

# ANNUAL REPORT

FISCAL YEAR ENDING 31 DECEMBER 2019



ONE TEAM - ONE MISSION - ONE VISION



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## FOREWORD BY THE DIRECTOR-GENERAL

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I am pleased to present the annual report for the twelve month financial period ending 31 December 2019. During this period the Authority remained financially self-sustainable, received no capital subsidy, and paid dividend of over CI\$2million to the Cayman Islands Government bringing the total of dividends paid over the past 10 years to over \$24 million. The Authority also met its regulatory obligations and maintained its designation from the Governor for full responsibility for safety oversight of aviation in all functional areas.

In observance of the UK's obligations to the International Civil Aviation Organisation (ICAO), UK Overseas Territories Aviation Authorities were required to fulfil the ICAO On-Line Framework (OLF) exercise that distinguishes the compliance status of an aviation authority with the standards and recommended practices of ICAO. This exercise was onerous in its undertaking, as it required unprecedented time and effort of the CAACI's personnel resources, in addition to keeping up with increased day-to-day regulatory oversight activities. However, the CAACI completed the exercise within the short timeframe given and met the deadline of 31<sup>st</sup> October 2019 set by the UK Department of Transport. Having done so, the CAACI is better prepared to present its regulatory status and capabilities to the scrutiny of other international aviation authorities and organisations.

Another significant event was the CAACI's co-hosting of training for local emergency first responders, in conjunction with the Air Accidents Investigation Branch (AAIB). The AAIB is responsible for the investigation of civil aircraft accidents and serious incidents within the UK Overseas Territories. This training focused on the actions required by local first responders after an aircraft accident until the AAIB can arrive on island to assume their investigative role. Over 60 persons representing the Royal Cayman Islands Police Service, the Cayman Islands Fire Service, Cayman Airways, Hazard Management Cayman Islands (HMCI), Health Services Authority, the

Cayman Islands Airports Authority, Cayman Islands Customs and Border Control (CBC), the Ministry of Health and the CAACI attended the two days of intense training, which included presentations and breakout working sessions.

The CAACI's annual Safety Seminar was held in November and this year's opening session included participation of His Excellency the Governor, Mr. Martyn Roper, and Premier, the Hon. Alden McLaughlin. The Governor gave the keynote address and reflected on his responsibility to the United Kingdom for aviation safety and security, to ensure compliance with the UK's obligations to ICAO. He congratulated the CAACI on retaining full designation for regulatory oversight of the Cayman Islands aviation industry, including aircraft on the Cayman Islands Aircraft Registry that are domiciled and operated globally. He also highlighted the importance of the local aviation industry and its significance to the two pillars of the Cayman economy, the tourism and finance industries. The seminar focused on issues ranging from the Boeing 737-8 Max aircraft, technical topics of airworthiness, flight operations, operational risk, strategic and operational planning, safety management systems (SMS), cybersecurity and the recently implemented Data Protection Law.

The Cayman Islands Aircraft Registry ("the Registry") continues to thrive as an attractive registry of choice for high net worth individuals and corporations while facing increased competition from other jurisdictions that provide similar aircraft registry options. Such options are significant sources of revenue for the islands and the CAACI continually seeks opportunities to diversify and broaden its registrant base throughout the global aviation industry. During the period, the CAACI placed much focus on developing niche

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opportunities within the aircraft leasing industry to facilitate the efficient transitioning of leased aircraft between multiple jurisdictions. This effort culminated in the establishment of a 'Transition Register' arrangement that allows the objectives to be met in accordance with stringent regulatory safety protocols. The CAACI received notable interest from entities participating in such activities globally and by the end of the year positive discussions were underway with many of these interested parties

Construction of the CAACI corporate office building, adjacent to the Owen Roberts International Airport terminal, commenced in September and good progress was made during the remainder of the period. This is a significant milestone for the CAACI, having received Cabinet approval to allocate 4.1 Million dollars of retained earnings of the CAACI to pursue the development of the building. The offices will provide state of the art accommodations for staff and will facilitate further staffing growth for the foreseeable future.

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.



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



Civil Aviation Authority of the Cayman Islands

502 followers

11mo • Edited •



Our annual Safety Seminar kicked off today at the George Town Yacht Club, with CIG remarks from Hon. Alden McLaughlin (Premier/ Minister for International Trade, Investment, Aviation, and Maritime Affairs) and ...see more



with alden mclaughlin and 1 other



# FOREWORD BY THE BOARD OF DIRECTORS

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The CAACI board of directors are pleased with the outstanding performance of the Authority during the 2019 fiscal period. The CAACI management continues to exercise prudent management of resources while ensuring that its safety oversight mandate remains aligned with the International Civil Aviation Organisation's (ICAO) standards and recommended practises. This commitment, combined with discretionary hiring and efforts to retain qualified technical staff that are in high demand globally, has resulted in the CAACI retaining the Governor's designation for safety oversight of all functional aviation disciplines. This is critical to the jurisdiction, as it underpins growth in the financial and tourism sectors, maintaining the connectivity for this small island territory. The Authority has a collaborative working relationship with Air Safety Support International (ASSI) and the UK Department for Transport, as well as other credible national aviation authorities globally, which proves to be beneficial for growth and harmonisation of oversight activities. During the year 2019, the CAACI management continued its plan to diversify services firmly establishing the Transitional Registry for aviation financiers and lessors, thereby enabling the creation of bespoke solutions for this sector.

During the period, the Authority embarked on refinement of its suite of electronic data management tools aimed at increasing efficiencies for interacting with clients and business partners globally. This has resulted in optimising staff interaction with subscribers that has created a competitive offering for the CAACI being able to efficiently and securely manage and retain aviation technical data.

The CAACI has maintained market share and targeted conservative growth year-over-year for the CI Aircraft Registry (CIAR), despite the aggressive competition from other jurisdictions that are heavily financed and subsidized to promote their offshore registries. With aircraft registered in Cayman domiciled or operating in regions and countries around the world (North America, South America, China, Middle East, Europe) supported by critical safety oversight management for airworthiness and flight operations, the CIAR is highly recognised as an credible asset management option known to maintain or improve aircraft values with excellent client service rendered by the CAACI team. The CAACI management is optimistic that the growth trends will continue with new revenue streams being developed and the profile of the CIAR being raised by new business development initiatives to compete with the growing number of options for registration of an aircraft.

Finally, we are very pleased that for the 2019 year the CAACI has been able to again contribute dividends to the Cayman Islands Government in the amount of CI\$2,303,347.07. The CAACI also maintains its status of being financially self-sustainable, requiring no financial assistance from the Government.

The board would like to thank the management and staff and challenge all to continue their dedicated and committed work for this Authority.

# 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.

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 to 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

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 2019 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



First CAACI LinkedIn Post

## 1.3 DELIVERY MODEL

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.

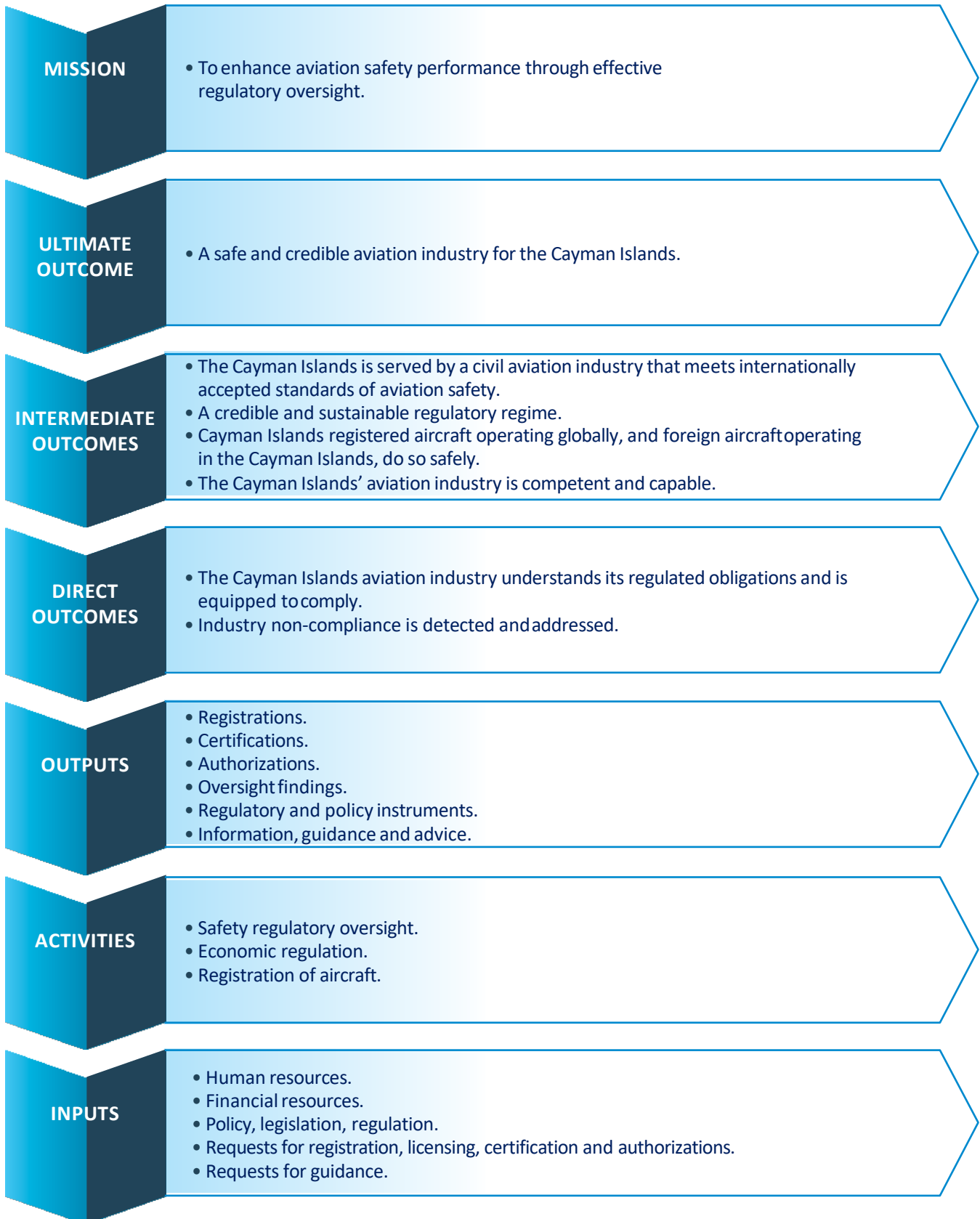


**Air Finance Dublin**



# 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.**



ABACE Shanghai, China April 17 – 19, 2019

### 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.



Contract signing for the commencement of construction of the New CAACI office building



# 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

During the period 1 January - 31 December 2019 the ANSR Division maintained its oversight of the Cayman Islands Airports Authority (CIAA) by regular assessment of the progress made in addressing the corrective actions arising from previous audits of the two airports, Owen Roberts International Airport on Grand Cayman and Charles Kirkconnell International Airport on Cayman Brac.

In addition, a routine, biennial, audit of both airports was carried out during May 2019. The audit process included a review of all outstanding Findings and Observations from previous audits and assessed the CIAA's current compliance with international requirements in the following areas:

- Aerodrome physical characteristics;
- Airport operations;
- Air Traffic Control;
- Aeronautical Information Services;
- Aeronautical Telecommunications Services;
- Facilities and Aerodrome Maintenance;
- Safety Management Systems;
- Meteorological Services to Aviation (provided by Cayman Islands National Weather Service);
- Rescue & Fire Fighting Services (provided by Cayman Islands Fire Service).

The oversight process resulted in the closure of 10 Findings and 5 Observations outstanding from previous audits whilst a further 22 Findings and 32 Observations were generated by the 2019 audits. Currently there are a total of 134 open corrective actions comprising 75 Findings and 59 Observations.

In addition, the CAACI maintained its oversight of Edward Bodden Airfield on Little Cayman to enable commercial operations into an uncertified airport to continue under an ongoing Exemption. Activities included:

- A review and acceptance of the recently updated Aerodrome Manual, produced by Cayman Airways Express as the de-facto aerodrome operator.
- Assessment of a multi-agency, live exercise in August 2019 including the issuance of a formal report on the outcome.
- An assessment of the obstacle environment surrounding the Aerodrome;
- Recommendation to the ASR division to support the reissue of the Exemption permitting CAE to operate into an uncertified aerodrome, valid for a further twelve months.

In March 2019, the UK Department for Transport (DfT) announced that all Overseas Territories were required to complete to an ICAO self-assessment programme known as the On-line Framework (OLF). This unscheduled and unbudgeted task placed a significant workload on the organisation with detailed answers to almost 700 questions being required by 31 October 2019. Although ANSR was nominated to manage the programme, all Divisions of the organisation contributed to this demanding project which was successfully completed within the allotted timeframe.

Other activities carried out by ANSR personnel during 2019 included:

- Review, and approval of CAACI documentation;
- Assessment of investigation reports produced by CIAA;
- Routine Inspections of Owen Roberts International Airport;
- Routine Inspections of Charles Kirkconnell International Airport;

- The approval of 29 activities affecting airspace operations issued in conjunction with CIAA ATC and AIS;
- Management and distribution of 120 Mandatory Occurrence Reports (MORs);
- Updating the Bird Strike data base, logging over 80 strikes on Cayman registered aircraft globally;
- Renewal of the CIAA Air Traffic Control Officers Certificates of Competence;
- Conducting ATC license validation boards as required by the CIAA training programme;
- Co-operating with ASR in the regulation of Small Unmanned Aircraft (SUA)/drone operations;
- On-going development of the CAACI Quality Management Systems (QMS);
- On-going development of the Cayman Islands State Safety Programme (SSP);
- Provision of regulatory guidance to the CIAA in relation to the planned upgrade of Owen Roberts International Airport including:

Runway Resurfacing programme;  
Filling Ponds in the undershoot of runway 08  
Provision of runway extension;  
Provision of a new parallel taxiway;  
Provision of a new aircraft apron;  
Provision of a perimeter roadway.

During the period of this report the following staff development activities took place:

- ANSR personnel attended the following training course /seminars;
  - i) CAACI Annual Safety Seminar;
  - ii) ICAO Runway Safety Team Seminar;
  - iii) UK AAI B Aircraft Accident and Investigation refresher training;
  - iv) General Security Awareness training;
  - v) ASSI Annual Aerodrome Seminar;
  - vi) Search and Rescue Organisation (Parts 3 & 4).

During the year, in October 2019, a new Aviation Safety Officer was recruited as part of the ongoing divisional Succession Planning process.

The following known activities are scheduled to be completed during the course of 2020/2021:

- Ongoing oversight of the of Owen Roberts International Airport upgrade project including:
  - Runway Resurfacing programme;
  - Filling Ponds in the undershoot of runway 08;
  - Provision of runway extension;
  - Provision of a new parallel taxiway;
  - Provision of a new aircraft apron;
  - Provision of a perimeter roadway.
- Ongoing oversight of CIAAs Corrective Action Plan Programme resulting from previous audit findings;
- Continuing the training/mentoring of ANSR Inspector and recently appointed Aviation Safety Officer as part of the CAACI Succession Plan;
- Annual Inspection of George Town Heliport;
- Oversight of the CIAA's Aerodrome Emergency Exercises;
- Annual Inspection of Camana Bay Heliport;
- Annual inspection of Edward Bodden Aerodrome
- Annual competency assessment and emergency procedures training of the CIAA ATCOs;
- Review status of CIAA Aerodrome Certificates;
- ATC Licence validations for contract air traffic controllers being employed by CIAA;
- Review the structure of ANSR to meet current and anticipated workload requirements;
- Continuing work on the development of Cayman Islands State Safety Programme (SSP);
- Continuing work on the development of CAACI Quality Management System (QMS);
- Continuing work to update the ICAO On-Line Framework
- Attending SAR Organisation training (Parts 5&6).
- Representing the Overseas Territories at ICAO regional workshops and seminars
- Inspection of Approved ATC Training Organisations for quality assurance purposes;
- Attending 2020 ASSI Aerodrome Seminar.



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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 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 ASR team is principally based in Grand Cayman. The Headquarters team consists of the Director ASR, a Manager of Technical Programs & Regulatory Initiatives, two (2) Airworthiness Surveyors, two (2) fixed wing Flight Operations Inspectors and four (4) Technical Officers conducting and managing regulatory certification and oversight. In addition to the Grand Cayman staff, are nine (9) contracted Airworthiness surveyors based in the United Kingdom, Germany, Switzerland, Canada and Indonesia. These individuals, along with Grand Cayman based surveyors, carry out the required regulatory functions in support of annual aircraft surveys and maintenance facility inspections around the world.

Flight Operations oversight and certification activities are principally performed by the two (2) fixed wing Flight Operations Inspectors based in Grand Cayman. They carry out operational safety audits of Commercial and Private Air Operators, flight crew proficiency checks of AOC holders and the issuing of numerous regulatory approvals required for aircraft operations internationally. Oversight of helicopter operations, locally and offshore, is provided by a contract Rotary Wing Inspector on an as required basis.

Dangerous Goods oversight and certification is assigned to one of the Technical Officers within the ASR Division. The Inspector carries out periodic inspections of local organisations importing dangerous goods to the Cayman Islands to confirm compliance with local regulations and international air cargo shipping legislation. This past year ASR provided training to another Technical Officer to provide expanded capability and business continuity in this area.



**Annual Safety Seminar November 2019– Grand Cayman**

On a daily basis, the ASR team accepts, reviews and issues a variety of regulatory applications and approvals through VP-C Online system and email to the CAACI. On behalf of over ninety (90) air operators, these staff carry out the following functions:

- Daily telephone and email responses to external client inquiries;
- Initial technical review of incoming applications through VP-C Online;
- Assignment of the applications to the appropriate area of responsibility for assessment; and
- Once approved for issue, conduct a final quality assurance function for certificate accuracy and appropriate billing before issuing the final approval document.

With respect to regulatory Certification, the following activities were carried out by ASR staff:

- Flight Crew License issuance and Flight Crew/Maintenance Licence Validations;
- Initial and Renewal Aircraft Surveys;
- Major and Minor Aircraft Design Approvals;
- Certification and oversight of Continuing Airworthiness Management and Airworthiness Maintenance Organizations;
- Commercial Air Operator Certification and Oversight for fixed and rotary wing operations;
- Private Aircraft Operator Approvals;
- Aerial Work Permissions for Aerial Spraying and Small Unmanned Aircraft; and
- Supporting aircraft documentation issuance for the above (i.e. Noise certificates, Minimum Equipment List approvals, etc.)

The revision of VP-C Online to integrate the Master Aircraft Register continued through 2019. Further, the initial release of our web based oversight program, Centrik, was accomplished in late 2019. These two major initiatives, originally planned for 2019 delivery, were delayed due to the unexpected requirement for the CAACI to conduct a self-assessment of compliance with the ICAO Online Framework (OLF). The OLF Project was an enormous cross discipline undertaking within the CAACI with a completion deadline of 31 October 2019. The ASR

staffs based in Grand Cayman stepped up to the challenge and in spite of continuing to respond to daily client queries and requests, were able to sustain our service standards and completed the OLF project on time.

Work on the OLF will continue into 2020 and beyond. However, completion of the initial OLF effort will allow the ASR to focus its non-operational priorities on the VP-C Online revision and full implementation of regulatory oversight management using the Centrik software.

### NBAA 2019 Las Vegas, NV



L-R – Charlie Kirkconnell, CEO of CEC, Joni Wood, CAACI, Marcus Cumber, Owner Island Air, Mark Dixon, Nikki McCoy, Bret Peters and Richard Smith, CAACI

The Cayman Special Economic Zone continues to generate interest with more clients considering an application for an offshore Air Operator Certificate. The first Fixed Wing Air Operator Certificate issued in May 2019. Two (2) more fixed wing air operator applications have been accepted in late 2019. ASR continues to monitor the level of interest in this area due the potential resource demands associated with the certification and oversight of an offshore AOC.

In January 2019, the CAACI formally announced its intention to promote its services and expertise to aircraft Lessors to support aircraft transitions and storage at the end of a lease term by presenting at the AirFinance Journal Trade Show in Dublin, Ireland.

In March 2019, the CAACI contracted a former

Airworthiness Manager from the Irish Aviation Authority (IAA) to represent and promote the CAACI to the Lessor Community in Ireland. This effort has resulted in a steady increase of aircraft transfers through the aircraft register and an increase in organisation approvals (CAMO/AMO) supporting aircraft the lessors. The trend over the last year suggests that this line of work will be a growth area for the CAACI in the future.

In February 2019, the Royal Cayman Islands Police Service helicopter suffered a landing accident at the Owen Roberts International Airport. Fortunately, there were no serious injuries but the helicopter was damaged beyond economical repair. A new helicopter was scheduled for delivery to RCIPs in June 2019. Due to the scheduled visit from Prince Philip in March 2019, RCIPs approached the CAACI to determine if delivery of the new helicopter could be accelerated so that the Royal Visit can be supported as previously planned. Similar to the addition of the B737-8 to the Cayman Airways fleet in 2018, this new helicopter required a significant amount of certification and support to add it to the RCIPs fleet in time for the Royal visit. Thanks to the efforts of the ASR Technical Team, the new helicopter was in service in time for the Royal visit in March.

#### **DGCA with Steve Fitzgerald of the RCIPs**



In March 2019, Cayman Airways added its second Boeing 737-8MAX aircraft to their fleet. One week later, Ethiopian Airlines suffered a catastrophic deadly accident involving the same aircraft type. This was the second fatal hull loss of the same aircraft type in less than five months. As a result, the Boeing 737-8 aircraft was grounded worldwide pending a formal investigation by various Accident Investigation Authorities around the world. CAL was one of the first operators in the world to proactively ground the aircraft due to the unknowns surrounding the two fatal accidents.

As 2019 ended, the two (2) Boeing 737-8 aircraft delivered to CAL continue to be grounded. The CAACI is actively participating with other CAAs in the process to return the aircraft to service hopefully by the summer of 2020.

With respect to regulatory Oversight Certification, the following activities were carried out by ASR Staff in 2019:

Surveys for Initial, Renewal and Export C of As - 303 Inspections

Airworthiness Organisation Oversight - 245 including 47 on-site assessments

Private Air Operator Audits - 11,

all other Private Air Operator Approvals in 2019 were based on submission of a completed IS-BAO Assessment;

Compliance Audits of RCIPs and MRCU flight operations; and

Annual Designated Flight Examiner monitoring of individuals delegated flight check authority by the CAACI. These individuals work for CAL, CAX, CHC Global Operations, RCIPs and MRCU

ASR Staff participated in the following activities in support of the CAACI Regulatory Program:

Annual Liaison visit with the GACA of Saudi Arabia and Air Operators in the Kingdom operating under the present 83bis Agreement.



## UCCI STEM Conference, Mark Dixon's presentation on Drone Operations and Regulations



Participated in AirFinance Journal Lessor Trade Show in Dublin Ireland, ABACE in Shanghai China, EBACE in Geneva Switzerland and NBAA in Las Vegas in the United States.

In 2020 ASR will be focused on the following:

- Deployment of an improved version of VP-C Online along with an integrated web based oversight program;
- Working with Cayman Airways on the return to service of the two (2) Boeing 737-8MAX aircraft and delivery of a third and potentially a fourth aircraft;
- Conducting a combined Airworthiness/Flight Operations Compliance Audit of Cayman Airways and Cayman Airways Express;
- A Safety Management System assessment of the Cayman Airways Organisation since all business units are integrated into their SMS; and
- Continue to working with Aircraft Lessors, qualified CAMOs and aircraft Ferry Companies to deliver customised regulatory support to manage leased aircraft that are in transition or in need of well managed storage solution



**CAACI representatives visit the FAA for discussions on the Boeing Max 737**



## STATISTICS FOR THE CI AIRCRAFT REGISTRY FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019

- ➔ Total aircraft entered on the register as at 31 December 2019= 251
- ➔ New aircraft registrations during the period = 40
- ➔ De-registrations during the period = 35
- ➔ Net growth of aircraft since 31 December 2018 =5
- ➔ Total approved Maintenance organizations = 164
- ➔ Total Continued Airworthiness Management Organizations= 81
- ➔ Total Pilot Licence Validation Certificates issued (initial and renewals) for the period = 875
- ➔ Total Pilot Licenses issued = 11
- ➔ Total Maintenance Licence Validation Certificates issued (initial and renewal) = 158
- ➔ Major/Minor Aircraft Modification Design Approvals = 101
- ➔ Total Number of Approved Certificates issued by ASR in 2019 = 3035

### AIR OPERATOR CERTIFICATE (AOC) HOLDERS:

- ➔ Cayman Airways, Ltd
- ➔ Cayman Airways Express
- ➔ Cayman Islands Helicopters
- ➔ MRCU
- ➔ Royal Cayman Islands Police Service  
Air Support Unit
- ➔ CHC Global Operations International SEZC ULC
- ➔ Cayman Bellawings SEZC

### SUSA/DRONE AERIAL WORK PERMISSION HOLDERS:

- |   |                        |
|---|------------------------|
| ➔ Dart Enterprise                               | ➔ Picture This Studio  |
| ➔ AirVu   | ➔ Vagabon Media        |
| ➔ Wright Holdings                               | ➔ Reality Check Secord |
| ➔ Aerial Innovation                             | ➔ G2 Special           |
| ➔ World Wide Premiere                           | ➔ SkyHigh Limited      |
| ➔ Omari Rankine                                 | ➔ Deep Blue Images     |
| ➔ Ritz Carlton Grand Cayman                     |                        |
| ➔ Nyss One Productions                          |                        |
| ➔ Dept. of Environment (research purposes only) |                        |

Note: permission includes ability to undertake photography/videography and or data.



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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:

*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.

- Due to a change in reporting period for the fiscal year for 2016/2017 had 18 months rather than the normal 12.

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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 embarks on an annual drive to inform all related parties of the requirements and of any changes in requirements or filing processes.

During this period the Economic Regulatory staff also assisted Customs and Border Control with advising operators of the new requirement to submit the Advance Passenger Information (API) via the CARICOM system.

There was one addition to the usual scheduled permits for this period, as a permit was issued to Caribbean Airlines to operate 2 scheduled weekly flights between Kingston, Jamaica and Grand Cayman and permits were issued to Air Canada, American Airlines/US Airways (merging), IBC Cargo, Delta Airlines, Jet Blue, Southwest, United Airlines and West Jet.

The Economic Regulatory staff continue in their liaison role between local AOC holders and the ICAO to collect and submit required air transport statistics. To have a better understanding of the forms used to collect this data the Air Carrier Licensing Officer attended the Aviation Data and Analysis Workshop held by ICAO in Mexico City from the 19<sup>th</sup> – 23 August 2019.

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 2019, 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, rose from 1 during the same period in 2018 to 3 issued to Caicos Express Airways during the later part of the year. The reason for this difference was due to Caicos Express Airways providing medevac/charter services between Turks & Caicos and Grand Cayman for Health City patients.

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.



**CAACI visit to Saudi Arabia**



*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. Three signature aviation tradeshow feature on the CAACI annual promotional calendar: 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. An overview of all initiatives and opportunities for the 2018- 2019 period included the following:

**NBAA 2019**—The CAACI exhibited at the 72<sup>nd</sup> annual National Business Aviation Association (NBAA) tradeshow, held at the Las Vegas Convention Centre and Henderson Executive Airport Las Vegas, NV, 22-24 October. Attendance was over 30,000 business aviation professionals from almost 100 different countries every year. The sold-out static display of aircraft featured 114 aircraft Henderson Executive Airport and the largest-ever indoor static display at the convention centre, showcasing fixed-wing airplanes and six helicopters. The CAACI delegation comprised of the Director-General Richard Smith, Deputy DGCA Nicoela McCoy, and CAACI staff Joni Wood, Bret Peters and Mark Dixon.

European Business Review: One full-page full colour advert next to the Future of Transportation feature in the July/August 2019 edition, full-page full colour advert and editorial in the September/October 2019 edition and one web banner of CAACI on their website for 1 month. The EBR business-oriented features and the international profile of the magazine, stimulate the attention of a mainly upper-class target group, which cares for deluxe services, fine quality products, prestigious locations and glamorous lifestyle. Prestigious businesses, financial institutions, public & private organisations, demanding service providers, luxury brands, deluxe hotels and properties and companies aiming to international expansion, are some of the advertising parts that fill the pages of European Business Review.

**ABACE 2019** – The 2019 Asian Business Aviation Convention & Exhibition (ABACE 2019) was held at the Hawker Pacific Business Aviation Service Centre Shanghai Hongqiao International Airport in Shanghai, China in April. ABACE serves not just as the region's premiere marketplace for connecting buyers and sellers, but as an important catalyst for further developing the industry throughout Asia. By any measure, the show was deemed the best one yet, featuring 170 exhibitors, 30 aircraft on static display and over 8,500 attendees from more than 40 countries across Asia and beyond. ABACE attracts entrepreneurs, wealth creators, aircraft-purchase decision makers and other high-level attendees from China and across Asia. Since its launch in 2012, ABACE has rapidly grown to over 8,000 attendees from 50+ countries around the world, 165 exhibitors, 35 business aircraft on static display and more than 300 members of the media. The CAACI team included the DGCA, Richard Smith, the DASR, Lindsay Cadenhead and Manager Technical Programmes Guy Healey.

**Airfinance Journal Dublin:** The CAACI attended and sponsored the Airfinance Journal Dublin in Dublin, Ireland on the 22<sup>nd</sup> – 24<sup>th</sup> 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 DGCA, Richard Smith, the DASR, Lindsay Cadenhead, Manager Technical Programmes Guy Healey and Director of Finance, Jane Pantton.

**Airline Economics Growth Frontiers Dublin:** This conference also held in Dublin, Ireland the 20<sup>th</sup> – 23<sup>rd</sup> of January which will cover the topics of Airline, Aircrafts, Aircraft Finance Industry and Air Sea and Space and much more. The delegate that attended Airfinance Journal Dublin also attended this conference.

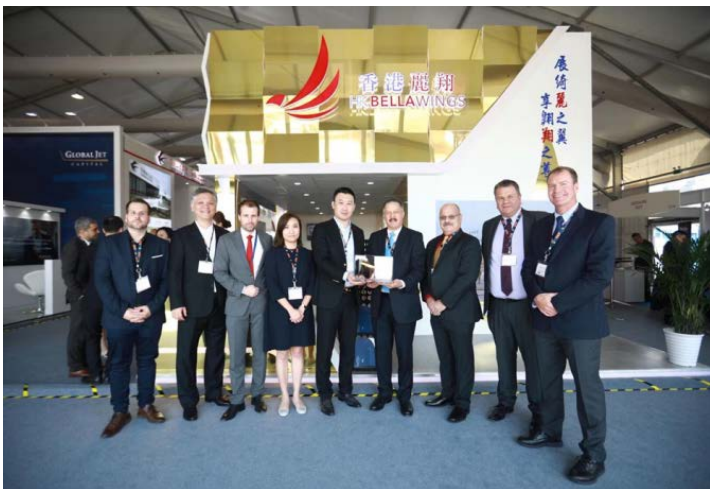
**EBACE 2019** - CAACI recently exhibited at the 19th annual European Business Aviation Convention & Exhibition (EBACE) tradeshow, which is held annually at the Palexpo Centre in Geneva, Switzerland. Running from the 21-23 May, show organizers reported that there were nearly 400 exhibitors representing nearly 100 different countries, on the show floor. Many of the exhibitors unveiled new products and services, and more than 450 journalists from Europe and around the world covered the event. At EBACE 2019, over 50 aircraft were on display at Geneva International Airport, and three more aircraft were displayed inside the Palexpo exhibit hall. CAACI representatives included the Director-General Richard Smith, Jane Panton, Christine Savage, Lindsay Cadenhead and Craig Stubbington.

#### Corporate Jet Investor (CJI)

- **CJI London** – January 28<sup>th</sup> and 29<sup>th</sup>, 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 Miami** – 12<sup>th</sup> -13<sup>th</sup> November, members of the Finance and Compliance and Economic Regulation and Administration team attended the CJI Miami Conference.
- **CJI - Official Guide to Aircraft Registration and Tax 2019.** Branded as co-publisher of magazine with 2 page article and listing in the September 2019 edition of the guide.

**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.

#### ABACE Hong Kong Bellawings





**Bellawings Cayman; GCM visit**

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

The CAACI staff complement at 31 December 2019 was 23. During the period of this past fiscal year, the following staff changes occurred:

- The Aviation Safety Officer post was filled on 14 October 2019.
- In addition the following contract renewals occurred:
  - the Flight Operations Inspectors contract was renewed | 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 2019 the CAACI contracted four contractors in the UK, which were broken down as follows: three contracts were renewed during 2019, one , the one in Switzerland, one in Germany and three in the North American marketplace (includes Canada), remained. A new contract was offered in December 2019 to Asian based contractor to cover the Asian region

As a continuation of the succession planning for the ANR division the CAA recruited the second Aviation Safety Officer on 14 October 2019.

**A Key Priority is managed growth of the Cayman Islands Aircraft Register which provides over 80% of the revenue that sustains the Authority and provides significant annual dividends to the Cayman Islands Government. In 2019, the revenue from the Aircraft Register totalled \$6,711,298 which represents an increase of 6.5% over the prior year and 3.2% over the forecasted amount.**

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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 all divisions completed necessary training as per defined training plans. Technical staff participated in various group training initiatives staged by ASSI or other recognized technical training institutions as required to maintain their technical competencies.

These included:

- Aerodrome Safeguarding workshop, Measuring Safety Culture, Human Factors training, Flight Operations seminar, International Air Law course, Fundamentals of Air Transport System, C550 Ground Servicing Survival Concepts Emergency Procedures, renewal of Commercial Air Transport License, Introductory QMS training sessions, Introduction to Aviation Law, Dangerous Goods refresher training, Risk Based Oversight & Surveillance course, Aerodrome Seminar, and Workshop on the Basic Search and Rescue System Administration and Management and Project Management courses.
- The Economic Regulatory staff attended applicable training such as GRFM050-Getting Ready for Fare Manager, WebEoc training, and attendance at the OTSPEC meeting with the DG and ASSI and other UK OTs,
- The Administrative and Finance staff also attended applicable training such as NBAA Business Finance, Registration & Legal Conference, CFO Conference 2018, Management

Skills, Challenging Conversations, IFRS Basics with US GAAP Comparison and Cybersecurity & IT

- Significant investment in training continues for the Aviation Safety Officer in order to meet the goals and objectives of this succession post and his progression in 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 and the Human Resources/Office Administrator attended the annual SHRM HR conference in Chicago, Illinois.

With respect to enabling infrastructure, continued contractual relations with IT management firm 'Fiderus' 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.



## 2.2 FINANCIAL PERFORMANCE AND ANALYSIS

### Growth in financial performance – Cayman Islands Aircraft Register

The Cayman Islands Aircraft Register contributes over 80% of the Authority's revenue which has been consistently growing and achieving forecasted targets year over year. 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 has also grown over the past two years. The following schedule shows financial performance and dividends paid to the Cayman Islands Government since 2016. The 2017 reporting year was for an 18 month period in order to transition from a June to a December year end:

#### Summary of Financial Performance July 1, 2013 through December 2019:

	2019 PY growth %	12 months ended Dec 31, 2019 (Audited) in CI\$ ('000's)	2018 PY growth %	12 months ended Dec 31, 2018 (Audited) in CI\$ ('000's)	2017 PY growth %	12 months ended Dec 31, 2017 (audited) in CI\$ ('000's)	18 months ended Dec 31, 2017 (audited) in CI\$ ('000's) ANNUALISED OVER 12 MONTHS	18 months ended Dec 31, 2017 (audited) in CI\$ ('000's)	2016 PY growth %	12 months ended June 30, 2016 (audited) in CI\$ ('000's)
<b>Revenue</b>										
Aircraft Registry (foreign and local)	6.54%	6,711	2.32%	6,299	0%	6,156	6,324	9,486	2%	6,145
Aerodrome Certification Fees (CIAA)	0.00%	1,000	0.00%	1,000	0%	1,000	1,000	1,500	0%	1,000
Operating Permits - foreign entities	10.66%	405	1.95%	366	28%	359	329	493	2%	280
Deposit Interest	53.70%	166	40.26%	108	185%	77	66	99	0%	27
<b>Total Revenue</b>		<b>8,282</b>		<b>7,773</b>		<b>7,592</b>	<b>7,719</b>	<b>11,578</b>		<b>7,452</b>
<b>Total Expenses from Operations</b>	7.13%	<b>4,780</b>	2.34%	<b>4,462</b>	3%	<b>4,360</b>	<b>4,257</b>	<b>6,385</b>	3%	<b>4,240</b>
<b>Net Income from Operations</b>	5.77%	<b>3,502</b>	2.44%	<b>3,311</b>	1%	<b>3,232</b>	<b>3,462</b>	<b>5,193</b>	0.09%	<b>3,212</b>
		Payable		Paid		Paid				Paid
<b>Dividend payments made to Gov't</b>		<b>2,303</b>		<b>2,738</b>		<b>3,468</b>				<b>2,031</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. Although dividend payments have been increasing since the first payment in 2007, there was a fall-off in 2016 due to substantial adjustments for actuarial valuations on the defined benefit pension plan and post-retirement health care plan for a few long serving employees which are both funded from the reserves of the CAACI. It should also be noted that the dividend payment for 2016/17 was for an 18 month period. The total amount of dividends paid to the CIG from 2010 through 2019 is **\$24,251,248**.



## Financial Performance 2019– Actual versus forecast

Revenue from the Aircraft Register continues to increase despite fierce competition from the growing amount of choices in the offshore aircraft register market. The Management of the CAACI is continuously looking for ways to set the Cayman Islands Aircraft Registry apart from the competition in order to continue the managed growth and achieve the revenue forecasts which have to be submitted to the Government 2 years in advance. The following summary shows the comparison of the actual operating revenue and expense compared to the original submission in the Ownership Agreement in 2017 and the adjusted forecast after discovery of errors in the final ownership agreement compared to internal budget records. The variance shown below shows the actual versus the adjusted budget.

Actual revenue achieved was 5% over forecasted amount and actual operating expenses were 3% lower than expected.

### SUMMARY INCOME STATEMENT: Actual vs Budget for the year ending 31 December 2019 in CI\$ ('000's)

	Dec-19	Dec-19	Dec-19	Over/(Under)	%
	Actual (audited)	Original Ownership Agreement submitted 2017	Forecast adjusted in 2018 after discovery of errors in OA	Budget	Variance
<b>REVENUE</b>					
Aircraft Registry (revenue from others)	6,292	6,750	6,099	193	3%
Aircraft Registry (revenue from CIG entities)	419	250	400	19	5%
Aerodrome Certification Fee (revenue from CIG entity)	1,000	1,000	1,000	0	0%
Operating permits	405	339	339	66	19%
Deposit interest	166	54	54	112	207%
<b>Total Revenue from operations</b>	<b>8,282</b>	<b>8,393</b>	<b>7,892</b>	<b>390</b>	<b>5%</b>
<b>Total expenses from operations</b>	<b>4,780</b>	<b>4,867</b>	<b>4,944</b>	<b>(164)</b>	<b>-3%</b>
<b>Net Income from operations</b>	<b>3,502</b>	<b>3,526</b>	<b>2,948</b>	<b>554</b>	<b>19%</b>
<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	14	0	0	14	
Remeasurement of post-retirement healthcare obligation	(715)	0	0	(715)	
<b>Total Net Income</b>	<b>2,544</b>	<b>3,526</b>	<b>2,948</b>	<b>(404)</b>	<b>-14%</b>

The results in the above table are summarised as follows:

## REVENUE

**Overall revenue** increased by 6.5% over prior year and by 5% over forecasted amounts.

**Aircraft Registry revenue** grew by 6.5% over the prior year and 3.2% over the forecast. Growth in revenue is attributed to:

- **Largest growth in revenue** is from Certificates of Airworthiness from **lease transitioning aircraft** (50% over forecast and prior year) . Registration of lessor owned aircraft transitioning between leases is a new business with the CAACI is avidly pursuing. Business development trips for this new revenue stream began in September 2018 and the growth indicates the success of the marketing strategy.
- **The 2<sup>nd</sup> largest revenue growth** is revenue from **Air Operator's Certificates (AOC)** issued to qualified operators to operate the aircraft commercially. More private aircraft operators are seeking to offer their aircraft for hire in order to share operating costs. Gaining an AOC is the only avenue that the CAACI offers for private operators to be able to operate commercially on the Cayman Islands Aircraft Register. This offering is made in partnership with Cayman Enterprise City and the finalisation of this partnership and the announcement of the first AOC granted under this ambit was made at the European Business Aviation Conference and Exhibition (EBACE) in May 2018.

## OTHER REVENUE

- The growth in revenue from **Operating permits** issued to scheduled and non-scheduled carriers coming into the Cayman Islands aligns with the steady growth in stay over tourism for leisure and business travellers coming to the jurisdiction. A 19% increase over the forecasted amount was achieved for this revenue stream.
- **Fixed Deposit interest** was significantly over the targeted amount due to increasing interest rates and increased cash reserves over the past 2 years. Cabinet approved for the CAACI to retain 4.5 million for the development of its new offices on Airport Road. Construction of this new building commenced in September 2019 after a construction contract was awarded in August 2019 under the protocol of the Procurement Law 2018.

## SAVINGS IN EXPENSES FROM OPERATIONS

The total savings in expenses (**\$164k**) relative to the budgeted amount is largely due to, (savings in thousands are shown next to the line item):

- **Travel & Subsistence (\$102k)** – Savings in all areas of travel were achieved during the year including administration and training. Training was conducted regionally as well as locally which contributed some of the savings on travel for training. Business development travel makes up some of the savings here as some travel to aviation industry shows were combined with cost recoverable travel to inspect aircraft and aircraft maintenance organisations. One of the aviation shows with a large budget– CJI Singapore was forfeited this year as it followed closely on the trails of Asian Business Aviation Conference and Exposition (ABACE) and the logistics for delegates from Cayman did not work out.
- **Personnel costs (\$59k)** –This savings represents 2% of savings over forecast. The last vacant position budgeted for was filled in October 2019
- **Training expenses (\$16k)**
- The **business development** budget for promotion of the Aircraft Register was underutilised by \$15k due in part to lower costs being obtained for exhibition booths.
- **Insurance premiums (\$14k)** - **lower** premiums were negotiated for Accident Investigation Insurance and Indemnity Insurance.
- **Various general office expenses (\$35k)**

Savings in the above expenses were partially offset by an increase in contractor fees of **\$62k** relative to the budgeted amount. These fees are not hard costs as they are all rebilled to clients of the Aircraft Register. These are included as a budgeted expense for cash flow purposes.

## NET INCOME

The net income from operations of \$3,502 surpasses the targeted net income of \$2,948 by \$554k or 19%.

Net comprehensive income includes re-measurement gains and losses from annual actuarial valuations of the Post-Retirement defined Benefit Pension and Healthcare. Full audited financial statements can be reviewed in the Supplementary documents in this Report.

### Key Performance Indicator Results and Analysis

Key Performance Indicators	Results for Reporting Period (against baseline)	Results of Analysis
Number of new clients to the CI Aircraft Registry/ new registration revenue	There was a net growth of 5 new aircraft to the Register – now 251 up from 246 in Dec 2018. This net growth reflects 40 new registrations and 35 de-registrations.	Although the net increase in aircraft to the register is not significant the increase in registration activity is significant and produces the increase in revenue. The new lessor registry activity involves registration and export certificates. Revenue from export certificates increased by 200% over the prior year.
Percentage of audits with minimal deficiencies	Audits for the past 4 years were completed with an unqualified audit opinion with no deficiencies noted.	Financial Statements: Unqualified audit opinion;
Levels of industry self-sufficiency/ Annual Net Income	Actual Net Income from operations (excluded post-retirement plan expenses or gains or losses) Dec 2019 \$3,502 Actual audited Net Income for 12 months ending Dec 2018 \$3,311  Growth of \$191k (5.77%) over prior year	The targeted net income was achieved and growth over prior year achieved.  The Aircraft Registry is continuing to grow despite fierce competition from other offshore aircraft registers. New revenue measures are being pursued to continue growth. The Registry continues to be a very viable source of CIG income.
Expenses are being managed and not exceeding budget	Total audited actual operating (controllable) expenses for year ended Dec 31 2019 \$ 4,780  Total budgeted expenses per Ownership Agreement(OA) for 2019 \$4,867, adjusted budget \$4,944k  Indicating a savings of \$87k in total expenses compared with (OA) and \$164k with adjusted budget.	The savings and overages in expenses were described in the previous pages above and indicate that expenses are being well managed by the Authority.



## Results of financial position of the Authority at 31 December 2019 compared to the 2019 Ownership Agreement

The below table shows the analysis of the results in financial position compared with expected amounts on the 2019 Ownership Agreement

	Actual audited at 31 Dec 2019	Forecast per OA	Difference	Explanation for difference
<b>Total Assets:</b>				
Cash and short term deposits	12,982	9,422	3,560	Overage in cash on hand includes amount to be spent on construction of CAACI office building. Project was expected to be 75% completed by Dec 2018 when the 2019 budget was submitted but was delayed by CIG's delay in the implementation of procurement process. Construction only started September 2019. Less operating expenses paid out than forecasted.
Trade and other receivables	1,868	2,503	(635)	Forecast of AR based on inflated/incorrect revenue
Right of use asset (IFRS 16)	428	-	428	Implementation of IFRS 16 - recording rental of office building as capital asset
Capital Assets	1,430	4,221	(2,791)	New building only started Sept 2019 - expected to be almost completed at end of Dec 2019
	<b>16,708</b>	<b>16,146</b>	<b>562</b>	
<b>Total Liabilities:</b>				
Total current liabilities	1,241	1,168	73	
Dividends payable to CIG	2,303	2,631	(328)	Div Payable is based on net comprehensive income which include large losses on the DB post retirement plans
Lease liability on right of use asset (IFRS 16)	271	-	271	Implementation of IFRS 16 - recording rental of office building as capital asset. Liability is for lease payments until August 2022. It is hoped that CAACI will be occupying the new building by March 2021
Non-current liabilities (staff retirement obligations)	4,011	4,300	(289)	Liabilities determined by actuarial valuations of the funded DB pension plan and the unfunded post-retirement healthcare plan. 6 active staff members on these plans
	<b>7,826</b>	<b>8,099</b>	<b>(273)</b>	
<b>Net Worth</b>	<b>8,882</b>	<b>8,047</b>	<b>835</b>	
Cash Flows from Operating activities	4,042	3,647	395	Due to increase in revenue over forecast, less receivables, decrease in payables
Cash Flows from investing Activities	(781)	(450)	(331)	\$450k was original remaining budget to be spent on building for 2019. Building started in Sept 2019. \$4.1million retained for building. \$2.7 Million still to be spent at Dec 2019
Cash flows from Financing Activities	(2,907)	(2,532)	(375)	Dividend payment for 2018 to CIG slightly more than forecasted. Also includes the new lease liability on right of use asset.
<b>Return on Investment</b>	<b>21%</b>	<b>18%</b>	<b>3%</b>	An ROI over 10% is considered very healthy
Net Operating Income	3,502	2,948	554	Internal corrected budget was used for comparison
Total Assets	16,708	16,146	562	increase in cash over expected

## Summing up the finances of the CAACI

The CAACI's targeted Net Operating Income surpassed the targets set in the 2019 forecasted budget by 19%. 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 explored this 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 activity on the register includes revenue from registration and preparing the aircraft for Export to the new lease jurisdiction. The revenue in this area has grown by over \$118k or 200%. In addition to the growth in revenue, careful management of budgeted expenses resulted in \$164k (3%) savings under the forecast. These financial results are achieved through a combination of several factors including prudent management of the CAACI and hardworking, qualified and dedicated staff. The CAACI will strive to continue achieving similar results in the coming years and be a positive contributor to the CIG and the Cayman Islands economy.



**Air Accident Investigation Bureau (AAIB) Training October 2019**

## 2.3 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.

**ASSI CEO, Maria Boyle visits Cayman pictured with the ladies of the CAACI**



## 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

### UK Surveyors' Conference – 2019

## 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 2019**

**Civil Aviation Authority of the Cayman Islands**  
**Financial Statements**  
**For the year ended 31 December 2019**  
**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 2019**

These financial statements have been prepared by the Civil Aviation Authority of the Cayman Islands in accordance with the provisions of the Public Management and Finance Law (2018 Revision).

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law (2018 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 2019** and its comprehensive income and cash flows of the Civil Aviation Authority of the Cayman Islands for the financial year ended **31 December 2019**.

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 2019**;
- b) Fairly reflect the financial position as at **31 December 2019** and its comprehensive income for the year ended **31 December 2019** 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.



Richard Smith (Mr)

Director-General

Date: 22 May 2020



Jane Panton (Mrs)

Director of Finance and Compliance

Date: 22 May 2020

## AUDITOR GENERAL'S REPORT

To the Board of Directors of the Civil Aviation Authority and the Members of the Legislative Assembly

### 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 December 31, 2019, the statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2019, and its financial performance, and its cash flows for the year then ended 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)

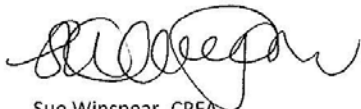
### Auditors' Responsibilities for the Audit of the Financial Statements

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 skepticism 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 Law (2018 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

May 22, 2020  
Cayman Islands

**Civil Aviation Authority of the Cayman Islands**  
**Statement of Financial Position**  
**As at 31 December 2019**  
**Stated in Cayman Islands Dollars**

	Note	<u>31 December 2019</u>	<u>31 December 2018</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	4(a)	4,718,279	4,363,948
Short term deposits	4(b)	8,264,257	8,098,721
Trade and other receivables	5	<u>1,867,916</u>	<u>1,944,760</u>
<b>Total current assets</b>		<b>14,850,452</b>	<b>14,407,429</b>
Non-current assets			
Capital assets	6	1,429,600	844,969
Right of use asset	11(a)	<u>427,616</u>	<u>-</u>
<b>Total non-current assets</b>		<b>1,857,216</b>	<b>844,969</b>
<b>Total Assets</b>		<b><u>16,707,668</u></b>	<b><u>15,252,398</u></b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	7	860,474	538,947
Contract liabilities	8, 2 (g)	219,085	281,589
Lease liability – office premises	11(b)	160,993	-
Dividend payable to Cayman Islands Government	9(a)	<u>2,303,347</u>	<u>3,132,832</u>
<b>Total current liabilities</b>		<b>3,543,889</b>	<b>3,953,368</b>
Non-current liabilities			
Lease liability - office premises	11(b)	270,703	-
Defined benefit pension obligation	10(a)	1,148,000	1,099,000
Post-retirement healthcare obligation	10(b)	<u>2,863,000</u>	<u>1,954,000</u>
<b>Total non-current liabilities</b>		<b>4,281,703</b>	<b>3,053,000</b>
<b>Total Liabilities</b>		<b><u>7,825,602</u></b>	<b><u>7,006,368</u></b>
<b>Equity</b>		<b><u>8,882,066</u></b>	<b><u>8,246,030</u></b>
<b>Total Liabilities and Equity</b>		<b><u>16,707,668</u></b>	<b><u>15,252,398</u></b>

Approved for issuance on behalf of Civil Aviation Authority of the Cayman Islands on 22 May 2020

RICHARD SMITH (Director General)

JANE PANTON (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 2019**  
**Stated in Cayman Islands Dollars**

	Note	31 December 2019	31 December 2018
<b><u>INCOME</u></b>			
<b>Aircraft Registry</b>			
Air safety regulation and certification fees	12 (a)	5,592,022	5,373,699
Surveyor fees and net reimbursable expenses	12 (c)	1,119,276	925,414
<b>Total Aircraft Registry income</b>		<b>6,711,298</b>	<b>6,299,113</b>
<b>Other income</b>			
Aerodrome oversight fees	12 (b)	1,000,000	1,000,000
Aircraft operating permits	12 (d)	405,224	365,525
Other income	12 (e)	165,669	108,223
<b>Total other income</b>		<b>1,570,893</b>	<b>1,473,748</b>
<b>Total income</b>		<b>8,282,191</b>	<b>7,772,861</b>
<b><u>EXPENSES</u></b>			
<b>Operating expenses</b>			
Personnel costs	9(c),13(a)	3,056,249	3,010,274
Office administration and business development	13 (b)	613,010	662,970
Professional and licensing fees	13 (c)	918,346	801,667
Travel – official, training and administrative	13 (d)	174,608	196,766
<b>Total operating expenses</b>		<b>4,762,213</b>	<b>4,671,677</b>
<b>Other expenses</b>			
Depreciation expense – Capital assets	6 (a)	30,826	46,581
Depreciation expense – Right of use asset	11 (a)	160,005	-
Interest expense – Lease liability	11(b)	13,590	-
Bad debt expense	5	70,415	22,244
<b>Total other expenses</b>		<b>274,836</b>	<b>68,825</b>
<b>Total expenses</b>		<b>5,037,049</b>	<b>4,740,502</b>
<b>Net income for the year</b>		<b>3,245,142</b>	<b>3,032,359</b>
<b>Other comprehensive (losses) / gains</b>			
Re-measurement of defined benefit pension obligation	10(a)	14,000	381,750
Re-measurement of post-retirement healthcare obligation	10(b)	(715,000)	331,000
<b>Total other comprehensive losses</b>		<b>(701,000)</b>	<b>712,750</b>
<b>Total comprehensive income for the year</b>		<b>2,544,142</b>	<b>3,745,109</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 2019**  
**Stated in Cayman Islands Dollars**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Cash flows from operating activities</b>		
Net income for the year	<b>3,245,142</b>	<b>3,032,359</b>
Adjustments for:		
Depreciation expense	190,831	46,581
Increase/(decrease) in trade and other receivables	76,844	(474,156)
Decrease/(increase) in accounts payables and accrued liabilities	321,527	(296,458)
Decrease in contract liabilities	(62,504)	(109,902)
Interest expense – lease liability	13,590	-
Movement in operating income for defined benefit obligation (pension & health) service and interest costs	257,000	278,000
<b>Net cash from operating activities</b>	<b>4,042,430</b>	<b>2,476,424</b>
<b>Cash flows from investing activities</b>		
Increase in short term deposits	(165,536)	(100,860)
Purchase of capital assets	(615,457)	(349,397)
<b>Net cash used in by investing activities</b>	<b>(780,993)</b>	<b>(450,257)</b>
<b>Cash flows used in financing activities</b>		
Lease liability payments (principal and interest)	(169,515)	-
Dividends paid	(2,737,591)	(3,467,870)
<b>Net cash used in financing activities</b>	<b>(2,907,106)</b>	<b>(3,467,870)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>354,331</b>	<b>(1,441,703)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>4,363,948</b>	<b>5,805,651</b>
<b>Cash and cash equivalents at end of the year</b>	<b>4,718,279</b>	<b>4,363,948</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 2019**  
**Stated in Cayman Islands Dollars**

	Note	<u>31 December 2019</u>	<u>31 December 2018</u>
<b>Balance at beginning of the year</b>		8,246,030	7,309,753
Net income for the year		3,245,142	3,032,359
Other comprehensive (loss)/gain	<b>10</b>	(701,000)	712,750
Dividends declared	<b>9(a)</b>	<u>(1,908,106)</u>	<u>(2,808,832)</u>
<b>Balance at end of the year</b>		<u><b>8,882,066</b></u>	<u><b>8,246,030</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 2019**  
**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 2019 (2018: 22).

**2. Significant Accounting Policies**

**a) Basis of Presentation**

Pursuant to the Public Management and Finance Law (PMFL) (Amendment) 2015, the Authority was required to prepare its financial statements for the year ended 31 December 2017 and for each calendar year ending thereafter on 31 December. As a result, the corresponding amounts presented in these financial statements are for 31 December 2019 and 31 December 2018.

The financial statements of the Authority are prepared 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**

The Authority initially applied IFRS 16 Leases from 1 January 2019. A number of other new or amended standards were also effective from 1 January 2019 but they do not have a material effect on the Authority’s financial statements.

The Authority applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated and is presented as previously reported.

**Civil Aviation Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2019**  
**Stated in Cayman Islands Dollars**

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

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

**(i) IFRS 16 Leases**

The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, the Authority has recognised assets and liabilities arising from its lease agreements.

On transition to IFRS 16, the Authority elected to apply the practical expedient to grandfather the assessment of which transactions represent leases, the Authority applied IFRS 16 only to contracts that were previously identified as leases. The Authority has one lease which has transitioned to a right of use asset at 1 January 2019 which is the current office space at Cayman Grand Harbour. The lease of this property is for a term ending on 15 August 2022. The monthly payment is \$14,126, consisting of both lease and non-lease components.

The Authority has elected not to separate non-lease components in respect of the above mentioned lease. Previously, the Authority classified the office space agreement as an operating lease under IAS 17. On transition, the lease liability was measured at the present value of the remaining lease payments, discounted at the Authority's incremental borrowing rate as at 1 January 2019. The right of use asset was recognised at an amount equal to the lease liability.

The impact on transition to IFRS 16 is summarised below:

	1 January 2019
Right of use asset - office premises	587,621
Lease liability – office premises	587,621

Future lease obligations disclosed at 31 December 2018 under IAS 17	120,071
Extension options exercised in 2019 (deemed certain at 1 January 2019)	508,542
Discounted using the incremental borrowing rate at 1 January 2019	(40,992)
Total lease liability at 31 December 2018 assuming lease renewed during 2019	587,621

**Civil Aviation Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2019**  
**Stated in Cayman Islands Dollars**

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

**c) Property, plant and equipment**

Capital assets (property, plant 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.



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**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.

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**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 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.

**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.

**(a) 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.

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>a) Cash and cash equivalents</b>		
Cash on hand	765	770
Current and call accounts	4,717,514	4,363,178
Total cash and cash equivalents	<u>4,718,279</u>	<u>4,363,948</u>
<b>b) Short term deposits</b>		
Fixed Deposits	<u>8,264,257</u>	<u>8,098,721</u>
Total cash and cash equivalents and short-term deposits	<u>12,982,536</u>	<u>12,462,669</u>

Current and call account holdings are:

	<b>31 December 2019</b>	<b>31 December 2018</b>
- Cayman National Bank	3,363,225	3,266,730
- Bank of Butterfield	1,270,331	905,686
- NatWest UK (GBP 76,906)	83,958	190,762
(Exchange Rate of GBP to KYD 1.0917)		

Fixed deposit holdings are:

- Cayman National Bank	6,095,162	5,983,561
- Cayman Islands Government	2,169,095	2,115,160

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.

**5. Trade and other receivables**

Trade receivables comprise of balances of 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 2018 and 30 September 2019 and the actual cash collection dates of these invoices to determine a historical collection profile by ageing category.

The amount uncollected over 365 days is used to determine the loss rate by aging category, this is then applied to the aged trade receivables at 31 December 2019 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:

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5. Trade and other receivables (continued)

Ageing profile of trade receivables

Period Outstanding (Days)	Loss rate at 31 December 2019	Ageing balance of receivables at 31 December 2019	Expected credit loss at 31 December 2019	Ageing balance of receivables at 31 December 2018	Expected credit loss at 31 December 2018
0-30	1.9%	800,667	15,131	848,451	2,032
31-90	3.2%	556,724	17,828	486,929	2,483
91-180	6.0%	311,715	18,754	315,902	5,718
181-365	22.5%	119,694	26,888	116,574	6,656
Over 365	100%	8,993	8,993	18,637	18,637
<b>Total Trade Receivables</b>		<b>1,797,793</b>	<b>87,594</b>	<b>1,786,493</b>	<b>35,526</b>

The bad debts expense recorded in the statement of comprehensive income of \$70,415 for 2019 (2018: \$22,244) represents the increase in the allowance for doubtful accounts following the implementation of the lifetime expected credit loss method under IFRS 9.

	31 December 2019	31 December 2018
Trade accounts receivable	1,797,793	1,786,493
Other receivables	157,717	193,793
Allowance for doubtful accounts	(87,594)	(35,526)
<b>Trade and other receivables (net)</b>	<b>1,867,916</b>	<b>1,944,760</b>

Of the total trade accounts receivable outstanding at 31 December 2019, \$250,000 (2018: \$250,000) was due from the Cayman Islands Airports Authority ("CIAA") for the quarterly fee due for Regulatory services under the Memorandum of Understanding (MOU) referred to in Note 12b, \$83,061 (2018: \$102,124) was due from Cayman Airways. The CIAA and Cayman Airways Limited are related parties of the Authority.

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

	2019	2018
Opening allowance for doubtful accounts	35,526	14,484
Bad debts provided for during the period	70,415	22,244
Write off against accounts previously provided for	(18,347)	(1,202)
<b>Closing allowance for doubtful accounts</b>	<b>87,594</b>	<b>35,526</b>



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

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 2019, receivables of \$997,126 (2018: \$938,042) 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 2018	144,793	121,584	171,537	170,873	41,135	400,000	60,010	71,754	1,181,686
Additions	-	-	22,705	16,927	7,556	-	302,209	-	349,397
Disposals	-	-	(1,939)	-	-	-	-	-	(1,939)
As at 31 December 2018	144,793	121,584	192,303	187,800	48,691	400,000	362,219	71,754	1,529,144
Additions	-	-	7,871	22,645	2,041	-	582,900	-	615,457
Disposals	-	-	-	-	-	-	-	-	-
As at 31 December 2019	144,793	121,584	200,174	210,445	50,732	400,000	945,119	71,754	2,144,601
<b>Accumulated depreciation:</b>									
Brought Forward, as at 1 January 2018	144,793	106,934	154,042	136,900	37,946	-	-	58,918	639,533
Charge for period	-	5,378	14,394	12,976	997	-	-	12,836	46,581
Disposals	-	-	(1,939)	-	-	-	-	-	(1,939)
As at 31 December 2018	144,793	112,312	166,497	149,876	38,943	-	-	71,754	684,175
Charge for year	-	3,689	15,258	9,258	2,621	-	-	-	30,826
Disposals	-	-	-	-	-	-	-	-	-
As at 31 December 2019	144,793	116,001	181,755	159,134	41,564	-	-	71,754	715,001
<b>Net book value as at 31 December 2018</b>	-	<b>9,272</b>	<b>25,806</b>	<b>37,924</b>	<b>9,748</b>	<b>400,000</b>	<b>362,219</b>	-	<b>844,969</b>
<b>Net book value as at 31 December 2019</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>1,429,600</b>

**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 the 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 Law of 2018. At 31 December 2019, \$2.38 million of the fee was outstanding.

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, \$45,030 remains outstanding at year end.



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**7. Accounts payable and accrued liabilities**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Accrued employee incentive awards	199,679	186,715
Accrued expenses	205,855	201,975
Accounts payable	366,354	142,197
Customer deposits on account	73,630	-
Other payables	6,095	6,095
Unidentified deposits	8,861	1,965
<b>Total accounts payable and accrued liabilities</b>	<b><u>860,474</u></b>	<b><u>538,947</u></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 2019 is \$219,085 (2018: \$281,589)

**9. Related party balances and transactions**

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

Under section 18(4) of The Civil Aviation Authority Law (2005 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 Financial Secretary. 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 in the subsequent year for any difference with the audited net income. As at 31 December 2019 a total of \$2,303,347 (2018: \$3,132,832) was payable to the CIG as detailed below:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Brought forward Dividends Payable	3,132,832	3,791,870
Dividends paid during the year	(2,737,591)	(3,467,870)
Dividend payable on comprehensive income as first reported	1,908,106	2,413,591
Adjustment to dividend payable for final comprehensive income	<u>-</u>	<u>395,241</u>
<b>Total Dividend Payable</b>	<b><u>2,303,347</u></b>	<b><u>3,132,832</u></b>

**(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. 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.

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

**(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 2019 amounted to \$978,376 (2018: \$954,651). Performance incentive award for 2019 is estimated at the maximum amount possible under the Authority's board approved Performance Incentive Award Plan (2008) and has been accrued. However, at report date, there is no plan to pay out the accrued amount for the 2019 in the foreseeable future given the COVID-19 pandemic and cash outlay restrictions adopted by the senior management of the Authority. The total paid out for the 2018 performance incentive award for key employees and settled prior to year-end was \$71,068.

The Director General and the Deputy Director-General, Economic Regulation and Administration have the benefit of having an additional 6.4% and 5% 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 2019 this amounted to \$7,438 (2018: \$5,517) for all key employees.

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
Base salary	744,525	728,153
Pension	57,368	56,102
Medical coverage	99,894	95,549
Fuel allowance	2,136	2,032
Performance incentive award (estimated and unpaid. There is no plan at report date to pay)	74,453	72,815
<b>Total key employee benefits</b>	<b>978,376</b>	<b>954,651</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 86,772 (GBP 86,772 in 2018) 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 the Cayman Islands Government (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))**

**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.

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

**(a) Pensions (Continued)**

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 Law, (2012 Revision) (the "Law") 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 2019 the amount of \$77,968 (2018: \$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.

	Present value of obligation \$'000	Fair value of plan assets \$'000	Net liability/ (asset) \$'000
<b>As at 31 December 2017</b>	<b>4,918</b>	<b>(3,512)</b>	<b>1,406</b>
Current service cost	44	-	44
Interest expense/(income)	172	(123)	49
Re-measurements:			
- Return on plan assets	-	269	269
- Gain from changes in financial assumptions	(608)	-	(608)
- Gain on changes in demographic assumptions	(43)	-	(43)
	(435)	146	(289)
Contributions:			
- Employers	-	(18)	(18)
- Plan participants	18	(18)	-
Payments from plan:			
- Benefit payments	-	-	-
- Administrative expenses	-	-	-
<b>As at 31 December 2018</b>	<b>4,501</b>	<b>(3,402)</b>	<b>1,099</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 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)
- Loss from changes in financial assumptions	778	-	778
- Gain on changes in demographic assumptions	(21)	-	(21)
	983	(914)	69
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>

	31 December 2019 \$'000	31 December 2018 \$'000
<b>Statement of financial position:</b>		
Defined benefit obligation at end of period	5,504	4,501
Fair value of plan assets at end of period	(4,356)	(3,402)
<b>Liability in the statement of financial position</b>	<b>1,148</b>	<b>1,099</b>

The principal actuarial assumptions at the date of valuation:

	2019 %	2018 %
1. Discount Rate	3.50	4.50
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 – 2019: RP-2014 scaled back to 2006 using MP-2014 then projected on a generation basis using scale MP-2019 (2018: RP-2014 projected on a generation basis using scale MP-2018).		



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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 2019 and 31 December 2018 to changes in the weighted principal assumptions is:

<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%

<b>Impact on defined benefit obligation 2018</b>			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.8%	Increase by 4%
Inflation rate	0.25%	Increase by 3.6%	Decrease by 3.4%
Mortality*	10%	Decrease by 2.1%	Increase by 2.3%

\* The assumed life expectancy of a person retiring today at age 57 is 28.66 (2018: 28.80). An increase/decrease of 10% in the mortality rates reduces/increases the assumed life expectancy of a person retiring today at age 57 by 0.91 and 1.01 years (2018: 0.91 and 1.01 years), respectively.

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>2019</b>	<b>2018</b>
Global Equities	79%	79%
Debt securities	20%	20%
Cash	1%	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 Law. 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 2019 and 2018, 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 16.17 and 15.79 years (2018: 16.07 and 16.32 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% (2018: 5%).

Other significant assumptions include:

- a. Mortality rates – 2019: RP-2014 Mortality Table scaled back to 2006 using MP-2014 (2018: RP-2014 Mortality Table scaled back to 2006 using MP-2014).
- b. Mortality improvement scale – 2019 Scale MP-2019 (2018: Scale MP-2018).
- c. Discount rate assumption 2019: 3.59% (2018: 4.55%)

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 2019 and 31 December 2018 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 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%

<b>Impact on obligation 2018</b>			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 5.2%	Increase by 5.6%
Healthcare cost trend rate	1%	Increase by 24.6%	Decrease by 18.9%
Mortality	10%	Decrease by 4%	Not Applicable

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

	<b>Present value of obligation ('\$000)</b>
<b>As at 31 December 2017</b>	<b>2,082</b>
Operating expenses:	
- Current service cost	127
- Interest expense	76
	203
Re-measurements:	
- Gain from change in demographic assumptions	(20)
- Gain from change in financial assumptions	(306)
- Experience gains	(5)
	(331)
<b>As at 31 December 2018</b>	<b>1,954</b>
Operating expenses:	
- Current service cost	109
- Interest expense	85
	194
Re-measurements:	
- Loss from change in demographic assumptions	1
- Loss from change in financial assumptions	536
- Experience losses	178
	715
<b>As at 31 December 2019</b>	<b>2,863</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 current lease 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.

The lease has now been transitioned from an operating lease under IAS 17 to an on balance sheet lease under IFRS 16 as noted in 2 (b)(i). The future obligations as of 1 January 2019 have been capitalised as a right of use asset and lease payments are now reflected as an amortisation of the asset. The right of use asset and the lease liabilities are reflected in the financial statements as follows:

**(a) Right of use asset**

Balance at 1 January 2019	587,621
Depreciation charge for the year	<u>(160,005)</u>
Balance at 31 December 2019	<u><b>427,616</b></u>

**(b) Lease liability**

Balance at 1 January 2019	587,621
Interest expense	13,590
Lease payments	<u>(169,515)</u>
Balance at 31 December 2019	<u><b>431,696</b></u>

**Lease liabilities at 31 December 2019 are payable as follows:**

	Future minimum lease payments (undiscounted)	Interest	Present value of minimum lease payments
Less than one year	169,514	(8,521)	160,993
Between one and two years	169,514	(3,289)	166,225
More than two years	104,478	-	104,478
	<u>443,506</u>	<u>(11,810)</u>	<u><b>431,696</b></u>

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

	<b>2019</b>
Interest on lease liabilities	13,590
Depreciation of right of use asset	160,005

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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.

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**12. Revenue (continued)**

**(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 2019, a fee of \$250 (2018: \$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>2019</b>	<b>2018</b>
Surveyor fee billings	1,130,984	925,414
Survey reimbursable billings	591,070	485,839
Reimbursable expenses paid	<u>(602,778)</u>	<u>(485,839)</u>
<b>Surveyor fees &amp; net reimbursable expenses</b>	<b><u>1,119,276</u></b>	<b><u>925,414</u></b>

During the financial years ended 31 December 2019 and 2018, 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>2019</b>	<b>2018</b>
Interest income	165,669	100,921
Miscellaneous income	<u>-</u>	<u>7,302</u>
<b>Total other income</b>	<b><u>165,669</u></b>	<b><u>108,223</u></b>



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**13. Expenses**

<b>Operating expenses</b>	<b>2019</b>	<b>2018</b>
a) Personnel costs		
Salaries/performance incentive expenses	2,299,834	2,185,030
Medical insurance and expenses	355,521	354,339
Pension (including DB plan service costs)	206,894	212,341
Post-employment healthcare service costs <b>Note 10(b)</b>	194,000	203,000
Recruitment and relocation expenses	-	9,801
<b>Total personnel costs</b>	<b>3,056,249</b>	<b>2,964,511</b>
b) Office administration and business development		
General office administration expenses	378,946	352,914
Rental expenses	18,788	175,474
Training	62,789	45,763
Business development expenses	147,663	129,588
Board of Directors expenses	4,824	4,994
<b>Total office administration and business development</b>	<b>613,010</b>	<b>708,733</b>
<i>Note – training has been reclassified as office administration from personnel costs in prior years to align with mapping of Cayman Islands Government financial statements classification</i>		
c) Professional & licensing fees		
Overseas contractors fees	587,288	493,672
Air Safety Support International (ASSI)	95,798	95,179
Work permit fees	63,540	63,365
Insurance expenses	40,676	39,203
Audit and other professional fees	59,281	68,905
Professional dues and subscriptions	8,113	7,590
AAIB retainer Fee	36,250	27,746
Legal fees	27,400	6,007
<b>Total professional &amp; licensing fees</b>	<b>918,346</b>	<b>801,667</b>
Travel – official, training and administrative		
d) Travel – business development	101,601	114,370
Travel – administration and training	73,007	82,396
<b>Total travel – official, training and administrative</b>	<b>174,608</b>	<b>196,766</b>
<b>Total operating expenses</b>	<b>4,726,213</b>	<b>4,671,677</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 2019 are as follows:

Accounts payable and accrued liabilities \$860,474 (2018: \$538,947)

Dividend payable \$2,303,347 (2018: \$3,132,832)

*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 2019 are National Air Services (NAS) with approximately 10% (2018: 27%) of total outstanding balances, Cayman Airways 5% (2018: 6%) and Cayman Islands Airports Authority (CIAA) 14% (2018: 14%) 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 (2018: \$500,000) are placed on semi-annual and annual fixed deposits and generally earn an interest rate of between 1.2500% (2018: 0.8500%) and 2.0600% (2018: 1.1500%) per annum in the period ended 31 December 2019. There are two accounts held at NatWest Bank in the UK, an operating account and a credit card account for 3 (2018: 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, £16,000 (2018: £16,000) was held as a deposit. This deposit earns 1% interest per annum. As at 31 December 2019 there is also a fixed deposit held with Cayman Islands Government Treasury. The amount is \$2,169,095 (US\$2,645,238) (2018: C\$2,115,160) for twelve months to a rate of 2.6500% and matures on 26 July 2020. 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**

Subsequent to year end, the Authority has paid \$2,303,347 to the Cayman Islands Government which represents dividends payable for 2019 and 2018. This amount comprises 75% of the net comprehensive income for the year ended 31 December 2019 as first reported, and an amount of \$395,240 pertaining to the adjustment for final net comprehensive income for the year ended 31 December 2018.

On 11 March 2020, the World Health Organisation officially declared the COVID-19 outbreak a pandemic. On 22 March 2020, the Cayman Islands Government closed the air and sea port borders of the Cayman Islands to non-essential travel. The global and local measures put in place to contain the spread of COVID-19 have caused significant disruption to business and economic activity. While the disruption is currently expected to be temporary, the financial effects on the Authority will depend on factors such as (i) the duration and spread of the outbreak, (ii) the restrictions and advisories from Government, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain. While the Authority expects this matter to impact its operating results, the financial impact and duration cannot be reasonably estimated at this time. However, the CAA has undertaken a risk sensitivity analysis based on current cash flows, expected expenses, revenue and collection of revenue. The results of the risk analysis, at this time, indicate that the CAA is in a strong position to bear the economic effects of the pandemic. This sensitivity analysis is reviewed on a weekly basis and updated as necessary for any significant changes to cash flows or potential severe adverse global economic conditions.

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**16. Subsequent events (continued)**

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 for the remainder of 2020. This \$750,000 accounts for approximately 9% of total income. However, the CAA will continue to accrue the quarterly fees in 2020 under this MOU.

The CAA's main customer, Flynas of Saudi Arabia, which operates under an 83 *bis* agreement with The Gulf of Arabia Civil Aviation (GACA), has also announced that they will be withdrawing approximately 25% of its fleet before the August 2020. This may result in approximately a 16% drop in budgeted aircraft registry revenue in 2020.

Also of note, is the Cayman Islands' own national airline, Cayman Airways, accounted for 7% of aircraft registry revenue for 2019, may also not be contributing any revenue until the Cayman Islands opens its borders to commercial travelers, which at this time is an unknown.

One positive outlook for CAA, with the onset of the COVID-19 pandemic, is that the growth of the transition (lessor) Aircraft Register is growing considerably with global airlines retiring aircraft early and handing them back over to lessors. 30 such aircraft have applied for or are pending registration at report date. This accounts for approximately \$800,000 in expected new revenue in 2020.

With regards to Accounts Receivable at 31 December 2019, another positive note is that approximately 13% of that amount remains outstanding at report date.