

Port Authority of the Cayman Islands

Financial Report

For the year ended 30 June 2015



Financial Statements of the

**PORT AUTHORITY OF THE
CAYMAN ISLANDS**

30 June 2015

**FINANCIAL STATEMENTS OF THE
PORT AUTHORITY OF THE CAYMAN ISLANDS**

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Statement of Responsibility for the Financial Statements

These financial statements have been prepared by the Port Authority of the Cayman Islands in accordance with International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with International Financial Reporting Standards.

As Port Director, I am responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Port Authority of the Cayman Islands.

As Port Director and Deputy Port Director, Finance, we are responsible for the preparation of the Port Authority of the Cayman Islands financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the Port Authority of the Cayman Islands for the financial year ended 30 June 2015.

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

- (a) Completely and reliably reflect the financial transactions of Port Authority of the Cayman Islands for the year ended 30 June 2015;
- (b) Fairly reflect the financial position as at 30 June 2015 and performance for the Year ended 30 June 2015;
- (c) Comply with International Financial Reporting Standards as set out by the International Accounting Standards Board under the responsibility of the International Federation of Accountants.

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

Clement Reid
Port Director

Date: Oct 7 2016

James Parsons
Deputy Port Director Finance

Date: Oct 7 2016

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Port Authority of Cayman Islands

I have audited the accompanying financial statements of the Port Authority of Cayman Islands ("the Authority"), which comprise the statement of financial position as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 45 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Port Authority of Cayman Islands as at 30 June 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Tender Fees

I draw attention to Note 21 of the financial statements which details that the Authority was unable to charge tender fees totalling \$597,925 for the manifested cruise passengers as required by Section 26 (e) of the Port Regulations (2011 Revision). This was due to an existing agreement with the Florida-Caribbean Cruise Association (FCCA) in 2003 which prohibits the Port Authority from unilaterally increasing fees. My opinion is not qualified in respect of this matter.

Revaluation of Fixed Assets (Land & Buildings)

I draw attention to Note 5 of the financial statements which discloses the matters surrounding management's effort to revalue its land, buildings and investment property. Management engaged the services of an external appraiser to carry out the exercise, which was concluded at the beginning of the financial year. Subsequently, management decided not to utilize the valuations provided and therefore decided to continue using the historical cost basis of accounting to report the assets. I have not assessed the impact these valuation reports could have on the carrying value of Land, Buildings and Investment Property and the resultant impact on depreciation and equity. My opinion is not qualified in respect of this matter.

Remissions to Cayman Islands Government

I draw attention to Note 11 of the financial statements which states that under the *Port Authority Law*, any balance of account in favor of the Authority up to the amount of CI\$100,000 may be carried forward to the account of the following year and any excess of that sum shall be paid in to the general revenue of the Cayman Islands Government. Management has neither made a provision in these financial statements or remitted any of such excess funds to the Cayman Islands Government.

Management does not believe that this is a valid payable to Cayman Islands Government, the basis being the former Cash Accounting Framework which is inconsistent with the Public Management & Finance Law (2013 revision). My opinion is not qualified in respect of this matter.



Garnet Harrison, CPA, CA
Acting Auditor General

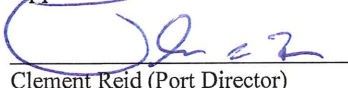
7 October 2016
Cayman Islands

PORT AUTHORITY OF THE CAYMAN ISLANDS
Statement of Financial Position

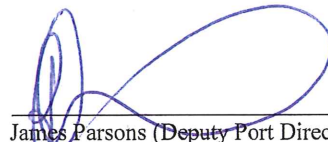
As at 30 June 2015
(Stated in Cayman Islands dollars)

	Note	June 2015 \$	June 2014 (Restated) \$ (Note 26)	1 July 2013 (Restated) \$ (Note 26)
ASSETS				
Current Assets				
Cash and cash equivalents	3	3,793,047	1,384,195	1,258,963
Accounts receivable (Net)	4	1,071,804	1,378,413	1,131,531
Inventory	2	738,414	759,264	705,877
Prepaid expenses		575,915	624,480	805,040
Other receivables and deposits		66,063	54,015	176,662
Total Current Assets		6,245,243	4,200,367	4,078,073
Non-Current Assets				
Fixed Assets				
Land- freehold	5	13,824,552	13,824,552	14,436,077
Docks and buildings	5	14,098,378	14,868,551	11,985,062
Other assets	5	3,774,233	4,225,452	4,563,684
Work in progress	6	226,414	120,644	247,268
Total Fixed Assets		31,923,577	33,039,199	31,232,091
Investment Property	7	15,772,466	16,204,457	16,629,927
Total Non-Current Assets		47,696,043	49,243,656	47,862,018
TOTAL ASSETS		53,941,286	53,444,023	51,940,091
LIABILITIES and EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	9	4,059,531	3,599,542	5,181,503
Current maturities on long term liabilities	8	1,400,000	1,480,558	1,551,721
Total Current Liabilities		5,459,531	5,080,100	6,733,224
Non – Current Liabilities				
Long term Loans	8	1,782,525	3,330,159	4,838,453
Defined benefit liability (New)	10	24,662,000	23,682,000	19,653,000
Total Non- Current Liabilities		26,444,525	27,012,159	24,491,453
TOTAL LIABILITIES		31,904,056	32,092,259	31,224,677
EQUITY		22,037,230	21,351,764	20,715,414
TOTAL LIABILITIES and EQUITY		53,941,286	53,444,023	51,940,091

Approved,


Clement Reid (Port Director)

Oct 7 2016
Date


James Parsons (Deputy Port Director –Finance)

Oct 7 2016
Date

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

PORT AUTHORITY OF THE CAYMAN ISLANDS
Statement of Comprehensive Income

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

	Note	June 2015 \$	June 2014 (Restated) \$ (Note 26)
OPERATING REVENUE			
Cargo handling		13,398,856	13,293,592
Cruise ship passenger fees		2,818,489	2,449,288
Port development fees		1,254,428	1,103,208
Maritime services		1,442,589	1,331,727
Rental income	21	1,159,498	1,187,664
Other income		256,811	436,437
Diesel sales	16	196,192	120,298
Total Operating Revenue		20,526,863	19,922,214
OPERATING EXPENSES			
Staff costs	17	11,573,780	11,670,920
Contracted services	18	2,161,673	1,014,580
Repairs and maintenance	19	1,368,093	1,253,387
Insurance		654,423	944,953
Utilities		615,639	651,676
Diesel		299,158	328,334
Finance charges	8	86,231	102,220
Miscellaneous		100,503	99,777
Rent		40,006	40,000
Stationery, supplies & computer supplies		45,895	36,770
Travel, conventions & training		34,435	21,902
Advertising and entertainment		25,058	17,121
Total Operating Expenses		17,004,894	16,181,640
GROSS OPERATING SURPLUS FOR THE YEAR		3,521,969	3,740,574
OTHER INCOME/ (EXPENSES)			
Interest income		3,364	1,188
Defined benefit expense – post employment health care	10	(2,341,000)	(2,061,000)
Disposal of fixed assets	5	(45,205)	(611,525)
Depreciation	5,7	(1,825,432)	(1,769,786)
Total Other Income/(Expenses)		(4,208,273)	(4,441,123)
NET INCOME/ (LOSS) FOR YEAR		(686,304)	(700,549)
Other Comprehensive income for the year – Safe Haven Marina	5	0	3,305,000
Other Comprehensive expense:			
Remeasurements of defined benefit obligation:			
effect of changes in financial assumptions	10	1,036,000	(2,279,000)
Total Comprehensive Income for the year		349,696	325,451

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Statement of Cash Flows

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

		2015 \$	2014 (Restated) \$ Note 26
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for year		349,696	325,451
Adjustments to reconcile net income to net cash used in Operating activities:			
Depreciation	5,7	1,825,432	1,769,786
Defined benefit expense	10	1,305,000	4,340,000
Prior period adjustment	10	335,770	311,000
Net change in working capital:			
Accounts receivable		306,608	(246,882)
Inventory		20,853	(53,387)
Prepaid expenses		48,565	180,560
Other receivables		(12,051)	122,648
Accounts payable and accrued expenses		459,989	(1,581,961)
Net Cash Provided by Operating Activities		4,639,862	5,167,215
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed Assets purchased	5	(214,890)	(417,919)
Long Term Investment purchased	7	(2,365)	(10,304)
Construction in progress (Net)	6	(105,770)	(126,624)
Non Cash acquisition of Safe Haven Marina	5	0	(3,305,000)
Disposal of fixed assets	5	45,205	611,525
Net Cash Used by Investing Activities		(277,820)	(3,248,322)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term debt	8	(1,628,190)	(1,482,658)
Defined Benefit Payments (Discounted)		(325,000)	(311,000)
Net Cash Used by Financing Activities		(1,953,190)	(1,793,658)
Net Increase in cash and Cash Equivalents during the year		2,408,852	125,232
Cash and cash equivalents at the beginning of the year	3	1,384,195	1,258,963
Cash and cash equivalents at the end of year	3	3,793,047	1,384,195

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

PORT AUTHORITY OF THE CAYMAN ISLANDS
Statement of Changes in Equity

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

Year ended 30 June 2014	\$
Beginning balance 1 July 2013	20,715,414
Correction for understatement of General reserves in prior period (Work in progress, Expenses, Accruals)	(101)
Total comprehensive income (<i>Restated</i>)	325,451
Payments made on defined benefit obligation (<i>Discounted</i>)	311,000
Transactions with shareholder:	
Contributions to Cayman Islands Government	-
Total transactions with shareholder	-
Ending balance 30 June 2014 (<i>Restated</i>)	21,351,764
Beginning balance 1 July 2014	21,351,764
Correction for errors in prior year	10,770
Total comprehensive income	349,696
Payments made on defined benefit obligation (<i>Discounted</i>)	325,000
Ending balance 30 June 2015	22,037,230

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

1. Establishment and Principal Activities

The Port Authority of the Cayman Islands (the “Port Authority”) is a statutory body established on September 15, 1976 under the *Port Authority Law*. This Law was revised in 1999. The Port Authority is also governed by the *Port Regulations (2010 Revision)*.

The Port Authority is engaged in the management of the maritime affairs of the Cayman Islands. This includes –

- general management and control of all ports;
- establishment and control of lighthouses and day markers;
- establishment and control of berths;
- provision, maintenance, and control of cranes, launches, lighters, rafts, trucks, capstans, winches, windlasses, bollards, and other machinery, apparatus, tackle and gear used in ports and territorial waters for the securing, loading, unloading and maintenance of vessels;
- establishment, maintenance and control of transit sheds, offices, and all other buildings in ports other than buildings under the control of the Collector of Customs, the Chief Immigration Officer or the Chief Medical Officer;
- general supervision of territorial waters, and of vessels and wrecks located therein;
- loading and unloading of vessels;
- establishment and supervision of safety measures in respect of vessels or classes of vessels in ports and in territorial waters;
- enforcement of the Port Authority Law and the Regulations;
- inspection of vessels for the purpose of checking and enforcing compliance with the Port Authority Law.

As at 30 June, 2015 the Port Authority had 151 employees (2014-154 employees). The Port Authority is located in the Port Authority Building on Harbour Drive, P.O. Box 1358 GT, Grand Cayman, Cayman Islands, as well as a branch at 385 Creek Road, P.O. Box 9, Cayman Brac.

2. Significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The principal accounting policies adopted by the Port Authority are as follows:

(a) Basis of preparation

The financial statements of the Port Authority have been prepared on an accrual basis under the historical cost convention. The reporting currency is Cayman Islands Dollars and figures presented have been rounded to the nearest dollar.

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(b) Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from these estimates.

(c) Financial instruments

(i) Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise cash and cash equivalents, insurance claim receivable, accounts receivable and other receivables and assets.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise long term and short term debt and accounts payable and accrued expenses.

(ii) Recognition

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

This is consistent with the Port Authority's risk management strategy to absorb and disclose adverse movement in financial assets and liabilities as soon as they occur.

(iii) Derecognition

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

(iv) Measurement

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) *Specific instruments*

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are current and savings accounts bank balances.

Interest income and expense

Interest income and expense are recognised in the statements of income on an accrual basis. Interest income represents the interest earned on term deposits. Interest expense includes interest paid on long term debt and bank overdraft.

(d) *Fixed assets/depreciation*

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the statements of income on a straight-line basis at the following rates estimated to write off the cost of the assets over their expected useful lives:

Buildings	4%
Investment Property	2%
Marine Dock	2%
Cranes and Heavy Equipment	5% - 10%
Lights and buoys	2% - 20%
Equipment and furniture	20%
Computer Equipment	20%

(i) *Additions*

The cost of an item of property, plant, and equipment is recognized as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Port Authority and the cost of the item can be measured reliably.

Work in progress is recognized at cost less impairment and is not depreciated.

(ii) *Disposals*

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(d) Fixed assets/depreciation (continued)

(iii) Subsequent costs

Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Port Authority and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognized in the Statement of Comprehensive Income as they are incurred.

(e) Impairment

The carrying amount of the Port Authority's assets other than inventories (see note 2(h)) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(f) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Cayman Islands dollars at the foreign currency exchange rate at the balance sheet dates. Foreign exchange differences arising on translation are recognised in the statements of income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign currency exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Cayman Islands dollars at the foreign exchange rates at the dates that the values were determined.

(g) Allowance for bad debts

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

(h) Inventory

Inventory consists of diesel fuel and service parts and consumables for the port Authority's fleet of vehicles, cranes and other specialised equipment. These are valued at the lower of net realisable value or cost, on a first in, first out basis. Inventory is recorded net of an allowance for obsolete and slow moving items. Any change in the allowance for obsolescence is reflected in the statements of income in the year of change.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(i) Revenue recognition

Fee income on services provided is recognised in the statements as income when the rendering of a service is completed or substantially completed, and the customer is invoiced.

Asset received are recognized as income when the Port Authority satisfies conditions which gives rise to the value of the related asset received. The cost that the Port Authority suffered to satisfy conditions that gave rise to the asset received is also recognized as expense in the Statement of Comprehensive Income.

(j) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(k) Pensions and other post-retirement benefits

The Port Authority participates in the Silver Thatch Pension Plan, a defined contribution pension fund, in accordance with the Cayman Islands National Pension Law. The Port Authority makes monthly contributions of 10% of an employee's salary to an approved pension provider. Contributions are charged to expenses as they are incurred based on set contribution rates. Total contributions for 2015 were \$838,209 - (2014-\$982,125). The Port Authority also participates in another pension plan with Sagicor. Employees are allowed to contribute to Sagicor pension amounts in excess of \$500 per month (which is given to the primary pension provider, Silver Thatch). Total contributions to Sagicor for the financial year were \$82,594.

(l) New Standards, interpretations and amendments effective from July 1 2014

There are several new standards and amendments effective for annual periods beginning on or after July 2014. Some have an impact on the annual financial statements of the Port Authority. The nature and impact of each new standard and amendment adopted by the Port Authority is described below:

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntary comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

(1) New Standards, Interpretations and Amendments (continued)

the related notes. This standard has an impact on the Port Authority's financial statements, given the retroactive application of the defined benefit liability, the reporting of the Safe Haven Marina and the reclassification of the consultancy services for the cruise berthing facility.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Port Authority is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements for the year ended 30 June 2015, this amendment does not impact the financial statements for the year ended 30 June 2015. However, this the amendment could have an impact on the Port Authority in future financial years.

Amendments to IAS 19: Defined Benefit Plans:

The proposals address the accounting when a plan amendment, curtailment or settlement occurs during a period with the following proposed guidance: (a) when the net defined benefit liability (asset) is remeasured in accordance with paragraph 99 of IAS 19 (i.e. when a plan amendment, curtailment or settlement occurs): (i) the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement; and (ii) an entity determines the net interest for the remaining period based on the remeasured net defined benefit liability (asset). (b) the current service cost and the net interest in the current reporting period before a plan amendment, curtailment or settlement are not affected by, or included in, the past service cost or a gain or loss on settlement. The IASB proposes that these amendments should be applied retrospectively, but proposes providing an exemption that would be similar to the exemption granted in respect of the amendments to IAS 19 in 2011. The exemption is for adjustments of the carrying amount of assets outside the scope of IAS 19. The Port Authority is assessing the impact, if any, this will have on its financial statements.

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

IFRS 9, Financial Instruments:

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Authority is in the process of evaluating the impact of the new standard.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

2. Significant Accounting Policies (continued)

IFRS 15, Revenue from Contracts with Customers:

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers.

Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Authority is in the process of evaluating the impact of the new standard.

Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets:

The amendments to these standards clarify that the use of a revenue-based amortization method is not appropriate, and provide a rebuttable presumption for intangible assets. The amendments to the standards are effective for years beginning on or after January 1, 2016. The Authority has not yet assessed the impact of the amendments.

3. Cash and cash equivalents

	2015	2014
	\$	\$
Bank balances	3,793,047	1,384,195

This consists of operating bank balances held by the Port Authority.

Management has, over the years, adopted a policy to retain cash balances to facilitate liquidity in case of an emergency. The emergency fund is intended to cover the cost of the deductible on the Port Authority's property insurance CI\$1,640,000 (US\$2,000,000) plus a contingency to cover any additional losses. However, due to economic changes and financial challenges experienced over the past four years the cash reserves has been depleted. Note 13 further explain the financial position that the Port Authority is currently faced with.

Restricted cash

Included in the bank balances above is restricted cash of \$114,333 representing deposits held on escrow for tenants of renting the Authority's investment properties.

4. Accounts receivable

	2015	2014
	\$	\$
Accounts receivable	1,142,889	1,449,498
Less: provision for impairment	(71,085)	(71,085)
	1,071,804	1,378,413

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

4. Accounts receivable (continued)

Fair value

The carrying value of receivables approximates their fair value.

Impairment

The ageing profile of receivables at year end is detailed below:

	2015			2014		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Past due 1-45 days	978	(51)	927	1,087	(54)	1,033
Past due 46- 89 days	57	(7)	50	142	(7)	135
Past due over 90 days	107	(13)	94	220	(10)	210
Total	1,142	(71)	1,071	1,449	(71)	1,378

Management makes a provision for a significant portion of accounts overdue in excess of 90 days. In addition, specific provision was made for some clients whose ability to pay was in doubt.

Due to the large number of receivables, the impairment assessment is generally performed on a collective basis, based on an analysis of past collection history and write-offs. Special consideration is also given to those with a higher degree of risk for default.

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

	Actual 2015 \$000	Actual 2014 \$000
Balance at 1 July	71	71
Increase in provisions during the year	-	-
Receivables written off during the year	-	-
Balance at 30 June	71	71

PORT AUTHORITY OF THE CAYMAN ISLANDS**Notes to the Financial Statements**

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

5. Fixed Assets

	Freehold Land	Docks and Buildings	Other Assets	Construction In Progress	Total
	\$	\$	\$	\$	\$
Cost					
At 30 June 2014	13,824,552	26,703,794	14,596,399	120,644	55,245,389
Additions	-	38,346	176,543	105,770	320,659
Disposals	-	(12,911)	(1,142,090)	-	(1,155,001)
At 30 June 2015	13,824,552	26,729,229	13,630,852	226,414	54,411,047
Accumulated Depreciation					
At 30 June 2014	-	11,835,243	10,370,947	-	22,206,190
Charge for Year	-	808,309	582,768	-	1,391,077
Disposals	-	(12,701)	(1,097,096)	-	(1,109,797)
At 30 June 2015	-	12,630,851	9,856,619	-	22,487,470
Net Book Value					
At 30 June 2015	13,824,552	14,098,378	3,774,233	226,414	31,923,577
At 30 June 2014	13,824,552	14,868,551	4,225,452	120,644	33,039,199

PORT AUTHORITY OF THE CAYMAN ISLANDS**Notes to the Financial Statements**

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

5. Fixed assets (continued)**(2014 Restated)**

	Freehold Land	Docks and Buildings	Other Assets	Construction In Progress	Total
	\$	\$	\$	\$	\$
Cost					
At 30 June 2013	14,436,077	23,141,557	14,279,368	247,268	52,104,270
Additions		3,562,237	160,683	-	3,722,920
Transfers	-	-	156,348	(126,624)	29,724
Disposal	(611,525)	-	-	-	(611,525)
At 30 June 2014	13,824,552	26,703,794	14,596,399	120,644	55,245,389
Accumulated Depreciation					
At 30 June 2013	-	11,156,544	9,715,684	-	20,872,228
Charge for Year	-	678,699	655,263	-	1,333,962
Disposals	-	-	-	-	-
At 30 June 2014	-	11,835,243	10,370,947	-	22,206,190
Net Book Value					
At 30 June 2014	13,824,552	14,868,551	4,225,452	120,644	33,039,199
At 30 June 2013	14,436,077	11,985,013	4,563,684	247,268	31,232,042

PORT AUTHORITY OF THE CAYMAN ISLANDS**Notes to the Financial Statements**

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

5. Fixed Assets (Continued)**Analysis of Other Assets- 2015**

	Vehicles & Equipment	Computer Equipment	Computer Software	Equipment & Furniture	Lights & Buoys	Loose Tools	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
At 30 June 2014	11,608,843	612,957	654,381	966,274	622,220	131,724	14,596,399
Additions	10,229	22,488	27,294	109,466	-	7,066	176,543
Disposals	(677,997)	(170,829)	-	(265,970)	(23,687)	(3,607)	(1,142,090)
At 30 June 2015	10,941,075	464,616	681,675	809,770	598,533	135,183	13,630,852
Accumulated Depreciation							
At 30 June 2014	7,697,325	505,499	598,905	836,734	609,110	123,374	10,370,947
Charge for Year	454,328	33,430	24,219	58,235	7,893	4,663	582,768
Disposals	(633,002)	(170,829)	-	(265,970)	(23,688)	(3,607)	(1,097,096)
At 30 June 2015	7,518,651	368,100	623,124	628,999	593,315	124,430	9,856,619
Net Book Value							
At 30 June 2015	3,422,424	96,516	58,551	180,771	5,218	10,753	3,774,233
At 30 June 2014	3,911,518	107,458	55,476	129,540	13,110	8,350	4,225,452

PORT AUTHORITY OF THE CAYMAN ISLANDS**Notes to the Financial Statements**

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

5. Fixed Assets (Continued)**Analysis of Other Assets -2014**

	Vehicles & Equipment	Computer Equipment	Computer Software	Equipment & Furniture	Lights & Buoys	Loose Tools	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
At 30 June 2013	11,410,126	565,921	652,081	903,214	622,220	125,806	14,279,368
Additions	42,369	47,036	2,300	63,060	-	5,918	160,683
Transfers	156,348	-	-	-	-	-	156,348
At 30 June 2014	11,608,843	612,957	654,381	966,274	622,220	131,724	14,596,399
Accumulated Depreciation							
At 30 June 2013	7,171,381	476,393	573,218	783,397	590,624	120,671	9,715,684
Charge for Year	525,944	29,106	25,687	53,337	18,486	2,703	655,263
At 30 June 2014	7,697,325	505,499	598,905	836,734	609,110	123,374	10,370,947
Net Book Value							
At 30 June 2014	3,911,518	107,458	55,476	129,540	13,110	8,350	4,225,452
At 30 June 2013	4,238,745	89,528	78,863	119,817	31,596	5,135	4,563,684

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(*Stated in Cayman Islands dollars*)

5. Fixed Assets (Continued)

Safe Haven Marina

Based on an agreement made in January 2009 between Fujigmo Ltd, Cesar Hotelco (Cayman) Ltd., the Port Authority and the Governor of the Cayman Islands, two parcels of land held by the Port Authority was reshaped and reconfigured by way of reparcellation to facilitate the development of a public Marina at the developer's (Fujigmo Ltd.) expense.

The reparcellation and reconfiguration of the land resulted in the Port Authority losing 2.73 acres on one parcel and the other parcel was leased to the developer for 99 years at peppercorn rate. The initial cost of the two parcels of land when they were acquired by the Port Authority in September 2003 was \$1,400,000.

The Marina was completed by the developer and handed over to the Port Authority in April 2014. The construction cost of the facility based on a valuation by an appraiser, was \$3,305,000. Based on the land swaps, the value lost by the Port Authority on the land was \$611,525.

Management engaged the services of another appraiser to perform a fair value assessment of the property, as part of a wider fair value assessment of all PACI properties. Upon completion of their work, the property was assessed at \$2,400,000, comprising of the land \$920,000 and the buildings and external works \$1,565,000. This would indicate that the property was impaired thus; the market value (excluding land) of \$1,565,000 was less than the other valuation reported of \$3,305,000, a difference of \$1,740,000.

Management understands that according to accounting standards two actions became necessary on account of these developments:

1. The reported valuation of the Safe Haven marina of \$3,305,000 can be capitalized as an asset and the amount recognized as other income in the Statement of Comprehensive Income.
2. The overall impairment (reduction in value) of the property totaling \$2,351,525 can be recognized as an expense in the Statement of Comprehensive Income and the asset reduced commensurately.

Based on several factors, including a detailed assessment of both appraisals by management, it was determined that the first appraisal would be accepted as fairly representing the value of the Marina at the measurement date. As such, the value of \$3,305,000 was capitalized and included in Docks and Buildings and the land disposed (at cost \$611,525) was reflected in the land element of Property Plant and Equipment in the Statement of Financial Position and in the disposals section in the Statement of Comprehensive Income.

The facility is being operated by the Port Authority as a public marina. The docking facilities are available to the boating public without charge.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015

(Stated in Cayman Islands dollars)

5. Fixed Assets (Continued)

During the financial year the Port Authority conducted an exhaustive fixed assets review, during which assets totalling \$1,155,002 with depreciation of \$1,109,797 were disposed of, resulting in a loss on disposal of \$45,205. This is reflected in 'other expenses' in the Statement of Comprehensive Income. The assets disposed of comprised a mix of items retired during the current financial year, and those retired in previous years but remained on the register. The Port Authority is in the process of modernizing and revamping the management and accounting for fixed assets.

Revaluation of Fixed assets

Management engaged BCQS to provide a professional appraisal of the fair value of the assets owned by the Port Authority as at 30 June 2014. The valuations were received subsequent to year end and upon review, it was determined that a second professional opinion should be obtained before any action is taken regarding adjusting the asset values that the Port Authority currently have in its books.

The overall opinion of the appraisers is that the fair value of the Port Authority's assets total \$43.7M. The Port Authority currently carries these assets in our books at \$57.7M under the historical cost convention. This leaves a gap of \$14M. However, the Port Authority has depreciated these assets over the years amounting to \$15.6M, so we are effectively carrying the assets at a value of \$42.2M. Although based on the valuations received there is an upward movement of \$1.5M in the final analysis on the carrying value of the assets, management believes strongly that several areas need a second opinion before we can conclude on the results.

Consequently, no action was taken on these valuations. The Port Authority will seek to have a second valuation done by firms with expertise in Marine and Port valuations within the course of 2015/16 financial year.

PORT AUTHORITY OF THE CAYMAN ISLANDS**Notes to the Financial Statements**

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

5. Fixed Assets (Continued)**Revaluation of Fixed assets (continued)****Summary of Revalued figures - Land and Buildings**

Property	Cost in Port Authority's Books \$	Revaluation / Fair Value \$	Gain / (loss) upon Revaluation \$	NBV at 30 June 2014 \$	Gain / (loss) on NBV \$
GT Property - RWCT , Cargo Dock & Buildings plus land at OPY/187	35,415,460	24,500,000	(10,915,460)	24,414,621	85,379
Safe Haven - Land and Public Marina	1,435,000	2,485,000	1,050,000	1,435,000	1,050,000
Spotts CDC, Billing Office	1,622,626	875,000	(747,626)	1,563,508	(688,508)
Compound including Land	13,639,491	12,430,000	(1,209,491)	10,354,068	2,075,932
West Bay Land	715,800	70,000	(645,800)	715,800	(645,800)
Little Cayman- Land	381,300	240,000	(141,300)	381,300	(141,300)
Cayman Brac CDC and Lands	4,515,560	3,100,000	(1,415,560)	3,326,876	(226,876)
Totals - Properties	<u>57,725,237</u>	<u>43,700,000</u>	<u>(14,025,237)</u>	<u>42,191,173</u>	<u>1,508,827</u>

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

6. Capital works in progress

	2015 \$	2014 \$
New Building (CYB)	120,644	120,644
Spotts Landing Facility	105,770	-
Cruise Ship Facilities	851,457	-
Total	1,077,871	120,644

7. Investment Property

	Buildings \$
Cost	
At 30 June 2014	19,903,279
Additions	2,365
At 30 June 2015	19,905,644
Accumulated Depreciation	
At 30 June 2014	3,698,822
Charge for Year	434,356
At 30 June 2015	4,133,178
Net Book Value	
At 30 June 2015	15,772,466
At 30 June 2014	16,204,457

Investment Property is reported under IAS 40, using the Cost model. Investment Property consist of retail shops which are leased. This is stated at cost less accumulated depreciation and impairment losses. Depreciation on investment property is charged to the Statement of Comprehensive Income on a straight-line basis at 2% which approximate to a useful life of 50 years.

Management received an independent professional appraisal of the Investment Property from BCQS as at 30 June 2014. The fair value of the investment property was indicated at CI\$24,500,000.

Management has decided to obtain a second valuation, and therefore decided to continue using the historical cost basis of accounting as the most appropriate basis to account for Investment property. This will be pursued in the 2015/2016 financial year.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

8. Long Term Liabilities

	Current \$	1-2 yrs. \$	3-5 yrs. \$	2015 \$	2014 \$
a) Royal Watler Terminal					
(i) Royal Bank of Canada	1,400,000	1,782,525	-	3,182,525	4,591,921
LIBOR plus 1.5% (1.68955%)					
b) West Bay Terminal					
(i) Royal Bank of Canada	-	-	-	-	218,796
LIBOR plus 1.5% (1.68955%)					
Total	1,400,000	1,782,525	-	3,182,525	4,810,717

	2015 \$	2014 \$
Total Long Term Liabilities	3,182,525	4,810,717
Less Current Maturities	(1,400,000)	(1,480,558)
Total	1,782,525	3,330,159

(c) Commercial bank loans are comprised of:

	<u>2015</u>	<u>2014</u>
	\$	\$
<p>\$14,350,000 (US\$17,500,000) issued 30 March 2004 for the Royal Watler Terminal and bearing interest of LIBOR (0.18955% as at 30 June 2015) plus 1.5% and repayable in monthly instalments starting from May 1, 2005 until July 31, 2017. The securities pledged by the Port Authority for this loan are as follows:</p> <ul style="list-style-type: none"> • Registered Second Demand Legal Charge stamped in the amount of US\$17,500,000 covering George Town Commercial Block OPY, Parcel 133. • Registered Second Demand Collateral Legal Charges in the amount of US\$17,500,000 over George Town Commercial Block OPY, Parcels 25 and 127 • Registered First Collateral Legal Charge in the amount of US \$17,500,000 over raw land parcel described as West Bay South, Block 5B Parcel 36. 		
	3,182,525	4,591,921

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

8. Long Term Liabilities (continued)

2015

2014

\$6,970,000 (US\$8,500,000) issued 20 August 2004 for the acquisition of properties in West Bay and for the construction, the fit out cost to be incurred in connection with the construction of a new passenger terminal, pier and commercial buildings on the properties and the construction of a sea wall, bearing interest of LIBOR (0.18955% as at 30 June 2015) plus 1.5% and repayable in monthly instalments starting from 1 August 2005 until 31 July 2017*

The securities pledged by the Port Authority for this loan are as follows:

- Registered Third Demand Legal Charge stamped in the amount US\$8,500,000 covering George Town Commercial, Block OPY Parcel 133
- Registered Third Demand Collateral Legal Charges in the amount of US\$8,500,000 each over George Town Commercial, Block OPY Parcels 25 and 127
- Registered Second Collateral Legal Charge in the amount of US\$8,500,000, over raw land legally described as West Bay South, Block 5B, Parcel 36.

- 218,796

Total Commercial Bank Loans

3,182,525

4,810,717

Included in operating expenses is finance charges of \$86,231 (2014: \$102,220), of which \$71,339 (2014: \$102,220), and \$14,892 (2014: 14,350) relate to interest expenses and bank fees respectively.

* At 30 June 2005 \$700,507 was drawn down on the loan facility for the acquisition of properties in West Bay. Subsequent to 30 June 2005 the Port Authority decided to abandon this project, and therefore the full loan amount was not borrowed. This loan was fully repaid during the financial year.

During the financial year ended 30 June 2015, the Port authority repaid the entire amount owing on the West Bay loan of \$218,796. An additional \$1,409,394 was repaid on the RWCT loan. A total of \$1,628,190 in principal payments was repaid during the financial year.

(d) Sensitivity Analysis

The sensitivity analyses below are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated.

Sensitivity factor	Description of sensitivity factor applied
Interest rate (1)	The impact of an absolute change in market interest rates by approximately 1%

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

8. Long Term Liabilities (continued)

	Interest rates	
	1%	-1%
Sensitivities as at 30 June 2015	\$	\$
Impact on Net income for the year	(42,090)	42,090
Impact on Shareholder's equity	(42,090)	42,090

	Interest rates	
	1%	-1%
Sensitivities as at June 30, 2014	\$	\$
Impact on Net income for the year	(76,500)	76,500
Impact on Shareholder's equity	(76,500)	76,500

1 - Related to loan expense and interest income

9. Accounts Payable and Accrued Expenses

This represents unpaid expenses incurred in the current and prior years which are due within the next twelve months. Approximately \$3M of this amount is due to the Cayman Islands Government for unpaid insurance premiums dating back several years. The remaining \$1M comprises payables occurring in the normal course of business, year- end accruals for employee entitlements (i.e. Wages and vacation leave), and amounts held in escrow for tenants of rental properties.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015

(Stated in Cayman Islands dollars)

10. Defined benefit liability: Post employment health care

The Port Authority provides health care benefits for its staff who have given ten (10) years' service and who attain at least 55 years old prior to retirement. The benefit is in the form of continuation of their health insurance coverage on the medical plan in force for active employees. The premiums for this health insurance coverage are paid for by the Port Authority for all eligible retirees until the end of their lives. This coverage falls within the definition of a defined benefit by the International Accounting Standards and as such represents a future liability of the Port Authority. The Port Authority is required to use the actuarial valuation method to determine the present value of its health insurance benefit obligations for its former workers as well as future retirees and the related current service costs. International Accounting Standards No. 19 (IAS 19) directs that funded or unfunded post-employment benefits must be recognized in the statement of financial position (in the case of net defined liability or asset) and the statement of comprehensive income (for the annual expense).

These actuarial valuations use several financial and demographic assumptions to determine the liability and current expense of the benefits which will be honoured on behalf of the retirees. Financial assumptions include, the discount rate, estimated future costs of the medical premiums, and the claims rate for the medical plans. Demographic assumptions include estimated mortality and benefits levels.

The Authority commissioned Mercer Actuaries of Canada to provide this service and the results of their assessment are included hereunder. The Port Authority has a present value net defined benefit obligation of \$24,662,000 at the end of the financial year 30 June 2015. The details of the valuation and the assumptions used are reproduced hereunder in accordance with IAS 19.

This post - employment benefit has been in existence from the implementation of a similar move by central government to allow its retirees to continue to benefit from the medical plans held prior to retirement from the civil service. This was formalised in the staff manual and made known to staff.

There has not been any recognition of this liability or annual expense in the financial statements of the Port Authority before, except that the premiums paid on behalf of the retirees were included as medical costs and reported as a part of staff costs in the Statement of Comprehensive Income.

Neither has there been any money set aside to fund this benefit. Consequently, the entire \$24,662,000 is currently unfunded. Steps will need to be taken to address this unfunded status in the coming years.

The Port Authority also currently pays a monthly pension to a small number of retirees

Management does not consider the pension paid to retired workers to be material as all four (4) retirees currently receive a combined \$34,360 per annum. This benefit will not pass to their estate after their demise and they are all well into their seventies or eighties.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

10. Defined benefit liability: Post employment health care (continued)

Plan Name	Port Authority of the Cayman Islands	
	30 June 2015	30 June 2014
Financial year ending on		
Currency Information		
1. Local currency		
2. Reporting currency		
A. Change in defined benefit obligation		
1. Defined benefit obligation at end of prior year	23,682,000	19,653,000
2. Service cost		
a. Current service cost	1,259,000	1,067,000
b. Past service cost	-	-
c. (Gain) / loss on settlements	-	-
3. Interest expense	1,082,000	994,000
4. Cash flows		
d. Benefit payments from plan assets	-	-
e. Benefit payments from employer	(325,000)	(311,000)
f. Settlement payments from plan assets	-	-
g. Settlement payments from employer	-	-
h. Participant contributions	-	-
5. Other significant events		
a. Increase / (decrease) due to effect of any business combinations/ divestitures /transfers	-	-
b. Increase / (decrease) due to plan combinations	-	-
6. Remeasurements		
a. Effect of changes in demographic assumptions	-	-
b. Effect of changes in financial assumptions	(1,036,000)	2,279,000
c. Effect of experience adjustments	-	-
7. Effect of changes in Foreign exchange rates	-	-
8. Defined benefit obligation at the end of year	24,662,000	23,682,000
B. Change in fair value of plan assets		
1. Fair value of plan assets at end of prior year	-	-
2. Interest income	-	-
3. Cash flows		
a. Total employer contributions	-	-
i. Employer contributions	-	-
ii. Employer direct benefit payments	325,000	311,000
iii. Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	-	-
d. Benefit payments from employer	(325,000)	(311,000)
e. Settlement payments from plan assets	-	-
f. Settlement payments from employer	-	-
4. Other significant events		
a. Increase / (decrease) due to effect of any business combinations/ divestitures or transfers	-	-
b. Increase / (decrease) due to plan combinations	-	-
5. Remeasurements		
a. Return on plan assets (excluding interest income)	-	-
6. Fair Value of plan assets at end of year	-	-
	-	-

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

10. Defined benefit liability: Post employment health care (continued)

Plan Name	Port Authority of the Cayman Islands	
	30 June 2015	30 June 2014
Financial year ending on		
C. Amounts recognized in the statement of financial position		
1. Defined benefit obligation	24,662,000	23,682,000
2. Fair value of plan assets	-	-
3. Funded status	24,662,000	23,682,000
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability/(asset)	24,662,000	23,682,000
D. Components of defined benefit cost		
1. Service cost		
a. Current service cost	1,259,000	1,067,000
b. Reimbursement service cost	-	-
c. Past service cost	-	-
d. (Gain) / loss on settlements	-	-
e. Total service cost	1,259,000	1,067,000
2. Net interest cost		
a. Interest expense on Defined Benefit Obligation (DBO)	1,082,000	994,000
b. Interest /(income) on plan assets	-	-
c. Interest /(income) on reimbursement rights	-	-
d. Interest expense on effect of (asset ceiling)/onerous liability	-	-
e. Total net interest cost	1,082,000	994,000
3. Remeasurements of Other Long Term Benefits	-	-
4. Administrative expenses and/or taxes (not reserved within DBO)	-	-
5. Defined benefit cost included in Profit and Loss (P&L)	2,341,000	2,061,000
6. Remeasurements (recognized in the other comprehensive income)		
a. Effect of changes in demographic assumptions	-	-
b. Effect of changes in financial assumptions	-	-
c. Effect of experience adjustments	(1,036,000)	2,279,000
d. (Return) on plan assets (excluding interest income)	-	-
e. (Return) on reimbursement rights (excluding interest income)	-	-
f. Total remeasurements included in Other Comprehensive Income (OCI)	(1,036,000)	2,279,000
7. Total defined benefit cost recognized in P&L and OCI	1,305,000	4,340,000
E. Net defined benefit liability/(asset) reconciliation		
1. Net defined benefit liability/(asset)	23,682,000	19,653,000
2. Defined benefit cost included in P&L	2,341,000	2,061,000
3. Total remeasurement included in OCI	(1,036,000)	2,279,000
4. Other significant events		
a. Net transfer in/(out) (including the effect of any business combinations/divestitures)	-	-
b. Amounts recognized due to plan combinations	-	-
5. Other significant events		
a. Employer contributions	-	-
b. Employer direct benefit payments	(325,000)	(311,000)
c. Employer direct settlements payments	-	-
6. Credit to reimbursements	-	-
7. Effect of changes in Foreign exchange rates	-	-
8. Net defined benefit liability/(asset) as of end of year	24,662,000	23,682,000

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

10. Defined benefit liability: Post employment health care (continued)

Plan Name	Port Authority of the Cayman Islands	
	30 June 2015	30 June 2014
Financial year ending on		
F. Define benefit obligation		
1. Defined benefit obligation by participant status		
a. Actives	18,604,000	17,965,000
b. Vested deferreds	-	-
c. Retirees	6,058,000	5,717,000
d. Total	24,662,000	23,682,000
G. Significant actuarial assumptions		
<i>Weighted-average assumptions to determine defined benefit obligations</i>		
Discount rate	4.80%	4.60%
Health care cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A
Mortality assumption	RP-2014	RP-2014
<i>Weighted-average assumptions to determine defined benefit cost</i>		
Discount rate	4.60%	5.10%
Health care cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A
Mortality assumption	RP-2014	RP-2014
H. Sensitivity analysis		
<i>Present value of defined benefit obligations</i>		
Discount rate - 25 basis points	25,952,000	
Discount rate + 25 basis points	23,453,000	
Health care cost trend rates – 100 basis points	21,970,000	
Health care cost trend rates + 100 basis points	27,209,000	
Mortality assumption + 10%	24,072,000	
<i>Weighted-average duration of defined benefit obligation (in years)</i>		
Discount rate – 25 basis points	20.39	
Discount rate + 25 basis points	20.09	
I. Expected cash flows for following year		
1. Expected employer contributions	341,000	
2. Expected contributions to reimbursement rights	-	
3. Expected total benefit payments		
Year 1	341,000	
Year 2	364,000	
Year 3	398,000	
Year 4	460,000	
Year 5	502,000	
Next 5 years	3,598,000	

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

10. Defined benefit liability: Post employment health care (continued)

Proposed Assumptions as at 30 June 2014 and 30 June 2015 for IAS Reporting

Economic Assumptions	Postretirement Healthcare	Basis of Development – Accounting Specific Assumptions
Discount rate (p.a) - June 30, 2013 - June 30, 2014 - June 30, 2015	5.10% per annum 4.60% per annum 4.80% per annum	Per IAS 19 para. 83 determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. Mercer US Above Mean Yield Curve (referencing US corporate bonds yields) used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.
Inflation (p.a)	N/A	
Salary increases (p.a.)	N/A	
Administrative expenses	Included in projected premiums	
Rate of Medical Inflation (p.a)	5.00%	Based short –term and long –term medical inflation expectations for the Cayman Islands and overseas care.
Healthcare Lifetime Maximum	Only post-65 maximum applies to retirees; maximum not indexed	

Demographic Assumptions	Postretirement Healthcare	Basis of Development – Accounting Specific Assumptions
Current mortality rates	RP-2014	Recent mortality studies in the U.S. and Canada shows that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the US over the last 20 years.
Future mortality improvements	Scale MP-2014	Broad consensus amongst longevity experts that mortality improvement will continue in the future. In the U.S, the future mortality improvement scale has been updated to Scale MP-2014, released October 2014.
Turnover rates	Age & gender based rates – see page 26	Consistent with turnover rates for the other Statutory Authorities
Retirement Age	60	Mandatory retirement age in the Cayman Islands
Current healthcare claims cost assumption	Medical \$10,000 Dental \$525 Vision \$100	Based on 2015/16 premium rates
Healthcare coverage – future pensioners	Male – 100% single Female – 100% single	The Port Authority pays for single coverage only
Healthcare utilization changes due to age	Mercer standard healthcare aging assumptions for medical and dental	Based on analysis of healthcare utilization for Mercer clients in Canada and US and by reference to Society of Actuaries studies. (see page 26)

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Notes to the Financial Statements

For the year ended 30 June 2015
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10. Defined benefit liability: Post employment health care (continued)

Proposed assumptions as at 30 June 2014 and 30 June 2015

Turnover Rates

Turnover rates at sample ages

Age	Males	Females
20	7.5%	12.5%
25	5.0%	12.5%
30	3.5%	7.5%
35	2.5%	4.5%
40	1.5%	2.5%
45	0.5%	0.5%
50	0.0%	0.0%

Healthcare utilization changes due to age

The change in claiming levels from one age to the next are shown for sample ages

Age	Medical	Dental	Vision
55	2.5%	-0.4%	-0.005%
60	2.5%	-0.7%	-0.006%
65	2.5%	-0.9%	-0.006%
70	2.0%	-1.1%	-0.005%
75	1.5%	-1.3%	-0.006%
80	1.0%	-1.8%	-0.006%

Treatment of Employer direct benefit payments

There are some current retirees receiving the post -employment health benefit which is included in the liability for all present and retired employees at the end of each year. The discounted annual health insurance premiums totalling \$325,000 for 2015 (2014: \$311,000) were paid for these retirees reduces the overall liability at year end. Consequently, this needs to be adjusted against the liability and the equity, by reducing the liability and increasing the equity at year end. This is reflected in the Statement of Cash Flows and the Statement of Changes in Equity.

11. Contingencies and commitments

a) Liability to Cayman Islands Government

Under the Port Authority Law any balance of account in favour of the Port Authority up to the amount of \$100,000 may be carried forward to the account of the following year and any excess of that sum shall be paid in to the general revenue of the Cayman Islands Government.

No provision has been made in these financial statements for any further payments that may be demanded by Government in respect of excess balances.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015

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During the year ending 30 June 2015, the Port Authority did not make any payments (2014: \$0), to the Cayman Islands Government in the form of a dividend distribution.

11. Contingencies and commitments (continued)

a) Leases

(i) Operating Lease

The Port Authority leases a portion of land for its operations. The minimum lease payments are \$40,000 per annum for the ten years of the lease, which commenced November 30, 2012, and continues to 29 November 2022.

	\$
Lease Obligation for 1 year	40,000
Lease Obligation after 1 year	240,000

(ii) Finance Lease

The Port Authority has a finance lease as defined by International Accounting Standard 17 for the 3.829 acres of land formerly numbered as Block 12C Parcel 217, which was leased to Dragon bay Limited (formerly Fujigmo Limited) for 99 years effective 6 September 2011.

The Accounting Standard just referred to requires such long term leases to be treated in the statement of financial position of the Lessor (the Port Authority) as a receivable at an amount equal to the net investment in the lease.

Under a finance lease all the risks and rewards incidental to legal ownership are transferred to the lessee, and the lease payment receivable is treated by the lessor as repayment of principal and finance income to reimburse and reward the lessor for its investment and services.

In this case, there are no lease payments forthcoming due to the lease being granted at peppercorn. Consequently, the Port Authority has no receivable to book in the statement of financial position as at 30 June 2015.

b) Marina development

In an agreement dated January 2009, the Port Authority contributed access to its parcels of land adjoining the Ritz Carlton property, in exchange for the developers of Ritz Carlton Grand Cayman Resort to develop a public marina and associated facilities to enhance the local boating community. This marina was handed over to the Port Authority in May 2014.

The Port Authority incurs expenses for the operation of this marina, such as security, janitorial, maintenance and utilities. No fees are charged to the users of the facility while the upkeep and other operational expenses are paid for by the Port Authority.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015

(Stated in Cayman Islands dollars)

11. Contingencies and commitments (continued)

c) Legal Proceedings against the Authority

- (i) On 13 July 2012, a claim was made due to perceived negligence by the Port Authority which resulted in the total loss of a third party's vessel while in Cayman Islands Waters. The amount of the claim is \$280,178. Management is reviewing the claim with its legal representatives with the aim of vigorously defending its position. At the end of the financial year no further action has been brought about by the plaintiff. The legal representatives do not believe there is a high probability that this action, if brought against the Port Authority, will be successful.
- (ii) On 4 September 2012, a statement of claim was served upon the Port Authority, as the second defendant, with regard to certain declaratory rights to a Marina under development on the Port Authority's Land. The Action is on-going. The Authority has involved its lawyers who are vigorously defending its position. No provision has been made in the accounts for this and there was no indication as to the amount being pursued. However, the Port Authority's legal representatives advised that the probability of this action being successful is unlikely.
- (iii) On 19 March 2009, legal proceedings were commenced against the Port Authority regarding injury sustained by a third party after an accident involving the Port Authority's vehicle. Our attorneys advised that they received a claim from the Plaintiff for medical costs and damages totalling \$846,873. This claim is being reviewed by the Port Authority's insurer, who is expected to settle the claims. The Port Authority has an annual coverage for third party risks of \$1M therefore management does not expect the Port Authority to be impacted financially by the eventual settlement of this claim.
- (iv) In May 2012 an employee of the Port Authority was dismissed but later demanded reinstatement. There is no update on this matter as it has not progressed.

As at the date of these accounts, there was no further development on the aforementioned legal matters and management expects no loss arising from any potential action.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

12. Related party transactions

The Port Authority engages the services of various departments of the Cayman Islands Government. Such services are provided on an arm's length basis.

- a) Insurance coverage for property, motor, worker's compensation and other risks is provided through the Cayman Islands government for an annual premium of \$631,448 (2014: \$961,144). This insurance is procured by the Cayman Islands government for all its entities at market rates, and they apportion the related liability according to the value of the entities' assets. The Port Authority has an outstanding balance of \$3M to its sole shareholder, the Cayman Islands government, in this regard. As at 30 June 2016, the outstanding balance to Government with respect to insurance obligations was \$1,506,909. This includes insurance premium of \$839,607 for the period April 2016 to December 2017.

The insurance expense of \$654,423 in the Statement of Comprehensive income represents the amortized premium for nine months of the 2014/15 insurance period and three months of the 2015/16 insurance period. Included in Prepaid expenses in the Statement of Financial Position is \$473,586 representing insurance prepaid, with the corresponding liability reflected in Accounts payable representing the amount outstanding for the 2015/16 insurance premium. The remaining \$102,329 of prepaid expenses represents those occurring in the ordinary course of business during the year.

- b) A director of the Port Authority is the proprietor of a company which conducts business with the Port Authority namely; Kirk Freeport, Ltd. Kirk Freeport, Ltd conducts business at an arm's length basis and is not given any preferential rates but is charged the standard Port fees as any ordinary company or citizen doing business with the Port Authority. The Port Authority provided services to Kirk Freeport Ltd for 2015 totalling \$8,792 (2014: \$8,134). Unsettled fees for the 2015 was \$0 (2014: \$247.35)
- c) Another related entity for this director is Kirk Office Ltd. Income earned from Kirk Office for the fiscal year ending 30 June 2015 was \$56,499 (2014: \$55,660) with unsettled amounts for 2015 of \$11,250 (2014: \$2,303). The Authority purchased goods and services from Kirk Office Ltd totalling \$100,318 (2014: \$68,368). Amounts unpaid for services provided for 2015 was \$6,153 and (2014: \$10,138)
- d) Another related party for this director is Kirk Marine Ltd. The Authority earned income for 2015 totalling \$2,304 and (2014: \$1,586), with no outstanding amounts.
- e) Another company that this director has a related party relationship with is Progressive Distributors Ltd. Income earned for 2015 was \$475,452 (2014: \$451,670) Unsettled amounts for 2015 were \$32,246 and (2014: \$32,394)
- f) A director of the Port Authority is a trustee of the Silver Thatch Pension plan. Contributions by the Authority for 2015 were \$839,183 and (2014: \$833,005), with unpaid balances for 2015 of \$71,373 and (2014: \$0).

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
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12. Related party transactions (continued)

- g) Another director of the Port Authority is the managing director of Cayman Freight & Shipping Services Ltd, from which the Port Authority earned in 2015 \$1,215,051 (2014: \$1,310,754) with unsettled balances for 2015 of \$74,788 (2014: \$110,441). The Port Authority also paid this entity \$0 for work done on its behalf in 2015 (2014: \$543)
- h) Key Management Personnel
There are two full time senior management personnel on open ended employment agreements and one on a fixed term contract which expired during the financial year and who is no longer with the Port Authority. The total remuneration includes: regular salary, pension contribution, health insurance contribution and bonuses. The pension and health insurance benefits provided to key management personnel are similar to that provided for all employees. Total remuneration in 2015 for senior management was \$603,722 (2014: \$597,797).
- i) Board members
There are 10 members that make up the Port Authority's board; of those members only six receive a stipend of \$150.00 per meeting held. One board member receives an additional \$344 per meeting attended for travel, car and accommodation allowance, and one board member declined the stipend. The other three are civil servants. The total fees and expenses paid for the eligible members for the year ended 30 June 2015 was \$38,762 (2014: \$22,531).

13. Lines of credit

The Port Authority has a bank overdraft facility up to CI\$250,000 bearing interest at 1.5% above Prime. As at June 30, 2015, this overdraft facility has not been used. In addition, the Port Authority has three corporate credit cards with a total credit limit of CI \$24,600. At 30 June 2015 the outstanding balance was CI\$0 (2014: CI\$3,485).

14. Going Concern

The increase in cargo volumes over the last two fiscal years has reversed the trajectory of declining operating performance at the Port Authority. However, the accounting for the defined health care liability and other adjustments has reduced the profit for 2015 to \$349,696, in comparison to the prior year profit of \$325,451, down from a profit of \$1,971,976 previously reported.

Despite the huge impact that the defined benefit valuation has had on the financial results, the Port Authority is still reporting a profit for the current year as well as improved liquidity ratios thus a positive working capital of \$786K.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

15. Fair value disclosure

At 30 June 2015 the following methods and assumptions were used by management to estimate the fair value of each class of financial instruments:

(a) *Cash and cash equivalents*

The carrying amount approximates fair value.

(b) *Accounts receivable / other receivables / other assets / accounts payable and accrued expenses / related party / prepaid expenses*

The above items are substantially short term, and do not bear interest. As such, their carrying amount approximates their fair value.

(c) *Current and long term debt*

Included in these balances is certain non-interest bearing loans. The carrying amount of these loans represents the principal balance owing. The anticipated future principal repayments have not been discounted.

All other loans are floating rate and bear interest at the market rate. The carrying value of these loans approximates the fair market value.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in interest rate assumptions have been reflected in note 8. Changes in other assumptions could significantly affect the estimates

16. Financial instruments and associated risks

The Port Authority's activities expose it to various types of risk. Financial risk can be broken down into credit risk, interest rate risk, and foreign currency risk. The Port Authority is exposed to financial risks through its financial assets, and financial liabilities. The most important types of financial risk to which the Port Authority is exposed are credit and interest rate risk.

Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. To reduce exposure to credit risk, the Port Authority performs ongoing credit evaluations of the financial condition of its customers but generally does not require collateral.

The Port Authority invests available cash and cash equivalents with various banks. It also holds receivables from clients. The Port Authority is exposed to credit-related losses in the event of non-performance by counterparties to these financial instruments. However, management does not expect the counterparties to fail to meet their obligations.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

16. Financial instruments and associated risks (continued)

Concentration of credit risk

The following assets of the Port Authority are exposed to credit risk:

	2015 \$	2014 \$	2013 \$
Cash and cash equivalents	3,793,047	1,384,195	1,258,963
Accounts receivables	1,071,804	1,378,413	1,131,532
Other receivables, prepaids and deposits	641,978	678,494	981,702
Total financial assets	5,506,829	3,441,102	3,372,197
Total assets per the Statement of Financial position	5,506,829	3,441,102	3,372,197

Balances past due but not impaired and those that are impaired are analyzed in the tables below:

	Neither past due nor impaired \$	Past due but not impaired \$	Impaired \$	Total \$
As at June 30, 2015:				
Cash and cash equivalents	3,793,047	-	-	3,793,047
Accounts receivables	-	1,003,864	67,940	1,071,804
Other receivables, prepaids and deposits	641,978	-	-	641,978
Total assets exposed to credit risks	4,435,025	1,003,864	67,940	5,506,829
	Neither past due nor impaired \$	Past due but not impaired \$	Impaired \$	Total \$
As at June 30, 2014:				
Cash and cash equivalents	1,384,195	-	-	1,384,195
Accounts receivables	-	1,307,328	71,085	1,378,413
Other receivables, prepaids and deposits	678,494	-	-	678,494
Total assets exposed to credit risks	\$ 2,062,689	\$ 1,307,328	\$ 71,085	\$ 3,441,102

The aging analysis of financial assets that are past due but not impaired is as follows:

	Up to 45 days \$	45 to 90 days \$	> 90 \$	Total \$
As at June 30, 2015:				
Accounts receivables	876,864	43,000	84,000	1,003,864
Other receivables, prepaids and deposits	641,978	-	-	641,978
Total	\$1,518,842	\$43,000	\$84,000	\$1,645,842
	Up to 45 days \$	45 to 90 days \$	> 90 \$	Total \$
As at June 30, 2014:				
Accounts receivables	1,024,503	97,500	185,325	1,307,328
Other receivables, prepaids and deposits	678,494	-	-	678,494
Total	\$ 1,702,997	\$ 97,500	\$ 185,325	\$ 1,985,822

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
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16. Financial instruments and associated risks (continued)

Management of financial risks

The following tables indicate the contractual timing of cash flows arising from financial assets and liabilities included in the Port Authority's financial statements as of June 30, 2015 and June 30, 2014.

	Contractual cash flows (undiscounted)				
	Carrying amount \$	No Stated Maturity \$	0 – 1 Yr \$	1 – 2 yrs \$	> 2 yrs \$
June 30, 2015					
Financial Assets					
Cash and cash equivalents	3,793,047	-	3,793,047	-	-
Accounts receivable	1,071,804	-	1,071,804	-	-
Other receivables, prepaids and deposits	641,978	-	641,978	-	-
Total assets per the Statement of Financial position	5,506,829	-	5,506,829	-	-
Short term liabilities					
Accounts Payables	4,059,531	-	4,059,531	-	-
Loans repayable within 12 months	1,400,000	-	1,400,000	-	-
Total	5,459,531	-	5,459,531	-	-
Difference in contractual cash flows	47,298	-	47,298	-	-
	Contractual cash flows (undiscounted)				
	Carrying amount \$	No Stated Maturity \$	0 – 1 Yr \$	1 – 2 yrs \$	> 2 yrs \$
June 30, 2014					
Financial Assets					
Cash and cash equivalents	1,384,195	-	1,384,195	-	-
Accounts receivable	1,378,413	-	1,378,413	-	-
Other receivables, prepaid and deposits	678,494	-	678,494	-	-
Total	3,441,102	-	3,441,102	-	-
Short term liabilities					
Accounts Payables	3,599,542	-	3,599,542	-	-
Loans repayable within 12 months	1,480,558	-	1,480,558	-	-
Total	5,080,100	-	5,080,100	-	-
Difference in contractual Flows	(1,638,998)	-	(1,638,998)	-	-

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Notes to the Financial Statements

For the year ended 30 June 2015
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16. Financial instruments and associated risks (continued)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Port Authority holds long-term debts and cash and cash equivalents that are interest bearing and as a result the Port Authority is subject to risk due to fluctuations in the prevailing levels of market interest rates in relation to these financial instruments. The scheduled maturity dates and interest rates of the long-term debts (with sensitivity analysis) and cash and cash equivalents are presented in notes 3 and 8.

Foreign currency risk

The Authority receives revenue in Cayman Islands Dollars (CI\$) as well as US\$, and pays expenses in both Cayman Islands and United States dollars (US\$). Since the exchange between CI\$ and US\$ is fixed, the Company is not exposed to foreign currency risk.

17. Diesel Sales

The Port Authority sells diesel fuel to cargo and other vessels in port for profit.

Diesel sales are shown net in the Statement of Income:

	2015	2014
	\$	\$
Total diesel sales	572,729	527,826
Total diesel cost of sales	(376,536)	(407,528)
Net Income from Diesel sales	196,192	120,298

18. Staff costs

	2015	2014
	\$	\$
Salary and Wages	9,396,208	9,705,794
Medical Insurance	1,138,536	859,743
Pension	947,863	993,328
Other staff costs – Uniforms, training etc.	91,174	112,055
Total Staff Costs	11,573,780	11,670,920

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
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19. Contracted services contain the costs incurred for security, janitorial, and professional services such as legal and audit.

	2015	2014
	\$	\$
Security	762,298	672,866
Janitorial	193,480	186,350
Audit	55,000	49,942
Legal	95,224	82,339
Professional	1,055,671	23,083
Total contracted services	2,161,673	1,014,580

20. Repairs and Maintenance

Repairs and maintenance consists of parts, consumables and external labour costs used in the upkeep of the cranes and heavy equipment, the fleet of vehicles, and overall maintenance of the physical plant infrastructure of the Port Authority.

21. Tender fees

The Port Authority amended its tender fees in March 2010 along with other fees but before the implementation of those fees it was realized that the charges to the tender company will only be passed on to the cruise lines. The fees conflicted with the FCCA agreement and were never charged. The Port Authority reverted to the old fees and the new gazetted fees remain dormant. The effect on Income for 2015 by not charging the new gazetted tender fees is \$597,925 (2014: \$519,988).

22. Rental Properties

The Port Authority owns properties that it lets to tenants for a monthly rental. The annual rent receipts are estimated at \$1,150,000 per annum. The actual rent receipts for 2015 was \$1,159,498 (2014: 1,187,664)

	\$
Rental Income for 1 year	1,150,000
Rental Income for 2-5 years	4,600,000

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Notes to the Financial Statements

For the year ended 30 June 2015
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23. Branch Statements of Financial Position

	Grand Cayman \$	Cayman Brac \$	Total 2015 \$	2014 \$
Current assets				
Cash and cash equivalents	3,776,294	16,753	3,793,047	1,384,195
Accounts receivable	998,481	73,323	1,071,804	1,378,413
Inventory	718,211	20,203	738,414	759,264
Prepaid expenses	573,791	2,124	575,915	624,480
Other receivables	57,576	8,487	66,063	54,015
Total current Assets	6,124,353	120,890	6,245,243	4,200,367
Current liabilities				
Accounts payable and accrued expenses	4,027,572	31,959	4,059,531	3,599,542
Current portion of long term debt	1,400,000	-	1,400,000	1,480,558
Total current liabilities	5,427,572	31,959	5,459,531	5,080,100
Working capital	696,781	88,931	785,712	(879,733)
Plant, property and equipment	28,194,741	3,502,422	31,697,163	32,918,555
Capital work in progress	105,770	120,644	226,414	120,644
Investment Property	15,772,466	-	15,772,466	16,204,457
Long term debt	(1,782,525)	-	(1,782,525)	(3,330,159)
Defined benefit liability –health care	(24,662,000)	-	(24,662,000)	(23,682,000)
Net assets	18,325,233	3,711,997	22,037,230	21,351,764
Represented by:				
General reserve	29,383,380	(7,346,150)	22,037,230	21,351,764
Inter-branch account	(11,058,147)	11,058,147	-	-
Equity	18,325,233	3,711,997	22,037,230	21,351,764

24. Financial performance of Cayman Brac Operations

Cayman Brac continues to post losses on an annual basis. Total accumulated losses for the eleven (12) months of the fiscal year was (\$638,315) as seen on page 33. This was similar to the prior year loss of (\$641,068). The total losses for Cayman Brac to date are reflected in the negative general reserve figure of (\$7,346,150) as at 30 June 2015.

In addition, the cost of Grand Cayman performing offloading and loading of cargo for Cayman Brac without a fee being levied has resulted in Grand Cayman providing additional subsidy to Cayman Brac.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

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25. Branch Statements of Comprehensive Income

	Grand Cayman \$	Cayman Brac \$	Total \$	2014 \$
Operating income	19,772,807	754,056	20,526,863	19,922,214
Operating expenses	15,743,656	1,261,238	17,004,894	16,181,640
	4,029,151	(507,182)	3,521,969	3,740,574
<i>Other income/ (expenses)</i>				
Interest income	3,364		3,364	1,188
Other income/expense	-	-	-	-
Loss on disposal of fixed assets	(45,205)	-	(45,205)	(611,525)
Depreciation	(1,694,299)	(131,133)	(1,825,432)	(1,769,786)
Defined benefit annual expense	(2,341,000)	-	(2,341,000)	(2,061,000)
Total expenses	(4,077,140)	(131,133)	(4,208,273)	(4,441,123)
Net income/(loss) for year	(47,989)	(638,315)	(686,304)	(700,549)
Other comprehensive income:				
Receipt of Safe Haven Marina	-	-	-	3,305,000
Remeasurements- defined benefit	1,036,000	-	1,036,000	(2,279,000)
Total comprehensive income	988,011	(638,315)	349,696	325,451
General reserve/ (deficit) at beginning of year	28,059,599	(6,707,835)	21,351,764	21,026,418
Prior Year Adjustments	10,770	-	10,770	(105)
Payments made on defined benefit liability	325,000	-	325,000	
General reserve at end of year	29,383,380	(7,346,150)	22,037,230	21,351,764

26. Restatement of financial statements -Accounting for employee benefit liability and Safe Haven Transaction

The financial statements for the year ended 30 June 2014 were restated due to the significance of the adjustments required to account for the actuarially determined Defined benefit liability for the Port Authority's post -employment health care provided to eligible staff, as well as the accounting for the Safe Haven Marina valued at \$3,305,000 which was given in exchange for 5.53 acres of land by a developer costing \$611,525.

The actuarial valuation results showed that a liability of \$23,682,000 existed as at 30 June 2014, represented by accumulated liability of \$19,653,000 as at June 2013 and service costs and adjustments totalling \$4,029,000 for the financial year ended 30 June 2014, resulting in a closing liability of \$23,682,000 at 30 June 2014. There was no information for the movement of the liability for 2013 therefore the Statement of Comprehensive Income could not be restated.

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Notes to the Financial Statements

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26. Restatement of financial statements (continued)

Effect of restatement

		Increase / (Decrease)	30 June 2014 (Restated)
Statement of Financial Position (Extract)	30 June 2014		
Long term liability	3,330,159	23,682,000	27,012,159
Equity	42,340,289	(20,988,525)	21,351,764
Fixed Assets	30,345,724	2,693,475	33,039,199
Statement of Financial Position (Extract)	30 June 2013	Increase / (Decrease)	30 June 2013 (Restated)
Long term liability	4,838,453	19,653,000	24,491,453
Equity	40,368,414	(19,653,000)	20,715,414

		Increase / (Decrease)	30 June 2014 (Restated)
Statement of Comprehensive Income (Extract)	30 June 2014		
Other Income (Expenses)	(1,768,598)	(2,061,000)	(3,829,598)
Other Comprehensive (Expense)	0	(2,279,000)	(2,279,000)
Other Comprehensive Income	0	3,305,000	3,305,000
Disposal of Fixed Assets	0	(611,525)	(611,525)
Net Profit (Loss)	1,971,976	(1,646,525)	325,451

27. Subsequent events

a) New Cruise Facility

The Cayman Islands Government is pursuing the development of a cruise berthing facility and has engaged professional services to assist in the process. It cannot be determined at this time the likely impact, if any; this process will have on the financial position and operations of the Port Authority, except for the request by the Ministry for the Port Authority to suspend the payments for insurance premiums paid to the ministry to facilitate contributions of \$1.8M towards the preliminary work for the cruise berthing facility. The suspension of the insurance payments was approved by an email from the Ministry of Finance. The schedule for the intended drawdown of this amount shows the full amount being contributed by the Port Authority within the first nine months of the 2014/15 financial year. However, as at June 30 2015, a total of \$ 866,907 was paid by the Port Authority towards the consultancy services with respect to the cruise berthing facility.

No further request for financing of this project was received from the Ministry of Finance to the date of this report.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the year ended 30 June 2015
(Stated in Cayman Islands dollars)

27. Subsequent events (continued)

b) Debt swap with the Ministry of Finance

The Ministry of Finance and Economic Development and the Port Authority entered into an agreement during the 2015/16 financial year to exchange 1.99 acres of land that is being used by another public sector entity for a sum equivalent to the appraised value of the portions of land. An appraisal conducted by the valuation office resulted in a market valuation of \$1,384,000. This amount was deducted from the sum owed by the Port Authority to the Ministry of Finance and Economic Development for insurance premiums paid on the Port Authority's behalf. The transaction was completed during the 2015/16 financial year and the land duly transferred to the new owners.

The effect of the transaction was a reduction in the land holdings of the Port Authority of \$1,290,433 and a reduction by \$1,384,000 of the amounts owed to Government for outstanding insurance premiums. As at 30 June 2016 the Port Authority was still indebted to the Ministry of Finance and Economic Development totalling \$1,506,909. This is being repaid by monthly instalments of \$150,000 and should be fully paid off within the 2016/2017 financial year.

c) Disposal of fixed assets

During the 2015/16 financial year the Port Authority performed a modernization and revamping exercise on its fixed assets register, during which assets totalling \$2,417,029 with depreciation of \$1,851,633 were disposed of, resulting in a loss on disposal of \$565,396. There was a gain of \$93,567 on the disposal of land to the Ministry of Finance which reduced the overall loss on disposal to \$471,829.

The assets disposed of comprised a mix of items retired during the current financial year, and those that were capitalized in prior years upon refurbishing and major repairs, without the accompanying derecognition of the utilized portion as required by International Accounting Standard 16. The Port Authority expects to complete this modernization project in the 2016/2017 financial year.

d) Revaluation of Plant and Equipment

During the 2015/16 financial year the Port Authority revalued its plant and equipment in the first phase of a programme to revalue all the assets and report them at their fair values. The revaluation resulted in an increase in the carrying amounts of some of the assets totalling \$1,395,505. This revaluation gain is reflected in other comprehensive income in accordance with IAS 16 and accumulated in equity as revaluation reserve for the year ended 30 June 2016. Other assets had a revaluation loss totalling \$514,304 which was recognized in the profit and loss as required by IAS 16, for the year ended 30 June 2016