



298 Owen Roberts Drive, PO Box 10098
Grand Cayman KY1-1001, CAYMAN ISLANDS

+1 345 943 7070
ciaa@caymanairports.com
caymanairports.com

2018 Annual Report



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Chairman's Message



It is with mixed feelings that I address you as Chairman of the Board of Directors of the Cayman Islands Airports Authority for 2018. In April this year our Chairman of the previous five years passed away, and I was called upon to fill the void. So, with a deep sense of sorrow over the circumstances which led to my appointment, and with some very large shoes to fill, I accepted the challenge. With the assistance of a robust team of Board members we continued the very definitive path that had been plotted by the CIAA Master Plan 2032, and in particular the Owen Roberts International Airport (ORIA) terminal redevelopment. 2018 saw the final phase of that project begin, and it is projected that the terminal will be completed by 31st July 2019. The Board of Directors wishes to thank the travelling public and our visitors for their patience as our project and management teams worked through the complexities of continuing to provide safe passage into and out of Grand Cayman while delivering the upgrades to the terminal.

There is a lot more work to be done as we work through the Master Plan, but we are off to a great start. The Board members continue to be engaged and focused on delivering a significantly improved airport experience at both airports, and I thank them for their ongoing support. Similarly, the management team has been working very hard to minimise the impact of the construction on travelers, and I thank them for executing according to plan as far as possible under some very demanding and complex circumstances. Even as we come towards the completion of the terminal, the team is planning the next phase of the Master Plan, which is the redevelopment of the airfield. I have no doubt that the outcome of these efforts will meet all expectations, and the Cayman Islands will have airports at ORIA and CKIA of which we can all be proud.

- Chairman Thomas Guyton

Message from the CEO



As we close out 2018 and look forward to 2019, the transformation of Owen Roberts International Airport also draws to a close as it is scheduled to be completed by 31st July 2019. This project, whilst a part of a larger CIAA Master Plan, will deliver what can be considered an icon for aviation in the Cayman Islands and a landmark of considerable impact. It is fitting, therefore, that this project should conclude with a planned visit from Their Royal Highnesses the Prince of Wales and the Duchess of Cornwall, who will do us the honour of officially opening the new ORIA terminal building in March 2019.

The previous year ended with the Authority realizing a surplus of more than \$9 million (due to the 18-month reporting period) this provided a platform from which the financial year 2018 was able to build a solid performance. This year saw significant growth in aircraft movements and passenger movements. Financially, therefore, the Authority continues to exceed expectations and can confidently build for the future. As we near completion of the ORIA terminal building we now turn our attention to necessary upgrades to the airfield as defined in the Master Plan 2032. This will allow the Authority to complete the necessary work to accommodate the significant growth in passenger and flight movements that we have seen and improve the passenger experience.

The new terminal building has enabled the Authority to expand its non-aeronautical revenue opportunities through an enhanced retail concession programme that delivers not only improved standards and quality to our retail offerings, but also improved revenue opportunities for the concessionaires and the airport. Passengers will have more food and beverage options in a much better environment, and other very attractive retail options are envisioned.

Generally speaking, despite the inconvenience of construction over the past three years, I am happy that the Authority is very close to delivering a finished product that will meet the quality-of-service expectations that were set at the beginning of the project and will make the travel experience at Owen Roberts International Airport one that I have no doubt will be the envy of the Caribbean region.

- CEO Albert Anderson

Management's Discussion and Analysis for the 12-Month Period Ended 31 December 2018

The Cayman Islands Airports Authority's discussion and analysis provides an overview of the financial activities for the accounting period, January to December 31, 2018. Since this information is designed to focus on the current period's activities, **resulting changes, and currently known facts, it should be read in conjunction with the CIAA's financial statements.**

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

Accordingly, the financial statements have been prepared for the 12-month period ended 31 December 2018, presented alongside the 18-month period ended 31 December 2017 which includes the transition period, 1 July 2016 – 31 December 2016. The 18-month period ended 31 December 2017 is therefore not entirely comparable to the 31 December 2018 numbers as such, the financial results are to be read with this knowledge in mind.

Financial Highlights

The Cayman Islands economy experienced growth of 3.3% in 2018 with key financial indicators and employment trends moving positively throughout the year. Growth was indicated in all sectors led by Hotels and Restaurants, Construction, Financing and Insurance services, Legal and accounting services and Wholesale and retail trade. This growth contributed to the results of the airport where 2018 stay-over visitors increased by 10.7% when compared to the calendar year 2017.

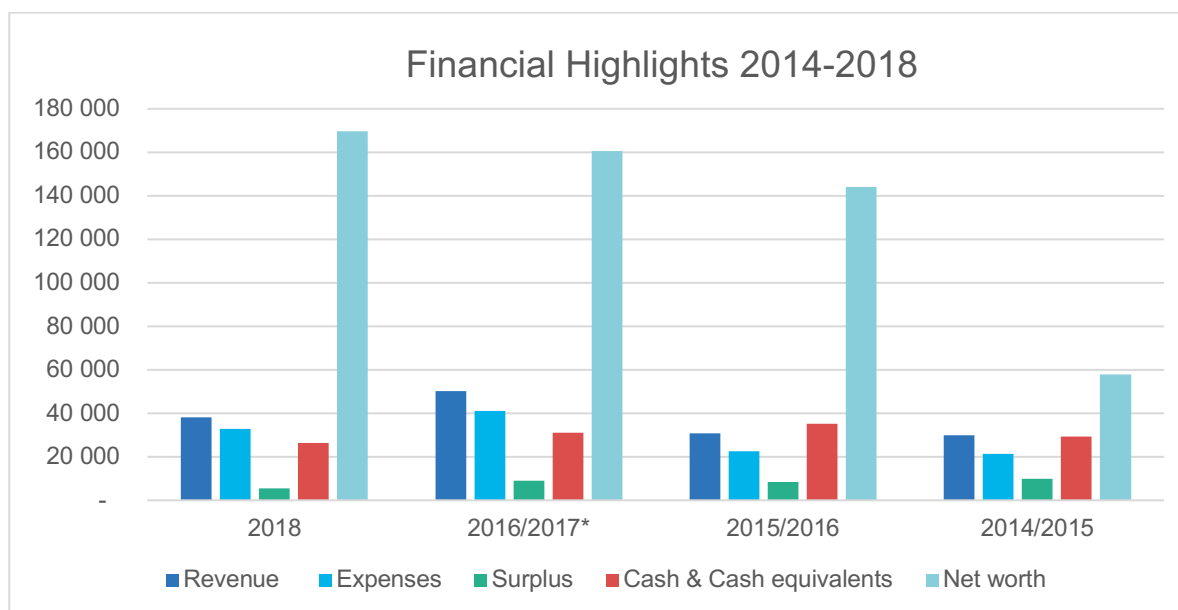
The CIAA realized \$38.3M in total revenue in 2018 due to higher passenger volumes, fees charged to airlines, continued strength in ground transportation and parking volumes which impacted revenue positively. As a result, the Authority finished 2018 by generating surplus after depreciation of \$5.4M.

As always, surpluses are reinvested in airport operations and developments in the interest of improved safety, efficiency, and customer experience.

Key Performance Indicators

Highlights	2018	2016/2017*	2015/2016	2014/2015
Revenue	38,267	50,175	30,912	29,955
Expenses	32,825	41,096	22,481	21,500
Surplus	5,442	9,079	8,431	8,455
Cash & Cash equivalents	26,442	30,998	35,181	29,242
Net worth	169,603	160,417	144,205	57,997

* 18 months (July 2016 – December 2017)



Overall Performance

Profit before depreciation for the 12-month accounting period ended December 31, 2018 amounted to \$13.3M. Travel tax, passenger facility charges, Security tax and Terminal facility charges, and Aircraft handling, were the main contributors to revenue growth over the year.

Staff salaries and other staff costs of \$13.2M and repairs & maintenance costs amounting to \$2.7M, were the main costs affecting net income during the period.

Revenue

Total revenue decreased to \$38.2M over the 12-month period in 2018 compared to \$50.1M in 2017 (18-month period).

Revenue by Category

(\$ in thousands)	2018	2017	Change	% Change
Travel tax	14,747	19,257	-4,510	-23.4%
Passenger Facility Charges	8,141	10,798	-2,657	-24.6%
Security tax and terminal facility charges	7,559	9,686	-2,127	-22.0%
Aircraft handling Income	3,862	5,505	-1,643	-29.8%
Rent	1,149	1,366	-217	-15.9%
Permits and Parking	986	1,308	-322	-24.6%
Petrol Concession	1,024	1,373	-349	-25.4%
Other Revenue	799	882	-83	-9.4%
	38,267	50,175	-11,908	-23.7%

The travel tax for the accounting period under review decreased to \$14.7M; down from \$19.3M for the prior 18-month period 2017.

In 2018 (12-month period), \$19.6M of Total aeronautical revenues, which includes Passenger Facility Charges (PFC), Security tax & terminal facility charges and Aircraft handling income, was lower than the revenues in 2017 of \$25M (18-months).

Rental revenues of \$1.15M decreased from \$1.37M when compared to 2017 (18-month period). Permits and parking revenue of \$986K was realized in 2018. Petrol concession revenues of \$1.02M was down from \$1.4M in 2017. This is revenue derived from aviation fuel concessionaires based on numbers of gallon sold.

Expenses

The total expenses was down to \$32.8M in 2018 compared to \$41.1M in 2017 (18-month period). This is mainly attributable to decreases in staff costs, depreciation expense and repairs and maintenance and CAA regulatory fees, due to the 18-month period of 2017 compared to the 12-month period of 2018.

Expenses by Category

(\$ in thousands)	2018	2017 *	Change	% Change
Staff costs	13,511	18,760	(5,249)	-28%
Depreciation	7,845	11,835	(3,990)	-34%
Repairs Maintenance & Utilities	4,318	4,981	(663)	-13%
Passenger Screening	2,647	2,341	306	13%
CAA certification	1,003	1,512	(509)	-34%
Bad Debt expense	1,795	-	1,795	-
Other Expenses	1,706	1,667	39	2%
	32,825	41,096	(8,271)	-20%
*18-Month period				

Passenger screening has increased by 6% and reflects the impact of increased passenger volumes. In addition, new security requirements were introduced to comply with international security regulations during the 12-month period.

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

IFRS 9 a new accounting standard requires the organization to have an expected credit loss model that replaces the incurred loss impairment model used in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018 therefore, the Authority has adopted this standard in the 2018 financial year. For financial assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and will be recognized earlier than under IAS 39. The Authority has determined that the application of IFRS 9's impairment requirements on January 1, 2018 would not result in any material variance. For the financial year ended 31 December 2018, bad debt allowance increased by \$1.79M because of the implementation of IFRS 9.

Capital Expenditure (Major Capital Projects)

CIAA will continue to meet the growing demand for air travel through making optimum use of existing facilities and new capital infrastructure. The ongoing terminal expansion work of 2018-2019 will improve passenger, baggage and aircraft processing flow, comply with regulatory requirements and enhance customer experience. The cost related to these capital projects are expected to be funded internally through operations. The ORIA airport terminal building expansion and renovation project was underway in two phases in 2018. Additionally, a contract was entered into for the design of the airside upgrade project and the design work was completed in 2018.

The following describes the significant features under development in 2018:

ATB Phase 1

Construction of an area in preparation of new outgoing baggage system with an area for an in-line baggage screening room, airline administrative office space, a bag pick-up area and a roof top mechanical room.

ATB Phase 2

The second phase consists of easterly and westerly expansions and renovations to the existing interior of the terminal building. All work in Phase 2 was to be carried out in several sub-phases to enable the terminal to remain fully functional, safe and secure throughout the construction period, which include new immigration and baggage claim area to the east, an additional roof top mechanical room, the installation and commissioning of the new baggage handling system (inbound and out outbound), administrative areas, enlarged security screening check points, new immigration administrative area, new retail space area and atrium allowing natural light into the space which enhances customer experience. Terminal Expansion activities are expected to complete in the second quarter of 2019.

Airside Upgrade

The design for the airside upgrade, which is primarily a refurbishment and strengthening of the runway with an extension to the west, jet blast deflector at the west end of the runway, an aircraft turning bay at the west end an apron expansion to the east and a perimeter road, was completed and the tender process for construction will begin in the first quarter of 2019.

Environmental responsibility

CIAA is committed to ensure that all our operations comply with applicable environmental laws and regulations with sensitivity to public concern. CIAA is keen to improve its environmental footprint and wellbeing of the Cayman community. Management is responsible for identifying environmental risks and priorities, develop mitigation plans, implement, monitor, and continuously improve. Energy conservation, achieving zero waste and managing hazardous wildlife programs are among many initiatives.

Organisational Overview

The Cayman Islands Airports Authority (CIAA), established by the Cayman Islands Government in July 2004, is a statutory authority under the Ministry of District Administration, Tourism & Transport. The CIAA owns and operates two international aerodromes, Owen Roberts International Airport (ORIA) on Grand Cayman, which commenced operations in 1952, and Charles Kirkconnell International Airport (CKIA) on Cayman Brac, which commenced operations in 1955.

The CIAA is responsible for constructing, controlling and managing the Airports by providing and maintaining runways, taxiways and terminals to international standards for the efficient operation and to provide support and accommodation to those agencies involved in border control and is dedicated to providing its customers with professional, innovative airport services and facilities in a safe, efficient manner and being a catalyst of economic development for the Cayman Islands.

ORIA is the major gateway linking the Cayman Islands to destinations worldwide, providing the main point of entry and exit to Grand Cayman, Cayman Brac and Little Cayman. ORIA plays a major role in the Islands' tourism and financial sectors, annually catering to approximately 26,489 commercial and private aircraft movements and processing approximately 1,322,225 passenger movements, which include tourists, business visitors and residents alike. In addition, ORIA processes approximately 1,521,615 pounds of cargo and 286,744 pounds of mail. These figures highlight the importance of the Airport in sustaining the community, which is heavily dependent on imported goods.

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

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

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

The Board of Directors

Name	Role
Thomas Guyton	Chairman
Joel Jefferson	Deputy Chairman
Vanessa Banks	Member
John Meghoo	Member
Roy Grant	Member
Nathaniel Tibbetts	Member
George Hunter	Member
Stran Bodden	Public Service Member
Charles Clifford	Public Service Member

The Cayman Islands Airports Authority is committed to:

Our Mission

To provide a pleasurable airport experience by enhancing our facilities and offering professional services in a safe and secure environment.

Our Vision

To Bring Excellence to Your Airport Experience.

Our Core Values

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

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

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

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

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

Customer Focus: We will put our customers and guests at the heart of what we do and strive to meet each of their needs.

Strategic Priorities

The following are the key strategic priorities of the CIAA for 2018 to 2021 along with the key objectives under each priority area. This is the guide to the CIAA's business activities over the three-year period and also forms the basis for individual employee performance objectives. These objectives are reviewed annually and adjusted as necessary to address changes in the operating environment and/or Board policy.



Providing Exceptional Customer Service

Providing excellent customer service is key to the CIAA's Mission and Vision, and great strides have been made in "bringing excellence" to their airport experience at ORIA and CKIA. Each year the CIAA hosts special events at the Airports for arriving guests to make them feel welcome from the moment they touch down.

In April, the Easter Bunny "Mr. Rabbit" made a special appearance at ORIA and handed out prizes and gift baskets to the lucky children who found two golden eggs. In May, arriving female passengers were treated to cupcakes and carnations by the CIAA's Customer Service team and staff volunteers in celebration of Mother's Day, and in June arriving male passengers were delighted with "donuts for dads" in celebration of Father's Day. In November, guests were greeted by the CIAA's Customer Service team and swashbuckling pirates who offered free rum punch and souvenirs to commemorate the Annual Cayman Islands Pirates Week Festival.



Delighted children receive Easter baskets from the Easter bunny and CIAA Mascot, Calypso the Parrot.



Arriving guests are treated to sweet treats in celebration of Mother's and Father's Day.



Guests are greeted by the CIAA's Customer Service team and swashbuckling pirates to commemorate the 41st Annual Cayman Islands Pirates Week Festival.

In August, the Authority partnered with The Rotary Club of Grand Cayman to provide a Mamava privacy suite in the departures hall to allow nursing mothers to breast-feed in private and comfort. The Mamava suite is a self-contained, mobile pod with comfortable benches, a fold-down table, an electrical outlet for plugging in a breast pump, and a door that can be locked for privacy.



A Mamava privacy suite is located next to the children's play area in the departures hall to allow for nursing mothers to breast feed in the privacy of a self-contained, mobile pod.

Optimising Facilities and Infrastructure

ORIA Redevelopment & Expansion Journey

As part of ORIA's redevelopment and expansion project, passengers at the Owen Roberts International Airport will be pleased to discover additional improvements and amenities aimed to make the travel experience more convenient and welcoming. When complete, the Airport will be able to handle double its current capacity, accommodating 2.5 million passengers per year.

Airport Amenities – On the Horizon

- 39 check-in counters
- 9 departure gates
- Digital flight information displays
- Common-use self-service kiosks
- Shopping galleria featuring retail and duty-free stores
- Food court
- Children's play area
- Nursing station for mothers
- Water re-fill stations
- Free wi-fi
- Mobile charging stations
- Traditional Caymanian artwork
- Background music featuring local artists
- Expanded Security Screening check point
- New arrivals baggage claim area with five carousels
- New in-line departures baggage handling system
- New geothermal air conditioning system
- Large back-up generator to supply whole airport
- Ample parking
- State-of-the-art PA system
- New in-transit processing area
- Extended airside canopy
- Large indoor 'meet and greet' arrivals hall

The first quarter of 2018 saw the opening of the newly expanded and renovated Arrivals Hall and Customs, Immigration and Baggage Claim areas, creating additional processing lanes and five baggage carousels. In August, the final steel structure on the South arch of the new Airport was lowered into place in a traditional Topping Out Ceremony.

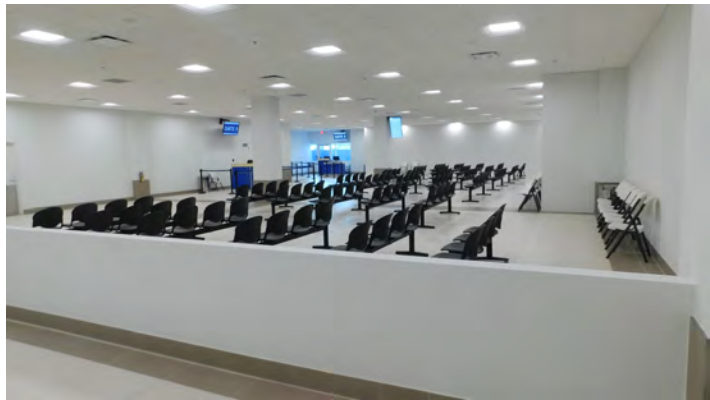


The fully expanded Immigration Hall boasts 9,420 feet of space and the baggage claim area boasts five baggage carousels.



The final steel structure on the South arch of the new Owen Roberts International Airport was lowered into place in a traditional Topping Out Ceremony.

In September, a portion of the expanded Security Screening Check Point area and the fully expanded Check-in Hall opened, featuring 39 check-in counters. In November, two additional gates in the Departures Hall opened for a total of nine gates. In December, as the Airport Redevelopment Project continued to take shape, new wayfinding, permanent signage was installed throughout the terminal to help streamline the passenger flow experience.



The newly expanded check-in hall features 39 check-in counters, and two additional gates, Gate 8 and 9, open in the departure's hall.

Other milestones in 2018 of the Airport's redevelopment and expansion project included full deployment of the Common Use Passenger Processing System (CUPPS) in the Check-In and Departures Halls and partial deployment of the Common Use Self Service (CUSS), Flight Information Display System (FIDS), Gate Information Display System (GIDS) and Baggage Information Display System (BIDS) throughout the Airport terminal.



The newly expanded departures hall opens in May 2018.

Improvements at CKIA were also made to better serve the traveling public and employees. Restrooms received a complete renovation, emergency exit lights were installed in the Arrivals Hall and Hold Baggage Screening area, ceiling fans were installed in the Baggage Makeup area, an emergency escape ladder was installed in Air Traffic Control and lockers were installed to provide Airport Security Officers with a safe and private location to store personal belongings while on duty.

Airside Upgrade Project

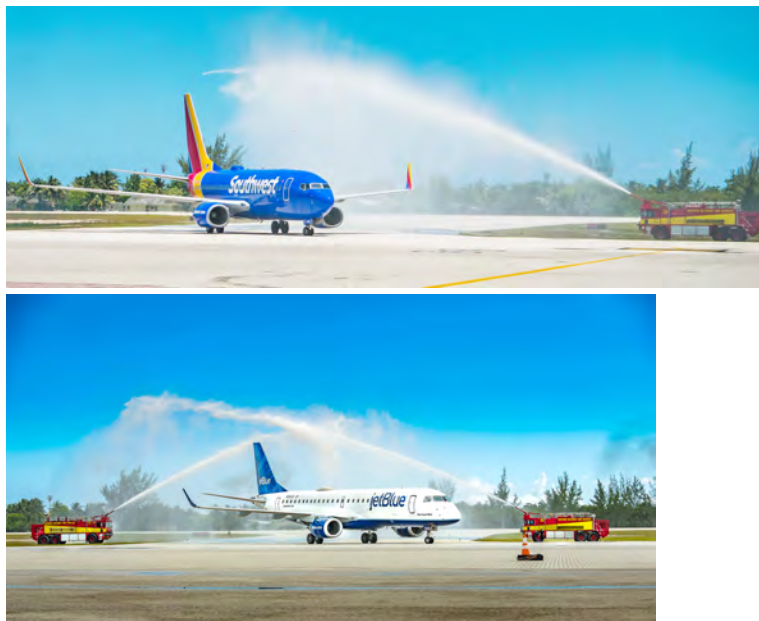
During the course of this year a project to upgrade the runway at ORIA was launched. A consultant for design and contract administration was selected after a public tender process and design drawings were completed by the end of the year with the RFP for the construction of the airside upgrade expected to be issued in the first quarter of 2019. It is expected that this project will get started in the fourth quarter of 2023. Meanwhile some smaller airside projects were started:

- Two of the taxiways at ORIA were repaved (TWY A & B).
- All ORIA runway lights were replaced with new LED lights.
- Replacement of ORIA & CKIA Precision Approach Path Indicator (PAPI) lights was completed.

Strengthening Commercial Culture

New Routes Introduced

Southwest Airlines introduced their new seasonal summer service from Grand Cayman to Houston, Texas in June 2018. The addition of the service is set to begin almost exactly on the one-year anniversary of the airlines inaugural service from Ft Lauderdale, Florida which began in June of 2017. In August, the national flag carrier for the Cayman Islands, Cayman Airways (CAL), celebrated 50 years of serving the Cayman Islands and announced the addition of new seasonal nonstop flights between Grand Cayman and Denver, Colorado, starting in 2019. It will be the longest scheduled commercial flight the airline has ever operated, made possible by the upcoming arrival of the first of CAL's four brand new Boeing 737 Max 8 aircraft, which touched down for the first time at ORIA in December. In October, Jet Blue celebrated their inaugural flight from Fort Lauderdale to Grand Cayman, marking the beginning of a new daily flight option for tourists and Cayman travelers. The aircraft were welcomed water cannon salute tradition.



Southwest Airlines and Jet Blue introduced inaugural flights to Grand Cayman in 2018.

General and Business Aviation

Seasonally, as expected in January and March the business and general aviation traffic peaked at its highest. Again, in November and December during the American Thanksgiving and Christmas periods the traffic peaked but not to the levels experienced earlier in the year. The overall annual revenue gain in 2018 was approximately 8% over 2017.

Work began in 2018 on developing a plan for a new General Aviation Terminal (GAT) / Fixed Base Operator (FBO) facility at the location identified in the Master Plan for ORIA.

New Improved Concessions Programme

The design of the new airport has facilitated a new approach to managing airport retail concessions at ORIA, enabling a move away from simple floor space rental to a revenue share model. The available spaces were put out to public tender for specific preferred categories of service offerings, with different concepts for each, which included:

- New/Convenience
- Food & Beverage
- Retail (Duty Paid)
- Retail (Duty Free)

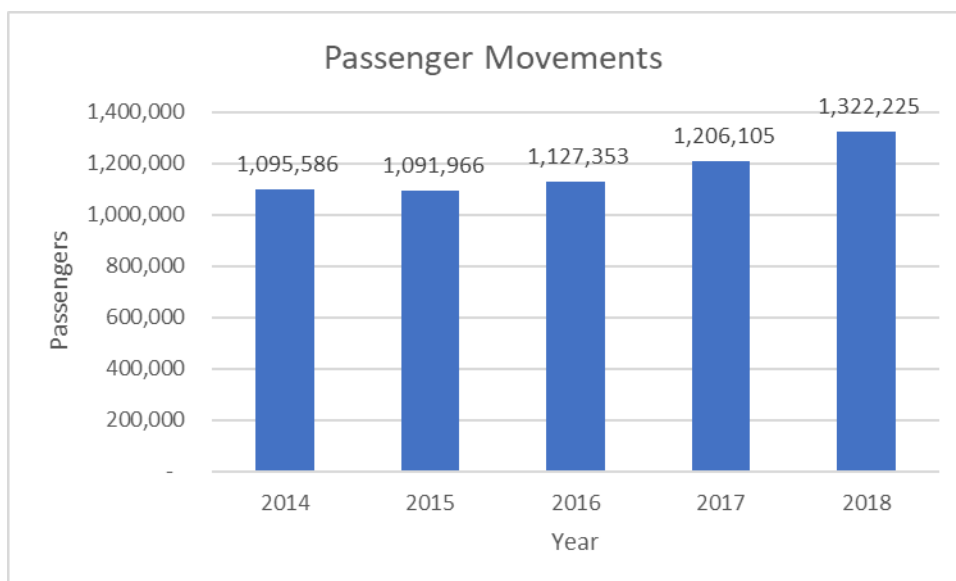
As a result of this, about 50% of the available spaces were let, with the remaining spaces to be re-tendered at a later date. This new retail concession programme is expected to yield significantly more revenue for the CIAA and is in line with how airport concession programmes are run in the majority of airports around the world.

In October, the winning bidders to operate the Retail, Duty-Free and Food & Beverage locations within the terminal were announced. The food court will include dining options by Wendy's, Subway, Island Taste and The Brew Hut. Retail and duty-free shopping will be provided by Kirk Freeport, Last Chance Island Souvenirs, Bodden Freeport, Tortuga Rum Co., Jacques Scott, Island Jewellers and Churchill Cigars. In December, Island Jewellers and Tortuga were the first of the new concessionaires to open its doors to the travelling public.

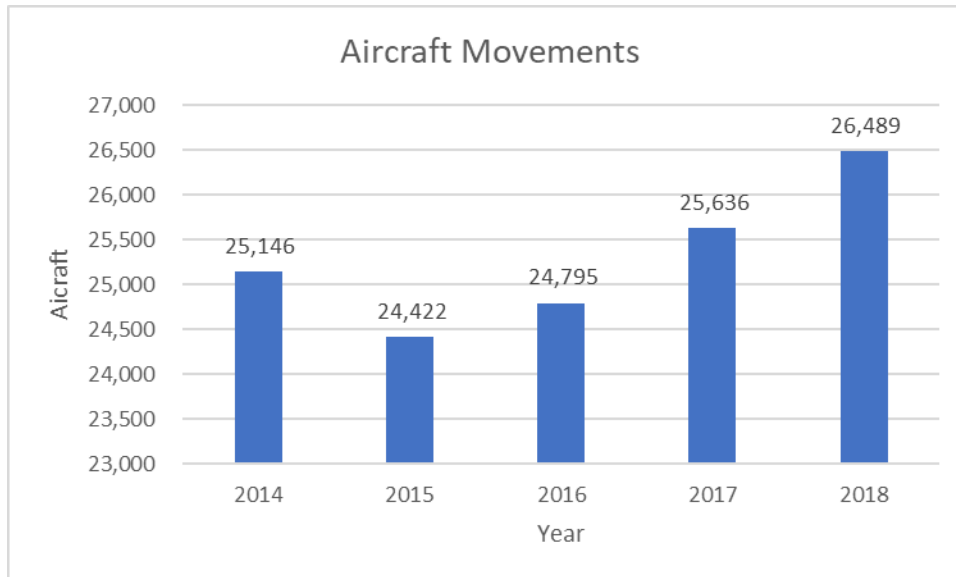


Guests can enjoy new shopping options as Island Jewellers and Tortuga open its doors in the departure's hall.

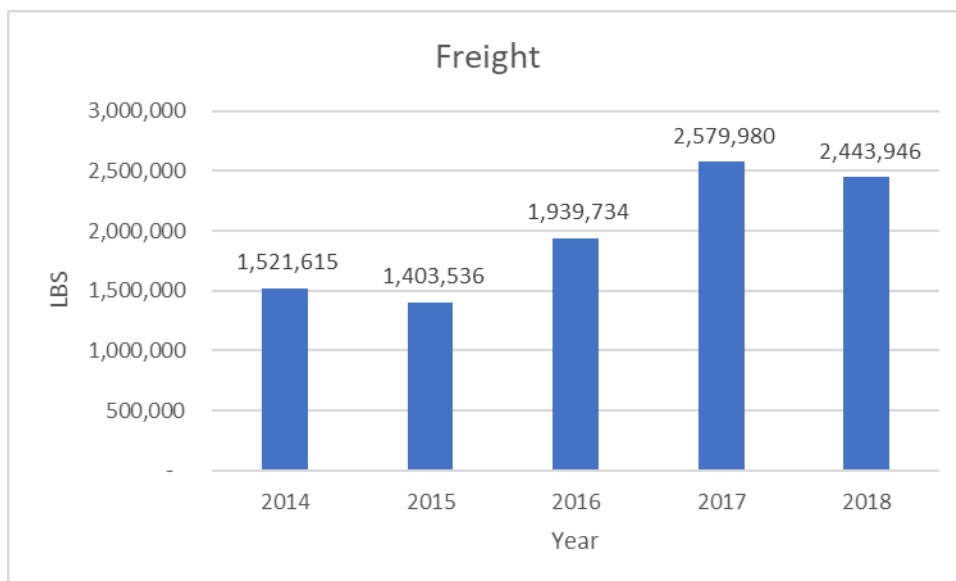
Passenger, Aircraft and Freight Statistics



There has been continuous growth in the past five years in the number of passengers we serve at ORIA. In 2018 there was a 10% increase in passenger movements compared to 2017. During this time, the airport redevelopment and expansion project was in full swing, and the Authority was busy providing a smooth transition for its staff, partners and passengers from old to newly constructed spaces as they opened in various stages throughout the year. The CIAA collaborated closely with the project team and its partners to devise and execute a plan using temporary walkways and guidance signage along with a robust communications plan to move people safely throughout the terminal building while it was under construction.



Aircraft movements saw an increase of 3% in 2018 compared to 2017.



In 2018 there was a slight 5% decrease in the pounds of freight transported at ORIA.

Enhancing Enterprise Risk Management

Airport Emergency Response

To comply with international standards and to sharpen and test the skills of emergency responders, the CIAA stages two full-scale emergency 'mock' exercises every two years. In June, the exercises, which simulated a hijacking and active shooter, were successfully conducted at both ORIA and CKIA and involved numerous volunteers, Airport personnel and emergency response teams.



Full scale emergency exercises were conducted at Owen Roberts International Airport and Charles Kirkconnell International Airport to test the readiness of emergency response teams.

Wildlife Hazard Management

The CIAA held its Annual Meeting of the Hazardous Wildlife Working Group in December to the general public to discuss and raise awareness to the current measures used at ORIA to alleviate hazardous wildlife, as well as new measures to attract less wildlife at the Airport.

Aeronautical Information Services

The Aeronautical Information Publication is defined by the International Civil Aviation Organisation (ICAO) as a publication "intended primarily to satisfy international requirements for the exchange of aeronautical information of a lasting character essential to air navigation." It contains details of regulations, procedures and other information pertinent to the operation of aircraft in the country to which it relates, in this case the Cayman Islands.

The AIP is updated regularly throughout the year, but a significant update was done in February 2018 with the newly revised Aerodrome and Type 'A' charts completed for the Owen Roberts International Airport and the Charles Kirkconnell International Airports.

Communication, Navigation & Surveillance (CNS):

CNS is the main function that forms the technological infrastructure for air traffic management and ensures that air traffic is safe and efficient. Some of the activity highlights for this year are as follows:

- Preparations and plans were made toward the end of the year to replace the aged ORIA Voice Communication Switch starting in early January 2019. The old switch was at the end of its life cycle and this replacement would bring with it new features to increase the safety and efficiency of the communication between air traffic control and aircraft.
- In January of this year a new Automated Message Handling System (AMHS) was implemented to replace the old Aeronautical Fixed Telecommunication Network (AFTN). The new system provides a user-friendly means to send and receive messages via the Automated Digital Network between air traffic control centers in the region. Later in February, refresher training was provided to users and software updates were implemented.
- The Annual Flight check was conducted in March, before the start of hurricane season. To ensure operational readiness, flight calibration services operators routinely measure and calibrate the airways using flight calibration aircraft equipped with sophisticated flight inspection technology.
- The development of an **Air Traffic Control air-ground radio range extender system** that enables ORIA controllers to remotely manage CKIA approach traffic, began in 2018.

Air Traffic Control (ATC):

Air traffic control is a service provided for the purpose of preventing collisions between aircraft, and between aircraft and obstructions on the ground. It also provides guidance to expedite and maintain an orderly flow of air traffic. Some of the ATC activity highlights are:

ATC Training:

- Annual Refresher training was held at PanAm Training Facility in the USA for all ORIA and CKIA air traffic controllers. Certificates of competency were issued subsequently, which are valid for 12 months.
- In January ATC management visited and eventually obtained Civil Aviation Authority of the Cayman Islands approval of a second ATC Training Facility, this one based in the Dominican Republic; namely, Academia Superior de Ciencias Aeronáuticas (ASCA).
- Several Air Traffic Control Officers (ATCO's) obtained their ATCO rating/license during the year.

ATC Manning Plan:

- In the first half of the year an ATC Manning business case and plan was developed and approved by the Chief Executive Officer and the CIAA's Board of Directors. This plan was created to address the issue of ATC manpower being well below required levels.
- The implementation of the plan began immediately thereafter.
- As a phase of the training process two ATC Trainees from CKIA were relocated to ORIA for a month of orientation and on-the-job training prior to departing to Trinidad for their initial ATC Aerodrome training.

Local Airspace Management:

The ATC Manager attended various meetings and training sessions to become more familiar with Performance Based Navigation and Air Traffic Flow Management (ATFM) and its application in the Cayman Terminal Management Area (TMA). These were:

- ICAO PBN meeting in Florida. Cayman was able to highlight problems in communication between ASSI and ICAO NACC office.
- A meeting in Mexico to discuss ATFM for the region and its effect on the Cayman TMA/airspace.
- Completed ATFM basic training in Panama in Nov 2018.
- Participated in weekly CADENA web-conferences as well as emergency meetings (storms) to provide and receive updates regarding the region and the traffic flows expected.

Projects

Key projects addressed during this year were:

- The ongoing ORIA Air Terminal Building renovation and expansion
- ORIA & CKIA runway Precision Approach Path Indicator (PAPI) lighting
- Runway edge lights
- Air Traffic Control tower electrical service
- Taxiway alpha and bravo resurfacing
- ORIA and CKIA regulator vault fire suppression systems
- HVAC plumbing fire protection maintenance

Airport Operations

The main objectives for Airside Operations is to ensure all airside activities are conducted in a safe, efficient, and organized manner. The Airport Operations Command Centre (AOCC) controls and coordinates all operational activities at the airport, including but not limited to safe airside operations, airport emergencies, flight scheduling, allocation of counters, gates and stands, amongst other related activities.

The Airside Operations and AOCC function highlights are:

- Wildlife Management is conducted on a daily ongoing basis. A variety of tactics and methods are used to control and prevent bird and other wildlife activities adversely affecting aircraft movements.
- Movement area (runway, taxiways and aprons) inspections are always routinely conducted to ensure safety. This includes checking for foreign object debris (FOD) and any other object or event that may breach strict airside safety standards.
- Quality Management KPIs tracked during the year were:
 - Apron Safety Management Infractions
 - Turn-around audits
 - Mandatory Occurrence Reports
- **Relationship with Airlines:** The new Common Use Passenger Processing System (CUPPS) enabled the AOCC to assume responsibility for the allocation of ticketing counters, departure gates and apron stands.
- **Emergency notifications** – During this year the CIAA upgraded its text messaging notification system with a new more intuitive and efficient **tele-messaging** system.

Maintaining Compliance with International Standards and Regulations

- In January of this year 121 Corrective Action Plans (CAPs) existed; 82 Findings and 39 Observations. By the end of the year 13 findings and 2 observations were closed; a reasonable 12% reduction.
- In January of this year, the Civil Aviation Authority Cayman Islands (CAACI) granted conditional CNS Certification approval resulting from the completion of a proposed Certification Approval plan and a approved Aeronautical Telecommunication Services Exposition.
- Two overseas consultants began the execution of a multi-phased certification plan to address compliance requirements. The contract with the CNS consultants continued for the remainder of the year to progress the CNS Approval Plan.
- Additional CKIA ATC observation CCTV cameras were installed by the Information Technology Department of CIAA. This enabled the on-duty air traffic controller to have improved visibility of the entire length of the runway.
- Aerodrome Conditional Certification was granted subject to completion of various tasks as follows:
 - Revision of the ORIA and CKIA Aerodrome Manuals for approval by the CAACI.
 - Revision of the Air Traffic Services Exposition for approval by the CAACI.
 - The re-writing and drafting of the ORIA and CKIA Manual of Air Traffic Services and Training Plans for approval by the CAACI.
 - A reformatted CIAA Safety Management System Manual was also submitted to CAACI for review.

Quality Management

An organisation-wide Quality Management System was implemented as a means of bolstering the safety objectives of the CIAA and further improving the safety culture. To this end a tracking system for coordinating the expeditious execution of audit Corrective Action Plans (CAPs) was implemented as well as a technical library comprising all relevant and appropriate regulatory manuals and documentation. An internal audit process in collaboration with Safety Management Systems was implemented to verify the currency of CKIA and ORIA aerodrome manuals and associated annexes.

Developing Quality Talent Management

The Cayman Islands Airports Authority recognises that its staff are its greatest asset and seeks to achieve excellence through effective communication, enhancing employee relations, fostering a culture of learning and ensuring compliance with best practices of people management.

The CIAA currently employs 198 staff members. The majority of its employees are Caymanian or Permanent Resident. All CIAA employees received a 5% Cost of Living Adjustment in 2018 with qualifying employees receiving an additional Pay Stagnation/Off-Scale-Point adjustment, both of which took effect in the November payroll. A new CIAA Employee Policies Handbook was approved by the Board for roll-out in 2019. Health Insurance premiums declined in 2018, representing a healthy OPEX savings for the CIAA, as well as for some employees.

Employee Development & Recognition

The CIAA supports a wide range of on and off the job learning and development programmes, designed to instill knowledge, provide the necessary skills required to succeed on the job, facilitate high quality performance and maintain its status as an industry leader in aviation services. Learning & Development Plans are constructed yearly for each employee and includes job related training as well as higher education opportunities.

It is with these goals in mind that the CIAA has also committed to developing a quality talent management programme and adopting an approach to engage staff not only through training but also through quarterly staff meetings, developmental workshops, regular input into strategic planning processes and transferring or promoting from within.

“Developing for Performance” ensures that employees are armed with the knowledge and tools to do their jobs and know exactly what is expected of them. They are assessed against their Performance Agreement at the end of the year and graded accordingly. These Performance Agreements are aligned with the action plans that are developed from the Authority’s strategic objectives, thus providing the greatest chance of success.

Awards & Recognition

In February, the CIAA hosted a private celebration luncheon and presented five of its employees with Level 3 certificates in Leadership and Management after passing their course of study and assessment from the Institute of Leadership & Management (ILM). The ILM certificate in Leadership & Management is an internationally recognised certification, providing individuals who are currently in managerial roles or who are looking to move up to the next level of management, skills needed to lead people through organisational change and similar pressures related to these roles. The five employees recognised were Human Resources Manager Sheron Ebanks, Airport Manager at CKIA Miguel Martin, Manager of Facilities & Projects Eimer Powery, Supervisor of Aeronautical Information Services & MET at CKIA Genista Parchman and Supervisor of Air Traffic Control at CKIA Joshua Burke.



CIAA CEO Albert Anderson (far right) congratulates the employees who completed the ILM Certification.

The CIAA honored its long-serving employees at ORIA and CKIA in awards ceremonies held during the year. Twenty-eight long service employees were celebrated at the ceremonies, including 15 for five years, five for 10 years, four for 15 years and four with 35 or more years of service. As part of this strategic vision, the CIAA acknowledges the outstanding efforts of its long-serving employees, to attract and retain local talent, with the appointment of a diverse Rewards & Recognition Committee. The Committee is empowered to coordinate a host of supporting events and initiatives to assist with the recruitment and retention of talent for the Authority.



CIAA's long-serving employees at ORIA, flanked by CIAA CEO Albert Anderson, Chief Commercial Officer Bianca Moore- Downey, Chief Security Officer Shane Bothwell and Chief Airport Operations Officer Dale Davis, receive recognition for achieving five to 35 plus years of service.

Wayne DaCosta, Chief Airport Operations Officer Designate, received his Master's degree (MSc.) in Airport Planning & Management. He received the award in person at a graduation ceremony held on 29 June 2018 at Cranfield University in Bedfordshire in the United Kingdom. Wayne completed his studies for a Masters of Science degree at Cranfield University in the UK on a fully-funded basis by the CIAA. He began his studies in September 2016, persevering with an intensive academic workload that included an extensive battery of courses, a group project and a Thesis during the year-long course of study, culminating with a successful completion in September 2017.



Wayne DaCosta receives his Master's degree certificate in Airport Planning & Management from the Chancellor of Cranfield University.

In Cayman Brac at the Charles Kirkconnell International Airport, the succession plan for Darynn Conolly as the Airport Operations Officer (AOO) Designate was completed. For the past 15 months, Darynn has been undergoing a robust programme of on-the-job mentoring and coaching, augmented by academic work and assignments. Throughout that time, he has been closely supported by Airport Operations Officer Jeremy Jackson and CKIA Airport Manager Miguel Martin. Darynn also attended international symposia, visited ORIA on a few occasions to participate in work assignments and was exposed to all of the critical operational aspects of a larger airport. In his new role, Darynn will perform the necessary administrative duties contributing to the efficiency of airport operations, including the monitoring of airside and terminal facilities and personnel, to ensure compliance with CCAA airport policies and procedures.



CKIA Airport Manager Miguel Martin (left) congratulates Darynn Conolly on his promotion to Airport Operations Manager.

Chief Safety Management Officer Andrew McLaughlin is now a qualified ICAO (International Civil Aviation Organization) Universal Safety Oversight Audit Program CMA Inspector. This internationally recognised designation allows Andrew to operate at a higher level in his role at both Airports and to participate in safety audits of other eligible airports. Anthony Wedderburn, Hold Bag Screening Supervisor, received his certificate in Airport Security in September 2018 after completing online training at Airports Council International Online Learning Center.



Chief Security Officer Shane Bothwell (left) congratulates Anthony Wedderburn on receiving his certificate in Airport Security.

Employer of Choice

The CIAA participated in various Careers Fairs in Grand Cayman and Cayman Brac throughout the year, including John Gray High School Careers Fair in February, Layman E. Scott Sr. High School Careers Fair in March, Savannah Primary School Careers Fair in June, and Cayman Islands Further Education Centre Careers Fair in September, to engage students on career opportunities in the aviation industry.



The CIAA participated in careers fairs throughout the year to engage students on career opportunities in the aviation industry.

Financial Statements and Analysis

Year ended 31 December 2018

**Cayman Islands Airports Authority
Financial Statements
Year ended December 31, 2018**

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STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
31 December 2018

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

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

As signatories below, we are responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Cayman Islands Airports Authority. However, the Chairman and CFO were not a part of the Cayman Islands Airports Authority during the financial year and as such we are not responsible for and therefore could not ensure appropriate internal controls were established and maintained throughout the financial year and therefore make no representations over the internal controls for the financial year ended 31 December 2018.

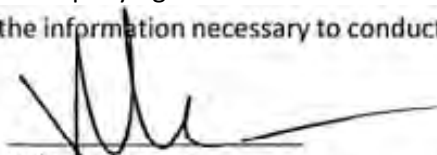
As signatories below, we are responsible for the preparation of the Cayman Islands Airports Authority financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the Cayman Islands Airports Authority for the financial year ended 31 December 2018.

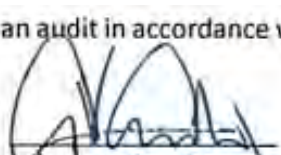
To the best of our knowledge we represent that these financial statements:

- (a) Completely and reliably reflect the financial transactions of Cayman Islands Airports Authority for the year ended 31 December 2018;
- (b) Fairly reflect the financial position as at 31 December 2018;
- (c) Comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

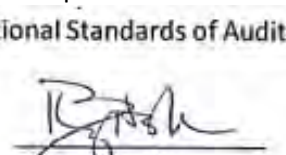
The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.


Johan Moxam
Chairman (Board of Directors)

Date: 3 Nov 2022


Albert Anderson
Chief Executive Officer

Date: 3 Nov 2022


Karen Baptiste
Chief Financial Officer

Date: 3 Nov 2022

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands Airports Authority

Opinion

I have audited the financial statements of the Cayman Islands Airports Authority (the "Authority"), which comprise the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 54.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cayman Islands Airports Authority as at 31 December 2018 and its financial performance and its cash flows for the year ended 31 December 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

AUDITOR GENERAL'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2018 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

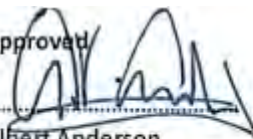


Sue Winspear
Auditor General

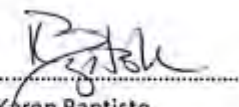
03 November 2022
Cayman Islands

Cayman Islands Airports Authority
Statement of Financial Position
As at 31 December 2018
(In Cayman Islands dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current assets			
Cash and cash equivalents	5	26,442,443	30,998,774
Term deposits	5(b)	2,065,243	2,060,061
Accounts receivable	6	13,502,819	17,463,190
Other receivables and prepaid expenses		506,538	3,066,173
		<u>42,517,043</u>	<u>53,588,198</u>
Non current assets			
Property, plant and equipment	7	156,577,791	137,786,103
Intangible assets	7	500,110	999,895
		<u>157,077,901</u>	<u>138,785,998</u>
TOTAL ASSETS		<u>199,594,944</u>	<u>192,374,196</u>
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	8	-	35,056
Accounts payable and accrued expenses		7,615,679	7,128,170
		<u>7,615,679</u>	<u>7,163,226</u>
Non current liabilities			
Long-term debt	8	-	223,953
Unfunded pension liability	10	7,700,000	8,807,000
Unfunded health care obligations	11	14,676,000	15,763,000
		<u>22,376,000</u>	<u>24,793,953</u>
TOTAL LIABILITIES		<u>29,991,679</u>	<u>31,957,179</u>
Equity			
Contributed capital		34,675,212	34,675,212
Retained earnings		43,087,754	34,063,555
Asset revaluation		80,649,106	80,649,106
Other comprehensive income		5,749,000	1,950,000
Current year surplus		5,442,193	9,079,144
		<u>169,603,265</u>	<u>160,417,017</u>
TOTAL LIABILITIES AND EQUITY		<u>199,594,944</u>	<u>192,374,196</u>

Approved: 
 Albert Anderson
 Chief Executive Officer

Date: 3 November 2022


 Karen Baptiste
 Chief Financial Officer

Date: 3 November 2022

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

Cayman Islands Airports Authority
Statement of Comprehensive Income
For the year ended 31 December 2018
(In Cayman Islands dollars)

		2018	2017
REVENUE			
AERONAUTICAL INCOME			
Passenger fees and charges		30,447,051	39,740,894
Aircraft handling income		3,861,574	5,505,040
Total AERONAUTICAL INCOME	12 (a)	<u>34,308,625</u>	<u>45,245,934</u>
NON-AERONAUTICAL INCOME			
Property rental and concession management		2,172,935	2,739,497
Fees and charges		1,733,221	2,125,457
Interest earnings		36,858	56,848
Sundry		15,637	7,557
Total NON-AERONAUTICAL INCOME	12 (b)	<u>3,958,651</u>	<u>4,929,359</u>
TOTAL INCOME		<u>38,267,276</u>	<u>50,175,293</u>
EXPENSES			
Staff costs	13	13,245,081	18,102,539
Administrative and overheads			
Depreciation	7	7,844,600	11,835,029
Repairs and maintenance		2,702,549	3,074,618
Passenger screening		2,647,312	2,341,070
Utilities		1,615,957	1,906,518
CAA certification		1,002,800	1,511,815
Training		265,967	657,143
Legal and professional fees		710,849	557,444
Property and liability insurance		393,856	540,954
Security		244,605	273,130
Printing and stationary		194,611	167,351
Miscellaneous		98,901	148,342
(Gain) Loss on disposal of property, plant, equipment and intangible assets		(850)	94,018
Travel and subsistence		15,442	7,176
Loan interest	8	3,460	4,140
Bad debt expense		1,794,982	-
Foreign exchange losses /(gains)		44,961	(125,138)
TOTAL EXPENSES		<u>32,825,083</u>	<u>41,096,149</u>
NET INCOME before:		<u>5,442,193</u>	<u>9,079,144</u>
OTHER COMPREHENSIVE INCOMES			
Gain on revaluation of property, plant and equipment			
Remeasurement of employee benefit obligation	10	1,398,000	4,018,000
Remeasurement of healthcare benefit obligation	11	2,401,000	766,000
COMPREHENSIVE INCOME FOR THE YEAR		<u>9,241,193</u>	<u>13,863,144</u>

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

Cayman Islands Airports Authority
Statement of Changes in Equity
For the year ended 31 December 2018
(In Cayman Islands dollars)

	Contributed Capital \$	Retained Earnings \$	Comprehensive Income (Loss) \$	Asset Revaluation \$	Total \$
Balance at 30 June, 2016	32,285,399	34,104,680	(2,834,000)	80,649,106	144,205,185
Prior period Adjustment	-	(41,125)	-	-	(41,125)
Balance at 1 July, 2016	32,285,399	34,063,555	(2,834,000)	80,649,106	144,164,060
Capital contributions	2,500,000	-	-	-	2,500,000
Capital withdrawals	(110,187)	-	-	-	(110,187)
Prior period adjustments	-	-	-	-	-
Net Income for the period	-	9,079,144	-	-	9,079,144
Other Comprehensive Income					-
Remeasurement of employee pension benefit obligation	-	-	4,018,000	-	4,018,000
Remeasurement of employee health care benefit obligation	-	-	766,000	-	766,000
Balance at 31 December, 2017	34,675,212	43,142,699	1,950,000	80,649,106	160,417,017
Capital contributions	-	-	-	-	-
Capital withdrawals	-	-	-	-	-
Prior period adjustments	-	(54,945)	-	-	(54,945)
Net Income for the period	-	5,442,193	-	-	5,442,193
Other Comprehensive Income					
Remeasurement of employee pension benefit obligation	-	-	1,398,000	-	1,398,000
Remeasurement of employee health care benefit obligation	-	-	2,401,000	-	2,401,000
Balance at 31 December, 2018	34,675,212	48,529,947	5,749,000	80,649,106	169,603,265

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

Cayman Islands Airports Authority
Statement of Cash Flows
For the year ended 31 December 2018
(In Cayman Islands dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities			
Net income for year		5,442,193	9,079,144
Add items not affecting working capital:			
Loss on disposal of property, plant, equipment and intangible assets		(850)	94,018
Prior period adjustment		(54,945)	(41,125)
Provision for bad debts	6	1,794,982	-
Defined benefit expense	10,11	1,605,000	2,382,000
Depreciation		7,844,600	11,835,028
		<u>16,630,980</u>	<u>23,349,065</u>
Net changes in non-cash working capital balances			
Decrease in Accounts receivable	6	2,165,389	5,993,274
Decrease / (Increase) in Other receivables and prepaid expenses		2,559,635	(1,859,462)
Decrease in Weather Radar fund	8	-	(475,083)
Increase in Accounts payable and accrued expenses		487,509	3,994,082
Net cash from operating activities		<u>21,843,513</u>	<u>31,001,876</u>
 Cash Flows used in Investing Activities			
Investment in term deposit		(5,182)	(7,699)
Purchase of fixed assets		(26,135,653)	(35,492,049)
Net cash used in investing activities		<u>(26,140,835)</u>	<u>(35,499,748)</u>
 Cash Flows from (used in) Financing Activities			
Equity Injection		-	2,500,000
Capital withdrawal		-	(110,187)
Repayment of loans (Note 8)		(259,009)	(22,089)
Net cash used in financing activities		<u>(259,009)</u>	<u>2,367,724</u>
 Increase in Cash and Cash Equivalents During Year		(4,556,331)	(2,130,148)
Cash and Cash Equivalents at Beginning of Year		30,998,774	33,128,922
Cash and Cash Equivalents at End of Year	5	<u>26,442,443</u>	<u>30,998,774</u>
 Supplimentary information on Cash Flows from Operations			
Interest received during the year		25,080	56,848
Interest paid during the year (Note 8)		3,460	4,140

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

Cayman Islands Airports Authority
Notes to the Financial Statements 31 December 2018
(In Cayman Islands dollars)

1. Background Information

The Cayman Islands Airports Authority (“the Authority”) is a statutory body established on June 14, 2004 under The *Airports Authority Law, (2005 Revision)*, and began operations on July 1, 2004. The registered office of the Authority is 298 Owen Roberts Drive, P.O. Box 10098 APO, KY1-1001, Grand Cayman, Cayman Islands. The Authority had 198 employees as of 31 December 2018.

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

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

Comparative Information:

The Authority’s financial year was changed from 30 June to 31 December as a result of an amendment to the Public Management and Finance Law (2018 Revision) passed by the Legislative Assembly on 27 March 2017. As a result of the change in the Cayman Islands Government’s financial reporting period in 2017, the corresponding amounts presented in these financial statements are not entirely comparable. December 31, 2018 is a 12-month period and December 31, 2017 is an 18-month period.

2. Significant Accounting Policies

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

a) Basis of accounting

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

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

The accounting policies are consistent with those used in the previous year.

Cayman Islands Airports Authority
Notes to the Financial Statements 31 December 2018
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

b) New standards, amendments and interpretations adopted

(i) IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through Other Comprehensive Income and fair value through Statement of Comprehensive Income.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in Other Comprehensive Income not recycling.

There is a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The standard is effective for accounting periods beginning on or after 1 January 2018 therefore, the Authority has adopted this standard in the 2018 financial year. For financial assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and will be recognized earlier than under IAS 39. The Authority has determined that the application of IFRS 9's impairment requirements at January 1, 2018 would not result in any material variance to the prior IAS 39 calculation of allowance for doubtful accounts at December 31, 2017.

However, the calculation of expected credit losses under IFRS 9 is used as the provision for loss against Accounts Receivables at December 31, 2018. For trade receivables the simplified approach under IFRS 9 will be followed by the Authority measuring the loss allowance at an amount equal to lifetime expected credit losses. The following table and the accompanying notes explain the original categories under IFRS 9 for each class of the Authority's financial assets and liabilities as at January 1, 2018.

Cayman Islands Airports Authority
Notes to the Financial Statements 31 December 2018
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

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

(i) IFRS 9 Financial instruments (continued)

The following table presents the types of financial instruments held by the Airports Authority within each financial instrument's classification under IAS 39 and IFRS 9:

	IAS 39		IFRS 9
	Classification	Measurement basis	Classification & Measurement basis
Financial Assets:			
Cash and Cash Equivalents	Loans and Receivables	Amortized cost	Amortized cost
Accounts and other receivables	Loans and Receivables	Amortized cost	Amortized cost
Financial Liabilities:			
Accounts payable and accrued expenses	Other Liabilities	Amortized cost	Amortized cost

Impairment of financial assets

Under IFRS 9, financial assets under all categories are assessed for impairment based on the expected loss model. The expected loss model requires a loss allowance to be recorded at an amount equal to:

Stage 1 - includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date.

Stage 2 - includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.

Stage 3 - includes financial assets that have objective evidence of impairment at the reporting date. For these assets, expected credit losses that results from all possible default events over the life of the financial instrument.

Cayman Islands Airports Authority
Notes to the Financial Statements 31 December 2018
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2. Significant Accounting Policies (continued)

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

(ii) IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognized when the Authority invoices the customers who have completed their performance obligations whilst operating at the airport. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018.

(iii) IFRIC 22 Foreign currency transactions

IFRIC 22 Foreign Currency Transactions and Advance Consideration addresses the foreign currency transactions or parts of transactions where: (1) there is consideration that is denominated or priced in a foreign currency; (2) the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and (3) the prepayment asset or deferred income liability is non-monetary. The standard is effective for annual periods beginning on or after January 1, 2018. There is no impact of this interpretation on the Authority's financial statements as the Authority uses a fixed exchange rate between the Cayman Islands and United States dollars.

c) Property, plant, equipment, and intangible assets

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

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

Cayman Islands Airports Authority
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2. Significant Accounting Policies (continued)

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

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

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

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

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

Intangible assets

Intangible assets substantially include the value of computer software.

Intangible assets with finite lives are amortized over the useful economic life. Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual value over their estimated useful lives:

Computer Software	4 Years
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(i) Additions

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

Cayman Islands Airports Authority
Notes to the Financial Statements 31 December 2018
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2. Significant Accounting Policies (continued)

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

(ii) Disposals

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

(iii) Impairment

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

d) Use of estimates and judgements

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

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

e) Cash and cash equivalents

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

f) Revenue recognition

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

g) Leases

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

Cayman Islands Airports Authority
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2. Significant Accounting Policies (continued)

h) Financial instruments

(i) Classification

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

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

(ii) Recognition

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

A. Cash and cash equivalents

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

B. Accounts receivable

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

C. Accounts payable and accrued expenses

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

(iii) Measurement

Financial instruments are measured initially at cost, which is the fair value of the consideration given or received. Subsequent to initial recognition, all financial assets are carried at historical cost which is considered approximate to fair value due to short term or immediate nature of these instruments.

Cayman Islands Airports Authority
Notes to the Financial Statements 31 December 2018
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2. Significant Accounting Policies (continued)

h) Financial instruments (continued)

(iii) Measurement (continued)

Financial liabilities are subsequently measured at amortized cost, being the amount at which the liability was initially recognized less any principal repayments plus any amortization (accrued interest) of the difference between that initial amount and the maturity amount.

(iv) De-recognition

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

i) Foreign currency translation

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

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

j) Allowance for bad debts

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

Cayman Islands Airports Authority
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2. Significant Accounting Policies (continued)

k) Employee benefits

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

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

Defined benefit plan

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

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

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

Defined contribution plan

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

Cayman Islands Airports Authority
Notes to the Financial Statements 31 December 2018
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3. Financial Risk Management

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

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

a) Credit risk

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

Financial assets that potentially subject the Authority to credit risk consist principally of accounts receivable, and other receivables. The Authority is exposed to credit-related losses in the event of non-performance by counter parties to these financial instruments. However, the 64% of the receivables, relates to affiliates also 100% owned by the Cayman Islands Government. The remaining 36% was spread over approximately 118 customers, none significant enough to negatively impact the Authority as a going concern. Accordingly, the Authority has no single significant third-party concentration of credit risk.

	Current	31 - 60 Days	61 - 90 Days	91- 180 Days	181-360	360+	Total
CAL & Express	1,430,348	625,519	13,011	2,638,580	1,612,395	3,877,320	10,197,172
Other Government Departments	37,031	10,636	1,941	6,079	20,557	342,759	419,003
3rd Party Receivables	4,288,346	326,302	(3749)	652,006	49,034	182,040	5,493,980
Gross Accounts Receivable	5,755,726	962,456	11,203	3,296,665	1,681,986	4,402,119	16,110,155

b) Interest rate price risk

All loans are third party loans with the European Community and are held and denoted in Euros (€). Details of rates and maturities are presented in Note 8. These loans matured and were paid off in 2018. This interest rate will fluctuate from time to time in line with the general level of interest rates. The risk is managed by the Authority through the Cayman Islands Treasury as part of a larger portfolio of government debts. In addition, the Authority monitors the daily cash position to prevent overdraft positions. The Authority negotiated to receive preferred interest rates as part of the Cayman Islands Government agreement with its bankers. The Authority is subject to interest rate risk on cash placed with local institutions which attracts interests.

Cayman Islands Airports Authority
Notes to the Financial Statements 31 December 2018
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3. Financial Risk Management (continued)

b) Interest rate price risk (continued)

This risk is managed by maintaining deposits in short, medium and long-term holdings based on projected market conditions (Note 5). The Authority has a minimal exposure on interest risk as none of the other financial instruments is exposed to this type of risk.

c) Liquidity risk

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

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

The following tables indicate the contractual timing of cash flows arising from assets and liabilities included in the financial statements as of 31 December 2018.

	Carrying Amount	Value at Maturity	Contractual cashflows (undiscounted)					
			< 1 year	1-2 year	2-3 year	3-4 years	4-5 years	> 5 years
Cash and cash equivalents	26,442,443	-	26,442,443	-	-	-	-	-
Term deposits	2,065,243	-	2,065,243	-	-	-	-	-
Accounts receivables (net)	13,502,819	-	13,502,819	-	-	-	-	-
Other receivables	506,538	-	506,538	-	-	-	-	-
	42,517,044	-	42,517,044	-	-	-	-	-
Accounts payable and accruals	7,615,679	-	7,615,679	-	-	-	-	-
Unfunded pension obligation	7,700,000	-	-	-	-	-	-	7,700,000
Unfunded health care obligation	14,676,000	-	161,000	186,000	223,000	265,000	310,000	13,531,000
	29,991,679	-	7,776,679	186,000	223,000	265,000	310,000	21,231,000
	12,525,365	-	34,740,365	(186,000)	(223,000)	(265,000)	(310,000)	(21,231,000)

The Authority's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and restricted investments.

To minimize these risks, the Authority has invested in liquid fixed deposits and cash equivalents that if necessary, can be sold to generate cash flow.

Cayman Islands Airports Authority
Notes to the Financial Statements 31 December 2018
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3. Financial Risk Management (continued)

d) Fair values

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

4. Changes in Accounting Standards - IFRS

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

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

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

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

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

Cayman Islands Airports Authority
Notes to the Financial Statements 31 December 2018
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5. Cash and Cash Equivalents and Term Deposits

- a. Cash and cash equivalent at 31 December 2018 comprised:

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Cash on hand	6,772	10,695
Current and call accounts	10,525,916	15,100,330
Term deposits (maturity of less than 90 days)	15,909,755	15,887,749
	<u>26,442,443</u>	<u>30,998,774</u>

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

The authority completely depleted its cash reserves in 2020 due to the delays in external funding and the marked decline in travel due to border closures worldwide. The build-up of term deposits was earmarked for capital development hence the depletion of said funds as the redevelopment programme progresses.

- b. Term deposits

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Term deposits (maturity dates over 90 days)	<u>2,065,243</u>	<u>2,060,061</u>

Short-term deposits represent term deposits with banks or other financial institutions, with original maturities of greater than three months but less than twelve months, during the year these deposits were placed at an annual rate of 0.125% to 0.25%.

6. Accounts Receivable

- a) Accounts receivable is stated at fair value (net of impairment) at reporting date.

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Accounts receivable	16,110,155	18,276,493
Allowance for impairment losses	(2,607,336)	(813,303)
Carrying value	<u>13,502,819</u>	<u>17,463,190</u>

Allowance for impairment losses increased by \$1,794,033 (2017: \$nil).

Cayman Islands Airports Authority
Notes to the Financial Statements 31 December 2018
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6. Accounts Receivable (continued)

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

Aging Schedule	<u>2018</u>			<u>2017</u>		
	Gross	Impairment	Net	Gross	Impairment	Net
1-30 days	5,755,726	-	5,755,726	2,207,669	-	2,207,669
31 - 60 days	962,456	-	962,456	866,612	-	866,612
61 - 90 days	11,204	-	11,204	789,735	-	789,735
91 - 180 days	3,296,665	-	3,296,665	685,784	-	685,784
181 -360 days	1,681,986	-	1,681,986	1,259,005	-	1,259,005
361+ days	4,402,119	(2,607,336)	1,794,783	12,467,688	(813,303)	11,654,385
	16,110,155	(2,607,336)	13,502,819	18,276,493	(813,303)	17,463,190

Managements makes a judgemental provision for accounts that are overdue. In addition to this judgemental provision, receivables that have been proven uncollectible are written off directly to expenses as bad debts.

A large number of accounts receivables are with government agencies, as such Sovereign Probability of Default (PD) and loss given default (LGD) was applied in assessing expected credit loss. The accounts receivable aging above shows a 12% reduction in the gross value. This improvement is primarily on account of the ongoing negotiations with CIG and Cayman Airways to resolve the longstanding debts.

(i) Impairment losses on account receivables

Movements in the provision for impairment of receivables are as follows:

	<u>2018</u>	<u>2017</u>
Balance at 1 January / 1 July	813,303	813,303
Increase in provisions during the year	1,794,033	-
Receivables written off during the year	-	-
Balance at 31 December	<u>2,607,336</u>	<u>813,303</u>

64% of the outstanding receivable is due from government entities and as such the recovery of same is highly probable and remains the subject of ongoing discussions between the CIAA and the entities involved (reference Note 17 of these financial statements).

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

Cayman Islands Airports Authority
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7. Property, Plant, Equipment and Intangible Assets

For the period ended 31 December 2018	Land	Buildings and Structures	Equipment	Other Assets	Construction in Progress	Total	Intangible Assets
Cost							
At beginning of year	63,960,000	37,986,278	6,534,456	2,859,637	41,944,309	153,284,680	2,815,155
Additions during year	-	-	48,551	1,040	26,068,440	26,118,031	24,477
Transfers and Adjustments	-	-	1,389,795	(1,389,795)	-	-	-
Revaluation adjustment	-	-	-	-	-	-	-
	63,960,000	37,986,278	7,972,802	1,470,882	68,012,749	179,402,711	2,839,632
Accumulated depreciation:							
At beginning of year	-	9,826,099	3,275,908	2,396,569	-	15,498,576	1,815,260
Charge for year	-	6,550,625	653,639	119,028	-	7,323,292	521,308
Transfers and Adjustments	-	-	1,334,557	(1,331,505)	-	3,052	2,954
Revaluation adjustment	-	-	-	-	-	-	-
At end of year	-	16,376,724	5,264,103	1,184,092	-	22,824,920	2,339,522
Carrying value: At 31 December 2018	63,960,000	21,609,554	2,708,699	286,790	68,012,749	156,577,791	500,110
For the period ended 31 December 2017							
Cost							
At beginning of year	63,960,000	37,986,278	9,306,175	3,712,427	9,692,579	124,657,459	-
Additions during year	-	-	81,360	149,451	35,079,429	35,310,240	1,338
Derecognition during year	-	-	-	(445,313)	-	(445,313)	(1,061,705)
Revaluation adjustment	-	-	(2,853,079)	(556,928)	(2,827,699)	(6,237,706)	3,875,522
	63,960,000	37,986,278	6,534,456	2,859,637	41,944,309	153,284,680	2,815,155
Accumulated depreciation:							
At beginning of year	-	-	6,574,233	2,860,231	-	9,434,464	-
Charge for year	-	9,826,099	935,486	264,318	-	11,025,903	810,502
Derecognition during year	-	-	-	(351,295)	-	(351,295)	(1,061,705)
Revaluation adjustment	-	-	(4,233,811)	(376,685)	-	(4,610,496)	2,066,464
At end of year	-	9,826,099	3,275,908	2,396,569	-	15,498,576	1,815,260
Carrying value: At 31 December 2017	63,960,000	28,160,179	3,258,548	463,068	41,944,309	137,786,104	999,895

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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7. Property, Plant and Equipment (continued)

Phase II of the Owen Roberts International Airport Terminal Expansion and Renovation project was under construction during the period ended 31 December 2017 and was carried out in two phases to include the full renovation and expansion of the existing terminal facility. The cost of buildings under construction as at 31 December 2018 amounted to \$61,597,386 (2017: \$37,551,848).

Construction in Progress at the end of the year ended 31 December 2018 comprised of the following projects:

Description	Amount \$
ORIA terminal Upgrade	61,597,386
Conveyor	2,428,797
Common Use Passenger Processing System (CUPPS)*	1,096,442
ORIA Airfield Upgrade and Extension	391,597
CKIA RESTROOMS RENOVATIONS	299,393
Fencing Project	296,649
Baggage handling system	284,452
Website project*	187,760
Maintenance Warehouse Upgrade	147,886
AIS expansion	147,082
Runway end safety area (RESA)	141,092
ORIA Departure hall seating	123,669
Non-Directional Beacon (NDB) project	99,504
Traffic/ pedestrian crossing upgrade	92,483
Airside upgrade	82,110
Automated Weather Observing System (AWOS) Tower	70,565
Carpark upgrade*	64,486
Computerised Maintenance Management System*	62,523
Air Traffic Control (ATC) Cameras	53,917
ORIA Office Modifications	52,825
CCTV Upgrade*	49,892
CKIA perimeter fence	42,305
GAT generator	37,110
IT infrastructure	30,449
Automated Weather Observing System (AWOS) Tower -CKIA	29,818
Departure tents upgrade	29,249
Stanchions	20,256
ATC Radar Project	15,000
Communication system	13,200
Leave management software*	12,210
CKIA runway improvement	7,146
Rolling Door Grills	2,586
CKIA Departure hall seats	1,810
120.2 Mhz Antenna Range Extention*	1,101
Total	68,012,750

* Includes Intangible Assets

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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7. Property, Plant and Equipment (continued)

Fair Value Measurements

IFRS No. 13, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are described below:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

Assets and Fair Values as at 30 June 2016

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

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7. Property, Plant and Equipment (continued)

Completion of the new passenger terminal building after year-end

CIAA started the redevelopment of ORIA in 2014. As of 31 December 2018, ORIA has entered into construction contracts totalling \$61.6 million (2017: \$53.8 million), including civil works construction and supervision and baggage handling systems on ORIA passenger terminal building. Construction was substantially complete at the beginning of 2019. The management's best estimate of total actual construction costs updated as of March 2021 was \$74.4 million.

Furthermore, in September 2019, following the completion of construction works, a property valuation expert engaged by management opined that the new passenger terminal building's fair market value was \$65 million, giving rise to a fair value impairment of about \$9.4 million. Management recognised this impairment at the time it was determined, and was deemed not crystallised as at 31 December 2018.

8. Short- and Long-Term Debt Payable

European Community Loan comprises two (2) loans as follows:

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

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

Both loans were paid off during the year 2018.

	2018 <u>Amount</u>	2017 <u>Amount</u>
1987 Loan - Cayman Brac Airport	-	36,832
1981 Loan - Cayman Brac Airport	-	222,177
Total debt due	-	259,009
Short term portion	-	35,056
Long term portion	-	223,953
	-	259,009
Interest paid during the year	\$ 3,460	\$ 4,140

Cayman Islands Airports Authority
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9. Accounts Payable & Accrued Expenses

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

a) Trade creditors

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

	Current Period	31- 60 Days	61- 90 Days	91-180+	Total
2018	5,013,212	301,052	116,752	1,213,817	6,644,832
2017	3,299,948	446,807	5,121	1,104,041	4,855,917

- b) Accruals represents trade invoices not yet posted to the payables subledger. Included in the amounts at year end were stage payments due in relation to the ORIA terminal upgrade. These amounts were settled in 2019.

c) Employee entitlements

Employee entitlements represents outstanding leave entitlements. In keeping with CIG's leave policy employees are encouraged to carry no more than 5 days into the new financial year. The value of outstanding vacation entitlement was \$78,715 (2017: \$73,273).

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

d) Other current liabilities

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

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Notes to Financial Statements 31 December 2018
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10. Unfunded Pension Liability

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

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

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

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

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

Administration costs that are not investment related were recognized in the Statement of Comprehensive Income as an operating charge under IAS 19R – Employee Benefits. This differs from the previous approach under IAS 19 Employee Benefits, where all administration costs are allowed for within the expected rate of return of assets. Under International Accounting Standards (IAS) 19R – employee benefits, the expected return on assets is no longer used in the determination of the defined benefit cost, but it continues to be used in the determination of the asset limit under IFRIC 14. The expected return on assets assumption continues to be management best estimate. Using the projected unit credit method of measuring costs and obligations, the actuaries assessed the minimum normal annual contribution for defined cost to be 12.4% while the contribution for defined benefit was 30.2%.

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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10. Unfunded Pension Liability (continued)

(a) Defined benefit pension plan

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

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

The most recent provisional actuarial estimate was performed as of 31 December 2018 indicated a plan deficit attributable to the Authority of \$7,700,000 (2017: \$8,807,000). The total amount recognized as a pension expense for the year ended 31 December 2018, inclusive of both defined benefit and defined contribution parts, was \$285,000 (2017: \$865,000). The defined benefit obligation as at 31 December 2018 as it relates to its participation in the Plan is based on the 50 members as at 30 November 2018 (2017: 51 members).

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

The pension plans are funded at the following rates:	2018	2017
Defined Contribution Plans - Employee	6.00%	6.00%
- Employer	6.40%	7.40%
Defined Benefit Plans - Employee	6.00%	6.00%
- Employer	30.20%	30.20%

Financial year ended on	2018	2017
The actuarial position is as follows:		
Net present value of funded obligation beginning of year	(10,807)	(12,134)
Fair value of plan assets	3,107	3,327
Net liability in Statement of Financial Position, end of year	(7,700)	(8,807)

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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10. Unfunded Pension Liability (continued)

(a) Defined benefit pension plan (continued)

A. Defined benefit obligation	(\$'000's)	2018	2017
1. Defined benefit obligation at end of prior year		12,134	15,453
2. Service cost			
a. Current service cost		275	653
b. Past service cost		-	-
c. (Gain) / loss on settlements		-	-
3. Interest expense		425	788
4. Cash flow s			
a. Benefit payments from plan assets		(122)	(326)
b. Transfers betw een Other Participating employers		(305)	(990)
c. Settlement payments from plan assets		-	-
d. Settlement payments from employer		-	-
e. Participant contributions		58	120
f. Administrative expenses included in the DBO		-	-
g. Taxes included in the DBO		-	-
h. Insurance premiums for risk benefits		-	-
5. Other significant events		-	-
a. Increase (decrease) due to effect of any business		-	-
- combinations / divestitures / transfers		-	-
b. Increase (decrease) due to plan combinations		-	-
6. Remeasurements			
a. Effect of changes in demographic assumptions		(104)	(1,364)
b. Effect of changes in financial assumptions		(1,729)	(1,465)
c. Effect of experience adjustments		175	(735)
7. Effect of changes in foreign exchange rates		-	-
8. Defined benefit obligation at end of year		10,807	12,134

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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10. Unfunded Pension Liability (continued)

(a) Defined benefit pension plan (continued)

B. Change in fair value of plan assets	(\$'000's)	2018	2017
1. Fair value of plan assets at end of prior year		3,327	3,041
2. Interest income		124	163
3. Cash flow s			
a. Total employer contributions			
(i) Employer contributions		285	865
(ii) Employer direct benefit payments		-	-
(iii) Employer direct settlement payments		-	-
b. Participant contributions		58	120
c. Benefit payments from plan assets		(122)	(326)
d. Transfers betw een Other Participating employers		(305)	(990)
e. Settlement payments from plan assets		-	-
f. Settlement payments from employer		-	-
g. Administrative expenses paid from plan assets		-	-
h. Taxes paid from plan assets		-	-
i. Insurance premiums for risk benefits		-	-
4. Other significant events			
a. Increase (decrease) due to effect of any business		-	-
- combinations / divestitures / transfers			
b. Increase (decrease) due to plan combinations		-	-
5. Remeasurements			
a. Return on plan assets (excluding interest income)		(260)	454
6. Effect of changes in foreign exchange rates		-	-
7. Fair value of plan assets at end of year		3,107	3,327

Financial year ending on	2018	2017
C. Amounts recognized in the Statement of Financial Position (\$'000's)		
1. Defined benefit obligation	10,807	12,134
2. Fair value of plan assets	3,107	3,327
3. Funded status	7,700	8,807
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability (asset)	7,700	8,807

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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10. Unfunded Pension Liability (continued)

(a) Defined benefit pension plan (continued)

D. Components of defined benefit cost	(\$'000's)	2018	2017
1. Service cost			
a. Current service cost		275	653
b. Reimbursement service cost		-	-
c. Past service cost		-	-
d. (Gain) / loss on settlements		-	-
e. Total service cost		275	653
2. Net interest cost			
a. Interest expense on DBO		425	788
b. Interest (income) on plan assets		(124)	(163)
c. Interest (income) on reimbursement rights		-	-
d. Interest expense on effect of (asset ceiling)/onerous liability		-	-
e. Total net interest cost		301	625
3. Remeasurements of Other Long Term Benefits		-	-
4. Administrative expenses and/or taxes (not reserved within DBO)		-	-
5. Defined benefit cost included in P&L		576	1,278
6. Remeasurements (recognized in other comprehensive income)			
a. Effect of changes in demographic assumptions		(104)	(1,364)
b. Effect of changes in financial assumptions		(1,729)	(1,465)
c. Effect of experience adjustments		175	(735)
d. (Return) on plan assets (excluding interest income) *		260	(454)
e. (Return) on reimbursement rights (excluding interest income)		-	-
f. Changes in asset ceiling/onerous liability (excluding interest income)		-	-
g. Total remeasurements included in OCI		(1,398)	(4,018)
7. Total defined benefit cost recognized in P&L and OCI		(822)	(2,740)

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
(In Cayman Islands dollars)

10. Unfunded Pension Liability (continued)

a) Defined benefit pension plan (continued)

E. Net defined benefit liability (asset) reconciliation	(\$'000's)	2018	2017
1. Net defined benefit liability (asset)		8,807	12,412
2. Defined benefit cost included in P&L		576	1,278
3. Total remeasurements included in OCI		(1,398)	(4,018)
4. Other significant events		-	-
a. Net transfer in/(out) (including the effect of any business - combinations/divestitures)		-	-
b. Amounts recognized due to plan combinations		-	-
5. Cash flow s			
a. Employer contributions		(285)	(865)
b. Employer direct benefit payments		-	-
c. Employer direct settlement payments		-	-
6. Credit to reimbursements		-	-
7. Effect of changes in foreign exchange rates			
8. Net defined benefit liability (asset) as of end of year		7,700	8,807
F. Significant actuarial assumptions			
<i>Weighted-average assumptions to determine defined benefit obligations</i>			
Effective discount rate for defined benefit obligation		4.5%	3.8%
Rate of salary increase		2.5%	2.5%
Rate of price inflation		2.0%	2.0%
Rate of pension increases		2.0%	2.0%
Mortality assumption		RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2018	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2016
Cost Method		Projected Unit Credit	Projected Unit Credit
Asset Valuation Method		Market Value	Market Value
<i>Weighted-average assumptions to determine defined benefit cost</i>			
Discount rate used to determine current service cost		3.85%	4.10%
Discount rate used to determine interest on current service cost		3.70%	3.80%
Discount rate used to determine interest on defined benefit obligation		3.50%	3.40%
Rate of salary increase		2.50%	3.50%
Rate of price inflation		2.00%	2.50%
Rate of pension increases		2.00%	2.50%
Mortality assumption		RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2016	RP-2014 projected on a generational basis using Scale MP-2014

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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10. Unfunded Pension Liability (continued)

(a) Defined benefit pension plan (continued)

G. Sensitivity analysis	(\$'000's)	2018	2017
Discount rate			
a. Discount rate - 25 basis points		11,375	12,841
b. Discount rate + 25 basis points		10,278	11,480
Inflation rate			
a. Inflation rate - 25 basis points		10,311	11,499
b. Inflation rate + 25 basis points		11,337	12,817
Mortality rates			
a. Mortality - 10% of current rates		11,043	12,425
b. Mortality + 10% of current rates		10,591	11,869

Weighted average duration of defined benefit obligation (in years)

Discount rate - 25 basis points	21.39	23.49
Discount rate + 25 basis points	21.00	23.03

H. Expected cash flows for following fiscal year

1. Expected employer contributions	360	362
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I. Defined benefit obligation

1. Defined benefit obligation by participant status		
a. Actives	9,657	10,805
b. Vested deferreds	1,150	1,329
c. Retirees	-	-
d. Total	10,807	12,134

Participant data	November 30, 2018	September 30, 2017
Actives		
Number	20	25
Payroll (CI\$000)	1,252	1,466
Age (years)	49.50	47.65
Authority Service (years)	21.48	20.1
Total Service (years)	24.83	23.11
Transfers		
Number	12	8
Payroll (CI\$000)	731	459
Age (years)	46.06	41.73
Authority Service (years)	14.08	15.17
Total Service (years)	26.56	22.47

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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10. Unfunded Pension Liability (continued)

(b) Defined contribution plan

Employees who are not participants in the defined benefit part of the Plan are enrolled in defined contribution part of the Plan. During the 12-month period ended 31 December 2018, the Authority and its employees contributed to the fund 6.4% and 6%, respectively.

(c) Actuarial assumptions

We have used actuarial assumptions approved by the Financial Secretary, the main sponsor of the Plan on 10 August 2016. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the defined benefit cost for the following year. We have used actuarial assumptions approved by the Financial Secretary. The principal financial and demographic assumptions used at 31 December 2018 and 31 December 2017 are shown in the table below. There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the table above.

Measurement Date	31 December 2018	31 December 2017
Discount rate		
• BOY disclosure and current year expense	3.80% per year	4.00% per year
• EOY disclosure	4.50% per year	3.80% per year
• Following year current service cost	4.55% per year	3.85% per year
• Rate used to determine interest on defined benefit obligation and plan assets for following year expense	4.20% per year	3.50% per year
• Rate used to determine interest on current service cost for following year expense	4.40% per year	3.70% per year
Increases in pensionable earnings	2.50% per year	2.50% per year
Rate of pension Increases	2.00% per year	2.00% per year
Mortality		
• BOY disclosure and current year expense	RP-2014 scaled back to 2006 using Scale MP- 2014, then generationally projected using Scale MP-2016	RP-2014 generationally projected using Scale MP-2014
• EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP- 2014, then generationally projected using Scale MP-2016	RP-2014 scaled back to 2006 using Scale MP- 2014, then generationally projected using Scale MP-2016
Disability	None	None

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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10. Unfunded Pension Liability (continued)

(c) Actuarial assumptions (continued)

Measurement Date	31 December 2018	31 December 2017
Turnover rates	Age related table	Age related table
Retirement	Age-related retirement rates used. See table below	Age-related retirement rates used. See table below
Assumed life expectations on retirement	Retiring today (member age 57): 28.80	Retiring today (member age 57): 29.13
	Retiring in 25 years (at age 57): 31.08	Retiring in 25 years (at age 57): 31.42
Liability cost method	Projected unit credit method	Projected unit credit method
Asset value method	Market value of assets	Market value of assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

TURNOVER RATES		
Turnover rates at sample ages:		
Age	Male	Female
20	7.50%	12.50%
25	5.00%	12.50%
30	3.50%	7.50%
35	2.50%	4.50%
40	1.50%	2.50%
45	0.50%	5.00%
50	0.00%	0.00%

RETIREMENT RATES	
Age	
Below 55	0%
55-59	8%
60	60%
61-64	8%
65	100%

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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11. Unfunded Health Care Obligation

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

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

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

The defined benefit cost for the 12-month period ended 31 December 2018 was \$966,000 (18-month period ended 31 December 2017 was \$1,302,000). The defined benefit cost comprises a Profit & Loss cost of \$1,435,000 (2017: \$2,068,000) and an Other Comprehensive income (OCI) credit of \$2,401,000 (2017: \$766,000). The actuarial liability as at 31 December 2018, calculated using a discount rate of 4.55% (2017: 3.85%), is \$14,676,000 (2017: \$15,763,000).

The details of the valuation and the assumptions used are reproduced hereunder in accordance with IAS 19. There has been full recognition of this liability and annual expense in the financial statements of the Authority. The current unfunded past service healthcare liability is estimated at \$14,676,000 (2016: \$15,763,000).

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

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
(In Cayman Islands dollars)

11. Unfunded Health Care Obligation (continued)

Change in defined benefit obligation over year ended	2018	2017
	\$'000	\$'000
A. Defined benefit obligation		
1. Defined benefit obligation at beginning of year	15,763	14,560
2. Current service cost	862	1,243
3. Interest Expense	573	825
4. Cash Flow s		
a. Benefit payments from employer	(121)	(99)
5. Remeasurements		
a. Effect of changes in demographic assumptions	(147)	(1,807)
b. Effect of changes in financial assumptions	(2,285)	1,027
c. Effect of experience adjustments	31	14
Defined benefit obligation at end of year	14,676	15,763

B. Change in fair value of plan assets	2018	2017
	\$'000	\$'000
1. Fair value of plan assets at start of year	-	-
2. Interest income	-	-
3. Cash flow s		
a. Total employer contributions		
(i) Employer direct benefit payments	121	99
(ii) Benefit payment from employer	(121)	(99)
Total	-	-

C. Amounts recognized in Statement of Financial Position	2018	2017
	\$'000	\$'000
1. Defined benefit obligation	14,676	15,763
Funded status	14,676	15,763
Effect of experience adjustment	-	-
Net defined benefit liability	14,676	15,763

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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11. Unfunded Health Care Obligation (continued)

D. Components of defined benefit cost	2018	2017
	\$'000	\$'000
1. Service cost		
Current service cost	862	1,243
2. Net interest cost		
Interest expense on DBO	573	825
Defined benefit cost included in P&L	1,435	2,068
3. Remeasurements (recognized in other comprehensive income)		
a. Effect of changes in demographic assumptions	(147)	(1,807)
b. Effect of changes in financial assumptions	(2,285)	1,027
c. Effect of experience adjustments	31	14
Total remeasurements included in OCI	(2,401)	(766)
Total defined benefit cost recognized in P&L and OCI	(966)	1,302

E. Net defined benefit liability (asset) reconciliation	2018	2017
	\$'000	\$'000
1. Net defined benefit liability (asset)	15,763	14,560
2. Defined benefit cost included in P&L	1,435	2,068
3. Total remeasurements included in OCI	(2,401)	(766)
4. Cash flows		
a. Employer direct benefit payments	(121)	(99)
Net defined benefit liability as at the end of year	14,676	15,763

	2018	2017
F. Defined benefit obligation	\$'000	\$'000
Defined benefit obligation by participant status		
Actives	11,224	12,201
Retirees	3,452	3,562
Total	14,676	15,763

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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11. Unfunded Health Care Obligation (continued)

	2018	2017
G. Significant actuarial assumptions		
<i>Weighted-average assumptions to determine defined benefit obligations</i>		
Effective discount rate for defined benefit obligation	4.55%	3.85%
Healthcare cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	n/a	n/a
Mortality rate assumption	RP-2014 projected with MP-2018	RP-2014 projected with MP-2016

<i>Weighted-average assumptions to determine defined benefit cost</i>		
Effective discount rate for defined benefit obligation	3.85%	4.15%
Effective rate for net interest cost	3.65%	3.80%
Effective rate for service cost	3.90%	4.30%
Effective rate for interests on service cost	3.85%	4.20%
Healthcare cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	n/a	n/a
Mortality rate assumption	RP-2014 projected with MP-2016	RP-2014 projected with MP-2014

	2018	2017
H. Sensitivity analysis	\$'000	\$'000
Change in the defined benefit obligation		
Effective discount rate -25 basis points	813	930
Effective discount rate +25 basis points	(756)	(862)
Health care cost trend rates - 100 basis points	(2,714)	(3,033)
Health care cost trend rates + 100 basis points	3,540	3,987
Mortality assumption + 10%	(591)	(688)

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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11. Unfunded Health Care Obligation (continued)

	2018	2017
I. Expected cash flows for following year:	\$'000	\$'000
Expected employer contributions	161	135
Expected total benefit payments		
Year 1	161	135
Year 2	186	161
Year 3	223	186
Year 4	265	223
Year 5	310	265
Next 5 years	2,171	1,954

Participant data as of 1 April 2017	2018	2017
Active Members		
Number	49	49
Average years of service	19.2	19.2
Average years of service after age 40	7.7	7.7
Average age	47.4	47.4
Pensioners		
Number	11	11
Average age	60.4	60.4
Number of covered spouses	2	2

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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11. Unfunded Health Care Obligation (continued)

Actuarial assumptions

The assumptions as at the reporting date are used to determine the present value of the defined benefit obligation (DBO). The actuarial assumptions are consistent with the determined results for the Cayman Islands Government post-retirement healthcare program. The principal financial and demographic assumptions used at 31 December 2018 and 2017 are as follows.

Economic Assumptions	Post Retirement Healthcare	Basis of Development - accounting specific assumptions
Discount rate for benefit obligations (p.a)		
- 31 December 2017	3.85%	Per IAS 19 para. 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date.
- 31 December 2018	4.55%	Mercer US Above Mean Yield Curve (referencing US corporate bonds yields) used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.
Discount rate for following year's service cost (p.a.)		
- 31 December 2017	3.90%	
- 31 December 2018	4.60%	
Administrative expenses	Included in projected premiums	
Rate of Medical inflation (p.a)	5.00%	Based on an analysis of historical claims information and long-term medical inflation expectations

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

Disability rates	None
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Cayman Islands Airports Authority
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11. Unfunded Health Care Obligation (continued)

Actuarial assumptions (continued)

Retirement age	Age	Rate
31 December 2018	< 55	0.0%
	55-59	8.0%
	60	60.0%
	61-64	8.0%
	65	100.0%

Martial assumption	80% married, w ife 3 years younger
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Demographic Assumptions	Post Retirement Healthcare	Basis of Development - accounting specific assumptions
Current mortality rates		
- 31 December 2017	RP-2014 Mortality Table scaled back to 2006 using MP-2014	Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvemnet rates experienced in the U.S. over the last 20 years.
- 31 December 2018	RP-2014 Mortality Table scaled back to 2006 using MP-2014	
Mortality improvements		
- 31 December 2017	Scale MP-2016	Broad consensus amongst longevity experts that mortality improvement will continue in the future. In the U.S., the futur emortality improvemnet scale has been updated to Scale MP-2018.
- 31 December 2018	Scale MP-2018	

12. Revenues

(a) Aeronautical revenue

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

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

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

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12. Revenues (continued)

(a) Aeronautical revenue (continued)

For the reporting period under consideration the Authority earned \$30,447,051 (2017: \$39,740,894) for passenger fees and another \$3,861,574 (2017: \$5,505,040) from aircraft handling.

(i) Passenger fees and charges

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

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Travel Tax	14,746,805	19,257,308
Passenger Facility Charges	8,141,263	10,797,990
Security tax and Passenger terminal cl	7,558,983	9,685,596
	<u>30,447,051</u>	<u>39,740,894</u>

(ii) Aircraft handling income

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

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Landing fees	2,980,844	4,208,678
Parking fees	504,998	708,146
Terminal facility charges	273,841	442,203
Navigation fees	101,891	146,013
	<u>3,861,574</u>	<u>5,505,040</u>

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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12. Revenues (continued)

(b) Non-aeronautical revenue

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

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

(i) Property rental and concession management

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

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

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

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Petrol concession	1,023,948	1,373,431
Rent - commercial	467,659	967,428
Rent - government	681,328	398,638
	<u>2,172,935</u>	<u>2,739,497</u>

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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12. Revenues (continued)

(b) Non-aeronautical revenue (continued)

(ii) Fees and charges

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Permits and Parking	985,984	1,307,547
Advertising	310,385	469,744
Airport concierge service	403,072	274,336
Cargo screening services	33,780	73,830
	<u>1,733,221</u>	<u>2,125,457</u>

(a) Permits and parking

The Authority earned \$985,984 for the period ended 31 December 2018 (2017: \$1,307,547) from the use of its paid parking facility as well as tour and taxi permit services. Tour operators are invoiced based on passenger volumes transported while taxi services are licensed at a monthly flat fee. Both services are strictly managed by the Authority to ensure the standards as laid out by the Public Transport Board are satisfied both in terms of the customer service and the vehicular equipment used to transport guests.

(b) Advertising

During 2018, the Authority engaged a concessionaire to manage local and international businesses advertising at both aerodromes. The ability to earn revenue from this programme is based on traffic levels.

(c) Airport concierge service

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

(d) Cargo screening services

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

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13. Staff Costs

The Authority had a staff complement of 198 persons as the end of the reporting period. The approved head count based on regulations and international standards is 220 persons.

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

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Salaries and wages	9,601,760	12,411,880
Past service health care expense	1,435,673	1,969,000
Pension contributions	968,625	1,766,736
Medical	915,885	1,515,121
Past service pension expense	291,000	413,000
Uniforms	32,138	26,802
	<u>13,245,081</u>	<u>18,102,539</u>

Refer to note 10 and 11 above for details on past service pension and healthcare costs.

14. Provision for Legal and Civil Claims

The Authority is a defendant to claims that have been brought against it during the course of its business operations. As of 31 December 2018, \$NIL (2017: \$NIL) was paid out as settlement of claims.

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15. Contingencies and Commitments

(a) Contingent legal claims

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

(b) Capital and operating commitments

	< 1 year	1 - 5 years	> 5 years	Total
Capital commitments:				
Buildings	11,097,189	1,824,797	-	12,921,987
Furniture and Fixtures	228,688	252,983	-	481,670
Airside upgrade Design and supervision	6,193,130	36,045,757	-	42,238,888
	<u>17,519,007</u>	<u>38,123,537</u>	<u>-</u>	<u>55,642,545</u>
Operating commitments:				
Janitorial services	918,751	2,846,518	5,501,050	9,266,319
Other	6,467,043	5,260,872	150,150	11,878,065
	<u>7,385,794</u>	<u>8,107,391</u>	<u>5,651,200</u>	<u>21,144,385</u>
Total Commitments	<u>24,904,801</u>	<u>46,230,928</u>	<u>5,651,200</u>	<u>76,786,930</u>

As disclosed in Note 7, management has entered into construction contracts that were in progress as at period ended 31 December 2018. The amounts disclosed above represents the remaining amounts on contract after being updated subsequent to yearend and considering change orders.

(c) Management of cash reserves and dividends payable

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

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

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16. Related Party Balances and Transactions

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

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

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

For the period ended 31 December 2018, management estimates that the income from government-related entities was 28% (2017: 31%) of its revenue and 7% (2017: 7%) of its operating expenditure.

The Authority provides aerodrome facilities for border control activities to government and related entities. The revenue earned from these entities was \$10,673,403 (2017: \$15,098,625) while purchases from these entities by the Authority was \$2,299,173 (2017: \$2,633,073). The Authority is reimbursed by each entity directly for the services provided.

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Notes to Financial Statements 31 December 2018
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16. Related Party Balances and Transactions (continued)

Statement of Financial Position

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

(a) Accounts receivable

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Cayman Airways / Cayman Airways Express	10,197,171	15,463,204
Other Government departments	419,003	402,032
	<u>10,616,174</u>	<u>15,865,236</u>

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

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

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

(b) Accounts payable

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Cayman Airways / Cayman Airways Express	727,540	657,402
Civil Aviation	250,000	250,000
Other Government entities	490,954	20,884
	<u>1,468,495</u>	<u>928,286</u>

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

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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16. Related Party Balances and Transactions (continued)

Statement of Comprehensive Income

(c) Revenue

As at the end of the reporting period under review, the Authority recorded income from government entities as shown below. The revenue below is equal to 28% of the total earnings for the Authority.

	<u>2018</u>	<u>2017</u>
	<u>Amount</u>	<u>Amount</u>
Cayman Airways Ltd.	10,414,546	14,617,295
Department of Immigration	93,715	143,814
Department of Customs	82,323	126,433
Ministry of District Administration, Tourism & Transport	20,000	-
District Administration	14,058	41,727
Mosquito Research & Control Unit	12,758	15,759
Water Authority - Cayman	12,335	12,335
Protocol Office	7,058	10,619
Agriculture Department	5,966	6,525
Civil Aviation Authority	2,695	2,325
Tourism Department	2,572	5,247
Health Services Authority	1,277	4,386
Royal Cayman Islands Police	1,025	2,335
Cayman Islands National Insurance Company	-	106,019
Other government departments	3,075	3,806
	<u>10,673,403</u>	<u>15,098,625</u>

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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16. Related Party Transactions (continued)

Statement of Comprehensive Income (continued)

(d) Expense

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

	2018	2017
	Amount	Amount
Civil Aviation Authority	1,017,920	1,500,000
Cayman Islands Treasury Department / Risk Management Unit	440,257	540,954
Royal Cayman Islands Police Service	245,325	84,810
Public Works Department	123,285	-
National Roads Authority	91,699	-
Water Authority	72,138	128,702
Cayman Airways	67,860	87,468
Office of the Auditor General	60,338	90,000
Accountant General - Grand Court	45,377	-
Immigration	38,045	86,005
Department of Vehicles	29,791	37,751
District Administration	8,303	43,546
Environmental Health Department	8,190	-
Cayman Islands Licensing Department	6,795	11,745
Other government entities	43,850	22,092
	2,299,173	2,633,073

17. Key Management

For the 12 months ended 31 December 2018, the Authority had 17 key management personnel (2017: 17). Total compensation to key management personnel for the year amounted to \$1,112,740 (2017: \$1,926,357) representing salary, pension and other benefits. No key management personnel had any loan or any additional form of compensation/benefit other than stated above with the Authority during the year under consideration. Key management is defined as Board Members, Senior Management Team any other person(s) who has significant influence over the Authority.

	2018	2017
	Amount	Amount
Senior Management	1,087,990	1,886,810
Board of Directors	24,750	39,547
	1,112,740	1,926,357

Cayman Islands Airports Authority
Notes to Financial Statements 31 December 2018
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17. Key Management (continued)

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

	2018	2017
	Amount	Amount
Salaries	874,379	1,455,106
Benefits (pension and health care)	165,238	266,383
PR / Work permit payment	10,463	30,500
Training and conferences	17,518	90,181
Accommodation, travel and motor vehicle	5,813	44,640
Bonus	14,579	-
	<u>1,087,990</u>	<u>1,886,810</u>

Related parties conduct businesses as concessionaires at Owen Roberts International Airport. The entities were billed \$209,582 (2017: \$38,318) for rent and other fees. All transactions were conducted during the normal course of business and were all done at arm's length.

18. Subsequent Events

a. January 2019 – Pension rate changes gazetted

In January 2019, Cabinet approved annual lump sum payments of CI\$256,000 in addition to increasing the applicable pension rates of 8.3% up from 6.4% for Defined Benefit participants retroactive to January 2017. Refer to Note 10 to these Financial statements. In January 2020, the Cabinet further approved an increase in the applicable pension rates to 11.3% up from the previous 8.3%.

b. January 2019 – Additional Cayman Airways credit support arrangements brokered

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

c. June 2019 – Public Sector salary realignment exercise

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

Cayman Islands Airports Authority
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18. Subsequent Events (continued)

c. June 2019 – Public Sector salary realignment exercise (continued)

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

d. December 2019 - ORIA terminal redevelopment completion

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

e. March 2020 - Covid-19 Pandemic

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

Due to the border control restrictions and quarantine measures coupled with the obvious job and economic loss in our primary market (USA), the projection is that international travel is not likely to resume until Q4 2021. This translated into significant revenue loss for CIAA which required support from the Cayman Islands government.

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

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18. Subsequent Events (continued)

f. May 2020 – Support to national airline and stimulation of domestic travel during pandemic

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

g. March 2021 – Airside Upgrade complete

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

h. February 2022 – Loan agreement

A loan agreement was finalised with the Cayman Islands Government (the lender) on February 15th, 2022 for the principal sum of \$50,000,000. As of 31 December 2021, CI\$20,900,000 was disbursed by the lender to CIAA. The remaining balance of CI\$29,100,000 will be disbursed during 2022 and 2023.