



CIVIL AVIATION AUTHORITY
OF THE CAYMAN ISLANDS

**Civil Aviation Authority
of the Cayman Islands
Financial Statements
For the year ended June 30, 2010**



CIVIL AVIATION AUTHORITY OF THE CAYMAN ISLANDS

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STATEMENT OF RESPONSIBILITIES
30 June 2010

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

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law (2005 Revision).

As Chairperson I am 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 Civil Aviation Authority of the Cayman Islands.

As Chairperson and Director of Finance we are responsible for the preparation of the Civil Aviation Authority of the Cayman Islands financial statements and for the judgements made in them.

The financial statements except for the effects of the defined pension liability fairly present the financial position, financial performance, and cash flows of the Civil Aviation Authority of the Cayman Islands 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 Civil Aviation Authority of the Cayman Islands 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.

Sheridan A. Brooks - Hurst

Sheridan A. Brooks – Hurst (Ms)

Chairman

Date: February 14, 2011

Jane Pantan

Jane Pantan (Mrs)

Director of Finance

Date: February 14, 2011

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Civil Aviation Authority

I have audited the accompanying financial statements of Civil Aviation Authority of the Cayman Islands (the "Authority") , which comprise of the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 18 in accordance with the Section 52(3) of the Public Management and Finance Law (2005 Revision).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from 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 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 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 qualified audit opinion.

Basis for Qualified Opinion

As disclosed in Note 7 of the financial statements, pension contributions for eligible employees of the Authority are paid to the Public Services Pension Fund which is administered by the Public Service Pensions Board. The management of the Authority is currently in discussions with the Public Sector Pensions Board in order to obtain a comprehensive understanding of the details supporting the June 30, 2010 valuation recommended by the appointed Actuary. Management is not confident with regards to the integrity of the supporting information used within the report and as such has opted not to record the recommended liability of \$709,000 until the issue has been resolved. The impact of such an increase would effectively reduce profits reported in the Statement of Comprehensive Income by \$206,852 and allow for a corresponding increase in the pension liabilities in the Statement of Financial Position.

Qualified Opinion

In my opinion, except for the possible effects of the past service pension liability, these financial statements present fairly, in all material respects, the financial position of the Civil Aviation Authority of the Cayman Islands as at June 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



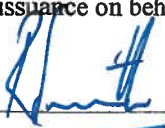
Alastair Swarbrick, MA (Hons), CPFA
Auditor General

February 21, 2011
Cayman Islands

Civil Aviation Authority of the Cayman Islands
Statement of Financial Position
as at June 30, 2010

Assets	Note	2010	2009
Current assets			
Cash and cash equivalents	3	4,896,549	5,614,833
Accounts Receivable (net)	4	1,449,142	1,105,588
Total Current Assets		<u>6,345,691</u>	<u>6,720,421</u>
Capital assets (Net of accumulated depreciation)	5	109,219	146,246
Total Assets		<u><u>6,454,910</u></u>	<u><u>6,866,667</u></u>
Equity and Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		441,006	453,726
Total Current Liabilities		<u>441,006</u>	<u>453,726</u>
Defined benefit pension liability	7	502,148	550,422
		502,148	550,422
Total Liabilities		<u>943,154</u>	<u>1,004,148</u>
Equity		<u>5,511,756</u>	<u>5,862,519</u>
Total Equity and Liabilities		<u><u>6,454,910</u></u>	<u><u>6,866,667</u></u>

Approved for issuance on behalf of Civil Aviation Authority's Management on February 14, 2011


 _____ Director General


 _____ Chief Financial Officer



The accompanying notes form an integral part of these financial statements

Civil Aviation Authority of the Cayman Islands
Statement of Comprehensive Income
for the year ended June 30, 2010

	Note	<u>2010</u>	<u>2009</u>
Revenue			
Air safety regulation and certification fees	10 (b)	2,631,470	2,816,334
Regulatory and oversight fees	10 (a)	1,155,000	1,155,000
Surveyor fees and net reimbursable expenses	10 (c), 2(i)	851,882	813,695
Aircraft operating permits	10 (d)	144,650	133,250
Other income	10 (e)	36,640	158,725
Total revenue		4,819,642	5,077,004
Expenses			
Personnel costs		2,372,263	2,217,186
Office administration and business development		425,454	518,249
Travel – official, training and administrative		149,628	132,357
Professional & licensing fees		100,859	76,870
Bad debt expense	4	65,835	151,766
Depreciation	5	55,819	59,065
Loss on disposal of capital assets		547	1,065
Total expenses		3,170,405	3,156,558
Net income		<u>1,649,237</u>	<u>1,920,446</u>

The accompanying notes form an integral part of these financial statements

Civil Aviation Authority of the Cayman Islands
Statement of Cash Flows
for the year ended June 30, 2010

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Net income for year	1,649,237	1,920,446
Adjustments for:		
Depreciation expense	55,819	59,065
(Increase)/Decrease in accounts receivable	(343,554)	205,517
(Decrease)/Increase in accounts payables and accrued	(12,720)	21,803
Net cash from operating activities	1,348,782	2,206,831
Cash flows from investing activities		
Decrease in defined pension liability	(48,274)	(47,578)
Net disposals to capital assets	1,747	1,065
Purchase of capital assets	(20,539)	(29,812)
Net cash used in investing activities	(67,066)	(76,325)
Cash flows from financing activities		
Dividends Paid	(2,000,000)	-
Net cash used in financing activities	(2,000,000)	-
(Decrease) /Increase in cash and cash equivalents	(718,284)	2,130,506
Cash and cash equivalents at beginning of the year	5,614,833	3,484,327
Cash and cash equivalents at end of the year	<u>4,896,549</u>	<u>5,614,833</u>

The accompanying notes form an integral part of these financial statements

Civil Aviation Authority of the Cayman Islands
Statement of Changes in Equity
for the year ended June 30, 2010

	2010	2009
Balance, beginning of year	5,862,519	3,942,073
Net income for the year	1,649,237	1,920,446
Dividend Paid	<u>(2,000,000)</u>	<u>-</u>
Balance, end of year	<u><u>5,511,756</u></u>	<u><u>5,862,519</u></u>

The accompanying notes form an integral part of these financial statements

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
for the year ended June 30, 2010

1. Background information

The Civil Aviation Authority of the Cayman Islands ("the Civil Aviation Authority", "the Authority", or "CAA") is a statutory body established under the Civil Aviation Authority Law of 2004.

The Authority's primary responsibility is the safety and economic regulatory oversight of the Cayman Islands' aviation industry. As such, the Authority regulates the operation of aircraft, aerodromes, air traffic control and air navigation services within the Cayman Islands and ensures economic regulatory oversight of airlines and aerodrome providers serving the jurisdiction. The Authority is also responsible for maintaining the Cayman Islands Aircraft Registry and for regulating the operation of aircraft entered therein wherever they are operated globally.

The statutory instrument providing enabling legislation is the Air Navigation (Overseas Territories) Order [AN(OT)O] 2007 (the Order), as amended. The Governor has promulgated the Overseas Territories Aviation Requirements (OTARs) as a means of compliance with the Order. The Air Navigation (Fees) Regulation, 2006 governs the fees structure of the Authority.

The registered address of the Civil Aviation Authority is P.O. Box 10277 APO, Grand Cayman, Cayman Islands and is located at Cayman Grand Harbour. The Civil Aviation Authority has 20 employees as at June 30, 2010. (2009:19).

2. Significant Accounting Policies

Basis of Presentation

The financial statements of the Authority are prepared on the accrual basis under the historic cost convention in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standing Interpretation Committee of the IASC. The reporting currency is Cayman Islands dollars.

The significant accounting policies adopted by the Authority in these financial statements are as follows:

a) Early adoption of IAS 1 (Revised)

International Accounting Standard (IAS) 1 (Revised), Presentation of Financial Statements and IAS 1 (Amendment) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). IAS now requires recognised income and expenses to be presented in a single statement (a statement of comprehensive income) separately from owner changes in equity. The balance sheet will be referred to as the 'Statement of Financial Position' and the cash flow statement is referred to as the 'Statement of Cash Flows'. The Civil Aviation Authority made a decision to implement early adoption of IAS 1 (Revised) and the changes were reflected in the June 30, 2007 financial statements.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
for the year ended June 30, 2010

2. Significant Accounting Policies (Continued)

b) Depreciation

Capital assets are recorded at their historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method at the following rates estimated to write off the cost of the assets over their expected useful lives:

Computer equipment	3 years
Office equipment, vehicles and leasehold improvements	5 years
Furniture and fixtures	10 years

c) Foreign currency translation

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions. Assets and liabilities recorded in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the statement of financial position.

d) Cash and cash equivalents

Cash and cash equivalents include cash held on demand and on short notice and all deposits with an original maturity date of three months or less.

e) Revenue recognition

The Authority recognises revenues in the period in which they are earned. Fees charged for services rendered during the year are non-refundable and are recognised as revenue in the income statement in the period in which these are due.

f) Financial Assets and Liabilities

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 favorable or an equity instrument of another enterprise. Financial assets in the Authority's financial statements comprise of cash and cash equivalents and accounts receivable.

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 favorable. Financial liabilities in the Authority's financial statements 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 an instrument. From this date, any gains and losses arising from changes in fair value of the assets and liabilities are recognised in the statement of comprehensive income.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
for the year ended June 30, 2010

2. Significant Accounting Policies (Continued)

iii) *De-recognition*

A financial asset is de-recognised when the Civil Aviation Authority realizes the rights to the benefits specified in the contract or loses control over any right that compromise that asset. A financial liability is de-recognised 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 recognised less any principal repayments plus any amortisation (accrued interest) of the difference between that initial amount and the maturity amount.

g) **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect:

- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities at the date of the financial statements
- the reported amounts of revenue and expenses during the reporting period.

Actual results could differ from those estimates, the impact of which would be recorded in future periods.

h) **Lease of premises** - The lease expense of premises is recognised when incurred.

i) **Reclassification of surveyors' travel expenses**

During the financial year ending 2010, the Surveyors' Reimbursable Travel Expenses have been offset against the Surveyor Fees and Billable expenses as the expenses have been recovered through the revenue. Showing the net amount of surveyor travel expenses billed improves the clarity of presentation.

3. Cash and cash equivalents	2010	2009
Cash on hand	4,173	9,974
Current and call accounts	889,617	559,596
Fixed deposit accounts	<u>4,002,759</u>	<u>5,045,263</u>
Total cash and cash equivalents	<u>\$4,896,549</u>	<u>\$5,614,833</u>

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
for the year ended June 30, 2010

4. Trade and other receivables

	2010	2009
Accounts receivables - Trade	1,741,602	1,300,386
Other receivables	985	30,316
Allowance for doubtful accounts	(293,445)	(225,114)
Write-offs	<u>-</u>	<u>-</u>
Trade and other receivables (net)	<u>\$1,449,142</u>	<u>\$1,105,588</u>

There were no write-offs against Allowance for Doubtful Accounts for the year ended June 2010.

The bad debts expense recorded in the Statement of Comprehensive Income of \$65,835 for 2010 represents amounts owed that were over a year old or due from certain related parties and thus provided for in the allowance for doubtful accounts for the year. Of the existing allowance amount, amounts owing by Cayman Airways comprises \$221,206.

Of the total accounts receivable outstanding at June 30, 2010, \$250,000 was due from the Cayman Islands Airports Authority for the quarterly fee due for Regulatory services under the MOU referred to in note 10 and \$529,666 was due from Cayman Airways for various services.

The movement in the allowance for doubtful accounts for the year represents the sum of bad debt expense of \$65,835, bad debt recovery of \$2,076, and a provision adjustment amounting to \$4,572.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
for the year ended June 30, 2010

5. Capital Assets

	Leasehold Improvements	Furniture & Fixtures	Computers & Equipment	Vehicles	Total
Historical cost of assets:					
Cost at beginning of year	116,948	98,199	133,852	59,047	408,046
Additions during the year	1,479	-	19,060		20,539
Disposals during the year	-	-	(12,500)	(8,735)	(21,235)
Cost at end of year	118,427	98,199	140,412	50,312	407,350
Accumulated Depreciation:					
At the beginning of the year	85,937	30,798	105,939	39,127	261,802
Depreciation expense	24,910	8,930	14,105	7,873	55,818
Disposed during the year	-	-	(12,500)	(6,988)	(19,488)
At end of year	110,847	39,728	107,544	40,012	298,132
Net value at June 30, 2010	7,580	58,471	32,868	10,300	109,219
Net value at June 30, 2009	31,011	67,400	27,914	19,921	146,246

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
for the year ended June 30, 2010

6. Related party balances and transactions

Under section 18(4) of the *The Civil Aviation Act*, the Authority is required to make an annual payment into the general revenue of the Cayman Islands Government which is to be calculated by a formula determined by the Financial Secretary. The Financial Secretary has not yet determined a formula but during the year made the determination that \$2,000,000 would be payable by the Authority into general revenue for the year ended June 2010. This amount was paid by cheque to the Cayman Islands Government in May 2010.

7. Employee pensions

Pension contributions are paid for all eligible employees on their pensionable emoluments. The majority of the employees are participants in the Public Service Pensions Plan, with a small number participating in other private plans, which are all defined contribution schemes.

Public Service Pensions Plan

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 Fund. Prior to April 14, 1999 the scheme underlying the Fund was a defined benefit scheme. With effect from April 14, 1999 the Fund has both a defined benefit and a defined contribution element. Participants joining after April 14, 1999 become 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. This rate included a 1% for the cost of all of the benefits that are provided over and above those related the participant's total account balance. Certain participants are reimbursed for their contributions.

The latest available actuarial valuation report was received for the 2009 year end. However, the management of the CAA has not accepted the results as some elements of the basis of the valuation are being disputed. The Director General has requested a meeting with the Managing Director of the Pensions Board and the Financial Secretary to resolve the policy issues in question. As of issue date of these Financial Statements, this meeting has not yet been set.

The Plans are funded at rates of: -

		2010	2009
Defined Contribution Plans	- Employer	7%	7%
	- Employee	6%	6%
Defined Benefit Plans	- Employer	7%	7%
	- Employee	6%	6%

The defined benefit portion of the Fund has been valued by the Actuary to the Pensions Board. The defined contribution part of the Fund is not subject to the special actuarial valuations due to the nature of the benefits provided therein.

The total amount recognized as a pension expense for the defined contribution portion of the fund for the year ended 30 June 2010 was \$74,979 (2009: \$71,395).

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
for the year ended June 30, 2010

7. Employee Pensions (Continued)

The latest actuarial valuation (of the defined benefit plan) recorded in the accounts of the CAA at June 30, 2008 reflects the following:

	June 30, 2008
Net present value of funded obligation	2,251,000
Fair value of plan assets	(1,183,000)
Unrecognised actuarial gains/(losses)	<u>(470,000)</u>
Net defined benefit obligations	<u><u>\$598,000</u></u>

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

	2008
	%
Global Equities	46
Bonds	43
Property	5
Cash/other	6

The principal Actuarial Assumptions at the date of valuation **2008**

- | | % |
|--|----------|
| A. Cost Method - Projected Unit Credit | |
| B. Economic Assumptions – | |
| 1. Discount Rate – | 6.25 |
| 2. Expected long-term rate of return (net of Expense) – | 7.00 |
| 3. Salary Increase – | 4.00 |
| 4. Rate of Inflation | 2.50 |
| 5. Future Pension Increases – | 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 | |

**Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
for the year ended June 30, 2010**

8. Lease of premises

The Authority currently leases two premises used for its operations. These offices are:

1. Cayman Grand Harbour, Grand Cayman
2. The Cayman Islands Government Offices, London, England.

The Grand Cayman office is located in Cayman Grand Harbour and is leased from Cayman Grand Harbour Shoppes Ltd. The current lease is for three years with a three month option to renew in agreement with the lessor and was signed on August 15, 2007 and expires August 15, 2010. Total space occupied is 3,530 square feet at lease rate of \$29 per square ft.

The lease for the London office which was for three years commenced on June 1, 2007 and expired in June 2010. It was renewed for three years and commenced on June 1, 2010 and expires in June 2013. The space utilized is sub-leased from the Cayman Islands Government who has the responsibility for the monthly commitments to the lessor. The total square feet of the entire floor is approximately 2700 of which, The Authority pays a fee of approximately 10% of the total rental fee plus service charges owed by the Government. The total lease expense for the current year then ended amounted to \$32,676.00.

Lease payments under the operating leases are charged to the income statement over the period of the lease and any associated fit-out costs are classified as a Leasehold Improvement and are depreciated over the life of the leases on a straight line basis.

The future obligations of existing lease payments for the two office leases are as follows:

	<u>July 2010 – August 15 2010</u>
Cayman Grand Harbour, Cayman Islands	\$15,729
	<u>July 2010 - June 2013</u>
Cayman Islands Government Offices, London	\$98,029

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
for the year ended June 30, 2010

9. Key Employee Benefits

The key employees of the Civil Aviation Authority are the Director General, the Director of Air Navigation Regulation, the Director of Commercial Affairs and Administration, the Director of Finance and Compliance and the Director of Air Safety Regulation. Total salary and employee benefits expensed in 2010 were \$745,610 (2009: 694,710). The Director of Air Navigation Regulation post was filled in September 2009, after being vacant since October 2008 which accounts for the majority of the increase. The Director General and the Director of Commercial Affairs have the benefit of having an additional 7% of their base pay paid into their pension fund by the Authority in addition to the base 6% contribution. The Director General is provided with a vehicle for business and personal use and fuel allowance. The Director of Commercial Affairs and Administration is provided with a fuel allowance.

	June 30, 2010	June 30, 2009
Base salary	594,035	551,472
Pension	48,465	54,317
Medical insurance coverage	38,260	34,420
Fuel allowance	4,187	4,206
Bonus Incentive	<u>60,663</u>	<u>50,295</u>
Total key employee benefits	<u>\$745,610</u>	<u>\$694,710</u>

10. Fees

a) Regulatory and Oversight fees

These fees represent mainly the charge for regulatory oversight by the Authority to Cayman Islands Airports Authority (CIAA) on Owen Roberts International Airport (ORIA) and Gerrard Smith International Airport (GSIA).

On September 29, 2009 a Memorandum of Understanding (MOU) between (CAA) and CIAA was signed whereby CAA would charge the CIAA CI\$1,000,000 per annum for regulatory and oversight fees of the ORIA and GSIA. The MOU stated that this fee commenced on July 1, 2009 and would be effective for a period of three years, with an agreement to review annually.

b) Air Safety Regulation and Certification fees

These fees represent the main operational revenue of the Authority. Each document that is issued by the Air Safety Regulations department is associated with a fee which is governed by *Air Navigation (Fees) Regulation (Fees) Regulations* passed by the Legislative Assembly in November 2006. There are thirty one (31) sections in this Law which detail the various regulations and associated fees chargeable to all aircraft registered on the Cayman Islands Aircraft Registry. These regulations range from Certification of Airworthiness to Pilot Licence Validations.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
for the year ended June 30, 2010

10. Fees (Continued)

c) Surveyor fees and reimbursable expenses

The Air Navigation (Fees) Regulations, November 2006 also dictate that an hourly rate up to CI\$250 can be charged for surveys carried out on all the aircraft on the Cayman Islands Aircraft Register. During the year ended June 30, 2009, a fee of \$250 per hour was charged. Travel, subsistence and postage expenses associated with surveys are billed back at cost to the aircraft account. Surveyors fees are derived as follows:

	June 30, 2010	June 30, 2009
Surveyor fee billings	851,882	813,695
Survey reimbursable costs billings	363,281	368,507
Surveyor fees & reimbursable expense	<u>(363,281)</u>	<u>(368,507)</u>
Surveyor fees & reimbursable expenses (Net)	<u>\$851,882</u>	<u>\$813,695</u>

d) Aircraft operating permits

This source of revenue is derived from the Commercial Regulation Division and represent permits granted to foreign registered air carriers in compliance with article 135 of the AN(OT)O (see note 1). These carriers provide both scheduled and non-scheduled/charter air transport to/from the territory.

e) Other income

Other income comprises interest on fixed deposits and bad debt recovery.

11. Financial Instruments

Credit risk

Financial assets that potentially subject the Authority to credit risk consist principally of bank current accounts, fixed deposits, accounts and other receivables. The Authority's fixed deposits are placed with accredited financial institutions and due diligence conducted on clients before they are accepted on the register. Local credit clients are sufficiently regulated. The Authority does not have any significant concentrations of credit risk.

Interest rate risk

Cash amounts held at Cayman National Bank over CI\$200,000 are placed on semi-annual and annual fixed deposits and generally earn an interest rate of between 0.75 and 1.18% per annum in the year ending 2010. There are two accounts held at NatWest Bank in the UK, an operating account and a credit card account for the surveyors operating in the Brighton office. It is required that a deposit be held on the credit card account to cover the exposure of the total credit card limits of each card held. At balance sheet date, CI \$26,000 (£16,000) was held as a deposit. This deposit earns between 1% and 2% interest per annum.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
for the year ended June 30, 2010

11. Financial Instruments (Continued)

Fair values

The current accounts, fixed deposits, accounts receivable and other liabilities and payables approximated their fair value due to short term maturities of these assets and liabilities. The fair values of other assets and liabilities not materially different from other carrying values.

12. Subsequent Events

Grand Harbour Lease

The Authority renewed its lease agreement with the Cayman Grand Harbour Shoppes Ltd on June 11, 2010 for a further three year term from August 15, 2010 to August 15, 2013. Total space occupied is 3,530 square feet at a lease rate of \$29 per square ft.

The Air Navigation (Fees) Regulations, 2010

An amendment to *The Air Navigation (Fees) Regulations, 2006* referred to Note 10 (b) was proposed to the Governor in Council in July 2010. The amendment was accepted by the Governor and published in the Cayman Islands Gazette on October 25, 2010. The fees will become effective on November 1, 2010.