



Financial Statements

Year Ended 30 June 2015

**Cayman Islands Airports Authority
Financial Statements
Year Ended 30 June 2015**

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STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
30 June 2015

These financial statements have been prepared by the Cayman Islands Airports Authority (CIAA) in accordance with the provisions of the *Public Management and Finance Law (2013 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 (2013 Revision)*.

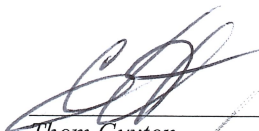
As signatories below, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Cayman Islands Airports Authority.

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 2015.

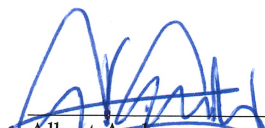
To the best of our knowledge we represent that these financial statements:

- (a) Completely and reliably reflect the financial transactions of Cayman Islands Airports Authority for the year ended 30 June 2015;
- (b) Fairly reflect the financial position as at 30 June 2015 and performance for the year ended 30 June 2015;
- (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 on Auditing.


Thom Guyton
Chairman (Board of Directors)

Date: 31 August 2018


Albert Anderson
Chief Executive Officer

Date: 31 August 2018


Sheila Thomas
Chief Financial Officer

Date: 31 August 2018

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 ("the Authority"), which comprise the statement of financial position as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 28 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2013 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 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's Responsibility

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 about whether the financial statements are free from material misstatement.

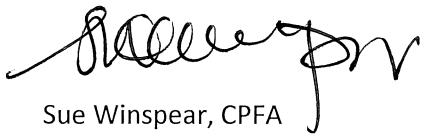
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

AUDITOR GENERAL'S REPORT (continued)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Cayman Islands Airports Authority as at 30 June 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Sue Winspear, CPFA
Auditor General

31 August 2018
Cayman Islands

Cayman Islands Airports Authority
Statement of Financial Position
As of 30 June 2015
(In Cayman Islands dollars)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Current assets			
Cash and cash equivalents	5	26,405,998	18,684,946
Term deposits	5(b)	2,047,227	2,042,118
Accounts receivable	6	23,209,013	20,661,394
Other receivables and prepaid expenses		2,948,652	3,229,281
		<u>54,610,890</u>	<u>44,617,739</u>
Non current assets			
Property, plant and equipment	7	30,188,434	29,651,253
TOTAL ASSETS		<u>84,799,324</u>	<u>74,268,992</u>
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	8	32,447	39,032
Accounts payable and accrued expenses	9	3,381,159	3,698,839
Weather radar fund	10	476,837	585,699
		<u>3,890,443</u>	<u>4,323,570</u>
Non current liabilities			
Long-term debt	8	288,373	385,711
Unfunded pension liability	11	11,062,000	11,045,000
Unfunded health care obligations	12	11,562,000	11,044,000
		<u>22,912,373</u>	<u>22,474,711</u>
TOTAL LIABILITIES		<u>26,802,816</u>	<u>26,798,281</u>
Equity			
Contributed capital		32,285,399	32,285,399
Retained earnings		15,185,312	13,496,131
Current year surplus		10,525,797	1,689,181
		<u>57,996,508</u>	<u>47,470,711</u>
TOTAL LIABILITIES AND EQUITY		<u>84,799,324</u>	<u>74,268,992</u>



Albert Anderson
Chief Executive Officer

Date: 31 August 2018



Sheila Thomas
Chief Financial Officer

Date: 31 August 2018

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

Cayman Islands Airports Authority
Statement of Comprehensive Income
For the year ended 30 June 2015
(In Cayman Islands dollars)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
INCOME			
Travel tax		11,713,064	8,141,320
Passenger facility charges		6,906,317	6,604,195
Security tax and terminal facility charges		4,661,412	4,499,324
Aircraft handling income		3,503,929	3,191,273
Petrol concession		862,724	745,090
Permits and parking		733,602	706,658
Rent - commercial		715,684	746,635
Advertising		311,331	306,179
Rent - government		235,736	1,455,677
Sundry		88,175	42,509
Interest		25,847	29,657
TOTAL INCOME		29,757,821	26,468,517
EXPENSES			
Salaries and wages		7,551,982	7,652,163
Depreciation	7	3,133,736	3,213,810
Repairs and maintenance		2,058,859	2,136,928
Utilities		1,390,339	1,546,148
Past service health care expense	12	1,113,000	901,000
Passenger screening		1,100,687	890,483
CAA certification		1,004,100	1,000,000
Medical		940,919	882,061
Past service pension expense	11	798,000	670,000
Pension contributions	11	639,515	656,411
Property and liability insurance		425,701	573,478
Legal and professional fees		367,936	756,681
Training		247,874	203,438
Travel and subsistence		83,013	122,368
Miscellaneous		78,324	154,962
Printing and stationery		74,398	114,518
Uniforms		31,686	63,517
Loan interest		3,501	5,216
Security		-	47,686
Foreign exchange gains		(117,306)	(5,468)
Recovery of bad debt expense		(318,240)	(64)
TOTAL EXPENSES		20,608,024	21,585,336
NET INCOME before:		9,149,797	4,883,181
OTHER COMPREHENSIVE INCOME/(LOSS)			
Remeasurement of employee pension benefit obligation	11	781,000	(1,534,000)
Remeasurement of employee health care benefit obligation	12	595,000	(1,660,000)
COMPREHENSIVE INCOME FOR THE YEAR		10,525,797	1,689,181

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

Cayman Islands Airports Authority
Statement of Changes in Equity
For the year ended 30 June 2015
(In Cayman Islands dollars)

	Contributed Capital \$	Retained Earnings \$	Total \$
Balance at 30 June 2013 (Restated)	32,285,399	13,450,001	45,735,400
Prior Period adjustment	-	46,130	46,130
Net Income for the period	-	4,883,181	4,883,181
Other Comprehensive Loss			
Remeasurement of employee pension benefit obligation	-	(1,534,000)	(1,534,000)
Remeasurement of employee health care benefit obligation	-	(1,660,000)	(1,660,000)
Balance at 30 June 2014	<u>32,285,399</u>	<u>15,185,312</u>	<u>47,470,711</u>
 Balance at 01 July 2014	 32,285,399	 15,185,312	 47,470,711
Net Income for the period	-	9,149,797	9,149,797
Other Comprehensive Income			
Remeasurement of employee pension benefit obligation	-	781,000	781,000
Remeasurement of employee health care benefit obligation	-	595,000	595,000
Balance at 30 June 2015	<u>32,285,399</u>	<u>25,711,109</u>	<u>57,996,508</u>

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

Cayman Islands Airports Authority
Statement of Cash Flows
For the year ended 30 June 2015
(In Cayman Islands dollars)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities			
Net income for year		9,149,797	4,883,181
Add items not affecting working capital:			
Prior year adjustment		-	46,132
Foreing exchange gain		(68,796)	-
Recovery of bad debt expense		(318,240)	(64)
Depreciation		3,133,736	3,213,810
Defined benefit expense		1,911,000	1,571,000
		<u>13,807,497</u>	<u>9,714,059</u>
Net changes in non-cash working capital balances			
Increase in Accounts receivable		(2,229,379)	(2,115,993)
(Decrease)/Increase in Other receivables and prepaid expenses		280,629	(738,133)
(Decrease)/Increase in Accounts payable and accrued expenses		(317,680)	782,342
Decrease in Weather Radar Fund		(108,862)	(179,550)
Net cash generated from operating activities		<u>11,432,205</u>	<u>7,462,725</u>
Cash Flows used in Investing Activities			
Investment in term deposit		(5,109)	(5,123)
Purchase of Property Plant and Equipment		(3,670,917)	(2,685,694)
Net cash used in investing activities		<u>(3,676,026)</u>	<u>(2,690,817)</u>
Cash Flows used in Financing Activities			
Repayment of loans	8	(35,127)	(24,786)
Net cash used in financing activities		<u>(35,127)</u>	<u>(24,786)</u>
Increase in Cash and Cash Equivalents During Year		7,721,052	4,747,122
Cash and Cash Equivalents at Beginning of Year		<u>18,684,946</u>	<u>13,937,824</u>
Cash and Cash Equivalents at End of Year	5	<u><u>26,405,998</u></u>	<u><u>18,684,946</u></u>
Supplementary information on Cash Flows from Operations			
Interest received during the year	5	25,847	29,612
Interest paid during the year	8	3,501	5,216

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

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2015
(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 298 Owen Roberts Drive, P.O. Box 10098 APO, KY1-1001, Grand Cayman, Cayman Islands. The Authority had 172 employees as of 30 June 2015 (2014: 178 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 (2) airports, one on Grand Cayman and the other on Cayman Brac. In addition, the Cayman Brac Office oversees an airfield on Little Cayman.

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 preparation

The financial statements of the Authority are prepared on the accrual basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The reporting currency is Cayman Islands Dollars and figures presented have been rounded to the nearest dollar.

The accounting policies are consistent with those used in the previous year.

b) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses.

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

Computer Equipment	3 years
Furniture and Fixtures	3-12 years
Motor Vehicles	5 years
Equipment	5-15 years
Building Improvements	10-30 years
Building, Runways, Aprons and Car Parks	40 years

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2015
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

(i) Additions

The cost of an item of property, plant, and equipment is recognized as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Work in progress is recognized at cost less impairment and is not depreciated.

(ii) Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Income.

c) Use of estimates and judgements

The preparation of financial statements, in conformity with IFRS, 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.

d) Cash and cash equivalents

Cash and cash equivalents include cash on demand and term deposits maturing within three (3) months from the date of acquisition.

e) 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.

f) 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 Statement of Comprehensive Income on a straight-line basis over the period of the lease.

g) 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, term deposits and accounts receivables. The classification of financial instruments at initial recognition depends on the purpose and managements intention when the asset was acquired.

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2015
(In Cayman Islands dollars)

2 Significant Accounting Policies (continued)

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, accounts payable and accrued expenses.

(ii) Recognition

The Authority recognises financial instruments in its Statement of Financial position 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 Comprehensive Income.

(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 carried at historical cost which is considered approximate to fair value due to short term or immediate nature of these instruments.

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.

h) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the reporting 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 Comprehensive Income.

i) Impairment

The carrying amount of the Authority's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset or its cash- generating unit exceeds its recoverable amount.

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2015
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

j) Allowance for bad debts

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

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, accounts receivable, 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. In addition, the Authority's single largest customer who accounts for 88% of its receivables, is an affiliate also 100% owned by the Cayman Islands Government. The remaining 20% of accounts receivable is spread over approximately 60 customers, none significant enough to become a credit risk. Accordingly, the Authority has no significant concentrations of credit risk.

b) Interest rate price risk

All loans are third party loans with the European Community and are held and denoted in Euros (€). Details of rates and maturities are presented in Note 8. The Authority is subject to interest rate risk on cash placed with local institutions which attracts interests etc.

c) Liquidity Risk

The Cayman Islands Airports Authority is subject to minimal liquidity risk. Liquidity risk is the risk that Authority will not be able to meet its financial obligations as they fall due. The Authority has loans two (2) with the European Community. Details of rates and maturities are presented in Note 8. These loans are managed through and guaranteed by the Cayman Islands Government and are subjected to minimal liquidity risk.

The Authority'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, the Authority 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 a manner that will allow for sufficient liquidity in subsequent periods, to meet long-term obligations as they become due.

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2015
(In Cayman Islands dollars)

3. Financial Risk Management (continued)

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 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.

(i) IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2017).

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model: 1. Identify the contract(s) with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognise revenue when (or as) the entity satisfies a performance obligation. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

(ii) IAS 1 Disclosure Initiative – Amendments to IAS 1 (Effective for annual periods beginning on or after 1 January 2016.)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: • The materiality requirements in IAS 1 • That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated • That entities have flexibility as

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2015
(In Cayman Islands dollars)

4. Changes in Accounting Standards - IFRS (continued)

to the order in which they present the notes to financial statements • That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

(iii) IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (Effective for annual periods beginning on or after 1 January 2016.)

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

(iv) IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities.

The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39, 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Authority is yet to assess IFRS 9's full impact.

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2015
(In Cayman Islands dollars)

4. Changes in Accounting Standards - IFRS (continued)

- (v) *IFRS 16, 'Leases' primarily affects the accounting by lessees and will result in the recognition of almost all leases on the Consolidated Statement of Financial Position.*

The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The Consolidated Statement of Comprehensive Income will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years and operating expense is replaced with interest and depreciation. The standard is effective for accounting periods beginning on or after 1 January 2019 and earlier application is permitted only if IFRS 15 is adopted at the same time. The Authority is assessing the impact of IFRS 16.

5. Cash and Cash Equivalents and Term Deposits

- a. Cash and cash equivalent comprised:

	<u>2015</u>	<u>2014</u>
	<u>Amount</u>	<u>Amount</u>
Cash on hand	15,422	15,226
Current and call accounts	13,919,718	6,207,568
Fixed deposit accounts	12,470,858	12,462,152
	<u>26,405,998</u>	<u>18,684,946</u>

Current and call accounts include amounts of \$368,962 (2014:\$453,201) being held as restricted EU grant funds in respect of the Digital Early Warning Station (Doppler Digital Weather Radar) Project.

- b. Term deposits

Term deposits represents amounts placed with Royal Bank of Canada (RBC) at an annual rate of 0.25% for a period of 184 days. Interest received on term deposits amounted to \$25,847 (2014: \$29,657).

6. Accounts Receivable

- a) Accounts receivable is stated at fair value (net of impairment).

	<u>2015</u>	<u>2014</u>
	<u>Amount</u>	<u>Amount</u>
Accounts receivable	23,501,816	21,272,435
Allowance for impairment losses	(292,803)	(611,041)
Carrying value	<u>23,209,013</u>	<u>20,661,394</u>

Cayman Islands Airports Authority
Notes to Financial Statements, 30 June 2015
(In Cayman Islands dollars)

6. Accounts Receivable (continued)

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

	<u>2015</u>	<u>2014</u>
	<u>Amount</u>	<u>Amount</u>
Neither past due nor impaired	4,921,442	2,580,975
Past due but not impaired	18,287,571	18,080,419
Impaired	292,803	611,041
	<u>23,501,816</u>	<u>21,272,435</u>

	<u>2015</u>	<u>2014</u>
Aging Schedule	<u>Amount</u>	<u>Amount</u>
1-30 days	2,431,087	1,582,933
31 - 60 days	1,732,163	818,480
61 - 90 days	758,191	179,562
91 - 180 days	824,043	818,085
181 -360 days	884,278	1,355,561
361+ days	16,872,054	16,517,814
	<u>23,501,816</u>	<u>21,272,435</u>

c) Amounts written off as bad debt for the year was \$NIL (2014:\$64).

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2015
(In Cayman Islands dollars)

7. Property, plant and equipment

	<u>Cost</u> <u>1 July 2014</u>	<u>Addition</u>	<u>Disposal</u>	<u>Cost</u> <u>June 2015</u>	<u>Acc. Deprn.</u> <u>1 July 2014</u>	<u>Charge</u> <u>for year</u>	<u>Acc. Deprn.</u> <u>June 2015</u>	<u>NBV</u> <u>June 2014</u>	<u>NBV</u> <u>June 2015</u>
Computer Equipment	1,031,588	161,397	-	1,192,985	683,140	114,064	797,204	348,448	395,781
Furniture & Fixtures	1,221,553	57,026	-	1,278,579	958,274	70,129	1,028,403	263,278	250,176
Vehicles	1,045,348	30,731	-	1,076,079	656,132	97,430	753,562	389,215	322,517
Equipment	8,484,076	536,721	(2,329)	9,018,468	5,386,841	589,257	5,976,098	3,097,235	3,042,370
Buildings and Structures	36,119,855	1,618,100	-	37,737,955	21,202,937	2,262,856	23,465,793	14,916,919	14,272,162
Land	9,017,750		-	9,017,750	-	-	-	9,017,750	9,017,750
Construction in Progress	1,618,408	1,269,270	-	2,887,678	-	-	-	1,618,408	2,887,678
Total	58,538,579	3,673,245	(2,329)	62,209,494	28,887,324	3,133,736	32,021,060	29,651,253	30,188,433

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2015
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7. Property, plant and equipment (continued)

	<u>Cost</u> <u>1 July 2013</u>	<u>Addition</u>	<u>Cost</u> <u>June 2014</u>	<u>Acc. Deprn.</u> <u>1 July 2013</u>	<u>Charge</u> <u>for year</u>	<u>Acc. Deprn.</u> <u>June 2014</u>	<u>NBV</u> <u>June 2013</u>	<u>NBV</u> <u>June 2014</u>
Computer Equipment	978,447	53,141	1,031,588	555,940	127,200	683,140	422,507	348,448
Furniture & Fixtures	1,211,016	10,537	1,221,553	871,535	86,739	958,274	339,481	263,279
Motor Vehicles	863,309	182,039	1,045,348	569,289	86,844	656,133	294,020	389,215
Equipment	7,625,085	858,991	8,484,076	4,859,152	527,689	5,386,842	2,765,933	3,097,235
Buildings and Structures	35,505,943	613,912	36,119,855	18,817,598	2,385,338	21,202,937	16,688,344	14,916,918
Land	8,963,900	53,850	9,017,750	-	-	-	8,963,900	9,017,750
Construction in Progress	705,185	913,223	1,618,408	-	-	-	705,185	-
Total	55,852,885	2,685,694	58,538,579	25,673,515	3,213,810	28,887,325	30,179,370	29,651,253

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2015
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8. Long term debt

	<u>2015</u>	<u>2014</u>
	<u>Amount</u>	<u>Amount</u>
European Community Loan		
1987 Loan – Cayman Brac Airport	53,017	77,228
1981 Loan – Cayman Brac Airport	267,803	347,515
Total debt due	<u>320,820</u>	<u>424,743</u>
Short term portion	32,447	39,032
Long term portion	<u>288,373</u>	<u>385,711</u>
	<u>320,820</u>	<u>424,743</u>
Interest paid during the year	3,501	5,216

European Community Loan

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

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

9. Accounts payable & accrued expenses

	<u>2015</u>	<u>2014</u>
	<u>Amount</u>	<u>Amount</u>
Trade creditors (a)	2,560,981	2,620,716
Accruals	581,527	752,412
Employee entitlements (b)	224,787	236,959
Other current liabilities (c)	13,434	88,197
Accrued Interest payable	430	555
	<u>3,381,160</u>	<u>3,698,839</u>

Trade creditors are stated at fair value with an aging profile as shown below. Trade creditors include all outstanding amounts owed to related parties (see related party disclosure note 14 below) of \$2,834,505. (2014:\$1,151,929).

Current Period	31-60 Days	61-90 Days	91-180 Days	Total
1,409,921	481,142	8,518	661,400	2,560,981

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2015
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9. Accounts payable & accrued expenses (continued)

Employee entitlements – Includes payroll deductions not yet paid over at the end of the reporting period as well as outstanding leave entitlements and amounts held on behalf of employees in the Christmas savings scheme.

Other current liabilities include security deposits held as well as Environmental Protection Fees collected for non-commercial flights on behalf of the Cayman Islands Treasury.

10. Weather Radar Fund

On 30 March 2009, the Airports Authority, on behalf of the Cayman Islands Government, entered into a contract with the Delegation of the European Community for a grant of €4.1 million to construct a Digital Early Warning Station (Doppler Digital Weather Radar Project). As at 30 June 2015, the balance held on behalf of the Weather Radar Project was \$476,837 (2014: \$585,699).

11. Employee Pensions

Amendments IAS 19R –Employee Benefits, became effective 1 January 2013 requiring compulsory adoption effective for fiscal year ending 30 June 2014. The Authority opted for early adoption. All unamortized gains and losses and past service costs under IAS 19R were immediately recognized as a one-off transition adjustment to equity. Administration costs that are not investment related were recognized in the Statement of Comprehensive Income as an operating charge under IAS 19R \$781,000 (2014: (\$1,534,000)). This differs from the previous approach under IAS 19, where all administration costs are allowed for within the expected rate of return of assets. Under IAS 19R, the expected return on assets is no longer used in the determination of the defined benefit cost, but it continues to be used in the determination of the asset limit under IFRIC 14. The expected return on assets assumption continues to be management best estimate.

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

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 2014-15 and 2013-14. 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 Authority reflects the following.

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11. Employee Pensions (continued)

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 30 June 2015. 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>2015</u>	<u>2014</u>
Defined Benefit Obligation	(15,340)	(14,854)
Fair Value of Plan Assets	4,278	3,809
Defined Benefit Liability	(11,062)	(11,045)
Unrecognised Actuarial Net Gains /(Losses)	-	-
Net Liability in Balance Sheet, end of year	<u>(11,062)</u>	<u>(11,045)</u>

Reconciliation of Defined Benefit Asset/ (Liability)

Defined Benefit Obligation at beginning of year	(11,045)	(8,841)
Net Pension (Expense)/Income for Fiscal Year	(903)	(780)
Adjustment to prior year's employers contribution	781	(1,534)
Employer Contributions	105	110
Defined Benefit Asset/(Liability)	<u>(11,062)</u>	<u>(11,045)</u>

Pension Expense for fiscal year ending:

	<u>2015</u>	<u>2014</u>
Current Service Cost	411	327
Interest Expense	668	625
Expected Return on Assets (net)	(176)	(172)
Recognition of Net (Gain)/Loss	-	-
Total Pension Expense	<u>903</u>	<u>780</u>

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2015
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11. Employee Pensions (continued)

Change in Defined Benefit Obligation over year ending:	<u>2015</u>	<u>2014</u>
Defined Benefit Obligation at beginning of year	(14,854)	(12,198)
Current Service Cost	(411)	(327)
Interest Expense	(668)	(625)
Plan Participant Contributions	(90)	(94)
Net Actuarial (Gain)/Loss	-	-
Transfers Between Other Participating Entities	-	340
Measurements:		
a. Effects of change of demographic assumptions	(86)	-
b. Effects of changes of financial assumptions	774	(1,947)
c. Effects of experience adjustments	(5)	(3)
Defined Benefit Obligation at End of Year	<u>(15,340)</u>	<u>(14,854)</u>

Change in Plan Assets over year ending	<u>2015</u>	<u>2014</u>
Fair Value of Plan Assets at End of Prior Year	3,809	3,357
Employer Contributions	105	110
Plan Participant Contributions	90	94
Transfers Between Other Participating Entities	-	(340)
Expected Return on Assets (net)	98	416
Interest Income	176	172
Asset Gain/(Loss)	-	-
Administrative Expenses	-	-
Fair Value of Plan Assets at End of Year	<u>4,278</u>	<u>3,809</u>

The distribution of the plan assets based on the share of the total fund allocated to the Authority was as follows:-

	<u>2015</u>	<u>2014</u>
	%	%
Equity Investment	80	79
Bonds Investment	19	20
Property	-	-
Cash/Other	1	1

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2015
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11. Employee Pensions (continued)

Actuarial Assumptions

We have used actuarial assumptions approved by the Financial Secretary, the main sponsor of the Plan on July 17, 2015. The principal financial and demographic assumptions used at June 30, 2015 and June 30, 2014 are shown in the table below. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the following year.

Measurement Date	June 30, 2015	June 30, 2014
Discount rate		
- BOY disclosure and current year expense	4.50% per year	5.20% per year
- EOY disclosure and following year expense	4.75% per year	4.50% per year
Increases in pensionable earnings	3.50% per year	3.50% per year
Rate of Pension Increases	2.50% per year	2.50% per year
Rate of Indexation	2.50% per year	2.50% per year
Mortality		
- BOY disclosure and current year expense	UP-94 generationally projected using Scale BB	UP-94 generationally projected using Scale BB
- EOY disclosure and following year expense	RP-2014 generationally projected using ScaleMP-2014	UP-94 generationally projected using Scale BB
Disability	None	none
Turnover Rates	Age related Table	Age related table
Retirement	Age 57 and 10 years of service	Age 57 and 10 years of service
Assumed life expectations on retirement	Retiring today (member age 57): 30.12 Retiring in 25 years (at age 57): 32.40	Retiring today (member age 57): 29.93 Retiring in 25 years (at age 57): 32.43
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

12. Employee Health Care Obligation

The Authority provides health care benefits for its staff who have given ten (10) years' service and who attained at least 55 years old prior to retirement. The benefit is in the form of continuation of their health insurance coverage on the medical plan in force for active employees. The premiums for this health insurance coverage are paid for by the Authority for all eligible retirees until the end of their lives. This coverage falls within the definition of a defined benefit by the International Accounting Standards and as such represents a future liability of the Authority.

The Authority is required to use the actuarial valuation method to determine the present value of its health insurance benefit obligations for its former workers as well as future retirees and the related current service costs. IAS 19 directs that funded or unfunded post-employment benefits must be recognized in the statement of financial position (in the case of net defined liability or asset) and the statement of comprehensive income (for the annual expense). These actuarial valuations use several financial and demographic assumptions to determine the liability and current expense of the benefits which will be honored on behalf of the retirees. Financial assumptions include, the discount rate, estimated future costs of the medical premiums, and the claims rate for the medical plans. Demographic assumptions include estimated mortality and benefits levels.

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12. Employee Health Care Obligation (continued)

The Authority commissioned Mercer Actuaries of Canada to provide this service and the results of their assessment are included hereunder. The defined benefit cost for the fiscal year ended 30 June 2015 is \$518,000 (2014: \$2,561,000). The defined benefit cost comprises a P&L cost of \$1,113,000 and an OCI cost of \$595,000. The actuarial liability as at 30 June 2015, calculated using a discount rate of 4.60%, is \$11,562,000 (2014: \$11,044,000).

The details of the valuation and the assumptions used are reproduced hereunder in accordance with IAS 19. This post - employment benefit has been in existence from the implementation of a similar move by central government to allow its retirees to continue to benefit from the medical plans held prior to retirement from the civil service. This was formalized in the staff manual and made known to staff. There has not been any recognition of this liability or annual expense in the financial statements of the Authority before, except that the premiums paid on behalf of the retirees were included as medical costs and read as a part of staff costs in the Statement of Comprehensive Income. Neither has there been any money set aside to fund this benefit. Consequently, the entire \$11,562,000 is currently unfunded.

Change in Defined Benefit Obligation over year ending:	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Defined benefit obligation at beginning of year	11,044	8,483
Current Service Cost	652	489
Interest Expense	461	412
Remeasurements:		
Effect of changes in financial assumptions	(451)	1,798
Effect of experience adjustment	(144)	(138)
Defined benefit obligation at End of Year	<u>11,562</u>	<u>11,044</u>
	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Amounts recognized in statement of financial position		
Defined benefit obligation	11,562	11,044
Funded Status	<u>11,562</u>	<u>11,044</u>
	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Components of defined benefit cost		
Service Cost		
Current service cost	652	489
Total service cost	<u>652</u>	<u>489</u>
Net interest cost		
Interest expense DBO	461	412
Total net interest cost	<u>461</u>	<u>412</u>

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2015
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12. Employee Health Care Obligation (continued)		
	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Defined benefit cost included in P&L	1,113	901
Remeasurement (recognized in other comprehensive income)		
Effect of changes in financial assumptions	(451)	1,798
Effect of experience adjustment	<u>(144)</u>	<u>(138)</u>
Total remeasurements included in OCI	<u>(595)</u>	<u>1,660</u>
Total defined benefit cost recognized in P&L and OCI	<u>518</u>	<u>2,561</u>
	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Net defined benefit liability reconciliation		
Net defined benefit liability	11,044	8,483
Defined benefit cost included in P&L	1,113	901
Total remeasurement included in OCI	<u>(595)</u>	<u>1,660</u>
Net defined benefit liability as at the end of year	<u>11,562</u>	<u>11,044</u>
	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Defined benefit obligation		
Defined benefit obligation by participants status		
Active	8,987	8,608
Retirees	<u>2,575</u>	<u>2,436</u>
Total	<u>11,562</u>	<u>11,044</u>

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2015
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12. Employee Health Care Obligation (continued)

	<u>2015</u>	<u>2014</u>
Significant actuarial assumptions	%	%
<i>Weighted -Average assumptions to determine defined benefit obligation</i>		
Effective discount rate for defined benefit obligation	4.9	4.6
Health Care cost trend rates:		
Immediate trend rate	5.0	5.0
Ultimate trend rate	5.0	5.0
Year rate reaches ultimate trend rate	N/A	N/A
<i>Weighted -Average assumptions to determine defined benefit cost</i>		
Effective discount rate for defined benefit obligation	4.6	5.4
Effective rate for net interest cost	4.2	4.9
Effective discount rate for service cost	4.7	5.5
Effective rate for interest on service cost	4.7	5.5
Health Care cost trend rates:		
Immediate trend rate	5.0	5.0
Ultimate trend rate	5.0	5.0
Year rate reaches ultimate trend rate	N/A	N/A
	<u>2015</u>	<u>2014</u>
Expected cash flows for following year	\$'000	\$'000
Expected employer contributions	-	144
Expected total benefit payments		
Year 1	-	144
Year 2	-	151
Year 3	-	159
Year 4	-	172
Year 5	-	203
Next 5 years	-	1,619

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2015
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13. Related Party Transactions

Included in the Statement of Financial Position, Statement of Comprehensive Income are the following transactions 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:

Statement of Financial Position

(a) Accounts Receivable

	<u>2015</u>	<u>2014</u>
	<u>Amount</u>	<u>Amount</u>
Cayman Airways/Cayman express	19,401,869	18,441,998
Other Government departments	413,235	913,356
	<u>19,815,104</u>	<u>19,355,354</u>

In November 2013, the Authority agreed to extend payment terms to Cayman Airways from 30 days to 45 days settlement terms for all invoices. It was further agreed that based on the receivable balance at 30 June 2014, Cayman Airways would pay monthly CI\$145,833.33 over 6 years towards aged balance and remain current by paying all taxes and pass through fees billed on a monthly basis.

(b) Accounts Payable

	<u>2015</u>	<u>2014</u>
	<u>Amount</u>	<u>Amount</u>
Cayman Airways/Cayman express	515,594	449,348
Risk Management	370,348	444,152
Civil Aviation Authority	250,000	250,000
Other Government entities	37,974	8,429
	<u>1,173,916</u>	<u>1,151,929</u>

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2015
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13. Related Party Transactions (continued)

Statement of Comprehensive Income

(c) Income

	<u>2015</u>	<u>2014</u>
	<u>Amount</u>	<u>Amount</u>
Cayman Airways	9,010,342	7,794,418
Department of Customs	112,426	640,869
Department of Immigration	94,664	347,639
District Administration	14,058	51,945
Water Authority	12,335	12,335
Mosquito Research & Control Unit	9,694	61,265
Protocol Office	7,686	29,359
Agriculture Department	4,945	39,670
Other government departments	4,600	13,939
Tourism Department	3,537	-
Health Services Authority	1,697	10,697
	<u>9,275,984</u>	<u>9,002,136</u>

(d) Expenses

	<u>2015</u>	<u>2014</u>
	<u>Amount</u>	<u>Amount</u>
Civil Aviation Authority	1,000,000	1,000,000
Risk Management Unit	425,701	573,478
Water Authority	67,463	81,344
Office of the Auditor General	60,000	108,403
Department of Immigration	52,525	76,225
Cayman Airways	52,451	74,767
Department of Vehicles	27,336	35,371
National Roads Authority	7,612	-
Royal Cayman Islands Police	1,200	56,950
Lands and Survey	-	43,224
Other government entities	17,831	30,178
	<u>1,712,119</u>	<u>2,079,940</u>

A principal interest in an entity that conducts business as a concessionaire at Owen Roberts International Airport. The entity was billed \$16,085 (2014 – \$16,085) for rent and other fees. At 30 June 2015, the entity's outstanding balance due to CIAA was nil (2014 - nil).

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13. Related Party Transactions (continued)

Key Management

For the year ended 30 June 2015, the Authority had 14 key management personnel (2014:17). Total compensation to key management personnel for the year amounted to \$745,277 (2014: \$860,977) representing salary, pension and other employee benefits. No key management personnel had any loan or any additional form of compensation/benefit other than stated above with the Authority during the year under consideration. Key management is defined as Board Members, Senior Management Team any other person(s) who has significant influence over the Authority.

14. Subsequent Events

In September 2013, the Cayman Island's Government (CIG) issued a policy directive to further enhance the facilities and improve travel experience at both airports with plans to establish an aerodrome in Little Cayman. In December 2013 the CIAA through public tender, awarded a contract to supply the CIAA/CIG with financial & technical consultancy services for the redevelopment of the airports. The recommendation from the consultants is for the redevelopment and expansion of all three (3) facilities over a 20 year period - Owen Roberts International airport (ORIA) being the first. Following a competitive bidding process, in January 2015, a contract amounting to CI\$4.1 million was awarded for design, construction cost consultancy services and in September 2015 a contract of CI\$3.6 million was awarded for the Phase 1 construction works. In 2016, a contract valued at \$42.5m, was awarded for Phase II of the redevelopment. All concession contracts have been awarded and contract negotiations and opening schedules are now being finalized. The entire renovation and expansion of ORIA is expected to be completed in the first quarter of the 2019 financial year.

In 2018, the CIAA began preparatory work on the airside upgrade as outlined in the redevelopment masterplan. A contract was awarded for the design works which are now 30% complete and the project is expected to be put to tender in early 2019.

In December 2013, Digital Early Warning Station (Doppler Digital Weather Radar) Project was concluded and the asset transferred to the Authority by the EU Delegation for further conveyance to National Weather Service (NWS). The transfer to the NWS was concluded in 2017 and unused funds remitted to the EU in line with the grant agreement.

In May 2018, CIG was paid in full the settlement of the EU loans CI\$ 260,947.41 (see note 8 of these financial statements).