

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Financial Report

For the financial year ended 31 December 2022



Financial Statements of the

**PORT AUTHORITY OF THE  
CAYMAN ISLANDS**

31 December 2022



**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 the Act, and properly record the financial transactions of the Port Authority of the Cayman Islands.

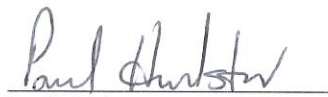
As Port Director and Acting Deputy Port Director, Finance, and Board Chairman we are responsible for the preparation of the Port Authority of the Cayman Islands financial statements and for the judgements made in them.

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 2022.


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 2022;
- (b) Fairly reflect the financial position as at 31 December 2022 and performance for the financial year ended 31 December 2022.
- (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.

  
Paul Hurlston  
Port Director

Date: April 30, 2023

  
Cline Glidden  
Chairman of the Board

Date: April 30, 2023

  
Don Hutchinson  
Acting Deputy Director Finance

Date: April 30, 2023



## 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 2022 and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended December 2022, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 41.

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

#### Emphasis of Matters

As outlined in note 12(d)(iii) of the financial statements, *The Public Authorities Act (2020 Revision), Section 47 - Terms and conditions and remuneration of staff* came into effect at 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardize salaries and benefits. At the date of this report, standardization process was still ongoing, therefore the potential impact of this requirement was not reflected in these financial statements. My opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of 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 GENERAL'S REPORT (continued)

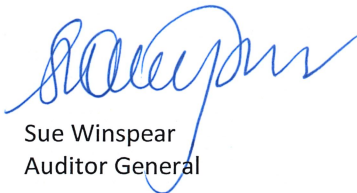
### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Act (2020 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sue Winspear  
Auditor General

30 April 2023  
Cayman Islands

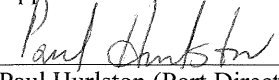
**PORT AUTHORITY OF THE CAYMAN ISLANDS****Statement of Financial Position**

As at 31 December 2022


*(Stated in Cayman Islands dollars)*

	Note	December 2022 \$	December 2021 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4(a)	12,424,271	10,639,968
Accounts receivable (Net)	4(b)	1,868,991	1,238,182
Inventory		1,274,085	1,607,305
Prepaid expenses	4(c)	179,556	187,764
Other receivables and deposits	4(d)	107,892	115,690
<b>Total Current Assets</b>		<b>15,854,795</b>	<b>13,788,909</b>
<b>Non-Current Assets</b>			
Property, plant and equipment			
Land- freehold	5	41,625,000	41,625,000
Docks and buildings	5	21,845,915	22,827,928
Other fixed assets	5	7,482,083	7,804,740
Work in progress	8	67,412	349,281
<b>Total property, plant and equipment</b>		<b>71,020,410</b>	<b>72,606,949</b>
Right of use land & warehouses	6	161,393	107,315
Investment property	9	9,226,000	7,300,000
<b>Total Non- Current Assets</b>		<b>80,407,803</b>	<b>80,014,264</b>
<b>TOTAL ASSETS</b>		<b>96,262,598</b>	<b>93,803,173</b>
<b>LIABILITIES and EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	10	3,352,143	1,643,649
<b>Total Current Liabilities</b>		<b>3,352,143</b>	<b>1,643,649</b>
<b>Non- Current Liabilities</b>			
Lease liability	6	165,697	115,337
Defined benefit liability	11	35,889,000	51,446,000
<b>Total Non- Current Liabilities</b>		<b>36,054,697</b>	<b>51,561,337</b>
<b>TOTAL LIABILITIES</b>		<b>39,406,840</b>	<b>53,204,986</b>
<b>GENERAL EQUITY</b>		19,417,384	5,085,813
<b>ASSET REVALUATION RESERVE</b>		37,438,374	35,512,374
		<b>56,855,758</b>	<b>40,598,187</b>
<b>TOTAL LIABILITIES and EQUITY</b>		<b>96,262,598</b>	<b>93,803,173</b>

Approved:

  
 Paul Hurlston (Port Director)

 30 April 2023  
 Date

  
 Don Hutchinson (Acting Deputy Director - Finance)

 30 April 2023  
 Date

The accompanying notes on pages 8-41 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 2022  
*(Stated in Cayman Islands dollars)*

	Note	December 2022 \$	December 2021 \$
<b>OPERATING REVENUE</b>			
Cargo handling	16	20,427,237	20,601,493
Cruise ship passenger fees	17	1,797,893	-
Maritime services	18	1,243,779	1,193,242
Rental income	24	291,731	193,527
Other income	19	155,978	137,354
Diesel sales	20	74,389	154,603
<b>Total Operating Revenue</b>		<b>23,991,007</b>	<b>22,280,219</b>
<b>OPERATING EXPENSES</b>			
Staff costs	21	16,616,103	13,983,360
Depreciation	5	2,154,366	2,204,574
Repairs and maintenance	23	2,080,318	1,420,120
Contracted services	22	1,774,481	1,252,898
Utilities		633,928	546,564
Insurance		577,112	591,220
Diesel		519,213	361,646
Stationery, supplies & computer supplies		367,185	319,804
Advertising and entertainment		139,896	32,729
Board expenses and fees	13(d)	127,808	31,038
Miscellaneous		115,106	88,126
Travel, conventions & training		43,940	22,916
Bad debt	4(b)	39,168	-
Fleet licenses		23,658	14,752
Finance charges		17,886	20,993
Claims		14,672	3,320
Rent		-	3,448
<b>Total Operating Expenses</b>		<b>25,244,840</b>	<b>20,897,508</b>
<b>GROSS OPERATING (LOSS) /PROFIT</b>		<b>(1,253,833)</b>	<b>1,382,711</b>
<b>OTHER INCOME/EXPENSES</b>			
Interest income		5,426	7,325
Loss on disposal of fixed assets		(14,772)	-
Defined benefit expense – post employment health care	11	(2,967,000)	(3,461,000)
Loss on revaluation of land and buildings	7	-	(1,456,210)
<b>Total Other Expenses</b>		<b>(2,976,346)</b>	<b>(4,909,885)</b>
<b>NET LOSS</b>		<b>(4,230,179)</b>	<b>(3,527,174)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
Remeasurements of defined benefit obligation:			
Effect of changes in financial assumptions	11	18,341,000	4,212,000
Gain on revaluation of land and buildings	7	-	10,370,242
Gain on revaluation of investment property	9	1,926,000	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>16,036,821</b>	<b>11,055,068</b>

*The accompanying notes on pages 8-41 form an integral part of these financial statements.*



**PORT AUTHORITY OF THE CAYMAN ISLANDS**  
**Statement of Cash Flows**

For the financial year ended 31 December 2022  
*(Stated in Cayman Islands dollars)*

	Note	December 2022 \$	December 2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Comprehensive income		16,036,821	11,055,068
Adjustments to reconcile comprehensive income to net cash generated			
Defined benefit expense		(15,374,000)	(751,000)
Depreciation	5	2,154,366	2,204,574
Bad debts	4(b)	39,168	-
Loss on disposal of fixed assets		14,772	-
Gain on revaluation of property	7, 9	(1,926,000)	(8,914,032)
Prior period adjustments: - Receivables / income		48,941	
Defined benefit payments		183,000	192,000
Net changes in working capital			
Accounts receivable		(630,809)	219,559
Inventory		333,220	(236,120)
Prepaid expenses		8,208	3,393
Other receivables and deposits		(31,370)	13,257
Accounts payable and accrued expenses		1,708,494	(1,231,312)
<b>Net Cash generated from Operating Activities</b>		<b>2,564,811</b>	<b>2,555,387</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Procurement of property, plant and equipment	5	(415,587)	(510,565)
Proceeds from disposal of equipment		33,050	-
Construction in progress (Net)	5	(120,946)	(452,666)
<b>Net Cash Used in Investing Activities</b>		<b>(503,483)</b>	<b>(963,231)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Defined benefit payment for active enrolees	11	(183,000)	(192,000)
Principal lease payments		(94,025)	(92,539)
<b>Net Cash Used in Financing Activities</b>		<b>(277,025)</b>	<b>(284,539)</b>
<b>Net Increase in cash and cash equivalents</b>		<b>1,784,303</b>	<b>1,307,617</b>
Cash and cash equivalents at the beginning of the year	4(a)	10,639,968	9,332,351
<b>Cash and cash equivalents at the end of year</b>	4(a)	<b>12,424,271</b>	<b>10,639,968</b>

*The accompanying notes on pages 8-41 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 2022  
*(Stated in Cayman Islands dollars)*

	<b>General Reserve</b>	<b>Revaluation Reserve</b>	<b>Total</b>
<b>Beginning balance 1 January 2021</b>	<b>4,239,823</b>	<b>25,142,132</b>	<b>29,381,955</b>
Defined benefit payments	192,000	-	192,000
Total comprehensive income	653,990	-	653,990
Revaluation of land and buildings	-	10,370,242	10,370,242
<b>Ending balance 31 December 2021</b>	<b>5,085,813</b>	<b>35,512,374</b>	<b>40,598,187</b>
<b>Beginning balance 1 January 2022</b>	<b>5,085,813</b>	<b>35,512,374</b>	<b>40,598,187</b>
Prior year adjustments:			
Payments made on defined obligation for the current beneficiaries	183,000	-	183,000
Net corrections	37,750	-	37,750
Total comprehensive income	14,110,821	-	14,110,821
Revaluation of land and buildings	-	1,926,000	1,926,000
<b>Ending balance 31 December 2022</b>	<b>19,417,384</b>	<b>37,438,374</b>	<b>56,855,758</b>

*The accompanying notes on pages 8-41 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 2022

(Stated in Cayman Islands dollars)

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### 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 Act*. This Act was revised in 1999. The Port Authority is also governed by the *Port Regulations (2020 Revision)* and the *Public Authorities Act (2020 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 Act and the Regulations;
- inspection of vessels for the purpose of checking and enforcing compliance with the Port Authority Act.

As at 31 December 2022, the Port Authority had 166 employees (2021: 159 employees). The Head Office is located at the Port Authority Building on 113 Seafarers Way, P.O. Box 1358 GT, Grand Cayman whereas Cargo Distribution Centre and Billing Office are situated at 110 Portland Road, GT, Grand Cayman. The Port Authority also has 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. Land and Buildings, Investment Property and Right of Use for leases are reported at fair value.

### 3. Significant accounting policies

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

#### (a) Changes in accounting policies

The Port Authority recognizes 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.

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

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### 3. Significant accounting policies (continued)

#### (b) Use of estimates

The preparation of financial statements in accordance with IFRS 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 may 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.

##### (i) Recognition and Derecognition

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

##### (ii) Classification and Measurement

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

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, accounts receivable, other receivables and deposits.

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

### 3. Significant accounting policies (continued)

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
<b>Financial Assets:</b>			
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost	Amortized Cost
Accounts receivables and Other Receivables	Loans and Receivables	Amortized Cost	Amortized Cost
<b>Financial Liabilities</b>			
Accounts Payable and Accrued Expenses	Other Liabilities	Amortized Cost	Amortized Cost

#### (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.



# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

*(Stated in Cayman Islands dollars)*

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### 3. Significant accounting policies (continued)

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 loss 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 receivables 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 transaction cost. Subsequently, they are measured at amortized cost using the effective interest method. Financial liabilities at amortized cost include accounts payable and accrued expenses.

#### *(d) Property, Plant and Equipment*

Property, plant and equipment are initially stated at cost less accumulated depreciation and impairment losses.

Where an asset is acquired for nil or nominal consideration, the asset is recognized 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.

Land, buildings and Docks 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 recognized in other comprehensive income in the Statement of Comprehensive Income and accumulated in revaluation reserve, 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 from the revaluation of such asset is recognized in the other income/expense to the extent that it exceeds the balance, if any, held at 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.

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

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### 3. Significant accounting policies (continued)

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	20 - 40 Years
Marine Dock	20 - 30 years
Cranes and Heavy Equipment	10 - 25 years
Lights and buoys	5 - 15 Years
Equipment and furniture	5 Years
Computer Equipment	5 Years
Vehicles	5 years
Computer Software	5 years
Loose Tools	5 years
Right of Use	3 - 10 years

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

#### *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 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 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.

#### *iv. Revaluation gains and losses*

The Port Authority values 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 2022, the land and buildings and investment property were reported at revalued amounts less subsequent depreciation where applicable. This value was determined by independent appraisers.

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

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### 3. Significant accounting policies (continued)

#### iv. *Revaluation gains and losses (continued)*

It is not expected that the fair values would have materially changed since the last valuation was performed. Buildings and docks were reported at fair value less subsequent depreciation and Land was reported at fair value. Leases were reported at net present value less amortization. This equates to their fair values.

#### v. *Impairment*

The carrying amount of the Port Authority's assets other than inventories (see note 3(i)) 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.

#### (e) *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 for 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 from 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.

#### (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 statement of financial position dates. Foreign exchange differences arising from translation are recognised in the Statement 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.

#### (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.

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

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### 3. Significant accounting policies (continued)

#### (h) *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.

#### (i) *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 2022 or 31 December 2021.

#### (j) *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 recognized 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 recognized 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 recognized 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 recognized when services are substantially rendered.

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

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

*(Stated in Cayman Islands dollars)*

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### 3. Significant accounting policies (continued)

#### (ii) Passenger fees

In accordance with the Port Authority Regulation (Revision 2020), the Port Authority charges the owners or agent of every ship a passenger fee of \$2.46 for every passenger appearing on the manifest as passenger fees.

#### (iii) Rent income

Rent income is recognized 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.

#### (k) Expenses

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

#### (l) Borrowing costs

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

#### (m) Pension 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 Act. The Port Authority makes monthly contributions of 10% of an employee's salary to an approved pension provider. Employees who joined after July 2018 are required to contribute 50% of their pension. This was changed to the Port Authority making 100% pension contributions for all employees beginning January 2021. Contributions are charged to expenses, as they are incurred based on set contribution rates.

#### (n) New and revised standards issued

##### **Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform**

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Port Authority as it does not have any interest rate hedge relationships.



# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

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### 3. Significant accounting policies (continued)

#### (o) Standards issues but not yet effective

##### *New standards, amendments and interpretations adopted*

A number of new standards, amendments and interpretations to existing standards are effective for, and have been applied by the Authority, in the year ended 31 December 2022, but have not had a material effect on the Authority's financial statements.

New standards, amendments and interpretations to existing standards that are not yet effective for the financial statements of the Authority for the year ended 31 December 2022 have not been early adopted in preparing these financial statements.

The Authority does not anticipate a material impact on the financial statements as a result of the standards effective in future periods.

#### (p) *Going Concern*

These financial statements have been prepared on going concern basis. Management has a reasonable expectation that the Port has and will have adequate resources to continue in operational existence for the foreseeable future.

### 4. (a) Cash and cash equivalents

	Dec 2022	Dec 2021
	\$	\$
Bank balances and short-term deposits	12,424,271	10,639,968

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 (2021: \$89,569) representing deposits held on escrow for tenants of renting the Port Authority's investment properties.

### 4. (b) Accounts receivable

	Dec 2022	Dec 2021
	\$	\$
Accounts receivable	1,958,197	1,288,220
Allowance for bad debts	(89,206)	(50,038)
Accounts receivable, net	1,868,991	1,238,182

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

#### 4. (b) Accounts receivable (continued)

##### *Fair value*

The carrying value of receivables approximates their fair value.

##### *Impairment*

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

	Dec 2022			Dec 2021		
	Gross	Impairment	Net	Gross	Impairment	Net
Past due up to 45 days	1,341,457	-	1,341,457	995,456	-	995,456
Past due 46- 90 days	180,696	-	180,696	58,652	-	58,652
Past due over 90 days	436,044	(89,206)	346,838	234,112	(50,038)	184,074
Total	1,958,197	(89,206)	1,868,991	1,288,220	(50,038)	1,238,182

Management makes a judgmental provision for a portion of accounts overdue for each of the receivable buckets as indicated above. In addition to this judgmental provision, receivables that are deemed highly uncollectible may be written off directly to expenses as bad debts, as well as written off through the provision.

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. The provision over the comparative period was not adjusted.

Movement in the provisions for bad debts of receivables are as follows:

	Actual Dec 2022 \$	Actual Dec 2021 \$
Balance at 1 January	50,038	50,038
Increase in provisions during the year	39,168	-
Balance at 31 December	89,206	50,038

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2022

*(Stated in Cayman Islands dollars)*

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#### 4. (c) Prepaid expenses

These relate to expenses that have been paid in advance at year end as follows:

	Dec 2022	Dec 2021
	\$	\$
Unamortized insurance benefit	142,889	151,097
Rent (Accrued prepayment)	36,667	36,667
Total	179,556	187,764

#### 4. (d) Other receivables and deposits

This represents amounts paid in advance to secure services and deposit on assets. These are short term in nature and will be completed during the 2023 financial year.

	Dec 2022	Dec 2021
	\$	\$
Deposits for assets and expenses	107,892	115,690

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

### 5. Property, plant and equipment

	Freehold Land \$	Docks and Buildings \$	Other Assets \$	Construction In Progress \$	Total \$
<b>Book Value</b>					
Beginning balance at 31 Dec 2021	41,625,000	24,119,214	18,267,423	349,281	84,360,918
Additions	-	169,400	246,187	127,569	543,156
Disposals	-	-	(116,687)	-	(116,687)
Revaluations	-	-	-	-	-
Transfers	-	216,610	192,828	(409,438)	-
Closing balance at 31 Dec 2022	41,625,000	24,505,224	18,589,751	67,412	84,787,387
<b>Accumulated Depreciation</b>					
Beginning balance at 31 Dec 2021	-	1,291,286	10,462,683	-	11,753,969
Charge for the year	-	1,359,360	708,781	-	2,068,141
Disposals	-	-	(72,132)	-	(72,132)
Revaluations	-	-	-	-	-
Transfers	-	8,663	8,336	-	16,999
Closing balance at 31 Dec 2022	-	2,659,309	11,107,668	-	13,766,977
<b>Net Book Value</b>					
Closing balance at 31 Dec 2022	41,625,000	21,845,915	7,482,083	67,412	71,020,410
Closing balance at 31 Dec 2021	41,625,000	22,827,928	7,804,740	349,281	72,606,949

Depreciation Summary	Dec 2022 \$	Dec 2021 \$
Buildings	1,359,360	1,292,444
Cranes, fleet, plant and equipment	488,085	569,743
Computer equipment and software	220,696	255,682
Right of use assets	86,225	86,705
Total depreciation expense	2,154,366	2,204,574

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

### 5. Property, plant and equipment (continued)

#### *Analysis of Other Assets*

	Vehicles & Equipment \$	Computer Equipment \$	Computer Software \$	Equipment & Furniture \$	Lights & Buoys \$	Loose Tools \$	Total \$
Book Value							
At 31 Dec 2021	13,565,496	668,389	1,540,267	1,630,741	674,937	187,593	18,267,423
Additions	115,971	38,360	-	91,856	-	-	246,187
Disposals	-	-	-	(116,687)	-	-	(116,687)
Transfers	-	149,946	-	-	42,882	-	192,828
At 31 Dec 2022	13,681,467	856,695	1,540,267	1,605,910	717,819	187,593	18,589,751
Accumulated Depreciation							
At 31 Dec 2021	6,489,516	546,320	1,256,005	1,348,318	642,295	180,229	10,462,683
Charge for the year	357,455	49,367	171,329	119,053	7,852	3,725	708,781
Disposals	-	-	-	(72,132)	-	-	(72,132)
Transfers	-	-	-	8,336	-	-	8,336
At 31 Dec 2022	6,846,971	595,687	1,427,334	1,403,575	650,147	183,954	11,107,668
Book Value							
At 31 Dec 2022	6,834,496	261,008	112,933	202,335	67,672	3,639	7,482,083
At 31 Dec 2021	7,075,979	122,070	284,262	282,423	32,642	7,364	7,804,740

### 6. Capitalization of leases

At inception of a contract the Authority will assess whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and therefore is, or contains, a lease.

A right-of-use asset and lease liability is recognised at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability less any incentives received and is subsequently depreciated on a straight-line basis from commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the Authority's incremental borrowing rate.



## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

#### 6. Capitalization of leases (continued)

The applicable leases in place at the Port Authority were capitalized to reflect the right of use and the corresponding lease liability as required by IFRS 16. The net present value, net book value and lease obligation are shown below.

Description	Net Present Value \$	Accumulated Depreciation \$	Fair value 2022 \$	Fair value 2021 \$
Unit A, Storage Unit	78,726	65,713	13,013	39,255
Unit B, Storage Unit	141,036	22,834	118,202	4,489
14BH P135	332,089	301,911	30,178	63,571
Total	551,851	390,458	161,393	107,315

Description	Net Present Value \$	Principal Payments \$	Lease Liability 2022 \$	Lease Liability 2021 \$
Unit A, Storage Unit	78,726	64,758	13,968	40,825
Unit B, Storage Unit	141,036	21,591	119,445	4,503
14BH P135	332,089	299,805	32,284	70,009
Total	551,851	386,154	165,697	115,337

#### 7. 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 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 2022, in accordance with IAS 40. The revaluation shows an increase in investment property value from \$7,300,000 at December 31, 2021 to \$9,226,000 at December 31, 2022, a gain of \$1,926,000.

#### 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:

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

#### 7. Revaluation of land, buildings and investment property (continued)

- 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.

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 maximize the use of observable inputs and minimize the use of unobservable inputs.

There were no other significant valuations performed using unobservable inputs. Consequently, the fair value hierarchy for the inputs utilized 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, 2022

	Level 1	Level 2	Level 3	Total
Land and buildings	-	63,470,915	-	63,470,915
Investment property	-	9,226,000	-	9,226,000
Total	-	72,696,915	-	72,696,915

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

The property portfolio of the Port Authority was revalued by a local appraiser with a valuation date of January 1, 2021. Except for the revaluation of investment property at 31 December 2022, there was no such revaluation of the assets during the financial year ended December 31, 2022.

#### 8. Capital works in progress

	Dec 2022	Dec 2021
	\$	\$
Other assets	67,412	349,281
Total	67,412	349,281

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

#### 9. Investment property

	<b>Buildings</b> \$
Beginning balance at 31 December 2022	7,300,000
Additions during the year	-
Changes in fair value at 31 December 2022	<u>1,926,000</u>
Ending balance at 31 December 2022	<u>9,226,000</u>
Ending balance at 31 December 2021	<u><u>7,300,000</u></u>

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 Comprehensive Income" in the Statement of Comprehensive Income. There was an increase of \$1.9 million in the fair value of Investment Property upon revaluation by Lands and Survey Department for value date 31 December 2022.

Rental income from investment property and the direct operating expenses arising from the investment property that generated the rental during the year are as follows:

	\$
Rental Income from Investment Property	213,639
Direct Operating Expenses arising from Investment Property that generated the income (i)	<u>(615,675)</u>
<b>Net Loss</b>	<b><u>(402,036)</u></b>

- i. This represents utilities of \$95,112, repairs and maintenance expenses of \$236,942 and contracted services of \$283,621 incurred in the current year.

#### 10. 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 \$888,098 (2021: \$616,334) of this amount comprises payables occurring in the normal course of business. \$71,555 (2021: \$200,000) represents amount owed to Government for insurance coverage.

A total of \$2,393,595 (2021: \$1,035,037), relates to year - end accruals for employee entitlements (i.e. Wages and vacation leave), provision for audit fees, coercive revenue for boat licensing and amounts held in escrow for tenants of rental properties. A provision of \$1,600,000 was made for amounts due to staff who were directed to work additional hours without compensation from January 2019 to the date of the Statement of Comprehensive Income.

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

#### 10. Accounts payable and accrued expenses (continued)

Detail	Dec 2022 \$	Dec 2021 \$
Creditors	958,548	608,612
Accruals and staff benefits	621,908	810,942
Provision for ex-gratia payment	1,600,000	-
Provisions and other accruals	74,460	126,868
Escrow deposits	97,227	97,227
Total	3,352,143	1,643,649

#### 11. Defined benefit liability: Post employment health care

The Port Authority provides health care benefits for its staff who have rendered 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 benefit 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 \$35,889,000 at the end of the financial year 31 December 2022 (2021: \$51,446,000). 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 year the entire \$35,889,000 is unfunded; the monthly savings will begin to offset the liability in the coming years. At December 31 2022, the savings totalled \$1,666,048 (2021: \$1,540,622).

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) (2021: 3) retirees currently receive a combined \$37,300 per annum (2021: \$30,029). 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 2022  
*(Stated in Cayman Islands dollars)*

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

Plan Name	Port Authority of the Cayman Islands	
	31 Dec 2022	31 Dec 2021
Financial year ending on		
<i>Currency Information</i>		
1. Local currency	KYD	KYD
2. Reporting currency	KYD	KYD
<b>A. Change in defined benefit obligation</b>		
1. Defined benefit obligation at end of prior year	51,446,000	52,389,000
2. Service cost		
a. Current service cost	1,531,000	2,164,000
b. Past service cost	-	-
c. (Gain) / loss on settlements	-	-
3. Interest expense	1,436,000	1,297,000
4. Cash flows		
d. Benefit payments from plan assets	-	-
e. Benefit payments from employer	(183,000)	(192,000)
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	-	1,638,000
b. Effect of changes in financial assumptions	(17,934,000)	(3,745,000)
c. Effect of experience adjustments	(407,000)	(2,105,000)
7. Effect of changes in Foreign exchange rates	-	-
8. Defined benefit obligation at the end of year	35,889,000	51,446,000
<b>B. Change in fair value of plan assets</b>		
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	183,000	192,000
iii. Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	-	-
d. Benefit payments from employer	(183,000)	(192,000)
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 2022  
*(Stated in Cayman Islands dollars)*

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

Plan Name	Port Authority of the Cayman Islands	
	31 Dec 2022	31 Dec 2021
Financial period ending on		
<b>C. Amounts recognized in the statement of financial position</b>		
1. Defined benefit obligation	35,889,000	51,446,000
2. Fair value of plan assets	-	-
3. Funded status	35,889,000	51,446,000
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability/(asset)	35,889,000	51,446,000
<b>D. Components of defined benefit cost</b>		
1. Service cost		
a. Current service cost	1,531,000	2,164,000
b. Reimbursement service cost	-	-
c. Past service cost	-	-
d. (Gain) / loss on settlements	-	-
e. Total service cost	1,531,000	2,164,000
2. Net interest cost		
a. Interest expense on Defined Benefit Obligation (DBO)	1,436,000	1,297,000
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	1,436,000	1,297,000
3. Remeasurements of Other Long Term Benefits	-	-
4. Administrative expenses and/or taxes (not reserved within DBO)	-	-
	2,967,000	3,461,000
5. Defined benefit cost included in Profit and Loss (P&L)		
6. Remeasurements (recognized in the other comprehensive income)		
a. Effect of changes in demographic assumptions	(17,934,000)	(3,745,000)
b. Effect of changes in financial assumptions	(407,000)	(2,105,000)
c. Effect of experience adjustments	-	-
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)	(18,341,000)	(4,212,000)
7. Total defined benefit cost recognized in P&L and OCI	(15,374,000)	(751,000)
<b>E. Net defined benefit liability/(asset) reconciliation</b>		
1. Net defined benefit liability/(asset)	51,446,000	52,389,000
2. Defined benefit cost included in P&L	2,967,000	3,461,000
3. Total remeasurement included in OCI	(18,341,000)	(4,212,000)
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	(183,000)	(192,000)
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	35,889,000	51,446,000

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

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

Plan Name	Port Authority of the Cayman Islands	
	31 Dec 2022	31 Dec 2021
Financial period ending on		
<b>F. Defined benefit obligation</b>		
1. Defined benefit obligation by participant status		
a. Actives	29,523,000	43,978,000
b. Vested deferreds	-	-
c. Retirees	6,366,000	7,468,000
d. Total	35,889,000	51,446,000
<b>G. Significant actuarial assumptions</b>		
<i>Weighted-average assumptions to determine defined benefit obligations</i>		
Discount rate	5.45%	3.00%
Health care cost trend rates		
Immediate trend rate	5.25%	5.30%
Ultimate trend rate	4.00%	4.00%
Year rate reaches ultimate trend rate	2045	2045
Mortality assumption	RP-2014/MP20	RP-2014/MP20
Duration (in Years)	N/A	N/A
<i>Weighted-average assumptions to determine defined benefit cost</i>		
Discount rate	3.00%	2.70%
Effective rate for net interest	2.81%	2.49%
Effective discount rate for service cost	3.00%	2.75%
Effective rate for interest on service cost	3.01%	2.72%
Health care cost trend rates		
Immediate trend rate	5.30%	5.00%
Ultimate trend rate	4.00%	5.00%
Year rate reaches ultimate trend rate	2045	N/A
Mortality assumption	RP-2014/MP20	RP-2014/MP19
<b>H. Sensitivity analysis</b>		
<i>Present value of defined benefit obligations</i>		
Effective discount rate - 25 basis points	1,425,000	2,413,000
Effective discount rate + 25 basis points	(1,353,000)	(2,275,000)
Health care cost trend rates – 100 basis points	(2,883,000)	(3,634,000)
Health care cost trend rates + 100 basis points	2,692,000	3,274,000
Mortality assumption + 10%	(900,000)	(1,363,000)
<b>I. Expected cash flows for following year</b>		
1. Expected employer contributions	771,000	687,000
2. Expected total benefit payments		
Year 1	771,000	687,000
Year 2	872,000	771,000
Year 3	955,000	872,000
Year 4	1,070,000	955,000
Year 5	1,208,000	1,070,000
Next 5 years	8,475,000	7,632,000

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

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

The assumptions as at the reporting date are used to determine the present value of the defined benefit obligation at that date and the defined benefit cost for the following year. We have used actuarial assumptions selected by the Port Authority. The principal financial and demographic assumptions as at 31 December 2022 and 31 December 2021 are shown in the table below.

ECONOMIC ASSUMPTIONS	POST RETIREMENT HEALTHCARE	BASIS OF DEVELOPMENT – ACCOUNTING SPECIFIC ASSUMPTIONS
Discount rate (p.a.) - Dec 31, 2022 - Dec 31, 2021	5.45% per annum 3.00% 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.
Discount rate for the following year's current service cost (p.a.) - Dec 31, 2022 - Dec 31, 2021	5.35% per annum 3.00% per annum	
Rate of medical inflation used to determine December 31 2022 benefit obligation (p.a.)	5.35% for all benefits	Based on short-term and long term medical inflation expectation for the Cayman Islands and overseas care
Rate of medical inflation used to determine December 31 2021 benefit obligation (p.a.)	5.3% per annum in 2021 grading down to 4.0% per annum in and after 2045 for health care benefits 4% for dental and vision care benefits	Based on short –term and long –term medical inflation expectations for the Cayman Islands and overseas care in Mercer U.S. November 2021 Retiree Medical Trend Model
Administration expenses used to determine December 31 2022 defined benefit obligation	33.3% of claims	Based on target loss ratio of 75%
Administration expenses used to determine December 31 2021 defined benefit obligation	33.3% of claims	Based on target loss ratio of 75%

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

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

Demographic Assumptions	Post-retirement 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 better reflect actual mortality improvement rates experienced in the US over the last 20 years.
Mortality improvements used to determine December 31 2022 benefit obligation	Scale MP -2020	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- 2019.
Mortality improvements used to determine December 31 2021 benefit obligation	Scale MP -2020	
Turnover rates	See below ***	
Disability rates	None assumed	
Retirement Age	Age 60	
Current age 65 healthcare claims cost assumption used to determine December 31 2022 benefit obligation	Health \$13,450 per participant Dental \$525 per participant Vision \$95 per participant	Based on actual Port Authority retiree claims experience from January 1 2018 to December 31 2019. 2020 and 2021 claims experience was excluded due to the impact of the pandemic on claims patterns.
Current age 65 healthcare claims cost assumption used to determine December 31 2021 benefit obligation	Health \$13,450 per participant Dental \$525 per participant Vision \$95 per participant	Based on actual Port Authority retiree claims experience from January 1 2018 to December 31 2019. 2020 and 2021 claims experience was excluded due to the impact of the pandemic on claims patterns.
Healthcare utilization changes due to age used to determine December 31 2022 benefit obligation	Current Mercer standard healthcare aging assumptions for medical and dental	Based on updated analysis of healthcare utilization for Mercer clients in US
Healthcare utilization changes due to age used to determine December 31 2021 benefit obligation	Current Mercer standard healthcare aging assumptions for medical and dental	Based on updated analysis of healthcare utilization for Mercer clients in US
Family /single coverage – future pensioners	Male – 100% single Female – 100% single	The Port Authority pays for single coverage only.

#### \*\*\* 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%

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

### 12. Contingencies and commitments

#### a) *Liability to Cayman Islands Government*

Under Section 39(2) of the Public Authority Act (2020 Revision), any surplus cash exceeding three month's reserve should be paid over to core government, unless directed otherwise by Cabinet.

Under Section 39(3) of the Public Authorities Act (2020 Revision), the Authority is required to pay dividends in accordance with the formula established by the Minister of Finance.

We do not anticipate any amount payable to the Government for the financial year ended 31 December 2022.

Based on the dividend formula, no dividend is due to the government for the financial year ended 31 December 2022 as the change in cash and cash equivalents less restricted cash is (\$2,966,317).

Section 36(1) of the PAA requires the Port Authority to pay an annual capital charge for the use of equity invested by the Government in the Port Authority. The capital charge is set by the Minister of Finance after consultation with the public authority's board. There is no capital charge payable for 2022 (2021: \$0) as the capital charge rate for the 2022 financial year was set at 0%.

#### b) *Leases*

The following pertains to leases of right of use land and warehouses:

	Dec 2022	Dec 2021
	\$	\$
Depreciation charge for right-of-use	86,225	86,705
Interest expense on lease liabilities	6,229	5,854
<b>Total cash outflow for leases</b>	<b>92,454</b>	<b>92,559</b>

#### c) *Operating 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.

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

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### 12. Contingencies and commitments (continued)

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 2022 as well as at 31 December 2021.

#### d) *Legal Proceedings against the Authority*

- (i) In January 2021, correspondence was received from an attorney representing a member of staff who was dismissed. The letter alleged that the dismissal was unfair and / or wrongful. Port Authority instructed our attorneys to respond indicating the general basis upon which the decision was made. At the date of this report no further communication was received from the attorney on this matter.
- (ii) A cruise passenger who visited the Cayman Islands in January 2020 suffered minor cuts and bruises and commenced proceedings against the Authority. The last correspondence from the attorney representing the claimant was received in November 2021. Based on the correspondence, the action may have been abandoned. PACI's attorney has advised that any claim for damages arising subsequently would likely be minimal given the facts and circumstances of the case. PACI's attorneys was advised that an update was received in February 2023, indicating that the matter had not progressed.
- (iii) Section 47 of The Public Authorities Act (PAA) came into effect on 1 June 2019. The section requires public authorities to use the same salary scale as determined by the Cayman Islands' Cabinet and requires the salary scales of a public authority to be adjusted to reduce any differences between public authorities' and public service's terms and conditions of employment.  
  
The exercise to give effect to section 47 of the PAA was not completed at year end.
- (iv) On 4 November 2022 PACI received a letter from attorneys representing a member of staff. This correspondence alleged certain claims against the PACI for various losses totalling CI\$478,228.56 arising from the actions taken against the staff in accordance with internal policy. PACI instructed our attorneys to defend these threatened claims. At the date of this report no further communication was received from the attorney on this matter.
- (v) In July 2022 PACI received a claim relation to a personal injury made by an employee of one of PACI's contractors, who was injured whilst working on the Port premises. The claim has not yet been quantified by the attorneys. The claim has been referred to the PACI insurers and we have corresponded with claims managers. There has been no development in this matter at the date of this report.
- (vi) In June 2022 PACI was served with a writ in respect of a claim for personal injuries made by an employee of a trucking company that was carrying out work at the Port. The matter was referred to the PACI's insurers who are handling the matter.
- (vii) This matter relates to an incident at the Cargo Distribution Centre on the evening of Sunday 11 December 2021 that involved the RTG Crane where a member of staff was affected. The PACI insurers were notified. Subsequent developments suggest that there will not be further action in this matter.

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

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

*(Stated in Cayman Islands dollars)*

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### 13. Related party transactions

The Port Authority engages the services of various departments of the Cayman Islands Government.

- a) Insurance coverage for property, motor, worker's compensation and other risks is provided through the Cayman Islands government for an annual premium of \$577,112 (2021: \$591,220). 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 \$577,112 in the Statement of Comprehensive Income represents the amortized estimated insurance premium for period 1 January - 31 December 2022.

- b) A director is the principal of Miracle Brokers Ltd, from which the Port Authority earned \$261,579 in 2022, with no unpaid balance at the end of the financial year (2021: \$1,665.52). The Port Authority also incurred expenditure of \$33,606 for the year (2021: \$44,602) with no outstanding balance at the end of 2022 (2021: \$5,742). The amount outstanding is within the established credit limit granted to the company, which is an arm's length facility afforded to companies in good standing with the Port Authority.

- c. Key management personnel

As at 31 December 2022, there are two (2) full time senior management personnel on recurring employment agreements (2021: 3), and one on a fixed term contract (2021: 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 (including benefits) in 2022 for senior management was \$699,146 (2021: \$616,721).

- d. Board members

There are 10 members that make up the Port Authority's board (2021:10); of those members, only seven received a stipend of \$150 per meeting held in 2021. This was changed in 2022 to the following fixed fees per month:

- Chairman \$2,500
- Deputy chairman \$2,000
- Member \$1,000

One board member receives an additional \$344 per meeting (2021: \$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 2022 was \$127,808 (2021: \$31,038).

- e. Lines of credit

The Port Authority has an overdraft facility of CI\$250,000 (2021: CI\$250,000) and one (2021:2) corporate credit card with a total credit limit of \$20,000 (2021: \$35,000). At 31 December 2022, the outstanding balance was \$169 (2021: \$5,147).

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

*(Stated in Cayman Islands dollars)*

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### 14. Fair value disclosure

At 31 December 2022, 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 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 11. Changes in the discount rate assumptions could significantly affect the estimates, especially for the defined benefit liability, as seen in note 11.

### 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.

***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. When bad debts are identified, they are expensed.



# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

### 15. Financial instruments and associated risks (continued)

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

	Dec 2022	Dec 2021
	\$	\$
Financial assets		
Cash and cash equivalents	12,424,271	10,639,968
Accounts receivable	1,868,991	1,238,182
Other receivables, prepaids and deposits	287,448	303,454
Total financial assets	14,580,710	12,181,604
Non-financial assets	-	-
<b>Total assets exposed to credit risks</b>	<b>14,580,710</b>	<b>12,181,604</b>

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, 2022	\$	\$	\$	\$
Cash and cash equivalents	12,424,271	-	-	12,424,271
Accounts receivable	-	1,958,197	(89,206)	1,868,991
Other receivables, prepaids and deposits	287,448	-	-	287,448
<b>Total assets exposed to credit risks</b>	<b>12,711,719</b>	<b>1,958,197</b>	<b>(89,206)</b>	<b>14,580,710</b>
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
As at December 31, 2021	\$	\$	\$	\$
Cash and cash equivalents	10,639,968	-	-	10,639,968
Accounts receivable	-	1,288,220	(50,038)	1,238,182
Other receivables, prepaids and deposits	303,454	-	-	303,454
<b>Total assets exposed to credit risks</b>	<b>10,943,422</b>	<b>1,288,220</b>	<b>(50,038)</b>	<b>12,181,604</b>

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

For the financial year ended 31 December 2022  
*(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 days	Total
As at December 31, 2022	\$	\$	\$	\$
Accounts receivable	1,282,327	180,696	405,968	1,868,991
Other receivables, prepaids and deposits	287,448	-	-	287,448
<b>Total</b>	<b>1,569,775</b>	<b>180,696</b>	<b>405,968</b>	<b>2,156,439</b>

	Up to 45 days	46 to 90 days	> 90 days	Total
As at December 31, 2021	\$	\$	\$	\$
Accounts receivable	945,418	58,652	234,112	1,238,182
Other receivables, prepaids and deposits	303,454	-	-	303,454
<b>Total</b>	<b>1,248,872</b>	<b>58,652</b>	<b>234,112</b>	<b>1,541,636</b>

**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, 2022 and December 31 2021.

	Contractual cash flows (undiscounted)				
	Carrying amount	No stated maturity	0 – 1 yr.	1 – 2 yrs.	> 2 yrs.
December 31, 2022	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	12,424,271	-	12,424,271	-	-
Accounts receivable	1,868,991	-	1,868,991	-	-
Other receivables, prepaids and deposits	287,448	-	287,448	-	-
<b>Total</b>	<b>14,580,710</b>	<b>-</b>	<b>14,580,710</b>	<b>-</b>	<b>-</b>
<b>Short-term liabilities</b>					
Accounts payable	1,752,143	-	1,752,143	-	-
Other liabilities repayable within 12 months	1,600,000	-	1,600,000	-	-
<b>Total</b>	<b>3,352,143</b>	<b>-</b>	<b>3,352,143</b>	<b>-</b>	<b>-</b>
<b>Difference in contractual cash flows</b>	<b>11,228,567</b>	<b>-</b>	<b>11,228,567</b>	<b>-</b>	<b>-</b>

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

### 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, 2021	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	10,639,968	-	10,639,968	-	-
Accounts receivable	1,238,182	-	1,238,182	-	-
Other receivables, prepaid and deposits	303,454	-	303,454	-	-
Total	12,181,604	-	12,181,604	-	-
<b>Short-term liabilities</b>					
Accounts payables	1,643,649	-	1,643,649	-	-
Loans repayable within 12 months	-	-	-	-	-
Total	1,643,649	-	1,643,649	-	-
<b>Difference in contractual cash flows</b>	<b>10,537,955</b>	<b>-</b>	<b>10,537,955</b>	<b>-</b>	<b>-</b>

### 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.

### 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.

### 16. Cargo handling

	Dec 2022	Dec 2021
	\$	\$
Cargo dues	14,157,800	14,408,879
Cargo handling charges	172,988	184,178
Storage charges	1,327,439	1,371,370
Trucking fees	1,039,972	1,032,014
Crane fees	3,271,350	3,200,300
Empty container handling and storage	346,884	318,616
Other fees	110,804	86,136
Total cargo handling income	20,427,237	20,601,493

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

#### 17. Cruise Ship passenger fees

The Port Authority collects a passenger fee of \$2.46 per manifested cruise passenger. During the period 1 January 2022 to 31 December 2022, the Cayman Islands recorded 736,382 cruise passenger arrivals (2021: 0) giving rise to passenger fees of \$1,797,893 (2021: \$0).

#### 18. Maritime services

This consist of work performed directly to the vessels in port as follows:

	Dec 2022	Dec 2021
	\$	\$
Dock usage surcharge	354,740	332,980
Lay-up anchorage fees	254	291
Navigation aids	23,704	13,965
Line handling	177,150	189,850
Berthing fees	523,358	443,124
Hire of equipment	9,700	8,000
Overtime worked	126,392	205,032
Cruise ship tender dues	28,481	-
Total maritime services income	1,243,779	1,193,242

#### 19. Other income

This comprise the following:

	Dec 2022	Dec 2021
	\$	\$
Container trans-shipments	20,000	10,400
Crane heavy lift	2,800	-
Garbage fees	54,450	58,700
Water sales (net)	7,775	9,196
Finance charges on overdue balances	60,869	21,319
ID's, vessel inspection, miscellaneous	10,084	37,739
Total other income	155,978	137,354

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

#### 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.

	Dec 2022	Dec 2021
	\$	\$
Diesel sales	274,660	408,824
Diesel cost of sales	(200,271)	(254,221)
Net income from diesel sales	74,389	154,603

#### 21. Staff costs

	Dec 2022	Dec 2021
	\$	\$
Salary and wages	12,046,258	11,265,118
Medical insurance	1,631,596	1,488,885
Pension	1,219,987	1,121,744
Other staff costs – uniforms, training etc.	118,262	107,613
Provision for ex- gratia payments to staff	1,600,000	-
Total staff costs	16,616,103	13,983,360

Pension contributions for 2022 were \$1,219,987 (2021: \$1,121,744). The Port Authority also participates in another pension plan with Sagicor. Employees are allowed to contribute to Sagicor pension amounts in excess of \$725 per month (which is given to the primary pension provider, Silver Thatch). Total contributions to Sagicor for the financial year were \$38,947 (2021: \$28,421).

#### 22. Contracted services

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

	Dec 2022	Dec 2021
	\$	\$
Security	888,958	598,619
Janitorial	330,471	191,387
Audit	90,000	90,000
Legal	226,788	92,858
Professional	238,264	280,034
Total contracted services	1,774,481	1,252,898

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2022

*(Stated in Cayman Islands dollars)*

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#### 23. Repairs and maintenance

Repairs and maintenance consist 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 financial year ended 31 December 2022, repairs and maintenance amounted to \$2,080,318 (2021: \$1,420,120).

#### 24. Rental income

The Port Authority owns properties that it lets to tenants for a monthly rental. The annual rent receipts are estimated at \$1,055,896 per annum. However, due to the impact of the COVID-19 pandemic, cruise tenants were given a 90% reduction on their lease in 2021. This is a short-term arrangement which is reviewed and extended based on the prevailing conditions. For the year ended 31 December 2022, the actual rent earned was \$291,731 (2021: \$193,527).

Based on management's estimate it is expected that the rental income will revert to the normal rates for the next financial year. The impact on rental income after that is highly uncertain.

	\$
Rental income for 1 year	1,194,682
Rental income for 2-5 years	6,228,264

#### 25. Donations

The Port Authority made no donations during the 2022 financial year. In 2021 a donation of \$5,000 was made to the F.C. International summer football camp. This was included in miscellaneous expenses in 2021.

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

### 26. Branch Statements of Financial Position

	Grand Cayman \$	Cayman Brac \$	Total 2022 \$	Total 2021 \$
<b>Current assets</b>				
Cash and cash equivalents	11,930,172	494,099	12,424,271	10,639,968
Accounts receivable	1,751,077	117,914	1,868,991	1,238,182
Inventory	1,216,531	57,554	1,274,085	1,607,305
Prepaid expenses	179,556	-	179,556	187,764
Other receivables	101,339	6,553	107,892	115,690
Total current assets	15,178,675	676,120	15,854,795	13,788,909
<b>Current liabilities</b>				
Accounts payable and accrued expenses	3,303,649	48,494	3,352,143	1,643,649
Total current liabilities	3,303,649	48,494	3,352,143	1,643,649
<b>Working capital</b>	<b>11,875,026</b>	<b>627,626</b>	<b>12,502,652</b>	<b>12,145,260</b>
Plant, property and equipment	68,198,432	2,821,978	71,020,410	72,606,949
Leases- right of use land and warehouse	161,393	-	161,393	107,315
Investment property	9,226,000	-	9,226,000	7,300,000
Lease liability	(165,697)	-	(165,697)	(115,337)
Defined benefit liability- health care	(35,889,000)	-	(35,889,000)	(51,446,000)
<b>Net assets</b>	<b>53,406,154</b>	<b>3,449,604</b>	<b>56,855,758</b>	<b>40,598,187</b>
Represented by:				
General reserve	31,920,385	(12,503,001)	19,417,384	5,085,813
Asset revaluation reserve	36,748,392	689,982	37,438,374	35,512,374
Inter-branch account	(15,262,623)	15,262,623	-	-
<b>Equity</b>	<b>53,406,154</b>	<b>3,449,604</b>	<b>56,855,758</b>	<b>40,598,187</b>

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

### 27. Branch Statements of Comprehensive Income

	Grand Cayman \$	Cayman Brac \$	Total 2022 \$	Total 2021 \$
Operating income	22,994,381	996,626	23,991,007	22,280,219
Operating expenses	(21,492,853)	(1,597,621)	(23,090,474)	(18,692,934)
Depreciation	(1,905,612)	(248,754)	(2,154,366)	(2,204,574)
<b>Gross operating (loss)/Profit</b>	<b>(404,084)</b>	<b>(849,749)</b>	<b>(1,253,833)</b>	<b>1,382,711</b>
Other expense				
Loss on disposal of fixed assets	(14,772)	-	(14,772)	-
Loss on Revaluation of property	-	-	-	(1,456,210)
Interest income	5,426	-	5,426	7,325
Defined benefit annual expense	(2,967,000)	-	(2,967,000)	(3,461,000)
Total other expenses	(2,976,346)	-	(2,976,346)	(4,909,885)
<b>Net loss</b>	<b>(3,380,430)</b>	<b>(849,749)</b>	<b>(4,230,179)</b>	<b>(3,527,174)</b>
Other comprehensive income:				
Remeasurements-defined benefit	18,341,000	-	18,341,000	4,212,000
Gain on revaluation of land and buildings	-	-	-	10,370,242
Gain on revaluation of investment property	1,926,000	-	1,926,000	-
<b>Total comprehensive income</b>	<b>16,886,570</b>	<b>(849,749)</b>	<b>16,036,821</b>	<b>11,055,068</b>
General reserve	15,033,815	(11,653,252)	3,380,563	5,085,813
Revaluation reserve	36,748,392	689,982	37,438,374	35,512,374
<b>General reserve at 31 December</b>	<b>68,668,777</b>	<b>(11,813,019)</b>	<b>56,855,758</b>	<b>40,598,187</b>

### Financial performance of Cayman Brac Operations

Cayman Brac continues to post losses on an annual basis. Total accumulated losses for the 2022 financial year was \$849,749 (2021: \$1,245,761). The total losses for Cayman Brac to date are reflected in the negative general reserve figure of \$12,503,001 as at 31 December 2022 (2021: \$11,653,252).

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.

### 28. Subsequent events

The Board of Directors decided after reviewing documentation, that the monthly salaried Port staff have been working extra hours since 2019 until present without compensation. This situation arose from a decision taken unilaterally by the then Acting Port Director in January 2019, to increase work hours without direct compensation for doing so.

Consequently, at the date of the Statement of Financial Position, the affected staff of the Port Authority was owed an estimated \$1.8 million due to the additional hours worked without compensation. The board of directors is pursuing options to have this matter settled.

The estimated amount of \$1.6 million owed at the date of the Statement of Financial Position was included in current liabilities in the financial statements.