



**Cayman Islands Airports Authority**

**Financial Statements**

**Year Ended 30 June 2010**

**Cayman Islands Airports Authority  
Financial Statements  
Year Ended 30 June 2010**

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**Cayman Islands Airports Authority**  
**STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS**  
**30 June 2010**

These financial statements have been prepared by the Cayman Islands Airports Authority in accordance with the provisions of the *Public Management and Finance Law (2010 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 (2010 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 2010.

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

- (a) Except for the effects of the defined pension liability, completely and reliably reflect the financial transactions of Cayman Islands Airports Authority for the year ended 30 June 2010;
- (b) Except for the effects of the defined pension liability, fairly reflect the financial position as at 30th June 2010 and performance for the year ended 30th June 2010;
- (c) Except for the effects of the defined pension liability, 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.

  
\_\_\_\_\_  
Andrew N. Johnson  
*Deputy Chairman (Board of Directors)*

Date: 12 Oct 2011

  
\_\_\_\_\_  
Jeremy Jackson  
*Chief Executive Officer*

Date: 12 Oct 2011

  
\_\_\_\_\_  
Shelley Ware  
*Financial Controller*

Date: 12 Oct 2011



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Grand Cayman, Cayman Islands

## **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 statement of financial position as at 30 June 2010, the statement of comprehensive income, 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 18, 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 (2010 Revision)*.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls 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 controls 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 we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Basis for Qualified Opinion**

As disclosed in Note 8 of the financial statements, pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund. The Authority, however, is not able to quantify the liability as at 30 June 2010 as an actuarial valuation has not been completed for this date. As a result, I was unable to determine if the amount of \$4,091,000 that the Authority has established as a past service pension liability in these financial statements is fairly stated.

**Opinion**

In my opinion, except for the possible effects of the adjustments necessary for recording the past service pension liability, these financial statements present fairly, in all material respects, the financial position of the Cayman Islands Airports Authority as at 30 June 2010, and the results of its financial performance for the year then ended in accordance with International Financial Reporting Standard.



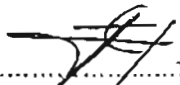
Alastair Swarbrick, MA (Hons), CPFA  
Auditor General

Cayman Islands  
12 October 2011

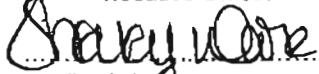
**Cayman Islands Airports Authority**  
**Statement of Financial Position**  
**As at June 30, 2010**  
**(in Cayman Islands dollars)**

	<u>Note</u>	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	3	6,262,751	13,944,499
Term Deposits	3b	2,023,023	2,010,205
Accounts receivable	4	14,910,367	9,193,931
Other receivables and prepaid expenses		<u>1,852,424</u>	<u>2,454,274</u>
		<u>25,048,565</u>	<u>27,602,909</u>
Non current assets			
Property, plant and equipment	5	<u>33,683,836</u>	<u>34,404,764</u>
<b>TOTAL ASSETS</b>		<u><b>58,732,401</b></u>	<u><b>62,007,673</b></u>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Current portion of long-term debt	6	2,929,425	2,672,729
Accounts payable and accrued expenses	7	2,578,343	4,076,107
Weather Radar Fund	9	<u>237,312</u>	<u>324,669</u>
		<u>5,745,080</u>	<u>7,073,505</u>
Non current liabilities			
Long-term debt	6	817,962	1,592,789
Employee pensions	8	<u>4,091,000</u>	<u>4,091,000</u>
		<u>4,908,962</u>	<u>5,683,789</u>
<b>TOTAL LIABILITIES</b>		<u>10,654,042</u>	<u>12,757,294</u>
Equity			
Contributed capital		32,285,399	32,285,399
Retained earnings		<u>15,792,960</u>	<u>16,964,980</u>
		<u>48,078,359</u>	<u>49,250,379</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>58,732,401</b></u>	<u><b>62,007,673</b></u>

Approved

  
 .....  
 Jeremy Jackson  
 Chief Executive Officer

Date: 12 Oct 2011

  
 .....  
 Shelley Ware  
 Financial Controller

Date: 12 Oct 2011

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

**Cayman Islands Airports Authority**  
**Statement of Comprehensive Income**  
**for the year ended June 30, 2010**  
**(in Cayman Islands dollars)**

	Note	<u>2010</u>	<u>2009</u>
<b>INCOME</b>			
Travel tax		6,249,014	6,303,601
Passenger Facility Charges		5,563,897	2,399,865
Security tax and terminal facility charges		4,073,944	4,329,113
Aircraft handling income		2,997,375	3,445,993
Rent - government		1,395,176	1,394,088
Rent - commercial		1,047,425	1,071,853
Government subsidy	7	1,322,998	4,915,401
Permits and parking	10	699,973	612,304
Petrol concession		588,466	696,607
Sundry		60,302	48,958
Interest		23,073	97,696
Foreign exchange gains		73,759	107,734
		<u>24,095,202</u>	<u>25,423,213</u>
<b>TOTAL INCOME</b>			
<b>EXPENSES</b>			
Salaries and wages		6,669,804	6,053,732
Depreciation	5	3,167,434	3,103,499
Repairs and maintenance		1,352,891	1,685,135
Utilities		1,290,597	1,397,813
CAA certification		1,000,000	1,000,000
Property & liability insurance		901,044	851,259
Fire services	7	755,162	4,530,970
Passenger screening		723,537	644,829
Pension contributions	8	674,345	627,463
Medical		629,545	564,599
Legal and professional fees		351,032	576,958
Bad debts expense		190,869	282,998
Travel and subsistence		152,230	156,310
Miscellaneous		138,544	115,902
Training		107,100	161,104
Printing and stationery		64,988	94,993
Security		53,433	67,736
Uniforms		22,716	24,675
Loan interest		21,951	151,142
Past service pension expense	8	-	371,000
Meteorological regional contribution		-	66,770
Loss on disposal of property, plant and equipment		-	-
Foreign exchange losses		-	-
		<u>18,267,222</u>	<u>22,528,887</u>
<b>TOTAL EXPENSES</b>			
<b>NET INCOME</b>		<u><u>5,827,980</u></u>	<u><u>2,894,326</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, 2010**  
**(in Cayman Islands dollars)**

	<b>Contributed Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance at July 1, 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
Net Income for 2010	-	5,827,980	5,827,980
Dividend		(7,000,000)	(7,000,000)
<b>Balance at June 30, 2010</b>	<b>32,285,399</b>	<b>15,792,960</b>	<b>48,078,359</b>

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, 2010**  
**(in Cayman Islands dollars)**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for year	5,827,980	2,894,328
Items not affecting working capital:		
Unrealized (Gain)/loss on foreign currency transaction		(107,734)
Provision for bad debt	190,869	282,998
Loss on disposal of fixed assets		-
Depreciation	<u>3,167,435</u>	<u>3,103,499</u>
	9,186,283	6,173,089
Net changes in working capital balances		
(Increase) in accounts receivable	(5,907,306)	(311,265)
(Increase)/decrease in other receivables and prepaid expenses	601,850	(125,699)
Weather Radar Fund	(87,357)	324,669
(Decrease)/Increase in accounts payable and accrued expenses	(1,497,764)	583,435
Increase in employee pensions liability	<u>-</u>	<u>371,000</u>
<b>Net cash provided by operating activities</b>	<b><u>2,295,707</u></b>	<b><u>7,015,229</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITY</b>		
Investment	(12,818)	(2,010,205)
Purchase of fixed assets	<u>(2,446,506)</u>	<u>(1,952,649)</u>
<b>Net cash used in investing activities</b>	<b><u>(2,459,324)</u></b>	<b><u>(3,962,854)</u></b>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Loans paid by government	407,168	551,263
Dividend	(7,000,000)	-
Repayment of loans (Note 6)	<u>(925,299)</u>	<u>(909,923)</u>
<b>Net cash used in financing activities</b>	<b><u>(7,518,131)</u></b>	<b><u>(358,660)</u></b>
Net (decrease)/increase in cash equivalent during the year	(7,681,748)	2,693,715
Cash and cash equivalents at beginning of year	<u>13,944,499</u>	<u>11,250,784</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>6,262,751</u></b>	<b><u>13,944,499</u></b>
<b>Supplimentary Information on Cash Flows From Operations</b>		
Interest received during the year	23,073	97,696
Interest paid during the year	21,951	151,141

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, 2010**  
**(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 154 employees as of June 30, 2010 (2009: 146 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, 2010**  
**(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, 2010**  
**(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, 2010 comprised:**

	<u>2010</u>	<u>2009</u>
Cash on hand	15,388	15,288
Current and call accounts	1,861,542	2,728,350
Fixed deposit accounts	<u>4,385,821</u>	<u>11,200,861</u>
Total cash and cash equivalents	<u>\$6,262,751</u>	<u>\$13,944,499</u>

**b. Term Deposits**

Term Deposits represents amount placed with Royal Bank of Canada (RBC) at an annual rate of .25% interest for a period of 182days from June 29<sup>th</sup>, 2010.

**4. Accounts Receivable**

Accounts receivable is stated net of allowance for credit losses.

	<u>2010</u>	<u>2009</u>
Trade Receivables	15,384,234	9,476,929
Allowance for credit losses	<u>473,867</u>	<u>282,998</u>
Balance	<u>14,910,367</u>	<u>9,193,931</u>

Amount written off as bad debt for the year was Nil. (2009: Nil)

**Cayman Islands Airports Authority**  
**Notes to Financial Statements**  
**June 30, 2010**  
**(in Cayman Islands dollars)**

**5. Fixed Assets**

	<u>Cost</u>		<u>Cost</u>	<u>Acc Depm</u>	<u>Current</u>	<u>Acc. Depm</u>	<u>NBV</u>	<u>NBV</u>
	<u>30-Jun-09</u>	<u>Addition</u>	<u>30-Jun-10</u>	<u>30-Jun-09</u>	<u>Year Charge</u>	<u>30, June 2010</u>	<u>Jun-10</u>	<u>Jun-09</u>
Computer Equipment	248,867	69,551	318,418	(164,788)	(46,228)	(211,016)	107,402	84,079
Furniture & Fixtures	802,057	36,938	838,995	(399,192)	(153,309)	(552,501)	286,494	402,865
Vehicles	589,393	134,357	723,750	(267,533)	(63,882)	(331,415)	382,335	321,860
Equipment	4,489,401	258,130	4,747,531	(2,707,847)	(642,859)	(3,350,706)	1,396,825	1,781,554
Building and Structures	28,171,544	305,055	28,476,599	(9,257,667)	(2,261,156)	(11,518,823)	16,957,776	18,913,877
Land	8,963,900		8,963,900	-	-	-	8,963,900	8,963,900
Construction in progress	3,936,629	1,642,475	5,579,104	-	-	-	5,579,104	3,936,620
	<u>47,201,791</u>	<u>2,448,508</u>	<u>49,648,297</u>	<u>(12,797,027)</u>	<u>(3,167,434)</u>	<u>(15,964,461)</u>	<u>33,683,836</u>	<u>34,404,784</u>

**6. Short and Long Term Debt Payable**

	<u>2010</u>	<u>2009</u>
Cayman Islands Government Loan	2,156,342	1,749,728
External Loans		
Caribbean Development Bank		
#6/OR - CI	655,972	983,958
European Community Loan		
1981 Loan	119,330	149,904
1987 Loan	406,818	489,635
Cayman National Bank	<u>408,925</u>	<u>892,293</u>
Total loans payable	3,747,387	4,265,518
Less: portion due with one year	<u>2,929,425</u>	<u>2,672,729</u>
Long term loans payable	<u>817,962</u>	<u>1,592,789</u>

**Cayman Islands Airports Authority**  
**Notes to Financial Statements**  
**June 30, 2010**  
**(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 \$407,168 (2009: \$551,263).

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**

#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 4.8%.

**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 statement of financial position, statement of comprehensive 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:

<b>Balance Sheet</b>	<u>2010</u>	<u>2009</u>
	\$	\$
<b>Accounts receivable</b>		
Cayman Airways/Cayman Express	13,940,849	6,293,897
Other Government Departments	<u>146,231</u>	<u>911,647</u>
	<u>14,087,080</u>	<u>7,205,544</u>

**Cayman Islands Airports Authority**  
**Notes to Financial Statements**  
**June 30, 2010**  
**(in Cayman Islands dollars)**

**7. Related Party Transactions (Continued)**

<b>Accounts Payable</b>	<u>2010</u> \$	<u>2009</u> \$
Risk Management Unit	-	922,245
Fire Service	-	945,417
Civil Aviation Authority	250,000	250,000
Other Departments	<u>228,859</u>	<u>132,809</u>
	<u>478,859</u>	<u>2,250,471</u>

**Statement of income and expenditure**

<b>Income</b>	<u>2010</u>	<u>2009</u>
Cayman Airways/Cayman Express	7,680,131	6,676,620
Government Contribution – Runways, etc.	1,322,298	4,530,897
Government Contribution – National Weather Centre		<u>384,504</u>
	<u>9,002,429</u>	<u>11,592,021</u>

<b>Expenses</b>	<u>2010</u>	<u>2009</u>
Fire Services	755,162	4,530,970
Civil Aviation Authority	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,755,162</u>	<u>5,530,970</u>

**Key Management**

For the year ended June 30, 2010, the Authority had 20 key management personnel positions (2009: 18). Total compensation to key management personnel for the year amounted to \$882,097 (2009: \$781,605) representing salary, pension and other employee benefits.

The current Chairman of the Board has a principal interest in an entity that conducts business as a ground handling agency at Owen Roberts International Airport. The entity was billed, by CIAA, a total of \$64,811.75 for rental space and miscellaneous ID and parking fees for the period July 01, 2009 – June 30, 2010. At June 30, 2010 the entity's outstanding balance with the CIAA was \$70,804.

A Director of the Board has a principal interest in an entity that conducts business at Owen Roberts International Airport as a security screening company. The entity billed the CIAA \$723,362 for services rendered between July 1, 2009 – June 30, 2010. The outstanding balance due to the entity at June 30, 2010 was \$48,243.

**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, 2010**  
**(in Cayman Islands dollars)**

The latest actuarial valuation (of the defined benefit plan) recorded in the accounts of the CIAA at June 2009 reflects the following

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>



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**8. Employee Pensions (continued)**

<b>Change in Defined Benefit Obligation over year ending:</b>	<u><b>2009</b></u>	<u><b>2008</b></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	-	-
<b>Defined Benefit Obligation at End of Year</b>	<u><b>9,108</b></u>	<u><b>6,147</b></u>

<b>Change in Plan Assets over year ending</b>	<u><b>2009</b></u>	<u><b>2008</b></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	-
<b>Fair Value of Plan Assets at End of Year</b>	<u><b>2,741</b></u>	<u><b>2,650</b></u>

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

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

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

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**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. On June 19, 2009 the CIAA received \$231,328 as the first installment. As at June 30, 2010, there were no further transactions in relation to the project.

**10. Loss of Revenue**

Between January and March 2010 the Authority lost \$21,379.00 due to theft from parking revenue. It is estimated that this is the approximate loss spanning the reporting period.

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

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**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, 2010, the authority is committed to \$882,128.38.

**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. 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. A payment into court was made in the amount of US\$20,000 but was rejected by the plaintiff hence a trial date has been set for October 2011. This type of claim is however covered under the Authority's insurance policy.

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**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, 2010, the CIDB board approved a dividend payment of \$7,000,000 which was paid over on October 10, 2009.