

CAYMAN ISLANDS AIRPORTS AUTHORITY

FINANCIAL STATEMENTS

30 JUNE 2014



Financial Statements

Year Ended 30 June 2014

**Cayman Islands Airports Authority
Financial Statements
Year Ended 30 June 2014**

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STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
30 June 2014

These financial statements have been prepared by the Cayman Islands Airports Authority (CIAA) in accordance with the provisions of the *Public Management and Finance Law (2013 Revision)* and the *Airports Authority Law (2005)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2013 Revision)*.

As signatories below, we are responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Cayman Islands Airports Authority. The CEO and CFO joined the Cayman Islands Airport Authority during the fiscal year, March and June respectively, and as such could not ensure appropriate internal controls were established and maintained throughout the fiscal year and therefore are limited in their representations over the internal controls for the financial year ended 30 June 2014.

As signatories below, we are responsible for the preparation of the Cayman Islands Airports Authority financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the Cayman Islands Airports Authority for the financial year ended 30 June 2014.

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

- (a) Completely and reliably reflect the financial transactions of Cayman Islands Airports Authority for the year ended 30 June 2014;
- (b) Fairly reflect the financial position as at 30 June 2014 and performance for the year ended 30 June 2014;
- (c) Comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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

Kirkland Nixon
Chairman (Board of Directors)

Date: 20 December 2014

Albert Anderson
Chief Executive Officer

Date: 20 December 2014

Sheila Thomas
Chief Financial Officer

Date: 20 December 2014

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands Airports Authority

I have audited the accompanying financial statements of the Cayman Islands Airports Authority ("the Authority") which comprise the statement of financial position as at 30 June 2014 and the related statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 8 to 29 in accordance with the provisions of Section 60(1)(a) of the Public Management and Finance Law (2013 Revision).

Management's Responsibilities for the Financial Statements

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

Auditor General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Cayman Islands Airports Authority as at 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Sue Winspear, CPFA
Auditor General

20 December 2017

Cayman Islands Airports Authority
Statement of Financial Position
As at 30 June 2014
(In Cayman Islands dollars)

	<u>Note</u>	<u>2014</u>	<u>2013</u> (Restated)	<u>2012</u> (Restated)
ASSETS				
Current assets				
Cash and cash equivalents	5(a)	18,684,946	13,937,824	13,267,091
Term deposits	5(b)	2,042,118	2,036,995	2,033,172
Accounts receivable	6	20,661,394	18,545,339	14,846,507
Other receivables and prepaid expenses		3,229,281	2,491,148	2,447,244
		<u>44,617,739</u>	<u>37,011,306</u>	<u>32,594,014</u>
Non current assets				
Property, plant and equipment	7	29,651,253	30,179,370	36,293,720
TOTAL ASSETS		<u>74,268,992</u>	<u>67,190,676</u>	<u>68,887,734</u>
LIABILITIES AND EQUITY				
Current liabilities				
Current portion of long-term debt	8	39,032	37,534	2,966,713
Accounts payable and accrued expenses	9	3,698,839	2,916,497	1,544,620
Weather radar fund	10	585,699	765,249	20,487
		<u>4,323,570</u>	<u>3,719,280</u>	<u>4,531,820</u>
Non current liabilities				
Long-term debt	8	385,711	411,996	436,281
Unfunded pension liability	11	11,045,000	8,841,000	7,903,000
Unfunded health care obligations	12	11,044,000	8,483,000	9,606,000
		<u>22,474,711</u>	<u>17,735,996</u>	<u>17,945,281</u>
TOTAL LIABILITIES		<u>26,798,281</u>	<u>21,455,276</u>	<u>22,477,101</u>
Equity				
Contributed capital		32,285,399	32,285,399	32,285,399
Retained earnings		13,496,131	14,125,234	10,065,407
Current year surplus		1,689,181	(675,233)	4,059,827
		<u>47,470,711</u>	<u>45,735,400</u>	<u>46,410,633</u>
TOTAL LIABILITIES AND EQUITY		<u>74,268,992</u>	<u>67,190,676</u>	<u>68,887,734</u>

Approved


 Albert Anderson
 Chief Executive Officer
 Date: 20 December 2017


 Sheila Thomas
 Chief Financial Officer
 Date: 20 December 2017

The accompanying notes to these financial statements are an integral part of these statements

Cayman Islands Airports Authority
Statement of Comprehensive Income
For the year ended 30 June 2014
(In Cayman Islands dollars)

	<u>Note</u>	<u>2014</u>	<u>2013</u> (Restated)
INCOME			
Travel tax		8,141,320	6,702,880
Passenger facility charges		6,604,195	6,193,394
Security tax and terminal facility charges		4,499,324	4,381,244
Aircraft handling income		3,191,273	3,220,955
Rent - government		1,455,677	1,314,436
Rent - commercial		746,635	906,340
Permits and parking		706,658	691,232
Petrol concession		745,090	673,025
Sundry		42,509	47,917
Advertising		306,179	316,943
Interest		29,657	17,488
Gain on disposal of property, plant and equipment		-	5,500
TOTAL INCOME		<u>26,468,517</u>	<u>24,471,354</u>
EXPENSES			
Salaries and wages		7,652,163	7,787,199
Impairment expense		-	5,537,754
Depreciation	7	3,213,810	3,480,135
Past service pension expense	11	670,000	545,000
Past service health care expense	12	901,000	1,125,000
Repairs and maintenance		2,136,928	1,855,114
Utilities		1,546,148	1,515,131
CAA certification		1,000,000	1,000,000
Medical		882,061	853,556
Passenger screening		890,482	729,417
Pension contributions	11	647,849	680,017
Property & liability insurance		573,478	650,524
Legal and professional fees		656,681	356,725
Legal Fee Other		100,000	-
Training		203,438	263,296
Miscellaneous		163,525	180,958
Bad debts expense		(64)	129,091
Travel and subsistence		122,368	98,451
Printing and stationery		114,518	87,875
Security		47,686	60,000
Uniforms		63,517	54,156
Foreign exchange gains/(losses)		(5,468)	6,776
Loan interest		5,216	5,412
TOTAL EXPENSES		<u>21,585,335</u>	<u>27,001,587</u>
NET INCOME/(LOSS)		<u>4,883,181</u>	<u>(2,530,233)</u>
OTHER COMPREHENSIVE INCOME / (LOSS)			
Remeasurement of employee pension benefit obligation		(1,534,000)	(393,000)
Remeasurement of employee health care benefit obligation		(1,660,000)	2,248,000
COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>1,689,181</u>	<u>(675,233)</u>

The accompanying notes to these financial statements are an integral part of these statements.

Cayman Islands Airports Authority
Statement of Changes in Equity
For the year ended 30 June 2014
(In Cayman Islands dollars)

	Contributed Capital \$	Retained Earnings \$	Total \$
Balance at 30 June 2011	32,285,399	21,707,407	53,992,806
Net Income for the period	-	4,059,827	4,059,827
Other Comprehensive Loss			
Remeasurement of employee pension benefit obligation	-	(2,036,000)	(2,036,000)
Balance at 30 June, 2012	32,285,399	23,731,234	56,016,633
Post Retirement Health Care benefit initial recognition	-	(9,606,000)	(9,606,000)
	32,285,399	14,125,234	46,410,633
Balance as at 30 June 2012 (Restated)	32,285,399	14,125,234	46,410,633
Net Loss for the period	-	(2,530,233)	(2,530,233)
Other Comprehensive Income / (Loss)			
Remeasurement of employee pension benefit obligation	-	(393,000)	(393,000)
Remeasurement of employee health care benefit obligation	-	2,248,000	2,248,000
Balance at 30 June, 2013 (Restated)	32,285,399	13,450,001	45,735,400
Prior Period adjustment	-	46,130	46,130
Net Income for the period	-	4,883,181	4,883,181
Other Comprehensive Income			
Remeasurement of employee pension benefit obligation	-	(1,534,000)	(1,534,000)
Remeasurement of employee health care benefit obligation	-	(1,660,000)	(1,660,000)
Balance at 30 June 2014	32,285,399	15,185,312	47,470,710

The accompanying notes to these financial statements are an integral part of these statements.

Cayman Islands Airports Authority
Statement of Cash Flows
For the year ended 30 June 2014
(In Cayman Islands dollars)

	<u>2014</u>	<u>2013</u> (Restated)
Cash Flows from Operating Activities		
Net income/(loss) for year	1,689,181	(675,233)
Items not affecting working capital:		
Prior year adjustment	46,132	-
Impairment losses	-	5,537,754
Bad debt written off	(64)	129,091
Depreciation	3,213,810	3,480,135
Defined benefit expense	4,765,000	(185,000)
	<u>9,714,059</u>	<u>8,286,747</u>
Net changes in non-cash working capital balances		
Increase in accounts receivable	(2,115,993)	(3,827,922)
Increase in other receivables and prepaid expenses	(738,133)	(43,906)
Increase/(decrease) in weather radar fund	(179,550)	744,762
Increase in accounts payable and accrued expenses	782,342	1,371,879
Net cash from operating activities	<u>7,462,725</u>	<u>6,531,560</u>
Cash Flows used in Investing Activities		
Investment in term deposit	(5,123)	(3,824)
Additions to Property, plant and Equipment	(2,685,694)	(2,903,539)
Net cash used in investing activities	<u>(2,690,817)</u>	<u>(2,907,363)</u>
Repayment of loans	(24,786)	(2,953,465)
Net cash used in financing activities	<u>(24,786)</u>	<u>(2,953,465)</u>
Increase in Cash and Cash Equivalents During Year	4,747,122	670,733
Cash and Cash Equivalents at Beginning of Year	13,937,824	13,267,091
Cash and Cash Equivalents at End of Year	<u>18,684,946</u>	<u>13,937,824</u>
 Supplimentary information on Cash Flows from Operations		
Interest received during the year (Note 5)	29,612	17,488

The accompanying notes to these financial statements are an integral part of these statements.

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2014
(In Cayman Islands dollars)

1. Background Information

The Cayman Islands Airports Authority ("the Authority") is a statutory body established on June 14, 2004 under The *Airports Authority Law, 2004*, and began operations on July 1, 2004. The registered office of the Authority is 298 Owen Roberts Drive, P.O. Box 10098 APO, KY1-1001, Grand Cayman, Cayman Islands. The Authority had 178 employees as of 30 June 2014 (2013: 174 employees).

The Authority is principally engaged in the general management and operation of airports, air traffic, and navigation within the Cayman Islands as set out in the aforementioned law. The Authority currently operates two (2) airports, one on Grand Cayman and the other on Cayman Brac. In addition, the Cayman Brac Office oversees an airfield on Little Cayman.

The operations of the Authority are regulated by the Civil Aviation Authority ("CAA") of the Cayman Islands.

2. Significant Accounting Policies

The significant accounting policies adopted by the Authority in these financial statements are as follows:

a) Basis of preparation

The financial statements of the Authority are prepared on the accrual basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The reporting currency is Cayman Islands Dollars and figures presented have been rounded to the nearest dollar.

The accounting policies are consistent with those used in the previous year.

b) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses.

Property plant and equipment are depreciated on the straight-line basis over the estimated useful lives. The estimated useful lives of the assets are as follows:

Computer Equipment	3 years
Furniture and Fixtures	3-12 years
Motor Vehicles	5 years
Equipment	5-15 years
Building improvements	10-30 years
Building, Runways, Aprons and Car Parks	40 years

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2014
(In Cayman Islands dollars)

Significant Accounting Policies (continued)

(i) Additions

The cost of an item of property, plant, and equipment is recognized as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Work in progress is recognized at cost less impairment and is not depreciated.

(ii) Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Income.

c) Use of estimates and judgements

The preparation of financial statements, in conformity with International Financial Reporting Standards (IFRS), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d) Cash and cash equivalents

Cash and cash equivalents include cash on demand and term deposits maturing within three (3) months from the date of acquisition.

e) Revenue Recognition

The Authority recognizes revenues in the period in which they are earned. For example, taxes, rent and aircraft handling revenues are recognized when the related service is provided.

f) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

g) Financial Instruments

(i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents, accounts receivables and prepaid expenses. The classification of financial instruments at initial recognition depends on the purpose and managements intention when the asset was acquired.

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2014
(In Cayman Islands dollars)

2 Significant Accounting Policies (continued)

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

(ii) Recognition

The Authority recognises financial instruments in its Statement of Financial position on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the Statements of Comprehensive Income.

(iii) De-recognition

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

(iv) Measurement

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

Financial liabilities are subsequently measured at amortized cost, being the amount at which the liability was initially recognized less any principal repayments plus any amortization (accrued interest) of the difference between that initial amount and the maturity amount.

h) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the reporting date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates ruling at the time of those transactions. Gains and losses on exchange are credited or charged in the Statement of Comprehensive Income.

l) Impairment

The carrying amount of the Authority's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2014
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

j) Allowance for bad debts

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

k) Fair values

The carrying amount of cash deposits, other receivables and accounts payables approximate their fair value due to their short-term maturities. Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

3. Financial Risk Management

a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counter-parties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Financial assets that potentially subject the Authority to credit risk consist principally of, accounts receivable, and other receivables. Credit risk with respect to these receivables is limited because the Authority has a policy in place that is monitored by management on a consistent basis to ensure the timely collection of receivables. In addition, the Authority's single largest customer who accounts for 88% of its receivables, is an affiliate also 100% owned by the Cayman Islands Government. The remaining 20% of accounts receivable is spread over approximately 60 customers, none significant enough to become a credit risk. Accordingly, the Authority has no significant concentrations of credit risk.

b) Interest rate price risk

All loans are third party loans with the European Community and are held and denoted in Euros (€). Details of rates and maturities are presented in Note 8. The Authority is subject to interest rate risk on cash placed with local institutions which attracts interests etc.

c) Liquidity risk

The Cayman Islands Airports Authority is subject to minimal liquidity risk. Liquidity risk is the risk that Authority will not be able to meet its financial obligations as they fall due. The Authority has loans two (2) with the European Community. Details of rates and maturities are presented in Note 8. These loans are managed through and guaranteed by the Cayman Islands Government and are subjected to minimal liquidity risk.

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2014
(In Cayman Islands dollars)

3. Financial Risk Management (continued)

The Authority's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and restricted investments. To minimize these risks, the Authority has invested in liquid fixed deposits and cash equivalents that if necessary can be sold to generate cash flow. Additionally, long-term investments have been laddered in a manner that will allow for sufficient liquidity in subsequent periods, to meet long-term obligations as they become due.

4. Changes in Accounting Standards - IFRS

Standards issued but not yet effective up to the date of issuance of the Authority's financial statements are listed below. This listing of standards and interpretations issued are those that the Authority reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Authority intends to adopt these standards when they become effective.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39, 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Authority is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Authority is assessing the impact of IFRS 15.

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2014
(In Cayman Islands dollars)

4. Changes in Accounting Standards – IFRS (continued)

IFRS 16, 'Leases' primarily affects the accounting by lessees and will result in the recognition of almost all leases on the Consolidated Statement of Financial Position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The Consolidated Statement of Comprehensive Income will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years and operating expense is replaced with interest and depreciation. The standard is effective for accounting periods beginning on or after 1 January 2019 and earlier application is permitted only if IFRS 15 is adopted at the same time. The Authority is assessing the impact of IFRS 16.

5. Cash and Cash Equivalents and Term Deposits

a. Cash and cash equivalent comprised:

	<u>2014</u>	<u>2013</u>
	\$	(Restated) \$
Cash on hand	15,226	15,361
Current and call accounts	6,207,568	4,498,306
Term deposits	12,462,152	9,424,157
	<u>18,684,946</u>	<u>13,937,824</u>

Current and call accounts include amounts of \$453,201 (2013:\$765,249) being held as restricted EU grant funds in respect of the Digital Early Warning Station (Doppler Digital Weather Radar) Project.

b. Term deposits

Term deposits represents amounts placed with Royal Bank of Canada (RBC) at an annual rate of 0.25% for a period of 184 days. Interest received on term deposits amounted to \$29,612 (2013: \$17,488)

6. Accounts Receivable

a) Accounts receivable is stated at fair value (net of impairment).

	<u>2014</u>	<u>2013</u>
	\$	(Restated) \$
Accounts receivable	21,272,435	19,156,380
Allowance for impairment losses	(611,041)	(611,041)
Carrying value	<u>20,661,394</u>	<u>18,545,339</u>

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2014
(In Cayman Islands dollars)

6. Accounts Receivable (continued)

b) The aging of the account receivable at the reporting date was:

	<u>2014</u>	<u>2013</u> (Restated)
	<u>\$</u>	<u>\$</u>
Neither past due nor impaired	2,580,975	1,393,147
Past due but not impaired	18,080,419	17,152,192
Impaired	611,041	611,041
	<u>21,272,435</u>	<u>19,156,380</u>

	<u>2014</u>	<u>2013</u> (Restated)
	<u>\$</u>	<u>\$</u>
Aging Schedule		
1-30 days	1,582,933	1,393,147
31 - 60 days	818,480	982,870
61 - 90 days	179,562	688,182
91 - 180 days	818,085	1,831,368
181 -360 days	1,355,561	2,759,399
361+ days	16,517,814	11,501,414
	<u>21,272,435</u>	<u>19,156,380</u>

c) Amounts written off as bad debt for the year was \$64 (2013:129,091)

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2014
(In Cayman Islands dollars)

7. Property, plant and equipment	Cost	Addition	Write off	Cost	Acc. Deprn.	Charge	Acc. Deprn.	NBV	NBV
	1 July 2013			June 2014	1 July 2013	June 2014	for year	June 2014	June 2013
Computer Equipment	978,447	53,141	-	1,031,588	555,940	127,200	683,140	422,507	348,448
Furniture & Fixtures	1,211,016	10,537	-	1,221,553	871,535	86,739	958,274	339,481	263,279
Motor Vehicles	863,309	182,039	-	1,045,348	569,289	86,844	656,133	294,020	389,215
Equipment	7,625,085	858,991	-	8,484,076	4,859,152	527,689	5,386,842	2,765,933	3,097,235
Buildings and Structures	35,505,943	613,912	-	36,119,855	18,817,598	2,385,338	21,202,937	16,688,344	14,916,918
Land	8,963,900	53,850	-	9,017,750	-	-	-	8,963,900	9,017,750
Construction in Progress	705,185	913,223	-	1,618,408	-	-	-	705,185	1,618,408
Total	55,852,885	2,685,694	-	58,538,579	25,673,515	3,213,810	28,887,325	30,179,370	29,651,253

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2014
(In Cayman Islands dollars)

	<u>Cost</u> <u>1 July 2012</u>	<u>Addition</u>	<u>Write off</u>	<u>Cost</u> <u>June 2013</u>	<u>Acc. Deprn.</u> <u>1 July 2012</u>	<u>Charge</u> <u>for year</u>	<u>Acc. Deprn.</u> <u>June 2013</u>	<u>NBV</u> <u>June 2013</u>	<u>NBV</u> <u>June 2012</u>
Computer Equipment	904,675	73,772	-	978,447	392,838	163,102	535,940	422,507	511,837
Furniture & Fixtures	1,000,268	210,748	-	1,211,016	762,943	108,592	871,535	339,481	237,325
Vehicles	816,498	46,811	-	863,309	482,225	87,064	569,289	294,020	334,273
Equipment	7,462,891	162,194	-	7,625,085	4,310,705	548,447	4,859,152	2,765,933	3,152,187
Buildings and Structures	33,559,173	1,946,770	-	35,505,943	16,244,669	2,572,930	18,817,599	16,688,344	17,314,504
Land	8,963,900	-	-	8,963,900	-	-	-	8,963,900	8,963,900
Construction in Progress	5,779,695	463,244	(5,537,754)	705,185	-	-	-	705,185	5,779,695
Total	58,487,100	2,903,539	(5,537,754)	55,852,885	22,193,380	3,480,135	25,675,515	30,179,369	36,293,720

Write off of property, plant and equipment (\$5.5) million relates to expenditure incurred between 2006-2009 for design, architectural, consultancy and other initial costs for the ORIA airport expansion project which has been discontinued.

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8. Long term debt

	<u>2014</u>	<u>2013</u>
	\$	(Restated) \$
European Community Loan		
1987 Loan – Cayman Brac Airport	77,228	88,115
1981 Loan – Cayman Brac Airport	347,515	361,414
Total debt due	424,743	449,529
Short term portion	39,032	37,534
Long term portion	385,711	411,995
	424,743	449,529
 Interest paid during the year	 5,216	 5,412

European Community Loan

1981 Loan – Cayman Brac Airport: €330,000 repayable over 30 years, commencing 1990 at interest rate of 1% on outstanding balance.

1987 Loan – Cayman Brac Airport: €658,000 repayable over 30 years, commencing 1997 at interest rate of 1% on outstanding balance.

9. Accounts payable & accrued expenses

	<u>2014</u>	<u>2013</u>
	\$	\$
Trade creditors	2,620,716	1,901,862
Accruals	752,412	769,569
Employee entitlements	236,959	207,574
Other current liabilities	88,197	36,870
Accrued Interest payable	555	622
	3,698,839	2,916,496

Trade creditors are stated at fair value with an aging profile as shown below. Trade creditors include all outstanding amounts owed to related parties (see related party disclosure note 14 below) of \$1,151,929. (2013:\$999,486).

Current Period	31-60 Days	61-90 Days	91-180 Days	Total
1,462,304	510,533	148,157	499,722	2,620,716

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2014
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9. Accounts payable & accrued expenses (continued)

Employee entitlements – Includes payroll deductions not yet paid over at the end of the reporting period as well as outstanding leave entitlements and amounts held on behalf of employees in the Christmas savings scheme.

Other current liabilities include security deposits held as well as Environmental Protection Fees collected for non-commercial flights on behalf of the Cayman Islands Treasury.

10. Weather Radar Fund

On 30 March 2009, the Airports Authority, on behalf of the Cayman Islands Government, entered into a contract with the Delegation of the European Community for a grant of €4.1 million to construct a Digital Early Warning Station (Doppler Digital Weather Radar Project). As at 30 June 2014, the balance held on behalf of the Weather Radar Project was \$585,699 (2013: \$765,249).

11. Employee Pensions

Amendments IAS 19R –Employee Benefits, became effective 1 January 2013 requiring compulsory adoption effective for fiscal year ending 30 June 2014. The Authority opted for early adoption. All unamortized gains and losses and past service costs under IAS 19R were immediately recognized as a one-off transition adjustment to equity. Administration costs that are not investment related were recognized in the Statement of Comprehensive Income as an operating charge under IAS 19R \$1,534,000 (2013: \$393,000). This differs from the previous approach under IAS 19, where all administration costs are allowed for within the expected rate of return of assets. Under IAS 19R, the expected return on assets is no longer used in the determination of the defined benefit cost, but it continues to be used in the determination of the asset limit under IFRIC 14. The expected return on assets assumption continues to be management best estimate.

Pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund (the “Fund”). The Fund is administered by the Public Service Pensions Board (the “Pensions Board”) and is operated as a multi-employer program. Prior to April 14, 1999 the Fund operated as a defined benefit plan. With effect from April 14, 1999 the Fund has both a defined benefit and a defined contribution scheme. Participants joining after April 14, 1999 are members of the defined contribution scheme.

Using the projected unit credit method of measuring costs and obligations, the actuarial assessment for the Authority assessed the minimum normal annual contribution to be 13% in 2013-14 and 2012-13. This rate included a 1% for the cost of all of the benefits that are provided over and above those related to the participant’s total account balance. Certain participants are reimbursed for their contributions.

The latest actuarial valuation (of the defined benefit plan) recorded in the accounts of the Authority reflects the following

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11. Employee Pensions (continued)

	<u>2014</u>	<u>2013</u>
The Plans are funded at the following rates:		
Defined Contribution Plans - Employee	6%	6%
- Employer	7%	7%
Defined Benefit Plans - Employee	6%	6%
- Employer	7%	7%

The Actuary to the Pensions Board valued the Fund as at 30 June 2014. The defined contribution part of the Fund is not subject to an actuarial valuation due to the nature of the benefits provided therein.

The actuarial position is as follows:	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Net present value of funded obligation, beginning of year	(14,854)	(12,198)
Fair value of plan assets	3,809	3,357
Defined benefit liability	<u>(11,045)</u>	<u>(8,841)</u>
Net Liability in Statement of Financial Position	<u>(11,045)</u>	<u>(8,841)</u>

Reconciliation of Defined Benefit Liability	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Defined benefit obligation at beginning of year	(8,841)	(7,903)
Defined benefit cost included in the income statement	(780)	(668)
Total re-measurement in the other comprehensive income	(1,534)	(393)
Employer contributions	110	123
Defined Benefit Liability	<u>(11,045)</u>	<u>(8,841)</u>

Pension Expense:	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Current service cost	327	244
Interest expense	625	568
Interest Income	(172)	(160)
Administrative expenses and taxes	-	16
Total Pension Expense	<u>780</u>	<u>668</u>

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Notes to Financial Statements 30 June 2014
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11. Employee Pensions (continued)

	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Change in defined benefit obligation over year ending:		
Defined benefit obligation at end of prior year	12,198	11,029
Service cost	327	244
Interest expense	625	568
Plan participant contributions	94	111
Benefit payment from plan	(340)	(380)
Measurements:		
Effects of change of demographic assumptions	-	620
Effects of changes of financial assumptions	1,947	99
Effects of experience adjustments	3	(93)
Defined Benefit Obligation at End of Year	<u>14,854</u>	<u>12,198</u>

	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Change in fair value of plan assets		
Fair value of plan assets at end of prior year	3,357	3,126
Employer contributions	110	123
Plan participant contributions	94	111
Benefits payment from plan	(340)	(380)
Expected return on plan assets (net)	416	233
Interest income	172	160
Administrative expenses paid from plan assets	-	(16)
Fair Value of Plan Assets at End of Year	<u>3,809</u>	<u>3,357</u>

The distribution of the plan assets based on the share of the total fund allocated to the Authority was as follows:-

	<u>2014</u>	<u>2013</u>
	%	%
Global equity securities	79	66
Debt securities	20	27
Real estate/Infrastructure	0	3
Cash	1	4

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2014
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11. Employee Pensions (continued)

The principal actuarial assumptions used to determine benefit obligations at 30 June, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
	%	%
Weighted-average assumptions to determine benefit obligations		
Discount Rate	4.5	5.2
Rate of Salary Increase	3.5	3.5
Rate of Price Inflation	2.5	2.5
Rate of Pension Increases	2.5	2.5
Post-retirement mortality table	UP-94 projected on a generational basis using Scale BB	UP-94 projected on a generational basis using Scale BB
Cost Method	Projected Unit Credit	Projected Unit Credit
Asset Valuation Method	Market Value	Market Value

The principal actuarial assumptions used to determine net periodic benefit cost for the year ending 30 June 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
	%	%
Weighted-average assumptions to determine defined benefit cost		
Discount Rate	5.2	5.25
Rate of Salary Increase	3.5	3.5
Rate of Price Inflation	2.5	2.5
Rate of Pension Increases	2.5	2.5
Post-retirement mortality table	UP-94 projected on a generational basis using Scale BB	UP-94 projected to using Scale AA

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12. Employee Health Care Obligation

The Authority provides health care benefits for its staff who have given ten (10) years' service and who attained at least 55 years old prior to retirement. The benefit is in the form of continuation of their health insurance coverage on the medical plan in force for active employees. The premiums for this health insurance coverage are paid for by the Authority for all eligible retirees until the end of their lives. This coverage falls within the definition of a defined benefit by the International Accounting Standards and as such represents a future liability of the Authority.

The Authority is required to use the actuarial valuation method to determine the present value of its health insurance benefit obligations for its former workers as well as future retirees and the related current service costs. IAS 19 directs that funded or unfunded post-employment benefits must be recognized in the statement of financial position (in the case of net defined liability or asset) and the statement of comprehensive income (for the annual expense). These actuarial valuations use several financial and demographic assumptions to determine the liability and current expense of the benefits which will be honoured on behalf of the retirees. Financial assumptions include, the discount rate, estimated future costs of the medical premiums, and the claims rate for the medical plans. Demographic assumptions include estimated mortality and benefits levels.

The Authority commissioned Mercer Actuaries of Canada to provide this service and the results of their assessment are included hereunder.

The defined benefit cost for the fiscal year ended 30 June 2014 is \$2,561,000 (2013: \$1,123,000). The actuarial liability as at 30 June 2014, calculated using a discount rate of 4.60%, is \$11,044,000 (2013: \$8,483,000).

The details of the valuation and the assumptions used are reproduced hereunder in accordance with IAS 19.

This post - employment benefit has been in existence from the implementation of a similar move by central government to allow its retirees to continue to benefit from the medical plans held prior to retirement from the civil service. This was formalized in the staff manual and made known to staff. There has not been any recognition of this liability or annual expense in the financial statements of the Authority before, except that the premiums paid on behalf of the retirees were included as medical costs and read as a part of staff costs in the Statement of Comprehensive Income. Neither has there been any money set aside to fund this benefit. Consequently, the entire \$11,044,000 is currently unfunded.

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12. Employee Health Care Obligation (continued)

Change in Defined Benefit Obligation over year ending:	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Defined benefit obligation at beginning of year	8,483	9,606
Current Service Cost	489	648
Interest Expense	412	477
Remeasurements:		
Effect of changes in financial assumptions	1,798	(2,117)
Effect of experience adjustment	(138)	(131)
Defined benefit obligation at End of Year	<u>11,044</u>	<u>8,483</u>
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Amounts recognized in statement of financial position		
Defined benefit obligation	<u>11,044</u>	<u>8,483</u>
Funded Status	<u>11,044</u>	<u>8,483</u>
Components of defined benefit cost	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Service Cost		
Current service cost	489	648
Total service cost	<u>489</u>	<u>648</u>
Net interest cost		
Interest expense DBO	<u>412</u>	<u>477</u>

Cayman Islands Airports Authority
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12. Employee Health Care Obligation (continued)

	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Defined benefit cost included in P&L	901	1,125
Remeasurement (recognized in other comprehensive income)		
Effect of changes in financial assumptions	1,798	(2,117)
Effect of experience adjustment	(138)	(131)
Total remeasurements included in OCI	<u>1,660</u>	<u>(2,248)</u>
Total defined benefit cost recognized in P&L and OCI	<u>2,561</u>	<u>(1,123)</u>
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Net defined benefit liability reconciliation		
Net defined benefit liability	8,483	9,606
Defined benefit cost included in P&L	901	1,125
Total remeasurement included in OCI	<u>1,660</u>	<u>(2,248)</u>
Net defined benefit liability as at the end of year	<u>11,044</u>	<u>8,483</u>
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Defined benefit obligation		
Defined benefit obligation by participants status		
Active	8,608	6,540
Retirees	<u>2,436</u>	<u>1,943</u>

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2014
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12. Employee Health Care Obligation (continued)	<u>2014</u>	<u>2013</u>
Significant actuarial assumptions	%	%
<i>Weighted -Average assumptions to determine defined benefit obligation</i>		
Effective discount rate for defined benefit obligation	4.6	5.4
Health Care cost trend rates		
Immediate trend rate	5.0	5.0
Ultimate trend rate	5.0	5.0
Year rate reaches ultimate trend rate	N/A	N/A
<i>Weighted -Average assumptions to determine defined benefit cost</i>		
Effective discount rate for defined benefit obligation	5.4	4.4
Effective rate for net interest cost	4.9	4.4
Effective discount rate for service cost	5.5	4.4
Effective rate for interest on service cost	5.5	4.4
Health Care cost trend rates		
Immediate trend rate	5.0	5.0
Ultimate trend rate	5.0	5.0
Year rate reaches ultimate trend rate	N/A	N/A
	<u>2014</u>	<u>2013</u>
Expected cash flows for following year	\$'000	\$'000
Expected employer contributions	144	-
Expected total benefit payments		-
Year 1	144	-
Year 2	151	-
Year 3	159	-
Year 4	172	-
Year 5	203	-
Next 5 years	1,619	-
Participant data as of 01 April 2017		
Active Members		
Number		50
Average years of service		19.2
Average years of service after age 40		7.5
Average age		47.2
Pensioners		
Number		13
Average age		60.7

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13. Restatement of prior period: Accounting for defined benefit liability

The financial statements for the year ended 30 June 2013 and 30 June 2012 is restated due to the significance of the adjustments required to account for the actuarially determined defined benefit liability for the Authority post-retirement health liability provided to eligible staff.

The actuarial valuation results showed that a liability of \$8,483,000 existed as at 30 June 2013, represented by accumulated liability of \$9,606,000 as at 30 June 2012 and service cost and adjustments totaling \$1,123,000 for year ended 30 June 2013. The actuarial valuation for the post-retirement pension reflected a change of \$2,036,000 as at 30 June 2012 as a result of an increase in the deferred vested employees from 6 to 19 and the change in the IAS 19.

Statement of Financial Position (Extract)	30 June 2013	Increase/ (Decrease)	30 June 2013 (Restated)
Post-retirement health liability	-	8,483,000	8,483,000
Retained Earnings	21,936,002	(8,483,000)	13,453,002
<hr/>			
Statement of Financial Position (Extract)	30 June 2012	Increase/ (Decrease)	30 June 2012 (Restated)
Post-retirement health liability	-	9,606,000	9,606,000
Post-retirement pension liability	-	2,036,000	2,036,000
Retained Earnings	25,767,234	(11,642,000)	14,125,234
<hr/>			
Statement of Comprehensive Income (Extract)	30 June 2013	Increase/ (Decrease)	30 June 2013 (Restated)
Past service health care expense	-	1,125,000	1,125,000
Past service pension expense	2,581,000	(1,913,000)	545,000
Total Expenses	27,909,586	(907,999)	27,001,587
Net Loss	3,438,232	(907,999)	2,530,233
Remeasurement of post-retirement health liability	-	2,248,000	2,248,000
Comprehensive Loss for the year	3,831,232	(3,155,999)	675,233

Cayman Islands Airports Authority
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14. Related Party Transactions

Included in the Statement of Financial Position, Statement of Comprehensive Income are the following transactions not disclosed elsewhere in the financial statements, with Cayman Airways Ltd. and other Cayman Islands Government agencies companies, and/or authorities, all of which are related parties:

Statement of Financial Position

(a) Accounts Receivable

	<u>2014</u>	<u>2013</u>
		(Restated)
	\$	\$
Cayman Airways/Cayman express	18,441,998	17,536,380
Other Government departments	913,356	231,089
	<u>19,355,353</u>	<u>17,767,469</u>

In November 2013, the Authority agreed to extend payment terms to Cayman Airways from 30 days to 45 days settlement terms for all invoices. It was further agreed that based on the receivable balance at 30 June 2014, Cayman Airways would pay monthly CI\$145,833.33 over 6 years towards aged balance and remain current by paying all taxes and pass through fees billed on a monthly basis.

(b) Accounts Payable

	<u>2014</u>	<u>2013</u>
		(Restated)
	\$	\$
Cayman Airways/Cayman express	449,348	374,580
Risk Management	444,152	616,588
Civil Aviation Authority	250,000	-
Other Government entities	8,429	8,318
	<u>1,151,929</u>	<u>999,486</u>

Cayman Islands Airports Authority
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14. Related Party Transactions (continued)

Statement of Comprehensive Income

(c) Income	<u>2014</u>	<u>2013</u> (Restated)
	\$	\$
Cayman Airways	7,794,418	7,583,939
Agriculture Department	39,670	38,855
Department of Customs	640,869	673,559
Department of Immigration	347,639	349,279
District Administration	51,945	51,945
Health Services Authority	10,697	10,697
Mosquito Research & Control Unit	61,265	61,097
Other government departments	13,939	15,703
Protocol Office	29,359	31,379
Water Authority	12,335	12,233
	<u>9,002,136</u>	<u>8,828,686</u>

(d) Expenses	<u>2014</u>	<u>2013</u> (Restated)
	\$	\$
Civil Aviation Authority	1,000,000	1,000,000
Risk Management Unit	444,152	616,588
Water Authority	81,344	69,545
DVES	35,371	18,251
OAG	28,075	35,328
Immigration	76,225	-
Royal Cayman Islands Police	56,950	50,736
Cayman Airways	74,767	57,784
Lands & Survey	43,224	1,078
Other government entities	30,178	35,284
	<u>1,870,286</u>	<u>1,884,593</u>

A principal interest in an entity that conducts business as a concessionaire at Owen Roberts International Airport. The entity was billed \$16,085 (2013 - Nil) for rent and other fees. At 30 June 2014, the entity's outstanding balance due to CIAA was nil (2013 - nil).

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14. Related Party Transactions (continued)

Key Management

For the year ended 30 June 2014, the Authority had 17 key management personnel (2013:17). Total compensation to key management personnel for the year amounted to \$860,977 (2013: \$1,081,158) representing salary, pension and other employee benefits. No key management personnel had any loan or any additional form of compensation/benefit other than stated above with the Authority during the year under consideration. Key management is defined as Board Members, Senior Management Team any other person(s) who has significant influence over the Authority.

13. Subsequent Events

In September 2013, the Cayman Island's Government (CIG) issued a policy directive to further enhance the facilities and improve travel experience at both airports with plans to establish an aerodrome in Little Cayman. In December 2013 the CIAA through public tender, awarded a contract to supply the CIAA/CIG with financial & technical consultancy services for the redevelopment of the airports. The recommendation from the consultants is for the redevelopment and expansion of all three (3) facilities over a 20 year period - Owen Roberts International airport (ORIA) being the first. Following a competitive bidding process, in January 2015, a contract amounting to CI\$4.1 million was awarded for design, construction cost consultancy services and in September 2015 a contract of CI\$3.6 million was awarded for the Phase 1 construction works.

In 2016/17 budget year the government appropriated CI\$15 million to be paid over a two year period in order to facilitate the shortening of the construction of the airport from 5 years to 3 years, using the average earnings for passenger facility fees. The first tranche of the equity injection of CI\$2.5 million was received in September 2016

The entire renovation and expansion of ORIA is expected to be completed in the 2017/2018 financial year.

In December 2013, Digital Early Warning Station (Doppler Digital Weather Radar) Project was concluded by the EU Delegation for further conveyance to National Weather Service (NWS). The transfer to the NWS was concluded in 2016.