



Cayman Islands Airports Authority

Financial Statements

Year Ended 30 June 2008

**Cayman Islands Airports Authority
Financial Statements
Year Ended 30 June 2008**

TABLE OF CONTENTS

Statement of Responsibility for the Financial Statements	Page 1
Auditor General's Opinion	Page 2-3
Balance Sheet	Page 4
Statement of Income and Expenditure	Page 5
Statement of Changes in Equity	Page 6
Statement of Cash Flows	Page 7
Notes to the Financial Statements	Page 8-17

Cayman Islands Airports Authority
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
30 June 2008

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

As signatories below, we are responsible for establishing; and have established and maintain 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.

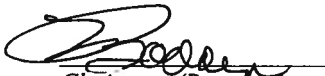
As signatories below, we are responsible for the preparation of the Cayman Islands Airports Authority financial statements and for the judgements made in them.

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 2008.

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 2008;
- (b) fairly reflect the financial position as at 30th June 2008 and performance for the year ended 30th June 2008;
- (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.


Chairman (Board of
Directors) Date:

25 August, 2010


Chief Executive Officer

Date: 25/8/10


Financial Controller

Date: 25 Aug 2010



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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 which comprise of the balance sheet as at 30 June 2008, the statement of income and expenditure, statement of changes in equity and statement of cash flows for the year then ended, and the significant accounting policies and other explanatory notes as set out in pages 8 to 17, in accordance with the provisions of 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 Statements

Management is responsible for the preparation and fair presentation 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. 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 these financial statements present fairly, in all material respects, the financial position of the Cayman Islands Airports Authority as at June 30, 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



**Alastair Swarbrick, MA (Hons), CPFA
Auditor General**

**Cayman Islands
August 25, 2010**

Cayman Islands Airports Authority
Balance Sheet
As at June 30, 2008
(in Cayman Islands dollars)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Current assets			
Cash and cash equivalents	3	11,250,784	12,388,942
Accounts receivable	4	9,165,664	6,842,768
Other receivables and prepaid expenses		<u>2,328,575</u>	<u>1,968,325</u>
		<u>22,745,023</u>	<u>21,200,035</u>
Non current assets			
Property, plant and equipment	5	<u>35,555,613</u>	<u>32,903,035</u>
TOTAL ASSETS		<u>58,300,636</u>	<u>54,103,070</u>
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	6	2,126,072	1,529,577
Accounts payable and accrued expenses	7	<u>3,492,672</u>	<u>2,976,476</u>
		<u>5,618,744</u>	<u>4,506,053</u>
Non current liabilities			
Long-term debt	6	2,605,839	3,427,864
Employee pensions	8	<u>3,720,000</u>	<u>3,366,000</u>
		<u>6,325,839</u>	<u>6,793,864</u>
TOTAL LIABILITIES		<u>11,944,583</u>	<u>11,299,917</u>
Equity			
Contributed capital		32,285,399	32,285,399
Retained earnings		<u>14,070,654</u>	<u>10,517,754</u>
		<u>46,356,053</u>	<u>42,803,153</u>
TOTAL LIABILITIES AND EQUITY		<u>58,300,636</u>	<u>54,103,070</u>

Approved

.....
Chief Executive Officer

Shelley Ware
.....
Financial Controller

Date: 25/8/10

Date: 25 Aug 2010

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

**Cayman Islands Airports Authority
Statement of Income and Expenditure
for the year ended June 30, 2008
(in Cayman Islands dollars)**

	Note	<u>2008</u>	<u>2007</u>
INCOME			
Travel tax		6,893,063	6,432,343
Government subsidy	7	4,915,474	4,915,474
Security tax and terminal facility charges		4,572,452	4,040,982
Aircraft handling income		3,418,908	3,222,675
Rent - government		1,564,709	1,538,882
Rent - commercial		960,932	926,902
Permits and parking		653,351	771,284
Interest		516,547	476,562
Petrol concession		762,298	368,609
Sundry		79,006	83,356
		<u>24,336,740</u>	<u>22,777,069</u>
TOTAL INCOME			
EXPENSES			
Salaries and wages		5,381,589	5,286,679
Fire services	7	4,530,970	4,530,970
Depreciation	5	2,704,088	2,544,180
Utilities		1,369,500	1,188,076
Repairs and maintenance		1,354,646	1,112,244
CAA certification		1,000,000	1,010,973
Property & liability insurance		972,439	1,014,083
Passenger screening		642,286	549,102
Pension contributions	8	600,504	612,500
Medical		511,493	532,863
Legal and professional fees		376,339	110,683
Past service pension expense	8	354,000	311,000
Loan interest		208,427	277,360
Bad debts expense		160,444	145,577
Miscellaneous		133,540	124,151
Foreign exchange losses		102,397	32,668
Printing and stationery		81,153	52,604
Meteorological regional contribution		62,835	54,743
Travel and subsistence		61,764	55,037
Security		56,908	73,088
Loss on disposal of property, plant and equipment		55,321	-
Training		46,285	80,315
Uniforms		16,912	6,770
		<u>20,783,840</u>	<u>19,705,666</u>
TOTAL EXPENSE			
NET INCOME		<u><u>3,552,900</u></u>	<u><u>3,071,403</u></u>

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

**Cayman Islands Airports Authority
Statement of Changes in Equity
for the year ended June 30, 2008
(in Cayman Islands dollars)**

	Contributed Capital	Retained Earnings	Total
Balance at June 30, 2006	32,285,399	7,446,351	39,731,750
Net Income for 2007	-	3,071,403	3,071,403
Balance at June 30, 2007	32,285,399	10,517,754	42,803,153
Net Income for 2008	-	3,552,900	3,552,900
Balance at June 30, 2008	32,285,399	14,070,654	46,356,053

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

Cayman Islands Airports Authority
Statement of Cash Flows
for the year ended June 30, 2008
(in Cayman Islands dollars)

	<u>2008</u>	<u>2007</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for year	3,552,900	3,071,403
Items not affecting working capital:		
Unrealized loss on foreign currency transaction	104,341	-
Loss on disposal of fixed assets	55,321	-
Depreciation	<u>2,704,088</u>	<u>2,544,180</u>
	6,416,650	5,615,583
Net changes in working capital balances		
(Increase) in accounts receivable	(2,322,896)	(1,205,188)
(Increase)/decrease in other receivables and prepaid expenses	(360,250)	(70,315)
(Decrease)/Increase in accounts payable and accrued expenses	516,196	(1,300,847)
Increase in employee pensions liability	<u>354,000</u>	<u>311,000</u>
Net cash provided by operating activities	<u>4,603,700</u>	<u>3,350,233</u>
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of fixed assets	(5,411,986)	(3,026,487)
Net cash used in investing activities	<u>(5,411,986)</u>	<u>(3,026,487)</u>
CASH FLOW FROM FINANCING ACTIVITY		
Loans paid by government	658,060	540,405
Repayment of loans (Note 6)	<u>(987,932)</u>	<u>(1,102,404)</u>
Net cash used in financing activities	<u>(329,872)</u>	<u>(561,999)</u>
Net (decrease)/increase in cash equivalent during the year	(1,138,158)	(238,253)
Cash and cash equivalents at beginning of year	<u>12,388,942</u>	<u>12,627,195</u>
Cash and cash equivalents at end of year	<u>11,250,784</u>	<u>12,388,942</u>
Supplimentary Information on Cash Flows From Operations		
Interest received during the year	516,547	476,562
Interest paid during the year	208,427	277,359

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

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2008
(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 P.O. Box 10098 APO, Grand Cayman, Cayman Islands, KY1-1001. The Authority had 123 employees as of June 30, 2008 (2007: 130 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 airports, one on the island of Grand Cayman and the other on the island of Cayman Brac.

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 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

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

Computer	3 Years
Furniture and Fixtures	5 years
Motor Vehicles	5 Years
Equipment	10 Years
Building, Runways, Aprons and Car Parks	40 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 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 income and expenditure.

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2008
(in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

d) 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.

e) 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.

f) 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.

g) Government Subsidy

The Authority recognizes government subsidy in the period in which it is received

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, accounts receivables and prepaid expenses

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.

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2008
(in Cayman Islands dollars)

2 Significant Accounting Policies (continued)

(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. 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.

3. Cash and Cash Equivalents

	<u>2008</u>	<u>2007</u>
Cash on hand	9,288	12,328
Current and call accounts	1,169,347	927,834
Fixed deposit accounts	<u>10,072,149</u>	<u>11,448,780</u>
Total cash and cash equivalents	<u>\$11,250,784</u>	<u>\$12,388,942</u>

4. Accounts Receivable

There was no provision for doubtful accounts in 2008 (2007: nil)

5. Fixed Assets

	<u>Cost</u>	<u>Addition</u>	<u>Transfer</u>	<u>Disposals</u>	<u>Cost</u>	<u>Acc. Deprn.</u>	<u>Charge</u>	<u>Disposals</u>	<u>Acc. Deprn.</u>	<u>NBV</u>	<u>NBV</u>
	<u>1 July 2007</u>				<u>June 2008</u>	<u>1 July 2007</u>	<u>for year</u>		<u>June 2008</u>	<u>June 2008</u>	<u>June 2007</u>
Computer Equipment	156,443	18,683	-		175,126	84,928	42,625	-	127,553	47,573	71,515
Furniture & Fixtures	571,845	141,537	-	(100,912)	612,470	192,493	112,890	(45,591)	259,792	352,678	379,352
Vehicles	557,523	8,000	-		565,523	163,634	50,458	-	214,092	351,431	393,889
Equipment	3,843,011	107,772			3,950,783	1,388,076	623,536	-	2,011,612	1,939,171	2,454,935
Buildings and Structures	23,625,390	-	3,299,287		26,924,677	5,205,902	1,874,579	-	7,080,481	19,844,196	18,419,488
Land	8,964,097	3,140			8,967,237	-	-	-	-	8,967,237	8,964,097
Construction in Progress	2,219,759	5,132,855	(3,299,287)		4,053,327	-	-	-	-	4,053,327	2,219,759
Total	<u>39,938,068</u>	<u>5,411,987</u>	<u>-</u>	<u>(100,912)</u>	<u>45,249,143</u>	<u>7,035,033</u>	<u>2,704,088</u>	<u>(45,591)</u>	<u>9,693,530</u>	<u>35,555,613</u>	<u>32,903,035</u>

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2008
(in Cayman Islands dollars)

6. Short and Long Term Debt Payable

	<u>2008</u>	<u>2007</u>
Cayman Islands Government Loan	1,198,465	540,405
External Loans		
Caribbean Development Bank		
#5/SFR/ - OR – CI	Nil	67,204
#6/OR – CI	1,421,273	1,858,588
European Community Loan		
1981 Loan	183,709	171,202
1987 Loan	578,465	521,938
Cayman National Bank	1,350,000	<u>1,798,105</u>
Total loans payable	4,731,912	\$4,957,442
Less: portion due with one year	<u>2,126,072</u>	<u>\$1,529,578</u>
Long term loans payable	<u>2,605,840</u>	<u>\$3,427,864</u>

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 \$1,198,465 (2007: \$540,405). Of this amount, \$1,198,465 was owed to the Government at June 30, 2008 (2007: \$540,405).

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

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

1987 Loan – Cayman Brac Airport: EUR 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.

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2008
(in Cayman Islands dollars)

6. Short and Long Term Debt Payable (continued)

All external loans (except Cayman National Bank Loan) are in the name of the Cayman Islands Government. 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.

7. Related Party Transactions

Included in the balance sheet and statement 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:

Balance Sheet	<u>2008</u>	<u>2007</u>
	\$	\$
Accounts receivable		
Cayman Airways/Cayman Express	5,936,547	3,905,183
Department of Immigration	1,272,289	963,661
Other Government Departments	<u>2,258,460</u>	<u>428,973</u>
	<u>9,467,296</u>	<u>5,297,817</u>

Accounts Payable	<u>2008</u>	<u>2007</u>
	\$	\$
Fire Service	945,417	567,836
Civil Aviation Authority	250,000	260,973
Other Departments	<u>558,532</u>	<u>131,596</u>
	<u>1,751,622</u>	<u>960,405</u>

Statement of income and expenditure

Income	<u>2008</u>	<u>2007</u>
Cayman Airways/Cayman Express	6,469,737	5,637,109
Government Contribution – Runways, etc.	4,530,978	4,530,970
Government Contribution – National Weather Centre	<u>384,504</u>	<u>384,504</u>
	<u>11,385,219</u>	<u>10,552,583</u>

Expenses	<u>2008</u>	<u>2007</u>
Fire Services	4,530,970	4,530,970
Civil Aviation Authority	<u>1,000,000</u>	<u>1,010,973</u>
	<u>5,530,970</u>	<u>5,541,943</u>

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2008
(in Cayman Islands dollars)

Key Management

For the year ended June 30, 2008, the Authority had 7 key management personnel positions (2007: 7). Total compensation to key management personnel for the year amounted to \$681,484 (2007: \$645,556) representing salary, pension and other employee benefits.

8. Employee Pensions

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 element. Participants joining after April 14, 1999 are members of the defined contribution element.

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 2007-8 and 2006-7. 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 the following rates:	<u>2008</u>	<u>2007</u>
Defined Contribution Plans - Employee	6%	6%
- Employer	7%	7%
Defined Benefit Plans - Employee	6%	6%
- Employer	7%	7%

An actuarial valuation was conducted The Actuary to the Pensions Board valued the Fund as at June 30, 2008. 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>2008</u>	<u>2007</u>
Net Present Value of Funded Obligation, beginning of year	6,147	6,052
Fair Value of Plan Assets	2,650	2,578
Defined Benefit Liability	<u>(3,497)</u>	<u>(3,474)</u>
Unrecognised Actuarial Net Gains /(Losses)	<u>(223)</u>	<u>108</u>
Net Liability in Balance Sheet, end of year	<u>(3,720)</u>	<u>(3,366)</u>

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2008
(in Cayman Islands dollars)

8. Employee Pensions (continued)

Reconciliation of Defined Benefit Asset/ (Liability)	<u>2008</u>	<u>2007</u>
Defined Benefit Obligation at beginning of year	(3,366)	(3,055)
Net Pension (Expense)/Income for Fiscal Year	(532)	(421)
Employer Contributions	178	110
Defined Benefit Asset/(Liability)	<u>(3,720)</u>	<u>(3,366)</u>

Pension Expense for fiscal year ending:	<u>2008</u>	<u>2007</u>
Company Service Cost	342	265
Interest Cost	378	328
Expected Return on Assets (net)	(188)	(172)
Recognition of Net (Gain)/Loss	-	-
Total Pension Expense	<u>532</u>	<u>421</u>

Change in Defined Benefit Obligation over year ending:	<u>2008</u>	<u>2007</u>
Defined Benefit Obligation at beginning of year	6,052	5,252
Company Service Cost	342	265
Interest Cost	378	328
Plan Participant Contributions	166	95
Net Actuarial (Gain)/Loss	(791)	284
Transfers Between Other Participating Entities	-	(172)
Defined Benefit Obligation at End of Year	<u>6,147</u>	<u>6,052</u>

Change in Plan Assets over year ending	<u>2008</u>	<u>2006</u>
Fair Value of Plan Assets at End of Prior Year	2,578	2,318
Employer Contributions	178	110
Plan Participant Contributions	166	95
Transfers Between Other Participating Entities	-	(172)
Expected Return on Assets (net)	188	172
Asset Gain/(Loss)	(460)	119
Other	-	(64)
Fair Value of Plan Assets at End of Year	<u>2,650</u>	<u>2,578</u>

Change in Unrecognized Net Actuarial Loss/(Gain)	<u>2008</u>	<u>2007</u>
Unrecognized Net Actuarial Loss/(Gain)- beginning of year	108	(121)
Amortization Credit/(Cost) for Year	-	-
Liability Loss/(Gain)	(791)	284
Asset Loss/(Gain)	460	(55)
Unrecognized Net Actuarial Loss/Gain	<u>223</u>	<u>108</u>

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2008
(in Cayman Islands dollars)

8. Employee Pensions (continued)

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

	<u>2008</u>	<u>2007</u>
	%	%
Global Equities	46.00	59.00
Bonds	43.00	34.00
Other	5.00	0.00
Cash	6.00	7.00
Cash-Term Deposits	0.00	0.00

The principal Actuarial Assumptions used to Determine Benefit Obligations at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
	%	%
Discount Rate	6.75	6.25
Expected Long-term Return on Plan Assets	7.00	7.00
Rate of Salary Increase	4.00	4.00
Rate of Price Inflation	2.50	2.50
Rate of Pension Increases	2.50	2.50

The principal Actuarial Assumptions used to Determine Net Periodic Benefit Cost for the Year ending June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
	%	%
Discount Rate	6.25	6.25
Expected long-term rate of return (net)	7.00	7.00
Expected long-term return on reimbursement rights	0.00	0.00
Rate of Salary increase	4.00	4.00
Rate of Price Inflation	2.50	2.50
Rate of Pension Increases	2.50	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

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2008
(in Cayman Islands dollars)

9. Commitments

During the year, the Authority entered into a contract for architectural and engineering consulting services with a total value of \$5,475,818. Per the contract, the agreement may be terminated by the Authority upon not less than seven days written notice to the consultant for the owner's convenience and without cause and the consultant shall be compensated for services performed prior to termination. As at June 30, 2008, the authority is committed to \$4,546,617 under the contract within the year 2008/9.

10. 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. Details of rates and maturities are presented in Note 7.

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 judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

11. Contingent Liabilities

On February 25, 2008, a claim was filed against the Authority for personal injuries allegedly suffered on February 11, 2007 at the Owen Roberts International Airport. The Authority filed a defense on March 14, 2008 denying liability and quantum. On November 20, 2008, attorneys representing the plaintiff offered to settle without prejudice in the amount of \$250,000. This offer was rejected by the Authority as the claim remains unsubstantiated by any medical reports or other evidence. This type of claim is covered under the Authority's insurance policy.

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2008
(in Cayman Islands dollars)

12. Transfers to the Cayman Islands Government

Section 20 (3) of the *Airports Authority Law* states that the Authority shall make annual payments into the general reserves of the Islands, calculated by a formula determined by the Financial Secretary after consulting with the Authority and the Minister. For the year ended June 30, 2008, there were no consultations and the net income for the year was retained by the Authority.

13. Subsequent Events

Termination of contract

During the year, the Authority entered a contract for architectural and engineering consulting services with a total value of \$5.4M. At the date of these financial statements, \$3.3M has been invoiced and paid. The Authority is currently negotiating with the contractors with a view to exit the contract and may incur a penalty.