



CIVIL AVIATION AUTHORITY
OF THE CAYMAN ISLANDS

ANNUAL REPORT 2022



**EXCELLENCE & INNOVATION
IN AVIATION REGULATION**

FISCAL YEAR ENDED
31 DECEMBER 2022

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FOREWORD

BY THE DIRECTOR-GENERAL

I am delighted to present the annual report for the financial year (FY) ending 31 December 2022. This FY was a very successful period for the CAACI, as the Authority maintained financial self-sustainability, received no financial subsidy, and was able to pay dividends to the Cayman Islands Government. I am pleased to report that the Authority produced an operating net income increase of 37% over the original 2022 Ownership Agreement (\$3,030k vs \$2,209k).

The Authority also met its regulatory obligations and maintained the Governor's designation for full responsibility for safety oversight of aviation in all functional areas. This core responsibility is the Authority's primary reason for being and is essential to the success of islands' tourism and financial industries.

The Authority's new purpose-built office building has proven to be an enhancement to our hybrid work environment and has been outfitted to accommodate virtual meetings with modern conferencing IT equipment, appropriate space for in-house training, and in-person meetings. Further upgrades are planned for the building in 2023 starting with the installation of a 50KW solar system to align with our objective to reduce our carbon footprint and to contribute to the environmental goals of the jurisdiction. It also allows the CAACI to offer staff better work-life balance opportunities while providing efficient regulatory services to our local and overseas based aircraft operators and service providers.

Regular scheduled commercial air services returned to pre-Covid levels during the period following the opening of borders in September 2021. There has also been a significant increase in supplementary air transport services, facilitated by private and charter aircraft operations. The CAACI plays an integral role in ensuring the processing and approval of these ad-hoc commercial operations are conducted in an efficient and timely manner.

Projects associated with the Transitioning Aircraft Registry increased significantly during the period and is a prime example of how the CAACI has established itself to embrace opportunities in the global air transport industry. The success of this initiative is made possible through committed and dedicated staff with the technical qualification and experience to find bespoke solutions to challenges faced by aircraft financiers and lessors. We maintain a close connection to our stakeholders in the legal and financing industry to support this niche market. As borders opened up globally, staff were able to resume travel for in-person oversight inspections, training, conference promotional purposes, and we have continued training in online formats as well as in person to keep our well rounded, almost full complement of staff up to date with current demands on the industry.

The outlook for the global aviation industry is most encouraging at this time with significant projections for aircraft deliveries in the commercial and general aviation markets. The Authority is well poised to embrace the opportunities and face the challenges that such projections bring and will be guided by the goals of our Vision 2025 Strategic Plan.

The management and staff of the Authority are also grateful for the steadfast support of the CAACI Board of Directors and the governance oversight they provide. This has allowed the Authority to strive and succeed in its undertakings.

P.H. RICHARD SMITH, MBE FRAES

DIRECTOR-GENERAL OF CIVIL AVIATION

FOREWORD

BY THE BOARD OF DIRECTORS

The year 2022 ended positively for the Civil Aviation Authority of the Cayman Islands (CAACI) despite the prolonged and continued COVID-19 pandemic, effects of which are still being experienced in the aviation industry globally.

As borders were reopened, the management and staff of the CAACI continued to provide effective and efficient regulatory oversight of aircraft on the Cayman Islands Aircraft Registry through the use of electronic meetings and performance-based tools where needed as well as the traditional in-person procedures, continuing to build and maintain strong relationships with the aviation industry.

The continued success of growing the niche market 'transition registry' as a compliment to the traditional operational registry provides a diversified revenue stream for the Authority. The CAACI's positive reputation for working with lessors and financial partners to identify bespoke solutions during the pandemic, when it was necessary for aircrafts to transition between jurisdictions, has positioned the CAACI to capture market share and establish itself as a credible regulatory partner for such registrations.

The board would like to again this year recognize the entire staff complement and contracted inspectors based globally for their dedication, hard-work, loyalty and resilience in these evolving times. The staff optimized remote work conditions, creatively managed tasks and met the strategic goals and objectives of the Authority while many of them or their families were affected by the pandemic – we are grateful for the efforts of all. The result of these combined efforts and prudent management is that the Authority has maintained and in fact prospered financially in 2022, maintaining its financial independence and continuing to contribute to the Cayman Islands Government revenues.

During 2022, the board in working with the Ministry of Financial Services identified additional board members for a very well rounded, experienced body who are collectively responsible for the policy and general administrative affairs of the Authority including governance matters and overseeing the effective performance.

As we look to 2023 with optimism, we are hopeful that the return to normal methods of regulatory oversight, travel to clients, meetings for conferences and information sharing, growth and development will continue as we transition to the 'new normal' of hybrid work arrangements, flexibility to afford staff optimal work arrangements as they are our most valuable resource. We are also looking forward to continuing to strengthen the relationships with key industry stakeholders. The Authority will continue to strive to meet the agreed strategic priorities employing holistic values and a pragmatic strategic approach while working towards the ultimate vision of a safe and credible aviation industry for the Cayman Islands.



1.0 ORGANISATIONAL OVERVIEW

WHO WE ARE

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

The Civil Aviation Authority of the Cayman Islands (CAACI) has full authority for the safety and economic regulation of the CI aviation industry including aircraft registered in the CI wherever they are based and operated. The statutory instrument for legislation is the Air Navigation (Overseas Territories) Order (AN(OT)O), as amended, along with unique enabling compliance requirements developed for the UK OTs in the form of the Overseas Territories Aviation requirements (OTAR). This legislative structure ensures the UK obligations to the International Civil Aviation Organisation (ICAO) are met.

The functions of the CAACI are established in the Civil Aviation Authority Act (2015 Revision). These functions are carried out through the Director-General of Civil Aviation.

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

The **Air Safety Regulation** division oversees the technical and safety regulation of all aircraft on the CI Aircraft Registry that operate locally and globally and all CI approved organisations globally.

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

The **Economic Regulatory and Administration** division provides economic regulatory oversight for commercial air transport operations to/from the territory, including scheduled and nonscheduled operations, and oversees that airport and air transport operations are conducted within economic guidelines of the ICAO.

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

ORGANISATIONAL OVERVIEW

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

SAFETY REGULATORY OVERSIGHT

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

REGISTRATION OF AIRCRAFT

- Determine qualification and eligibility of owners in accordance with applicable legislation;
- Conduct due diligence on registrants in accordance with CI Anti-money laundering Regulations and Guidelines and CAACI policies;
- Registration of aircraft on the CI Registry;
- Maintain the aircraft register ensuring an accurate and up-to-date Aircraft Registry and associated data;
- Analyse changes to aircraft ownership and the resulting effect on registration; and
- Maintain the register of aircraft mortgages under the applicable provisions of the CI Mortgaging of Aircraft Regulations and in accordance with the provisions contained in The International Interests in Mobile Equipment (Cape Town Convention) Act enacted in the Cayman Islands.

ECONOMIC REGULATION

- Granting of air transport permits and operating licenses for scheduled and non-scheduled foreign carriers; Regulation of charges levied by airport operators with a view to creating equality and not exploiting a monopoly position;
- Provide advice to the Cayman Islands Government (CIG) regarding bilateral air services negotiations with other States and Territories;
- Liaise with the UK Department for Transport, and participate in the negotiation of air service
- Provide advice and administrative assistance to the Air Transport Licensing Authority (ATLA) as it pertains to licensing of local air carriers;
- Provide advice for effective implementation of regulatory policy that is in the best interests of the travelling public/end user;
- Act as liaison with ICAO or other relevant organisations to submit data/information as required.

STAKEHOLDERS

Our key stakeholders are diverse and include:

- The UK Government
- The CIG
- The CAACI Board of Directors
- Employees
- ASSI
- Local industry – airlines, air transport operators,
- Aerodrome Operators
- CI Aircraft Registry clientele
- Local and international business partners
- Foreign carriers
- Other national aviation authorities (NAAs)
- Contracted Technical Resources, i.e., Surveyors & Inspectors
- The General Public

BOARD OF DIRECTORS

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

The members of the Board of Directors for the period 2022 were:

NAME	ROLE
MR. IAN PAIRAUDEAU	CHAIRMAN
MS. SHERICE ARMAN	DEPUTY CHAIRMAN
MS. SHAMAR ENNIS	MEMBER (RESIGNED 8 JULY 2022)
MR. WILLIAM MCTAGGART	MEMBER
MS. GINA BERRY	MEMBER
MS. LIESL RICHTER	MEMBER (APPOINTED 8 JULY 2022)
MRS. KRISTEN WATLER-MILLER	MEMBER (APPOINTED 8 DECEMBER 2022)
MR. JOEL BURKE	MEMBER (APPOINTED 8 DECEMBER 2022)
MS. DELORIS GORDON	PUBLIC SERVICE REPRESENTATIVE
MS. KATHRYN DINSPER-POWELL	PUBLIC SERVICE REPRESENTATIVE

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

This delivery model is comprised of the following elements: INPUTS represent the various resources (financial, human, information, physical infrastructure and outputs from other parties) that are consumed by our activities.

- **ACTIVITIES** describe collections of tasks that identify the primary focus of our program delivery and how the work of our programming is carried out.
- **OUTPUTS** are the products or services generated by the activities that we deliver.
- **DIRECT OUTCOMES** are the first level of outcomes – those over which our organisation has the most immediate or direct influence with our outputs.
- **INTERMEDIATE OUTCOMES** are the second level of outcomes – those that we can merely influence through our programming and where other intermediaries (those that we regulate, our partners and other stakeholders) are usually involved.
- **ULTIMATE OUTCOME(S)** reference(s) the higher-level enduring benefit(s) for Caymanians and others that can be attributed to our programming. This is the outcome level that is subject to many influences beyond the program itself, and is also more strategic in nature. The ultimate outcome is our organisation’s vision as stated in this plan.

The CAACI delivery model is supported by **two core principles** associated with our organisation’s ultimate goal of a safe and highly credible aviation industry for the Cayman Islands.

The first principle requires that our regulatory direction, information and guidance are sound and easily understood. This provides

the aviation industry the opportunity to clearly appreciate their responsibilities and be equipped to comply with the applicable legislation and standards.

The second principle requires that our safety oversight activities are conducted diligently, supported by CAACI Policy, technical data and risk indicators. Where non-compliance is detected, it is addressed and corrected.

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

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



OUR MISSION, VISION AND VALUES

In developing our new strategic plan, we have revised our mission, the values statements that represent how to conduct ourselves in delivering on our mission, and developed a clear vision for the future.

OUR MISSION

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

OUR VISION

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

OUR VALUES

SAFETY FIRST: We never forget our organisation's primary reason for being

PEOPLE AT THE CENTRE: We develop our people to the highest standards and level of expertise in technical and non-technical areas

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

REGULATORY OBJECTIVITY: We conduct our regulatory responsibility with impartiality

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

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

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

INNOVATION: We continuously pursue new and creative methods to advance our effectiveness



2.0 MANAGEMENT DISCUSSION & ANALYSIS

2.1 PERFORMANCE SUMMARY BY STRATEGIC OBJECTIVE

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

I. LEAD THROUGH A MODERNIZED, COMPREHENSIVE & RISK-BASED APPROACH TO REGULATORY OVERSIGHT

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

ANALYSIS, ACCOMPLISHMENTS & LESSONS LEARNED

AIR NAVIGATION SERVICES REGULATION

The ANSR Division is currently staffed with two full-time personnel and one contracted Inspector.

During 2022, the ANSR team continued to meet its regulatory oversight responsibilities and maintained a physical presence in office. Below is a summarized 'highlight reel' for 2022 and is not a full representation of every oversight activity conducted by ANSR:

- January: The ANSR Inspectors completed an online Airport Rescue and Firefighting Services (ARFFS) certificate course held by Airports Council International (ACI). The completion of this course has further qualified the team in the provision ARFFS oversight.
- February: ANSR attended a 3-day series of meetings held online by ICAO to update regional States on the Global Aeronautical Distress & Safety System (GADSS).
- March: Three successful Air Traffic Control licensing validations were conducted and a further successful validation was conducted in December.
- April: The team attended an online ICAO/NAM/CAR Regional Contingency and Emergency planning meeting during.
- April/May: At the request of CIAA, the inspectorate team visited Advanced ATC in Valdosta Georgia, USA in April 2022 to review the Organisation and its facilities for suitability as an ATC Training Organisation. The trip was successful and an OTAR Part 65, Subpart K (ATS Personnel Licences Ratings and Training Organisation Approvals) was issued on 6th May 2022.
- August/September: ANSR attended the annual ATC refresher training at the newly approved facility in August and September 2022 to assess the competence of air traffic controllers providing an air traffic service in the Cayman Islands.
- September: An inspection of the George Town Heliport was conducted as part of regular oversight activities and to assess a proposed change of an operational procedure.
- October: An ad hoc additional full-scale airport emergency exercise was conducted by CIAA to address deficiencies identified by the CAACI during the 2021 exercise. The ANSR team attended to observe and assess the effectiveness of the Airport Emergency Plan.
- November: The CAACI Annual Safety Seminar was held from 07-11 November 2022. ANSR was in full attendance.
- December: For much of the year the DANSR, was heavily committed to organizing an air show at the request of the

Director-General and by extension, the Cayman Islands Government. Initially the airshow was planned for June 2022 in celebration of her late majesty's Queen Elizabeth II platinum jubilee ascension to the Throne in 1952. The show was unfortunately postponed due to unfavorable weather conditions and was later held in December. The theme of the airshow was amended to celebrate the 70th anniversary of the first land-based aircraft landing in the Cayman Islands which occurred on 28th November 1952. As part of the safeguarding measures, a Drone detection system was deployed near the air display site at the seven mile public beach for the RCIPS to monitor the restricted airspace. The air show took place in Grand Cayman on Friday 2nd and Saturday 3rd December 2022 and included both static and air displays. On Sunday 4th December 2022 the same occurred at Cayman Brac, although on a slightly smaller scale. The air show was a great success and well supported by the public. The CAACI would again like to acknowledge and commend the tireless efforts of the DANSR in organizing this event which had not occurred in the Cayman Islands in over twenty (20) years.

- December: The ANSR team attended a Cayman Brac Airport Rescue and Firefighting Service (RFFS) demonstration of the use of new equipment designed to assist them in rescuing persons from the ponds located alongside and at the end of the Runway. The Cayman Island Fire Service purchased the inflatable polyurethane Airtrack system, trailer, generator and air pumps as a result of an Audit Finding raised by the CAACI in 2019. The demonstration was a success and the corrective action plan was subsequently closed.

The ANSR Division remains responsible for reviewing, distributing and filing Mandatory Occurrence Reports (MORs). 113 MORs were logged during 2022, an increase of 25.5% compared to 2021. The

increase in occurrence reporting was influenced by the resumption of air carrier operations as borders continued to re-open after the global pandemic and a robust reporting system supported by industry. All MORs are now being logged internally through CENTRIK and the rollout to industry for direct filing into the system has begun.

A further Exemption was issued to Cayman Airways Express to facilitate continued operations into the uncertified airfield at Little Cayman. Although the airfield is unable to meet certification standards, the CAACI does provide regulatory oversight of it and is satisfied that an acceptable level of safety has been achieved.

The CIAA, ORIA and CKIA Aerodrome Certificates were extended for six months while outstanding issues are addressed. It is envisioned that new certificates will be issued at the end of the 2022 period

Aligned with the CAACI's Mission and Vision, ANSR is happy to report that during 2022 the Division provided effective regulatory oversight; and in doing so, ensured the high credibility and integrity the Authority strives to achieve.

Innovation is inevitable, and ways to improve are at the forefront of everything we do. ANSR is kept up-to-date with industry developments through training and information-gathering via various platforms, including attendance at regional workshops and seminars, both online and in person. Examples of this are above.

Through active collaboration and accountability, ANSR were able to effectively and efficiently meet its oversight responsibilities during what has been another full and very productive year.



AIR SAFETY REGULATION

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

The Division is principally based in Grand Cayman. The Headquarters team consists of the Director ASR, a Manager of Technical Programs and Regulatory Initiatives, Head of Airworthiness, and Head of Flight Operations. In Grand Cayman we have Operations, Airworthiness, Dangerous goods, and RPAS (Remotely Pilot Aircraft Systems) inspectors, plus Technical Officers who handle all modes. In addition to staff headquartered in Grand Cayman, there are designated Airworthiness Surveyors based in the United Kingdom, Germany, Switzerland, Canada and Asia.



With the lifting of restrictions aircraft operations resumed and increased throughout the 2022 period. Air travel to Grand Cayman and the Sister Islands bounced back quickly. The CAACI ensured the safe return to operations through routine inspections and audits of the; Airworthiness, Operations, Dangerous Goods and Safety Management Systems in place.

The RPAS or “Drones” has been steadily growing in the Cayman Islands. We also welcomed many professional film crews to the Island who utilized drones in the growing Cayman Film Industry. The CAACI regulates RPAS activity through the issuance of permissions, and regular audit and inspection activities.



The Cayman Aircraft Registry grew in 2022 in all areas which has kept the ASR Division very busy. Fortunately, the V-PC Online System was ideally positioned to meet the challenge brought by the pandemic, and post pandemic. Capitalizing on the secure application process embedded in the system, our clients were able to submit their registration and certification applications online and receive most of the formal approvals through the same portal. Post pandemic Air Safety Regulation staff adopted a hybrid working model where staff attended the office, and worked remotely. The Hybrid work model allows ASR staff to accommodate client's requests in multiple time zones, and process applications effectively over a longer day.

Inspectors resumed on site activities where possible, and investments in technology allowed our technical team to assess applications and determine qualification for initial, renewal, and regulatory certification remotely where necessary. The CAACI uses a risk-based system to determine the appropriate type, and location for oversight. Overall it was a busy and successful year for Air Safety Regulation in the Cayman Islands, and for Cayman Islands registered aircraft operating globally.

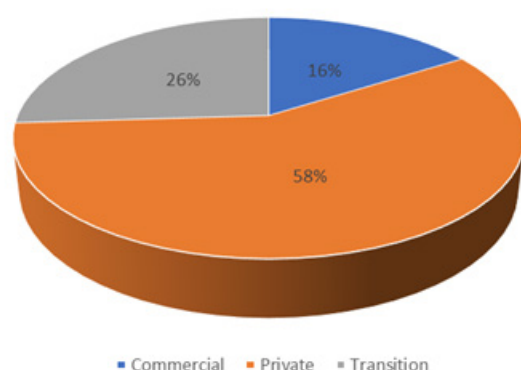


CAYMAN ISLANDS AIRCRAFT REGISTRY

- Total aircraft entered on the register as of 31 December 2022 = 281
- New aircraft registrations during the period = 90
- De-registrations during the period = 124
- Decrease in number of aircraft since 31 December 2021 = 34

The following pie chart shows a breakdown of the 281 aircraft entered on the register as at 31 December 2022 (by category).

Breakdown of aircraft on CI Aircraft Register as at 31 December 2022



Below is a comparison of the aircraft registration and de-registration activity for the past 3 years. Of the deregistrations through the year, 66% of these were associated with transition projects thereby fulfilling the objectives of the this niche market.

No. of new aircraft registrations

Year	Commercial	Private	Transition	Total
2020	0	17	40	57
2021	5	20	78	103
2022	3	14	73	90

No. of de-registrations

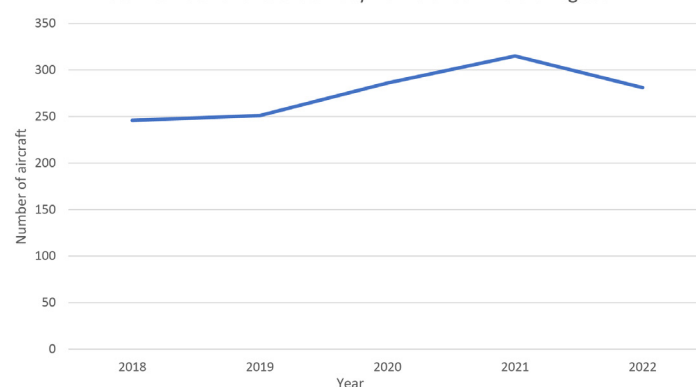
Year	Commercial	Private	Transition	Total
2020	4	16	2	22
2021	3	28	43	74
2022	9	34	81	124

Please see the chart and graph below for the total number of aircraft entered on the register by year.

Year to year comparison of total aircraft on register

	2016	2017	2018	2019	2020	2021	2022
January	232	246	229	247	251	289	322
February	231	245	229	247	258	298	320
March	232	244	229	248	264	297	314
April	237	243	231	247	268	302	313
May	240	240	233	245	272	304	302
June	241	239	236	246	275	306	301
July	244	236	236	250	278	305	297
August	241	235	241	248	276	316	292
September	244	233	244	247	282	310	291
October	234	234	243	245	283	314	282
November	238	232	243	245	282	317	283
December	239	229	246	251	286	315	281

Total number of aircraft on Cayman Islands Aircraft Register



CAACI is committed to protecting the confidentiality, integrity, and availability of its data and IT services. In 2022, CAACI performed a compressive review and update of its information security policies and employee handbook. This included a review of the current cybersecurity measures and ensuring they were relevant and appropriate, and matched what was currently in the policies, as well as developing incident response policies and procedures.

With the implementation of the Data Protection Act in 2019, and successful collaboration with Deloitte in 2020, the CAACI has brought into effect the Data Protection Policy, effectively formalizing these important values and our commitment to protect the Personal Data we control. A Data Protection team has been established, led by the newly appointed Data Protection Officer, that meets regularly to review the application of the Policy, how to continue to improve and advance in this area, and other important subject matters. Data Protection has been added to the schedule of training rolled out regularly to our employees and contractors, including onboarding, and a new Privacy Policy now features on the CAACI website.

These ongoing activities demonstrate the significance that the CAACI places in Data Protection, for every person who entrusts their data with us.

LOOKING FORWARD TO 2023

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

We will continue to:

- Ensure economic regulatory oversight for the local air transport industry
- Ensure compliance with the all required safety regulations

Over the next few years we will continue to undertake the following initiatives:

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



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

We will know we are making progress if the knowledge base of industry has increased, the percentage of audits with minimal deficiencies is at an acceptable level, and the industry is exhibiting high levels of self-sufficiency.

II. CONTINUOUSLY IMPROVE SERVICE DELIVERY AND INNOVATIVE SOLUTION OPTIONS FOR OUR STAKEHOLDERS

Continuous improvement of our processes and tools to enhance the service experience of our clients is an overarching objective for the CAACI. An example of success in this area has been the development of VP-C Online, the secure electronic data management system that provides CAACI clients with the means to apply online for the various approvals that are required for both initial aircraft registration and for continuing airworthiness. This includes registry applications, certificates and authorisations, as well as the transitional registry.

ANALYSIS, ACCOMPLISHMENTS & LESSONS LEARNED

An additional IT system comprising of 12 modules, two of which are bespoke to the CAACI, was designed to be integrated with the VP-C Online system. The objective is to have a comprehensive and coordinate information and record management system providing governance and reporting to enable efficient and proactive decision making. The development of the system architecture is complete leaving the CAACI to take advantage of the attributes in transitioning its oversight of Industry to this system. Further enhancements will come about from service experiences and the integration to the new VP-C online system.

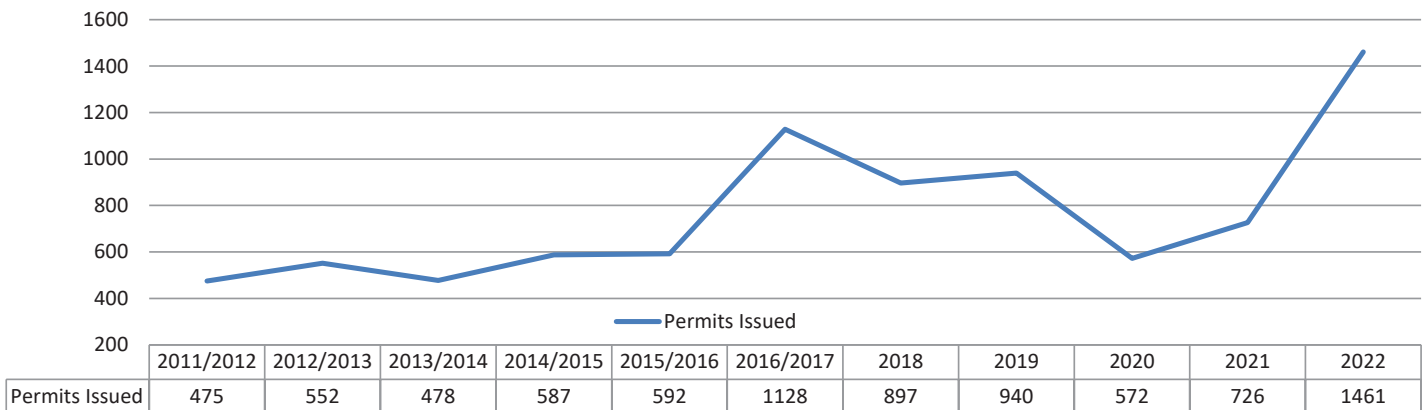
The Authority, through its Economic Regulation Division, is responsible for the oversight and issuance of required permits for all foreign registered aircraft that operate to/from the islands for commercial purposes, including scheduled and non-scheduled services. This includes air ambulance services that require CAACI personnel to be available for processing 365 days per year. Seasonal operating permits are issued to the scheduled airlines and some air ambulance operators, whereas on demand permits are issued

for ad-hoc charter operations and other non-scheduled operations. Much of this activity is closely tied to the Cayman tourism industry and travel to support the affluent demographic market associated with the financial services sector, and is influenced by the global economic condition, as many of these operations are provided for high net worth business and leisure travelers. Demand and availability of charter/non-scheduled operations is on the rise and has exceeded previous years.

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

With the opening of the Cayman Islands borders in late 2021 most of the usual scheduled carriers were finally able to return for the 2022 portion of the Winter 2021/2022 season as well as the Summer 2022 season. Permits were issued to Air Canada,

Permits Issued



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

American Airlines/US Airways (merging), Delta Airlines, IBC Cargo, Jet Blue, Southwest, United Airlines, and WestJet for the Summer season which runs from 31st March thru 30th October. For the Winter season which runs from October 31st – March 30th, permits were issued for Air Canada Rouge, American Airlines/US Airways (merging), Delta Airlines, IBC Cargo, Jet Blue, Southwest, Sun Country Airlines, United Airlines, and WestJet. Sun Country Airlines is a new addition to the Winter season operating scheduled flights from Minneapolis, Minnesota beginning December 2022. There is also a slight difference in the number of scheduled carriers between the Winter 2021/2022 and Winter 2022/2023 seasons as for Winter 2021/2022 Air Canada and Air Canada Rouge operate under two separate A.O.C.s on the same route requiring them both to hold an operating permit.

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

The Economic, Regulatory and Administrative staff support to the Air Transport Licensing Authority (ATLA) – the independent Board, appointed to process applications for economic licenses of local commercial air transport operators. The Deputy Director-General continues to serve as the Secretary to the ATLA. During the 2022 period, the number of non-scheduled permits issued by the DGCA

(delegated authority by the ATLA) on behalf of the ATLA, to other UK Overseas Territories' airlines/operators. The number of non scheduled permits issued to UK overseas Territories' airlines/operators, increased by 1 during the 2022 period. During the period three (3) permits were issued by the CAACI on behalf of the ATLA to other UK OT airlines. There was 1 permit issued to Concierge U Ltd, 1 to FlexJet Operations Ltd and 1 to Caicos Airways for non-scheduled operations into and out of the Cayman Islands, during the year. Work also re-commenced on the effort to modernize the ATLA Regulations on order to bring them up to date.

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

The VP-C Online electronic data management portal is a work in progress to enhance efficiencies in managing the aircraft registry process and other regulatory responsibilities. During the 2022 period this platform was continuously developed and updated.

LOOKING FORWARD TO 2023

We will continue to:

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

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

- Introduce an appropriate quality management system (QMS)

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



III. DEVELOP AND SUSTAIN A HIGH-PERFORMING, COMPLIMENTARY AND COHESIVE PROFESSIONAL TEAM COMMITTED TO ORGANIZATIONAL EXCELLENCE

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

ANALYSIS, ACCOMPLISHMENTS & LESSONS LEARNED

The Authority implements an annual integrated communications programme as a component of its Marketing and Public Relations activities, aimed at creating greater awareness of the Cayman Islands Aircraft Registry globally and a greater awareness of CAACI's credible regulatory regime with the ultimate goal of increasing the subscribers to the aircraft registry and creating sustainable financial streams for the Authority, to this end working with technical staff on Business Development and diversification of revenue bases. The three signature aviation tradeshow that the CAACI would normally attend are: the National Business Aviation Association (NBAA) Business Aviation Conference and Exhibition (BACE) held annually in the USA; the European Business Aviation Association Conference & Exhibition (EBACE) held in Geneva, Switzerland and the Asian Business Aviation Association Conference & Exhibition (ABACE) held annually in Shanghai, China. ABACE continues to be cancelled due to the COVID-19 pandemic; however, the NBAA BACE and EBACE shows went on as planned.



AIRFINANCE JOURNAL RECONNECT

The CAACI was represented at Airfinance Journal in Dublin, Ireland by the Manager of Technical Programmes and Regulatory Initiatives and Irish based consultant on aircraft transition projects. The event was hosted on the 4-6 May and the CAACI was a Bronze sponsor. The conference brings together the global aviation finance community to meet and to do business, build new relationships and connect.



CORPORATE JET INVESTOR (CJI)

Corporate Jet Investor (CJI) Miami – 30 October – 2 November, 2022 The Deputy Director-General and Supervisor, Finance & Compliance attended this conference which brought together over 500 business leaders from the business/corporate aviation industry for 3 days of stimulating meetings and industry updates.

GUIDE TO AIRCRAFT REGISTRATION 2022

Associated with the Corporate Jet Investor (CJI) series of conferences; the CAACI sponsored a Full page ad and Editorial completed in 2022 for the pursuant year.

CAACI'S BUSINESS CONTINUITY PROVISIONS
Richard Smith, Director-General of the Civil Aviation Authority of the Cayman Islands (CAACI), on the importance of recent developments in the Cayman Islands Aircraft Registry

The Cayman Islands continue to manage through the COVID-19 pandemic. The other countries around the world, of special focus is the immediate impact on the aviation industry in response to the global pandemic. The CAACI Government (CAACI) has been able to maintain its operations. Recently a phased approach has been adopted to allow the industry to resume operations.

The Civil Aviation Authority of the Cayman Islands (CAACI) continues to be a reliable provider of aviation services. The CAACI has been able to maintain its operations. Recently a phased approach has been adopted to allow the industry to resume operations.

This along with business continuity provisions, allowed us to work effectively to ensure safety. This was achieved with the help of our staff and the public.

With the pandemic still ongoing, the CAACI has been able to maintain its operations. Recently a phased approach has been adopted to allow the industry to resume operations.

This is a significant milestone for the CAACI as it shows the resilience of the industry and the commitment of the CAACI to ensure the safety of its passengers.

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BIZ AV MAGAZINE - SPRING EDITION

Two-page editorial spread printed in the magazine. Also, online on the Biz Av website.

INSIDE INDUSTRY

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

EUROPEAN BUSINESS PUBLICATION

An interview feature with the Director-General of Civil Aviation with a focus on safety adding value to the Cayman Islands Aircraft Register in the Winter 2022 print and digital editions; in addition, full-page advert in Summer and Autumn 2022 edition.

seafarer welfare app, the first to carry out and approve the periodical remote survey of a ship, the first to broadcast mass to crew, the first to accept modification to use LPG as fuel for older gas tankers and the first to offer a comprehensive list of discounted fees for ships using green technology...so what's next?

The most recent changes to service delivery are around providing 'compliance services' on innovation and design projects where our in-house technical expertise can assist our clients on their journey.

Consultancy services allow our clients the confidence of early flag involvement in any innovation or design project that from testing the policy or legislative framework to providing technical expertise.

Our consultancy services are already in use and we have signed several MOUs on innovative design solutions where we are working with the maritime industry to deliver a cleaner, greener and more sustainable maritime future.

At the time of this flag registry we strive to be different and offer different services and solutions to our international client base.

CAYMAN ISLANDS AIRCRAFT REGISTRY

RESPONSIVE EFFICIENT INNOVATIVE

TOTAL AIRCRAFT REGISTRATION SOLUTION

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WORLD COMMERCE REVIEW

Full Page Colour advertisement in the Winter 2022 edition of World Commerce Review.

SILC CONFERENCE (SHANNON INTERNATIONAL LEASING CONFERENCE)

SILC was created from the collective interests of Shannon and Irish aviation companies, working together to provide a range of skilled services and cost-efficient solutions to both airlines and the leasing companies. It is a collaboration of combined growth and individual prosperity – the commonality being the advancement of Shannon as a centre of excellence for the aviation industry. The conference gives an opportunity for technical representatives from the industry to meet and discuss up-to-date trends, listen to leading figures' opinions on the future of the industry, and engage in an open networking forum with their peers. After a successful event in 2021, The CAACI sponsored this event from 2 – 3 November where the CAACI's Irish consultant briefed the audience on the CAACI's approach to regulation and benefits for the leasing industry.

The CAACI Board of Directors approved the restructuring of Organisation Chart which allow the CAACI to recruit additional staff and change titles to some posts to better reflect the requirements and responsibilities of the post. Two additional Technical Officers were recruited for the ASR division , a Compliance Officer for the Finance and Compliance and an additional Administrative Assistant in the Economic Regulation and Administration division.

As of 31 December the CAACI had a staff complement of 24 staff (20 Caymanians, 2 Permanent Residency holders and and 2 Work Permits holders) at the head office and 16 overseas independent contractors.

TRAINING AND DEVELOPMENT

- Director F&C attended a IIPA Webinar: 2022 AML CFT Updates
- Financial Reporting Update 2022 Virtual Classroom / 12 - 13 October 2022
- Sanctions II conducted by SILO Compliance System
- Introduction to Data Analytics With Power BI – CIIP
- Staff from the ASR division attending various technical training sessions and webinars during 2022.
- International Aviation Safety Assessment Initial International Relations
- The flights operations inspector completed training in the Safety Management Systems for Manager conducted by Cayman Airways
- Global Aeronautical Distress and Safety System (GADSS) Virtual Workshop
- NAA Inspector - Flight Operations Inspector Theory (Virtual)
- Fundamentals of Competency Based Training & Assessment
- The Flight Operations Inspector continues to attend his SIM recurrent training with Cayman Airways



The Head of Flight Operations for the CAACI was selected by ICAO to participate as an auditor in the Systemic Assistance Programme, and the Assistance of the Safety System project for the Caribbean and South America regions. In addition to his normal training, he undertook numerous courses to become an ICAO Technical expert for these projects including; Safety Management Systems, International Safety Assessment Auditor, and International Relations.

ANSR

- The ANSR Inspector who was being groomed and trained over the past six years for the post of Director ANSR, was promoted to the designated position as he continues his management and leadership training and development.
- Staff from the division completed training in Airport Rescue and Firefighting Services

ER&A

- The Deputy Director - General completed the NIST Password Guidelines training
- The HR team continues to attend and participate in the quarterly OT training webinars conducted by ASSI
- All Staff and overseas contractor participated in an inhouse SMS training during the CAACI Annual Safety Seminar. The training was conducted by the Director of Air Safety Regulation.



LOOKING FORWARD TO 2023

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

We will continue to:

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

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

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

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



2.2 FINANCIAL PERFORMANCE & ANALYSIS

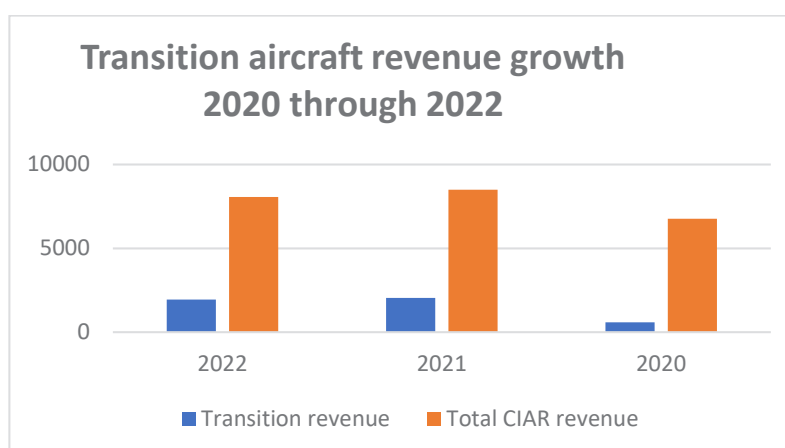
GROWTH IN FINANCIAL PERFORMANCE - CAYMAN ISLANDS AIRCRAFT REGISTER

The Cayman Islands Aircraft Register (CIAR) contributed 90% of the Authority's revenue which has been consistently growing and achieving increasing forecasted targets year over year. This year 2022, however, has shown that revenue growth has levelled off.

The CIAR is globally recognised as a reputable and safe option for private and corporate aircraft owners to have their aircraft certified annually by professional technical staff, in various jurisdictions, with many years of air safety regulation experience. With the high level of expertise and attention to detail, coupled with the attentiveness to the customer experience through offering a bespoke, client interactive aircraft management system has attracted clients at all levels of the aircraft management and certification process.

LESSOR TRANSITION AIRCRAFT (REGULATORY OVERSIGHT OF AIRCRAFT PARKED BETWEEN LEASES)

The interest of the lessor market for aircraft registration for aircraft transitioning between leases has also grown over the past three years. This lease transitioning business which was officially launched in Ireland in October 2019 by a group of CAACI executive and managerial staff has grown beyond our expectations. The revenue in 2021 from the Lessor Transition Aircraft business grew by 279% over forecast and by 285% over 2020 revenue. However, in 2022, saw the revenue from this business level off as the pandemic grew to a close and all commercial airlines began to fly again and aircraft were being returned to lessees. This meant that regulatory oversight on the transition aircraft was completed for this to happen and the aircraft were deregistered to the lessee's operational base. This also means that the revenue flow from this aircraft is completed.



CIAA REGULATORY OVERSIGHT FEE

This significant revenue injection in 2021 came at an appropriate time as revenue from Regulatory Oversight of the CIAA was nil in 2021 due to an agreement between the Board of the CAACI and the Board of the CIAA that the fee of CI\$1 million would not be charged until airport operations returned to normal. The MOU for this fee of CI\$1 million ended in June 2021. The CAACI undertook an exercise to determine a more accurate fee for regulatory services to the CIAA and determined that a 30% increase to \$1.3million over the 2006 fee was more in line with actual costs that would be assigned to the oversight of the CIAA if the CAACI existed for only this purpose. The CIAA and the CAACI are in discussion regarding the increase and the timing of the reinstatement of the fee. The new quarterly fee of \$325k was charged in the last quarter of 2022 and will continue to be charged as per the directive from the Board of the CAACI.

**CAACI FINANCIAL PERFORMANCE JAN 1 2018
THROUGH DEC 31 2022**

The schedule below shows audited major line items of revenue and expense from 2018 through 2022. The below shows:

- Significant growth in Cayman Islands Aircraft Registry Revenue in 2021 – the first full year of revenue from the Lessor Transition Aircraft Business launched in October 2019 with a business development roadshow in Ireland but growth in the business started in mid to late 2020 after must aircraft were grounded worldwide due to the Covid-19 pandemic. Aircraft were returned to lessors being unable to fly.
- Reduction of growth in CIAR revenue in 2022

- Increase in expenses that had been budgeted such as travel, training and business development as we “emerged” from the pandemic in 2022
- Large unrealized gain from the actuarial valuations of the pension and health retirement plans for the CAACI staff on the Defined Benefit Contribution Plan due to a higher discount rate used in the actuarial valuation. The higher discount rate also correlates with the higher interest rates in 2022.
- The movement in other comprehensive income from year to year also shows the unpredictability in the losses and gains from the actuarial valuations which makes the Dividends payable to the CIG also unpredictable. Dividends of 75% of Net Comprehensive Income are paid to CIG by March 31 of the following year.

CAACI Financial performance Jan 2018 through Dec 2022										
	2022 PY growth %	12 months ended Dec 31, 2022 in CI\$ ('000's)	2021 PY growth %	12 months ended Dec 31, 2021 in CI\$ ('000's)	2020 PY growth %	12 months ended Dec 31, 2020 in CI\$ ('000's)	2019 PY growth %	12 months ended Dec 31, 2019 in CI\$ ('000's)	2018 PY growth %	12 months ended Dec 31, 2018 in CI\$ ('000's)
Revenue										
Aircraft Registry (foreign and local)	-5.16%	8,062	25.72%	8,501	0.76%	6,762	6.54%	6,711	2.32%	6,299
Aerodrome Regulatory Oversight (CIAA)		325	-100.00%	-	-75.00%	250	0.00%	1,000	0.00%	1,000
Operating Permits - foreign entities	82%	529	27.75%	290	-43.95%	227	10.66%	405	1.95%	366
Deposit Interest	288%	66	-83.33%	17	-38.55%	102	53.70%	166	40.26%	108
Total Revenue	2%	8,982	20%	8,808	-11%	7,341		8,282		7,773
Total Expenses from operations	12.9%	5,441	5.58%	4,821	-4.12%	4,566	1.95%	4,762	8.23%	4,671
Other operating expenses:										
Depreciation expense (IFRS 16 up to 2021)		235		139		193		191		47
Bad debt expense (IFRS 9 Expected credit loss)		276		101		213		70		22
Other miscellaneous expenses				4		9		14		
Total expenses		5,952		5,065		4,981		5,037		4,740
Net Income from Operations	-19.0%	3,030	58.60%	3,743	-27.27%	2,360	6.99%	3,245	-6.19%	3,033
Other comprehensive gains/(losses) (Post retirement plan valuations for DB plan members)		3,381		48		(1,156)		(701)		713
Net Comprehensive Income (NCI)	-23%	6,411	-23%	3,791	-23%	1,204	-32%	2,544	-37%	3,746
Dividend payments made to CIG by 31 March of subsequent year (75% of Unaudited NCI, with audit adjustments in subsequent year)		4,808		2,843		903		1,908		2,738

CAACI actual financial performance results 2022 compared to 2022 Ownership Agreement with the CIG

	31-Dec-22	31-Dec-22	Variance Over/(Under)	%	
	Actual (audited)	Original Ownership Agreement (OA) (submitted in Aug 2021)	Actual vs Budget	Variance with original OA	Comments on variance (summarised)
	('000s)	('000s)	('000s)		
REVENUE					
Aircraft Registry (revenue from others)	7,712	6,970	742	10.65%	New business in 2021 (lessor owned aircraft transitioning between leases). No historical data to forecast trends
Aircraft Registry (revenue from CIG entities)	350	370	(20)	-5.41%	Cayman Airways, Police, MRCU
Aerodrome Certification Fee (revenue from CIG entity)	325	-	325		Regulatory fee charged to CIAA in the last quarter of 2022. Hiatus was given on fee April 2020 through September 2022
Operating permits	529	300	229	76.33%	Operating permits issued to foreign scheduled and non-scheduled commercial aircraft. The variance here reflects tourism and business travel growth trends and global economic conditions which are now surpassing pre-pandemic amounts. Forecasting is always conservative.
Deposit interest and other income	66	23	43	186.96%	interest rates increased considerably in last half of 2022. Very low when forecasted
Total Revenue from operations	8,982	7,663	1,319	17.21%	
EXPENSES					
Expenses (cash) from regular operations	4,929	5,359	(430)	-8%	Savings in personnel due to vacancies budgeted not filled by year end. Business development and Admin travel not undertaken as expected
Expenses (non cash) Depreciation and bad debt expense	511	95	416	437.89%	Depreciation on new building underestimated and no bad debt expense was included in forecast
Expenses (non cash) service costs due to retirement plan valuations	512	-	512		Never included in forecast as difficult to estimate
Total Expenses	5,952	5,454	498	9.13%	
Net Income from operations	3,030	2,209	821	37.17%	
Other comprehensive gains/(losses):					
As per actuarial valuations for year ending 31 December 2022:					
Remeasurement of defined benefit pension obligation :gain/(loss)	1,491	(300)	1,791		Amounts always difficult to estimate. There can be high gains and losses from year to year
Remeasurement of post-retirement healthcare obligation:gain/(loss)	1,890	(550)	2,440		
Total Comprehensive Net Income	6,411	1,359	5,052	371.74%	

NET OPERATING INCOME

Net operating income of just over \$3 million was achieved which is \$821k (37%) over budgeted amount. This is due to a surplus in revenue over forecast of \$1.3 million and savings in total controllable expenses of \$498k. The increase in revenues over forecast are explained earlier in the financial summary and mainly relate to the lessor transition aircraft business.

The savings in controllable expenses are largely due to vacancies budgeted for not filled by year end and travel and business development planned but not undertaken. However, all regular office expense are also coming in under budget which demonstrates the prudent financial management of the CAACI.

CAPITAL EXPENDITURE

The following is a summary of actual versus budget on capital expenditure. The new office accommodation project at 205 Airport Road, construction of which started in 2018 and completed in February 2021, is shown separately to accommodate further expenditure like solar panels and hurricane shutters. The project has come in at 569k under budget to date.

Jan 2017 to Dec 2022 \$'000	Total Budget 2017- 2022 \$'000	Amount unspent on project budget to end of December 2022	% unspent	OFFICE ACCOMMODATION PROJECT	Comments
583	583	-		Land for Office Complex	99 year lease between CIAA and CAACI signed 11 May 2016; purchased January 2018 - 400k, also includes \$183k transferred from the Building budget in relation to demolition / site preparation
3,388	3917	529	16%	New office accommodation – Airport Rd (Old CAL Building)	In 2022 payments were made to Cayman Structural Group totalling \$95k for the remainder of the contract, and Green tech Solar for 95% of the total amount for Solar panels - \$105k. Management is currently seeking quotes for Hurricane shutters for the main doors, and a security system for the parking lot, which will be deducted from the remaining budget in the 2023 or 2024 period.
299	300	1	0%	Furniture & fixtures	Model Plane - 13k Blinds - 8k Stone Bench - 2k Workplace Environments (Furniture) - 276k
61	100	39	64%	Office Equipment	Flow (new Mitel telephone system w installation) - 28k Creative Tech (Contract for AV equipment) - 33k
3,748	4,317	569	15%	Total Office Accomodation Project	Cabinet approval given to the CAA for retention of \$4.5 million in reserves to be used in development of office building complex (Oct 2017). Office Accomodation project has come in significantly under budget by \$569k
Jan-Dec 2022 Actual Audited \$'000 12 mths	Jan-Dec 2022 Budget \$'000 12 mths	Unused CAPEX of 2022 budget		CAPITAL EXPENDITURE	Comments
-	-	-		Furniture & Fixtures	Furniture for the new building and through the 2022 period is accounted for in the building budget above.
18	34	16	89%	Computer Hardware	Laptops, Desktops, Servers
8	86	78	975%	Computer software (licensed)	Quickbooks, Firewall Licenses, Software and Security Enhancements. The Budget for 2025 includes Microsoft Office Upgrade
12	73	61	508%	Computer software (development)	VP-C Online (Electronic Aircraft Registry) Development
38	193	155	408%	Total Capital Expenditure	All Capital Expenditure has come in significantly under budget for 2022

Results of Financial Position at December 2022 vs Ownership Agreement					
		Actual audited at 31 Dec 2022	Forecast per OA	Difference	Explanation for difference
Total Assets:					
					Overage in cash includes amount underspent on new office accomodation and increase in net operating income over budget
Cash and short term deposits		15,742	12,736	3,006	
Trade and other receivables		1,346	1,615	(269)	Endeavours to reduce AR at year end are evident
Total Current Assets		17,088	14,351	2,737	
					Includes underspend on new office accomodation of \$569k and accelerated depreciation expense for components of building (forecasted at 40 years depreciation)
Capital Assets		4,071	4,333	(262)	
Defined benefit pension asset		120	-	120	Reflects a net asset on pension fund after transfer out of liability for retired employees.
Total non-current assets		4,191	4,333	(142)	
Total Assets		21,279	18,684	2,595	
Total Liabilities:					
					Overage is largely customer credit balanced accounts of \$110k which was not anticipated. These are mainly deposits for Air Operator Ceritificates while assesments are ongoing
Total current liabilities		1,051	860	191	
Dividends payable to CIG		5,375	1,019	4,356	Dividend Payable is based on net comprehensive income which include a very large unrealised gain on the DB post retirement plans
Total current liabilities		6,426	1,879	4,547	
					Liabilities determined by actuarial valuations of the funded DB pension plan and the unfunded post-retirement healthcare plan. 5 active staff members on these plans. These amounts are very difficult to forecast
Non-current liabilities (staff retirement obligations)		3,119	6,832	(3,713)	
Total Liabilities		9,545	8,711	834	
Net Worth		11,733	9,973	1,761	
Cash Flows from Operating activities		4,279	2,304	1,975	Due to increase in revenue over forecast, less receivables, decrease in payables
Cash used in investing Activities		(5,187)	(489)	(4,698)	\$5m relates to investment in new fixed deposits for higher interest rates. \$201k relates to investment in solar panels and final payment due on building construction.
Cash used in Financing Activities		(2,276)	(1,019)	(1,257)	Dividend payment for to CIG for 2021
FINANCIAL PERFORMANCE RATIOS					
Return on Investment		14%	7%	7%	An ROI over 10% is considered very healthy
Net Operating Income		3,029	2,209	821	Increase in transition aircraft registration over forecast
Total Assets		21,279	18,684	2,595	increase in cash over expected due to increased revenues
Current Assets : Current Liabilities		266%	764%	-498%	Dividend Payable to CIG has been doubled from forecast due to very large unrealised gain making up Net Comprehensive Income (NCI)
Total Assets : Total Liabilities		223%	214%	9%	on target
Number of Key Management Personnel (Board)		9	8		on target
Number of Key Senior Management		5	5		on target

KEY PERFORMANCE INDICATOR RESULTS AND ANALYSIS

KEY PERFORMANCE INDICATORS	RESULTS FOR REPORTING PERIOD (AGAINST BASELINE)	RESULTS OF ANALYSIS
Number of new clients to the CI Aircraft Registry/ new registration revenue	There were 73 new lease transition (lessor) aircraft to the register during 2022. The lease transitioning aircraft business is a new business venture launched in 2019. This new business venture attracts lessors to place their leased aircraft while in between leases to be professionally maintained and readied for the next commercial lease by the highly skilled technical staff and contractors of the CAACI.	The 73 lessor aircraft registered during 2022 produced the bulk of the increase in Aircraft Registry revenue over forecast of 13%. Lessor project fees accounted for 24% of Aircraft Registry Revenue for 2022 Significant growth in revenue over forecast achieved due to growth in number of new clients to the CIAR
Levels of industry self-sufficiency/ Annual Net Income	Net Income from operations exceeded forecast by 37%	The targeted net income was achieved with significant overage over forecast and prior year. Growth in revenue for the CIAR continued throughout 2022 but at a diminishing rate over prior years indicating that competition with other international aircraft registers for market share is increasing . Expenditures continue to be well managed and the savings contribute to the healthy surplus of actual net Income over the forecasted amount.
Expenses are being managed and not exceeding budget	Total cash operating expenses for 2022 is \$430k (8%) less than forecasted	Although the bulk of the savings are due to expenses not being incurred due to pandemic restrictions in travel, all of the other expenses forecasted were on target and there were no significant overages to report. Expenses include an uncontrollable expense of \$512k for service costs indicated in the actuarial reports for pension and health for the Defined Benefit Plan participants. These results indicate that expenses are being well managed by the Authority.
Unqualified audits achieved with no material misstatements	The last 10 years of audits have been unqualified with no material misstatements.	There are 3 audit issues raised in the 2022 audit which do not affect financial performance forecast in the Ownership Agreement for 2022 and the CAACI will work to have them cleared prior to the 2023 audit commencement. The CAACI finance staff works diligently over and above throughout the year, as a routine, to ensure that there are no material misstatements or departures from internal control to jeopardise the quality of the recording and reporting of the CAACI's financial performance.

3.0 SUPPLEMENTARY INFORMATION

ACRONYMS & ABBREVIATIONS

ACRONYM

DESCRIPTION

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



FINANCIAL STATEMENTS

31 DECEMBER 2022



This is an unsecured version of the audit financial statements and cannot be shared except as authorized below.

As requested, you are being provided with this unsecured PDF copy of the audit financial statements for the sole purpose of properly compiling your Entity's annual report.

We have previously provided you with the Official, Secured PDF copy of the Audited Financial Statements which may be shared in accordance with the Engagement Letter relating this audit. Secured versions have the word "(SECURED)" on their file names.

There are technical risks arising from unsecured critical documents such as this one, therefore, as agreed, we would like to ask you to accomplish the following instructions:

1. Restrict access to this document on the need-to-access basis. This secured document will be sent to the CFO only, and the CFO will be responsible to restricting forwarding it to the compiler(s) of the Annual Report.
2. The CFO's and other recipients are responsible to delete them in the email and network/local drives after the publication of the annual report. The CFO will confirm with all parties that the copies are deleted.
3. Remember that any other use of the Audited Financial Statements should be satisfied using the SECURED version.
4. Per our protocol on your annual report process, we have a standing request for you to provide our Office with a copy of your Annual Report published. When you do so, we likewise ask that you confirm compliance with procedures above.



Financial Statements

31 December 2022

Civil Aviation Authority of the Cayman Islands
Financial Statements
For the year ended 31 December 2022
Stated in Cayman Islands Dollars

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Civil Aviation Authority of the Cayman Islands
Statement of Responsibilities
For the year ended 31 December 2022

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

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

As Director-General and Chairperson, 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 Civil Aviation Authority of the Cayman Islands.

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

The financial statements present fairly the financial position as at **31 December 2022** and the comprehensive income and cash flows of the Civil Aviation Authority of the Cayman Islands for the financial year ended **31 December 2022**.

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

- a) Completely and reliably reflect the financial transactions of Civil Aviation Authority of the Cayman Islands for the financial year ended **31 December 2022**;
- b) Fairly reflect the financial position as at **31 December 2022** and its comprehensive income for the year ended **31 December 2022**; and
- c) Comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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



Richard Smith (Mr)

Director-General

Date: 30 April 2023



Ian Pairaudeau (Mr)

Chairman of the Board of Directors

Date: 30 April 2023

AUDITOR GENERAL'S REPORT

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

Opinion

I have audited the financial statements of the Civil Aviation Authority of the Cayman Islands (the "Authority"), which comprise the statement of financial position as at 31 December 2022, the statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2022, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

AUDITOR GENERAL'S REPORT (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



Patrick Smith, CPA, CFE
Acting Auditor General

30 April 2023
Cayman Islands

Civil Aviation Authority of the Cayman Islands
Statement of Financial Position
As at 31 December 2022
Stated in Cayman Islands Dollars

	Note	As at December 2022	As at 31 December 2021
Assets			
Current assets			
Cash and cash equivalents	4(a)	2,374,830	5,558,835
Short-term deposits	4(b)	13,366,774	8,381,223
Trade and other receivables	5	1,346,149	1,703,422
Total current assets		17,087,753	15,643,480
Non-current assets			
Capital assets	6	4,071,284	4,104,281
Defined benefit pension asset	10(a)	120,000	-
Total non-current assets		4,191,284	4,104,281
Total Assets		21,279,037	19,747,761
Liabilities and Equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	726,247	591,755
Contract liabilities	8, 2(g)	325,292	313,834
Dividend payable to Cayman Islands Government	9(a)	5,375,026	2,843,364
Total current liabilities		6,426,565	3,748,953
Non-current liabilities			
Defined benefit pension obligation	10(a)	-	1,264,000
Post-retirement healthcare obligation	10(b)	3,119,000	4,604,000
Total non-current liabilities		3,119,000	5,868,000
Total Liabilities		9,545,565	9,616,953
Equity		11,733,472	10,130,808
Total Liabilities and Equity		21,279,037	19,747,761

Approved for issuance on behalf of Civil Aviation Authority of the Cayman Islands on 30 April 2023.

 P. H. Richard Smith (Director General)

 Jane Panton (Director of Finance & Compliance)

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

Civil Aviation Authority of the Cayman Islands
Statement of Comprehensive Income
For the year ended 31 December 2022
Stated in Cayman Islands Dollars

	Note	2022	2021
<u>INCOME</u>			
Aircraft registry			
Air safety regulation and certification fees	11 (a)	7,294,816	7,769,063
Surveyor fees and net reimbursable expenses	11 (c)	767,206	732,211
Total aircraft registry income		8,062,022	8,501,274
Other income			
Aerodrome oversight fees	11 (b)	325,000	-
Aircraft operating permits	11 (d)	529,020	289,775
Other income	11 (e)	65,580	16,945
Total other income		919,600	306,720
Total income		8,981,622	8,807,994
<u>EXPENSES</u>			
Operating expenses			
Personnel costs	9(c)12(a)	3,515,478	3,323,851
Office administration and business development	12 (b)	721,749	458,306
Professional and licensing fees	12 (c)	1,088,031	1,026,594
Travel – official, training and administrative	12 (d)	115,999	12,054
Total operating expenses		5,441,257	4,820,805
Other expenses			
Depreciation expense – Capital assets	6	234,612	112,531
Depreciation expense – Right-of-use asset		-	26,746
Loss on disposal of assets		-	3,848
Interest expense – Lease liability		-	119
Bad debt expense	5	276,407	100,795
Total other expenses		511,019	244,038
Total expenses		5,952,276	5,064,843
Net income for the year		3,029,346	3,743,150
Other comprehensive gain			
Re-measurement of defined benefit pension obligation	10(a)	1,491,000	580,000
Re-measurement of post-retirement healthcare obligation	10(b)	1,890,000	(532,000)
Total comprehensive gain		3,381,000	48,000
Total comprehensive income for the year		6,410,346	3,791,150

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

Civil Aviation Authority of the Cayman Islands
Statement of Cash Flows
For the year ended 31 December 2022
Stated in Cayman Islands Dollars

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Net operating income for the year	3,029,346	3,743,150
Adjustments for:		
Depreciation expense	234,612	139,277
Adjustment for non-cash items (loss on disposal of capital assets)	-	3,848
Decrease / (Increase) in trade and other receivables	357,273	(451,045)
Increase / (Decrease) in accounts payables and accrued liabilities	134,492	(376,872)
Increase / (Decrease) in contract liabilities	11,458	(40,091)
Interest expense – lease liability	-	119
Movement in operating income for defined benefit obligation (pension & health) service and interest costs	512,000	434,000
Net cash from operating activities	<u>4,279,181</u>	<u>3,452,386</u>
Cash flows from investing activities		
Increase in short-term deposits	(4,985,551)	(16,924)
Purchase of capital assets	(201,615)	(410,906)
Net cash used in investing activities	<u>(5,187,166)</u>	<u>(427,830)</u>
Cash flows used in financing activities		
Lease liability payments (principal and interest)	-	(42,379)
Dividends paid	(2,276,020)	(902,866)
Net cash used in financing activities	<u>(2,276,020)</u>	<u>(945,245)</u>
Net (decrease) / increase in cash and cash equivalents	(3,184,005)	2,079,311
Cash and cash equivalents at beginning of the year	<u>5,558,835</u>	<u>3,479,524</u>
Cash and cash equivalents at end of the year	<u><u>2,374,830</u></u>	<u><u>5,558,835</u></u>

The accompanying notes form an integral part of these financial statements

Civil Aviation Authority of the Cayman Islands
Statement of Changes in Equity
For the year ended 31 December 2022
Stated in Cayman Islands Dollars

	Note	<u>2022</u>	<u>2021</u>
Balance at beginning of the year		10,130,808	9,183,022
Net operating income for the year		3,029,346	3,743,150
Other comprehensive gain	10	3,381,000	48,000
Dividends declared	9(a)	<u>(4,807,682)</u>	<u>(2,843,364)</u>
Balance at end of the year		<u>11,733,472</u>	<u>10,130,808</u>

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

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2022
Stated in Cayman Islands Dollars

1. Background information

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

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

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

The registered address of the Civil Aviation Authority is P.O. Box 10277 APO, Grand Cayman, Cayman Islands and is located at 205 Owen Roberts Dr. The Civil Aviation Authority has 24 full time employees and 0 interns as at 31 December 2022 (2021: 22 full time employees and 2 interns).

2. Significant Accounting Policies

a) Basis of Presentation

The financial statements of the Authority are prepared on a going concern basis under the historic cost in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee.

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

b) New standards, amendments and interpretations adopted

- New standards and amendments effective 1 January 2022 adopted by the Company:
 - i) Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
 - ii) Annual Improvements to IFRS Standards 2018-2020
 - iii) Property, Plant and Equipment: Proceeds before intended Use – Amendments to IAS 16

The standards and interpretations currently in issue are not expected to be relevant to or impact the results of the CAA.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2022
Stated in Cayman Islands Dollars

2. Significant Accounting Policies (continued)

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

• **New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2022 and not early adopted:**

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practise Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

Certain new standards, amendments and interpretations to existing standards issued to date are not yet effective for the financial statements of the Company for the year ended December 31, 2022 and have neither been applied nor early adopted in preparing these financial statements.

The significant accounting policies of the Company, which have been consistently applied to all years presented (unless otherwise stated), are as follows:

c) Capital assets

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

Computer hardware and licensed software	3 years
Office equipment and vehicles	5 years
Developed computer software	6 years
Furniture and fixtures	10 years
Office Building:	
• Plumbing	10 years
• Ventilation, Air Conditioning and Elevators	15 years
• Electrical, Security & Control Systems	20 years
• Roof, Windows and Doors, Internal Walls, External Works	25 years
• Ceilings	30 years
• Building	40 years
Land	Not depreciated

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

d) Foreign currency translation

- i) Functional and presentation currency - Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Cayman Islands dollars, which is the entity's functional and presentation currency.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2022
Stated in Cayman Islands Dollars

2. Significant Accounting Policies (continued)

d) Foreign currency translation (continued)

- ii) Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions. Assets and liabilities recorded in currencies other than Cayman Islands Dollars are translated at exchange rates in effect at the Statement of Financial Position date.

e) Cash and cash equivalents

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

f) Short-term deposits

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

g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the sale of goods and services stated net of discounts. The Authority recognizes revenue when the amount of revenue can be reliably measured and when performance has been completed; and when specific criteria have been met for each of the Authority's activities as described in Note 11. Contract liabilities in the Statement of Financial Position represent unearned revenue where performance obligations have yet to be completed. Refer to Note 8 for details on contract liabilities.

h) Financial assets and liabilities

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

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

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

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

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

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2022
Stated in Cayman Islands Dollars

2. Significant Accounting Policies (continued)

i) Offsetting financial instruments

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

3. Employee benefits

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

(i) Pension obligations

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

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

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

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

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

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

(i) Post-employment healthcare plan

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

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2022
Stated in Cayman Islands Dollars

3. Critical Accounting Estimates and Judgements

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

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

Employee benefits – post-employment pension and healthcare

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

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

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

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

4. Cash and cash equivalents and short-term deposits

	2022	2021
a) Cash and cash equivalents		
Cash on hand	1,009	759
Current and call accounts	<u>2,373,821</u>	<u>5,558,076</u>
Total cash and cash equivalents	2,374,830	5,558,835
b) Short-term deposits		
Fixed Deposits	<u>13,366,774</u>	<u>8,381,223</u>
Total cash and cash equivalents and short-term deposits	<u>15,741,604</u>	<u>13,940,058</u>

	31 December 2022	31 December 2021
Current and call account holdings are:		
- Cayman National Bank	2,255,100	5,099,882
- Bank of Butterfield	38,911	304,131
- NatWest UK (GBP 77,180) (Exchange Rate of GBP to KYD 1.034)	79,811	154,063

Fixed deposit holdings are:

- Cayman National Bank	11,139,787	6,173,028
- Cayman Islands Government	2,226,987	2,208,195

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

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2022
Stated in Cayman Islands Dollars

5. Trade and other receivables

Trade receivables comprise of balances due from clients of the Aircraft Registry [Note 12(a)] and the Cayman Islands Airports Authority (“CIAA”) for the Aerodrome oversight fee [Note 12(b)]. Lifetime expected credit losses have been calculated using sales invoices billed between 1 October 2021 and 30 September 2022 and the actual cash collection dates of these invoices to determine a historical collection profile by ageing category.

The amount uncollected is used to determine the loss rate by ageing category. This is then applied to the aged trade receivables as at 31 December 2022 to determine the expected credit loss at that date. The expected credit loss includes the full amount uncollected over 365 days. The calculated loss rates applied against the ageing categories and the resulting expected credit loss are shown in the following ageing profile of trade receivables table:

Ageing profile of trade receivables

Period Outstanding (Days)	Loss rate at 31 December 2022	Ageing balance of receivables at 31 December 2022	Expected credit loss at 31 December 2022	Ageing balance of receivables at 31 December 2021	Expected credit loss at 31 December 2021
0-30	2.307%	910,067	20,991	764,112	13,519
31-90	5.581%	444,857	24,827	603,039	19,614
91-180	13.814%	185,755	25,661	194,059	16,876
181-365	33.882%	59,190	20,055	189,739	142,556
Over 365	100%	35,107	35,107	220,159	220,159
Full provision for CIAA	100%		325,000		-
Total Trade Receivables		1,634,976	451,641	1,971,108	412,724

The \$325,000 in relation to the CIAA Aerodrome oversight fee is included in the 0-30 day ageing balance above.

	31 December 2022	31 December 2021
Trade accounts receivable	1,634,976	1,971,108
Other receivables	162,814	145,038
Allowance for doubtful accounts	(451,641)	(412,724)
Trade and other receivables (net)	<u>1,346,149</u>	<u>1,703,422</u>

Of the total trade accounts receivable outstanding at 31 December 2022, \$325,000 (2021: \$Nil) was due from the Cayman Islands Airports Authority (“CIAA”) for the quarterly fees due for Regulatory services referred to in Note 11b. The amount is currently being disputed by CIAA and has been fully provided for in the Bad Debt Expense. \$84,652 (2021: \$94,084) was due from Cayman Airways Limited, \$2,500 (2021: \$7,750) from the Mosquito Research & Control Unit, and \$11,650 (2021: 2,750) from the Royal Cayman Islands Police. The Cayman Islands Airports Authority, Cayman Airways Limited, Mosquito Research & Control Unit, and the Royal Cayman Islands Police are related parties of the Authority.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2022
Stated in Cayman Islands Dollars

5. Trade and other receivables (continued)

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

	2022	2021
Opening allowance for doubtful accounts	412,724	298,750
(Decrease) / increase in allowance:		
Bad Debt Expense in relation to CIAA Aerodrome Oversight Fees	325,000	-
Movement in Expected Credit Loss Provision	(46,769)	168,533
Bad debt recovery	(1,824)	(67,738)
Bad debt expense (net)	276,407	100,795
Reclassification of balance previously netted in accounts receivable	-	13,179
Write off of customer balances previously provided for in allowance	(237,490)	-
Closing allowance for doubtful accounts	451,641	412,724

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

As of 31 December 2022, receivables of \$724,909 (2021: \$1,206,997) were considered past due (over 30 days). These relate to a number of independent customers from whom there is no recent history of default or to related party customers guaranteed by the Cayman Islands Government.

6. Capital Assets

	Furniture & Fixtures	Computer Hardware	Computer Software	Office Equipment	Land	Office Building	Vehicles	Total
Historical cost of assets:								
As at 1 January 2021	122,776	207,786	215,691	50,732	400,000	3,339,884	71,754	4,408,623
Additions	291,236	17,121	22,302	48,951	-	31,296	-	410,906
Transfers	-	-	-	-	182,693	(182,693)	-	-
Disposals	(122,775)	(141,828)	-	(36,947)	-	-	-	(301,550)
As at 31 December 2021	291,237	83,079	237,993	62,736	582,693	3,188,487	71,754	4,517,979
Additions	7,281	17,886	19,804	11,457	-	199,603	-	256,030
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	(54,415)	-	-	-	-	(54,415)
Revaluations	-	-	-	-	-	-	-	-
As at 31 December 2022	298,518	100,965	203,382	74,193	582,693	3,388,090	71,754	4,719,594
Accumulated depreciation:								
Brought Forward, as at 1 January 2021	118,019	194,966	169,897	44,234	-	-	71,754	598,870
Charge for period	14,400	11,824	9,947	6,300	-	70,059	-	112,531
Disposals	(118,929)	(141,828)	-	(36,947)	-	-	-	(297,704)
As at 31 December 2021	13,490	64,963	179,844	13,587	-	70,059	71,754	413,698
Charge for year	29,712	13,464	8,647	13,329	-	169,460	-	234,612
Disposals	-	-	-	-	-	-	-	-
As at 31 December 2022	43,202	78,427	188,491	26,916	-	239,519	71,754	648,310
Net book value as at 31 December 2021	277,747	18,116	58,149	49,148	582,693	3,118,428	-	4,104,281
Net book value as at 31 December 2022	255,316	22,537	14,891	47,277	582,693	3,148,570	-	4,071,284

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7. Accounts payable and accrued liabilities

	31 December 2022	31 December 2021
Accrued employee incentive awards	215,355	223,654
Accrued expenses	220,373	211,585
Accounts payable	176,637	109,694
Customer deposits on account	110,842	40,739
Other payables	3,040	6,083
Total accounts payable and accrued liabilities	726,247	591,755

8. Contract liabilities

The Authority recognizes revenue when the amount of revenue can be reliably measured and when performance has been completed; and when specific criteria have been met for each of the Authority's activities as described in Note 12. Contract liabilities in the Statement of Financial Position represent unearned revenue where performance obligations have yet to be completed. The amount of this liability at 31 December 2022 is \$325,292 (2021: \$313,834).

9. Related party balances and transactions

(a) Dividend payable to Cayman Islands Government

Under section 18(4) of the Civil Aviation Authority Act (2015 Revision), the Authority is required to make an annual payment into the general revenue of the CIG which is to be calculated by a formula determined by the Financial Secretary. In March 2012, a directive was issued by the Financial Secretary and agreed by the Authority detailing the formula and the terms of the dividend repayment to the CIG. The directive indicated that the Authority would pay 75% of the annual Comprehensive Income first reported to the Office of the Auditor General within three months of the end of the financial year. A revision in the directive in July 2013 indicated that an adjustment be made to the payment in the subsequent year for any difference to the audited comprehensive income. As at 31 December 2022 a total of \$5,375,026 (2021: \$2,843,365) was payable to the CIG as detailed below:

	31 December 2022	31 December 2021
Brought forward Dividends Payable	2,843,364	902,866
Dividends paid during the year	(2,276,020)	(902,866)
Dividend payable on comprehensive income	4,807,682	2,843,364
Total Dividend Payable	5,375,026	2,843,364

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9. Related party balances and transactions (continued)

(b) Register of Interests

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

(c) Key Employee Benefits

The key employees of the Civil Aviation Authority are the Director General, the Director of Air Navigation Regulation, the Deputy Director-General, Economic Regulation and Administration, the Director of Finance and Compliance and the Director of Air Safety Regulation. Total salary and employee benefits expensed in the year ended 31 December 2022 amounted to \$1,081,832 (2021: \$1,061,914). The total amount paid out for the 2021 performance incentive award for key employees and settled prior to year-end was \$74,692.

The Director General and the Deputy Director-General, Economic Regulation and Administration have the benefit of having an additional 6.4% and 6% respectively of their base pay paid into their pension fund by the Authority in addition to the base 6% contribution. The Director General, through his employment contract approved by the Governor and Board of Directors, is provided with a vehicle including running costs, insurance and maintenance. Under the medical coverage program, as is for all staff, claims not covered by the insurance provider and are deemed to be medical necessities are fully subsidized by the Authority. For the year ended 31 December 2022 this amounted to \$9,568 (2021: \$13,111) for all key employees.

	Year ended 31 December 2022	Year ended 31 December 2021
Base salary	772,979	754,863
Pension	60,015	58,608
Medical coverage	112,108	112,541
Accrued vacation leave	55,976	57,143
Fuel allowance	3,456	3,273
Performance incentive award (estimated and unpaid)	77,298	75,486
Total key employee benefits	1,081,832	1,061,914

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

Professional fees include a Memorandum of Understanding ("MOU") between the CIG and the United Kingdom (UK) Government, signed by the Premier of the Cayman Islands in November 2011. This MOU indicates an undertaking by the CIG to pay an annual fee. The Framework charge for FY 2022/23 is £76,254 / CI\$75,575 and invoiced quarterly at £19,063 / CI\$18,743 (£13,9267 / CI\$15,941 in 2021) for the support service for the use of the UK Aviation Safety Regulations which is regulated by ASSI, the aviation regulatory arm of the UK Government. This fee commenced on 1 April 2012 and is billed by ASSI to the CIG at the end of every quarter. The amount is invoiced to the CIG by ASSI and CIG (The Financial Secretary) passes the invoices on to the Authority for direct payment to ASSI.

(e) MOU with the CIAA (see note 11(b))

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10. Post-retirement benefits

(a) Pensions

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

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

i. Defined contribution plan

In accordance with the Cayman Islands National Pensions Act, the employees of the Authority that participate in the defined contribution pension plan with private pension companies are required to contribute an amount of 5% of their annual salaries to the plan during the year and the Authority matches such contributions up to 5%. The pension contributions paid by the Authority for employees participating in the defined contribution pension plan with PSPB under the Public Service Pensions Act (the “Act”), are expensed as incurred in the Statement of Comprehensive Income. For the year ended 31 December 2022 the amount of \$74,054 (2021: \$85,395) was contributed by the Authority.

ii. Defined benefit plan

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

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

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10. Post-retirement benefits (continued)

ii. Defined benefit plan (continued)

	Present value of obligation \$'000	Fair value of plan assets \$'000	Net liability/ (asset) \$'000
As at 31 December 2021	6,873	(5,609)	1,264
Current service cost	96	-	96
Interest expense/(income)	182	(149)	33
	278	(149)	129
Re-measurements:			
- Return on plan assets	-	985	985
- Gain from changes in financial assumptions	(2,476)	-	(2,476)
- Loss on changes in demographic assumptions	-	-	-
	(2,476)	985	(1,491)
Contributions:			
- Employers	-	(22)	(22)
- Plan participants	21	(21)	-
Payments from plan:			
- Benefit payments	(400)	400	-
- Transfer between other participating employers	(1,355)	1,355	-
- Administrative expenses	-	-	-
As at 31 December 2022	2,941	(3,061)	(120)

	31 December 2022 \$'000	31 December 2021 \$'000
Statement of Financial Position:		
Defined benefit obligation at end of period	2,941	6,873
Fair value of plan assets at end of period	(3,061)	(5,609)
(Asset) / Liability in the Statement of Financial Position	(120)	1,264

The principal actuarial assumptions at the date of valuation:

	2022 %	2021 %
1. Discount Rate	5.40	2.90
2. Rate of salary increase	2.50	2.50
3. Rate of price inflation	2.00	2.00
4. Rate of pension increase	2.00	2.00
5. Post-employment mortality table – 2022: RP-2014 scaled back to 2006 using MP-2014 then projected on a generation basis using scale MP-2021 (2021: RP-2014 scaled back to 2006 using MP-2014 then projected on a generation basis using scale MP-2020).		

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10. Post-retirement benefits (continued)

ii. Defined benefit plan (continued)

Other Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in each territory. The sensitivity of the defined benefit obligation at 31 December 2022 and 31 December 2021 to changes in the weighted principal assumptions is:

Impact on defined benefit obligation 2022			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.67%	Increase by 3.84%
Inflation rate	0.25%	Increase by 3.24%	Decrease by 3.07%
Mortality*	10%	Decrease by 2.05%	Increase by 2.27%

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

* As at 31 December 2022 the assumed life expectancy of a person retiring today at age 57 is 28.69 (2021: 28.61).

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

The significant plan assets are comprised of:

	2022	2021
Global Equities	81%	82%
Debt Securities	18%	17%
Cash	<u>1%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>

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

Asset Volatility

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

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

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10. Post-retirement benefits (continued)

ii. Defined benefit plan (continued)

Changes in bond yields

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

Inflation Risk

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

Life expectancy

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

The weighted average duration of the defined benefit obligation is between 15.08 and 14.97 years (2021: 12.94 and 12.53 years).

b) Post-retirement healthcare benefits

The Authority operates an unfunded post-retirement healthcare benefit scheme. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for the defined benefit pension scheme set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs which is 5% (2021: 5%). Other significant assumptions include:

- a. Mortality rates – 2022: RP-2014 Mortality Table (2021: RP-2014 Mortality Table).
- b. Mortality improvement scale – 2022: Scale MP-2021 (2021: Scale MP-2021).
- c. Discount rate assumption 2022: 5.38% (2021: 2.98%)

The amounts recognised in the Statement of Financial Position represent management's estimation of the present value of unfunded obligations.

The sensitivity of the obligation as at 31 December 2022 and 31 December 2021 to changes in the weighted principal assumptions is:

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10. Post-retirement benefits (continued)

(b) Post-retirement healthcare (continued)

Impact on obligation 2022			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.6%	Increase by 3.8%
Healthcare cost trend rate	1%	Increase by 16.4%	Decrease by 13%
Mortality	10%	Not applicable	Decrease by 2.8%

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

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

	Present value of obligation ('\$000)
As at 31 December 2020	3,755
Operating expenses:	
- Current service cost	216
- Interest expense	101
	317
Re-measurements:	
- Loss from change in demographic assumptions	215
- Gain from change in financial assumptions	(241)
- Experience losses	558
	532
As at 31 December 2021	4,604
Operating expenses:	
- Current service cost	268
- Interest expense	137
	405
Re-measurements:	
- Loss from change in demographic assumptions	-
- Gain from change in financial assumptions	(1,608)
- Experience losses	(282)
	(1,890)
As at 31 December 2022	3,119

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11. Revenue

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

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

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

Of the total Aircraft registry revenue at 31 December 2022, \$313,035 (2021: \$362,950) was invoiced to Cayman Airways Limited, \$22,500 (2021: \$23,500) to the Mosquito Research & Control Unit, and \$12,900 (2021: 17,100) to the Royal Cayman Islands Police. Cayman Airways Limited, Mosquito Research & Control Unit, and the Royal Cayman Islands Police are related parties of the Authority.

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11. Revenue (continued)

(b) Aerodrome oversight fees

These fees represent mainly the charge for regulatory oversight by the Authority to CIAA on Owen Roberts International Airport (ORIA) and Charles Kirkconnell International Airport (CKIA). On 1 July 2018 a MOU between CAA and CIAA was signed whereby CAA would charge the CIAA \$1,000,000 per annum for regulatory and oversight fees of the ORIA and CKIA. The MOU stated that this fee commenced on 1 July 2018 and would be effective for a period of three years, with an agreement to review annually. This MOU has been in place since 1 July 2004 and has been renewed regularly at the same fee. Due to the Covid-19 pandemic and loss of revenue for the CIAA, the CAA has forgiven the fee due from CIAA of \$750,000 for January through September 2022. In June 2022 the CAA advised the CIAA of a new annual fee of C\$1,300,000 to be implemented beginning in the 4th quarter of 2022. The CIAA was invoiced \$325,000 on 30 December 2022 for the final quarter of 2022. The CIAA is currently disputing the reinstatement of the fee, the full amount of which has been reflected in bad debt expenses for the period, and remains in the allowance balance at the year-end.

(c) Surveyor fees and net reimbursable expenses

The Air Navigation (Fees) Regulations, November 2010 (Amended) also dictate that an hourly rate up to \$250 can be charged for surveys carried out on all the aircraft on the Cayman Islands Aircraft Register. During the year ended 31 December 2022, a fee of \$250 (2021: \$250) per hour was charged. Travel, subsistence and postage expenses associated with surveys are recovered from the customer. Surveyor fees are included in the Statement of Comprehensive Income as follows:

	2022	2021
Surveyor fee billings	767,206	732,211
Survey reimbursable billings	61,863	52,885
Reimbursable expenses paid	(61,863)	(52,885)
Surveyor fees & net reimbursable expenses	767,206	732,211

During the financial years ended 31 December 2022 and 2021, the Surveyors' Reimbursable Travel Expenses have been offset against the Surveyor Fees and Billable expenses as the expenses have been recovered through the revenue. Showing the net amount of surveyor travel expenses billed improves the clarity of presentation.

(d) Aircraft operating permits

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

	2022	2021
Aircraft Operating Permits	529,020	289,775

(e) Other income

Other income comprises of interest on short-term deposits further disclosed in Note 4.

	2022	2021
Interest income	65,580	16,945
Total other income	65,580	16,945

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12. Expenses

Operating expenses	2022	2021
a) Personnel costs		
Salaries/performance incentive expenses	2,453,883	2,348,579
Medical insurance and expenses	392,748	374,427
Pension (including DB plan service costs)	263,847	283,845
Post-employment healthcare service costs Note 10(b)	405,000	317,000
Total personnel costs	3,515,478	3,323,851
b) Office administration and business development		
General office administration expenses	463,648	426,248
Rental expenses	6,897	6,829
Training	83,613	5,310
Business development expenses	163,083	15,723
Board of Directors expenses	4,508	4,196
Total office administration and business development	721,749	458,306
c) Professional & licensing fees		
Overseas contractors' fees	763,704	707,722
Air Safety Support International (ASSI)	72,345	77,231
Work permit fees	40,910	34,450
Insurance expenses	85,121	78,013
Audit and other professional fees	76,181	68,053
Professional dues and subscriptions	7,216	14,007
AAIB retainer fee	35,707	38,663
Legal fees	6,847	8,455
Total professional & licensing fees	1,088,031	1,026,594
d) Travel – official, training and administrative		
Travel – business development	53,970	2,523
Travel – administration and training	62,029	9,531
Total travel – official, training and administrative	115,999	12,054
Total operating expenses	5,441,257	4,820,805

Of the total expenses at 31 December 2022, \$40,910 (2021: \$34,376) was paid to Cayman Islands Government (WORC), \$37,022 (2021: \$32,101) to the Ministry of Finance and Economic Development, \$7,803 (2021: \$nil) to Cayman Airways, and \$7,000 (2021: \$7,000) to the Office of the Auditor General. Cayman Island Government (WORC), the Ministry of Finance and Economic Development, Cayman Airways Limited and the Office of the Auditor General are related parties of the Authority.

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13. Financial instruments risk

Liquidity risk

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

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

The undiscounted cash flows payable by the Authority under financial instruments with contractual maturities of less than 1 year at 31 December 2022 are as follows:

Accounts payable and accrued liabilities \$726,247 (2021: \$591,755)

Dividend payable \$5,375,026 (2021: \$2,843,364)

Credit risk

Financial assets that potentially subject the Authority to credit risk consist principally of bank current accounts, fixed deposits, trade and other receivables. The Authority's fixed deposits are placed with accredited financial institutions and the CIG Treasury. Due diligence is conducted on clients before they are accepted on the register. Local credit clients are sufficiently regulated. The Authority is responsible for managing and analysing the credit risk for each of their new customers before standard payment terms and conditions are offered. The Authority's customers with the largest outstanding balances as at 31 December 2022 are Cayman Islands Airports Authority with approximately 24% (2021: 0%), of total outstanding balances and Cayman Airways 6% (2021: 6%) and are considered significant concentrations of credit risk. The CIG accounts are considered medium exposure risks due to possible CIG policy changes when new governments are elected.

Interest rate risk

Cash amounts held at Cayman National Bank are placed on semi-annual and annual fixed deposits and generally earn an interest rate of between 0.10% (2021: 0.05%) and 4.30% (2021: 0.10%) per annum in the year ended 31 December 2022. There are two accounts held at NatWest Bank in the UK, an operating account and a credit card account for 2 (2021: 2) surveyors operating in the United Kingdom and Europe. It is required that a deposit be held on the credit card account to cover the exposure of the total credit card limits of each card held. At the Statement of Financial Position date, £16,392 (2021: £16,392) was held as a deposit with NatWest Bank. This deposit earns 1% interest per annum. As at 31 December 2022, there is also a US Dollar fixed deposit held with CIG Treasury. The amount is C\$2,226,987 (US\$2,715,838) (2021: C\$2,208,195 (US\$2,692,921)) for twelve months to a rate of 0.35% and matures on 26 July 2023. Management believes that a reasonable possible change in interest rates would not have a material impact on the Authority's net income.

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13. Financial Instruments Risk (continued)

Market Risk

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

Fair values

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

14. Capital management

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

15. Subsequent events

The Authority has evaluated subsequent events and determined that there have been no events that have occurred that would require adjustments to our disclosures in the financial statements.