

# ANNUAL REPORT

FISCAL YEAR ENDING 31 DECEMBER 2020



ONE TEAM - ONE MISSION - ONE VISION



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## FOREWORD BY THE DIRECTOR-GENERAL

I am pleased to present the annual report for the financial year ending 31 December 2020. Although there was much uncertainty after the first quarter because of the COVID - 19 pandemic, the Authority maintained financial self-sustainability, received no capital subsidy, and is able to pay dividends to the Government.

The COVID-19 pandemic changed the world as we knew it, causing major operational and financial challenges for people and businesses globally; however, the Authority can still report an unaudited operating net income increase of 4% over the original 2020 Ownership Agreement. The Authority also met its regulatory obligations and maintained the Governor's designation for full responsibility for safety oversight of aviation in all functional areas.

The impact of the ongoing pandemic COVID-19 on the aviation industry globally has been particularly unprecedented, as the borders of many countries were closed or highly restricted. The implementation of proactive measures to meet these new challenges, while providing enhanced services to our existing aircraft operators and potential clients associated with aircraft leasing and financing transactions, has served the Authority well. This includes the CAACI's bespoke data management system, VP-C Online, that is designed to facilitate efficient transactions with aircraft operators, financiers and lessors. The CAACI also partnered with several local law firms to host periodic 'webinar/FAQ sessions' to keep the industry updated of our offerings.

The pandemic resulted in the cancellation of regular scheduled commercial air services to the jurisdiction following closure of the Cayman Islands' borders in March 2020. However, ad-hoc air transport operations were permitted to facilitate passenger repatriation flights, air ambulances, cargo, private and charter aircraft. The CAACI played an integral role in the processing and approval of these flights, which required

close liaison with local government and health authority officials.

Works to extend the Owen Roberts International Airport (ORIA) runway and upgrade airfield facilities was carried out during the pandemic lockdown, which required CAACI safety oversight monitoring. Such oversight included frequent site visits to the work site and close liaison with the Airports Authority to ensure that the project progressed safely and in accordance with the ICAO Standards and recommended Practices.

The CAACI staff and overseas designated inspectors showed true commitment throughout the year in achieving the CAACI goals and objectives through the difficult and challenging times to deliver on its responsibilities for regulatory safety oversight and efficient service to our clients globally. Weekly ZOOM meetings were held with staff for health and wellness check-ins, planning of regulatory oversight work and to maintain camaraderie. During these weekly e-activities staff encouraged each other to raise funds for several worthy causes allowing the Authority to make monthly donations to a select number of local charities.

Construction of the CAACI's new corporate office building was near completion at the end of the year, which was delayed due to the COVID lockdown. It is anticipated that staff will move to the new facility during the first quarter of 2021.

As we think about turning the page on 2020, I am optimistic about the future and looking forward to a bright 2021. The management and staff of the Authority enjoys strong support from the CAACI Board of Directors in our commitment to fulfil our

regulatory oversight obligations and the objectives of our strategic plan – One Team-One Mission-One Vision.

A handwritten signature in black ink, appearing to read 'R. Smith', with a stylized, cursive script.

**P.H. Richard Smith, MBE FRAeS**  
**Director-General of Civil Aviation**



# FOREWORD BY THE BOARD OF DIRECTORS

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The CAACI board of directors continue to be pleased with the performance of the CAACI during what could be described as a significantly challenging year.

Due to previous foresight and a corporate philosophy for continual improvement the CAACI was poised to transition to a remote work environment after having years before introduce the VP-C Online platform and other data management and sharing oversight electronic tools whereby the staff and globally based contractors were able to exercise regulatory oversight of the aircraft on the CI Aircraft Registry. This resulted in absolutely no down time in March 2020 when the CI Government issued a protective shelter-in-place order for all residents of the Cayman Islands. Provisions for safe and secure communications and work was already in place, with only a few minor hardware additions, the full complement of staff transitioned to work from home.

The management should also be commended for having had the insight two years ago to pursue a niche market offering when the gap in the market offerings were analysed. This single market expansion has helped diversify the revenue base for the CAACI and functioned to ensure that the CAACI was able to remain financially independent during this time when many businesses were struggling to remain financially viable. This has become particularly important as clients of the CAACI globally may be negatively affected by the pandemic as well as any partners in the local air transport industry.

The board is also pleased that the management has taken a caring approach to managing employees, allowing flexibility as staff transitioned through the various phases of response to COVID; being accessible and resourcing needs for employees while being dedicated to ensuring that the Authority's regulatory responsibilities were met with innovated solutions to ensure regulatory compliance.

The Authority was also instrumental in supporting the CI Government's air transport operations from March to December during which time there were no commercial scheduled air transport services, only private, charter, cargo and other essential air transport operations were allowed, i.e., air ambulances and repatriation flights. Management also participated in border re-opening meetings and gave advice to the CI Government as was appropriate as the aviation regulator. Too, the CAACI participated in global e-meetings called by International Civil Aviation Authority (ICAO) with the objective to assist with the global re-start of aviation in the various states that are signatory to the Chicago Convention, sharing in learnings, relating to the CI Government and assisting as necessary.

As the year 2020 closes we are hopeful that positive developments for vaccines to be distributed to all countries will assist with the restart and recovery of the aviation industry.

The board would like to thank the management and staff for their demonstrated dedication and commitment during this most challenging year and to wish everyone, staff, clients, business partners a healthy and prosperous year(s) ahead.

# SECTION 1.0

## ORGANIZATIONAL OVERVIEW



# 1.1 CAACI STRUCTURE AND FUNCTIONS

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The Cayman Islands (CI) is an overseas territory of the United Kingdom (UK) and is committed to the obligations of the Chicago Convention to which the UK is a signatory. The UK Secretary of State delegates authority for regulation of aviation to the Governors of Overseas Territories (OTs). In the case of the CI the delegation is then made for the Civil Aviation Authority (CAA) to carry out all aviation regulatory functions. Air Safety Support International (ASSI), a subsidiary of the UK's CAA, was created to oversee the regulatory compliance of OTs which includes the CI.

The Civil Aviation Authority of the Cayman Islands (CAACI) has full authority for the safety and economic regulation of the CI aviation industry in accordance with the Overseas Territories Aviation Requirements (OTAR). Developed in conjunction with the UK territories, ASSI has published the OTARs as the means of compliance with the Air Navigation (Overseas Territories) Order (AN(OT)O) and ultimately with the standards and recommended practices of the International Civil Aviation Organisation (ICAO).

The CAACI is the statutory authority responsible for safety and economic regulatory oversight of the CI aviation industry and for aircraft registered in the CI wherever they are based and operated. The functions of the CAACI are established in the Civil Aviation Authority Law (2015 Revision). These functions are carried out through the Director-General of Civil Aviation.

The CAACI is structured into four divisions that satisfy our obligations in respect of general administration and economic regulation, financial management and compliance, aerodrome and air navigation services regulation, and flight operations and airworthiness oversight, as described below.

The **Air Safety Regulation (ASR)** division oversees the technical and safety regulation of all aircraft on the CI Aircraft Registry and all Cayman approved organisations globally.

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The **Air Navigation Services Regulation (ANSR)** division is responsible for the certification and licensing of aerodromes, air traffic control and air navigation services provided within the territory.

The **Economic Regulatory and Administration** division provides economic regulatory oversight for commercial air transport operations to/from the territory, including scheduled and non-scheduled operations, and oversees that airport operations are conducted within economic guidelines of the ICAO.

The **Finance and Compliance** division manages the CAACI's finances in accordance with local legislative requirements and international accounting standards, and ensures relevant due diligence is carried out on beneficial owners of aircraft applying for registration to the CI Aircraft Register.

The primary activities of the CAACI can be grouped into three broad categories as follows:

## SAFETY REGULATORY OVERSIGHT

- Certification of aerodromes;
- Certification of aeronautical tele-communications services;
- Certification of air traffic control services;
- Oversight of Meteorological Services to Aviation;
- Oversight of the Cayman Islands Search & Rescue Plan;
- Oversight of Aeronautical Information Services;
- Issuance of air operator certificates;
- Personnel licensing (air traffic control, flight crew and maintenance engineers);
- Approval of maintenance organisations;
- Certification of aircraft airworthiness;
- Issuance, renewal, variation and revocation of certificates of approval for aircraft.

## ECONOMIC REGULATION

- Granting of air transport operating permits for scheduled and non-scheduled foreign carriers;
- Regulation of charges levied by airport operators to ensure equality in application;
- Provide advice to the Cayman Islands Government (CIG) regarding bilateral air services negotiations with other States and Territories;
- Liaise with the UK Department for Transport, and participate in the negotiation of air service agreements with other States;
- Provide advice and administrative assistance to the Air Transport Licensing Authority as it pertains to licensing of local carriers;

- Provide advice for effective implementation of regulatory policy that is in the best interests of the travelling public/end user;
- Liaison with ICAO or other relevant organizations to submit air transport data/information as required.

## REGISTRATION OF AIRCRAFT

- Determine qualification and eligibility of aircraft registration applicants;
- Conduct due diligence on aircraft owners and registrants;
- Registration of aircraft;
- Maintain the aircraft register;
- Analyse changes to aircraft ownership and the resulting effect on registration;
- Maintain the register of aircraft mortgages.

## CAACI STAKEHOLDERS

**Our stakeholders are diverse and include:**

- The UK Government
- The CIG
- The CAACI Board of Directors
- Employees
- ASSI
- Local industry – airlines, air transport operators, aerodrome operators
- CI Aircraft Registry Clientele
- Local and international business partners
- Foreign carriers
- Other national aviation authorities (NAAs)
- The general public



## 1.2 BOARD OF DIRECTORS

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The Board of Directors is responsible for governance and overseeing the effective performance of the Authority in accordance with the Civil Aviation Authority Law (2005 Revision).

The members of the Board of Directors for the period 2020 were:

NAME	ROLE
Mr. Ian Pairaudeau	Chairman
Vacant	Deputy Chairman
Ms. Shamar Ennis	Member
Mr. William McTaggart	Member
Ms. Gina Berry	Member
Ms. Sherice Arman	Member
Ms. Deloris Gordon	Public Service Representative
Mr. Joel Burke	Public Service Representative

## 1.3 DELIVERY MODEL

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The “delivery model” presented in this section of the strategic plan represents the activities and outputs that we deliver to fulfil the regulatory oversight role tied to our civil aviation mandate, the inputs that we use to produce these outputs and the contribution that we make with these outputs.

**This delivery model is comprised of the following elements:**

- **Inputs** represent the various resources (financial, human, information, physical infrastructure and outputs from other parties) that are consumed by our activities.
- **Activities** describe collections of tasks that identify the primary focus of our program delivery and how the work of our programming is carried out.
- **Outputs** are the products or services generated by the activities that we deliver.
- **Direct outcomes** are the first level of outcomes – those over which our organization has the most immediate or direct influence with our outputs.
- **Intermediate outcomes** are the second level of outcomes – those that we can merely influence through our programming and where other intermediaries (those that we regulate, our partners and other stakeholders) are usually involved.
- **Ultimate outcome** references the higher-level enduring benefit for Caymanians and others that can be attributed to our programming. This is the outcome level that is subject to many influences beyond the program itself, and is also more strategic in nature. The ultimate outcome is our organization’s vision as stated in this plan.

The CAACI delivery model is supported by two core principles associated with our organization’s ultimate goal of a safe and credible aviation industry for the Cayman Islands. The first principle requires that our regulatory direction, information and guidance are sound and easily understood.

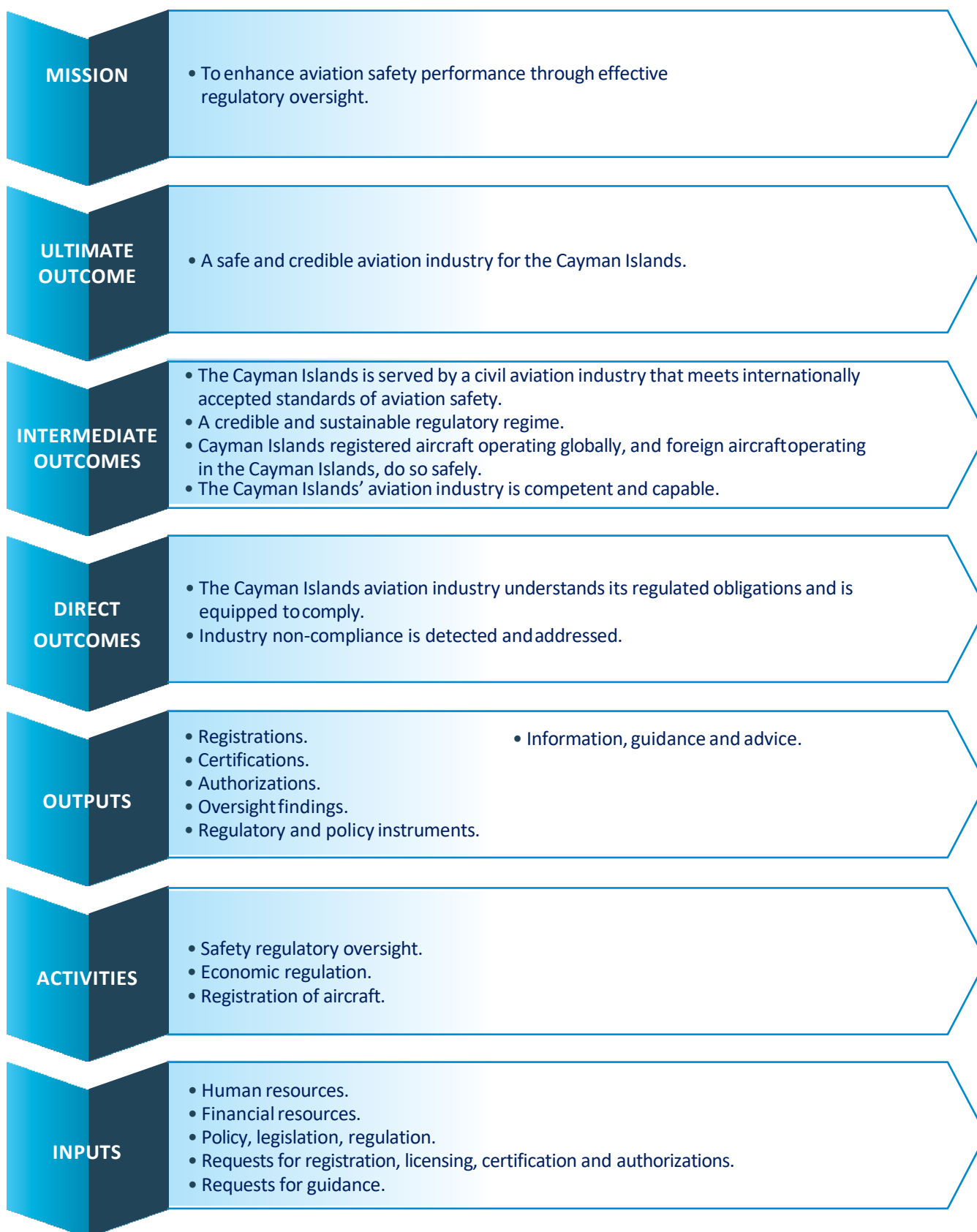
This provides the aviation industry the opportunity to clearly appreciate their responsibilities and be equipped to comply with the applicable legislation and standards. The second principle requires that our safety oversight activities are conducted diligently, supported by CAACI Policy, technical data and risk indicators. Where non-compliance is detected, it is addressed and corrected.

Managing our program based on these underlying principles, we contribute to the following goals:

1. Regulatory non-compliance is detected and addressed;
2. The CI aviation industry understands its regulated obligations and is equipped to meet them;
3. The CI civil aviation industry will meet or exceed internationally accepted standards of aviation safety;
4. Our regulatory regime will be credible and sustainable; and
5. CI registered aircraft operating globally, and foreign aircraft operating in the CI, will do so safely.

# CAACI Delivery Model

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## 1.4 MISSION, VISION AND VALUES STATEMENTS

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### OUR VISION

*“A safe and credible aviation industry for the Cayman Islands “*

### OUR MISSION

*“To enhance aviation safety performance through effective regulatory oversight”*

### OUR VALUES

**Safety first:** we never forget our organization’s primary reason for being

**People at the centre:** we develop our people to the highest standards and level of expertise in technical and non-technical areas

**Leadership:** we build and promote a shared commitment to regulatory and aviation excellence regionally and globally

**Regulatory objectivity:** we conduct our regulatory responsibility with impartiality

**Integrity:** we ensure that the highest moral and ethical standards are maintained in the discharge of our responsibilities

**Active collaboration:** we work with others to engage their knowledge and expertise and to generate effective solutions where we are jointly accountable for the end results

**Accountability:** we account for our actions, accept individual and team responsibilities and transparently disclose results



## 1.5 STRATEGIC OBJECTIVES

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The Vision 2020 (2016-2020) change agenda that we are presenting through this plan has three broad strategic objectives:

- Lead through a **modernized approach to regulatory oversight**
- Strengthen our industry position through **the continuous improvement of service delivery to our stakeholders**
- Embrace continuous improvement as an **adaptable, capable, high-performing organization.**



CJI London

### Ongoing review, updates and improvements

During the period the senior management team participated in a strategic retreat on 15 September 2017 to review the 2020 Strategic Plan (SP), offer any amendments after one year of working with the new SP and to develop the associated Divisional Operational Plans which details the daily operational activities for staff in each division that will guide their day-to-day tasks.

While a review of the 5 year strategic plan should have commenced in late 2020 this was not achieved due to the COVID pandemic. We anticipate planning of the next 5 year SP to commence mid-2021.

# SECTION 2.0

## MANAGEMENT DISCUSSION AND ANALYSIS



# 2.1 PERFORMANCE SUMMARY BY STRATEGIC OBJECTIVE

## STRATEGIC OBJECTIVE 1: A MODERNIZED APPROACH TO REGULATORY OVERSIGHT

*Lead through a modernized approach to regulatory oversight*

### PERFORMANCE ANALYSIS AND LESSONS LEARNED

From the beginning of the year, **ANSR** has been working with a total of three personnel and the manning level has proved to be appropriate to the volume and variety of work that the Division undertakes on behalf of the Authority.

The overlaying feature of the year has, of course, been the Covid-19 pandemic and the impact that it has had upon both the regulatory oversight and the training responsibilities of the Division. Despite the obvious constraints, personnel were well equipped to work from home and much of the routine tasks including document and Corrective Action Plan review and the administration of the Mandatory Occurrence Reporting system were completed on schedule from the domestic environment.

Prior to the Government lockdown ANSR personnel completed routine audits of both the George Town and Camana Bay certified heliports. The report was issued for the former however the report on Camana Bay Heliport was delayed due to the unfulfilled requirement for additional information from the Certificate Holder.

During the same period, the ANSR inspectorate maintained a close oversight of the Owen Roberts International Airport (ORIA) development programme, a major upgrade including the provision of a runway extension, runway strengthening and resurfacing, a parallel taxiway, additional apron space, a perimeter road, a blast deflector and a major lighting upgrade. Frequent site visits were made by both day and night and there was an ongoing dialogue between the Airport

Authority to ensure that the project progressed safely and in accordance with the ICAO Standards and recommended Practices. The project is nearing completion however, this oversight will continue into 2021 to ensure satisfactory completion and safe introduction of the facilities into operational service.

The ANSR Division elected to return to the office environment from the beginning of September and believe that the physical interaction between themselves and other CAACI personnel makes for a more effective, cohesive and disciplined approach to the regulatory oversight function.

During September, the team flew to Cayman Brac to carry out a routine inspection of the airport and to verify progress of the CKIA Corrective Action Plan programme. As a result of this visit a number of audit findings were closed.



CAACI Staff with Roy Williams, Senior Project Manager for CI Government

The training plan for 2020 suffered due to travel restrictions had to be revised with overseas training being replaced and supplemented by numerous virtual classes and seminars on such diverse subjects as preparing for the recovery of the aviation industry post COVID, Aircraft Accident Investigation, and Standards of Excellence in Air Navigation Safety. Although both interesting and valuable training the disadvantages of the virtual classroom include large audiences and limited opportunity to ask questions or exchange views and information.

In addition, the annual Aerodrome Seminar hosted by ASSI became a “virtual” event and was limited by the time zone constraints of the participants. Four presentations were delivered on the subjects of Training and Certification of Aeronautical Telecommunications Personnel, the Auditing of Search and Rescue Organisations, the Approval of Air Traffic Services and Air Traffic Controller Licensing and refresher training on Aerodrome Standards.

Despite the limitations of virtual learning, the seminar provided a useful opportunity to understand the latest development in these areas.

The planning and preparation for the biennial audit of the Cayman Islands Airports Authority began in December and this work will continue through until the New Year with the review of the progress towards closure of previous audit Findings and the development of checklists for each subject area.

Despite the restrictions and difficulties of 2020 ANSR has been in a fortunate position in that the majority of its oversight responsibilities are within the jurisdiction. This, together with the Government’s early and effective action, has enabled the Division to discharge its duties effectively and seamlessly in what has otherwise been a very disrupted year. It is only the co-operation and commitment of its staff that has made this possible.



CJI Super Yacht



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The **ASR** Division is responsible for the regulation and compliance of Airworthiness and Flight Operations Standards in accordance with the Air Navigation (Overseas Territories) Order (ANOTO) and Overseas Territories Aviation Requirements (OTAR). This covers all aircraft operations under the jurisdiction of the Cayman Islands Aircraft Registry, including Air Operator Certificate (AOC) holders.

The Division is principally based in Grand Cayman. The Headquarters team consists of the Director ASR, a Manager of Technical Programs and Regulatory Initiatives, two (2) Airworthiness Surveyors, two (2) Fixed Wing Flight Operations Inspectors and four (4) Technical Officers carrying out regulatory certification and oversight.

In addition to the Grand Cayman staff, there are nine (9) contracted Airworthiness Surveyors based in the United Kingdom, Germany, Switzerland, Canada and Indonesia. Further there is a contracted Rotary Wing Flight Operations Inspector based in Canada. The transportation of Dangerous Goods by air into the Cayman Islands is overseen by two (2) Technical Officers based in Grand Cayman.

#### REGULATORY ACTIVITIES

The events of 2020 devastated the aviation industry worldwide. A large number of Cayman registered aircraft owners and operators stopped flying their aircraft either due to local government restrictions or to mitigate financial expenses. Air travel to Grand Cayman and the Sister Islands was severely limited to mitigate potential spread of the COVID-19 virus domestically. Flights by Cayman Airways and Cayman Express were restricted to operations supporting returning residents and inter island travel for medical reasons.

However, in spite of this industry downturn, the demand for CAACI regulatory services did not decrease. Our worldwide regulatory team continued to effectively carry out a full slate of aviation certification and regulatory oversight in spite of being severely restricted to travel and onsite access to our aviation clients as a result of the worldwide

pandemic.

Fortunately, the V-PC Online System was ideally positioned to meet this challenge. Capitalising on the secure application process embedded in the system, our clients were able to submit their registration and certification applications online and receive the formal approvals through the same portal. The only change ASR staff needed to adapt to was working from their living room as opposed to our Grand Cayman office.

Although our staff were prevented from carrying out physical oversight of aircraft, technology allowed our technical team to receive details reports to assess applications and determine qualification for initial or renewal regulatory certification. The lack of an onsite visit was mitigated by remote interviews of technical representatives and the collection of photographs and videos to validate the online submissions.

The following is a list of the regulatory certification and oversight that was carried out by the ASR Staff in 2020:

- Flight crew licencsure
- e issue, validations and Maintenance Licence Validations
- Initial and renewal aircraft surveys
- Major and minor aircraft design approvals
- Initial and renewal of Continuing Airworthiness Management and Airworthiness Management Organisations
- Private and Commercial Air Operator initial certification and renewals
- Aerial Work Permissions for Aerial Spraying and Small Unmanned Aircraft
- Supporting documentation for aircraft operations (Minimum Equipment Lists, Noise certificates, etc.)

The Cayman Special Economic Zone continues to generate interest with the CAACI processing two (2) new AOC applications and one (1) AOC renewal in spite of the pandemic situation.

Small Unmanned Aircraft (SUA) continues to be an emerging industry locally. There is a mix of private

and government based agencies utilising the technology for a promotion, scientific and surveillance purposes. Though some operators chose not to renew their aerial permissions as a result of the pandemic, several other new entrants have been approved.

#### AIRCRAFT LEASING INITIATIVE

The effort in 2020 to promote CAACI Services and Expertise to the Aircraft Lessor industry has resulted in a significant number of leasing transactions. In January 2020, the CAACI participated in its second Air Finance Journal in Dublin. This past year, aircraft lessors brought almost 60 aircraft to the CIAR for the purpose of transitioning for a variety of reasons. There was an initial rush at the beginning of the pandemic which levelled out over the remainder of the year. Having an individual based in Ireland to represent the CAACI has been particularly valuable in promoting the CIAR to the Leasing Community. Development work in this area will continue in 2021 as the CAACI adapts to the needs of this sector of the aviation industry.



Attending Walkers/CAACI webinar on highlighting the lessor market

#### REGULATORY LIAISON WORK

In January 2020, before travel was severely restricted, the CAACI carried out its annual liaison visit with the GACA of Saudi Arabia and Air Operators under the current 83bis Agreement.

Through most of 2020, the CAACI continued to participate with other National Aviation Authorities and the United States Federal Aviation Administration working to return the Boeing B737-8 MAX aircraft back to full certification status. In November 2020, the FAA Administrator rescinded the Grounding Order allowing the aircraft to return to commercial air

service domestically subject to meeting prescribed aircraft airworthiness and flight crew training requirements. Though not fully approved worldwide, other National Aviation Authorities are in the process of recognising the efforts of Boeing and the FAA allowing the aircraft to return to service globally early in 2021.

The CAACI continues to work with Cayman Airways to ensure compliance with the revised airworthiness and operational requirements of the B737-8 aircraft. Before reinstating the aircraft approval to operate for commercial air transport, the CAACI must be satisfied that the safety of the travelling public is adequately assured.

In late November 2020, the ASR Team hosted the Annual CAACI Safety Seminar online. Due to travel limitations, the usual face to face meeting and training event could not be held this year. However, we were able to meet “Virtually” and discuss not only to review the year’s activities but discuss our future plans as well. The pandemic has caused the CAACI to reflect and modify its processes but what has not changed is the demand for our services and the commitment of our staff. 2021 will be different but the core values of our regulatory staff and their commitment to service will continue.

#### LOOKING FORWARD TO 2021

Adapting to the circumstances in 2020, the ASR Division is working hard on transitioning to a more pragmatic approach to regulatory oversight. Utilising purpose built software and integrating an improved version of VP-C Online ASR intends to deliver an oversight program that is performance based on regulatory compliance data. ASR will be able to readily monitor highly compliant operators and organisations while gaining proactive intelligence on those entities struggling to meet their regulatory objectives.

The regulatory audits planned of Cayman Airways and Cayman Express in 2020 are planned for completion in 2021.

The CAACI will continue to work with the Leasing Industry developing a bespoke VP-C Online module that allows lessors to gain real time awareness of the aircraft under our regulatory remit.

#### AIR OPERATOR CERTIFICATE (AOC) HOLDERS:

- Cayman Airways, Ltd
- Cayman Airways Express
- Cayman Islands Helicopters
- MRCU
- Royal Cayman Islands Police Service  
Air Support Unit
- Cayman Bellawings SEZC
- Phenix Jet Cayman SEZC

#### SUSA/DRONE AERIAL WORK PERMISSION HOLDERS:

- |   |                        |
|---|------------------------|
| → Dart Enterprises                              | → Kerfuffle Content    |
| → AirVu Cayman                                  | → Vagabond Media       |
| → Wright Holdings                               | → Reality Check Secord |
| → Aerial Innovations                            | → G2 Spacial           |
| → Cayman Drone Company                          | → Clear View Drone     |
| → Ritz Carlton Grand Cayman                     | Services               |
| → Nyss One Productions                          | → Deep Blue Images     |
| → Dept. of Environment (research purposes only) |                        |
| → Technology Solutions                          |                        |

Note: permission includes ability to undertake photography/videography and or data. This list is updated monthly on [www.cacayman.com](http://www.cacayman.com)

#### STATISTICS FOR THE CI AIRCRAFT REGISTRY FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2020

- Total aircraft entered on the register as at 31 December 2020 = **286**
- New aircraft registrations during the period = **57**
- De-registrations during the period = **22**
- Net growth of aircraft since 31 December 2019 = **35**
- Total Approved Maintenance Organizations = **190**
- Total Continued Airworthiness Management Organizations = **90**
- Total Pilot Licence Validation Certificates issued (initial and renewals) for the period = **922**
- Total Pilot Licenses issued for the period = **3**
- Total Maintenance Licence Validation Certificates issued (initial and renewal) for the period = **120**
- Major/Minor Aircraft Modification Design Approvals issued for the period = **153**
- Total Number of Approved Certificates issued by ASR in 2020 = **3,191**

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Recent trends show that larger and more complex aircraft are being entered on the CI Aircraft Registry. Aircraft types on the register range from helicopters, turboprops and smaller jets to larger aircraft include (not an exhaustive list):

**Airbus:** A318, A320, A321 and A330

**Airbus Helicopters:** EC135, AS332L/L1, AS332L2, BK 117 D, H175

**Leonardo Helicopters:** AW139, AW 189

**Bell Helicopter:** 429

**Boeing:** B717, B737 (Classics, NG's and MAX's), B787 and B777

**Bombardier:** CL300, Global Express Series (5000, 6000, 7000 etc.)

**Bombardier:** Lear 60

**Canadair Challenger:** CL600 Series (600, 601, 604 etc.)

**Cessna:** Citation Series (C500, C680, Citation Jet, etc.)

**Dassault Aviation:** Falcon Series (200, 7X, 900EX, 2000, 2000EX, 900B etc.)

**Embraer:** 135/145 and 190

**Gulfstream:** G450, G550, G650, etc.

**Hawker Beechcraft:** HS125-800B, 850XP, 900XP

**Sikorsky:** S-76 and S-76 C++

**Pilatus:** PC12

**Viking:** DHC-6-400





## STRATEGIC OBJECTIVE 2: CONTINUOUS IMPROVEMENT OF SERVICE DELIVERY

*Strengthen our industry position through the continuous improvement of service delivery to our global stakeholders*

### PERFORMANCE ANALYSIS AND LESSONS LEARNED

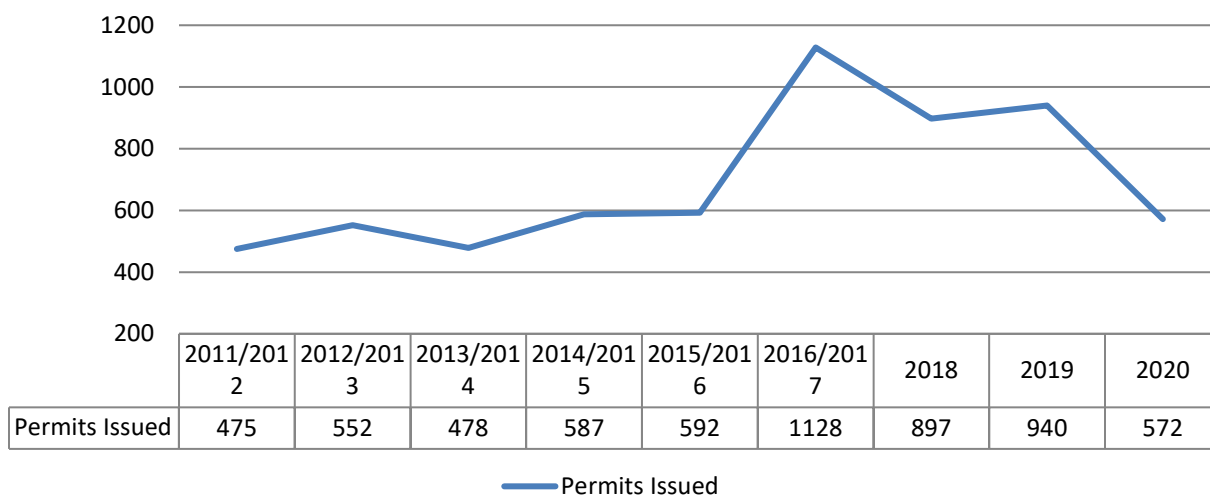
Continuous improvement of our processes and tools to enhance the service experience of our clients is an overarching objective for the CAACI.

The Authority, through its Economic Regulation Division, is responsible for the oversight and issuance of required permits for all foreign registered aircraft that operate to/from the islands for commercial purposes, including scheduled and non-scheduled operations (including air ambulances, these

applications are fielded and reviewed, with CAACI personnel available to process, 365 days per year). Seasonal operating permits are issued to the scheduled airlines and some air ambulance operators, whereas on demand permits are issued for ad-hoc charter operations and other non-scheduled operations. Much of this activity is closely tied to the Cayman tourism industry and is influenced by the global economic condition, as many of these operations are provided for high net worth business and leisure travellers.

Demand and availability of charter/non-scheduled operations is on the rise.

### Permits Issued to Foreign Carriers Operating Into the Cayman Islands



- Due to a change in reporting period for the fiscal year for 2016/2017 had 18 months rather than the normal 12.
- Down turn in permits issued for reporting period due to the closure of the borders in response to the Covid 19 pandemic.

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The movement in activity of non-scheduled/charter arrivals is closely tied to the recovering tourism and stay-over sector of the tourism market. The CAACI's Economic Regulatory staff also proactively embark on annual drives to inform all related parties of the requirements and of any changes in requirements or filing processes.

There were no changes to the number of scheduled permits issued for the summer season from March 31 – October 30; however, due to the closure of the island caused by the Covid-19 pandemic operators, with the exception of IBC whom operate cargo flights, were unable to utilize their permits for this period. These permits were issued to Air Canada, American Airlines/US Airways (merging), Caribbean Airlines. IBC Cargo, Delta Airlines, Jet Blue, Southwest, United Airlines and West Jet. For the Winter season which runs from October 31 – March 30, as the island remained closed, only 4 operators renewed their permits. These were issued to Air Canada, Delta Airlines, IBC Cargo and JetBlue Airways.

The Economic Regulatory staff continue in their liaison role between local AOC holders and the ICAO to collect and submit required air transport statistics.

The Deputy Director-General and Air Carrier Licensing Officer provided administrative support to the Air Transport Licensing Authority (ATLA) – the independent Board, appointed to process applications for economic licenses of local commercial air transport operators. The Deputy Director-General continues to serve as the Secretary to the ATLA. During the period between January – December 2020, the number of non-scheduled permits issued by the DGCA (delegated authority by the ATLA) on behalf of the ATLA, to other UK Overseas Territories' airlines/operators, remained the same from the 2019 period. There was 1 permit issued to InterCaribbean and 2 to VIA Air Link during the year.

The Deputy Director-General also continues as the appointed Secretary to the Board of Directors of the CAACI. Work is ongoing with the Brac Informatics Centre (BIC) team to refine the VP-C Online electronic data management portal and plan for development of further phases, which will enhance efficiencies in managing the aircraft registry process. This initiative is also in keeping with the Cayman Islands Government's creation of the E-Government Unit and Broad Outcome 8 "Stable, effective and Accountable Government" focusing on continuous improvement of the CAACI's electronic data management platforms thereby improving customer service and increasing efficiencies.

An ongoing strategic priority is to promote development of a certifiable airport in Little Cayman to enhance safety of air transport operations into that island.

Discussions have been on-going with the Ministry responsible for air transport. The Economic Regulatory (ER) team, who are required to ensure compliance with Regulations for all air transport operations into/out of the jurisdiction were requested at the beginning of the shelter-in-place order from the Government to provide special support due to the closure of the islands' borders in its response to the Covid-19 pandemic, which came into effect on the 22nd of March. Between March thru to the end of 2020 flights into and out of the Cayman Islands were limited to repatriation operations (Cayman Airways and British Airways) in addition to charters, medevac/air ambulance operations, special private and cargo flights operated only. The CAACI was tasked with providing approval to all flights with the exception of those operated by either Cayman Airways or British Airways. In the initial months of the shelter-in-place orders the CAACI acted as the liaison between the Cayman Islands Airports Authority (CIAA), aviation ground-handlers, the international aviation operators and partners and the Deputy Premier's Office, as all flight operations required

this level of approval prior to operation during this time. The Deputy Premier also tasked the CAACI with the responsibility of being the repository and to keep the official record of flights operated, including the number of flights and passengers, which was passed onto the DP's office on a weekly basis and continues to be sent to relevant CI Government officials associated with the re-opening of borders.

Later when quarantine restrictions were put in place, the CAACI acted as the liaison to ensure that all passengers arriving or departing on charter or private flights had been approved for quarantine prior to the necessary regulatory approval of the aircraft/air operator. This entailed liaising and training the relevant personnel of the National Emergency Operations Centre (NEOC), operated by the Hazard Management Cayman Islands (HMCI) which later transitioned to Travel Time with the Ministry of International Trade,

Investment, Aviation & Maritime Affairs (MITIAMA); and more recently to Travel Cayman operated by Cayman Airways staff. The CAACI also assisted with the transitioning of these entities, as the CAACI's ER team ensured that those replacing the NEOC team understood the aviation regulations and related regulatory processes and procedures for aircraft operating into the territory.

Due to the additional responsibility of monitoring and issuing permissions for charters, private aircraft, as well as the number of air ambulance emergencies which have since March 2020 in addition to being available to coordinate special flight requests, the Economic Regulatory staff have been on call 24/7 to respond to these requests and continue to be an integral component of the aviation restart and border re-opening team ensuring that despite challenges imposed by the pandemic, operators are in compliance with mandated safety and economic regulations.



CAACI Staff with Mr. Wayne DaCosta of the CIAA

### STRATEGIC OBJECTIVE 3: AN ADAPTABLE, CAPABLE, HIGH PERFORMING ORGANIZATION

*We will continue our journey to become an adaptable, capable, high performing organization.*

#### PERFORMANCE ANALYSIS AND LESSONS LEARNED

Our organization has worked hard to put in place the financial and human capital, physical infrastructure, processes and work environment necessary to adapt and be capable of performing at a high level and is continuing to do so.

#### FINANCIAL SUSTAINABILITY

The Authority implements an annual integrated communications programme as a component of its Business Development activities, aimed at creating greater awareness of the Cayman Islands Aircraft Registry globally and a greater awareness of CAACI's credible regulatory regime with the ultimate goal of increasing the subscribers to the aircraft registry and creating sustainable financial streams for the Authority. The three signature aviation tradeshow that the CAACI would normally attend are: the National Business Aviation Association (NBAA) Business Aviation Conference and Exhibition (BACE) held annually in the USA; the European Business Aviation Association Conference & Exhibition (EBACE) held in Geneva, Switzerland and the Asian Business Aviation Association Conference & Exhibition (ABACE) held annually in Shanghai, China. These three major shows were cancelled due to the COVID-19 pandemic. The CAACI did attend the first virtual tradeshow put on by the NBAA and was able to attend 3 conferences before the island lockdown was introduced.

Airfinance Journal Dublin: The CAACI attended and sponsored the Airfinance Journal Dublin in Dublin, Ireland on the 21st – 23rd January. The conference brings together the global aviation finance community to meet and to do business, build new relationships and connect. The CAACI team included the Deputy DGCA, Nicoela McCoy, the DASR, Lindsay Cadenhead, Manager Technical Programmes Guy Healey along with Brian Skehan, CAACI contractor based in Ireland.

Corporate Jet Investor (CJI)

CJI London – February 3rd and 4th, the Director-General and the Director of Finance and Compliance attended on behalf of the Authority. The CAACI was a sponsor of the event which included the Director-General participating in a panel discussion.

CJI Super Yacht – 5th and 6th February, the Director-General and the Director of Finance and Compliance attended on behalf of the Authority and co-exhibited with Maritime Authority of the Cayman Islands.

CJI - Official Guide to Aircraft Registration and Tax 2020. Branded as co-publisher of magazine with 2 page article and listing in the September 2020 edition of the guide.

CEO Insight magazine - two page editorial spread to be printed in English and Mandarin and distributed at ABACE 2020 show. Also online on CEO Insight and New European Economy websites.

The European magazine: Spring edition, interview with Director General and full page ad. Summer edition, full page ad and editorial in EBACE Feature. Autumn edition, editorial and full page ad in Aircraft Registry Review.

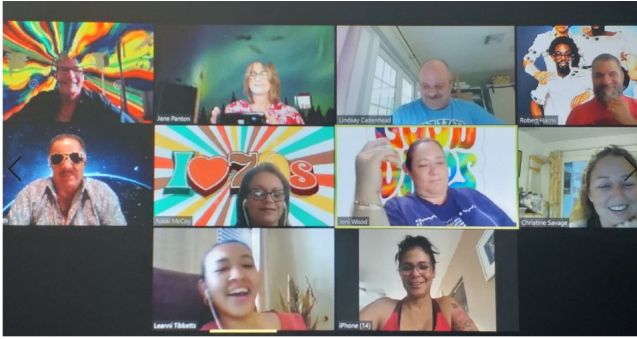
Executive Global magazine – Double page spread with print ad and editorial. Spring 2020 edition and online.

As the Authority was unable to travel with business partners to promote the Registry we had to create opportunities to stay relevant in the market and stay connected to clients.

The CAACI and several local legal partners co-hosted webinars and FAQ sessions to update clients on the state of the industry and to promote the lessor market/transitional registrar.

In addition, the Authority attended virtual CJI events and the first virtual NBAA event, VBACE (Virtual Business Aviation Conference and Exhibition) where we had a booth and interacted with online attendees.





CAACI Weekly ZOOM Socials



## MANAGING FOR RESULTS

Human resource management is a key enabler of a high performing organization.

The CAACI staff complement at 31 December 2020 was 23. During the period of this past fiscal year, the following staff changes occurred:

- the Accounts Officer position was filled on the 1st December
- the Airworthiness Surveyor contract was renewed for an additional 24 months.

In order to support efficient and effective regulatory oversight of aircraft on the CI Aircraft Registry the CAACI utilizes independent contractors in various marketplaces globally who are dispatched to survey aircraft and maintenance organisations to support the aircraft registry. At 31 December 2020 the CAACI contracted four contractors in the UK, which were broken down as follows: three contracts were renewed during 2020, one in Switzerland, one in Germany and three in the North American marketplace (includes Canada) and the one in the Asian region remained.



CAACI Staff donation to Feed Our Future

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## AN ENABLING WORK ENVIRONMENT

CAACI is committed to building an enabling work environment that equips our team with the knowledge, tools and leadership necessary to successfully perform their duties.

During the period, staff from some divisions were able to complete some training as per defined training plans. Technical staff participated in online training initiatives staged by ASSI or other recognized technical training institutions as required to maintain their technical competencies. These included:

- Dangerous Goods Refresher training
- Aerodrome Safeguarding Workshop

The Finance staff also attended applicable training such as:

- Counter Proliferation Finance
- Financial Reporting Authority,
- ML/FF Risks and Typologies
- (Outreach) Webinar, conducted by the Portfolio of Legal Affairs

The Aviation Safety Officer continued to received significant on-the-job training (OJT) in order to meet the goals and objectives of this succession post and his progression within the ANSR division.

On-going webinars organized by ASSI to include the UK OT HR/Training Coordinators in each territory for e-training meetings, are now embedded in the calendar as quarterly events.

The Deputy-Director Economic Regulation & Administration also completed online webinar in Cyber Forensically Examine Phishing Emails to Protect Your Organisation and a Business Chemistry workshop.

With respect to enabling infrastructure, continued contractual relations with IT management firm "Cayman Network Services" in providing

on-going daily support for all information systems administration has been very productive and beneficial for the Authority's IT operations. This includes training

and best practice tips on issues like Cybersecurity, IT fraud, and impersonation etc. Emphasis has been placed in 2018 on improvement to IT controls and security issues including implementation of Next-Gen Firewall (Palo Alto), Next-Gen Anti-malware endpoint solution, regularly audited access control, managed remote access by secure VPN, and regular back-up and DR testing with BIC partner. These and other initiatives are aligned with efforts towards a robust NIST Cybersecurity Framework and the five categories of Identify, Protect, Detect, Respond, and Recover. This again aligns with CIG's Broad Outcome #8.

During the COVID lockdown, regular e-meetings were held between departments as well as general staff meetings which including overseas contractors. Weekly social Zoom calls were well attended by staff and kept all in touch.

The construction of the new building was temporarily halted also because of the lockdown, however, work resumed via emails and e-meetings. On June 1 when physical restrictions were removed the construction resumed and the handover is expected within the first quarter of 2021.



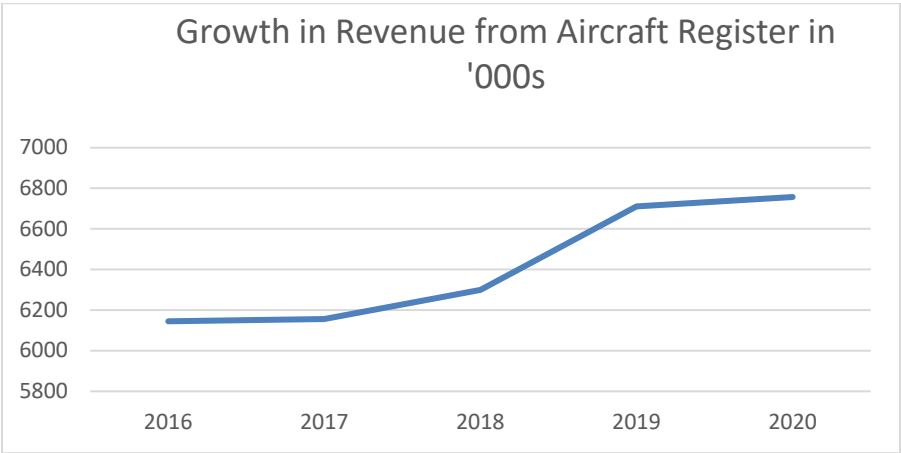
FINANCIAL PERFORMANCE AND ANALYSIS

Growth in financial performance – Cayman Islands Aircraft Register

The Cayman Islands Aircraft Register (The Registry) contributes over 90% of the Authority’s revenue which has been consistently growing and achieving forecasted targets year over year. This year, despite the global upheaval in all aspects of business, is no exception and the actual revenue from the Registry achieved was on par with last year. In July 2020, a new 2020 forecast for the remainder of the year was submitted which actually increased targeted growth for the Registry by \$500,000 to include expected earnings in the new lease transition business. The actual revenue (unaudited) achieved by the Registry was slightly under the new forecast by less than 1%.

The Aircraft Register is globally recognised as a reputable and safe option for private and corporate aircraft owners to have their aircraft registered and certified annually by professional technical staff with many years of experience in various jurisdictions. With the high level of expertise and attention to detail, coupled with the attentiveness to the customer experience through offering bespoke aircraft management systems, the interest of the lessor market for aircraft registration for aircraft transitioning between leases has also grown over the past two years. It is this increase in this line of business (which is a result of aircraft being repossessed and returned to lessors) that made up for the shortfall in new private aircraft registrations and enabled the CAACI achieve the targets set for the Aircraft Registry Revenue.

CAACI representatives attending  
Airfinance  
Conference in Dublin, Ireland  
increasing awareness of the CAACI’s lessor transition  
Aircraft Register, January 2020



## Financial performance of the CAACI, continued

The following schedule shows a summary of the financial performance and dividends paid to the Cayman Islands Government since 2018. There is a decrease in every revenue stream compared to prior year except for the Aircraft Registry. There was no revenue from Regulatory Oversight fees from the CIAA for April through December as the CAACI Board took a decision to forgive the debt due under the related MOU between the CAACI and CIAA. The CIAA's CEO requested a respite from the fees as the CIAA was not in a revenue earning position since the closure of the Cayman Islands borders on 22 March 2020. The CAACI Board also resolved that the CIAA be given a hiatus from the fee until the border is fully reopened.

The Operating Permit fee revenue was also reduced due to the closing of the borders. Revenue received was from private charters as commercial airlines were not operating.

### Summary of Financial Performance Jan 1 2018 through December 31 2020:

	2020 PY growth %	12 months ended Dec 31, <b>2020</b> (Audited) in CI\$ ( '000's)	2019 PY growth %	12 months ended Dec 31, <b>2019</b> (Audited) in CI\$ ( '000's)	2018 PY growth %	12 months ended Dec 31, <b>2018</b> (Audited) in CI\$ ( '000's)
<b>Revenue</b>						
<b>Aircraft Registry (foreign and local)</b>	0.75%	6,761	6.54%	6,711	2.32%	6,299
<b>Aerodrome Regulatory Oversight (CIAA)</b>	-75.00%	250	0.00%	1,000	0.00%	1,000
<b>Operating Permits - foreign entities</b>	-43.95%	227	10.66%	405	1.95%	366
<b>Deposit Interest</b>	-38.55%	102	53.70%	166	40.26%	108
<b>Total Revenue</b>	-11%	<b>7,340</b>		<b>8,282</b>		<b>7,773</b>
<b>Total Expenses from operations</b>	-4.01%	<b>4,768</b>	5.26%	<b>4,967</b>	8.23%	<b>4,719</b>
Bad debt expense (IFRS 9 Expected credit loss)		213		70		22
<b>Net Income from Operations</b>	-27.30%	<b>2,359</b>	7.03%	<b>3,245</b>	-6.19%	<b>3,032</b>
Other comprehensive gains/(losses) (Post retirement plan valuations for DB plan members)		(1,156)		(701)		713
<b>Net Comprehensive Income (NCI)</b>	-23%	<b>1,203</b>	-32%	<b>2,544</b>	-37%	<b>3,745</b>
						<b>Paid</b>
<b>Dividend payments made to Gov't (75% of Unaudited NCI, with audit adjustments in subsequent year)</b>		<b>902</b>		<b>2,303</b>		<b>2,738</b>

## Financial Performance 2020– Actual (Audited) versus Budget

Revenue from the Aircraft Register and expenses were both lower than forecasted due to the impact of the Covid-19 pandemic. The following summary shows the comparison of the actual operating revenue and expense compared to the original submission in the Ownership Agreement with the Cayman Islands Government in 2019 and the adjusted forecast submitted in July 2020 for effects of the pandemic.

Comparing to the original Ownership Agreement, actual revenue was 8.51% below the forecasted amount and actual operating expenses were 13.70% lower than expected. Comparing to the revised budget submitted in July 2020, revenues were on target and operating expenses were 10% lower than forecasted. Please see the analysis below.

### SUMMARY INCOME STATEMENT: Actual vs Budget for the year ending 31 December 2020 in CI\$ ('000's)

	Dec-20	Dec-20	Dec-20	Over/(Under)	%	%
	Actual (audited)	Original Ownership Agreement (OA) (submitted in 2019)	Forecast adjusted in July 2020 for effects of the pandemic	Revised Budget	Variance with revised budget	Variance with original OA
<b>REVENUE</b>						
Aircraft Registry (revenue from others)	6,393	6,203	6,432	-39	-1%	3.06%
Aircraft Registry (revenue from CIG entities)	368	370	370	-2	-1%	-0.54%
Aerodrome Certification Fee (revenue from CIG entity)	250	1,000	250	0	0%	-75.00%
Operating permits	227	350	200	27	14%	-35.14%
Deposit interest and other income	102	100	101	1	1%	2.00%
<b>Total Revenue from operations</b>	<b>7,340</b>	<b>8,023</b>	<b>7,353</b>	<b>(13)</b>	<b>0%</b>	<b>-8.51%</b>
<b>Total expenses from operations</b>	<b>4,511</b>	<b>5,227</b>	<b>5,007</b>	<b>-496</b>	<b>-10%</b>	<b>-13.70%</b>
<b>Net Income from operations</b>	<b>2,829</b>	<b>2,796</b>	<b>2,346</b>	<b>483</b>	<b>21%</b>	<b>1.18%</b>
Expected credit loss under IFRS#9 (Bad debt expense)	-213					
<b>Income and expense due to actuarial valuation of DB retirement plans:</b>						
Expense included in actual personnel costs (operating expenses):						
Defined Benefit retirement plans service cost	-257	0	0	-257		
<b>Other comprehensive gains/(losses):</b>						
Remeasurement of defined benefit pension obligation	-521	0	0	-521		
Remeasurement of post-retirement healthcare obligation	-635	0	0	-635		
<b>Total Comprehensive Net Income</b>	<b>1,203</b>	<b>2,796</b>	<b>2,346</b>	<b>-930</b>	<b>-40%</b>	<b>-56.97%</b>

Dividends paid to CIG

Dividends paid to Cayman Islands Government (CIG) are based on 75% of Comprehensive Net Income which includes adjustments for actuarial valuations of post-retirement healthcare and pension plans for long serving staff on the defined benefit pension plan. These adjustments for actuarial valuations vary significantly from year to year and thus result in variations in payments of dividends.



Summing up the finances of the CAACI

The CAACI’s targeted Net **Operating** Income (Audited) surpassed the targets set in the original 2020 forecasted budget by 1% and the revised updated budget by 21%. A key component of the Authority’s financial performance is the continued robust activity of the Cayman Islands Aircraft Register that falls under the ambit of the CAACI, which allows the Authority to be financially independent and a significant contributor to the revenues of the CIG for the past 10 years. The past five years have seen increasing competition from other offshore aircraft registers and the management of the CAACI is continually strategizing to meet the demands of this increasing challenge.

The customer base of the Registry continues to grow globally with the heightened awareness of the reputation of the Registry for focus on safety and a responsive customer experience. New business initiated last year included providing a transitioning point for leased aircraft. The lessors’ aircraft are placed on the register when it is coming off of a commercial operating lease and is prepared and certified by the expertise of the CAACI professional staff and readied for the next lease. The revenue in this area is represented by new Aircraft Lease Transition Project Fees determined by the Transition Aircraft committee at the end of 2019. Total revenue derived from this business line for 2020 was \$585k which helps make up the short fall in other revenues which were affected by the pandemic. In addition to the growth in revenue from lease transitioning aircraft, significant savings were achieved in various different areas of expense, most notably travel for business development, which contributed to the achievement of 21% of the targeted net operating income over revised budget.



Corporate Jet Investor Conference London , January 2020

# 2.2 LOOKING FORWARD

This section of the report, taken from Vision 2020: CAACI’s 2016-2020 Strategic Plan, describes our three strategic objectives, the initiatives and activities that will be carried out to achieve these objectives, and the key performance indicators that will be used to assess how well we are progressing in support of these strategic objectives.

## A MODERNIZED APPROACH TO REGULATORY OVERSIGHT

*Lead through a modernized approach to regulatory oversight*

The worldwide implementation of safety management systems by civil aviation service providers signals a shift from traditional reactive and compliance-based oversight to a new model that includes proactive and performance-based tools and methods. Such a shift, therefore, introduces the need for NAAs such as CAACI to perform safety oversight functions in a similar way through a modernized approach to regulatory oversight.

### HOW WE WILL ACHIEVE THIS OBJECTIVE

In order to make progress towards our goal of a modernized approach to regulatory oversight, we will need to pursue implementation of performance-based oversight (PBO) while continuing to maintain existing compliance and regulatory approaches where appropriate.

During the life of this strategic plan, we will continue to:

- Ensure economic regulatory oversight for the local air transport industry
- Ensure compliance with the AN(OT)O

Over the next five years we will also undertake the following initiatives:

- Assess industry capacity, collect data and identify risk areas
- Train key individuals in PBO
- Develop and publish bulletins for PBO to increase the knowledge base of industry
- Develop and roll out an appropriate electronic workflow management platform in support of PBO

### HOW WE WILL KNOW WE ARE MAKING PROGRESS

We will know we are making progress in terms of leading through a modernized approach to regulatory oversight if the knowledge base of industry has increased, the percentage of audits with minimal deficiencies is at an acceptable level, and the industry is exhibiting high levels of self-sufficiency.



## CONTINUOUS IMPROVEMENT OF SERVICE DELIVERY

*Strengthen our industry position through the continuous improvement of service delivery to our stakeholders*

Continuous improvement of our processes and tools to enhance the service experience of our clients has always been an overarching objective for the CAACI and will remain so for this strategic planning horizon. An example of success in this area has been the development of VP-C Online, the secure electronic data management system that provides CAACI clients with the means to apply online for the various approvals that are required for both initial aircraft registration and for continuing airworthiness. This includes registry applications, certificates and authorizations.

### HOW WE WILL ACHIEVE THIS OBJECTIVE

Continuous improvement of service delivery to our global stakeholders is a strategic priority of the CAACI.

During the life of this strategic plan, we will continue to:

- Annually update our client database to confirm the validity of registrations and the accuracy of aircraft owner information
- Maintain our information technology hardware, software and network infrastructure
- Improve management of our information technology and services
- Obtain feedback from end users and clients and implement appropriate and approved changes based on this feedback
- Generate and maintain appropriate integrated communications initiatives to support consistent messaging for the regulatory role of the CAACI and the CI Aircraft Registry
- Act as liaison for ICAO or other organizations in order to submit or receive data and information for dissemination to industry and stakeholders

Over the next five years we will also undertake the following initiative:

- Introduce an appropriate QMS

### HOW WE WILL KNOW WE ARE MAKING PROGRESS

We will know we are making progress in terms of continuous improvement of service delivery to our stakeholders if applications processing times and responses to requests for information, guidance and advice are within the CAACI service standards and we have increased client commendations and shared recommendations, as well as seeing low levels of industry complaints.



## AN ADAPTABLE, CAPABLE , HIGH-PERFORMING ORGANIZATION

*Embrace continuous improvement as an adaptable, capable, high-performing organization.*

Our organization has worked hard to put in place the financial and human capital, physical infrastructure, processes and work environment necessary to adapt and be capable of performing at a high level. The strategic directions, initiatives and activities linked to this strategic objective position us well to build upon the progress we have already made.

### HOW WE WILL ACHIEVE THIS OBJECTIVE

In order to build upon the progress we have made towards our goal of an adaptable, capable, high-performing organization, we will continue to focus on three key areas:

- Financial sustainability
- Managing for results
- An enabling work environment

### FINANCIAL SUSTAINABILITY

An adaptable, capable, high-performing organization relies upon a stable financial base in order to make the investments that it needs to sustain and enhance its management practices, work environment and human capital.

During the life of this strategic plan, we will continue to:

- Enhance the development and serviceability of the VP-C Online portal. This will result in increased use and access by industry and increased revenue.
- Develop integrated communications strategies in support of the Authority's objectives and identify business development opportunities



Over the next five years we will also undertake the following initiatives:

- Develop appropriate policies to accommodate growth
- Seek additional revenue streams to ensure the financial independence of the CAACI

### MANAGING FOR RESULTS

An adaptable, capable, high performing organization relies upon a robust set of management structures, frameworks, processes, and accountability instruments that will drive results.

During the life of this strategic plan, we will continue to:

- Support the incremental development of the Authority's QMS
- Maintain a positive relationship with the CAACI Board
- Comply with local legislation
- Continue to ensure adequate back-up and disaster recovery for CAACI data

Over the next five years we will also undertake the following initiatives:

- Implement a robust performance measurement framework
- Implement a risk management framework and risk register that is integrated with our performance measurement framework and QMS
- Conduct a review of current policies and procedures in the Finance Department with a view to achieving optimum performance
- Review and revise job descriptions to omit redundancies and improve efficiency

### Ministry Retreat dinner

## AN ENABLING WORK ENVIRONMENT

An adaptable, capable, high performing organization needs a motivated and highly skilled workforce supported by an enabling work environment that equips its people with the knowledge, tools and leadership necessary to successfully perform their duties.

During the life of this strategic plan, we will continue to:

- Develop divisional training plans to ensure qualified staff are recruited and competencies maintained
- Provide training opportunities for technical and administrative staff to cover gaps in knowledge and skills and to ensure that our staff receive refresher training to maintain their competence in all functional regulatory areas
- Utilize training as an intrinsic incentive and motivator for CAACI staff
- Foster team building, an environment of continuous learning and a spirit of cooperative collaboration
- Provide adequate physical facilities and equipment to enable our management and staff to work in the best possible working conditions

Over the next five years we will also undertake the following initiative:

- Strengthen the CI regulatory resource by employing and developing local human capital

## HOW WE WILL KNOW WE ARE MAKING PROGRESS

We will know we are making progress in terms of financial sustainability if we have been able to maintain or grow the current CI Registry levels, and we have succeeded in securing additional revenue streams.

We will have succeeded in strengthening our ability to manage for results if we are using integrated resources, performance and risk information to strengthen planning, priority-setting and decision-making.

The goal of an enabling work environment will have been advanced if levels of employee satisfaction with their work environment are high, qualified and experienced managers and staff are retained, and if, over the longer term, the CAACI has been able to attract appropriately qualified Caymanians to compete for highly technical positions, thus continuing our progress towards our goal of a workforce that is representative of the CI population.





# SECTION 3.0

## SUPPLEMENTARY INFORMATION



# LIST OF ACRONYMS AND ABBREVIATIONS

ACRONYM	DESCRIPTION
ABACE	Asian Business Aviation Convention & Exhibition
AN(OT)O	Air Navigation (Overseas Territories) Order
ANSR	Air Navigation Services Regulation
AOC	Air Operator Certificate
ASR	Air Safety Regulation (Division)
ASSI	Air Safety Support International
CAA	Civil Aviation Authority
CAACI	Civil Aviation Authority of the Cayman Islands
CIAA	Cayman Islands Airports Authority
CI	Cayman Islands
CIG	Cayman Islands Government
EBACE	European Business Aviation Convention & Exhibition
GACA	General Authority of Civil Aviation
ICAO	International Civil Aviation Organisation
NAA	National Aviation Authority
NBAA	National Business Aviation Association
ORIA	Owen Roberts International Airport
OT(s)	Overseas Territory (Territories)
OTAR(s)	Overseas Territories Aviation Requirement(s)
PBO	Performance-based Oversight
QMS	Quality Management System
SUSAs	Small Unmanned Surveillance Aircraft
UK	United Kingdom
UKCAA	United Kingdom Civil Aviation Authority





## **Financial Statements**

**31 December 2020**

**Civil Aviation Authority of the Cayman Islands**  
**Financial Statements**  
**For the year ended 31 December 2020**  
**Stated in Cayman Islands Dollars**

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**Civil Aviation Authority of the Cayman Islands**  
**Statement of Responsibilities**  
**For the year ended 31 December 2020**

These financial statements have been prepared by the Civil Aviation Authority of the Cayman Islands in accordance with the provisions of the Public Management and Finance Act (2020 Revision).

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Act (2020 Revision).

As Director-General, I am responsible for establishing and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Civil Aviation Authority of the Cayman Islands.

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

The financial statements present fairly the financial position as at **31 December 2020** and its comprehensive income and cash flows of the Civil Aviation Authority of the Cayman Islands for the financial year ended **31 December 2020**.

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

- a) Completely and reliably reflect the financial transactions of Civil Aviation Authority of the Cayman Islands for the financial year ended **31 December 2020**;
- b) Fairly reflect the financial position as at **31 December 2020** and its comprehensive income for the year ended **31 December 2020** and;
- c) Comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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



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Richard Smith (Mr)

Director-General

Date: 30 April 2021



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Jane Panton (Mrs)

Director of Finance and Compliance

Date: 30 April 2021

## AUDITOR GENERAL'S REPORT

### To the Board of Directors of the Civil Aviation Authority

#### Opinion

I have audited the financial statements of the Civil Aviation Authority of the Cayman Islands (the "Authority"), which comprise the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year ended 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 27.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2020, and its financial performance, and its cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards.

#### Basis for Opinion

I have conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Authority in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. In rendering my audit opinion on the financial statements of the Authority, I have relied on the work carried out on my behalf by a public accounting firm that performed its work in accordance with International Standards on Auditing.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## AUDITOR GENERAL'S REPORT (continued)

### Auditors' Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of section 60(1)(a) of the *Public Management and Finance Act (2020 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sue Winspear, CPFA  
Auditor General

April 30, 2021  
Cayman Islands




**Civil Aviation Authority of the Cayman Islands**  
**Statement of Financial Position**  
**As at 31 December 2020**  
**Stated in Cayman Islands Dollars**

	Note	31 December 2020	31 December 2019
<b>Assets</b>			
Current assets			
Cash and cash equivalents	4(a)	3,479,524	4,718,279
Short term deposits	4(b)	8,364,299	8,264,257
Trade and other receivables	5	1,252,377	1,867,916
<b>Total current assets</b>		<b>13,096,200</b>	<b>14,850,452</b>
Non-current assets			
Capital assets	6(a)	3,809,754	1,429,600
Right of use asset	11(a)	27,686	427,616
<b>Total non-current assets</b>		<b>3,837,440</b>	<b>1,857,216</b>
<b>Total Assets</b>		<b>16,933,640</b>	<b>16,707,668</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	7	968,627	860,474
Contract liabilities	8, 2(g)	353,925	219,085
Lease liability – office premises	11(b)	43,200	160,993
Dividend payable to Cayman Islands Government	9(a)	902,866	2,303,347
<b>Total current liabilities</b>		<b>2,268,618</b>	<b>3,543,899</b>
Non-current liabilities			
Lease liability - office premises	11(b)	-	270,703
Defined benefit pension obligation	10(a)	1,727,000	1,148,000
Post-retirement healthcare obligation	10(b)	3,755,000	2,863,000
<b>Total non-current liabilities</b>		<b>5,482,000</b>	<b>4,281,703</b>
<b>Total Liabilities</b>		<b>7,750,618</b>	<b>7,825,602</b>
<b>Equity</b>		<b>9,183,022</b>	<b>8,882,066</b>
<b>Total Liabilities and Equity</b>		<b>16,933,640</b>	<b>16,707,668</b>

Approved for issuance on behalf of Civil Aviation Authority of the Cayman Islands on 30 April 2021

 (Director General)

 (Director of Finance & Compliance)

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

**Civil Aviation Authority of the Cayman Islands**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2020**  
**Stated in Cayman Islands Dollars**

	Note	2020	2019
<b><u>INCOME</u></b>			
<b>Aircraft registry</b>			
Air safety regulation and certification fees	12 (a)	5,929,715	5,592,022
Surveyor fees and net reimbursable expenses	12 (c)	831,819	1,119,276
<b>Total aircraft registry income</b>		<b>6,761,534</b>	<b>6,711,298</b>
<b>Other income</b>			
Aerodrome oversight fees	12 (b)	250,000	1,000,000
Aircraft operating permits	12 (d)	226,845	405,224
Other income	12 (e)	102,089	165,669
<b>Total other income</b>		<b>578,934</b>	<b>1,570,893</b>
<b>Total income</b>		<b>7,340,468</b>	<b>8,282,191</b>
<b><u>EXPENSES</u></b>			
<b>Operating expenses</b>			
Personnel costs	9(c),13(a)	3,276,543	3,056,249
Office administration and business development	13 (b)	351,661	613,010
Professional and licensing fees	13 (c)	907,819	918,346
Travel – official, training and administrative	13 (d)	30,199	174,608
<b>Total operating expenses</b>		<b>4,566,222</b>	<b>4,762,213</b>
<b>Other expenses</b>			
Depreciation expense – Capital assets	6 (a)	28,662	30,826
Depreciation expense – Right of use asset	11(a)	162,971	160,005
Interest expense – Lease liability	11(b)	9,482	13,590
Bad debt expense	5	213,309	70,415
<b>Total other expenses</b>		<b>414,424</b>	<b>274,836</b>
<b>Total expenses</b>		<b>4,980,646</b>	<b>5,037,049</b>
<b>Net income for the year</b>		<b>2,359,822</b>	<b>3,245,142</b>
<b>Other comprehensive (losses) / gains</b>			
Re-measurement of defined benefit pension obligation	10(a)	(521,000)	14,000
Re-measurement of post-retirement healthcare obligation	10(b)	(635,000)	(715,000)
<b>Total other comprehensive losses</b>		<b>(1,156,000)</b>	<b>(701,000)</b>
<b>Total comprehensive income for the year</b>		<b>1,203,822</b>	<b>2,544,142</b>

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

**Civil Aviation Authority of the Cayman Islands**  
**Statement of Cash Flows**  
**For the year ended 31 December 2020**  
**Stated in Cayman Islands Dollars**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Net income for the year	<b>2,359,822</b>	<b>3,245,142</b>
Adjustments for:		
Depreciation expense	191,633	190,831
Increase in trade and other receivables	615,539	76,844
Decrease in accounts payables and accrued liabilities	108,153	321,527
(Decrease)/increase in contract liabilities	134,840	(62,504)
Interest expense – lease liability	9,482	13,590
Movement in operating income for defined benefit obligation (pension & health) service and interest costs	315,000	257,000
<b>Net cash from operating activities</b>	<b>3,734,469</b>	<b>4,042,430</b>
<b>Cash flows from investing activities</b>		
Increase in short term deposits	(100,041)	(165,536)
Purchase of capital assets	(2,408,816)	(615,457)
<b>Net cash used in investing activities</b>	<b>(2,508,857)</b>	<b>(780,993)</b>
<b>Cash flows used in financing activities</b>		
Lease liability payments (principal and interest)	(161,020)	(169,515)
Dividends paid	(2,303,347)	(2,737,591)
<b>Net cash used in financing activities</b>	<b>(2,464,367)</b>	<b>(2,907,106)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,238,755)</b>	<b>354,331</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>4,718,279</b>	<b>4,363,948</b>
<b>Cash and cash equivalents at end of the year</b>	<b>3,479,524</b>	<b>4,718,279</b>

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

**Civil Aviation Authority of the Cayman Islands**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2020**  
**Stated in Cayman Islands Dollars**

	Note	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>Balance at beginning of the year</b>		8,882,066	8,246,030
Net income for the year		2,359,822	3,245,142
Other comprehensive loss	<b>10</b>	(1,156,000)	(701,000)
Dividends declared	<b>9(a)</b>	<u>(902,866)</u>	<u>(1,908,106)</u>
<b>Balance at end of the year</b>		<u><b>9,183,022</b></u>	<u><b>8,882,066</b></u>

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

**Civil Aviation Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**Stated in Cayman Islands Dollars**

**1. Background information**

The Civil Aviation Authority of the Cayman Islands (“the Civil Aviation Authority”, “the Authority”, or “CAA”) is a statutory body established under the Civil Aviation Authority Law of 2004. The Authority is wholly owned by the Cayman Islands Government (“CIG”).

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

The statutory instrument providing enabling legislation is the Air Navigation (Overseas Territories) Order [AN(OT)O] 2007 (the Order), as amended. The Governor has promulgated the Overseas Territories Aviation Requirements (OTARs) as a means of compliance with the Order. The Air Navigation (Fees) Regulation, 2010 (Amendment) governs the fees structure of the Authority.

The registered address of the Civil Aviation Authority is P.O. Box 10277 APO, Grand Cayman, Cayman Islands and is located at Cayman Grand Harbour. The Civil Aviation Authority has 23 employees as at 31 December 2020 (2019: 23).

**2. Significant Accounting Policies**

**a) Basis of Presentation**

The financial statements of the Authority are prepared on a going concern basis under the historic cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit and loss, in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority’s accounting policies. Actual results could differ from those estimates, the impact of which would be recorded in future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

**b) New standards, amendments and interpretations adopted**

A number of new standards, amendments and interpretation to existing standards are effective for, and have been applied by the Authority, in the year ended 31 December 2020, but have not had a material effect on the Authority’s financial statements.

New standards, amendments and interpretation to existing standards that are not yet effective for the financials statements of the Authority for the year ended 31 December 2020 have not been early adopted in preparing these financial statements.



**Civil Aviation Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**Stated in Cayman Islands Dollars**

**2. Significant Accounting Policies (continued)**

**c) Capital assets**

Capital assets (property and equipment) are recorded at their historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight-line method at the following rates estimated to allocate the cost of the assets over their estimated useful lives:

Computer hardware and licensed software	3 years
Leasehold improvements	3 years
Office equipment and vehicles	5 years
Developed computer software	6 years
Furniture and fixtures	10 years
Land	Not depreciated

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income' in the statement of comprehensive income.

**d) Foreign currency translation**

- i) Functional and presentation currency - Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Cayman Islands dollars, which is the entity's functional and presentation currency.
- ii) Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions. Assets and liabilities recorded in currencies other than Cayman Islands Dollars are translated at exchange rates in effect at the statement of financial position date.

**e) Cash and cash equivalents**

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

**f) Short-term deposits**

Short-term deposits represent term deposits with banks or other financial institutions, including the CIG, with original maturities of greater than three months but less than twelve months. Impairment of short-term deposits has been considered on a 12-month expected credit loss basis and reflects the short maturities of the exposures, the Authority deems any exposure to be immaterial due to the low credit risk based on the external credit ratings of the counterparties.

**g) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the sale of goods and services stated net of discounts. The Authority recognizes revenue when the amount of revenue can be reliably measured and when performance has been completed; and when specific criteria have been met for each of the Authority's activities as described in Note 12. Contract liabilities in the Statement of Financial Position represent unearned revenue where performance obligations have yet to be fully completed. Refer to Note 8 for details on contract liabilities.

**Civil Aviation Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**Stated in Cayman Islands Dollars**

**2. Significant Accounting Policies (continued)**

**h) Financial assets and liabilities**

Under IFRS 9, the Authority classifies its financial assets, cash and cash equivalents, short-term deposits and trade and other receivables, as amortised cost.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Cash and cash equivalents, short term deposits and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership. The Authority's financial assets are carried at amortised cost using the effective interest method.

The Authority classifies its financial liabilities as other financial liabilities. Such financial liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or obligations to the Cayman Islands Government for dividends based on comprehensive net income. Accounts payable and accrued expenses are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

**i) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Authority or the counterparty.

**j) Employee benefits**

The Authority operates various post-employment schemes, including a post-employment healthcare plan, and defined benefit and defined contribution pension plans.

**(i) Pension obligations**

A defined contribution plan is a pension plan under which the Authority pays fixed contributions into a separate entity. The Authority has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Authority pays contributions to publicly administered pension insurance plans on a mandatory, contractual or voluntary basis. The Authority has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

**Civil Aviation Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**Stated in Cayman Islands Dollars**

**2. Significant Accounting Policies (continued)**

**j) Employee benefits (continued)**

**(i) Pension obligations (continued)**

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated United States Dollars (USD), a currency pegged to in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the Statement of Comprehensive Income.

**(ii) Post-employment healthcare plan**

Certain employees are eligible for post-employment healthcare under the 1987 CIG General Orders and the CAA Law 2004. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

**k) Leases**

At inception of a contract the Authority will assess whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and therefore is, or contains, a lease.

The Authority allocates the consideration in the contract to each lease component, however for the lease of property the Authority has elected not to separate non-lease components and accounts for the lease and non-lease components as a single component.

A right of use asset and lease liability is recognised at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability less any incentives received, and is subsequently depreciated on a straight line basis from commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the Authority's incremental borrowing rate. Further details on the right of use asset and corresponding lease liability recognised by the Authority can be found in note 11.

The Authority has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short-term leases. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Civil Aviation Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**Stated in Cayman Islands Dollars**

**3. Critical Accounting Estimates and Judgements**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

***Employee benefits – post-employment pension and healthcare***

The present value of the obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit pensions and healthcare include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Authority determines the appropriate discount rate at the end of each year in conjunction with the actuary. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations.

In determining the appropriate discount rate, the Authority in conjunction with the actuary considers the interest rates of high-quality corporate bonds that are denominated in the United States Dollars (USD), a currency pegged to the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 10.

**4. Cash and cash equivalents and short-term deposits**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>a) Cash and cash equivalents</b>		
Cash on hand	769	765
Current and call accounts	3,478,755	4,717,514
Total cash and cash equivalents	<u>3,479,524</u>	<u>4,718,279</u>
<b>b) Short term deposits</b>		
Fixed Deposits	<u>8,364,299</u>	<u>8,264,257</u>
Total cash and cash equivalents and short-term deposits	<u>11,843,823</u>	<u>12,982,536</u>
Current and call account holdings are:	<b>31 December 2020</b>	<b>31 December 2019</b>
- Cayman National Bank	3,289,501	3,363,225
- Bank of Butterfield	112,374	1,270,331
- NatWest UK (GBP 73,610)	76,880	83,958
(Exchange Rate of GBP to KYD 1.1204)		
Fixed deposit holdings are:		
- Cayman National Bank	6,162,544	6,095,162
- Cayman Islands Government	2,201,755	2,169,095

Fixed deposits are held with Cayman National Bank and with the Cayman Islands Government and have maturity dates over 90 days but within 365 days. See Note 14.

**Civil Aviation Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**Stated in Cayman Islands Dollars**

**5. Trade and other receivables**

Trade receivables comprise of balances due from clients of the Aircraft Registry [Note 12(a)] and the Cayman Islands Airports Authority for the Aerodrome oversight fee [Note 12(b)]. Lifetime expected credit losses have been calculated using sales invoices billed between 1 September 2019 and 30 September 2020 and the actual cash collection dates of these invoices to determine a historical collection profile by ageing category.

The amount uncollected is used to determine the loss rate by aging category, this is then applied to the aged trade receivables at 31 December 2020 to determine the expected credit loss at that date. The expected credit loss includes the full amount uncollected over 365 days. The calculated loss rates applied against the aging categories and the resulting expected credit loss are shown in the following ageing profile of trade receivables table:

**Ageing profile of trade receivables**

<b>Period Outstanding (Days)</b>	<b>Loss rate at 31 December 2020</b>	<b>Ageing balance of receivables at 31 December 2020</b>	<b>Expected credit loss at 31 December 2020</b>	<b>Ageing balance of receivables at 31 December 2019</b>	<b>Expected credit loss at 31 December 2019</b>
0-30	2.2%	602,662	13,431	800,667	15,131
31-90	3.1%	243,524	7,561	556,724	17,828
91-180	12.1%	302,911	36,700	311,715	18,754
181-365	45.5%	204,951	93,343	119,694	26,888
Over 365	100%	147,715	147,715	8,993	8,993
<b>Total Trade Receivables</b>		<b>1,501,763</b>	<b>298,750</b>	<b>1,797,793</b>	<b>87,594</b>

The bad debts expense recorded in the statement of comprehensive income of \$213,309 for 2020 (2019: \$70,415) represents the increase in the allowance for doubtful accounts following the implementation of the lifetime expected credit loss method under IFRS 9.

	<b>31 December 2020</b>	<b>31 December 2019</b>
Trade accounts receivable	1,501,763	1,797,793
Other receivables	49,364	157,717
Allowance for doubtful accounts	(298,750)	(87,594)
<b>Trade and other receivables (net)</b>	<b>1,252,377</b>	<b>1,867,916</b>

Of the total trade accounts receivable outstanding at 31 December 2020, none (2019: \$250,000) was due from the Cayman Islands Airports Authority ("CIAA") for the quarterly fees due for Regulatory services under the Memorandum of Understanding (MOU) referred to in Note 12b, (the fee for the final 3 quarters of 2020 was 'forgiven' through a resolution by the Board of Directors of the CAA for the reason whereby the CIAA's revenue and ability to pay was greatly reduced after the Cayman Islands borders were closed to the rest of the world due to the Covid-19 pandemic on 22 March 2020). \$104,384 (2019: \$83,061) was due from Cayman Airways Limited. The CIAA and Cayman Airways Limited are related parties of the Authority.



**Civil Aviation Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**  
**Stated in Cayman Islands Dollars**

**5. Trade and other receivables (continued)**

The changes in the allowance for doubtful accounts are detailed as follows:

	2020	2019
Opening allowance for doubtful accounts	87,594	35,526
Bad debts provided for during the period	213,309	70,415
Write off against accounts previously provided for	(2,153)	(18,347)
<b>Closing allowance for doubtful accounts</b>	<b>298,750</b>	<b>87,594</b>

The Authority currently has a bad debt write off policy in place that includes; the approval process, those appointed to approve, the required evidence that needs to be produced, the level or maximum amount management can approve and the reporting process to the Board on those write offs. Bad debts are to be written off in the following year after provision if the account is still outstanding and determined uncollectable.

As of 31 December 2020, receivables of \$899,101 (2019: \$997,126) were considered past due (over 30 days). These relate to a number of independent customers from whom there is no recent history of default or to related party customers guaranteed by the Cayman Islands Government.

**6. Capital assets**

**a) Movement schedule**

	Leasehold Improvements	Furniture & Fixtures	Computer Hardware	Computer Software	Office Equipment	Land	Future Office Building	Vehicles	Total
<b>Historical cost of assets:</b>									
As at 1 January 2019	144,793	121,584	192,303	187,800	48,691	400,000	362,219	71,754	1,529,144
Additions	0	0	7,871	22,645	2,041	0	582,900	0	615,457
Disposals	0	0	0	0	0	0	0	0	0
As at 31 December 2019	144,793	121,584	200,174	210,445	50,732	400,000	945,119	71,754	2,144,601
Additions	0	1,192	7,613	5,246	0	0	2,394,765	0	2,408,816
Disposals	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
As at 31 December 2020	144,793	122,776	207,787	215,691	50,732	400,000	3,339,884	71,754	4,553,417
<b>Accumulated depreciation:</b>									
Brought Forward, as at 1 January 2019	144,793	112,312	166,497	149,876	38,943	0	0	71,754	684,175
Charge for period	0	3,689	15,258	9,258	2,621	0	0	0	30,826
Disposals	0	0	0	0	0	0	0	0	0
As at 31 December 2019	144,793	116,001	181,755	159,134	41,564	0	0	71,754	715,001
Charge for year	0	2,018	13,211	10,763	2,670	0	0	0	28,662
Disposals	0	0	0	0	0	0	0	0	0
As at 31 December 2020	144,793	118,019	194,966	169,897	44,234	0	0	71,754	743,663
<b>Net book value as at 31 December 2019</b>	<b>0</b>	<b>5,583</b>	<b>18,419</b>	<b>51,311</b>	<b>9,168</b>	<b>400,000</b>	<b>945,119</b>	<b>0</b>	<b>1,429,600</b>
<b>Net book value as at 31 December 2020</b>	<b>0</b>	<b>4,757</b>	<b>12,821</b>	<b>45,794</b>	<b>6,498</b>	<b>400,000</b>	<b>3,339,884</b>	<b>0</b>	<b>3,809,754</b>

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**6. Capital assets (continued)**

**b) Capital commitments**

The Authority commenced development of its new office complex on Airport Road, Grand Cayman in September 2019. Cabinet approved the Outline Business Case in June 2015 and authorized CAA to retain \$4.1 Million of its cash reserves for this project. The construction contract was awarded to Cayman Structural Group for \$2.6 Million following a tendering process within the EasiBuy procurement system that has been approved by the Cayman Islands Government for procurement of all contracts to comply with the Procurement Act 2018. At 31 December 2020, \$130,680 of the fee was outstanding and was within the accrued expenses shown in note 7.

The Authority also has a contract dated 7 November 2016 with Chalmers Gibbs Associates for design and contract management of the office complex. Of the original contract amount of \$176,071, \$14,448 remains outstanding at year end.

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>7. Accounts payable and accrued liabilities</b>		
Accrued employee incentive awards	226,286	199,679
Accrued expenses	453,632	205,855
Accounts payable	233,450	366,354
Customer deposits on account	40,739	73,630
Other payables	8,121	6,095
Unidentified deposits	6,400	8,861
<b>Total accounts payable and accrued liabilities</b>	<b>968,627</b>	<b>860,474</b>

**8. Contract liabilities**

The Authority recognizes revenue when the amount of revenue can be reliably measured and when performance has been completed; and when specific criteria have been met for each of the Authority's activities as described in Note 12. Contract liabilities in the Statement of Financial Position represent unearned revenue where performance obligations have yet to be fully completed. The amount of this liability at 31 December 2020 is \$353,925 (2019: \$219,085)

**9. Related party balances and transactions**

**(a) Dividend payable to Cayman Islands Government**

Under section 39 (3) of The Public Authorities Act (2020 Revision), the Authority is required to make an annual payment into the general revenue of the Cayman Islands Government (CIG) which is to be calculated by a formula determined by the Minister of Finance. In March 2012, a directive was issued by the Financial Secretary and agreed by the Authority detailing the formula and the terms of the dividend repayment to the Cayman Islands Government. The directive indicated that the Authority would pay 75% of the annual Comprehensive Income first reported to the Office of the Auditor General within three months of the end of the financial year. A revision in the directive in July 2013 indicated that an adjustment be made to the payment in the subsequent year for any difference to the audited comprehensive income. As at 31 December 2020 a total of \$902,866 (2019: \$2,303,347) was payable to the CIG as detailed below:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Brought forward Dividends Payable	2,303,347	3,132,832
Dividends paid during the year	(2,303,347)	(2,737,591)
Dividend payable on comprehensive income	902,866	1,908,106
<b>Total Dividend Payable</b>	<b>902,866</b>	<b>2,303,347</b>

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**9. Related Party balances and transactions (continued)**

**(b) Register of Interests**

The Authority's Register of Interests signed by all of its Managing/Divisional Directors indicates no related party transactions with key management personnel outside of the benefits disclosed. Registers of Interests have been submitted by members of the Board of Directors ("BOD") as of the issuance date of the financial statements and indicate that there are no material related party transactions involving the BOD.

**(c) Key Employee Benefits**

The key employees of the Civil Aviation Authority are the Director General, the Director of Air Navigation Regulation, the Deputy Director-General, Economic Regulation and Administration, the Director of Finance and Compliance and the Director of Air Safety Regulation. Total salary and employee benefits expensed in the year ended 31 December 2020 amounted to \$980,561 (2019: \$978,376). The total paid out for the 2019 performance incentive award for key employees and settled prior to year-end was \$54,730.

The Director General and the Deputy Director-General, Economic Regulation and Administration have the benefit of having an additional 6.4% and 6% respectively of their base pay paid into their pension fund by the Authority in addition to the base 6% contribution. The Director General, through his employment contract approved by the Governor and Board of Directors, is provided with a vehicle including running costs, insurance and maintenance. Under the medical coverage program, as is for all staff, claims not covered by the insurance provider and are deemed to be medical necessities are fully subsidized by the Authority. For the year ended 31 December 2020 this amounted to \$7,350 (2019: \$7,438) for all key employees.

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
Base salary	744,525	744,525
Pension	57,368	57,368
Medical coverage	102,071	99,894
Fuel allowance	2,143	2,136
Performance incentive award (estimated and unpaid)	74,453	74,453
<b>Total key employee benefits</b>	<b>980,560</b>	<b>978,376</b>

**(d) Obligation to Air Safety Support International (ASSI)**

Professional fees include an MOU between the CIG and the United Kingdom (UK) Government, signed by the Premier of the Cayman Islands in November 2011. This MOU indicates an undertaking by the CIG to pay an annual fee of GBP 90,760 effective May 2020 (GBP 86,772 in 2019) for the support service for the use of the UK Aviation Safety Regulations which is regulated by ASSI, the aviation regulatory arm of the UK Government. This fee commenced on 1 April 2012 and is billed by ASSI to (CIG) at the end of every quarter. The amount is invoiced to the CIG by ASSI and CIG (The Financial Secretary) passes the invoices on to the Authority for direct payment to ASSI.

**(e) Memorandum of Understanding with the Cayman Islands Airports Authority (CIAA) (see note 12(b))**

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**10. Post-retirement benefits**

**(a) Pensions**

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

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 (PSPB) and is operated as a multi-employer Fund, except that surpluses or deficits related to the Authority’s Plan are not available to offset or be set off against other plan participants’ deficits or surpluses.

Prior to 14 April 1999 the scheme underlying the Fund was a defined benefit scheme. With effect from 14 April 1999 the Fund has both a defined benefit and a defined contribution element. Participants joining after 14 April 1999 become members of the defined contribution element.

**i. Defined contribution plan**

In accordance with the Cayman Islands National Pensions Act, (2012 Revision) (the “Act”) the employees of the Authority that participate in the defined contribution pension plan are required to contribute an amount of 5% of their annual salaries to the plan during the year and the Authority matches such contributions up to 5%. The pension contributions paid by the Authority to PSPB under these plans are expensed as incurred in the statement of comprehensive income. For the year ended 31 December 2020 the amount of \$79,823 (2019: \$77,968) was contributed by the Authority.

**ii. Defined benefit plan**

The defined benefit plan is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members’ length of service and their salary in the final years leading up to retirement. This benefit is available to certain long serving employees under 1987 Cayman Islands Government General Orders.

The defined benefit portion of the Fund has been valued by an Actuary engaged by the PSPB. The defined contribution part of the Fund is not subject to the actuarial valuations due to the nature of the benefits provided therein. The table below outlines where the Authority’s post-employment amounts and activity are included in the financial statements.

	<b>Present value of obligation \$’000</b>	<b>Fair value of plan assets \$’000</b>	<b>Net liability/ (asset) \$’000</b>
<b>As at 31 December 2018</b>	<b>4,501</b>	<b>(3,402)</b>	<b>1,099</b>
Current service cost	37	-	37
Interest expense/(income)	189	(143)	46
Re-measurements:			
- Return on plan assets	-	(771)	(771)
- Gain from changes in financial assumptions	778	-	778
- Gain on changes in demographic assumptions	(21)	-	(21)
	5,484	(4,316)	1,168
Contributions:			
- Employers	-	(20)	(20)
- Plan participants	20	(20)	-
Payments from plan:			
- Benefit payments	-	-	-
- Administrative expenses	-	-	-
<b>As at 31 December 2019</b>	<b>5,504</b>	<b>(4,356)</b>	<b>1,148</b>

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**10. Post-retirement benefits (continued)**

**ii. Defined benefit plan (continued)**

	Present value of obligation \$'000	Fair value of plan assets \$'000	Net liability/ (asset) \$'000
<b>As at 31 December 2019</b>	<b>5,504</b>	<b>(4,356)</b>	<b>1,148</b>
Current service cost	48		48
Interest expense/(income)	173	(138)	35
Re-measurements:			
- Return on plan assets		(522)	(522)
- Loss from changes in financial assumptions	955		955
- Gain on changes in demographic assumptions	(56)		(56)
- Effect of any business combinations / divestitures/transfers		144	144
	<b>6,624</b>	<b>(4,872)</b>	<b>1,752</b>
Contributions:			
- Employers		(25)	(25)
- Plan participants	25	(25)	-
Payments from plan:			
- Benefit payments			-
- Administrative expenses			-
<b>As at 31 December 2020</b>	<b>6,649</b>	<b>(4,922)</b>	<b>1,727</b>

	31 December 2020 \$'000	31 December 2019 \$'000
<b>Statement of financial position:</b>		
Defined benefit obligation at end of period	6,649	5,504
Fair value of plan assets at end of period	(4,922)	(4,356)
<b>Liability in the statement of financial position</b>	<b>1,727</b>	<b>1,148</b>

The principal actuarial assumptions at the date of valuation:

	2020 %	2019 %
1. Discount Rate	2.60	3.50
2. Rate of salary increase	2.50	2.50
3. Rate of price inflation	2.00	2.00
4. Rate of pension increase	2.00	2.00
5. Post-employment mortality table – 2020: RP-2014 scaled back to 2006 using MP-2014 then projected on a generation basis using scale MP-2020 (2019: RP-2014 scaled back to 2006 using MP-2014 then projected on a generation basis using scale MP-2019).		



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**10. Post-retirement benefits (continued)**

**ii. Defined benefit plan (continued)**

Other Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in each territory. The sensitivity of the defined benefit obligation at 31 December 2020 and 31 December 2019 to changes in the weighted principal assumptions is:

<b>Impact on defined benefit obligation 2020</b>			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.14%	Increase by 4.41%
Inflation rate	0.25%	Increase by 4.15%	Decrease by 3.93%
Mortality*	10%	Decrease by 2.71%	Increase by 3.01%

<b>Impact on defined benefit obligation 2019</b>			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.9%	Increase by 4.1%
Inflation rate	0.25%	Increase by 3.9%	Decrease by 3.7%
Mortality*	10%	Decrease by 2.4%	Increase by 2.7%

As at 31 December 2020 the assumed life expectancy of a person retiring today at age 57 is 28.45 (2019: 28.66).

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension obligation recognised within the statement of financial position.

The significant plan assets are comprised of:

	<b>2020</b>	<b>2019</b>
Global Equities	82%	79%
Debt securities	18%	20%
Cash	0%	1%
	<u><b>100%</b></u>	<u><b>100%</b></u>

Through its defined benefit pension plan the Authority is exposed to a number of risks, the most significant of which are detailed below:

*Asset Volatility*

The defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the defined benefit pension obligation. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

The plan is managed on behalf of the Authority by PSPB with the aim of long-term growth through diversification and within the constraints of the Act. The long-term bias towards equities is in place to achieve these long-term growth goals.

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**10. Post-retirement benefits (continued)**

**ii. Defined benefit plan (continued)**

*Changes in bond yields*

A decrease in corporate bond yields will increase the defined benefit obligation, although this will be partially offset by an increase in the fair value of the plans' bond holdings.

*Inflation Risk*

The Authority's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the defined pension benefit obligation.

*Life expectancy*

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the defined benefit obligation.

As of 31 December 2020 and 2019, the Authority has not formally agreed on a contribution plan that would aim to eliminate the pension plan deficit over the forthcoming years.

The weighted average duration of the defined benefit obligation is between 17.25 and 16.90 years (2019: 16.17 and 15.79 years).

**b) Post-retirement healthcare**

The Authority operates an unfunded post-retirement healthcare benefit scheme. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for the defined benefit pension scheme set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs which is 5% (2019: 5%).

Other significant assumptions include:

- a. Mortality rates – 2020: RP-2014 Mortality Table scaled back to 2006 using MP-2019 (2019: RP-2014 Mortality Table scaled back to 2006 using MP-2018).
- b. Mortality improvement scale – 2020: Scale MP-2020 (2019: Scale MP-2019).
- c. Discount rate assumption 2020: 2.70% (2019: 3.59%)

The amounts recognised in the balance sheet represent management's estimation of the present value of unfunded obligations.

The sensitivity of the obligation at 31 December 2020 and 31 December 2019 to changes in the weighted principal assumptions is:

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**10. Post-retirement benefits (continued)**

**b) Post-retirement healthcare (continued)**

<b>Impact on obligation 2020</b>			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.1%	Increase by 6%
Healthcare cost trend rate	1%	Increase by 25.7%	Decrease by 19.5%
Mortality	10%	Not applicable	Decrease by 4.7%

<b>Impact on obligation 2019</b>			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 5.4%	Increase by 5.8%
Healthcare cost trend rate	1%	Increase by 24.8%	Decrease by 19%
Mortality	10%	Not applicable	Decrease by 4.4%

The movement in the obligation over the period is as follows:

	<b>Present value of obligation ('\$000)</b>
<b>As at 31 December 2018</b>	<b>1,954</b>
Operating expenses:	
- Current service cost	109
- Interest expense	85
	194
Re-measurements:	
- Gain from change in demographic assumptions	1
- Gain from change in financial assumptions	536
- Experience gains	178
	715
<b>As at 31 December 2019</b>	<b>2,863</b>
Operating expenses:	
- Current service cost	154
- Interest expense	103
	257
Re-measurements:	
- Gain from change in demographic assumptions	(53)
- Loss from change in financial assumptions	683
- Experience losses	5
	635
<b>As at 31 December 2020</b>	<b>3,755</b>

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**11. Lease of premises**

The Grand Cayman office of the Authority is located in Cayman Grand Harbour and is leased from Cayman Grand Harbour Shoppes Ltd. The lease term is for three years and was signed on 16 August 2019 and expires 15 August 2022. Total space occupied is 4,530 square feet at lease rate of \$30 per square foot, and additional strata fees of not more than \$6.50 per square foot per annum (excluding sewage costs) are to be charged during the first two years. The monthly payments under the lease agreement are \$14,126. Due to the Covid-19 pandemic, a discount of 25% on rent payments was extended to the CAA for the period April through June 2020.

A lease termination notice was provided to Cayman Grand Harbour Shoppes Ltd. on 30 September 2020 advising of the intention to vacate the premises by 31 March 2021, providing six months' notice as required by the lease. There are no restoration or dismantling costs expected to be incurred. The right of use asset, adjustment for the early termination of the lease and the lease liabilities are reflected in the financial statements as follows:

**(a) Right of use asset**

Balance at 1 January 2020	427,616
Lease termination notice adjustment	(236,959)
Depreciation charge for the year	(162,971)
Balance at 31 December 2020	<u><u>27,686</u></u>

**(b) Lease liability**

Balance at 1 January 2020	431,696
Lease termination notice adjustment	(236,958)
Interest expense	9,482
Lease payments	(161,020)
Balance at 31 December 2020	<u><u>43,200</u></u>

**Contractual undiscounted lease payments at 31 December 2020 were as follows:**

	Future minimum lease payments (undiscounted)	Interest	Present value of minimum lease payments
Less than one year	42,378	822	43,200
Between one and two years	-	-	-
More than two years	-	-	-
	<u>42,378</u>	<u>822</u>	<u>43,200</u>

**(c) Amounts recognised in the Statement of Comprehensive Income**

	<b>2020</b>
Interest on lease liabilities	9,482
Depreciation of right of use asset	162,971

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**12. Revenue**

**(a) Air Safety Regulation and certification fees (Aircraft registry revenue)**

These fees represent the main operational revenue of the Authority, which is generated from all aircraft on the Cayman Islands Aircraft Register. Each document that is issued by the Air Safety Regulations department is associated with a fee which is governed by Air Navigation (Fees) Regulation (2010) Amendment passed by the Legislative Assembly in November 2010. There are thirty-one (31) sections in this Law which detail the various regulations and associated fees chargeable to all aircraft registered on the Cayman Islands Aircraft Registry. All revenue streams from the Cayman Islands Aircraft Register are considered to be derived from contracts with customers and recognised when the Authority's performance obligations have been met. Under IFRS 15 each revenue stream has criteria to be met to determine the timing of the revenue recognition as follows:.

<u>Aircraft registry revenue stream</u>	<u>Type of approval</u>	<u>Timing of revenue recognition</u>
Certificates of Airworthiness & related surveyor fees	No specific performance required by CAA after issue date	at issue date
Air Operators Certificates (AOC)	Performance by CAA required for the duration of validity period	over the course of the certificate's validity period (1 year)
Aerial Work Certificate	Performance by CAA required for the duration of validity period	over the course of the certificate's validity period (1 year)
Flight Operations approvals (other than AOC)	No specific performance required by CAA after issue date	at issue date
Maintenance authorisations	No specific performance required by CAA after issue date	at issue date
Mortgage Registration Revenue	No specific performance required by CAA after issue date	at issue date
New registration revenue	No specific performance required by CAA after issue date	at issue date
Other ASR approvals	No specific performance required by CAA after issue date	at issue date

**(b) Aerodrome oversight fees**

These fees represent mainly the charge for regulatory oversight by the Authority to CIAA on Owen Roberts International Airport (ORIA) and Charles Kirkconnell International Airport (CKIA).

On 1 July 2018 a Memorandum of Understanding (MOU) between CAA and CIAA was signed whereby CAA would charge the CIAA \$1,000,000 per annum for regulatory and oversight fees of the ORIA and CKIA. The MOU stated that this fee commenced on 1 July 2018 and would be effective for a period of three years, with an agreement to review annually. This MOU has been in place since 1 July 2004 and has been renewed every year at the same fee. Due to the Covid-19 pandemic and loss of revenue for the CIAA, the CAA has forgiven the fee due from CIAA of \$750,000 for April through December 2020 and proposes a hiatus on this fee until the borders are fully reopened.



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**12. Revenue (continued)**

**(b) Aerodrome oversight fees (continued)**

The CAA Board conditionally approved the forgiveness of the fee due on January 21, 2021 based on the feedback received from OAG and the Financial Secretary.

**(c) Surveyor fees and net reimbursable expenses**

The Air Navigation (Fees) Regulations, November 2010 (Amended) also dictate that an hourly rate up to \$250 can be charged for surveys carried out on all the aircraft on the Cayman Islands Aircraft Register. During the year ended 31 December 2020, a fee of \$250 (2019: \$250) per hour was charged. Travel, subsistence and postage expenses associated with surveys are recovered from the customer. Surveyor fees are included in the statement of comprehensive income as follows:

	<b>2020</b>	<b>2019</b>
Surveyor fee billings	831,788	1,130,984
Survey reimbursable billings	120,368	591,070
Reimbursable expenses paid	(120,337)	(602,778)
<b>Surveyor fees &amp; net reimbursable expenses</b>	<b>831,819</b>	<b>1,119,276</b>

During the financial years ended 31 December 2020 and 2019, the Surveyors' Reimbursable Travel Expenses have been offset against the Surveyor Fees and Billable expenses as the expenses have been recovered through the revenue. Showing the net amount of surveyor travel expenses billed improves the clarity of presentation.

**(d) Aircraft operating permits**

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

**(e) Other income**

Other income comprises of interest on short term deposits further disclosed in Note 4 and recovery of written off bad debts.

	<b>2020</b>	<b>2019</b>
Interest income	100,085	165,669
Miscellaneous income	2,004	-
<b>Total other income</b>	<b>102,089</b>	<b>165,669</b>

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**13. Expenses**

<b>Operating expenses</b>	<b>2020</b>	<b>2019</b>
a) Personnel costs		
Salaries/performance incentive expenses	2,418,670	2,299,834
Medical insurance and expenses	382,525	355,521
Pension (including DB plan service costs)	210,507	206,894
Post-employment healthcare service costs <b>Note 10(b)</b>	257,000	194,000
Recruitment and relocation expenses	7,841	-
<b>Total personnel costs</b>	<b>3,276,543</b>	<b>3,056,249</b>
b) Office administration and business development		
General office administration expenses	283,748	378,946
Rental expenses	11,533	18,788
Training	2,778	62,789
Business development expenses	49,091	147,663
Board of Directors expenses	4,511	4,824
<b>Total office administration and business development</b>	<b>351,661</b>	<b>613,010</b>
c) Professional & licensing fees		
Overseas contractors fees	541,794	587,288
Air Safety Support International (ASSI)	100,881	95,798
Work permit fees	67,530	63,540
Insurance expenses	47,038	40,676
Audit and other professional fees	104,957	59,281
Professional dues and subscriptions	10,044	8,113
AAIB retainer Fee	29,558	36,250
Legal fees	6,017	27,400
<b>Total professional &amp; licensing fees</b>	<b>907,819</b>	<b>918,346</b>
d) Travel – official, training and administrative		
Travel – business development	19,352	101,601
Travel – administration and training	10,847	73,007
<b>Total travel – official, training and administrative</b>	<b>30,199</b>	<b>174,608</b>
<b>Total operating expenses</b>	<b>4,566,222</b>	<b>4,762,213</b>

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**14. Financial instruments risk**

*Liquidity risk*

Liquidity risk is the risk that the Authority is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Prudent liquidity risk management implies maintaining sufficient cash at bank and funding to sustain operations of the Authority. The Authority maintains liquidity for its operations and payment of its debt through retaining sufficient available funds in the form of cash at bank and short-term deposits.

The undiscounted cash flows payable by the Authority under financial instruments with contractual maturities of less than 1 year at 31 December 2020 are as follows:

Accounts payable and accrued liabilities \$968,627 (2019: \$860,474)

Dividend payable \$902,866 (2019: \$2,303,347)

*Credit risk*

Financial assets that potentially subject the Authority to credit risk consist principally of bank current accounts, fixed deposits, trade and other receivables. The Authority's fixed deposits are placed with accredited financial institutions and the Government Treasury. Due diligence is conducted on clients before they are accepted on the register. Local credit clients are sufficiently regulated. The Authority is responsible for managing and analysing the credit risk for each of their new customers before standard payment terms and conditions are offered. The Authority's clients with the largest outstanding balances as at 31 December 2020 are National Air Services (NAS) with approximately 17% (2019: 10%) of total outstanding balances, Cayman Airways 7% (2019: 5%) and are considered significant concentrations of credit risk. The CIG accounts are considered medium exposure risks due to possible CIG policy changes when new governments are elected.

*Interest rate risk*

Cash amounts held at Cayman National Bank over \$500,000 (2019: \$500,000) are placed on semi-annual and annual fixed deposits and generally earn an interest rate of between 0.05% (2019: 1.2500%) and 1.30% (2019: 2.0600%) per annum in the year ended 31 December 2020. There are two accounts held at NatWest Bank in the UK, an operating account and a credit card account for 2 (2019: 3) surveyors operating in the United Kingdom and Europe. It is required that a deposit be held on the credit card account to cover the exposure of the total credit card limits of each card held. At the statement of financial position date, £16,392 (2019: £16,000) was held as a deposit at NatWest Bank. This deposit earns 1% interest per annum. As at 31 December 2020 there is also a fixed deposit held with Cayman Islands Government Treasury. The amount is \$2,201,755 (US\$2,685,067) (2019: 2,169,095 (US\$2,645,238)) for twelve months to a rate of 0.25% and matures on 26 July 2021. Management believes that a reasonable possible change in interest rates would not have a material impact on the Authority's net income.

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**14. Financial Instruments Risk (continued)**

*Market Risk*

The CAA has maintained conservative growth year-over-year from the market for business and corporate aircraft registration despite the assertive competition from other jurisdictions which are highly financed and subsidized to promote their offshore registries. The Aircraft register revenues are closely aligned with global economic conditions are considered luxury service revenue due to the majority of the revenues being derived from private corporate jet operations. The market risk to the sustained revenues is considered to be significant.

*Fair values*

The cash and cash equivalents, short term deposits, trade and other receivables, accounts payables and accrued liabilities, contract liabilities and dividends payable approximated their fair value due to short term maturities of these assets and liabilities. There were no significant financial effects of global economic conditions during the current financial year, however refer to note 16 for the subsequent events in respect of the global economic conditions subsequent to year end.

**15. Capital management**

The Authority's objectives when managing capital are to safeguard its ability to continue as a going concern in order to fulfil its responsibilities as outlined in Note 1 for stakeholders and, as further discussed in Note 9(a), to make an annual payment into the general revenue of the Cayman Islands Government. The Authority is not subject to externally imposed capital requirements.

**16. Subsequent events**

At year end, the Authority has accrued \$902,866 as dividends payable to the Cayman Islands Government. This amount comprises 75% of the net comprehensive income for the year ended 31 December 2020 and will be paid during the last week of April 2021.

It is noted that the Cayman Islands Airports Authority (CIAA) that operates the two certified airports in Grand Cayman and Cayman Brac is closed to commercial operations for the foreseeable future. The CEO of CIAA has indicated that as with most global entities, cash preservation measures are being observed and payment under the MOU in note 12(b) will be discontinued until the reopening of the borders and normal cash flows have resumed. From a worldwide perspective, this is not expected to be until close to mid or end of 2022.

An 83 *bis* agreement operator and client of CAA, SaudiGulf Airlines, is not currently operating due to the effects of the global pandemic on the aviation industry. At the issuance date of these financial statements, all of the \$177,416 due from SaudiGulf Airlines is still outstanding and has been fully provided for in the expected credit loss/allowance for doubtful accounts as at 31 December 2020.

Also of note, is the Cayman Islands' own national airline, Cayman Airways Limited, although have been operating at a much reduced rate only doing repatriation flights, the income has not decreased and the invoices are being paid.