

Financial Statements of

**CAYMAN ISLANDS HEALTH
SERVICES AUTHORITY**

30 June 2012

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

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95 Hospital Road, PO Box 915
Grand Cayman KY1-1103, CAYMAN ISLANDS

STATEMENT OF RESPONSIBILITY FOR THE 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 (2013 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 (2013 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 properly record the financial transactions of the Health Authority.

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

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, financial performance and cash flows of the Health Authority for the financial year ended 30 June 2012.

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 Health Authority for the year ended 30 June 2012;
- (b) fairly reflect the financial position as at 30th June 2012 and performance for the year then ended;
- (c) comply with the provisions of the Public Management and Finance law (2013 Revision) and International Financial Reporting Standards.



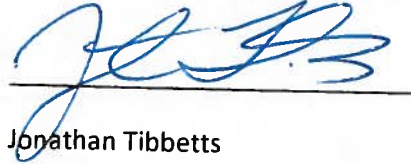
The Office of the Auditor General has conducted an independent audit and expressed an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.



Lizzette Yearwood

Chief Executive Officer

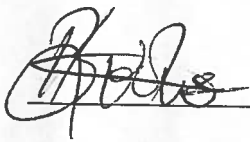
Date: 28 May 2014



Jonathan Tibbetts

Chairman

Date: 28 May 2014



Heather Boothe

Chief Financial Officer

Date: 28 May 2014

AUDITOR GENERAL'S REPORT

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

I have audited the accompanying financial statements of the Cayman Islands Health Services Authority (the "Health Authority", "HSA"), which comprise the balance sheet as at 30 June 2012, and the statement of revenue and expenses, statement of changes in net worth and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes, in accordance with the provisions of Section 24(1)(a) of the *Health Services Authority Law (2010 Revision)* and Section 60(1)(a) of the *Public Management and Finance Law (2013 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 International Financial Reporting Standards (IFRS) 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 our audit. Except as discussed in the Basis for Qualified Opinion paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 Health Authority's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Ineffective controls over completeness of patient revenues

Management and the Board represented to me that the controls set-up to ensure completeness of patient revenues are not effective to provide sufficient evidence that reported revenues are complete. In the absence of properly designed controls and effective controls, I was unable to satisfy myself that the reported patient services fees of \$71.2 Million are complete.

Completeness and valuation of patient-related accounts receivables

I was unable to determine the completeness of patient-related accounts receivable reported on the balance sheet due to their connectedness to patient revenues whose completeness is qualified. Tests of subsequent receipts to ascertain valuation of the accounts receivable and sufficiency of the provisions for bad debts as of 30 June 2012 were also curtailed in light of present qualifications to patient services fees.

In May 2012, a new patient adjudication system was introduced. The patient adjudication system was designed to validate insurance coverage from CINICO and approve charges with the use of a patient card. The system was introduced to streamline the claim settlement process and resulting cash receipt process. As at 30 June 2012, the Health Authority had \$7.4M of cash received from CINICO that it could not reconcile to individual receivables in their revenue system.

Given the above matters, I was unable to satisfy myself to the completeness and valuation of accounts receivables as at 30 June 2012.

Inability to ascertain the accuracy, existence and valuation of year-end inventory

The inventory listing presented highlighted significant differences for the majority of items from what my staff had verified during the year-end inventory count. We were unable to carry out other procedures to satisfy ourselves that this listing is an accurate reflection of the inventory that existed as of June 30, 2012. As a result I am unable to satisfy myself of the accuracy, existence and valuation of inventory as at 30 June 2012.

Uncertainties due to modified (and disclaimers of) audit opinions on the prior years' financial statements

Because of the disclaimers of audit opinion on the Health Authority's financial statements for the years 2005/6 to 2009/10 and the qualified audit opinion in 2011/12, I am unable to determine the accuracy of the accumulated deficit as reported in the balance sheet and the statement of changes in net worth.

Qualified Opinion

In my opinion, except for the possible effects of the adjustments necessary in respect of the matters discussed in the 'Basis for Qualified Opinion' paragraphs above, these financial statements present fairly, in all material respects, the financial position of the Health Authority as at 30 June 2012, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

Write off of Revenues

During the financial year end 30 June 2012, the write off of Revenues relating to under/un-insured children and indigent persons amounted to \$5,200,000. Under the PMFL, the Health Authority is only allowed to provide outputs for which the purchaser, the Ministry of Health, has agreed to pay the full cost. The Minister of the Ministry of Health directed the Health Authority to continue to provide these services and absorb the costs of going over budget. This is important from the perspective of public accountability as it undermines budgetary authority and hides the true cost of providing those services.

Breaches to the Health Services Authority Law

Under sections 7(1) and 18(3,c) of the HSA Law, the Health Authority is required to maintain a cash reserve at a level no less than estimated expenses for 90 days. We roughly estimate that the authority is over \$13,000,000 short in meeting this stipulation.

Furthermore, the Health Authority achieved a net loss in the financial year ending 30 June 2012, which is contrary to Section 18 3(a) of the HSA law, which requires the Health Authority's revenues less total expenses to be positive.

Emphasis of Matters

Note 20- Post employment benefit

I draw attention to note 20 to the financial statements which describes the uncertainty related to the Health Authority's post-employment health benefit.

My opinion is not qualified in respect of these matters.



Alastair Swarbrick, MA(Hons), CPFA
Auditor General

Cayman Islands
28 May 2014

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Financial Position

As at June 30, 2012

(stated in Cayman Islands dollars)

	Note	2012	Budget	2011
Current assets				
Cash and cash equivalents	4	\$8,129,472	\$4,212,657	\$9,805,717
Other receivables, net	5	2,586,841	215,000	1,303,543
Accounts receivable, net	6	10,118,947	16,510,466	11,561,684
Inventory	7	7,018,184	5,491,963	6,814,804
Advances to suppliers		627,236	200,000	974,924
Prepaid expenses		30,844	-	366
Total current assets		28,511,524	26,630,086	30,461,038
Non-current assets				
Fixed assets	8	64,952,809	47,163,190	63,899,361
Total assets		\$93,464,333	\$73,793,276	\$94,360,399
Current liabilities				
Accounts payable and accrued expenses	9	7,335,130	5,418,926	5,839,149
Unfunded pension obligation	15	3,876,000	1,250,000	3,425,000
Loans payable	10	237,071	-	94,932
Provision	16	317,500	-	10,000
Total current liabilities		11,765,701	6,668,926	9,369,081
Non-current liabilities				
Loans payable	10	2,093,396	-	682,918
Total liabilities		\$13,859,097	\$6,668,926	\$10,051,999
Net assets		\$79,605,236	\$67,124,350	\$84,308,400
Represented by:				
Contributed capital		127,966,685	136,875,642	127,966,685
Accumulated deficit		(64,453,207)	(69,751,292)	(59,750,043)
Asset revaluation		16,091,758	-	16,091,758
Net worth		\$79,605,236	\$67,124,350	\$84,308,400

See accompanying notes to financial statements.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Comprehensive Income

For the year ended June 30, 2012
(stated in Cayman Islands dollars)

	Note	2012	Budget	2011
Revenue				
Patient services fees	11	\$71,176,356	\$68,636,072	\$68,514,544
Government programme	12	13,994,116	13,994,116	14,545,790
Other income		526,826	313,861	407,713
		85,697,298	82,944,049	83,468,047
Operating expenses				
Staff costs	13	49,729,049	49,625,606	48,722,245
Provision for bad debts		12,297,889	7,202,506	11,266,420
Supplies & materials	7	10,666,718	10,174,685	9,153,261
Other operating expense	14	6,320,285	6,142,829	5,177,656
Utilities		3,418,052	2,781,895	2,924,548
Depreciation	8	3,100,774	2,974,489	2,989,203
Insurance		3,036,444	3,225,000	2,512,726
Legal & professional fees		1,283,055	1,474,000	474,847
Travel & subsistence		282,458	341,000	289,388
Training		82,633	110,000	127,032
Inventory write-downs	7	79,487	-	69,965
Reference materials		10,157	18,200	4,867
		90,307,001	84,070,210	83,712,158
Net loss for the year		(\$4,609,703)	(\$1,126,161)	(\$244,111)

See accompanying notes to financial statements.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Changes in Equity

For the year ended June 30, 2012
(stated in Cayman Islands dollars)

	Note	Contributed capital	Accumulated deficit	Asset revaluation	Total
Balance, 30 June 2010		126,158,685	(59,505,932)	16,091,758	82,744,511
Net loss for the year			(244,111)		(\$244,111)
Capital contribution during the year		1,808,000			\$1,808,000
Balance, 30 June 2011		127,966,685	(59,750,043)	16,091,758	84,308,400
Net loss for the year			(4,609,703)		(\$4,609,703)
Prior period adjustment	21		(93,461)		(\$93,461)
Balance, 30 June 2012		127,966,685	(64,453,207)	16,091,758	79,605,236

See accompanying notes to financial statements.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Statement of Cash Flows

For the year ended June 30, 2012
(stated in Cayman Islands dollars)

	Note	2012	Budget	2011
Cash provided by/(applied in):				
Operating activities				
Net income (loss) for the year		(\$4,609,703)	(\$1,126,161)	(\$244,111)
Add item not affecting working capital:				
Depreciation	8	3,100,774	2,974,489	2,989,203
Inventory write-downs	7	79,487	-	69,965
Prior period adjustment	21	(93,461)	-	-
Net changes in non-cash working capital balances relating to operations:				
Other receivables, (increase) decrease		(1,283,298)	336,672	907,015
Accounts receivable, net, decrease		1,442,737	(544,002)	2,799,835
Inventory, increase		(282,867)	673,131	(1,869,969)
Advances to suppliers, (increase) decrease		347,688	-	(245,244)
Prepaid expenses, decrease (increase) decrease		(30,478)	-	3,398
Accounts payable and accrued expenses, increase (decrease)		1,495,981	(1,624,768)	(916,876)
Unfunded pension obligation, increase	15	451,000	-	832,000
Provision, increase		307,500	-	5,114
Net cash generated from operating activities		925,360	689,361	4,330,330
Investing activities				
Cost of fixed assets purchased - net	8	(4,154,222)	(3,000,000)	(2,293,775)
Financing activities				
Capital contribution from Government		-	-	1,808,000
Loans payable, net of payment	10	1,552,617	-	777,850
Net cash generated from financing activities		1,552,617	-	2,585,850
Increase (decrease) in cash during the year		(1,676,245)	(2,310,639)	4,622,405
Cash and cash equivalents at beginning of year		9,805,717	6,523,296	5,183,312
Cash and cash equivalents at end of year		\$8,129,472	\$4,212,657	\$9,805,717

See accompanying notes to financial statements.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

June 30, 2012

(stated in Cayman Islands dollars)

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.

2. Changes in Accounting Standards/ IFRS

A) Amendments to published standards effective July 1, 2011:

IAS 24 – Related Party Disclosures (issued November 4, 2009 and effective January 1, 2011) – This was early adopted by Healthy Authority in 30 June 2010 financial statements which provided a partial exemption from related party disclosure requirements for government-related entities including some enhancements on the disclosures.

IFRS 7 – Financial Instruments: Disclosures (issued October 7, 2010 and effective July 1, 2011) – This has no impact on Health Authority as there was no transfer transaction of financial assets.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

June 30, 2012

(stated in Cayman Islands dollars)

2. Changes in Accounting Standards/ IFRS (continued)

B) Relevant standards and amendments issued prior to June 30, 2012 but not effective until future periods and are predicted to have an impact on Health Authority:

IFRS 9 – Financial Instruments – Classification and measurement of financial liabilities (issued October 28, 2010 and effective January 1, 2015)

IFRS 11 – Joint Arrangements – Determines the type of arrangement either joint operation or joint venture (issued May 12, 2011 and effective January 1, 2013)

IFRS 12 – Disclosure of Interests in Other Entities – Requires extensive disclosure on interests in joint arrangements (issued May 12, 2011 and effective January 1, 2013)

IFRS 13 – Fair Value Measurement - Requires entities to classify measurements into a fair value hierarchy (issued May 12, 2011 and effective January 1, 2013)

IAS 19 – Employee Benefits – Revises requirements for pension and other post-retirement benefits, termination benefits and other changes (issued June 16, 2011 and effective January 1, 2013)

The impact of these changes shall be additional disclosures in the financial statements in succeeding years.

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) unfunded pension obligation [see (j) below].

(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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

June 30, 2012

(stated in Cayman Islands dollars)

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, other receivables and accounts receivable.

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, unfunded pension obligation, 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

June 30, 2012

(stated in Cayman Islands dollars)

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 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

June 30, 2012

(stated in Cayman Islands dollars)

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 on the basis of 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 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.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

June 30, 2012

(stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(g) Allowance for bad debts

The allowance for bad debts is established through a provision for bad 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 bad debts, based on an evaluation of collectability and prior bad 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.

(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 is 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 is valued at \$4,620,327 (2011: \$4,506,901) are netted against revenue as this is considered as contractual adjustments.

Contributions to defined contribution part of the Public Service Pensions Plan (the "Plan") are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit part of the Plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Health Authority's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The unfunded defined benefit liability recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

June 30, 2012

(stated in Cayman Islands dollars)

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

	2012	2011
Petty cash	\$5,913	\$6,000
Bank accounts	8,123,559	9,799,717
	<u>\$8,129,472</u>	<u>\$9,805,717</u>

At 30 June 2012, out of the \$1.539 million unsecured bank overdraft facility which is reviewed annually, \$666,246 (2011: nil) was used.

Out of the fixed deposit accounts as at 30 June 2012, \$1 million of which relates to the capital injection provided by the Cabinet, this is restricted cash and only earmarked for generator project.

5. Other receivables, net

	2012	2011
Cabinet receivable, net	\$2,450,160	\$1,186,876
Other accounts receivable	84,998	64,245
Salary advance	51,683	52,422
	<u>\$2,586,841</u>	<u>\$1,303,543</u>

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

June 30, 2012

(stated in Cayman Islands dollars)

6. Accounts receivable, net

	2012	2011
Gross accounts receivable	\$40,009,352	\$38,448,469
Allowance for bad debts	(29,890,405)	(26,886,785)
	\$10,118,947	\$11,561,684

Allowance for bad debts movement:

	2012	2011
Balance at 1 July	\$26,886,785	\$48,084,042
Additional provisions	12,053,264	11,266,420
Provisions (contractual adjustments)	4,613,754	4,499,485
Write-offs	(13,663,398)	(38,570,879)
Prior year adjustment	-	1,607,717
	\$29,890,405	\$26,886,785

Out of the \$13.6 million write-offs, \$8.7 million are bad debts that had accumulated over a period of 2 to 7 years were written off after all efforts to collect were exhausted and the remaining \$4.9 million represents write-off of contractual adjustments.

7. Inventory

	2012	2011
Pharmaceutical supplies	\$3,705,581	\$4,093,489
Medical supplies	2,837,063	2,315,355
Other supplies	475,540	405,960
	\$7,018,184	\$6,814,804

The cost of inventories recognized as operating expenses during the period was \$10,666,718 (2011: \$9,153,261). The inventory write-downs presented in the statement of comprehensive income as at 30 June 2012 amount to \$79,487 (2011: \$69,965) and this represents the write-off for expired drugs and inventory adjustments after the year end count.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

Notes to financial statements

June 30, 2012

(stated in Cayman Islands dollars)

8. Fixed assets

For the year ended June 30, 2012	Land	Buildings	Medical equipment	Other assets	Total
Cost:					
At beginning of year	6,514,000	52,167,709	12,345,330	10,658,006	81,685,045
Additions during year	1,739,125	252,133	973,534	1,195,363	4,160,155
Adjustments	-	-	-	-	-
Derecognition during year	-	-	(91,588)	(70,463)	(162,051)
At end of year	8,253,125	52,419,842	13,227,276	11,782,906	85,683,149
For the year ended June 30, 2012					
	Land	Buildings	Medical equipment	Other fixed assets	Total
Accumulated depreciation:					
At beginning of year	-	1,245,159	8,195,742	8,344,783	17,785,684
Derecognition during year	-	-	(87,565)	(68,553)	(156,118)
Charge for year	-	1,337,802	837,479	925,493	3,100,774
At end of year	-	2,582,961	8,945,656	9,201,723	20,730,340
Carrying value:					
At June 30, 2012	\$8,253,125	\$49,836,881	\$4,281,620	\$2,581,183	\$64,952,809
For the year ended June 30, 2011					
	Land	Buildings	Medical equipment	Other fixed assets	Total
Cost:					
At beginning of year	6,514,000	51,054,713	11,664,072	10,316,612	79,549,397
Additions during year	-	1,112,996	760,847	468,852	2,342,695
Adjustments	-	-	-	(48,150)	(48,150)
Derecognition during year	-	-	(79,589)	(79,308)	(158,897)
At end of year	6,514,000	52,167,709	12,345,330	10,658,006	81,685,045
Accumulated depreciation:					
At beginning of year	-	-	7,496,908	7,457,700	14,954,608
Derecognition during year	-	-	(79,256)	(78,871)	(158,127)
Charge for year	-	1,245,159	778,090	965,954	2,989,203
At end of year	-	1,245,159	8,195,742	8,344,783	17,785,684
Carrying value:					
At June 30, 2011	\$6,514,000	\$50,922,550	\$4,149,588	\$2,313,223	\$63,899,361

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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 30 June 2012 amounts to \$110,019 (2011: \$19,789).

9. Accounts payable and accrued expenses

	2012	2011
Accounts payable	\$3,079,648	\$2,910,830
Accrued expenses	3,479,640	2,045,267
Employee benefits (Note 3 (j))	775,842	883,052
	<u>\$7,335,130</u>	<u>\$5,839,149</u>

10. Loans payable

	2012	2011
Current	\$237,071	\$94,932
Non-current	2,093,396	682,918
	<u>\$2,330,467</u>	<u>\$777,850</u>

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 \$970,765 (2011: \$995,925) is subject to a first charge to secure the loan.

On 4 November 2011, Health Authority purchased also 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 Cayman Islands Dollars Prime Rate plus 0.25% (effective 3.5% at present) for 10 years. A land with carrying amount of \$1,739,125 (2011: \$nil) is subject to a first charge to secure the loan.

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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 based on the bank agreement signed on 21 October 2011. The finance charge paid for both of these loans as at 30 June 2012 amounts to \$57,315 (2011: \$10,544).

11. Patient services fees

	2012	2011
Fees from the rendering of services-net	\$53,424,720	\$52,336,143
Fees from sale of goods	17,751,636	16,178,401
	\$71,176,356	\$68,514,544

The amounts disclosed above for fees from sale of goods are derived from the sale 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 net of \$5,151,936 budget shortfall which are not collectible from the Government and agreed by the Health Authority to directly write it off from revenue.

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

	2012	2011
School Health	\$1,517,467	\$1,497,897
Faith Hospital	3,854,224	3,635,688
Ambulance	2,164,863	2,322,474
District Clinics	3,068,781	2,844,271
Paediatric	355,676	526,494
Mental Health	1,868,628	1,913,256
Practical Nurse (LPN)	-	264,996
Accident and Emergency	264,477	539,535
Public Health	900,000	1,001,179
	\$13,994,116	\$14,545,790

The amount reported as government programmes is net of \$1,156,904 (Note 18) budget shortfall which are not collectible from the Government and agreed by the Health Authority to subsidise and directly write it off from revenue.

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12. Government programmes (continued)

The above including the medical care for beyond insurance coverage and indigent are all presented in the Annual Report – Purchase Agreement and reported to the Government as prescribed in Public Management and Finance Law.

13. Staff costs

	2012	2011
Salaries & Wages (including overtime)	\$41,697,852	\$40,115,664
Health Care – Overseas/Local	2,234,540	2,981,123
Pension Contribution	2,521,287	2,468,709
Other Staff Cost	1,686,978	1,373,544
Allowances	1,137,392	951,205
Unfunded Defined Benefit	451,000	832,000
	\$49,729,049	\$48,722,245

14. Other operating expenses

	2012	2011
Software licensing fees	\$1,459,919	\$1,401,697
Custom duties	1,301,933	580,351
Repairs and maintenance	912,061	827,337
Freight and shipping	783,172	546,938
Overseas laboratory tests	476,339	429,192
Mail courier service	409,743	399,972
Public relations and publicity	183,558	146,347
Computer maintenance	149,215	189,804
Bank charges	92,992	85,281
Advertising	81,057	61,817
Miscellaneous	470,296	508,920
	\$6,320,285	\$5,177,656

15. Pension

(a) Defined Benefit Part

The Public Services Pension Plan (the “Plan”) is managed by the Public Services Pension Board (“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.

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15. Pension (continued)

(a) Defined Benefit Part (continued)

In March 2005, the Financial Secretary of the Government 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.

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 report dated 23 August 2013 (2011: 26 July 2012) of the independent professional actuary was completed based on 30 June 2012 (2011: 30 June 2011) which identified the Health Authority's unfunded defined benefit pension liability as at that date and the expenses associated with the plan participation for the financial year then ended.

The net liability arising from defined benefit obligation as at 30 June 2012 is as follows:

	30 June 2012	30 June 2011
	\$000	\$000
Net present value of defined benefit obligation	14,640	11,542
Less: Fair value of Plan assets	6,975	6,308
	7,665	5,234
Less: Unrecognised actuarial net losses	3,789	1,809
Net liability arising from unfunded pension obligation	3,876	3,425

The movement in the present value of the funded obligation during the year was as follows:

	30 June 2012	30 June 2011
	\$000	\$000
Defined benefit obligation, beginning of year	11,542	11,037
Current service cost	695	793
Interest cost	622	596
Plan participant contributions	294	324
Net actuarial loss (gain) on obligations	1,954	(147)
Transfers between other participating entities	(467)	(1,061)
Defined benefit obligation, end of year	14,640	11,542

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15. Pension (continued)

The movement in the fair value of the Plan assets allocated to the Health Authority during the year was as follows:

(a) *Defined Benefit Part (continued)*

	30 June 2012	30 June 2011
	\$000	\$000
Fair value of Plan assets, at the beginning of year	6,308	5,352
Employer and participant contributions	794	703
Expected return on assets, net of expense	382	328
Actuarial gain (loss) on Plan assets	(42)	986
Transfers between other participating entities	(467)	(1,061)
Impact of re-statement of beginning of year assets	-	-
Fair value of Plan assets, at the end of year	<u>6,975</u>	<u>6,308</u>

The amount recognized in the statement of comprehensive income under staff costs in respect of the defined benefit plan are as follows:

	30 June 2012	30 June 2011
	\$000	\$000
Current service cost, net of employee contributions	758	793
Interest cost	751	596
Expected return on assets	(486)	(328)
Recognition of net loss	-	150
Administrative expense	47	-
	<u>1,070</u>	<u>1,211</u>

The distribution of the Plan assets per major category administered by the PSPB was as follows:

	30 June 2012	30 June 2011
	\$000	\$000
Global equities	230,440	207,756
US equities	Nil	Nil
Bonds	115,788	107,775
Other	2,070	13,857
Cash	Nil	Nil
Cash term deposits	Nil	Nil
Property	11,269	11,316

The share of Plan assets at 30 June 2012 allocated to the Health Authority's participation in the defined benefit part of the plan is \$6,974,968 (2011: \$6,308,078).

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15. Pension (continued)

(a) *Defined Benefit Part (continued)*

The assumptions made for the expected rates of return on assets have been derived by considering best estimates for the expected long-term real rates of return from the main asset classes and the investment policy targets. This assumption reflects the expected long-term rate of return on assets, net of investment and administrative expenses.

The principal actuarial assumptions at the date of valuation:

A. Cost method - projected unit credit (2011: *projected unit credit*)

B. Economic assumptions used to determine the net benefit obligations as at:

	30 June 2012	30 June 2011
Discount rate	5.25%	5.50%
Expected long-term rate of return (net of expense)	7.00%	6.00%
Salary increase	3.50%	3.50%
Future pension increases	2.50%	2.50%
Inflation rate	2.50%	2.50%
Expected remaining working lives (years)	11.51	12.01

C. Other assumptions

1. Mortality – Standard U.S. mortality rates (2011: *Standard U.S. mortality rates*)
2. Retirement age – completion of age 57 and 10 years of service (2011: *completion of age 57 and 10 years of service*)

D. Asset valuation – fair (market) value [2011: fair (market) value]

The Health Authority expects to make a contribution of \$308,000 to the fund during the next financial year. The current number of Health Authority employees enrolled under the defined benefit part of the Plan is 96 (2011: 104) at 30 June 2012.

b) *Defined contribution part*

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 30 June 2012 is 543 (2011: 598).

During the year ended 30 June 2012, the Authority and its employees contributed to the fund 7% and 6%, respectively (2011: 7% and 6%, respectively).

The total amount recognised as a pension expense for the year ended 30 June 2012, inclusive of both defined benefit and defined contribution parts, was \$2,972,287 (2011: \$3,300,709).

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16. Provision

	30 June 2012	30 June 2011
Provision for legal claims	\$317,500	\$10,000
	<u>\$317,500</u>	<u>\$10,000</u>

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 30 June 2012 is \$317,500 (2011: \$10,000) and this amount has been reported in the statement of comprehensive income, as part of legal expenses. As of 30 June 2012, \$10,000 (2011: \$4,886) was paid out for medical malpractice claims and employee claim. Below is the movement of provisions for legal claims for the year ended 30 June 2012:

	30 June 2012	30 June 2011
Balance at 1 July	\$10,000	\$4,886
Additional provisions	317,500	10,000
Reductions resulting from payments	(10,000)	(4,886)
Balance at 30 June	<u>\$317,500</u>	<u>\$10,000</u>

17. 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 \$503,432 and nil (2011: \$678,099 and \$225,000), 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 (the "Ministry") of the Cayman Islands Government.

(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	38,236	-	-	38,236
Total Capital Commitments	<u>38,236</u>	<u>-</u>	<u>-</u>	<u>38,236</u>
Operating Commitments				
Non-cancellable contracts for the supply of goods and services	1,629,392	25,694	-	1,655,086
Total Operating Commitments	<u>1,629,392</u>	<u>25,694</u>	<u>-</u>	<u>1,655,086</u>
Total Commitments	<u>\$ 1,667,628</u>	<u>\$ 25,694</u>	<u>\$ -</u>	<u>\$ 1,693,322</u>

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

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17. Contingencies and commitments (continued)

(b) Capital and operating commitments (continued)

The outstanding capital commitment for the completion of OR/CSR and generators projects amounts to \$38,236.

In addition, the Health Authority has entered into various operating commitments with terms from one year to over five years term amounting to \$1,655,086 (2011: \$3,430,116). 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 is a seven-year contract totaling US\$7 million which has expired in 28 June 2013. This contract is renewed for another three-year which will expire on 30 June 2016.

18. 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 30 June 2012, management estimates that the aggregate amount of Health Authority's transactions with government-related entities are at least 70% (2011:71%) of its revenue and between 5-10% (2011:5-10%) 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 \$35,501,803 (2011:\$ 30,513,411). 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 not received equity injection during the year (2011: \$1,808,000) from the Government's Cabinet. These payments do not have to be repaid and are composed as follows:

	30 June 2012	30 June 2011
Subsidy for Capital expenditures	\$-	\$1,808,000
	\$-	\$1,808,000

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18. Related party transactions (continued)

- Pursuant to the general and supplemental appropriation for the year ended 30 June 2012, the Health Authority billed the Government's Cabinet \$24,806,045 (2011: \$28,904,429) 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 \$13,994,118 (2011: \$14,545,790) which includes the maintenance of Faith Hospital in the amount of \$3,854,224 (2011: \$3,635,688). The amount outstanding as overall cabinet receivable as of 30 June 2012 amounts to \$8,096,487 (2011: \$6,425,652) were duly included in the supplemental budget requests of Government's Cabinet.
- Below is the cost incurred by Health Authority for the other government programmes delivered to the Government and the billed amount is net of \$1,156,904 budget shortfall:

	Billed	Cost
School Health	\$1,517,467	\$1,560,606
Faith Hospital	3,854,224	3,915,671
Ambulance	2,164,863	2,436,697
District Clinics	3,068,781	3,196,545
Paediatric	355,676	384,434
Mental Health	1,868,628	2,069,205
Accident and Emergency	264,477	687,862
Public Health	900,000	900,000
	<u>\$13,994,116</u>	<u>\$15,151,020</u>

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

	30 June 2012	30 June 2011
Short-term benefits:		
Senior management	\$1,364,032	\$1,359,451
Board of directors	17,700	23,400
	<u>\$1,381,732</u>	<u>\$1,382,851</u>

As at 30 June 2012 the Health Authority had incurred a medical cost of \$66,064 (2011: \$37,039) for its key management and provided in its own facility.

The Health Authority also had other related party transactions such as: (a) the lease of apartments owned by a member of Senior management with payments amounted to \$3,657 (2011: \$10,400); (b) official travel and medical costs reimbursements to key members of management \$6,687 (2011: \$11,348); (c) the employment of a family member of key management with salary amounting to \$144,431 (2011: \$158,360); and (d) payment to organizations where directors and other members of key management has direct interest \$14,714 (2011: \$7,969).

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19. Financial instruments and associated risks

For certain of the Health Authority's financial instruments, including cash and cash equivalents, other receivables, accounts receivable, accounts payable and accrued expenses, the carrying amounts 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:

19.1 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 and parties who had defaulted 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 Authority has escalated the credit risk concentration to the Ministry for policy changes to reduce bad debts.

Accounts receivable consist of a large number of customers and these customers would either have health insurance policy with CINICO or with various commercial insurance or no insurance coverage at all. Concentration of credit risk belongs to the group of customers known as "self-pay". These amounts are owed by customers who have neither insurance coverage nor sufficient coverage which are estimated to be 75% - 100% uncollectible.

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

	Less than 1 month	1-3 months	3 months to 1 year	1 year over	Total
	\$000	\$000	\$000	\$000	\$000
2012					
Gross accounts receivable	851	1,787	6,492	15,058	24,188
Allowance for bad debts	638	1,519	6,272	14,676	23,105
	213	268	220	382	1,083
2011					
Gross accounts receivable	852	1,419	6,273	9,988	18,532
Allowance for bad debts	554	989	6,273	9,988	17,804
	298	430	-	-	728

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19. Financial instruments and associated risks (continued)

19.2 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 Authority's funding and liquidity management requirements. The Authority manages liquidity risk by maintaining the \$1.539 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 30 June 2012 and 30 June 2011.

	Carrying amount	No stated maturity	Contractual cash flows (undiscounted)				
			0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	>5 yrs
30 June 2012							
Financial assets							
Cash and cash equivalents	\$8,129,472		\$8,129,472	\$ -	\$ -	\$ -	\$ -
Other receivables, net	2,586,841		2,586,841				
Accounts receivable, net	10,118,947		10,118,947				
	20,835,260	-	20,835,260	-	-	-	-
Financial liabilities							
Accounts payable and accrued expenses	7,335,130		7,335,130				
Unfunded pension obligation	3,876,000		3,876,000				
Loans payable	2,330,467		237,071	237,071	237,071	237,071	1,382,183
Provision	317,500		317,500				
	13,859,097	-	11,765,701	237,071	237,071	237,071	1,382,183
Difference in contractual flows	\$6,976,163	-	\$9,069,559	(\$237,071)	(\$237,071)	(\$237,071)	(\$1,382,183)

	Carrying amount	No stated maturity	Contractual cash flows (undiscounted)				
			0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	>5 yrs
30 June 2011							
Financial assets							
Cash and cash equivalents	\$9,805,717		\$9,805,717	\$ -	\$ -	\$ -	\$ -
Other receivables	1,303,543		1,303,543				
Accounts receivable, net	11,561,684		11,561,684				
	22,670,944	-	22,670,944	-	-	-	-
Financial liabilities							
Accounts payable and accrued expenses	5,839,149		5,839,149				
Unfunded pension obligation	3,425,000		3,425,000				
Loans payable	777,850		94,932	94,932	94,932	94,932	398,122
Provision	10,000		10,000				
	10,051,999	-	9,369,081	94,932	94,932	94,932	398,122
Difference in contractual flows	\$12,618,945	-	\$13,301,863	(\$94,932)	(\$94,932)	(\$94,932)	(\$398,122)

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

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19. Financial instruments and associated risks (continued)

19.3 Interest risk

Interest rate risk – The Health Authority is exposed to interest rate risk for the \$1.539 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.

20. Post employment benefit

Starting April 2010, the Health Authority has paid for medical bills of its retirees whose medical coverage was dropped by the Portfolio of the Civil Service (POCS). The continued payment of these medical bills constitutes a constructive obligation on the Health Authority to be liable for future medical bills of such retirees although there is no policy decision yet issued by the POCS as to who should be liable for the medical costs of these retirees. Subsequent to this, the Board has made a policy decision that all new employees hired starting November 1, 2010 and on wards will no longer have a lifetime medical benefits. Such liability has not been estimated or recognized in these financial statements and the Health Authority is currently trying to engage an insurance company to cover the retiree’s medical benefits.

21. Prior period adjustments

For the year ended June 30, 2012, \$93,461 amount of prior period adjustment was noted and restatement was effected as at June 30, 2011 statement of financial position which decreased the accounts payable and accrued expenses for the correction of accounts payable to agree with sub-ledger.

22. Subsequent Events

- The Cabinet had approved a supplemental appropriation for Health Authority in the amount of \$4,222,854 under the 2010-11 financial year. As of 1 April 2014, \$4,080,009 was collected out of this amount.
- The financial statements were approved by the Board of Directors and authorized for issue on May 28, 2014.