CAYMAN ISLANDS AIRPORTS AUTHORITY

ANNUAL REPORT

JULY 1, 2015 – JUNE 30, 2016

This Annual Report was prepared by the Cayman Islands Airports Authority. Unless otherwise stated, the currency noted in the this publications is expressed in Cayman Islands Dollars

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CIAA's Vision

"To Bring Excellence to Your Airport Experience"

CIAA'S Mission

"To continuously improve our customer's experience by safely and efficiently enhancing our facilities while offering professional services in a pleasant and innovative environment, focusing on customer satisfaction and the economic sustainability of our airports and the Cayman Islands community."

CIAA's Core Values:

Accountability*: We will account for our actions, values, methods, measures, principles and expectations.*

Integrity*: We will be consistent in our actions, values, methods, measures, principles and expectations.*

Professionalism: *We will carry ourselves with respect and maturity and we will work with knowledge and confidence.*

Transparency*: We will be open, accurate and honest and build an environment of trust*

Table of Contents

CIAA'S VISION 2

CIAA'S MISSION 2

CIAA'S CORE VALUES: 2

MESSAGE FROM CIAA BOARD CHAIRMAN 5

CHIEF EXECUTIVE OFFICER'S STATEMENT 7

SCOPE OF ACTIVITIES 9

KEY STRATEGIC GOALS 10
- Strategic Pillar- Providing Exceptional Customer Service 10
- Strategic Pillar- Growing the Business 10
- Strategic Pillar- Creating a Safe and Secure Environment 11
- Strategic Pillar- Developing Quality Talent Management 11
- Foundation - Employee Engagement 11
- Foundation - Solid Management Routines 11
- Foundation - Business Culture 11

GOVERNANCE 12

OUR PEOPLE 13

HIGHLIGHTS & ACHIEVEMENTS 16

RISK MANAGEMENT 18

FINANCIAL PERFORMANCE & ANALYSIS 19
- Statement of Cash Flows 19
- Statement of Changes in Equity 22

SCRUTINY BY PARLIAMENT & PUBLIC 26
- **Summary FOI requests and timeliness of response**. 26
- **Summary of complaints and how they were handled** 27

INTERNAL AND EXTERNAL AUDIT UPDATES 28

CROSS GOVERNMENT COMMITMENTS 29

GOALS & OBJECTIVES 30
Strategies to Achieve Goals 31
New Processes to Implement Achieving Goals 31

BOARD, MINISTRY & MANAGEMENT TEAM 32
CIAA MANAGEMENT TEAM 32
CIAA BOARD OF DIRECTORS 32
MINISTRY OF DISTRICT ADMINISTRATION, TOURISM & TRANSPORT 32

APPENDICES 33

Appendix 1 33
ORIA Terminal Expansion Pictures 33
Ground-breaking ceremony –September 2015 33
Landside rendering of Owen Roberts International Airport 34
New Check-in Hall - Owen Roberts International Airport 35
Departure Hall Owen Roberts International Airport 36
Great Hall (check-in area) Owen Roberts International Airport 37
Arrivals Hall Owen Roberts International Airport 38

MESSAGE FROM CIAA BOARD CHAIRMAN

KIRKLAND NIXON, CHAIRMAN

In 2013 the Board of Directors for the Cayman Islands Airports Authority was appointed by the Governor in Cabinet. The team, a mix of aviation, business and legal experts was ready to hit the ground running. We immediately decided to go back to the core values of preserving our gateway and supporting the tourism product. Key to this was the realization of the long touted redevelopment of the Owen Roberts International Airport (ORIA) and the Charles Kirkconnell International Airport (CKIA) to ease congestion and improve the facilities for our travelling public, employees and stakeholders.

In 2012 we recorded an operating surplus of $4.4 m, however we had some challenging times in 2013, took some tough decisions, implemented some well need austerity measures and were able to recover in 2014. By 2015 we had recorded a surplus of $10.0m. We have also seen significant growth in our net asset base upwards of 10% year on year and our financial position continues to be heartening.

We have emabarked on a path for sustainability of the human capital by identifying and creating training and development opportunities for our staff. We continue to enjoy a 96% Caymanian employment rate and our procurement polices are geared towards supporting the local economy. Through our affiliations with regional and international avaition partners and our particiation in international aviation conferences, we continue to harness synergies and keep abreast of best practices which has enhanced our product.

The CIAA along with our local regulators the Civil Aviation Authority of the Cayman Islands (CAACI) and international regulators have embarked on an ambitious programme of not only fixing the facilities but also to ensure that our safety culture is second to none so that we not only improve our operations, but most importantly maintain safe facilities for our stakeholders. Our dedication to having a strong safety culture was acknowledged by the CAACI, when the Aerodrome Certificates for the Owen Roberts International Airport and the Charles Kirkconnell Internation Airport were reissued at the end of June 2016.

We are also very excited about the start of the multi-million dollar Owen Roberts International Airport Expansion and Renovation project. The groundbreaking ceremony in September 2015 was certainly a momentous occasion for all involved. For many years ORIA has dealt with overcrowding issues, especially during the peak tourist season. While the increase in visitors to the Cayman Islands is a good indication that we are growing steadily as a tourist destination, we knew that something had to be done to improve our facilities to help enhance our passengers' experience at the airport. Phase 1 of the expansion project began shortly after the ground breaking and Phase 2 is currently in progress. Once completed the expanded terminal will almost triple the current space at the Owen Roberts International Airport.

We have much to look forward to over the next few years, and while I am sure there will be challenging times ahead, especially when construction work begins inside the terminal, I am confident that the Airports Authority CEO, Mr. Albert Anderson and his senior management team will be able to weather any storms that may arise.

On behalf of the Board of Directors who govern and oversee the Cayman Islands Airports Authority's operations in accordance with the Airports Authority Law (2005 Revision), I would also like to thank the board members for their continued support and commitment to the airport redevelopment and improvement of airport operations in Grand Cayman and Cayman Brac as we strive towards the vision: "To Bring Excellence to Your Airport Experience."

CHIEF EXECUTIVE OFFICER'S STATEMENT

ALBERT ANDERSON, CEO

When I was appointed to the position of Chief Executive Officer (CEO) of the Cayman Islands Airports Authority (CIAA) I was honoured to take on the task of continuing to build upon the solid foundation that had been laid by so many Caymanian aviation experts over the years.

Together with the Management Team, we have embarked on numerous projects to help improve the facilities at the Owen Roberts International Airport (ORIA) and Charles Kirkconnell International Airport (CKIA). At ORIA capital projects included; the start of the redevelopment and expansion project, installation of a temporary departure hall to immediately ease some of the congestion, relocating the passenger screening area, IT Infrastructure upgrades, security fencing upgrades and parking system upgrade. At CKIA we completed the expansion of the Hold Baggage Screening area, Departure Hall and Arrivals Hall with the goal of facilitating direct international flights to and from Cayman Brac.

While these projects are very exciting, it is the staff who work at our aerodromes in Grand Cayman and Cayman Brac that will make the difference in realising our goal of operating world class facilities of which these islands can be proud. It is with this goal in mind that we have committed to developing a quality talent management programme. We have developed a comprehensive training programme based on a skills gap analysis where we had an audit of gaps in staffing in terms of both knowledge/skills sets and the right number of persons in order to ensure that not only did we have the right people with the right skill set but there is as a pool that we can pull from for future deployment in all areas of our airport management programme. The CIAA boasts a staff complement of 175 persons and the turnover rate is less than 3% per annum. We have also adopted an approach to engage the staff through quarterly staff meetings, developmental workshops and regular staff input into the strategic planning process. This is all cemented by our newly developed and deployed performance management process called Developing for Performance, which aligns individual employee objectives with the CIAA's strategic goals and measures employee behaviours against those that support our core values. This process calls for regular performance discussions between employees and managers (at least quarterly) along with annual performance appraisals and objective setting.

In 2015/16 the operations returned $31.3M and expenses of $19.4M resulting in a $10.9M surplus, an 8% growth in the overall financial results. Six million dollars of our annual operating profit is earmarked for the Owen Roberts International Airport redevelopment and expansion project. The Airports Authority achieved these results through strict working capital management and financial discipline without any compromise to our operations. We were pleased that at the end of June 2016 we were able to pay our team a 2.2% bonus, a small token for their unwavering support for the strategic mission of the Airports Authority.

On the matter of daily operations, the Airport Operations Command Centre has progressed very well in just a few short years after it was created in 2014. The unit is responsible for the daily operations at ORIA and CKIA including the management of the terminal and all activities on the airside including the apron, runway and wildlife mitigation.

At the CIAA, we are dedicated to a strong safety culture. Each year the Safety Team conducts various exercises to test our response and readiness in the event we have an incident. There is also a strict commitment to safety management systems training to ensure a high safety standard is met at the aerodromes and the CIAA is prepared to deal with any incidents that may occur. Our fully staffed security team works around the clock to prevent any breaches at our airports.

We are constantly finding better ways to deliver our services as aerodrome managers. Through a mixture of advanced technology and improved processes the Air Traffic Control function is able to operate more efficiently and improve the quality of its service. This also translates into increasing the safety of our air traffic operations.

Finally, steps are being taken to improve customer service at the airport. Since 2014 the customer service team has been celebrating various local and international holidays at the airport to help keep the passengers entertained and to make them feel appreciated. This has been very successful with many passengers expressing their gratitude. In addition, the Customer Service team developed a Meet & Greet service to help fast track passengers through Immigration and Customs for a fee which has also shown revenue growth since its initial launch in October 2014.

The main objective of the Airports Authority is to ensure that it exceeds the expectations of stakeholders and delivers the best value for money. While the CIAA has certainly come a long way over the years, we still have much work to do. But I know that with the continued hard work and dedication from our team (board, leadership team and staff), we are well on our way to developing two world class airports that the people living in the Cayman Islands can be proud of.

SCOPE OF ACTIVITIES

The Cayman Islands Airports Authority (CIAA) was established by the Cayman Islands Government on July 1st 2004. Reporting to the Ministry of District Administration, Tourism & Transport the CIAA was created to manage all services and facilities at the Owen Roberts International Airport (ORIA) in Grand Cayman and the Charles Kirkconnell International Airport (CKIA) in Cayman Brac.

Prior to the establishment of the CIAA, all operational and regulatory matters relating to aviation in the Cayman Islands were carried out and overseen by the Civil Aviation Authority of the Cayman Islands (CAACI). After the CIAA was established the CAACI retained the regulatory responsibilities for aviation in the Cayman Islands.

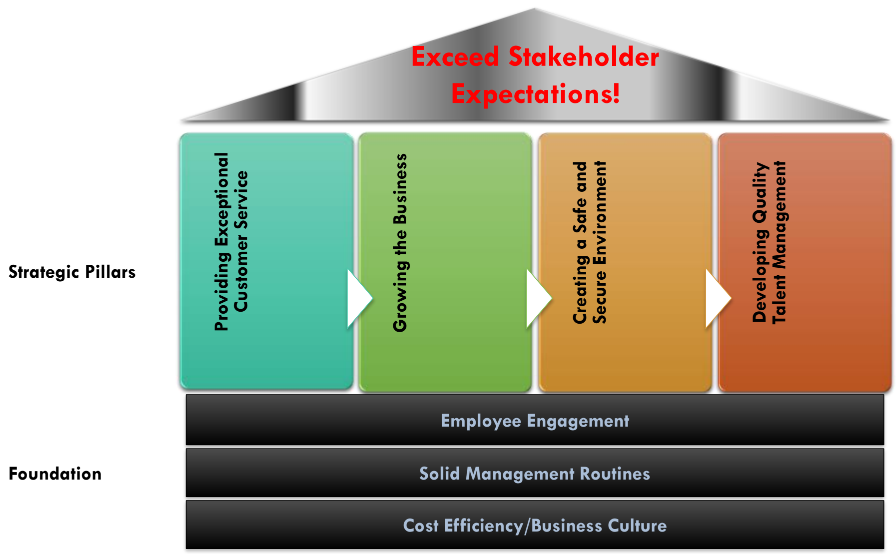
Aerodrome services are provided to a variety of customers (Private and commercial) including local airline Cayman Airways, various international airlines, local and international charter aircraft, private aircraft, government and military, local businesses, various CIG departments and the general public. The CIAA is responsible for constructing, controlling and managing the airports by providing and maintaining runways, taxiways and terminals to international standards for the efficient operation of the airports and provide support and accommodation to those agencies involved in border control.

Airlines providing weekly, daily and charter services to Grand Cayman include: Cayman Airways (CI National Flag Carrier), Air Canada, American Airlines, British Airways, Delta, JetBlue, United, WestJet and Cayman Airways Express servicing our domestic flights to the Sister Islands; Cayman Brac and Little Cayman. International flights coming into Grand Cayman are from Miami, Tampa, Atlanta, Charlotte, Philadelphia, Houston, New York, Washington, Dallas, Chicago, Kingston, Montego Bay, London, Toronto, Havana and La Ceiba Honduras.

The CIAA has a 20 year Master Plan for growth and development. The redevelopment of the Owen Roberts International Airport is the first step in the plan, other phases will include business process engineering and sustainability. These goals can only be achieved through improving customer service, developing the talent of the staff and working hand-in-hand with our tourism partners and stakeholders. The CIAA's ultimate vision is to have a highly trained team that will take our airports to the next level from good to great.

KEY STRATEGIC GOALS

The Cayman Islands Airports Authority (CIAA) is dedicated to providing our customers with professional, innovative airport services and facilities in a safe, efficient manner and being a catalyst of economic development for the Cayman Islands. In order to meet and exceed the needs of our customers and requirements to the travelling public, the Cayman Islands Airports Authority's Strategic Plan gives priority to achieving the four core Strategic Goals.



Strategic Pillar- Providing Exceptional Customer Service

- Develop standards of performance in customer service
- Implement operational and quality metrics (quality management) and set target levels of performance
- Improve facilities at the airport-interim and final plans for relieving congestion
- Create and maintain a culture of service excellence

Strategic Pillar- Growing the Business

- Develop standards of performance in business development
- Implement operational and quality metrics (quality management) and set target levels of performance
- Develop a revenue growth plan and set targets of achievement
- Develop a marketing plan that will drive business growth and customer satisfaction

Strategic Pillar- Creating a Safe and Secure Environment

- Maintain and exceed compliance with international regulations
- Developing Operational Efficiencies
- Develop an airport emergency response plan
- Develop the culture of safety and security throughout the organisation

Strategic Pillar- Developing Quality Talent Management

- Implement the approved organisation chart
- Develop a comprehensive training programme
- Developing a talent management programme
- Develop a reward and recognition programme

In addition to the four key strategic goals, we felt it necessary to develop and strengthen the foundation principles necessary to ensure good business performance. The essence of these foundation principles are:

Foundation - Employee Engagement

- Implement standards and metrics around employee engagement and set target levels of performance
- Establish and cement a performance management process with clear levels of performance
- Establish management routines that drive employee engagement

Foundation - Solid Management Routines

- Develop the team concept at leadership level and drive throughout the organisation
- Measure, report, act
- Review policies and processes throughout the business to ensure proper rules are in place and required governance is established and maintained.
- Ensure that the management team of the organisation are aligned in all they say and do.

Foundation - Business Culture

- Establish regular financial performance discussion at management level
- Drive a culture of cost efficiency
- Develop and maintain business processes around procurement, spend management, revenue collection and revenue growth

These strategic objectives drive our departmental activities and individual employee performance criteria, managed through our Developing for Performance programme.

GOVERNANCE

The Cayman Islands Airports Authority is governed by the Airports Authority Law (2005 Revision). Under the law the Airports Authority shall be a body corporate having perpetual succession and a common seal and, subject to the provisions of this Law, shall have power to buy, sell, hold, deal and otherwise acquire and dispose of land and other property of any kind and to enter into contracts and to do all things necessary or desirable for the purposes of its functions.

The Authority shall have a board of directors which shall be responsible for the policy and general administration of the affairs and business of the Authority. In additional the Board shall appoint a person to be the Chief Executive Officer of the Authority, at such remuneration and on such terms and conditions as the Board may think fit.

The Authority shall each year review its requirements for premises, and any premises in the possession of the Authority which are no longer required for the purposes of the Authority shall be disposed of in accordance with this section.

The Authority shall consult the Security Committee on all matters relating to security at the airports. The Authority shall with the advice and assistance of the Security Committee:

(a) develop and implement at all airports, security measures and procedures adequate to all requirements of international civil aviation, and ensure the effectiveness of such security measures and procedures; and
(b) develop and implement airport security training programmes adequate to meet the requirements of international civil aviation.

The Authority shall annually, prepare a report of its activities during the preceding year, and such report shall be laid on the table of the Legislative Assembly.

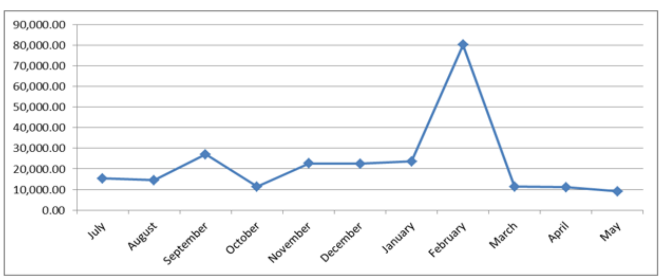
OUR PEOPLE

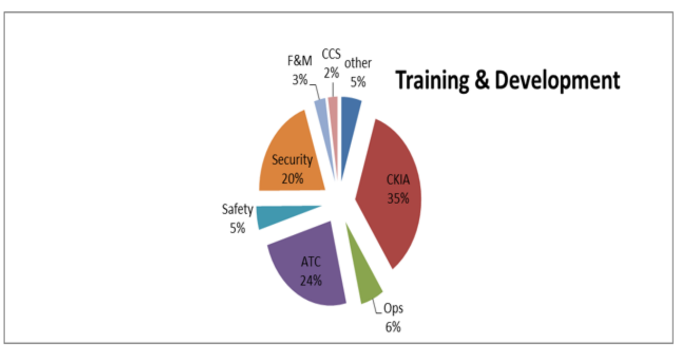
The Human Resources Department comprises of a Chief Human Resources Officer and Human Resources Manager, who strive to support CIAA's Mission, values and Goals with a focus on enhancing the employment relations, developing a quality talent management programme, implementation of staff incentives and productivity schemes .

The CIAA currently has a total of 175 staff, the majority are Caymanians/Cayman Status holder, however there are two employees on work permits (1 British/American and 1 Jamaican), and six staff members have Permanent Residency (5 Jamaicans and 1 Honduran). The current age range is between 20-63 years old and we have 115 Male employees and 60 Female employees.

The Airports Authority recognizes its greatest asset is its staff, so great emphasis is placed on training and development. We seek to achieve excellence through encouraging effective communication focusing on the personal, academic and professional needs of all staff matched with the needs and goals of the Authority. The Authority encourages transfers and promotion from within.

Training & Development





- Spent 65% of annual training budget
- 58 employees completed targeted training in a wide range of subjects across all airport related disciplines
- General regulatory training continues to be done for all Security Officers
- Safety Management Systems (SMS) training is done by all employees annually
- Career planning, supervisory and leadership training programmes currently being developed to enhance talent pool

Staff from the CIAA have participated in various training over the year including:

- Two ATC trainees successfully completed a seven month course on Aerodrome Procedural Control at the end of May 2015.
- More than 35 CIAA staff members participated in two Airfield Operation courses that were held from Monday 22 June- Friday, 3 July 2015.
- Two air traffic control trainees from the Charles Kirkconnell International Airport successfully completed four months of intensive training were sent off to Trinidad and Tobago for four months of intensive training at the Trinidad and Tobago Civil Aviation Training Centre in February 2016.
- 22 Air Traffic Controllers from Owen Roberts International Airport and Charles Kirkconnell International Airport successfully competed specialized refresher training at the Pan Am International Flight Academy in Miami, Florida in March 2016.
- Three AIS officers attended an Aeronautical Information and an Introduction to Quality Management Systems in Trinidad and Tobago in June 2015
- Selected staff completed Chamber of Commerce training on Manging Difficult Situations and Core Leadership Skills in March 2016.
- Selected staff completed an IMPT courses on Essentials of Supervisory Management in November 2015.
- The CHRO attended a CISPA course on How to Make Performance Measurement Repeatable and Strategic Business and HR Roles in November 2015.
- Several Airport Operations Duty Officers completed ACI courses on Airport Operations, Airport Management, Terminal and Landslide Operations and Wildlife Hazard Management.
- Two security officers completed a Red Line Aviation Security Instructors Course in October 2015.
- One Airport Duty Officer completed an AAE Airport Wildlife Management Course.

The CIAA also started an Employee Recognition programme in October 2015 to acknowledge the outstanding efforts of selected staff members.


Staff Recognition
GREAT JOB!
CIAA


PAST
PRESENT
FUTURE


TTCAA
Safer Skies


PAN AM
INTERNATIONAL FLIGHT ACADEMY

HIGHLIGHTS & ACHIEVEMENTS

Over the past year the CIAA has successfully completed several projects and started various new initiatives, which were all achieved through the leadership of the senior management team and the dedication and hard work by the staff. Many challenges were encountered to achieve these goals, with the main focus being on ensuring the needs of the airlines and passengers were met and that the work was carried out in a timely manner. However, the CIAA staff remained dedicated to its Mission, *"To continuously improve our customer's experience by safely and efficiently enhancing our facilities while offering professional services in a pleasant and innovative environment, focusing on customer satisfaction and the economic sustainability of our airports and the Cayman Islands community."*

- **ORIA Expansion and Renovation** – In September 2015 the ground-breaking for the start of Phase One of the ORIA terminal expansion took place. Construction of this $3.6M phase started shortly thereafter and was completed by contractors Arch & Godfrey in June 2016 on time and slightly below budget. The $42.6M contract for Phase Two of the ORIA terminal expansion was signed with McAlpine in May 2016 and that project is currently under way. Once completed the ORIA terminal will be 2.7 times larger than it is today and will efficiently handle up to 2.5 million passengers per year (see pictures in Appendix 1).
- **Financial Reporting** – This has been taken to the next level with the deployment of the Microsoft Great Plains accounting system which enables our finance team to manage our accounting more efficiently and to produce improved and more meaningful financial reports.
- **Full Scale Emergency Exercise** – In May 2016 the CIAA carried out its largest ever full-scale emergency exercise simulating the crash of a 737 aircraft on the cricket field. With the help of all the relevant emergency agencies and under the scrutiny of our regulator CAACI, this was successfully completed, even though it highlighted some areas that we need to improve on.
- **Replacement Parking System** – The ORIA parking revenue control system had been obsolete and failing repeatedly for a number of years. In March a replacement system was supplied and installed by Amano. As part of this process, the traffic flow around ORIA was changed to a one-way system with entrance to the short term car park changed to the north side.
- **Runway End Safety Area** – Runway 08 had never had the benefit of a Runway End Safety Area (RESA) at its east end and this has been recorded as a regulatory audit finding since 2008. In June this was rectified by shortening the declared length of the runway to create the RESA and was accepted by the regulator.
- **Aerodrome Recertification** – In June the regulator CAACI issued 2 year Aerodrome Certificates for ORIA and CKIA indicating their satisfaction that the key safety issues had

been rectified at both airports and that the safety culture was acceptable to them. This provides the foundation upon which to build our safety programme and continue to improve it.

- **Performance Management/Competency Framework** – During 2015/16 we developed and deployed a performance management process called *Developing for Performance*, which aligns individual employee objectives with the CIAA's strategic goals and measures employee behaviours against those that support our core values. This process calls for regular performance discussions between employees and managers (at least quarterly) along with annual performance appraisals and objective setting.
- **TSA Approval for CKIA** – The Charles Kirkconnell International Airport was granted TSA approval to be a last point of departure to the USA, enabling direct international flights to the USA from CKIA.
- **Best Small Airport in the Caribbean** – Charles Kirkconnell International Airport (CKIA) was rated as the best small airport in the Caribbean and the number eight in the world by the magazine Caribbean Journal in October 2015. The Caribbean Journal recognized CKIA for its friendly staff, free Wi-Fi and outdoor observation deck.

RISK MANAGEMENT

Key Objective /Strategic Plan	Key Risk Risk Type	Potential Financial Impact CI$	Actual losses/ or write-offs
PROVIDING EXCEPTIONAL CUSTOMER SERVICE	**Strategic Risk**	**42.5M**	**None**
Develop standards of performance in customer service	Operational Risk Reputational Risk		None
Implement operational and quality metrics (quality management) and set target levels of performance	Operational Risk		None
Terminal Upgrade	Strategic Risk Operational Risk Compliance Risk		None
Create and maintain a culture of service excellence	Operational Risk Reputational Risk		None
GROWING THE BUSINESS	**Strategic Risk**	**1.42M**	**None**
Develop standards of performance in business development	Operational Risk		None
Implement operational and quality metrics (quality management) and set target levels of performance	Operational Risk		None
Develop a revenue growth plan and set targets of achievement	Operational Risk		None
Develop a marketing plan that will drive business growth and customer satisfaction	Operational Risk		None
CREATING A SAFE AND SECURE ENVIRONMENT	**Compliance Risk**	**1.0M**	**None**
Maintain and exceed compliance with international regulations	Compliance Risk		None
Developing Operational Efficiencies	Compliance Risk		None
Develop an airport emergency response plan	Compliance Risk Operational Risk		None
Develop the cultures of safety and security throughout the organisation	Compliance Risk Operational Risk		None
DEVELOPING QUALITY TALENT MANAGEMENT	**Strategic Risk**	**0.5M**	**None**
Implement the approved organisation chart	Operational Risk		None
Develop a comprehensive training program	Operational Risk		None
Develop a talent management program	Operational Risk		None
Develop a reward and recognition program	Operational Risk		None
EMPLOYEE ENGAGEMENT	**Operational Risk**		**None**
Implement standards and metrics around employee engagement and set target levels of performance	Operational Risk		None
Establish and cement a performance management process with clear levels of performance	Operational Risk		None
Establish management routines that drive employee engagement	Operational Risk		None
SOLID MANAGEMENT ROUTINES	**Operational Risk**	**.05M**	**None**
Develop the team concept at leadership level and drive throughout the organisation	Operational Risk		None
Review policies and processes throughout the business to ensure proper rules are in place and required governance is established and maintained.	Operational Risk		None
Ensure that the management team of the organisation are aligned in all they say and do.	Operational Risk		None
BUSINESS CULTURE	**Operational Risk**	**0.95M**	**None**
Establish regular financial performance discussion at management level	Operational Risk		None
Drive a culture of cost efficiency	Operational Risk		None
Develop and maintain business processes around procurement, spend management, revenue collection and revenue growth	Operational Risk		None

FINANCIAL PERFORMANCE & ANALYSIS

Cayman Islands Airport Authority
Statement of Financial Position
As at June 30, 2016
(In Cayman Island dollars)

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	17,153,705	27,194,558
Term deposits	17,912,362	2,047,227
Accounts receivable	25,247,534	25,320,411
Other receivables and prepaid expenses	518,202	583,219
	60,831,803	55,145,415
Non current assets		
Property, plant and equipment	35,736,982	30,880,837
TOTAL ASSETS	**96,568,785**	**86,026,252**
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of long-term debt	33,321	33,321
Accounts payable and accrued expenses	4,558,086	5,503,091
Weather radar fund	569,407	476,837
	5,160,814	6,013,249
Non current liabilities		
Long-term debt	194,447	245,668
Employee pensions	11,562,000	11,062,000
	11,756,447	11,307,668
TOTAL LIABILITIES	**16,917,261**	**17,320,917**
Equity		
Contributed capital	32,285,399	32,285,399
Retained earnings	36,480,928	26,403,082
Current year surplus	10,885,198	10,016,853
	79,651,525	68,705,335
TOTAL LIABILITIES AND EQUITY	**96,568,785**	**86,026,252**

Cayman Islands Airport Authority
Statement of Comprehensive Income
For the year ended June 30, 2016
(In Cayman Island dollars)

	Note	2016	2015
INCOME			
Travel tax	(a)	12,113,891	11,713,064
Passenger facility charges	(b)	7,523,563	6,906,317
Security tax and terminal facility charges	(b)	5,094,960	4,661,412
Aircraft handling income		3,434,716	3,503,929
Rent - government	(c)	275,205	235,736
Rent - commercial		706,500	715,684
Permits and parking		795,606	843,834
Petrol concession		924,727	952,224
Sundry	(d)	147,068	88,475
Advertising		315,278	311,331
Interest		20,771	23,271
Loss on disposal of property, plant and equipment		1,265	-
TOTAL INCOME		**31,353,550**	**29,955,277**
EXPENSES			
Salaries and wages		8,328,760	8,047,589
Depreciation		3,496,518	3,496,518
Past service pension expense	(e)	500,000	839,667
Repairs and maintenance	(f)	1,785,742	2,045,705
Utilities	(g)	1,213,554	1,390,339
CAA certification		1,017,138	1,004,100
Medical	(h)	981,344	1,095,696
Passenger screening	(i)	1,085,505	914,121
Pension contributions		509,079	561,535
Property & liability insurance	(j)	351,688	425,701
Legal and professional fees	(k)	229,323	389,302
Training		293,004	313,371
Miscellaneous		70,600	77,727
Bad debts expense		0	(3)
Travel and subsistence	(l)	6,921	17,516
Printing and stationery	(m)	92,613	74,398
Uniforms		31,161	31,686
Foreign exchange losses/(gains)		(27,757)	(9,046)
Loan interest		3,160	3,501
TOTAL EXPENSES		**19,968,353**	**20,719,424**
NET INCOME/(LOSS) before:		**11,385,197**	**9,235,853**
OTHER COMPREHENSIVE INCOMES			
Remeasurement of employee benefit obligation		**(500,000)**	**781,000**
COMPREHENSIVE INCOME FOR THE YEAR		**10,885,198**	**10,016,853**

Cayman Islands Airport Authority
Statement of Cash Flows
for the year ended June 30, 2016
(In Cayman Island dollars)

	Note	2016	2015
Cash Flows from Operating Activities			
Net income for year		10,885,198	10,016,853
Add items not affecting working capital:			
Impairment losses/(Gains)		-	-
Bad Debt written off		0	(3)
Depreciation		3,496,518	3,496,518
		14,381,716	13,513,368
Net changes in non-cash working capital balances			
(Increase) in Accounts receivable		72,877	(2,144,402)
(Increase)/Decrease in Other receivables and prepaid expenses		65,017	461,850
Weather Radar Fund		92,570	(108,862)
(Decrease)/Increase in Accounts payable and accrued expenses		(919,112)	1,849,072
(Decrease)/Increase in Defined Benefit Obligation		500,000	17,000
Net cash from operating activities		14,193,068	13,588,026
Cash Flows used in Investing Activities			
Purchase of fixed assets		(8,352,664)	(5,007,060)
Net cash used in investing activities		(8,352,664)	(5,007,060)
Cash Flows from (used in) Financing Activities			
Repayment of loans (Note 8)		(16,119)	(35,127)
Net cash used in financing activities		(16,119)	(35,127)
Increase in Cash and Cash Equivalents During Year		5,824,285	8,545,839
Cash and Cash Equivalents at Beginning of Year		29,241,784	20,695,946
Cash and Cash Equivalents at End of Year		35,066,070	29,241,784

Cayman Islands Airport Authority
Statement of Changes in Equity
for the year ended June 30, 2016
(In Cayman Island dollars)

	Contributed Capital	Retained Earnings	Total
	$	$	$
Balance at 30 June 2014	**32,285,399**	**26,403,082**	**58,688,481**
Capital contributions	-	-	-
Net Income for the period		9,235,853	**9,235,853**
Other Comprehensive Income-			-
Remeasurement of employee benefit obligation		781,000	**781,000**
Dividends declared	-	-	-
Balance at 30 June, 2015	**32,285,399**	**36,419,935**	**68,705,334**
Prior period adjustments		60,994	60,994
Adjusted 30 June 2015	**32,285,399**	**36,480,929**	**68,766,328**
Capital contributions	-	-	-
Net Income for the period	-	11,385,197	11,385,197
Other Comprehensive Income-			-
Remeasurement of employee benefit obligation		(500,000)	(500,000)
Dividends declared	-	-	-
Balance at 30 June, 2016	**32,285,399**	**47,366,126**	**79,651,525**

Actual versus prior year

Revenues grew by 5% while Expenses declined by 4% resulting in an overall 9% improvement over 2015.

Revenue

Revenue stream	note ref	2016	2015	Change	%
Travel tax	(a)	12,113,891	11,713,064	400,827	3%
Passenger facility charges	(b)	7,523,563	6,906,317	617,246	9%
Security tax and terminal facility charges	(b)	5,094,960	4,661,412	433,548	9%
Rent - government	(c)	275,205	235,736	39,469	17%
Sundry	(d)	147,068	88,475	58,593	66%

(a) Reflects growth in departures of the applicable travelling demographic

(b) Bolstered by the growth in Pax numbers including higher transit pax outturn

(c) increase in pass through earnings

(d) Natrual growth in misc sales with full year inflows from the newly introduced meet & greet service. Service was introduced during the 2014/2015 year

Expenses

	note ref	2016	2015	Change	%
Past service pension expense	(e)	500,000	839,667	339,667	40%
Repairs and maintenance	(f)	1,785,742	2,045,705	259,963	13%
Utilities	(g)	1,213,554	1,390,339	176,785	13%
Medical	(h)	981,344	1,095,696	114,352	10%
Passenger screening	(i)	1,085,505	914,121	(171,384)	-19%
Property & liability insurance	(j)	351,688	425,701	74,013	17%
Legal and professional fees	(k)	229,323	389,302	159,979	41%
Travel and subsistence	(l)	6,921	17,516	10,595	60%
Printing and stationery	(m)	92,613	74,398	(18,215)	-24%

(e) Provisional figure included pending acturarial report. Provision based on increased voluntary contributions made during the year coupled with a reduced DB pool due to retirements over the period.

(f) Reduced maintenance costs due to better procurement practices as well as project delays.

(g) Generally reduced consumption levels in all areas at both airports and reductions in the fuel factor charges from CUC

(h) Minimal increased in health care premiums offset by changes to individual staff plans

(i) Increased passenger numbers and additional security requirements to comply with international standards

(j) Reduced premiums from insurers due to safety record, risk strategy and safety management programme at the airports

(k) Less reliance on external providers. Emphasis on staff training, bringing services in house where possible.

(l) Greater use of online technologies and meetings rather than staff travel

(m) increased demand for materials to support the security needs of the airport

	Note	Current Year Actual (Gross) CI$000	Final Budget CI$000	Variance CI$000
Revenue				
Sales of goods & services	**(a)**	31,341	33,116	(1,775)
Investment revenue	**(b)**	21		21
Total Revenue		**31,362**	**33,116**	**(1,754)**
Expenses				
Personnel costs	**(c)**	10,806	11,861	(1,055)
Supplies and consumables	**(d)**	6,190	7,162	(972)
Depreciation		3,497	3,504	(7)
Finance costs		11		11
Total Expenses		**20,504**	**22,527**	**(2,023)**
Other Gains/(Losses)				
Gains/(losses) on financial instruments		28		28
Total Other Gains/(Losses)		**28**	**-**	**28**
Surplus or (Deficit) for the period		**10,885**	**10,589**	**296**

Actual versus budget

	note ref	2016 (in Thousands)	Budget (in Thousands)	variance	%
Sales of goods & services	(a)	31,341	33,116	(1,775)	-5%
Investment revenue	(b)	21	-	21	100%
Personnel costs	(c)	10,806	11,861	1,055	9%
Supplies and consumables	(d)	6,190	7,162	972	14%

(a) Primarily driven by delays in revenue measure implementation.

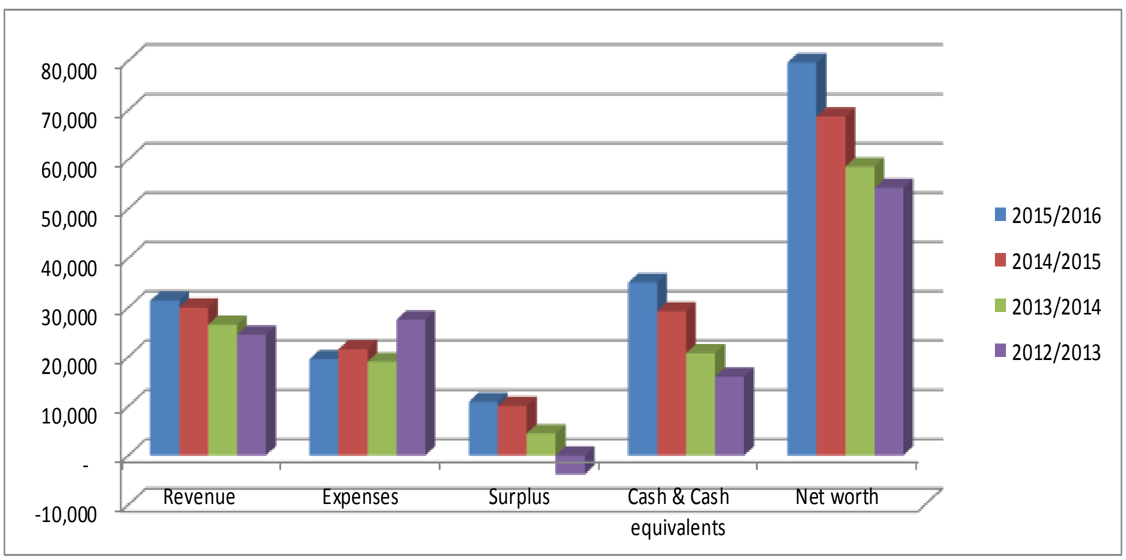
(b) Currency swap. Not budgeted

(c) Unfilled vacancies

(d)Savings in repairs & maintenance & utilities

Key Performance Indicators

	2015/2016	2014/2015	2013/2014	2012/2013
Revenue	31,354	29,955	26,463	24,471
Expenses	19,468	21,500	18,968	27,517
Surplus	10,885	10,017	4,427	- 3,831
Cash & Cash equivalents	35,066	29,242	20,696	15,975
Net worth	79,652	68,705	58,573	54,221



SCRUTINY BY PARLIAMENT & PUBLIC

Summary FOI requests and timeliness of response.

Date Received	Closure Date	Request Number	Parent Request Number	Request Description	Name	Status Detail
17-Nov-15	18-Nov-15	70603		Requesting a breakdown (per month) of the number of airline passengers departing from Owen Roberts International Airport (ORIA), for the following periods: - September 1st 2010 to August 31st 2011 - September 1st 2011 to August 31st 2012 - September 1st 2012 to August 31st 2013 - September 1st 2013 to August 31st 2014 - September 1st 2014 to August 31st 2015	Daniel Burke	Closed
30-Mar-16	31-May-16	71888		Copies of the minutes of all Board Meetings of the CIAA Board of Directors for the year 2013	Peter Schmid	Closed
31-Mar-16	30-May-16	72763	71891	Minutes of all meetings of the Board of Directors of the Cayman Islands Airports Authority - January to December 2014	Peter Schmid	Closed
31-Mar-16	01-Jun-16	71891		Minutes of all meetings of the Board of Directors of the Cayman Islands Airports Authority - January 2015 to present (March 31, 2016)	Peter Schmid	Closed
02-May-16	30-May-16	72877		Seeking specific information on the selection process or applicable policies which deal with or set out how Commercial Vendor Spaces in ORIA are allocated to entities seeing to remain or become tenants after the redevelopment of ORIA is completed. 2. What "grandfather" rights (if any) will be taken into account upon renewal of the existing leases?	Peter Schmid	Closed

Summary of complaints and how they were handled.

None received for the period

INTERNAL AND EXTERNAL AUDIT UPDATES

Recommendation	Issue	Issue Type	Estimated Date	Revised Date	Actions to date
Ensure Independent Records of Passengers Collected by Tour Operators are Maintained	Inaccurate Computation of Bulk Pick Up Revenue	Reliability of Information	07/31/2014	01/31/2016	Short term - business process reviewed. Greater monitoring. Longterm solution of flat fees being explored
Deposit Cash in Accordance with CIAA Law and Develop Appropriate Cash Handover Procedures	Inadequate Cash Handling Controls	Safeguarding of Assets	09/01/2014	06/30/2015	Policy and business process now in place. Awaiting audit testing
Adequate Controls over the Collection and Management of Parking Revenue	Deficiencies in the Collection and Management of Car Parking Fee	Economy/Efficiency of Resources	02/28/2015	06/30/2015	New system being procured. Business process and policy in place. Automation of remaining collection points underway
Improve/Strengthen Stores Management Processes	Weaknesses in the Stores Management Processes	Safeguarding of Assets	03/30/2015	01/31/2017	Staff being recruited and systems being investigated
Establish Training Programmes and An Effective Performance Management System	Weak Operating Environment	Accomplishment of Objectives	06/30/2015	07/01/2017	Talent management programme being implemented by HR
Improve Fixed Assets Management System	Weaknesses Noted in Fixed Assets Management		06/30/2015	06/30/2018	Staff being recruited and FA systems being investigated
Conduct Supervisory Review on all Information Manually Input in the Flight Management Systems	Weaknesses Noted in the Aviation Information Systems	Reliability of Information	06/30/2015	01/31/2018	System, staffing and procedural issues being addressed.
Ensure Cash/Cash Equivalent Handling Directive is Adequately Enforced	Lack of Controls Over Receipt Issuance	Safeguarding of Assets	06/30/2016	06/30/2016	Controls now in place. Awaiting auidt testing
Establish a Formal Risk Management Process	Weak Operating Environment	Accomplishment of Objectives	06/30/2016	04/21/2019	Enterprise risk manageent system being developed.
Establish Comprehensive Policies & Procedures	Weak Operating Environment	Accomplishment of Objectives	06/30/2017	06/30/2017	Underway in all departments

CROSS GOVERNMENT COMMITMENTS

During the year ended June 30, 2016 the CIAA participated in the business surveys conducted by the Economic and Statistic Office, the Passport2 success programme and engaged the other authorities in the post-retirement health care discussion forums.

GOALS & OBJECTIVES

Goals & Objectives

- Deliver continuous improvement in maintaining operational readiness and regulatory compliance.
- Airfield Upgrade Works
- Aerodrome Certification
- Energy Management
- Continuous development of the human capital.
- Enhancement of our quality management systems through the development and refinement of procedures.
- Expand the CIAA Internal Safety Audit Programme, by reviewing past audits in each area and looking for improvements in systems and processes.
- Increase the resilience of the CIAA Emergency Response through acquisition of emergency assets.
- Develop a CIAA business continuity plan geared towards continuity of operations at both airports.
- Creating a Safe and Secure Environment: Document and implement a quality management process. Develop operational efficiencies by developing and maintaining a CKIA risk register which will form part of an enterprise-wide risk register that will be used to manage our risk, support the ERM process and inform financial and operational decision-making.
- Providing Exceptional Customer Service: Create and maintain a culture of service excellence. Work with Customer Service Manager to develop a service excellence programme for CKIA employees with relevant training, in particular "internal customer" training.
- Developing Quality Talent Management: Develop a talent management program. Prepare a detailed training plan for CKIA employees, based on job requirements and the goals of the team. Include timeframes and costs. To be implemented over the next 3 – 5 years and aligned with CIAA budgets.
- Employee Engagement: Establish and cement a performance management process with clear levels of performance. Complete all objective setting (2016/17) based on the current strategic plan.
- Solid Management Routines: Measure, report and act. Develop specific Key Performance Indicators (in alignment with other departments of CIAA such as Ops, Commercial, Security etc.) to be used to measure and improve performance of all aspects of CKIA, from an operational and quality perspective, to be reviewed at each monthly reporting session.

- Business Culture: Drive a culture of cost efficiency and deliver end of year cost savings against capital and operational budgets of at least 5% each.

Strategies to Achieve Goals

- Review industry best practices to avoid common pitfalls.
- Improve Cayman Airways, Airport Security and Immigration process time at CKIA.
- Improve customer service by adding concessionaires and having additional snack options at CKIA.

New Processes to Implement Achieving Goals

- The deployment of technology to automate routine process.
- Mining the analysis of data generated by automated process to improve decision making.
- Establish and cement a performance management process.
- Develop a talent management programme.
- Create and maintain a culture of service excellence.

BOARD, MINISTRY & MANAGEMENT TEAM

CIAA MANAGEMENT TEAM

Chief Executive Officer	Mr. Albert Anderson
Chief Airport Operations Officer	Mr. Dale Davis
Chief Safety Management Officer	Mr. Andrew McLaughlin
Chief Security Officer	Mr. Shane Bothwell
Chief Commercial Officer	Mrs. Bianca Moore- Downey
Chief Financial Officer	Mrs. Sheila Thomas
Chief Human Resources Officer	Mr. Mario Ebanks

CIAA BOARD OF DIRECTORS

Chairman	Mr. Kirkland Nixon
Deputy Chairman	Mr. Thomas Guyton
Director	Mr. Joel Jefferson
Director	Mr. Bruce Smith
Director	Mr. Nathaniel S. Tibbetts Sr.
Director	Mr. Stran Bodden
Director	Mrs. Vanessa Godfrey-Banks
Director	Mr. John Meghoo
Ex Officio Member	Mr. Albert Anderson

MINISTRY OF DISTRICT ADMINISTRATION, TOURISM & TRANSPORT

Minister	Hon. Moses Kirkconnell
Councilor	Mr. Joseph Hew
Chief Officer	Mr. Stran Bodden

APPENDICES

Appendix 1

ORIA Terminal Expansion Pictures

Ground-breaking ceremony –September 2015

Landside rendering of Owen Roberts International Airport

New Check-in Hall - Owen Roberts International Airport

Departure Hall Owen Roberts International Airport

Great Hall (check-in area) Owen Roberts International Airport

Arrivals Hall Owen Roberts International Airport