



ANNUAL REPORT

FISCAL YEAR ENDED 31 DECEMBER 2021

A large, white private jet is shown in flight, angled upwards towards the right. The aircraft is set against a bright blue sky with soft, white clouds. A large, semi-transparent, stylized 'C' shape is overlaid on the image, framing the central text and the aircraft. In the top right corner, there are small, semi-transparent images of the Cayman Islands flag and the coat of arms of the Cayman Islands, which features a shield with three stars and a banner below it that reads 'HE PATH FOUR MILES LONG LEADS TO THE SEAS'.

EXCELLENCE & INNOVATION IN
AVIATION REGULATION



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FOREWORD BY THE DIRECTOR-GENERAL

I am delighted to present the annual report for the financial year ended 31 December 2021. The last two years have brought much uncertainty because of the COVID -19 pandemic; however, the Authority fulfilled its regulatory oversight obligations, maintained its financial self-sustainability, required no capital subsidy, and paid dividends to the Government.

As we exit the second year of the COVID-19 pandemic we are happy to see life slowly returning to normal as it was pre-Covid. We are also happy to report that the Authority realised an operating income that is 28 per cent above the target set in the 2021 Ownership Agreement. The Authority also maintained the Governor's designation for full responsibility for safety oversight of aviation in all functional areas.

Construction of the CAACI's new corporate office was finalized in February and the CAACI staff enthusiastically moved in the following month. Although some staff continued to work remotely for several days a week, the majority of employees promptly settled into our new office. The new corporate office complex is now a permanent home for the CAACI management and staff and has provided a significant boost to staff morale. We are also proud that this complex was fully financed from retained earnings of the CAACI and its development cost was under budget.

The Islands 'reopened' to regular scheduled commercial air services in the third quarter of 2021. However, the high demand for supplementary air transport during the period saw continued high levels of private and charter aircraft operations, where the CAACI played an integral role in the processing and approvals in close liaison with local government and public health officials to satisfy strict entry requirements.

During the period, the CAACI adapted alternative means of safety oversight that allowed in-house staff and overseas based designated inspectors to fulfill the Authority's regulatory responsibilities and provide efficient service to our aircraft operators globally utilising risk-based analysis and remote monitoring tools. With the lifting of international border restrictions, we anticipate being able to return to in-person inspections and surveys in early 2022. We are hopeful that travel for promotional purposes, conferences and regulatory training will also resume in the ensuing period.

We are also pleased to have had our Vision 2025 Strategic Plan approved by the Board. This was accomplished with input from various stakeholder groups including representatives of the CI Government, the CAACI Board of Directors, management, staff and key industry partners. We look forward to being able to implement the approved strategic priorities as we develop and refine our tactical operational initiatives across all divisions and work towards maintaining "Excellence & Innovation in Aviation Regulation".

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

FOREWORD BY THE BOARD OF DIRECTORS

The year 2021 ended positively for the Civil Aviation Authority of the Cayman Islands (CAACI) despite the prolonged and continued COVID-19 pandemic which has been experienced globally.

Carrying on from 2020 with restricted borders and travel capabilities, the management and staff of the CAACI rose to the challenge to effectively and efficiently carry on its mandate for regulatory oversight of aircraft on the Cayman Islands Aircraft Registry through the use of electronic meeting and performance risk-based analysis tools.

In addition, the concerted effort to grow the niche market 'transition registry' as a compliment to the traditional operational registry has proven to be lucrative as it provides another diversified revenue stream for the Authority. The CAACI's positive reputation for working with lessors and financial partners to identify bespoke solutions during the pandemic, when it was necessary for aircrafts to transition between jurisdictions, has positioned the CAACI to capture marketshare and establish itself as a credible regulatory partner for such registrations.

A small contingency of the staff continued their support to the Cayman Islands Government (CIG) as it managed the country through the pandemic providing daily advice and processing of aviation authorisations for air transport operations as the CIG embarked on a phased re-opening of borders from September 2021. This has been a consistent effort by the same team since the border closure in March 2020 liaising with various appointed CIG teams and management groups including tourism and aviation sector representatives.

The board would like to again this year recognize the entire staff complement for their dedication, hard-work, loyalty and resilience in the face of challenging times. The staff optimized remote work conditions, creatively managed tasks and met the strategic goals and objectives of the Authority while many of them or their families were affected by the pandemic – we are grateful for the efforts of all. The result of these combined efforts and prudent management is that the Authority has maintained and in fact prospered financially in 2021, maintaining its financial independence and contributing to CIG revenues.

As we look to 2022 with cautious optimism, we hope that a reprieve from the COVID-19 pandemic will enable the Authority to return to some of its normal methods of regulatory oversight, travel to clients, meetings for conferences and information sharing, growth and development.

SECTION 1.0

ORGANIZATIONAL OVERVIEW



1.1 CAACI STRUCTURE AND FUNCTIONS

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

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

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

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

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

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

The **Economic Regulatory and Administration** division provides economic regulatory oversight for commercial air transport operations to/from the territory, including scheduled and non-scheduled operations, ensures compliance with Air Service Agreements (ASAs) and best practise recommendations for airport operations as per economic guidelines of the ICAO.

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

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

SAFETY REGULATORY OVERSIGHT

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

ECONOMIC REGULATION

- Granting of air transport operating permits for scheduled and non-scheduled foreign carriers;
- Regulation of charges levied by airport operators to ensure equality in application;
- Provide advice to the Cayman Islands Government (CIG) regarding bilateral air services negotiations with other States and Territories;
- Liaise with the UK Department for Transport, and participate in the negotiation of air service
- Provide advice and administrative assistance to the Air Transport Licensing Authority as it pertains to licensing of local carriers;
- Provide advice for effective implementation of regulatory policy that is in the best interests of the traveling public/end user;
- Liaison with ICAO or other relevant organizations to submit air transport data/information as required
- Provide advice for effective implementation of regulatory policy that is in the best interests of the traveling public/end user;
- Liaison with ICAO or other relevant organizations to submit air transport data/information as required.

REGISTRATION OF AIRCRAFT

- Review of client submitted registration application through VP-C Online;
- Determine qualification and eligibility of aircraft registration applicants;
- Conduct due diligence on aircraft owners and registrants as per International Anti-Money Laundering and Internal Policy KYC Guidelines;
- Registration of eligible aircraft;
- Maintain the Cayman Islands Aircraft Register;
- Review changes to aircraft ownership or ownership details and the resulting effect on registration and revise Register;
- Maintain the Cayman Islands Register of Aircraft Mortgages.

CAACI STAKEHOLDERS

Our Stakeholders are diverse and include:

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

1.2 BOARD OF DIRECTORS

The Board of Directors is responsible for governance and overseeing the effective performance of the Authority in accordance with the Civil Aviation Authority Act (2015 Revision).

The members of the Board of Directors for the period 2021 were:

NAME	ROLE
Mr. Ian Pairaudeau	Chairman
Vacant	Deputy Chairman
Ms. Shamar Ennis	Member
Mr. William McTaggart	Member
Ms. Gina Berry	Member
Ms. Sherice Arman	Member
Ms. Deloris Gordon	Public Service Representative
Mrs. Kathryn Dinspel-Powell	Public Service Representative

1.3 DELIVERY MODEL

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

This delivery model is comprised of the following elements:

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

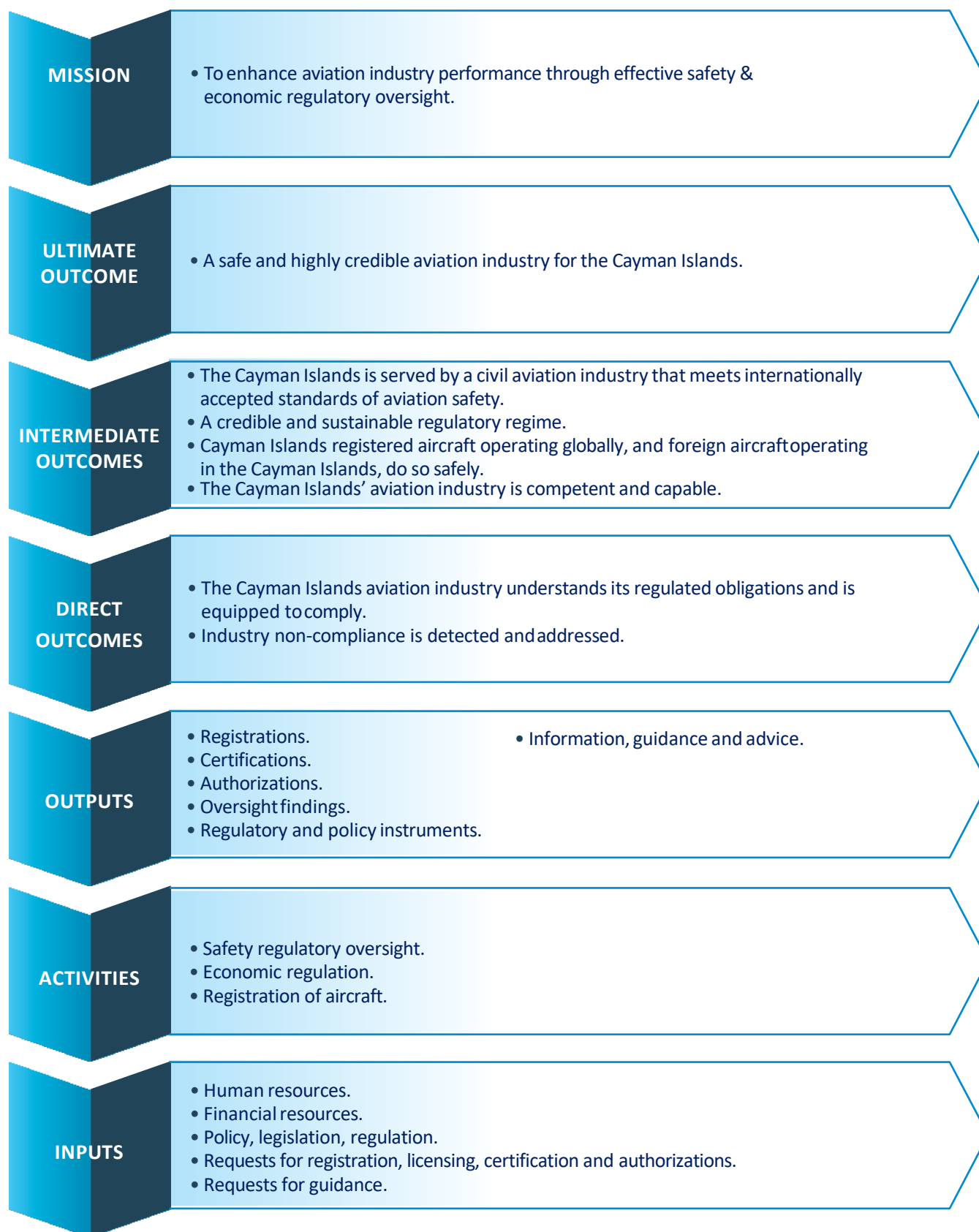
The CAACI delivery model is supported by two core principles associated with our organization’s ultimate goal of a safe and credible aviation industry for the Cayman Islands (CI). The first principle requires that our regulatory direction, information and guidance are sound and easily understood.

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

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

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

CAACI Delivery Model



1.4 MISSION, VISION AND VALUES STATEMENTS

OUR VISION

"A safe and highly credible aviation industry for the Cayman Islands"

OUR MISSION

"To enhance aviation industry performance through effective safety & economic regulatory oversight"

OUR VALUES

Safety first: We never forget our organization's primary reason for being

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

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

Regulatory objectivity: We conduct our regulatory responsibility with impartiality

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

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

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

Innovation: We continually pursue new and creative methods to advance our effectiveness

1.5 STRATEGIC OBJECTIVES

The Vision 2020 (2016-2020) had three board strategic objectives:

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

At the end of 2021, the Strategic Vision 2021-2025 was approved by the Board. Planning began mid-year with strategic planning meetings with the Board, management and staff of the Authority.

The below are the new three broad strategic objectives:

- Lead through a modernized, comprehensive and risk based approach to regulatory oversight.
- Continuously improve service delivery and innovative solution options for our stakeholders.
- Develop and sustain a high-performing, complimentary and cohesive professional team committed to organisation excellence

Ongoing review, updates and improvements During the period, various stakeholder strategic visioning sessions were held to examine the current strategic plan and refine and tweak the strategic direction through the year 2025. These focus group meetings were held with the board of directors, senior management, staff and technical contractors of the CAACI, CI Govt officials, and aviation and financial services industry representatives. It is envisioned that the Authority's operational plans that guide daily workflows will be updated in 2021.

OUR STRATEGIC APPROACH (Strategic Vision 2021-2025):

STRONG GOVERNANCE: We recognise the critical importance of sound organizational structure, transparency, and fairness within all policies and best practices.

ENVIRONMENTAL VIGILANCE: We remain vigilant of all efforts to reduce the environmental impact of the aviation industry on the environment.

RESILIENCE: In order to remain financially solvent without compromising standards, we will seek innovative opportunities to enhance operational sustainability, keeping prepared for even the most difficult times.

FORWARD THINKING: We embrace the importance of looking forward to both understand and implement change in accordance with trends in the industry, society, and within our own organisation.

STANDARDS OF EXCELLENCE: As a continuously growing and changing industry, we embrace the needs to exceed basic expectations and take pride in adapting and performing to the highest possible standards.

SECTION 2.0

MANAGEMENT DISCUSSION AND ANALYSIS



2.1 PERFORMANCE SUMMARY BY STRATEGIC OBJECTIVE

STRATEGIC OBJECTIVE 1: A MODERNIZED APPROACH TO REGULATORY OVERSIGHT

Lead through a modernized approach to regulatory oversight

PERFORMANCE ANALYSIS AND LESSONS LEARNED

The Air Navigation Services Regulation (ANSR) division is currently staffed with a total of three full-time personnel and one contracted Inspector. This number has proved to be adequate to meet the volume and scope of work that the division undertakes on behalf of the Authority.

During 2021, the ANSR team were fully present “in office”, as the Cayman Islands navigated its way through the Covid-19 Pandemic. Although many aspects of life have returned to the new-normal, travel restrictions/requirements have persisted. Consequently, all developmental training has been conducted either through on-line self-paced training, or virtual classroom sessions and seminars. Personnel have attended virtual training courses on diverse subjects including Search & Rescue, Rescue & Firefighting Services, Global Reporting Format for Runway Conditions and Automatic Dependent Surveillance for Air Traffic Control. Although the training has been quite valuable in keeping the division abreast of developing technologies and industry best-practice, the virtual classroom only permits limited opportunity to ask questions or exchange views and information.

In February the team participated in the Obstacle Survey of the Owen Roberts International Airport (ORIA) as part of both the continual development of staff as well as meeting the oversight requirement identified in Overseas Territories Aviation Circulars (OTAC) 139-20. This included practical demonstrations in field techniques, survey monument siting and site elevation preparations.

The Biennial Audit of the two certificated aerodromes was conducted between 8th March and 22nd March 2021 to assess the progress made in addressing Findings & Observations from previous Audits and to review aspects of the operational activities and services provided at both aerodromes.

The services delivered by third-party entities, the Rescue and Fire Fighting Service provided by the Cayman Islands Fire Service and the Meteorological Services to Aviation provided by the Cayman Islands National Weather Service were also audited as part of the process. The Audit coincided with the completion of the major airside re-development programme at ORIA, which provided an opportunity for continued dialogue between the Airport Authority and the ANSR team to ensure the new infrastructure was appropriately and safely brought into operational service.

In July the Airports Authority conducted the first of two full-scale emergency exercises to meet the requirements of the Aerodrome Certificate. The first exercise took place at Cayman Brac’s Charles Kirkconnell International Airport (CKIA) testing the effectiveness of emergency response procedures and the adequacy of the CKIA Airport Emergency Plan to cope with an emergency response to an aircraft accident occurring at sea. The physical deployment of human resources and equipment to an off-airport coastal response location formed an essential part of the exercise for the response agencies.



Little Cayman Emergency Exercise
31 August, 2021

The second full-scale emergency exercise was held at ORIA in September, at which the ANSR team conducted similar oversight activities. This year also saw the ANSR

team attend a full-scale exercise of the Little Cayman Emergency Plan, a biennial requirement to support the exemption which permits Cayman Airways Express to operate into an uncertificated aerodrome.

As part of the requirement for oversight of Air Traffic Service Organisations within the Cayman Islands, and in compliance with OTAR Part 65.107 (c) the CAACI Air Navigation Services division assessed the annual refresher training of air traffic controllers at both ORIA & CKIA. In addition, Air Traffic Control (ATC) validation boards were conducted by ANSR ATC examiners resulting in the issue of four Air Traffic Controller initial license validations; three were for Aerodrome & Approach Control at the ORIA unit, and a single validation was conducted for Aerodrome Control at CKIA.

The annual ASSI Aerodrome Safety Seminar was again held in Webinar format due to Covid-19 restrictions. Four presentations were delivered, the subjects being Electrical Systems, Automatic Dependent Surveillance, Aviation Security and Air Traffic Control Phraseology. Despite the limitations of virtual learning, the seminar

provided a useful opportunity to understand the latest development in these areas.

The Mandatory Occurrence Reports (MOR) for the year ended 2021 saw an increase to 90 submissions, in comparison with the 62 reports received in 2020. This increase reflects the growth in commercial aviation activities following the global downturn in travel demand due to the Covid-19 Pandemic. All MOR processes are gradually being moved to the Centrik digital application, with an aim of full integration by the end of the first quarter of 2022.

In addition, following the initial exercise in 2019 ANSR personnel were again required to undertake a review and update of the On-Line Framework Protocol Questions as part of ICAO's self-assessment programme. Although beneficial, this was a time-consuming process.

This has been another very full year for the Division. Despite the challenges posed by the ongoing Pandemic, ANSR has been able to fulfill its responsibilities in providing effective oversight due to the cooperation, collaboration and commitment of the team.



Grand Cayman
Emergency Exercise
30th September, 2021

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

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

In addition to the Grand Cayman staff, there are nine contracted Airworthiness Surveyors based in the United Kingdom, Germany, Switzerland, Canada and Indonesia. Further there is a contracted Rotary Wing Flight Operations Inspector, and one fixed wing inspector based in Canada. The transportation of Dangerous Goods by air into the Cayman Islands is overseen by two (2) Technical Officers based in Grand Cayman. This year a Technical Officer based in Grand Cayman was certified to oversee Remotely Piloted Aircraft Systems (RPAS).

REGULATORY ACTIVITIES

The events of 2020/21 devastated the aviation industry worldwide. A large number of Cayman registered aircraft owners and operators stopped flying their aircraft either due local government restrictions or to mitigate financial expenses. Air travel to Grand Cayman and the Sister Islands was severely limited to lessen the potential spread of the COVID-19 virus domestically.

Flights by Cayman Airways and Cayman Airways Express were restricted to operations supporting returning residents and inter island travel for medical reasons.

However, in spite of this industry downturn, the demand for CAACI regulatory services did not decrease. Our worldwide regulatory team continued to effectively carry out a full slate of aviation certification and regulatory oversight in spite of being severely restricted to travel and on site access to our aviation clients as a result of the worldwide pandemic. The Cayman Registry enjoyed a net increase of 11% in registrations, 21% increase in Airworthiness Organization approvals and an 18% increase in Private Flight Operational approvals.

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

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

The following is a list of the regulatory certification and oversight that was carried out by the ASR Staff in 2021:

- Flight crew license
- E-issue, validations and Maintenance License Validations

- Initial and renewal aircraft surveys
- Major and minor aircraft design approvals
- Initial and renewal of Continuing Airworthiness
- Management and Airworthiness Management Organisations
- Private and Commercial Air Operator initial certification and renewals
- SMS Approvals, Audits and Inspections
- Aerial Work Permissions for Aerial Spraying and Small Unmanned Aircraft (SUA)
- Supporting documentation for aircraft operations (Minimum Equipment Lists, Noise certificates, etc.)



Attending CEC/CAACI Tech Talks featuring
Drone Safety, 14th December, 2021

REGULATORY LIAISON WORK

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

The Cayman Special Economic Zone (CSEZ) continues to generate interest with the CAACI processing new

AOC applications, and the renewal of our existing customers.

Remotely Piloted Aircraft Systems (RPAS) continues to be an emerging industry locally. There is a mix of private and government-based agencies utilising the technology for promotional, scientific and surveillance purposes. Though some operators chose not to renew their aerial permissions as a result of the pandemic, several other new entrants have been approved.

This past year the **lessor transition project business** grew and many aircraft were added to the CI Aircraft Registry (CIAR) for the purpose of transitioning between leases. Having an individual based in Ireland to represent the CAACI has been particularly valuable in promoting the CIAR to the Leasing Community.

In early 2021, the CAACI participated with other NAA's and the United States Federal Aviation Administration to return the Boeing B737-8 MAX aircraft back to full certification status. The CAACI worked collaboratively with Cayman Airways to ensure compliance with the revised airworthiness and operational requirements, before reinstating the aircraft approval to operate for commercial air transport.

In the summer of 2021 the CAACI completed a combined Audit of Cayman Airways and Cayman Airways Express Safety Management Systems (SMS). The Audit team at looked all areas of the operations.

In late November 2021, the ASR team hosted the Annual CAACI Safety Seminar online. Due to travel limitations, the usual face to face meeting and training event could not be held this year. However, we were able to meet e-virtually and review the years activities, as well as discuss our future plans. The pandemic has caused the CAACI to reflect and modify its processes but what has not changed is the demand for our services and the commitment of our staff.



Annual CAACI Safety Seminar
30th November 2021

LOOKING FORWARD TO 2022

ASR is looking forward to the return of in person oversight and seeing passengers on board airplanes and helicopters. While the division successfully pivoted to remote oversight for the short term, we are eager for a return to normal operations and growth of the Industry.

AIR OPERATOR CERTIFICATE (AOC) HOLDERS:

- Cayman Airways, Ltd
- Cayman Airways Express
- Cayman Islands Helicopters
- Mosquito Research & Control Unit (MRCU)
- Royal Cayman Islands Police Service
Air Support Unit
- Cayman Bellawings SEZC
- Phenix Jet Cayman SEZC

SUA/DRONE AERIAL WORK PERMISSION HOLDERS:

- Dart Real Estate
- Deep Blue Images
- Wright Holdings Ltd trading as Icarus Aerial Media
- Airvu Media
- Cayman Drone Company
- Technology Solutions LTD
- G2 Spatial
- Department of Environment
- Lands and Survey Department
- Royal Cayman Islands Police Service
- Kerfuffle Content Ltd.
- Clear View Drone Services
- Nyys One Production
- Ritz Carlton
- Drift Enterprises Limited
- Armada Films
- Hollins Productions Ltd.
- Capital Realty Ltd T/A Engel & Volkers
- Realty Check

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

STATISTICS FOR THE CI AIRCRAFT REGISTRY FOR THE YEAR 1 JANUARY – 31 DECEMBER 2021

- Total aircraft entered on the register as at 31 December 2021 = **315**
- New aircraft registrations during the period = **103**
- De-registrations during the period = **74**
- Net growth of aircraft since 31 December 2020 = **29**
- Total Approved Maintenance Organizations = **203**
- Total Continued Airworthiness Management Organizations = **93**
- Total Pilot Licence Validation Certificates issued (initial and renewals) for the period = **1,125**
- Total Pilot Licenses issued for the period = **23**
- Total Maintenance Licence Validation Certificates issued (initial and renewal) for the period = **150**
- Major/Minor Aircraft Modification Design Approvals issued for the period = **221**
- Total Number of Approved Certificates issued by ASR during the period = **4,082**

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

Airbus: A318, A320, A321 and A330

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

Leonardo Helicopters: AW139, AW 189

Bell Helicopter: 429

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

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

Bombardier: Lear 60

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

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

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

Embraer: 135/145 and 190

Gulfstream: G450, G550, G650, etc.

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

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

Pilatus: PC12

Viking: DHC-6-400



Newly Renovated ORIA Runway

STRATEGIC OBJECTIVE 2: CONTINUOUS IMPROVEMENT OF SERVICE DELIVERY

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

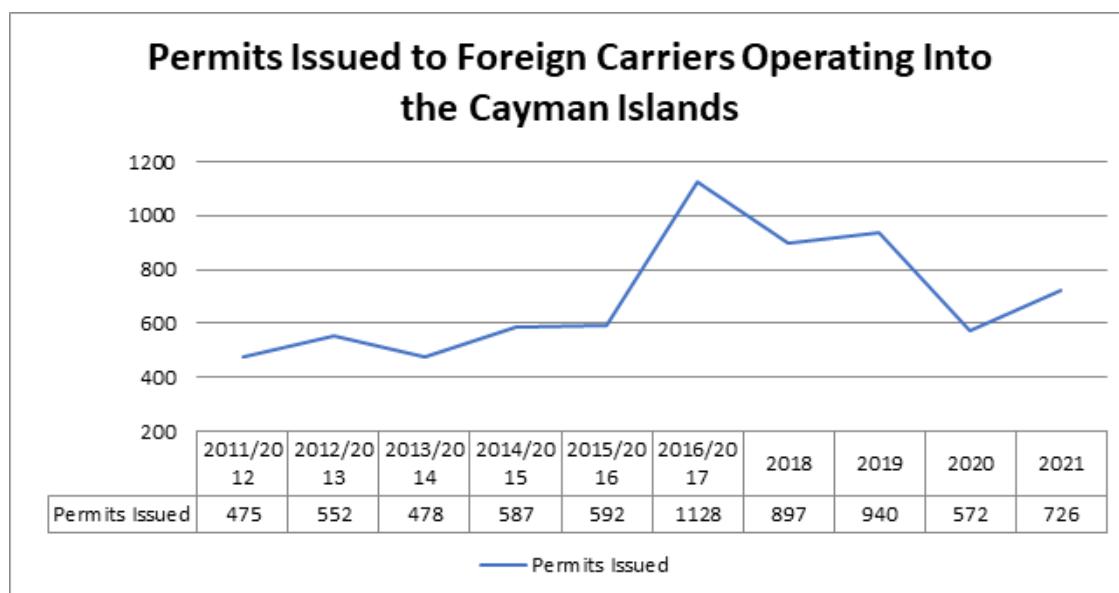
PERFORMANCE ANALYSIS AND LESSONS LEARNED

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

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

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

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



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

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

Due to the closure of the island caused by the Covid-19 pandemic operators, with the exception of IBC, whom operate cargo flights, were unable to utilize their permits for the Summer 2021 period. These permits were issued to American Airlines/US Airways (merging), Delta Airlines, IBC Cargo, Jet Blue, Southwest and United Airlines. Of these carriers only JetBlue was able to use their Summer 2021 permit, as their operations returned to service prior to the close of the Summer season which runs from 31st March thru 30th October. For the Winter season which runs from 31st October – 30th March, as the island looked to re-opening 8 operators, Air Canada, American Airlines/US Airways (merging), Delta Airlines, IBC Cargo, Jet Blue, Southwest, United Airlines and WestJet have renewed their permits, and a new permit was issued to Air Canada Rouge, which operates some flights on behalf of Air Canada, for a total of 9 permits issued for the 2021/2022 Winter season. The only carrier which has not renewed their permit was Caribbean Airlines.

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

The Deputy Director-General and Air Carrier Licensing Officer provided administrative support to the Air Transport Licensing Authority (ATLA) – the independent Board, appointed to process applications for economic licenses to local commercial air transport operators. The Deputy Director-General continues to serve as the Secretary to the ATLA. During the period between January – December 2021, the number of non-scheduled permits issued by the DGCA (delegated authority by the ATLA) on behalf of the ATLA, to other UK Overseas Territories' airlines/operators, remained the same from the 2020 period. There was 1 permit issued to InterCaribbean, 1 to VIA Air Link and 1 to Cayman Islands Helicopters for site seeing tours over the Cayman Islands, during the year.

The Deputy Director-General also continues as the appointed Secretary to the Board of Directors of the CAACI.

Work continues with Brac Informatics Centre (BIC) to refine the VP-C Online electronic data management portal with refinement of the existing version and creative development investment for a new version of the portal to include new service offerings of the CAACI. This is directly related to the CI Gov'ts' initiatives to realise efficiencies via electronic and digital methods and the CAACI's drive for continuous improvement.

As with 2020, the CAACI continued to act as the liaison to ensure that all passengers arriving or departing on charter or private flights had been approved for quarantine prior to the necessary regulatory approval of the aircraft/air operator being issued. This entailed liaising and training the relevant personnel of the Travel Cayman Team operated by Cayman Airways staff. The CAACI also assisted with the transitioning of these entities, as the CAACI's Economic Regulatory (ER) team ensured that those replacing the National Emergency Operations Committee (NEOC) team understood the aviation regulations and related regulatory processes and procedures for aircraft operating into the territory.

The additional responsibility of monitoring and issuing permissions for charters, private aircraft, as well as the number of air ambulance emergencies which have grown exponentially since March 2020 in addition to being available to coordinate special flight requests, the Economic Regulatory staff have been on call 24/7 to respond to these requests and continue to be an integral component of the aviation restart and border re-opening team ensuring that despite challenges imposed by the pandemic, operators are in compliance with mandated safety and economic regulations. This continued into late 2021 with the addition of the PCR requirement, which extended the responsibility of the ER team as it was a requirement for the PCR to be accepted by the Travel Cayman team prior to final approval being given for all flights operating into the Cayman Islands.

The responsibility of the CAACI acting as the repository for private and charter flights into the Cayman Islands and the necessity of acting as a liaison between Travel Cayman and operators ended with the re-opening of the borders 20th November, 2021.



CAACI Donation to R3 foundation

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

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

PERFORMANCE ANALYSIS AND LESSONS LEARNED

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

FINANCIAL SUSTAINABILITY

The Authority implements an annual integrated communications programme as a component of its Business Development activities, aimed at creating greater awareness of the Cayman Islands Aircraft Registry globally and a greater awareness of CAACI's credible regulatory regime with the ultimate goal of increasing the subscribers to the aircraft registry and creating sustainable financial streams for the Authority. The three signature aviation tradeshow that the CAACI would normally attend are: the National Business Aviation Association (NBAA) Business Aviation Conference and Exhibition (BACE) held annually in the USA; the European Business Aviation Association Conference & Exhibition (EBACE) held in Geneva, Switzerland and the Asian Business Aviation Association Conference & Exhibition (ABACE) held annually in Shanghai, China. This year ABACE and EBACE were cancelled due to the COVID-19 pandemic; however, the NBAA BACE show went on as planned. As the Cayman Islands was still limiting all non-essential travel, the CAACI made the decision to not attend.

Airfinance Journal Reconnect

The CAACI was represented at Airfinance Journal Reconnect in London by 2 of our UK contractors, Gerry Newham and David Tudor and was joined virtually by Brian Skehan, CAACI consultant based in Ireland. The event was moved from Dublin to accommodate easier travel restrictions for the attendees. It was hosted on the 22nd - 23rd September

and the CAACI was a Bronze sponsor. The conference would normally bring together the global aviation finance community to meet and to do business, build new relationships and connect.

Corporate Jet Investor (CJI)

CJI London – 2 - 4 February, Jane Panton and Joni Wood attended virtually

CJI - Official Guide to Aircraft Registration and Tax 2022.

Branded as co-publisher of magazine with 2-page article and listing in the September 2022 edition of the guide.

CEO Insight magazine

Two-page editorial spread to be printed. Also, on-line on CEO Insight website. This advertorial focused on the transition register.

Inside Industry

Complimentary editorial in the magazine with advertising support from local business partners

European Business Review - An interview feature with DG focusing on the Authority's COVID recovery in the November/December 2021 print and digital editions; a full-page ad in print/digital edition; in addition full-page advert in January/February 2022 edition.

World Commerce Review - Full page ad in the Summer, Autumn and Winter 2021 editions of World Commerce Review which includes a Q&A with Mr. Smith of CAACI in the Autumn edition focusing on the Transition Register.

SILC Conference (Shannon International Leasing Conference)

SILC was created from the collective interests of Shannon and Irish aviation companies, working together to provide a range of skilled services and cost-efficient solutions to both airlines and the leasing companies.

It is a collaboration of combined growth and individual prosperity – the commonality being the advancement of Shannon as a centre of excellence for the aviation industry. The conference gives an opportunity for technical representatives from the industry to meet and discuss up-to-date trends, listen to leading figures' opinions on the future of the industry, and engage in an open networking forum with their peers. Brian Skehan attended on behalf of the CAACI and found the conference very beneficial to promote the Register.

As the Authority was unable to travel with business partners to promote the Registry we had to create opportunities to stay relevant in the market and stay connected to clients. The CAACI and several local legal partners created an article to update clients on the state of the industry and to promote the lessor market/transitional registry.



Donation to Breast Cancer Foundation

MANAGING FOR RESULTS

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

As of the 31st December the staff compliment was 24 (includes 1 Intern and 1 Temporary).

Recruitment - During the reporting period CAA advertised and filled the post of Flight Operations Inspector which was created by the internal promotion of the Flight Operations Inspector to the Director of Air Safety post in February 2021. The Authority was successful in recruiting a Caymanian to fill the post in August 2021. The candidate has many years experience in the aviation industry and holds an airline transport pilot license (ATPL) as an airline Captain.

The Authority also employed an intern for the summer. The candidate has a BA degree in Aeronautics and holds a Commercial Pilots license. He worked in the ASR division and works closely with the Flight Operations Inspectors where he was exposed to the operations of the regulatory side of the aviation industry.

Employees Contract Renewal - There were no employee contract renewals during this period. However, the Authority undertook having the employee agreements reviewed by a Labour Attorney. This resulted in the employee contracts being amended to reflect compliance with the relevant Acts. As such, employees were issued with new open-ended contracts.

Overseas Contractor Renewals - One full-time and one part-time surveyor consultancy agreement was offered in the Canadian region. The two US part-time surveyor consultancy agreements were renewed for an additional 24 months. Brian Skehan's, in Ireland, agreement was extended for an additional 12 months. A full time contractor in the UK was also hired.



Staff outside of new CAACI building after a tour

AN ENABLING WORK ENVIRONMENT

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

Although the COVID pandemic limited staff from attending face to face class room training, staff were able to participate in various virtually/online training courses.

Courses completed by:

ASR

Technical staff attended the Joint Technical Seminar for Flight Operations/Airworthiness International Air Law (IAL EN): ICAO Safety Management online Course. One Technical Officer attended and successfully passed the Small Unmanned Aerial System Training Program conducted on island by CIRIPS. They also attended an Air Law Webinar online conducted by ASSI.

ANSR

Air Law Webinar
Aerodrome Webinar
ICAO Reporting Formatting

ER&A

The Deputy Director-General attended the Air Law Webinar and a One-day conference covering the Future of Financial Services, Environment, Social and Governance, Cyber Security, Digital Currency, and Mental Health.

HR Administrator attended the Information Manager Refresher Training, the Annual HR Conference held locally and a workshop in Managing transition and Change.

ER&A team continue to attend and participate in the quarterly OT training webinar conducted by ASSI.

Finance

The Director of Finance attended a workshop on Managing Transition and Changes and a one-day conference covering the Future of Financial Services, ESG, Cyber Security, Digital Currency, and Mental Health.

Staff continued to receive training pertaining to Data Protection, including regular computer-based training from KnowBe4 and on-site training from the CI Government Information Rights Analyst.

With respect to enabling infrastructure, continued contractual relations with IT management firm 'Caribbean Network Solutions' ensured daily support for all IT infrastructure and staff.

Training is also provided to staff by IT, via monthly simulated phishing campaigns and quarterly security awareness training.

IT support representatives played a vital role in enabling staff to work remotely and be flexible during the ongoing pandemic, whilst setting up IT infrastructure systems in the new CAACI building.

The construction of the new building commenced mid-year in 2020 and was completed in early 2021. In March 2021 most staff moved into the new building with a few maintaining WFH or flextime schedules.

FINANCIAL PERFORMANCE AND ANALYSIS

Growth in financial performance – Cayman Islands Aircraft Register

The Cayman Islands Aircraft Register (The Registry) contributed 96.5% of the Authority’s revenue which has been consistently growing and achieving increasing forecasted targets year over year. The 2021 financial year, the 2nd year into the pandemic, despite the global upheaval in all aspects of business, revenue from the Registry achieved was 26% over prior year and 25% over forecast.

The Aircraft Register is globally recognised as a reputable and safe option for private and corporate aircraft owners to have their aircraft certified annually by professional technical staff, in various jurisdictions, with many years of air safety regulation experience. With the high level of expertise and attention to detail, coupled with the attentiveness to the customer experience through offering bespoke aircraft management systems, the interest of the lessor market for aircraft registration for aircraft transitioning between leases has also grown over the past two years. This lease transitioning business which was officially launched in Ireland in October 2019 by a group of CAACI executive and managerial staff has grown beyond our expectations and grew by 279% over forecast and by 285% over 2020 revenue. This significant revenue injection came at an appropriate time as revenue from Regulatory Oversight of the CIIA was nil in 2021 due to an agreement between the Board of the CAACI and the Board of the CIIA that the fee of CI\$1 million would not be charged until airport operations returned to normal.

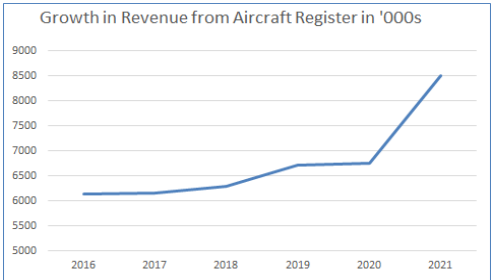


Ministerial visit from Hon. Andre Ebanks, MP
to tour new CAACI Building
5 May, 2021

A Key Priority is managed growth of the Cayman Islands Aircraft Register (CIAR) which provided 96.5% of total revenue during the year.

The CIAR sustains the Authority such that no subsidies are required from CIG and instead has provided \$26.6 million of dividends to the CIG since 2010.

Net Income from operations exceeded forecast in the Ownership Agreement by 28%



Financial performance of the CAACI, continued

The following schedule shows a summary of the financial performance and dividends paid to the Cayman Islands Government since 2019. Total revenue has increased by 20% and Net Comprehensive Income (NCI) by 215% over 2020 amounts. NCI includes the gains and losses identified in the actuarial valuations of the future costs of post retirement defined benefit pension and healthcare plans. In 2020 there was a net "remeasurement" loss due to these actuarial valuations of \$1.16 million and this year there is a gain of \$48 thousand, giving rise to the large increase in NCI in 2021. The significantly fluctuating actuarial gains and losses are required to be reported by **International Financial Reporting Standards (IFRS)** and affects the amounts of dividends that are paid to the CIG each year.

There was no revenue from Regulatory Oversight fees from the Cayman Islands Airports Authority (CIAA) for 2021 as the CAACI Board took a decision in 2020 to forgive the debt due under the related MOU between the CAACI and CIAA. The CIAA's CEO requested a respite from the fees as the CIAA was not in a revenue earning position since the closure of the Cayman Islands borders on 22 March 2020. The CAACI Board also resolved that the CIAA be given a hiatus from the fee until the border is fully reopened.

Summary of Financial Performance Jan 1 2019 through December 31 2021:						
	2021 PY growth %	12 months ended Dec 31, 2021 (Audited) in CI\$ ('000's)	2020 PY growth %	12 months ended Dec 31, 2020 (Audited in CI\$ ('000's)	2019 PY growth %	12 months ended Dec 31, 2019 (Audited in CI\$ ('000's)
Revenue						
Aircraft Registry (foreign and local)	25.7%	8,500	0.75%	6,761	6.54%	6,711
Aerodrome Regulatory Oversight (CIAA)	-100%	-	0.00%	250	0.00%	1,000
Operating Permits - foreign entities	27.8%	290	-43.95%	227	10.66%	405
Deposit Interest	-82.3%	18	-38.55%	102	53.70%	166
Total Revenue	20%	8,808	11%	7,340		8,282
Total Expenses from operations	4.11%	4,964	-4.01%	4,768	5.26%	4,967
Bad debt expense (IFRS 9 Expected credit loss)		101		213		70
Net Income from Operations	58.7%	3,743	-27.3%	2,359	7.03%	3,245
Other comprehensive gains/(losses) (Post retirement plan valuations for DB plan members)		48		(1,156)		(701)
Net Comprehensive Income (NCI)	215%	3,791	-23%	1,203	-32%	2,544
Dividend payments in current year (75% of Unaudited NCI, with audit adjustments in subsequent year)		2,843		902		2,303

Financial Performance 2021– Actual (Audited) versus Budget

The following summary shows the comparison of the actual operating revenue and expense achieved the forecast submitted in the 2021 Ownership Agreement with the Cayman Islands Government.

Comparing with the Ownership Agreement, total revenue was 8% over the forecasted amount and total expenses were 3.8% lower than expected. Aircraft Registry revenue's significant increase of \$1.7 million (25%) over the forecast is largely due to the increase in leased aircraft being registered by lessors in the new leased aircraft transitioning business referred to earlier. This new lessor business offers a high standard of safety oversight while the aircraft is parked awaiting a new lease in another jurisdiction which is managed so that there can be a quick turnaround to the new jurisdiction. The increase in Aircraft Registry revenue is also due to an increase of private aircraft being registered over what had been forecasted and increase in interest in Cayman Islands issued Air Operator Certificates (also a relatively new revenue stream in partnership with Cayman Enterprise City).

SUMMARY INCOME STATEMENT: Actual vs Budget for the year ended 31 December 2021 in CI\$ ('000's)

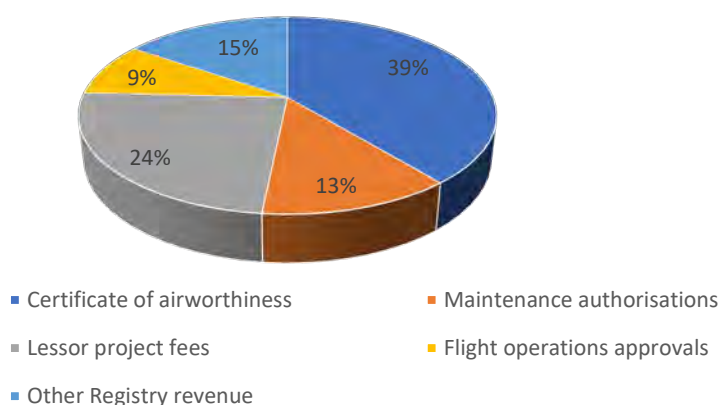
	31-Dec-21	31-Dec-21	Variance Over/(Under)	%	
	Actual (audited)	Original Ownership Agreement (OA) (submitted in 2019)	Actual vs Budget	Variance with original OA	Comments on variance (summarised)
REVENUE					
Aircraft Registry (revenue from others)	8,094	6,451	1,643	25.47%	New business (lessor owned aircraft transitioning between leases)
Aircraft Registry (revenue from CIG entities)	406	370	36	9.73%	
Aerodrome Certification Fee (revenue from CIG entity)	0	1,000	(1,000)	-100.00%	No regulatory fee charged to CIAA
Operating permits	290	270	20	7.41%	On target
Deposit interest and other income	18	100	(82)	-82.00%	very low interest rates
Total Revenue from operations	8,808	8,191	617	7.53%	8%
Total expenses from operations	5,065	5,266	(201)	-3.82%	Vacant posts not filled, Travel for training and business development did not occur
Net Income from operations	3,743	2,925	818	27.97%	
Other comprehensive gains/(losses):					
As per actuarial valuations for year ending 31 December 2021:					
Remeasurement of defined benefit pension obligation	580	0	580		
Remeasurement of post-retirement healthcare obligation	(532)	0	(532)		
Total Comprehensive Net Income	3,791	2,925	866	29.61%	

Financial Performance 2021, continued

Key Performance Indicator Results and Analysis

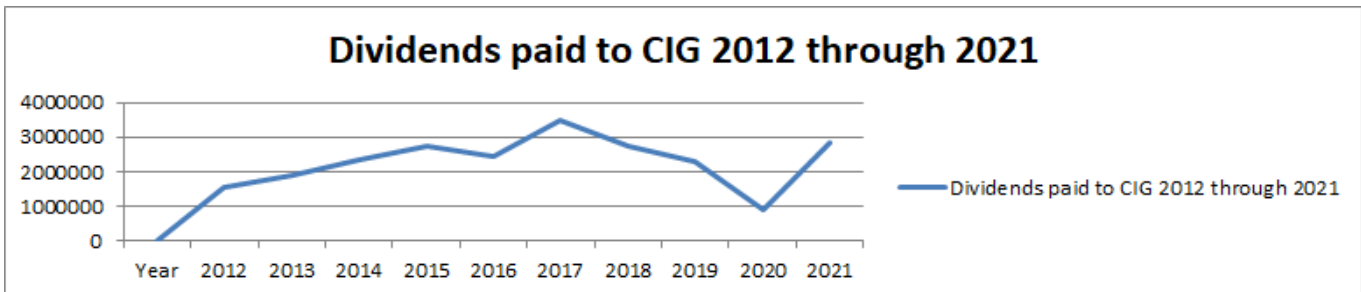
Key Performance Indicators	Results for Reporting Period (against baseline)	Results of Analysis
Number of new clients to the CI Aircraft Registry/ new registration revenue	There was a net growth of 29 new aircraft to the Register – now 315 up from 286 in Dec 2020. This net growth reflects 103 new registrations and 74 deregistrations. 78 of the registrations and 43 of the deregistrations relate to the lessor aircraft transitioning between leases and are usually expected to make a quick “turnaround” on the register – with the average project being on the Register 8 months during 2021.	The 78 lessor aircraft registered during 2021 produced the bulk of the increase in Aircraft Registry revenue over forecast of 25%. Lessor project fees accounted for 24% of Aircraft Registry revenue for 2021. Significant growth in revenue over forecast achieved.
Percentage of audits with minimal deficiencies	Audits for the past 10 years were completed with an unqualified audit opinion with no deficiencies noted.	Financial Statements: Unqualified audit opinion 2021;
Levels of industry self-sufficiency/ Annual Net Income	Net Income from operations exceeded forecast by 28%	The targeted net income was achieved with significant overage over forecast and prior year. The Aircraft Registry is continuing to grow despite fierce competition from other offshore aircraft registers. New revenue measures are being pursued to continue growth. The Registry continues to be a very viable source of CIG income through the annual dividend payment.
Expenses are being managed and not exceeding budget	Total audited operating expenses for 2021 is \$201k (3.82%) less than forecasted	Although the bulk of the savings are due to expenses not being incurred due to pandemic restrictions in travel, all of the other expenses forecasted were on target and there were no significant overages to report. These results indicate that expenses are being well managed by the Authority.

Distribution of Aircraft Registry Revenue



Dividends paid to CIG

The CAACI has not had to request a subsidy from the CIG since the separation of the CAACI and the CIAA in July 2004 and consequently annual dividends have been paid to supplement CIG revenue. Dividends paid to CIG are based on 75% of Comprehensive Net Income which includes adjustments for actuarial valuations of post-retirement healthcare and pension plans for long serving staff on the defined benefit pension plan. These adjustments for actuarial valuations vary significantly from year to year and thus result in variations in payments of dividends. In 2021, \$2.8 million was paid to the CIG and since 2010 a total of \$26.6 million of dividend payments have been paid to the CIG by the CAACI.



Summing up the finances of the CAACI

The CAACI's **Net Operating Income** (Audited) surpassed the targets set in the original 2021 forecasted budget by 28%. A key component of the Authority's financial performance is the continued robust activity of the Cayman Islands Aircraft Register that falls under the ambit of the CAACI, which allows the Authority to be financially independent and a significant contributor to the revenues of the CIG for the past 15 years. The past five years have seen increasing competition from other offshore aircraft registers and the management of the CAACI is continually strategizing to meet the demands of this increasing challenge by introducing new revenue streams.

The customer base of the Registry continues to grow globally with the heightened awareness of the reputation of the Registry for focus on safety and a responsive customer experience. New business initiated last year included providing a transitioning point for leased aircraft. The lessors' aircraft are placed on the register when it is coming off of a commercial operating lease and is prepared and certified by the expertise of the CAACI professional staff and readied for the next lease. The revenue in this area is represented by new Aircraft Lease Transition Project Fees. Total revenue derived from this business line for 2021 was just over CI\$2 million which accounts for 24% of Aircraft Registry fees for the year. In addition to the growth in revenue from the Aircraft Registry, significant savings were achieved in various areas of expense, most notably travel for training and business development.

The CAACI moved into new offices in March 2021 and building operating expenses were forecasted not knowing what to expect. However, despite these unknown variables, most expense line items were still very close to targeted amounts and helped contribute to overall savings in expenses of just over \$201k compared to the budget.

Total revenue forecasted of \$8.2 million includes \$1 million regulatory oversight fee normally charged to the CIAA for regulatory oversight of airport operations. This fee was forgiven during 2021 due to the airports being closed to regular scheduled commercial flights. This fee will be revisited with the CIAA during the latter half of 2022. Despite not having this \$1 million in revenue, the CAACI managed to achieve \$617k (7.5%) over the forecasted revenue. The savings in expenses of \$201k along with the surplus of revenue, has pushed the achieved net comprehensive income to \$866k or 29.6% over the target in the 2021 Ownership Agreement.

2.2 LOOKING FORWARD

This section of the report, taken from Vision 2020: CAACI's 2021-2026 Strategic Plan, describes our three strategic objectives, the initiatives and activities that will be carried out to achieve these objectives, and the key performance indicators that will be used to assess how well we are progressing in support of these strategic objectives.

A MODERNIZED APPROACH TO REGULATORY OVERSIGHT

Lead through a modernised, comprehensive and risk-based approach to regulatory oversight

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

HOW WE WILL ACHIEVE THIS OBJECTIVE

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

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

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

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

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

HOW WE WILL KNOW WE ARE MAKING PROGRESS

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



CONTINUOUS IMPROVEMENT OF SERVICE DELIVERY

Continuously improve service delivery and innovative solution options for our stakeholders.

Throughout the year 2021 the CAACI continued with its commitment to continuous improvement of processes and tools to enhance the client service experience with refinements to the VP-C Online portal. Future phases are underway to re-architect the main interface systems to provide a more comprehensive and inclusive database management tool designed to integrate the management of aircraft registrations and associated maintenance organisations and issuance of relevant authorisations and approvals for both the operational and transitional registries.

During the pandemic, VP-C Online was an invaluable tool connecting the CAACI with its client base in countries around the world, enabling applications and authorisations to be managed securely.

HOW WE WILL ACHIEVE THIS OBJECTIVE

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

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

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

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

- Introduce an appropriate quality management system (QMS)

HOW WE WILL KNOW WE ARE MAKING PROGRESS

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



AN ADAPTABLE, CAPABLE , HIGH-PERFORMING ORGANIZATION

Develop and sustain a high-performing, complimentary and cohesive professional team committed to organisational excellence.

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

HOW WE WILL ACHIEVE THIS OBJECTIVE

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

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

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

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

- strengthen the CI regulatory resource by employing and developing local personnel resources.

HOW WILL WE KNOW WE ARE MAKING PROGRESS

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



CAL RTS 737-8 Press Briefing

SECTION 3.0

SUPPLEMENTARY INFORMATION



LIST OF ACRONYMS AND ABBREVIATIONS

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



Financial Statements

31 December 2021

Civil Aviation Authority of the Cayman Islands
Financial Statements
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

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Civil Aviation Authority of the Cayman Islands
Statement of Responsibilities
For the year ended 31 December 2021

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

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

As Director-General, I am responsible for establishing and have established and 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 Civil Aviation Authority of the Cayman Islands.

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

The financial statements present fairly the financial position as at **31 December 2021** and the comprehensive income and cash flows of the Civil Aviation Authority of the Cayman Islands for the financial year ended **31 December 2021**.

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

- a) Completely and reliably reflect the financial transactions of Civil Aviation Authority of the Cayman Islands for the financial year ended **31 December 2021**;
- b) Fairly reflect the financial position as at **31 December 2021** and its comprehensive income for the year ended **31 December 2021**; and
- c) Comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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



Richard Smith (Mr)

Director-General

Date: 20 May 2022



Ian Pairaudeau (Mr)

Chairman of the Board of Directors

Date: 20 May 2022

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Civil Aviation Authority and the Members of Parliament

Opinion

I have audited the financial statements of the Civil Aviation Authority of the Cayman Islands (the "Authority"), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2021, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

AUDITOR GENERAL'S REPORT (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



Patrick Smith, CPA, CFE
Acting Auditor General

20 May 2022
Cayman Islands

Civil Aviation Authority of the Cayman Islands
Statement of Financial Position
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

	Note	31 December 2021	31 December 2020
Assets			
Current assets			
Cash and cash equivalents	4(a)	5,558,835	3,479,524
Short-term deposits	4(b)	8,381,223	8,364,299
Trade and other receivables	5	1,703,422	1,252,377
Total current assets		15,643,480	13,096,200
Non-current assets			
Capital assets	6	4,104,281	3,809,754
Right-of-use asset	11(a)	-	27,686
Total non-current assets		4,104,281	3,837,440
Total Assets		19,747,761	16,933,640
Liabilities and Equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	591,755	968,627
Contract liabilities	8, 2(g)	313,834	353,925
Lease liability – office premises	11(b)	-	43,200
Dividend payable to Cayman Islands Government	9(a)	2,843,364	902,866
Total current liabilities		3,748,953	2,268,618
Non-current liabilities			
Defined benefit pension obligation	10(a)	1,264,000	1,727,000
Post-retirement healthcare obligation	10(b)	4,604,000	3,755,000
Total non-current liabilities		5,868,000	5,482,000
Total Liabilities		9,616,953	7,750,618
Equity		10,174,283	9,183,022
Total Liabilities and Equity		19,747,761	16,933,640

Approved for issuance on behalf of Civil Aviation Authority of the Cayman Islands on 20 May 2022

 (Director General)

 (Director of Finance & Compliance)

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

Civil Aviation Authority of the Cayman Islands
Statement of Comprehensive Income
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

	Note	2021	2020
<u>INCOME</u>			
Aircraft registry			
Air safety regulation and certification fees	12 (a)	7,769,063	5,929,715
Surveyor fees and net reimbursable expenses	12 (c)	732,211	831,819
Total aircraft registry income		8,501,274	6,761,534
Other income			
Aerodrome oversight fees	12 (b)	-	250,000
Aircraft operating permits	12 (d)	289,775	226,845
Other income	12 (e)	16,945	102,089
Total other income		306,720	578,934
Total income		8,807,994	7,340,468
<u>EXPENSES</u>			
Operating expenses			
Personnel costs	9(c),13(a)	3,323,851	3,276,543
Office administration and business development	13 (b)	458,306	351,661
Professional and licensing fees	13 (c)	1,026,594	907,819
Travel – official, training and administrative	13 (d)	12,054	30,199
Total operating expenses		4,820,805	4,566,222
Other expenses			
Depreciation expense – Capital assets	6	112,531	28,662
Depreciation expense – Right-of-use asset	11(a)	26,746	162,971
Loss on disposal of assets		3,848	-
Interest expense – Lease liability	11(b)	119	9,482
Bad debt expense	5	100,795	213,309
Total other expenses		244,038	414,424
Total expenses		5,064,843	4,980,646
Net income for the year		3,743,150	2,359,822
Other comprehensive gains / (losses)			
Re-measurement of defined benefit pension obligation	10(a)	580,000	(521,000)
Re-measurement of post-retirement healthcare obligation	10(b)	(532,000)	(635,000)
Total other comprehensive gain / (loss)		48,000	(1,156,000)
Total comprehensive income for the year		3,791,150	1,203,822

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

Civil Aviation Authority of the Cayman Islands
Statement of Cash Flows
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Net income for the year	3,743,150	2,359,822
Adjustments for:		
Depreciation expense	139,277	191,633
Adjustment for non-cash items (loss on disposal of capital assets)	3,848	-
(Increase)/decrease in trade and other receivables	(451,045)	615,539
(Decrease) / increase in accounts payables and accrued liabilities	(376,872)	108,153
(Decrease)/increase in contract liabilities	(40,091)	134,840
Interest expense – lease liability	119	9,482
Movement in operating income for defined benefit obligation (pension & health) service and interest costs	434,000	315,000
Net cash from operating activities	<u>3,452,386</u>	<u>3,734,469</u>
Cash flows from investing activities		
Increase in short-term deposits	(16,924)	(100,041)
Purchase of capital assets	(410,906)	(2,408,816)
Net cash used in investing activities	<u>(427,830)</u>	<u>(2,508,857)</u>
Cash flows used in financing activities		
Lease liability payments (principal and interest)	(42,379)	(161,020)
Dividends paid	(902,866)	(2,303,347)
Net cash used in financing activities	<u>(945,245)</u>	<u>(2,464,367)</u>
Net increase / (decrease) in cash and cash equivalents	2,079,311	(1,238,755)
Cash and cash equivalents at beginning of the year	<u>3,479,524</u>	<u>4,718,279</u>
Cash and cash equivalents at end of the year	<u><u>5,558,835</u></u>	<u><u>3,479,524</u></u>

The accompanying notes form an integral part of these financial statements

Civil Aviation Authority of the Cayman Islands
Statement of Changes in Equity
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

	Note	<u>2021</u>	<u>2020</u>
Balance at beginning of the year		9,183,022	8,882,066
Net income for the year		3,743,150	2,359,822
Other comprehensive gain / (loss)	10	48,000	(1,156,000)
Dividends declared	9(a)	<u>(2,843,364)</u>	<u>(902,866)</u>
Balance at end of the year		<u>10,130,808</u>	<u>9,183,022</u>

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

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

1. Background information

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

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

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

The registered address of the Civil Aviation Authority is P.O. Box 10277 APO, Grand Cayman, Cayman Islands and is located at 205 Owen Roberts Dr. The Civil Aviation Authority has 22 full time employees and 2 interns as at 31 December 2021 (2020: 23 full time).

2. Significant Accounting Policies

a) Basis of Presentation

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

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

b) New standards, amendments and interpretations adopted

A number of new standards, amendments and interpretation to existing standards are effective for, and have been applied by the Authority, in the year ended 31 December 2021, but have not had a material effect on the Authority’s financial statements.

New standards, amendments and interpretation to existing standards that are not yet effective for the financials statements of the Authority for the year ended 31 December 2021 have not been early adopted in preparing these financial statements.

The Authority does not anticipate a material impact on the financial statements as a result of the standards effective in future periods.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

2. Significant Accounting Policies (continued)

c) Capital assets

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

Computer hardware and licensed software	3 years
Leasehold improvements	3 years
Office equipment and vehicles	5 years
Developed computer software	6 years
Furniture and fixtures	10 years
Building	40 years
Land	Not depreciated

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

d) Foreign currency translation

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

e) Cash and cash equivalents

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

f) Short-term deposits

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

g) Revenue recognition

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

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

2. Significant Accounting Policies (continued)

h) Financial assets and liabilities

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

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

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

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

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

i) Offsetting financial instruments

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

j) Employee benefits

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

(i) Pension obligations

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

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

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

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

2. Significant Accounting Policies (continued)

j) Employee benefits (continued)

(i) Pension obligations (continued)

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

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

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

(ii) Post-employment healthcare plan

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

k) Leases

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

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

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

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

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

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

3. Critical Accounting Estimates and Judgements

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

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

Employee benefits – post-employment pension and healthcare

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

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

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

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

4. Cash and cash equivalents and short-term deposits

	31 December 2021	31 December 2020
a) Cash and cash equivalents		
Cash on hand	759	769
Current and call accounts	5,558,076	3,478,755
Total cash and cash equivalents	<u><u>5,558,835</u></u>	<u><u>3,479,524</u></u>
b) Short-term deposits		
Fixed Deposits	<u><u>8,381,223</u></u>	<u><u>8,364,299</u></u>
Total cash and cash equivalents and short-term deposits	<u><u>13,940,058</u></u>	<u><u>11,843,823</u></u>
Current and call account holdings are:	31 December 2021	31 December 2020
- Cayman National Bank	5,099,882	3,289,501
- Bank of Butterfield	304,131	112,374
- NatWest UK (GBP 138,812) (Exchange Rate of GBP to KYD 1.10987)	154,063	76,880
Fixed deposit holdings are:		
- Cayman National Bank	6,173,028	6,162,544
- Cayman Islands Government	2,208,195	2,201,755

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

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

5. Trade and other receivables

Trade receivables comprise of balances due from clients of the Aircraft Registry [Note 12(a)] and the Cayman Islands Airports Authority (“CIAA”) for the Aerodrome oversight fee [Note 12(b)]. Lifetime expected credit losses have been calculated using sales invoices billed between 1 October 2020 and 30 September 2021 and the actual cash collection dates of these invoices to determine a historical collection profile by ageing category.

The amount uncollected is used to determine the loss rate by aging category, this is then applied to the aged trade receivables as at 31 December 2021 to determine the expected credit loss at that date. The expected credit loss includes the full amount uncollected over 365 days. The calculated loss rates applied against the aging categories and the resulting expected credit loss are shown in the following ageing profile of trade receivables table:

Ageing profile of trade receivables

Period Outstanding (Days)	Loss rate at 31 December 2021	Ageing balance of receivables at 31 December 2021	Expected credit loss at 31 December 2021	Ageing balance of receivables at 31 December 2020	Expected credit loss at 31 December 2020
0-30	1.769%	764,112	13,519	602,662	13,431
31-90	3.253%	603,039	19,614	243,524	7,561
91-180	8.696%	194,059	16,876	302,911	36,700
181-365	75.133%	189,739	142,556	204,951	93,343
Over 365	100%	220,159	220,159	147,715	147,715
Total Trade Receivables		1,971,108	412,724	1,501,763	298,750

The net bad debt expense recorded in the Statement of Comprehensive Income of \$100,795 for 2021 (2020: \$213,309) represents the increase in the allowance for doubtful accounts.

	31 December 2021	31 December 2020
Trade accounts receivable	1,971,108	1,501,763
Other receivables	145,038	49,364
Allowance for doubtful accounts	(412,724)	(298,750)
Trade and other receivables (net)	1,703,422	1,252,377

Of the total trade accounts receivable outstanding at 31 December 2021, \$94,084 (2020: \$104,384) was due from Cayman Airways Limited, and \$2,750 (2020: nil) from the Royal Cayman Islands Police. Cayman Airways Limited and the Royal Cayman Islands Police are related parties of the Authority.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

5. Trade and other receivables (continued)

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

	2021	2020
Opening allowance for doubtful accounts	298,750	87,594
Net increase in allowance	100,795	213,309
Reclassification of balance previously netted in accounts receivable	13,179	-
Write off of customer balances previously provided for in allowance	-	(2,153)
Closing allowance for doubtful accounts	412,724	298,750

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

As of 31 December 2021, receivables of \$1,206,997 (2020: \$899,101) were considered past due (over 30 days). These relate to a number of independent customers from whom there is no recent history of default or to related party customers guaranteed by the Cayman Islands Government.

6. Capital assets

	Leasehold Improvements	Furniture & Fixtures	Computer Hardware	Computer Software	Office Equipment	Land	Office Building	Vehicles	Total
Historical cost of assets:									
As at 1 January 2020	144,793	121,584	200,174	210,445	50,732	400,000	945,119	71,754	2,144,601
Additions	-	1,192	7,612	5,246	-	-	2,394,765	-	2,408,815
Disposals	-	-	-	-	-	-	-	-	-
As at 31 December 2020	144,793	122,776	207,786	215,691	50,732	400,000	3,339,884	71,754	4,553,416
Additions	-	291,236	17,121	22,302	48,951	-	31,296	-	410,906
Transfers	-	-	-	-	-	182,693	(182,693)	-	-
Disposals	(144,793)	(122,775)	(141,828)	-	(36,947)	-	-	-	(446,343)
Revaluations	-	-	-	-	-	-	-	-	-
As at 31 December 2021	-	291,237	83,079	237,993	62,736	582,693	3,188,487	71,754	4,517,979
Accumulated depreciation:									
As at 1 January 2020	144,793	116,001	181,755	159,134	41,564	-	-	71,754	715,001
Charge for year	-	2,018	13,211	10,763	2,670	-	-	-	28,662
Disposals	-	-	-	-	-	-	-	-	-
As at 31 December 2020	144,793	118,019	194,966	169,897	44,234	-	-	71,754	743,663
Charge for year	-	14,400	11,824	9,947	6,300	-	70,059	-	112,531
Disposals	(144,793)	(118,929)	(141,828)	-	(36,947)	-	-	-	(442,496)
As at 31 December 2021	-	13,490	64,963	179,844	13,587	-	70,059	71,754	413,698
Net book value as at 31 December 2020	-	4,757	12,820	45,794	6,498	400,000	3,339,884	-	3,809,753
Net book value as at 31 December 2021	-	277,747	18,116	58,149	49,148	582,693	3,118,428	-	4,104,281

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2021
Stated in Cayman Islands Dollars

7. Accounts payable and accrued liabilities

	31 December 2021	31 December 2020
Accrued employee incentive awards	223,654	226,286
Accrued expenses	211,585	453,632
Accounts payable	109,694	233,450
Customer deposits on account	40,739	40,739
Other payables	6,083	8,121
Unidentified deposits	-	6,400
Total accounts payable and accrued liabilities	<u>591,755</u>	<u>968,627</u>

8. Contract liabilities

The Authority recognizes revenue when the amount of revenue can be reliably measured and when performance has been completed; and when specific criteria have been met for each of the Authority's activities as described in Note 12. Contract liabilities in the Statement of Financial Position represent unearned revenue where performance obligations have yet to be fully completed. The amount of this liability at 31 December 2021 is \$313,834 (2020: \$353,925).

9. Related party balances and transactions

(a) Dividend payable to Cayman Islands Government

Under section 18(4) of the Civil Aviation Authority Act (2005 Revision), the Authority is required to make an annual payment into the general revenue of the CIG which is to be calculated by a formula determined by the Financial Secretary. In March 2012, a directive was issued by the Financial Secretary and agreed by the Authority detailing the formula and the terms of the dividend repayment to the CIG. The directive indicated that the Authority would pay 75% of the annual Comprehensive Income first reported to the Office of the Auditor General within three months of the end of the financial year. A revision in the directive in July 2013 indicated that an adjustment be made to the payment in the subsequent year for any difference to the audited comprehensive income. As at 31 December 2021 a total of \$2,843,365 (2020: \$902,866) was payable to the CIG as detailed below:

	31 December 2021	31 December 2020
Brought forward Dividends Payable	902,866	2,303,347
Dividends paid during the year	(902,866)	(2,303,347)
Dividend payable on comprehensive income	<u>2,843,364</u>	<u>902,866</u>
Total Dividend Payable	<u>2,843,364</u>	<u>902,866</u>

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9. Related party balances and transactions (continued)

(b) Register of Interests

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

(c) Key Employee Benefits

The key employees of the Civil Aviation Authority are the Director General, the Director of Air Navigation Regulation, the Deputy Director-General, Economic Regulation and Administration, the Director of Finance and Compliance and the Director of Air Safety Regulation. Total salary and employee benefits expensed in the year ended 31 December 2021 amounted to \$1,061,914 (2020: \$1,124,535). The total amount paid out for the 2020 performance incentive award for key employees and settled prior to year-end was \$73,754. During the 2021 financial year, a payment in the sum of \$105,294 was made to a key employee in relation to accrued vacation leave.

The Director General and the Deputy Director-General, Economic Regulation and Administration have the benefit of having an additional 6.4% and 6% respectively of their base pay paid into their pension fund by the Authority in addition to the base 6% contribution. The Director General, through his employment contract approved by the Governor and Board of Directors, is provided with a vehicle including running costs, insurance and maintenance. Under the medical coverage program, as is for all staff, claims not covered by the insurance provider and are deemed to be medical necessities are fully subsidized by the Authority. For the year ended 31 December 2021 this amounted to \$13,111 (2020: \$7,350) for all key employees.

	Year ended 31 December 2021	Year ended 31 December 2020
Base salary	754,863	744,525
Pension	58,608	57,368
Medical coverage	112,541	102,071
Accrued vacation leave	57,143	143,975
Fuel allowance	3,273	2,143
Performance incentive award (estimated and unpaid)	75,486	74,453
Total key employee benefits	1,061,914	1,124,535

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

Professional fees include a Memorandum Of Understanding ("MOU") between the CIG and the United Kingdom (UK) Government, signed by the Premier of the Cayman Islands in November 2011. This MOU indicates an undertaking by the CIG to pay an annual fee of GBP 91,593.10 effective May 2021. Due to an over recovery of £35,885.22 for the FY 2020/21, the Framework Charge for FY 2021/22 is £55,707.88 and invoiced quarterly at £13,926.97 (GBP 90,760 in 2020) for the support service for the use of the UK Aviation Safety Regulations which is regulated by ASSI, the aviation regulatory arm of the UK Government. This fee commenced on 1 April 2012 and is billed by ASSI to the Cayman Islands Government (CIG) at the end of every quarter. The amount is invoiced to the CIG by ASSI and CIG (The Financial Secretary) passes the invoices on to the Authority for direct payment to ASSI.

(e) MOU with the CIAA (see note 12(b))

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10. Post-retirement benefits

(a) Pensions

Pension contributions are paid for all eligible employees on their pensionable emoluments. The majority of the employees are participants in the Public Service Pensions Plan, with a small number participating in other private plans. Pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund (the “Fund”). The Fund is administered by the Public Service Pensions Board (PSPB) and is operated as a multi-employer Fund, except that surpluses or deficits related to the Authority’s Plan are not available to offset or be set off against other plan participants’ deficits or surpluses.

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

i. Defined contribution plan

In accordance with the Cayman Islands National Pensions Act, (2012 Revision) (the “Act”) the employees of the Authority that participate in the defined contribution pension plan are required to contribute an amount of 5% of their annual salaries to the plan during the year and the Authority matches such contributions up to 5%. The pension contributions paid by the Authority to PSPB under these plans are expensed as incurred in the Statement of Comprehensive Income. For the year ended 31 December 2021 the amount of \$85,395 (2020: \$79,823) was contributed by the Authority.

ii. Defined benefit plan

The defined benefit plan is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members’ length of service and their salary in the final years leading up to retirement. This benefit is available to certain long serving employees under 1987 Cayman Islands Government General Orders. The defined benefit portion of the Fund has been valued by an Actuary engaged by the PSPB. The defined contribution part of the Fund is not subject to the actuarial valuations due to the nature of the benefits provided therein. The table below outlines where the Authority’s post-employment amounts and activity are included in the financial statements.

	Present value of obligation \$’000	Fair value of plan assets \$’000	Net liability/ (asset) \$’000
As at 31 December 2019	5,504	(4,356)	1,148
Current service cost	48	-	48
Interest expense/(income)	173	(138)	35
	221	(138)	83
Re-measurements:			
- Return on plan assets	-	(522)	(522)
- Loss from changes in financial assumptions	955	-	955
- Gain on changes in demographic assumptions	(56)	-	(56)
- Effect of any business combinations / divestitures/transfers	-	144	144
	899	(378)	521
	6,624	(4,872)	1,752
Contributions:			
- Employers	-	(25)	(25)
- Plan participants	25	(25)	-
Payments from plan:			
- Benefit payments	-	-	-
- Administrative expenses	-	-	-
As at 31 December 2020	6,649	(4,922)	1,727

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10. Post-retirement benefits (continued)

ii. Defined benefit plan (continued)

	Present value of obligation \$'000	Fair value of plan assets \$'000	Net liability/ (asset) \$'000
As at 31 December 2020	6,649	(4,922)	1,727
Current service cost	103	-	103
Interest expense/(income)	146	(109)	37
	249	(109)	140
Re-measurements:			
- Return on plan assets	-	(535)	(535)
- Gain from changes in financial assumptions	(58)	-	(58)
- Loss on changes in demographic assumptions	13	-	13
	(45)	(535)	(580)
Contributions:			
- Employers	-	(23)	(23)
- Plan participants	20	(20)	-
Payments from plan:			
- Benefit payments	-	-	-
- Administrative expenses	-	-	-
As at 31 December 2021	6,873	(5,609)	1,264

	31 December 2021 \$'000	31 December 2020 \$'000
Statement of Financial Position:		
Defined benefit obligation at end of period	6,873	6,649
Fair value of plan assets at end of period	(5,609)	(4,922)
Liability in the Statement of Financial Position	1,264	1,727

The principal actuarial assumptions at the date of valuation:

	2021 %	2020 %
1. Discount Rate	2.90	2.60
2. Rate of salary increase	2.50	2.50
3. Rate of price inflation	2.00	2.00
4. Rate of pension increase	2.00	2.00
5. Post-employment mortality table – 2020: RP-2014 scaled back to 2006 using MP-2014 then projected on a generation basis using scale MP-2020 (2020: RP-2014 scaled back to 2006 using MP-2014 then projected on a generation basis using scale MP-2020).		

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10. Post-retirement benefits (continued)

ii. Defined benefit plan (continued)

Other Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in each territory. The sensitivity of the defined benefit obligation at 31 December 2021 and 31 December 2020 to changes in the weighted principal assumptions is:

Impact on defined benefit obligation 2021			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.08%	Increase by 3.29%
Inflation rate	0.25%	Increase by 3.24%	Decrease by 3.07%
Mortality*	10%	Decrease by 2.05%	Increase by 2.27%

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

As at 31 December 2021 the assumed life expectancy of a person retiring today at age 57 is 28.61 (2020: 28.45).

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

The significant plan assets are comprised of:

	2021	2020
Global Equities	82%	82%
Debt securities	17%	18%
Cash	<u>1%</u>	<u>0%</u>
	<u>100%</u>	<u>100%</u>

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

Asset Volatility

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

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

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10. Post-retirement benefits (continued)

ii. Defined benefit plan (continued)

Changes in bond yields

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

Inflation Risk

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

Life expectancy

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

As of 31 December 2021, and 2020, the Authority has not formally agreed on a contribution plan that would aim to eliminate the pension plan deficit over the forthcoming years.

The weighted average duration of the defined benefit obligation is between 12.94 and 12.53 years (2020: 17.25 and 16.90 years).

b) Post-retirement healthcare benefits

The Authority operates an unfunded post-retirement healthcare benefit scheme. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for the defined benefit pension scheme set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs which is 5% (2020: 5%).

Other significant assumptions include:

- a. Mortality rates – 2021: RP-2014 Mortality Table (2020: RP-2014 Mortality Table scaled back to 2006 using MP-2019).
- b. Mortality improvement scale – 2021: Scale MP-2021 (2020: Scale MP-2020).
- c. Discount rate assumption 2021: 2.98% (2020: 2.70%)

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

The sensitivity of the obligation as at 31 December 2021 and 31 December 2020 to changes in the weighted principal assumptions is:

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10. Post-retirement benefits (continued)

(b) Post-retirement healthcare (continued)

Impact on obligation 2021			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 5.2%	Increase by 5.6%
Healthcare cost trend rate	1%	Increase by 23.9%	Decrease by 18.4%
Mortality	10%	Not applicable	Decrease by 4.3%

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

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

	Present value of obligation ('\$000)
As at 31 December 2019	2,863
Operating expenses:	
- Current service cost	154
- Interest expense	103
	257
Re-measurements:	
- Gain from change in demographic assumptions	(53)
- Loss from change in financial assumptions	683
- Experience gains	5
	635
As at 31 December 2020	3,755
Operating expenses:	
- Current service cost	216
- Interest expense	101
	317
Re-measurements:	
- Loss from change in demographic assumptions	215
- Gain from change in financial assumptions	(241)
- Experience losses	558
	532
As at 31 December 2021	4,604

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11. Lease of Premises

The Grand Cayman office of the Authority re-located from its former location in Cayman Grand Harbour and terminated the lease with Cayman Grand Harbour Shoppes Ltd. The lease term was for three years and was signed on 16 August 2019 originally set to expire on 15 August 2022. The total space occupied was 4,530 square feet at lease rate of \$30 per square foot, and additional strata fees of not more than \$6.50 per square foot per annum (excluding sewage costs) are to be charged during the first two years. The monthly payments under the lease agreement were \$14,126 (2020: \$14,126).

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

(a) Right-of-use asset

	2021	2020
Balance at 1 January 2021	27,686	427,616
Lease termination notice adjustment	-	(236,958)
Adjustment to Right-of-use asset	(940)	-
Depreciation charge for the year	<u>(26,746)</u>	<u>(162,971)</u>
Balance at 31 December 2021	<u><u>-</u></u>	<u><u>27,686</u></u>

(b) Lease Liability

	2021	2020
Balance at 1 January 2021	43,200	431,696
Lease termination notice adjustment	-	(236,958)
Interest expense	119	9,482
Adjustment to Lease Liability	(940)	-
Lease payments	<u>(42,379)</u>	<u>(161,020)</u>
Balance at 31 December 2021	<u><u>-</u></u>	<u><u>43,200</u></u>

(c) Amounts recognised in the Statement of Comprehensive Income

	2021	2020
Interest on lease liabilities	119	9,482
Depreciation of right-of-use asset	<u>26,746</u>	<u>162,971</u>
Total	<u><u>26,865</u></u>	<u><u>172,453</u></u>

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12. Revenue

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

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

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

(b) Aerodrome oversight fees

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

On 1 July 2018 a MOU between CAA and CIAA was signed whereby CAA would charge the CIAA \$1,000,000 per annum for regulatory and oversight fees of the ORIA and CKIA. The MOU stated that this fee commenced on 1 July 2018 and would be effective for a period of three years, with an agreement to review annually. This MOU has been in place since 1 July 2004 and has been renewed every year at the same fee. Due to the Covid-19 pandemic and loss of revenue for the CIAA, the CAA has forgiven the fee due from CIAA of \$1,000,000 for January through December 2021 and proposes a

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hiatus on this fee until the borders are fully reopened. (2020: \$250,000, a fee of \$750,000 was forgiven for the period April – December 2020 due to the Covid-19 pandemic).

12. Revenue (continued)

The CAA Board conditionally approved the forgiveness of the fee due on January 21, 2021 based on the feedback received from the Financial Secretary. The MOU between the CAA and CIAA is expected to be revisited during the third quarter of 2022 after one year of border reopening.

(c) Surveyor fees and net reimbursable expenses

The Air Navigation (Fees) Regulations, November 2010 (Amended) also dictate that an hourly rate up to \$250 can be charged for surveys carried out on all the aircraft on the Cayman Islands Aircraft Register. During the year ended 31 December 2021, a fee of \$250 (2020: \$250) per hour was charged. Travel, subsistence and postage expenses associated with surveys are recovered from the customer. Surveyor fees are included in the Statement of Comprehensive Income as follows:

	2021	2020
Surveyor fee billings	732,211	831,788
Survey reimbursable billings	52,885	120,366
Reimbursable expenses paid	(52,885)	(120,337)
Surveyor fees & net reimbursable expenses	732,211	831,819

During the financial years ended 31 December 2021 and 2020, the Surveyors' Reimbursable Travel Expenses have been offset against the Surveyor Fees and Billable expenses as the expenses have been recovered through the revenue. Showing the net amount of surveyor travel expenses billed improves the clarity of presentation.

(d) Aircraft operating permits

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

	2021	2020
Aircraft Operating Permits	289,775	226,845

(e) Other income

Other income comprises of interest on short-term deposits further disclosed in Note 4. Miscellaneous income from prior year is from unresolved deposits at bank over 3 years old.

	2021	2020
Interest income	16,945	100,085
Miscellaneous income	-	2,004
Total other income	16,945	102,089

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13. Expenses

Operating expenses	2021	2020
a) Personnel costs		
Salaries/performance incentive expenses	2,348,579	2,418,670
Medical insurance and expenses	374,427	382,525
Pension (including DB plan service costs)	283,845	210,507
Post-employment healthcare service costs Note 10(b)	317,000	257,000
Recruitment and relocation expenses	-	7,841
Total personnel costs	3,323,851	3,276,543
b) Office administration and business development		
General office administration expenses	426,248	283,748
Rental expenses	6,829	11,533
Training	5,310	2,778
Business development expenses	15,723	49,091
Board of Directors expenses	4,196	4,511
Total office administration and business development	458,306	351,661
c) Professional & licensing fees		
Overseas contractors' fees	707,722	541,794
Air Safety Support International (ASSI)	77,231	100,881
Work permit fees	34,450	67,530
Insurance expenses	78,013	47,038
Audit and other professional fees	68,053	104,957
Professional dues and subscriptions	14,007	10,044
AAIB retainer Fee	38,663	29,558
Legal fees	8,455	6,017
Total professional & licensing fees	1,026,594	907,819
d) Travel – official, training and administrative		
Travel – business development	2,523	19,352
Travel – administration and training	9,531	10,847
Total travel – official, training and administrative	12,054	30,199
Total operating expenses	4,820,805	4,566,222

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14. Financial instruments risk

Liquidity risk

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

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

The undiscounted cash flows payable by the Authority under financial instruments with contractual maturities of less than 1 year at 31 December 2021 are as follows:

Accounts payable and accrued liabilities \$591,755 (2020: \$968,628)

Dividend payable \$2,843,364 (2020: \$902,866)

Credit risk

Financial assets that potentially subject the Authority to credit risk consist principally of bank current accounts, fixed deposits, trade and other receivables. The Authority's fixed deposits are placed with accredited financial institutions and the CIG Treasury. Due diligence is conducted on clients before they are accepted on the register. Local credit clients are sufficiently regulated. The Authority is responsible for managing and analysing the credit risk for each of their new customers before standard payment terms and conditions are offered. The Authority's clients with the largest outstanding balances as at 31 December 2021 are National Air Services (NAS) with approximately 19% (2020: 17%) of total outstanding balances, Cayman Airways 6% (2020: 7%) and are considered significant concentrations of credit risk. The CIG accounts are considered medium exposure risks due to possible CIG policy changes when new governments are elected.

Interest rate risk

Cash amounts held at Cayman National Bank over \$500,000 (2020: \$500,000) are placed on semi-annual and annual fixed deposits and generally earn an interest rate of between 0.05% (2020: 0.05%) and 0.10% (2020: 1.30%) per annum in the year ended 31 December 2021. There are two accounts held at NatWest Bank in the UK, an operating account and a credit card account for 2 (2020: 2) surveyors operating in the United Kingdom and Europe. It is required that a deposit be held on the credit card account to cover the exposure of the total credit card limits of each card held. At the Statement of Financial Position date, £16,392 (2020: £16,392) was held as a deposit with NatWest Bank. This deposit earns 1% interest per annum. As at 31 December 2021, there is also a US Dollar fixed deposit held with Cayman Islands Government Treasury. The amount is CI\$2,208,195 (US\$2,692,921) (2020: CI\$2,201,755 (US\$2,685,067) for twelve months to a rate of 0.35% and matures on 26 July 2022. Management believes that a reasonable possible change in interest rates would not have a material impact on the Authority's net income.

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14. Financial Instruments Risk (continued)

Market Risk

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

Fair values

The cash and cash equivalents, short-term deposits, trade and other receivables, accounts payables and accrued liabilities, contract liabilities and dividends payable are approximated at their fair value due to short-term maturities of these assets and liabilities. There were no significant financial effects of global economic conditions during the current financial year.

15. Capital management

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

16. Subsequent events

At year end, the Authority has accrued \$2,843,364 as dividends payable to the CIG. This amount comprises 75% of the net comprehensive income for the year ended 31 December 2021, \$2,276,020 of which was paid in April 2022.

It is noted CIAA that operates the two certified airports in Grand Cayman and Cayman Brac have reopened to commercial operations as of January 2022. The Board of Directors of the CAA agreed that as of 31 March 2020 payment under the MOU in note 12(b) would be discontinued until the reopening of the borders and normal cash flows have resumed. The matter of the MOU will need to be revisited with the CIAA now that commercial operations have resumed.

An 83 *bis* agreement operator and client of CAA, SaudiGulf Airlines, is not currently operating due to the effects of the global pandemic on the aviation industry. At the issuance date of these financial statements, all of the \$177,916 due from SaudiGulf Airlines is still outstanding and has been fully provided for in the allowance for doubtful accounts as at 31 December 2021.

Pursuant to The Russia (Sanctions) (Overseas Territories) Order 2020 and The Russia (Sanctions) (EU Exit) Regulations 2019, as amended, the CAA, as the regulator of the Cayman Islands aviation industry, is charged with ensuring compliance with said regulations as they apply to respective aviation assets and operations. In this regard, the CAA works closely with the Financial Reporting Authority (FRA) and other Cayman Islands Government authorities to ensure enforcement of such sanctions as they apply to aircraft on the Cayman Islands Aircraft Registry (CIAR). Additionally, the CAA adheres to internationally mandated financial standards and best practices for Due Diligence and Know Your Customer with respect to the registration of aircraft on the CIAR.

The CAA is mindful of the statements published by Original Equipment Manufacturers (OEMs) restricting technical support to operators, airlines and clients associated with Russia. Given the safety implications of such restrictions, the CAA will not consider new registrations from Russian clientele at this time. This stance will be monitored and reviewed as this situation evolves.