



CAYMAN ISLANDS GOVERNMENT

PRE-ELECTION ECONOMIC AND FINANCIAL UPDATE

**For the financial years ending 30 June 2005,
2006 and 2007**

Finalised 11 April 2005

11 April 2005

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11 April 2005

1. Introduction

Purpose

There will be a General Election in the Cayman Islands on 11 May, 2005.

Under Section 26 of the Public Management and Finance Law (2003 Revision) the Financial Secretary is required to gazette a Pre-Election Economic and Financial Update not more than forty-two days, nor less than twenty-eight days before the general election. This requirement is intended to provide economic and financial information during the election period and provide full disclosure of the country's financial position.

The Law requires that the Pre-Election Economic and Financial Update (PREFU) provide:

- Economic forecasts for the current financial year and for the next two years;
- Forecast financial statements for the core government and the entire public sector for the current financial year and for the next two financial years;
- A statement specifying the date on which the economic forecasts and forecast financial statements were prepared;
- And an explanation of how the core government forecast financial statements accord with the principles of responsible financial management.

Content of the PREFU

The structure and content of this PREFU is set to comply with the requirements under Section 26 of the Public Management and Finance Law (2003 Revision).

Section 2 provides a brief executive summary of the key highlights relating to the Economic Forecasts, the Forecast Financial statements and Compliance with Principles of Responsible Financial Management.

Section 3 of this PREFU contains an overview of the expected medium term economic position. This has been prepared by the Economic and Statistics Office of the Portfolio of Finance and Economics.

In Section 4, an overview of the Core Government and Entire Public Sector Forecast Financial Statements for 2004/5, 2005/6 and 2006/7 is provided. This section also includes brief commentary on the Core Government Forecast Financial Statements.

Section 5 summarizes the extent to which the Core Government forecasts for 2004/5, 2005/6, 2006/7 comply with the Principles of Responsible Financial Management.

Section 6 discusses the proposed Part Ownership of Cayman General Insurance Company Limited.

And finally, Appendix 1 contains the Government Forecast Financial Statements for the financial years ending 30 June 2005, 2006 and 2007.

2. Executive Summary

ECONOMIC OUTLOOK

World Economy

Real GDP Growth

- The global economy expanded to 5.0 percent in 2004, the best performance in almost three decades. Expected out turn for 2005 is 4.3 percent.
- The US economy grew by 4.3 percent in 2004 and is expected to slow down to 3.5 percent in 2005.

Inflation

- Global inflation remains in check in advanced economies at 2.1 percent in 2004. Global inflation is expected to hold steady at 2.1 percent in 2005, provided that oil prices stabilize at US\$45.00 per barrel.
- US consumer prices rose to 3.0 percent in 2004, and are expected to hold at the same rate for 2005 assuming that energy and housing prices stabilize.

Unemployment

- Global unemployment at 6.3 percent was slightly higher than the 5.5 percent US unemployment in 2004. The projected unemployment for 2005 is 6.1 percent globally and 3.0 percent in the US.

Cayman Economy

Hurricane Ivan had a major impact on the Cayman Islands economy for the calendar year 2004, however, the hurricane did not have a severe impact on the overall performance of the financial services sector.

Key changes to the macroeconomic performance of the Cayman Islands economy during 2004 are:-

- Prior to the hurricane, real GDP growth was projected at 2.8 percent for the 2004 calendar year, however a significant decline in economic activity during the last four months of the calendar year resulted in an estimated real GDP growth of 0.9 percent for the 2004 calendar year;
- The employed labour force declined from 27,886 in April 2004 to 22,420 in November 2004, in line with a decline in the Grand Cayman population from 42,397 in April 2004 to 33,853 in November 2004;
- Consumer prices rose by 4.4 percent on average, during calendar year 2004;

- The value of imports surged to \$722.4 million in calendar year 2004, representing a 30.5 percent increase from the previous year. The increase was due to a strengthening economy prior to Hurricane Ivan and due to the recovery and reconstruction efforts after the hurricane.

The Table below summarizes the key economic statistics during the forecast periods.

Macroeconomic Forecast For Financial Years 2004/5 to 2006/7			
	2004/5	2005/6	2006/7
Economic Growth	2.7%	5.4%	3.7%
Unemployment	3.9%*	4.4%	4.7%
Total Employment	23,541	25,464	26,659
Inflation	6.9%	2.6%	2.5%

* The Spring 2004 Labour Force Survey showed that the unemployment rate for Caymanians was 5.8% and for Non-Caymanians was 2.9%. The Fall 2004 Labour Force Survey showed the unemployment rate for Caymanians at 3.8% and Non-Caymanians at 5.1%.

Going forward: the key economic indicators for 2004/5 through 2006/7 are:

- **Economic growth** for fiscal 2004/5 is projected at 2.7 percent, despite a fall in the normal economic activity of the last four months in the 2004 calendar year. Economic growth is projected to increase in 2005/6 by 5.4 percent, and then taper off to a normal level of around 3.7 percent in 2006/7. The increase in economic growth during 2005/6 is being driven by the construction sector as reconstruction takes place after Hurricane Ivan;
- The **Unemployment rate** is projected to rise from 3.9 percent in 2004/5, to 4.4 percent and 4.7 percent in 2005/6 and 2006/7, respectively. This increase in the unemployment rate during the forecast period is mostly attributable to adjustments in the workforce brought about by the impact of Hurricane Ivan. As a result of the hurricane some employers were forced to scale down or close their business operations either temporarily or permanently, thus causing some workers to become unemployed. It is currently forecast that such adjustments will likely result in a slight increase in the unemployment rate through 2006/7.

The results of the Fall 2004 Labour Force survey conducted in November 2004, indicate that the Caymanian element of the workforce had unemployment rate of 3.8 percent versus an unemployment rate of 5.1 percent among Non-Caymanians.

It is important to note that the forecast unemployment rates of 4.4 percent in 2005/6 and 4.7 percent in 2006/7 are only slightly above the generally accepted "full employment" rate of 4 percent. The Cayman Islands economy outperforms both the US economy and the Global economy in terms of the unemployment rate throughout the forecast period;

- **Inflation** is expected to spike to 6.9 percent in 2004/5 and then subside to more normal levels at 2.6 percent and 2.5 percent for 2005/6 and 2006/7, respectively;
- **Tourism receipts** are projected to rise gradually from \$382.4 million in 2004/5, to \$411.9 million in 2005/6, to \$430.7 million in 2006/7.

FISCAL OUTLOOK

The Table below summarizes the fiscal outlook for the Core Government and the Entire Public Sector during the forecast period.

	Core Government				Entire Public Sector			
	2004/5 Supplementary Budget	2004/5 Forecast	2005/6 Forecast	2006/7 Forecast	2004/5 Supplementary Budget	2004/5 Forecast	2005/6 Forecast	2006/7 Forecast
	\$M's	\$M's	\$M's	\$M's	\$M's	\$M's	\$M's	\$M's
Operating Statement:								
Operating Revenue	351.9	363.6	364.0	372.3	489.7	489.3	512.2	531.3
Operating Expenses	(330.7)	(331.8)	(343.1)	(347.2)	(476.5)	(467.2)	(496.3)	(507.4)
Net income/(loss) in investments in Statutory Authorities and Government Companies	(13.2)	(14.9)	(10.8)	(7.7)				
Surplus/(Deficit) from Operating Activities	8.0	16.9	10.1	17.4	13.2	22.1	15.9	23.9
Financing Expense & Gains/(losses) on foreign exchange transactions	(9.7)	(8.2)	(9.9)	(11.1)	(14.9)	(13.4)	(15.7)	(17.6)
Surplus/(Deficit) before Extraordinary Items	(1.7)	8.7	0.2	6.3	(1.7)	8.7	0.2	6.3
Extraordinary Items	(29.3)	(46.1)	-	-	(29.3)	(46.1)	-	-
Net Surplus/(Deficit) after Extraordinary Items	(31.0)	(37.3)	0.2	6.3	(31.0)	(37.3)	0.2	6.3
Balance Sheet :								
Bank Balance at June 30	48.1	49.2	37.8	46.2	86.6	97.2	70.6	84.8
Borrowings (Balance Outstanding)	(224.2)	(211.6)	(237.9)	(314.3)	(377.3)	(362.1)	(397.6)	(473.6)
Net Worth at June 30	387.3	386.9	394.0	416.3	387.3	386.9	394.0	416.3
Cash Flow :								
Net Operating Cash Flows	(2.0)	0.2	28.2	31.7	23.5	11.8	28.7	48.1
Net Investing Cash Flows	(87.0)	(85.9)	(65.4)	(99.7)	(135.9)	(119.6)	(90.5)	(107.4)
Net Financing Cash Flows	51.6	49.4	25.8	76.4	72.9	79.5	35.2	73.5
Net Increase/(Decrease) in Cash	(37.4)	(36.3)	(11.4)	8.4	(39.5)	(28.3)	(26.6)	14.2
Opening Cash Balance (@ Jul 1)	85.5	85.5	49.2	37.8	126.1	125.5	97.2	70.6
Net Increase/(Decrease) in Cash	(37.4)	(36.3)	(11.4)	8.4	(39.5)	(28.3)	(26.6)	14.2
Closing Cash Balance (@ Jun 30)	48.1	49.2	37.8	46.2	86.6	97.2	70.6	84.8

The commentary below relates to the financial highlights of the Core Government

- **Net Deficit after Extraordinary Items** is forecasted at \$37.3 million in 2004/5 and then improve to a surplus of \$0.2 million in 2005/6, and a surplus of \$6.3 million in 2006/7. The large Net Deficit in 2004/5 is due to extraordinary items related to hurricane Ivan. For 2005/6 and 2006/7, the absence of Extraordinary items together with higher revenues have resulted in a Net Surplus position for those two years
- **Operating revenue** is forecasted to increase from \$363.6 million in 2004/5 to \$364.0 million and \$372.3 million in 2005/6 and 2006/7, respectively. Increases are attributable to import duties, company registrations and the tourism sector.
- **Operating expense** is forecasted at \$331.8 million in 2004/5 and subsequently increases to \$343.1 million and \$347.2 million in 2005/6 and 2006/7, respectively.

- The **Balance of Borrowings** is forecasted to increase from \$211.6 million in 2004/5 to \$237.9 million and \$314.3 million in 2005/6 and 2006/7 stemming from increases in capital expenditure relating to education, government office accommodations, and improvements to the Islands' security.
- The **aggregate financial targets** and their **compliance with the Principles of Responsible Financial Management** are shown in the table below.

Compliance with Principles of Responsible Financial Management					
	Net Surplus/(Deficit) After Extraordinary Items (\$M's)	Net Worth (\$M's)	Borrowing (%)	Net Debt (%)	Cash Reserves (days)
Requirement	Should be positive	Should be positive	< 10%	<80%	2004/5: 30 days, 2005/6: 45 days, 2006/7: 60 days
Forecast Year					
2004/5 Supplementary Budget	\$ (31.0) non compliant	\$ 387.3 complies	5.7% complies	65.2% complies	51 complies
2004/5 PREFU forecast	\$ (37.3) non compliant	\$ 386.9 complies	5.7% complies	60.1% complies	50 complies
2005/6 PREFU forecast	\$ 0.2 complies	\$ 394.0 complies	8.2% complies	70.1% complies	45 complies
2006/7 PREFU forecast	\$ 6.3 complies	\$ 416.3 complies	9.6% complies	86.4% non compliant	54 non compliant

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3. Economic Overview

World Economic Position

Overview

The global economy expanded by an estimated 5.0 percent in 2004, the best performance seen in almost three decades. In comparison, real output of the global economy in 2004 was 3.9 percent. This acceleration from a trough of 2.4 percent in 2001 was underpinned by fiscal and monetary stimuli in industrialised economies, rising corporate profits, and the wealth effects of strong housing and equity markets. The current forecast for world output is for a slight deceleration in 2005 to 4.3 percent, as monetary and fiscal stimuli abate.

Unemployment in advanced economies declined from 6.6 percent in 2003 to 6.3 percent in 2004. One notable exception was among the advanced economies in Europe, where the unemployment rate increased slightly from 8.9 percent to 9.0 percent. European countries that saw a rise in unemployment included Germany, Netherlands, Belgium, Portugal, and Luxemburg. Unemployment in advanced economies is expected to fall further to 6.1 percent in 2005.

Inflation remained largely in check, with consumer prices in advanced economies rising slightly from 1.8 percent in 2003 to 2.1 percent in 2004. Provided that oil prices stabilise at around US\$45.00 per barrel, inflation in advanced economies during 2005 is expected to hold steady at 2.1 percent. Higher energy prices could lead to higher inflation and slower economic growth.

US Economy

The US economy grew by 4.3 percent in 2004, up from 3.0 percent in 2003. This acceleration was bolstered by continued strength in consumer spending, increased corporate spending on equipment and software, and strong demand for new homes. Increased exports and an expansion in government spending also contributed to faster growth. The forecast is for real output to slow down a bit to 3.5 percent in 2005, more in line with its long run average.

Unemployment declined from an average of 6.0 percent in 2003 to 5.5 percent in 2004. With strong growth and a levelling off of labour productivity, businesses hired more workers. The employed labour force increased by a net of 1.6 million in 2004 to 140.1 million. US unemployment is forecasted at 5.4 percent in 2005.

US Consumer prices rose from 2.3 percent in 2003 to 3.0 percent in 2004, largely on account of higher energy and housing prices. On the assumption that energy and housing prices will stabilise, consumer prices are projected to remain at 3.0 percent in 2005.

Comparative Macroeconomic Forecasts (%)

	2003			2004			2005		
	Cayman Islands	U.S.	Global	Cayman Islands	U.S.	Global	Cayman Islands	U.S.	Global
Real GDP Growth	2.0	3.0	3.9	0.9	4.3	5.0	6.5	3.5	4.3
Consumer Inflation	0.6	2.3	1.8	4.4	3.0	2.1	2.7	3.0	2.1
Unemployment Rate	4.1	6.0	6.6	4.4	5.5	6.3	4.6	5.4	6.1

Sources: IMF World Economic Outlook September 2004, The Economist, ILO, Cayman Islands Government Economic and Statistics Office for the Cayman Islands data

Note: Global consumer inflation and unemployment rates are for advanced economies only.

Other Countries and Regions

China was one of the fastest-growing economies, expanding by 9.0 percent in 2004, despite that government's attempts to reduce the pace of development. Real growth in Europe expanded from 0.5 percent in 2003 to 2.2 percent in 2004, but weak domestic demand is likely to keep economic growth at that level in 2005. Japan, at 4.4 percent, posted its second year of positive growth after more than a decade of stagnation.

The Cayman Islands Economy*Out-turns for 2004*

Hurricane Ivan had a major impact on the Cayman Islands economy in 2004. Before the storm, real GDP growth was projected at 2.8 percent for calendar year, compared to 2.0 percent the year before. Increased stay over tourist arrivals and construction activity were the driving forces behind this accelerated growth. Due to the hurricane, a significant fall in economic activity during the last four months of 2004, resulted in an estimated real GDP growth in the 2004 calendar year of 0.9 percent.

The unemployment rate averaged 4.4 percent in the 2004 calendar year. Very little variation was seen between the April unemployment rate (4.3%) and the November rate (4.4%). However, the employed labour force declined from 27,886 in April to 22,420 in November. This was in line with a decline in the Grand Cayman population from 42,397 to 33,853 following the hurricane.

Consumer prices rose by 4.4 percent in the 2004 calendar year, the highest level since 1999. This increase from the 0.6 percent rise in 2003 was mainly as a result of the effects of hurricane Ivan on the economy. A general increase in prices across the economy in the months prior to the hurricane also contributed to the increase in consumer prices. During the 2004 calendar year, Housing related prices rose by 7.4 percent, primarily due to increases in rental prices and insurance premiums following the hurricane. Other groups that saw notable increases were Household Equipment (4.4%), Food (4.3%), Education & Medical (4.3%), and Personal Goods & Services (4.3%). The only group that saw a decline was Clothing (-4.3%).

The value of imports surged 30.5 percent from \$553.6 million in the 2003 calendar year to \$722.4 million in 2004. This increase was both on account of a strengthening economy before the hurricane, and as a result of recovery and reconstruction efforts after the hurricane.

Hurricane Ivan did not have a severe impact on the overall performance of the financial services sector in 2004. Compared to 2003, increases were seen in mutual fund registrations (23.4%), new company registrations (22.6%), stock exchange listings (16.6%), stock exchange capitalisation (21.9%), and insurance licences (7.4%). The notable exception was bank & trust licences (-6.6%), which continued to be affected by consolidation in a globally competitive environment.

From January to August 2004, the Cayman Islands saw strong growth in tourism, with air arrivals up by 13.5 percent and cruise arrivals increasing by 11.5 percent. Tourism statistics for the September to December 2004 period were not available in time to be included in this document. Hurricane Ivan did have a severe impact on the tourism industry for the September to December 2004 period with cruise ship arrivals being restricted after the hurricane until the first week of November 2004, and stay-over tourism restricted until the third week of November 2004.

Construction activity was buoyant prior to Hurricane Ivan with Planning Approvals up by 168.1 percent to \$296.5 million for the January – June 2004 period. This significant increase in planning approvals was largely on account of 1) the first phase of the West Indian Club - commercial development, 2) redevelopment of the Caribbean Club condominium on Seven Mile beach and 3) a new luxury condominium complex in Bodden Town. Over the 2004 calendar year, Planning Approvals increased by 66.6 percent to \$456.3 million.

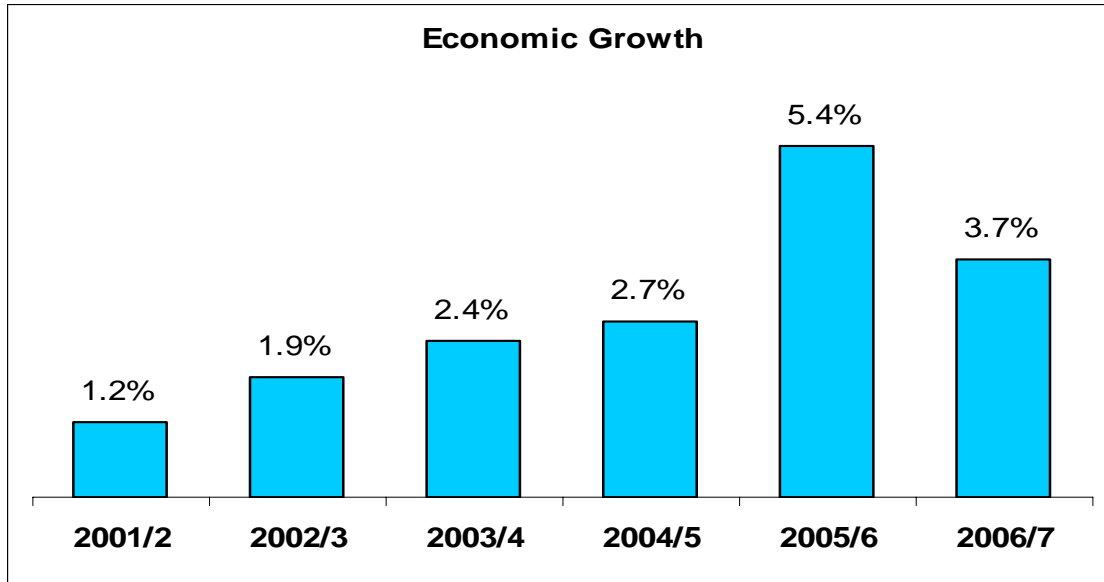
Macroeconomic Forecasts

The table below summarises the actual macroeconomic performance of the Cayman Islands economy over the financial years 2001/2 through 2003/4 along with the forecasted macroeconomic performance for 2004/5 through 2006/7.

Actual and Forecasted Macroeconomic Performance for Financial Years 2001/2 – 2006/7

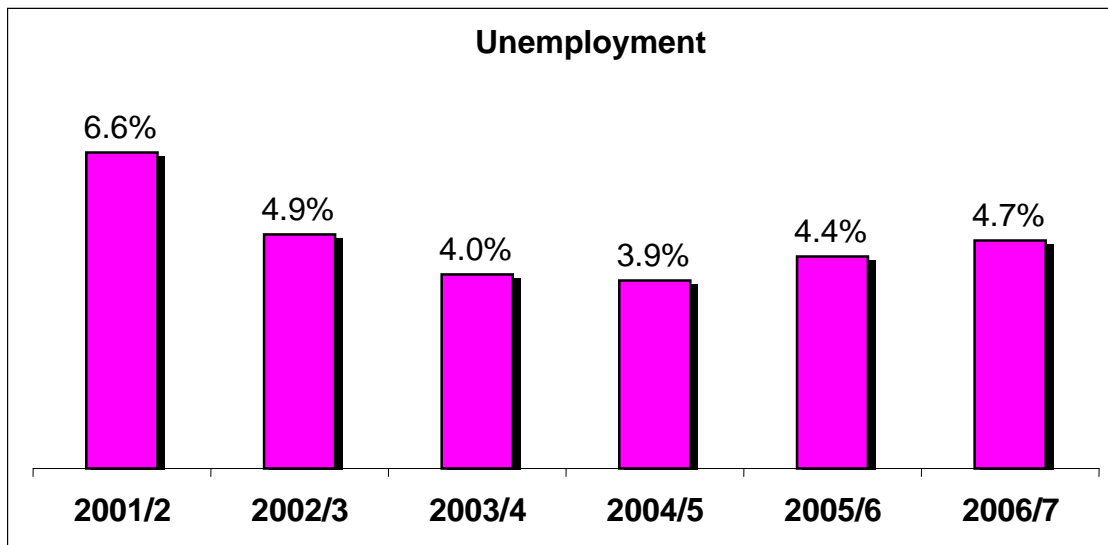
	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7
Economic Growth	1.2%	1.9%	2.4%	2.7%	5.4%	3.7%
Unemployment	6.6%	4.9%	4.0%	3.9%	4.4%	4.7%
Total Employment	26,608	28,091	28,871	23,541	25,464	26,659
Inflation	1.3%	1.7%	1.2%	6.9%	2.6%	2.5%
Major Current Account Items						
Tourism Receipts (\$ M's)	441.2	413.8	391.5	382.4	411.9	430.7
Trade Balance (\$ M's)	-502.0	-520.3	-640.4	-809.3	-741.9	-593.9

Despite a fall in normal economic activity during the last four months 2004, economic growth for fiscal 2004/2005 is projected at 2.7 percent, due mainly to post hurricane reconstruction activity. As reconstruction continues in 2005/06, real economic growth is projected to be 5.4 percent. It is likely that economic growth will taper off in 2006/7 to around 3.7 percent.

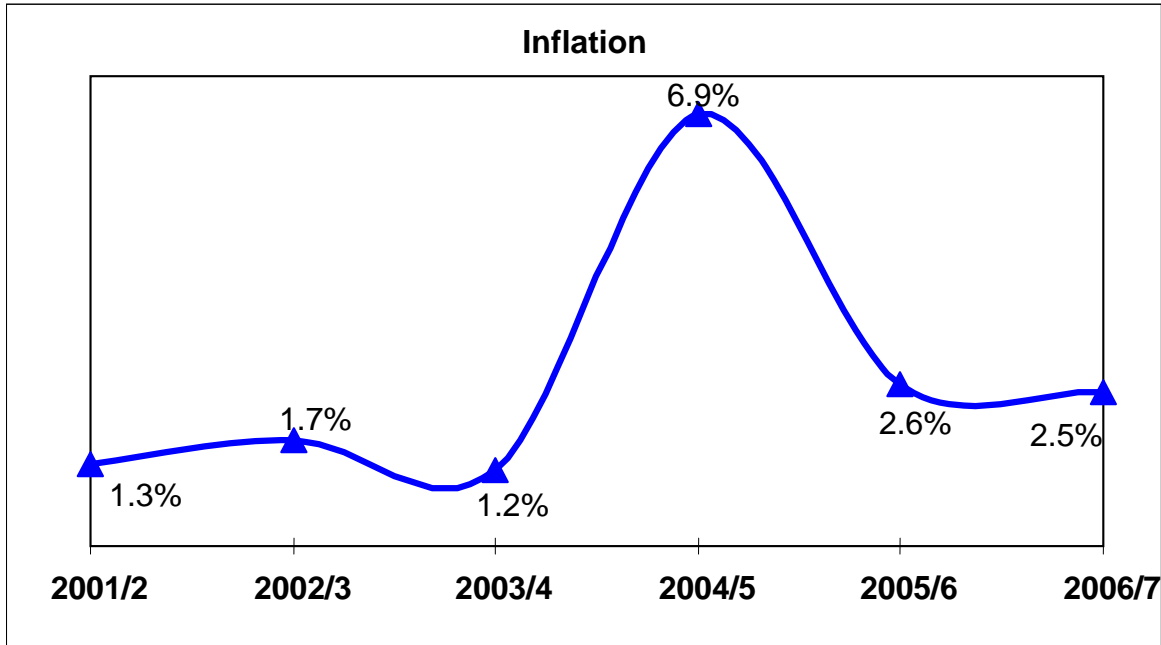


Unemployment is projected to rise from 3.9 percent in 2004/5, to 4.4 percent in 2005/6 and 4.7 percent in 2006/7.

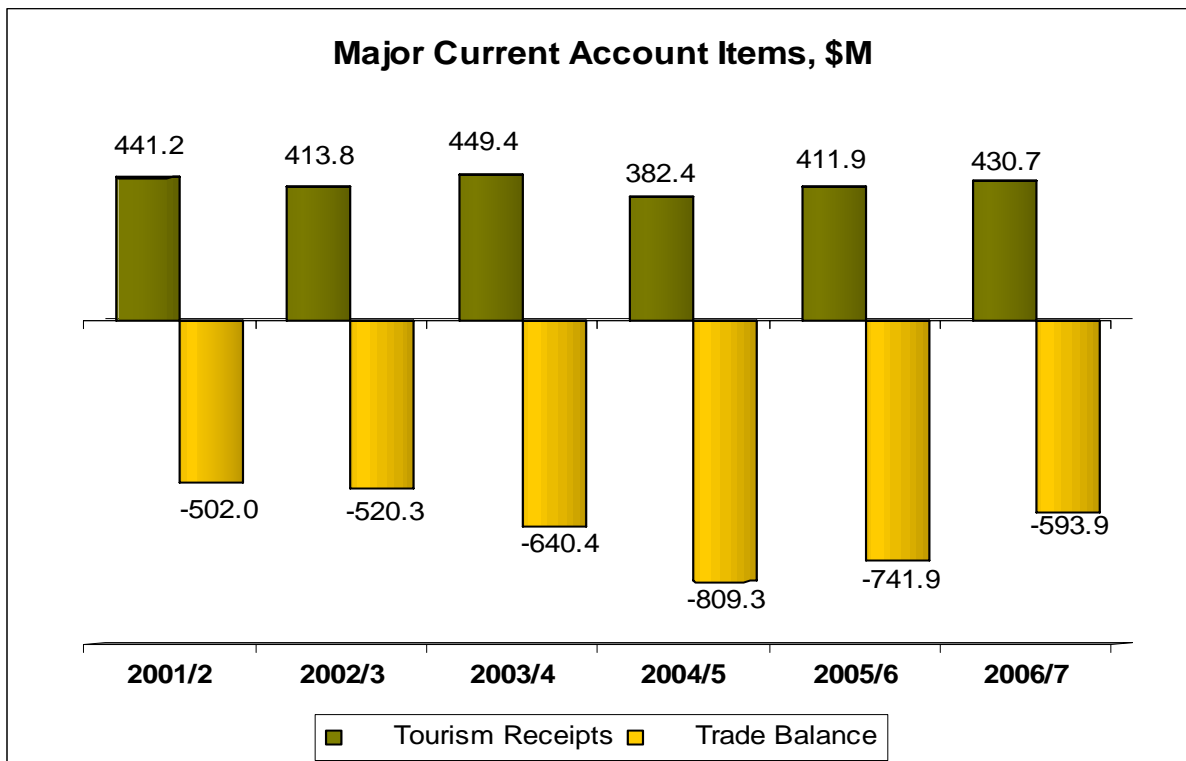
The total number of persons employed in the Cayman Islands is forecasted to rise from an estimated 23,541 in 2004/5 to 25,464 in 2005/6 and 26,659 in 2006/7.



Inflation is expected to spike at 6.9 percent in 2004/5 on account of a disruption to normal supply and demand conditions brought about by Hurricane Ivan, but it is expected to subside to more normal levels between 2005/6 and 2006/7.



Tourism receipts are forecasted to rise gradually from \$382.4 million in 2004/5 to \$430.7 million in 2006/7. During the same period, the trade balance is projected to improve from -\$809.3 million to -\$593.9 million.



Risks to Economic Forecast

One major uncertainty for the global economy is future direction of oil prices, which averaged US\$37.66 in 2004 and hovered around US\$46.56 during in mid-February 2005. Further increases could slow the global economy and cause inflation to rise.

The United States' current account and budget deficits are seen as posing some risk to the world economy, which has been performing at its best in almost three decades. While the US dollar has gradually depreciated against major currencies in the past year in response to these imbalances, sudden and dramatic exchange rate changes could result in a build-up of inflationary pressures and a softening of economic growth.

Closer to home, Hurricane Ivan brought about significant disruptions to the Caymanian economy in 2004. It is difficult to forecast after such a major shock since there is not the benefit of experience from a similar event of recent times to draw upon.

The economic outlook is based on data collected up to the calendar year 2004, except for Tourist Arrivals, which were only available up to August 2004. Projections for 2004/5 may be refined as data for January to March 2005 become available.

4. Overview of Financial Forecasts

These forecasts have been prepared using a “constant policy” assumption which means that all government policy reflected in the latest 2004/5 Supplementary Budget, and all Cabinet decisions made up to 5 April 2005 are reflected in these forecasts.

Table 1 and table 2 summarise the 2004/5, 2005/6, and 2006/7 forecasts for Core Government and Entire Public Sector, respectively.

Table 1
Summarised Core Government Financial Forecasts

	Core Government			
	2004/5 Supplementary Budget \$000s	PREFU		
		2004/5 Forecast \$000s	2005/6 Forecast \$000s	2006/7 Forecast \$000s
Operating Statement:				
Operating Revenue	351,899	363,630	364,047	372,318
Operating Expenses	-330,692	-331,806	-343,130	-347,200
Net income/(loss) in investments in Statutory Authorities and Government Companies	-13,184	-14,878	-10,836	-7,688
Surplus/(Deficit) from Operating Activities	8,023	16,946	10,081	17,431
Financing Expense & Gains/(losses) on foreign exchange transactions	-9,741	-8,236	-9,927	-11,108
Surplus/(Deficit) before Extraordinary Items	-1,718	8,709	154	6,323
Extraordinary Items	-29,311	-46,051	0	0
Net Surplus/(Deficit) after Extraordinary Items	-31,029	-37,342	154	6,323
Balance Sheet :				
Bank Balance at June 30	48,113	49,243	37,812	46,185
Borrowings (Balance Outstanding)	-224,225	-211,645	-237,857	-314,305
Net Worth at June 30	387,322	386,909	394,036	416,332
Cash Flow :				
Net Operating Cash Flows	-1,998	233	28,177	31,686
Net Investing Cash Flows	-86,999	-85,929	-65,445	-99,742
Net Financing Cash Flows	51,591	49,420	25,837	76,430
Net Increase/(Decrease) in Cash	387,322	386,909	394,036	416,332
Opening Cash Balance (@ Jul 1)	85,519	85,519	49,242	37,812
Net Increase/(Decrease) in Cash	-37,406	-36,277	-11,431	8,373

Table 2
Summarised Entire Public Sector Financial Forecasts

	Entire Public Sector			
		PREFU		
	2004/5 Supplementary Budget \$000s	2004/5 Forecast \$000s	2005/6 Forecast \$000s	2006/7 Forecast \$000s
Operating Statement:				
Operating Revenue	489,681	489,275	512,181	531,308
Operating Expenses	-476,480	-467,211	-496,289	-507,419
Net income/(loss) in investments in Statutory Authorities and Government Companies				
Surplus/(Deficit) from Operating Activities	13,200	22,064	15,892	23,889
Financing Expense & Gains/(losses) on foreign exchange transactions	-14,918	-13,354	-15,738	-17,566
Surplus/(Deficit) before Extraordinary Items	-1,718	8,710	154	6,323
Extraordinary Items	-29,311	-46,051	0	0
Net Surplus/(Deficit) after Extraordinary Items	-31,029	-37,342	154	6,323
Balance Sheet :				
Bank Balance at June 30	86,573	97,199	70,625	84,826
Borrowings (Balance Outstanding)	-377,262	-362,052	-397,580	-473,621
Net Worth at June 30	387,322	386,909	394,036	416,332
Cash Flow :				
Net Operating Cash Flows	23,490	11,750	28,720	48,135
Net Investing Cash Flows	-135,851	-119,612	-90,447	-107,397
Net Financing Cash Flows	72,872	79,539	35,152	73,464
Net Increase/(Decrease) in Cash	387,322	386,909	394,036	416,332
Opening Cash Balance (@ Jul 1)	126,063	125,521	97,199	70,625
Net Increase/(Decrease) in Cash	-39,489	-28,322	-26,574	14,202

The commentary that follows is based on the financial forecasts of the Core Government provided in Table 1.

The financial forecasts fall into three groups: operating statements, balance sheet and cash flow.

Operating Statement

Surplus/(Deficit) before Extraordinary Items

The forecast 2004/5 Surplus before Extraordinary items is \$8.7 million, shifting from a \$1.7 million Deficit before Extraordinary items in the 2004/5 Supplementary Budget. The shift from a deficit to a surplus largely reflects updated and current information used in the 2004/5 revised forecast. For example, the actual revenues of the last two months have been much higher than originally anticipated, particularly motor vehicle duties and company registration fees. These have been partially offset by slightly higher expenses and a higher Net Loss in Statutory Authorities and Government Companies.

In the next two years the Surplus before Extraordinary items is expected to decline to \$0.2 million in 2005/6 and then increase to \$6.3 million in 2006/7. The increase in the 2006/7 Surplus before Extraordinary Items is essentially due to an improvement in the Net Loss in Statutory Authorities and Government Companies by \$3 million over the preceding year, and improved revenues offset by higher operating expenses.

Net Surplus/(Deficit) after Extraordinary Items

The Net Surplus/(Deficit) after Extraordinary Items is derived by subtracting “one off” revenues and expenses from the Surplus/(Deficit) before Extraordinary Items. In accounting terms these “one off” revenues and expenses are referred to as Extraordinary Items¹. The Extraordinary Items are in direct relation to hurricane Ivan in September 2004, they are not expected to be repeated.

The 2004/5 revised forecast for extraordinary expense is \$46.1 million compared to the 2004/5 Supplementary Budget of \$29.3 million. The increase is a consequence of utilising current information in the forecasts as well as incorporating recent cabinet decisions, more specifically:

- Extraordinary outputs have increased by \$11.3 million to \$41.1 million. An additional \$8.0 million is required to complete debris removal (Output CBO 4) by June 2005, and the existing output for repairs and essential restoration to houses (output DVB4) was increased by \$3.0 million. A detailed listing of the Extraordinary Outputs is provided in the Note 26 of the Forecast Financial Statements contained in Appendix 1;
- A new extraordinary transfer payment of \$0.78 million to provide for the repair and restoration of churches through out the island;
- The extraordinary losses for Statutory Authorities and Government Companies have increased by an additional \$5.2 million.

¹ International Accounting Standards define extraordinary items as “income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly”.

There are no extraordinary expenses anticipated for 2005/6 and 2006/7. The full extraordinary items resulting from Hurricane Ivan have been reflected in 2004/5.

After subtracting the \$46.1 million of revised Extraordinary Items from the Surplus/(deficit) before Extraordinary Items, the revised 2004/5 Net Deficit after Extraordinary Items is \$37.3 million representing a \$6.3 million deterioration from the Supplementary Budget deficit of \$31.0 million. The change in deficit is a consequence of utilising current information and incorporating recent Cabinet decisions in the revised 2004/5 forecast. As outlined in this section and the preceding section, the changes to the 2004/5 Supplementary Budget can be summarized as:

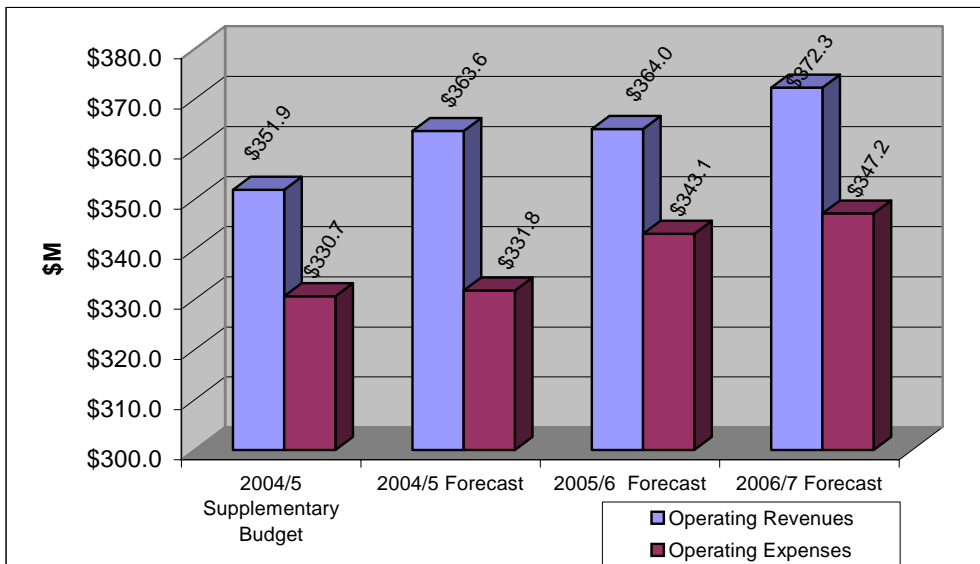
- increases to Extraordinary expenses of \$16.8 million (detailed in the preceding two paragraphs);
- offset by a \$10.4 million improvement in the Operating Surplus (see preceding commentary under the “Surplus/Deficit before Extraordinary Items” subheading) due to increased revenues less higher expenses.

The 2005/6 and 2006/7 Net Surplus after Extraordinary items is projected to be \$0.2 million and \$6.3 million respectively, the amounts are identical to the Surplus before Extraordinary items as there are no anticipated Extraordinary items for 2005/6 and 2006/7.

Operating Revenue and Operating Expenses

Figure 1 shows the Operating Revenues and Operating Expenses track through 2004/5, 2005/6 and 2006/7.

Figure 1
Forecast Operating Revenues and Expenses



Operating Revenue:

The Operating Revenue is forecasted at \$363.6, \$364.0 and \$372.3 million for 2004/5, 2005/6 and 2006/7, respectively.

The 2004/5 revised revenue forecast has improved by \$11.7 million from the 2004/5 Supplementary Budget of \$351.9 million. The 2004/5 Supplementary Budget revenue forecast was prepared over two months ago and since that time actual performance of certain revenue categories has suggested a much positive outlook for 2004/5 revenues than initially expected. More specifically, there has been a higher volume and dollar value of motor vehicle imports than was originally anticipated, as well there has been an increase in company registrations.

The 2005/6 revenue forecast is marginally higher than 2004/5. Several occurrences are taking place which offset each other. First, development projects previously delayed in 2004/5 due to the hurricane will resume in 2005/6. Also, the post Ivan reconstruction effort is expected to continue through to the earlier part 2005/6. Other increases are anticipated in company registration fees and revenues from the tourism sector. Finally offsetting the revenue increases above, motor vehicle duties are anticipated to drop off to more normal levels.

The 2006/7 forecast revenue growth is projected at 2% representing a net increase of \$8.3 million over 2005/6 forecast revenue. Increases are foreseen in company fees, import duty and the tourism sector.

Operating Expense:

The revised 2004/5 forecast for operating expenses is expected to be \$331.8 million. The \$1.1 million increase over the 2004/5 Supplementary Budget arises from an increase in insurance premiums as the new Government insurance policy comes into effect April 1 2005. As with the revenue forecast, the passage of two months since the preparation of the original 2004/5 Supplementary Budget has provided further current and up to date information on the turn out for 2004/5.

In 2005/6 operating expenses are forecasted to increase by \$11.3 million to \$343.1 million from the 2004/5 forecast of \$331.8 million. The increase is mainly attributed to higher insurance premiums, higher education costs relating to improving the quality of the education outputs, and an increase in personnel allowances.

The 2006/7 expenses are forecasted to increase by \$4.1 million to \$347.2 million from the 2005/6 forecast of \$343.1 million. The increase is mostly attributable to higher personnel costs and supplies and consumables.

Net loss in Statutory Authorities & Government Companies:

The revised 2004/5 Net Loss in Statutory Authorities & Government Companies deteriorated slightly by \$1.7 million to \$14.9 million from the 2004/5 Supplementary Budget Net Loss of \$13.2 million. The increase in Net Loss is mainly attributable to the availability of updated information in the forecasts, particularly pertaining to the Cayman Islands Airport Authority.

The Net Loss in Statutory Authorities & Government Companies improves to \$10.8 million and \$7.7 million in 2005/6 and 2006/7, respectively.

Balance sheet

The balance sheet reflects two main measures in assessing the Government's financial position: borrowings and net worth.

The forecast 2004/5 balance of borrowings has decreased by \$12.6 million to \$211.6 from the 2004/5 Supplementary budget of \$224.2 million. This decrease relates to a 2003/4 appropriation for borrowing which was never drawn down in 2003/4 and not adjusted in the 2004/5 Supplementary Budget. The decrease in borrowings also relate to higher repayment of borrowings assumed in the 2004/5 forecast. The forecast borrowings for 2005/6 and 2006/7 have increased to \$237.9 million and \$314.3 million respectively. The higher borrowing levels are required to fund capital expenditures of \$128.5 million in 2005/6 and 2006/7. These capital expenditures are detailed in Table 3 below:

Table 3
Capital Expenditures 2005/6 and 2006/7

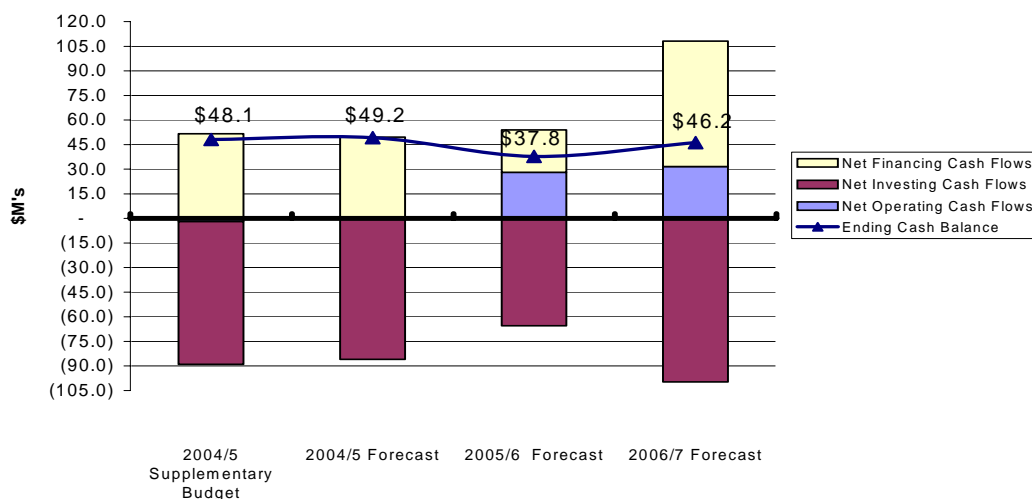
	Capital Expenditure (000's)		
	2005/6	2006/7	Total
<u>Ministry of Education, Human Resources & Culture</u>			
ITALIC Programme	\$720	\$620	\$1,340
National Archive Building Extension	\$4,000		\$4,000
Cayman Brac High School	\$1,800		\$1,800
Clifton Hunter High School	\$9,500	\$10,000	\$19,500
George Town Primary School Extension	\$1,900	\$5,100	\$7,000
West Bay High School	\$9,500	\$10,000	\$19,500
Redevelopment of John Gray High School	\$250	\$7,000	\$7,250
Sub-total	\$27,670	\$32,720	\$60,390
<u>Portfolio of Internal & External Affairs</u>			
Drugs Task Force Marine Basin	\$2,500	\$2,100	\$4,600
RCIPS Vehicles	\$2,100		\$2,100
Coastal Radar/Vessels	\$1,000	\$3,000	\$4,000
Emergency Operations Center	\$1,000		\$1,000
Sub-total	\$6,600	\$5,100	\$11,700
<u>Ministry of Planning, Communications, District Administration & Information Technology</u>			
MRCU Building	\$2,500		\$2,500
Landfill Development	\$800		\$800
Computer Services Infrastructure	\$1,500		\$1,500
Telecommunications Building	\$600		\$600
Government Administration Offices		\$42,000	\$42,000
Sub-total	\$5,400	\$42,000	\$47,400
<u>Judicial Administration</u>			
Construction of Courthouse	\$4,000	\$5,000	\$9,000
Total Capital Expenditures	\$43,670	\$84,820	\$128,490

The net worth is forecasted to be \$386.9 million, \$394.0 million and \$416.3 million for 2004/5, 2005/6 and 2006/7, respectively.

Cash Flows

The cash flow statement comprises of three categories: operating cash flows (operating receipts and payments), investing cash flows (mainly equity injections and the purchase or construction of assets) and financing cash flows (borrowing and the repayment of debt). Figure 2 illustrates the tracking of each of these three categories throughout the forecast period in conjunction with the ending cash balance.

Figure 2
Cash Flows by Category



The 2004/5 forecast operating cash inflow is \$0.2 million, shifting from a \$2.0 million cash outflow position in the 2004/5 Supplementary Budget. The positive movement results from higher revenues offset by higher expenses and extraordinary items. In 2005/6 and 2006/7 operating cash flows are forecasted to grow to \$28.2 million and \$31.7 million as the extraordinary expenses of 2004/5 drop off and revenue growth outpaces expenses.

The investing cash outflows are forecasted to be \$85.9 at the end of 2004/5, which is virtually unchanged from the \$87.0 million in the 2004/5 Supplementary Budget. Going forward, the investment cash outflows in the two subsequent years are forecasted to be \$65.4 million, and \$99.7 million reflecting the capital expenditures listed under Table 3.

The 2004/5, 2005/6 and 2006/7 cash inflows from Financing Activities are forecasted to be \$49.4 million, \$25.8 million and \$76.4 million, respectively. Table 4 breaks down the financing activity cash flows between new borrowings and repayment of borrowings.

Table 4
Net Cash Flows from Financing Activity (\$000's)

	2004/5 Supplementary Budget	2004/5 Forecast	2005/6 Forecast	2006/7 Forecast
Proceeds from borrowings	62,000	62,000	45,831	101,141
Repayment of borrowings	(10,409)	(12,580)	(19,994)	(24,711)
Net Cash flows from Financing Activities	51,591	49,420	25,837	76,430

The table shows that the proceeds from borrowings are \$45.8 million and \$101.1 million in 2005/6 and 2006/7, respectively. These borrowings are undertaken essentially to fund the Capital Expenditures detailed in Table 3. The Repayment of borrowings increase from \$12.6 million in 2004/5 through to \$24.7 million in 2006/7 reflecting the higher balance of borrowings maintained each year through out the forecast period.

Cash and Reserves Position

The total cash and cash equivalents position is forecasted to be \$49.2 million, \$37.8 million and \$46.2 million at the end of 2004/5, 2005/6 and 2006/7, respectively. With the exception of 2004/5, the cash positions are lower than the 2004/5 Supplementary Budget of \$48.1 million.

The forecast cash and cash equivalents for the years 2004/5, 2005/6 and 2006/7 include General Reserves of \$36.8 million.

5. Compliance with Principles of Responsible Financial Management

Table 5 summarises the extent to which the aggregate financial targets of the Core Government's 2004/5 Supplementary Budget and 2004/5, 2005/6 and 2006/7 forecasts comply with the Principles of Responsible Financial Management contained in section 14 of the Public Management and Finance Law (2003 Revision).

Table 5
Compliance with Principles of Responsible Financial Management

Principle	Degree of Compliance			
	2004/5 Supplementary Budget	2004/5 PREFU Forecast	2005/6 PREFU Forecast	2006/7 PREFU Forecast
Operating surplus: should be positive (Operating surplus = core government operating revenue – core government operating expenses)	Non Compliant Deficit = \$31,029,000	Non Compliant Deficit = \$37,342,000	Compliant Surplus = \$154,000	Compliant Surplus = \$6,323,000
Net Worth: should be positive (Net worth = core government assets – core government liabilities)	Complies Net Worth = \$387,322,000	Complies Net Worth = \$386,909,000	Complies Net Worth = \$394,036,000	Complies Net Worth = \$416,332,000
Borrowing: Debt servicing cost for the year should be no more than 10% of core government revenue (Debt servicing = interest + other debt servicing expenses + principal repayments for core government debt and self financing loans)	Complies Debt servicing = 5.7%	Complies Debt servicing = 5.7%	Complies Debt servicing = 8.2%	Non Compliant Debt servicing = 9.6%
Net Debt: should be no more than 80% of core government revenue (Net debt = outstanding balance of core government debt + outstanding balance of self financing loan balance + weighted outstanding balance of statutory authority/government company guaranteed debt - core government liquid assets)	Complies Net debt = 65.2%	Complies Net debt = 60.1%	Complies Net debt = 70.1%	Non Compliant Net debt = 86.4%
Cash Reserves should be no less than estimated executive expenses for: 30 days 2004/5 45days 2005/6 60 days 2006/7 (Cash reserves = core government cash and other liquid assets)	Complies Cash reserves =51 days	Complies Cash reserves =50 days	Complies Cash reserves =45 days	Non Compliant Cash reserves =54 days
Financial risks should be managed prudently so as to minimise risk	Complies Major risks and strategies to manage them now identified. Insurance cover exists for key assets and major potential liabilities. Hurricane Preparedness Strategy in place.	Complies Major risks and strategies to manage them now identified. Insurance cover exists for key assets and major potential liabilities. Hurricane Preparedness Strategy in place.	Complies Major risks and strategies to manage them now identified. Insurance cover exists for key assets and major potential liabilities. Hurricane Preparedness Strategy in place.	Complies Major risks and strategies to manage them now identified. Insurance cover exists for key assets and major potential liabilities. Hurricane Preparedness Strategy in place.

The above table shows that both the 2004/5 Supplementary Budget and the 2004/5 revised forecast complied with the Principles of Responsible Financial Management, with the exception of maintaining a positive operating surplus.

The table above also shows that the 2005/6 and 2006/7 forecasts comply with all criteria to the Principles of Responsible Financial Management with the exception of maintaining a Net Debt ratio not greater than 80% and cash reserves of at least 60 days in 2006/7.

The Net Debt Ratio for 2006/7 increased to 86.4.1% and was caused by increased levels of borrowing necessitated to fund: the development of new government offices, which are currently limited due to the loss of the Tower building in Hurricane Ivan; and most importantly to fund the improvement and development of the nation's educational system infrastructure which sustained heavy damages during the hurricane.

Statement on Departure from the Principles of Responsible Financial Management

The forecast financial statements included in this document indicate that the Government will depart from the principles of responsible financial management as they relate to the Net Debt Ratio and Cash Reserves for the 2006/7 fiscal year. This departure is due primarily to the need to borrow funds to allow for the redevelopment of the public education infrastructure and to meet the office accommodation needs of the Government following the destruction caused by hurricane Ivan.

The Government is committed to returning to full compliance with all principles of responsible financial management within the two fiscal years following 2006/7 namely 2007/8 and 2008/9. In order to achieve full compliance the Government will continue to be fiscally prudent, reducing expenditure where appropriate and by continuing to monitor the collection of revenue and the performance of its Statutory Authorities and Government Companies.

6. Part Ownership of Cayman General Insurance Company Limited

In March 2005, it was announced that the Government was negotiating an arrangement whereby it would acquire part ownership of Cayman General Insurance Company Limited in lieu of insurance proceeds owed to the Government for damages incurred as a result of Hurricane Ivan.

The agreement reached between Government and Cayman General Insurance Company Limited for the 24% shareholding that Government will acquire in the company, is expected to be signed very shortly. Therefore, as the agreement had not been signed as of the publication date of this Pre-Election Economic and Financial Update, this Update does not include any financial information and implications relating to Government's impending part ownership of Cayman General Insurance Company Limited.

The forecast financial statements included in this PREFU do however, take account of the expected insurance proceeds to be received from Cayman General Insurance Company Limited for the Government's property claim arising from Hurricane Ivan.

The "Statement of Significant Assumptions" contained in Appendix 1 provides a brief outline of the accounting treatment and accounting implications in recording the Government's part ownership in Cayman General Insurance Company Limited.

11 April 2005

APPENDIX 1

GOVERNMENT FORECAST FINANCIAL STATEMENTS

For Financial Years Ending 2004/5, 2005/6, 2006/7

**GOVERNMENT OF THE CAYMAN ISLANDS
FORECAST FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDING
30 JUNE 2005, 2006 and 2007**

**STATEMENT OF RESPONSIBILITY FOR THE FORECAST FINANCIAL
STATEMENTS**

These forecast financial statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2003 Revision). They report the forecast financial transactions for the Core Government and the Entire Public Sector reporting entity for the forthcoming years.

The forecast financial statements were prepared by the Portfolio of Finance and Economics on behalf of the Government. On the basis of the economic and financial information available, that Portfolio has used its best professional judgement in preparing the forecast statements.

The forecast financial statements incorporate the fiscal and economic implications of all Government decisions and circumstances as at 5 April 2005.

We accept responsibility for the accuracy and integrity of the financial information in these forecast financial statements and their compliance with the Public Management and Finance Law (2003 Revision).

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial positions as at 30 June 2005, 2006, and 2007 and performance for the financial years ending 30 June 2005, 2006, 2007;
- (c) include all policy decisions and other circumstances that have, or may have, a material effect on the forecast statements; and
- (d) comply with generally accepted accounting practice.

Hon. Kenneth Jefferson, JP
Financial Secretary
11 April 2005

Hon. McKeeva Bush, OBE, JP
Leader of Government Business
11 April 2005

**GOVERNMENT OF THE CAYMAN ISLANDS
STATEMENT OF ACCOUNTING POLICIES
FOR FORECAST YEARS ENDING 30 JUNE 2005, 2006, and 2007**

General Accounting Policies

Reporting entity

These forecast financial statements are for the Government of the Cayman Islands. The forecast financial statements encompass the Core Government and the Entire Public Sector as required by the Public Management and Finance Law (2003 Revision). The reporting entity comprises:

- Executive financial transactions and balances;
- Ministries and Portfolios;
- Statutory Authorities;
- Government Companies; and
- The Audit Office and the Office of the Complaints Commissioner.

The Core Government entity accounts for Statutory Authorities and Government Companies on an equity accounting basis while the Entire Public Sector accounts for them on a fully consolidated basis.

Basis of preparation

The forecast financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Accounting Standards and United Kingdom reporting standards applicable to the public sector have been used. The measurement base applied is historical cost adjusted for revaluations of certain assets.

The forecast financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Reporting Period

The reporting period is the year ended 30 June.

Basis of Consolidation

The consolidated Entire Public Sector financial report includes the transactions and balances of the Government of the Cayman Islands and its controlled entities during and at the end of the financial year. The controlled entities are combined using the purchase method of combination. Corresponding assets, liabilities, revenues and expenses are added together line by line. Transactions and balances between these sub-entities are eliminated on combination.

Specific Accounting Policies**Revenue***Coercive Revenue*

Coercive revenue is recognised in accordance with the following recognition points.

<i>Coercive Revenue</i>	<i>Revenue Recognition Point</i>
Levies on International Trade and Transactions	
Import Duties Gasoline and Diesel Alcoholic Beverages Tobacco Products Motor Vehicle Duty Food Manufactured Goods Machinery and Transport Equipment	When goods become liable for duty, generally at declaration, prior to release of goods.
Cruise Ship Tax Environmental Protection Fees	When liability for tax or fee is incurred; date of disembarkment for cruise ships and date of departure for aircraft.
Domestic Levies on Goods and Services	
Business and Professional Licenses Work Permit Fees Traders' License LCCL Company Fees Bank and Trust License Insurance Licences Mutual Fund Administrators Partnership Fees Trust Registration Fees Liquor Licence CUC Licence Cable and Wireless Licence TV Station Licence Ship Registration Fees Hotel Licence Other Licences Radio stations (pending)	Upon initial application and, if appropriate, when renewed (renewal dates vary).
Other Levies on Goods and Services	When due.
Motor Vehicle Tax	Upon initial application and due date for annual renewal.
Tourist Accommodation Tax	Recognise when monthly return due.
Misc. Stamp Duty	At the time the goods are delivered (on parcels).
Misc. Immigration Fees	Upon application.
Levies on Property	
Land Transfer Duty	At time of transfer of ownership (set fee).
Infrastructure Fund Fee	For non-refundable fees, upon application for planning approval. For refundable fees, once planning approval is granted.
Other Levies	
Court Fines	When fine imposed.
Other Fines	When fine imposed.

Sale of Goods and Services (including user charges and fees)

Revenue from the sale of goods and services, including revenue resulting from user charges or fees, is recognised when it is earned. This is generally at time of sale or on delivery of service. Revenue from the rendering of a service is recognised by reference to the stage of completion of contracts or in accordance with agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Investment revenue

Investment revenue is recognised in the period in which it is earned.

Donations

Donations meeting the recognition criteria for revenues are recognised at fair value at time of receipt. Donated services are recognised only when the services would have been purchased if not donated.

Expenses*General*

Expenses are recognised when incurred.

Supplies and consumables – Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of the minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Transfer payments

Personal benefits are recognised at time of payment.

Other transfers, including subsidies to Government organisations are recognised when a legal or constructive liability to make the payment has been created.

Depreciation

Depreciation of non-financial physical assets is generally provided on a straight-line basis at rates based on the expected useful lives of those assets.

Assets*Cash and cash equivalents*

Cash and cash equivalents include cash at bank and on hand, short term deposits at call, investments in short term money market instruments, and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

Receivables and advances

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

Inventory

Inventories are recorded at the lower of cost and net current value. Where inventories are valued at cost, specific identification or the FIFO method has been used. Appropriate allowance has been made for obsolescence.

Investments

Loans and advances are valued at the lower of the balance owed or the amount expected to be recovered.

Investments held as current assets are to be carried at the lower of cost or market value.

Marketable securities that are held for trading purposes are recorded at net current value.

Permanent decreases in the value of non-current assets are recognised as an expense in the operating statement for that reporting period.

Property, Plant and Equipment (including Infrastructure Assets)

Land and buildings are recorded at historical cost (or fair value as at time of first recognition) or valuation.

Other plant and equipment, which includes motor vehicles and office equipment, is recorded at cost (or fair value as at time of first recognition) less accumulated depreciation.

Physical assets for which an objective estimate of market value is difficult to obtain (parks, for example) are recorded at the best estimate of fair value.

Valuations of tangible non-current assets are assumed to remain constant over the forecast period.

Computer Hardware and Software

Computer hardware and software are recorded at cost, and depreciated in accordance with the policy on depreciation.

Liabilities

Accounts Payable

Accounts Payable is recorded at the amount owing after allowing for credit notes and other adjustments.

Employee entitlements

Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability.

Provisions

Provisions are recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Pension liability

The unfunded pension liability represents the present value of the Government's unfunded liability to employees for past services as estimated in relation to the respective pension plans.

Forecasts of the pension liability are based on financial assumptions applied to the latest actuarial value of the liability for pension payments, net of the scheme's assets, adjusted on future years for any projected changes in demographic assumptions.

Borrowings

Borrowings are recognised as liabilities when the obligation is established. Borrowings are measured at their book value (equal to their nominal value).

Currency issued

Currency issued for circulation is measured at face value.

Commitments

Commitments are recorded in the Statement of Commitments at the value of the obligation.

Contingencies

The nature and an estimate of the financial effect of contingent liabilities are disclosed in the Statement of Contingent Liabilities. Contingent liabilities are recognised as liabilities when they are probable.

**GOVERNMENT OF THE CAYMAN ISLANDS
FORECAST FINANCIAL STATEMENTS
FOR THE YEARS ENDING 30 JUNE 2005
STATEMENT OF SIGNIFICANT ASSUMPTIONS**

General Forecast Assumptions

These forecast financial statements were finalised on 11 April 2005. They have been prepared under a “constant policy assumption” and take into consideration all of the assented legislation and Cabinet decisions made up to 5 April 2005.

The forecasts do not include projected revaluations or other unpredictable valuations losses or gains.

These forecasts do not include the financial implications of the Government’s proposed part ownership of Cayman General Insurance Company Limited.

Specific Forecast Assumptions

The following assumptions are made with regards to 2005/6 and 2006/7:

- Increases in capital expenditures of \$6.6 million in 2005/6 and \$5.1 million in 2006/7 pertaining to improving the country’s national security. (Examples; emergency operations center, coastal radar and vessels, police vehicle and drug task force marine basin).
- A total of \$55.1 million will be allocated towards the further development and improvement of the educational infrastructure. This includes; redevelopment of Cayman Brac High School and John Gray High School; extension of George Town Primary School; and new schools; Clifton Hunter High School and West Bay High School.
- Extension of the National Archives Building - \$4 million.
- Capital development for government administration offices and operations - \$48 million.
- Development of a new courthouse - \$9 million.

Accounting Implications of Government Ownership of Cayman General Insurance Company Limited

In March 2005, it was announced that the Government was negotiating an arrangement whereby it would acquire part ownership of Cayman General Insurance Company Limited in lieu of insurance proceeds owed to the Government for damages incurred as a result of Hurricane Ivan.

The agreement reached between Government and Cayman General Insurance Company Limited for the 24% shareholding that Government will acquire in the company, is expected to be signed very shortly. Therefore, as the agreement had not been signed as of the publication date of this Pre-Election Economic and Financial Update, this Update does not include any financial information and implications relating to Government’s impending part ownership of Cayman General Insurance Company Limited.

The Government’s shareholding in Cayman General Insurance Company Limited will be a minority shareholding and therefore needs to be accounted for in accordance with the rules for “equity accounting”. This means that the value of the Government’s share needs to be accounted proportionately to the net worth of Cayman General Insurance Company Limited and because it is a minority shareholding, it will be recorded in only one line in each of the Operating Statement and the Balance Sheet (as opposed to a line by line, which is only done in circumstances of controlling interest). Subsequently, in each year the Government needs to pick up its proportionate share of Cayman General’s Net Surplus/ (Deficit) in Government’s Operating Statement and its proportionate share in Government’s Balance Sheet.

The following table summarises the movements in certain financial statement items that will be necessary once the agreement between Government and Cayman General Insurance Company Limited is finalised:

Accounting Implications of Government Ownership in Cayman General Insurance Company Limited

<u>Operating Statement</u>	<u>Impact on the Net Surplus</u>	<u>Comments</u>
Bad Debt Expense	Decrease	The amount of insurance proceed that will now not be received would be required to be written off.
Revenue (Donation received)	Increase	The revenue represents the “value” of the ownership in Cayman General Insurance Company Limited that has been “gifted” in lieu of insurance proceeds. This amount will not necessarily be the same amount as the insurance proceeds foregone but will be dictated by the actual value of Government’s share in Cayman General Insurance Company Limited at the time of the agreement.
<u>Balance Sheet</u>		<u>Comments</u>
Cash	Decrease	Insurance proceed will no longer be received.
Investment	Increase	Government’s proportionate share in Cayman General Insurance Company Limited.
Net Worth	Unknown	Depends on the difference of the foregone insurance proceeds and the value of Government’s share in Cayman General Insurance Company Limited.

Macroeconomic Assumptions

The forecast financial statements have been prepared on the basis of the following economic assumptions:

- Economic growth rates of 2.7%, 5.4% and 3.7% for the years 2004/5, 2005/6 and 2006/7, respectively.
- The unemployment rates of 3.9%, 4.4% and 4.7% for the years 2004/5, 2005/6 and 2006/7, respectively.
- Inflation rates of 6.9%, 2.6% and 2.5% for the years 2004/5, 2005/6 and 2006/7, respectively.
- Demographic trends remain constant
- Rates underlying coercive revenue and the application of those rates are unchanged unless otherwise stated.
- Rates underlying user fees and charges and the application of those rates are unchanged.
- Debt servicing assumptions are based on assumed interest rates, current borrowing agreements, and in the case of new borrowing a 12 year borrowing period.
- The exchange rate between the Cayman dollar and the U.S. dollar remains fixed at 1:0.80
- No material contingent liabilities or other claims become actual liabilities

Government of the Cayman Islands
PREFU Forecast Financial Statements
For three Years Ended 30 June 2005, 2006 and 2007

		Core Government				Entire Public Sector			
	Note	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's
OPERATING STATEMENT									
FOR THE YEAR ENDING 30 JUNE									
Coercive Revenue									
Levies on international trade and transactions		137,931	143,931	139,140	141,392	137,931	143,931	139,140	141,392
Domestic Levies on goods and services		147,099	154,491	159,488	163,486	148,430	155,823	161,090	165,213
Levies on property		20,596	20,596	21,096	21,096	20,596	20,596	21,096	21,096
Fines		1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505
Total Coercive Revenue	1	307,131	320,523	321,229	327,480	308,462	321,855	322,831	329,207
Revenue									
Sale of Outputs (Goods and Services) to Others	2	40,844	39,259	38,990	41,009	171,947	158,946	179,954	191,326
Investment revenue	3	1,237	1,237	1,237	1,237	5,968	5,247	6,235	7,587
Donations		60	60	60	60	232	232	242	242
Other operating revenue		2,627	2,551	2,532	2,532	3,072	2,995	2,919	2,946
Total Revenue		44,768	43,107	42,819	44,838	181,219	167,420	189,350	202,101
Total Operating Revenue		351,899	363,630	364,047	372,318	489,681	489,275	512,181	531,308
Operating Expenses									
Personnel costs	5	166,911	166,735	171,892	173,909	259,399	257,172	266,770	271,302
Supplies and consumables	6	77,648	78,439	84,231	85,655	144,121	135,825	147,612	149,728
Depreciation	7	13,848	13,848	14,325	14,803	25,538	25,031	26,503	28,384
Outputs from non-governmental organisations		7,786	7,786	8,041	7,906	7,786	7,786	8,041	7,906
Outputs from SAs and GCs		47,818	48,318	47,877	48,163	0	0	0	0
Transfer payments		15,949	15,949	15,949	15,949	15,949	15,949	15,949	15,949
Other operating expenses		731	731	815	815	23,688	25,328	31,414	34,149
Net loss in Statutory Authorities & Government Companies		13,184	14,878	10,836	7,688	0	0	0	0
Other Non-Operating revenues or expenses		0	0	0	0	0	121	0	0
Total Operating Expenses	4	343,876	346,684	353,966	354,887	476,480	467,211	496,289	507,419
Surplus/(Deficit) from Operating Activities		8,023	16,946	10,081	17,431	13,200	22,064	15,892	23,889
Financing expense									
Financing expense	8	(9,741)	(8,236)	(9,927)	(11,108)	(14,900)	(13,017)	(15,610)	(17,408)
Gains/(losses) on foreign exchange transactions		0	0	0	0	(18)	(337)	(128)	(158)
Total Non-Operating Revenue and Expenses		(9,741)	(8,236)	(9,927)	(11,108)	(14,918)	(13,354)	(15,738)	(17,566)
Surplus/(Deficit) before extraordinary items		(1,718)	8,709	154	6,323	(1,718)	8,710	154	6,323
Extraordinary items									
Net Gains/(losses) from destroyed assets		14,663	14,663	0	0	13,738	14,015	0	0
Extraordinary outputs	26	(29,821)	(41,131)	0	0	(29,821)	(41,131)	0	0
Extraordinary transfer payments		(3,000)	(3,450)	0	0	(3,000)	(3,450)	0	0
Extraordinary expenses		(4,469)	(4,297)	0	0	(10,228)	(15,485)	0	0
Extraordinary expenses (SA's GC's)		(6,684)	(11,836)	0	0	0	0	0	0
Total Extraordinary Items		(29,311)	(46,051)	0	0	(29,311)	(46,051)	0	0
Net Surplus/(deficit) after extraordinary items		(31,029)	(37,342)	154	6,323	(31,029)	(37,342)	154	6,323

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		Core Government				Entire Public Sector			
	Note	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's
BALANCE SHEET									
AS AT 30 JUNE									
Current Assets									
Cash and cash equivalents	9	48,113	49,243	37,812	46,185	86,573	97,199	70,625	84,826
Marketable securities and deposits	10	3,817	3,817	3,817	3,817	71,031	72,652	72,366	73,526
Accounts receivable	11	5,622	7,318	7,319	10,025	28,707	30,607	32,578	39,502
Inventories	12	580	580	642	642	4,811	5,212	5,030	5,121
Other current assets	13	3,314	3,314	3,314	3,314	3,883	3,883	3,883	3,883
Total Current Assets		61,446	64,271	52,903	63,983	195,005	209,553	184,481	206,858
Non-Current Assets									
Loans		25,121	24,321	26,169	28,025	53,693	47,354	51,542	52,986
Other investments	14	357	357	357	357	447	447	447	447
Net Worth of SA/GCs		179,164	175,653	179,676	187,401	0	0	0	0
Property, plant and equipment	15	499,466	499,466	538,301	616,995	767,226	758,840	819,290	897,562
Other non-current assets	16	300	300	300	300	300	300	300	300
Total Non-Current Assets		704,408	700,098	744,803	833,077	821,666	806,941	871,580	951,295
Total Assets		765,854	764,368	797,706	897,060	1,016,671	1,016,494	1,056,061	1,158,154
Current Liabilities									
Accounts payable	17	7,432	9,478	9,478	8,503	30,906	34,117	32,382	32,122
Unearned revenue	18	1,743	1,743	1,743	1,743	5,957	6,795	6,795	6,795
Employee entitlements	19	7,347	7,347	7,347	7,347	8,599	8,607	8,607	8,678
Other current liabilities	20	1,822	11,283	11,283	11,283	13,871	24,672	25,245	24,884
Total Current Liabilities		18,344	29,851	29,851	28,877	59,334	74,191	73,029	72,479
Non-Current Liabilities									
Employee entitlements	21	99	99	99	99	139	135	135	135
Unfunded Pension liability	22	130,200	130,200	130,200	130,200	131,553	131,542	131,542	131,542
Borrowings	23	224,225	211,645	237,857	314,305	377,262	362,052	397,580	473,621
Currency issued		0	0	0	0	52,850	53,450	50,654	52,500
Other non-current liabilities	24	5,664	5,664	5,664	7,248	8,212	8,214	9,086	11,544
Total Non-Current Liabilities		360,188	347,608	373,820	451,851	570,015	555,393	588,997	669,342
Total Liabilities		378,532	377,459	403,671	480,728	629,349	629,584	662,026	741,822
TOTAL ASSETS LESS TOTAL LIABILITIES		387,322	386,909	394,036	416,332	387,322	386,909	394,036	416,332
NET WORTH									
Contributed Capital		364,778	371,751	378,723	394,698	354,251	359,263	366,235	382,209
Asset revaluation reserve		0	888	888	888	0	888	888	888
Accumulated surpluses	25	22,544	14,270	14,424	20,747	33,071	26,758	26,912	33,235
Total Net Worth		387,322	386,909	394,036	416,332	387,322	386,909	394,036	416,332

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		Core Government				Entire Public Sector			
	Note	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's
CASH FLOW STATEMENT									
FOR THE YEAR ENDING 30 JUNE									
CASH FLOWS FROM OPERATING ACTIVITIES									
<i>Receipts</i>									
Coercive receipts		307,131	320,523	321,229	327,480	312,662	326,895	322,831	329,207
Sale of Outputs (Goods & Services) to Ministries/Portfolios, SAs		0	7,002	7,073	7,218	0	0	0	0
Sale of Outputs (Goods and Services) to Others		33,262	32,151	32,917	34,792	169,812	158,882	180,887	192,255
Interest received		1,646	1,102	1,102	1,102	5,737	5,354	6,154	7,202
Other receipts		2,822	2,746	1,727	1,727	17,128	17,050	2,296	2,323
<i>Payments</i>									
Personnel costs		(167,351)	(168,059)	(173,216)	(173,964)	(260,038)	(257,227)	(266,826)	(271,357)
Suppliers		(58,322)	(65,862)	(80,066)	(82,479)	(109,546)	(110,969)	(147,474)	(140,788)
Outputs from non-governmental suppliers		(7,786)	(7,786)	(8,041)	(7,906)	(7,786)	(7,786)	(8,041)	(7,906)
Outputs from SAs and GCs		(50,218)	(48,318)	(47,877)	(48,432)	0	0	0	0
Transfers		(15,949)	(15,949)	(15,949)	(15,949)	(15,949)	(15,949)	(15,949)	(15,949)
Interest paid		(9,741)	(8,236)	(9,927)	(11,108)	(14,900)	(13,017)	(15,610)	(17,408)
Other payments		(730)	(731)	(795)	(795)	(21,343)	(24,644)	(29,547)	(29,445)
Extraordinary Expenses		(36,761)	(48,350)	0	0	(52,286)	(66,837)	0	0
Net cash flows from operating activities	27	(1,998)	233	28,177	31,686	23,490	11,750	28,720	48,135
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of non-current assets		(74,639)	(74,639)	(53,044)	(93,380)	(138,224)	(129,697)	(86,845)	(106,550)
Purchase of investments		0	0	0	0	(21,378)	(15,838)	(5,191)	(2,849)
Capital Injections in SAs/GCs		(35,115)	(35,115)	(16,394)	(16,033)	0	0	0	0
Proceeds from sale of non-current assets		19,450	19,450	(0)	(0)	21,791	22,764	1,589	1,589
Proceeds from sale of investments		(5)	1,195	0	0	1,960	3,160	0	413
Capital Withdrawals/Dividends from SAs/GCs		3,310	3,180	3,994	9,671	0	0	0	0
Net cash flows from investing activities		(86,999)	(85,929)	(65,445)	(99,742)	(135,851)	(119,612)	(90,447)	(107,397)
CASH FLOWS FROM FINANCING ACTIVITIES									
Equity Contributions		0	0	0	0	0	0	0	0
Capital Withdrawal		0	0	0	0	0	0	0	0
Repayment of Surplus		0	0	0	0	0	0	0	0
Proceeds from borrowings		62,000	62,000	45,831	101,141	98,946	108,080	71,620	108,799
Repayment of borrowings		(10,409)	(12,580)	(19,994)	(24,711)	(26,074)	(28,541)	(36,468)	(35,334)
Net cash flows from financing activities		51,591	49,420	25,837	76,430	72,872	79,539	35,152	73,464
Net increase/(decrease) in cash and cash equivalents		(37,406)	(36,277)	(11,431)	8,373	(39,489)	(28,322)	(26,574)	14,202
Cash and cash equivalents at beginning of period		85,519	85,519	49,243	37,812	126,063	125,521	97,199	70,625
Cash and cash equivalents at end of period	9	48,113	49,243	37,812	46,185	86,573	97,199	70,625	84,826

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	Core Government				Entire Public Sector			
	2004/05 Supplementary Budget	2004/05 Forecast	2005/06 Forecast	2006/07 Forecast	2004/05 Supplementary Budget	2004/05 Forecast	2005/06 Forecast	2006/07 Forecast
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
STATEMENT OF CHANGES IN NET WORTH FOR THE YEAR ENDING 30 JUNE 2005								
Opening balance net worth	418,501	423,363	386,909	394,036	418,351	423,363	386,920	394,047
Net Surplus	(31,029)	(37,342)	154	6,323	(31,029)	(37,342)	154	6,323
Property revaluations	0	0	0	0	0	0	0	0
Investment revaluations	0	899	6,972	29,013	0	899	6,973	29,013
Net revaluations during the period	0	899	6,972	29,013	0	386,920	6,973	29,013
Total recognised revenues and expenses	387,472	386,920	394,036	429,372	387,322	386,920	394,047 #	429,383
Equity Contributions (made into this org)	0	0	0	0	0	0	(0)	0
Capital Withdrawal	(150)	0	0	0	0	0	0	0
Repayment of Surplus (made by this org)	0	0	0	0	0	0	0	0
Closing balance net worth	387,322	386,920	394,036	416,332	387,322	386,920	394,047	429,383
STATEMENT OF LOANS FOR THE YEAR ENDING 30 JUNE 2005								
Self Financing Loans								
WA - Loan Principal	308	324	306	288	308	324	306	288
Other Loan Principal	0	0	0	0	0	0	0	0
PA - Repayment of Assets	949	949	816	683	949	949	816	683
WA - Repayment of Assets	3,433	3,179	2,916	2,652	3,433	3,179	2,916	2,652
CCCI - Repayment of Assets	1,365	1,365	1,317	1,269	1,365	1,365	1,317	1,269
Other Self Funding Loans	9,900	0	0	0	9,900	0	0	0
Total Self Financing Loans	15,956	5,817	5,355	4,892	15,956	5,817	5,355	4,892
Loans to Other Organisations								
Mortgage Loan	(512)	0	0	0	16,300	16,812	16,812	16,812
Farmers/Ranchers Loan Principal	498	0	0	0	498	0	0	0
Farmers / Ranchers Loan	578	548	571	593	578	548	571	593
Civil Service Mortgage Loan	486	2,195	2,014	1,833	486	2,195	2,014	1,833
Total Loans to Other Organisations	1,049	2,742	2,584	2,425	17,861	19,554	19,396	19,237
Overseas Medical Advances								
Overseas medical advances	7,750	14,878	17,378	19,878	7,750	14,878	17,378	19,878
Total Overseas Medical Advances	7,750	14,878	17,378	19,878	7,750	14,878	17,378	19,878
To organisations		48	36	24	0	48	36	24
To individuals	366	824	814	804	12,127	7,045	9,377	8,954
Total Other Loans	366	883	851	828	12,127	7,105	9,414	8,978
Total Loans	25,120	24,321	26,168	28,024	53,693	47,354	51,543	52,985

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	Core Government				Entire Public Sector			
	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's
STATEMENT OF BORROWINGS								
FOR THE YEAR ENDING 30 June 2005								
<i>Outstanding Debt</i>								
<i>Foreign Currency Debt</i>								
Central Government long-term loans	215,623	203,042	230,524	308,241	325,434	307,922	338,107	415,166
Statutory bodies – self financing loans	8,602	8,602	7,333	6,064	51,827	54,130	59,473	58,455
Total Foreign Currency Debt	224,225	211,645	237,857	314,305	377,262	362,052	397,580	473,621
Total Outstanding Debt	224,225	211,645	237,857	314,305	377,262	362,052	397,580	473,621
<i>Less</i>								
<i>Marketable Securities and Deposits</i>								
Foreign Currency	3,817	3,817	3,817	3,817	71,031	72,652	72,366	73,526
Total Marketable Securities and Deposits	3,817	3,817	3,817	3,817	71,031	72,652	72,366	73,526
	0				0	0		
Net Public Debt	220,408	207,828	234,040	310,488	306,231	289,399	325,214	400,094
Net foreign currency debt	220,408	207,828	234,040	310,488	306,231	289,399	325,214	400,094
Net Public Debt	220,408	207,828	234,040	310,488	306,231	289,399	325,214	400,094
STATEMENT OF ACTUAL COMMITMENTS								
AS AT 30 JUNE 2005								
<i>Type</i>								
One year or less	23,811	23,811	23,811	23,811	23,811	23,811	23,811	23,811
One to five Years	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850
Over five Years	72	72	72	72	72	72	72	72
Total	27,733	27,733	27,733	27,733	27,733	27,733	27,733	27,733
<i>Capital Commitments</i>								
Other fixed assets	21,430	21,430	21,430	21,430	21,430	21,430	21,430	21,430
Other commitments	0	0	0	0	0	0	0	0
Total Capital Commitments	21,430	21,430	21,430	21,430	21,430	21,430	21,430	21,430
<i>Operating Commitments</i>								
Non-cancellable accommodation leases	138	138	138	138	138	138	138	138
Other non-cancellable leases	612	612	612	612	612	612	612	612
Other operating commitments	82	82	82	82	82	82	82	82
Total Operating Commitments	832	832	832	832	832	832	832	832
Total Commitments	22,262	22,262	22,262	22,262	22,262	22,262	22,262	22,262

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	Core Government				Entire Public Sector			
	2004/05 Supplementary Budget	2004/05 Forecast	2005/06 Forecast	2006/07 Forecast	2004/05 Supplementary Budget	2004/05 Forecast	2005/06 Forecast	2006/07 Forecast
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
STATEMENT OF CONTINGENT LIABILITIES								
AS AT JUNE 30 2005 -2007								
Summary of Quantifiable Contingent Liabilities								
Guarantees								
Turtle Farm								
Turtle Farm	36,600	36,600	36,600	36,600	36,600	36,600	36,600	36,600
Cayman Airways								
Guarantee to the Company's principal bankers for the restructuring of the existing CAL debt, finance the shortfall in CAL operations, Agency Fees, and to pay deposits on lease of two new aircraft.	27,143	33,059	33,059	33,059	27,143	33,059	33,059	33,059
Port Authority								
Guarantee of loan for developing property in the Industrial Park Area.	123	0	(0)	(0)	123	0	0	0
Guarantee of loan for purchase of 1.25 acres of land.	68	0	0	0	68	0	0	0
Water Authority								
Guarantee of loan for the Water and Sewerage Project and Red Bay Spotts Extension.	3,964	420	420	420	3,964	420	420	420
Civil Aviation Authority								
Guarantee to a bank or financial institution for Cayman Brac Runway	3,564	2,980	2,980	2,980	3,564	2,980	2,980	2,980
University of the West Indies								
Guarantee of loan for the improvement and expansion of continuing studies and distance education at the University together with interest, commitment charge and other charges.	210	213	213	213	210	213	213	213
Cayman Islands Civil Service Association Credit Union								
Guarantee in respect of Hurricane assistance loans to civil servants	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000

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	Core Government				Entire Public Sector			
	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's
Caribbean Development Bank								
Promisory note to contribute to the special development fund of the CDB	268	268	268	268	268	268	268	268
University College of the Cayman Islands								
Guarantee to a bank or financial institution on behalf of CCI for the partial financing of a loan to build a multipurpose Hall and Law school facility.	2,278	2,278	2,278	2,278	2,278	2,278	2,278	2,278
Cayman Islands Development Board								
Guarantee of up to 100% of student loans from various banks and other licensed financial institutions to provide higher education for students locally or overseas	1,031	840	840	840	1,031	840	840	840
Government Home Mortgage Guarantee Scheme								
Blanket guarantee of between 10% and 35% of the upper layer loan made by banks participating in the scheme. Gov't exposure was limited to \$7.6m at 30th November 1998 but increased to \$14.6m at 31st December 1998	5,350	4,562	4,562	4,562	5,350	4,562	4,562	4,562
Cayman Islands Farmer's Co-Operative Society Ltd.								
Guarantee of loan from a local commercial bank to meet financial need and provide working capital.	150	150	150	150	150	150	150	150
National Housing Community Development Trust								
National Housing Community Development Trust	23,925	23,925	23,925	23,925	23,925	23,925	23,925	23,925
Total Quantifiable Guarantees	102,128.32	110,294.60	110,294.60	110,294.60	102,128.32	104,378.60	104,378.60	104,378.60
Health Authority								
Health Authority	3,000	0	0	0	3,000	0	0	0
Total Uncalled Capital	3,000	0	0	0	3,000	0	0	0
Total Quantifiable Guarantees & Contingencies	105,128.32	110,294.60	110,294.60	110,294.60	105,128.32	104,378.60	104,378.60	104,378.60

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	Core Government				Entire Public Sector			
	2004/05 Supplementary Budget	2004/05 Forecast	2005/06 Forecast	2006/07 Forecast	2004/05 Supplementary Budget	2004/05 Forecast	2005/06 Forecast	2006/07 Forecast
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
Notes to the Forecast Financial Statements								
NOTE 1. COERCIVE REVENUE								
<i>Levies on International Trade and Transactions</i>								
<i>Import Duties</i>								
Gasoline and Diesel	19,165	19,165	20,486	20,581	19,165	19,165	20,486	20,581
Alcoholic Beverages	9,700	9,700	13,062	13,062	9,700	9,700	13,062	13,062
Tobacco Products	2,603	2,603	2,683	2,763	2,603	2,603	2,683	2,763
Motor Vehicle Duty	16,164	22,164	9,891	9,891	16,164	22,164	9,891	9,891
Other Import Duty and Charges	74,963	74,963	77,582	78,860	74,963	74,963	77,582	78,860
<i>Other Levies on International Trade and Transactions</i>								
Cruise Ship Departure Tax	10,136	10,136	10,136	10,736	10,136	10,136	10,136	10,736
Environmental Protection Fees	5,200	5,200	5,300	5,500	5,200	5,200	5,300	5,500
Total Levies on International Trade and Transactions	137,931	143,931	139,140	141,392	137,931	143,931	139,140	141,392
<i>Domestic Levies on Goods and Services</i>								
Law Firm Operational Licences	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020
Work Permits Fees	23,052	23,052	23,352	23,352	23,052	23,052	23,352	23,352
Immigration Non-Refundable Repatriation Fee	891	891	891	891	891	891	891	891
Traders Licenses	3,985	3,985	3,985	3,985	3,985	3,985	3,985	3,985
Local Co. And Corp. Mgmt. Fees	4,982	4,982	4,982	4,982	4,982	4,982	4,982	4,982
Other Company Fees - Resident	1,061	1,061	1,057	1,046	1,061	1,061	1,057	1,046
Other Company Fees - Non-Resident	7,558	7,558	7,845	8,237	7,558	7,558	7,845	8,237
Other Company Fees - Exempt	35,047	35,047	35,958	37,037	35,047	35,047	35,958	37,037
Other Company Fees - Foreign	1,184	1,184	1,210	1,247	1,184	1,184	1,210	1,247
Banks And Trust Licenses	23,260	26,617	26,108	25,936	23,260	26,617	26,108	25,936
Security Investment Business License	(98)	1,375	1,650	1,875	(98)	1,375	1,650	1,875
Insurance Licenses	5,420	5,420	6,276	6,549	5,420	5,420	6,276	6,549
Mutual Fund Administrators	11,563	14,125	15,350	16,625	11,563	14,125	15,350	16,625
Partnership Fees	1,719	1,719	1,719	1,719	1,719	1,719	1,719	1,719
Trust Registration Fees	42	42	42	42	42	42	42	42
Liquor Licenses	450	450	450	450	450	450	450	450
Cuc - License	567	567	567	567	567	567	567	567
Licenses	7,000	7,000	7,000	7,000	8,053	8,053	8,324	8,449
Annual Ship Tonnage Charges	592	592	592	592	592	592	592	592
Local Vessel Licenses	0	0	0	0	0	0	0	0
Ship Registration Fees	0	0	0	0	278	278	278	278
Hotel Licenses	141	141	141	141	141	141	141	141
Firearms Licenses	22	22	22	22	22	22	22	22
Special Marriage Licenses	1	1	1	1	1	1	1	1
Fisheries Licenses	3	3	3	3	3	3	3	3
Spear Gun Licenses	17	17	17	17	17	17	17	17
Public Transport - Operator Licenses	13	13	13	13	13	13	13	13
HPB Fees	3	3	3	3	3	3	3	3
Motor Vehicle Charges	4,888	4,888	4,888	4,888	4,888	4,888	4,888	4,888
Roads Development Fund Charges	1,563	1,563	1,563	1,563	1,563	1,563	1,563	1,563
Tourist Accommodation Charges	5,470	5,470	7,100	8,000	5,470	5,470	7,100	8,000
Misc Stamp Duty	5,490	5,490	5,490	5,490	5,490	5,490	5,490	5,490
Package Charges	196	196	196	196	196	196	196	196
Total Domestic Levies on Goods and Services	147,099	154,491	159,488	163,486	148,430	155,823	161,090	165,213

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	NOTE 1. COERCIVE REVENUE (Continued)							
<i>Levies on Property</i>								
<i>Land Transfer Duty</i>								
Stamp Duty - Land Transfers	18,519	18,519	19,019	19,019	18,519	18,519	19,019	19,019
Land Holding Companies Share Transfer Charge	60	60	60	60	60	60	60	60
Timeshare Ownership Charges	365	365	365	365	365	365	365	365
Infrastructure Fund Fee	1,652	1,652	1,652	1,652	1,652	1,652	1,652	1,652
Total Levies on Property	20,596	20,596	21,096	21,096	20,596	20,596	21,096	21,096
<i>Fines</i>								
Court Fines	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Customs Fines	1	1	1	1	1	1	1	1
Compounded Penalties	150	150	150	150	150	150	150	150
Procedural Fines	55	55	55	55	55	55	55	55
Total Fines	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505
Total Coercive Revenue	307,131	320,523	321,229	327,480	308,462	321,855	322,831	329,207

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	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
NOTE 2. GOODS AND SERVICES (INCLUDING FEES AND CHARGES)								
Fees and Charges								
Health Services Fees	0	0	0	0	23,488	23,488	25,253	26,364
Garbage Fees	3,194	3,194	3,159	2,785	3,194	3,194	3,159	2,785
Building Permit Fees	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301
Motor Vehicle Drivers Licenses	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272
Planning Fees	883	883	883	883	883	883	883	883
Planning Appeal Fees	0	0	0	0	0	0	0	0
L.I.S. Receipts	150	150	150	150	150	150	150	150
M. V. Inspection Fees	655	655	655	655	655	655	655	655
Vehicle Bank Liens	25	25	25	25	25	25	25	25
Duplicate Vehicle Log Books	53	53	53	53	53	53	53	53
Vehicle Change Of Ownership	43	43	43	43	43	43	43	43
Vehicle Disposal Fees	1,029	1,029	1,344	1,344	1,029	1,029	1,344	1,344
Court Fees	750	750	750	750	750	750	750	750
Disinsection Fees	210	210	210	210	210	210	210	210
Mail Terminal Credits	400	400	400	400	400	400	400	400
Law School Fees	400	220	480	480	400	220	480	480
Customs Special Attendance	357	357	357	357	357	357	357	357
Marine Survey Fees	0	0	0	0	2,307	2,307	2,307	2,307
Motor Vehicle License Plates Fees	518	518	518	518	518	518	518	518
Customized License Plates Fees	23	23	23	23	23	23	23	23
School Fees	45	45	45	45	45	45	45	45
Warehousing	301	351	251	251	301	351	251	251
Patents And Trademarks	215	315	265	265	215	315	265	265
Cemetery Fees	100	100	100	100	100	100	100	100
Agriculture Fees	75	75	75	75	75	75	75	75
Electrical Inspection Fees	26	26	26	26	26	26	26	26
Computing Fees	10	365	253	253	10	365	253	253
Land Registry Fees	1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079
Tourist Reservation Fees	21	21	21	21	21	21	21	21
Public Record Fees	55	30	30	30	55	30	30	30
Other Immigration Fees	3,923	3,923	3,923	3,923	3,923	3,923	3,923	3,923
Recycling Fees	25	25	25	25	25	25	25	25
Marine Rescue And Salvage	6	6	6	6	6	6	6	6
Audit Fees	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
Authentication/Apostille Of Doc.	300	300	300	300	300	300	300	300
Naturalisation/Registration Fees	132	132	132	132	132	132	132	132
Passport Fees	228	228	228	228	228	228	228	228
Pension Plan Registration Fees	60	60	60	60	60	60	60	60
Drivers Examination Fees	139	139	139	139	139	139	139	139
Public Library Fees	5	5	5	5	5	5	5	5
Cabinet Appeal Fees	25	25	25	25	25	25	25	25
Debit Transaction Fees	240	240	240	240	240	240	240	240
Environmental Service Fees	57	57	57	57	57	57	57	57
Health Insurance Fund Fee	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Notary Public Fees	51	51	51	51	51	51	51	51
Garbage Fees CB	0	0	0	0	0	0	0	0
Legal Practitioner Fees	200	200	200	200	200	200	200	200
Sales of Services Interdepartmental	1,534	1,534	1,897	1,897	1,534	1,534	1,897	1,897
Other Fees	12,686	12,602	12,014	12,614	28,976	18,777	18,523	19,672
Total Fees and Charges	35,261	35,478	35,531	35,756	77,346	67,447	69,599	71,486

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General Sales								
Postal Stamps	2,783	2,783	3,083	3,083	2,783	2,783	3,083	3,083
Sale of Agricultural Supplies & Produce	356	356	356	356	356	356	356	356
Sale Of Advertisements	645	645	645	645	645	645	645	645
Canteen Sales	96	96	96	96	96	96	96	96
Philatelic Sales	60	60	60	60	60	60	60	60
Sale Of Laws	134	134	134	134	134	134	134	134
Sale Of Forms/Tariff Notes	9	9	9	9	9	9	9	9
Sale Of Gazettes And Subscriptions	336	336	336	336	336	336	336	336
Miscellaneous Planning Sales	4	4	4	4	4	4	4	4
Sales of Services Interdepartmental	36	36	36	36	36	36	36	36
Other Sales	8,044	8,044	8,444	8,444	44,159	45,829	60,427	67,243
Total Sales of Goods	12,503	12,503	13,203	13,203	48,619	50,288	65,186	72,002
Rentals								
Post Boxes/ Franking Machine	323	323	323	323	323	323	323	323
Rental Of School Books and Canteen	295	345	345	345	295	345	345	345
Lease Of Crown Lands	47	47	47	47	47	47	47	47
Rentals - Government Housing	49	49	49	49	49	49	49	49
Other Rentals	3,839	3,839	4,861	4,839	5,416	5,416	5,416	6,416
Rentals - Hell Shops	0	0	0	0	14	16	18	18
Rentals - Craft Market	0	0	0	0	0	0	25	25
Rentals - Glass House	0	0	42	42	0	0	42	42
Total Rentals	4,553	4,603	5,667	5,645	6,143	6,195	6,265	7,265
Other								
Other Goods & Services revenue	(11,473)	(13,325)	(15,411)	(13,595)	3,478	34,964	38,853	40,522
IT Application Sales	0	0	0	0	36,361	51	51	51
Total Other	(11,473)	(13,325)	(15,411)	(13,595)	39,839	35,015	38,904	40,573
Total Goods and Services	40,844	39,259	38,990	41,009	171,947	158,946	179,954	191,326

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	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
NOTE 3. INVESTMENT REVENUE								
Interest Marketable Securities, Deposits and Cash	689	689	689	689	2722	2,576	2,796	3,315
Interest on Loans Made	413	413	413	413	2,393	1,818	2,558	3,391
Royalties	135	135	135	135	853	853	881	881
Total Investment Revenue	1,237	1,237	1,237	1,237	5,968	5,247	6,235	7,587
NOTE 4. OPERATING EXPENSES BY FUNCTION								
Operating Expenses								
General government services	273,264	271,559	281,066	285,160	273,264	262,810	213,192	216,832
Public order and safety	18,486	18,053	18,935	18,923	18,486	18,738	18,935	18,923
Education	1,209	1,209	1,209	1,209	4,356	4,355	4,450	4,458
Environmental protection	11	11	11	11	11	11	11	11
Health	3,673	3,673	3,643	3,643	74,047	74,404	78,315	80,741
Social security and welfare	16,236	16,182	16,292	16,290	19,832	19,778	19,882	19,873
Housing and community amenities	800	800	800	800	14,758	14,872	15,790	15,685
Recreational, cultural and religious	3,477	3,477	3,477	3,477	7,320	11,483	18,354	25,219
Transportation and communication	6,352	6,311	6,394	6,393	41,530	42,470	103,326	101,590
Other economic affairs	7,186	10,531	11,304	11,293	22,877	18,169	24,035	24,086
Total Operating Expenses	330,692	331,806	343,130	347,200	476,480	467,091	496,289	507,419
NOTE 5. PERSONNEL COSTS								
Personnel Costs								
Salaries, wages, allowances & employee pension contribution	139,311	139,356	143,872	145,512	219,350	217,323	226,237	230,186
Employer pension expense	8,417	8,275	8,462	8,610	12,016	11,809	12,171	12,521
Other personnel related expenses	9,099	9,021	9,474	9,704	17,713	17,719	18,043	18,275
Movement in leave provision expense	84	84	84	84	320	320	320	320
Movement in unfunded pension liability	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Personnel Costs	166,911	166,735	171,892	173,909	259,399	257,172	266,770	271,302

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	NOTE 6. SUPPLIES AND CONSUMABLES							
Supplies and Consumables	27,967	27,880	30,428	30,499	53,626	55,451	50,728	60,183
Purchase of services	21,423	21,833	25,441	26,008	55,492	44,571	61,000	52,612
Operating lease rentals	7,109	7,153	8,171	7,979	11,655	11,570	13,283	13,435
Other Supplies and Consumables	21,149	21,572	20,191	21,169	23,348	24,233	22,601	23,498
Total Supplies and Consumables	77,648	78,439	84,231	85,655	144,121	135,825	147,612	149,728
NOTE 7. DEPRECIATION								
Buildings	3,070	3,070	3,505	3,525	7,491	7,357	9,194	10,709
Roads and sidewalks	4,778	4,778	4,778	4,778	4,780	4,780	4,780	4,780
Water reticulation and sewage	1	1	1	1	1	1	1	1
Other Infrastructure assets	128	128	128	128	128	128	128	128
Vehicles	1,024	1,024	1,024	1,424	1,935	1,920	2,058	2,458
Aeroplanes	25	25	25	25	1,651	1,615	1,675	1,689
Boats	87	87	87	137	93	93	93	143
Furniture and fittings	409	409	411	411	819	789	777	719
Computer hardware and software	3,169	3,169	3,179	3,151	3,715	3,684	3,700	3,631
Office equipment	216	216	228	217	354	354	360	341
Plant and equipment	288	288	306	353	2,160	1,898	1,928	1,976
Other assets	653	653	653	653	2,411	2,411	1,809	1,809
Total	13,848	13,848	14,325	14,803	25,538	25,031	26,503	28,384
<i>Assets are depreciated on a straight line basis as follows:</i>								
	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>
Buildings	40-60	40-60	40-60	40-60	40-60	40-60	40-60	40-60
Infrastructure assets	6-50	6-50	6-50	6-50	6-50	6-50	6-50	6-50
Roads and sidewalks	6-50	6-50	6-50	6-50	6-50	6-50	6-50	6-50
Water reticulation and sewage	5-15	5-15	5-15	5-15	5-15	5-15	5-15	5-15
Other								
Vehicles	4-12	4-12	4-12	4-12	4-12	4-12	4-12	4-12
Aeroplanes	9-20	9-20	9-20	9-20	9-20	9-20	9-20	9-20
Boats	9-20	9-20	9-20	9-20	9-20	9-20	9-20	9-20
Furniture and fittings	3-20	3-20	3-20	3-20	3-20	3-20	3-20	3-20
Computer hardware and software	3-10	3-10	3-10	3-10	3-10	3-10	3-10	3-10
Office equipment	3-20	3-20	3-20	3-20	3-20	3-20	3-20	3-20
Other plant and equipment	5-25	5-25	5-25	5-25	5-25	5-25	5-25	5-25
Other assets	3-25	3-25	3-25	3-25	3-25	3-25	3-25	3-25

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	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
NOTE 8. FINANCING EXPENSE								
Interest on Borrowing	9,021	7,516	9,207	10,388	13,375	11,772	13,732	14,912
Interest on Bank Overdraft	45	45	45	45	45	45	45	45
Other financing expense	675	675	675	675	1,480	1,200	1,833	2,451
Total Financing Expense	9,741	8,236	9,927	11,108	14,900	13,017	15,610	17,408
NOTE 9. CASH AND CASH EQUIVALENTS								
Cash on hand (including petty cash)	161	164	164	164	507	510	515	515
Bank accounts	5,028	5,617	4,579	12,952	27,217	27,415	7,497	9,377
Bank overdrafts	0	0	0	0	(1,760)	(973)	(9,105)	(18,941)
Short Term Deposits including call accounts (up to 90 days)	42,922	10,393	(0)	0	60,606	37,178	40,491	62,407
General Reserve Balances	0	33,069	33,069	33,069	0	33,069	33,069	33,069
Other cash or cash equivalents	3	0	0	0	3	0	(1,841)	(1,600)
Total Cash and Cash Equivalents	48,113	49,243	37,812	46,185	86,573	97,199	70,625	84,826
NOTE 10. MARKETABLE SECURITIES AND DEPOSITS								
Fixed deposits (90 to 360 days)	0	0	0	0	928	928	928	928
Other Marketable Securities and Deposits	3,817	3,817	3,817	3,817	70,103	71,724	71,438	72,598
Total Marketable Securities and Deposits	3,817	3,817	3,817	3,817	71,031	72,652	72,366	73,526

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	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
NOTE 11. ACCOUNTS RECEIVABLE								
Coercive revenue	2,870	2,870	2,870	2,870	2,870	2,870	2,870	2,870
Sale of Outputs (Goods and Services) to Others	4,027	6,541	6,541	6,541	17,488	16,541	18,173	22,093
Overseas medical advances	13,358	12,758	12,758	15,465	13,358	12,758	12,758	12,758
Prepayments	511	511	511	511	2,576	3,069	3,136	3,131
Other Accounts Receivable	1,609	1,609	1,609	1,609	11,644	13,172	12,887	15,902
Total Gross	22,594	24,290	24,291	26,997	47,937	48,411	49,824	56,755
Less provision for doubtful debts	(16,972)	(16,972)	(16,972)	(16,972)	(19,230)	(19,229)	(17,246)	(17,253)
Total Net Accounts Receivable	5,622	7,318	7,319	10,025	28,707	29,182	32,578	39,502
NOTE 12. INVENTORIES								
Consumable Stores	505	505	505	505	4,049	4,209	4,141	4,132
Other Inventories for use within one year	74	74	137	137	761	1,002	889	989
Total Inventories	580	580	642	642	4,811	5,212	5,030	5,121
NOTE 13. OTHER CURRENT ASSETS								
Loans Made (due within 12 months)	50	50	50	50	133	133	133	133
Other	3,264	3,264	3,264	3,264	3,750	3,750	3,750	3,750
Total Other Current Assets	3,314	3,314	3,314	3,314	3,883	3,883	3,883	3,883
NOTE 14. OTHER INVESTMENTS								
Other Long Term Investments	357	357	357	357	447	447	447	447
Total Other Investments	357	357	357	357	447	447	447	447

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	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
NOTE 15. PROPERTY, PLANT AND EQUIPMENT								
<i>Cost or Opening Valuation</i>								
Land	113,925	113,925	113,925	100,925	146,539	140,988	141,170	128,170
Buildings	190,303	190,303	208,269	260,620	369,435	364,001	401,190	456,615
Roads and sidewalks	194,088	194,088	194,088	194,088	194,113	194,113	194,113	194,113
Water reticulation and sewage	100	100	100	100	51,897	51,897	53,433	53,433
Other Infrastructure assets	2,452	2,452	2,452	2,452	5,081	4,881	4,881	4,881
Vehicles	30,162	30,162	32,787	33,712	42,082	42,510	47,375	49,040
Aeroplanes	1,800	1,800	1,800	1,800	15,519	15,519	18,550	23,338
Boats	1,608	1,608	1,695	2,831	1,668	1,668	1,761	2,903
Furniture and fittings	6,156	6,156	6,496	6,804	11,101	11,482	12,080	12,575
Computer hardware and software	23,797	23,797	25,361	26,387	33,408	33,329	35,525	37,072
Office equipment	3,642	3,642	3,840	4,012	4,557	5,164	5,390	5,570
Plant and equipment	6,079	6,079	7,735	9,939	13,526	14,154	15,811	18,014
Other assets	10,270	10,270	11,167	11,564	24,870	24,431	25,867	26,820
Work in Progress	6,324	6,324	33,994	81,814	15,852	15,852	53,806	100,478
Total Cost or Valuation	590,707	590,707	643,709	737,047	929,647	919,989	1,010,952	1,113,023
<i>Accumulated Depreciation</i>								
Buildings	53,816	53,816	57,321	60,846	87,799	86,650	95,714	106,285
Roads and sidewalks	11,250	11,250	16,028	20,806	11,265	11,265	16,045	20,825
Water reticulation and sewage	2	2	3	4	12,342	12,342	12,343	12,344
Other Infrastructure assets	329	329	462	594	329	329	462	594
Vehicles	8,486	8,486	9,510	10,934	14,569	14,681	16,739	19,197
Aeroplanes	(1,711)	(1,711)	(1,686)	(1,661)	(85)	(85)	1,590	(49)
Boats	550	550	636	772	568	568	660	802
Furniture and fittings	2,327	2,327	2,722	3,117	5,670	5,866	6,716	7,472
Computer hardware and software	10,969	10,969	14,161	17,324	15,202	15,191	18,980	22,747
Office equipment	1,616	1,616	1,839	2,050	2,253	2,709	3,023	3,318
Plant and equipment	1,474	1,474	1,779	2,133	3,871	3,522	5,416	7,359
Other assets	2,132	2,132	2,800	3,468	8,640	8,144	9,906	11,441
Total Depreciation	91,240	91,240	105,575	120,388	162,422	161,181	187,595	212,335
<i>Net Book Value</i>								
Land	113,925	113,925	113,925	113,925	146,539	140,988	141,170	141,170
Buildings	136,487	136,487	151,070	187,018	281,637	277,465	305,712	337,688
Roads and sidewalks	182,838	182,838	178,059	173,281	182,848	182,848	178,068	173,288
Water reticulation and sewage	98	98	98	98	39,555	39,555	41,091	41,091
Other Infrastructure assets	2,123	2,123	1,990	1,858	4,752	4,552	4,419	4,287
Vehicles	21,676	21,676	23,283	22,789	27,513	27,529	30,633	29,823
Aeroplanes	3,511	3,511	3,486	3,461	15,604	15,604	16,960	20,059
Boats	1,059	1,059	1,059	2,059	1,101	1,101	1,101	2,101
Furniture and fittings	3,829	3,829	3,786	3,712	5,431	5,618	5,390	5,126
Computer hardware and software	12,828	12,828	11,219	9,099	18,206	18,142	16,555	14,379
Office equipment	2,026	2,026	2,001	1,961	2,304	2,455	2,367	2,260
Plant and equipment	4,606	4,606	5,962	7,818	9,655	10,635	10,403	10,675
Other assets	8,138	8,138	8,369	8,101	16,229	16,205	15,912	15,137
Work in Progress	6,324	6,324	33,994	81,814	15,852	15,852	49,508	100,478
Total Net Book Value	499,466	499,466	538,301	616,995	767,226	758,548	819,290	897,562

Government of the Cayman Islands
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For three Years Ended 30 June 2005, 2006 and 2007

	Core Government				Entire Public Sector			
	2004/05 Supplementary Budget	2004/05 Forecast	2005/06 Forecast	2006/07 Forecast	2004/05 Supplementary Budget	2004/05 Forecast	2005/06 Forecast	2006/07 Forecast
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
NOTE 16. OTHER NON-CURRENT ASSETS								
Accounts Receivable due after one year	129	129	129	129	129	129	129	129
Inventories for use after one year	160	160	160	160	160	160	160	160
Other	11	11	11	11	11	11	11	11
Total Other Non-Current Assets	300	300	300	300	300	300	300	300
NOTE 17: ACCOUNTS PAYABLE								
Creditors	5,607	5,992	5,992	5,018	25,604	27,148	23,804	23,586
Operating lease rental	139	139	139	139	139	139	139	139
Outputs from Sas and GCs	0	0	0	0	(4)	(4)	0	(4)
Outputs from Ministries Portfolios	0	1,661	1,661	1,661	0	1,661	1,661	1,661
Accrued Expenses (short term portion)	0	0	0	0	26	26	29	12
Other Accounts Payable	1,685	1,685	1,685	1,685	5,141	5,148	6,749	6,729
Total Accounts Payable	7,432	9,478	9,478	8,503	30,906	34,117	32,382	32,122
NOTE 18. UNEARNED REVENUE								
Income received in advance	1,683	1,683	1,683	1,683	5,897	6,735	6,735	6,735
Other Unearned Revenue	60	60	60	60	60	60	60	60
Total Unearned Revenue	1,743	1,743	1,743	1,743	5,957	6,795	6,795	6,795
NOTE 19. EMPLOYEE ENTITLEMENTS (CURRENT)								
Long service leave and other leave entitlements	6,615	6,615	6,615	6,615	7,713	7,721	7,721	7,782
Other salary related entitlements	731	731	731	731	886	886	886	896
Total Employee Entitlements	7,347	7,347	7,347	7,347	8,599	8,607	8,607	8,678
NOTE 20. OTHER CURRENT LIABILITIES								
Provisions	40	40	40	40	40	40	40	40
Unfunded Pension Liability	0	10,000	10,000	10,000	3	10,003	10,003	10,003
Current portion of Borrowings Repayable	0	0	0	0	11,997	11,525	11,524	11,454
Other	1,782	1,243	1,243	1,243	1,831	3,104	3,678	3,386
Total Other Current Liabilities	1,822	11,283	11,283	11,283	13,871	24,672	25,245	24,884
NOTE 21. EMPLOYEE ENTITLEMENTS (NON-CURRENT)								
Long service leave and other leave entitlements	99	99	99	99	139	135	135	135
Total Non-Current Employee Entitlements	99	99	99	99	139	135	135	135
NOTE 22. UNFUNDED PENSION LIABILITY (NON-CURRENT)								
Defined Benefit Liability	130,200	130,200	130,200	130,200	131,553	131,542	131,542	131,542
Total Unfunded Pension Liability	130,200	130,200	130,200	130,200	131,553	131,542	131,542	131,542

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	Core Government				Entire Public Sector			
	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's
	NOTE 23. BORROWINGS							
Maturity profile as at 30 JUNE 2005 at Book Values								
Outstanding Debt								
<i>Foreign Currency Debt (stated in \$CI)</i>								
Not later than one year	21,125	13,999	13,073	11,977	27,219	20,021	20,485	20,310
Between one and two years	21,313	2,963	2,767	2,535	27,407	9,058	9,705	10,328
Between two and five years	65,131	44,770	41,809	38,303	83,414	63,053	63,632	62,603
Later than five years	116,656	149,912	180,207	261,490	239,221	269,920	303,758	380,379
Total Foreign Currency Debt	224,225	211,645	237,857	314,305	377,261	362,052	397,580	473,621
Total Outstanding Debt	224,225	211,645	237,857	314,305	377,262	362,052	397,580	473,621
<i>Foreign Currency Marketable Securities and Deposits</i>								
Not later than one year	3,817	0	0	0	71,031	72,652	72,366	0
Total Foreign Currency Marketable Securities and Deposits	3,817	0	0	0	71,031	72,652	72,366	0
Total Marketable Securities and Deposits	3,817	0	0	0	71,031	72,652	72,366	0
Net Public Debt	220,408	211,645	237,857	314,305	306,231	289,399	325,214	473,621
NOTE 24. OTHER NON-CURRENT LIABILITIES								
Unearned revenue (Term portion)	5,664	5,664	5,664	7,248	5,664	5,664	5,664	7,248
Other	0	0	0	0	2,548	2,549	3,422	4,297
Total Other Non-Current Liabilities	5,664	5,664	5,664	7,248	8,212	8,214	9,086	11,544
NOTE 25. ACCUMULATED SURPLUS								
Housing Guarantee Reserve Fund	1,664	1,664	1,664	1,664	1,664	1,664	1,664	1,664
Environmental Protection Fund	8,900	5,600	10,800	16,000	8,900	5,600	10,800	16,000
Infrastructure Development Fund	2,273	3,925	5,577	7,230	2,273	3,925	5,577	7,230
Retained Earnings held as general funds	(24,949)	(36,887)	(43,586)	(44,115)	(15,066)	(25,043)	(31,899)	(32,561)
Retained Earnings held as special funds	34,656	39,968	39,968	39,968	35,300	40,612	40,769	40,903
Total Accumulated Surplus	22,544	14,270	14,424	20,747	33,071	26,758	26,912	33,235

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	Core Government				Entire Public Sector			
	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's
NOTE 26. Extraordinary Outputs								
• IEA 1: Policy Advice and Ministerial Servicing	2,652	2,652	0	0	2,652	2,652	0	0
• PCS 3: National Recovery Management	90	90	0	0	90	90	0	0
• CRU 1: Provision of Interest free loans to Civil Servants	259	259	0	0	259	259	0	0
• CBO 1: Co-ordination of Government Policy	2,184	2,184	0	0	2,184	2,184	0	0
• CBO 4: Hurricane Debris Removal	8,535	16,845	0	0	8,535	16,845	0	0
• CBO 5: Co-ordination of Temporary Housing	1,100	1,100	0	0	1,100	1,100	0	0
• DVB 4: Provision of repairs and essential restoration to	5,500	8,500	0	0	5,500	8,500	0	0
• HAW 10: Agriculture Sector Assistance Programme-Post	1,148	1,148	0	0	1,148	1,148	0	0
• NRA 2: Management and Maintenance of Public Roads	4,060	4,060	0	0	4,060	4,060	0	0
• CWY 14: Community Employment Projects and	800	800	0	0	800	800	0	0
• NGS 29: Management of the Pines Retirement Home	300	300	0	0	300	300	0	0
• PCD 1: Policy Advice	12	12	0	0	12	12	0	0
• PCD 3: Emergency 911 Communications	60	60	0	0	60	60	0	0
• PCD 6: Collection and Disposal of Waste	529	529	0	0	529	529	0	0
• PCD 7: Public Facility Maintenance	60	60	0	0	60	60	0	0
• PCD 13: Mosquito Control Service	2,532	2,532	0	0	2,532	2,532	0	0
Total Extraordinary Outputs	29,821	41,131	0	0	29,821	41,131	0	0

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 For three Years Ended 30 June 2005, 2006 and 2007

	Core Government				Entire Public Sector			
	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's	2004/05 Supplementary Budget \$'000's	2004/05 Forecast \$'000's	2005/06 Forecast \$'000's	2006/07 Forecast \$'000's
NOTE 27. RECONCILIATION OF OPERATING SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES								
<i>Operating surplus/(deficit)</i>	(31,029)	(37,342)	154	6,323	(31,029)	(37,342)	154	6,323
Non-cash movements								
Depreciation	13,848	13,848	14,325	14,803	25,538	25,182	26,636	28,518
Increase in provision for doubtful debts	0	0	0	0	121	121	1,233	1,270
Increase in payables/accruals	2,590	(8,653)	578	1,228	21,231	13,746	(103,138)	(1,409)
Personnel	(384)	(384)	0	0	(584)	(577)	21	21
Subsidies, grants and transfers	(2,400)	0	0	0	(2,400)	(0)	0	0
Increase in borrowings	32,791	0	0	0	32,791	0	0	0
Net gain/loss from sale of fixed assets	(4,436)	(4,725)	0	9,437	(19,945)	(1,141)	(19,746)	8,740
Net profit/loss in investments SA&GC's	(13,184)	27,011	12,644	(1,990)	0	0	0	0
Net gain/loss from sale of investments	0	0	0	0	0	(83)	0	0
Increase in other current assets	0	0	(62)	0	0	(2,382)	(2,563)	620
Increase in investments due to revaluation	0	990	(39)	(748)	0	990	(39)	(748)
Increase in receivables	206	9,487	577	2,633	(2,233)	13,236	126,161	4,800
Net cash flows from operating activities	(1,998)	233	28,177	31,686	23,490	11,750	28,720	48,135