Cayman Airways

Annual Report
2023

Those who fly us, love us!

Cayman Airways Annual Report
2023 Financial Year

Contents

Chairman of the Board Message

Board Chairman
of Cayman Airways Limited, Dr John-Paul Clarke

It is with great pride and optimism that I present the 2023 Annual Report for Cayman Airways. This year has been a transformative period, showcasing the resilience, adaptability, and commitment of our national airline to its mission of connecting the Cayman Islands with the world while promoting economic growth and national pride.

Despite persistent global challenges such as fluctuating oil prices and rising operational costs, Cayman Airways has achieved remarkable milestones. We surpassed pre-pandemic passenger volumes, transported over 2,000 tons of cargo, and expanded our network with new routes, including the successful launch of services to Los Angeles and Panama. These accomplishments underscore our strategic focus on enhancing connectivity and supporting the Cayman Islands' economic and tourism objectives.

The Board remains steadfast in its commitment to ensuring the long-term sustainability of Cayman Airways. By fostering close collaboration with the Government, stakeholders, and our dedicated management team, we are navigating complex industry dynamics while laying the foundation for innovation, operational efficiency, and customer-centric advancements.

I extend my heartfelt gratitude to the talented employees of Cayman Airways, whose dedication makes every success possible, and to our passengers and partners for their unwavering trust and support. Together, we will continue to elevate Cayman Airways as a symbol of national pride and a key enabler of our country's progress.

Sincerely,

Dr. John-Paul Clarke
Chairman of the Board

President & CEO Message

President and Chief Executive Officer
of Cayman Airways Limited, Fabian Whorms

As we reflect on 2023, I am pleased to share that Cayman Airways has emerged stronger, more innovative, and better positioned to fulfill its role as the national flag carrier of the Cayman Islands.

We proudly exceeded pre-pandemic passenger levels, welcomed over 422,000 travelers, and recorded the highest-ever passenger revenue in our history. These milestones are a testament to the trust our passengers place in us and our unwavering commitment to delivering exceptional service. Operational achievements, such as improved on-time performance, joining the TSA Pre-Check program, introducing in-flight charging ports, and enhancing online check-in, have further elevated the customer experience.

Our network expansion to Los Angeles and Panama has bolstered regional and international connectivity, supporting tourism and economic development. At the same time, our modern Boeing 737-8 Max fleet continues to deliver fuel efficiency and environmental benefits, underscoring our commitment to sustainability.

Looking ahead, Cayman Airways is poised for further innovation, including the launch of a mobile app and enhanced passenger communication in 2024. These advancements align with our vision to offer seamless, enjoyable, and memorable journeys.

I thank our employees, whose dedication fuels our success, and our passengers, partners, and stakeholders for their continued confidence in Cayman Airways. Together, we look forward to soaring to even greater heights in the years ahead.

Sincerely,

Fabian Whorms
President & Chief Executive Officer

Airline Leadership

Board of Directors

Dr. John-Paul Clarke	Chairman of the Board (2022-current) *Deputy Chairman, Director (2021-2022)*
Capt. Kris Bergstrom	Deputy Chairman of the Board (2022-current) *Director (2021-2022)*
Diana DeMercado	Director (2022 -current)
Stefanie Ebanks	Director (2021 -current)
Shanna Myles-Cann	Director (2021 -current)
Robert Hurlstone	Director (2021 -current)
Marco Archer	Director (2021 -current) Public Servant, CEO Cayman Islands Stock Exchange
Tyrone Welds	Director (2021 -current)
Stran Bodden	Ex-officio (2012-current) Chief Officer, Ministry of Tourism and Ports
Rosa Harris	Ex-officio (2014-current) Director of Tourism, Cayman Islands
Kenneth Jefferson	Ex-officio (2004-current) Financial Secretary
Fabian Whorms	Secretary – President & CEO

Executive Team

Fabian Whorms	President and Chief Executive Officer
Capt. Dave Scott	Executive Vice President and Chief Operations Officer
Paul Tibbetts	Executive Vice President and Chief Financial Officer
Ivan Forbes	Vice President Airport Operations
Wayne Miller	Vice President Maintenance & Engineering
Steve Scott	Director Safety Management
Christopher McTaggart	Director Special Programs/Advisor on Aviation Security
Wendy Evans Williams	Director Human Resources
Nanalie Cover	Director, Corporate Affairs and Executive Administration

Cayman Airways Limited History & Overview

In 1955, Costa Rican airline LACSA started a subsidiary company, "Cayman Brac Airways," operating domestic passenger air service between Grand Cayman and Cayman Brac using Beechcraft 18 (C-45) and Douglas DC-3 aircraft. By the early sixties, a flag stop to Little Cayman had been added, following the construction of a small grass airfield on the island. Later, Cayman Brac Airways' would include limited service between Cayman Brac and Montego Bay, Jamaica – its sole international flight.

On August 7, 1968, some thirteen years after the start of Cayman Brac Airways, the Cayman Islands Government purchased 51% of the airline from LACSA. Following this purchase, the airline was renamed to Cayman Airways Limited ("Cayman Airways" or the "Company" or the "Airline"). The focus of Cayman Airways would now be to not only ensure reliable domestic service, but to look beyond the confines of the Cayman Islands and strategically connect the islands to the world.

Initially, the fledgling Cayman Airways continued with the use of DC-3 aircraft as had Cayman Brac Airways, offering the same service with flights between Grand Cayman and the sister islands. Things were set to change rapidly however. That same year, a British Aircraft Corporation BAC 1-11 jet aircraft (wet leased from LACSA) was added to the fleet and Cayman Airways' international service to Kingston, Jamaica began, following granting of route rights. In 1972, service began to Miami and, several years later, service to Houston was added. Many more routes would be introduced in the years to come, including Atlanta, Chicago and New York.

In 1977, Cayman Islands Government purchased LACSA's remaining shares resulting in the Airline becoming 100% Cayman owned and being designated as the National Flag Carrier of the Cayman Islands.

Today, Cayman Airways is a corporation registered in the Cayman Islands. The Cayman Islands Government still maintains its 100% ownership of the Airline and is its sole shareholder. As such, the Airline is legally considered a Government Owned Company ("GOC") under the law and therefore, in addition to standard corporate and business laws, the Airline is also subject to additional legislation applying only to GOC's, including the Public Management and Finance Law and the Freedom of Information Law. While the impact of this additional legislation is generally not onerous, it creates a situation where the Airline must comply with additional requirements as compared with its competition.

Cayman Airways holds Air Operators Certificates issued by the Civil Aviation Authority of the Cayman Islands ("CAACI") and licenses from the Cayman Islands Air Transport Licensing Authority, authorizing the Airline to provide passenger and cargo services domestically and internationally.

With its primary hub at Owen Roberts International Airport ("GCM") in Grand Cayman, Cayman Airways provides passenger service to thirteen destinations with an annual passenger volume of over 400 thousand. The Company also provides cargo services at many of its locations, transporting over 2,000 tons of cargo each year.

About Cayman Airways

As a GOC, Cayman Airways is used in a key role for the tourism and economic development strategies of the country. The Airline often operates under an atypical business model, ensuring that the interests of the Cayman Islands are always given priority even over the Airline's own profit producing ability. Under the larger national strategy, there are ten specific roles for the Airline to fulfil which include:

10 Key Roles of Cayman Airways

1. A lever for Strategic Tourism and Economic Development

   Cayman Airways is tasked with driving the Cayman Islands' economic development and growing tourism. To accomplish this, the Airline has a close relationship with the Cayman Islands Department of Tourism ("CIDOT") and other strategic partners. Activities include the joint promotion of the destination in existing and in potential new gateways along with tweaking schedule frequency and convenience. Cayman Airways allows for a complete Caymanian brand experience (Caymankind) for visitors from start to finish.

2. Provide an essential inter-island air-bridge

   The Cayman Islands are comprised of three islands and without road connections, a reliable air link is a necessity.

3. Guarantee air service independent of foreign carrier priorities

   Airlines are profit driven and factor in a variety of items in determining their operations. As circumstances change or new opportunities arise, foreign airlines can make decisions at any time based on their needs which can severely impact the Cayman Islands.

4. Disaster relief before and after events

   In a small country there will always be a need to bring in supplies before or after disasters as well as provide a reliable means of transportation for relief workers, residents and others. This was clearly demonstrated by Cayman Airways during the period leading up to and the turmoil after hurricane Ivan in 2004

5. Tourist evacuation

   As of 2022, the Cayman Islands had the dubious distinction of being #5 for most affected by tropical storms and hurricanes for all cities and islands in the entire Atlantic basin, with an impact every 1.68 years on average since 1871[1]. Therefore, in order to provide a worry-free experience to tourists during hurricane season (and whenever else the need arises), Cayman Airways ensures that all tourists are able to be evacuated to safer locations when necessary.

[1] http://www.hurricanecity.com/rank.htm

6. Ensure competitive fare structure from foreign carriers

Pricing in the airline industry is generally market driven. With foreign carriers generally operating strictly from their hub cities, there is little overlap in service and little pressure to keep prices competitive. Cayman Airways plays a strategic role in ensuring that prices are appropriate simply by the Airline's market presence.

7. Prevent foreign carrier monopolies

The transportation industry, and particularly the Caribbean, is filled with examples where foreign carriers obtain monopolies on routes and then either raise prices or dictate demands to smaller nations that have no alternative, but to comply or lose air service.

8. Provide community support from corporate citizenship

Cayman Airways supports its community in a variety of ways including charitable gifts, humanitarian assistance and sponsorship. This critical role of the Airline is an avenue for the Airline's and the Cayman Islands Government's social responsibility, along with ensuring the success of many events and organizations that would not be possible were it not for the Airline.

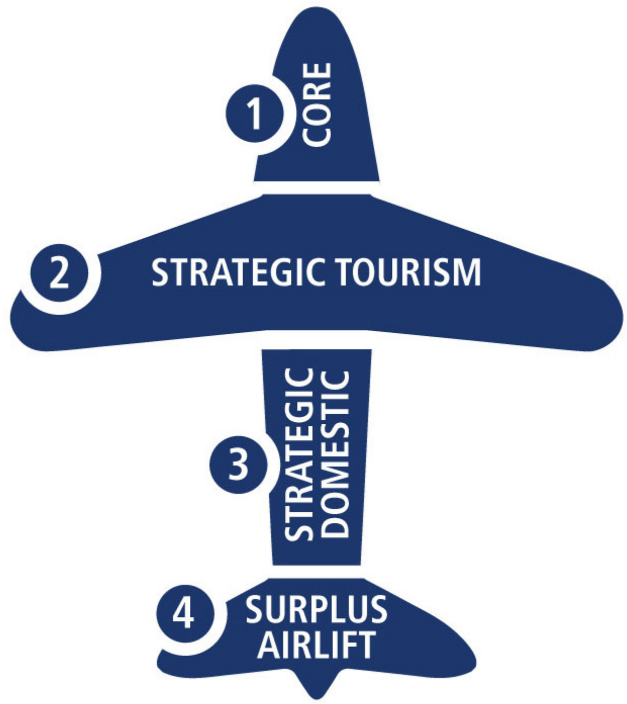
9. Contribute over US$200 million annually to the Cayman economy

In 2001, the Cayman Islands Government recruited the professional services firm Deloitte to conduct a study of Cayman Airways and its impact to the Cayman Islands. In that study, and in the two updated studies since then, it was identified that Cayman Airways contributes over US$200 million each year to the Cayman Islands economy. Cayman Airways is tasked with ensuring that it maintains this value and continues to contribute meaningfully to the Cayman economy.

10. Provide direct employment in the Cayman Islands to 350+ people.

Cayman Airways is one of the largest employers in the Cayman Islands. Its employees include mechanics, marketers, customer service agents, accountants, pilots and flight attendants and range from entry-level positions through to corporate executives. The financial contribution to the local economy of a Cayman-based work force is in excess of US$30 million and affords the local community exposure to roles that simply would not be available without the Airline.

In 2023, the Cayman Islands Government purchased $19.4 million worth of services from Cayman Airways. The associated deliverables related to these purchases were detailed in the 2018 Purchase Agreement between Cayman Airways and the Cayman Islands Government, calling for the Airline to provide certain strategic air services as well as carry out the various duties detailed above.



The "Airlift Framework"

In 2009, the Company established an "Airlift Framework" to serve as the basis for the costing and allocation of Government purchases, as well as better defining the Airline's roles and accountability with respect to the strategic operations undertaken by the Airline for the benefit of the Cayman Islands.

This framework features significantly in the Airline's operational planning and funding models and is broken into four primary areas defined as follows:

1. Core

   The Core is the business component of the Airline and is operated in a typical business manner with the aim of delivering a profit. This section is comprised of those routes and flights where the Airline has primary, or dominant, market share and has an established history of successful service in that market. Additionally, the Core includes any other profit-producing services such as Cargo operations.

2. Strategic Domestic

   With the distance between each of the Cayman Islands, air service is the only practical means of connecting. To ensure that flights are delivered in such quantities and at fares determined to be appropriate to facilitate ease of movement, the Cayman Islands Government buys certain Domestic routes and flights from Cayman Airways.

   At the start of each fiscal year, a Purchase Agreement is defined between Cayman Airways and the Cayman Islands Government outlining the number of flights and anticipated loads for the Strategic Domestic service. In the Purchase Agreement the Cayman Islands Government agrees to quantities and a price to pay Cayman Airways for the provision of these services.

Management and the Board of Directors have responsibility to ensure flights are operated as safely and as economically as possible while the Cayman Islands Government has responsibility to fund amounts necessary to ensure that the quantity of flights and seats deemed necessary are provided at an appropriate fare.

3. Strategic Tourism

Under its role as a lever for Strategic Tourism and Economic Development, the Airline is used strategically to ensure that various flights are provided at fares determined to be appropriate to stimulate the market.

As with Strategic Domestic services, at the start of each fiscal year, a Purchase Agreement is defined between Cayman Airways and the Cayman Islands Government outlining the number of flights and anticipated loads for the Strategic Tourism service. In the Purchase Agreement the Cayman Islands Government agrees to quantities and a price to pay Cayman Airways for the provision of these services.

Management and the Board of Directors have responsibility to ensure flights are operated safely and as economically as possible, while the Cayman Islands Government has responsibility to fund amounts necessary to subsidize the passenger fare and to ensure that the quantity of flights and seats deemed necessary are provided.

4. Surplus Airlift

Once the previous three categories are fully serviced (without any displacement and not affecting required redundancy to maintain reliability of scheduled service), the Airline may opt to utilize any surplus capacity. This utilization takes the form of charter flights or other short-term provision of service. In all instances, the surplus is expected to provide good economic return.

2023 Year in Review

In 2023, Cayman Airways' passenger volume surpassed pre-pandemic levels. The airline transported a total of 422,189 passengers in 2023, exceeding the 410,800 passengers carried in 2019. This accomplishment not only signified a resurgence in travel demand, but also showcased Cayman Airways' dedication to meeting and exceeding the airlift needs of the Cayman Islands while operating successfully in a competitive and dynamic industry.

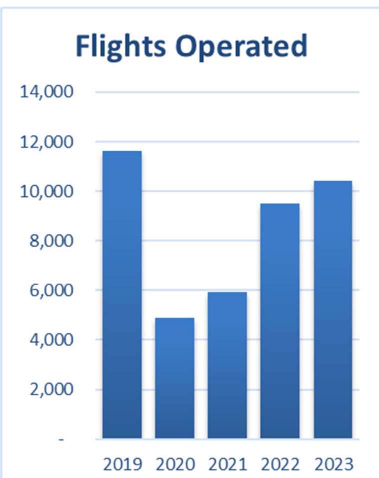
During 2023, Cayman Airways accomplished growth in its Cargo volume, transporting 2,134 tons of cargo. This was accomplished with an 8% growth in the number of shipments, demonstrating a consistent move towards smaller, but more frequent, shipment sizes.

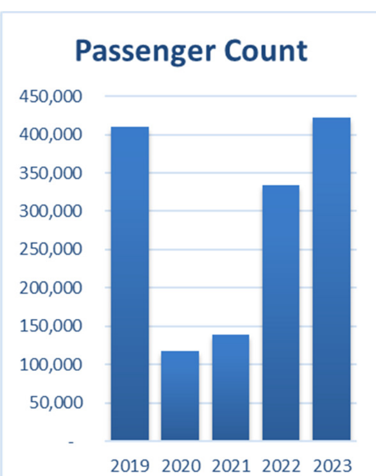
By the Numbers

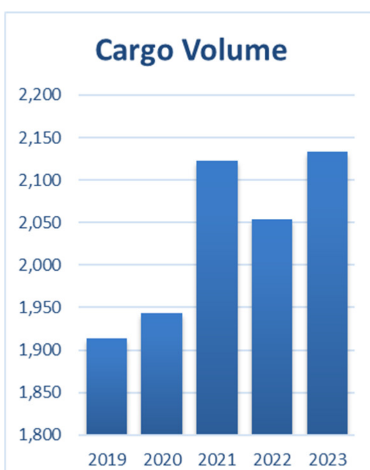
Cayman Airways transported **422,200 passengers** in 2023 (up 26.2% from 334,189 passengers in 2022) and operated **10,400 flights** (up 9.5% from 9,500 flights in 2022).

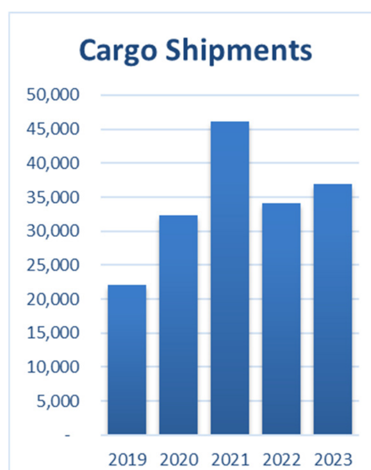
A total volume of **2,134 tons of cargo** was transported in 2023 (up 4% from 2,054 tons in 2022) across **36,957 cargo shipments** (up 8% from 34,170 shipments in 2022).

Total Revenue in 2023 was $88M (up 30% from $73.6M in 2022).









Operational Milestones:

CAL achieved a series of operational milestones in 2023, reflecting its commitment to excellence and adaptability:

1. **Talent Development Initiatives:** CAL placed a significant emphasis on nurturing local talent, promoting and hiring Caymanians within the airline's Cabin Crew and Pilot complements. This strategic move demonstrates CAL's commitment to community development and skill enhancement.

2. **Successful Service Expansion to Los Angeles:** The inaugural year of service to Los Angeles exceeded expectations, showcasing CAL's ability to meet robust demand and strengthen connections with passengers. The expansion exemplifies the airline's responsiveness to evolving travel preferences.

3. **Strategic Collaboration with Copa Airlines**: The relaunch of service to Panama in collaboration with Copa Airlines marked a strategic move to address the growing demand for international connectivity. This collaboration expanded CAL's global reach and enhanced its network capabilities.

4. **Elevating the Passenger Experience:** CAL invested in passenger-centric initiatives, introducing charging ports, revamping inflight meal offerings, standardizing baggage fees, and enhancing the online check-in process. These enhancements aimed to elevate the overall travel experience for passengers.

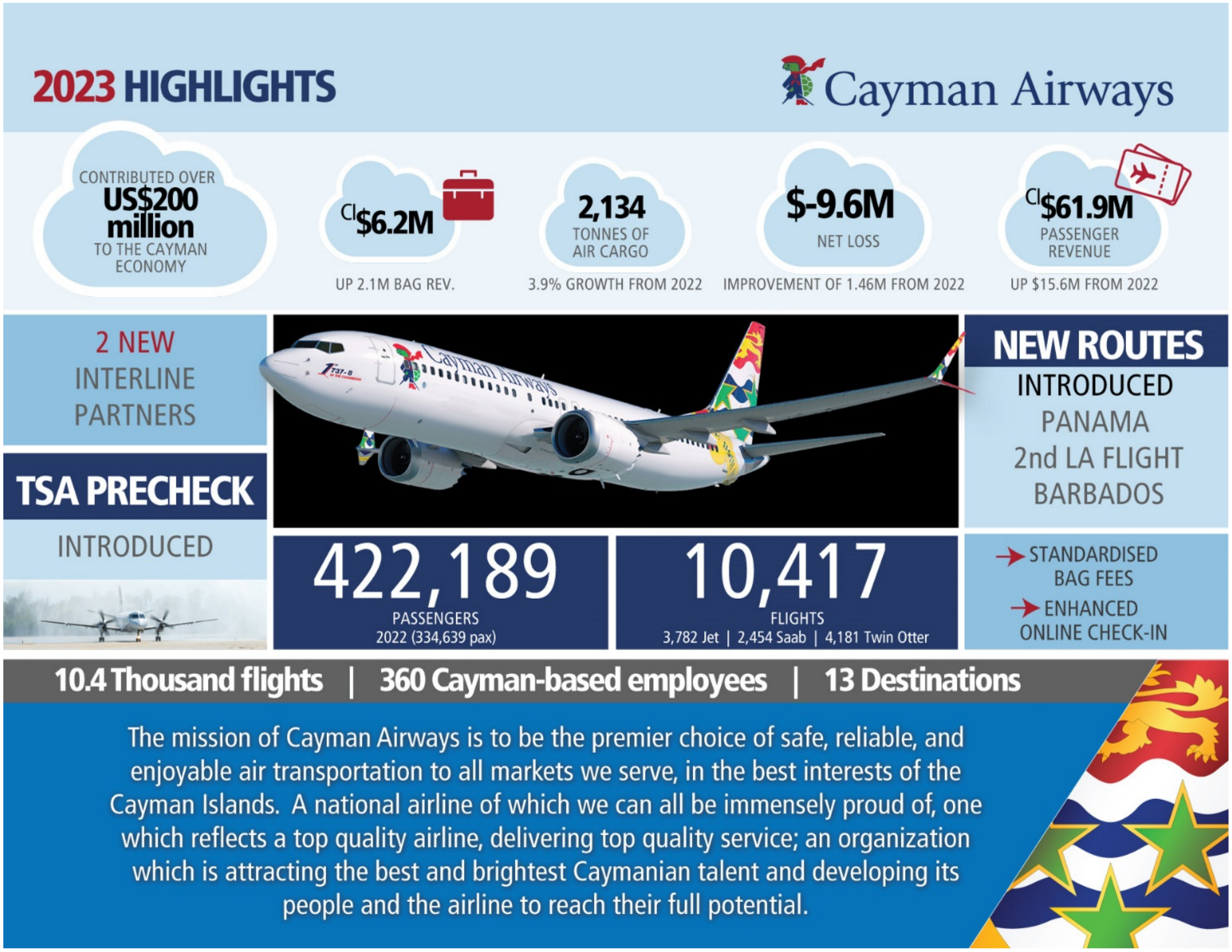
5. **Strengthening Partnerships:** CAL expanded its interline partnerships by welcoming two new airlines into its roster.

6. **Participation in the United States' TSA Pre-Check program**: Following from many months of effort, Cayman Airways successfully began participating in the TSA Pre-Check. This step provided enrolled passengers on Cayman Airways with expedited security procedures, aligning with CAL's commitment to seamless travel experiences.

7. **Environmental Sustainability and Operational Efficiency:** Notably, CAL achieved a 27% reduction in fuel consumption, attributed to its modern Boeing 737-8 Max fleet. This not only demonstrated environmental consciousness but also showcased the airline's commitment to operational efficiency through strategic adjustments in flight offerings and aircraft usage.

CAL navigated through persistent global challenges, including high worldwide oil prices, growth in supplier costs, and regulatory-mandated cost increases. The collaborative efforts of the dedicated team, in partnership with the Cayman Islands Department of Tourism, produced robust passenger and revenue growth. This financial resilience was critical in offsetting escalating expenses while maintaining a focus on delivering an exceptional customer experience.

CAL's accomplishments in 2023 are testament to a transformative journey marked by triumphs, challenges, and a commitment to reaching new heights. CAL remains resolute in its dedication to innovation, operational efficiency, and an unparalleled customer experience, soaring with passengers toward a future defined by limitless possibilities.



Looking Ahead

As Cayman Airways reflects on 2023, the airline stands at the threshold of an exhilarating trajectory for the upcoming years - 2024 and 2025. Building upon the momentum gained during 2023, Cayman Airways is poised for further innovation, expansion, and an unwavering commitment to elevating the overall customer experience.

In 2023, the airline made significant strides, successfully launching two new routes and expanding another, reflecting a commitment to providing diverse and convenient travel options for its passengers. Initiatives such as the participation in TSA Pre-Check, the installation of seatback power, and enhancements to the online check-in process underscored a dedication to passenger satisfaction and operational efficiency.

A highly anticipated milestone on the horizon for the airline is the launch of the Cayman Airways Mobile App, expected in the first half of 2024. This dedicated application, designed for both Apple and Android users, is positioned to redefine the passenger experience, offering unparalleled connectivity and convenience at passengers' fingertips. The app is not merely a technological advancement but a strategic move to enhance the overall journey, from booking to boarding and beyond.

Simultaneously, Cayman Airways is actively working on introducing onboard Wi-Fi, signaling a leap forward in ensuring passengers can stay connected with the world while soaring at 35,000 feet. This initiative aligns with the evolving expectations of modern travelers, providing them with the convenience of connectivity throughout their journey.

Collaborating closely with the Ministry and Department of Tourism, Cayman Airways is also looking to for network expansion with the expected addition of two new routes over the next 18 months. This strategic move reinforces the airline's commitment to providing enhanced travel options and connectivity to its growing customer base, further solidifying its role as a key player in the regional and international aviation landscape.

These forward-looking initiatives underscore Cayman Airways' commitment to innovation, customer satisfaction, and staying ahead of the curve in the ever-evolving aviation industry. As the airline progresses into the future, the dedication to delivering exceptional service remains unwavering, ensuring that the motto "Those Who Fly Us, Love Us" continues to be more than a tagline but a testament to the airline's commitment to excellence.

In the upcoming years, Cayman Airways anticipates a period of transformation, not just in terms of technological advancements and network expansion but also in the continued pursuit of providing a seamless, enjoyable, and memorable travel experience for its passengers. As the pages of this exciting chapter unfold, Cayman Airways invites its stakeholders and passengers alike to join in the anticipation of a journey that promises to be as dynamic and fulfilling as the years that preceded it.

Summary and Scope of Activities

Approved Nature and Scope of Activities

This section outlines the nature and scope of activities within which *Cayman Airways Limited* operated during the year.

GENERAL NATURE OF ACTIVITIES

Cayman Airways Limited's activities involve providing scheduled passenger and cargo flights to, from and within the Cayman Islands.

SCOPE OF ACTIVITIES

Cayman Airways Limited is engaged in various air transportation services.

It leases 4 Boeing 737-8Max for its international and Cayman Brac operations, offering commercial passenger and air cargo services.

The Company also operates two Dehavilland DHC-6-300 Twin Otter aircraft through its subsidiary Cayman Airways Express for flights between Grand Cayman and sister islands Cayman Brac and Little Cayman, and two Saab 340B+ aircraft for service to Cayman Brac.

The Company also generates revenue from handling services for other airlines at Grand Cayman's Owen Roberts Airport.

The Company's operations are organized under the "Airlift Framework", a key component of the Company's planning and funding models:

Airlift Framework Category	Definition
Core	Routes/Flights/Operations that CAL dominates and knows the market well Routes/Flights/Operations that provide good economic return or at least break-even
Strategic Domestic	Domestic Routes/Flights that are purchased by, and operated on behalf of, the Government
Strategic Tourism	International Routes/Flights that have national tourism importance which are purchased by, and operated on behalf of the Government
Surplus	Assumes prior 3 categories are being adequately serviced (without displacement and not affecting required redundancy to maintain reliability of service). Includes operations which must provide good economic return

Strategic Domestic and Strategic Tourism are operations which are considered critical for the Cayman Islands, but do not provide sufficient economic justification themselves for an airline to operate. Accordingly, the Government purchases these operations from the Company. During periods of economic slow-down, the Government may also purchase certain of the Core operations from the Company as well.

CUSTOMERS AND LOCATION OF ACTIVITIES

The services provided by Cayman Airways Limited are provided to the following customers both locally and internationally:

The services provided by Cayman Airways Limited are provided through scheduled jet service between Grand Cayman, Cayman Brac, Little Cayman, Miami, Tampa, New York, Denver, Los Angeles, Havana, Kingston, Panama, Montego Bay and La Ceiba.

Additional routes continue to be evaluated in conjunction with the Ministry of Tourism and the Cayman Islands Department of Tourism to facilitate decision making on any potential opportunities.

COMPLIANCE DURING THE YEAR

Cayman Airways Limited provided all services as outlined in the Purchase Agreement with the Government where legally able to do so.

Strategic Goals & Objectives

<u>Approved Strategic Goals and Objectives</u>

The key strategic goals and objectives (from an ownership perspective) for *Cayman Airways Limited* for the 2023 financial year were taken directly from the 2022-2023 Ownership Agreement as approved by the Cayman Islands Parliament. Throughout 2023, in-keeping with its business plan, the Company focused its efforts on accomplishing its targeted objectives but was faced with many challenges including increased competition and ongoing cost increases. Nonetheless, below is a outline of the 2023 Goals/Objectives with the actual achievements:

Strategic Goals & Objectives	Achievements in 2023
The mission of Cayman Airways is to be the premier choice of safe, reliable, and enjoyable air transportation to all markets we serve, in the best interests of the Cayman Islands. A national airline of which we can all be immensely proud of, one which reflects a top-quality airline, delivering top quality service; an organization which is attracting the best and brightest Caymanian talent and developing its people and the airline to reach their full potential.	Cayman Airways excelled in aligning with its mission throughout 2023, striving to be the premier choice of safe, reliable, and enjoyable air transportation in the best interests of the Cayman Islands. The airline not only met but exceeded safety and reliability standards, ensuring a positive and enjoyable travel experience. By prioritizing ongoing recurrent training in critical areas and tailoring professional development based on performance evaluations, Cayman Airways not only attracted top talent but also developed its workforce to reach their full potential. This dedication solidifies the airline's position as a national source of pride, reflecting a top-quality airline delivering exceptional service to the Cayman Islands. Key Results: • No Accidents • Identification of all hazards & incidents with mitigating actions implemented through the effective use of the company's Safety Management System
The Airline is a major employer within the Cayman Islands and must strive to attract and develop the best and brightest Caymanian talent. The Airline offers several unique	In 2023, Cayman Airways played a pivotal role as a major employer within the Cayman Islands, actively striving to attract and develop the best and brightest Caymanian talent. Through unique

employment opportunities in specialised fields and will continue to create an environment of opportunity for Caymanians. This role has an immeasurable socio-economic impact on the Cayman Islands and is crucial to continued national development and growth. The Airline will therefore, as it continues to target cost reductions, do so in a manner that places emphasis on the retention and provision of services and employment locally, versus overseas when possible.	employment opportunities in specialized fields, the airline created an environment of opportunity for Caymanians. With 53 new hires and 45 internal promotions/transfers recorded, Cayman Airways not only addressed staffing needs but also emphasized local employment. The socio-economic impact on the Cayman Islands continued to be significant, contributing to national development and growth while placing emphasis on retaining and providing services and employment locally, aligning with its mission. Key Results: • Compliance with the Public Authorities Act • Enhanced employee hiring procedures (streamlined applicant communication, improved turnaround times, interview structure refinements) • Regular internal communication with staff • Pilot Contract negotiated and approved by Cabinet
The Airline will continue the process of restructuring and operational reform in order to drive revenue, reduce costs, and achieve the maximum levels of efficiency where possible.	Cayman Airways made significant strides in cost reductions and increased efficiencies during 2023. The airline demonstrated a commitment to driving revenue, reducing costs, and achieving maximum efficiency. Training programs were tailored to address professional development needs identified across various departments. The focus on ongoing SMS/Security training for all employees and specific training based on performance evaluations ensured a strategic approach to enhance overall efficiency. These initiatives showcased a proactive stance in aligning with the airline's mission and long-term sustainability. The use of the Airline's Boeing 737-8 Max aircraft continued to result in substantial fuel and

	maintenance savings as expected and, particularly, as compared to the previous Boeing 737-300 operation. The Airline continues to optimize its flying and continues to aggressively target non-regulatory costs where possible.
Utilizing the Airlift Framework as a funding model, the Airline and Government shall have a common objective to ensure that the Airline is adequately funded to undertake the core and strategic roles defined in the Airlift Framework. Adequate levels of Government funding and the Airline's continued efforts to operate at maximum efficiency are necessary to ensure that no deficit between revenue and expenses arises.	Cayman Airways successfully utilized the Airlift Framework as a funding model, ensuring a common objective with the government to fund core and strategic roles. The alignment between government funding and the airline's efforts to operate at maximum efficiency remained pivotal in preventing unmanageable deficits between revenue and expenses. These strategic funding measures were crucial for the airline to navigate the economic landscape successfully, ensuring its viability and continued ability to meet operating obligations. This approach underscored the financial prudence essential for Cayman Airways to fulfill its mission and strategic objectives. Key Results: • No new debt was taken on during 2023 • No new CIG funding was requested during 2023 (nb. CIG did opt to fund the purchase of the new Twin Otter in order to enhance service to/from Little Cayman)
After years of historical losses, the Airline is faced with a severe deficiency of working capital. The Government and the Airline must together strive to create adequate levels of working capital in order to ensure that the Airline has the ability to invest where necessary to improve efficiency and viability. This working capital deficiency may from time to time require external borrowings or equity injections from the Government in order to ensure the Airline's continued viability. The	Through prudent fiscal management, the airline required no additional funding or debt restructuring during 2023 and therefore was not pursued further.

Airline therefore aims to have its historical debt (formal and informal), refinanced in a manner that improves cash flow and provides adequate levels of working capital to be realised, in order to increase the viability and efficiency of the Airlines of the operations. Should a deficit (revenue) arise due to unbudgeted situations during the course of the year, which are beyond the Airline's control, the Government may be asked to provide supplementary funding in order to ensure that the Airline maintains an ability to meet its operating obligations and fulfil the government's strategic objectives for the Airline. The Airline will do all possible to avoid this scenario and will keep the Government promptly educated on all situations that may lead to a need for additional funding within the budget year.	
The Airline is a major contributor to the Cayman Islands economy both directly and indirectly through employment and the purchase of goods and services within the Cayman Islands. The Airline is also a strategic tool used by the Government to drive economic activity, particularly in the tourism industry by providing guaranteed airlift and competitive market environment. This includes providing direct air service to the leading tourist source markets, targeted by the Cayman Islands Department of Tourism. The Airline will therefore continue to work with the Cayman Islands Department of Tourism to realise the maximum benefit from the Department of Tourism's marketing efforts by aligning capacity with the demand generated from the Department of Tourism's efforts. The total economic impact or contribution to the Cayman Islands by Cayman Airways (from studies going back more than ten years), is over \$150M per annum. The Airline must therefore continue	As a major contributor to the Cayman Islands' economy, Cayman Airways positioned itself as a strategic tool in driving economic activity, especially in the tourism industry. The airline's collaboration with the Cayman Islands Department of Tourism showcased its commitment to aligning capacity with demand and realizing maximum benefits from marketing efforts. The total economic impact exceeding \$200M per annum underscored the airline's value on a macroeconomic level, significantly outweighing the government's annual investment. The alignment with the government through consultation emphasized the need to strike a balance between the airline's performance and its contribution to the local economy, ensuring efficiency and economic impact. In June 2023, the airline relaunched nonstop service between Panama and the Cayman Islands, and in October 2023 the airline launched a new regional route with nonstop service between the Cayman

to balance its efforts to operate at peak efficiency with its efforts to create the maximum economic impact possible. The Airline's value on a macroeconomic level outweighs the Governments annual investment through this purchase agreement. Whilst this is an overriding value and an excellent return on investment, the Airline's economic contribution must continue to be provided in the most efficient manner. The Airline and the Government must therefore maintain alignment through consultation in the budget year to ensure the correct balance between the Airline's performance and the Airline's contribution to the local economy.

Islands and Barbados. In November 2023, the air expanded its Los Angeles service by adding a second weekly frequency.

Key Results:

- Generally aligned with the specified strategic market targets as defined within the bi-annual Purchase Agreement – variance details explained more fully in the Performance Section of the Annual Report
- Achieved record revenue and passenger loads providing a direct benefit to the Cayman Islands
- 2023 Strategic Economic Value: CI$337 million

Whilst the Airline is equipped with the full infrastructure of a typical Airline, the Airline is challenged to cover all its fixed costs from operating revenues, because of its relatively small size and the relatively small markets served (economies of scale). The Airline must therefore seek out opportunities within the surplus category of the Airlift Framework that increases passenger and cargo throughput, in order to maximise efficiency and reduce dependence on Government funding. This should include the exploration of strategic partnerships with other airlines and potential industry partners, to reduce costs and enhance revenue potential, but in a manner that does not degrade the Airline's strategic value to the Cayman Islands. The Airline expects to continue working with the public sector as well as to embark on joint initiatives with the private sector to coordinate marketing and advertising efforts. A key objective of the Airline is to stimulate incremental visitation through increased visitor arrivals and incremental room nights.

Cayman Airways recognized the importance of stakeholder partnerships in 2023, actively engaging with public and private sectors to coordinate marketing and advertising efforts. By fostering collaboration with stakeholders, the airline aimed to stimulate incremental visitation through increased visitor arrivals and incremental room nights. The commitment to joint initiatives with both public and private sectors reflected a holistic approach to achieving economic impact while ensuring the airline's strategic value to the Cayman Islands remained intact.

The Airline worked with several different organizations to stimulate travel to the Cayman Islands. Examples of this effort include working with the Cayman Film Commission, various accommodation partners, various events (CayMas, Batabano, etc.) and other local partners.

Key Results:

	• Cayman Airways earned CI$720k in charter revenue in 2023 (2019: CI$288k, 2022: CI$951k) under its Surplus category • Cayman Airways introduced new fully funded services to Barbados in partnership with the Cayman Islands Government and Barbados Tourism Marketing Inc.)
Fuel is the most volatile and unpredictable cost facing the Airline. The Company intends to continue to monitor and aggressively pursue alternatives to minimize the costs of fuel. Cayman Airways, however, expects to continue to be faced with high fuel prices and extreme volatility for the budget year. The Airline expects fuel prices to be between US$55 and US$65 per barrel for the budget year and has budgeted fuel expense and associated revenue from airfares accordingly. It must be noted that the Airline is not always able to pass on increases in fuel, without negatively affecting demand and overall revenues. The Airline will therefore strive to recoup fuel increases from the consumer to the maximum extent possible, but will be limited in its efforts so as to not negatively impact the Airline's overall revenue performance nor the Airline's strategic value the local economy and tourism industry.	Cayman Airways proactively addressed the volatile and unpredictable cost of fuel in 2023. By actively monitoring and aggressively pursuing alternatives to minimize fuel costs, the airline showcased a commitment to financial prudence. The airline focused on maximizing uplift in lower cost jurisdictions and tankering sufficient fuel so as not to require uplift in more expensive markets. The Boeing 737-8 Max aircraft has delivered up to 25% fuel savings over the retired B737-300 jet service. Despite rising fuel prices worldwide, the airline was able to minimize the impact through the use of the more fuel efficient 737-8 Max aircraft. Key Results: • Cayman Airways consumed 5.05 million gallons of fuel in 2023 (2019: 6.94 million gallons, 2022: 4.53 million gallons), the first full year of post-pandemic flying. This marked a 27% reduction in fuel consumption from 2019.
The Airline has historically been operating with several outdated or manual systems to manage and control some of its commercial and operating functions. The Airline will continue to strive to implement technological advances that will improve the Airline's operating and financial performance.	Recognizing the importance of modernization, Cayman Airways continued to strive for IT system efficiencies in 2023. The commitment to implementing technological advances reflected a proactive stance in improving the airline's operating and financial performance. By addressing outdated or manual systems, Cayman Airways aimed to streamline commercial and operating functions, enhancing overall efficiency. This commitment to

	technological advancement aligned with the broader goals of the airline, ensuring it remained at the forefront of operational excellence and innovation within the aviation industry. Key Results: • Introduced passenger booking self-management • Introduction of automated crew management system APM
The National Flag Carrier will continue to explore commercial agreements with select international carriers where deemed beneficial to the Cayman Islands. The commercial agreements may range from connected websites to full code share agreements. Cayman Airways is committed to working closely with foreign carriers flying into the Cayman Islands, provided that the foreign carrier provides direct economic benefit to the country or serves to provide additional visitation opportunities.	Cayman Airways actively pursued strategic partnerships in 2023, exploring agreements with select international carriers deemed beneficial to the Cayman Islands. Cayman Airways continued to maintain its interline agreements with various foreign carriers to ensure that people were able to easily and affordably travel to the Cayman Islands. During 2023, Alaska Airlines was added and the groundwork to facilitate Emirates was completed. Cayman Airways continued to provide ground handling services to several foreign carriers, including United, West Jet and Air Canada. Key Results: • Cayman Airways added one new interline partner and substantially completed the process of adding another (completed early 2024).

Aircraft and Network

Aircraft

At December 31, 2023 the Cayman Airways fleet consisted of the following:

Aircraft Type	2022	2023
Boeing 737-8 Max (160 seats)	4	4
DeHavilland DHC-6-300 (15 seats)	2	2
Saab 340 B+	2	2

Network

Cayman Airways' scheduled service network grew slightly during 2023 as the Airline relaunched its service between Grand Cayman and Panama City, Panama. Additionally, it expanded its once weekly service to Los Angeles to twice per week.

During the year, the airline was approached by Barbados with a request to introduce service between the Cayman Islands and Barbados. This service was introduced in October 2023 and was fully underwritten by Barbados Tourism Management Inc who provided a minimum revenue guarantee.

At year-end, the Airline was providing jet service to five cities in the USA – Miami, Tampa, New York, and Los Angeles and Denver (seasonally). Additionally, the Airline provided regional service to Havana, Kingston, Panama, La Ceiba and Barbados. Domestically, by year-end Cayman Airways was providing three jet flights per week to Cayman Brac from Grand Cayman and the Airline's wholly owned subsidiary, Cayman Airways Express ("Express"), provided daily scheduled service between Grand Cayman and both Sister Islands on Twin Otter and service between Grand Cayman and Cayman Brac on Saab aircraft.

Airport Operations

In 2023, Cayman Airways handled over 422 thousand passengers on 10.4 thousand flights at its various airport operations. In addition to its own scheduled passenger operations, the Airline also provided passenger and ground handling services for several other international carriers at its Grand Cayman hub.

Cargo Operations

In 2023, CAL Cargo achieved moderate growth transporting 2,134 tons of cargo, primarily on the Convair 5800 freighter, but also through utilizing CAL passenger aircraft fleet. Improvements in cargo processing enhanced shipment efficiencies, resulting in the second-highest recorded cargo volume for the year with 36,957 shipments. This achievement, only surpassed by the levels observed during the COVID-19 pandemic in 2021, reflected a 3% increase in total cargo volume and an impressive 8.55% growth in total sales revenue, achieved without an increase in freight rates.

CAL Cargo's focus on enhancing customer experiences led to the development of an updated cargo management system, providing online tracking and payment options. Notable improvements in 2023 included

advancements for CBC Customs clearance while streamlining the shipment process. Accomplishments encompassed successful incorporation of AWB #'s in Payment Notification, listing tracking numbers on the "Ok to Release" document, and improved efficiency in scanning tracking numbers. The introduction of an email feature for AWB and "Ok to Release" notifications further facilitated immediate payment processing, eliminating the need for customers to visit CAL Cargo offices.

Ongoing efforts expected to be completed in 2024 include merging duplicated Consignee/Shipper records, implementing restrictions on record additions, and advancing the scanning process for ULDs at origin and received items at the destination. The ultimate objective is the implementation of an online payment portal, integrating existing systems for efficient cargo operations, enabling virtual payment, and streamlining release functions.

In 2023, CAL Cargo entered and reentered new cargo markets, with the PTY station standing out for its potential in Central/South American and Asian products.

PTY STATION

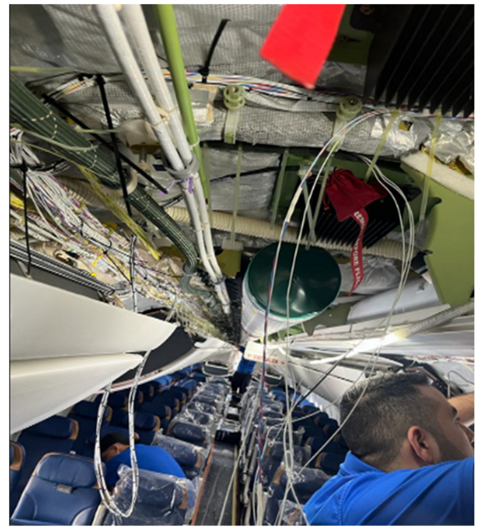
1. Cargo operations commenced successfully with the inaugural flight, transporting cargo on the first PTY-GCM flight.
2. Recorded a cargo volume from June to Dec 2023, totaling 30,685 lbs.

BGI STATION

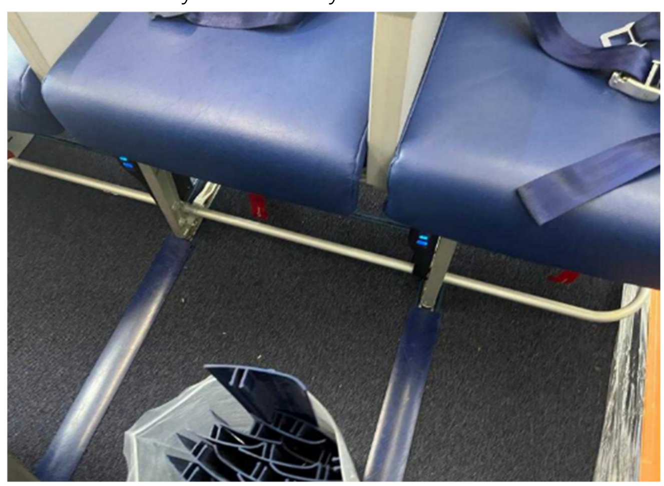
1. Initiated cargo operations on November 9th, 2023.
2. Registered a cargo volume from Nov to Dec 2023, totaling 585 lbs.

Maintenance and Engineering

Maintenance & Engineering (M&E) successfully navigated through yet another challenging year in 2023. Some of the notable accomplishments by the M&E team during the past year were as follows:



- The Technical Dispatch Reliability (the percent of time that an aircraft is dispatched for flying that it is able to complet the scheduled flights) for the B737-8 fleet was a stellar average of 99.58% for the year.
- The In-Seat Power Modifications in the Economy Class Cabin were completed on the B737-8 fleet.This was accomplished using a Supplemental Type Certificate (STC) Holder and not the more expensive Boeing design. The process was a collaborative effort between the STC Holder (Burrana), CAL's Manager Engineering, the Federal Aviation Administration (FAA), the Civil Aviation Authority of the Cayman Islands (CAACI) and CAL's two approved MROs. It involved modifying an existing STC that was already approved for installation on the B737 Series aircraft, except the B737-8, to obtain regulatory approval for installation on the B737-8 fleet. A Cayman Airways aircraft was used as the prototype for the installation and testing, required to obtain FAA/CAACI regulatory approval. Once this was obtained the remaining aircraft in the Cayman Airways fleet were fitted with the USB Charging ports, at the MRO.



- For the first time in 2023, the Maintenance Production team successfully replaced three (3) ship-sets of Fuel Nozzle on the CFM LEAP engines, with only in-house CAL maintenance personnel. This was done after special training at the CFM Training Center in Cincinnati and initial monitoring by a Technical Representative from CFM On-Wing Support. Fuel Nozzle replacements will be an ongoing requirement until the incorporation of the design change to retrofit each LEAP engine with a Reverse Bleed System (RBS). CFM expects to complete the testing and launch the RBS design change in the 4th Quarter of 2024. The retrofit RBS installations for operators will be scheduled thereafter at the next required Fuel Nozzle replacement, for each engine.

Also in early 2023, M&E successfully returned two (2) leased engine to Shannon Engine Support (GE/CFM's engine leasing subsidiary) that were used to support the engine removals and warranty shop visit repairs for Non-Synchronous Vibration (NSV), on two (2) of CAL's CFM LEAP engines.

Cayman Airways Express Maintenance

In an effort to improve the resources at Express Maintenance, the department successfully embarked on a program of Succession Planning. As such, four of the Certifying Technicians (including two Caymanians) are now trained to be Company representatives whenever Express aircraft are away on heavy Maintenance. Additionally, one Caymanian Technician is actively involved in weekly meetings, and is exposed to Quality Assurance, check preparation and continued coaching from the senior managers in the department. He was also exposed to an actual Audit in North America accompanied by the Director of Maintenance.

Currently maintaining Cayman Airways Express specific standards of 100% compliance, all staff are currently trained on both the DHC-6 and SAAB 340 aircraft, with one mainline (jet) staff also trained on the DHC-6. During the period April 26-27, 2023, an additional two Certifying Technicians (CTs)were trained for Engine Ground run and taxi, for a total of five CTs including the two full time and 1 part time Caymanian on staff that are run qualified on both types.

To help eliminate flight disruptions, scheduled maintenance were conducted as was practicable and carried out at night after the day's schedule, when required.

Additional spare parts are more available as much as possible to prevent the grounding of aircraft. This has led to a reduction in aircraft down time (commonly referred to as "AOG" or Aircraft on Ground") due to parts.

The introduction of an in-house aircraft painter has resulted in decreased costs associated with heavy checks, which includes cleaning and paint touch-ups. For example, in 2022, 374 hours amounting to $24,684 for cleaning and paint touch up was allocated for CBR. For CBR's check completed March 31, 2023, only 11 hours were required which amounted to only $748 for touch up. Work on VP-CXA & VP-CXB at Regent in Calgary was completed, which saw a decrease in the cost. This was because of the clean-up and paint of the aircraft accomplished before leaving Cayman for the check.

On May 8, 2023, VP-CKI's heavy check was done at the Cayman Airways hangar facility on Grand Cayman. As capability grows, future checks that are practical for the local facility will be scheduled to be carried out there.

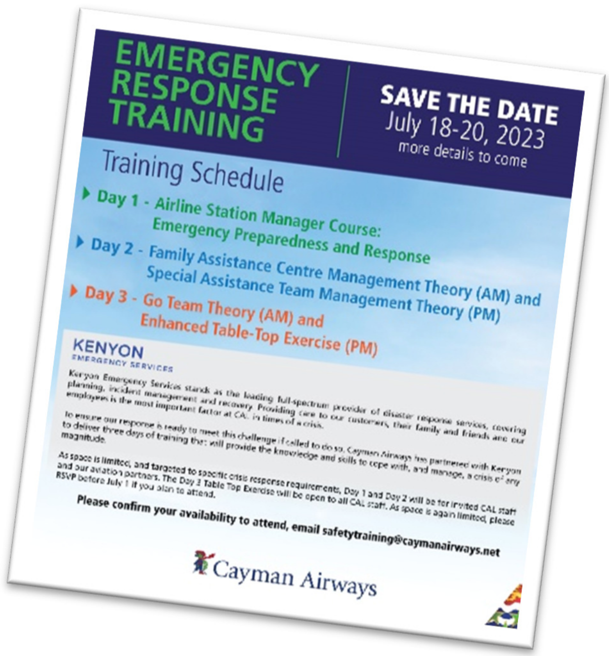
Safety & Security

Safety performance and trends are fairly unchanged with risk level remaining low overall, as measured by the severity of events from Safety Management Systems (SMS) reports and the Flight Data Monitoring (FDM) program. Occurrence reports for the Cayman Airways Express Saab 340B+ and Twin Otter fleets are via the crew, maintenance, or other sources.

There were 143 SMS reports submitted in 2023, which is on par with the 2022 number of 141. There were no serious incidents or accidents across the three aircraft types during 2023.

Flight operations have steadily increased over the last two (2) years with new routes and the number of flights, particularly for the Boeing 737-8 Max fleet. This has meant more audits for ground and flight operations and more data to process and analyze. As the current level of activity is expected to continue and possibly increase, an additional admin staff was added to the Safety Team in 2023 to provide better efficiencies in processing data and actioning safety reports.

Additionally, a new and updated SMS platform is being sought to better meet the airline's current and projected requirements. Discussions are ongoing with providers and it is anticipated a procurement exercise and final selection will be made by mid-2024.



A key safety promotion event for the department in 2023 was the Emergency Response Exercise that took place July 18-20, 2023 at the Grand Cayman Marriott Resort. This three-day event was delivered in partnership with Kenyon Emergency Services, a world leader in disaster response services and a contracted service provider for Cayman Airways. Managers and employees from all CAL locations attended to learn, participate and practice using the company's Emergency Response and Crisis Management procedures during various simulated crisis scenarios.

Additionally, a full-scale/real-time emergency exercise was conducted at Little Cayman ("LYB") on October 3, 2023. This event simulated an aircraft accident at the airport on Little Cayman, with participation from the Cayman Islands Fire Service, Hazard Management Cayman Islands, 9-1-1 Emergency Services, the Little Cayman Medical Clinic, the Faith Hospital on Cayman Brac, the Civil Aviation Authority of the Cayman Islands, the Royal Cayman Islands Police Service, Air Traffic Control, the Sister Islands Emergency Committee, and various CAL management and staff, as well as local businesses on Little Cayman. This exercise provided insight for identifying the limitations of the response capability available at a remote location like LYB, and provided responders with a framework and information on the functions that would be required of them when dealing with an actual aircraft emergency on Little Cayman. The consensus was that the Emergency Response Plan was fit for purpose as designed, whilst recognizing where improvements could be made.

Commercial

In 2023, Cayman Airways engaged in a dynamic array of commercial activities, demonstrating resilience, innovation, and adaptability in response to the ever-evolving aviation landscape. The year marked a strategic focus on customer experience, network expansion, and operational efficiency, aligning with the airline's commitment to being the premier choice for air transportation in the Cayman Islands. Accordingly, Cayman Airways achieved record passenger revenue of CI$61.9 million in 2023, growth of 33.4% from the prior year, and the largest passenger revenue ever recorded by the Airline.

The year 2023 witnessed strategic expansions and enhancements in Cayman Airways' route network. The successful first year of service to Los Angeles surpassed expectations, indicating a robust demand for an additional weekly flight. The relaunch of service to Panama in collaboration with interline partner Copa Airlines further diversified the airline's international connectivity. These endeavors not only contributed to the economic growth of the Cayman Islands but also solidified Cayman Airways' position as a key player in the global aviation landscape. Additionally, the addition of two new airlines to its interline partnerships expanded the range of travel options for passengers, fostering increased connectivity.

The Airline continued to collaborate and partner with the CIDOT to ensure that Cayman Airways was used as effectively as possible to increase visitation to the islands. To further its global reach, Cayman Airways also continued to pursue interline partnerships with other carriers. In 2023, the Airline entered into interline agreements with Alaska Airlines and Emirates.

The Airline’s partnership with various wholesalers continued with the retention of 100% of the key US wholesaler agencies and growth in their annual revenue to meet targets. The Airline continued its targeting of the MICE (Meetings, Incentives, Conferences and Exhibitions) market to grow this specialized form of group tourism. At the same time, the Airline continued its longstanding relationship and support of the dive tourism market.

Customer Experience

During 2023, the Airline's Customer Experience ("CX") department reviewed and evaluated front-line customer service standards of performance. Several findings were noted, and recommendations made particularly around training and staffing levels.

Several station visits and audits were carried out. The CX Team organized station customer appreciation for the anniversary week. Passengers were greeted with treats and celebration at each departure station.

Cayman Airways prioritized customer satisfaction through various initiatives aimed at enhancing the passenger experience. The implementation of charging ports for personal devices in the economy cabin, revamped inflight meal offerings, and improvements to the online check-in process were key highlights. These customer-centric enhancements not only responded to evolving passenger expectations but also contributed to the airline's competitive edge. Furthermore, the participation in the United States' TSA Pre-Check program exemplified the airline's commitment to providing a seamless and expedited travel experience for enrolled passengers at applicable U.S. airports.

Flight Operations

In 2023, Cayman Airways reinforced its dispatcher team with the successful hiring of an Assistant Dispatcher, adding valuable strength to the operational lineup. This step has become a noteworthy contributor to the overall efficiency of dispatch operations.

Cayman Airways demonstrated a steadfast commitment to operational excellence throughout 2023, as reflected in the On-Time Performance (OTP) metrics. The jets' annual average OTP showed a notable improvement, reaching an impressive 77.1%. Simultaneously, the Express service maintained a reliable annual OTP of 76.7%, underscoring the airline's dedication to punctuality and reliable service delivery.

Significant milestones were achieved in the advancement of the pilot body during 2023. The promotion of two First Officers (F/Os) on jet aircraft to the position of Captain highlighted the airline's commitment to recognizing and fostering internal talent. At the end of 2023, the full-time pilot roster stood at 10 Captains and 10 F/Os, reflecting a balanced and experienced flight crew. In 2024, the airline plans to promote two F/Os to Captain roles during the summer.

In the Twin Otter division, Cayman Airways took proactive measures to bolster operations. Four new First Officers were successfully hired and trained. Moreover, two F/Os were promoted to the position of Captain, emphasizing internal talent progression and career development within the Twin Otter segment.

The SAAB aircraft pilots were promoted to the position of Captain, recognizing their contributions and marking significant milestones in their professional growth. Additionally, one F/O underwent training to obtain the Airline Transport Pilot (ATP) certification. Currently, four F/Os are actively engaged in training to further enhance their capabilities.

2023 has been a period of strategic personnel investments, advancements in pilot roles, and a persistent commitment to operational efficiency for Cayman Airways. The accomplishments in staffing and training underscore the airline's dedication to building a highly skilled and capable workforce. As Cayman Airways continues to navigate the aviation landscape, these efforts align seamlessly with the airline's mission of providing safe, reliable, and enjoyable air transportation services to all markets served, in the best interests of the Cayman Islands.

Our People

Cayman Airways is committed to attracting and retaining the brightest and best team possible. To that end, the Cayman Airways family of employees consists of highly dedicated and talented individuals.

Representing 35% of total expenses in 2023 (33% in 2022), staff costs represent a significant portion of the Airline's expenses. The Airline's Full Time Equivalent[2] ("FTE") employee count ended the year at 371 (up 5.6% from the prior year).

At year-end, Cayman Airways employed a total of 376 employees with 86% of those being Caymanian.

[2] A Full Time Equivalent represents the hours worked by one employee on a full-time basis. The concept is used to convert the hours worked by several part-time employees into the hours worked by full-time employees. On an annual basis, an FTE is 2,080 hours, which is calculated as: 8 hours per day x 5 workdays per week. By converting part-time hours worked into full time equivalents, the Airline can track how many full-time staff they equate to.

Throughout 2023, Cayman Airways prioritized continuous professional development through a comprehensive training framework. Recurrent training was a focal point, covering key areas such as Flight Operations, Airport Operations, In-Flight Services, and Reservations. Additionally, an ongoing Safety Management System (SMS) and Security training program was implemented for all employees requiring Cayman Islands Airports Authority (CIAA) IDs. Moreover, specific training programs were tailored based on performance evaluation assessments, identifying and addressing professional development needs across various departments within the company.

In 2023, approximately 36 employees voluntarily left Cayman Airways. Reasons for these departures varied, ranging from seeking better employment opportunities to unsuccessful completion of the training program during the probationary period. Additionally, some separations were involuntary. This attrition analysis serves as valuable input for continuous improvement in training programs and employee retention strategies.

The Human Resources team, in collaboration with respective departments, spearheaded recruitment efforts and ensured that departments were adequately staffed with the appropriate human resources in 2023. A total of 53 new hires and 45 internal promotions or transfers were recorded during the year. The breakdown of new hires included 47 in the Cayman Islands and 1 in the United States, reflecting the airline's regional presence and commitment to strong talent acquisition.

Throughout the fiscal year, several Caymanian students gained valuable work experience in the aviation industry through temporary placements in various areas of Cayman Airways. These types of partnering programs focus on facilitating a formal succession plan geared towards transitioning young Caymanians into the Aviation Industry from an early age. It is anticipated that through these partnership programs we can assist in the development of young Caymanian aviation professionals; hence reducing our overall need to recruit work permit holders for specialized positions. This is especially essential in areas such as Maintenance and Engineering.

Information Technology

Cayman Airways Information Technology ("IT") department had a very busy and rewarding 2023. As part of the overall company strategic plan IT continued its ongoing tasks of upgrading equipment, software and infrastructure to enhance the Airline's capabilities and improving its operational efficiency.

Cybersecurity was, and continues to be, a major concern for the Airline and as such IT continued to monitor and investigate any potential problems identified by its comprehensive suite of cyber tools. All indications were investigated, and any vulnerabilities were patched.

IT had over 600 helpdesk tickets opened and closed in 2023 and continues to encourage more employees to use this method of reporting to ensure proper details are captured and facilitating the improvement of IT's internal customer experience. Projects completed within 2023 include:

- Completed an External Penetration Test of the public facing corporate environment as part of our regular cybersecurity best practices.
- Setup and activated Barbados Airport
- Setup and activate Panama Airport
- Setup new toll free numbers for Caribbean Use.
- Completed new Bag tag format to allow better processing in stations with automated baggage sortation and include additional information.
- Completed TSA Secure flight/Precheck testing and validation with TSA
- Web check-in updated allow via visa number to be entered at time of check-in
- Setup link to be included in check-in reminder email to prepopulate form with Record locator make check-in 1 step easier.
- Replaced 2 servers, 35 workstations , 10 laptops and 10 mobile phones as part of the ongoing effort to replace and retire equipment as they become end of life
- Upgraded 50 workstations to ssd drives to improve performance.
- Updated multiple Internal databases to meet updated formats and process additional data fields from source vendors.
- Filled the Network Administrator post.
- Upgrade the telco circuits in Tampa and Miami to increase reliability.
- Migrated External Mail gateway to Mimecast
- Facilitated the introduction of the new Zoho HR Database

The Cayman Airways IT department expects to continue its mandate by remaining agile and responsive to the evolving needs of the company, industry, and our customers both internally and externally.

Ownership Performance Targets

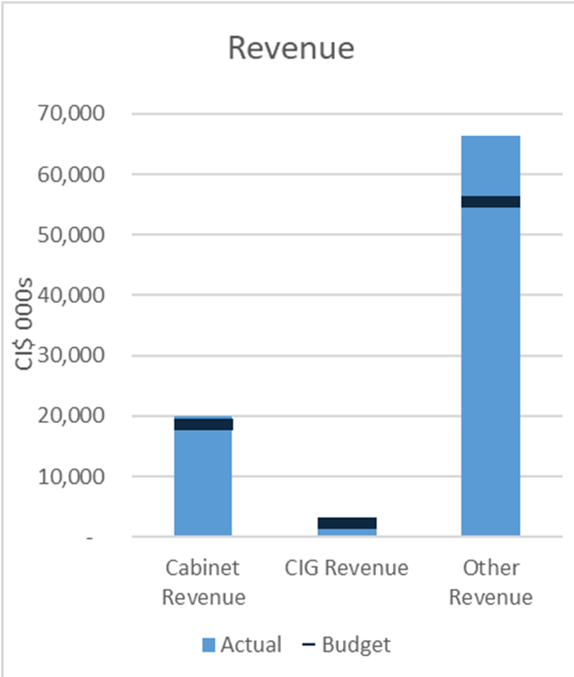
The ownership performance targets achieved for *Cayman Airways Limited* for the 2023 financial year are as follows:

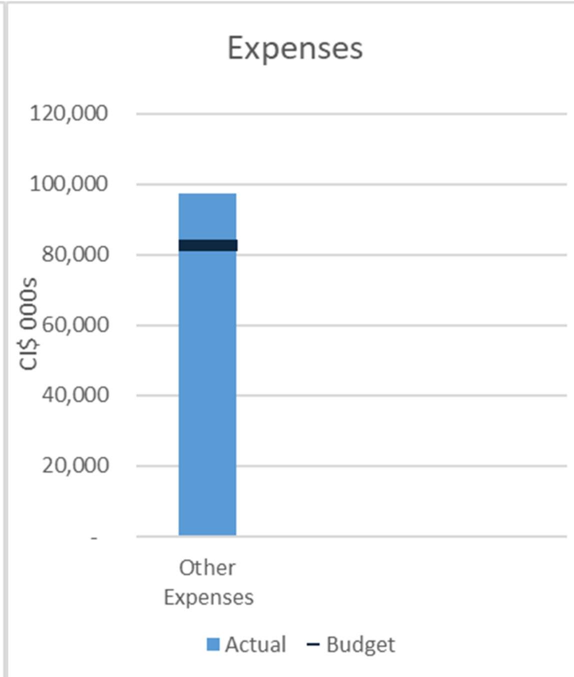
Financial Performance

Financial Performance Measure	2023 Actual CI$000s	2023 Budget CI$000s	Annual Variance CI$000s
Revenue from Cabinet	19,369	18,569	800
Revenue from ministries, portfolios, statutory authorities and government companies	1,820	2,173	(353)
Revenue from other persons or organisations	66,768	55,337	11,431
Surplus/deficit from outputs	87,957	76,079	11,878
Other expenses	97,569	82,573	14,996
Net Surplus/Deficit	(9,612)	(6,494)	(3,118)
Total Assets	49,659	25,761	23,898
Total Liabilities	72,204	42,660	29,544
Net Worth	(22,545)	(16,898)	(5,647)
Cash flows from operating activities	(288)	(3,263)	2,975
Cash flows from investing activities	(1,743)	(1,150)	(593)
Cash flows from financing activities	2,092	6,924	(4,832)
Change in cash balances	61	2,511	(2,450)

Explanation of Variances:

During 2023, the first full year of post-pandemic flying, the airline achieved passenger revenue growth of approximately CI$15.6 million and setting a new airline record of CI$61.9 million. This growth was supplemented by the recognition of CI$800k in funding from the Cayman Islands Government to assist with the cost of the Los Angeles route launch.





Expenses for the year grew tremendously with staff and fuel costs being the greatest. Staff costs increased by approximately CI$6 million in 2023 versus budget. This increase was incurred in large part to the company's efforts of complying with its requirements under the Public Authorities Act and an increase in the Pilot's pay scale, approved by Cabinet. The airline's fuel expenditure grew by approximately CI$3 million compared to budget as higher global oil prices continued to persist. Additionally, new routes such as Los Angeles and Barbados were not considered in budget calculations.

The Airline ended the 2023 fiscal year with a Net Loss of $9.6 million (Budget: Net Loss of $6.5 million). This $3.1 million variation was primarily due to fuel cost increases (despite reduced consumption) and other cost increases, despite significant growth in revenue.

The Airline's adoption of accounting lease standards (IFRS 16) resulted in significant variations in assets, liabilities and cash flow measures during 2023. The original budget was prepared using traditional lease expensing methodologies. In contrast, the new standard requires that leases be capitalized as an asset along with recording a corresponding lease obligation liability. Leases are then expensed through depreciation. This treatment has resulted in a much higher level of cash provided by the operating activities section and a corresponding increase in cash used in financing activities (as the obligation is reduced).

Summarized Financial Statements

A full set of financial statements for *Cayman Airways Limited* is provided in the Appendix to this Ownership Agreement Annual Report.

A summary of the actual and budget data is as follows.

Operating Statement	2023 Actual CI$000s	2023 Budget CI$000s	Annual Variance CI$000s
Revenue (includes Government funding)	87,957	76,079	11,878
Total Expenses	97,569	82,573	14,996
Net Surplus/Deficit	(9,612)	(6,494)	(3,118)

Balance Sheet	2023 Actual CI$000s	2023 Budget CI$000s	Annual Variance CI$000s
Assets	49,659	25,761	23,898
Liabilities	72,204	42,660	29,544
Net Worth	(22,545)	(16,899)	(5,646)

Statement of Cash Flows	2023 Actual CI$000s	2023 Budget CI$000s	Annual Variance CI$000s
Net cash flows from operating activities	(288)	(3,263)	2,975
Net cash flows from investing activities	(1,743)	(1,150)	(593)
Net cash flows from financing activities	2,092	6,924	(4,832)

Explanation of Variances: See ***Ownership Performance Targets*** section above

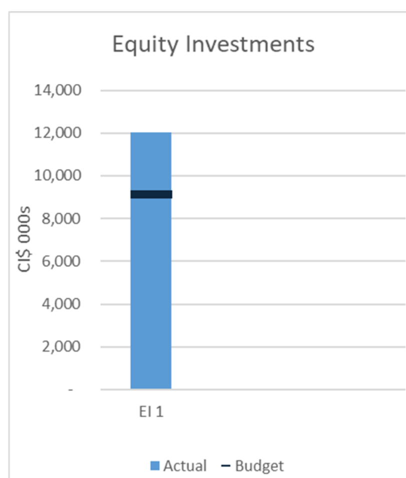
Other Financial Information

Detailed below is information about specific financial transactions required to be included in the Ownership Agreement by the Public Management and Finance Law.

Transaction	2023 Actual CI$	2023 Budget CI$	Annual Variance CI$
Equity Investments into *Cayman Airways Limited*	12,040,000	9,100,000	2,940,000
Government Grant	-	-	-
Capital Withdrawals from *Cayman Airways Limited*	-	-	-
Dividend or Profit Distributions to be made by *Cayman Airways Limited*	-	-	-
Government Loans to be made to *Cayman Airways Limited*	-	-	-
Government Guarantees to be issued in relation to *Cayman Airways Limited*	No New Guarantees	No New Guarantees	-

<u>Explanation of Variances:</u>

The Cayman Islands Government provided Cayman Airways with CI$2.94 million in 2023 specifically to purchase a third Dehavilland Twin Otter for the domestic service. The tendering process for the aircraft was ongoing at year end and is expected to be completed in 2024.



Output Performance Targets

The output performance targets achieved for *Cayman Airways Limited* for the 2023 financial year as they relate to the outputs purchased by the Cayman Islands Government are as follows:

CAL1 - Strategic Domestic Air Services

DESCRIPTION:

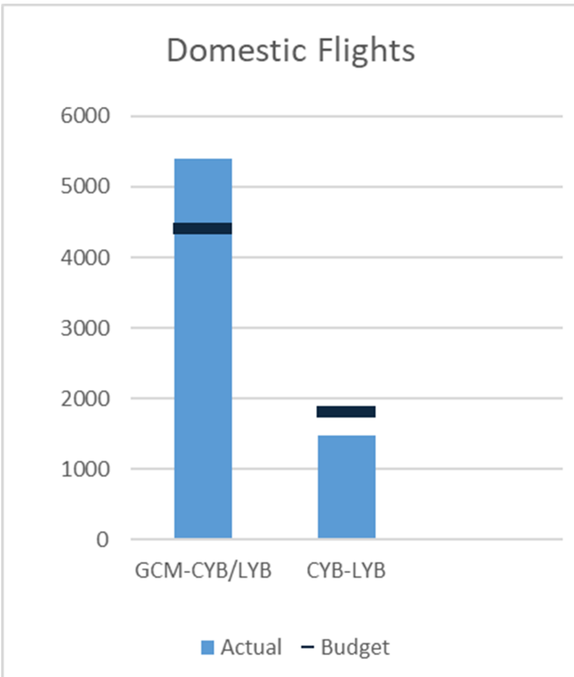
Provision of air service between Grand Cayman and the sister islands of Cayman Brac and Little Cayman using both SAAB and Twin Otter aircraft and specific Jet supplemental flights.

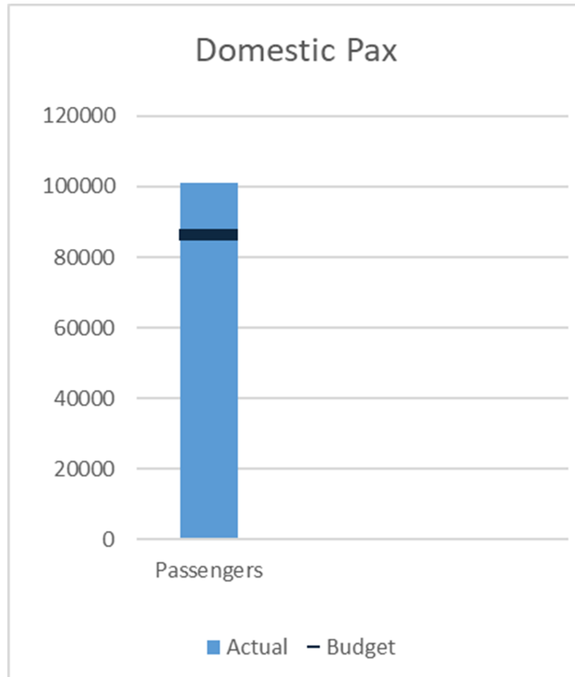
MEASURES	2023 Actual	2023 Budget	Annual Variance
QUANTITY • One-way flights between Grand Cayman and Cayman Brac or Little Cayman • One-way flights between Cayman Brac and Little Cayman • One-way passengers carried.	5,404 1,471 101,221	4,000-4,400 1,800-2,100 78,000-86,000	1,004 (329) 15,221
QUALITY • All flights will be operated in accordance with the airline's safety, operating and maintenance standards.	100%	100%	-
TIMELINESS • All flights will be operated with due regard for timeliness and reliability.	78.4%	80%	1.6%
LOCATION • Cayman Islands	100%	100%	-
COST (CI$000s)	**$3,134**	**$3,134**	-

Overview and Explanation of Variance

Domestic service within the Cayman Islands is balanced between three aircraft types (the 160-seat Boeing 737-8Max, the 34-seat Saab 340B+ and the 15-seat Dehavilland Twin Otter). The balancing of these aircraft types to match fluctuations in demand will often result in a flight count variance from budget (one flight with

160 seats versus three flights with 34 seats each), but the total available seat count will be maintained or increased. Further, in an effort to reduce unnecessary costs, flights between Cayman Brac and Little Cayman are occasionally cancelled if no bookings are made. In 2023, there were approximately 135 such flights that were cancelled.





CAL2 - Strategic Tourism, Regional and Core Air Services

DESCRIPTION

Cayman Airways Limited provides direct air service to strategic US and regional gateways identified as key source markets for expanding the Cayman Islands tourism base and for facilitating the economic development of the Cayman Islands.

MEASURES	2023 Actual	2023 Budget	Annual Variance
QUANTITY • Number of direct, one-way flights per annum. • Number of one-way passengers carried.	3,542 334,976*	4,000-5,000 340,000-370,000	(458) (5,024)
QUALITY • All flights will be operated in accordance with the airline's safety, operating and maintenance standards.	100%	100%	-
TIMELINESS • All flights will be operated with due regard for timeliness and reliability.	77.8%	80%	2.2%
LOCATION • Strategic US gateways include: New York, Miami, Tampa, and Denver • Regional gateways include: Kingston, Montego Bay, La Ceiba and Havana	100% 100%	100% 100%	- -
COST (CI$000s)	**$16,235**	**$15,435**	**800**

* 320,968 revenue passengers and 14,008 non-revenue (rewards, infants etc.) passengers

Overview and Explanation of Variance

In June 2021 (during the budget preparation period), the Cayman Islands Government revealed plans for a phased border reopening. It was expected that by January 2022, all travelers would be able to visit the Cayman Islands regardless of their vaccination status. Based on this, Cayman Airways made budget growth projections for 2022 and 2023. However, the full reopening was postponed by the government and did not occur until late August 2022 due to various reasons.

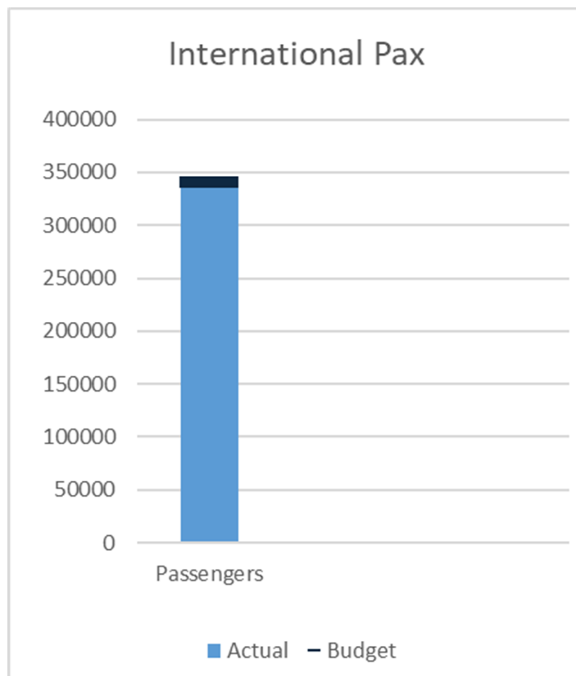
Despite the impact of the border opening timing, Cayman Airways did achieve a total passenger count of 334,976, just under the budgeted target of 340,000. This count was comprised of 320,968 revenue passengers and 14,008 non-revenue (passengers who were redeeming reward miles, infants etc.).

The provision of Strategic Tourism, Regional and Core air services requires constant vigilance in monitoring demand and ensuring that sufficient demand generation activities are initiated (where feasible) and appropriate adjustments of flight schedules are made.

The utilization of the larger aircraft (160-seat Boeing 737-8Max versus the previously used 122-seat Boeing 737-300) meant that fewer flights could provide an equivalent (or even greater) number of seats.

While the airline operates all its flights with due regard for timeliness and reliability, a key measure in the airline industry is on-time performance (the percentage of flights that arrive at their destination within 15 minutes of scheduled arrival.

The CAL2 funding was increased by $800k in 2023 from budgeted amounts. This funding, originally provided in 2022, was to provide underwriting for the Los Angeles route.



APPENDIX A - 2023 Financials of Cayman Airways

CAYMAN AIRWAYS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

CAYMAN AIRWAYS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

CONTENTS

Cayman Airways

STATEMENT OF RESPONSIBILITIES
31 December 2023

These financial statements have been prepared by Cayman Airways Limited in accordance with the provisions of the Public Management and Finance Law (2020 Revision).

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

As Chairman and Executive Vice President, we are responsible for establishing and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the consolidated financial statements are authorised by law, and properly record the financial transactions of Cayman Airways Limited.

As Chairman and Executive Vice President we are responsible for the preparation of Cayman Airways Limited consolidated financial statements and for the judgements made in them.

The consolidated financial statements fairly present the consolidated statements of financial position, financial performance, changes in shareholders' equity, and cash flows of Cayman Airways Limited for the financial year ended 31 December 2023.

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

a) Completely and reliably reflect the financial transactions of Cayman Airways Limited for the financial year ended 31 December 2023.
b) Fairly reflect the consolidated financial position as at 31 December 2023 and its comprehensive income for the year ended 31 December 2023.
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 have been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.

John-Paul Clarke

Dr. John-Paul Clarke
Chairman
Cayman Airways Limited

Date: 28 October 2024

Mr. Paul Tibbetts
Executive Vice President & CFO
Cayman Airways Limited

Date: 28 October 2024

91 Owen Roberts Drive
P.O. Box 10092
Grand Cayman KY1-1001
CAYMAN ISLANDS
Telephone: 345.949.8200
Fax: 345.949.7607

Phone: (345) - 244-3211
Fax: (345) - 945-7738
AuditorGeneral@oag.gov.ky
www.auditorgeneral.gov.ky

3rd Floor, Anderson Square
64 Shedden Road, George Town
P.O.Box 2583
Grand Cayman, KY1-1103, Cayman Islands

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Airways Ltd.

Opinion

I have audited the consolidated financial statements of the Cayman Airways Ltd and its subsidiary (the "Company"), which comprise the statement of financial position as at 31 December 2023 the statements of consolidated comprehensive loss, changes in shareholder's deficit and cash flows 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 Company as at 31 December 2023 and its financial performance and its cash flows for the year ended 31 December 2023 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Emphasis of Matter

I draw attention to Note 2 of the consolidated financial statements, which indicates that the Company's funding model is dependent on the financial support of the Government of the Cayman Islands. The Government has confirmed that it will provide appropriate financial support as may be required to enable the Company to continue its operations and to meet its obligations as they fall due. 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 of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation and fair presentation 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR GENERAL'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance 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

28 October 2024
Cayman Islands

CAYMAN AIRWAYS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States dollars)

	As at 31 December, 2023	2022
ASSETS		
Current assets		
Cash on hand and at bank	$ 15,989,087	$ 15,915,905
Trade and other receivables (Note 6)	3,404,947	2,719,360
Security deposits (Note 4)	2,679	2,679
Prepayments and other assets (Note 4)	613,405	1,373,810
Total current assets	20,010,118	20,011,754
Non-current assets		
Security deposits (Note 4)	5,001,793	4,994,070
Property, plant and equipment (Note 5)	33,025,133	38,141,599
Prepayments and other assets (Note 4)	1,080,394	-
Total non-current assets	39,107,320	43,135,669
TOTAL ASSETS	$ 59,117,438	$ 63,147,423
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities		
Accounts payable and accrued expenses (Note 7)	27,579,700	25,750,969
Loan payable (Note 8)	2,156,116	1,988,427
Lease obligations (Note 15)	8,444,644	8,954,417
Unearned transportation revenue (Note 10)	10,797,604	11,154,375
Frequent flyer programme (Notes 11 and 21)	4,064,054	3,690,000
Deferred revenue (Note 16)	-	1,034,642
Total current liabilities	53,042,118	52,572,830
Non-current liabilities		
Loan payable (Note 8)	16,575,124	18,491,691
Lease obligations (Note 15)	14,339,878	19,812,104
Major maintenance provision (Note 9 and 15)	2,000,000	2,000,000
Total non-current liabilities	32,915,002	40,303,795
Total liabilities	85,957,120	92,876,625
Shareholder's deficit (Note 2)		
Share capital (Note 12)	38,376,215	38,376,215
Capital contributions (Note 12)	144,565,746	130,232,413
Accumulated deficit	(209,781,643)	(198,337,830)
Total shareholder's deficit	(26,839,682)	(29,729,202)
TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIT	$ 59,117,438	$ 63,147,423

Approved for issuance on behalf of the Cayman Airways Limited Board of Directors on October 28, 2024 by:

JOHN-PAUL CLARKE	KENNETH JEFFERSON
……………………………………….	……………………………………….
Director	Director

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

CAYMAN AIRWAYS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(Expressed in United States dollars)

	Year ended 31 December, 2023	Year ended 31 December, 2022
Income		
Passenger revenue	$ 73,728,000	$ 55,215,830
Government output purchases (Note 16 and 21)	23,058,335	23,259,564
Cargo revenue	4,513,076	4,173,420
Handling revenue	1,896,983	1,836,517
Other revenues	1,513,946	3,143,981
Total income	104,710,340	87,629,312
Expenses		
Salaries and wages (Note 13)	27,742,403	22,800,389
Other staff costs (Note 14)	8,805,783	6,550,619
Aircraft fuel	17,394,696	17,196,255
Aircraft lease expense (Note 15)	3,056,016	2,724,366
Commissions and related sales costs	3,965,888	3,642,021
Maintenance, materials and repairs	11,947,397	11,165,813
Landing and parking fees	1,884,419	1,606,901
Aircraft and passenger service	17,405,084	13,941,449
Communications	1,580,540	1,378,377
Information technology	2,040,793	1,876,542
General and administrative	4,260,850	3,347,517
Other operating expenses	4,767,188	3,720,652
Total expenses (excluding depreciation and interest)	104,851,054	89,950,901
NET LOSS BEFORE INTEREST AND DEPRECIATION	(140,714)	(2,321,589)
Interest expense (Notes 8 and 15)	1,921,115	1,615,965
Depreciation (Note 5 and 15)	9,381,984	9,245,400
NET LOSS FOR THE YEAR (NOTE 2)	$ (11,443,813)	$ (13,182,954)
TOTAL COMPREHENSIVE LOSS	$ (11,443,813)	$ (13,182,954)

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

CAYMAN AIRWAYS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S DEFICIT

(Expressed in United States dollars)

	Share capital (Note 12)	Capital contributions (Note 12)	Accumulated deficit	Total
Balance at 31 December 2021	$ 38,376,215	119,399,079	(185,154,876)	(27,379,582)
Net loss for the year	-	-	(13,182,954)	(13,182,954)
Capital contributions (Notes 12 and 20)	-	10,833,334	-	10,833,334
Balance at 31 December 2022	38,376,215	130,232,413	(198,337,830)	(29,729,202)
Net loss for the year	-	-	(11,443,813)	(11,443,813)
Capital contributions (Notes 12 and 20)	-	14,333,333	-	14,333,333
Balance at 31 December 2023	$ 38,376,215	$ 144,565,746	$(209,781,643)	$ (26,839,682)

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

CAYMAN AIRWAYS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in United States dollars)

	Year ended 31 December, 2023	Year ended 31 December, 2022
Cash flows from operating activities		
Net loss for the year	$(11,443,813)	$ (13,182,954)
Adjustments to reconcile net loss to net cash (used in)/ provided by operating activities:		
Depreciation	9,381,984	9,245,400
Interest expense	1,921,115	1,615,965
Gain on disposal of property, plant and equipment	-	(958,500)
Increase in trade and other receivables	(685,587)	(188,059)
Increase in prepayments and other assets and security deposits	(327,712)	(118,930)
Increase in accounts payable and accrued expenses	1,828,731	7,261,005
Increase in major maintenance provision	-	500,000
(Decrease)/ Increase in unearned transportation revenue	(356,771)	2,276,833
Decrease in other liability	-	(1,250,000)
Increase in frequent flyer programme	374,054	240,000
(Decrease)/ Increase in deferred income	(1,034,642)	1,034,642
Net cash (used in)/ provided by operating activities	(342,641)	6,475,402
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 5)	(2,074,917)	(2,281,680)
Proceeds from sale of aircraft and flight equipment	-	2,008,500
Net cash used in investing activities	(2,074,917)	(273,180)
Cash flows from financing activities		
Capital contributions (Note 12)	14,333,333	10,833,334
Repayment of loan (Note 8)	(1,748,879)	(2,161,776)
Lease payments (Note 15)	(8,968,012)	(5,600,667)
Interest paid (Note 8 and 15)	(1,125,702)	(1,615,965)
Net cash provided by financing activities	2,490,740	1,454,926
Net increase in cash and cash equivalents	73,182	7,657,148
Cash and cash equivalents - beginning of the year	15,915,905	8,258,757
Cash and cash equivalents - end of the year	**$ 15,989,087**	$ 15,915,905

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

1. Incorporation and activity

Cayman Airways Limited (the "Entity") was incorporated in the Cayman Islands on 7 August 1968 and is wholly-owned by the Government of the Cayman Islands (the "Government", or the “Shareholder”).

On 4 February 2004, the Entity established Cayman Airways Express Limited, being a wholly owned subsidiary incorporated in the Cayman Islands. Cayman Airways Express Limited was established to provide air transportation between Grand Cayman and the islands of Cayman Brac and Little Cayman.

These consolidated financial statements comprise the Entity and its subsidiary (together referred to as the “Company”).

The Company's main activity is the provision of scheduled passenger and cargo air transportation to, from, and within the Cayman Islands.

The Company’s registered office is 91 Owen Roberts Drive, George Town, Grand Cayman, Cayman Islands.

2. Going concern

Annually, the Government of the Cayman Islands contracts with the Company to purchase certain strategic flights and services (Note 16). Terms of this contract are defined in a Purchase Agreement and the associated payments received by the Company are referred to as “Output Payments”. Purchase commitments made by the Government based on this agreement result in the Government being the single largest customer of the Company, with its Output Payments representing 22% (2022: 27%) of total revenue for the financial year.

Currently and historically, the Company has been structured in such a manner as to allow it to facilitate its requirements under the Purchase Agreement. Under its current structure the Company relies upon these purchase commitments, capital contributions, bank loan guarantee (Note 8) and guarantees made by the Government of the Cayman Islands in the Company’s favour, as well as the Government’s assistance in managing the settlement of amounts owed to related parties (Note 7) which are under Government control, allowing it to continue as a going concern. For the year ended 31 December 2023, the Company has realized a net loss of $11,443,813 (2022 net loss of $13,182,954). Accumulated shareholder’s deficit as of 31 December 2023 was ($209,781,643) (2022: $198,337,830).

Under the 2022-23 Ownership Agreement the Government agreed to provide equity injections amounting to $10.8m million (CI$9.1 million) (2022: $10.8m (CI$9.1 million) for the year ended 31 December 2023 (Note 12 and 20).

Consequently, the consolidated financial statements have been prepared on the going concern basis.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation: The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention. As outlined in Note 2 above, the continued existence of the Company is based on the ongoing support from the Government and the maintenance of the credit facilities provided by the Company's bankers, pursuant to the guarantees provided by Government.

As management considers that this support will be ongoing and there are no indications which suggest otherwise, management considers this basis of preparation to be appropriate.

The preparation of consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors management believes to be reasonable under the circumstances, and the results of such estimates form the basis of judgments about carrying values of assets and liabilities that are not readily apparent from other sources. These underlying assumptions are reviewed on an ongoing basis. A revision to an accounting estimate is recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if these are also affected. Principal sources of estimation uncertainty are outlined in Note 21. Actual results may differ from those estimates.

a) New standards and amendments effective 1 January 2023 adopted by the Company:

- *i) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*
- *ii) Definition of Accounting Estimates (Amendments to IAS 8)*

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

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2024 and not early adopted:

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*
- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*
- *Non-current Liabilities with Covenants (Amendments to IAS 1)*

Certain new standards, amendments and interpretations to existing standards issued to date are not yet effective for the consolidated financial statements of the Company for the year ended December 31, 2023 and have neither been applied nor early adopted in preparing these consolidated financial statements.

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

(Expressed in United States dollars)

3. Summary of significant accounting policies (continued)

Principles of consolidation: The consolidated financial statements include the accounts of the Entity and its wholly owned subsidiary (Note 1). The Company 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement, and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains and losses) arising from intra-group transactions, are eliminated.

Property, plant and equipment: Property, plant and equipment is initially recorded at cost. Cost includes all direct attributable costs of bringing the asset to working condition for its intended use.

Property, plant and equipment are reviewed annually at each reporting date for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or when impairment indicators are present. Assets whose carrying values exceed their recoverable amount are written down to the recoverable amount, being the higher of fair value less costs of disposal or value in use (on a discounted cash flow basis), and the resulting impairment loss recorded in the Consolidated Statement of Comprehensive Loss. To the extent that a previously recognised impairment loss no longer exists or decreases, the carrying amount of the asset will be increased to the lower of recoverable amount or depreciated cost and the resulting reversal of impairment loss will be recorded in the Consolidated Statement of Comprehensive Loss.

Depreciation: Property, plant and equipment are depreciated to their estimated residual values using the straight-line method over their estimated useful lives as measured in years or flight hours as follows:

Type of Property, plant and equipment	Estimated useful life
Owned aircraft airframe and related overhauls	
Airframe and related components	12 months or 12,000 – 30,000 flight hours
Right-of-use assets	Lease term*
D checks and landing gear	21,000 flight hours or 105 months
C checks	24 months
Aircraft engines and related overhauls	
Engine	5 – 8 years
Limited life parts	20,000 cycles**
Other property, plant and equipment:	
Buildings	20 – 50 years
Rotables	12 years
Other property, plant and equipment	3 – 15 years

Land is not depreciated.

* Right of use assets include aircraft and premises whose useful economic life is typically significantly longer than the lease terms entered into by the Company.
** A cycle represents a one way completed flight from start up to shut down.

Where impairment losses have been recorded against property, plant and equipment, the recoverable amount is depreciated to estimated residual value over the remaining estimated useful life.

3. Summary of significant accounting policies (continued)

Aircraft maintenance:

(a) Routine maintenance

All routine aircraft maintenance is provided on a continuous basis and the related costs are expensed as incurred.

(b) Periodic major maintenance and overhauls

For aircraft held under lease agreements, the Company may be contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the airframe, engines and life-limited parts upon return. In order to fulfil such conditions of the lease, maintenance in the form of major airframe overhaul, engine maintenance checks, and restitution of major life-limited parts, are required to be performed during the period of the lease and upon return of the aircraft to the lessor. In such circumstances the estimated airframe and engine maintenance costs and the costs associated with the restitution of major life-limited parts, are accrued and charged to the Consolidated Statement of Comprehensive Loss over the lease term. For aircraft where there are no such contractual commitments or lessor-imposed conditions, the costs associated with maintenance are accounted for in accordance with (a) above.

For owned aircraft, major maintenance, including spares and labor costs, is recognised and depreciated over the expected life between major overhauls.

Trade and other receivables: Trade and other receivables are initially recognised at fair value and subsequently measured at amortized cost. At each reporting date, the Company shall measure the loss allowance on amounts due from trade and other receivables equal to the lifetime expected credit losses applying the simplified approach permitted by IFRS 9 of measuring credit losses of trade receivables and contract assets on lifetime basis from initial recognition. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the Consolidated Statement of Comprehensive Loss.

Other assets: Where the Company expects a provision, recognised in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", to be reimbursed under a contractual arrangement with a third party, the reimbursement is recognised as a separate asset but only when it is virtually certain that reimbursement will be received. Expenditure and the related reimbursement under such arrangement are netted in the Consolidated Statement of Comprehensive Loss.

Security deposits: Security deposits, which are refundable, are initially recognised at discounted fair value and subsequently carried at amortised cost. Security deposits are classified as non-current assets where the period remaining to refund is greater than twelve months from the reporting date.

Accounts payable and accrued expenses: Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and accrued expenses are classified as current liabilities if payment is due within one year or less. Accounts payable and accrued expenses are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

Cash and cash equivalents: Cash and cash equivalents consist of cash on hand and at bank, which is available on demand and short-term bank overdrafts.

3. Summary of significant accounting policies (continued)

Loan payable: Loan payable are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost using the effective interest method. After initial recognition, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Statement of Comprehensive Loss over the period of the loan. Loan payable are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Share capital and capital contributions: Ordinary shares are classified as equity. Where funds are received from the Shareholder in respect of the issuance of shares, those funds are presented as Share subscriptions and classified as equity on the Consolidated Statement of Financial Position.

Foreign currency translation: The accounting records of the Company are maintained in United States dollars. Items included in the consolidated financial statements are measured using United States dollars which is the currency of the primary economic environment in which the Company operates (the "functional currency"). The consolidated financial statements are presented in 'United States dollars' ("USD"), which is the Company's presentational currency. Monetary assets and liabilities in a foreign currency are translated into United States dollars at the prevailing rates of exchange at reporting date. Revenue receipts and expense payments are translated into United States dollars at the prevailing exchange rate on the respective dates of transactions. The rate of exchange between United States dollars and Cayman Islands Dollars is fixed at US$1 to CI$0.84.

Revenues: Scheduled passenger and cargo revenues are recognised in the period in which transportation is provided, net of government taxes, at a point in time. Unearned revenue represents flight seats sold but not yet flown, a contract liability, and is included as a current liability in an unearned transportation liability account. Passengers are only able to make reservations up to a twelve-month period in advance of booking date. Consequently, all unearned transportation revenue is due within twelve months of the reporting date. It is released as income to the Consolidated Statement of Comprehensive Loss as passengers fly. Unused tickets are generally recognised as revenue after an inactive period of 13 months has elapsed (the period after which the ticket becomes non-recoverable).

Handling Revenue: Handling revenue relates to revenue generated from technical handling and third-party maintenance agreements with other airlines flying to the Owen Roberts International Airport. Revenue from these agreements is recognised over time as the contract terms are met in the Consolidated Statement of Comprehensive Loss when the service is provided.

Other Revenues: Other revenue comprises revenue earned from the provision of other airline related services, including ticket change fees, refund penalties, in-flight sales and other product revenue. Inflight sales and certain other services are recognised in the Consolidated Statement of Comprehensive Loss at the time the sale occurs or the service is provided. Ticket change fees and refund penalties are recognised at the point in time in which transportation is provided in the Consolidated Statement of Comprehensive Loss.

Frequent flyer revenue: The Company's frequent flyer programme allows frequent travellers to accumulate 'Sir Turtle Rewards' points each time that they travel with the airline. These points entitle them to a choice of various awards, including free travel and upgrades. Additionally, the Company sells reward points to non-airline business partners.

3. Summary of significant accounting policies (continued)

Frequent flyer revenue (continued): The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value and subsequently recognised as revenue on redemption of the miles by the participants to whom the miles are issued.

The frequent flyer programme in respect of the redemption under this programme is determined using various assumptions concerning the future behaviour of the participants. Those include the following assumptions:

i) The fair value attributable to the awarded mileage credit has been calculated based on the weighted average fare price across all routes over the last five years; and
ii) The rate of redemption for the program since its inception.

Revenue received against the issuance of Sir Turtle Rewards points is deferred as a liability on the Consolidated Statement of Financial Position until the points are redeemed through a passenger being uplifted or expired due to inactivity. The frequent flyer programme is measured based on management's estimates of the fair value of the expected awards for which the points will be redeemed. The fair value of the awards is reduced to take into account the proportion of points which are expected to expire.

Airline and Regulatory Fees: In connection with the sale of flights, fees are collected on behalf of related and third parties such as airports and regulatory agencies. The fees collected are treated as a liability and are recognized in the Consolidated Statement of Financial Position within "Accounts payable and accrued expenses". The liability is generally extinguished when payments are made to these agencies. Certain of these fees are payable only if a passenger travelled and are not due to be paid to these agencies and, subject to contract terms, are also not refundable if the travel did not occur. The Company derecognizes the liability for the collection of such fees on unused expired tickets, which are then recorded as "Other revenue".

Government output purchases: Payments made by Government from its purchase commitments are non-refundable and are recognised over time as the contract terms are met in the Consolidated Statement of Comprehensive Loss during the period necessary to match with costs that they are intended to compensate. Output Payments are calculated according to the Purchase Agreement in place with Government (Note 16). The Output Payments are accounted for in accordance with IAS 20. Output Payments by the Government are recognised at their fair value where there is a reasonable assurance that the amount will be received and the Company will comply with all attached conditions.

Pension plan: In accordance with the Cayman Islands National Pensions Law, 1996 (the "Act") those of the Company's employees that are located in the Cayman Islands participate in a defined contribution pension plan. Employees are required to contribute an amount up to 5% of their annual salaries to the plan during the year and the Company matches such contributions up to 5%. Effective July 1, 2023, the Company paid both the employee and the employer portions of the contributions to the Cayman Islands pension plan. Employees based in the United States of America are eligible to participate in a 401K defined contribution pension plan. Contributions are matched by the Company, to a maximum of 3% of the employee's basic salary. Independent trustees administer both of these plans. The pension contributions paid by the Company under these plans are expensed as incurred in the Consolidated Statement of Comprehensive Loss.

Expenses: Expenses are recognised in the Consolidated Statement of Comprehensive Loss on an accrual basis.

3. Summary of significant accounting policies (continued)

Leases: A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company shall assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the Consolidated Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or Consolidated Statement of Comprehensive Loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the Consolidated Statement of Comprehensive Loss on a straight-line basis over the lease term. On the Consolidated Statement of Financial Position, right-of-use assets have been included in *"Aircraft & engines"* and *"Land and buildings"* asset classes. The lease obligation arising as a result of the right-of-use asset is disclosed as "*Lease Obligation*" on the Consolidated Statement of Financial Position.

Provisions and contingencies: A provision is recognised in the Consolidated Statement of Financial Position when there is a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future outflow at a rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

3. Summary of significant accounting policies (continued)

Provisions and contingencies (continued): The Company assesses the likelihood of any adverse outcomes to contingencies, including legal matters, as well as probable losses. Provisions are recorded for such contingencies when it is probable that a cash outflow will be incurred and the amount of the loss can be reasonably estimated. A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability. Provisions are re-measured at each reporting date based on the best estimate of the settlement amount.

In relation to legal matters, estimates are developed in consultation with outside legal counsel handling the defence in these matters, using the current facts and known circumstances. The factors considered in developing the legal provisions include the merits and jurisdiction of the litigation, the nature and number of other similar current and past litigation cases, the nature of the subject matter of the litigation, the likelihood of settlement and current state of settlement discussions, if any.

Financial Instruments: Trade receivables and loans are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Company becomes a party to contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value.

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objectives to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it classified as held for trading, it is a derivative or it is designated as such on initial recognition.

Fair valuation: The Company classifies financial instruments, assets and liabilities using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

(Expressed in United States dollars)

3. Summary of significant accounting policies (continued)

Fair valuation (continued): The determination of what constitutes ‘observable’ requires significant judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

4. Security deposits, Prepayment and other assets

Security deposits, Prepayment and other assets are comprised of the following:

	As at 31 December,					
	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
Deposits for Aircraft & Engines	$ -	4,121,450	$4,121,450	$ -	4,121,450	$4,121,450
Deposits with Airports & Handlers	-	717,543	717,543	-	717,543	717,543
Other deposits and assets	2,679	162,800	165,479	2,679	155,077	157,756
Security Deposits	2,679	5,001,793	5,004,472	2,679	4,994,070	4,996,749
Prepayments and other assets	$ 613,405	1,080,394	$1,693,799	$1,373,810	-	$1,373,810

At 31 December 2023, in connection with the Company’s leased aircraft arrangements (Note 15), the Company had placed deposits with the leasing agent as security in respect of its leasing obligations. The remainder of the security deposits represent various airport and ground handling deposits held by the airport handling agencies used by the Company to carry on its operations. These security deposits are available to the Company on the expiry of the respective agreements.

Prepayments and other assets include prepayments for maintenance reserve payments only to the extent that they were expected to be recovered based on planned maintenance events during the lease term. The Company makes monthly payments to a maintenance reserve to the lessor as part of its lease agreements. These payments are based on usage of various components of the aircraft, and the Company in accordance with the lease contracts, can be reimbursed from the maintenance reserve when certain qualifying maintenance events take place. As at 31 December 2023 four (2022: four) lease arrangements were in existence and limited maintenance reserve payments were expected to be recovered based on planned maintenance events during the remaining lease term.

CAYMAN AIRWAYS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in United States dollars)

5. Property, plant and equipment

Property, plant and equipment comprise owned and leased assets.

	Aircraft & engines *	Rotables	Land & buildings*	Office & communications equipment	Other assets	Total
Cost						
Balance 1 January 2023	$61,943,501	$ 1,396,882	$ 8,960,054	$ 1,737,814	$ 3,248,332	$77,286,583
Additions	2,781,433	123,491	-	164,329	1,196,412	4,265,665
Reclass to current assets	(454)	-	-	-	-	(454)
Balance 31 December 2023	$64,724,480	$ 1,520,373	$ 8,960,054	$ 1,902,143	$ 4,444,744	$81,551,794
Depreciation						
Balance 1 January 2023	$30,572,692	$ 783,392	$ 3,871,826	$ 1,586,383	$ 2,330,691	$39,144,984
Charge for the year	8,538,774	91,057	143,913	94,096	514,144	9,381,984
Reclass to current assets	(307)	-	-	-	-	(307)
Balance 31 December 2023	$39,111,159	$ 874,449	$ 4,015,739	$ 1,680,479	$ 2,844,835	$48,526,661
At 31 December 2023	$25,613,321	$ 645,924	$ 4,944,315	$ 221,664	$ 1,599,909	$33,025,133

	Aircraft & engines*	Rotables	Land & buildings*	Office & communications equipment	Other assets	Total
Cost						
Balance 1 January 2022	$49,842,346	$ 1,298,232	$ 8,960,054	$ 1,586,917	$ 2,531,073	$64,218,622
Additions	12,114,003	98,650	-	150,897	717,259	13,080,809
Reclass to current assets	(12,848)	-	-	-	-	(12,848)
Balance 31 December 2022	$61,943,501	$ 1,396,882	$ 8,960,054	$ 1,737,814	$ 3,248,332	$77,286,583
Depreciation						
Balance 1 January 2022	$21,962,445	$ 699,664	$ 3,727,913	$ 1,498,333	$ 2,017,745	$29,906,100
Charge for the year	8,616,763	83,728	143,913	88,050	312,946	9,245,400
Reclass to current assets	(6,516)	-	-	-	-	(6,516)
Balance 31 December 2022	$30,572,692	$ 783,392	$ 3,871,826	$ 1,586,383	$ 2,330,691	$39,144,984
At 31 December 2022	$31,370,809	$ 613,490	$ 5,088,228	$ 151,431	$ 917,641	$38,141,599

*Included in the amounts are right-of-use assets over the following:

	At 31 December 2023	At 31 December 2022
Non-current assets		
Aircraft & engines (Note 15)	$18,557,368	$23,796,589
Total	$18,557,368	$23,796,589

The Company reviews its property, plant and equipment for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or when impairment indicators are present. As at 31 December 2023, no impairment indicators were apparent in relation to the fleet (2022: no impairment indicators were apparent).

(Expressed in United States dollars)

6. Trade and other receivables

Trade and other receivables comprise:

	31 December, 2023	31 December, 2022
Trade receivables	$ 1,855,072	$ 1,750,380
Other receivables	1,760,520	1,217,404
Total, before provision for impairment	3,615,591	2,967,784
Less: provision for impairment	(210,644)	(248,424)
Net receivables	$ 3,404,947	$ 2,719,360

Trade receivables relate to air cargo services sold to local customers and other government entities with payments generally due after 30 days of sale. At 31 December 2023 trade receivables of $1,491,048 (2022: $1,477,299) were due from related parties, being other Government entities. Other receivables include amounts due from airline clearing houses and credit card companies in respect of tickets sold and unsettled credit card transactions, respectively.

The movement in the provision for impairment of receivables is as follows:

	31 December, 2023	31 December, 2022
Balance, beginning of year	$ 248,424	$ 299,749
Decrease in provision for impairment	(37,780)	(51,325)
Balance, end of year	$ 210,644	$ 248,424

During the year ended 31 December 2023, the Company wrote off $Nil (2022: $Nil) relating to amounts due from customers.

(Expressed in United States dollars)

6. Trade and other receivables (continued)

The aging analysis of receivables and expected credit losses is as follows:

	31 December, 2023		2022	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
Current (not past due)	$2,008,711	$ 43,041	$1,448,631	$ 27,989
1-30 days past due	175,724	31,148	196,792	33,479
31- 60 days past due	73,111	28,472	68,647	20,507
61- 150 days past due	51,222	21,340	44,178	15,732
151 -360 days past due	-	-	67,901	40,077
More than 360 days past due	1,306,823	86,643	1,141,635	110,640
Total impaired		$ 210,644		$ 248,424
Total receivables	$3,615,591		$2,967,784	

The Company measures the loss allowance on amounts due from trade and other receivables equal to the lifetime expected credit losses applying the simplified approach permitted by IFRS 9 of measuring credit losses of trade receivables and contract assets on a lifetime basis from initial recognition. The above table provides information about expected credit losses for trade and other receivables from individual customers.

Non-impaired receivables represent a number of independent customers from whom there is no recent history of default or to related party Government entities whose collectability is expected given the nature of the relationship between the Company, Shareholder and other Government entities.

7. Accounts payable and accrued expenses

At year end, accounts payable and accrued expenses are comprised of the following:

	31 December, 2023	2022
Trade accounts payable	$18,970,640	$ 15,072,472
Other accounts payable	6,385,332	7,854,411
Accruals	2,223,727	2,824,086
Total	$27,579,700	$ 25,750,969

At 31 December 2023, the Company was working with Government to address repayment of a component of the below debt owed to various related parties including $10 million (2022: $8 million) to the Cayman Islands Airport Authority ("CIAA"). The CIAA charges the Company for airport landing and parking fees which are recognised in the Consolidated Statement of Comprehensive Loss.

At year end, the following balances were due to related parties:

	31 December, 2023	2022
Trade accounts payable	$11,435,478	$ 9,342,727
Other accounts payable	1,217,800	-
Accruals	857,494	1,019,215
Total	$13,510,772	$ 10,361,942

(Expressed in United States dollars)

7. Accounts payable and accrued expenses (continued)

Amounts due to related parties represent balances due to entities under common control of the Company's shareholder. These include Ministries, Statutory Authorities and other Government Companies where the Cayman Islands Government has controlling interest.

Other accounts payable comprise primarily taxes and fees collected from passengers on ticket sales.

8. Loan payable

At year end, the Company held the following loan, analysed by contractual maturity in effect as of 31 December, 2023 and 2022:

As at 31 December 2023:

	Within 1 year	Between 2 and 5 years	After more than 5 years	Total
Floating rate secured USD loan (i)	$ 2,156,116	$ 9,480,182	$7,094,942	$ 18,731,240
	$ 2,156,116	$ 9,480,182	$7,094,942	$ 18,731,240

As at 31 December 2022:

	Within 1 year	Between 2 and 5 years	After more than 5 years	Total
Floating rate secured USD loan (i)	$ 1,988,427	$ 9,078,975	$ 9,412,716	$ 20,480,118
	$ 1,988,427	$ 9,078,975	$ 9,412,716	$ 20,480,118

(i) The loan bears interest based on US PRIME. The loan is secured by way of a guarantee from the Government (Note 2) and is repayable by 2031.

During the year ended 31 December 2023, the Company incurred an interest expense of $1,241,906 (2022: $580,608).

Pursuant to the agreement with the local bank, the Company must comply with certain covenants, namely ensuring that all scheduled repayments are current and the provision of audited consolidated financial statements and other financial data of both the Company and the Government (as guarantor). In the event of default, the local bank may, by written notice to the Company, declare all borrowings under the agreements to be immediately due and payable.

Letters of credit

A local bank has issued a number of letters of credit on behalf of the Company in the amount of $1,825,430 (2022: $1,293,482). These are used as collateral for United States Customs bonds and credit account support. The letters of credit bear interest at a rate of 1% per annum.

(Expressed in United States dollars)

9. Provisions

Major Maintenance Provision

Return conditions included within lease contracts (Note 15) have been reflected as a provision calculated at inception. This amount is re-assessed if there is an indication that circumstances relating to the return condition costs have changed since commencement of the leases.

10. Unearned transportation revenue

Unearned revenue represents flight seats sold but not yet flown, a contract liability, and is included as a current liability in an unearned transportation liability account. Passengers are only able to make reservations up to a twelve-month period in advance of booking date. Consequently, all unearned transportation revenue is due within twelve months of the reporting date. It is released as income to the Consolidated Statement of Comprehensive Loss as passengers fly. Unused tickets are generally recognised as revenue after an inactive period of 13 months has elapsed (the period after which the ticket becomes non-recoverable). However, since the introduction of local directives to reduce international and domestic flight operations, as a result of the Cayman Islands Government ("CIG") response to a worldwide pandemic, the Company extended its ticket terms for use for up to 2 years from the initial flight date up to no later than 31 December 2023.

During the year ended 31 December 2023, unearned transportation revenue recognised, that had been included in the contract liability balance at the beginning of the year, amounted to $11,035,046 (2022: $8,745,413).

11. Frequent flyer programme

Frequent Flyer Programme:

	31 December, 2023	31 December, 2022
Current liability	$ 4,064,054	$ 3,690,000

Frequent flyer programme

The deferred revenue liability in respect of the frequent flyer programme is a contractual liability that is released when points are used or when they become non-redeemable. Points are redeemable for a maximum of two years and in the event of non-activity for two years in dormant accounts the points become non-redeemable. However, since the introduction of local directives to reduce international and domestic flight operations, as a result of the CIG response to a worldwide pandemic, the Company has extended the dormancy period to 3 years of inactivity. The Company uses an estimated value of redeemed travel, based on historical average fares, to determine the value attributed on each mile. A deferred revenue liability is recognised on the Consolidated Statement of Financial Position.

During the year ended 31 December 2023, frequent flyer revenue recognised, that had been included in the contract liability balance at the beginning of the year, amounted to $1,201,754 (2022: $998,728).

(Expressed in United States dollars)

12. Share capital

	31 December, 2023	31 December, 2022
Authorised:		
50,000,000 Ordinary shares of CI$1 each	CI$50,000,000	CI$50,000,000
Issued and fully paid:		
31,980,179 Ordinary shares of CI$1 each	$38,376,215	$38,376,215

During the year ended 31 December 2023, the Government, as part of its addressing of the Shareholder deficiency in Cayman Airways, contributed $14,333,333 (2022: $10,833,334) in equity injections (Note 20).

In January 2010, the Board of Directors of the Company resolved to increase the authorised share capital of the Company from 50,000,000 to 100,000,000 units of shares. However, as of 31 December 2023, the Government, as Shareholder, had not given effect to those resolutions as passed by the Board of Directors, nor had the formalities for the issuance of the outstanding shares to the Shareholder been fully executed. Consequently, as at 31 December 2023, an amount of $144,565,746 (2022: $130,232,413) is shown on the Consolidated Statement of Financial Position, which represents capital contributions.

13. Related party transactions and balances

As outlined in Note 1, the Company is wholly owned by the Government. The Company engages with other entities and bodies which are related to the Government in the ordinary course of business.

As outlined in Note 2, the Company has entered into various arrangements with Government or with Government support. As a result, it is probable that the terms obtained by the Company under these arrangements would likely be less favorable than without the Government, or indeed, whether the Company would have been able to avail of those facilities without the Government involvement in first instance.

The Government has undertaken to provide financial support to the Company as discussed in Note 2. Consequently, the consolidated financial statements have been prepared on the going concern basis and do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

The key management of the airline is comprised of 9 positions (2022: 9 positions). Total remuneration earned by key management during the year ended 31 December 2023 and 2022 is shown below. Total remuneration for the year includes medical and pension contributions, acting allowances and severance pay.

	Year ended 31 December, 2023	Year ended 31 December, 2022
Salaries and other short-term employee benefits	$2,145,510	$1,790,185

All of the members of the Board of Directors are voluntary and do not receive any remuneration for services rendered. Directors are entitled to utilise certain flight benefits. Furthermore, current and retired staff and their family members receive travel benefits with the Company. As these benefits are generally dependent upon space available and not guaranteed, and as the incremental cost of providing the benefit is immaterial, the Company does not record the perceived value nor make an adjustment for staff costs.

13. Related party transactions and balances (continued)

Due to the nature of the Company's purpose and its ownership by the Government, related party transactions occur throughout its entire operations. Other significant related party transactions and balances are disclosed throughout these consolidated financial statements (Notes 6, 7, 8, 12, 16 and 20). Amounts due to and from related parties are unsecured and non-interest bearing.

14. Other Staff Costs

Significant components of other staff costs comprise health insurance, pensions and travel expenses. For employees based in the Cayman Islands, the Company and its employees make contributions to a defined contribution pension plan regulated in the Cayman Islands. The employees contributed 5% of their annual salaries to the plan during the year, as required by law, and the Company matched such contributions. Effective July 1, 2023, the Company paid both the employee and the employer portions of the contributions to the Cayman Islands pension plan. Employees based in the United States of America are eligible to participate in a 401K defined contribution pension plan. Contributions are matched by the Company, to a maximum of 3% of the employee's basic salary. During the year ended 31 December 2023, the Company made $1,777,396 (2022: $1,099,481) in pension contributions which is included in other staff costs in the Consolidated Statement of Comprehensive Loss.

15. Leases

The Company has leases for certain aircrafts and engines, premises and airport counter space. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the Consolidated Statement of Financial Position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (Note 5).

Leases of aircrafts and engines have a lease term ranging from 6 months to 7 years however most leases of property are generally expected to be limited to 2 years or less except in special circumstances. Lease payments are generally fixed however the aircraft lease payments are subject to annual changes in an index (either RPI or CPI).

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The following table describes the nature of the Company's leasing activities by type of right-of-use asset recognised on the Consolidated Statement of Financial Position:

(Expressed in United States dollars)

15. Leases (continued)

At 31 December 2023:

Right-of-use Asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension periods	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Aircraft and engines	4	1-3 years	2 years	4	Nil	Nil	4

At 31 December 2022:

Right-of-use Asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension periods	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Aircraft and engines	4	2-6 years	4 years	4	Nil	Nil	4

Return conditions included within lease contracts have been reflected in the related right-of-use asset and a provision calculated at inception, this amount is re-assessed if there is an indication that circumstances relating to those assets have changed since commencement of the leases.

Right-of-use assets
Additional information on the right-of use-assets by class of assets is as follows:

For the year ended 31 December 2023:

Asset	Carrying amount	Additions/(Disposal)	Depreciation	Interest expense	Impairment
Aircraft and engines	$ 18,557,368	$ 2,190,748	$ 7,429,823	$ 834,059	$ -
Total	$ 18,557,368	$ 2,190,748	$ 7,429,823	$ 834,059	$ -

For the year ended 31 December 2022:

Asset	Carrying amount	Additions/(Disposal)	Depreciation	Interest expense	Impairment
Aircraft and engines	$ 23,796,589	$ 10,799,130	$ 7,296,584	$ 1,031,079	$ -
Land and buildings	-	-	-	-	-
Total	$ 23,796,589	$ 10,799,130	$ 7,296,584	$ 1,031,079	$ -

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

(Expressed in United States dollars)

15. Leases (continued)

Lease liabilities
Lease obligations are presented in the Consolidated Statement of Financial Position as follows:

	31 December, 2023	2022
Current	$ 8,444,644	$ 8,954,417
Non-current	14,339,878	19,812,104
Total	$ 22,784,522	$ 28,766,521

Minimum lease commitments outstanding at the end of the period pursuant to all lease agreements entered in are as follows as at 31 December 2023:

	Aircraft & Engines	Land & Buildings	Total
2024	$ 9,374,532	$ 216,715	$ 9,591,247
2025 to 2028	17,265,379	76,233	17,341,612
2029 and beyond	-	-	-
Total	$ 26,639,911	$ 292,948	$ 26,932,859

As at 31 December 2022:

	Aircraft & Engines	Land & Buildings	Total
2023	$ 8,943,993	$ -	$ 8,943,993
2024 to 2027	22,178,948	-	22,178,948
2028 and beyond	-	-	-
Total	$ 31,122,941	$ -	$ 31,122,941

Lease payments not recognised as a liability
The Company has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

During the year ended 31 December 2023 the expense relating to payments not included in the measurement of the lease liability is as follows:

	Aircraft & Engines	Land & Buildings	Total
Short term leases	$ 1,760,420	$ 379,278	$ 2,139,698
Variable lease payments (see below)	1,295,596	-	1,295,596
Total	$ 3,056,016	$ 379,278	$ 3,435,294

(Expressed in United States dollars)

15. Leases (continued)

During the year ended 31 December 2022:

	Aircraft & Engines	Land & Buildings	Total
Short term leases	$ 1,590,427	$ 348,113	$ 1,938,540
Variable lease payments (see below)	1,133,939	-	1.133,939
Total	$ 2,724,366	$ 348,113	$ 3,072,479

Variable lease payments not recognised in the related lease liability are expensed as incurred and include rentals based on the number of passengers transported from the use of the underlying asset. The variable lease payments are generally required by the lessor however such arrangements can be very cost effective where it is likely that the actual use of an asset will not exceed its anticipated use. During the year the variable lease payments in respect of the above leases were less than 1% of the total fixed lease payments.

16. Government output purchases

The Company's operations are broken into several distinct categories under an "airlift framework". This framework features significantly in the Company's operational planning and funding models and is defined as follows:

Framework Category	Definition
Core	Routes/Flights/Operations that CAL dominates and knows the market well Routes/Flights/Operations that provide good economic return or at least break-even
Strategic Domestic	Domestic Routes/Flights that are purchased by, and operated on behalf of, the Government
Strategic Tourism	International Routes/Flights that have national tourism importance which are purchased by, and operated on behalf of, the Government
Surplus	Assumes prior 3 categories are being adequately serviced (without displacement and not affecting required redundancy to maintain reliability of service). Includes operations which must provide good economic return.

Strategic Domestic and Strategic Tourism are operations which are considered, by the Government, critical for the Cayman Islands, but do not provide sufficient economic justification themselves for an airline to operate. Accordingly, the Government purchases these operations from the Company (these purchases are referred to as "Output Payments"). During periods of economic slow-down, the Government may also purchase certain of the Core operations from the Company as well.

During the year ended 31 December 2023, the Government paid Output Payments to the Company totalling \$22,105,952 (2022: \$24,211,949) for it to provide these services as part of a defined Purchase Agreement. The Purchase Agreement is a formal contract which is agreed and executed between the Company and the Government prior to the start of any subsequent fiscal period as part of the Government Budget process. The Purchase Agreement requires the Company to provide defined services within a range relating to both a quantity of flights and number of passengers. Additionally, the Company is required to file monthly reports with the Government indicating its compliance with these provision requirements. Output Payments are paid monthly in equal instalments.

At 31 December 2023, deferred income in the amount of \$Nil (2022: \$952,383) related to Output Payments was received during 2022. This amount was recognised during the year as the Output Payment is directly linked to specific conditions being met in relation to costs incurred on certain routes.

17. Financial instruments risk

The Company is exposed to a variety of financial risks: credit risk, liquidity risk, market risk (interest rate risk) and commodity price risk. The Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the Company's financial position and performance.

Risk management is carried out by the Senior Finance Management team with guidance from the Financial Affairs committee of the Board of Directors. The senior management team identifies and evaluates financial risks in close co-operation with the Company's various operating units.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. To mitigate this risk, the Company has adopted a policy of dealing only with creditworthy counterparties. Financial assets which potentially expose the Company to credit risk comprise cash and cash equivalents, accounts receivable and security deposits.

The Company seeks to mitigate its credit risk on cash at bank by placing its cash and cash equivalents with reputable financial institutions. At 31 December, 2023 and 2022, substantially all of the operating cash at bank is placed with two (2022: two) financial institutions, being RBC Royal Bank (Cayman) Limited and Butterfield Bank (Cayman) Limited, which in the opinion of management are stable financial institutions. Management does not anticipate any material losses as a result of this concentration.

Credit risk arising from default by customers represents the most significant source of risk to the Company.

For trade customers, the Company performs adequate due diligence (including, but not limited to, independent credit ratings, assessment of credit quality, taking into account its financial position, past experience and other factors) on the stability of the customer and their repayment capabilities prior to extending credit. On an on-going basis, management regularly monitor the level of debts outstanding from customers to ensure that the risk of loss arising from default is minimised. All customers are generally granted contractual credit terms of 30 days; however, in practice, the level of credit days by customers is significantly greater. The majority of the customers making up the trade customer balance are various government agencies 86% (2022: 85%). Accordingly, delays in payment are expected, but no significant risk of non-payment is expected. However, to mitigate the risk arising from default, management maintains regular contact with the customers to ensure that repayment is timely, and to identify early any potential indicators of default.

The carrying value of these financial assets represents the maximum exposure to credit risk. No collateral is required from the Company's debtors.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As discussed in Notes 8, the Company has long-term debt which is priced at a floating rate of interest, which is reset monthly as market rates changes. The Company is exposed to cash flow interest rate risk should market rates change. Management does not consider the Company to be exposed to interest rate risk on cash at bank, since this cash is held on call.

(Expressed in United States dollars)

17. Financial instruments risk (continued)

Interest rate risk (continued)

The table below illustrates the sensitivity of the Company's reported net income (and shareholders' deficit) to reasonably possible changes in interest rates for the long-term debt:

	2023	2022
+ 1.00%	(187,312)	(204,801)
- 1.00%	187,312	204,801

Liquidity risk

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

The Company is reliant significantly on the on-going support from the Government in order to ensure its continued operations and to meets its obligations as they fall due (Note 2).

Prudent liquidity risk management implies maintaining sufficient cash at bank and funding to sustain operations of the Company. The Company maintains liquidity for its operations and payment of its debt through retaining sufficient available funds in the form of cash at bank, and seeking additional financing as required from Government as and when the need arises.

The table below presents the undiscounted cash flows payable by the Company under financial instruments by outstanding contractual maturities at the reporting dates:

As at 31 December 2023:

	< 1 year	**>1 < 5 Years**	**5 years +**	**Total**
Cash outflows				
Accounts payable and accrued exp.	27,579,700	-	-	27,579,700
Loan payable	2,156,116	9,480,182	7,094,942	18,731,240
Interest payments on loan	1,299,819	3,280,188	613,637	5,193,644
Lease payments obligations	9,591,247	17,341,612	-	26,932,859
Total cash outflows	$ 40,626,882	$ 30,101,982	$ 7,708,579	$ 78,437,443

As at 31 December 2022:

	1 year	**>1 < 5 Years**	**5 years +**	**Total**
Cash outflows				
Accounts payable and accrued exp.	25,750,969	-	-	25,750,969
Loan payable	1,988,427	9,078,975	9,412,716	20,480,118
Interest payments on loan	1,027,648	2,985,322	890,649	4,903,619
Lease payments obligations	8,943,993	22,178,948	-	31,122,941
Total cash outflows	$ 37,711,037	$ 34,243,245	$ 10,303,365	$ 82,257,647

17. Financial instruments risk (continued)

Commodity price risk
The Company's fuel requirements expose the Company to the market volatility of jet fuel prices. The Company is subject to jet fuel price risk resulting from its operating activities. The volatility of jet fuel prices has been significant in recent years and can have a significant effect on the profitability of operations. The Company does not engage in any hedging activities with respect to mitigating the risk of fluctuations in jet fuel prices. The Company purchases jet fuel at the daily spot rate as the demand exists, consequently, the Company is exposed to significant risk in the event of significant fluctuations in the price of jet fuel.

18. Financial instruments - fair values

Fair values approximate amounts at which financial assets and liabilities could be exchanged between willing parties and are determined using judgment and after consideration of uncertainties. Therefore, the aggregate fair value amounts should not be interpreted as being realisable in an immediate settlement of the instruments.

The main assumptions and valuation techniques used at arriving at fair values are outlined below.

Financial instruments carried at other than fair value

Cash and cash equivalents, trade and other receivables (net of provisions), security deposits, prepayments and other assets, accounts payable and accrued expenses, loan payable and unearned transportation revenue approximate their fair value due to the short-term maturities of these assets and liabilities. Per the fair value hierarchy of IFRS 13, cash is classified as level 1, and the remaining financial assets and liabilities are classified as level 2 (Note 3).

19. Contingent liabilities

The Company is routinely engaged in litigation arising in the ordinary course of its business. Management does not believe that any such litigation will individually or in aggregate have a material adverse effect on the financial condition of the Company. It is management's policy to rigorously assert its position in such cases. Management believes that the possible liabilities arising from unsuccessful litigation are not accurately determinable. However, such liabilities would not be expected to materially adversely affect the Company's results of operations or financial position.

20. Capital management

The Company's objectives when managing its working capital, is to safeguard the Company's ability to continue as a going concern, through the on-going support from the Government (Note 2), so that it can continue to provide the specified activity for which the Company was established (Note 1).

During the year ended 31 December 2023, the Government paid to the Company an amount of $14,333,333 (2022: $10,833,334) in equity injections for the year.

The Company is not subject to any externally imposed working capital requirements by third party lenders or the Cayman Islands Government.

21. Certain significant judgements and estimates

The Company believes that its critical accounting policies, which are those that require management's most difficult, subjective and complex judgments, are as described below. These critical accounting policies, the judgments and other uncertainties affecting application of these policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered in reviewing the consolidated financial statements.

Property, plant and equipment
In accounting for property, plant and equipment, the Company must make estimates about the useful lives of the assets. Additionally, property, plant and equipment are reviewed annually at each reporting date for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or when impairment indications are present. Assets whose carrying values exceed their recoverable amount are written down to the recoverable amount, being the higher of fair value less costs of disposal or value in use (on a discounted cash flow basis).

In estimating the useful lives and recoverable amount of its property, plant and equipment, the Company has primarily relied on its own industry experience, and other available marketplace information. Subsequent revisions to these estimates could be caused by a change in the physical condition, obsolescence, changes in usage patterns and changes in market demand. Additionally, changes in recoverable amounts used in impairment analyses, could be caused by changes in cash generating abilities or market value of the aircraft airframe and engines, rotables, land and buildings, and other assets. The Company evaluates its estimates and assumptions in each reporting period, and, when warranted, adjusts these assumptions when first known of or reasonably estimable; such adjustments can be significant.

Extension options to leases
When the Company has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

Frequent flyer programme
As outlined in Note 11, the frequent flyer programme is based on expected redemption of outstanding miles. The expected redemption level is based on the Company's actual history of redemption for the program since inception (over 10 years). The expected redemption level is not expected to fluctuate significantly from the actual redemption.

Government output purchases and grant income
The Company accounts for the Output Payments as a government grant using the income approach in accordance with IAS 20. The arrangement disclosed in Note 16 imposes compliance with certain conditions and/ or obligations on the Company and as such the Company recognises income in the Consolidated Statement of Comprehensive Loss over the period in which it recognises costs that they are intended to compensate. Management has exercised judgment in determining that the Output Payments received are recognised in the Consolidated Statement of Comprehensive Loss as income and are not capital in nature.

22. Taxation

Under the current laws of the Cayman Islands, there are no income, sales or other Cayman Islands taxes payable by the Company. Management believes that the Company currently conducts its affairs so as not to be liable for income taxation in any other jurisdiction. The Company does incur taxes, Government fees, and other regulatory fees on airline tickets and air freight, but these are charged directly to the customer and in turn remitted to the appropriate regulatory authorities/bodies.

23. Subsequent Events

In January 2024, the Company agreed with the lessor to increase the lease term of VP-CIX to 7 years from the initial 6 year term.

Additionally, subsequent to year end the Company has initiated the purchase of the third Twin Otter which costs $3,750,000. A deposit was made in March 2024 of $2,000,000 to the vendor in relation of this purchase. Subsequent to March 2024, a total of $1,500,000 was paid to the vendor.

As of September 13, 2024, there is an ongoing legal matter being handled by the Company's insurance carrier and legal counsel, which is expected to be covered by the insurance company.

The Company has no other subsequent events through the date of sign off of these financial statements.