



**Cayman Islands Airport Authority**

**Financial Statements**

**For the year ended 30 June 2005**

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## **The Cayman Islands Airports Authority**

### **CERTIFICATE OF THE AUDITOR GENERAL**

#### ***To the Board Members and the Shareholder of the Cayman Islands Airports Authority***

I have audited the financial statements of the Cayman Islands Airports Authority (“the Authority”) which comprise the balance sheet as at 30 June 2005, and the related income statement, statement of changes in equity and cash flow statement for the year then ended as set out on pages 3 to 17 and in accordance with the Section 26 (1) of the Airports Authority Law, 2005 and Section 52 (3) of the Public Management and Finance Law (2005 Revision).

#### **Management’s Responsibilities for the Financial Statement**

Management is responsible for the preparation and fair representation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances

#### **Auditor’s Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor’s judgement, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Audit Qualification – Absence of updated information on Defined Benefit Liability Position**

As disclosed in Note 10 of the financial statements, pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund which is administered by the Public Service Pensions Board. The latest actuarial valuation of the defined benefit plan as required under IAS 19 was calculated as of 01 July 2004 which resulted in a Defined Benefit Liability of \$2,444,000. No further actuarial assessment had been performed to date by the Pensions Board to determine the value of the retirement plan as at 30 June 2005. The Authority is therefore not able to quantify the amount for this financial year due to insufficient relevant and reliable information from the Pensions Board. As such, the Authority has assumed that there was no change in the Defined Benefit Liability for the year ended 30 June 2005, in these financial statements.

**Opinion**

In my opinion, except for the effect on the financial statements of the current defined benefit liability position referred to in the preceding paragraph, the financial statements present fairly in all material respects, the financial position of the Cayman Islands Airports Authority as of June 30, 2005, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Airports Authority Law (2005).



Dan Duguay, MBA, FCGA  
Auditor General

Grand Cayman  
14 December 2007

**Cayman Islands Airports Authority  
Balance Sheet  
For the Year Ended June 30, 2005  
(Stated in Cayman Islands Dollars)**

	<b>2005</b>	<b>July 1 2004</b>
<b>Assets</b>		
<b>Current Assets</b>	\$	\$
Cash and cash equivalents (Note 3)	7,759,660	-
Accounts Receivable (Note 4)	3,020,689	-
Other Receivables and Prepaid Expenses	1,561,089	424,505
Due from CAA, net (Note 5)	1,476,000	9,314,074
Insurance Receivable (Note 9)	<u>5,500,000</u>	<u>-</u>
	19,317,438	9,738,579
Fixed Assets, net (Note 6)	<u>31,888,510</u>	<u>32,669,713</u>
<b>Total Assets</b>	<u><u>51,205,948</u></u>	<u><u>42,408,292</u></u>
<b>Liabilities and Reserves</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt (Note 7)	1,935,058	1,267,837
Accounts payable and accrued expenses (Note 8)	<u>3,680,510</u>	<u>167,000</u>
	5,615,568	1,434,837
Long-Term Debt (Note 7)	5,346,219	6,244,056
Defined Benefit Liability (Note 10)	2,444,000	2,444,000
Contributed Capital	32,285,399	32,285,399
General Reserves	<u>5,514,762</u>	<u>-</u>
	37,800,161	32,285,399
<b>Total Liabilities and Reserves</b>	<u><u>51,205,948</u></u>	<u><u>42,408,292</u></u>

Approved for issuance on behalf of Cayman Islands Airports Authority's Board on December 14 2007 by:

  
 \_\_\_\_\_ Chairman of the Board  
  
 \_\_\_\_\_ Director

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

**Cayman Islands Airports Authority  
Statement of Income and Expenses  
For the Year Ended June 30, 2005  
(Stated in Cayman Islands Dollars)**

	<b>June 30, 2005</b>
<b>Income</b>	<b>\$</b>
Operating Revenues	13,826,958
Insurance Proceeds (Note 9)	5,694,507
Government Subsidy (Note 8)	4,316,917
Gain on Disposal of Fixed Assets (Note 9)	2,291,279
Interest	<u>52,806</u>
<b>Total Income</b>	<u>26,182,467</u>
<b>Expenses</b>	
Operating Expenses	14,162,815
Government Expenditure (note 8)	3,930,913
Depreciation (Note 6)	2,198,770
Loan Interest	291,377
Meteorological Regional Contribution	45,455
Foreign Exchange Losses	34,568
Bad Debts Expense	<u>3,807</u>
<b>Total Expenses</b>	<u>20,667,705</u>
<b>Net Income</b>	<b>5,514,762</b>

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

**Cayman Islands Airports Authority**  
**Statement of Operating Revenues and Expenses**  
**For the Year Ended June 30, 2005**  
**(Stated in Cayman Islands Dollars)**

	<b>June 30, 2005</b>
<b>Operating Revenues</b>	<b>\$</b>
Travel Tax	4,578,528
Security tax and terminal facility charges	3,117,400
Aircraft handling income	2,705,152
Rent - government	1,522,083
Rent - commercial	1,244,932
Permits and parking	318,917
Petrol concession	312,536
Sundry	27,410
<b>Total Operating Revenues</b>	<b>13,826,958</b>
 <b>Operating Expenses</b>	
Salaries and wages	4,793,852
Medical	820,955
Pension contributions (Note 10)	589,531
Travel and subsistence	92,824
Training	15,154
Uniforms	10,671
<b>Total Direct Personnel Costs</b>	<b>6,322,987</b>
Repairs and maintenance	4,657,212
Utilities	945,425
CAA Certification	861,000
Property & Liability Insurance	644,406
Passenger screening	443,884
Miscellaneous	131,172
Security	39,840
Printing and stationery	25,626
Legal and professional fees	91,263
<b>Total Operating Expenses</b>	<b>14,162,815</b>

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

**Cayman Islands Airports Authority**  
**Statement of Changes in Equity**  
**For the Year Ended June 30, 2005**  
**(Stated in Cayman Islands Dollars)**

	<b>Contributed Capital \$</b>	<b>General Reserves \$</b>	<b>Total \$</b>
<b>Balance at July 1, 2004</b>	-	-	-
Capital Contributions	32,285,399		32,285,399
Net Income for the Period	-	5,514,762	5,514,762
Dividends Declared	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at June 30, 2005</b>	<u><u>32,285,399</u></u>	<u><u>5,514,762</u></u>	<u><u>37,800,161</u></u>

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



**Cayman Islands Airports Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2005**  
**(Stated in Cayman Islands Dollars)**

	<b>June 30, 2005</b>
<b>Cash Flows from Operating Activities</b>	<b>\$</b>
Net income for year	5,514,762
Add items not affecting working capital:	
Non cash foreign exchange losses	15,563
Gain on disposal of fixed assets	(2,291,279)
Depreciation	<u>2,198,770</u>
	5,437,816
Net changes in non-cash working capital balances and non-current assets related to operations:	
(Increase) in Accounts receivable	(3,020,689)
Decrease in Other receivables and prepaid expenses	1,201,490
Increase in Accounts payable and accrued expenses	<u>3,513,510</u>
Net cash from operating activities	<u>7,132,127</u>
 <b>Cash Flows from (used in) Investing Activities</b>	
Purchase of fixed assets	(1,931,781)
Proceeds from disposal of fixed assets	<u>2,805,493</u>
Net cash from investing activities	<u>873,712</u>
 <b>Cash Flows from (used in) Financing Activities</b>	
Loan interest paid by government	196,621
Repayment of loans (Note 7)	<u>(442,800)</u>
Net cash used in financing activities	<u>(246,179)</u>
 <b>Increase in Cash and Cash Equivalents During Year</b>	<b>7,759,660</b>
 <b>Cash and Cash Equivalents at Beginning of Year</b>	 <u>-</u>
 <b>Cash and Cash Equivalents at End of Year</b>	 <u><u>7,759,660</u></u>

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

**Cayman Islands Airports Authority**  
**Notes to Financial Statements**  
**June 30, 2005**  
**(Stated 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 address of the Authority is P.O. Box 10098 APO, Grand Cayman, Cayman Islands, British West Indies. The Authority had 139 employees as of June 30, 2005.

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 airports, one on the island of Grand Cayman and the other on the island of Cayman Brac.

The Authority is 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 accounting**

The financial statements of the Authority are prepared on the accrual basis under the historic cost convention in accordance with International Financial Reporting Standards.

**b) Depreciation**

Fixed assets, other than land, are depreciated by the straight-line method at the following rates estimated to write off the cost of the assets over their expected useful lives:

Buildings, Runways, Apron, Car Parks	20 – 40 years
Other Assets	3 – 10 years

**c) Foreign currency translation**

Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the balance sheet dates. 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 income.

**d) Provision for doubtful debts**

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

**e) Use of estimates**

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

**Cayman Islands Airports Authority**  
**Notes to Financial Statements**  
**June 30, 2005**  
**(Stated in Cayman Islands Dollars)**

**Note 2 (continued)**

**f) Cash and cash equivalents**

Cash and cash equivalents include cash on demand and at short notice and all deposits placed for not more than three months.

**g) 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.

**h) 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 income statement on a straight-line basis over the period of the lease.

**i) 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 and accounts receivables.

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

*(ii) Recognition*

The Authority recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the statements of operating revenues and expenses.

*(iii) Derecognition*

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 measured at their estimated fair value.

**Cayman Islands Airports Authority**  
**Notes to Financial Statements**  
**June 30, 2005**  
**(Stated in Cayman Islands Dollars)**

**Note 2 (continued)**

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.

<b>3.</b>	<b>Cash and Cash Equivalents</b>	<b>2005</b>
	Cash on hand	814
	Current and call accounts	1,601,579
	Fixed deposit accounts	<u>6,157,267</u>
	<b>Total cash and cash equivalents</b>	<b><u>\$7,759,660</u></b>
<b>4.</b>	<b>Accounts Receivable</b>	<b>2005</b>
	Accounts receivable, gross	3,020,689
	Provision for doubtful debts	<u>(0)</u>
	<b>Accounts receivable, net</b>	<b>\$3,020,689</b>

**5. Due from CAA**

On July 1, 2004 the Civil Aviation Authority transferred \$32,669,713 worth of fixed assets to the Authority. In addition, by order of Cabinet on May 23, 2006 the Civil Aviation Authority was to have transferred the "actual value of the cash reserves, accounts receivables, prepaid expenses and unbilled revenue accounts held by the CAA" except for \$750,000 in cash which was to be retained by the CAA. The value of the assets to be transferred was \$3,994,360 in cash, and Accounts Receivables, Other Receivables and Prepaid Expenses worth \$7,157,924, net. In order to complete the transfer, on May 29, 2007, Cabinet passed another resolution ceding an additional \$1,413,706 of accounts receivable to the CAA, resulting in total assets transferred to the CIAA of \$42,408,291. In addition, the resolution transferred accounts payable of \$167,000 and long-term debt of \$7,511,893 for total liabilities transferred of \$7,678,893. This transfer of \$42,408,291 of assets and \$7,678,893 of liabilities resulted in a total contributed capital of \$34,729,398.

	CAA June 30 2004	CAA July 1, 2004	CIAA July 1, 2004
<b>Assets</b>			
Cash	4,744,360	750,000	3,994,360
A/R & Other Receivables	6,733,420	1,413,706	5,319,714
Prepaid expenses	424,504	-	424,504
<b>Total Current assets</b>	<u>11,902,284</u>	<u>2,163,706</u>	<u>9,738,578</u>
<b>Fixed assets</b>	<u>32,719,713</u>	<u>50,000</u>	<u>32,669,713</u>
<b>Total Assets</b>	<u><u>44,621,997</u></u>	<u><u>2,213,706</u></u>	<u><u>42,408,291</u></u>

**Cayman Islands Airports Authority**  
**Notes to Financial Statements**  
**June 30, 2005**  
**(Stated in Cayman Islands Dollars)**

**Note 5 (Continued)**

	CAA June 30, 2004	CAA July 1, 2004	CIAA July 1, 2004
<b>Liabilities and Reserves</b>			
Current Long term debt	1,267,837	-	1,267,837
A/P and accrued expenses	<u>1,187,895</u>	<u>1,020,895</u>	<u>167,000</u>
<b>Total Current liabilities</b>	2,455,732	1,020,895	1,434,837
<b>Defined Benefit Obligation</b>	2,957,726	513,726	2,444,000
<b>Long-Term Debt</b>	6,244,056	-	6,244,056
<b>General Reserves</b>	<u>32,964,483</u>	<u>679,085</u>	<u>32,285,398</u>
<b>TOTAL Liabilities and Reserves</b>	<b>44,621,997</b>	<b>2,213,706</b>	<b>42,408,291</b>

During the year ended June 30, 2005 the CAA transferred \$1.5 million in cash and \$424,504 in prepaid expenses to the Authority, and made payments on behalf of the Authority equaling \$4,068,891, net. In addition, the Authority collected \$1,728,690 of the CAA's June 30, 2004 Accounts Receivable. In total, the Authority has collected, or offset, \$8,262,578 of the total current assets of \$9,738,578 to be transferred to the Authority, leaving an outstanding receivable from the CAA of \$1,476,000. Reconciliation of transferred amounts is as follows:

Total Current Assets to be transferred	\$ 9,738,578
Less Cash transferred to CIAA	\$ (1,500,000)
Less payments on CIAA's behalf	\$ (4,068,891)
Less A/R Collections by CIAA	\$ (1,728,690)
Less transfer of Prepaid insurance	\$ (424,504)
Less debt payments by CAA	\$ (221,400)
Plus CAA collections of CIAA A/R	\$ 574,806
Less CAA invoices to CIAA	<u>\$ (893,899)</u>
Remaining Due from CAA, net	\$ 1,476,000

6. Fixed Assets	Land and Buildings	Other Assets	Total
Cost at beginning of year	29,797,946	2,871,767	32,669,713
Additions during year	599,507	1,332,274	1,931,781
Disposals during year	<u>(109,242)</u>	<u>(424,209)</u>	<u>(533,451)</u>
Cost at end of year	<u>30,288,211</u>	<u>3,779,832</u>	<u>34,068,043</u>
Accumulated depreciation:			
At beginning of year	0	0	0
Charge for year	1,749,521	449,249	2,198,770
Disposed during year	<u>(2,929)</u>	<u>(16,308)</u>	<u>(19,237)</u>
Accumulated depreciation at end of year	<u>1,746,592</u>	<u>432,941</u>	<u>2,179,533</u>

**Cayman Islands Airports Authority**  
**Notes to Financial Statements**  
**June 30, 2005**  
**(Stated in Cayman Islands Dollars)**

Net book value:

**Note 6 (continued)**

	Land and Buildings	Other Assets	Total
At end of year	<u>\$28,541,619</u>	<u>\$3,346,891</u>	<u>\$31,888,510</u>
At beginning of year	<u>\$29,797,946</u>	<u>\$2,871,768</u>	<u>\$32,669,713</u>

Fixed assets brought forward at the beginning of the year are fixed assets valued at \$32,669,713 which were acquired from the Civil Aviation Authority when the Authority was formed. All assets acquired from the Civil Aviation Authority were transferred to the Authority at Net Book Value as at July 1, 2004. On July 1, 2004, the fixed assets transferred to the Authority had a cost to the Civil Aviation Authority of \$53,156,900 and accumulated depreciation of \$20,487,187. This resulted in a transfer of assets to the Authority at a cost of \$32,669,713.

**7. Long Term Loans Payable** **2005**

Cayman Islands Government Loan 928,177

External Loans

Caribbean Development Bank

#5/SFR/ - OR - CI

246,415

#6/OR - CI

2,733,218

European Community Loan

1981 Loan

175,829

1987 Loan

508,438

Cayman National Bank

2,689,200

Total long term loans payable

\$7,281,277

Less: current portion

1,935,058

Long term loans payable after one year

\$5,346,219

**Cayman Islands Government Loan**

During the year, the Caymans Islands Government made all loan payments on the Caribbean Development Bank and European Community loans on behalf of the Authority. The total of these principal and interest payments made were \$928,177. This amount was repaid by the Authority on June 2, 2006.

**Caribbean Development Bank**

#5/SFR - OR-CI - Airport Facilities: Loan of US\$ 2,117,000 denominated in US dollars, repayable quarterly over 18 years, commencing 1991/92 at a variable interest rate of 5.5% and 5.75%.

#6/OR - CI - Third Airport Project: Loan of US\$ 8,570,000 denominated in US dollars, repayable quarterly over 15 years, commencing in 1997. Interest accrues on the loan at a variable interest rate of 5.5% and 5.75%.

**European Community Loan**

**Cayman Islands Airports Authority**  
**Notes to Financial Statements**  
**June 30, 2005**  
**(Stated in Cayman Islands Dollars)**

**Note 7 (continued)**

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

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

**Cayman National Bank Loan**

Loan of US\$ 5,400,000 repayable quarterly over 10 years, commencing April 2001 with interest accruing at 2.07% as of June 30, 2004 and adjusted every 3 months to 0.75 % above the LIBOR rates.

All external loans (except Cayman National Bank Loan) are in the name of the Cayman Islands Government and on lent to the Authority. The Cayman National Bank Loan was taken out in the name of the Civil Aviation Authority, and guaranteed by the Cayman Islands Government. The responsibility for servicing the loan was taken over by the Authority as of July 1, 2004. In January of 2007, the Cabinet of the Cayman Islands Government officially passed a resolution to transfer the loan into the name of the Authority.

**8. Related Party Balances and Transactions**

Included in the balance sheets and statements of income and general reserve are the following items 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:

	2005
<b>Balance Sheet</b>	
Accounts receivable	
Cayman Airways/Cayman Express	\$765,807
Ministry of Health Services	\$633,082
Department of Immigration	\$343,076
Various Other Departments	<u>\$295,036</u>
	\$2,037,001
Other receivables and prepaids	
Civil Aviation Authority of the Cayman Islands	\$1,476,000
Accounts Payable	
Fire Service	\$759,613
Various Other Departments	<u>\$ 34,554</u>
	\$794,167
Other payables	
Department of Finance & Development	\$879,607
<b>Statement of Operating Revenues and Expenses</b>	
Included within Operating Revenues	
Cayman Airways/Cayman Express	\$4,075,900
Ministry of Health Landing & Parking	<u>\$1,290,951</u>
	\$5,366,851
Included within operating expenses	\$190,710

**Cayman Islands Airports Authority**  
**Notes to Financial Statements**  
**June 30, 2005**  
**(Stated in Cayman Islands Dollars)**

Statement of Income

**Note 8 (continued)**

Included within Total Income	
Government Contribution – Runways, taxiways, etc.	\$3,930,913
Government Contribution – National Weather Centre	<u>\$ 386,004</u>
	\$4,316,917
 Included within Total Expenses	 \$3,930,913

The Cayman Islands Government was billed for a contribution of \$3,930,913 during the year ended June 30, 2005 for the provisioning of runways, taxiways, buildings, airport security and air traffic control. The Authority was then instructed by the Cayman Islands Government that this amount was to then be used to purchase Aerodrome Fire Service Protection from the Cayman Islands Fire Service. At June 30, 2005, \$327,576 of this amount was outstanding from the Cayman Islands Government and has been included in accounts receivable. During the year ended June 30, 2005, the Authority received invoices from Fire Service for \$3,488,430, leaving \$442,483 of this amount uninvoiced as at June 30, 2005. An accrual for this amount has been included in accounts payable. Both of these amounts have been included in the Statement of Income

The Cayman Islands Government was billed for a contribution of \$386,004 for the year ended June 30, 2005 for the operating cost of the National Weather Centre. This amount is included in total income above. At June 30, 2005, \$64,804 of this amount is outstanding.

During the year ended June 30, 2005, Cayman Airways and Cayman Express incurred \$1,290,951 of Landing and Parking fees. This amount was billed to, and paid by, the Ministry of Health. This amount was included in Statement of Operating Revenues and Expenses.

**9. Insurance Receivable**

On September 12, 2004, the Authority sustained damage of approximately \$9.4 million to its fixed assets as a result of Hurricane Ivan. The Authority filed an insurance claim in relation to the damage sustained and has received a final settlement amount of \$8.5 million.

Of the \$8.5 million settlement, \$5,694,507 related to repairs and other expenses incurred, and the remaining \$2,805,493 was allocated to fixed assets destroyed. The net book value of the destroyed assets at the time of the storm was \$514,214, resulting in a gain on disposal of assets of \$2,291,279.

On April 21, 2005, the first payment of \$3.0 million was received. Subsequent to year end, a payment of \$1.0 million was received on July 6, 2005 and a final payment of \$4.5 million was received on April 18, 2006.

**10. Pension Contribution**

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 Fund. Prior to April 14, 1999 the scheme underlying the Fund was a defined benefit scheme. With effect from April 14, 1999 the Fund has both a defined benefit and a defined contribution element. Participants joining after April 14, 1999 become members of the defined contribution element.



**Cayman Islands Airports Authority**  
**Notes to Financial Statements**  
**June 30, 2005**  
**(Stated in Cayman Islands Dollars)**

**Note 10 (continued)**

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 2004/5. 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 Plans are funded at rates of:-

	2005
Defined Contribution Plans - Employee	6%
- Employer	7%
Defined Benefit Plans - Employee	6%
- Employer	7%

The pension plan has been accounted for under paragraphs 44-46 of International Accounting Standard 19 as if it were a defined contribution plan, as sufficient information is not available on the Fund to fully use defined benefit accounting. The Actuary to the Pensions Board has valued the Fund. The defined contribution part of the Fund is not subject to the special actuarial valuations due to the nature of the benefits provided therein.

The total amount recognized as a pension expense during 2004/05 was \$589,531. This comprises the following elements: employer normal contribution \$269,275; employee normal contribution \$267,414; death benefit \$52,842. The actual amount of pension expense relating to the defined benefits for staff should also include the effect of the changes in the actuarial determined liability. However, since such information is not yet available from the actuary of the Pensions Board, management is unable to determine the impact on the recorded expense for the year ended 30 June 2005.

The latest actuarial valuation (of the defined benefit plan) was done as at 1 July 2004.

	1 July 2004
	\$
Present Value of Defined Benefit Obligation	4,283,000
Fair Value of Plan Assets	(1,839,000)
Unrecognised Past Service Cost	0
Unrecognised Actuarial Gains/(Losses)	0
Net Defined Benefit Obligations	2,444,000

The Actuary to the Pensions Board is of the opinion that it is likely that the Authority will still have a defined benefit liability as of 30 June 2005, based on the discount rate as at 30 June 2005 (which was 6.5%), the liability experience and the asset performance during the year, and the relationship between the pension expense and contribution for this year. However, the amount of the defined benefit liability at June 30, 2005 cannot be determined by management at this time, as there has been no update to the actuary's report since 1 July 2004.

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**Note 10 (continued)**

The Distribution of the Plan Assets, as 1 July 2004, based on the share of the total Fund allocated to the Authority was as follows:-

Global Equities	25.3%
US Equities	1.2%
Bonds	46.6%
Other	3.3%
Cash	4.1%
Cash-Term Deposits	19.5%

The principal Actuarial Assumptions at the date of valuation

- A. Cost Method – Projected Unit Credit
  
- B. Economic Assumptions -
  - 1. Discount Rate – 6.5%
  - 2. Expected long-term rate of return (net of Expense) – 7.00%
  - 3. Salary increase – 4.00%
  - 4. Future Pension Increases – 2.50%
  
- C. Other Assumptions -
  - 1. Mortality – Standard U.S. mortality rates
  - 2. Retirement Age – completion of age 57 and 10 years of service
  
- D. Asset Valuation – Fair (Market) Value

**11. Commitments**

During the year ended June 30, 2005, the Authority entered into a contract to repair the Commercial Terminal building as a result of damages incurred from Hurricane Ivan for \$2,742,493. Per the contract, a retention amount of 2.5% was to be withheld for a period of twelve months from the date of significant completion. As at June 30, 2005, \$37,892 of the retention payment had been earned and accrued for. The contract was significantly completed on February 13, 2006, and the full retention payment of \$68,562 was made on February 27, 2007.

**12. Financial Instruments**

**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, trade receivables, 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. Accordingly, the Authority has no significant concentrations of credit risk.

**Interest rate price risk.** The Authority has loans with Government and a counterpart. Details of rates and maturities are presented in Note 7.

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**Note 12 (continued)**

Interest rate cash flow risk. The Authority also has a loan with a local financial institution with a floating interest rate that is adjusted every six months to .75% above LIBOR rates.

Fair values: The carrying amount of cash deposits, accounts receivable, 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 judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.