



Cayman Islands Airports Authority

Financial Statements

Year Ended 30 June 2009

**Cayman Islands Airports Authority
Financial Statements
Year Ended 30 June 2009**

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 8-18

Cayman Islands Airports Authority
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
30 June 2009

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.

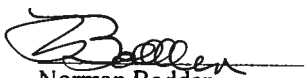
As signatories below, we are responsible for the preparation of the Cayman Islands Airports Authority financial statements and for the judgements made in them.

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 2009.

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 2009;
- (b) fairly reflect the financial position as at 30th June 2009 and performance for the year ended 30th June 2009;
- (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.


Norman Bodden
Chairman (Board of Directors)

Date:


Jeremy Jackson
Chief Executive Officer

Date: 23/11/10


Shelley Wate
Financial Controller

Date: 23 NOV 2010



Cayman Islands

Office of the Auditor General
Cayman Islands Government
3rd Floor, Anderson Square
64 Shedden Road, George Town
Grand Cayman KY1-9000
Cayman Islands

TEL: 345-244-3211

FAX: 345-945-7738

E-mail: auditorgeneral@gov.ky

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 2009, 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, 2009, 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
November 23, 2010

Cayman Islands Airports Authority
Balance Sheet
As at June 30, 2009
(in Cayman Islands dollars)

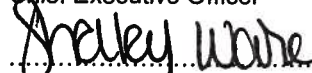
	<u>Note</u>	<u>2009</u>	<u>2008</u>
ASSETS			
Current assets			
Cash and cash equivalents	3	13,944,499	11,250,784
Term Deposits	3b	2,010,205	-
Accounts receivable	4	9,193,931	9,165,664
Other receivables and prepaid expenses		<u>2,454,274</u>	<u>2,328,575</u>
		<u>27,602,909</u>	<u>22,745,023</u>
Non current assets			
Property, plant and equipment	5	<u>34,404,764</u>	<u>35,555,613</u>
TOTAL ASSETS		<u>62,007,673</u>	<u>58,300,636</u>
 LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	6	2,672,729	2,126,072
Accounts payable and accrued expenses	7	4,076,107	3,492,672
Weather Radar Fund	9	<u>324,669</u>	<u>-</u>
		<u>7,073,505</u>	<u>5,618,744</u>
Non current liabilities			
Long-term debt	6	1,592,789	2,605,839
Employee pensions	8	<u>4,091,000</u>	<u>3,720,000</u>
		<u>5,683,789</u>	<u>6,325,839</u>
TOTAL LIABILITIES		<u>12,757,294</u>	<u>11,944,583</u>
Equity			
Contributed capital		32,285,399	32,285,399
Retained earnings		<u>16,964,980</u>	<u>14,070,654</u>
		<u>49,250,379</u>	<u>46,356,053</u>
TOTAL LIABILITIES AND EQUITY		<u>62,007,673</u>	<u>58,300,636</u>

Approved


.....

Jeremy Jackson
Chief Executive Officer

Date:


.....

Shelley Ware
Financial Controller

23 NOV 2010
Date:

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, 2009
(in Cayman Islands dollars)

	Note	<u>2009</u>	<u>2008</u>
INCOME			
Travel tax		6,303,601	6,893,063
Government subsidy	7	4,915,401	4,915,474
Security tax and terminal facility charges		4,329,113	4,572,452
Aircraft handling income		3,445,993	3,418,908
Passenger Facility Charges		2,399,865	-
Rent - government		1,394,088	1,564,709
Rent - commercial		1,071,853	960,932
Petrol concession		696,607	762,298
Permits and parking	10	584,555	653,351
Foreign exchange gains		107,734	
Interest		97,696	516,547
Sundry		60,194	79,006
		<u>25,406,700</u>	<u>24,336,740</u>
TOTAL INCOME			
EXPENSES			
Salaries and wages		6,053,732	5,381,589
Fire services	7	4,530,970	4,530,970
Depreciation	5	3,103,499	2,704,088
Repairs and maintenance		1,685,135	1,354,646
Utilities		1,397,813	1,369,500
CAA certification		1,000,000	1,000,000
Property & liability insurance		851,259	972,439
Passenger screening		644,829	642,286
Pension contributions	8	627,463	600,504
Legal and professional fees		576,958	376,339
Medical		564,599	511,493
Past service pension expense	8	371,000	354,000
Bad debts expense		282,998	160,444
Travel and subsistence		156,310	61,764
Loan interest		151,141	208,427
Training		144,592	46,285
Miscellaneous		115,902	133,540
Printing and stationery		94,993	81,153
Security		67,736	56,908
Meteorological regional contribution		66,770	62,835
Uniforms		24,675	16,912
Foreign exchange losses		-	102,397
Loss on disposal of property, plant and equipment		-	55,321
		<u>22,512,374</u>	<u>20,783,840</u>
TOTAL EXPENSES			
NET INCOME		<u><u>2,894,326</u></u>	<u><u>3,552,900</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, 2009
(in Cayman Islands dollars)**

	Contributed Capital	Retained Earnings	Total
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
Net Income for 2009	-	2,894,326	2,894,326
Balance at June 30, 2009	32,285,399	16,964,980	49,250,379

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, 2009
(in Cayman Islands dollars)

	<u>2009</u>	<u>2008</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for year	2,894,326	3,552,900
Items not affecting working capital:		
Unrealized (Gain)/loss on foreign currency transaction	(107,734)	104,341
Provision for bad debt	282,998	-
Loss on disposal of fixed assets	-	55,321
Depreciation	<u>3,103,499</u>	<u>2,704,088</u>
	6,173,089	6,416,650
Net changes in working capital balances		
(Increase) in accounts receivable	(311,265)	(2,322,896)
(Increase)/decrease in other receivables and prepaid expenses	(125,699)	(360,250)
Weather Radar Fund	324,669	-
(Decrease)/Increase in accounts payable and accrued expenses	583,435	516,196
Increase in employee pensions liability	<u>371,000</u>	<u>354,000</u>
Net cash provided by operating activities	<u>7,015,229</u>	<u>4,603,700</u>
CASH FLOW FROM INVESTING ACTIVITY		
Investment	(2,010,205)	-
Purchase of fixed assets	<u>(1,952,649)</u>	<u>(5,411,986)</u>
Net cash used in investing activities	<u>(3,962,854)</u>	<u>(5,411,986)</u>
CASH FLOW FROM FINANCING ACTIVITY		
Loans paid by government	551,263	658,060
Repayment of loans (Note 6)	<u>(909,923)</u>	<u>(987,932)</u>
Net cash used in financing activities	<u>(358,660)</u>	<u>(329,872)</u>
Net (decrease)/increase in cash equivalent during the year	2,693,715	(1,138,158)
Cash and cash equivalents at beginning of year	<u>11,250,784</u>	<u>12,388,942</u>
Cash and cash equivalents at end of year	<u>13,944,499</u>	<u>11,250,784</u>
Supplimentary Information on Cash Flows From Operations		
Interest received during the year	97,696	516,547
Interest paid during the year	151,141	208,427

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, 2009
(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, 2009
(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 subsidies in the period in which they are 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, 2009
(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 and Term Deposits

a. Cash and cash equivalent at June 30, 2009 comprised:

	<u>2009</u>	<u>2008</u>
Cash on hand	15,288	9,288
Current and call accounts	2,728,350	1,169,347
Fixed deposit accounts	<u>11,200,861</u>	<u>10,072,149</u>
Total cash and cash equivalents	<u>13,944,499</u>	<u>\$11,250,784</u>

b. Term Deposits

Term Deposits represents amount placed with Royal Bank of Canada (RBC) at an annual rate of 1% interest for a period of 183days from June 25th, 2009.

4. Accounts Receivable

Accounts receivable is stated net of allowance for credit losses.

	<u>2009</u>	<u>2008</u>
Trade Receivables	9,476,929	9,165,664
Allowance for credit losses	282,998	Nil
Balance	<u>9,193,931</u>	<u>9,165,664</u>

Amount written off as bad debt for the year was Nil. (2008: \$ 160,444)

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2009
(in Cayman Islands dollars)

5. Fixed Assets

	<u>Cost June 2008</u>	<u>Addition</u>	<u>Cost June 2009</u>	<u>Acc. Deprn. June 2008</u>	<u>Charge for year</u>	<u>Acc. Deprn. June 2009</u>	<u>NBV June 2009</u>	<u>NBV June 2008</u>
Computer Equipment	175,126	36,703	211,829	127,553	37,126	164,679	47,150	47,574
Furniture & Fixtures	612,470	190,788	803,258	259,792	138,295	398,087	405,171	352,677
Vehicles	565,523	24,550	590,073	214,092	52,242	266,334	323,739	351,431
Equipment	3,950,783	293,444	4,244,227	2,011,612	644,755	2,656,367	1,587,860	1,939,171
Buildings and Structures	26,924,677	195,777	27,120,454	7,080,481	2,231,081	9,311,562	17,808,892	19,844,196
Land	8,967,237	422,105	9,389,342	-	-	-	9,389,342	8,967,237
Construction in Progress	4,053,327	392,779	4,446,106	-	-	-	4,446,106	4,053,327
Total	45,249,143	1,556,146	46,805,289	9,693,530	3,103,499	12,797,029	34,008,260	35,555,613

6. Short and Long Term Debt Payable

	<u>2009</u>	<u>2008</u>
Cayman Islands Government Loan	1,749,728	1,198,465
External Loans		
Caribbean Development Bank		
#6/OR – CI	983,958	1,421,273
European Community Loan		
1981 Loan	149,904	183,709
1987 Loan	489,635	578,465
Cayman National Bank	892,293	1,350,000
Total loans payable	4,265,518	4,731,912
Less: portion due with one year	2,672,729	2,126,072
Long term loans payable	<u>1,592,789</u>	<u>2,605,840</u>

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2009
(in Cayman Islands dollars)

6. Short and Long Term Debt Payable (Continued)

Cayman Islands Government Loan

During the year, the Cayman 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 \$551,263 (2008: \$658,060).

Pursuant to section 20 (2) of the *Airports Authority Law (2005)* this amount is payable to the Cayman Islands Government however, there are no fixed date(s) for repayment.

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.

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>2009</u>	<u>2008</u>
	\$	\$
Accounts receivable		
Cayman Airways/Cayman Express	6,293,897	5,936,547
Department of Immigration	34,339	1,272,289
Other Government Departments	<u>877,309</u>	<u>771,336</u>
	<u>7,205,544</u>	<u>7,980,172</u>

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2009
(in Cayman Islands dollars)

7. Related Party Transactions (Continued)

Accounts Payable	<u>2009</u>	<u>2008</u>
	\$	\$
Risk Management Unit	922,245	1,022,534
Fire Service	945,417	945,417
Civil Aviation Authority	250,000	250,000
Other Departments	<u>132,809</u>	<u>558,532</u>
	<u>2,250,471</u>	<u>2,776,483</u>

Statement of income and expenditure

Income	<u>2009</u>	<u>2008</u>
Cayman Airways/Cayman Express	6,676,620	6,469,737
Government Contribution – Runways, etc.	4,530,897	4,530,978
Government Contribution – National Weather Centre	<u>384,504</u>	<u>384,504</u>
	<u>11,592,021</u>	<u>11,385,219</u>

Expenses	<u>2009</u>	<u>2008</u>
Fire Services	4,530,970	4,530,970
Civil Aviation Authority	<u>1,000,000</u>	<u>1,000,000</u>
	<u>5,530,970</u>	<u>5,530,970</u>

Key Management

For the year ended June 30, 2009, the Authority had 9 key management personnel positions (2008: 7). Total compensation to key management personnel for the year amounted to \$770,655 (2008: \$681,484) 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 2008-9 and 2007-8. 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.

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2009
(in Cayman Islands dollars)

8. Employee Pensions (continued)

The Plans are funded at the following rates:	<u>2009</u>	<u>2008</u>
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 June 30, 2009. 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>2009</u>	<u>2008</u>
Net Present Value of Funded Obligation, beginning of year	9,108	6,147
Fair Value of Plan Assets	2,741	2,650
Defined Benefit Liability	<u>(6,367)</u>	<u>(3,497)</u>
Unrecognised Actuarial Net Gains /(Losses)	2,276	(223)
Net Liability in Balance Sheet, end of year	<u>(4,091)</u>	<u>(3,720)</u>

Reconciliation of Defined Benefit Asset/ (Liability)	<u>2009</u>	<u>2008</u>
Defined Benefit Obligation at beginning of year	(3,720)	(3,366)
Net Pension (Expense)/Income for Fiscal Year	(502)	(532)
Adjustment to prior year's employers contribution	(44)	-
Employer Contributions	175	178
Defined Benefit Asset/(Liability)	<u>(4,091)</u>	<u>(3,720)</u>

Pension Expense for fiscal year ending:	<u>2009</u>	<u>2008</u>
Company Service Cost	284	342
Interest Cost	414	378
Expected Return on Assets (net)	(196)	(188)
Recognition of Net (Gain)/Loss	-	-
Total Pension Expense	<u>502</u>	<u>532</u>

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2009
(in Cayman Islands dollars)

8. Employee Pensions (continued)

Change in Defined Benefit Obligation over year ending:	<u>2009</u>	<u>2008</u>
Defined Benefit Obligation at beginning of year	6,147	6,052
Company Service Cost	284	342
Interest Cost	414	378
Plan Participant Contributions	150	166
Net Actuarial (Gain)/Loss	2,113	(791)
Transfers Between Other Participating Entities		-
Defined Benefit Obligation at End of Year	<u>9,108</u>	<u>6,147</u>

Change in Plan Assets over year ending	<u>2009</u>	<u>2008</u>
Fair Value of Plan Assets at End of Prior Year	2,650	2,578
Employer Contributions	175	178
Plan Participant Contributions	150	166
Expected Return on Assets (net)	196	188
Asset Gain/(Loss)	(439)	(460)
Other	9	-
Fair Value of Plan Assets at End of Year	<u>2,741</u>	<u>2,650</u>

Change in Unrecognized Net Actuarial Loss/(Gain)	<u>2009</u>	<u>2008</u>
Unrecognized Net Actuarial Loss/(Gain)- beginning of year	(223)	108
Liability Loss/(Gain)	2,113	(791)
Asset Loss/(Gain)	430	460
Other	(44)	-
Unrecognized Net Actuarial Loss/Gain	<u>2,276</u>	<u>(223)</u>

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

	<u>2009</u>	<u>2008</u>
	%	%
Equity Investment	44.00	46.00
Bonds Investment	49.00	43.00
Property	3.00	5.00
Cash/Other	4.00	6.00

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2009
(in Cayman Islands dollars)

8. Employee Pensions (continued)

The principal Actuarial Assumptions used to Determine Benefit Obligations at June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</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, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
	%	%
Discount Rate	6.75	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

9. Weather Radar Fund

On March 30, 2009, the Cayman Islands Airports Authority, on behalf of the Cayman Islands Government, entered into a contract with the Delegation of the European Community for a grant of EURO \$4.1 million to construct a Doppler Digital Weather Radar Project. At June 19, 2009 the CIAA received \$231, 328 as the first installment.

10. Loss of Revenue

In December 2008 and January 2009 the Authority lost \$19,559 due to theft. It is estimated that approximately \$91,000 may have been lost for the year

Subsequently, the financial controller endorses all daily lane reports and ensures that all withdrawals are lodged promptly.

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2009
(in Cayman Islands dollars)

11. Commitments

In the fiscal year ended June 30, 2007, 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, 2009, the authority is committed to \$396,504. See Note 15 (subsequent event).

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.

12. Financial Instruments (Continued)

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.

13. 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, 2009
(in Cayman Islands dollars)

14. Transfers to the Cayman Islands Government

Section 20 (3) of the *Airports Authority Law (2005 Revision)* 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, 2009, there were no consultations and the net income for the year was retained by the Authority.

15. Subsequent Events

a) Cayman Islands Government Capital drawdown

On October 10, 2009, Pursuant to section 20 (3) of the *Airports Authority Law (2005 Revision)*, the Cayman Islands Government made a capital withdrawal from the CIAA in the amount of \$7 million dollars.

b) Termination of contract

On November 3, 2009, the CIAA terminated a contract with its architecture and engineering consultants. On September 17, 2010, a Deed of Agreement was signed which included a compensation of \$485,624.