

Cayman Islands Airports Authority
Financial Statements
Year Ended 30 June 2012

**Cayman Islands Airports Authority
Financial Statements
Year Ended 30 June 2012**

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STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
30 June 2012

These financial statements have been prepared by the Cayman Islands Airports Authority in accordance with the provisions of the *Public Management and Finance Law (2012 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 (2012 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. However, we were not a part of the Cayman Islands Airport Authority during the fiscal year and as such we are not responsible for and therefore could not ensure appropriate internal controls were established and maintained throughout the fiscal year and therefore make no representations over the internal controls for the financial year ended 30th June 2012.

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 2012.

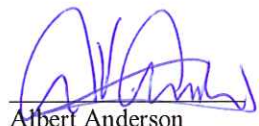
To the best of our knowledge we represent that these financial statements:

- (a) Completely and reliably reflect the financial transactions of Cayman Islands Airports Authority for the year ended 30 June 2012;
- (b) Fairly reflect the financial position as at 30th June 2012 and performance for the year ended 30th June 2012;
- (c) Comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

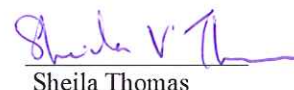
The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.


Kirkland Nixon
Chairman (Board of Directors)

Date: 29/9/14


Albert Anderson
Chief Executive Officer

Date: 29/9/14


Sheila Thomas
Chief Financial Officer

Date: 29/9/14



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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 the statement of financial position as at 30 June 2012 and the statements of comprehensive income, statement of changes in reserves and contributed capital and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on Pages 4 to 17, in accordance with the provisions of Section 26 (1) of the *Airports Authority Law, 2005* and Section 60 (1) (a) of the *Public Management and Finance Law (2012 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 Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor General's Responsibility and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 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 I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

Related Party Transactions

International Accounting Standards (IAS) 24 requires the identification of transactions with related parties and disclosure of related party transactions and outstanding balance in the financial statements. This is to ensure that the entity's financial statements contain the disclosure necessary to draw attention to the possibility that its financial position and financial performance may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. I was unable to determine the entity's compliance with this standard due to the absence of related party representations by senior managers and those charged with governance.

Qualified Opinion

In my opinion, except for the possible effects of the adjustments necessary in relation to the related parties disclosure, these financial statements present fairly, in all material respects, the financial position of the Cayman Islands Airports Authority as at 30 June 2012, and the results of its financial performance for the year then ended in accordance with International Financial Reporting Standard.

Emphasis of Matter

I draw attention to Note 9 of the financial statements which states that Cayman Airways indebtedness stands at \$13.8M at June 30th 2012 (2011 - \$12.8M) of this amount \$11.3M is over 90 days past due.

My opinion is not modified in respect of the matter emphasized.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
September 29th 2014

Cayman Islands Airports Authority
Statement of Financial Position for the
Year Ended June 30, 2012.
(In Cayman Islands dollars)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Current assets			
Cash and cash equivalents	5	13,267,091	11,753,076
Term Deposits	5b	2,033,171	2,028,084
Accounts receivable	6	14,846,507	13,572,980
Other receivables and prepaid expenses		<u>2,447,245</u>	<u>2,423,612</u>
		<u>32,594,014</u>	<u>29,777,752</u>
Non current assets			
Property, plant and equipment	7	<u>36,293,720</u>	<u>35,066,422</u>
TOTAL ASSETS		<u>68,887,734</u>	<u>64,844,174</u>
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	8	2,966,713	2,923,718
Accounts payable and accrued expenses	9	1,544,620	2,559,953
Weather Radar Fund	11	<u>20,487</u>	<u>120,108</u>
		<u>4,531,820</u>	<u>5,603,779</u>
Non current liabilities			
Long-term debt	8	436,281	541,589
Employee pensions	10	<u>5,867,000</u>	<u>4,706,000</u>
		<u>6,303,281</u>	<u>5,247,589</u>
TOTAL LIABILITIES		<u>10,835,101</u>	<u>10,851,368</u>
Equity			
Contributed capital		32,285,399	32,285,399
Retained earnings		<u>25,767,234</u>	<u>21,707,407</u>
		<u>58,052,633</u>	<u>53,992,806</u>
TOTAL LIABILITIES AND EQUITY		<u>68,887,734</u>	<u>64,844,174</u>

Approved


.....
Albert Anderson
Chief Executive Officer
Date: 29/9/14


.....
Sheila Thomas
Chief Financial Officer
Date: 29/9/14

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, 2012
(in Cayman Islands dollars)

	Note	<u>2012</u>	<u>2011</u>
INCOME			
Travel tax		6,624,470	6,485,028
Passenger Facility Charges		6,005,532	5,784,326
Security tax and terminal facility charges		4,341,425	4,189,119
Aircraft handling income		3,073,443	3,036,018
Rent - government		1,352,674	1,358,967
Rent - commercial		1,105,893	1,001,174
Permits and parking		690,575	708,043
Petrol concession		622,675	643,626
Sundry		218,081	519,768
Foreign exchange gains		73,103	-
Interest		15,834	12,201
Gain on disposal of property, plant and equipment		<u>1,600</u>	<u>-</u>
TOTAL INCOME		<u>24,125,305</u>	<u>23,738,270</u>
EXPENSES			
Salaries, wages and related costs		7,130,569	6,451,681
Depreciation	7	3,178,928	3,049,457
Utilities		1,637,766	1,443,200
Repairs and maintenance		1,560,064	1,490,835
Past service pension expense	10	1,161,000	615,000
CAA certification		1,000,000	1,000,000
Medical		781,817	658,764
Property & liability insurance		712,036	810,273
Passenger screening		689,068	662,970
Pension contributions	10	672,780	623,715
Impairment expense		481,950	-
Legal and professional fees		300,349	265,793
Training		267,528	213,566
Miscellaneous		160,756	102,641
Travel and subsistence		144,386	111,330
Printing and stationery		88,200	77,180
Uniforms		59,171	52,897
Security		30,536	54,264
Loan interest		8,574	24,171
Foreign exchange losses		-	106,086
Meteorological regional contribution		<u>-</u>	<u>10,000</u>
TOTAL EXPENSES		<u>20,065,478</u>	<u>17,823,823</u>
NET INCOME		<u><u>4,059,827</u></u>	<u><u>5,914,447</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, 2012
(in Cayman Islands dollars)

	Contributed Capital	Retained Earnings	Total
Balance at July 1, 2010	32,285,399	15,792,960	48,078,359
Net Income for 2011		5,914,447	5,914,447
Balance at June 30, 2011	32,285,399	21,707,407	53,992,806
Net Income for 2012	-	4,059,827	4,059,827
Balance at June 30, 2012	32,285,399	25,767,234	58,052,633

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, 2012.
(In Cayman Islands dollars)

	<u>2012</u>	<u>2011</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for year	4,059,827	5,914,447
Items not affecting working capital:		
Provision for Impairment Losses/(Gains)	481,950	-
Depreciation	<u>3,178,928</u>	<u>3,049,457</u>
	7,720,705	8,963,904
Net changes in working capital balances		
(Increase) in accounts receivable	(1,755,478)	1,337,386
(Increase)/decrease in other receivables and prepaid expenses	(23,633)	(571,188)
Weather Radar Fund	(99,621)	(117,204)
(Decrease)/Increase in accounts payable and accrued expenses	(1,015,333)	(18,390)
Increase in employee pensions liability	<u>1,161,000</u>	<u>615,000</u>
Net cash provided by operating activities	<u>5,987,640</u>	<u>10,209,508</u>
CASH FLOW FROM INVESTING ACTIVITY		
Investment	(5,087)	(5,060)
Purchase of fixed assets	<u>(4,406,225)</u>	<u>(4,432,043)</u>
Net cash used in investing activities	<u>(4,411,312)</u>	<u>(4,437,103)</u>
CASH FLOW FROM FINANCING ACTIVITY		
Loans paid by government	265,835	507,216
Repayment of loans (Note 6)	<u>(328,148)</u>	<u>(789,296)</u>
Net cash used in financing activities	<u>(62,313)</u>	<u>(282,080)</u>
Net (decrease)/increase in cash equivalent during the year	1,514,015	5,490,325
Cash and cash equivalents at beginning of year	<u>11,753,076</u>	<u>6,262,751</u>
Cash and cash equivalents at end of year	<u>13,267,091</u>	<u>11,753,076</u>
Supplimentary Information on Cash Flows From Operations		
Interest received during the year	15,807	15,834
Interest paid during the year	5,412	8,574

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, 2012.
(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 170 employees as of June 30, 2012 (2011: 151 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, 2012.
(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) 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.

h) 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, 2012.
(In Cayman Islands dollars)

2 Significant Accounting Policies (continued)

(iii) De-recognition

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

(iv) Measurement

Financial instruments are measured initially at cost, which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are 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. Financial Risk Management

a) Credit risk

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

Financial assets that potentially subject the Authority to credit risk consist principally of, 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.

b) Interest rate price risk

The Authority has loans with Government. Details of rates and maturities are presented in Note 7.

c) Liquidity Risk

The Authority has loans with Government. Details of rates and maturities are presented in Note 7.

CIAA is subject to minimal liquidity risk. Liquidity risk is the risk that CIAA will not be able to meet its financial obligations as they fall due. CIAA's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and restricted investments. To minimize these risks, CIAA has invested in liquid fixed deposits and cash equivalents that if necessary can be sold to generate cash flow. Additionally, long-term investments have been laddered in manner that will allow for sufficient liquidity in subsequent periods, to meet long-term obligations as they become due.

d) Fair values

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

Cayman Islands Airports Authority
Notes to Financial Statements, June 30, 2012.
(In Cayman Islands dollars)

determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

4. Changes in Accounting Standards - IFRS

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

- a) IAS 19 - Employee Benefits (Amendment) (effective for periods beginning on or after January 1, 2013) - The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Authority is currently assessing the full impact of the amendments.
- b) IFRS 9 – Financial instruments (effective for periods beginning January 1, 2013) – addresses classification and measurement of financial instruments and replaces portions of IAS 39. Financial instruments can only be measured at amortized cost or fair value. Equity securities can only be recorded at fair value. An entity can record unrealized and realized gains or losses in other comprehensive income on an instrument by instrument basis and the election to do so is at initial recognition and this election is irrevocable. Dividend income on these equity securities can be recorded in profit and loss. Debt securities can only be recorded at amortized cost if the objective is to hold financial assets for the collection of contractual cash flows and the contractual cash flows represent solely payments of principal and interest, otherwise debt securities must be carried at fair value.
- c) An entity can still designate a financial instrument at fair value through profit and loss – however, this is an irrevocable election and the entity has to be consistent with this basis from year to year. The Authority currently does not have any equity or debt securities; however, an assessment will have to be made prior to the issuance of the standard in 2013, where applicable.

5. Cash and Cash Equivalents and Term Deposits

- a. Cash and cash equivalent at June 30, 2012 comprised:

	<u>2012</u>	<u>2011</u>
Cash on hand	15,360	15,360
Current and call accounts	4,329,083	4,346,035
Fixed deposit accounts	8,922,648	7,391,681
Total cash and cash equivalents	<u>\$13,267,091</u>	<u>\$11,753,076</u>

- b. Term Deposits

Term Deposits represents amount placed with Royal Bank of Canada (RBC) at an annual rate of 0.25% interest for a period of 185 days from June 29th, 2012.

Cayman Islands Airports Authority
Notes to Financial Statements, June 30, 2012.
(In Cayman Islands dollars)

6. Accounts Receivable

- a) Accounts receivable is stated net of allowance for credit losses.

	<u>2012</u>	<u>2011</u>
Period Outstanding	<u>Amount</u>	<u>Amount</u>
1 -30 days	1,353,829	952,805
31-60 days	828,258	116,153
61-90 days	881,552	9,205
91-180 days	991,691	53,673
180-360 days	116,882	135,526
361+ days	<u>11,156,245</u>	<u>12,305,618</u>
Amount Due	<u>15,328,457</u>	<u>13,572,980</u>

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

	<u>2012</u>	<u>2011</u>
Neither past due nor impaired	1,353,829	952,805
Past due but not impaired	2,818,383	12,620,175
Impaired	<u>11,156,245</u>	<u>-</u>
	<u>15,328,457</u>	<u>13,572,980</u>

- c) Account Receivable after allowance for impairment losses

	<u>2012</u>	<u>2011</u>
Accounts receivable	15,328,457	13,572,980
allowance for impairment losses	<u>(481,950)</u>	<u>-</u>
Carrying value	<u>14,846,507</u>	<u>13,572,980</u>

- d) Impairment losses on account receivables: Account receivable is classified as impaired if its book value exceeds the present value of the cash flows expected in future period. Provision for credit losses are made on all impaired loans.

Cayman Islands Airports Authority
Notes to Financial Statements, June 30, 2012.
(In Cayman Islands dollars)

6. Accounts Receivable (Continued)

e) Amount written off as bad debt for the year was Nil. (2011: Nil)

7. Fixed Assets

	<u>Cost</u> <u>June 2011</u>	<u>Addition</u>	<u>Cost</u> <u>June 2012</u>	<u>Acc. Deprn.</u> <u>June 2011</u>	<u>Charge</u> <u>for year</u>	<u>Acc. Deprn.</u> <u>June 2012</u>	<u>NBV</u> <u>June 2012</u>	<u>NBV</u> <u>June 2011</u>
Computer Equipment	544,188	360,487	904,675	280,792	112,046	392,838	511,837	263,396
Furniture & Fixtures	887,500	112,768	1,000,268	667,934	95,009	762,943	237,325	219,566
Vehicles	798,896	17,602	816,498	403,056	79,169	482,225	334,273	395,840
Equipment	6,358,934	1,103,957	7,462,891	3,851,906	458,799	4,310,705	3,152,186	2,507,028
Buildings and Structures	30,897,996	2,643,693	33,541,689	13,810,764	2,433,905	16,244,669	17,297,020	17,087,232
Land	8,963,900	-	8,963,900	-	-	-	8,963,900	8,963,900
Construction in Progress	5,629,460	167,719	5,797,179	-	-	-	5,797,179	5,629,460
Total	<u>54,080,874</u>	<u>4,406,226</u>	<u>58,487,100</u>	<u>19,014,452</u>	<u>3,178,928</u>	<u>22,193,380</u>	<u>36,293,720</u>	<u>35,066,422</u>

8. Short and Long Term Debt Payable

	<u>2012</u>	<u>2011</u>
Cayman Islands Government Loan	2,929,392	2,663,557
External Loans		
Caribbean Development Bank		
#6/OR - CI	-	218,671
European Community Loan		
1981 Loan	98,472	127,133
1987 Loan	<u>375,130</u>	<u>455,946</u>
Total	<u>3,402,994</u>	<u>3,465,307</u>
Short Term Portion	<u>2,966,713</u>	<u>2,923,718</u>
Long Term Portion	<u>436,281</u>	<u>541,589</u>

Cayman Islands Airports Authority
Notes to Financial Statements, June 30, 2012.
(In Cayman Islands dollars)

8. 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 \$265,835 (2011: \$510,215).

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 1991. Interest accrues on the loan at a variable interest rate of 4.09%. This loan was paid in full by the Cayman Islands Government on behalf of the Authority in 2011.

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.

9. 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:

	<u>2012</u>	<u>2011</u>
	\$	\$
Balance Sheet		
Accounts receivable		
Cayman Airways/Cayman Express	13,827,816	12,848,665
Other Government Departments	<u>152,873</u>	<u>204,558</u>
	<u>13,980,689</u>	<u>13,053,223</u>
	<u>2012</u>	<u>2011</u>
	\$	\$
Accounts Payable		
Cayman Airways	315,312	239,685
Risk Management	-	728,769
Civil Aviation Authority	250,000	250,000
Other Departments	<u>31,025</u>	<u>26,780</u>
	<u>596,337</u>	<u>1,245,234</u>

Cayman Islands Airports Authority
Notes to Financial Statements, June 30, 2012.
(In Cayman Islands dollars)

9. Related Party Transactions (Continued)

Statement of income and expenditure

Income	<u>2012</u>	<u>2011</u>
Cayman Airways/Cayman Express	7,962,896	7,669,242
Expenses	<u>2012</u>	<u>2011</u>
Civil Aviation Authority	<u>1,000,000</u>	<u>1,000,000</u>

Key Management

For the year ended June 30, 2012, the Authority had 18 key management personnel positions (2011: 18). Total compensation to key management personnel for the year amounted to \$1,070,579 (2011: \$915,996) 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 \$69,595 for rental space and miscellaneous ID and parking fees for the period July 01, 2011 – June 30, 2012. At June 30, 2012 the entity's outstanding balance with the CIAA was \$10,828. (2011: \$34,402)

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 \$688,195 for services rendered between July 1, 2011 – June 30, 2012. The outstanding balance due to the entity at June 30, 2012 was \$62,363.

10. 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 2011-12 and 2010-11. This rate included a 1% for the cost of all of the benefits that are provided over and above those related to the participant's total account balance. Certain participants are reimbursed for their contributions.

The latest actuarial valuation (of the defined benefit plan) recorded in the accounts of the CIAA at June 2012 reflects the following

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10. Employee Pensions (continued)

	<u>2012</u>	<u>2011</u>
The Plans are funded at the following rates:		
Defined Contribution Plans - Employee	6%	6%
- Employer	7%	7%
Defined Benefit Plans - Employee	6%	6%
- Employer	7%	7%

The Actuary to the Pensions Board valued the Fund as at June 30, 2012. 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>2012</u>	<u>2011</u>
Net Present Value of Funded Obligation, beginning of year	11,029	9,762
Fair Value of Plan Assets	3,126	2,892
Defined Benefit Liability	<u>(7,903)</u>	<u>(6,870)</u>
Unrecognised Actuarial Net Gains /(Losses)	2,036	1,494
Net Liability in Balance Sheet, end of year	<u>(5,867)</u>	<u>(5,376)</u>

Reconciliation of Defined Benefit Asset/ (Liability)

	<u>2012</u>	<u>2011</u>
Defined Benefit Obligation at beginning of year	(5,376,)	(4,706)
Net Pension (Expense)/Income for Fiscal Year	(653)	(794)
Adjustment to prior year's employers contribution	-	-
Employer Contributions	162	124
Defined Benefit Asset/(Liability)	<u>(5,867)</u>	<u>(5,376)</u>

Pension Expense for fiscal year ending:

	<u>2012</u>	<u>2011</u>
Company Service Cost	283	329
Interest Cost	526	486
Expected Return on Assets (net)	(169)	(127)
Recognition of Net (Gain)/Loss	13	106
Total Pension Expense	<u>653</u>	<u>794</u>

Cayman Islands Airports Authority
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10. Employee Pensions (continued)

Change in Defined Benefit Obligation over year ending:	<u>2012</u>	<u>2011</u>
Defined Benefit Obligation at beginning of year	9,762	9,021
Company Service Cost	283	329
Interest Cost	526	486
Plan Participant Contributions	115	115
Net Actuarial (Gain)/Loss	540	(189)
Transfers Between Other Participating Entities	(197)	-
Defined Benefit Obligation at End of Year	<u>11,029</u>	<u>9,762</u>

Change in Plan Assets over year ending	<u>2012</u>	<u>2011</u>
Fair Value of Plan Assets at End of Prior Year	2,892	2,134
Employer Contributions	162	124
Plan Participant Contributions	115	115
Transfers Between Other Participating Entities	(197)	-
Expected Return on Assets (net)	169	127
Asset Gain/(Loss)	(15)	392
Other	-	-
Fair Value of Plan Assets at End of Year	<u>3,126</u>	<u>2,892</u>

Change in Unrecognized Net Actuarial Loss/(Gain)	<u>2012</u>	<u>2011</u>
Unrecognized Net Actuarial Loss/(Gain)- beginning of year	1,494	2,181
Amortized Credit/(cost)	(13)	(106)
Liability Loss/(Gain)	540	(189)
Asset Loss/(Gain)	15	(392)
Other	-	-
Unrecognized Net Actuarial Loss/Gain	<u>2,036</u>	<u>1,494</u>

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

	<u>2012</u>	<u>2011</u>
	%	%
Equity Investment	64	61
Bonds Investment	32	32
Property	3	3
Cash/Other	1	4

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10. Employee Pensions (continued)

The principal Actuarial Assumptions used to Determine Benefit Obligations at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
	%	%
Discount Rate	5.25	5.50
Expected Long-term Return on Plan Assets	7.00	6.00
Rate of Salary Increase	3.50	3.50
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, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
	%	%
Discount Rate	5.50	5.50
Expected long-term rate of return (net)	6.00	6.00
Expected long-term return on reimbursement rights	0.00	0.00
Rate of Salary increase	3.50	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

11. 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 September 19, 2011 the CIAA received €1,756,286 as the second installment. As at June 30, 2012, the balance held on behalf of the Weather Radar Project is €19,723.78 or CI\$ 20,487.97 (2011: €101,002.07 or CI\$ 120,108.03).

12. Subsequent Events

The former Financial Controller and Chief Executive Officer were dismissed on December 7th 2012 and February 28th 2013, respectively.