



CIAA ANNUAL REPORT 2017

Albert Anderson

Contents

Chairman's Message.....	- 3 -
Message from the CEO	- 4 -
Organisational Overview	- 13 -
Strategic Objectives	- 16 -
ORIA Redevelopment & Expansion Project.....	- 26 -
Financial Statements and Analysis	- 29 -

Chairman's Message

On behalf of the Board of Directors of the CIAA, having established some years ago its vision to redevelop the airports in Grand Cayman and Cayman Brac, I am pleased to report that significant progress has been made to date, and we can all look forward to the completion of the long overdue ORIA Terminal Redevelopment project and, in the longer term, the CIAA Master Plan 2032. The Management and Staff of the CIAA have performed admirably in their execution of this Vision and have our continued support as they face the many challenges ahead of this significant task.

The financial performance of the Authority is of utmost importance to the Board as it is key to the funding of the works defined in this Master Plan. We congratulate the CIAA Management Team on their achievements over the period under the sterling leadership of CEO Albert Anderson. I also wish to express my thanks and appreciation for the support and advice of our Board members and Ministry, especially my Deputy Mr. Thom Guyton. We are confident that the team will continue to execute the Plan as we work together toward fulfilling this important goal and continuously improving the Authority's standing as a self-sufficient entity.

Mr. Kirkland Nixon (Deceased)
Chairman of the Board

Message from the CEO

The winds of change are in the air at the CIAA, and it is my honour and privilege to share with you some of the highlights of our journey over the past 18 months from July 2016 to December 2017. The Authority's financial performance over the period was strong, exceeding expectations and demonstrating that it is on firm footing and can look to the future with confidence. It has also made good progress in meeting its regulatory obligations and developing a competent team of aviation professionals to manage its operations.

Of course the most significant activity, and the one that everyone can see happening day-to-day, is the redevelopment of Owen Roberts International Airport in Grand Cayman, a project that has demonstrated the drive and determination of our Board of Directors, amplified the focus and motivation of our leadership team, exemplified the desire and passion of our employees and captured the imagination of the public. The construction began in October 2015 with Phase One, the construction of the new departure baggage preparation area to the west. In September 2016, work began in earnest on the main phase of the project and continued at a good pace throughout 2017, resulting in the new extension to the ticketing hall opening for use in December 2017. With a target completion date of December 2018, the schedule is on track, and different parts of the building will be brought into service in stages throughout 2018.

This project is the cornerstone of a transformation plan for the CIAA that touches not only the bricks and mortar of ORIA and CKIA but also the operating model and business culture for the organisation in general through a strategic plan that seeks to solidify the foundation of the Authority while addressing its performance in key operational areas dealing with safety, human resources, customer experience and fiscal growth.

In Cayman Brac, the Charles Kirkconnell International Airport continues to live up to its billing in the "Caribbean Journal (2015)" as the best small airport in the Caribbean and among the top 10 of all (small and large) airports in the Caribbean. In many ways CKIA sets the standard for ORIA to match or exceed and, while the volume of traffic is comparatively low, it is a testament to the employees at CKIA that it does not lower its standards of performance in an environment where some may consider it would be easy to do so.

The CIAA management team has taken some bold decisions to ensure the impact of the construction works at ORIA on daily operations is minimised and that the customer experience is as good as it can be under the circumstances. In addition, plans for new operational procedures and sources of revenue have been developed that will go into effect as the redeveloped terminal comes online over the course of 2018. All of these activities have been supported by a team of employees who are diligent in the execution of their roles as aviation professionals and passionate about providing excellent services to their customers, passengers and partners as well as a Board that is committed to the transformation of the CIAA and, in particular, to ensuring that the Mission and Vision are realized.

As we head into 2018, I look forward to overseeing the completion of the ORIA Terminal Redevelopment project and reaping the benefits this will bring. This will be the catalyst for delivering

excellence in all of our operations and a spring board for future projects that form the core of the Authority's Master Plan 2032. These projects include the strengthening and lengthening of the runway, expanding the apron, mitigating the ponds and building a perimeter road.

In closing it has been my pleasure to have worked during the course of this year with a great team of CIAA Managers, Employees and Board of Directors, with whose support and commitment we have been able to bring a significant vision to life while delivering excellent operational results. I would also like to thank the Ministry and Major Projects Office at Public Works who have provided much needed support for the project. I look forward to continuing to work with them all as we create a world-class airport that's going to be something we can all be proud of and certainly worth the wait.

Mr. Albert Anderson
CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE 18 MONTH PERIOD ENDED

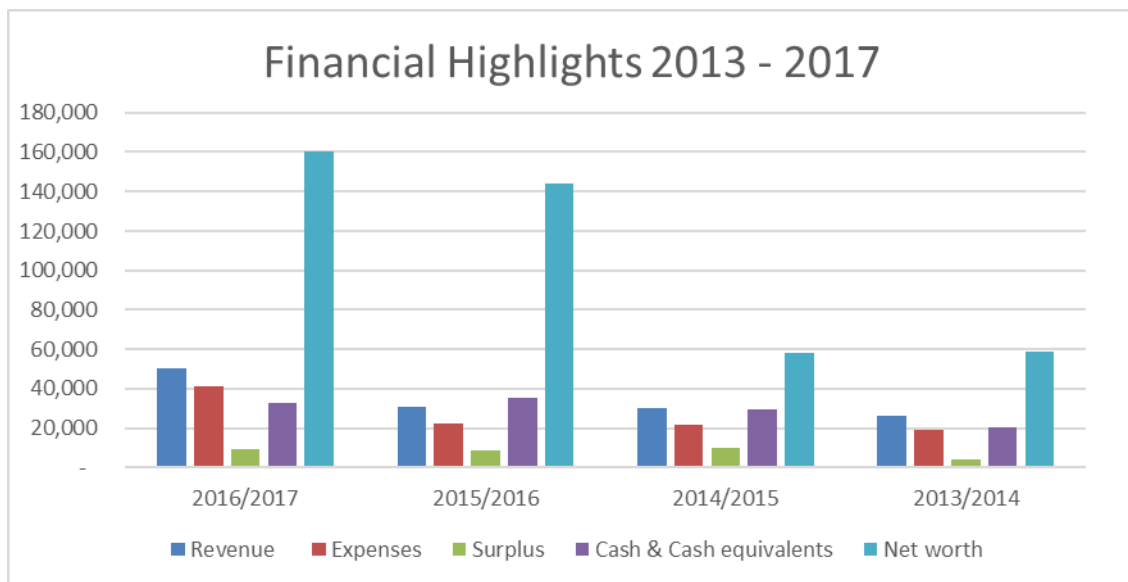
DECEMBER 31, 2017

The Cayman Islands Airports Authority's (CIAA) discussion and analysis provides an overview of the CIAA financial activities for the fiscal period ended December 31, 2017. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the CIAA's financial statements.

Financial Highlights

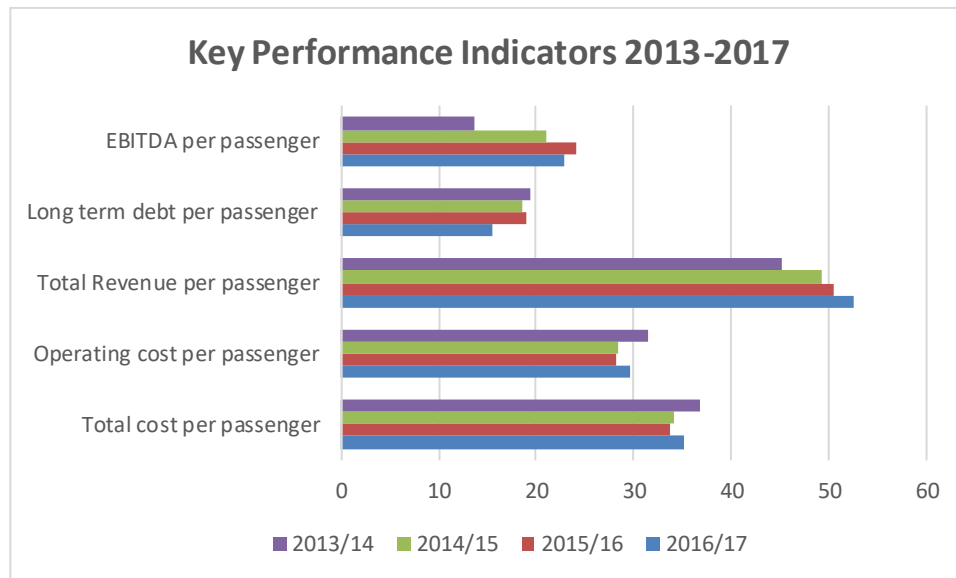
	2016/17*	2015/2016	2014/2015	2013/2014
Revenue	50,175	30,912	29,955	26,463
Expenses	41,096	22,481	21,500	18,968
Surplus	9,079	8,431	10,017	4,427
Cash & Cash Equivalents	33,059	35,181	29,242	20,696
Net Worth	160,417	144,205	57,997	58,573

* 18 months



Key Performance Indicators (KPIs)

KPIs represent a set of measures focusing on those aspects of organizational performance that are the most critical for the current and future success of the CIAA operations and are listed below.



The KPIs indicate that the CIAA has exceeded the 2013 baseline position for the key airport financial productivity and commercial indicators. Coming from a low in 2013, the CIAA has been challenged in the intervening years but has managed to keep costs on budget and within comparable limits of the previous years without compromising on operational and safety standards. This achievement shows the CIAA's commitment to the Cayman Islands of maintaining fiscal responsibility. It is almost important to note that the success of the 20-year redevelopment project as outlined in our OBC requires that the capital expansion is internally funded.

Overall Performance

The Authority's financial year was changed from 30 June to 31 December as a result of an amendment to the Public Management and Finance Law (2013 Revision) passed by the Legislative Assembly on 27 March 2017.

Accordingly, the financial statements have been prepared for the 18-month period ended 31 December 2017 including the transition period, 1 July 2016 – 31 December 2016. The 12-month period ended 30 June 2016 is therefore not entirely comparable to the 31 December 2017 numbers.

Profit before depreciation for the year ended December 31, 2017 were \$21.0 million compared to budget \$7.9 million. Incremental passenger volumes over the period were the most significant factors impacting the profit before depreciation for the year.

The Authority recorded a depreciation of \$11.8 million in 2017 in line with the projected depreciation of the terminal building and related facilities over their estimated economic lives. After subtracting depreciation, the Authority generated net profit of \$9.1 million in 2017.

The Authority's net operating results for the year ended 31 December, 2017 are summarized as follows.

Net Operating Results	(\$ in millions)			2015/16 2016
	Actual	Budget	Variance	
Revenue	50.2	47.5	2.7	31.0
Expenses before Depreciation	29.2	29.2	(0.0)	19.6
Profit before Depreciation	21.0	18.3	2.7	11.4
Depreciation	11.8	5.2	6.6	2.9
Net Profit	9.2	13.1	(3.9)	8.5
Total Assets	192.4	124.6	67.8	96.5
Long- term Debt	0.3	0.2	0.1	12.6

Results of operations

During 2017, the Authority saw positive passenger volumes over 2016. The incremental arrivals were evident in domestic and international sectors. The Cayman economy experienced growth in the period under review as well. The Authority is closely monitoring the impact of the new passenger arrival boom in line with the existing ORIA redevelopment OBC in order to manage the incremental passenger growth in 2018 and beyond.

The following table summarizes passenger volumes over the 18 months.

Passenger Volumes	2017*	2016
Domestic	382,634	258,945
International	566,230	354,533
Total Commercial	948,864	613,478
Private	8,694	6,856
Grand Total	957,558	620,334
*18 months		

Revenue

The total revenue increased by 62% to \$50.2 million over the 18-month period in 2017 compared to \$30.9 million in 2016. The table below is an extract of significant revenues streams by category:

Revenue by Category				
<i>(\$ in thousands)</i>	2017	2016	Change	% Change
Travel tax	19,257	12,114	7,143	59.0%
Passenger facility charges	10,798	7,064	3,734	52.9%
Security tax and terminal facility charges	9,686	5,108	4,578	89.6%
Aircraft handling income	5,505	3,435	2,070	60.3%
Rent	1,366	1,000	367	36.7%
Permits and Parking	1,308	779	529	68.0%
Petrol Concession	1,373	929	445	47.9%
Other Revenue	818	439	378	86.1%
	50,110	30,867	19,243	62.3%

The travel tax \$19.3 million in 2017 increased by 59% from \$12.1 million in 2016. The increase of \$7.1 million was attributable mainly to increases in passenger volume over the extended 18-month period under review.

At \$45.2 million in 2017, total aeronautical revenues, which includes passenger Facility Charges (PFC) security tax & terminal facility charges and Aircraft handling income were 63.2% higher than the revenues of \$27.7 million in 2016. The impact of increase in security charges by 89% which effect from Nov 2016 and increased passenger movements and air traffic during the period.

Rental revenues of \$1.4 million increased 36.7% compared to 2016. Increases were attributable to favorable lease renewal activities with existing tenants during the period.

Permits and parking revenue increased to \$1.3 million from \$.78 million in 2016, an increase of \$.53 million or 68%. The increase was released from the implementation of the metered parking lots. The current rate structure focused on passenger's profile and their specific needs. Domestic passengers tend to park for shorter periods of time for business and leisure purposes and international passengers park at the airport for longer periods of time.

Petrol concession revenues of \$1.4 million increased 47.9% compared to 2016. The revenue derived from aviation fuel concessionaires based on numbers of gallon sold. The increase is mainly from increased air traffic coupled with increased maximum takeoff weights.

Other revenue of \$4.9 million increased by \$1.7 million and is attributable to natural growth in miscellaneous sales with 18 months inflows from the newly implemented meet and greet service.

Expenses

The total expenses increased by 82.8% to \$41.1 million in 2017 compared to \$22.5 million in 2016. The table below is an extract of significant expenses by category:

Expenses by Category				
<i>(\$ in thousands)</i>	2017	2016	Change	% Change
Salaries and Wages	12,412	8,112	4,300	53.0%
Repairs Maintenance & Utilities	3,075	1,955	1,120	57.3%
Passenger Screening	2,341	1,086	1,255	115.6%
Past service pension expenses	413	333	80	24.0%
Pension Contributions	1,767	1,184	583	49.2%
	20,008	12,670	7,338	57.9%

*2017 – 18-month period, 2016- 12-month period

The cost of salaries and wages increased 53.6% from \$11.8 million in 2016 to \$18.1 million in 2017. Increases resulted from increased headcount in airport operations from 172 to 179 and an additional period of six months under review.

Repairs, maintenance and utilities cost increased to \$ 3.1 million from \$2.0 million in 2016. The increase is primarily due to an additional six months under consideration as well as volume and contracted rate increases for terminal services, including building repairs, maintenance contract cost, and other outsourced professional services. Utility consumption levels have reduced in general in all areas of operations. However, fuel factor charges slightly increased by CUC.

Passenger screening has increased by 115.6% and reflects the impact of increased passenger volumes and the performance for the additional six months period under consideration. In addition, new security requirements were introduced to comply with international standards during the 18-month period.

Capital Expenditure

In accordance with the Authority's mandate, all passenger facility fees (PFC) earnings are retained and reinvested in the ongoing airport development including investment in property plant and equipment to meet ongoing operational requirements. During 2017, the Authority added \$35.5 million worth of capital expenditure with respect to the ongoing terminal expansion project work and other lifecycle projects.

Contractual Obligations

The Authority has operating commitments in the ordinary course of business requiring payments of short and long-term debts payable to the European Community obtained for the purpose of redevelopment of Cayman Brac airport in 1981 and 1987 respectively. The total liability as at 31 December 2017 was \$.20 million. Both loans are managed through the CIG-Treasury Department on behalf of the airport.

Risk and Uncertainties

The Authority will continue to face certain risks beyond its control which may or may not have a significant impact on its financial condition. Airport revenue is largely a function of passenger volumes. Passenger volumes are driven by air travel demand. The past several years Cayman has experienced increased passenger volumes. However, travel demand is impacted by external factors such as economic conditions, health epidemics, geopolitical unrest, government regulations, and the price of air fares, taxes on airline tickets and the financial uncertainty of the airline industry. Those risks are somewhat mitigated each year by increasing passenger volume diversification through Cayman airports (i.e., originates or terminates) and greater percentage of business travelers, whose travel decisions are less discretionary than those of leisure travelers.

Aviation Liability Insurance

The Authority has obtained adequate airport insurance liability to cover bodily injury /property damage/ personal injury to third parties arising out of all aviation operations at Cayman airports and other locations in the course of their duties.

Organisational Overview

The Cayman Islands Airports Authority (CIAA or the Authority), established by the Cayman Islands Government in July 2004, is a statutory authority under the Ministry of District Administration, Tourism & Transport. The CIAA owns and operates two international aerodromes, Owen Roberts International Airport (ORIA) on Grand Cayman and Charles Kirkconnell International Airport (CKIA) on Cayman Brac.

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 and to provide support and accommodation to those agencies involved in border control.

ORIA commenced commercial operations in 1952 and is the major gateway linking the Cayman Islands to destinations world-wide, providing the main point of entry and exit to Grand Cayman, Cayman Brac and Little Cayman.

ORIA plays a major role in the Islands' tourism and financial sectors, annually catering to approximately 25,146 commercial and private aircraft movements and processing approximately 1,095,586 passenger movements, which include tourists, business visitors and residents alike. In addition, ORIA processes approximately 1,521,615 pounds of cargo and 286,744 pounds of mail. These figures highlight the importance of the Airport in sustaining the community, which is heavily dependent on imported goods.

Aerodrome services are provided to a variety of private and commercial customers, including the Islands' national flag carrier, Cayman Airways, various international airlines, local and international charter aircraft, private aircraft, government and military, local businesses, various Cayman Islands Government bodies and the general public.

Airlines serving the Cayman Islands with weekly, daily and charter services to international destinations include Cayman Airways, Air Canada, American Airlines, British Airways, Delta Airlines, JetBlue Airways, Southwest, United Airlines and WestJet. Cayman Airways Express services domestic flights to the sister islands Cayman Brac and Little Cayman.

The General Aviation Terminal (GAT) caters to private aircraft and is also home to the Cayman Islands National Weather Service (CINWS). There is one Fixed Based Operator at GAT, Island Air Ltd., which handles most private aircraft movements on behalf of the CIAA and provides a full range of arrival and departure services to Private, Corporate/Business, Air Cargo, Air Ambulance and Military and Government flight operations.

The 2017 Atlantic Hurricane Season caused major destruction in several neighboring Caribbean islands, and relief efforts were put into high gear to offer assistance to those in need. In September 2017, the U.S. Marine Corps sent a force of 40 Marines in Sikorsky helicopters, the heaviest in the U.S. arsenal, to help in the regional humanitarian relief mission. The team touched down at Owen Roberts International Airport for a short time as their staging area, along with five other American aircraft. During hurricane season 2017, GAT accommodated over 50 flight operations that were involved in rescue and/or relief missions.



U.S. Marines arrive in helicopters at Owen Roberts International Airport in Grand Cayman as part of regional hurricane-relief efforts.



U.S. Marines provided hurricane relief during the active 2017 Atlantic season.

More tourists arrived in the Cayman Islands by air in November 2017 than in any other November on record. The Department of Tourism stated that for the sixth consecutive month – June through November – air arrivals surpassed all previously recorded statistics, with 34,999 visitors arriving in November, an increase of 19.66 percent over November 2016.



November 2017 saw the busiest November on record for air arrivals at ORIA.

The CIAA is dedicated to providing its customers with professional, innovative airport services and facilities in a safe, efficient manner and being a catalyst of economic development for the Cayman Islands.

Our Mission

To continuously improve our customers' 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.

Our Vision

To bring excellence to your airport experience.

Our Core Values

Accountability: We will account for our actions, accept individual and team responsibilities and disclose results irrespective of the outcome.

Commitment: We will be dedicated to our team, its mission, vision and strategy.

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

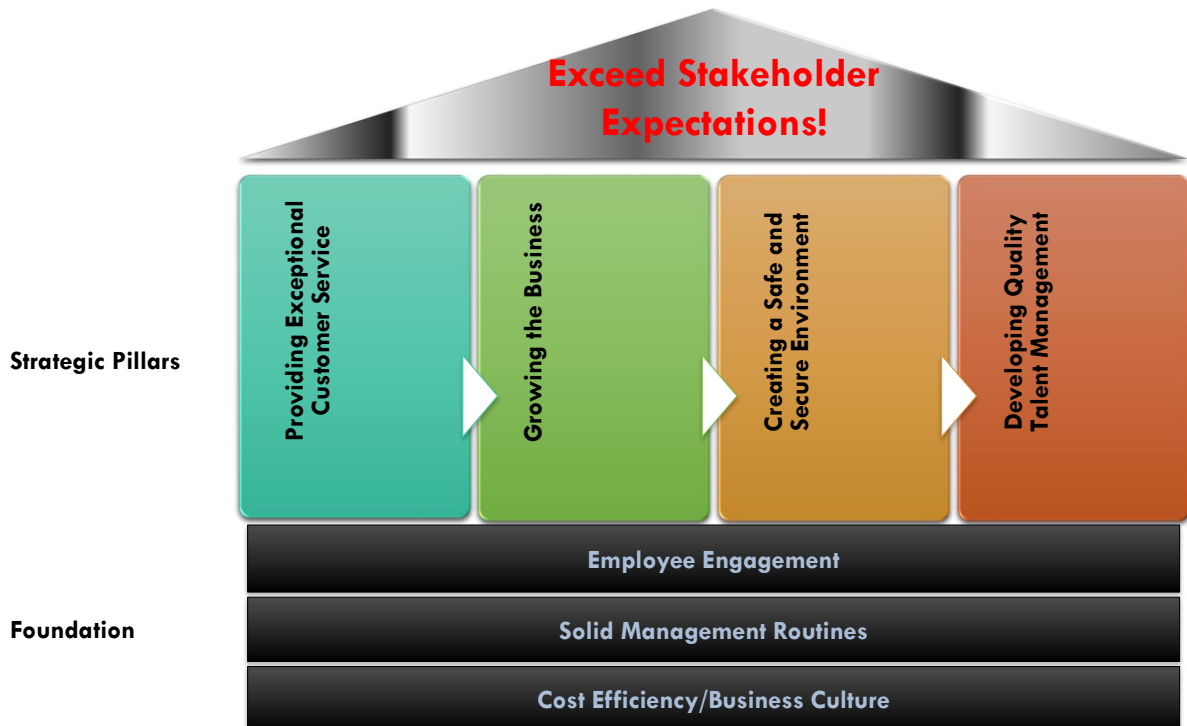
Professionalism: We will carry ourselves with respect and maturity and we will work with knowledge and confidence.

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

Strategic Objectives

The Cayman Islands Airport's Authority Strategic Plan defines the organization's vision, mission and core values, core strategic goals with action plans to achieve those goals which are assigned by department.

The core strategic goals are built around four key Strategic Pillars that support an overall objective of "Exceeding Stakeholder Expectations". These Strategic Pillars sit on a solid foundation of standard business practices and governance that should be a part of any successful business.



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 being good to world-class.

Strategic Pillar One – Providing Exceptional Customer Service

Providing excellent customer service is key to the CIAA’s Mission and Vision and great strides have been made in improving this at our airports. At ORIA in 2016 an Airport Service Quality survey was done in order to measure passengers’ satisfaction while they were at the airport. The resulting report provided information on how passengers rated the services provided at ORIA, how it compares to other similar airports in the region and world, which services are of particular importance to our passengers and, after we do a few of these surveys we will be able to see how passengers’ perceptions and priorities are evolving over time. All of this information will enable the management team to make improvement to meet and exceed the expectations of passengers. At a very high level, the following results came through:

Important areas to improve relatively **weak** performance:

Internet access/Wi-Fi (3.56)
Comfort of waiting/gate areas (3.35)
Restaurant/Eating facilities (2.94)
Availability of washrooms/toilets (3.59)

Important areas to maintain relatively **strong** performance:

Waiting time in check-in queue/line (4.08)
Waiting time at security inspection (4.13)
Cleanliness of washrooms/toilets (3.72)
Ease of finding your way through airport (4.03)
Feeling of being safe and secure (4.27)
Waiting time at passport/ID inspection (4.18)
Efficiency of check-in staff (4.22)
Courtesy and helpfulness of security staff (4.12)

In addition to this survey, airport specific customer service training was provided to all staff at both airports in November 2016, which had an immediate impact on all areas of the airport.

The CIAA’s customer service team, supported by colleagues from other departments, have worked diligently throughout the year as the space at ORIA has become more and more restricted, to assist passengers and help them endure the challenges of the terminal construction. To their credit, complaints have been at a minimum and passengers appear to be for the most part taking it all in stride.

The CIAA’s concierge “Meet and Greet” service is provided, at extra cost, to passengers who wish to be fast-tracked through check-in and Security on departures, and through Immigration and Customs on arrival so that they avoid the queues. This service was introduced in 2015 and took root in 2016. In the calendar year 2017 it grew exponentially and has made a significant contribution to the CIAA’s top-line revenue numbers for the year.

Customer Service Events

The 40th Annual Cayman Islands Pirates Week Festival was held in November 2017, which saw nearly 35,000 air arrivals at ORIA in that month alone. The festivities on Grand Cayman included five fun-filled days of music, street dances, competitions, games, traditional dishes and drinks, a Pirate Pooch Parade, a children’s fun day, teen dance, two glittering parades, sporting events for all ages, a pirate

invasion and spectacular fireworks displays! Arriving passengers at ORIA during Pirates Week were greeted by the CIAA's Customer Service team and enthusiastic pirates who offered free rum punch and souvenirs.



The CIAA's Customer Service team and other staff volunteers donned their best pirate attire to meet and greet arriving passengers during Pirates Week.

Strategic Pillar Two – Growing the Business

During the period total revenue exceeded budget by approximately 5%. The key revenue sources performed as expected but the approximately \$3M increase in revenue over the budgeted amount was driven by increased passenger numbers on departure driving higher aeronautical revenue, and increases in non-aeronautical revenue from discretionary spend items such as car park revenue and meet and greet revenue.

Much time and effort during this period was put into developing a revenue share model for the new concessions programme at ORIA. This was the basis of the RFP which was put out in 2017 and it is expected to bring a significant increase in revenue to the CIAA from the programme. The fruits of this are expected to be in calendar year 2019 over time this programme could add significantly to the top line.

Airport advertising continues to be a strong earner, despite the minimum guarantee never being exceeded. The contractor, Clear Channel, has managed to keep all the advertising spaces occupied most of the time and maintain a steady stream of revenue, albeit not triggering anything more than the Minimum Annual Guarantee (MAG).

Strategic Pillar Three – Creating a Safe and Secure Environment

The CIAA's focus on safety is strong and this is evident by the daily measures that are taken to ensure that both the airside and the landside are safe zones for our passengers, partners and colleagues to operate in. In April 2017, the Civil Aviation Authority of the Cayman Islands (CAACI) conducted an audit of the two aerodromes, ORIA and CKIA and while there were issues found it was clear that much progress had been made and the confidence of the CAACI in the CIAA's capability to maintain a safe environment for aviation operations had increased significantly.

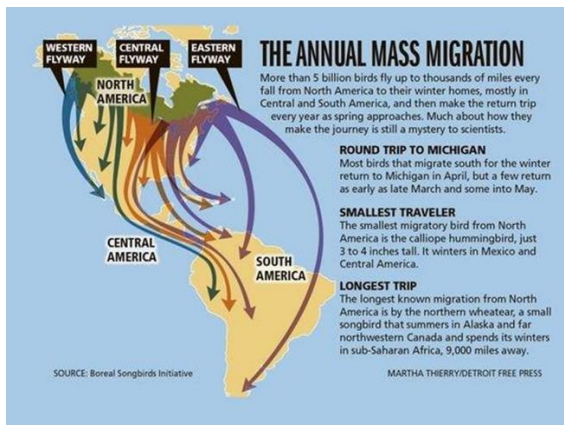
Each year the CIAA conducts mandatory refresher safety training for all airport employees in February in Cayman Brac and in March in Grand Cayman. Participants are reminded of the importance of safety in aviation and review common procedures, while being introduced to new safety initiatives for the coming year. Training includes subjects such as:

- Safety Management Systems (SMS) Fundamentals
- Human Factors in SMS
- Hazard and Risk Mitigation
- Dealing with Stress
- Requirements for Airport Certification
- Airport Emergency Plan (AEP), Wildlife, and Apron Management Procedures

This repetitive process ensures that everyone who works at the airports has safety as a priority and is trained in the latest initiatives to keep the operating environment safe.

Wildlife Hazardous Management

Every year the Cayman Islands experiences an influx of birds during their annual migration from North to South in the fall. Unfortunately, this relates to an increase in bird activity on our airports. In the worst case scenario these birds sometimes get in the way of landing or taking off aircraft and are sometimes ingested in the aircraft engine. Damage from hazardous wildlife costs the airline industry over a billion dollars a year that must be recouped in ticket prices. At our airports, the CIAA manages the Hazardous Wildlife Programme and each year meets with the general public to increase awareness of this hazard to aviation while explaining our mitigation methods and discussing possible improvements with suggestions from the general public.



An influx in birds is witnessed near or on the runway during their annual migration from the North to the South.

Airport Safety Preparedness

To comply with international standards, the CIAA stages a full-scale emergency exercise every two years at ORIA in Grand Cayman and at CKIA in Cayman Brac. These exercises, which include simulated aircraft crashes, test the ability of airport staff and emergency response teams to work together to form an organised response to save lives. In November 2016, representatives from Hazard Management Cayman Islands/Sister Islands Emergency Committee, RCIPS, HM Customs, Cayman Islands Red Cross, Faith Hospital and Cayman Airways joined 34 volunteers (consisting of local residents and Cayman Brac High School students acting as crash victims) came together to conduct a Full-Scale Airport Emergency Exercise. The local regulators from the Civil Aviation Authority were extremely pleased with the results of the exercise, which included emergency response for victims, a water-based search and rescue element utilizing assistance from local boat owners and emergency evacuation to Faith Hospital by Emergency Medical Services. Volunteers were awarded with certificates of appreciation and a special ceremony was conducted at Cayman Brac High School to thank the students for participating.



High school students and first responders take part in a mock emergency exercise in Cayman Brac.

Airport Security Measures

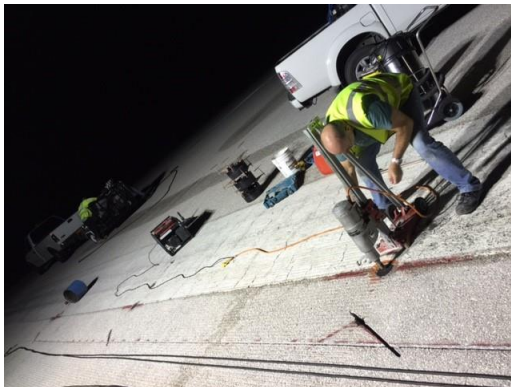
Airport security is just as important to the CIAA as safety is. Security regulations are enforced at the CIAA by the UK Overseas Territories Regulator Air Safety Support International (ASSI). In August of 2017 ASSI completed an audit of the CIAA's security operations and processes and highlighted some challenges that had to be addressed promptly, primarily at ORIA. This was accordingly done over a three-month period, bringing the airport in line with the relevant regulations.

In order for ORIA and CKIA to operate as "Last Points of Departure (LPD)" into the USA, security requirements of the U.S. Transportation Security Administration (TSA) must be met. In July 2017 new security measures were put in place at Owen Roberts International Airport to comply with directives from the TSA, which require heightened screening of personal electronic devices, such as iPads and Kindles. These enhanced measures will help to secure all commercial flights departing from 280 airports that serve as the Last Points of Departure to the United States.

Runway Safety

In 2016, the CIAA commenced the final physical changes to the existing runway surface at ORIA to provide the required Runway End Safety Area (RESA) as mandated by international civil aviation regulation.

The CIAA made the necessary adjustments to the existing runway by moving the previous runway threshold 124 meters to the west. This required the placement of inset Aeronautical Ground Lights to depict the new runway end for visual guidance to flight crews operating at night and during periods of reduced visibility. All works were completed during the aerodrome closure, thereby not affecting the daily flight operations.



Runway surface works involved channels being cut into the asphalt to insert the required electrical conduit.

During the year, the CIAA's Airport Operations unit, in collaboration with the Lands & Survey Department, created a new visual display aid for identifying protected airspace surrounding both aerodromes. This action safeguards the Airport by ensuring a close collaboration with the Central Planning Authority and that prospective developers do not introduce new and unmovable obstacles to the Airport environment, thus reducing the Airport's usability of the runway.



A new runway visual display was created to identify protected airspace surrounding both aerodromes.

FOD Clean Up

Foreign Object Debris (FOD) costs the airline industry over \$1 billion per year in damage to aircraft. Every six months, the CIAA organises a FOD Walkabout to bring awareness to this serious hazard, as well as to clear its aircraft operating surfaces from unnecessary debris. In December 2017, Airport partners came together for this purpose and successfully removed FOD one helping hand at a time.



A FOD team assembles at the Airport to begin clean up.

Environmental Awareness and Climate Change

In keeping with its goal of being a good corporate citizen, the CIAA has engaged in implementing an Environmental Awareness Programme at the Airport. The purpose of the programme is to ensure processes at the Airport are not harmful to the environment and that dangerous substances are used and disposed of properly. The Chief Safety Management Officer joined other Caribbean nations in attending a United Nations sponsored Conference on Climate Change. The meeting was held in Bridgetown, Barbados and everyone who attended gained valuable insight into the effect of global warming on climate change and business continuity.



Attendees in Barbados learn about the effects of Global Warning on climate change.

Strategic Pillar Four – Developing Quality Talent Management

Our People

The Cayman Islands Airports Authority recognises that its staff are its greatest asset and seek to achieve excellence through encouraging effective communication, enhancing employment relations, fostering a culture of learning, ensuring compliance with best practices of people management and implementing staff incentives and productivity schemes.

The CIAA currently employs 183 staff members. The majority of its employees, with 107 being male and 76 being female, are Caymanian/Caymanian Status holders. Two of its employees hold work permits and six have Permanent Residency. The current age range is between 20-65 years of age.



Six newly recruited young Caymanians joined the CIAA in roles at the Airports in Grand Cayman or Cayman Brac.

The CIAA implemented an Employee Recognition programme in October 2015 to acknowledge the outstanding efforts of selected staff members, which was revitalized in 2017 with the appointment of a diverse Rewards & Recognition Committee. The Committee is empowered to coordinate a host of supporting events and initiatives to assist with the recruitment and retention of talent for the CIAA and to recognize its long-serving employees.



CIAA's long-serving employees received recognition for achieving five to 35 plus years of service.

During the period, the CIAA renegotiated the terms of renewal for Group Health Insurance with Aetna and worked with its broker, Marsh, to monitor utilisation trends and promote various wellness programmes and awareness. Savings were achieved for the CIAA and its employees, and a separate Plan was established for eligible retirees.

A new Performance Management system, “Developing for Performance”, was utilised during this period, which leverages other existing systems such as Performance Agreements, Learning/Development Maps, and Performance Assessments. This system ensures that employees are armed with the knowledge and tools to do their jobs and know exactly what is expected of them. They are assessed against their Performance Agreement at the end of the year and graded accordingly. These Performance Agreements are aligned with the action plans that are developed out of the organisation’s strategic objectives, thus providing the greatest chance of success.

Employee Development and Engagement

The CIAA supports a wide range of on and off the job learning and development programmes annually, designed to instill knowledge, provide the necessary skills required to succeed on the job and facilitate high quality performance and to maintain its status as an industry leader in aviation services. It is with these goals in mind that the CIAA has also committed to developing a quality talent management programme and adopting an approach to engage staff not only through training but also through quarterly staff meetings, developmental workshops, regular input into strategic planning processes and transferring or promoting from within.

A senior manager, who has been an employee of the CIAA for 10 years, recently completed his studies for a Master’s (MSc.) degree in Airport Planning & Management at Cranfield University in the UK, on a fully-funded basis by the CIAA. He began his studies in September 2016, undertaking an extensive battery of courses, group projects and a Thesis, and completed the academic portion in October 2017. After which time he was attached to three UK airports for customized job-shadowing stints and also accompanied and observed an airport audit by the UK Civil Aviation Authority until early December 2017.

Another exciting milestone involved the success within a cohort of CIAA employees who began studies in early 2016 for the Level 3 Certificate in the Institute of Learning & Management (ILM), an internationally recognised professional accreditation. The course was offered through the Civil Service College, and the Instructor for the entire duration of the programme was Graeme Jackson of the Portfolio of the Civil Service. A number of Level 2 and Level 3 modules were covered in the programme. Of the cohort of students, six thus far were successful in completing Level 3, with three from ORIA and three from CKIA. The students completed the level 3 in six months, which is an achievement in itself, but in addition the CIAA students were commended by the external Verifier for producing exceptional work of a very high international standard.

In Cayman Brac at CKIA, there is excitement as the succession plan for the Airport Operations Officer (AOO) Designate is nearing completion. For the past 15-plus months, he has been undergoing a robust programme of on-the-job mentoring and coaching, augmented by academic work and assignments. Throughout that time, he has been closely supported by the Airport Operations Officer and the CKIA Airport Manager. He also attended international symposia as well as visiting ORIA on a few occasions to participate in work assignments, as well as to be exposed to all of the critical operational aspects of a larger airport. Thus far the individual and group assessments of his work projects and job-shadowing assignments have been positive, and he is expected to assume the substantive post of Airports Operations Officer in early 2018.

Additionally, the Chief Safety Management Officer is now a qualified ICAO (International Civil Aviation Organization) Universal Safety Oversight Audit Program CMA Inspector. This internationally-recognized designation allows him to operate at a higher level in his role at both the ORIA and CKIA and also, if he chooses, to participate in safety audits of other eligible airports.

In November 2017, the CIAA was represented at the 2nd International Civil Aviation Organization (ICAO) Global Runway Safety Symposium in Lima, Peru. This global event was attended by over 300 persons representing 200+ airports from 73 countries. The Airport Operations Manager was a presenter on Panel 6, which provided a report on the status of implementation of airport runway safety teams (RST), discussing the benefits in safety performance after initiating a RST and the integrations with an airports Safety Management System (SMS).

ORIA Redevelopment & Expansion Project

Owen Roberts International Airport on Grand Cayman is a vital part of the Cayman Islands' transportation system, providing reliable scheduled international, domestic and charter flights as well as cargo operations and general aviation services.

The Airport was originally built to accommodate a throughput of 500,000 passengers; however, it has long surpassed its maximum capacity for passenger and aircraft movements. Overcrowding is experienced throughout all areas of the airport with 1.2 million passengers being processed annually and results in an uncomfortable and inefficient travel experience for the customers. Additionally, with the increase in flight activity over the years, congestion occurs on the apron during peak hours.

The Cayman Islands Airports Authority Master Plan 2032 was formulated to address these concerns and the requirements of the organisation's commitment to progressive, sustainable and customer focused airport development to deliver significant economic benefits to the Cayman Islands. These benefits include improved customer flow and satisfaction, increased stay-over visitor spending, increased revenues for Cayman Islands Government, job opportunities, increased opportunities for additional aircraft and greater overall profitability for the CIAA.

The \$55 million redevelopment of the Owen Roberts International Airport is the first step in the Master Plan 2032 with other phases to include business process engineering and sustainability. Categorised as a "Major Project" under the PMFL, the project is managed by the Major Projects office of the Public Works Department, with a dedicated Senior Project Manager assigned to the project. Phase One started in September 2015 and includes a new baggage handling screening area along with offices and a second floor mechanical room. Phase Two will be carried out in sub-phases to enable the terminal to remain fully functional, safe and secure throughout the construction periods.

In December 2017, a major milestone was met with the opening of the new check-in area. American Airlines, Southwest and British Airways were the first airlines to move over into this expanded area as construction work continues in their prior locations. The entire project is expected to be completed in 2018 with the airport almost tripling in size to over 207,000 square feet.



The newly expanded check-in area at Owen Roberts International Airport opened for business in December.

The Owen Roberts International Airport redevelopment and expansion project underway.



Rendering of the new Owen Roberts International Airport, slated for completion in December 2018.



Board & Management Team

Management Team

Chief Executive Officer	Mr. Albert Anderson
Chief Airport Operations Officer	Mr. Wayne DaCosta
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

Board of Directors

Chairman	Mr. Kirkland Nixon (Deceased)
Deputy Chairman	Mr. Thomas Guyton
Director	Mr. Joel Jefferson
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
Director	Mr. George Hunter
Director	Mr. Charles Clifford



CIAA Board Members and Officials

Back row left to right: Roy Williams, Senior Project Manager; Perry Powell, Deputy Chief Officer; George Hunter; Charles Clifford, Collector of Customs; David Wight, Councilor to the Minister; John Meghoo; Nathaniel Tibbetts; Vanessa Godfrey-Banks; Jonathan Jackson, Chief Officer. **Front row left to right:** Albert Anderson, CEO; Thomas Guyton, Deputy Chairman of the Board; Moses Kirkconnell, Deputy Premier Minister of DATT (District Administration, Tourism and Transport); Kirkland Nixon, Chairman of the Board.

Financial Statements and Analysis



Financial Statements

For the 18-month period ended 31 December 2017

**Cayman Islands Airports Authority
Financial Statements
18-month period ended 31 December 2017**

TABLE OF CONTENTS

Statement of Responsibility for the Financial Statements	Page 1
Auditor General's Report	Page 2-3
Statement of Financial Position	Page 4
Statement of Comprehensive Income	Page 5
Statement of Changes in Equity	Page 6
Statement of Cash Flows	Page 7
Notes to the Financial Statements	Page 8-55



STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
31 December 2017

These financial statements have been prepared by the Cayman Islands Airports Authority (CIAA) in accordance with the provisions of the *Public Management and Finance Law (2018 Revision)* and the *Airports Authority Law (2005)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2018 Revision)*.

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

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

The financial statements fairly present the financial position, financial performance and cash flows of the Cayman Islands Airports Authority for the financial year ended 31 December 2017.

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

- (a) Completely and reliably reflect the financial transactions of Cayman Islands Airports Authority for the 18-month period ended 31 December 2017;
- (b) Fairly reflect the financial position as at 31 December 2017;
- (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 has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.

A handwritten signature in blue ink, appearing to read "Thom Guyton", is written over a horizontal line.

Thom Guyton
Chairman (Board of Directors)

Date: 30 July 2021

A handwritten signature in blue ink, appearing to read "Albert Anderson", is written over a horizontal line.

Albert Anderson
Chief Executive Officer

Date: 30 July 2021

A handwritten signature in blue ink, appearing to read "Sheila Thomas", is written over a horizontal line.

Sheila Thomas
Chief Financial Officer

Date: 30 July 2021

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands Airports Authority

Opinion

I have audited the financial statements of the Cayman Islands Airports Authority (the "Authority"), which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 18-month period from 1 July 2016 to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 55.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cayman Islands Airports Authority as at 31 December 2017 and its financial performance and its cash flows for the 18-month period from 1 July 2016 to 31 December 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Authority in accordance with the 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.

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

Management is responsible for the preparation of the 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)

Auditor's 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 auditor's 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 my 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 my auditor's 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 my auditor's 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 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.



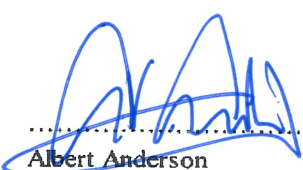
Sue Winspear
Auditor General

30 July 2021
Cayman Islands

Cayman Islands Airports Authority
Statement of Financial Position
As at 31 December 2017
(In Cayman Islands dollars)

	<u>Note</u>	<u>31 December</u> <u>2017</u>	<u>30 June</u> <u>2016</u>
ASSETS			
Current assets			
Cash and cash equivalents	5	30,998,774	33,128,922
Term deposits	5(b)	2,060,061	2,052,362
Accounts receivable	6	17,463,191	23,456,465
Other receivables and prepaid expenses		3,066,173	1,206,711
		<u>53,588,199</u>	<u>59,844,460</u>
Non current assets			
Property, plant, equipment and intangible assets	7	138,785,998	115,222,995
TOTAL ASSETS		<u>192,374,197</u>	<u>175,067,455</u>
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	8	35,056	33,100
Accounts payable and accrued expenses	9	7,128,171	3,134,089
Weather radar fund	10	-	475,083
		<u>7,163,227</u>	<u>3,642,272</u>
Non current liabilities			
Long-term debt	8	223,953	247,998
Unfunded pension liability	11	8,807,000	12,412,000
Unfunded healthcare obligations	12	15,763,000	14,560,000
		<u>24,793,953</u>	<u>27,219,998</u>
TOTAL LIABILITIES		<u>31,957,180</u>	<u>30,862,270</u>
Equity			
Contributed capital		34,675,212	32,285,399
Retained earnings		43,142,699	34,104,680
Asset revaluation surplus	7	80,649,106	80,649,106
Other comprehensive income/(loss)		1,950,000	(2,834,000)
		<u>160,417,017</u>	<u>144,205,185</u>
TOTAL LIABILITIES AND EQUITY		<u>192,374,197</u>	<u>175,067,455</u>

Approved


Albert Anderson

Chief Executive Officer

Date: 30 July 2018



Sheila Thomas

Chief Financial Officer

Date: 30 July 2018

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

Cayman Islands Airports Authority
Statement of Comprehensive Income
For the 18-month period ended 31 December 2017
(In Cayman Islands dollars)

	<u>Note</u>	<u>31 December 2017</u>	<u>30 June 2016</u>
REVENUE			
AERONAUTICAL INCOME			
Passenger fees and charges		39,740,894	24,285,954
Aircraft handling income		5,505,040	3,434,722
Total AERONAUTICAL INCOME	13 (a)	<u>45,245,934</u>	<u>27,720,676</u>
NON-AERONAUTICAL INCOME			
Property rental and concession management		2,739,497	1,927,978
Fees and charges		2,125,457	1,217,927
Interest earnings		56,848	20,771
Sundry		7,557	24,517
Total NON-AERONAUTICAL INCOME	13 (b)	<u>4,929,359</u>	<u>3,191,193</u>
TOTAL INCOME		<u>50,175,293</u>	<u>30,911,869</u>
EXPENSES			
Staff Costs	14	18,102,539	11,783,548
Administrative and overheads			
Depreciation	7	11,835,029	2,860,610
Repairs and maintenance		3,074,618	1,954,513
Passenger screening		2,341,070	1,085,505
Utilities		1,906,518	1,213,924
CAA certification		1,511,815	1,011,707
Training		657,143	268,853
Legal and professional fees	15	557,444	247,668
Property and liability insurance		540,954	351,688
Security		273,130	-
Printing and stationery		167,351	94,986
Miscellaneous		148,343	138,151
Loss on disposal of property, plant, equipment and intangible assets		94,018	-
Travel and subsistence		7,176	15,199
Loan interest		4,140	3,104
Loss on revaluation of property, plant, equipment and intangible assets	7	-	930,540
Bad debt expense		-	520,499
Foreign exchange losses/(gains)		(125,138)	803
TOTAL EXPENSES		<u>41,096,149</u>	<u>22,481,298</u>
NET INCOME before:		<u>9,079,144</u>	<u>8,430,571</u>
OTHER COMPREHENSIVE INCOME / (LOSS)			
Gain on revaluation of property, plant, equipment and intangible assets	7	-	80,649,106
Remeasurement of employee benefit obligation	11	4,018,000	(1,017,000)
Remeasurement of healthcare benefit obligation	12	766,000	(1,854,000)
COMPREHENSIVE INCOME FOR THE PERIOD		<u>13,863,144</u>	<u>86,208,677</u>

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

Cayman Islands Airports Authority
Statement of Changes in Equity
For the 18-month period ended 31 December 2017
(In Cayman Islands dollars)

	Notes	Contributed Capital \$	Retained Earnings \$	Other Comprehensive Income (Loss) \$	Asset Revaluation surplus \$	Total \$
Balance at 30 June 2015 (Restated)		32,285,399	25,674,109	37,000	-	57,996,508
Net Income for the year		-	8,430,571	-	-	8,430,571
Other Comprehensive Income / (Loss)						
Remeasurement of employee pension benefit	11	-	-	(1,017,000)	-	(1,017,000)
Remeasurement of employee healthcare benefit	12	-	-	(1,854,000)	-	(1,854,000)
Fixed asset revaluation	7	-	-	-	80,649,106	80,649,106
Balance at 30 June 2016		32,285,399	34,104,680	(2,834,000)	80,649,106	144,205,185
Prior period adjustment		-	(41,125)	-	-	(41,125)
Balance at 1 July 2016		32,285,399	34,063,555	(2,834,000)	80,649,106	144,164,060
Capital contributions		2,500,000	-	-	-	2,500,000
Capital withdrawals		(110,187)	-	-	-	(110,187)
Net Income for the period		-	9,079,144	-	-	9,079,144
Other Comprehensive Income						
Remeasurement of employee pension benefit obligation	11	-	-	4,018,000	-	4,018,000
Remeasurement of employee healthcare benefit obligation	12	-	-	766,000	-	766,000
Balance at 31 December 2017		34,675,212	43,142,699	1,950,000	80,649,106	160,417,017

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

Cayman Islands Airports Authority
Statement of Cash Flows
For the 18-month period ended 31 December 2017
(In Cayman Islands dollars)

	Note	31 December 2017	30 June 2016
Cash Flows from Operating Activities			
Net income for the period/year		9,079,144	8,430,571
Add items not affecting working capital:			
Loss on revaluation of property, plant, equipment and intangible assets	7	-	930,540
Loss on disposal of property, plant, equipment and intangible assets		94,018	-
Prior period adjustment		(41,125)	-
Provision for bad debts	6	-	520,499
Foreign exchange gains		-	803
Defined benefit expense	11, 12	2,382,000	1,477,000
Depreciation	7	11,835,028	2,860,610
		<u>23,349,065</u>	<u>14,220,023</u>
Net changes in non-cash working capital balances			
Decrease /(increase) in accounts receivable	6	5,993,274	(767,951)
(Increase)/decrease in other receivables and prepaid expenses		(1,859,462)	1,741,941
Decrease in weather radar fund	10	(475,083)	(1,754)
Increase/(decrease) in accounts payable and accrued expenses		3,994,082	(247,070)
Net cash generated from operating activities		<u>31,001,876</u>	<u>14,945,189</u>
Cash Flows from Investing Activities			
Investment in term deposit		(7,699)	(5,135)
Net additions to property, plant, equipment and intangible assets	7	(35,492,049)	(8,176,605)
Net cash used in investing activities		<u>(35,499,748)</u>	<u>(8,181,740)</u>
Cash Flows from Financing Activities			
Equity injection		2,500,000	-
Capital withdrawal	10	(110,187)	-
Repayment of loans	8	(22,089)	(40,525)
Net cash provided by/(used in) financing activities		<u>2,367,724</u>	<u>(40,525)</u>
(Decrease)/Increase in Cash and Cash Equivalents During Period/Year		<u>(2,130,148)</u>	<u>6,722,924</u>
Cash and Cash Equivalents at Beginning of Period/Year		<u>33,128,922</u>	<u>26,405,998</u>
Cash and Cash Equivalents at End of Period/Year	5	<u><u>30,998,774</u></u>	<u><u>33,128,922</u></u>
Supplementary information on Cash Flows from Operations			
Interest received during the period/year (Note 5 (b))		56,848	20,771
Interest paid during the period/year (Note 8)		4,140	3,104

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

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

1. Background Information

The Cayman Islands Airports Authority (“the Authority”) is a statutory body established on June 14, 2004 under The *Airports Authority Law (2005 Revision)* and began operations on July 1, 2004. The registered office of the Authority is 298 Owen Roberts Drive, P.O. Box 10098 APO, KY1-1001, Grand Cayman, Cayman Islands. The Authority had 179 employees as of 31 December 2017.

The Authority is principally engaged in the general management and operation of airports, air traffic, and navigation within the Cayman Islands as set out in the aforementioned law. The Authority currently operates two (2) airports, one on Grand Cayman and the other on Cayman Brac. In addition, the Cayman Brac Office oversees an airfield on Little Cayman.

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

Comparative Information:

The Authority’s financial year was changed from 30 June to 31 December as a result of an amendment to the Public Management and Finance Law (2013 Revision) passed by the Legislative Assembly on 27 March 2017.

Accordingly, the financial statements have been prepared for the 18-month period ended 31 December 2017 including the transition period, 1 July 2016 – 31 December 2016. The 12-month period ended 30 June 2016 is therefore not entirely comparable to the 31 December 2017 numbers.

2. Significant Accounting Policies

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

a) Basis of accounting

The financial statements of the Authority are prepared on an accrual basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board except for: (1) the revaluation of land and buildings [see (b) below] and (2) unfunded past service obligation [see (11) below].

The reporting currency is Cayman Islands Dollars and figures presented have been rounded to the nearest dollar.

The accounting policies are consistent with those used in the previous year except for measurement of land and buildings which were revalued in 2016.

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

b) Property, plant, equipment and intangible assets

Land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the statement of financial position date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in net worth to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in statement of comprehensive income, in which case the increase is credited to statement of comprehensive income to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to statement of comprehensive income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to statement of comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

Properties under construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Authority's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Computer Equipment	4 years
Computer Software	4 years
Furniture and Fixtures	3-12 years
Motor Vehicles	4-12 years
Equipment	5-20 years
Building Improvements	10-30 years
Building, Runways, Aprons and Car Parks	5-25 years

(i) Additions

The cost of an item of property, plant, equipment and intangible asset is recognized as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Work in progress is recognized at cost less impairment and is not depreciated.

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

b) Property, plant, equipment and intangible assets (continued)

(ii) Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Income.

(iii) Impairment

The carrying amount of the Authority's assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each Statement of Financial Position date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

c) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year of the revision and future years, where applicable.

d) Cash and cash equivalents

Cash and cash equivalents include cash on demand and all term deposits placed for not more than three (3) months.

e) Revenue recognition

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

f) Leases

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

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

g) Financial instruments

(i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents, term deposits, accounts receivables and other receivables. The classification of financial instruments at initial recognition depends on the purpose and managements intention when the asset was acquired.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise accounts payable and accrued expenses, unfunded pension obligation, loans payable and provisions.

(ii) Recognition

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

A. Cash and cash equivalents

For the purposes of the statement of cash flows, the Authority considers cash on hand and in banks to be cash and cash equivalents, as well as fixed deposits with original maturities of three months or less. Bank accounts held at same institution are presented at net amount.

B. Accounts receivable

A non-derivative financial asset with fixed or determinable payments and not quoted in an active market is classified as accounts receivable.

C. Accounts payable and accrued expenses

Accounts payable and accrued expenses will be classified as financial liability and are measured at fair value when goods or services have been received or invoiced, with any adjustments to the carrying amount going through the statement of comprehensive income.

(iii) Measurement

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

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

g) Financial instruments (continued)

(iv) De-recognition

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

h) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the reporting date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates ruling at the time of those transactions. Gains and losses on exchange are credited or charged in the Statement of Comprehensive Income.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Cayman Islands dollars at the foreign currency exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Cayman Islands dollars at the foreign exchange rates ruling at the dates that the values were determined.

i) Allowance for bad debts

The allowance for bad debts is established through a provision for bad debts charged to expenses. Accounts receivable are written off against the allowance when management believes that the collectability of the account is unlikely. The allowance is the amount that management believes will be adequate to cover any bad debts, based on an evaluation of collectability and prior bad debts experience.

j) Provisions

Provisions are recognized when Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

k) Employee benefits

The Authority's active employees receive free medical benefits while their dependants receive medical benefits in accordance with the Authority's policy for dependent beneficiaries.

The Authority provides post-employment benefits through defined benefit and defined contribution plan based on the Law and the individual employee's contractual entitlements.

Defined benefit plan

The Authority's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees, and mortality rates. When the calculation results in a net benefit asset, the recognised assets is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income (loss). The net interest expense on the net defined benefit liability for the period is determined by applying the discount rate applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

The discount rate used to value the defined benefit obligation is based on a combination of high-quality corporate bonds, in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations and the long-term rate of return of plan assets.

Defined contribution plan

The Authority's obligations for contributions to employee defined contribution pension plans are recognized in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

3. Financial Risk Management

For certain of the Authority's financial instruments, including cash and cash equivalents, other receivables, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. The Authority's activities expose it to various types of risk. The most important type of financial risks to which the Authority is exposed are as follows:

a) Credit risk

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

Financial assets that potentially subject the Authority to credit risk consist principally of, accounts receivable, and other receivables. The Authority is exposed to credit-related losses in the event of non-performance by counter parties to these financial instruments. However, the 74% of the receivables, relates to affiliates also 100% owned by the Cayman Islands Government. The remaining 26% is spread over approximately 72 customers, none significant enough to negative impact the Authority as a going concern. Accordingly, the Authority has no single significant third (3rd) party concentration of credit risk.

	Current	31 - 60 Days	61 - 90 Days	91- 180 Days	181-360	360+	Total
Govt	771,908	695,049	676,650	414,027	918,999	12,350,960	15,827,593
3rd party	1,435,761	170,254	113,088	270,454	340,985	116,729	2,447,271
Related	-	1,309	(3)	1,303	(979)	-	1,630
Gross Accounts Receivable	2,207,669	866,612	789,735	685,784	1,259,005	12,467,689	18,276,494

b) Interest rate price risk

All loans are third party loans with the European Community and are held and denoted in Euros (€). Details of rates and maturities are presented in Note 8. This interest rate will fluctuate from time to time in line with the general level of interest rates. The risk is managed by the Authority through the Cayman Islands Treasury as part of a larger portfolio of government debts. In addition, the Authority monitors the daily cash position to prevent overdraft positions. The Authority negotiated to receive preferred interest rates as part of the Cayman Islands Government agreement with its bankers. The Authority is subject to interest rate risk on cash placed with local institutions which attracts interests. This risk is managed by maintaining deposits in short, medium and long-term holdings based on projected market conditions (Note 5). The Authority has a minimal exposure on interest risk as none of the other financial instruments is exposed to this type of risk.

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

3. Financial Risk Management (continued)

c) Liquidity risk

The Authority is subject to minimal liquidity risk. Liquidity risk is the risk that Authority will not be able to meet its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Authority's funding and liquidity management requirements. The Authority manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Authority has two (2) loans with the European Community. Details of rates and maturities are presented in Note 8. These loans are managed through and guaranteed by the Cayman Islands Government and are subjected to minimal liquidity risk.

The following tables indicate the contractual timing of cash flows arising from assets and liabilities included in the financial statements as of 31 December 2017 and 30 June 2016.

	Carrying Amount	Value at Maturity	Contractual cashflows (undiscounted)					
			< 1 year	1-2 year	2-3 year	3-4 years	4-5 years	> 5 years
31 December 2017								
Financial assets								
Cash and cash equivalents	30,998,774	-	30,998,774	-	-	-	-	-
Term deposits	2,060,061	-	2,060,061	-	-	-	-	-
Accounts receivables (net)	17,463,191	-	17,463,191	-	-	-	-	-
Other receivables	3,066,173	-	3,066,173	-	-	-	-	-
	53,588,199	-	53,588,199	-	-	-	-	-
Financial Liabilities								
Accounts payable and accruals	7,128,171	-	7,128,171	-	-	-	-	-
Loans payable	259,009	-	259,009	-	-	-	-	-
Unfunded pension obligation	8,807,000	-	-	-	-	-	-	8,807,000
Unfunded health care obligation	15,763,000	-	135,000	161,000	186,000	223,000	265,000	14,793,000
	31,957,180	-	7,522,180	161,000	186,000	223,000	265,000	23,600,000
Differences in contractual cashflows								
31 December 2017	21,631,019	-	46,066,019	(161,000)	(186,000)	(223,000)	(265,000)	(23,600,000)
30 June 2016								
Financial assets								
Cash and cash equivalents	33,128,922	-	33,128,922	-	-	-	-	-
Term deposits	2,052,362	-	2,052,362	-	-	-	-	-
Accounts receivables (net)	23,456,465	-	23,456,465	-	-	-	-	-
Other receivables	1,206,711	-	1,206,711	-	-	-	-	-
	59,844,460	-	59,844,460	-	-	-	-	-
Financial Liabilities								
Accounts payable and accruals	3,134,089	-	3,134,089	-	-	-	-	-
Weather radar fund	475,083	-	475,083	-	-	-	-	-
Loans payable	281,098	-	33,100	33,100	33,100	33,100	33,100	115,598
Unfunded pension obligation	12,412,000	-	-	-	-	-	-	12,412,000
Unfunded health care obligation	14,560,000	-	172,000	203,000	241,000	295,000	329,000	13,320,000
	30,862,270	-	3,814,272	236,100	274,100	328,100	362,100	25,847,598
Differences in contractual cashflows								
30 June 2016	28,982,190	-	56,030,188	(236,100)	(274,100)	(328,100)	(362,100)	(25,847,598)

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

3. Financial Risk Management (continued)

c) Liquidity risk (continued)

The Authority's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and restricted investments. To minimize these risks, the Authority has invested in liquid fixed deposits and cash equivalents that if necessary, can be sold to generate cash flow. Additionally, long-term investments have been laddered in a manner that will allow for sufficient liquidity in subsequent periods, to meet long-term obligations as they become due.

d) Fair values

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

4. Changes in Accounting Standards - IFRS

Standards issued but not yet effective up to the date of issuance of the Authority's financial statements are listed below. This listing of standards and interpretations issued are those that the Authority reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Authority intends to adopt these standards when they become effective.

(i) IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018)

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: (1) Classification and measurement, (2) Impairment, (3) Hedge accounting and (4) Derecognition. The Authority is currently assessing the impact of the new standard.

(ii) IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018).

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: (1) Identify the contract with the customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contracts, and (5) Recognise revenue when (or as) the entity satisfies a performance obligation. The Authority is currently assessing the impact of the new standard.

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

4. Changes in Accounting Standards – IFRS (continued)

(iii) Clarifications to IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018).

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The Authority is currently assessing the impact of the new standard.

(iv) IFRS 16 Leases - (Effective for annual periods beginning on or after 1 January 2019)

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Authority is currently assessing the impact of the new standard.

(v) IFRS 17 Insurance Contracts - (Effective for annual periods beginning on or after 1 January 2021)

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021. The Authority is currently assessing the impact of the new standard.

(vi) IFRIC 22 Foreign Currency Transactions and Advance Consideration - (Effective for annual periods beginning on or after 1 January 2018)

The interpretation addresses the foreign currency transactions or parts of transactions where: (1) there is consideration that is denominated or priced in a foreign currency; (2) the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and (3) the prepayment asset or deferred income liability is non-monetary. The Authority is currently assessing the impact of the new standard.

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

5. Cash and Cash Equivalents and Term Deposits

- a. Cash and cash equivalent comprised:

	<u>2017</u>	<u>2016</u>
	<u>Amount</u>	<u>Amount</u>
Cash on hand	10,696	10,548
Current and call accounts	15,100,330	4,778,840
Fixed deposit accounts	15,887,748	28,339,534
	<u>30,998,774</u>	<u>33,128,922</u>

Interest received over the 18-month period on current, call accounts, fixed and term deposits amounted to \$56,848 (2016: \$20,771). The build-up of term deposits was earmarked for capital development hence the depletion of said funds as the redevelopment programme progresses.

- b. Term deposits

Term deposits represent amounts placed with Royal Bank of Canada (RBC) at an annual rate of 0.25% for a period of 184 days. Interest received on these term deposits amounted to \$10,254 (2016: \$7,699).

6. Accounts Receivable

- a) Accounts receivable is stated at fair value (net of allowance for bad debts) at reporting date.

	<u>2017</u>	<u>2016</u>
	<u>Amount</u>	<u>Amount</u>
Accounts receivable	18,276,494	24,269,768
Allowance for bad debts	(813,303)	(813,303)
Carrying value	<u>17,463,191</u>	<u>23,456,465</u>

Amounts written off as bad debt over the 18-month period was \$NIL (2016: \$NIL).

- b) The aging of the account receivable at the reporting date was as shown below.

Year	Current	31 - 60 Days	61 - 90 Days	91- 180 Days	181-360	360+	Total
2017	2,207,669	866,612	789,735	685,784	1,259,005	12,467,689	18,276,494
2016	4,462,848	955,545	271,332	1,018,752	844,850	16,716,440	24,269,768

The accounts receivable aging above shows a 25% reduction in the overall value. This improvement is primarily on account of the ongoing negotiations with CIG and Cayman Airways to resolve the long standing debts.

Cayman Islands Airports Authority
Notes to Financial Statements, 31 December 2017
(In Cayman Islands dollars)

6. Accounts Receivable (continued)

c) Impairment losses on account receivables

Account receivable is classified as impaired if its book value is less than the present value of the cash flows expected in future period. The CIAA has no reason to believe the amounts shown to be uncollectible.

	<u>2017</u>	<u>2016</u>
	<u>Amount</u>	<u>Amount</u>
Neither past due nor impaired	2,207,669	4,462,848
Past due but not impaired	15,255,523	18,993,618
Impaired	813,302	813,302
	<u>18,276,494</u>	<u>24,269,768</u>

74% of the outstanding receivable is due from government entities and as such the recovery of same is highly probable and remains the subject of ongoing discussions between the CIAA and the entities involved (reference Note 17 of these financial statements).

Provision for impairment loss on accounts receivable are recognized in these statements.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

7. Property, Plant, Equipment and Intangible Assets

		Buildings and		Intangible		Construction		
		Land	Structures	Equipment	Assets (see Note (b))	Other Assets	In Progress	Total
As at year ended 31 December 2017								
Cost								
At beginning of year		63,960,000	37,986,278	9,306,175	-	3,712,427	9,692,579	124,657,459
Additions during period		-	-	81,360	1,338	149,451	35,079,429	35,311,578
Disposal during the period		-	-	-	(1,061,705)	(445,313)	-	(1,507,019)
Reclassifications and adjustments during the period		(a)	-	(2,853,080)	3,875,522	(556,928)	(2,827,699)	(2,362,185)
		63,960,000	37,986,278	6,534,455	2,815,155	2,859,637	41,944,309	156,099,833
Accumulated depreciation:								
At beginning of year		-	-	6,574,233	-	2,860,230	-	9,434,463
Charge for period		-	9,826,099	935,486	810,502	264,318	-	11,836,406
Disposal during the period		-	-	-	(1,061,705)	(351,295)	-	(1,413,001)
Reclassifications and adjustments during the period		(a)	-	(4,233,811)	2,066,464	(376,685)	-	(2,544,032)
At end of period		-	9,826,099	3,275,908	1,815,260	2,396,568	-	17,313,834
Carrying value: At 31 December 2017		63,960,000	28,160,179	3,258,547	999,895	463,069	41,944,309	138,785,998
		Buildings and		Intangible		Construction		
		Land	Structures	Equipment	Assets (see Note (b))	Other Assets	In Progress	Total
As at year ended 30 June 2016								
Cost								
At beginning of year		9,017,750	37,737,955	9,018,468	-	3,547,643	2,887,678	62,209,494
Additions during year		-	919,213	287,707	-	183,119	6,804,901	8,194,940
Derecognition during year		-	-	-	-	(18,335)	-	(18,335)
Revaluation adjustment		54,942,250	(670,890)	-	-	-	-	54,271,360
		63,960,000	37,986,278	9,306,175	-	3,712,427	9,692,579	124,657,459
Accumulated depreciation:								
At beginning of year		-	23,465,793	5,976,098	-	2,579,169	-	32,021,060
Charge for year		-	1,981,413	598,135	-	281,062	-	2,860,610
Revaluation adjustment		-	(25,447,206)	-	-	-	-	(25,447,206)
At end year		-	-	6,574,233	-	2,860,231	-	9,434,464
Carrying value: At 30 June 2016		63,960,000	37,986,278	2,731,942	-	852,196	9,692,579	115,222,995

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

7. Property, Plant, Equipment and Intangible Assets (continued)

Phase I of the terminal expansion was substantially completed over the 18-month period. Any remedial works or issues are to be address during the retention phase expected to expire in 2018. Phase II of the Owen Roberts International Airport Terminal Expansion and Renovation project was under construction during the period ended 31 December 2017 and was carried out in two phases to include the full renovation and expansion of the existing terminal facility. The cost of buildings under construction as at 31 December 2017 amounted to \$37,551,848 (2016: \$9,296,502).

- a) There were no amounts in Construction in Progress that was transferred to Buildings and Structures during the period ended 31 December 2017. Construction in Progress included a \$2,827,699 prior period adjustment made during the year after physical count, review and capitalization of the opening work in progress. Similarly, it was determined that prior period accumulated depreciation had been overstated by a comparable amount after year end count adjustments and reclassification of equipment and other assets. The net impact of these adjustments amounting to \$181,847 and is immaterial to the financial statements.
- b) In the process of putting together the Authority's fixed assets register (including software intangibles) during the period ended 31 December 2017, management identified intangible assets that were included in the 30 June 2016 balance under Equipment, Other Assets and Construction in Progress (asset classes appearing in the roll forward schedule above). These amounted to \$3,875,522 and were reclassified accordingly together with the accumulated amortization of \$2,066,464. At the end of the period, the carrying value was \$999,895 and was incorporated in Property, Plant, Equipment and Intangible Assets balance in the statement of financial position.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

7. Property, Plant, Equipment and Intangible Assets (continued)

- c) Construction in Progress at the end of the 18-month period 31 December 2017 comprised of the following projects:

Description	Amount \$
ORIA terminal upgrade	37,551,848
Conveyor	2,428,797
Common Use Passenger Processing System (CUPPS)*	441,560
Fencing project	290,477
Website project*	187,760
Runway end safety area (RESA)	141,092
Aeronautical Information Service Building Expansion	120,498
Charles Kirkconnel International Airport (CKIA) restrooms renovations	100,080
Non-Directional Beacon (NDB) project	99,504
Airside upgrade	82,110
Computerized maintenance management system*	62,523
Automated Weather Observing System (AWOS) tower	61,480
Air Traffic Control (ATC) cameras	53,917
ORIA office modifications	52,825
CCTV upgrade*	49,892
CKIA perimeter fence	42,305
Maintenance warehouse upgrade	39,741
Carpark upgrade*	36,940
IT infrastructure	30,449
Departure tents upgrade	29,249
ATC radar project	15,000
Leave management software*	12,210
Stanchions	8,555
Rolling door grills	2,586
CKIA Departure hall seats	1,810
120.2 mhz antenna range extension*	1,101
Total	41,944,309

* includes intangible assets

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

7. Property, Plant, Equipment and Intangible Assets (continued)

Revaluation of Land, Buildings and Structures

The Cayman Islands Government in 2004, completed an administrative split effectively separating the Civil Aviation Authority and the Airports Authority. Under the governing law, the Cayman Islands Government vested various properties on all three (3) islands for the provision and maintenance of aerodrome facilities in the Cayman Islands. These properties were valued by the BCQS International, an independent appraiser as at 30 June 2016 and depreciated over the remaining useful life. The 30 June 2016 asset revaluation is carried at the revalued amount less accumulated depreciation. Property, Plant, Equipment and Intangible Assets after asset revaluation on the same date includes an amount relating to gross revaluation surplus of \$80,649,106 and loss on revaluation of \$930,540 (included in Statement of Comprehensive Income for the period ended 30 June 2016).

The carrying amount of the revalued classes of assets that would have been reported in the Statement of Financial Position had the assets not been revalued is shown below, in accordance with IAS 16. The revalued assets were not subject to further depreciation, as based on the age and condition; the values represent disposal value at the reporting date.

IAS 16 -cost model vs revaluation model for revalued assets at 30 June 2016			
Asset Class	Carrying amount at Cost	Carrying Amount using revaluation	Difference
Land	9,017,750	63,960,000	54,942,250
Buildings & structures	13,209,962	37,986,278	24,776,316

Fair Value Measurements

IFRS 13, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. |
|---------|---|

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

7. Property, Plant, Equipment and Intangible Assets (continued)

Fair Value Measurements (continued)

- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

IFRS 13 requires additional disclosures for the assets measured at fair value in the Statement of Financial Position on a recurring or non-recurring basis after initial recognition, the valuation techniques used and details of inputs used to develop the measurements. There were no other significant valuations performed using unobservable inputs. Consequently, the fair value hierarchy for the inputs utilized by the Authority to obtain the market value is assessed at level 2.

Assets and Fair Values as at 30 June 2016

Asset Class	Level 1	Level 2	Level 3	Total
Land	-	63,960,000	-	63,960,000
Buildings and structures	-	37,986,278	-	37,986,278
Total	-	101,946,278	-	101,946,278

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

7. Property, Plant, Equipment and Intangible Assets (continued)

Fair Value Measurements (continued)

Passenger terminal building in use at year-end

At 1 July 2016, management updated its estimate of the useful life of the old passenger terminal building to 2.5 years, reflecting the completion of the new terminal building at the end of 2018. As a result, the depreciation charge for the current and future years were increased as follows:

	18-month period ending 31 December 2017	Year ended 31 December 2018	Annual effect from 2019 and onwards
Old depreciation charge	846,217	564,145	564,145
New depreciation charge	6,593,899	4,395,932	-
Change in depreciation charge arising from acceleration	5,747,682	3,831,787	(564,154)

Completion of the new passenger terminal building after year-end

CIAA started the redevelopment of ORIA in 2014. As of 31 December 2017, ORIA has entered into construction contracts totalling \$53.8 million (2016: \$51.3 million), including civil works construction and supervision and baggage handling systems on ORIA passenger terminal building. Construction was substantially complete at the beginning of 2019. The management's best estimate of total actual construction costs updated as of March 2021 was \$74.4 million.

Furthermore, in September 2019, following the completion of construction works, a property valuation expert engaged by management opined that the new passenger terminal building's fair market value was \$65 million, giving rise to a fair value impairment of about \$9.4 million. Management recognised this impairment at the time it was determined, and was deemed not crystallised as at 31 December 2017.

8. Short and Long-Term Debt Payable

European Community (EC) loan amount comprises two (2) loans as follows:

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

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

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

8. Short and Long-Term Debt Payable (continued)

	<u>2017</u>	<u>2016</u>
	<u>Amount</u>	<u>Amount</u>
1987 Loan – Cayman Brac Airport	36,832	40,265
1981 Loan – Cayman Brac Airport	222,177	240,833
	<u>259,009</u>	<u>281,098</u>
Short term	35,056	33,100
Longterm portion	223,953	247,998
	<u>259,009</u>	<u>281,098</u>

EC loan interest paid in 2016-2017 was \$4,140 (2016: \$3,104).

9. Accounts Payable & Accrued Expenses

The Authority's accounts payable and accrued expenses are summarized as below.

		<u>2017</u>	<u>2016</u>
		<u>Amount</u>	<u>Amount</u>
Trade creditors	(a)	4,855,917	2,478,972
Accruals	(b)	2,176,380	406,048
Employee entitlements	(c)	70,857	234,365
Other current liabilities	(d)	24,642	13,354
Unearned revenue		-	975
Accrued interest payable		375	375
		<u>7,128,171</u>	<u>3,134,089</u>

a) Trade creditors

Trade creditors are stated at fair value with an aging profile as shown below. Included in the over 90 days category are amounts due to other government entities and is disclosed under Note 17- Related Party Transactions. The aging profile of trade creditors is shown immediately below:

Year	Current Period	31- 60 Days	61- 90 Days	Over 90 days	Total
2017	3,299,948	446,807	5,121	1,104,041	4,855,917
2016	995,147	37,251	47,640	1,398,934	2,478,972

- b) Accruals represents trade invoices not yet posted to the payables subledger. Included in the amounts at year end were stage payments due in relation to the ORIA terminal upgrade. These amounts were settled in 2018.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

9. Accounts Payable & Accrued Expenses (continued)

c) Employee entitlements

Employee entitlements represents outstanding leave entitlements. In keeping with CIG's leave policy employees are encouraged to carry no more than 5 days into the new financial year. The CIAA achieved over 89% compliance in this regard. The value of outstanding vacation entitlement was \$73,273 (2016: \$181,614).

The Authority facilitates a Christmas savings programme on behalf of the staff. Participation in the programme is voluntary and savings achieved by way of monthly payroll deduction with funds being returned to participants by the agreed date. The programme pays no interest. As at 31 December 2017, all amounts were fully reimbursed to employees as at the reporting date.

d) Other current liabilities

Other current liabilities represent amounts collected for Environmental Fees in relating to fixed based operators (FBO) and private aircraft activity on behalf of the Treasury. Environmental fees generated from commercial activity is invoiced and collected directly from the airlines by the CIG Treasury.

10. Weather Radar Fund

On 30 March 2009, the Airports Authority, on behalf of the Cayman Islands Government, entered into a contract with the Delegation of the European Community for a grant of €4.1 million to construct a Digital Early Warning Station (Doppler Digital Weather Radar Project).

On project completion, the project loan account was closed and all unused grant funds were returned to the European Union per contract. As at 31 December 2017, a total of CI\$ 572,117 was remitted to the European Union (EU). The asset has not been fully commissioned, however, the radar has been transferred to the Cayman Islands Government by the EU under the management of the National Weather Service.

11. Unfunded Pension Liability

In March 2005, the Government's Financial Secretary requested that all Government entities recognize its fair portion of the unfunded defined benefit liability on its financial statements. The Public Service Pension Plan (the "Plan") is managed by the Public Service Pension Board (the "PSPB"). Pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the PSPB and is operated as a multi-employer program.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

11. Unfunded Pension Liability (continued)

Prior to 14 April 1999, the Fund operated as a defined benefit plan. With effect from 14 April 1999, the Fund has both a defined benefit and a defined contribution scheme. Participants joining after 14 April 1999 are members of the defined contribution scheme. The PSPB is responsible for, among other things, administering the fund, communicating with plan participants and employers, prescribing contribution rates in accordance with the latest actuarial valuation and recommending amendments to the Plan as needed.

Contributions towards benefits accruing in respect of the current service (i.e. for the period since the employee was enrolled in the plan) are funded at rates periodically advised by the Pensions Board and are recognized as an expense in the period incurred. The Authority makes payments to the plan to fund benefits accruing in respect of past service (the “past service funding liability”).

This past service funding liability, which is generally equivalent to the actuarially determined present value of the defined benefit obligations less the value of the assets available to meet such obligations, is calculated periodically by the Plan actuaries.

The Authority recognizes changes in the past service funding liability, adjusted for funding payments made, as an expense or gain in the period in which such changes are incurred. In the absence of formal notification from the PSPB, Authority has no reliable way to quantify its liability to the Plan in respect of unfunded past service benefits.

Administration costs that are not investment related were recognized in the Statement of Comprehensive Income as an operating charge under IAS 19R- Employee Benefits. This differs from the previous approach under IAS 19 Employee Benefits, where all administration costs are allowed for within the expected rate of return of assets. Under International Accounting Standards (IAS) 19R – employee benefits, the expected return on assets is no longer used in the determination of the defined benefit cost, but it continues to be used in the determination of the asset limit under IFRIC 14. The expected return on assets assumption continues to be management best estimate. Using the projected unit credit method of measuring costs and obligations, the actuaries assessed the minimum normal annual contribution for defined cost to be 12.4% while the contribution for defined benefit was 32.8%. This rate included 1% for the cost of the benefits provided over and above those related to the participant’s total account balance.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

11. Unfunded Pension Liability (continued)

a) Defined Benefit Pension Plan

Under the Defined Benefit plan, participants are reimbursed by the CIAA for their contributions as per contractually obligated to employees engaged under General Orders (Pre-1999) and grandfathered in under the new Public Services Pension Plan.

To determine the defined benefit obligation, an actuary approved by the PSPB was engaged to conduct annual studies. Effective 1 July 2016, separate discount rates are being used to value the benefit obligation, service cost, interest cost and interest cost on the service cost. The discount rate used to calculate the benefit obligations is determined by multiplying the liability cash flows by the spot rates and determining a level equivalent discount rate. The discount rate used to calculate the services cost is determined by multiplying the service cost cash flows by the spot rates and determining level discount rate. Interest cost is determined by summing the product of the discounted liability cash flows and the spot rates. Interest on the service cost is determined by summing the product of the discounted service cost cash flows and the spot rates.

The most recent provisional actuarial estimate performed as of 31 December 2017 indicated a plan deficit attributable to the Authority of \$8,807,000 (2016: \$12,412,000). The total amount recognized as a pension expense for the 18 months ended 31 December 2017, included defined benefit expense of \$1,278,000 (2016: \$937,000). The defined benefit obligation as at 31 December 2017 as it relates to its participation in the Plan is based on the 51 members (2016: 54).

The latest actuarial valuation (of the defined benefit plan) recorded in the accounts of the Authority reflects the following:

	31 December 2017	30 June 2016
The pension plans are funded at the following rates:		
Defined Contribution Plans - Employee	6.00%	6.00%
- Employer	7.40%	7.00%

Defined Benefit Plans - Employee	6.00%	6.00%
- Employer	30.20%	7.00%

Financial year ending on

The actuarial position is as follows:

Net present value of funded obligation beginning of year	(12,134)	(15,453)
Fair value of plan assets	3,327	3,041
Net liability in statement of Financial Position, end of year	(8,807)	(12,412)

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

11. Unfunded Pension Liability (continued)

a) Defined Benefit Pension Plan (continued)

	31 December 2017	30 June 2016
A. Defined benefit obligation		
1. Defined benefit obligation at end of prior year	15,453	15,340
2. Current service cost	653	416
b. Past service cost	-	-
c. (Gain) / loss on settlements	-	-
3. Interest expense	788	729
4. Cash flows		
a. Benefit payments from plan assets	(326)	(2,107)
b. Transfers between Other Participating employers	(990)	-
c. Settlement payments from plan assets	-	-
d. Settlement payments from employer	-	-
e. Participant contributions	120	89
f. Administrative expenses included in the DBO	-	-
5. Other significant events		
a. Increase (decrease) due to effect of any business	-	-
b. Increase (decrease) due to plan combinations	-	-
6. Remeasurements		
a. Effect of changes in demographic assumptions	(1,364)	-
b. Effect of changes in financial assumptions	(1,465)	2,313
c. Effect of experience adjustments	(735)	(1,327)
7. Effect of changes in foreign exchange rates	-	-
8. Defined benefit obligation at end of year	12,134	15,453

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

11. Unfunded Pension Liability (continued)

a) Defined Benefit Pension Plan (continued)

Financial year ending on	31 December <u>2017</u>	30 June <u>2016</u>
B. Change in fair value of plan assets		
1. Fair value of plan assets at end of prior year	3,041	4,278
2. Interest income	163	208
3. Cash flows		
a. Total employer contributions		
(i) Employer contributions	865	604
(ii) Employer direct benefit payments	-	-
(iii) Employer direct settlement payments	-	-
b. Participant contributions	120	89
c. Benefit payments from plan assets	(326)	(2,107)
d. Transfers between Other Participating employers	(990)	-
e. Settlement payments from plan assets	-	-
f. Settlement payments from employer	-	-
g. Administrative expenses paid from plan assets	-	-
h. Taxes paid from plan assets	-	-
i. Insurance premiums for risk benefits	-	-
4. Other significant events	-	-
a. Increase (decrease) due to effect of any business	-	-
b. Increase (decrease) due to plan combinations	-	-
5. Remeasurements		
a. Return on plan assets (excluding interest income)	454	(31)
6. Effect of changes in foreign exchange rates	-	-
7. Fair value of plan assets at end of year	3,327	3,041
C. Amounts recognized in the statement of financial position		
1. Defined benefit obligation	12,134	15,453
2. Fair value of plan assets	(3,327)	(3,041)
3. Funded status	8,807	12,412
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability (asset)	8,807	12,412

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

11. Unfunded Pension Liability (continued)

a) Defined Benefit Pension Plan (continued)

	31 December <u>2017</u>	30 June <u>2016</u>
D. Components of defined benefit cost		
1. Service cost		
Current service cost	653	416
b. Reimbursement service cost	-	-
c. Past service cost	-	-
d. (Gain) / loss on settlements	-	-
Total service cost	653	416
2. Net interest cost		
a. Interest expense on DBO	788	729
b. Interest (income) on plan assets	(163)	(208)
c. Interest (income) on reimbursement rights	-	-
d. Interest expense on effect of (asset ceiling)/onerous liability	-	-
Total net interest cost	625	521
3. Remeasurements of Other Long Term Benefits	-	-
4. Administrative expenses and/or taxes (not reserved within DBO)	-	-
5. Defined benefit cost included in net income	1,278	937
6. Remeasurements (recognized in other comprehensive income)		
a. Effect of changes in demographic assumptions	(1,364)	-
b. Effect of changes in financial assumptions	(1,465)	2,313
c. Effect of experience adjustments	(735)	(1,327)
d. (Return) on plan assets (excluding interest income) *	(454)	31
e. (Return) on reimbursement rights (excluding interest income)	-	-
f. Changes in asset ceiling/onerous liability (excluding interest income)	-	-
Total remeasurements included in OCI (gain)/loss	(4,018)	1,017
6. Total defined benefit cost recognized in P&L and OCI	(2,740)	1,954

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

11. Unfunded Pension Liability (continued)

a) Defined Benefit Pension Plan (continued)

	31 December <u>2017</u>	30 June <u>2016</u>
E. Net defined benefit liability (asset) reconciliation		
1. Net defined benefit liability (asset)	12,412	11,062
2. Defined benefit cost included in P&L	1,278	937
3. Total remeasurements included in OCI	(4,018)	1,017
4. Other significant events		
a. Net transfer in/(out) (including the effect of any business	-	-
b. Amounts recognized due to plan combinations	-	-
5. Cash flows		
a. Employer contributions	(865)	(604)
b. Employer direct benefit payments	-	-
c. Employer direct settlement payments	-	-
6. Credit to reimbursements	-	-
7. Effect of changes in foreign exchange rates	-	-
8. Net defined benefit liability (asset) as of end of year	8,807	12,412

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

11. Unfunded Pension Liability (continued)

a) Defined Benefit Pension Plan (continued)

F. Significant actuarial assumptions		31 December	30 June
<i>Weighted-average assumptions to determine defined benefit obligations</i>		2017	2016
Discount rate used to determine defined benefit obligation at year end		3.80%	4.00%
Rate of salary increase		2.50%	3.50%
Rate of price inflation		2.00%	2.50%
Rate of pension increases		2.00%	2.50%
Post-retirement mortality table	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected using Scale MP-2016	RP-2014 projected on a generational basis using Scale MP-2014	
Cost Method	Projected Unit Credit	Projected Unit Credit	
Asset Valuation Method	Market Value	Market Value	

<i>Weighted-average assumptions to determine defined benefit cost</i>		
Discount rate used to determine current service cost	4.10%	4.75%
Discount rate used to determine interest on current service cost	3.80%	4.75%
Discount rate used to determine interest on defined benefit obligation	3.40%	4.75%
Rate of salary increase	3.50%	3.50%
Rate of price inflation	2.50%	2.50%
Rate of pension increases	2.50%	2.50%
Post-retirement mortality table	RP-2014 projected on a generational basis using Scale MP-2014	RP-2014 projected on a generational basis using Scale MP-2014

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

11. Unfunded Pension Liability (continued)

a) Defined Benefit Pension Plan (continued)

G. Sensitivity analysis **31 December** **30 June**
Present value of defined benefit obligations **2017** **2016**

Discount rate		
a. Discount rate - 25 basis points	12,481	16,348
b. Discount rate + 25 basis points	11,480	14,624
Inflation rate		
a. Inflation rate - 25 basis points	11,499	14,661
b. Inflation rate + 25 basis points	12,817	16,303
Mortality rates		
a. Mortality - 10% of current rates	12,425	15,789
b. Mortality + 10% of current rates	11,869	15,146
Weighted average duration of defined benefit obligation (in years)		
Discount rate - 25 basis points 23.49 23.41	23.49	23.41
Discount rate + 25 basis points	23.03	22.95

H. Expected cash flows for following fiscal year		
1. Expected employer contributions	362	161
1. Defined benefit obligation by participant status		
a. Actives	10,805	13,892
b. Vested deferreds	1,329	1,561
c. Retirees		
Total	12,134	15,453

	31 December	30 June
Participant data	<u>2017</u>	<u>2016</u>
Actives		
Number	21	25
Payroll (CI\$000)	1,190	1,466
Age (years)	48.94	47.65
Authority Service (years)	20.80	20.10
Total Service (years)	24.10	23.11
Transfers		
Number	11	8
Payroll (CI\$000)	664	459
Age (years)	45.01	41.73
Authority Service (years)	15.23	15.17
Total Service (years)	25.45	22.47

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

11. Unfunded Pension Liability (continued)

b) Defined Contribution Plan

Employees who are not participants in the defined benefit part of the Plan are enrolled in defined contribution part of the Plan. During the 18-month ended 31 December 2017, the Authority and its employees contributed to the fund 7% and 6%, respectively.

c) Actuarial Assumptions

We have used actuarial assumptions approved by the Financial Secretary, the main sponsor of the Plan on 10 August 2016. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the defined benefit cost for the following year. We have used actuarial assumptions approved by the Financial Secretary. The principal financial and demographic assumptions used at 31 December 2017 and 30 June 2016 are shown in the table below. There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the table above.

Measurement Date	31 December 2017	30 June 2016
Discount rate		
• BOY disclosure and current year expense	4.00% per year	4.75% per year
• EOY disclosure	3.80% per year	4.00% per year
• Following year current service cost	3.85% per year	4.10% per year
• Rate used to determine interest on defined		
	3.50% per year	3.40% per year
• Rate used to determine interest on current service cost for following year expense	3.70% per year	3.80% per year
Increases in pensionable earnings	2.50% per year	3.50% per year
Rate of pension Increases	2.00% per year	2.50% per year
Mortality		
• BOY disclosure and current year expense	RP-2014 generationally projected using Scale MP-2014	RP-2014 generationally projected using Scale MP-2014
• EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP- 2014, then generationally projected using Scale MP-2016	RP-2014 generationally projected using Scale MP-2014
Disability	None	None

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

11. Unfunded Pension Liability (continued)

c) Actuarial Assumptions (continued)

Measurement Date	31 December <u>2017</u>	30 June <u>2016</u>
Turnover rates	Age related table	Age related table
Retirement	Age-related retirement rates used. See table below	Age 57 and 10 years of service
Assumed life expectations on retirement	Retiring today (member age 57): 29.13	Retiring today (member age 57): 30.21
	Retiring in 25 years (at age 57): 31.42	Retiring in 25 years (at age 57): 32.40
Liability cost method	Projected unit credit method	Projected unit credit method
Assest value method	Market value of assets	Market value of assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

	31 December <u>2017</u>	30 June <u>2016</u>
Turnover rates at sample ages:		
Age	Male	Female
20	7.50%	12.50%
25	5.00%	12.50%
30	3.50%	7.50%
35	2.50%	4.50%
40	1.50%	2.50%
45	0.50%	5.00%
50	0.00%	0.00%

Retirement age	%
Below 55	0%
55-59	8%
60	60%
61-64	8%
65	100%

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

12. Unfunded Healthcare Obligation

The Authority provides full pension and healthcare benefits for staff who were previously hired by the Cayman Islands Government under General Orders (pre-1990) in line with the established and agreed contractual obligations prior to establishment of the Authority. These staff had given ten (10) years' continuous service and will become eligible for the benefit when they attain at least 55 years old.

The healthcare benefit is in the form of continuation of their health insurance coverage on the medical plan in force for active employees. The premiums for this health insurance coverage are paid for by the Authority for all eligible retirees until the end of their lives. The continued payment of these medical bills constitutes a constructive obligation on the Authority to be liable for future medical bills of such retirees. This liability has been estimated and recognized in these financial statements. This coverage falls within the definition of a defined benefit by the IFRS and as such represents a future liability of the Authority.

This post-employment benefit has been formalized and recognized and implemented since 2014, allowing entitled retirees to continue to benefit from the medical coverage as per contractual obligations under General Orders. The Authority is required to use the actuarial valuation method to determine the present value of its health insurance benefit obligations for its former workers as well as future retirees and the related current service costs. IAS 19 directs that funded or unfunded post-employment benefits must be recognized in the statement of financial position (in the case of net defined liability or asset) and the statement of comprehensive income (for the annual expense). These actuarial valuations use several financial and demographic assumptions to determine the liability and current expense of the benefits which will be honored on behalf of the retirees. Financial assumptions include, the discount rate, estimated future costs of the medical premiums, and the claims rate for the medical plans. Demographic assumptions include estimated mortality and benefits levels.

The defined benefit cost for the 18-month period ended 31 December 2017 was \$1,302,000 (2016: \$2,988,000). The defined benefit cost comprises a Profit & Loss cost of \$2,068,000 (2016: \$1,144,000) and an Other Comprehensive income (OCI) credit of \$766,000 (2016: \$1,854,000). The actuarial liability as at 31 December 2017, calculated using a discount rate of 3.85% (2016: 4.15%), is \$15,763,000 (2016: \$14,560,000).

The details of the valuation and the assumptions used are reproduced hereunder in accordance with IAS 19. There has been full recognition of this liability and annual expense in the financial statements of the Authority. The current unfunded past service healthcare liability is estimated at \$15,763,000 (2016: \$14,560,000).

The Authority's commissioned actuary assessment of the future healthcare costs are included hereunder.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

12. Unfunded Healthcare Obligation (continued)

	31 December	30 June
	<u>2017</u>	<u>2016</u>
Change in Defined Benefit Obligation over year ended:	\$'000	\$'000
A. Defined benefit obligation		
1. Defined benefit obligation at beginning of year	14,560	11,562
2. Current Service Cost	1,243	634
3. Interest Expense	825	510
4. Cash Flows		
Benefit payments from employer	(99)	-
5. Remeasurements:		
Effects of change of demographic assumptions	(1,807)	-
Effect of changes in financial assumptions	1,027	2,005
Effect of experience adjustment	14	(151)
Defined benefit obligation at End of Year	<u>15,763</u>	<u>14,560</u>
 B. Change in fair value of plan assets		
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
1. Fair value of plan asset at start of year	-	-
2. Interest income	-	-
3. Cash flows		
(a) Total employer contribution		
(a) Employer direct benefit payments	99	-
(b) Benefit payment from employer	(99)	-
Total	<u>-</u>	<u>-</u>
 C. Amounts recognized in statement of financial position:		
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
1. Defined benefit obligation	15,763	14,560
Unfunded Status	<u>15,763</u>	<u>14,560</u>
Effect of experience adjustment	-	-
Net defined benefit liability	<u>15,763</u>	<u>14,560</u>

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

12. Unfunded Healthcare Obligation (continued)

	31 December	30 June
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
D. Components of defined benefit cost:		
1. Service costs		
Current Service Cost	1,243	634
2. Net interest costs		
Interest Expense DBO	825	510
Defined benefit costs included in P&L	<u>2,068</u>	<u>1,144</u>
	31 December	30 June
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
3. Remeasurement (recognized in other comprehensive income:		
Effect of changes in demographic assumptions		
(a) Effects of change of demographic assumptions	(1,807)	-
(b) Effect of changes in financial assumptions	1,027	2,005
(c) Effect of experience adjustment	14	(151)
Total remeasurements included in OCI	<u>(766)</u>	<u>1,854</u>
Total defined benefit cost recognized in P&L and OCI	<u>1,302</u>	<u>2,998</u>
Net defined benefit liability reconciliation:		
	31 December	30 June
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
E. Net defined benefit liability		
1. Net defined benefit liability (asset)	14,560	11,562
2. Defined benefit cost included in P&L	2,068	1,144
3. Total remeasurement included in OCI	(766)	1,854
Cash flows		
Employer Contributions	-	-
Employer direct settlement payments	-	-
Credit to reimbursements	-	-
4. Cash Flows		
(a) Employer direct benefit payments	(99)	-
Net defined benefit liability as at the end of year	<u>15,763</u>	<u>14,560</u>

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

12. Unfunded Healthcare Obligation (continued)

F. Defined benefit obligation:	31 December 2017 \$'000	30 June 2016 \$'000
Defined benefit obligation by participants status :		
Active	12,201	11,420
Vested deferred	-	-
Retirees	3,562	3,140
Total	15,763	14,560

G. Significant Actuarial Assumptions:	31 December 2017	30 June 2016
<i>Weighted -Average assumptions to determine defined benefit obligation</i>		
	%	%
Effective discount rate for defined benefit obligation	3.85	4.15
Health Care cost trend rates		
Immediate trend rate	5.00	5.00
Ultimate trend rate	5.00	5.00
Year rate reaches ultimate trend rate	N/A	N/A
Mortality rate assumption	RP-2014 projected with MP-2016	RP-2014 projected with MP-2014
<i>Weighted -Average assumptions to determine defined benefit cost</i>		
	%	%
Effective discount rate for defined benefit obligation	4.15	4.85
Effective rate for net interest cost	3.80	4.44
Effective discount rate for service cost	4.30	4.97
Effective rate for interest on service cost	4.20	4.94
Health Care cost trend rates		
Immediate trend rate	5.00	5.00
Ultimate trend rate	5.00	5.00
Year rate reaches ultimate trend rate	N/A	N/A
Mortality rate assumption	RP-2014 projected with MP-2014	RP-2014 projected with MP-2014

H. Sensitivity Analysis:

Change in the defined benefit obligation

Effective discount rate - 25 basis points	930	851
Effective discount rate + 25 basis points	(862)	(788)
Health care cost trend rates - 100 basis points	(3,033)	(2,670)
Health care cost trend rates + 100 basis points	3,987	3,502
Mortality assumption + 10%	(688)	(545)

I. Expected cash flows for following year:

Expected employer contributions	135	172
Expected total benefit payments:		
Year 1	135	172
Year 2	161	203
Year 3	186	241
Year 4	223	295
Year 5	265	329
Next 5 years	1,954	2,170

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

12. Unfunded Healthcare Obligation (continued)

Participant data as of 1 April 2017	31 December 2017	30 June 2016
Active Members		
Number	49	49
Average years of service	19.2	19.2
Average years of service after age 40	7.7	7.7
Average age	47.4	47.4
Pensioners		
Number	11	11
Average age	60.4	60.4
Number of covered spouses	2	2

Actuarial Assumptions

The assumptions as at the reporting date are used to determine the present value of the defined benefit obligation (DBO). The actuarial assumptions are consistent with the determined results for the Cayman Islands Government post-retirement healthcare program. The principal financial and demographic assumptions used at 31 December 2017 and 30 June 2016 are as follows.

Economic Assumptions	Post Retirement healthcare	Basis of development – accounting specific assumptions
Discount rates for benefit obligation (p.a.)		
- 30 June 2016	4.15%	Per IAS 19 para 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. Mercer US Above Mean Yield Curve (referencing US corporate bond yields) used to determine discount rates due to strong economic and currency links between the US and Cayman Islands
- 31 December 2017	3.85%	
Discount rate for following year's service cost p.a.		
- 30 June 2016	4.30%	
- 31 December 2017	3.90%	
Administrative expenses	Included in projected premiums	
Rate of Medical inflation (p.a.)	5.00%	Based on an analysis of historical claims information and long-term medical inflation expectations

Turnover rates		
Age	Male	Female
20-24	7.50%	12.50%
25-29	5.00%	12.50%
30-34	3.50%	7.50%
35-39	2.50%	4.50%
40-44	1.50%	2.50%
45-49	0.50%	5.00%
50+	0.00%	0.00%

Disability Rates	None	None
-------------------------	------	------

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

12. Unfunded Healthcare Obligation (continued)

Retirement age		
30 June 2016	Age 57 & 10 years of service	
31 December 2017	Age	Rate
	<55	0.0%
	55-59	8.0%
	60	60.0%
	61-64	8.0%
	65	100.0%

Martial assumption	80% married, wife 3 years younger
--------------------	-----------------------------------

DEMOGRAPHIC ASSUMPTIONS	POST RETIREMENT HEALTHCARE	Basis of development – accounting specific assumptions
Current Mortality rates		
· 30 June 2016	RP-2016	Recent mortality studies in the US and Canada show that people are living longer. New mortality tables have been issued by the US and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the US over the last 20 years.
· 31 December 2017	RP-2014 Mortality Table scaled back to 2006 using MP-2014	
Mortality improvements		
· 30 June 2016	Scale MP-2014	Broad consensus amongst longevity experts that mortality improvement will continue in the future. In the US the future mortality improvement scale has been updated to Scale MP-2016
· 31 December 2017	Scale MP-2016	

13. Revenues

(a) Aeronautical revenue

The Authority is self-sufficient with respect to its financing. The primary source of funds being derived from passenger and aircraft movements. As part of the management services at both aerodromes, the Authority provides a range of services directly to passengers and commercial, FBO and private aircraft. These services are in keeping with the various aviation safety and security standards as directed by the International Civil Aviation Organization (ICAO) and the Overseas Territories Aviation Regulations (OTARs). The charges for these services are in keeping with industry standards and are monitored on behalf of carriers through the International Air Transport Association (IATA).

Aircraft handling income and Passenger fees and charges are driven by activity levels. Combined, these revenue streams account for 90% of the average annual revenue.

In June 2014, the Government brokered an agreement with the CIAA to provide accommodation for government entities in exchange for the retention of the full per head departure tax levied on departing international passengers. This support is also part and parcel of the ongoing capital support required by the Authority in order to execute the 20-year development masterplan.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

13. Revenues (continued)

(a) Aeronautical revenue (continued)

For the reporting period under consideration the Authority earned \$39,740,894 (2016: \$24,285,954) for passenger fees and another \$5,505,040 (2016: \$3,434,722) from aircraft handling.

(i) Passenger fees and charges

Passenger fees and charges are based on passenger departure to domestic and international destinations. These are levied per passenger as approved in the various legislation governing such fees and remitted to the Authority under an agency relationship with each airline carrier.

	<u>2017</u> (18 months) <u>Amount</u>	<u>2016</u> (12 months) <u>Amount</u>
Travel tax	19,257,308	12,113,891
Passenger facility charges	10,797,990	7,063,921
Security tax and terminal facility charges	9,685,596	5,108,142
	<u>39,740,894</u>	<u>24,285,954</u>

(ii) Aircraft handling income

Through the management services at both aerodromes, the Authority provides a range of services directly to commercial, FBO and private aircraft. These services are in keeping with the various aviation safety and security standards established by the aviation industry.

	<u>2017</u> (18 months) <u>Amount</u>	<u>2016</u> (12 months) <u>Amount</u>
Landing fees	4,208,678	2,557,872
Parking fees	708,146	413,737
Terminal facility charges	442,203	367,263
Navigation fees	146,013	95,850
	<u>5,505,040</u>	<u>3,434,722</u>

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

13. Revenues (continued)

(b) Non-aeronautical revenue

Non-aeronautical revenue accounts for an average 10% of total revenue each year. The class of revenue comprises fees and charges levied on airport partners and passengers doing business at the aerodromes.

Non-aeronautical revenues are broadly categorized as property rental and concession management, fees and charges and other miscellaneous revenues incident to daily operations.

(i) Property rental and concession management

The Authority provides a number of retail stores and concession opportunities to airport partners such as ground handlers and support services for airlines (such as fueling and janitorial services) and border control agents such as Customs and Border Control, Public Health, Agriculture Department, Protocol Office and the Tourism department.

Non-government tenants are offered the use of the facility at commercial rates while government facilities reimburse the Authority for throughput fees and charges such as utilities.

The table below shows the earnings from the various property rental and concession arrangements.

	<u>2017</u> (18 months)	<u>2016</u> (12 months)
	<u>Amount</u>	<u>Amount</u>
Petrol concession	1,373,431	928,457
Rent - commercial	967,428	706,500
Rent - government	398,638	293,021
	<u>2,739,497</u>	<u>1,927,978</u>

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

13. Revenues (continued)

(b) Non-aeronautical revenue (continued)

(ii) Fees and charges

		<u>2017</u>	<u>2016</u>
		<u>(18 months)</u>	<u>(12 months)</u>
		<u>Amount</u>	<u>Amount</u>
Permits and parking	(a)	1,307,547	778,495
Advertising	(b)	469,744	315,737
Airport concierge service	(c)	274,336	83,335
Cargo screening services	(d)	73,830	40,360
		<u>2,125,457</u>	<u>1,217,927</u>

(a) Permits and parking

The Authority earned \$1,307,547 for the period ended 31 December 2017 (2016: \$778,495) from the use of its paid parking facility as well as tour and taxi permit services. Tour operators are invoiced based on passenger volumes transported while taxi services are licensed at a monthly flat fee. Both services are strictly managed by the Authority to ensure the standards as laid out by the Public Transport Board are satisfied both in terms of the customer service and the vehicular equipment used to transport guests.

(b) Advertising

The Authority has an advertising programme administered through a concessionaire which manages local and international businesses advertising at the both aerodromes. The ability to earn from this programme is based on traffic levels.

(c) Airport concierge service

This is the flag ship meet and greet service offered to the travelling public and is primarily targeted to high net worth individuals, groups and persons traveling to and from the Cayman Islands for medical services. The service is offered at a per person rate.

(d) Cargo screening services

This charge is levied on commercial carriers and courier services in keeping with international requirements to screen all packages being carried on a commercial aircraft with a maximum takeoff weight of 10,000 lbs. The Authority provides this service as part of its security hold baggage screening quality control operations. The rate is levied per hour.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

14. Staff Costs

The Authority had a staff complement of 197 persons as the end of the reporting period. The approved head count based on regulations and international standards is 220 persons.

The Authority has 98% Caymanian staffing complement in a field where the skills sets are not easily transferable or had locally. In order to keep currency and maintain its operating permit, ongoing training for staff is mandatory for the technical teams to ensure passenger and aircraft safety.

	<u>2017</u> (18 months)	<u>2016</u> (12 months)
	<u>Amount</u>	<u>Amount</u>
Salaries and wages	12,411,880	8,111,875
Past service health care expense	1,969,000	1,144,000
Pension contributions	1,766,736	1,184,420
Medical	1,515,121	981,344
Past service pension expense	413,000	333,000
Uniforms	26,802	28,909
	<u>18,102,539</u>	<u>11,783,548</u>

Refer to note 11 and 12 above for details on past service pension and healthcare costs.

15. Provision for Legal and Civil Claims

The Authority is a defendant to claims that have been brought against it during the course of its business operations. As of 31 December 2017, \$NIL (2016: \$NIL) was paid out as settlement of claims.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

16. Contingencies and Commitments

(a) Contingent legal claims

The Authority believes that the outflow of funds for legal claims are less than probable to be successful and are covered by insurance in excess of deductible; accordingly, no provisions were recognized for possible losses.

(b) Capital and operating commitments

	< 1 year	1 - 5 years	> 5 years	Total
Capital commitments:				
Buildings	24,220,447	11,665,012	-	35,885,459
	24,220,447	11,665,012	-	35,885,459
Operating commitments:				
Janitorial services	591,972	203,624	-	795,596
Other	500,000	-	-	500,000
	1,091,972	203,624	-	1,295,596
Total Commitments	25,312,419	11,868,636	-	37,181,055

As disclosed in Note 7, management has entered into construction contracts that were in progress as at period ended 31 December 2017. The amounts disclosed above represents the remaining amounts on contract after being updated subsequent to yearend and considering change orders.

(c) Management of cash reserves and dividends payable

The CIAA is required to comply with the stated management and governance principles and practices as laid out under the Public Authorities Law (PAL) 2017.

Per Sections 39(2) and 39(3) of said Law, there is an explicit requirement to remit to the Treasury, surplus cash reserves held for a period in excess of ninety days, unless otherwise directed by Cabinet, after written consultation with the Board. The CIAA has after Board consultation, presented its position and requested an exemption for both cash reserve return and dividends on the basis that its cash needs to service upcoming capital development projects, far outstrips the cash holdings. The Cabinet issued a general exemption to all SAGCs in 2018. There was therefore no demand for payment in 2017 or 2018.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

17. Related Party Balances and Transactions

The Authority is directly controlled by the Government and has transactions with entities directly or indirectly controlled by the Government through its government authorities, agencies, affiliations and other organizations (collectively referred to as “government-related entities”). The Authority has transactions with other government-related entities including but not limited to the sale and purchase of goods and ancillary materials, rendering and receiving services, lease of assets, depositing money, and use of public utilities.

These transactions are conducted in the ordinary course of Authority’s business on terms comparable with other entities that are not government related. The Authority has established procurement policies, pricing strategy and approval process for purchases and sales of goods and services, which are independent of whether the counterparties are government-related entities or non-government-related entities.

In March 2014, the Cayman Islands Government entered into an agreement with the Authority to name the Authority as the collector of Departure Tax. In exchange for retaining these funds, the Authority agreed to waive rent for all government agencies at each aerodrome facility. However, the various entities are expected to settle directly to the Authority any additional charges and fees. This agreement took effect as at 1 July 2014.

For the 18-month period ended 31 December 2017, management estimates that the income from government-related entities was 31% (2016: 31%) of its revenue and 7% (2016: 7%) of its operating expenditure.

The Authority provides aerodrome facilities for border control activities to government and related entities. The revenue earned from these entities was \$15,098,625 (2016: \$9,572,966) while purchases from these entities by the Authority was \$2,633,073 (2016: \$1,571,718). The Authority is reimbursed by each entity directly for the services provided.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

17. Related Party Balances and Transactions (continued)

Statement of Financial Position

Included in the Statement of Financial Position, Statement of Comprehensive Income are the following transactions not disclosed elsewhere in the financial statements, Cayman Islands Government entities, all of which are related parties.

(a) Accounts receivable

	<u>2017</u>	<u>2016</u>
	<u>Amount</u>	<u>Amount</u>
Cayman Airways/Cayman Airways Express	15,463,204	19,689,244
Other Government departments	402,032	412,164
	<u>15,865,236</u>	<u>20,101,408</u>

In November 2013, the Authority agreed to extend payment terms to Cayman Airways from 30 days to 45 days for all invoices. It was further agreed that based on the receivable balance at 30 June 2014, Cayman Airways would pay monthly CI\$ 145,833.33 over 6 years towards aged balance and remain current by paying all taxes and pass through fees billed on a monthly basis.

Due to ongoing collection challenges with the sister company, this agreement was revisited. The Authority agreed to extend a 120-day credit for taxes while all other charges would continue to be handled under the old payment terms.

The Authority continues to be in active negotiation regarding the way forward with respect to debts not covered under the brokered agreement as well as future payables.

(b) Accounts payable

	<u>2017</u>	<u>2016</u>
	<u>Amount</u>	<u>Amount</u>
Cayman Airways/Cayman Airways Express	657,402	566,122
Risk Management	-	73,927
Civil Aviation Authority	250,000	250,000
Other Government entities	20,884	66,239
	<u>928,286</u>	<u>956,288</u>

The amounts payable to the Civil Aviation Authority were in respect to regulatory oversight.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

17. Related Party Balances and Transactions (continued)

Statement of Comprehensive Income

(c) Revenue

As at the end of the reporting period under review, the Authority recorded income from government entities as shown below. The revenue below is equal to 31% of the total earnings for the Authority.

	<u>2017</u> (18 months) Amount	<u>2016</u> (12 months) Amount
Cayman Airways	14,617,295	9,292,165
Department of Immigration	143,814	95,514
Department of Customs	126,433	96,644
Cayman Islands National Insurance Company	106,019	-
District Administration	41,727	36,307
Mosquito Research & Control Unit	15,759	12,981
Water Authority	12,335	12,335
Protocol Office	10,619	7,435
Agriculture Department	6,525	5,450
Tourism Department	5,247	4,208
Health Services Authority	4,386	2,117
Royal Cayman Islands Police Service	2,335	2,160
Civil Aviation Authority	2,325	2,470
Other government departments	3,806	3,180
	<u>15,098,625</u>	<u>9,572,966</u>

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

17. Related Party Transactions (continued)

Statement of Comprehensive Income (continued)

(d) Expense

The Authority incurred charges from government entities as shown below over the course of the operating period. The total expenses amount to 7% of operating expenditure for the Authority.

	<u>2017</u>	<u>2016</u>
	(18 months)	(12 months)
	<u>Amount</u>	<u>Amount</u>
Civil Aviation Authority	1,500,000	1,000,000
Risk Management Unit	540,954	351,688
Water Authority	128,702	44,332
Office of the Auditor General	90,000	65,000
Cayman Airways	87,468	22,882
Immigration	86,005	33,020
Royal Cayman Islands Police Service	84,810	-
District Administration	43,546	-
Department of Vehicles	37,751	30,384
Cayman Islands Licencing Department	11,745	5,335
Environmental Health Department	-	8,190
Other government entities	22,092	10,887
	<u>2,633,073</u>	<u>1,571,718</u>

18. Key Management

For the 18 months ended 31 December 2017, the Authority had 17 key management personnel (2016: 17). Total compensation to key management personnel for the year amounted to \$1,926,357 (2016: \$1,097,576) representing salary, pension and other benefits. No key management personnel had any loan or any additional form of compensation/benefit other than stated above with the Authority during the year under consideration. Key management is defined as Board Members, Senior Management Team any other person(s) who has significant influence over the Authority.

	<u>2017</u>	<u>2016</u>
	(18 months)	(12 months)
	<u>Amount</u>	<u>Amount</u>
Short term Benefits		
Senior Management	1,886,810	1,080,026
Board of Directors	39,547	17,550
	<u>1,926,357</u>	<u>1,097,576</u>

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

18. Key Management (continued)

The remuneration of directors and other members of key management mainly included as staff costs including pension and healthcare was as follows:

	<u>2017</u> (18 months) Amount	<u>2016</u> (12 months) Amount
Salaries	1,455,106	855,058
Benefits (pension and health care)	266,383	112,496
PR /work permit payment	30,500	30,500
Training and conferences	90,181	33,024
Accommodation, travel and motor vehicle	44,640	30,094
Bonus	-	18,855
	<u>1,886,810</u>	<u>1,080,027</u>

Related parties conduct businesses as concessionaires at Owen Roberts International Airport. The entities were billed \$38,318 (2016: \$40,854) for rent and other fees. All transactions were conducted during the normal course of business and were all done at arm's length.

19. Subsequent Events

(a) May 2018 – EU loans settled

In May 2018, CIG was paid in full the settlement of the EU loans CI\$ 260,947 (see Note 8 to these financial statements).

(b) November 2018 – CIG dividend policy released

In November 2018, the CIG released its updated policy position regarding the payment of dividends into the Treasury. The payment of dividend has been waived until 2019 for CIG entities and subsidiaries. Refer to note 16 (c) – Contingencies and Commitments.

(c) January 2019 – Pension rate changes gazetted

In January 2019, Cabinet approved annual lump sum payments of CI\$256,000 in addition to increasing the applicable pension rates of 8.3% up from 6.4% for Defined Benefit participants retroactive to January 2017. Refer to Note 11 to these Financial statements. In January 2020, the Cabinet further approved an increase in the applicable pension rates to 11.3% up from the previous 8.3%.

(d) January 2019 – Additional Cayman Airways credit support arrangements brokered

In January 2019, Cayman Airways and management agreed to an extended 120-day credit facility up from the previously agreed 45 days. This agreement took effect in January 2019 and is not retroactively applied. Refer to Note 17 to these Financial statements.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

19. Subsequent Events (continued)

(e) June 2019 – Public Sector salary realignment exercise

Section 47 of the PAL came into effect on 1 June 2019 mandating public authorities to align their salary scale with those of central government as a means of achieving pay equity across the entire public sector. This realignment exercise requires the remuneration packages of public authorities to be adjusted (up or down) to reduce differences between the public authorities' and public service's pay grades.

The Cayman Islands Government's Portfolio of the Civil Service has not yet completed its evaluation of CIAA's salary scale versus that of the public service. Therefore, management could not quantify the impact of any resulting adjustment with any measure of certainty under section 47 of the PAL and as such, no resultant provisions have been made in these financial statements.

(f) December 2019 - ORIA terminal redevelopment completion

Phase II of the ORIA redevelopment has seen significant changes in project scope due to the incorporation of additional safety features and improvements to enhance the passenger experience in support of the Cayman Islands Tourism product. The entire renovation and expansion of ORIA was completed in the second quarter of the 2019 financial year. All ORIA concession contracts under the new revenue model using industry best practice have been awarded and contract negotiations and opening schedules have been finalized. Concessionaires have begun full operations.

(g) March 2020 - Covid-19 Pandemic

With the spread of COVID-19 throughout the world since 31 December 2019 and the first positive case reported in the Cayman Islands on 17 March 2020, it was announced shortly thereafter by the Cayman Islands Government that the borders to our shores would be temporarily closed as part of a number of mitigation measures to slow the spread of the Coronavirus. As a result, Owen Roberts International Airport saw the last scheduled international passenger flight depart on 22 March 2020, with the exception of any air bridges or repatriation flights that the Cayman Islands Government approves.

Due to the border control restrictions and quarantine measures coupled with the obvious job and economic loss in our primary market (USA). The CIG has indicated that unrestricted international travel is not likely to resume until Q1 of 2022. The ongoing travel restrictions translated into significant revenue loss of \$13.8 million to December 2020 (2021: \$27.7 million estimated).

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2017
(In Cayman Islands dollars)

19. Subsequent Events (continued)

(g) March 2020 - Covid-19 Pandemic (continued)

Management has a projected a cash deficit of \$5.8 million resulting from the operations and the ongoing \$42.6 million airside upgrade project as at December 2020. In light of the foregoing, the CIAA has proposed financial support through a temporary increase in the previously approved loan (\$12.4 million) and overdraft facility (\$8.0 million) of \$20.4 million, coupled with the settlement of Cayman Islands Government interagency (IA) debts of \$9.9 million and a suspension/waiver of annual dividend payments for 2020-2021.

In addition to the external funding and Cabinet support, the CIAA has also implemented multiple internal cost saving measures, such as a temporary freeze on recruitment, redeployment of non-essential staff and resources, reduction in reliance on external contractors, renegotiation of contracts and consultancy in line with operation levels, deferral of some capital projects and utility management across all locations.

(h) May 2020 – Support to national airline and stimulation of domestic travel during pandemic

In an effort to further relieve hardship on Cayman Airways as well as stimulate domestic travel, in May 2020, the Board of CIAA took a decision to temporarily waive landing and parking on fees on domestic travel from CKIA. In addition, landing fees on domestic travel was waived at ORIA. The decision will be reviewed annually.

(i) March 2021 – Airside Upgrade complete

In 2018, the CIAA began preparatory work on the airside upgrade as outlined in the redevelopment masterplan. A contract was awarded for the design works which are now complete and the project put to tender in 2019. In Q4 of 2019, the airside works contract was awarded. With the advent of Covid-19 and the resulting limited airside activity in 2020, the CIAA accelerated the project works. The project was completed in Q3 of 2020 and all retention settled in Q1 of 2021.