



CIVIL AVIATION AUTHORITY
OF THE CAYMAN ISLANDS

ANNUAL REPORT 2023



EXCELLENCE & INNOVATION
IN AVIATION REGULATION

FISCAL YEAR ENDED
31 DECEMBER 2023



CIVIL AVIATION AUTHORITY
OF THE CAYMAN ISLANDS

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FOREWORD

BY THE DIRECTOR-GENERAL

The Year 2023 was another successful year for the Civil Aviation Authority of the Cayman Islands (CAACI). In addition to fulfilling its regulatory oversight obligations, the Authority again retained its self-funding status, generating operating revenues in excess of budget forecasts enabling a healthy dividend payment of **\$2,058,599** to be paid to the Cayman Islands Government.

In January 2023, the CAACI was subject to re-commencement of the biennial Air Safety Support International (ASSI) assessment of UK Overseas Territories Aviation Authorities (OTAA). The assessment focuses on the OTAA's 'fit for purpose' status to effectively undertake safety regulatory oversight of the respective OT aviation industry to fulfil the UK's obligations to the International Civil Aviation Organisation (ICAO). The last such assessment was carried out prior to the Covid-19 pandemic in November 2018. The on-site assessment team comprised ASSI technical assessors and a representative of the UK Department for Transport (DfT) and included meetings with CAACI personnel, the Governor, and relevant industry stakeholders. The culmination of the assessment resulted in the CAACI retaining full designation for safety and economic oversight of the Cayman aviation industry from the Governor, as recommended by ASSI.

The year 2023 saw a steady increase in commercial air transport operations to the jurisdiction with passenger movements reaching pre-pandemic levels. This increase in scheduled and non-scheduled aircraft activity also increased the economic oversight activities of the CAACI with the issuance of operating permits to foreign carriers, which also resulted in increased revenues for the Authority.

Global travel returned to normal pre-pandemic levels and the CAACI also increased its in-person participation at overseas events including relevant business aviation

tradeshows and other promotional opportunities to raise awareness of the Cayman Islands Aircraft Registry (CIAR). Such activities are vital to maintaining the CAACI's visibility in the face of increasing competition from other jurisdictions that are vying for aircraft add to their registers.

The Overseas Territories Safety Performance Council (OTSPC) resumed in-person meetings in 2023. These meetings are held biannually and are Co-Chaired by ASSI and an OTAA. These meetings are essential for sharing of relevant regulatory information and to collaborate on policies for OTAAs to ensure the UK meets its obligations to ICAO.

A significant and continuing development is the niche market initiative of registering transition aircraft as a subset of the CIAR. Following on from 2018 with the first visit and round of meetings with aircraft lessors in Dublin, Ireland, the CAACI has worked steadily throughout the pandemic and in the years following to refine this niche offering. Last year the CAACI held its first Cayman Islands Transitions Aircraft Workshop in Dublin for stakeholders and Continuing Airworthiness Management Organisations (CAMOs) that service the aircraft leasing industry. The workshop was oversubscribed with repeated calls from the industry for this to be an annual event. The learnings from these initiatives have enabled the CAACI to develop custom-built and tailored electronic business solutions for this segment of the market in our data management platform VP-C Online. The growth of the transitions registry niche market has also positively impacted the financial performance and is providing a core revenue stream. The CAACI will work diligently to retain and sustainably grow this market, diversifying the offerings and being responsive to the demands of the industry.

We look to 2024 and beyond with conservative optimism as the aviation industry continues to evolve and technology develops. We are committed to ensuring good governance, embracing sustainable solutions, ensuring a resilient framework is maintained to enable the Authority to be prepared for difficult times and challenges, and continuing to strive for excellence.

P. H. RICHARD SMITH, MBE, FRAeS.
DIRECTOR-GENERAL OF CIVIL AVIATION

FOREWORD

BY THE CAACI BOARD OF DIRECTORS

The Civil Aviation Authority of the Cayman Islands (CAACI) continues to deliver on its mandate for credible safety and economic regulatory oversight of the Cayman aviation industry. Also, of importance is the growth and development of the Cayman Islands Aircraft Registry (CIAR) as an asset management option for the jurisdiction, which the CAACI is the custodian thereof.

Throughout the 2023 year, the Board stayed true to its commitment to support the management and staff of the CAACI to achieve its strategic priorities and objectives set in its 2021 – 2025 Strategic Plan; also in striving to resource the Authority appropriately and enable its operations in an efficient and effective manner. The board supported a revision of the CAACI Staff Handbook and Office Policies and the publication of such document to enhance staff policies with a view to providing a sustainable framework for attracting and retaining qualified and experienced technical and administrative staff in order to fulfill the regulatory

mandate in the recognition that the staff and contracted inspectors based globally are the CAACI's most essential asset.

The board would like to recognize the senior management team for their strategic stewardship of the Authority and the pragmatic financial guidance in order for forecasted targets to be met. The board continues to recognize the entire staff compliment for their dedication and hard-work again throughout 2023 in meeting their individual and collective objectives, including the retention of the full designation for aviation regulatory oversight of the Cayman aviation industry.

Looking to the future, the board stands ready to continue its support to and partnership with the management and staff of the CAACI to accomplish strategic goals and objectives and to ensure long-term viability of the CAACI.





1.0 ORGANISATIONAL OVERVIEW

WHO ARE WE

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.

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;

- 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 CI Government

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 2023 were:

NAME	ROLE
MR. IAN PAIRAUDEAU	CHAIRMAN
MS. SHERICE ARMAN	DEPUTY CHAIRMAN
MR. WILLIAM MCTAGGART	MEMBER
MS. GINA BERRY	MEMBER
MS. LIESL RICHTER	MEMBER (Appointed 8 July 2022; ceased to be a member 18 Dec 2023)
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

OUR MISSION, VISION AND VALUES

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:

Regulatory non-compliance is detected and addressed;

The CI aviation industry understands its regulated obligations and is equipped to meet them;

The CI civil aviation industry will meet or exceed internationally accepted standards of aviation safety;

Our regulatory regime will be credible and sustainable; and

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

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

Continuously improve service delivery and innovative solution options for our stakeholders

Develop and sustain a high-performing, complimentary and cohesive professional team committed to 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; the Director and one locally based Inspector, one contracted Inspector.

During 2023, the ANSR team continued to meet its regulatory oversight responsibilities and maintained a physical presence in office. Below is a summarized 'highlight reel' for 2023 and is not a full representation of every oversight activity conducted by ANSR:

- The ANSR Inspectors completed Aviation Fuel Management Training in the UK. The completion of this course further qualifies the team in the provision of its aviation fuel management oversight. This aligns with our strategic priority III
- DANSR attended and completed ATC Assessor refresher training in Saint Maarten conducted by Air Safety Support International (ASSI). The refresher training ensures continued competence in ANSR's ability to assess Air Traffic Controllers for the issuing of ATC licenses. The DGCA and DAANSR also attended the Overseas Territories Safety Performance Council

Meeting (OTSPC) held by ASSI in Crawley, UK. OTSPC is the mechanism by which advice from ASSI and the OTAAs will be provided on aviation safety performance within the OTS to UK Government. This aligns with our strategic policy III.

- The ANSR team conducted the Biennial Audit of the operational departments at Owen Roberts and Charles Kirkconnell International airports operated and managed by the CIAA.
- The ANSR team attended the annual ATC refresher training in Valdosta, Georgia to assess the competence of licensed air traffic controllers providing air traffic service in the Cayman Islands.
- At the request of CIAA, ANSR visited Academia Superior de Ciencias Aeronauticas (ASCA) in Santo Domingo, Dominican Republic to meet with their team and to inspect the facilities with a view of approving the organization to provide ATC training to CIAA air traffic controllers. The trip was successful and an ATC Training Organization Approval was issued in accordance with OTAR Part 65, subpart K.
- The ATC portion of the 2023 Audit was postponed from April/May to September due to the appointment

of a new manager. The ANSR team conducted the ATC audit of ORIA and CKIA on the 1st and 8th of September respectively.

- ANSR and ASR attended a planned full-scale aircraft emergency at Edward Bodden Airfield, Little Cayman. The assessment of the effectiveness of the emergency plan is germane to the approval for Cayman Airways Express to operate at Little Cayman.
- ANSR attended the ASSI Aerodrome Seminar in Miami. The seminar focused on competency and assessments for Air Traffic Controllers. The UK Overseas Territories review of ICAO state letters on proposed changes and amendments to regulatory documents was at the forefront of the conversations. The attendees also participated in group collaboration of risk assessments and associated mitigation efforts for runway excursions and incursions.
- The CIAA, ORIA and CKIA Aerodrome Certificates were extended for six months until the end of June 2024 while outstanding issues are addressed. It is envisioned that the new certificates will be issued at the end of the period.

The ANSR Division remain responsible for reviewing, distributing and filing Mandatory Occurrence Reports (MORs). 85 MORs were logged during 2023. All MORs are now being logged internally through CENTRIC and industry has begun submitting reports directly through the platform.

Aligned with the CAACI's Mission and Vision, ANSR continues to provide effective regulatory oversight; and in doing so, ensures the high credibility and integrity the Authority strives to achieve.

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.

Through active collaboration and accountability, ANSR were able to meet its oversight reasonably despite being short-staffed. 2023 was 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 Remotely Pilot Aircraft Systems (RPAS) 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.

Coming out of the Pandemic, Cayman Registered aircraft operations grew steadily in 2023. Air travel to Grand Cayman and the Sister Islands bounced back quickly to pre-pandemic levels. 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 “Drone” operations on Island 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 2023 in all areas which has kept the ASR Division very busy. Regulatory approvals are streamlined through the V-PC Online System which allows efficient and secure processing of applications. Our clients are 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. In 2023 we were able to do the inspections we had to postpone during the pandemic.

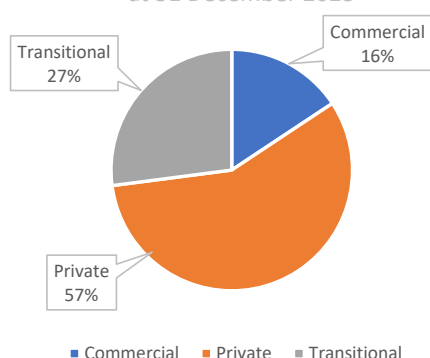
In November of 2023 the CAACI hosted the first technical seminar In Dublin for Transition aircraft CAMO's and Operators. The seminar was well attended and while safety based, also allowed for excellent client CAACI Inspector interaction.



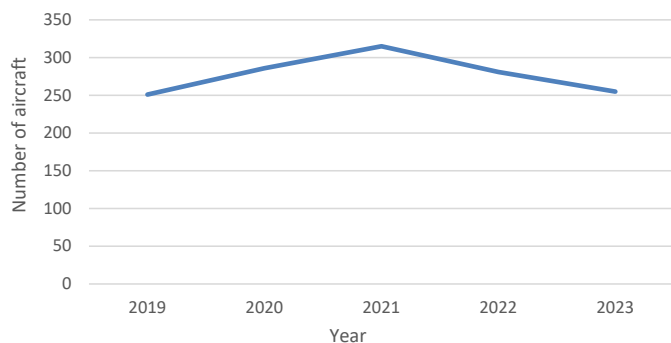
- Total aircraft entered on the register as of 31 December 2023 = 255
- New aircraft registrations during the period = 87
- De-registrations during the period = 113
- Decrease in number of aircraft since 31 December 2022 = 26

The following pie chart shows a breakdown of the 255 aircraft entered on the register as at 31 December 2023 (by category).

Breakdown of aircraft on CI Register by category
at 31 December 2023



Total no. of aircraft on CI Register
2019 - 2023



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

Month	2019	2020	2021	2022	2023
January	247	251	289	322	281
February	247	258	298	320	276
March	248	264	297	314	278
April	247	268	302	313	275
May	245	272	304	302	274
June	246	275	306	301	260
July	250	278	305	297	256
August	248	276	316	292	254
September	247	282	310	291	248
October	245	283	314	282	245
November	245	282	317	283	253
December	251	286	315	281	255

Below is a comparison of the aircraft registration and de-registration activity for the past 3 years. Of the deregistrations through the year, 67% of these were associated with transition projects thereby fulfilling the objectives of this niche market.

Year	Commercial	Private	Transitional	Total
2019	6	34	0	40
2020	0	17	40	57
2021	5	20	78	103
2022	3	14	73	90
2023	3	12	72	87

No. of de-registrations

Year	Commercial	Private	Transitional	Total
2019	6	29	0	35
2020	4	16	2	22
2021	3	28	43	74
2022	9	34	81	124
2023	9	28	76	113

CAACI is committed to protecting the confidentiality, integrity, and availability of its data and IT services. In 2023, following on from work started in 2022, the CAACI continued to enforce and be responsive to cybersecurity guidance as issued by The CI Govt and in keeping with best practises.

The CAACI continues to integrate practises to protect personal and sensitive data as it develops systems and solutions. Training specific to data protection continues for all staff and independent contractors.

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 2024

The CAACI is diligently working to conservatively grow the private/corporate aircraft registrations despite considerable competition faced with other jurisdiction registries seeking to capture marketshare.

Due to careful crafting of bespoke solutions for the transitions aircraft market, it is expected that niche market will continue healthy growth.

The CAACI will manage the growth by focusing on safety and technical expertise.

The CAACI continues development of its bespoke electronic data management platform VP-C Online to include a module that caters to the specific needs of the transitions stakeholders.

We are expecting continued growth in the RPAS (drone) requests and approvals for 2024 they will be used for photography, search and rescue, building washing, agricultural spraying, and environmental assessments. Every day a new and interesting application for RPAS seems to emerge.

The VP-C Online electronic data management portal continues to bring efficiencies to CAACI in their management of the aircraft registry process and other regulatory responsibilities. During the 2023 period, the portal was further enhanced, allowing CAACI authorized aircraft maintenance organisations online access to apply for acceptance as a qualified organisation, make renewals and variations of these approvals, access verified certificates and provide online, secure access to invoices and payment records.



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.

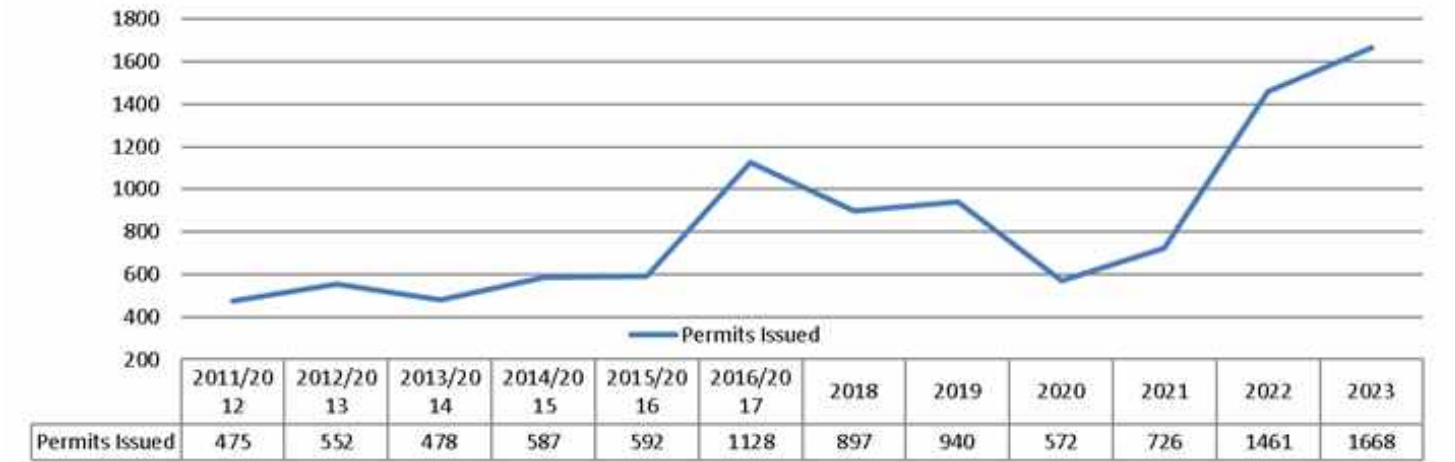
The Authority, through its Economic Regulation Division, is responsible for the oversight and issuance of required permits for all foreign registered aircraft that operate to/from the islands for commercial purposes, including scheduled and non-scheduled services. This includes air ambulance services 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.

There is a significant growth in the number of permits issued as the CAACI's Economic Regulatory team have diligently worked to issue verification letters to over 60 operators. The verification letter allows operators to operate into the Cayman Islands on an as needed basis. All required documents are submitted in advance to the CAACI's Economic Regulatory department for all aircraft intended to operate into the Cayman Islands. The operator then provides details of all live flights operated into/out of the Cayman Islands on a monthly basis, which is verified thru logs received from both the Cayman Islands Airports Authority and the handlers at Owen Roberts International and Charles Kirkconnell International Airport, for invoicing purposes.

In reflection of 2023 and our continuous presence on our social media platforms (Facebook & LinkedIn), we've experienced continuous growth in user demographics and our engagement and content around the services offered to the wider community at large. The key profile performance and metric reports have shown significant improvement in the last 12 months of our performance, aiming to deliver in innovative solutions and options in informing our stakeholders, and the general public at large.

Permits Issued



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

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

Seasonal permits were issued to Air Canada, American Airlines/US Airways (merging), Delta Airlines, IBC Cargo, Jet Blue, Southwest, Sun Country, 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, Air Canada, American Airlines/US Airways (merging), Delta Airlines, IBC Cargo, Jet Blue, Southwest, Sun Country Airlines, United Airlines, and WestJet. Permits were issued during the Winter season for both Air Canada and Air Canada Rouge as they operate under two separate operating certificates.

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

The Deputy Director-General and Air Carrier Licensing Officer provided administrative support to the Air Transport Licensing Authority (ATLA) – the independent Board, appointed to process applications for economic licenses of local commercial air transport operators. The Deputy Director-General continues to serve as the Secretary to the

ATLA. During the period between January – December 2023, the number of non-scheduled permits issued by the DGCA (delegated authority by the ATLA) on behalf of the ATLA, was 1 permit for non-scheduled site seeing tours issued to Cayman Islands Helicopters for a five-year period. While the ATLA board issued 5 year permits to both Cayman Airways Express and Cayman Airways Ltd to operate scheduled flights. Work continues between the CAACI and the Ministry to modernise the ATLA Regs. The Deputy Director-General also continues as the nominated Secretary to the Board of Directors of the CAACI.

LOOKING FORWARD TO 2024

- We will be engaged in oversight of a CIAA Air Traffic Services Surveillance Project.
 - The project's objective is to implement surveillance approach air traffic control service in the Cayman Islands and is currently expected to be completed at the end of 2025.
- We will be conducting inspections of operational areas of interest to verify compliance.
- We will attend various workshops and seminars to remain up-to-date with industry developments.
- We look forward to recruiting a qualified and experienced person to filling a vacant post.

The State Safety Programme was last reviewed in November 2023 and is available on the CAACI website. It is very much a new document and cannot yet be considered as fully implemented. ICAO's goal is for States to have an effective SSP by 2028 and the CAACI continues to work towards meeting that objective.

- Introduce an appropriate quality management system (QMS)



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 to enhance greater awareness of CAACI's credible regulatory regime with the ultimate goal of increasing subscribers to the aircraft registry and creating sustainable financial streams for the Authority. The signature aviation tradeshow that the CAACI normally exhibit at 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 in 2023.



AIRFINANCE JOURNAL RECONNECT

Members of our team attended the Air Finance Journal Conference which took place at the Convention Centre in Dublin, Ireland from the 17 – 18 January, 2023. The CAACI Irish based consultant and two technical surveyors had a busy 2-days meeting with many of our partners and making new connections in the aviation industry.



CAYMAN ISLANDS TRANSITIONS AIRCRAFT WORKSHOP (CITAW)

CITAW, a CAACI initiative is the first of its kind as a two-day event specifically focused on processes concerned with the registration and transition of leased aircraft. The agenda included topics specific to Continuous Airworthiness Maintenance Organisations (CAMOs), and included CAMO privileges, aircraft physical oversight arrangements, CAMO reporting, operational control, and general working arrangements. It was also an opportune time to meet with crucial industry representatives to ensure that the CAACI is developing policies to govern this emerging niche sectors of the aircraft registration market. Additionally, meetings were held with key aircraft lessors, legal and financial services firms domiciled in Dublin, which are also integral to the transitions market. Finally, the CAACI co-sponsored a charity evening networking event with our industry partners comprised of Lessors, CAMOs and other stakeholders in this sector.

CORPORATE JET INVESTOR (CJI) - Sponsor February 06 – 08, 2023

CJI London was another successful event with over 580 delegates! Our team, comprised of the Director-General and the Director of Finance & Compliance enjoyed being back in person with so many of our worldwide partners while making new connections. The Director-General participated in a panel discussion on Wednesday, which focused on the importance of Safety to Business Aviation with other professional colleagues from 2-Reg and ARGUS.



SHANNON INTERNATIONAL LEASING CONFERENCE (SILC) - Sponsor November 1 – 2, 2023

Shannon International Leasing Conference (SILC) was held in Shannon, Ireland November 1 – 2, 2023. SILC was sponsored by the CAACI and attended by our Irish based consultant and a UK-based Surveyor. As a part of the sponsorship package, the CAACI was afforded the opportunity to speak at the Fireside chat to help increase the awareness to possible transitions solutions. This was well attended by many of the lessors and stakeholders of the transitions market. There were various technical panel discussions that highlighted needs of this sector.



CORPORATE JET INVESTOR (CJI)

November 6 – 8, 2023

Corporate Jet Investor (CJI) Miami – November 06 – 08, 2023 which was attended by the Director-General.

EUROPEAN BUSINESS AVIATION CONVENTION & EXHIBITION (EBACE) – Exhibitor

May 23 – 25, 2023

European Business Aviation Convention & Exhibition (EBACE) tradeshow, which was held at the Palexpo Centre in Geneva, Switzerland over three (3) days. The primary objective was to promote the Cayman Islands Aircraft Registry (CIAR) as the offshore registry of choice for discerning owners and operators.

There continues to be a strategic partnership between the Civil Aviation Authority of the Cayman Islands (CAACI) and Cayman Enterprise City (CEC) that provides key elements required for the jurisdictional establishment for operators engaged in commercial operations offshore.

CAACI and CEC are jointly marketing the Cayman Islands to the aviation industry, promoting its robust regulatory environment, neutral tax status, sound legal and finance systems and first-world life style, touting it as the perfect domicile from which to operate a business aviation company. Clients that qualify are aircraft owners and brokers, technology companies and start-ups engaged in aviation research and development, the head offices of aviation industry businesses, aircraft manufacturing and repair businesses, and businesses that provide management consultancy and other specialized services to the aviation industry.

The industry continued its focus on innovation, sustainability, showcasing inclusion and excellence, exhibitors and attendees alike were keen to see the new technologies in this growing sector of the aviation market.



NATIONAL BUSINESS AVIATION ASSOCIATION – BUSINESS AVIATION CONVENTION & EXHIBITION (NBAA-BACE) – Exhibitor

October 17 – 19, 2023

National Business Aviation Association – Business Aviation Convention & Exhibition (NBAA-BACE) tradeshow held at the Las Vegas Convention Centre October 17 – 19, 2023. Like EBACE, the primary objective was to promote the Cayman Islands Aircraft Registry (CIAR) as the offshore registry of choice for discerning owners and operators. The Cayman Islands' delegation, jointly exhibiting with the CAACI, included Boddens Legal & Corporate firm and the Cayman Enterprise City. The Department of Tourism (DOT) and Maples law firm supplied general destination and legal materials pertinent to this target audience.

As the only foreign aircraft register in attendance, the CAACI represented one of more than 800 exhibitors that showcased stunning concepts, including the unmanned aircraft systems and advanced air mobility (AAM) vehicles in the Emerging Tech Pavilion from VoltAero, Wisk and other manufacturers developing such systems.

In addition to the one million plus square feet of exhibitions displayed at the convention hall, for the first time ever, electric air taxis soared over the static aircraft display at Henderson Executive Airport (HND), in demonstration flights each day by AAM pioneer Volocopter with its 2X multirotor personal air vehicle.



STAFFING AND HUMAN CAPITAL RESOURCES

As of 31 December 2023, the CAACI had a staff complement of 21 full-time staff (18 Caymanian, 1 PR and 2 WP) and one part-time employee (PR holder) at the head office and 13 overseas independent contractors. (6 in UK, 4 in Canada, 1 Germany, 1 Switzerland and 1 in Asia)

Recruitment - Two additional Technical Officers were recruited for the ASR division, and an Accounts Officer for the Finance and Compliance division.

TRAINING AND DEVELOPMENT

- The Deputy-Director General, Supervisor Finance & Compliance and Supervisor Economic Regulation attended the NBAA Leadership conference in Charlotte, North Carolina from February 27 – March 01. This included the NBAA Professional Development Program (PDP)
- A number of staff from the ASR, Finance and ER&A department attended various professional development training sessions offered by the Chamber of Commerce.
- Senior Managers and other staff attended the ILM Senior Leadership Conference provided by the Cayman Islands Civil Service College
- The Director ASR & Senior Flight Ops Inspector completed their Approved Check Pilot/Type Rating Evaluator Recurrent Courses.
- Staff from the ASR and ANSR divisions attended various technical training sessions and webinars during 2023 provided by Air Safety Support International (ASSI) specific to the UK Overseas Territories which ensures maintenance of technical competencies.
- One of the Dangerous Goods Inspectors completed his recurrent Dangerous Goods Training
- The Airworthiness Inspector completed various online training courses i.e. HF Certificate Maintenance Human Factors Continuation, Fuel Tank Safety/Critical Design configuration control Limitations and Electrical Wiring Interface System (EWIS) TG 1 and 2 Initial
- The FOI Manager and designate attended Ombudsman Training for Internal Complaints Managers/Officers
- The Deputy Director-General, HR Administrator and the

Supervisor Economic Regulations continue to participate in the UK OT training webinar that is conducted by ASSI each quarter. Staff completed their quarterly cyber security training which a requirement by IT to ensure that staff are kept up to date.

- The DANSR attended ATS Assessor Initial Training in St. Martin in March.
- Staff from the ANSR division also attended the ASSI 2023-03 Aerodrome OTAR Update in March which included: AN(OT)O and ATS OTAR 172 changes, Anguilla Airport Masterplan and AW Webinar - Technology Update - Future Air Navigation Systems (FANS).
- The Deputy Director - General completed the NIST Password Guidelines training
- The Deputy Director-General, Supervisor Economic Regulation and ER&A administrative assistant completed online ICAO course relative to the economic regulation sector.

During this period the CAACI awarded two 24 month contracts to the following:

- A janitorial contract to Ropers effective 1 August 2023
- A contract to Build Cayman effective 1 August 2023 for management of the CAACI property and building.

These contracts were awarded in compliance with the Procurement Act and show the CAACI's commitment to good governance and compliance with local legislation.

The CAACI is committed to doing its part for sustainable development and its strategic approach to environmental vigilance. An initiative in support of this commitment was the outfitting of solar panels to the new CAACI office building.

The installation of the solar system on the CAACI building was completed in the following:

Panel installation started: 06 March 2023

System connection: 20 July 2023

System Commissioned: 02 August 2023



LOOKING FORWARD TO 2024

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 technical 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 and wellness initiatives to maintain mental and physical well-being.
- 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
- Maintain our social media presence as we aim to lead through a modernised risk-based approach to regulatory oversight and enhance the aviation industry

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

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

Success indicators include – productive staff meeting the strategic objectives of the Authority; fulfilled employees optimising their performance and conduct; and accomplished cross-training and planning for succession to ensure business continuity.



2.2 FINANCIAL PERFORMANCE & ANALYSIS

GROWTH IN FINANCIAL PERFORMANCE – CAYMAN ISLANDS AIRCRAFT REGISTER

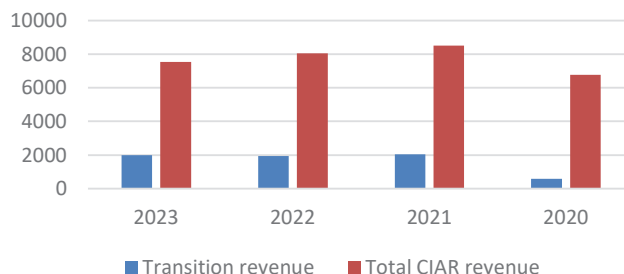
The Cayman Islands Aircraft Register (CIAR) contributed 7.5m (76%) of the Authority's overall revenue for the period. 2023 has shown that revenue has been reduced by approximately 6% due to a decline in private aircraft registrations. Of the 255 aircraft on the Register at the end of December, 69 were transition (27%), 146 private (57%) and 40 commercial (16%).

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 remained constant for 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 transition register continues to perform well, with total revenue of \$1.99 million for the period (\$2m in 2022).

Transition aircraft revenue growth
2020 through 2023



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 \$1.3 million over the 2006 fee was more in line with actual costs that would assigned to the oversight of the CIAA if the CAACI existed for only this purpose.

The new quarterly fee of \$325k was charged in the fourth quarter of 2022, and has continued to be charged in 2023 as per the directive from the Board of the CAACI. The CIAA and the CAACI are in discussion regarding the increase and the timing of the reinstatement of the fee, which has been reflected in bad debt expenses for the period, and remains in the allowance balance at the year-end.

CAACI FINANCIAL PERFORMANCE JAN 1 2019 THROUGH DEC 31 2023

The schedule below shows audited major line items of revenue and expense from 2019 through 2023. 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 most 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 2023
- Savings in expenses during the period are due to vacancies budgeted for not filled by year end, training, travel and business development planned but not undertaken
- 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. Prior to 2022 the Dividends payable to the CIG were unpredictable, as the payment was calculated based on Net Comprehensive Income. Due to the significant unrealized gain in 2022, it was agreed with the Financial Secretary to calculate the dividend payment based on 75% of Net Operating Income.

The Dividend policy has since been revised and with effect from the 2023 financial statements, dividend payments will be calculated based on 75% of Net Operating Income and will be paid to CIG by March 31 of the following year.



CAACI actual financial performance results 2023 compared to 2023 Ownership Agreement with the CIG

CAACI Financial performance Jan 2019 through Dec 2023										
	12 months ended Dec 31, 2023		12 months ended Dec 31, 2022		12 months ended Dec 31, 2021		12 months ended Dec 31, 2020		12 months ended Dec 31, 2019	
	2023 PY growth %	In C\$ ('000's)	2022 PY growth %	In C\$ ('000's)	2021 PY growth %	In C\$ ('000's)	2020 PY growth %	In C\$ ('000's)	2019 PY growth %	In C\$ ('000's)
Revenue										
Aircraft Registry (foreign and local)	-6.36%	7,549	-5.16%	8,062	25.72%	8,501	0.76%	6,762	6.54%	6,711
Aerodrome Regulatory Oversight (CIAA)	300.00%	1,300		325	-100.00%	-	-75.00%	250	0.00%	1,000
Operating Permits - foreign entities	15.69%	612	82%	529	27.75%	290	-43.95%	227	10.66%	405
Deposit Interest	674.24%	511	288%	66	-83.33%	17	-38.55%	102	53.70%	166
Total Revenue	11.02%	9,972	2%	8,982	20%	8,808	-11%	7,341		8,282
Total Expenses from operations										
	-1.21%	5,375	12.9%	5,441	5.58%	4,821	-4.12%	4,566	1.95%	4,762
Other operating expenses:										
Depreciation expense (IFRS 16 up to 2021)	-8.51%	215		235		139		193		191
Bad debt expense (IFRS 9 Expected credit loss)	-493.12%	1,637		276		101		213		70
Other miscellaneous expenses		-		-		4		9		14
Total expenses	21.42%	7,227		5,952		5,065		4,981		5,037
Net Income from Operations	-9.41%	2,745	-19.0%	3,030	58.60%	3,743	-27.27%	2,360	6.99%	3,245
Other comprehensive gains/(losses) (Post retirement plan valuations for DB plan members)										
	-79.09%	707		3,381		48		(1,156)		(701)
Net Comprehensive Income (NCI)		3,452	-23%	6,411	-23%	3,791	-23%	1,204	-32%	2,544
Dividend payments made to CIG by 31 March of subsequent year (75% of Unaudited NCI, with audit adjustments in subsequent year)										
		2,059		2,273		2,843		903		1,908

CAACI actual financial performance results 2023 compared to 2023 Ownership Agreement with the CIG

	31-Dec-23	31-Dec-23	Variance Over/(Under)	%	
	Actual (audited)	Original Ownership Agreement (OA) (submitted in Aug 2021)	Actual vs. Budget	Variance with original OA	Comments on variance (summarised)
	('000's)	('000's)	('000's)		
REVENUE					
Aircraft Registry (revenue from others)	7,206	7,169	37	0.52%	Forecasted revenue was just above forecast for revenue.
Aircraft Registry (revenue from CIG entities)	343	370	(27)	-7.30%	Cayman Airways, Police, MROU
Aerodrome Certification Fee (revenue from CIG entity)	1,300	-	1,300		Regulatory fee of 1.3m charged to CIAA for the period. Hiatus was given on fee from April 2020 through September 2022 due to Covid 19. Revenue from CIAA was not included in the original forecast completed in 2021 due to the uncertainty surrounding the pandemic.
Operating permits	612	300	312	104.00%	Increase in revenue relates to a very strong high tourism season (winter season). We are continuing to see an increase in the use of charters as a preferred means of travel. Fractional ownership, jet cards and shared ownership structures have made it more affordable to use this type of transport.
Deposit interest and other income	511	23	488	2121.74%	Increase in revenue relates to rise in interest rates from 0.05% to between 2.20% - 4.80% resulting in a significant increase in interest on CAACI fixed deposits.
Total Revenue from operations	9,972	7,862	2,110	26.84%	27%
EXPENSES					
Expenses (cash) from regular operations	5,073	5,556	(483)	-9%	Savings in personnel due to vacancies budgeted not filled by year end. Savings in Business development and Admin travel not undertaken as expected
Expenses (non cash) Depreciation and bad debt expense	1,852	98	1,754	1789.80%	Depreciation on new building, includes bad debt expenses for CIAA fee of 1.625m not forecasted
Expenses (non cash) service costs due to retirement plan valuations	302	-	302		Never included in forecast as difficult to estimate.
Total Expenses	7,227	5,654	1,573	27.82%	
Net Income from operations	2,745	2,208	537	24.32%	
Other comprehensive gains/(losses):					
As per actuarial valuations for year ending 31 December 2023:					
Remeasurement of defined benefit pension obligation: gain/(loss)	364	(250)	614		Amounts always difficult to estimate. There can be high gains and losses from year to year.
Remeasurement of post-retirement healthcare obligation: gain/(loss)	343	(250)	593		
Total Comprehensive Net Income	3,452	1,708	1,744	102.11%	

NET OPERATING INCOME

Net operating income of over \$2.7 million was achieved which is \$537k (24%) over budgeted amount. This is due to a surplus in revenue over forecast of \$2 million (resulting from the reinstatement of the CIAA fees, increase in operating permits and interest rates), and savings in total controllable expenses of \$483k.

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 is 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, have been shown separately to accommodate further expenditure including additional projects such as the installation of solar panels (2022), parking barriers (2023) and the installation of hurricane shutters. The project has come in at 561k under budget to date.

Jan 2017 to December 2023 \$'000	Total Budget 2017-2023 \$'000	Amount spent through December 2023	Amount unspent on project budget at end of December 2023		Comments
OFFICE ACCOMMODATION PROJECT					
583	583	-	-	Land for Office Complex	99 year lease between CLAA and CAACI signed 11 May 2016; purchased January 2018, including demolition and site preparation
3,396	3,917	8	521	New office accommodation – Airport Rd (Old CAL Building)	The total includes \$105k paid to Green Tech Solar in 2022 for the installation of solar panels. A 50% deposit was paid in 2023 for a security system for the parking lot, the remaining balance was paid in the first quarter of 2024 at the completion of the installation. Management is currently seeking quotes for Hurricane shutters for the main doors which will be deducted from the remaining budget in the 2024 period.
299	300	1	1	Furniture & fixtures	The amount spent in the year relates to payments made to Workplace Environments for glass frameless screens - further privacy on a cubicle
61	100	-	39	Office Equipment	New equipment to be installed for new building. All such new equipment has been purchased. All office equipment purchased in 2023 are replacements of current equipment and are described in Computer Hardware & Office Equipment below.
3,756	4,317	9		Total Office Accommodation 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)
OTHER CAPITAL EXPENDITURE					
12 m/o December 2023 Actual \$'000	full (12 mth) 2023 Budget \$'000	Amount unspent in 2023 budget at end of December 2023			Explanation of actual
29	36	7		Computer Hardware & Office Equipment	New laptops/replacement computers purchased, Server, Ricoh photocopier replacing Xerox brought from old office, new ID system and drone.
20	37	17		Developed software (BIC)	\$10k - Database design to accommodate VP-C & the new functionality that will be in the next release (VP-C powered by TailMark). \$10k - analysis and design for restructuring VP-C specific workflows and data.
16	52	36		Licensed software (off the shelf)	Adobe In Design (1), Palo Alto Firewall (2k), Quickbooks Renewal 2023 (5k), Blue Bison HR Software (6k), Microsoft CSP Veio Standard 2021 Perpetual License (1)
89	0	(89)		Motor Vehicles	Purchase of Toyota Rav (29k) and Chevrolet Silverado (60k)
154	125	(29)		Total Other Capital Expenditure	
3,910	4,442	(20)		Total Capital Expenditure	

Results of Financial Position at December 2023 vs Ownership Agreement

	Actual audited at 31 Dec 2023	Forecast per OA	Difference	Explanation for difference
Total Assets:				
Cash and short term deposits	16,275	13,708	2,567	Overage in cash includes amount underspent on new office accomodation and increase in net operating income over budget
Trade and other receivables	986	1,763	(777)	Endeavours to reduce AR at year end are evident
Total Current Assets	17,261	15,471	1,790	
Other Non-current assets	8	-	8	
Capital Assets	4,056	4,381	(325)	Includes underspend on new office accomodation and accelerated depreciation expense for components of building (forecasted at 40 years depreciation)
Defined benefit pension asset	445	-	445	Reflects a net asset on pension fund after transfer out of liability for retired employees.
Total non-current assets	4,509	4,381	128	
Total Assets	21,770	19,852	1,918	
Total Liabilities:				
Total current liabilities	1,010	860	150	Overage is largely customer credit balanced accounts of \$157k and accrued expenses of \$197k
Dividends payable to CIG	2,059	1,281	778	Dividend Payable is based on 75% of net operating income.
Total current liabilities	3,069	2,141	928	
Non-current liabilities (staff retirement obligations)	3,039	7,332	(4,293)	Liabilities determined by actuarial valuations of the funded DB pension plan and the unfunded post-retirement healthcare plan. There are 5 active staff members on these plans, the associated amounts are difficult to forecast.
Total Liabilities	6,108	9,473	(3,365)	
Net Worth	15,662	10,400	5,283	Includes significant unrealised gain estimated on DB post retirement plan
Cash Flows from Operating activities	3,530	2,306	1,224	Due to increase in revenue over forecast, less receivables, decrease in payables
Cash used in investing Activities	193	(53)	246	Includes 376k for increase in short-term deposits and 235k for purchase of Capital Assets including two new CAACI vehicles.
Cash used in Financing Activities	(2,839)	(1,281)	(1,558)	2022 Dividend payment to CI Government
FINANCIAL PERFORMANCE RATIOS				
Return on Investment	13%	7%	5%	An ROI over 10% is considered very healthy
Net Operating Income	2,745	1,359	1,386	Internal corrected budget was used for comparison
Total Assets	21,770	18,684	3,086	increase in cash over expected
Current Assets : Current Liabilities	562%	724%	-162%	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	356%	210%	146%	on target
Number of Key Management Personnel (Board)	8	8		on target
Number of Key Senior Management	5	5		on target

FINANCIAL PERFORMANCE 2023 : 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	At 31 January 2022, we saw the highest number of aircraft on the CI Register at 322 aircraft. However, by 31 December 2022 there were 281 aircraft on the CI Register. This represents a decrease of 13% in registered aircraft for the year 2022. This downward trend continued in the year 2023. There was a decrease in the number of aircraft on the registry from 281 (2022) to 255 (2023). 69 were transition (27%), 146 private (57%) and 40 commercial (16%).	There was a net loss of 16 private aircraft for the period, with 12 new registrations and 28 de-registrations, a net loss of 4 for lessor transition registrations and 9 commercial de-registrations. Lessor project fees accounted for 26% of Aircraft Registry Revenue for 2023.
Levels of industry self-sufficiency/ Annual Net Income	Net Income from operations exceeded forecast by 24%.	The targeted net income was achieved with significant overage over forecast. Although we have seen a shortfall in revenue from the Registry during the year indicating that competition with other international aircraft registers for market share is increasing. Total revenue was above projections, as revenue from operating permits and bank interest exceeded original projections. 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 2023 is \$483k (9%) less than forecasted	The savings in expenses relate to personnel costs due to vacant positions, associated training and Business Development travel budgeted but not undertaken. 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 was 1 audit issue raised in the 2022 audit which does not affect financial performance forecast in the Ownership Agreement for 2023. The CAACI is working to resolve the matter prior to the completion of the 2023 audit. The CAACI works diligently 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 AND ABBREVIATIONS

ACRONYM

DESCRIPTION

ABACE	Asian Business Aviation Convention & Exhibition
AN(OT)O	Air Navigation (Overseas Territories) Order
ANSR	Air Navigation Services Regulation
AOC	Air Operator Certificate
ASR	Air Safety Regulation (Division)
ASSI	Air Safety Support International
ATLA	Air Transport Licensing Authority
CAA	Civil Aviation Authority
CAACI	Civil Aviation Authority of the Cayman Islands
CIAA	Cayman Islands Airports Authority
CIAR	Cayman 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



Audited Financial Statements
For the year ended 31 December 2023

Civil Aviation Authority of the Cayman Islands
Financial Statements
For the year ended 31 December 2023
Stated in Cayman Islands Dollars

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Civil Aviation Authority of the Cayman Islands
Statement of Responsibility
For the year ended 31 December 2023

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 2023 and the comprehensive income and cash flows of the Civil Aviation Authority of the Cayman Islands for the financial year ended 31 December 2023.

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 2023;
- b) Fairly reflect the financial position as at 31 December 2023 and its comprehensive income for the year ended 31 December 2023; 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 2024



Ian Pairaudeau (Mr)

Chairman of the Board of Directors

Date: 30 April 2024

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 2023, 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 2023, 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 International Standards on Auditing.

Emphasis of Matters

As outlined in note 18 of the financial statements, The Public Authorities Act (2020 Revision), *Section 47 – Terms and conditions and remuneration of staff*, came into effect at 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries and benefits. There is a difference of opinion between the Authority and the Cayman Islands Government as to whether there is an agreed salary scale which means that this requirement has not been implemented yet and consequently the financial impact is not reflected in these financial statements. My opinion is not modified in respect of this matter.

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.



Sue Winspear, CPFA
Auditor General

30 April 2024
Cayman Islands

Civil Aviation Authority of the Cayman Islands
Statement of Financial Position
As at 31 December 2023
Stated in Cayman Islands Dollars

	Note	2023	2022
Assets			
Current assets			
Cash and cash equivalents	4(a)	3,258,537	2,374,830
Short-term deposits	4(b)	13,016,596	13,366,774
Trade and other receivables	5	986,151	1,294,574
Total current assets		17,261,284	17,036,178
Non-current assets			
Other Non-current assets	6	8,410	8,410
Capital assets	7	4,055,823	4,114,449
Defined benefit pension asset	11(a)	445,000	120,000
Total non-current assets		4,509,233	4,242,859
Total Assets		21,770,517	21,279,037
Liabilities and Equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	732,528	726,247
Contract liabilities	9, 2(g)	278,051	325,292
Dividend payable to Cayman Islands Government	10(a)	2,058,598	5,375,026
Total current liabilities		3,069,177	6,426,565
Non-current liabilities			
Post-retirement healthcare obligation	11(b)	3,039,000	3,119,000
Total non-current liabilities		3,039,000	3,119,000
Total Liabilities		6,108,177	9,545,565
Equity		15,662,340	11,733,472
Total Liabilities and Equity		21,770,517	21,279,037

Approved for issuance on behalf of Civil Aviation Authority of the Cayman Islands on 30 April 2024.

 (Director General)

 (Director of Finance & Compliance (Designate))

The accompanying notes on pages 8-29 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 2023
Stated in Cayman Islands Dollars

	Note	2023	2022
<u>INCOME</u>			
Aircraft registry			
Air safety regulation and certification fees	12 (a)	6,703,987	7,294,816
Surveyor fees and net reimbursable expenses	12 (c)	844,867	767,206
Total aircraft registry income		7,548,854	8,062,022
Other income			
Aerodrome oversight fees	12 (b)	1,300,000	325,000
Aircraft operating permits	12 (d)	612,100	529,020
Other income	12 (e)	510,836	65,580
Total other income		2,422,936	919,600
Total income		9,971,790	8,981,622
<u>EXPENSES</u>			
Operating expenses			
Personnel costs	13 (a)	3,120,051	3,475,744
Office administration and business development	13 (b)	780,620	721,749
Professional and licensing fees	13 (c)	1,266,456	1,127,765
Travel – official, training and administrative	13 (d)	207,934	115,999
Total operating expenses		5,375,061	5,441,257
Other expenses			
Depreciation expense – Capital assets	7	215,357	234,612
Bad debt expense	5	1,636,574	276,407
Total other expenses		1,851,931	511,019
Total expenses		7,226,992	5,952,276
Net income for the year		2,744,798	3,029,346
Other comprehensive income			
Re-measurement of defined benefit pension obligation	11 (a)	364,000	1,491,000
Re-measurement of post-retirement healthcare obligation	11 (b)	343,000	1,890,000
Total comprehensive income		707,000	3,381,000
Total comprehensive income for the year		3,451,798	6,410,346

The accompanying notes on pages 8 -29 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 2023
Stated in Cayman Islands Dollars

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Net operating income for the year	2,744,798	3,029,346
Adjustments for:		
Depreciation expense	215,357	234,612
Decrease in trade and other receivables	308,423	357,273
Increase in accounts payables and accrued liabilities	6,281	134,492
Increase / (Decrease) in contract liabilities	(47,241)	11,458
Movement in operating income for defined benefit obligation (pension & health) service and interest costs	302,000	512,000
Net cash from operating activities	<u>3,529,618</u>	<u>4,279,181</u>
Cash flows from investing activities		
Decrease/(Increase) in short-term deposits	350,178	(4,985,551)
Purchase of capital assets	(156,734)	(201,615)
Net cash used in investing activities	<u>193,444</u>	<u>(5,187,166)</u>
Cash flows used in financing activities		
Dividends paid	(2,839,355)	(2,276,020)
Net cash used in financing activities	<u>(2,839,355)</u>	<u>(2,276,020)</u>
Net (decrease) / increase in cash and cash equivalents	883,707	(3,184,005)
Cash and cash equivalents at beginning of the year	<u>2,374,830</u>	<u>5,558,835</u>
Cash and cash equivalents at end of the year	<u><u>3,258,537</u></u>	<u><u>2,374,830</u></u>

The accompanying notes on pages 8-29 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 2023
Stated in Cayman Islands Dollars

	Note	<u>2023</u>	<u>2022</u>
Balance at beginning of the year		11,733,472	10,130,808
Net operating income for the year		2,744,798	3,029,346
Other comprehensive gain	11 (a) (b)	707,000	3,381,000
Dividend adjustment	10 (a)	<u>477,070</u>	<u>(4,807,682)</u>
Balance at end of the year		<u>15,662,340</u>	<u>11,733,472</u>

The accompanying notes on pages 8-29 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 2023
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 21 full time employees as at 31 December 2023 (2022: 24).

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 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, amendments and interpretations issued but not effective for the financial year beginning 1 January 2023 and not adopted early:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Insurance contracts (Amendments to IFRS 17)
- 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 Authority for the year ended 31 December 2023 and have neither been applied nor early adopted in preparing these financial statements.

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

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2023
Stated in Cayman Islands Dollars

2. Significant Accounting Policies (continued)

c) Capital assets

Capital assets (property, equipment, and intangible assets) 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.
- 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 as at 31 December 2023.

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.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2023
Stated in Cayman Islands Dollars

2. Significant Accounting Policies (continued)

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.

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.

j) Employee benefits

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

(i) Pension obligations

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

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

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2023
Stated in Cayman Islands Dollars

2. Significant Accounting Policies (continued)

j) Employee benefits (continued)

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), pegged to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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

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

(ii) Post-employment healthcare plan

Certain employees are eligible for post-employment healthcare under the 1987 CIG General Orders and the 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.

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 11.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2023
Stated in Cayman Islands Dollars

4. Cash and cash equivalents and short-term deposits

	2023	2022
a) Cash and cash equivalents		
Cash on hand	1,330	1,009
Current and call accounts	<u>3,257,207</u>	<u>2,373,821</u>
Total cash and cash equivalents	3,258,537	2,374,830
b) Short-term deposits		
Fixed Deposits	<u>13,016,596</u>	<u>13,366,774</u>
Total cash and cash equivalents and short-term deposits	<u><u>16,275,133</u></u>	<u><u>15,741,604</u></u>

Current and call account holdings are:

	2023	2022
- Cayman National Bank	3,178,706	2,255,100
- Bank of Butterfield	58,866	38,911
- NatWest UK (GBP 18,509)	19,636	79,811
<i>(Exchange Rate of GBP to KYD 0.94263)</i>		

Fixed deposit holdings are:

- Cayman National Bank	10,722,876	11,139,787
- Cayman Islands Government	2,293,719	2,226,987

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 2023
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 2022 and 30 September 2023 and the actual cash collection dates of these invoices to determine a historical collection profile by ageing category.

The amount uncollected is used to determine the loss rate by aging category. This is then applied to the aged trade receivables as at 31 December 2023 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 2023	Ageing balance of receivables at 31 December 2023	Expected credit loss at 31 December 2023	Ageing balance of receivables at 31 December 2022	Expected credit loss at 31 December 2022
0-30	6.6%	562,467	37,229	910,067	20,991
31-90	23.5%	316,027	74,274	444,857	24,827
91-180	63.1%	199,928	126,203	185,755	25,661
181-365	88.7%	193,250	171,466	59,190	20,055
Over 365	100%	35,855	35,855	35,107	35,107
Full provision for CIAA	100%	1,625,000	1,625,000		325,000
Total Trade Receivables		2,932,527	2,070,027	1,634,976	451,641

The \$1,625,000 in relation to the CIAA Aerodrome oversight fee has been separated from the remaining Accounts Receivable and provided for at 100%.

	2023	2022
Trade accounts receivable	2,932,527	1,634,976
Other receivables	123,651	111,239
Allowance for doubtful accounts	(2,070,027)	(451,641)
Trade and other receivables (net)	986,151	1,294,574

Of the total trade accounts receivable outstanding at 31 December 2023, \$1,625,000 (2022: \$325,000) 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 as the Bad Debt Expense. \$80,959 (2022: \$84,652) was due from Cayman Airways Limited, \$2,500 (2022: \$2,500) from the Mosquito Research & Control Unit, and \$4,500 (2022: 11,650) from the Royal Cayman Islands Police Service. The Cayman Islands Airports Authority, Cayman Airways Limited, Mosquito Research & Control Unit, and the Royal Cayman Islands Police Service are related parties of the Authority.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2023
Stated in Cayman Islands Dollars

5. Trade and other receivables (continued)

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

	2023	2022
Opening allowance for doubtful accounts	<u>451,641</u>	<u>412,724</u>
(Decrease) / increase in allowance:		
Bad Debt Expense in relation to CIAA Aerodrome Oversight Fees	1,300,000	325,000
Movement in Expected Credit Loss Provision	352,726	(46,769)
Bad debt recovery	<u>(16,152)</u>	<u>(1,824)</u>
Bad debt expense (net)	<u>1,636,574</u>	<u>276,407</u>
Write off of customer balances previously provided for in allowance	<u>(18,188)</u>	<u>(237,490)</u>
Closing allowance for doubtful accounts	<u>2,070,027</u>	<u>451,641</u>

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 2023, receivables of \$745,060 (2022: \$724,909) were considered past due (over 30 days). \$34,000 of the outstanding balance over 365 days relates to two aircraft accounts in jeopardy. The remaining balance relates 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. Other Non-Current Assets

Other Non-Current Assets relates to the Caribbean Utilities Company (CUC) deposit paid for electricity when the Authority moved into the new office building in 2022.

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2023
Stated in Cayman Islands Dollars

7. Capital Assets

Property Plant and Equipment	Furniture & Fixtures	Computer Hardware	Office Equipment	Land	Office Building	Vehicles	Assets Under Construction	Total
Historical cost of assets:								
As at 1 January 2022	291,237	83,079	62,736	582,693	3,188,487	71,754	-	4,279,986
Additions	7,281	17,886	11,457	-	199,603	-	-	236,227
As at 31 December 2022	298,518	100,965	74,193	582,693	3,388,090	71,754	-	4,516,213
Additions	976	14,400	17,167	-	-	88,580	7,961	129,085
Transfers	-	-	-	-	(1,797)	-	-	(1,797)
Disposals	-	-	-	-	-	(71,754)	-	(71,754)
As at 31 December 2023	299,494	115,365	91,360	582,693	3,386,293	88,580	7,961	4,571,747
Accumulated depreciation:								
Brought Forward, as at 1 January 2022	13,490	64,963	13,587	-	70,059	71,754	-	233,853
Charge for period	29,712	13,464	13,329	-	169,460	-	-	225,965
As at 31 December 2022	43,202	78,427	26,916	-	239,519	71,754	-	459,818
Charge for year	29,933	15,844	16,651	-	142,260	7,380	-	212,068
Disposals	-	-	-	-	-	(71,754)	-	(71,754)
As at 31 December 2023	73,135	94,271	43,567	-	381,779	7,380	-	600,132
Net book value as at 31 December 2022	255,316	22,538	47,277	582,693	3,148,571	-	-	4,056,395
Net book value as at 31 December 2023	226,359	21,094	47,793	582,693	3,004,514	81,200	7,961	3,971,615

Civil Aviation Authority of the Cayman Islands
Notes to the Financial Statements
For the year ended 31 December 2023
Stated in Cayman Islands Dollars

7. Capital Assets (Continued)

Intangible Assets	Computer Software	Assets Under Construction	Total
Historical cost of assets:			
As at 1 January 2022	237,993	-	237,993
Additions	19,804	43,165	62,969
Transfers	(54,415)	-	(54,415)
Disposals	-	-	-
As at 31 December 2022	203,382	43,165	246,547
Additions	34,341	29,850	64,191
Transfers	(34,750)	-	(34,750)
Disposals	(55,219)	-	(55,219)
As at 31 December 2023	147,754	73,015	220,769
Accumulated depreciation:			
Brought Forward, as at 1 January 2022	179,844	-	179,844
Charge for period	8,647	-	8,647
Transfers	-	-	-
Disposals	-	-	-
As at 31 December 2022	188,491	-	188,491
Charge for year	11,923	-	11,923
Transfers	(8,634)	-	(8,634)
Disposals	(55,219)	-	(55,219)
As at 31 December 2023	136,561	-	136,561
Net book value as at 31 December 2022	14,891	43,165	58,056
Net book value as at 31 December 2023	11,193	73,015	84,208

8. Accounts payable and accrued liabilities

	2023	2022
Accrued employee incentive awards	180,311	215,355
Accrued expenses	192,119	220,373
Accounts payable	195,905	176,637
Customer deposits on account	157,175	110,842
Other payables	<u>7,018</u>	<u>3,040</u>
Total accounts payable and accrued liabilities	<u>732,528</u>	<u>726,247</u>

9. 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 2023 is \$278,051 (2022: \$325,292).

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10. 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.

Due to the high unrealised gain from the retirement plan actuarial valuations, which exceeded net income for 2022, it was agreed with the Financial Secretary on 10 July 2023, to make the dividend payment based on Net Operating Income (paid on Net Comprehensive Income in prior years), reflected below as “Adjustment to dividend payment calculation”.

A new Directive was issued on 23 February 2024 confirming that with effect from the 2023 financial statements, the annual dividend payment will be 75% of the annual Net Operating Income.

As at 31 December 2023 a total of \$2,058,598 (2022: \$5,375,026) was payable to the CIG as detailed below:

	2023	2022
Brought forward dividends payable	5,375,026	2,843,364
Dividends paid during the year	(2,839,355)	(2,276,020)
Adjustment to dividend payment calculation	(2,535,671)	-
Dividend payable on comprehensive income	2,058,598	4,807,682
Total Dividend Payable	2,058,598	5,375,026

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10. 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 (Designate) and the Director of Air Safety Regulation. Total salary and employee benefits for these six employees expensed in the year ended 31 December 2023 amounted to \$1,045,479 (2022: \$1,081,832). During the year, the Director of Finance and Compliance resigned on 30 September 2023. The post has been filled by a designate post holder, effective from 1 October 2023. The total amount paid out for the 2022 performance incentive award for key employees and settled prior to year-end was \$76,482.

The Deputy Director-General, Economic Regulation and Administration, Director of Air Navigation Services, and Director of Finance and Compliance (Designate) have the benefit of having an additional 6.4% 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. During the year, the Authority sold a vehicle at market value of \$10,150 to the Director-General, and purchased a replacement vehicle of \$59,900 for the Director General. 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 2023 this amounted to \$6,671 (2022: \$9,568) for all key employees.

	2023	2022
Base salary	736,583	772,979
Pension	48,731	60,015
Medical coverage	131,000	112,108
Accrued vacation leave	57,761	55,976
Fuel allowance	2,313	3,456
Performance incentive award (estimated and unpaid)	69,091	77,298
Total key employee benefits	1,045,479	1,081,832

(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 2023/24 is \$85,876 and invoiced quarterly at \$18,143 (\$19,334 in 2022) for the support service for the use of the UK Aviation Safety Regulations which is regulated by Air Safety Support International (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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11. 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 2023 the amount of \$65,060 (2022: \$74,054) was contributed by the Authority.

ii. Defined benefit plan

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

	Present value of obligation \$’000	Fair value of plan assets \$’000	Net liability/ (asset) (\$’000)
As at 31 December 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)

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11. Post-retirement benefits (continued)

(a) Pensions

	Present value of obligation \$'000	Fair value of plan assets \$'000	Net liability/ (asset) \$'000
As at 31 December 2022	2,941	(3,061)	(120)
Current service cost	71	-	71
Interest expense/(income)	157	(165)	(8)
	228	(165)	63
Re-measurements:			
- Return on plan assets	-	(438)	(438)
- Gain from changes in financial assumptions	74	-	74
- Loss on changes in demographic assumptions	-	-	-
	74	(438)	(364)
Contributions:			
- Employers	-	(24)	(24)
- Plan participants	23	(23)	-
Payments from plan:			
- Benefit payments	-	-	-
- Transfer between other participating employers	-	-	-
- Administrative expenses	-	-	-
As at 31 December 2023	3,266	(3,711)	(445)

	2023 \$'000	2022 \$'000
Statement of Financial Position:		
Defined benefit obligation at end of period	3,266	2,941
Fair value of plan assets at end of period	(3,711)	(3,061)
(Asset) / Liability in the Statement of Financial Position	(445)	(120)

The principal actuarial assumptions at the date of valuation:

	2023 %	2022 %
1. Discount Rate	5.15	5.40
2. Rate of salary increase	4.00	5.00
3. Rate of price inflation	2.50	4.00
4. Rate of pension increase	2.50	4.00
5. Post-employment mortality table – 2023: RP-2014 scaled back to 2006 using MP-2014 then projected on a generation basis using scale MP-2021 (2022: RP-2014 scaled back to 2006 using MP-2014 then projected on a generation basis using scale MP-2020).		

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11. Post-retirement benefits (continued)

(a) Pensions

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 2023 and 31 December 2022 to changes in the weighted principal assumptions is:

Impact on defined benefit obligation 2023			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.52%	Increase by 3.74%
Inflation rate	0.25%	Increase by 3.89%	Decrease by 3.70%
Mortality*	10%	Decrease by 1.87%	Increase by 2.05%

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 3.77%	Decrease by 3.60%
Mortality*	10%	Decrease by 1.84%	Increase by 1.94%

* As at 31 December 2023 the assumed life expectancy of a person retiring today at age 57 is 28.78 (2022: 28.69).

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:

	2023	2022
Global Equities	81%	81%
Debt Securities	18%	18%
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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11. Post-retirement benefits (continued)

(a) Pensions

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 14.3 and 14.67 years (2022: 14.97 and 15.08 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% (2022: 5%). Other significant assumptions include:

- a. Mortality rates – 2023: RP-2014 Mortality Table (2022: RP-2014 Mortality Table).
- b. Mortality improvement scale – 2023: Scale MP-2021 (2022: Scale MP-2021).
- c. Discount rate assumption 2023: 5.15% (2022: 5.38%)

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 2023 and 31 December 2022 to changes in the weighted principal assumptions is:

Impact on obligation 2023			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.6%	Increase by 4.9%
Healthcare cost trend rate	0.25%	Increase by 21.1%	Decrease by 16.6%
Mortality	10%	Not applicable	Decrease by 3.6%
Impact on obligation 2022			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.3%	Increase by 4.6%
Healthcare cost trend rate	0.25%	Increase by 19.7%	Decrease by 15.6%
Mortality	10%	Not applicable	Decrease by 3.4%

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11. Post-retirement benefits (continued)

b) Post-retirement healthcare benefits (continued)

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

	Present value of obligation ('S000)
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
Operating expenses:	
- Current service cost	141
- Interest expense	168
	309
Re-measurements:	
- Loss from change in demographic assumptions	70
- Gain from change in financial assumptions	(369)
- Experience losses	(44)
	(343)
Employer direct benefit payments	(46)
As at 31 December 2023	3,039

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12. Revenue

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

These fees represent the main operational revenue of the Authority, which is generated from all aircraft on the Cayman Islands Aircraft Register. Each document that is issued by the Air Safety Regulations department is associated with a fee which is governed by Air Navigation (Fees) Regulation (2010) Amendment approved by Cabinet in November 2010. There are thirty-one (31) sections in this Act 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 2023, \$311,983 (2022: \$313,035) was invoiced to Cayman Airways Limited, \$21,500 (2022: \$22,500) to the Mosquito Research & Control Unit, and \$9,750 (2022: 12,900) to the Royal Cayman Islands Police Service. Cayman Airways Limited, Mosquito Research & Control Unit, and the Royal Cayman Islands Police Service are related parties of the Authority.

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12. 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 CIAA, CAA waived the fee due from CIAA of \$750,000 for January through September 2022. In June 2022 CAA advised CIAA of a new annual fee of CI\$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, and \$1,300,000 for the year ended 2023. CIAA is currently disputing the reinstatement of the fee, the full outstanding amount 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 2023, a fee of \$250 (2022: \$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:

	2023	2022
Surveyor fee billings	844,962	767,206
Survey reimbursable billings	417,794	61,863
Reimbursable expenses paid	(417,794)	(61,863)
Surveyor fees & net reimbursable expenses	844,962	767,206

During the financial years ended 31 December 2023 and 2022, 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.

	2023	2022
Aircraft Operating Permits	612,100	529,020

(e) Other income

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

	2023	2022
Interest income	510,836	65,580
Total other income	510,836	65,580

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13. Expenses

Operating expenses	2023	2022
a) Personnel costs		
Salaries/performance incentive expenses	2,253,070	2,414,149
Medical insurance and expenses	428,901	392,748
Pension (including DB plan service costs)	175,080	263,847
Post-employment healthcare service costs Note 10(b)	263,000	405,000
Total personnel costs	3,120,051	3,475,744
b) Office administration and business development		
General office administration expenses	545,438	463,648
Rental expenses	7,168	6,897
Training	24,876	83,613
Business development expenses	197,246	163,083
Board of Directors expenses	5,892	4,508
Total office administration and business development	780,620	721,749
c) Professional & licensing fees		
Overseas contractors' fees	792,631	763,704
Air Safety Support International (ASSI)	85,876	72,345
Work permit fees	42,790	40,910
Insurance expenses	98,106	85,121
Audit and other professional fees	199,822	115,915
Professional dues and subscriptions	7,855	7,216
AAIB retainer fee	35,710	35,707
Legal fees	3,666	6,847
Total professional & licensing fees	1,266,456	1,127,765
d) Travel – official, training and administrative		
Travel – business development	94,156	53,970
Travel – administration and training	113,778	62,029
Total travel – official, training and administrative	207,934	115,999
Total operating expenses	5,375,061	5,441,257

Of the total expenses at 31 December 2023, \$42,790 (2022: \$40,910) was paid to Cayman Islands Government (WORC), \$45,977 (2022: \$37,022) to the Ministry of Finance and Economic Development, nil (2022: \$7,803) to Cayman Airways, and \$75,000 (2022: 7,000) to the Office of the Auditor General.

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14. Financial instruments risk

Liquidity risk

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

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

The undiscounted cash flows payable by the Authority under financial instruments with contractual maturities of less than 1 year at 31 December 2023 are as follows:

Accounts payable and accrued liabilities \$732,528 (2022: \$726,247)

Dividend payable \$2,058,598 (2022: \$5,375,026)

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 2023 are Cayman Islands Airports Authority with approximately 53% (2022: 24%), of total outstanding balances and Cayman Airways 3% (2022: 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% (2022: 0.10%) and 4.60% (2022: 4.30%) per annum in the year ended 31 December 2023. There are two accounts held at NatWest Bank in the UK, an operating account and a credit card account for 2 (2022: 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, \$17,391 (2022: \$17,814) was held as a deposit with NatWest Bank. This deposit earns 1% interest per annum. As at 31 December 2023, there is also a US Dollar fixed deposit held with CIG Treasury. The amount is \$2,293,719 (2022: \$2,226,987 for six months to a rate of 4.95% and matures on 26 January 2024. Management believes that a reasonable possible change in interest rates would not have a material impact on the Authority's net income.

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.

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14. Financial Instruments Risk (continued)

Fair values

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

15. Capital management

The Authority's objectives when managing capital are to safeguard its ability to continue as a going concern in order to fulfil its responsibilities as outlined in Note 1 for stakeholders and, as further discussed in Note 10(a), to make an annual payment into the general revenue of the CIG. The Authority is not subject to externally imposed capital requirements.

16. Commitments

During 2023, the Authority entered into several agreements with professional service contractors. These services range from aviation safety inspectors, accounting services, IT and other professional consultancy services.

Commitments					
	2024	2025	2026	2027	2028
Overseas Contractor Fees	631,552	146,350	-	-	-
Accounting services	40,000	-	-	-	-
IT-related	337,303	296,360	296,360	296,360	296,360
Other professional consultancy	50,000	-	-	-	-
Total	1,058,855	442,710	296,360	296,360	296,360

17. Reclassification of prior year presentation

Certain amounts have been reclassified for consistency with the current year presentation. These reclassifications have no effect on the reported results of the Authority.

Reclassifications have been made to personnel costs, professional and licensing fees, trade and other receivables, capital assets and other non-current assets.

18. Contingent liabilities

Section 47 of The Public Authorities Act (the "PAA")

Section 47 of the PAA came into effect on 1 June 2019. The section requires public authorities to use the same salary scale as determined by Cabinet and requires remuneration of employees of a public authority to be adjusted to reduce any differences between the public authorities' and Cabinet approved salary grades.

As there are currently no Cabinet approved salary grades for public authorities, the CAACI is unable to conduct an exercise to evaluate the Authorities' salary grades versus that of the Cabinet approved salary grades. As such, management could not adjust for the impact of section 47 of the PAA in these financial statements. Management is also unable to derive an estimate of the potential impact of such an evaluation of its financial statements and therefore no resultant provisions have been made in these financial statements.

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For the year ended 31 December 2023
Stated in Cayman Islands Dollars

18. Contingent liabilities (continued)

Liability to the Cayman Islands Government – Compliance with the Public Authorities Act, (2020 Revision)

The Authority is required to comply with The Public Authorities Act, (2020 Revision), (the “PAA”). Section 36(1) of the PAA requires public authorities to pay an annual capital charge for the use of equity invested by the Government in the Office. The capital charge is set by the Minister of Finance and Economic Development (“the Ministry”) after consultation with the public authority’s board. There is no capital charge payable for 2023 (2022: \$0) because the rate for the 2023 financial year was set at 0%. Going forward, the Office may be required to pay a capital charge in accordance with the PAA for future equity investments by the Government.

Under Section 39(2) of the PAA, any surplus cash exceeding three months’ reserve should be paid to the Cayman Islands Government, unless directed otherwise by Cabinet, after consultation with the Board. The Cabinet has granted the exemption to public authorities from paying over surplus cash reserves as at 31 December 2023.

19. 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.