



Cayman Islands Airports Authority

Financial Statements

Year Ended 30 June 2011

**Cayman Islands Airports Authority
Financial Statements
Year Ended 30 June 2011**

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Cayman Islands Airports Authority
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
30 June 2011

These financial statements have been prepared by the Cayman Islands Airports Authority in accordance with the provisions of the *Public Management and Finance Law (2010 Revision)* and the *Airports Authority Law (2005)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2010 Revision)*.

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

As signatories below, we are responsible for the preparation of the Cayman Islands Airports Authority financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the Cayman Islands Airports Authority for the financial year ended 30 June 2011.

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

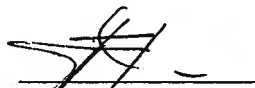
- (a) Except for the effects of the defined pension liability, completely and reliably reflect the financial transactions of Cayman Islands Airports Authority for the year ended 30 June 2011;
- (b) Except for the effects of the defined pension liability, fairly reflect the financial position as at 30th June 2011 and performance for the year ended 30th June 2011;
- (c) Except for the effects of the defined pension liability, comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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



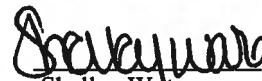
Andrew Johnson
Deputy Chairman (Board of Directors)

Date: JUL 30 2012



Jeremy Jackson
Chief Executive Officer

Date: 30 JULY 2012



Shelley Ware
Financial Controller

Date: 30 July 2012

Auditor General's Report To the Shareholders and Board of Directors of the Cayman Islands Airports Authority

I have audited the accompanying financial statements of the Cayman Islands Airports Authority which comprise the statement of financial position as at 30 June 2011 and the related statements of comprehensive income, changes in reserves and capital, cash flows and other explanatory notes as set out on Pages 4 to 17, in accordance with the provisions of Section 26 (1) of the *Airports Authority Law*, 2005 and Section 52 (3) of the *Public Management and Finance Law (2010 Revision)*.

Management's Responsibilities for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor General's Responsibility and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement³ of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

As disclosed in Note 8 of the financial statements, pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund. The Authority, however, is not able to quantify the liability as at 30 June 2011 as an actuarial valuation has not been completed for this date. As a result, I was unable to determine if the amount of \$4,706,000 that the Authority has established as a past service pension liability in these financial statements is fairly stated.

Related Party Transactions

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

Qualified Opinion

In my opinion, except for the possible effects of the adjustments necessary to resolve the discrepancies for recording the past service pension liability and the related parties disclosure, these financial statements present fairly, in all material respects, the financial position of the Cayman Islands Airports Authority as at 30 June 2011, and the results of its financial performance for the year then ended in accordance with International Financial Reporting Standard.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
30 July 2012

Cayman Islands Airports Authority
Statement of Financial Position
Year Ended June 30, 2011
(in Cayman Islands Dollars)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Current assets			
Cash and cash equivalents	3	11,753,076	6,262,751
Term Deposits	3b	2,028,084	2,023,023
Accounts receivable	4	13,572,980	14,910,367
Other receivables and prepaid expenses		<u>2,423,612</u>	<u>1,852,424</u>
		<u>29,777,752</u>	<u>25,048,565</u>
Non current assets			
Property, plant and equipment	5	<u>35,066,422</u>	<u>33,683,836</u>
TOTAL ASSETS		<u>64,844,174</u>	<u>58,732,401</u>
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	6	2,923,718	2,929,425
Accounts payable and accrued expenses	7	2,559,953	2,578,343
Weather Radar Fund	9	<u>120,108</u>	<u>237,312</u>
		<u>5,603,779</u>	<u>5,745,080</u>
Non current liabilities			
Long-term debt	6	541,589	817,962
Employee pensions	8	<u>4,706,000</u>	<u>4,091,000</u>
		<u>5,247,589</u>	<u>4,908,962</u>
TOTAL LIABILITIES		<u>10,851,368</u>	<u>10,654,042</u>
Equity			
Contributed capital		32,285,399	32,285,399
Retained earnings		<u>21,707,407</u>	<u>15,792,960</u>
		<u>53,992,806</u>	<u>48,078,359</u>
TOTAL LIABILITIES AND EQUITY		<u>64,844,174</u>	<u>58,732,401</u>

Approved

.....
 Jeremy Jackson
 Chief Executive Officer

.....
 Shelley Ware
 Financial Controller

30 July 2012

Date:

30 July 2012

Date:

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

Cayman Islands Airports Authority
Statement of Comprehensive Income
for the year ended June 30, 2011
(in Cayman Islands dollars)

	Note	<u>2011</u>	<u>2010</u>
INCOME			
Travel tax		6,485,028	6,249,014
Passenger Facility Charges		5,784,326	5,563,697
Security tax and terminal facility charges		4,189,119	4,073,944
Aircraft handling income		3,036,018	2,997,375
Rent - government		1,358,967	1,395,176
Rent - commercial		1,001,174	1,047,425
Government subsidy	7	-	1,322,998
Permits and parking	10	708,043	699,973
Petrol concession		643,626	588,466
Sundry		519,768	60,302
Interest		12,201	23,073
Foreign exchange gains		-	73,759
TOTAL INCOME		23,738,270	24,095,202
EXPENSES			
Salaries and wages		6,451,681	6,669,804
Depreciation	5	3,049,457	3,167,434
Repairs and maintenance		1,490,835	1,352,891
Utilities		1,443,200	1,290,597
CAA certification		1,000,000	1,000,000
Property & liability insurance		810,273	901,044
Passenger screening		662,970	723,537
Medical		658,764	629,545
Pension contributions	8	623,715	674,345
Past service pension expense	8	615,000	-
Legal and professional fees		265,793	351,032
Training		213,566	107,100
Travel and subsistence		111,330	152,230
Foreign exchange losses		106,086	-
Miscellaneous		102,641	138,544
Printing and stationery		77,180	64,988
Security		54,264	53,433
Uniforms		52,897	22,716
Loan interest		24,171	21,951
Meteorological regional contribution		10,000	-
Fire services	7	-	755,162
Bad debts expense		-	190,869
TOTAL EXPENSES		17,823,823	18,267,222
NET INCOME		5,914,447	5,827,980

Cayman Islands Airports Authority
Statement of Changes in Equity
for the year ended June 30, 2011
(in Cayman Islands dollars)

	Contributed Capital	Retained Earnings	Total
Balance at July 1, 2009	32,285,399	16,964,980	49,250,379
Net Income for 2010		5,827,980	5,827,980
Dividend	-	(7,000,000)	(7,000,000)
Balance at June 30, 2010	32,285,399	15,792,960	48,078,359
Net Income for 2011	-	5,914,447	5,914,447
Dividend		-	-
Balance at June 30, 2011	32,285,399	21,707,407	53,992,806

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

Cayman Islands Airports Authority
Statement of Cash Flows
for the year ended June 30, 2011
(in Cayman Islands dollars)

	<u>2011</u>	<u>2010</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for year	5,914,447	5,827,980
Items not affecting working capital:		
Unrealized (Gain)/loss on foreign currency transaction		
Provision for bad debt	-	190,869
Loss on disposal of fixed assets		
Depreciation	<u>3,049,457</u>	<u>3,167,435</u>
	8,963,904	9,186,284
Net changes in working capital balances		
Decrease/(Increase) in accounts receivable	1,337,387	(5,907,306)
(Increase)/decrease in other receivables and prepaid expenses	(571,188)	601,850
Weather Radar Fund	(117,205)	(87,357)
(Decrease)/Increase in accounts payable and accruals	(18,390)	(1,497,764)
Increase in employee pensions liability	<u>615,000</u>	<u>-</u>
Net cash provided by operating activities	<u>10,209,508</u>	<u>2,295,707</u>
CASH FLOW FROM INVESTING ACTIVITY		
Investment	(5,060)	(12,818)
Purchase of fixed assets	<u>(4,432,043)</u>	<u>(2,446,506)</u>
Net cash used in investing activities	<u>(4,437,103)</u>	<u>(2,459,324)</u>
CASH FLOW FROM FINANCING ACTIVITY		
Loans paid by government	507,216	407,168
Dividend	-	(7,000,000)
Repayment of loans (Note 6)	<u>(789,296)</u>	<u>(925,299)</u>
Net cash used in financing activities	<u>(282,080)</u>	<u>(7,518,131)</u>
Net (decrease)/increase in cash equivalent during the year	5,490,325	(7,681,748)
Cash and cash equivalents at beginning of year	<u>6,262,751</u>	<u>13,944,499</u>
Cash and cash equivalents at end of year	<u>11,753,076</u>	<u>6,262,751</u>
Supplimentary Information on Cash Flows From Operations		
Interest received during the year	12,201	23,073
Interest paid during the year	24,171	21,951

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

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2011
(in Cayman Islands dollars)

1. Background Information

The Cayman Islands Airports Authority ("the Authority") is a statutory body established on June 14, 2004 under *The Airports Authority Law, 2004*, and began operations on July 1, 2004. The registered office of the Authority is P.O. Box 10098 APO, Grand Cayman, Cayman Islands, KY1-1001. The Authority had 151 employees as of June 30, 2011 (2010: 154 employees).

The Authority is principally engaged in the general management and operation of airports, air traffic, and navigation, within the Cayman Islands as set out in the aforementioned law. The Authority currently operates two airports, one on the island of Grand Cayman and the other on the island of Cayman Brac.

The operations of the Authority are regulated by the Civil Aviation Authority ("CAA") of the Cayman Islands.

2. Significant Accounting Policies

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

a) Basis of accounting

The financial statements of the Authority are prepared on the accrual basis under the historic cost convention in accordance with International Financial Reporting Standards.

b) Depreciation

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

Computer	3 Years
Furniture and Fixtures	5 years
Motor Vehicles	5 Years
Equipment	10 Years
Building, Runways, Aprons and Car Parks	40 Years

c) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the balance sheet date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates ruling at the time of those transactions. Gains and losses on exchange are credited or charged in the statement of income and expenditure.

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2011
(in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

d) Use of estimates

The preparation of financial statements, in conformity with International Financial Reporting Standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e) Cash and cash equivalents

Cash and cash equivalents include cash on demand and at short notice and all deposits placed for not more than three months.

f) Revenue Recognition

The Authority recognizes revenues in the period in which they are earned. For example, taxes, rent and aircraft handling revenues are recognized when the related service is provided

g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

h) Financial Instruments

(i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents, accounts receivables and prepaid expenses

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

(ii) Recognition

The Authority recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the statements of operating revenues and expenses.

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2011
(in Cayman Islands dollars)

2 Significant Accounting Policies (continued)

(iii) Derecognition

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

(iv) Measurement

Financial instruments are measured initially at cost, which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are measured at their estimated fair value. Financial liabilities are subsequently measured at amortized cost, being the amount at which the liability was initially recognized less any principal repayments plus any amortization (accrued interest) of the difference between that initial amount and the maturity amount.

3. Cash and Cash Equivalents and Term Deposits

a. Cash and cash equivalent at June 30, 2011 comprised:

	<u>2011</u>	<u>2010</u>
Cash on hand	15,360	15,388
Current and call accounts	4,346,035	1,861,542
Fixed deposit accounts	<u>7,391,681</u>	<u>4,385,821</u>
Total cash and cash equivalents	<u>\$11,753,076</u>	<u>\$6,262,751</u>

b. Term Deposits

Term Deposits represents amount placed with Royal Bank of Canada (RBC) at an annual rate of .25% interest for a period of 182days from June 29th, 2011.

4. Accounts Receivable

Accounts receivable is stated net of allowance for credit losses.

	<u>2011</u>	<u>2010</u>
Trade Receivables	13,572,980	15,384,234
Allowance for credit losses	<u>Nil</u>	<u>473,867</u>
Balance	<u>13,572,980</u>	<u>14,910,367</u>

Amount written off as bad debt for the year was Nil. (2010: Nil)

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2011
(in Cayman Islands dollars)

5. Fixed Assets

	<u>Cost</u> <u>June 2010</u>	<u>Addition</u>	<u>Cost</u> <u>June 2011</u>	<u>Acc. Deprn.</u> <u>June 2010</u>	<u>Charge</u> <u>for year</u>	<u>Acc. Deprn.</u> <u>June 2011</u>	<u>NBV</u> <u>June 2011</u>	<u>NBV</u> <u>June 2010</u>
Computer Equipment	318,418	225,770	544,188	211,017	69,775	280,792	263,396	107,401
Furniture & Fixtures	838,995	48,505	887,500	552,501	115,433	667,934	219,566	286,494
Vehicles	723,751	75,145	798,896	331,414	71,642	403,056	395,840	392,337
Equipment	4,748,065	1,610,869	6,358,934	3,351,240	500,666	3,851,906	2,507,028	1,396,825
Buildings and Structures	28,476,599	2,421,397	30,897,996	11,518,824	2,291,940	13,810,764	17,087,232	16,957,775
Land	8,963,900		8,963,900		-	-	8,963,900	8,963,900
Construction in Progress	5,579,104	50,356	5,629,460	-	-	-	5,629,460	5,579,104
Total	49,648,832	4,432,042	54,080,874	15,964,996	3,049,456	19,014,452	35,066,422	33,683,836

6. Short and Long Term Debt Payable

	<u>2011</u>	<u>2010</u>
Cayman Islands Government Loan	2,663,557	2,156,342
External Loans		
Caribbean Development Bank		
#6/OR - CI	218,671	655,972
European Community Loan		
1981 Loan	127,133	119,330
1987 Loan	455,946	406,818
Cayman National Bank	0	408,925
Total loans payable	3,465,307	3,747,387
Less: portion due with one year	2,923,718	2,929,425
Long term loans payable	541,589	817,962

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2011
(in Cayman Islands dollars)

6. Short and Long Term Debt Payable (Continued)

Cayman Islands Government Loan

During the year, the Cayman Islands Government made all loan payments on the Caribbean Development Bank and European Community loans on behalf of the Authority. The total of these principal and interest payments made were \$510,215 (2010: \$407,168).

Pursuant to section 20 (2) of the *Airports Authority Law (2005)* this amount is payable to the Cayman Islands Government however, there are no fixed date(s) for repayment.

Caribbean Development Bank

#6/OR – CI – Third Airport Project: Loan of US\$ 8,570,000 denominated in US dollars, repayable quarterly over 15 years, commencing in 1991. Interest accrues on the loan at a variable interest rate of 4.09%.

European Community Loan

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

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

Cayman National Bank Loan

Loan of US\$ 5,400,000 repayable quarterly over 10 years, commencing April 2001 with interest accruing at 2.07% as of June 30, 2004 and adjusted every 3 months to 0.75 % above the LIBOR rates.

All external loans (except Cayman National Bank Loan) are in the name of the Cayman Islands Government. The Cayman National Bank Loan was taken out in the name of the Civil Aviation Authority, and guaranteed by the Cayman Islands Government. The responsibility for servicing the loan was taken over by the Authority as of July 1, 2004. In January of 2007, the Cabinet of the Cayman Islands Government officially passed a resolution to transfer the loan into the name of the Authority.

The Cayman National Bank Loan was paid in full in May 2011.

7. Related Party Transactions

Included in the statement of financial position, statement of comprehensive income and general reserve are the following items not disclosed elsewhere in the financial statements, with Cayman Airways Ltd. and other Cayman Islands Government agencies, companies, and/or authorities, all of which are related parties:

Balance Sheet	<u>2011</u>	<u>2010</u>
	\$	\$
Accounts receivable		
Cayman Airways/Cayman Express	12,848,665	13,940,849
Other Government Departments	<u>204,558</u>	<u>146,231</u>
	<u>13,053,223</u>	<u>14,087,080</u>

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2011
(in Cayman Islands dollars)

7. Related Party Transactions (Continued)

	<u>2011</u>	<u>2010</u>
Accounts Payable	\$	\$
Risk Management Unit	728,769	-
Civil Aviation Authority	250,000	250,000
Other Departments	<u>228,859</u>	<u>228,859</u>
	<u>1,207,628</u>	<u>478,859</u>

Statement of income and expenditure

Income	<u>2011</u>	<u>2010</u>
Cayman Airways/Cayman Express	7,669,242	7,680,131
Government Contribution – Runways, etc.	-	1,322,298
	<u>7,669,242</u>	<u>9,002,429</u>

Expenses	<u>2011</u>	<u>2010</u>
Fire Services	Nil	755,162
Civil Aviation Authority	<u>1,000,000</u>	<u>1,000,000</u>

Key Management

For the year ended June 30, 2011, the Authority had 18 key management personnel positions (2010: 20). Total compensation to key management personnel for the year amounted to \$915,996 (2010: \$882,097) representing salary, pension and other employee benefits.

The current Chairman of the Board has a principal interest in an entity that conducts business as a ground handling agency at Owen Roberts International Airport. The entity was billed, by CIAA, a total of \$64,811.75 for rental space and miscellaneous ID and parking fees for the period July 01, 2010 – June 30, 2011. At June 30, 2011 the entity's outstanding balance with the CIAA was \$34,402. (2010: \$70,804)

A Director of the Board has a principal interest in an entity that conducts business at Owen Roberts International Airport as a security screening company. The entity billed the CIAA \$662,098 for services rendered between July 1, 2010 – June 30, 2011. The outstanding balance due to the entity at June 30, 2011 was \$55,936.

8. Employee Pensions

Pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board (the "Pensions Board") and is operated as a multi-employer program. Prior to April 14, 1999 the Fund operated as a defined benefit plan. With effect from April 14, 1999 the Fund has both a defined benefit and a defined contribution element. Participants joining after April 14, 1999 are members of the defined contribution element.

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2011
(in Cayman Islands dollars)

8. Employee Pensions (continued)

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 2009-10 and 2008-9. This rate included a 1% for the cost of all of the benefits that are provided over and above those related to the participant's total account balance. Certain participants are reimbursed for their contributions.

The latest actuarial valuation (of the defined benefit plan) recorded in the accounts of the CIAA at June 2010 reflects the following

The Plans are funded at the following rates:	<u>2010</u>	<u>2009</u>
Defined Contribution Plans - Employee	6%	6%
- Employer	7%	7%
Defined Benefit Plans - Employee	6%	6%
- Employer	7%	7%

The Actuary to the Pensions Board valued the Fund as at June 30, 2010. The defined contribution part of the Fund is not subject to an actuarial valuation due to the nature of the benefits provided therein.

The actuarial position is as follows:	<u>2010</u>	<u>2009</u>
Net Present Value of Funded Obligation, beginning of year	9,021	9,108
Fair Value of Plan Assets	2,134	2,741
Defined Benefit Liability	<u>(6,887)</u>	<u>(6,367)</u>
Unrecognised Actuarial Net Gains /(Losses)	2,181	2,276
Net Liability in Balance Sheet, end of year	<u>(4,706)</u>	<u>(4,091)</u>

Reconciliation of Defined Benefit Asset/ (Liability)	<u>2010</u>	<u>2009</u>
Defined Benefit Obligation at beginning of year	(4,091)	(3,720)
Net Pension (Expense)/Income for Fiscal Year	(788)	(502)
Adjustment to prior year's employers contribution	-	(44)
Employer Contributions	173	175
Defined Benefit Asset/(Liability)	<u>(4,706)</u>	<u>(4,091)</u>

Pension Expense for fiscal year ending:	<u>2010</u>	<u>2009</u>
Company Service Cost	325	284
Interest Cost	515	414
Expected Return on Assets (net)	(164)	(196)
Recognition of Net (Gain)/Loss	112	-
Total Pension Expense	<u>788</u>	<u>502</u>

Cayman Islands Airports Authority
Notes to Financial Statements
June 30, 2011
(in Cayman Islands dollars)

8. Employee Pensions (continued)

Change in Defined Benefit Obligation over year ending:	<u>2010</u>	<u>2009</u>
Defined Benefit Obligation at beginning of year	9,108	6,147
Company Service Cost	325	284
Interest Cost	515	414
Plan Participant Contributions	148	150
Net Actuarial (Gain)/Loss	196	2,113
Transfers Between Other Participating Entities	(1,271)	-
Defined Benefit Obligation at End of Year	<u>9,021</u>	<u>9,108</u>

Change in Plan Assets over year ending	<u>2010</u>	<u>2009</u>
Fair Value of Plan Assets at End of Prior Year	2,741	2,650
Employer Contributions	173	175
Plan Participant Contributions	148	150
Transfers Between Other Participating Entities	(1,271)	-
Expected Return on Assets (net)	164	196
Asset Gain/(Loss)	179	(439)
Other	-	9
Fair Value of Plan Assets at End of Year	<u>2,134</u>	<u>2,741</u>

Change in Unrecognized Net Actuarial Loss/(Gain)	<u>2010</u>	<u>2009</u>
Unrecognized Net Actuarial Loss/(Gain)- beginning of year	2,276	(223)
Amortized Credit/(cost)	(112)	-
Liability Loss/(Gain)	196	2,113
Asset Loss/(Gain)	(179)	430
Other	-	(44)
Unrecognized Net Actuarial Loss/Gain	<u>2,181</u>	<u>2,276</u>

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

	<u>2010</u>	<u>2009</u>
	%	%
Equity Investment	55.00	44.00
Bonds Investment	37.00	49.00
Property	3.00	3.00
Cash/Other	5.00	4.00

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8. Employee Pensions (continued)

The principal Actuarial Assumptions used to Determine Benefit Obligations at June 30, 2010 and 2009 are as follows:

	<u>2010</u> %	<u>2009</u> %
Discount Rate	5.50	5.75
Expected Long-term Return on Plan Assets	6.00	6.00
Rate of Salary Increase	4.00	4.00
Rate of Price Inflation	2.50	2.50
Rate of Pension Increases	2.50	2.50

The principal Actuarial Assumptions used to Determine Net Periodic Benefit Cost for the Year ending June 30, 2009 and 2008 are as follows:

	<u>2010</u> %	<u>2009</u> %
Discount Rate	5.75	6.75
Expected long-term rate of return (net)	7.00	7.00
Expected long-term return on reimbursement rights	0.00	0.00
Rate of Salary increase	4.00	4.00
Rate of Price Inflation	2.50	2.50
Rate of Pension Increases	2.50	2.50

C. Other Assumptions –

1. Mortality – Standard U.S. mortality rates
2. Retirement Age – completion of age 57 and 10 years of service

D. Asset Valuation – Fair market value

9. Weather Radar Fund

On March 30, 2009, the Cayman Islands Airports Authority, on behalf of the Cayman Islands Government, entered into a contract with the Delegation of the European Community for a grant of EURO €4.1 million to construct a Doppler Digital Weather Radar Project. On June 19, 2009 the CIAA received €231,328 as the first installment. As at June 30, 2011, the balance held on behalf of the Weather Radar Project is €101,002.07 or CI\$ 120,108.03 (2010: €231,560.74 or CI\$ 237,312.35)

10. Commitments

In the fiscal year ended June 30, 2007, the Authority entered into a contract for architectural and engineering consulting services with a total value of \$5,475,818. Per the contract, the agreement may be terminated by the Authority upon not less than seven days written notice to the consultant for the owner's convenience and without cause and the consultant shall be compensated for services performed prior to termination. Final payment of \$882,128.38 was made on October 4, 2010.

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11. Financial Instruments

Credit risk

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

Financial assets that potentially subject the Authority to credit risk consist principally of, trade receivables, and other receivables. Credit risk with respect to these receivables is limited because the Authority has a policy in place that is monitored by management on a consistent basis to ensure the timely collection of receivables. Accordingly, the Authority has no significant concentrations of credit risk.

Interest rate price risk

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

Interest rate cash flow risk

The Authority also has a loan with a local financial institution with a floating interest rate that is adjusted every six months to .75% above LIBOR rates.

Fair values

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