

Financial Statements of the

**PORT AUTHORITY OF THE
CAYMAN ISLANDS**

June 30, 2010



FINANCIAL STATEMENTS OF THE PORT AUTHORITY OF THE CAYMAN ISLANDS

Table of Contents

	Page
Statement of Responsibility for the Financial Statements	1
Auditor General's Report	2-3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Cash Flows	6
Statement of Changes in Equity	7
Notes to the Financial Statements	8-33



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Statement of Responsibility for the Financial Statements

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Port Authority of the Cayman Islands in accordance with International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with International Financial Reporting Standards.

As Port Director, I am responsible for establishing; and have established and maintained 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 Port Authority of the Cayman Islands.

As Port Director and Deputy Port Director, Finance, we are responsible for the preparation of the Port Authority of the Cayman Islands financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the Port 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) completely and reliably reflect the financial transactions of Port Authority of the Cayman Islands for the year ended 30 June 2010;
- (b) fairly reflect the financial position as at 30th June 2010 and performance for the Year ended 30th June 2010;
- (c) comply with International Financial Reporting Standards as set out by the International Accounting Standards Board under the responsibility of the International Federation of Accountants.

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.

Paul Hurlston
Port Director

Date:

9/20/2011

James Parsons
Deputy Port Director - Finance

Date:

9/20/11

Auditor General's Report

To the Board of Directors of the Port Authority of the Cayman Islands

I have audited the accompanying financial statements of the Port Authority, which comprise of the statement of financial position as at 30 June 2010, the statement of comprehensive income and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 33 in accordance with the provisions of Section 4(7) of the Port Authority Law (1999 Revision), and Section 60(a) of the Public Management and Finance Law (2010 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 controls 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 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.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Port Authority of the Cayman Islands as of 30 June 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink, appearing to read 'A. Swarbrick', with a stylized flourish at the end.

Alastair Swarbrick MA (Hons), CPFA
Auditor General

Cayman Islands
September 20 2011

PORT AUTHORITY OF THE CAYMAN ISLANDS

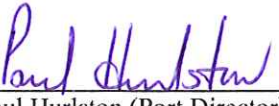
Statement of Financial Position

As at June 30, 2010

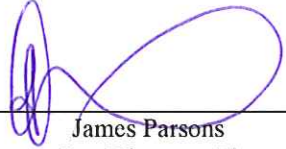
(stated in Cayman Islands dollars)

	Note	2010	2009
CURRENT ASSETS			
Cash and cash equivalents	3	1,171,501	2,501,817
Accounts receivable (Net of allowance for Bad Debts)	4	1,384,531	1,440,457
Inventory	2	281,748	155,974
Prepaid expenses		879,544	1,063,404
Other receivables and deposits		28,157	50,965
Total Current Assets		3,745,481	5,212,617
CURRENT LIABILITIES			
Accounts payable and accrued expenses		3,952,845	3,000,522
Current maturities on long term liabilities	8	2,166,906	2,118,715
Total Current Liabilities		6,119,751	5,119,237
NET CURRENT ASSETS		(2,374,270)	93,380
LONG TERM INVESTMENTS	7	17,909,744	18,021,510
FIXED ASSETS			
Land- freehold		14,436,077	14,436,077
Docks and buildings		13,643,473	14,211,501
Other assets		5,501,309	5,697,310
Construction in progress		588,504	1,316,370
Total Fixed Assets	5,6	34,169,363	35,661,258
NET ASSETS		49,704,837	53,776,148
LONG TERM LIABILITIES		(10,757,006)	(12,971,900)
EQUITY		38,947,831	40,804,248

Approved


Paul Hurlston (Port Director)

9/20/2011
Date


James Parsons
(Deputy Port Director –Finance)

9/20/2011
Date

The accompanying notes form an integral part of these financial statements.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Statement of Comprehensive Income

For the year ended June 30
(stated in Cayman Islands dollars)

	Note	2010	2009
OPERATING REVENUE			
Cargo handling		11,475,134	13,452,038
Cruise ship passenger fees		2,532,652	2,457,591
Port development fees		1,215,784	1,183,085
Rental income		1,074,068	1,291,455
Maritime services		972,390	1,037,319
Other income		171,924	197,149
Diesel sales		145,479	211,467
Total Operating Revenue		17,587,431	19,830,104
OPERATING EXPENSES			
Staff costs		11,920,521	12,375,486
Repairs and maintenance		2,212,404	1,776,936
Insurance		1,161,633	1,110,221
Contracted services		734,802	767,496
Utilities		463,668	488,464
Miscellaneous		293,157	578,468
Finance charges	8	259,776	502,534
Diesel		177,687	239,361
Travel, conventions & training		70,021	47,748
Stationery, supplies & computer supplies		40,954	48,317
Rent		36,939	36,250
Advertising and entertainment		7,776	24,206
Total Operating Expenses		17,379,338	17,995,487
GROSS OPERATING SURPLUS FOR THE YEAR		208,093	1,834,617
OTHER INCOME/ (EXPENSES)			
Interest income		2,769	36,515
Other income/(expense)		-	942,236
Gain (Loss) on disposal of fixed assets		-	(517,186)
Depreciation	5,7	(2,067,279)	(2,371,863)
		(2,064,510)	(1,910,298)
NET INCOME FOR YEAR		(1,856,417)	(75,681)
Other Comprehensive income for the year		-	-
Total Comprehensive Income for the year		(1,856,417)	(75,681)

The accompanying notes form an integral part of these financial statements.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Statement of Cash Flows

For the year ended June 30, 2010
(stated in Cayman Islands dollars)

	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for year	(1,856,417)	(75,681)
Adjustments to reconcile net income to net cash used in Operating activities:		
Depreciation	2,067,279	2,371,863
Loss on disposal of fixed assets	-	517,186
Net change in working capital:		
Insurance claims receivable	0	0
Accounts receivable	55,925	(446,544)
Inventory	(125,774)	54,875
Prepaid expenses	183,861	(140,099)
Advances paid to contractor	0	0
Other receivables	22,808	207,966
Accounts payable and accrued expenses	952,323	(376,128)
Retention payable to contractor	0	0
Net Cash Provided by Operating Activities	1,300,005	2,113,438
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Assets purchased	(862,504)	(1,277,885)
Long Term Investment purchased	(328,981)	(18,891)
Construction in progress	727,866	(561,064)
Net Cash Used by Investing Activities	(463,619)	(1,857,840)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term debt	(2,166,702)	(2,009,172)
Repayment of lease-purchase	0	0
Contribution to Government	-	(350,000)
Net Cash Used by Financing Activities	(2,166,702)	(2,359,172)
Net Increase / (Decrease) in cash and Cash Equivalents during the year	(1,330,316)	(2,103,574)
Cash and cash equivalents at the beginning of the year	2,501,817	4,605,391
Cash and cash equivalents at the end of year	1,171,501	2,501,817

PORT AUTHORITY OF THE CAYMAN ISLANDS
Statement of Changes in Equity

For the year ended June 30, 2010
(stated in Cayman Islands dollars)

	Share capital	Share premium	Dividends	Accumulated surplus	Total Shareholder's Equity
Year ended June 30, 2009					
Balance, beginning of year	\$ -	\$ -	\$ -	\$41,229,929	\$41,229,929
Comprehensive income:					
Net Loss for year	-	-	-	(75,681)	(75,681)
Total comprehensive income	-	-	-	(75,681)	(75,681)
Transactions with shareholder:					
Contributions to Cayman Islands Government	-	-	(350,000)	-	(350,000)
Total transactions with shareholder	-	-	(350,000)	-	(350,000)
Balance, end of year	\$ -	\$ -	\$(350,000)	\$41,154,248	\$40,804,248
Year ended June 30, 2010					
Comprehensive income:					
Net loss for the year	-	-	-	(1,856,417)	(1,856,417)
Total comprehensive income	-	-	-	(1,856,417)	(1,856,417)
Balance, end of year	\$ -	\$ -	\$ -	\$39,297,831	\$38,947,831

The accompanying notes form an integral part of these financial statements.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

1. Establishment and Principal Activities

The Port Authority of the Cayman Islands (the "Port Authority") is a statutory body established on September 15, 1976 under the *Port Authority Law*. This Law was revised in 1999. The Port Authority is also governed by the *Port Regulations (2003 Revision)*

The Port Authority is engaged in the management of the maritime affairs of the Cayman Islands. This includes –

- general management and control of all ports;
- establishment and control of lighthouses and day markers;
- establishment and control of berths;
- provision, maintenance, and control of cranes, launches, lighters, rafts, trucks, capstans, winches, windlasses, bollards, and other machinery, apparatus, tackle and gear used in ports and territorial waters for the securing, loading, unloading and maintenance of vessels;
- establishment, maintenance and control of transit sheds, offices, and all other buildings in ports other than buildings under the control of the Collector of Customs, the Chief Immigration Officer or the Chief Medical Officer;
- general supervision of territorial waters, and of vessels and wrecks located therein;
- loading and unloading of vessels;
- establishment and supervision of safety measures in respect of vessels or classes of vessels in ports and in territorial waters;
- enforcement of the Port Authority Law and the Regulations;
- inspection of vessels for the purpose of checking and enforcing compliance with the Port Authority Law.

As at June 30, 2010 the Port Authority had 158 employees (2009: 157 employees). The Port Authority is located in the Port Authority Building on Harbour Drive, P.O. Box 1358 GT, Grand Cayman, Cayman Islands, as well as a branch at 385 Creek Road, P.O. Box 9, Cayman Brac.

2. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted by the Port Authority are as follows:

(a) Basis of preparation

The financial statements of the Port Authority are prepared on an accrual basis under the historical cost convention.

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(b) Use of estimates

The preparation of financial statements in accordance 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 income and expenses during the year. Actual results could differ from these estimates.

(c) Financial instruments

(i) Classification

A financial asset is 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 cash and cash equivalents, insurance claim receivable, accounts receivable and other receivables and assets.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise long term and short term debt and accounts payable and accrued expenses.

(ii) Recognition

The Port Authority recognises financial assets and financial liabilities on the date it becomes a 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 income.

(iii) Derecognition

A financial asset is derecognised when the Port Authority realises the rights to the benefits specified in the contract or the Port Authority 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 expired.

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

Financial liabilities are subsequently measured at amortised 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.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(v) *Specific instruments*

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes current and money market accounts and term deposits with an original maturity of three months or less, including unrestricted and restricted bank balances and overdrafts.

Interest income and expense

Interest income and expense are recognised in the statements of income on an accrual basis. Interest income represents the interest earned on term deposits. Interest expense includes interest paid on long term debt and bank overdraft.

(d) *Fixed assets/depreciation*

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the statements of income on a straight-line basis at the following rates estimated to write off the cost of the assets over their expected useful lives:

Buildings	4%
Marine Dock	2%
Lights and buoys	2% - 20%
Equipment and furniture	20%
Computer Equipment	20%

(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 Port 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.

(iii) *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Port Authority and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognized in the Statement of Comprehensive Income as they are incurred.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(e) Impairment

The carrying amount of the Port Authority's assets other than inventories (see note 2(h)) 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 recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(f) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Cayman Islands dollars at the foreign currency exchange rate at the balance sheet dates. Foreign exchange differences arising on translation are recognised in the statements of income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign currency exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Cayman Islands dollars at the foreign exchange rates at the dates that the values were determined.

(g) 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 an amount that management believes will be adequate to cover any bad debts, based on an evaluation of collectability and prior bad debts experience.

(h) Inventory

Inventory consists of diesel fuel and service parts and consumables for the port Authority's fleet of vehicles, cranes and other specialised equipment. These are valued at the lower of net realisable value or cost, on a first in, first out basis. Inventory is recorded net of an allowance for obsolete and slow moving items. Any change in the allowance for obsolescence is reflected in the statements of income in the year of change.

(i) Revenue recognition

Fee income on services provided is recognised in the statements as income when the rendering of a service is completed or substantially completed, and the customer is invoiced.

(j) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(k) Pensions and other post-retirement benefits

The Port Authority participates in the Silver Thatch Pension Plan, a defined contribution pension fund, in accordance with the Cayman Islands National Pension Law. The Port Authority makes monthly contributions of 10% of an employee's salary to an approved pension provider. Contributions are charged to expenses as they are incurred based on set contribution rates. Total contributions for 2010 were \$1,044,073.67 (2009: \$1,051,791).

(l) Changes in International Financial Reporting Standards

A) Amendments to published standards effective July 1, 2009:

IFRS 8 - Operating Segments (effective from January 1, 2009) – This standard sets out the requirements for disclosure of an entity's operating segments on the same basis as internal reporting used by management for decision making, as well as the disclosures of the entity's products and services, the geographical areas in which it operates and its major customers. This amendment can impact the Port Authority as segment disclosure is not required for an unlisted Company. The Port Authority however can continue to include the information about the Cayman Brac operations but according to the standard it cannot describe it as a segment, having not met all the disclosure criteria of segment reporting.

IAS 1 (revised) – Presentation of Financial Statements (revised and effective January 1, 2009) - results in a new requirement that all changes in equity arising from transactions with owners in their capacity as owners (i.e., owner changes in equity) are presented separately from non-owner changes in equity. In order to do this, an entity will no longer be permitted to present components of comprehensive income (i.e., non-owner changes in equity) in the statement of changes in equity. Instead, a new "statement of comprehensive income" will be required. Comparative information has been represented so that it is in conformity with the Standard.

IFRS 1 and IAS 27 (revised and effective January 1, 2009) – allows first time adopters of IFRS 1 to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. This amendment has not impacted the Port Authority as the Authority already adopted IFRS in full.

IFRS 2 (Amended and effective January 1, 2009) – clarifies that vesting conditions are performance and service conditions only and that cancellations of share options by parties other than the entity are to be accounted for in the same way as cancellations by the entity. This amendment has not impacted the Authority as it does not have any share-based payments.

IFRS 3 and IAS 27 (revised and effective July 1, 2009) – the most significant amendments are that acquisition related costs as part of a business combination will now be recognized as an expense in the statement of comprehensive income when incurred and not as goodwill. The contingent consideration must also be recognized and measured at fair value at the acquisition date. The amendment to IAS 27 requires that changes in a parent's ownership interest in a subsidiary that does not result in a loss in control should be accounted for within equity. The amendments have not impacted the Authority as there were no business combinations after the effective date.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

IAS 23 – Borrowing costs (revised and effective January 1, 2009) – removes the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The capitalization of borrowing costs as part of the cost of such assets is therefore, now required. This has not impacted the Port Authority as it does not have an active capital project for which borrowing costs have been incurred.

IAS 32 – Financial instruments puttable at fair value (revised and effective January 1, 2009) – requires the classification of certain puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a pro rata share of the equity on liquidation as equity. This amendment has not impacted the Port Authority as the Authority does not have any puttable financial instruments.

IAS 39 – Eligible hedged items (amended and effective for periods beginning after July 1, 2009), this amendment has not impacted the Port Authority as it has no hedged items.

IFRIC 15 – Real estate sales (effective January 1, 2009) – clarifies accounting for real estate sales. This amendment has not impacted the Port Authority as it does not hold any investments in real estate for sale.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (effective for periods beginning after October 1, 2008) – clarifies which risks can be hedged and by which entities within a Company hedging instruments can be held. This interpretation has not impacted the Port Authority as it does not have investments in foreign operations.

IFRIC 17 - Distributions of non-cash assets to owners (effective for periods beginning after July 1, 2009) – provides guidance on how to account for non-cash distributions to owners and when to recognize the dividend payable and how to measure the amount of dividend payable. This interpretation has not impacted the Port Authority as it does not distribute non-cash assets to its shareholder.

IFRS 7 - Financial Instruments: Disclosures (amended and effective from January 1, 2009). These amendments require enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. These amendments have impacted the Port Authority as at June 30, 2010 as there are financial instruments carried at fair value as of this date. Comparative information has been represented so that it is in conformity with the Standard.

IAS 38 – Intangible assets (amended and effective for periods beginning after July 1, 2009) – clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful lives. The amendment is not expected to have an impact on the Company as there are no intangible assets.

IFRIC 17 - "Distributions of Non-Cash Assets to Owners" (effective for periods beginning on or after July 1, 2009) clarifies how to measure distributions of assets, other than cash, when an entity pays dividends to its owners. The interpretation states that 1) a dividend payable should be recognized when appropriately authorized, 2) it should be measured at the fair value of the net assets to be distributed, and 3) the difference between the fair value of the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. This interpretation is not expected to impact the Port Authority as it does not distribute non-cash assets to shareholders.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

IFRIC 18 - Transfers of Assets from Customers (effective for periods beginning after July 1, 2009) – provides guidance on how any entity should treat items of property, plant and equipment from its customers or cash received from customers for the acquisition or construction of property, plant and equipment. This interpretation is not expected to impact the Port Authority as it does not accept transfers of property, plant and equipment from its customers nor does it receive cash from customers for the acquisition or construction of property, plant and equipment.

B) Relevant standards and amendments issued prior to June 30, 2010, but not effective until future periods:

IAS 1 - Presentation of Financial Statements (amended and effective for periods beginning after January 1, 2010) – provides clarification that the potential settlement of a liability by an issue of equity is not relevant in classifying the liability as current or non-current. The amendment is not expected to have a material impact on the Authority.

IAS 24 - Related party disclosures (amended and effective for periods beginning after January 1, 2011) - simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This amendment may impact the disclosures required in the financial statements, but the impact thereof is yet to be assessed.

IFRS 2 - Share-based Payment (amended and effective for periods beginning January 1, 2010) – incorporates IFRIC 8, “Scope of IFRS 2” and IFRIC 11, “IFRS 2 – Group and treasury share transactions”, the amendments also expand on guidance in IFRIC 11 to address the classification of group arrangements. The amendment is not expected to have an impact on the Authority as it does not have share-based payments or a group arrangement.

IFRS 5 – Non-current assets held for sale and discontinued operations (amended and effective for periods beginning after January 1, 2010) - specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. The amendment is not expected to have a material impact on the Authority.

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. 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.

This statement will impact the Authority. An assessment will be made of the classification and measurement of the financial instruments on adoption of the standard prior to 2013, where applicable.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

IFRIC 19 - "Extinguishing Financial Liabilities with Equity Instruments" (effective July 1, 2010) clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognized in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. This interpretation is not expected to impact the Port Authority.

Changes in comparatives

Where necessary, comparative amounts have been adjusted to conform to changes in the presentation in the current year. There were changes to the 2009 audited accounts after they were issued. There are three categories on the Statement of Comprehensive Income affected but the reclassification of various amounts recognized after the fact but are correctly categorized in the present statement, the aggregate reclassification having a zero effect on the 2009 audited numbers. The categories affected by the reclassification are Staff Costs which decreased by \$568,947, Repairs & Maintenance that increased by \$532,207 and Miscellaneous that increased by \$36,740. Management believes that these reclassifications result in a more useful and appropriate presentation of the Financial Statements. Additionally, Fixed Assets was reclassified to disclose separately those related to Investment property as required by IAS 40. The aggregate reclassification had a zero effect on the 2009 audited numbers. The categories affected are Long Term Investments which is now reflected as \$18,021,510 and Docks and Buildings which reduced by \$18,021,510.

3. Cash and cash equivalents

	2010	2009
Bank balances	1,171,501	2,501,817

These consist of operating bank balances and a fixed deposit which mature in July 2010 with an interest rate of 0.125%.

Management has a policy to retain cash balances to facilitate liquidity in case of an emergency. The emergency fund is intended to cover the cost of the deductible on the Port Authority's property insurance (US\$2,000,000) plus a contingency to cover any additional losses.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

4. Accounts receivable

	2010	2009
Accounts receivable	1,430,078	1,721,409
Less: provision for impairment	(45,547)	(280,952)
	1,384,531	1,440,457

Fair value

The carrying value of receivables approximates their fair value.

Impairment

The ageing profile of receivables at year end is detailed below:

	2010			2009		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Past due 1-45 days	910	(22)	888	1,284	(183)	1,101
Past due 46- 89-60 days	78	(4)	74	150	(33)	117
Past due over 90 days	442	(20)	422	287	(64)	223
Total	1,430	(46)	1,384	1,721	(280)	1,441

Management makes a provision for a significant portion of accounts overdue in excess of 90 days. In addition, specific provision was made for some clients whose ability to pay was in doubt.

Due to the large number of receivables, the impairment assessment is generally performed on a collective basis, based on an analysis of past collection history and write-offs. Special consideration is also given to those with a higher degree of risk for default. These are due to the rental arrears for some tenants at the Royal Watler Cruise Terminal. Some of these clients have either ceased their businesses or vacated their units while others have had their rates reduced thereby resulting in having a portion of their unpaid balance reduced. There were five tenants that fell in these categories; In 2010 the Authority wrote-off \$235,728.30 in receivables that were provided for in 2009 and a further \$96,075.40 for rents billed but determined to be uncollectible for a total write-off of \$331,803.70.

Movements in the provision for impairment of receivables are as follows:

	Actual 2010 \$000	Actual 2009 \$000
Balance at 1 July	281	83
Additional provisions made during the year	0	198
Receivables written off during the year	(236)	(0)
Balance at 30 June	45	281

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

5. Fixed Assets

Cost	Freehold Land	Docks and Buildings	Other Assets	Construction In Progress	Total
At 30 June 2009	\$ 14,436,077	\$ 22,771,291	\$ 12,548,269	\$ 1,316,370	\$ 51,072,007
Additions	-	42,611	\$ 307,629	\$ 656,990	\$ 1,007,230
Disposals	-	-	-	-	-
Write offs	-	-	(\$ 20,615)	-	(\$ 20,615)
Transfers	-	-	\$ 512,263	(\$ 1,384,856)	(\$ 872,593)
At 30 June 2010	\$ 14,436,077	\$ 22,813,902	\$ 13,347,546	\$ 588,504	\$ 51,186,029
Accumulated Depreciation					
At 30 June 2009	-	\$ 8,516,741	\$ 6,894,008	-	\$ 15,410,749
Charge for Year	-	\$ 653,688	\$ 972,844	-	\$ 1,626,532
Write offs	-	-	(\$ 20,615)	-	(\$ 20,615)
Disposals	-	-	-	-	-
At 30 June 2010	-	\$ 9,170,429	\$ 7,846,237	-	\$ 17,016,666
Net Book Value					
At 30 June 2010	\$ 14,436,077	\$ 13,643,473	\$ 5,501,309	\$ 588,504	\$ 34,169,363
At 30 June 2009	\$ 14,436,077	\$ 14,254,550	\$ 5,654,261	\$ 1,316,370	\$ 35,661,258

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

6. Capital work in progress

	2010	2009
George Town cruise/cargo facilities (RWCT)	336,976	324,046
Marine contracting services	20,871	62,213
Forklift / Crane refurbishment	74,737	504,603
Bunker project	34,776	34,776
CDC / Billing office improvement	-	57,473
RWCT – Stingray City Booking Booths	500	-
New Building (CB)	120,644	119,294
Cruise Terminal expansion project (Consultancy)	-	213,565
	588,504	1,316,370

7. Investment Property

Cost	Buildings	Total
At 30 June 2009	\$ 19,499,769	\$ 19,499,769
Additions	\$ 4,935	\$ 4,935
Transfers	\$ 324,046	\$ 324,046
At 30 June 2010	\$ 19,828,750	\$ 19,828,750
Accumulated Depreciation		
At 30 June 2009	\$ 1,478,259	\$ 1,478,259
Charge for Year	\$ 440,747	\$ 440,747
At 30 June 2010	\$ 1,919,006	\$ 1,919,006
Net Book Value		
At 30 June 2010	\$ 17,909,744	\$ 17,909,744
At 30 June 2009	\$ 18,021,510	\$ 18,021,510

Investment Property is accounted for under the historical cost method. The Investment property of the Port Authority consists of buildings and is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the statement of income on a straight-line basis with useful lives of 15 and 25 years to write off the cost of the investment property over their expected useful lives.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

8. Long Term Liabilities

	Current	1-2 yrs	3-5 yrs	5+ yrs	2010	2009
a) Cayman Islands Government						
(i) Grand Cayman ⁽¹⁾	53,867	-	-	-	53,867	107,760
(0%)						
(ii) Cayman Brac ⁽²⁾	34,413	68,826	103,239	34,407	240,885	309,710
(0%)						
b) Fort Building - Libor + 1% (1.18505%)	162,903	249,971	-	-	412,874	573,758
c) George Town Dock Rehabilitation - Libor +1.5% (1.68555%)	543,705	1,118,695	90,596	-	1,752,996	2,287,327
d) Royal Watler Terminal.						
(i) Royal Bank of Canada	653,694	1,351,714	2,114,911	868,824	4,989,143	5,631,761
LIBOR plus 1.5% (1.68580%)						
(ii) Bank of Nova Scotia	653,694	1,351,714	2,114,911	868,824	4,989,143	5,631,761
LIBOR plus 1.5% (1.68580%)						
e) West Bay Terminal.						
(i) Royal Bank of Canada	32,315	66,811	104,534	38,842	242,502	274,269
LIBOR plus 1.5% (1.68580%)						
(ii) Bank of Nova Scotia	32,315	66,811	104,534	38,842	242,502	274,269
LIBOR plus 1.5% (1.68580%)						
					2010	2009
Total Long term Liabilities					12,923,912	15,090,615
Less Current Maturities					(2,166,906)	(2,118,715)
					10,757,006	12,971,900

(a) Cayman Islands Government loans

The two loans from the Cayman Islands Government one for Grand Cayman and one for Cayman Brac port facilities are denominated in Cayman Islands dollars, are unsecured, interest free, and are repayable in annual and semi-annual instalments until the years 2011⁽¹⁾, and 2013⁽²⁾, respectively. The respective principal amounts and annual payments are ⁽¹⁾ 1,573,291, (53,867); and ⁽²⁾ 1,720,664, (68,826).

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

(b) Commercial bank loans are comprised of:

	<u>2010</u>	<u>2009</u>
\$3,444,000 (US\$4,200,000) loan for the purchase of the Fort building secured by a charge over the property acquired bearing interest of LIBOR plus 1% (1.18505%) and repayable in monthly instalments until May 2011	412,874	573,758
\$4,510,000 (US\$5,500,000) loan for the George Town Dock Rehabilitation bearing interest of LIBOR Plus 1.5% (1.68555%) and repayable in monthly instalments until March 2014. The securities pledged by the Port Authority for this loan are as follows:		
Registered First Charge for US\$5,500,000 on GT OPY, Parcel #133, and collateral charge on OPY Parcels 25 and 127.	1,752,996	2,287,327
\$14,350,000 (US\$17,500,000) for the Royal Watler Terminal and bearing interest of LIBOR plus 1.5% (1.68555%) and repayable in monthly instalments starting from May 1, 2005 until May 1, 2014. The securities pledged by the Port Authority for this loan are as follows:		
- Registered Second Demand Legal Charge stamped in the amount of US\$17,500,000 covering George Town Commercial Block OPY, Parcel 133. - Registered Second Demand Collateral Legal Charges in the amount of US\$17,500,000 over George Town Commercial Block OPY, Parcels 25 and 127 - Registered First Collateral Legal Charge in the amount of US \$17,500,000 over raw land parcel described as West Bay South, Block 5B Parcel 36.	9,978,286	11,263,522
Carried forward	12,144,156	14,124,607

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

Commercial bank loans (continued)

Brought forward	12,144,156	14,124,607
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\$6,970,000 (US\$8,500,000) for the acquisition of properties in West Bay and for the construction, the fit out cost to be incurred in connection with the construction of a new passenger terminal, pier and commercial buildings on the properties and the construction of a sea wall, bearing interest of LIBOR plus 1.5% (1.68555%) and repayable in monthly instalments starting from August 1, 2005 until August 1, 2015 *

The securities pledged by the Port Authority for this loan are as follows:

- Registered Third Demand Legal Charge stamped in the amount US\$8,500,000 covering George Town Commercial, Block OPY Parcel 133
- Registered Third Demand Collateral Legal Charges in the amount of US\$8,500,000 each over George Town Commercial, Block OPY Parcels 25 and 127
- Registered Second Collateral Legal Charge in the amount of US\$8,500,000, over raw land legally described as West Bay South, Block 5B, Parcel 36.

485,004 548,538

Total Commercial Bank Loans	12,629,160	14,673,145
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Included in operating expenses for the year ended June 30, 2010 is interest expense of CI\$259,776 (2009 CI\$502,534) relating to these loans.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

Sensitivity Analysis

The sensitivity analyses below are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated.

Sensitivity factor	Description of sensitivity factor applied
Interest rate (1)	The impact of an absolute change in market interest rates by approximately 1%

1 - Related to loan expense and interest income

Interest rates	
+1%	-1%

Sensitivities as at June 30, 2010

Impact on Net income		
for the year	(118,217)	117,108
Impact on Shareholder's equity	(118,217)	117,108

Interest rates	
+1%	-1%

Sensitivities as at June 30, 2009

Impact on Net income		
for the year	(139,148)	137,997
Impact on Shareholder's equity	(139,148)	137,997

* At June 30, 2005 CI\$700,507 was drawn down on the loan facility for the acquisition of properties in West Bay. Subsequent to June 30, 2005 the Port Authority decided to abandon this project, and therefore the full loan amount was not borrowed.

9. Contingencies and commitments

a) Liability to Cayman Islands Government

Under the Port Authority Law any balance of account in favour of the Port Authority up to the amount of CI\$100,000 may be carried forward to the account of the following year and any excess of that sum shall be paid in to the general revenue of the Cayman Islands Government.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

9. Contingencies and commitments (continued)

No provision has been made in these financial statements for any further payments that may be demanded by Government in respect of excess balances.

During the year ending June 30, 2010, the Port Authority did not make any payments (2009: CI\$350,000), to the Cayman Islands Government in the form of a dividend distribution.

b) Leases

The Port Authority leases a portion of land for its operations. The minimum lease payments are CI\$24,000 for the first year of the lease, which commenced November 29, 2002, and CI\$36,000 per annum for the subsequent nine years ending November 29, 2012.

Lease Obligation for 1 year	CI\$36,000
Lease Obligation for 2-4 years	CI\$72,000

c) Marina development

In an agreement dated January 2009, the Port Authority contributed access to its parcels of land adjoining the Ritz Carlton property, in exchange for the developers of Ritz Carlton Grand Cayman Resort to develop a public marina and associated facilities to enhance the local boating community. The management of the Port Authority expects no financial impact on the Port Authority on account of this arrangement.

d) Claims by third parties

Two employees of the Port Authority were involved in separate accidents during their normal course of work and action has been brought against the Authority by the third parties involved. These claims are being dealt with by the Authority's insurance company. To date there has not been any further correspondence with the Authority and management expects no pay outs from funds of the Authority as a result of these claims.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

e) *Project Management fees*

The Port Authority entered into an contract with Burns Connolly Group Ltd (BCG) on September 6, 2004 to provide Project Management and Engineering on the construction of Royal Watler Cruise Terminal for a fixed price of \$282,500 (\$157,500 & \$125,000) respectively. As of the date of these accounts the balance owing to BCG on both contracts are \$38,912.98 (\$17,218.18 & \$21,694.80). BCG is also claiming interest on the outstanding balance and other charges relating to defending its managing of the project with the Auditor General totalling \$82,355.12. The Authority's board will not agree to these additional charges as the charges are outside the scope of the contract and was neither requested nor approved by the Authority.

f) *Waiver of fees*

During the course of business, the Port Authority waived Port fees on cargo for an entertainment group that were participating in the Cayman Islands annual Jazz Festival in November 2009. This annual event is sponsored by the Cayman Islands Government Department of Tourism and Ministry of Tourism. Should these fees had not been waived the Authority would have realized additional revenue of \$10,804.71.

g) *New Cruise Facility*

The Port Authority of the Cayman Islands and the Cayman Islands Government has been advised by GLF Construction Corporation that it intends to make a claim for the cancelation of a signed Framework Agreement. A Framework Agreement ("Agreement") was signed on December 14, 2010 with a life of four months until April 14, 2011 and could be extended for a further two months upon agreement by the three parties. The Agreement outlined the duties each party were to perform and should the parties conclude that either wanted to terminate they could by giving reasonable notice and reasons for terminating. The Cayman Islands Government terminated the Framework with written notice on April 14, 2011.

h) *Tender fees*

The Authority amended its tender fees in March 2010 along with other fees but before the implementation of those fees realized that the charges to the tender company will only be passed on to the cruise lines. The fees conflicted with the FCCA agreement and were never charged. The Authority reverted to the old fees and the new gazetted fees remain dormant.

i) *Rental Properties*

The Port Authority owns properties that it lets to tenants for a monthly rental. The minimum annual payments are CI\$939,940 per annum for the first and subsequent years.

Rental Income for 1 year	CI\$939,840
Rental Income for 2-5 years	CI\$4,699,200

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

10. Related party transactions

The Port Authority engages the services of various departments of the Cayman Islands Government. Such services are provided on an arm's length basis.

Insurance coverage for property, motor, workers compensation and other risks is provided through the Cayman Islands Government for an annual premium of CI\$1,009,099 (2009: CI\$1,076,135). This insurance is procured by the Cayman Islands Government for all its entities at market rates, and they apportion the related liability on a pro-rated basis, according to the value of the entities' assets.

Mr Woody Foster, a Director of the Port Authority and Manager of a company that conducts business with the Port Authority, namely, Foster's Food Fair – IGA. Fosters Food Fair conducts business at an arm's length basis and is not given any preferential rates but is charged the standard port fees as any ordinary company or citizen doing business with the Authority. The Port fees charged during the current fiscal year was \$1,244,405.44 (2009 \$1,239,953.17) with an outstanding accounts receivable balance of \$25,364(2009 \$22,695)

Mr James A Bodden, MBE, JP, is a Director of the Port Authority and the Proprietor of a company which conducts business with the Port Authority namely, Bodden Beverages, Ltd. Bodden Beverages, Ltd conducts business at an arm's length basis and is not given any preferential rates but is charged the standard port fees as any ordinary company or citizen doing business with the Authority. The Port fees charged during the current fiscal year was \$162,015.17 (2009 \$183,514.66). Although Bodden Beverages, Ltd has an account with the Authority Port fees are settled upon clearing its cargo. Therefore, there is no outstanding balance for neither the current nor the comparative fiscal period ending June 30, 2010, and June 30, 2009 respectively.

Key Management Personnel

There are three full time personnel on open ended employment agreements considered to be at the senior management level. The total remuneration includes: regular salary, pension contribution, health insurance contribution and bonuses. The pension and health insurance benefits provided to key management personnel are similar to that provided for all employees. Total remuneration in 2010 for senior management was \$642,414 (2009 \$631,045).

Board members

The Port Authority board is comprised of 10 members. Of that number, only seven receive a stipend of \$150.00 per meeting attended. The remaining three board members are civil servants and as such are ineligible for receipt of board fees. The total fees paid to the eligible members for the year ended June 30 2010 was \$13,650 (2009 \$9,900)

11. Lines of credit

The Port Authority has a bank overdraft facility up to \$250,000 (US\$305,000) bearing interest at 1.5% above Prime. As at June 30, 2010, this overdraft facility has not been used. In addition, the Port Authority has three corporate credit cards with a total credit limit of \$24,600 (US\$30,000). At June 30, 2010 the outstanding balance was CI\$423 / (US\$516) (2009 CI\$1,786/US\$2,178).

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

12. Subsequent events

- New Cruise Facility

In his capacity as Premier and Minister responsible for Finance, Tourism and Development of the Cayman Islands Government (CIG) a Ministerial Memorandum of Understanding was signed with a developer to embark on constructing berthing facility for the cruise ships to operate more efficiently. At this time there are no clear defined parameters as to how or when this project will get started.

- Insurance claims

The total insurance claims made for damages caused by hurricane Paloma, in Cayman Brac, to its Buildings and Equipment is in the amount of \$1,125,433. The estimated Insurance settlement is CI\$942,235.90, with a deductible of \$183,197.10. As at June 30, 2009 the total sum received was \$562,717 and a further payment of \$379,518.90 was received on December 7, 2010.

- Court proceedings on lessees

The Port Authority initiated court proceedings during the financial year against four tenants of the Royal Watler Terminal to recover \$ 260,635 in outstanding rent. To date, a sum of \$6,000 was received in full and final settlement for one tenant and the likelihood of receiving any further proceeds for the remaining three are remote to impossible, as the tenants have either moved out, have no assets for the courts to confiscate or they have left the island. Since the likelihood of receiving any further payments on the outstanding accounts is remote, an allowance was made for the entire amount of the outstanding rents. Management believes that no further action is deemed necessary as the cost to the Authority will far outweigh any benefits received.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

13. Fair value disclosure

At June 30, 2010 the following methods and assumptions were used by management to estimate the fair value of each class of financial instruments:

(a) Cash and cash equivalents

The carrying amount approximates fair value.

(b) Accounts receivable / other receivables/other assets /accounts payable and accrued expenses/related party/prepaid expenses

The above items are substantially short term, and do not bear interest. As such, their carrying amount approximates their fair value.

(c) Current and long term debt

Included in these balances is certain non-interest bearing loans. The carrying amount of these loans represents the principal balance owing. The anticipated future principal repayments have not been discounted.

All other loans are floating rate and bear interest at the market rate. The carrying value of these loans approximates the fair market value.

Fair value estimates are made at a specific point 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 interest rate assumptions have been reflected in note 8. Changes in other assumptions could significantly affect the estimates.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

14. Financial instruments and associated risks

The Port Authority's activities expose it to various types of risk. Financial risk can be broken down into credit risk, interest rate risk, and foreign currency risk. The Authority is exposed to financial risks through its financial assets, and financial liabilities. The most important types of financial risk to which the Port Authority is exposed are credit and interest rate risk.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. To reduce exposure to credit risk, the Port Authority performs ongoing credit evaluations of the financial condition of its customers but generally does not require collateral.

The Port Authority invests available cash and cash equivalents with various banks. It also holds receivables from clients. The Port Authority is exposed to credit-related losses in the event of non-performance by counterparties to these financial instruments. However, management does not expect the counterparties to fail to meet their obligations.

The following assets of the Port Authority are exposed to credit risk:

	June 30, 2010	June 30, 2009
Cash and cash equivalents	1,171,501	2,501,817
Accounts receivables	1,430,078	1,721,409
Other receivables, prepaids and deposits	907,701	1,114,369
Total financial assets	3,509,280	5,337,595
Non-financial assets	-	-
Total assets per the balance sheet	3,509,280	5,337,595

Balances past due but not impaired and those that are impaired are analyzed in the tables below:

As at June 30, 2010:	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	1,171,501	-	-	1,171,501
Accounts receivables	-	1,384,531	45,547	1,430,078
Other receivables, prepaids and deposits	907,701	-	-	907,701
Total assets exposed to credit risks	\$ 2,079,202	\$ 1,384,351	\$ 45,547	\$ 3,509,280

As at June 30, 2009:	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	2,501,817	-	-	2,501,817
Accounts receivables	-	1,440,457	280,952	1,721,409
Other receivables, prepaids and deposits	1,114,369	-	-	1,114,369
Total assets exposed to credit risks	\$ 3,616,186	\$ 1,440,457	\$ 280,952	\$ 5,337,595

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

The ageing analysis of financial assets that are past due but not impaired is as follows:

As at June 30, 2010:	Up to 45 days	45 to 90 days	> 90	Total
Accounts receivables	887,663	74,533	422,335	1,384,531
Other receivables, prepaids and deposits	907,701	-	-	907,701
	<u>\$ 1,795,364</u>	<u>\$ 74,533</u>	<u>\$ 422,335</u>	<u>\$ 2,292,232</u>

As at June 30, 2009:	Up to 45 days	45 to 90 days	> 90	Total
Accounts receivables	1,100,589	116,252	223,616	1,440,457
Other receivables, prepaids and deposits	1,114,369	-	-	1,114,369
	<u>\$ 2,214,958</u>	<u>\$ 116,252</u>	<u>\$ 223,616</u>	<u>\$ 2,554,826</u>

Management of financial risks

The following tables indicate the contractual timing of cash flows arising from financial assets and liabilities included in the Port Authority's financial statements as of June 30, 2010 and June 30, 2009.

		Contractual cash flows (undiscounted)					
	Carrying amount	No stated maturity	0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	>5 yrs
June 30, 2010							
Financial Assets							
Cash and cash equivalents	1,171,501		1,171,501				
Accounts receivable	1,384,531		1,384,531				
Other receivables, prepaids and deposits	907,701		907,701				
Total	<u>\$ 3,463,733</u>	<u>\$ -</u>	<u>\$ 3,463,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Short term liabilities							
Accounts Payables	3,952,845		3,952,845				
Loans repayable within 12 months	2,166,906		2,166,906				
Total	<u>\$ 6,119,751</u>	<u>\$ -</u>	<u>\$ 6,119,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Difference in contractual cash flows	<u>\$ (2,656,018)</u>	<u>\$ -</u>	<u>\$ (2,656,018)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

		Contractual cash flows (undiscounted)					
	Carrying amount - \$	No stated maturity	0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	>5 yrs
June 30, 2009							
Financial Assets							
Cash and cash equivalents	2,501,817		2,501,817				
Accounts receivable	1,440,457		1,440,457				
Other receivables, prepaids and deposits	1,114,369		1,114,369				
Total	<u>\$ 5,056,643</u>	<u>\$ -</u>	<u>\$ 5,056,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

Short term liabilities

Accounts Payables	3,000,522		3,000,522				
Loans repayable within 12 months	2,118,715		2,118,715				
Total	\$ 5,119,237	\$ -	\$ 5,119,237	\$ -	\$ -	\$ -	\$ -
Difference in contractual							
Flows	\$ (62,594)	\$ -	\$ (62,594)	\$ -	\$ -	\$ -	\$ -

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Port Authority holds long-term debts and cash and cash equivalents that are interest bearing and as a result the Port Authority is subject to risk due to fluctuations in the prevailing levels of market interest rates in relation to these financial instruments. The scheduled maturity dates and interest rates of the long-term debts (with sensitivity analysis) and cash and cash equivalents are presented in notes 3, 7 and 8.

(c) Foreign currency risk

The Company receives revenue in Cayman Islands Dollars (CI\$) as well as US\$, and pays expenses in both Cayman Islands and United States dollars (US\$). Since the exchange between CI\$ and US\$ is fixed, the Company is not exposed to foreign currency risk.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

15. Diesel Sales

The Port Authority sells diesel fuel to cargo and other vessels in port for profit. Diesel sales are shown net in the Statement of Income:

	<u>2010</u>	<u>2009</u>
Total diesel sales	631,590	1,002,694
Total diesel cost of sales	<u>(486,111)</u>	<u>(791,227)</u>
Net Income from Diesel sales	145,479	211,467

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

16. Branch Statements of Financial Position

	Grand Cayman	Cayman Brac	Total	2009
Current assets				
Cash and cash equivalents	1,011,946	159,555	1,171,501	2,501,817
Accounts receivable	1,294,814	89,717	1,384,531	1,440,457
Inventory	267,096	14,652	281,748	155,974
Prepaid expenses	878,145	1,399	879,544	1,063,404
Other receivables	-	28,157	28,157	50,965
	3,452,001	293,480	3,745,481	5,212,617
Current liabilities				
Accounts payable and accrued expenses	3,918,302	34,543	3,952,845	3,000,522
Current portion of long term debt	2,132,493	34,413	2,166,906	2,118,715
	6,050,795	68,956	6,119,751	5,119,237
Working capital	(2,598,794)	224,524	(2,374,270)	93,380
Plant, property and equipment	29,227,589	4,353,270	33,580,859	34,344,888
Capital work in progress	467,860	120,644	588,504	1,316,370
Long term Investment	17,909,744	-	17,909,744	18,021,510
Long term debt	(10,550,534)	(206,472)	(10,757,006)	(12,971,900)
Net assets	34,455,865	4,491,966	38,947,831	40,804,248
Represented by				
General reserve	43,164,188	(4,216,357)	38,947,831	40,804,248
Inter-branch account	(8,708,323)	8,708,323		
	34,455,865	4,491,966	38,947,831	40,804,248

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

June 30, 2010

(stated in Cayman Islands dollars)

17. Branch Statements of Comprehensive Income

	Grand Cayman	Cayman Brac	Total	2009
Operating income	16,757,236	830,195	17,587,431	19,830,104
Operating expenses	16,322,173	1,057,165	17,379,338	17,995,487
	435,063	(226,970)	208,093	1,834,617
Other income/ (expenses)				
Interest income	2710	59	2,769	36,515
Other income/expense	-	-	-	942,236
Loss on disposal of fixed assets	-	-	-	(517,186)
Depreciation	(1,905,710)	(161,569)	(2,067,279)	(2,371,863)
	(1,903,000)	(161,510)	(2,064,510)	(1,910,298)
Net income/(loss) for year	(1,467,937)	(388,480)	(1,856,417)	(75,681)
General reserve/ (deficit) at beginning of year	44,631,903	(3,827,655)	40,804,248	41,229,929
Contribution to Government	-	-	-	(350,000)
General reserve at end of year	43,163,966	(4,216,135)	38,947,831	40,804,248