817,826 and restatement of prior year's primary financial statement.

22. Prior period adjustments (continued)

The following illustrates the adjustments for each item affected by the above prior period adjustments:

	As of and for the year ended 30 June 2016		
	As previously reported	Adjustment required	As Restated
Statement of financial position:			
Accounts payable and accrued expenses	$ 6,564,750	$ (60,174)	$ 6,504,576
Employee healthcare benefits, net	-	142,878,000	142,878,000
Total non-current liabilities	1,137,580	142,878,000	144,015,580
Accumulated deficit	(70,388,953)	(128,718,826)	(199,107,779)
Other comprehensive loss	(1,367,000)	(14,099,000)	(15,466,000)
Net (liabilities) assets	94,089,522	(142,817,826)	(48,728,304)
Statement of comprehensive income:			
Staff costs	62,514,674	10,716,000	73,230,674
Total operating expenses	105,168,342	10,716,000	115,884,342
Net income (loss) for the year	67,594	(10,716,000)	(10,648,406)
Other comprehensive loss	(1,752,000)	(20,413,000)	(22,165,000)
Total comprehensive (loss) income for the year	(1,684,406)	(31,129,000)	(32,813,406)
Statement of cash flows:			
Net income (loss) for the year	67,594	(10,716,000)	(10,648,406)
Employee healthcare benefits, increase	-	10,716,000	10,716,000

	As of and for the year ended 30 June 2015		
	As previously reported	Adjustment required	As Restated
Statement of financial position:			
Accounts payable and accrued expenses	$ 12,864,240	$ (60,174)	$ 12,804,066
Employee healthcare benefits, net	-	111,749,000	111,749,000
Total non-current liabilities	1,388,017	111,749,000	113,137,017
Accumulated deficit	(70,456,547)	(118,002,826)	(188,459,373)
Other comprehensive income	385,000	6,314,000	6,699,000
Net (liabilities) assets	77,245,433	(111,688,826)	(34,443,393)

23. Going Concern Considerations

After the recognition of post-retirement health liability, Health Authority's financial position resulted to a net deficit of $34,748,014 as at 31 December 2017 with a net loss for the year of $8,900,974 as presented in the statement of comprehensive income.

This event has raised a substantial doubt about the Health Authority's ability to continue as going concern as it relates to its ability to meet the post-retirement health care obligation to its eligible employees and retirees as it falls due. Based on assessment made by the Management, this doubt has been alleviated by the series of action plans taken by the Management at present and in the near future.

At present, Health Authority is able to fund the medical cost of its retirees as it falls due, the total medical cost paid as of 31 December 2017 amounts to $1,720,000 (2016: $1,565,000). In addition, stop loss insurance coverage is also in place to cover the acute cases of retirees thereby limiting the credit risk exposure of Health Authority. The overdraft facility has also been increased to $4 million as additional buffer for any cash short fall in the future and this remain unused at present. As Health Authority is a health care facility, Management believes that the Authority is capable of providing a proper health care to its retirees within its facility.

Health Authority is also actively consulting professionals at Marsh, a brokerage company specializing in risk and insurance services, on how to fund the post-retirement health liability. Health Authority is seeking fund investment advice on financial instruments to hedge the liability for the post-retirement healthcare cost with a perspective to include other statutory authorities in this plan.