

Port Authority of the Cayman Islands

Financial Report

For the financial year ended 31 December 2018



Financial Statements of the

**PORT AUTHORITY OF THE
CAYMAN ISLANDS**

31 December 2018

**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 Acting 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 Acting Port Director and Acting 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 31 December 2018.

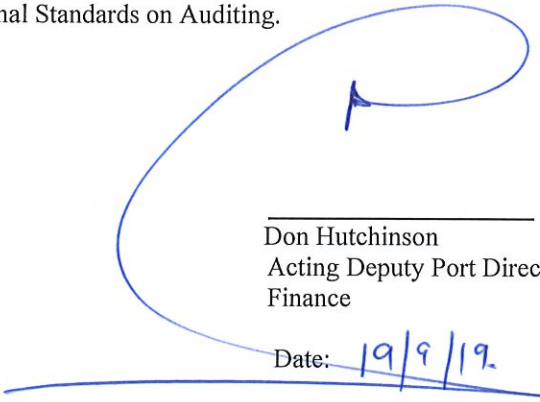
To the best of our knowledge, we represent that these financial statements:

- (a) Completely and reliably reflect the financial transactions of Port Authority of the Cayman Islands for the year ended 31 December 2018;
- (b) Fairly reflect the financial position as at 31 December 2018 and performance for the financial year ended 31 December 2018.
- (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 on Auditing.


Joseph Woods
Acting Port Director

Date: 19/9/19


Don Hutchinson
Acting Deputy Port Director
Finance

Date: 19/9/19

AUDITOR GENERAL'S REPORT

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

Opinion

I have audited the financial statements of the Port Authority of the Cayman Islands (the "Authority"), which comprise the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 2018, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 44.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

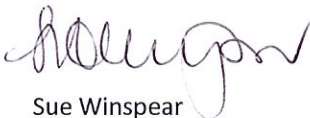
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

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

AUDITOR GENERAL'S REPORT (continued)

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

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



Sue Winspear
Auditor General


20 September 2019
Cayman Islands

PORT AUTHORITY OF THE CAYMAN ISLANDS
Statement of Financial Position

As at 31 December 2018
(Stated in Cayman Islands dollars)

	Note	December 2018 \$	December 2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	7,445,363	6,821,326
Accounts receivable (Net)	4(a)	1,708,532	1,761,307
Inventory		1,072,250	964,200
Prepaid expenses	4(b)	201,725	134,777
Other receivables and deposits	4(c)	306,040	1,230,765
Total Current Assets		10,733,911	10,912,375
Non-Current Assets			
Fixed Assets			
Land- freehold	5	29,827,001	29,827,000
Docks and buildings	5	22,044,162	19,469,914
Other fixed assets	5	8,264,770	5,405,011
Work in progress	7	-	510,912
Total Fixed Assets	5	60,135,932	55,212,837
Investment Property	8	9,055,000	8,356,461
Total Non-Current Assets		69,190,932	63,569,298
TOTAL ASSETS		79,924,843	74,481,673
LIABILITIES and EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	9	2,316,065	1,560,824
Current maturities on long term liabilities		-	-
Total Current Liabilities		2,316,065	1,560,824
Non – Current Liabilities			
Long term Loans		-	-
Defined benefit liability	10	33,105,000	34,694,000
Total Non- Current Liabilities		33,105,000	34,694,000
TOTAL LIABILITIES		35,421,065	36,254,824
GENERAL EQUITY			
ASSET REVALUATION RESERVE		28,298,904	22,021,975
		16,204,874	16,204,874
		44,503,778	38,226,849
TOTAL LIABILITIES and EQUITY		79,924,843	74,481,673

Approved:


Joseph Woods (Acting Port Director)

19/9/19
Date


Don Hutchinson (Acting Deputy Port Director –Finance)

19/9/19
Date

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

PORT AUTHORITY OF THE CAYMAN ISLANDS
Statement of Comprehensive Income

For the financial year ended 31 December 2018
(Stated in Cayman Islands dollars)

	Note	December 2018 \$	December 2017 \$
OPERATING REVENUE			
Cargo handling	16	17,052,259	24,226,373
Cruise ship passenger fees	17	3,401,737	4,411,845
Port development fees	17	1,324,334	1,658,308
Maritime services	18	1,370,156	2,255,545
Rental income	24	1,050,065	1,562,256
Other income	19	180,648	217,957
Diesel sales	20	175,725	171,306
Total Operating Revenue		24,554,924	34,503,590
OPERATING EXPENSES			
Staff costs	21	13,553,585	19,265,896
Repairs and maintenance	23	1,701,478	2,947,386
Contracted services	22	1,766,009	2,097,854
Insurance		558,661	768,964
Utilities		540,244	749,686
Miscellaneous		367,600	310,167
Diesel		337,162	372,864
Advertising and entertainment		84,296	402,563
Stationery, supplies & computer supplies		72,648	134,037
Rent		68,672	69,394
Travel, conventions & training		25,692	199,149
Finance charges		20,704	79,401
Total Operating Expenses		19,096,752	27,397,361
GROSS OPERATING SURPLUS FOR THE YEAR		5,458,172	7,106,229
OTHER INCOME/ (EXPENSES)			
Interest income		2,418	1,899
Defined benefit expense – post employment health care	10	(3,094,000)	(4,010,000)
Disposal of fixed assets	6	-	(124,058)
Gain/(Loss) on revaluation of investment property	8	689,398	-
Depreciation	5	(1,462,059)	(1,663,828)
Total Other Income/(Expenses)		(3,864,243)	(5,795,987)
NET INCOME/ (LOSS) FOR YEAR		1,593,929	1,310,242
Other Comprehensive income for the year:			
Other Comprehensive expense:			
Remeasurements of defined benefit obligation:		-	-
effect of changes in financial assumptions	10	4,476,000	(777,000)
Total Comprehensive Income for the year		6,069,929	533,242

PORT AUTHORITY OF THE CAYMAN ISLANDS

Statement of Cash Flows

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

		December 2018 \$	December 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income /(loss) for year		6,069,929	533,242
Adjustments to reconcile net income to net cash used in Operating activities:			
Depreciation	5	1,462,059	1,663,828
Defined benefit expense	10	(1,382,000)	4,787,000
Loss on disposal of fixed assets	6	146,525	124,058
Prior period adjustment		-	(5,938)
Defined benefit payments		207,000	282,000
Gain on revaluation of investment property		(689,398)	-
Net change in working capital:			
Accounts receivable		52,774	(254,054)
Inventory		(108,049)	33,266
Prepaid expenses		(66,949)	690,580
Other receivables		924,725	(1,021,211)
Accounts payable and accrued expenses		755,241	(1,478,392)
Net Cash Provided by Operating Activities		7,371,857	5,354,379
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed Assets purchased	5	(6,531,679)	(1,992,057)
Long Term Investment purchased	8	(9,141)	(46,461)
Construction in progress (Net)	5	-	510,912
Net Cash Used by Investing Activities		(6,540,820)	(2,731,962)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term debt	11	-	(1,752,538)
Defined benefit payment for active enrolees	10	(207,000)	(282,000)
Contribution to Government		-	-
Net Cash Used by Financing Activities		(207,000)	(2,034,538)
Net Increase in cash and Cash Equivalents during the year		624,035	587,879
Cash and cash equivalents at the beginning of the year	4	6,821,326	6,233,447
Cash and cash equivalents at the end of year	4	7,445,363	6,821,326

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

PORT AUTHORITY OF THE CAYMAN ISLANDS
Statement of Changes in Equity

For the financial year ended 31 December 2018
(Stated in Cayman Islands dollars)

	\$
Beginning balance 1 July 2016 (restated)	37,425,307
Correction for understatement of	
General reserves in prior period (Expenses, Accruals)	(5,938)
Defined benefit liability – employer direct benefit payments	282,000
Experience Adjustments – defined benefit liability	(7,763)
Total comprehensive income	533,243
Transactions with shareholder:	
Contributions to Cayman Islands Government	-
Total transactions with shareholder	-
Ending balance 31 December 2017	38,226,849
Beginning balance 1 January 2018	38,226,849
Defined benefit liability – employer direct benefit payments	207,000
Comprehensive income:	
Total comprehensive (loss) for the year	6,069,929
Ending balance 31 December 2018	44,503,777

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(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 (2017 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 31 December 2018, the Port Authority had 153 employees (2017-154 employees). The Head Office of 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. Statement of Compliance and basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

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 financial year end of the Port Authority was changed from 30 June to 31 December in order to facilitate more efficient monitoring of revenues and expenditures by Government during a financial year. Accordingly, the current financial statements are prepared for the period from 1 January 2018 to 31 December 2018 and as a result, the comparative figures stated in the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash flow and related notes are not directly comparable.

The accounting policies are consistent with those used in the previous year, except otherwise noted.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

3. Significant accounting policies

The principal accounting policies adopted by the Port Authority are as follows:

(a) Changes in accounting policies

The Port Authority recognises the effects of changes in accounting policy retrospectively. When presentation or classification of items in the financial statements are amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impractical to do so.

(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

The Port Authority adopted IFRS 9 effective January 1, 2018. IFRS 9 supersedes IAS 39, Financial Instruments-Recognition and Measurement (IAS 39). IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The Port Authority adopted IFRS 9 retrospectively with no restatements of comparatives. The adoption did not result in any material adjustment to the carrying amounts of financial assets, financial liabilities or opening general reserve balance.

(i) Recognition and Derecognition

The Port Authority recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when control over the contractual rights to receive cash flows and benefits related from the financial asset are transferred and/or substantially all the risk and rewards of ownership have been given to another party. Financial liabilities are derecognised when obligations under the contract expire and are discharged or cancelled.

(ii) Classification and Measurement

Under IFRS 9, financial assets and financial liabilities are initially measured at fair value, with subsequent measurement determined in line with their classification. Transactions costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in the profit or loss.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

From January 1, 2018, the Port Authority classifies its financial assets (subsequently) in the following specified categories:

- Amortized cost;
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)

Amortized cost: Financial assets are measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Financial assets at amortized cost include cash and cash equivalents and accounts receivable, other receivables and deposits.

Financial assets at fair value through other comprehensive income (FVTOCI): Financial assets are measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The Port Authority does not currently have any financial assets measured subsequently at fair value.

Financial assets at fair value through profit or loss (FVTPL): Financial assets are measured at FVTPL unless they meet the criteria above to be measured at amortized cost or FVTOCI.

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Impairment of financial assets

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

- expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date; or
- expected credit losses that result from all possible default events over the life of the financial instrument.

A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. The Port Authority does not hold any financial instruments that exhibit such an increase in risk to warrant a loss allowance for lifetime expected credit losses.

Additionally, entities can elect an accounting policy of recognizing lifetime expected credit losses for all contract assets and/or trade receivables, including those that contain a significant financing component.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

The Port Authority assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The only financial asset for which a loss allowance has been recorded equal to the 12-month expected credit losses as at the yearend is the account receivable and other receivable, through the allowance for doubtful accounts. The measurement of the expected credit losses reflects an unbiased amount that is determined by evaluating the range of possible outcomes. To measure the expected credit losses, account receivable and other receivable have been grouped on shared credit risk characteristics using reasonable and supportable information about past events, current conditions, reasonable supportable forecast of future economic conditions and days past due.

Financial liabilities are initially measured at fair value net of transactions cost. Subsequently, they are measure at amortized cost using the effective interest method. Financial liabilities at amortized cost include accounts payable and accrued expenses, current and long term loans.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(d) Fixed assets

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

Where an asset is acquired for nil or nominal consideration, the asset is recognised initially at fair value, where fair value can be reliably determined, and as revenue in the Statement of Comprehensive Income in the year in which the asset is acquired.

Except for computer equipment, computer software, furniture and equipment, light & buoys and loose tools (which are reported as “other fixed assets” in the statement of financial performance), the fixed assets reported in the statement of financial position as of the period end are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment loss. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising from the revaluation of such asset is recognised in the statement of changes in equity, except to the extent that it reverses a revaluation decrease for the same class of asset previously in other income/expense in the statement of comprehensive income. In this case, the increase is credited to the other income or expense to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in the other income/expense to the extent that it exceeds the balance, if any, held the revaluation reserve relating to previous revaluation gain of that class of asset.

Computer equipment, computer software, furniture and equipment, light & buoys and loose tools are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the statement of comprehensive 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	50 - 73 years
Investment Property	50 years
Marine Dock	50 years
Cranes and Heavy Equipment	10 - 25 years
Lights and buoys	15 years
Equipment and furniture	5 years
Computer Equipment	5 years

Residual values and useful lives are reviewed, and adjusted if necessary at the end of each reporting period.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(d) Fixed assets (continued)

(i) Additions

The cost of an item of property, plant, and equipment is recognised 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 recognised at cost less impairment and is not depreciated.

(ii) Disposals

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

(iii) Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised 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 recognised in the Statement of Comprehensive Income as they are incurred.

(iv) Revaluation gains and losses

The Port Authority revalued its assets to ensure that the carrying amount does not exceed the recoverable amount. This is intended to move the assets to being reported at fair value rather than at historical cost. For the year ended 31 December 2018, the plant and equipment was reported at fair value less subsequent depreciation where applicable. This value was determined by reference to the market (dealers, traders & online auctions) and adjusted for transportation and other direct costs normally associated with the relevant assets. Buildings and docks were reported at fair value less subsequent depreciation and Land was reported at fair value.

(e) Impairment

The carrying amount of the Port Authority's assets other than inventories (see note 3(h)) are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(f) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income from the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the period in which the property is derecognised.

(g) 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 statement of financial position dates. Foreign exchange differences arising on translation are recognised in the statements of comprehensive 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 fair values were determined.

(h) 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.

(i) Construction in progress

This relates to cost incurred attributable to bringing the asset to condition necessary for it to be capable of operating in the manner intended for its use. They are then reclassified to the appropriate fixed asset category once completed. Construction in progress is measured at cost. No depreciation is calculated until it is completed and available for its intended use.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(j) 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 items. Any change in the allowance for obsolescence is reflected in the statements of comprehensive income in the year of change. There was no provision for obsolescence in the year ended 31 December 2018 or 31 December 2017.

(k) Revenue recognition

The Port Authority adopted IFRS 15, Revenue from Contracts with Customers, effective 1 January 2018. IFRS 15 specifies how and when revenue should be recognised as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18, Revenue, and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers. The main exceptions are leases, financial instruments and insurance contracts. The Port Authority's material revenue streams subject to IFRS 15 are cargo, vessels and revenue from cruise passenger services. The adoption of IFRS 15 did not result in any material change to the pattern of revenue recognition by the Port Authority. The Port Authority adopted the standard using the modified retrospective approach with no restatement of comparatives and did not record any adjustment upon adoption.

Revenue is measured at the fair value of the consideration received or receivable, and is recognised when the amount of revenue can be reasonably measured, collection is probable, and when it is likely that the economic benefits associated with the transaction will flow to the Port Authority for each of the various revenue streams. Amounts recognised and classified as revenue arising in the ordinary course of activities of the Port Authority include the following:

(i) Revenue from Vessels, Cargo and Passengers

Revenue earned from vessels, cargo and passengers is recognised when services are substantially rendered.

Also included in port revenue is receipt of diesel sales to small boats recognised as revenue upon receipt. The expenses (cost of sales) incurred in the sales are reported on a net basis with the associated income.

(ii) Port development fees

In accordance with the Port Authority Regulation (Revision 2017), the Port Authority charges the owners or agent of every ship a wharfage fee of \$2.46 for every passenger appearing on the manifest as port development fees.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(k) Revenue recognition (continued)

(iii) Rent Income

Rent income is recognised on a straight line basis over the term of the lease agreement. Rent deposits are classified as liability and included in accounts payable and accrued expense.

(iv) Other income

Other income includes items that are non-recurring and not directly related to the Port Authority's operations and activities in the ordinary course of business.

(l) Expenses

Expenses are recognised in the accounting period in which they are incurred.

(m) Operating leases

Leases where the significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under these arrangements are recognised as an expense in the statement of comprehensive income.

(n) Borrowing costs

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

(o) 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 2018 were \$1,007,665 (2017: \$1,115,145). 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 \$29,574 (2017: \$79,389).

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

3. Significant Accounting Policies (continued)

(p) New and revised accounting standards issued but not yet effective

Certain new accounting standards have been published that are not mandatory for the 31 December 2018 reporting period and have not been adopted early by the Port Authority. The Port Authority's assessments of the impact of these new standards are set out below:

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17, "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard establishes a single lessee accounting model while maintaining the classification of either an operating or financing lease for the lessor similar to IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Port Authority is currently assessing the impact of the new standard.

4. Cash and cash equivalents

	Dec 2018	Dec 2017
	\$	\$
Bank balances and short term deposits	7,445,363	6,821,326

This consists of operating bank balances and revolving 30 days deposits held by the Port Authority.

Restricted cash

Included in the bank balances above is restricted cash of \$89,569 (2017: \$89,569) representing deposits held on escrow for tenants of renting the Port Authority's investment properties.

4(a). Accounts receivable

	Dec 2018	Dec 2017
	\$	\$
Accounts receivable	1,779,666	1,832,392
Less: provision for impairment	(71,134)	(71,085)
	1,708,532	1,761,307

Fair value

The carrying value of receivables approximates their fair value.

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

For the financial year ended 31 December 2018

*(Stated in Cayman Islands dollars)***4(a). Accounts receivable (continued)***Impairment*

The aging profile of receivables at year-end is detailed below:

	December 2018			December 2017		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Past due up to 45 days	1,219,978	(7,000)	1,212,978	1,523,546	(7,000)	1,516,546
Past due 46- 90 days	346,362	(13,134)	333,228	87,754	(13,085)	74,669
Past due over 90 days	213,326	(51,000)	162,326	221,092	(51,000)	170,092
Total	1,779,666	(71,134)	1,708,532	1,832,392	(71,085)	1,761,307

Management makes a judgmental provision for a portion of accounts overdue for each of the AR buckets as indicated above. In addition to this judgmental provision, receivables that have been proven uncollectible are written off directly to expenses as bad debts.

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 was given to those with a higher degree of risk for default. Here was no movement in the provision over the comparative period.

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

	Actual Dec 2018 \$000	Actual Dec 2017 \$000
Balance at 1 January/ 1 July	71,085	71,085
Increase in provisions during the year	49	-
Receivables written off during the year	-	-
Balance at 31 December	71,134	71,085

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

4(b). Prepaid Expenses

These relate to expenses that have been paid in advance and accruals for staff benefits at year end.

The unamortized insurance benefit represents insurance premium prepaid by the Ministry of Finance and Economic Development, on behalf of the Port Authority for which the Port Authority enjoys the full benefit of the annual insurance coverage. This balance is offset by a corresponding liability to the Ministry, therefore has no impact on the financial statements.

The unamortized insurance benefit balance was higher in 2018 due to the insurance coverage extending for 21 months during the 2017 financial year instead of the usual 12 months to coincide with the amended financial year.

	Dec 2018	Dec 2017
	\$	\$
Unamortized Insurance Benefit	123,413	18,740
Deferred Leave	52,120	53,130
Rent prepaid	26,192	62,907
Total	201,725	134,777

4(c). Other Receivables and Deposits

This represents amounts paid in advance to secure services and as deposit on assets and equipment.

These are short term in nature and were finalised during the 2018 financial year. \$1,128,500 of the total for 2017 related to deposit on the RTG cranes, which the Port Authority subsequently received and commissioned in 2018.

	Dec 2018	Dec 2017
	\$	\$
Deposits for assets and expenses	306,040	1,230,765
Total	306,040	1,230,765

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

5. Fixed Assets

	Freehold Land \$	Docks and Buildings \$	Other Assets \$	Construction In Progress \$	Total \$
Beginning balance at 31 Dec 2017	29,827,001	20,622,384	12,995,572	510,912	63,955,869
Additions	-	3,296,241	3,235,438	-	6,531,679
Disposals	-	-	-	-	-
Write offs	-	-	-	(146,524)	(146,524)
Transfers	-	161,352	203,036	(364,388)	-
Closing balance at 31 Dec 2018	29,827,001	24,079,977	16,434,046	-	70,341,024
Accumulated Depreciation					
Beginning balance at 31 Dec 2017	-	1,152,471	7,590,561	-	8,743,032
Charge for Year	-	883,344	578,715	-	1,462,059
Disposals	-	-	-	-	-
Closing balance at 31 Dec 2018	-	2,035,815	8,169,276	-	10,205,091
Net Book Value					
Closing balance at 31 Dec 2018	29,827,001	22,044,162	8,264,770	-	60,135,933
Closing balance at 31 Dec 2017	29,827,001	19,469,913	5,405,011	510,912	55,212,837

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

5. Fixed Assets (Continued)

Analysis of Other Assets

	Vehicles & Equipment \$	Computer Equipment \$	Computer Software \$	Equipment & Furniture \$	Lights & Buoys \$	Loose Tools \$	Total \$
At 31 Dec 2017	9,762,448	499,938	726,352	1,194,325	639,333	173,176	12,995,572
Additions	2,643,236	21,409	543,754	23,542	-	3,497	3,235,438
Disposals	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Transfers	-	-	203,035	-	-	-	203,035
At 31 Dec 2018	12,405,684	521,347	1,473,141	1,217,867	639,333	176,673	16,434,045

Accumulated Depreciation

At 31 Dec 2017	5,200,031	298,004	599,995	744,572	604,653	143,305	7,590,560
Charge for Year	285,817	55,104	90,466	127,487	8,160	11,681	578,715
Disposals	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
At 31 Dec 2018	5,485,848	353,108	690,461	872,059	612,813	154,986	8,169,275

Net Book Value

At 31 Dec 2018	6,919,836	168,239	782,680	345,808	26,520	21,687	8,264,770
At 31 Dec 2017	4,562,417	201,934	126,357	449,753	34,680	29,871	5,405,012

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

5. Fixed Assets (Continued)

Revaluation of Land, Buildings and Investment Property

Effective 30 June 2016, the Port Authority has reported the land, buildings and investment property at their fair values under the revaluation and fair value basis respectively. The valuation techniques used were the Depreciated Replacement Cost (DRC) and Income capitalization approaches. The related revaluation gains for the land and building were reflected in other comprehensive income in accordance with IAS 16 and accumulated in equity as revaluation reserve.

Investment Property was revalued by an independent expert, with an effective revaluation date of 31 December 2018, in accordance with IAS 40. This resulted in a revaluation gain of \$689,398, which was recognised in the profit and loss as required by IAS 40.

The gross carrying value of all fully depreciated PPE that was in use at 31 December 2018 was \$6,563,929 (2017: \$2,685,286).

Fair value of Investment Property at 31 December 2018

INVESTMENT PROPERTY	FAIR VALUE - DEC 2017	FAIR VALUE - DEC 2018	REVALUATION GAIN/ (LOSS)
RWCT	8,365,602	9,055,000	689,398

Fair Value Measurements

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

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

Level 2 Inputs to the valuation methodology include:

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

5. Fixed Assets (Continued)

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

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

There were no other significant valuations performed using unobservable inputs. Consequently, the fair value hierarchy for the inputs utilised by the Port Authority to obtain the market value is assessed at level 2. As such, no further disclosure in respect of effects on the Statement of Comprehensive Income for the revaluation is warranted, except as done below:

Assets and Fair Values as at December 31, 2017

	Level 1	Level 2	Level 3	Total
Vehicles and heavy equipment	-	5,128,632	-	5,128,632
Cranes	-	1,798,951	-	1,798,951
Land and buildings	-	51,880,077	-	51,880,077
Investment Property	-	9,055,000	-	9,055,000
Total assets	-	67,862,660	-	67,862,660

There were no transfers between level 1 and level 2 during the period.

6. Write off of Fixed Assets

During the 2018 financial period, the Port Authority wrote off work in progress, which relates to capitalised professional fees for a capital project with a cost of \$146,524. The write off is due to the extensive time that had elapsed since work was performed on the related projects. The reductions in work in progress is reflected in the Statement of Financial Position and expensed to the professional fees account in the Statement of Comprehensive Income.

The work in progress written off is comprised of items as summarized below:

DETAILS OF WORK IN PROGRESS WRITTEN OFF

Description	Cost
Professional Fees - Cayman Brac warehouse project	120,644
Repairs to channel markers	19,840
North Terminal upgrade design fees	6,040
Totals	146,524

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

7. Capital works in progress

	December 2018	December 2017
	\$	\$
New Building (CYB)	-	120,644
Spotts Landing Facility	-	15,450
GT Dock Rehabilitation	-	0
Marine Services	-	19,840
CDC Improvement	-	348,938
North Terminal upgrades	-	6,040
Total	-	510,912

The capital work in progress as at 31 December 2018 is zero due to the transfer of \$364,388 to the respective fixed asset categories upon completion, and the write off of \$146,524 discussed in note 6 of the financial statements.

8. Investment Property

	Buildings
	\$
Beginning balance at 31 December 2017	8,356,461
Additions	9,141
Changes in fair value at December 31 2018	689,398
Ending balance at 31 December 2018	9,055,000
Ending balance at 31 December 2017	8,356,461

Investment Property is reported under IAS 40, using the fair value basis. Investment Property consist of retail shops which are leased. This is fair valued at the end of each reporting period and changes in the fair value is charged to "other income / expense" in the statement of comprehensive income.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

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 \$681,809 (2017: \$854,912) of this amount comprises payables occurring in the normal course of business. The remaining \$1,634,256 (2017: \$705,912), relates to year- end accruals for employee entitlements (i.e. Wages and vacation leave), and amounts held in escrow for tenants of rental properties, as summarized below:

Details	Dec 2018	Dec 2017
	\$	\$
Creditors	681,809	854,912
Accruals -staff benefits	586,273	242,334
Provisions and other accruals	950,756	366,352
Escrow deposits	97,227	97,226
Totals	2,316,065	1,560,824

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(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 recognised 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 Port Authority commissioned Mercer Actuaries of Canada to provide this service and their assessment is included hereunder. The Port Authority has a present value net defined benefit obligation of \$33,105,000 at the end of the financial year 31 December 2018 (2017: \$34,694,000). The details of the expected 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.

The Port Authority established a monthly savings programme to fund this liability. Consequently, while at the end of the period the entire \$34,694,000 is unfunded; the monthly savings will begin to offset the liability in the coming years. At December 31 2018, the savings totalled \$1,277,566 (2017: \$1,156,055).

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 (2016:\$34,360). This benefit will not pass to their estate.

PORT AUTHORITY OF THE CAYMAN ISLANDS
Notes to the Financial Statements

For the financial year ended 31 December 2018
(Stated in Cayman Islands dollars)

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

Plan Name	Port Authority of the Cayman Islands	
	31 Dec 2018	31 Dec 2017
Financial year ending on		
Currency Information		
1. Local currency	KYD	KYD
2. Reporting currency	KYD	KYD
A. Change in defined benefit obligation		
1. Defined benefit obligation at end of prior year	34,694,000	30,189,000
2. Service cost		
a. Current service cost	1,835,000	2,252,000
b. Past service cost	-	-
c. (Gain) / loss on settlements	-	-
3. Interest expense	1,259,000	1,758,000
4. Cash flows		
d. Benefit payments from plan assets	-	-
e. Benefit payments from employer	(207,000)	(282,000)
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/ divestures /transfers	-	-
b. Increase / (decrease) due to plan combinations	-	-
6. Remeasurements		
a. Effect of changes in demographic assumptions	(260,000)	(1,507,000)
b. Effect of changes in financial assumptions	(4,379,000)	2,321,000
c. Effect of experience adjustments	163,000	(37,000)
7. Effect of changes in Foreign exchange rates	-	-
8. Defined benefit obligation at the end of year	33,105,000	34,694,000
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	207,000	282,000
iii. Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	-	-
d. Benefit payments from employer	(207,000)	(282,000)
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/ divestures or transfers	-	-
b. Increase / (decrease) due to plan combinations	-	-
5. Remeasurements		
a. Return on plan assets (excluding interest income)	-	-
6. Effect of changes in Foreign exchange rates	-	-
7. Fair value of plan assets at the end of year	-	-

PORT AUTHORITY OF THE CAYMAN ISLANDS
Notes to the Financial Statements

For the financial year ended 31 December 2018
(Stated in Cayman Islands dollars)

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

Plan Name	Port Authority of the Cayman Islands	
	31 Dec 2018	31 Dec 2017
Financial period ending on		
C. Amounts recognised in the statement of financial position		
1. Defined benefit obligation	33,105,000	34,694,000
2. Fair value of plan assets	-	-
3. Funded status	33,105,000	34,694,000
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability/(asset)	33,105,000	34,694,000
D. Components of defined benefit cost		
1. Service cost		
a. Current service cost	1,835,000	2,252,000
b. Reimbursement service cost	-	-
c. Past service cost	-	-
d. (Gain) / loss on settlements	-	-
e. Total service cost	1,835,000	2,252,000
2. Net interest cost		
a. Interest expense on Defined Benefit Obligation (DBO)	1,259,000	1,758,000
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	1,259,000	1,758,000
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)	3,094,000	4,010,000
6. Remeasurements (recognised in the other comprehensive income)		
a. Effect of changes in demographic assumptions	(260,000)	(1,507,000)
b. Effect of changes in financial assumptions	(4,379,000)	2,321,000
c. Effect of experience adjustments	163,000	(37,000)
d. (Return) on plan assets (excluding interest income)	-	-
e. (Return) on reimbursement rights (excluding interest income)	-	-
f. Total remeasurement included in Other Comprehensive Income (OCI)	(4,476,000)	777,000
7. Total defined benefit cost recognised in P&L and OCI	(1,382,000)	4,787,000
E. Net defined benefit liability/(asset) reconciliation		
1. Net defined benefit liability/(asset)	34,694,000	30,189,000
2. Defined benefit cost included in P&L	3,094,000	4,010,000
3. Total remeasurement included in OCI	(4,476,000)	777,000
4. Other significant events		
a. Net transfer in/(out) (including the effect of any business combinations/divestitures)	-	-
b. Amounts recognised due to plan combinations	-	-
5. Other significant events		
a. Employer contributions	-	-
b. Employer direct benefit payments	(207,000)	(282,000)
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	33,105,000	34,694,000

PORT AUTHORITY OF THE CAYMAN ISLANDS
Notes to the Financial Statements

For the financial year ended 31 December 2018
(Stated in Cayman Islands dollars)

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

Plan Name	Port Authority of the Cayman Islands	
	31 Dec 2018	31 Dec 2017
Financial period ending on		
F. Define benefit obligation		
1. Defined benefit obligation by participant status		
a. Actives	26,693,000	26,932,000
b. Vested deferreds	-	-
c. Retirees	6,412,000	7,762,000
d. Total	33,105,000	34,694,000
G. Significant actuarial assumptions		
<i>Weighted-average assumptions to determine defined benefit obligations</i>		
Discount rate	4.55%	3.85%
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/MP18	RP-2014/MP16
<i>Weighted-average assumptions to determine defined benefit cost</i>		
Discount rate	3.85%	4.20%
Effective rate for net interest	3.65%	3.80%
Effective discount rate for service cost	3.90%	4.31%
Effective rate for interest on service cost	3.85%	4.17%
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/MP16	RP-2014/MP14
H. Sensitivity analysis		
<i>Present value of defined benefit obligations</i>		
Effective discount rate - 25 basis points	1,590,000	1,789,000
Effective discount rate + 25 basis points	(1,497,000)	(1,678,000)
Health care cost trend rates - 100 basis points	(3,177,000)	(3,911,000)
Health care cost trend rates + 100 basis points	2,971,000	3,138,000
Mortality assumption + 10%	(844,000)	(969,000)
I. Expected cash flows for following year		
1. Expected employer contributions	514,000	422,000
2. Expected contributions to reimbursement rights	-	-
3. Expected total benefit payments		
Year 1	514,000	422,000
Year 2	534,000	482,000
Year 3	589,000	512,000
Year 4	699,000	568,000
Year 5	799,000	678,000
Next 5 years	5,338,000	4,612,000

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

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

The principal financial and demographic assumptions as at 31 December 2018 and 31 December 2017 and for IAS Reporting.

Economic Assumptions	Postretirement Healthcare	Basis of Development – Accounting Specific Assumptions
Discount rate (p.a.)		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.
- Dec 31, 2017	3.85% per annum	
- Dec 31, 2018	4.55% per annum	
Discount rate for following year's current service cost (p.a.)	N/A	
- Dec 31, 2017	3.90%	
- Dec 31, 2018	4.60%	
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	

Turnover Rates

Turnover rates at sample ages

Age	Males	Females
20-24	7.5%	12.5%
25-29	5.0%	12.5%
30-34	3.5%	7.5%
35-39	2.5%	4.5%
40-44	1.5%	2.5%
45-49	0.5%	0.5%
50+	0.0%	0.0%

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For the financial year ended 31 December 2018
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10. Defined benefit liability: Post employment health care (continued)

Demographic Assumptions	Postretirement Healthcare	Basis of Development – Accounting Specific Assumptions
Current mortality rates	RP-2014 Mortality Table scaled back to 2006 using MP-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 reflect actual mortality improvement rates experienced in the US over the last 20 years.
Mortality improvements - 31 Dec 2017 - 31 Dec 2018	Scale MP- 2016 Scale MP -2018	Broad consensus amongst longevity experts that mortality improvement will continue in the future. Scale MP-2014 was released in October 2014. In the U.S., the latest future mortality improvement scale updated issued by the Society of Actuaries is scale MP- 2018. The prior valuation used scale MP-2016.
Turnover rates	Age & gender based rates – see page 31	Consistent with turnover rates for the other Statutory Authorities
Retirement Age	60	Mandatory retirement age in the Cayman Islands
Current healthcare claims cost assumption per participant		
31 December 2017	Health \$10,000 Dental \$525 Vision \$100	Based on 2015/16 premium rates
31 December 2018	Health \$11,980 Dental \$555 Vision \$100	Based on 2019 premium rates from BritCay
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.

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Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

11. Contingencies and commitments

a) *Liability to Cayman Islands Government*

The Port Authority is required to comply with the Public Authorities Law, 2017, (“the PAL”). Amongst other matters, the PAL requires that where a public authority has surplus cash resources for a period of more than ninety days, the surplus shall be paid to core government unless otherwise directed by Cabinet, after written consultation with the Board. The PAL also requires that a public authority pay dividends in accordance with the formulae established by the Minister of Finance and Economic Development (the “Ministry”) after written consultation with the Board, unless otherwise directed by Cabinet.

The Ministry has advised the Port Authority that it will not be required to pay a dividend out of its surplus as at 31 December 2018.

Consequently, no provision has been made in these financial statements for payment of surplus cash reserves and dividends. Going forward, the Port Authority will be required to pay a dividend in accordance with Government’s policy for the payment of annual dividends by statutory authorities and Government companies unless the Port Authority agrees, in writing annually, with the Ministry that the Port Authority would be exempt from doing so under such policy.

b) *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	200,000

(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.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

11. Contingencies and commitments (continued)

b) Leases (continued)

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, and the risks and rewards incidental to legal ownership is enjoyed by the lessor. Consequently, the Port Authority has no receivable to book in the statement of financial position as at 31 December 2018.

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, the plaintiff has brought about no further action. 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 ongoing. 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. The Port Authority's insurer, who is expected to settle the claims, is reviewing this claim. 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. At the close of the financial year, no further communication was received from any connected party by the Port Authority on the matter.
- (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.

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Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

11. Contingencies and commitments (continued)

c) Legal Proceedings against the Authority (continued)

- (v) In January 2016, counsel for a former employee served notice contending that the non-renewal of a contract was not done properly, and the further entitlement of the former employee to medical benefits. There is no update on this matter, as it has not progressed.
- (vi) On 4 April 2016, a letter was served on the Authority by counsel for a customer whose shipment was damaged at the dock. It claimed the Port Authority was negligent resulting in unspecified losses. There is no update on this matter, as it has not progressed.
- (vii) In November 2017, notice was served via a letter from counsel of a customer whose property was damaged at the Port Authority's premises while being moved. The Attorney General is handling the matter and the Port Authority expects a minimal payment to resolve this matter.
- (viii) The Port Authority was put on notice of a potential claim from a cruise ship passenger who sustained injuries while disembarking a tender on Port Authority property. No correspondence has been received from counsel with respect to this matter. Such a claim however, may be statute barred.
- (ix) In February 2017, proceedings were commenced against the Authority for damages purportedly suffered by the Port Authority's alleged neglect resulting in the grounding of a vessel. A proposed stay was agreed by the Port Authority, which was approved by the Court by way of a Consent Order. The stay has since expired and no further communication has been received on this matter.

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.

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 \$558,661 (2017: \$768,964). The Cayman Islands government procures insurance for all its entities at favourable market rates, and they apportion the related liability according to the value of the entities' assets.

The insurance expense of \$558,661 in the Statement of Comprehensive Income represents the amortized insurance premium for period 1 January - 31 December 2018.

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Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

12. Related party transactions (continued)

- b) A director of the Port Authority is the proprietor of a company that 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 totalling \$8,439.10 for 2018 (\$10,571 -2017). Unsettled fees for 2018 was \$0 (\$0 -2017).
- c) Another related entity for this director is Kirk Office Ltd. Income earned from Kirk Office for the fiscal year ending 31 December 2018 was \$56,060.68 (\$101,763 - 2017) with unsettled amounts at 31 December 2018 of \$0 (\$383.81 -2017).
- d) Another related party for this director is Kirk Marine Ltd. The Authority earned income totalling \$5,111.91 for the year ended 31 December 2018 (\$1,868.94 - 2017), with no outstanding amount at 31 December 2018 (\$0 -2017).
- e) Another company that this director has a related party relationship with is Progressive Distributors Ltd. Income earned for 2018 was \$533,877.38 (2017 -\$722,169) Unsettled amounts were \$34,788.80 (2018) and \$35,853 (2017)
- f) A director of the Port Authority is a trustee of the Silver Thatch Pension plan. Contributions by the Authority were \$1,034,460.13 (2018) and \$1,115,146 (2017), with unpaid balances of \$77,062.96 (2018) and \$0 (2017).
- g) Another director of the Port Authority is the managing director of Cayman Freight & Shipping Services Ltd, from which the Port Authority earned \$1,371,718.39 in 2018 and \$2,014,653 in 2017, with unsettled balances of \$129,824.20 for 2018 and \$117,230 for 2017.
- h) Key Management Personnel
There are three (3) full time senior management personnel on recurring employment agreements (2017: 5), and none on a fixed term contract (2017: 1). The total remuneration includes regular salary, pension contribution, health insurance contribution and post - employment health care. The pension and health insurance benefits provided to key management personnel are similar to that provided for all employees. Total remuneration in 2018 for senior management was \$589,809 (2017:\$887,926).
- i) Board members
There are 10 members that make up the Port Authority's board (2017: 10); of those members, only six receive a stipend of \$150.00 per meeting held (2017: \$150). One board member receives an additional \$344 per meeting (2017: \$344) attended for travel, car and accommodation allowance. The other three are civil servants. The total fees and expenses paid for the eligible members for the year ended 31 December 2018 was \$62,843 (2017: \$39,445).

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

13. Lines of credit

The Port Authority has a bank overdraft facility up to \$250,000 bearing interest at 1.5% (2017: 1.5%) above Prime. As at December 31, 2018, this overdraft facility has not been used. In addition, the Port Authority has three (2017: 3) corporate credit cards with a total credit limit of \$24,600 (2017: \$24,600). At 31 December 2018, the outstanding balance was \$0 (2017: \$0).

14. Fair value disclosure

At 31 December 2017, 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 financial instruments 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 non-interest bearing obligations for post-employment health care. The carrying amount of these obligations represents the discounted liability and is adjusted each year by actuarial valuation to account for changes in assumptions and inputs. All other loans were fully repaid during the financial period.

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, involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Changes in interest rate assumptions have been reflected in note 11. Changes in the discount rate assumptions could significantly affect the estimates, especially for the defined benefit liability, as seen in note 13.

15. 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.

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Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

15. Financial instruments and associated risks (continued)

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 one local bank. The Port Authority also holds receivables from clients. Counterparties to these financial instruments expose the Port Authority to credit-related losses in the event of non-performance. However, management does not expect the bank and the debtors to renege on their obligations, due to the soundness of the bank and the credit checks done by the Port Authority. Some provision is made for likely bad debts, and when they materialize, they are expensed.

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

	Dec 2018	Dec 2017
	\$	\$
Cash and cash equivalents	7,445,363	6,821,326
Accounts receivables	1,708,532	1,761,307
Other receivables, prepaids and deposits	507,765	1,365,542
Total financial assets	9,661,659	9,948,175
Non-financial assets	-	-
Total assets per the Statement of Financial Position	9,661,659	9,948,175

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 December 31, 2018:	\$	\$	\$	\$
Cash and cash equivalents	7,445,363	-	-	7,445,363
Accounts receivables	-	1,779,666	(71,134)	1,708,532
Other receivables, prepaids and deposits	507,765	-	-	507,765
Total assets exposed to credit risks	7,953,128	1,779,666	(71,134)	9,661,660
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
As at December 31, 2017	\$	\$	\$	\$
Cash and cash equivalents	6,821,326	-	-	6,821,326
Accounts receivables	-	1,832,392	(71,085)	1,761,307
Other receivables, prepaids and deposits	1,365,542	-	-	1,365,542
Total assets exposed to credit risks	8,186,868	1,832,392	(71,085)	9,948,175

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Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

15. Financial instruments and associated risks (continued)

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

	Up to 45 days	46 to 90 days	> 90	Total
As at December 31, 2018:	\$	\$	\$	\$
Accounts receivables	1,212,978	333,228	162,326	1,708,532
Other receivables, prepaids and deposits	507,765	-	-	507,765
Total	\$1,720,743	\$333,228	\$162,326	\$2,216,297

	Up to 45 days	45 to 90 days	> 90	Total
As at December 31, 2017:	\$	\$	\$	\$
Accounts receivables	1,516,546	74,669	170,092	1,761,307
Other receivables, prepaids and deposits	1,365,542	-	-	1,365,542
Total	2,882,088	74,669	170,092	3,126,849

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 December 31, 2018 and December 31 2017.

	Contractual cash flows (undiscounted)				
	Carrying amount	No Stated Maturity	0 – 1 Yr	1 – 2 yrs	> 2 yrs
	\$	\$	\$	\$	\$
December 31, 2018					
Financial Assets					
Cash and cash equivalents	7,445,363	-	7,445,363	-	-
Accounts receivable	1,708,532	-	1,708,532	-	-
Other receivables, prepaids and deposits	507,765	-	507,765	-	-
Total	9,661,659	-	9,661,659	-	-
Short term liabilities					
Accounts Payables	2,316,065	-	2,316,065	-	-
Loans repayable within 12 months	-	-	-	-	-
Total	2,316,065	-	2,316,065	-	-
Difference in contractual cash flows	7,345,594	-	7,345,594	-	-

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Notes to the Financial Statements

For the financial year ended 31 December 2018

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15. Financial instruments and associated risks (continued)

	Contractual cash flows (undiscounted)				
	Carrying amount	No Stated Maturity	0 – 1 Yr	1 – 2 yrs	> 2 yrs
December 31, 2017	\$	\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	6,821,326	-	6,821,326	-	-
Accounts receivable	1,761,307	-	1,761,307	-	-
Other receivables, prepaid and deposits	1,365,542	-	1,365,542	-	-
Total	9,948,175	-	9,948,175	-	-
Short term liabilities					
Accounts Payables	1,560,824	-	1,560,824	-	-
Loans repayable within 12 months	-	-	-	-	-
Total	1,560,824	-	1,560,824	-	-
Difference in contractual Flows	8,387,351	-	8,387,351	-	-

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 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 of cash and cash equivalents are presented in note 15.

Foreign currency risk

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

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16. Cargo Handling income is comprised of the following:

	December 2018	December 2017
	\$	\$
Cargo dues	11,723,389	16,565,393
Cargo handling charges	139,472	279,521
Storage charges	1,109,226	1,270,613
Trucking Fees	886,709	1,256,535
Crane Fees	2,731,400	4,046,550
Empty Container Handling and storage	328,195	634,266
Other fees	133,867	173,495
Total cargo handling income	17,052,259	24,226,373

17. Income from cruise passengers

The Port Authority collects a passenger fee of US\$3 per manifested cruise passenger. The Authority allocates US\$1 per passenger from this amount to service the Royal Watler Cruise Terminal facility loan. This is called a Port development fee. The remainder is allocated as passenger fees. For the Fiscal period January to December 2018, the Cayman Islands recorded 1,921,167 cruise passenger arrivals (2017: 2,466,988) giving rise to passenger fees of \$3,401,737 (2017: \$4,411,845) and Port Development fees of \$1,324,334 (2017: \$1,658,308).

18. Maritime services consist of work performed directly to the vessels in port:

	December 2018	December 2017
	\$	\$
Dock Usage Surcharge	280,080	357,340
Lay-up Anchorage Fees	935	454
Navigation Aids	37,154	50,274
Line Handling	171,250	249,950
Berthing Fees	443,802	634,337
Hire of Equipment	10,050	14,875
Overtime Worked	348,298	845,714
Cruise Ship Tender Dues	78,587	102,601
Total Maritime services income	1,370,156	2,255,545

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19. Other income is comprised of:

	December 2018	December 2017
	\$	\$
Container Trans-Shipments	3,200	8,000
Crane Heavy Lift	0	14,000
Garbage Fees	81,900	122,830
Billboard Ads	0	6,450
Water Sales (Net)	7,017	(36,015)
Finance Charges on overdue balances	7,982	13,535
ID's, vessel inspection, miscellaneous	80,549	89,157
Total other income	180,648	217,957

20. Diesel Sales

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

Diesel sales are shown net in the Statement of Comprehensive Income; due to the incidental nature of the transaction to the overall operations, and it is outside the main business that the Port Authority is engaged in.

	December 2018	December 2017
	\$	\$
Diesel Sales	524,777	536,718
Diesel Cost of Sales	(349,052)	(365,411)
Net Income from diesel sales	175,725	171,307

21. Staff costs

	December 2018	December 2017
	\$	\$
Salary and Wages	10,906,165	15,598,629
Medical Insurance	1,418,382	1,856,774
Pension	1,106,840	1,583,549
Other staff costs – Uniforms, training etc.	122,198	226,944
Total Staff Costs	13,553,585	19,265,896

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Notes to the Financial Statements

For the financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

- 22. Contracted services** contain the costs incurred for security, janitorial, and professional services such as legal, consultancy and audit.

	December 2018	December 2017
	\$	\$
Security	903,547	1,286,444
Janitorial	298,156	360,554
Audit	77,917	132,505
Legal	271,777	111,261
Professional	214,612	207,090
Total contracted services	1,766,009	2,097,854

23. 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. For the fiscal year ended 31 December 2018, repairs and maintenance amounted to \$1,701,478 (2017: \$2,947,386).

24. 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. For the period ended 31 December 2018, the actual rent earned was \$1,050,065 (2017: \$1,562,256).

	\$
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 financial year ended 31 December 2018

(Stated in Cayman Islands dollars)

25. Branch Statements of Financial Position

	Grand Cayman \$	Cayman Brac \$	Total 2018 \$	2017 \$
Current assets				
Cash and cash equivalents	7,159,054	286,309	7,445,363	6,821,326
Accounts receivable	1,634,657	73,875	1,708,532	1,761,307
Inventory	1,012,745	59,506	1,072,251	964,200
Prepaid expenses	201,725	0	201,725	134,777
Other receivables	289,119	16,921	306,040	1,230,765
Total current Assets	10,297,300	436,611	10,733,911	10,912,375
Current liabilities				
Accounts payable and accrued expenses	2,273,982	42,083	2,316,065	1,560,824
Current portion of long term debt	-	-	-	-
Total current liabilities	2,273,982	42,083	2,316,065	1,560,824
Working capital	8,023,318	394,528	8,417,846	9,351,551
Plant, property and equipment	56,345,425	3,790,508	60,135,933	54,701,925
Capital work in progress	0	0	0	510,912
Investment Property	9,055,000	-	9,055,000	8,356,461
Long term debt	-	-	0	-
Defined benefit liability –health care	(33,105,000)	-	(33,105,000)	(34,694,000)
Net assets	40,318,743	4,185,036	44,503,779	38,226,849
Represented by:				
General reserve	37,179,040	(8,880,136)	28,298,904	22,021,975
Asset Revaluation Reserve	15,844,653	360,222	16,204,875	16,204,874
Inter-branch account	(12,704,950)	12,704,950	-	-
Equity	40,318,743	4,185,036	44,503,779	38,226,849

Financial performance of Cayman Brac Operations

Cayman Brac continues to post losses on an annual basis. Total accumulated losses for the 2018 period was (\$615,176) (2017: (\$654,109)) as seen in the table below. The total losses for Cayman Brac to date are reflected in the negative general reserve figure of (\$8,880,136) as at 31 December 2018 (2017: (8,264,962)).

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.

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26. Branch Statements of Comprehensive Income

	Grand Cayman \$	Cayman Brac \$	Total \$	2017 \$
Operating income	23,739,388	815,536	24,554,924	34,503,591
Operating expenses	(17,816,940)	(1,279,812)	(19,096,752)	(27,397,361)
	5,922,448	(464,276)	5,458,172	7,106,230
<i>Other income/ (expenses)</i>				
Interest income	2,418		2,418	1,899
Other income/expense	-	-	0	-
Loss on Revaluation	-	-	0	-
Loss on revaluation of Investment Property	-	-	0	-
Loss on disposal of fixed assets	-	-	0	(124,058)
Depreciation	(1,311,159)	(150,900)	(1,462,059)	(1,663,828)
Defined benefit annual expense	(3,094,000)	-	(3,094,000)	(4,010,000)
Total expenses	(4,402,741)	(150,900)	(4,553,641)	(5,795,987)
Net income/(loss) for year	1,519,707	(615,176)	904,531	1,310,243
Other comprehensive income:				
Gain on revaluation of property	689,398	-	689,398	-
Remeasurements- defined benefit	4,476,000	-	4,476,000	(777,000)
Revaluation Gain	-	-	-	-
Total comprehensive income	6,685,105	(615,176)	6,069,929	533,243
General reserve/ (deficit) at beginning of year	30,493,937	(8,264,962)	22,228,975	21,488,732
Revaluation Reserve	15,844,653	360,222	16,204,875	16,204,874
General reserve at end of year	53,023,695	(8,519,916)	44,503,779	38,226,849

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.

b) Strategic Development of the Port Authority

The Port Authority has embarked on a multi-year strategic development plan, which incorporates the replacement of equipment that support the provision of services to the public. The multifaceted plan involves the purchase of Rubber Tyre Gantry (RTG) cranes and the development of the Cargo Distribution Centre to facilitate the proper operation of this equipment. The total projected capital expenditure for the next three years is \$9.4M (\$4.6M – 2019, \$3.7M – 2020 and \$1.2M – 2021). This could increase or decrease depending on the levels of surpluses that can be assigned to this project. At the reporting date, this project was underway and ahead of schedule.