




CAYMAN PORT

# THE ANNUAL REPORT 2023

PORT AUTHORITY  
OF THE CAYMAN ISLANDS

[www.caymanport.com](http://www.caymanport.com)

The elite Port  
of excellence  
in the  
Caribbean.





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## OUR VISION

The elite Port of excellence  
in the Caribbean setting  
the standard on efficiency,  
safety and customer  
focused operations.



## Our Mission

To foster a culture of excellence in service and care coupled with collaborative efforts that focus on sustainability through the provision of innovative, safe, efficient solutions which will stimulate and facilitate waterborne commerce, trade and leisure travel resulting in the continued economic development of the Cayman Islands.





# OUR CORE VALUES

S

## Sustainability

We will manage affairs with the financial viability of the Cayman Islands and the Port at the forefront.

A

## Accountability

We will take ownership of our decisions and actions.

F

## Forward Thinking

We will continuously strive to be proactive and innovative.

E

## Efficient

We will aim to work efficiently to minimize the impact on the Port and the community's resources.

C

## Commitment

We will commit to the development of the Port to facilitate our community's growth.

H

## Honor

We will honor the importance of family, and our peoples' need to balance work and life.

O

## Our People

We will value the contributions and support the growth of our greatest assets, our people.

I

## Integrity

We will carry out our responsibilities morally and ethically in everything we do.

C

## Collaboration

We will work together in unity to achieve our vision.

E

## Embrace Change

We will be prepared to continually drive change to stay ahead of competition.

S

## Service Excellence

We will serve our customers and visitors courteously and proficiently to offer the most memorable Caribbean experience.

## DIRECTOR'S MESSAGE

**Paul Hurlston**  
Port Director



**Due to the strong performance of cruise and cargo in line with expectations, operating revenue for 2023 performed 15% better than 2022.**

The Management and staff of the Port Authority began 2023 with renewed energy and focus to meet the challenges of the year ahead. The Cayman Islands was in the recovery stage after full reopening in March 2022. There were expectations of 70% of the 2019 cruise passenger numbers in 2023, as well as stabilizing of cargo following the 13% rise in 2021 and the (2%) reduction in 2022 which was a post COVID-19 correction.

Both expectations were met by the 2023-year end, as cruise numbers totaled 1.3M or 69% of 2019's figure of 1.8M, and cargo volume was 385,898 tons or 4% improvement over 2022.

The Port continued to fill critical positions and promoted staff to ensure that we maintain and improve capacity to deliver our mandate and continue to provide efficient and high-quality services to our stakeholders.

Due to the strong performance of cruise and cargo in line with expectations, operating revenue for 2023 performed 15% better than 2022. Our operating expenses for 2023 were negatively impacted by the unfavorable climate caused by rising interest rates, continued high oil prices, high inflation and supply chain problems, which resulted in the Port paying more for goods and services than planned for. Appropriate adjustments were made and

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**Despite the difficult operating environment, the Port ended the year with an operating surplus of \$1M.**

expenses monitored to ensure that we were able to close the 2023 financial year favorably. The 2023 financial year recorded a net deficit of \$3M. This is \$2M more than the budget deficit of \$1M. This was largely due to higher than expected operating expenses and revaluation losses from investment property and defined benefit health care.

Despite the difficult operating environment, the Port ended the year with an operating surplus of \$1M. While still positive, this surplus is only 3% of operating revenues, which is not adequate for long term sustainability. This also suggests that fees need to be revised. The Government approved a revision to certain port fees which remained unchanged for up to 20 years. We expect these initiatives will have a positive impact on the performance of the Port in the future, as well as provide the resources needed to purchase necessary equipment and upgrade our ageing infrastructure.

The Port spent \$160K on capital expenditure for the year. This is barely sufficient to maintain the capacity of the equipment. Plans are advanced to return capital spending to adequate levels in the future, subject to the availability of funds. Areas to be addressed include container handling equipment, infrastructure across PACI, cruise assets and customer service and staff facilities. We ended 2023 with total assets of \$96M, which is

equal to 2022 and \$9M higher than budgeted. The Port currently has no loans or debts and at year end had enough cash to cover more than six months of operational expenses.

On the human capital side, during the year the Port with the support of the Board of Directors, addressed longstanding issues with staff contracts, as well as continued the upgrade and filling of positions in key areas to ensure capacity is maintained and improved and provisions are made for succession planning. Other phases of this will continue in the next two fiscal years. Our training programme has been enhanced and saw several teams completing various training programmes and obtained certifications in various technical and vocational areas. The Port also supported staff in formal post graduate training opportunities.

In closing, I wish to express my gratitude to PACI's staff, management team and the Board for their support in achieving a very successful financial year. We closed 2023 in good standing, with a very sound financial position and a good financial performance.




**Paul Hurlston**  
Port Director



## CHAIRMAN'S MESSAGE

Cline Glidden Jr.  
Chairman



 **We commenced  
2023 with the worst of  
the pandemic behind us  
and a renewed optimism  
for the years ahead.**

The Port Authority Cayman Islands ('the Port'), plays a pivotal role in the development of the Cayman Islands and this is reflected in its contribution to commerce and the daily required needs of its residents. The Port is also responsible for creating a first impression on our cruise visitors and others who travel here by sea. This was experienced by approximately 1.3 million visitors in 2023.

We commenced 2023 with the worst of the pandemic behind us and a renewed optimism for the years ahead. Our expectations for operations to return to normal, for both cargo and cruise, were very high. We anticipated seeing a 70% (of pre-pandemic numbers) return of cruising guests and for cargo to also return to pre-pandemic high levels.

The actual cruise ship arrivals in 2023 were 1,270,053 passengers, which was within our expectations. This contributed \$3M to our operating revenue for 2023. Cargo performed well in 2023 with volumes recovering to pre-pandemic levels of 4% growth over 2022. The increased cargo performance resulted in a 5% increase in cargo related revenue. This performance was also within expectations.

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**The Port is on a path to greater achievements ahead. Plans were approved to ensure the Port is adequately resourced to retool and invest in human and physical capital to the benefit of our stakeholders - the people of the Cayman Islands.**

The 2023 fiscal year had higher operating costs than the previous year, due to macroeconomic and geopolitical factors outside of the control of The Port and the Cayman Islands as a whole. These included 11 interest rate hikes between March 2022 and July 2023, persistently high fuel cost and other shocks to the global system due to wars and other world catastrophes. This fueled inflation and created a high cost environment where both goods and services got considerably more expensive. However, despite these pressures, the Port Authority's finances were robust enough to absorb the increased costs and we were able to close the 2023 financial year with an operating profit of \$1M. Our overall results after considering our non-cash expenses was a net deficit of \$3M and cash balance in excess of \$13M. The Port performed commendably, and the Board of Directors are proud of the results achieved.

The Port is on a path to greater achievements ahead. Plans were approved to ensure the Port is adequately resourced to retool and invest in human and physical capital to the benefit of our stakeholders - the people of the Cayman Islands.

I wish to take this opportunity to thank our hard-working and committed staff, the management team, the board of directors, our stakeholders and shareholder, the Government of the Cayman Islands, for your continued support. I look forward to being of greater service to you and working together with you for the continued success of our beloved Cayman Islands.



**Cline Glidden**  
Chairman

## BOARD OF DIRECTORS



**Cline Glidden Jnr.**  
Chairman



**Richard Parchment**  
Deputy Chairman



**Edgar A. Bodden**  
Member



**Charles Clifford**  
Ex Officio Member

The Board of Directors is appointed by the Cabinet of the Cayman Islands. The Ministry of Tourism and Ports holds responsibility for the Port Authority.



## BOARD OF DIRECTORS (CONTINUED)



**Jacqueline Scott-Rankine**  
Member



**Irma Arch**  
Member



**Matthew Adam**  
Member



**Stran Bodden**  
Ex-Officio Member



**Michael Nixon**  
Ex-Officio Member



**Carilee G. Bolen**  
Member



## GOVERNANCE

**The Port Authority of the Cayman Islands supports cruise tourism by providing infrastructure to showcase the warmth and beauty of the Cayman Islands.**

The Port Authority is governed by the Port Authority Act (1999 revision) and the Port Regulations (2020 Revision). In addition, the Authority complies with the Public Management and Finance Act and the Regulations, the Labour Act, Pensions Act, The Public Authorities Act, the Procurement Act and Regulations, The Freedom of Information Act, and the Insurance Act.

The Board of Directors provides strategic leadership to the Authority, and reports to the Minister through the Ministry of Tourism & Ports.

# 04

**Locations in  
Grand Cayman**

# 01

**Location in  
Cayman Brac**

# 01

**Location in  
Little Cayman**



## ABOUT THE **PORT AUTHORITY**

The Port Authority has a presence in all three Islands. On Grand Cayman, we operate across 4 locations: Seafarers Way, Portland Road, Spotts and a Marina at Safe Haven. In Cayman Brac, the Admin Office and Distribution Center are located on the same premises on Creek Road and another distribution point is located in Little Cayman.

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).



## ORIGINS OF THE PORT AUTHORITY

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;
- 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;
- 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 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;
- Inspection of vessels for the purpose of checking and enforcing compliance with the Port Authority Act.





# SCOPE OF ACTIVITIES AT THE PORT



## Cargo Imports

Providing and maintaining facilities for the offloading of cargo imports to all three islands.



## Navigational Maintenance

Providing and maintaining navigational markers in Cayman Islands waters.



## Safe Environment

Providing a safe and enjoyable environment for the Port Authority's staff and customers.



## Cruise Tourism

Contributing to the growth of cruise tourism (and thereby the economy), by providing and maintaining facilities to accommodate cruise ship passengers.



## Patrolling Presence

Providing a patrolling presence, using two fully equipped motor vessels, in the immediate harbour area of the Cayman Islands during cruise ship visits.

## MANAGEMENT TEAM



**Paul Hurlston**  
Port Director



**Dale Christian**  
Deputy Port Director,  
Operations (Actg)



**Don Hutchinson**  
Deputy Port Director,  
Finance and Administration (Actg)



**Chris Krohn**  
IT Services Manager



**Julius Jacky**  
Safety and Crisis Manager



**Keisha Yates**  
Finance Manager



# MANAGEMENT

## TEAM (CONTINUED)



**Roylee Moore**  
Manager, Cruise  
and Security (Actg)



**Bruce Reynolds**  
Cargo Distribution  
Centre Manager



**Courtney Wisdom**  
Facilities Manager



**Bryce Webb**  
Fleet Manager



**Myra Ryan**  
Manager, Cayman Brac (Actg)

## OUR PEOPLE

The Port Authority had **175 permanent employees** at the year ended 31 December 2023. The distribution and other demographics are highlighted below.

### Staff Costs

Description	2023	2022	2021	2020	2019
Salary & Wages	13,870,126	13,464,258	11,265,118	11,036,719	10,650,771
Medical Insurance	1888,086	1,631,596	1,488,885	1,513,867	1,482,623
Pension	1,374,812	1,219,987	1,121,744	1,079,520	1,060,302
Other Staff Costs	207,935	118,262	107,613	100,584	168,919
<b>Total Staff Costs</b>	<b>17,340,962</b>	<b>16,616,103</b>	<b>13,983,360</b>	<b>13,730,690</b>	<b>13,362,615</b>

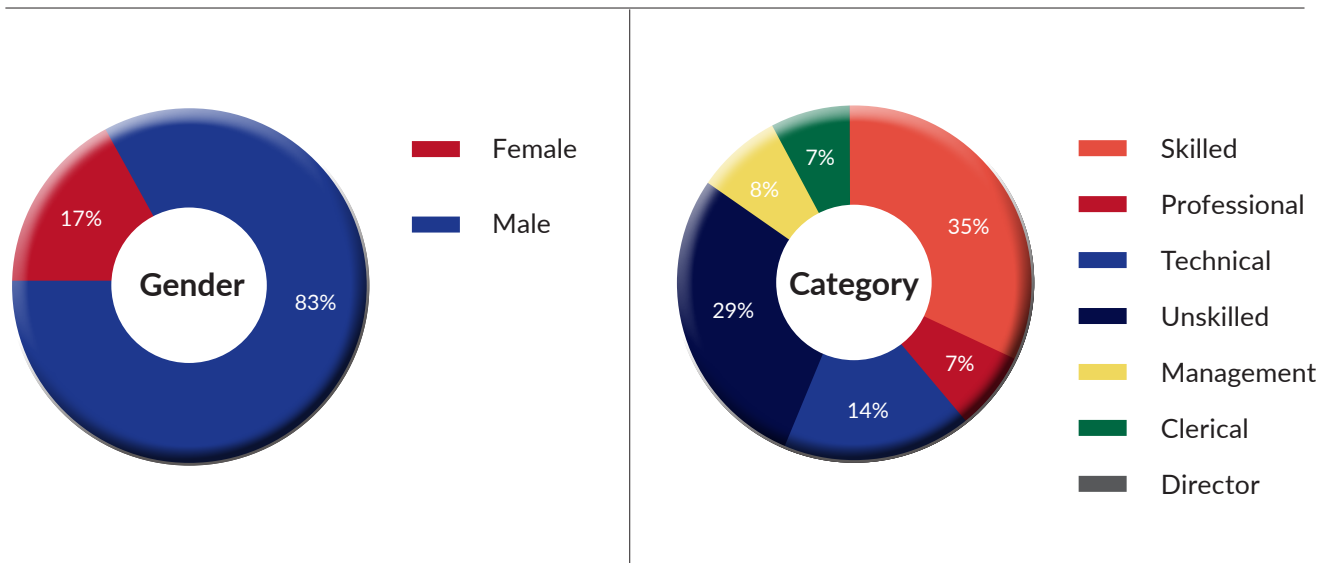
### Employee Demographics

Description	2023	2022	2021	2020	2019
Staff Complement**	175	166	159	161	158
Avg. income earned per staff	157,622	166,179	140,173	136,644	168,160
Avg. expense per staff	170,378	177,811	162,357	210,832	189,595
Avg salary paid to staff	82,129	67,862	70,850	68,551	67,410

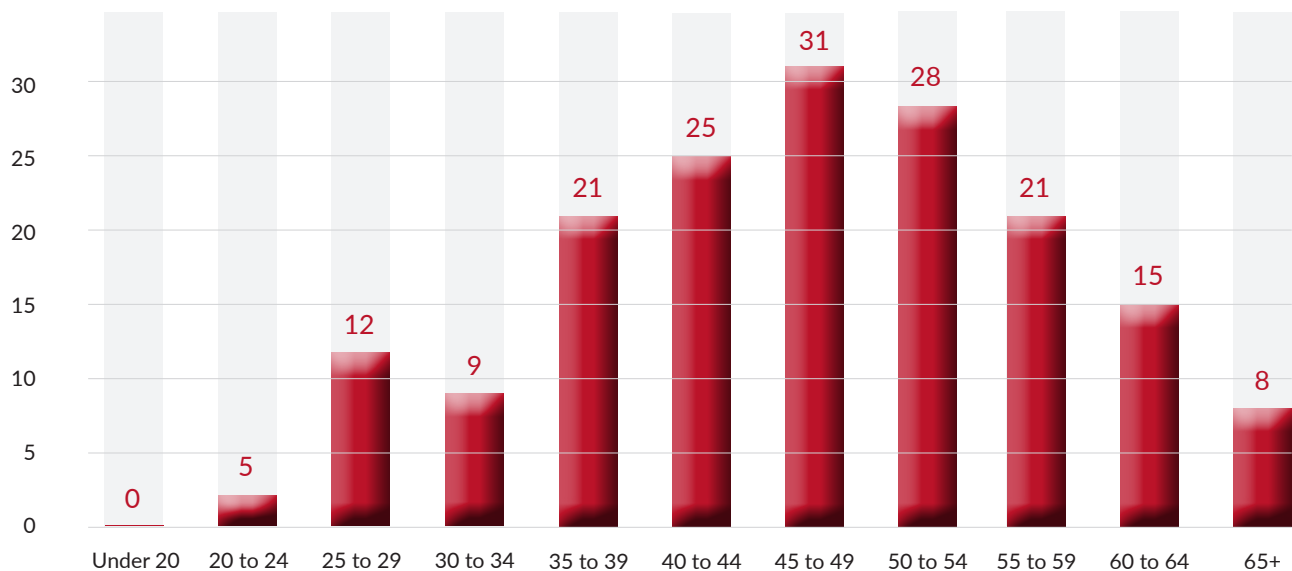
\*\* Includes retirees on contract      9                      4                      3                      4                      4



The Port Authority is seeking to recruit more women to create a more gender diversity in the organization. Our efforts were met with some success during the 2023 financial year.



### Staff Age Distribution



- The staff profile indicates an aging workforce, as 73% of the staff complement is over 40 years old.
- 26% of the staff will reach retirement age within 10 years.
- 76% of the staff have more than 10 years' experience at the port.
- The staff statistics offers opportunities for maintaining stability and building for the future.

# STRATEGIC OBJECTIVES

Key strategic priorities in focus for the 2023 fiscal year

**01**

## Improve the image of the Cayman Islands

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Improve the image of the Cayman Islands and the experience of the cruise tourist, by maintaining and upgrading the existing cruise ship arrival facilities in George Town and at Spotts.

**02**

## Fine tune the computer system

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Fine tuning of the computer system to meet management's need for more useful management reports and to serve the customer needs more efficiently.

**03**

## Improve operations

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Improving operations through the continued upkeep of existing equipment as well as the purchase of new and more efficient equipment.

**04**

## Improve efficiency of cruise and cargo

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Improving the efficiency of cargo operations by continuing the phased implementation of our master development plan, which involves the modernisation and expansion of the existing facilities.

## Cargo volumes (excluding aggregates) averaged 3% annual growth over the last five years.

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The financial planning process of the Port Authority integrates a biennial budget process with multiyear projections. Through the capital plan and budget process, management, in collaboration with the board, identifies strategic, financial, and operational risks and priorities that affect how resources are allocated, and outlines the spending plan for the year that seeks to deliver the strategic priorities of the board, in consultation with the ministry and Cabinet.

Each new budget allows space for reflection on short and long-term targets and amendments can be made to the pace of implementation of strategic initiatives and infrastructure plans. The approved budget becomes a blueprint for the implementation and continual review of expenditures to ensure that they align with statutory, contractual, and other commitments of the Authority and the policies and financial decisions of the Board and Cabinet through the portfolio ministry. Internally developed forecasting models are used to assess the Authority's projected medium-term financial condition; determine the financing needs and assess feasibility of future capital investment; and perform financial tests to measure fiscal risk. This comprehensive approach to planning, budgeting, and forecasting enables the Port Authority to identify, track, and take corrective action with respect to the funding requirements needed to deliver the projects that enhances the services that the Port Authority provide, in line with the priorities and policy framework of Cabinet.



The Port Authority not only takes a long-term view of the infrastructure needs; we take a holistic approach to planning for the Port. In this vein, our human capital required to deliver the services to the economy is equally important. Our human capital planning is multifaceted, focusing on training and development, health and safety, performance management and succession planning. These are geared to maximize the efficiency and improve the overall effectiveness of our human capital assets. We have identified gaps in our current organizational structure and in unison with the Board, designed and developed an appropriate framework that can deliver on the medium and long-term strategic priorities being pursued.



# STRATEGIC OBJECTIVES

(CONTINUED)

It is this focus on long range planning for both our human capital and infrastructure requirements, and making strategic plans that are designed to meet the future challenges that underpin our continued emphasis on the three (3) long-term strategic priority areas outlined below:

## 01 Technological Innovation

## 02 Operational Capacity and Capabilities

## 03 Human Capital



01

## Technological Innovation



- Incorporate leading edge technology advancements
- Assess business process in relation to loading/unloading/storage of cargo for best practices
- Incorporate technology to ensure total inventory control
- Use technology to capture client experience

02

## Operational Capacity and Capabilities



- Assess current and future state technology enhancement opportunities
- Equipment upgrades for efficient use of space
- Assess Port operations and logistics of tour /taxi operators
- Maintain existing equipment to ensure resiliency of operations

03

## Human Capital



- Invest in training
- Achieve stakeholder buy-in
- Ensure a clear distinction of job roles and requirements for each position
- Prioritize health and safety of staff
- Develop performance management tools to track efficiency and productivity
- Focus on resource and succession planning

**Our achievements for the fiscal year 2023 with regard to these long-term strategic priority areas are highlighted below**

- Continued work on implementing HR systems
- Asset management software implemented

- Maintenance of plant and equipment to ensure continued operational capability and effectiveness

- Recruitment of vacant positions
- Review and amendment of staff employment agreements
- Rollout of new contracts to staff
- Implementation of Organizational Chart

# MAJOR MILESTONES OF 2023

## Key Targets

T

- Improve the image of the Cayman Islands and the experience of the cruise tourist, by maintaining and upgrading the existing cruise ship arrival facilities in George Town and at Spotts
- To fine tune the existing computer system, to meet management's need for more useful management reports and to serve the customer needs more efficiently
- To improve operations through the continued upkeep of existing equipment as well as the purchase of new and efficient equipment

## Achievements

A

- Maintaining the cruise berthing facility at George Town and at Spotts
- Ongoing implementation of new accounting software package with reporting systems which enabled the efficient and timely production of reports and processes
- Acquisition of assets in accordance with the Asset Replacement Plan and maintain the capital development fund to replace retired assets

## Successes

S

- Implementation and monitoring of new Organizational Structure to ensure effectiveness
- Ongoing implementation of Microsoft Dynamics GP

## Challenges

C

- Resources needed to respond to organizational changes; continual review to ensure fit for purpose and continued relevance as the organization evolves
- Timely recruitment of staff with required skill set



# 2023 HIGHLIGHTS

# CRUISE & SECURITY DEPARTMENT



The main highlights for the **Cruise and Security** department for 2023 are as follows:



## Cruise Operations

- Cruise Operations resumed on March 21st 2022
- For the year we had 736,382 cruise passengers and 258 cruise calls from 43 different vessels



## Harbour Patrol

- Vessel inspections and Navigational Aid maintenance were carried out as scheduled.
- Normal operations were maintained on cruise ship days.



## Taxi Dispatch

- Operations ran normally on cruise days with no major issues.





## The main highlights for the Cruise and Security department for 2023 (continued):



### Security

- On February 16th, a Security exercise was conducted via Zoom with the cruise ship MSC Seascope while docked in port. Participants included the MSC Global fleet security team in Miami, MSC UK operations team, bridge officers, and the captain on MSC Seascope, alongside various entities such as the Cayman Islands Coast Guard, Police, Fire department, Ship Agents, Pilots, CBC, Hazard Management Cayman Islands, 911 Operations, Health Services Authority, Caribbean Marine Services, Port Security, and Taxi Dispatch.
- From March 28th to April 4th, UK Border Force Inspectors were present on-site conducting observations and assessments of the Port Operations/Security functions in GCM and CYB.
- UK DfT Inspectors visited the island from May 23rd to 26th, including a visit to the Port on the 24th.
- Security refresher training was conducted in Cayman Brac for security staff on June 26th.
- On June 27th, the US Coast Guard was on the island to conduct a Port Assessment/ Security evaluation.
- New Port Security staff underwent ISPS level 1 training from July 24th to 28th.
- Cayman security refresher training took place on August 4th.
- On August 14th & 15th, the US Navy Criminal Investigative Service team conducted a port assessment and security observation inspection in GCM and CYB.
- The Port Director, Acting Cruise Operations & Security Manager and Acting Security Supervisor attended the UK Security Symposium hosted by the UK Department for Transport in London from October 13th to 20th.
- All inspections and assessments conducted by various agencies yielded positive results.

# INFORMATION TECHNOLOGY DEPARTMENT

The Information Technology (IT) Department has overarching responsibility for planning, installing, maintaining and reporting on all of PACI's digital information and infrastructure and strives to provide **creative and innovative uses of technology to achieve PACI's objectives.**

## Department Responsibilities

The IT Department is responsible for much of the data reporting which includes statistics (both internal and external) and audit reports. The current employees in the department are: IT Manager, Chris Krohn; Systems Administrator, Clifford Moiten; Programmer Analyst, Nivedita Ghosh; and IT Technician, Stefan Bodden. Together, the department ensures that PACI's IT infrastructure and data is secure, reliable and resilient.

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## Major Milestones

2023 was a busy year for the IT department. The department dealt with more than 340 service requests and completed over 260 of them (over 76%) within the same year. Finally, the IT Department achieved 99.99% up time for all major services.

## Infrastructure Milestones

The IT Department finished a few infrastructure projects in 2022 that focused primarily on improving our information security. First, we implemented Darktrace appliances across the Port. Darktrace is the premiere machine learning network scanning platform that is used to look for both internal and external network attacks. Second, we improved our email security as phishing attacks are still the primary method of network breaches. We implemented Mimecast which is one of the premiere email management platforms that provides greatly improved email security. We also started to do end user security testing and training with the KnowBe4 platform. Third, we performed a major upgrade to Microsoft Dynamics GP to bring it up to the latest version. Fourth, we implemented a real-time, integrated waybill release check with the Customs & Border Control department. Finally, we arranged for the purchase of a new push-to-talk over cellular data radio system to replace our aging Motorola system.



## INFORMATION TECHNOLOGY



## **CARGO** DISTRIBUTION CENTRE

Our customer service underwent significant improvement with the addition of new staff, resulting in increased flexibility in vacation planning, reduced staff fatigue, decreased overtime, and notably, enhanced efficiency. The key highlights for 2023 include:

### **New hires:**

- Eleven (11) new employees were recruited and trained by CDC Day crew, though only 4 remained in our department

### **Training:**

- One (1) Supervisor received training in various managerial courses with the Chamber of Commerce
- One (1) Shed Laborer received advanced Excel training through Innovative Management & Professional Training (IMPT)
- Eleven (11) new staff members obtained Crown Forklift Certification

### **Promotions:**

- Four (4) Small Forklift Operators were promoted to Large Forklift Operators
- Four (4) Shed Laborers were promoted to Tally Clerks
- A Customer Service Representative was promoted to Container Dispatcher





CARGO DISTRIBUTION CENTRE



# FACILITIES DEPARTMENT



## The main highlights for the **Facilities Department** for 2023 are as follows:



### General

- Brought on board four (4) interns to support day-to-day operations, with two (2) transitioning to permanent roles.
- Conducted MS SharePoint training to enhance work order management within the department.
- Continued Microsoft Suite Training for department staff.
- Carried out work at various locations as follows:



### PACI Cruise Locations

- Continued refurbishment and upkeep of all PACI sites to support ongoing cruise operations.
- Procured a 60-foot flagpole and flags for installation at Royal Watler Terminal.



### Cargo Distribution Centre

- Repaired Perimeter Fencing.
- Collaborated with Unit Construction to replace four (4) warehouse doors and multiple wall sheets.
- Updated Fixed Gensets in compliance with OFFREG regulations.
- Relocated the Water Authority's main water valve.



### Cargo Dock

- Revamped all Bollards and added extra drainage for improved water runoff.
- Repainted the Dock workers' facilities.



### Cayman Brac

- Installed Yard Gate barriers.
- Implemented Fire Alarm systems with monitoring capabilities.
- Continued repairs to dock surface damages.



### Little Cayman

- Installed land-based navigational lights for Barge operations.
- Renovated dock plate to safeguard against barge shoe damage.
- Expanded LCM DOCK Storage facility.

# HUMAN RESOURCES DEPARTMENT

The Human Resources (HR) team encompasses **experienced and qualified** human resource individuals who are based in the Grand Cayman office.

## Department Responsibilities

The team manages the operations of administrative work and has the overall behind-the-scenes responsibilities of taking care of employees' wellbeing and the entire PACI staff to enhance employee's engagement and relations and overall organizational productivity.

Throughout the daily operations and life cycle of the HR department, the HR team assists with the development and integration of new policies and procedures to support the objectives of the Board of Directors and Management of the PACI. The team monitors employee performance and development, ensures employee benefits and compensation are fulfilled, conducts recruitment processes to acquire new talent and complete the necessary onboarding steps to welcome new employees. In addition, the team encourages the training and development of employees by collaborating with department managers to identify relevant training needs and rewards and recognizes employees to boost engagement. Though many more responsibilities exist within the HR territory, the overall aim and commitment of the HR department are to maintain a positive, healthy and safe work environment for all employees and to revitalize and instill a positive work culture.

## Major Milestones

- Renewed employees' contracts to comply with amended legislation in the Cayman Islands
- Organized the Cayman Brac Summer Party to enhance employee engagement
- Participated in UCCI & JGHS Career Fair to promote PACI's Internship Program, which underwent revitalization in 2023
- Facilitated summer internships, offering placements in Facilities, HR, and CDC departments

## Awards Ceremony

In December 2023, PACI held a long service awards ceremony to honor 36 individuals for their dedication to the Port, spanning various years of service. Among them, four were acknowledged for 40 years, two for 30 years, ten for 25 years, fourteen for 15 years, and six for 5 years.

During the event, special recognition was given to the PACI football team for their remarkable achievement as the first runners-up in the 2023 Cayman Islands Government Football League. This milestone was particularly notable considering it marked the team's inaugural participation in the league.







# FINANCIAL SECTION

## DEPUTY'S MESSAGE

**Don Hutchinson FCA FCCA**  
Deputy Port Director,  
Finance & Administration (Actg)



**Operating revenue for the year reached \$27.6M, surpassing the budget by \$324K, marking a 15% improvement over the prior year.**

The Financial Statements of The Port Authority of the Cayman Islands for the year ended December 31, 2023 is enclosed. This includes the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Equity. The Chairman, Port Director and Deputy Port Director Finance & Administration are responsible for the accuracy of the data and the completeness and fairness of the presentation in the Financial Statements.

An analysis of the financial statements is provided in the Management Discussion section of this report, where the financial performance of the Authority is explained in detail. Selected statistical information is also presented at the end of this report to assist in understanding the overall performance of the Port Authority. The Port Director is also responsible for establishing and maintaining adequate internal controls over the financial systems that produce the numbers presented in this report.

## DEPUTY'S MESSAGE (CONTINUED)

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**Overall, total revenue for 2023 exceeded expectations by 1% or \$324K. This was driven by robust performance in cargo handling and rental income, which collectively surpassed budgeted expectations by \$430K.**

Internal control over financial reporting is designed to provide reasonable assurance that the financial information presented in the reports are free of material misstatement, and the performance of the Authority and related context is properly reflected for the reporting period in accordance with International Financial Reporting Standards.

The Port Authority is required to, and has established, a comprehensive framework of internal controls that includes maintaining records that accurately and fairly reflect the transactions of the Port Authority and that the necessary controls are in place and have been faithfully adhered to, which provides assurance that the financial statements are free of material errors and bias. Due to inherent limitations, our internal control system over financial transactions and reporting cannot provide absolute assurance that a misstatement of the financial statements would be prevented or detected.

However, the Chairman, Port Director and I have certified that to the best of our knowledge and belief, the financial statements are free of material misstatement, which would change the opinion of an informed reader on the results as reported.

Our assertion that the financial statements are fairly stated is examined and validated by the Auditor General, who is charged by the Public Management and Finance Act (PMFA) to express an opinion on our financial statements based on her audit.

The goal of the independent audit is to provide reasonable assurance that these financial statements are free of material misstatement. The audit includes an examination, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, an assessment of the accounting principles used as well as the overall presentation of the financial statements.

## DEPUTY'S MESSAGE (CONTINUED)

The financial statements for 2023 were presented to the Auditor General who expressed an unqualified opinion on the financial statements.

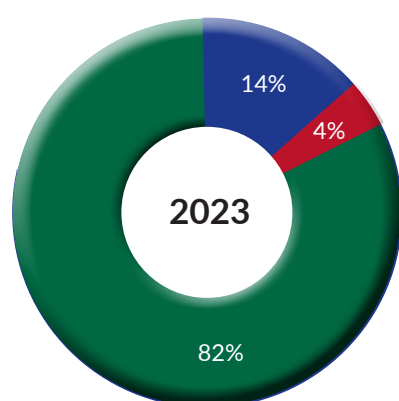
The Port Authority closed the financial year ended December 31, 2023, with a deficit of \$3.1M. This represents a \$2.3M shortfall compared to the approved budget and a decline of \$19.2M compared to the previous year. The fiscal year 2022 had a surplus of \$16M, largely influenced by an \$18M remeasurement of the defined benefit obligation. The decline in overall performance from 2022 was due to the \$21.4M difference in the investment property and defined benefit obligation valuations.

Operating revenue for the year reached \$27.6M, surpassing the budget by \$324K, marking a 15% improvement over the prior year. Operating expenses of \$26.7M exceeded the budget by \$1.8M, and were \$1.5M higher than the previous year.

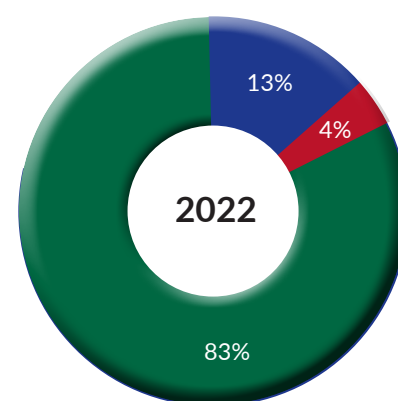
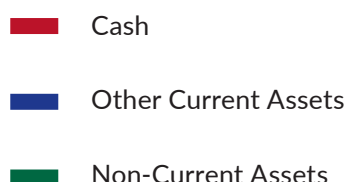
The fiscal year 2023 experienced a loss of \$226K from the revaluation of investment property and a negative \$948K from the remeasurements of defined benefit obligations, culminating in the \$3.1M year-end deficit. In contrast, the 2022 financial year saw a net revaluation gain of \$1.9M on investment property and a positive \$18.3M on the remeasurement of defined benefit obligations, contributing to the \$16 million overall surplus.

The net worth saw an increase of \$36.6M or 209% against the budget, although it was \$2.8M or 5% lower than the previous year. This \$36.6M increase in net worth when compared with budget was due to the \$9M growth in assets and the \$27M reduction in expected liabilities. Both these events arose from valuation exercises rather than operating activities.

Overall, total revenue for 2023 exceeded expectations by 1% or \$324K. This was driven by robust performance in cargo handling and rental income, which collectively surpassed budgeted expectations by \$430K.



**Asset Distribution**



## DEPUTY'S MESSAGE (CONTINUED)

”

**The Port Authority enjoyed positive operating performance totaling \$7.1M over the last five years.**

Despite the inflationary environment the Port experienced in 2023 caused by interest rates increases, high oil prices and global disruptions, the Port maintained strong liquidity of 8:05. The return of cruise passenger arrivals to 70% of 2019 levels generated in excess of \$3M in revenue, contributing to a marginal increase in cash reserves.

The Government has approved certain fee adjustments which should put the Port on a more sustainable financial footing going forward.

The Port Authority enjoyed positive operating performance totaling \$7.1M over the last five years. The Authority's liquid assets have also seen measurable growth to \$17.5M due to increase in cargo imports over the past 5 years and performance of cruise tourism over the same period.

Cash balance was \$13.4M at 31 December 2023 – this was an 8% improvement over 2022 but (18%) under budget. The performance against budget was due to inventory at year-end being almost twice what was budgeted utilizing \$1M cash and receivables closing at \$0.9M more than expected.

A total of \$10M was used to invest in our infrastructure & operating assets during the 2019-2023 period, funded entirely from operating profits.

The Port is poised for growth in line with the expansion of the Cayman Islands. The Port Authority will need continual investment in our infrastructure and human capital to build and maintain capacity to facilitate the needs of our stakeholders.

The predominant factors influencing the operating performance in the current year were the growth in cargo handling, rental income, and cruise passenger arrivals, which collectively accounted for 94% of the revenue.

Additionally, there was a rise in PACI's operating expenses in 2023, amounting to \$1.5M. This increase was due to high inflation impacting the cost of doing business in the Cayman Islands, and staff recruitment. The resurgence of cruise passenger arrivals directly impacted specific expense categories such as contracted services and utilities. Furthermore, additional staff were onboarded during the year to enhance performance and operational efficiency.



## DEPUTY'S MESSAGE (CONTINUED)

The impact of non-cash items such as revaluation of Property Plant and Equipment, investment property and defined benefit obligation continue to weigh heavily on our net results reported annually. These volatile changes move in line with global macroeconomic indicators and increase the difficulty for the general public in understanding the performance from year to year.

The age and condition of our portfolio of assets indicate that over the medium term, significant investment will be required to modernize our infrastructure and operating equipment. In addition, facilities for staff and customers need expansion and upgrading.

Steps are being taken to address the Port's infrastructure challenges at the strategic level. In the interim, the required capital outlay to maintain the capacity of the Port to deliver on its mandate will be significant. The Port's container handling equipment is between 28 and 45 years old. The cargo docks exceed 45 years old and other infrastructure have gone without meaningful upgrades for a long time. The last significant capital project was done 20 years ago.

There are significant and pervasive risks of maintaining the status quo of utilizing these assets. A strategic change is needed to modernize and upgrade the infrastructure to enable safe and efficient environment for our stakeholders.

While management has achieved some of the human resource targets, more needs to be done to realign the Port with the current and anticipated demands on our workforce.

The impact of these initiatives will be reflected in financial terms in the years ahead.

The net worth at the year-end was strong at \$54M despite being 5% less than the prior period. Net worth for the last five years grew by 31% or \$12.9M. This was due to growth in assets of \$11.2M and reduction in liabilities of \$1.8M.

The budgeted net worth at December 2023 was \$17M, due to the expected increase in the health care obligation to \$67M. The global macroeconomic space changed with the increase in interest rates which had a positive side effect of a steep reduction in the health care liability.

The defined benefit health care liability is adjusted annually for changes in assumptions and staff movements. These changes can be positive or negative, depending on market conditions.

This is a major risk to the capital adequacy at the Port Authority, and a metric that will be monitored closely to see what actions are needed.



**Don Hutchinson FCA FCCA**  
Deputy Port Director,  
Finance & Administration (Actg)

# MANAGEMENT DISCUSSION & ANALYSIS

The ensuing section is management's commentary on the financial statements for the year ended 31 December 2023. It sets the context of the results reported, and highlights important information that is useful to the readers of the financial report. This is meant to be read in conjunction with the full set of financial statements and note disclosures which follow.

## 2023 Financial Performance

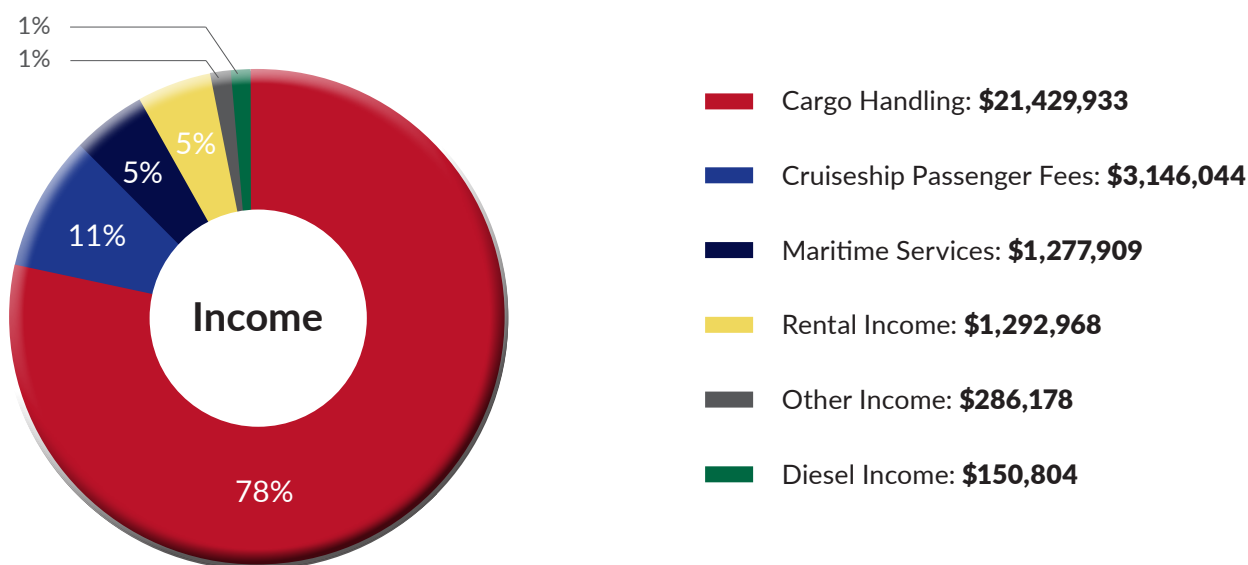
At the close of the year, equity experienced a decrease of \$2.9M. This decline stemmed from an operating profit of \$0.9M, which was offset by a net non-operating loss of \$4M, as well as defined benefit payments amounting to \$260K.

Description	2023
Gross Operating Revenue	27,583,836
Operating Expenses	(26,722,146)
<b>Income from Operations</b>	<b>861,690</b>
Net Gain on Revaluation of Investment Property / Land & Building	(226,000)
Interest Income	50,110
Defined benefit expense	(2,868,000)
Remeasurement of health care obligation	(948,000)
<b>Net Profit / (Loss)</b>	<b>(3,130,200)</b>
Defined benefit payments for current retirees	260,000
<b>Decrease in Equity</b>	<b>(2,870,200)</b>

## Management Discussion and Analysis (continued)

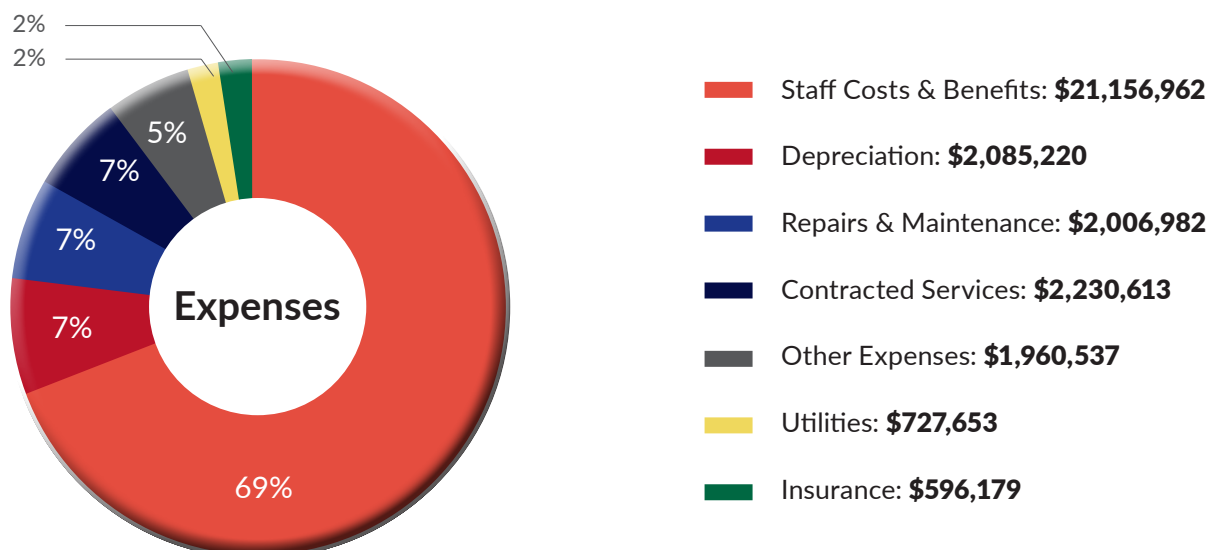
### 2023 Income \$'000

The pie chart shows that the top three income sources for the 2023 financial year were cargo handling, cruise ship passenger fees and maritime services. These accounted for 94% of total income for the year



### 2023 Expenses \$'000

The top three expenditure items for the current year were staff costs and post-retirement benefits, contracted services and depreciation



## Statement of Financial Position

The Statement of Financial Position shows the assets, liabilities and equity of the Port Authority. The following is a summary of the financial positions at the end of the last five (5) fiscal years.

Description	Dec 2019	Dec 2020	Dec 2021	Dec 2022	Dec 2023
<b>Assets</b>					
<b>Current Assets</b>	\$15,335,968	\$12,489,786	\$13,788,909	\$15,854,795	\$17,547,209
<b>Non-Current Assets:</b>					
Property plant and equipment	60,308,939	64,841,791	72,606,949	71,020,410	69,184,661
Right of use land & warehouses	196,509	194,020	107,315	161,393	426,579
Investment property	9,150,000	7,300,000	7,300,000	9,226,000	9,000,000
<b>Total Assets</b>	<b>\$84,991,416</b>	<b>\$84,825,597</b>	<b>\$93,803,173</b>	<b>\$96,262,598</b>	<b>\$96,158,449</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>	\$2,104,565	\$2,851,184	\$1,643,649	\$3,352,143	\$2,180,273
<b>Non-Current Liabilities:</b>					
Lease Liability	204,960	203,458	115,337	165,697	431,935
Health Care Liability	41,525,000	52,389,000	51,446,000	35,889,000	39,445,000
<b>Total Liabilities</b>	<b>\$43,834,525</b>	<b>\$55,443,642</b>	<b>\$53,204,986</b>	<b>\$39,406,840</b>	<b>\$42,057,208</b>
<b>Equity</b>					
<b>Total Equity</b>	<b>\$41,156,891</b>	<b>\$29,381,955</b>	<b>\$40,598,187</b>	<b>\$56,855,758</b>	<b>\$54,101,241</b>



## Over the five-year period, equity has risen by 31% or \$13M.

The financial position demonstrates a gradual growth in total assets over the five-year duration. This progression can be attributed to the higher value of assets resulting from the revaluation of investment property and the acquisition of fixed assets between 2019 and 2023. Although there was a slight decline in current assets in 2020, influenced by factors related to COVID-19, they have shown an upward trend since 2021. As of December 31, 2023, total assets decreased by \$104K compared to 2022, primarily due to a \$1.9M decrease in non-current assets and a net increase in current assets of \$1.7M.

Over the past five years, there has been a 4% increase in current liabilities alongside a notable 14% or \$2.2M increase, in current assets. The current liabilities mainly encompassed payables and year-end accruals.

The liquidity position in 2023 rose to 8.05 from 4.7 in 2022, indicating an enhanced capacity to fulfill our obligations. Since 2018, the Port has maintained robust working capital due to its strong revenue performance and favorable gearing ratios, which are attributed to the absence of commercial debt.

The Port's lack of commercial debt enables it to utilize cash surpluses for investments in infrastructure and other assets. Despite the increasing cash reserves, the Port faces challenges in replacing critical assets that demand resources surpassing its current revenue generation capabilities. The fee structure undergoes review approximately every ten years or longer, leading to outdated charges for services affected by annual inflation and other industry-related cost escalations. To address significant infrastructure requirements like expanding cargo facilities, increasing distribution

space, and improving facilities to support staff and enhance customer service, the Port will need to rely on government funding or seek external financing.

Over the five-year period, the Port acquired equipment and assets, along with enhancing its property by upgrading and revaluing land and buildings, totaling \$10M, averaging \$2M annually (see page 59 – “Five- Year Cash Flow Trend Analysis”).

In the same timeframe, the Port generated \$17.6M in cash from its operations. Of this amount, \$10.1M was allocated to purchasing fixed assets, and \$1.5M went towards defined benefit payments for retirees and financing activities, resulting in a net cash inflow of \$6M. Consequently, the cash balance increased by \$2M over the five-year period, resulting in a cash balance of \$13.4M as of the financial year-end of 2023 (see page 59).

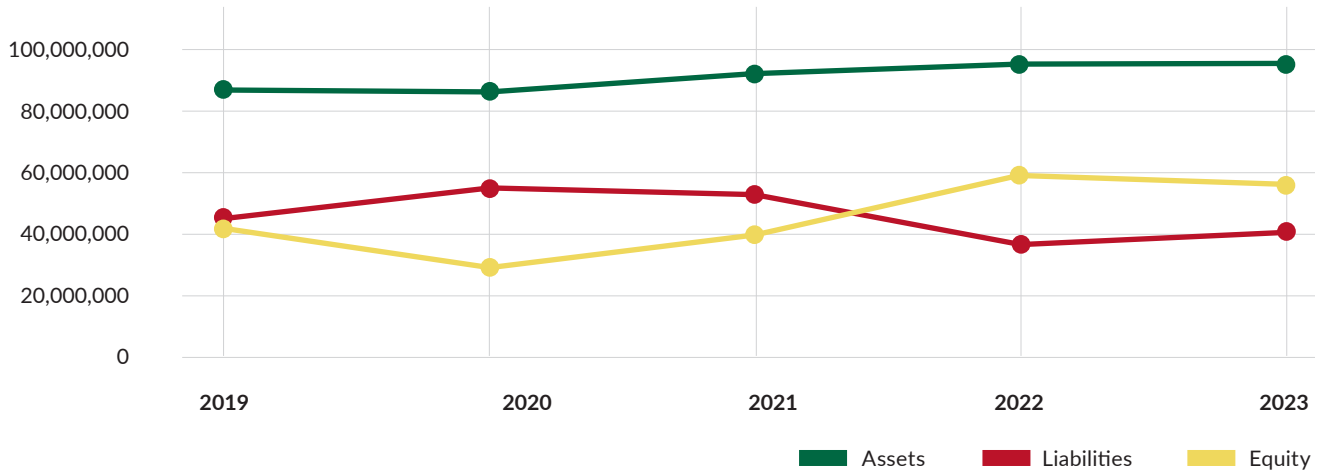
Over the five-year period, equity has risen by 31% or \$13M. This increase is primarily attributed to a \$11.1M surge in total assets and 4% or \$1.8M decrease in total liabilities.

The rise in interest rates in recent years has led to a 5% decrease in the defined benefit liability over a span of five years. However, the uncertainty surrounding yearly fluctuations in healthcare liability presents significant risk to the Port Authority's equity going forward.

In recognizing that the liability is currently unfunded, the Board approved a savings plan to begin to address this. At 31 December 2023, this savings plan had accumulated a balance of \$1.7M.

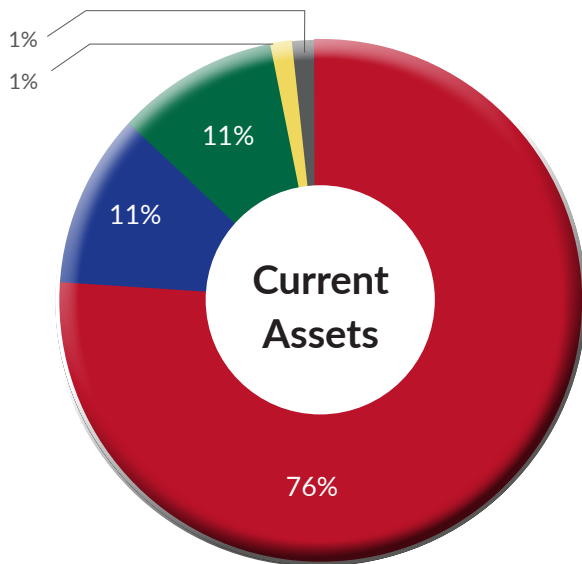


## Financial Position 2019 - 2023



### 2023 Current Assets \$'000

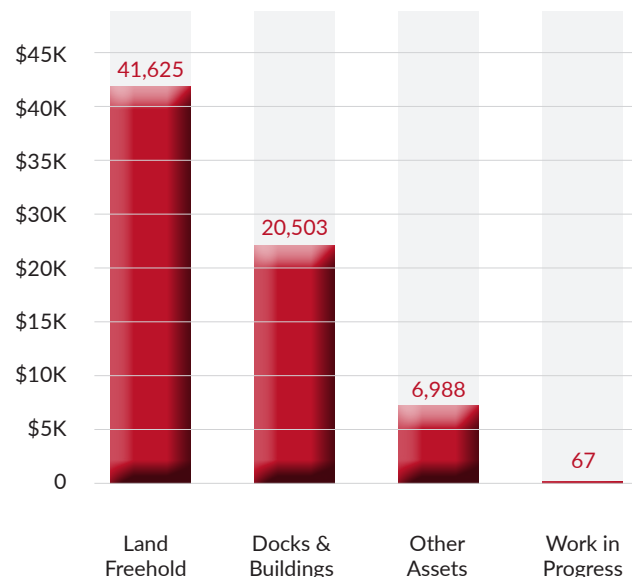
Cash dominated current assets covering 76% or \$13.4M. Receivables closed at \$1.9M (11%) and inventory at \$1.9M (11%).



Cash & Cash Equivalents:	<b>\$13,386,416</b>
Accounts Receivable:	<b>\$1,977,859</b>
Inventory:	<b>\$1,884,748</b>
Prepaid Expenses:	<b>\$174,070</b>
Other Receivables and Deposits:	<b>\$124,116</b>

### 2023 Property Plant and Equipment \$'000

The Port invested \$159K in asset replacement and improvement during the 2023 financial year. These include computer equipment, office equipment & furniture and vehicles & equipment. The Port closed the 2023 financial year with Property, Plant & Equipment balance of \$69M.





## 2023 Movement

**Total assets at the Port Authority at December 31, 2023 is \$104K less than last year. This is due mainly to the following factors:**

- Cash increased by \$962K largely due to increase in revenue, which is mainly as a result of the resumption of cruise ship passenger arrivals which brought in revenue of \$3.1M in 2023 compared to \$1.8M in 2022.
- Increase in accounts receivable by \$109K due to higher billings in Dec 2023.
- Increase in inventory balance of \$611K due to more parts on hand at year end for emergency repairs.
- Lower property plant & equipment balance due to depreciation charge of \$2M for the year coupled with additions of \$159K.
- Revaluation of investment property in 2023 resulting in a decrease in asset value by \$226K.

**The Port Authority's total liabilities amounted to \$42M, marking a \$2.7M or 7% increase compared to 2022. This rise was primarily attributed to an increase in the defined benefit healthcare liability and lease liability, combined with a decrease in accruals.**

## 2023 Consolidated Actual vs. Budget

Financial Position	2023 Actual	2023 Budget	2023 Variance	% Change
<b>Assets</b>	\$96,158,449	\$87,173,111	\$ 8,985,338	10%
<b>Liabilities</b>	\$42,057,208	\$69,689,884	(\$27,632,676)	(40%)
<b>Net Worth</b>	\$54,101,241	\$17,483,227	\$36,618,014	209%

Total assets outperformed expectations by 10%, surpassing the budget with a \$9M increase. This was fueled by a \$10.3M increase in non-current assets, alongside a \$1.3M reduction in current assets. The decrease in current assets can be attributed to lower cash reserves, due partly to higher-than-expected receivables and inventory balances. The elevated non-current assets balance is a result of the positive revaluation of investment property not previously budgeted for.

Liabilities ended below the budget by \$27.6M, representing a 40% decrease. The favorable adjustment in the discount rate used for valuing long-term healthcare liabilities accounts for this change in the healthcare liability. The 11 consecutive interest rate increases in 2023 were not factored in the budget estimate made two years ago. This had a direct impact on the difference between the expected discount rate for the measurement of the defined benefit healthcare liability and actual for the period.

## Summarized actual vs. budget for the 2023 fiscal year is as follows:

Description	\$ Actual Dec 2023	\$ Budget Dec 2023	\$ Variance Dec 2023	% Variance Dec 2023
<b>ASSETS</b>				
<b>Current Assets</b>	<b>17,547,209</b>	<b>18,923,172</b>	<b>(1,375,963)</b>	<b>(7)</b>
<b>Non-Current Assets:</b>				
Property plant and equipment	69,184,661	61,909,939	7,274,722	12
Right of use land & warehouses	426,579	190,000	236,579	147
Investment property	9,000,000	6,150,000	2,850,000	46
<b>Total Assets</b>	<b>96,158,449</b>	<b>87,173,110</b>	<b>8,985,338</b>	<b>10</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>	<b>2,180,273</b>	<b>2,824,884</b>	<b>(644,611)</b>	<b>(23)</b>
<b>Non-Current Liabilities:</b>				
Lease liability	431,935	195,000	236,935	122
Defined benefit liability	39,445,000	66,670,00	(27,225,000)	(41)
<b>Total Liabilities</b>	<b>42,057,208</b>	<b>69,689,88</b>	<b>(27,632,676)</b>	<b>(40)</b>
<b>Equity</b>	<b>54,101,241</b>	<b>17,483,220</b>	<b>36,618,014</b>	<b>209</b>

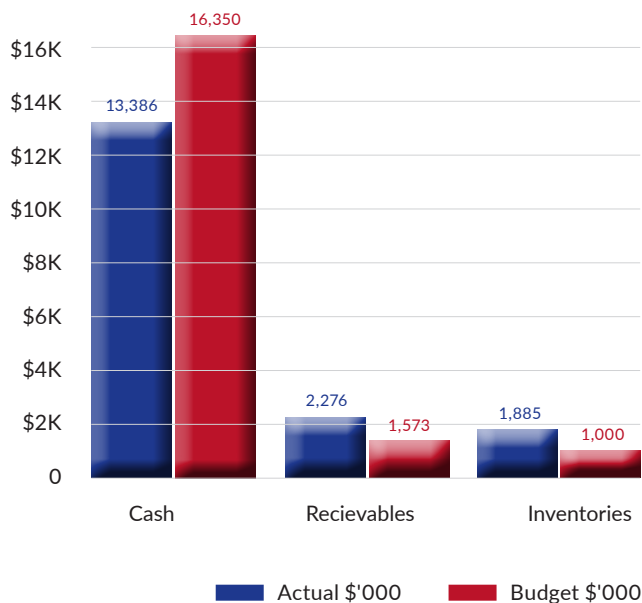
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## In the 2023 financial year, net assets outperformed the budget by \$36.6M, marking a 209% increase

In the 2023 financial year, net assets outperformed the budget by \$36.6M, marking a 209% increase. This was primarily driven by a \$10.4 million surge in non-current assets, alongside a 7% decrease in current assets (\$1.4 million) and a substantial 40% decrease in liabilities (\$27.6 million). The rise in non-current assets can be attributed to the higher values of property, plant, and equipment, as well as investment property compared to the budgeted amounts, resulting from the revaluation of land and buildings, including investment property, during the 2021 and 2022 financial years.

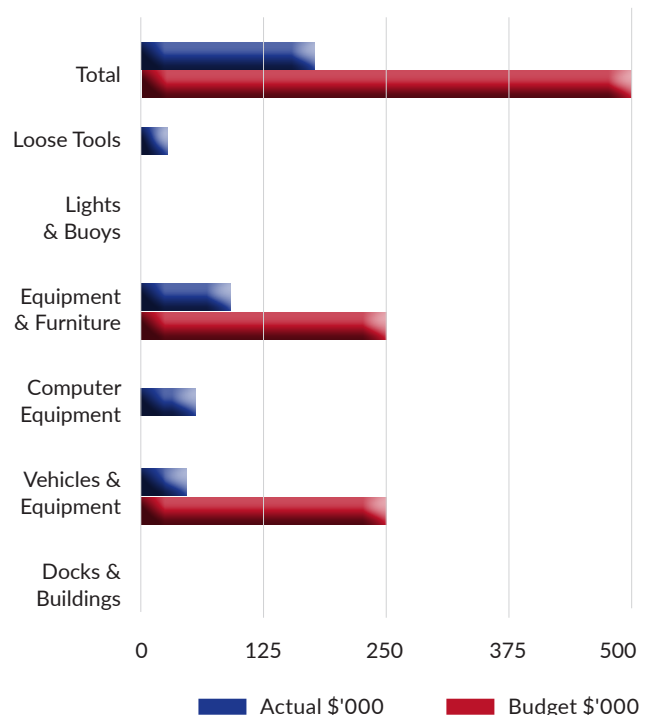
The reduction in liabilities is primarily attributed to the defined benefit liability being 41% lower than budgeted, owing to favorable movements in discount rates.

### 2023 Current Assets Profile



The total value of newly acquired assets in 2023 amounted to \$159K, a significant deviation from the budgeted \$500K, resulting in an adverse variance of \$341K.

### 2023 CAPEX Profile



The acquisition of capital items in 2023 fell short of the initial budgeted projections.



# Statement of Comprehensive Income

The Statement of Comprehensive Income shows the income and expenses of the Port Authority for the period, and the net effect of the financial performance on equity.

Comprehensive Income	2023 Actual \$	2023 Budget \$	2023 Variance %
Revenue	27,583,836	27,260,136	1
Operating expenses	26,722,146	24,873,796	7
Non-operating expenses	3,043,890	4,541,500	(33)
Other comprehensive income/(expense)	(948,000)	1,350,000	(170)
Net surplus/(deficit)	(3,130,200)	(805,160)	289

## Profit Performance

During the 2023 financial year, the Port Authority earned \$27.6M in revenue, slightly surpassing the budgeted figure of \$27.2M by 1%.

Operating costs exceeded the budget by \$1.8M, representing a 7% increase. Additional personnel costs, repairs and maintenance, contracted services, increased fuel costs and utilities and bad debt write offs were the key factors in driving this higher-than-anticipated expenditure.

Non-operating expenses were \$1.5M or 33% less than budget due to lower actual defined benefit expense for 2023 which was \$1.7M less than budget owing to favorable movement in interest rate.

Other comprehensive income/(expense) fell short of the budget by \$2.3M, primarily due to a less favorable remeasurement of defined benefit obligations than anticipated.

## Future outlook

There is growing expectation that the Port will sustain its robust revenue trajectory observed over the past five years. This confidence stems from several factors, including the recent overdue adjustment of port fees starting 1st January 2024, alongside a surge in planning approvals and construction boom in hotels, condominiums, and industrial projects. Moreover, ongoing and scheduled infrastructure initiatives further bolster this outlook. Additionally, future cruise reservations are anticipated to remain strong, supported by a rising population, an increase in stayover visitors, and the ongoing construction of new properties, all of which will drive up the demand for goods and services. Furthermore, there is potential for medium-term growth in cruise revenue based on forecasts.

The Port Authority is projecting significant reductions in the defined benefit liability valuation in the next two fiscal years given the current trend in rising

interest rates. This will result in the Port reporting high overall profits. Operationally, economic conditions will determine the growth of revenue and cash flows as well as government priorities for the Port Authority in the next budget cycle.

Operationally, economic conditions will determine the growth of revenue and cash flows as well as government priorities for the Port Authority in the next budget cycle.

## Twelve (12) Months ended 31 December 2023

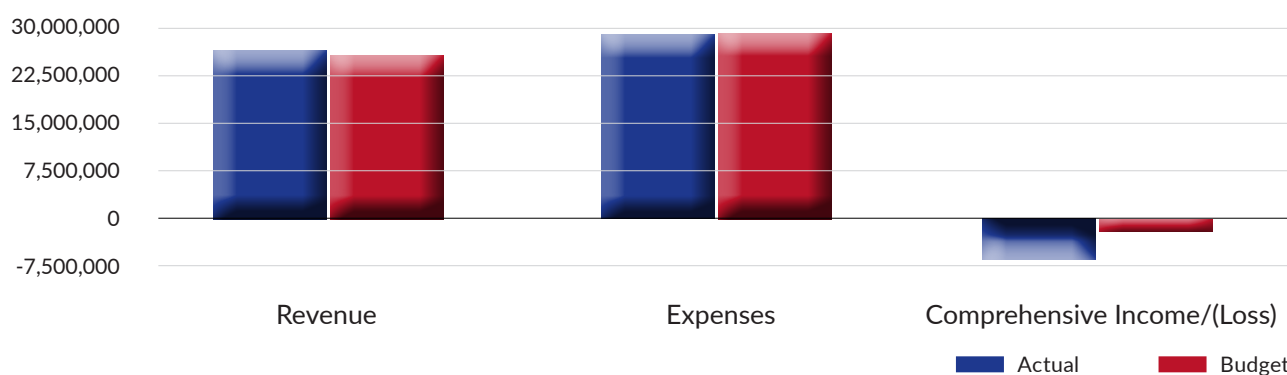
Description	\$ Actual	\$ Budget	\$ Variance	% Variance
<b>REVENUE</b>				
Cargo handling	21,429,933	21,231,494	198,439	0,93
Cruise ship passenger fees	3,146,044	3,153,001	(6,957)	(0)
Other revenue	3,007,859	2,875,641	132,218	5
<b>Total Revenue</b>	<b>27,583,836</b>	<b>27,260,136</b>	<b>(323,700)</b>	<b>1</b>
<b>EXPENSES</b>				
Staff costs including defined benefit cost	20,208,962	20,724,379	(515,417)	(2)
Repairs & maintenance	2,006,982	1,810,640	196,342	11
Contracted services	2,230,613	1,997,826	232,787	12
Insurance	596,179	700,000	(103,821)	(15)
Other operating expenses	2,462,190	1,841,857	620,333	34
Depreciation	2,085,220	2,349,094	(263,874)	(11)
<b>Total Expenses</b>	<b>29,590,146</b>	<b>29,423,796</b>	<b>166,350</b>	<b>1</b>
Interest income	50,110	8,500	41,610	490
Net gain on revaluation of land & buildings	(226,000)	350,000	(576,000)	(165)
Remeasurement of defined benefit obligation	(948,000)	1,000,000	(1,948,000)	(195)
<b>Total</b>	<b>(1,123,890)</b>	<b>1,358,500</b>	<b>(2,482,390)</b>	<b>-</b>
<b>COMPREHENSIVE PROFIT/(LOSS)</b>	<b>(3,130,200)</b>	<b>(805,160)</b>	<b>(2,325,040)</b>	<b>289</b>

## Key insights from the 2022 results

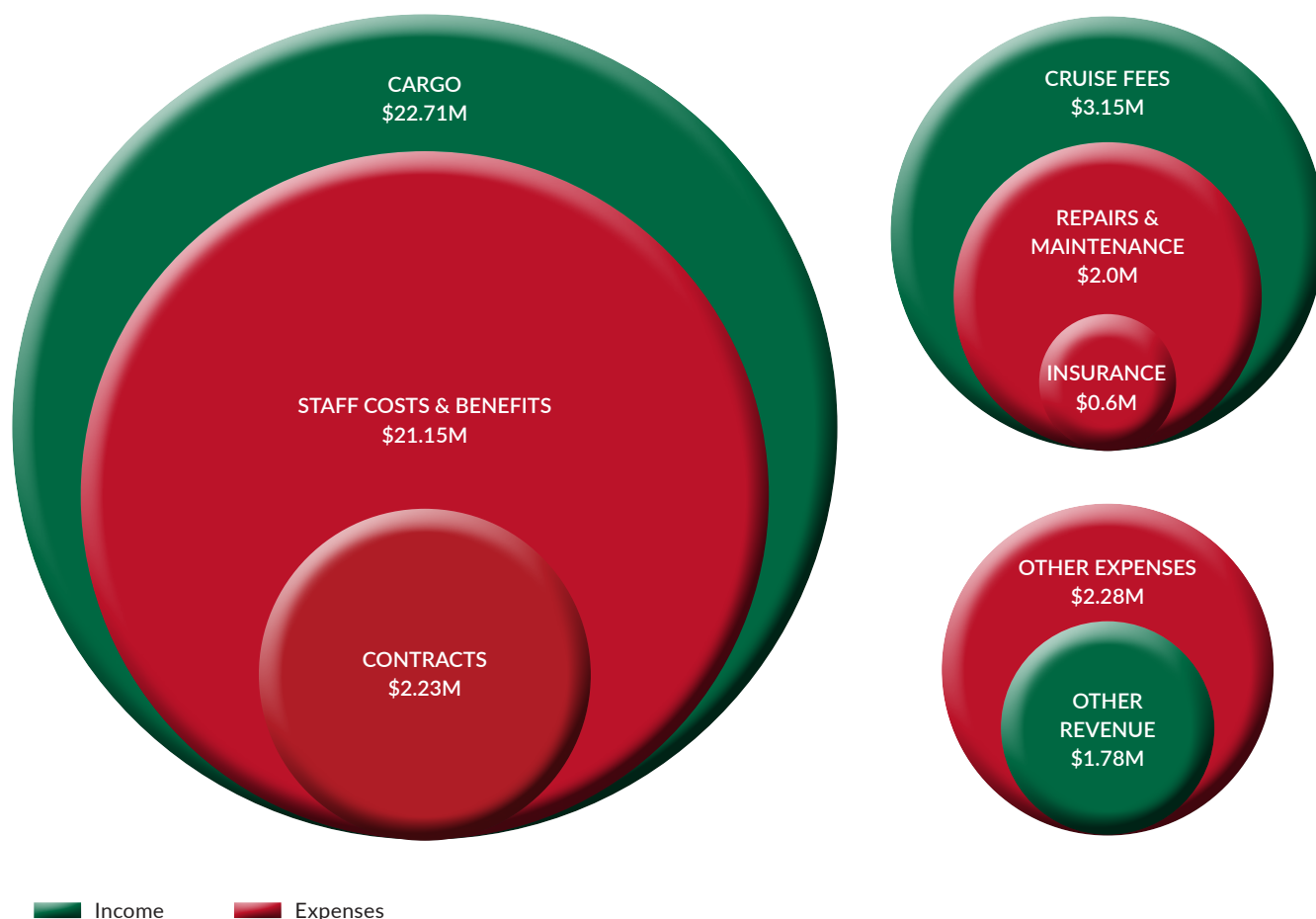
**Overall revenue was largely on target, exceeding expectations by 1%, with the following variations**

- Cargo handling revenue slightly exceeded budget by \$198K.
- Cruise passenger fees aligned closely with the budget, with a negligible variance of \$7K.
- Other revenue surpassed expectations, ending at 5% above budget.
- Staff costs, including defined benefit ended at 2% below the budgeted amount, primarily because the planned cost-of-living adjustments were not granted in 2023.
- Repairs and maintenance expenses exceeded the budget by 11% to maintain and upgrade ageing facilities and equipment.
- Expenditure on contracted services exceeded the budget by 12%, largely attributable to professional fees on cargo port development, coupled with a general rise in utility costs and rates charged by service providers.
- Other operational costs surpassed the budget by 34%, primarily due to bad debt expense of \$205K and increased diesel expenses.
- Repairs and maintenance expenses exceeded the budget by 11% to maintain and upgrade ageing facilities and equipment.
- Expenditure on contracted services exceeded the budget by 12%, largely attributable to professional fees on cargo port development, coupled with a general rise in utility costs and rates charged by service providers.
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- Repairs and maintenance expenses exceeded the budget by 11% to maintain and upgrade ageing facilities and equipment.
- Expenditure on contracted services exceeded the budget by 12%, largely attributable to professional fees on cargo port development, coupled with a general rise in utility costs and rates charged by service providers.
- Other operational costs surpassed the budget by 34%, primarily due to bad debt expense of \$205K and increased diesel expenses.
- Operating surplus was \$1.5M lower than anticipated, attributed to the higher costs realized in 2023 compared to what was budgeted.
- Additionally, there was a net loss of \$226K on the revaluation of investment property in 2023, and a \$948K loss on the remeasurement of defined benefit obligation, further exacerbating the overall deficit for the year.

### Actual vs. Budget: 12 Months ending 31st December 2023



## Key insights from the 2022 results:



- The income earned from cargo handling was \$0.6M short to cover staff costs including the annual health care benefit cost and contracted services for the period.
- Income from cruise ship passenger fees was used to fund repairs and maintenance expenses and insurance cost for the year.
- Other expenses were partially (78%) funded by other revenue sources.
- By deferring capital expenditures and operating with minimal depreciation sinking funds, the Port Authority is gradually accumulating cash reserves. However, PACI's business model does not accommodate fees that accurately represent the total cost of service delivery. The anticipated increase in port fees in 2024 is aimed at easing the burden, enabling funding for infrastructure development and investments aimed at cultivating and improving our human resources.



## Historical Performance

**Over the past five years, the Port's financial performance has demonstrated vulnerability to various factors, leading to significant fluctuations in net results annually.**

In both the 2019 and 2020 financial years, external influences impacting the discount rate caused substantial swings in the defined benefit cost, amounting to \$8.6M and \$11M respectively, resulting in increased defined benefit liabilities. However, there was a shift in 2022, marked by a defined benefit gain of \$15.3M, followed by an expense of \$3.8M in 2023. Since their inclusion in the books in 2014, defined benefit costs have consistently exerted a negative influence on the Authority's results. The total defined benefit expense of \$7.4M from 2019 to 2023 has effectively nullified the combined operating surplus of \$7.1M over the last five financial years.

The 2020 fiscal year had the impact of the global COVID-19 pandemic which caused cruise activity and much of tourism to flatline from April 2020 and this continued into 2021, which had no cruise passenger arrivals in that year. Cruise ship passenger arrivals resumed in March 2022 and this had a positive impact on the Port's operating surplus for 2023.

The five-year operating income trend illustrates PACI's revenue growth since 2019, driven by economic activity. Increases in cargo volumes and cruise passengers, which accounted for approximately 94% of PACI's revenue during that period, were significant contributors to the \$5M operating profit recorded in 2019. However, the impact of the COVID-19 in 2020, resulted in a \$4.7M income reduction and a deterioration of the defined benefit position, leading to a historic deficit of \$11.96M for the Port Authority. The adverse effects of the pandemic persisted into 2021, though there was a slight overall revenue increase and positive gains from defined benefit remeasurement of \$0.75M and revaluation of land and buildings of \$8.9M, resulting in a surplus of \$11M by December 31, 2021.

**The total defined benefit expense from 2019 to 2023 has effectively nullified the combined operating surplus of over the last five financial years.**

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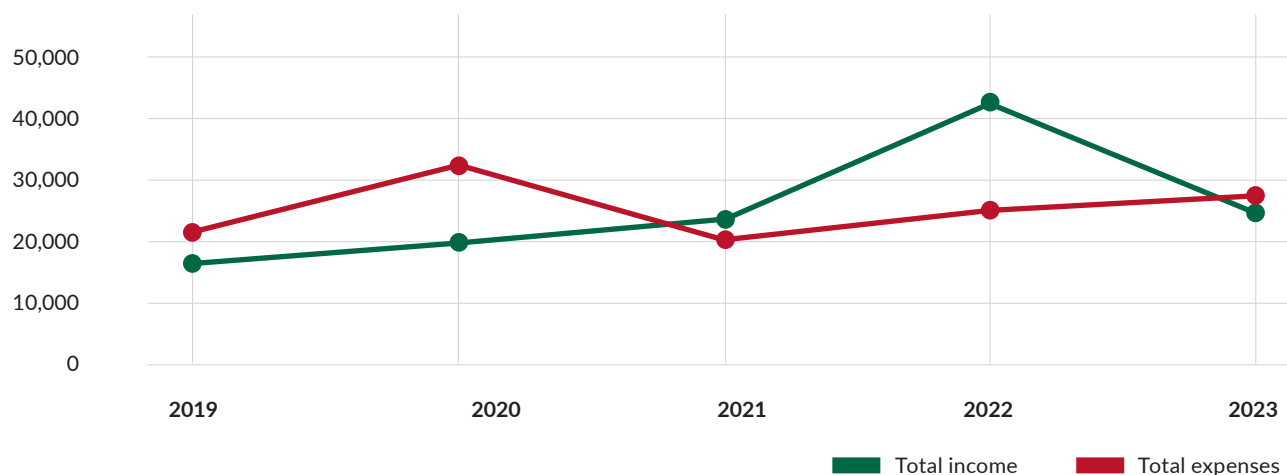
**Defined benefit's negative remeasurement as well as the revaluation loss on investment property offset the operating profit for 2023, resulting in a comprehensive loss of \$3.1M by year-end.**

Fiscal year 2022 marked the return of cruise passenger arrivals in March, accompanied by a revaluation gain on investment property of \$1.9M. Furthermore, there was a significant positive movement in defined benefit remeasurement of \$15.4M, leading to an overall net surplus/total comprehensive income of \$16M for the 2022 financial year. However, defined benefit's negative remeasurement as well as the revaluation loss on investment property offset the operating profit for 2023, resulting in a comprehensive loss of \$3.1M by year-end.

As seen by the tables on pages 57 and 58, we have been having a steady yearly growth of both Cargo and TEU's. However, these volumes declined in 2020 due to the adverse impact of the COVID-19 pandemic. Both cargo and TEU's volumes went back up in 2021 due to increased imports as a result of various economic activities on the islands. In 2022 cargo volume decreased by 3% over 2021, and TEU's increased by 0.92%. The upward trend continued in 2023 with a 4% and 2.84% increase in Cargo and TEU respectively.

FIVE (5) YEAR HISTORICAL PERFORMANCE	2019	2020	2021	2022	2023	TOTALS
	\$'000	\$'000	\$'000	\$'000	\$'001	\$'000
Cargo income	20,596	19,641	21,795	21,671	22,708	106,411
Cruise income	4,504	1,323	-	1,798	3,146	10,771
Rental income	1,061	350	194	292	1,293	3,189
Other income	415	549	239	236	487	1,986
<b>Total Operating Income</b>	<b>26,576</b>	<b>21,863</b>	<b>22,288</b>	<b>23,996</b>	<b>27,634</b>	<b>122,357</b>
Staff costs	(13,363)	(13,731)	(13,983)	(16,616)	(17,341)	(75,034)
Contracted services	(2,184)	(1,655)	(1,253)	(1,774)	(2,231)	(9,097)
Repairs and maintenance	(1,446)	(1,462)	(1,420)	(2,080)	(2,007)	(8,415)
Insurance	(604)	(600)	(591)	(577)	(596)	(2,969)
Other operating costs	(1,994)	(1,484)	(1,445)	(2,042)	(2,462)	(9,428)
Depreciation	(1,840)	(1,991)	(2,205)	(2,154)	(2,085)	(10,275)
<b>Total Operating Expenses</b>	<b>(21,430)</b>	<b>(20,924)</b>	<b>(20,898)</b>	<b>(25,245)</b>	<b>(26,722)</b>	<b>(115,219)</b>
<b>Operating Profit/ (Loss)</b>	<b>5,146</b>	<b>939</b>	<b>1,390</b>	<b>(1,248)</b>	<b>912</b>	<b>7,139</b>
Profit / (loss) on disposal of fixed assets	36	-	-	(15)	-	2
Defined benefit annual expense & remeasurement	(8,648)	(11,052)	751	15,374	(3,816)	(7,391)
Net gain on revaluation of land and building	-	-	8,914	1,926	-	10,840
Profit/ (loss) on revaluation of investment property	79	(1,850)	-	-	(226)	(1,997)
<b>Total Comprehensive Income</b>	<b>(3,387)</b>	<b>(11,963)</b>	<b>11,055</b>	<b>16,037</b>	<b>(3,130)</b>	<b>8,612</b>

## Five year historical income vs. expenses



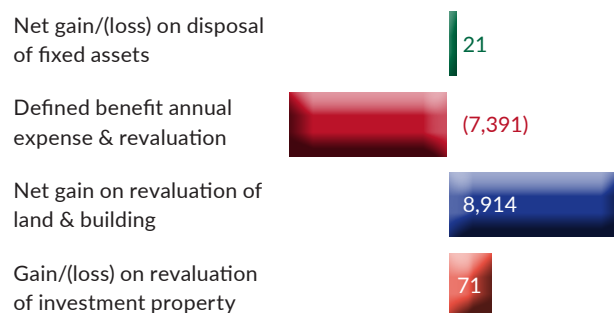
- Total expenses did not align with income primarily due to the impacts of COVID-19 in 2020 and 2021. Elevated expenses in 2020 led to substantial losses for that year. The Port regained profitability in 2021, which was further augmented in 2022 by revaluation gains and DBE remeasurement effects from both years. However, in 2023, a loss occurred due to losses arising from investment property revaluation and remeasurement of the defined benefit liability.
- The last five years averaged a break-even position which is insufficient for a capital-intensive operation.
- The low operating profitability reduces the ability to invest in human resources, infrastructure and other capital assets.

## 5 year historical income vs. expenses



- Annual growth in operating income except 2020.
- In 2021, the DBE transitioned from a negative \$11M to a positive \$0.75M, further rising to \$15.4M in 2022. However, it decreased to \$3.8M in 2023.
- The gain on revaluation of assets that were revalued amounted to \$8.9M in 2021 and \$1.9M in 2022. Conversely, 2023 witnessed a revaluation loss of \$226K on the revaluation of investment property.
- Total income and total expenses over the five-year period both stood at \$125M, resulting in a break-even position.

## 2019 - 2023 Non-operating income / (expenses) in \$'000



- \$7.4M defined benefit net expense
- Non-recurrent gain of \$8.9M from revaluation of land & building
- Net gain on disposal of fixed assets of \$21K
- Net revaluation loss on revaluation of investment property \$71K

As seen by the table below, we have been having a steady yearly growth of both Cargo and TEU's.

### Activity Statistics

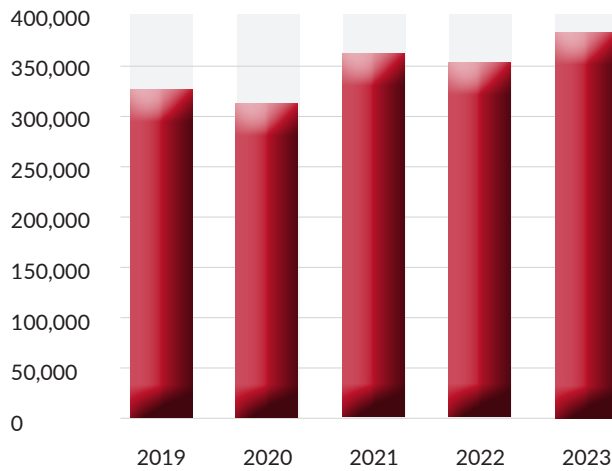
Description	2019	2020	2021	2022	2023
Annual Cargo Volumes	344,901	337,658	382,482	370,684	385,678
Cruise Passenger Arrivals	1,831,011	538,140	-	736,382	1,270,053
TEUS (in and Out)	66,854	64,130	70,740	71,394	73,425

However, these volumes declined in 2020 due to the adverse impact of the COVID-19 pandemic. Both cargo and TEU's volumes went back up in 2021 due to increased imports as a result of various economic activities on the islands. In 2022 cargo volume decreased by 3% over 2021, and TEU's increased by 0.92%. The upward trend continued in 2023 with a 4% and 2.84% increase in Cargo and TEU respectively.





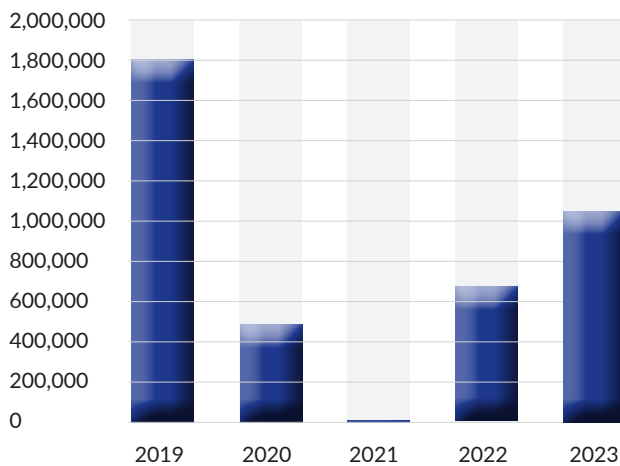
## Annual Cargo Volumes



- Cruise arrivals have demonstrated commendable performance over the last two fiscal years, despite facing disruptions caused by the COVID-19 pandemic.

- In 2020, there was a 71% decrease in cruise arrivals, and in 2021, arrivals ceased entirely due to the effects of the COVID-19 pandemic. Nevertheless, cruise passenger arrivals resumed in March 2022, with figures for 2023 reaching 70% of the levels seen before COVID-19 in 2019.

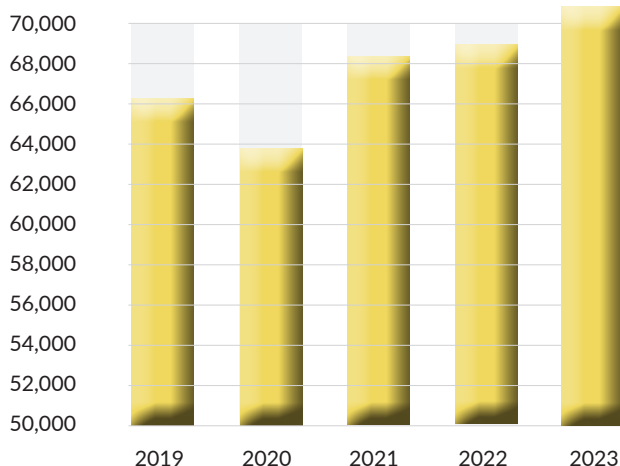
## Cruise Passenger Arrivals



- Cruise income provided \$10.8M over the last 5 years to PACI.

- In 2020, cruise revenue constituted 6% of the total operating revenue, marking a notable decrease from the 18% contribution observed in 2019. There was no revenue from cruises in 2021, but in 2022, it accounted for 7% of the operating revenue. By 2023, cruise revenue saw a slight increase, contributing 11% to the operating revenue.

## TEUS (in & out)



- TEU experienced a 3.54% increase in 2019 but saw a 4% decline in 2020. However, TEU rebounded with a 10.3% rise in 2021, followed by a modest 0.9% increase in 2022, and a further 2.8% uptick in 2023.

- Cargo volumes saw a 5% increase in 2019, followed by a 2% decline in 2020. The volumes rebounded strongly in 2021 with a 13% increase. However, they dipped by 3% in 2022 before recovering once more in 2023 with a 4% increase, closing the year at a volume of 385,678.

## Actual vs. Budget

Description	\$ Actual 2023	\$ Budget 2023	% Variance	Reason
<b>CASH FLOWS</b>				
Net cash flows from operating activities	1,485,478	5,116,334	(71)	Less favorable revenue & expense performances than expected
Net cash flows from investing activities	(159,038)	(500,000)	(68)	Revised capital plans
Net cash flows from financing activities	(364,295)	-	100	Payments for retirees & lease obligation

## Cash Flow Five-Year Trend Analysis in \$'000

Description	2019	2020	2021	2022	2023	TOTALS
Opening cash	7,445	11,305	9,332	10,640	12,425	7,445
Net cash earned from operations	6,192	4,738	2,555	2,565	1,485	17,536
Purchase of fixed assets & investments	(2,022)	(6,438)	(963)	(503)	(159)	(10,085)
Defined health benefit liability payments	(310)	(274)	(284)	(277)	(364)	(1,508)
Closing Cash	11,305	9,331	10,640	12,425	13,387	13,387

The strong operating performance shown in the Statement of Comprehensive Income is reflected in the improved operating cash flow over the five-year period. Actual closing cash balances improved by 18% over the five-year period. The Port Authority invested an average of \$2M per annum in its asset portfolio, and reduced liabilities by \$1.5M or an annual average of \$302K for the last five years.

FINANCIAL PERFORMANCE RATIO	2023	2023	Explanation
	Actual	Budget	
CURRENT ASSETS: CURRENT LIABILITIES	8.05:1	6.7:1	Higher receivables and inventory due to increased revenue and reserve spare parts for emergencies
TOTAL ASSETS: TOTAL LIABILITIES	2.29:1	1.3:1	Non-current assets were \$10M higher than expected due to revaluation gains & lower liabilities due to favourable discount rate movements affecting defined health benefit liability

HUMAN CAPITAL MEASURES	2023	2023
	Actual	Budget
TOTAL FULL TIME EQUIVALENT STAFF EMPLOYED	175	178
<b>STAFF TURNOVER</b>		
SENIOR MANAGER	1	-
PROFESSIONAL AND TECHNICAL STAFF	-	-
ADMINISTRATIVE STAFF	3	-

PHYSICAL CAPITAL MEASURES	2023 Actual \$ 000'S	2023 Budget \$ 000'S	Explanation
VALUE OF TOTAL ASSETS	96,158	87,173	Assets purchased and land & building revalued giving rise to higher values
ASSET REPLACEMENTS: TOTAL ASSETS	0.00:1	0.01:1	Within expectations
BOOK VALUE OF ASSETS: COST OF THOSE ASSETS	0.81:1	0.70:1	Higher NBV and lower cost of assets than budgeted
DEPRECIATION: CASH FLOW ON ASSET PURCHASES	13.11:1	4.31:1	Less assets purchased than expected
CHANGES TO ASSET MANAGEMENT POLICES	None	None	None

MAJOR CAPITAL EXPENDITURE	2023	2023	EXPLANATION
	ACTUAL \$'000	TARGET \$'000	
Infrastructure upgrades	108	250	Delayed Capex
Technology	31	-	Plan changes
Fleet Purchases	20	250	Plan changes

FINANCIAL PERFORMANCE MEASURE	2023	2023	Explanation
	Actual	Budget	
	\$ 000'S	\$ 000'S	
REVENUE FROM OTHER PERSONS OR ORGANISATIONS	27,634	27,269	Within budget
OPERATING EXPENSES	30,764	28,074	Impact of defined health care benefit and other expense categories
NET PROFIT / (LOSS)	(3,130)	(805)	More expenses due to higher inflationary environment
TOTAL ASSETS	96,158	87,173	Revaluation of investment property, land and buildings
TOTAL LIABILITIES	42,057	69,690	Impact of increased interest rate on defined benefit health care liability
NET WORTH	54,101	17,483	Greater asset values and significantly less

# RISK MANAGEMENT

## Key Risks

## Mitigation Strategies

### Strategic risks

- Lack of long-term planning
- Capital Structure

- Master Plan developed  
Further work being pursued
- Better cash management

### Compliance risks

- Risk of breach of Port Laws & Regulations
- Risk of breach of PMFA and Regulations
- Risk of non-compliant financial reports
- Risk of breach of security protocols

- Keep professional staff updated
- Continuing training and development of staff
- Regular reporting to strategic levels
- Continual training & regular reporting

### Operational risks

- Inability to efficiently discharge cargo
- Personal injury or fatality during operations
- Terrorism
- Breakdown of equipment
- Lawsuits for negligence
- Hurricanes & Storms
- Risk profile increased due to price volatility

- Trained personnel; rotated staff
- Safety procedures; adequate insurance
- Security protocols; trained security staff
- Backup equipment; maintenance programs
- Hurricane plan practiced continually
- Price negotiations
- Operational efficiency
- Manage risk value within \$750,000

### Reputational risks

- Damage to the Cayman Tourism Brand
- Loss of confidence in Port's ability to deliver

- Manage key relationships in cruise sector
- Training; capacity maintenance; upskilling of technical staff



# AUDIT UPDATES

## INTERNAL & EXTERNAL

The 2023 Financial Statements were submitted to the Auditor General on 28th February 2024 for audit. The Port Authority has received an unqualified audit opinion for the 2023 financial year. These financial statements are included in this report.



# SCRUTINY BY PARLIAMENT & PUBLIC

The Port Authority's audited accounts and annual reports up to and including the financial year 2022 have been tabled in Parliament.





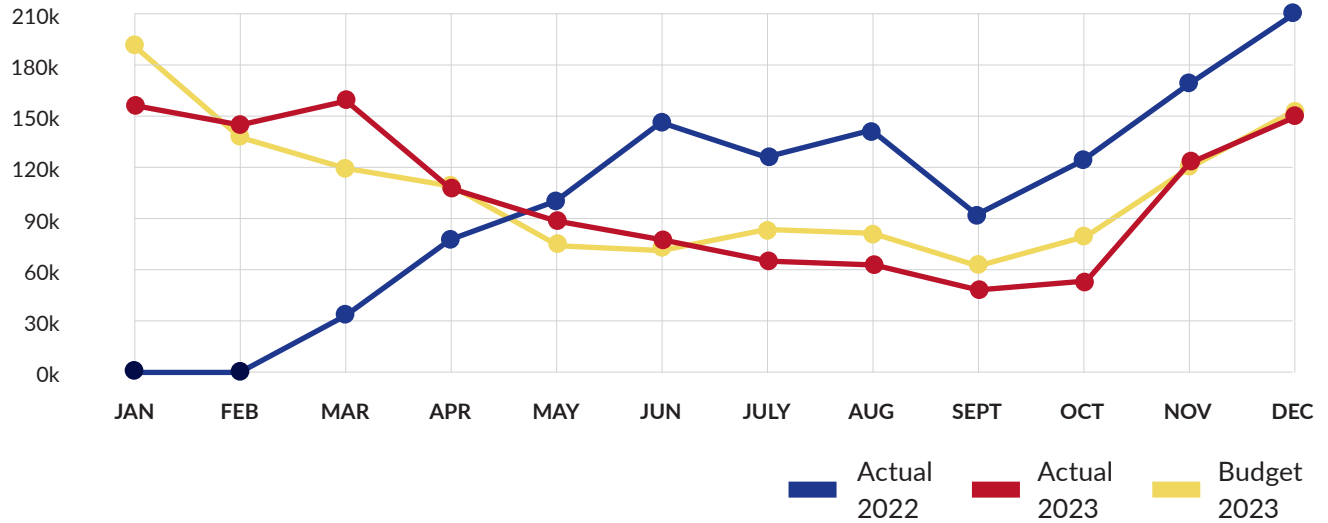
## SELECTED STATISTICAL DATA

Cayman Port has seen an increase of 72% in cruise passenger arrivals over the last year, and achieved the targetset of 70% of 2019 cruise arrivals within 1% variance.



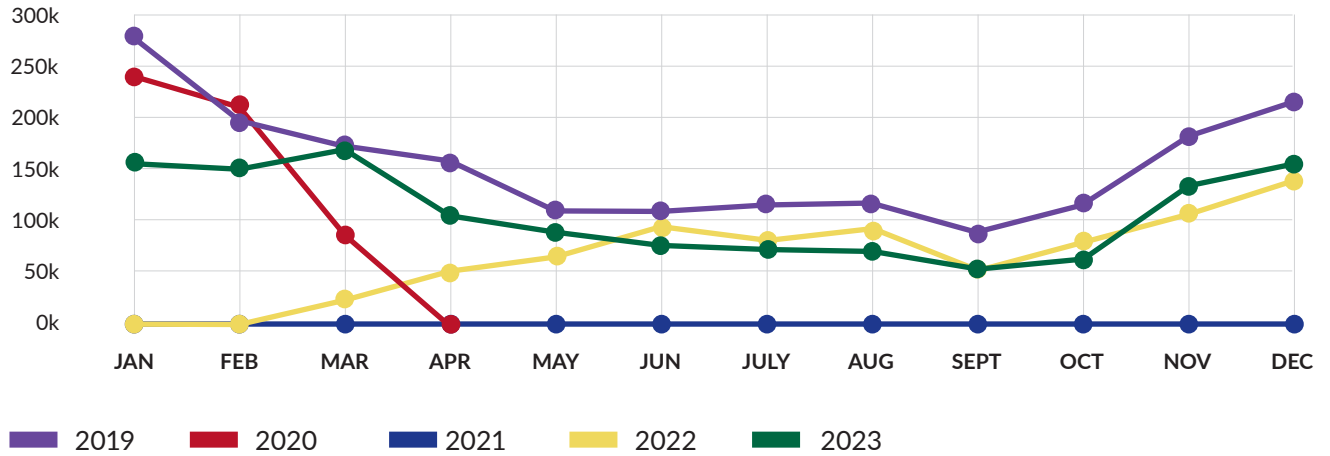
CRUISE PASSENGERS RIDING THE TENDER INTO GEORGE TOWN

## Cruise Passenger Arrivals



Month	Actual 2023	Budget 2023	Variance to Actual Budget	% Change	Actual 2022	Variance 2023 vs 2022	% Change
January	159,000	189,778	(30,778)	(16)	–	159,000	100
February	148,968	138,064	10,904	8	–	148,968	100
March	163,296	120,890	42,406	35	16,879	146,417	867
April	107,451	108,488	(1,037)	(1)	45,481	61,970	136
May	87,291	75,530	11,761	16	60,769	26,522	44
June	76,449	73,169	3,280	4	89,868	(13,419)	-15
July	69,895	82,917	(13,022)	(16)	77,545	(7,650)	-10
August	68,230	81,764	(13,534)	(17)	84,840	(16,610)	-20
September	54,766	61,912	7,145	(12)	53,137	1,629	3
October	57,353	79,393	(22,040)	(28)	74,365	(17,012)	-23
November	127,283	121,361	5,922	5	102,400	24,883	24
December	150,071	148,443	1,628	1	131,098	18,973	14
<b>Total</b>	<b>1,270,053</b>	<b>1,281,708</b>	<b>(11,655)</b>	<b>(1)</b>	<b>736,382</b>	<b>533,671</b>	<b>72</b>

## 5 Year Cruise Passenger Arrivals (Jan - Dec)



The graph above shows the monthly cruise passenger arrivals for the last five years, 2019 to 2023. Passenger numbers started to decline from 2019 (5%), then made a sharp decline in March 2020 and flat lined due to the COVID-19 pandemic. There were no cruise passenger arrivals in 2021 due to the continued impact of the COVID -19 pandemic. Cruise passenger arrivals resumed in March 2022. The 2023 cruise passenger arrivals were 70% to pre-COVID levels to close the year at 1,270,053 .



VIEW OF A CRUISE SHIP FROM GEORGE TOWN HARBOUR

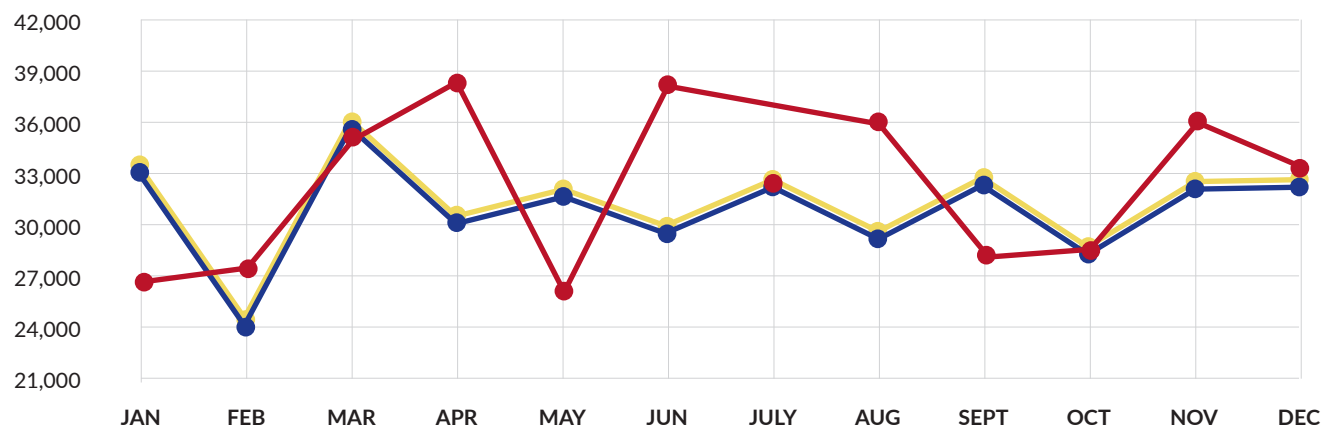


## 5 Year Cruise Passenger Arrivals (Jan - Dec)

Month	2019	2020	2021	2022	2023	2019-2023	5 year % change
January	271,111	242,908	-	-	159,000	(112,111)	(41)
February	197,234	207,959	-	-	148,968	(48,266)	(24)
March	172,700	87,273	-	16,879	163,296	(9,404)	(5)
April	154,983	-	-	45,481	107,451	(47,532)	(31)
May	107,900	-	-	60,769	87,291	(20,609)	(19)
June	104,527	-	-	89,868	76,449	(28,078)	(27)
July	118,453	-	-	77,545	69,895	(48,558)	(41)
August	116,806	-	-	84,840	68,230	(48,576)	(42)
September	88,445	-	-	53,137	54,766	(33,679)	(38)
October	113,418	-	-	74,365	57,353	(56,065)	(49)
November	173,373	-	-	102,400	127,283	(46,090)	(27)
December	212,061	-	-	131,098	150,071	(61,990)	(29)
<b>Annual Totals</b>	<b>1,831,011</b>	<b>538,140</b>	<b>-</b>	<b>736,382</b>	<b>1,270,053</b>	<b>(560,958)</b>	<b>(31)</b>
<b>Annual Growth Rate</b>	<b>(4.99)</b>	<b>(70.61)</b>	<b>(100)</b>	<b>100.00</b>	<b>72.47</b>		<b>0.61</b>
<b>Cruise Income</b>	<b>4,504,287</b>	<b>1,323,824</b>	<b>-</b>	<b>1,811,500</b>	<b>3124,330</b>	<b>(1,379,957)</b>	<b>(31)</b>



## Cargo Imports (Tons)



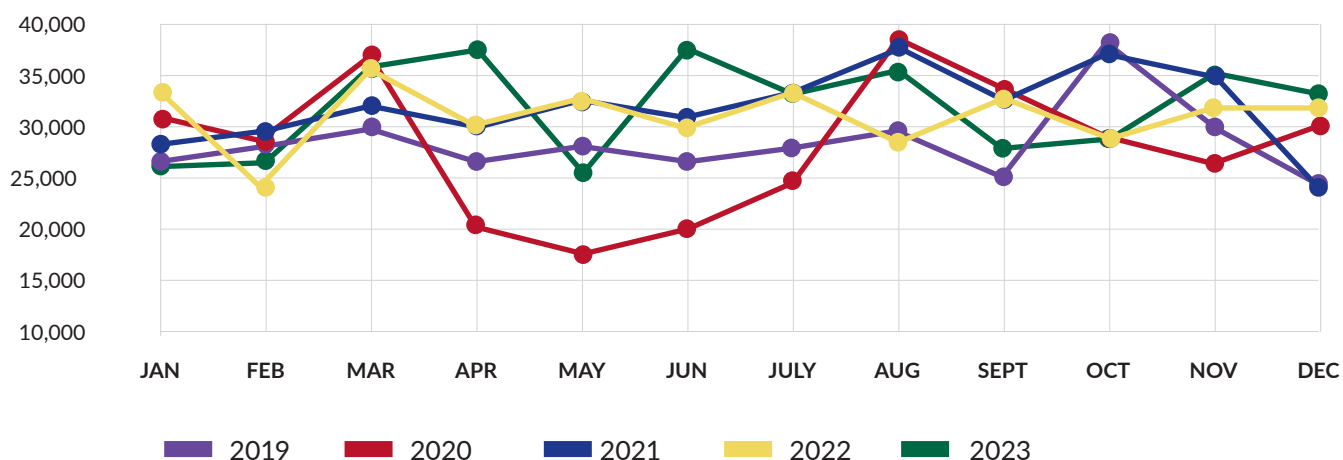
Actual cargo volume (excluding aggregates) ended 2023 at 2% above total projections and 4% more than prior year. Cargo activity has exceeded expectations in the past four years, prior to 2022. Despite COVID-19 pandemic, cargo recovered some lost gains in the third quarter of 2020 and 2021 due to infrastructural development and construction, however it declined slightly in 2022 before picking up again in 2023 by 4%.

■ Actual 2022  
■ Actual 2023  
■ Budget 2023

## Cargo Imports (Tons)

Month	Actual 2023	Budget 2023	Variance - Actual to Budget	% Change	Actual 2022	Variance 2023/2022	%Change
January	26,629	34,135	(7,506)	(22)	33,466	(6,837)	(20)
February	27,031	24,470	2,561	10	23,990	3,041	13
March	35,079	36,186	(1,107)	(3)	35,476	(397)	(1)
April	37,651	30,606	7,045	23	30,006	7,645	25
May	26,018	32,534	(6,516)	(20)	31,896	(5,878)	(18)
June	37,729	29,781	7,984	27	29,197	8,532	29
July	32,970	33,234	(264)	(1)	32,582	388	1
August	36,150	29,545	6,605	22	28,966	7,184	25
September	28,254	33,501	(5,247)	(16)	32,844	(4,590)	(14)
October	28,557	28,929	(372)	(1)	28,362	195	1
November	35,883	32,567	3,316	10	31,928	3,955	12
December	33,727	32,829	898	3	32,185	1,542	5
<b>Totals</b>	<b>385,678</b>	<b>378,316</b>	<b>7,362</b>	<b>2</b>	<b>370,898</b>	<b>14,780</b>	<b>4</b>

## Five- Year Monthly Cargo Volumes

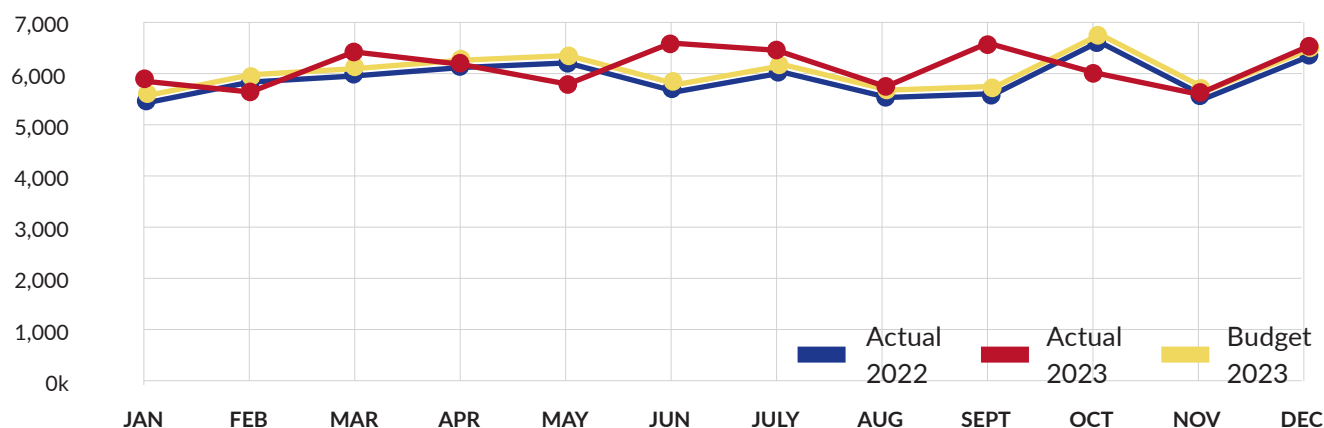


The five- year cargo volume trend showed steady annual growth between 9% and 10%. until 2020 when it dropped by 2% due to the emergence of COVID-19. In 2021 cargo volume increased 13% over 2020, reduced by 3% in 2022 and then increased by 4% in 2023.

## Historical Cargo Volume Imports (Five Years) January to December

Month	2019	2020	2021	2022	2023	2023/2019
January	26,318	30,863	27,337	33,462	26,629	1%
February	27,934	28,375	30,635	23,980	27,031	-3%
March	29,856	37,183	32,352	35,398	35,079	17%
April	27,162	20,803	29,988	29,886	37,651	39%
May	28,097	17,131	32,192	31,894	26,018	-7%
June	26,772	20,370	31,314	29,197	37,729	41%
July	28,807	25,020	32,291	32,582	32,970	14%
August	30,501	38,550	37,392	28,966	36,150	19%
September	24,954	33,840	32,485	32,844	28,254	13%
October	38,284	29,080	37,037	28,362	28,557	-25%
November	30,218	26,882	34,691	31,928	35,883	19%
December	25,098	29,561	24,768	32,185	33,727	34%
<b>Totals</b>	<b>344,001</b>	<b>337,658</b>	<b>382,482</b>	<b>370,684</b>	<b>385,678</b>	<b>12%</b>
<b>YTD Growth</b>	<b>10%</b>	<b>-2%</b>	<b>13%</b>	<b>-3%</b>	<b>4%</b>	

## TEU Movements

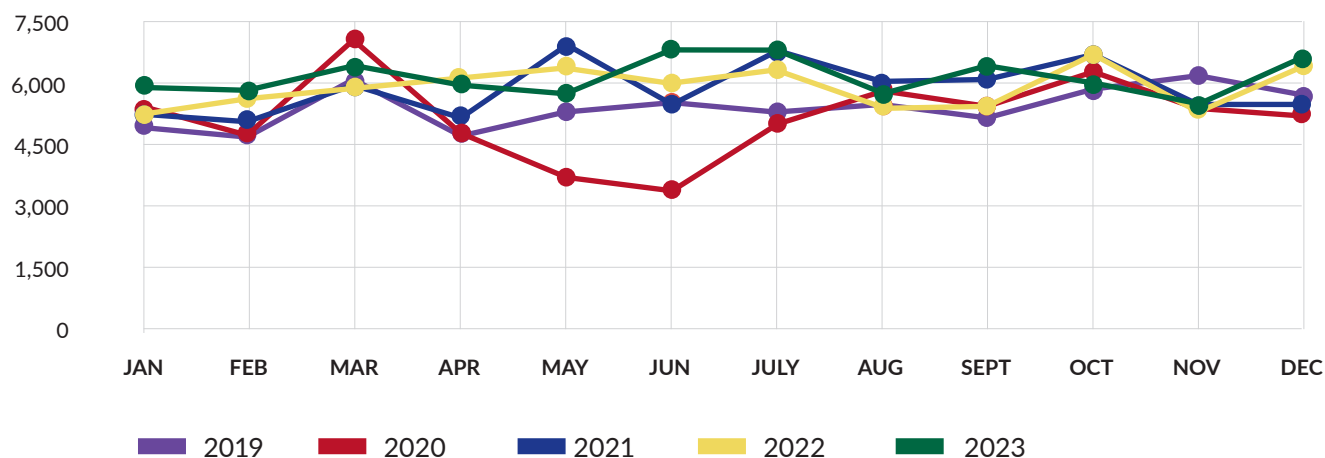


The Port processed 73,425 equivalent 20-foot containers for the 12-month period ended 31 Dec 2023, in comparison with 71,394 the previous year. This is a 2.84% increase and is trending in line with the cargo volume imports.

## Twenty-Foot Equivalent Unit (TEU) Movements

Month	Actual 2023	Actual 2022	Budget 2023	Variance % 2023 vs 2022	Variance % Actual vs Budget
January	5,893	5,476	5,586	8	6
February	5,707	5,753	5,868	(1)	(3)
March	6,321	5,986	6,106	6	4
April	6,112	6,120	6,242	(0)	(2)
May	5,824	6,204	6,328	(6)	(8)
June	6,550	5,862	5,979	12	10
July	6,490	6,024	6,144	8	6
August	5,774	5,583	5,695	3	1
September	6,455	5,647	5,760	14	12
October	5,994	6,773	6,908	(12)	(13)
November	5,765	5,638	5,751	2	(0)
December	6,540	6,328	6,455	3	1
<b>Totals</b>	<b>73,425</b>	<b>71,394</b>	<b>72,822</b>	<b>3</b>	<b>(1)</b>

## Five Year Container Movements



The five-year container movement was trending positive between 4% & 9% annual growth until COVID-19 caused a 4% decline in 2020. It was subsequently increased to 10% in 2021, 1% in 2022 and 3% in 2023.

## Five Year Container Movements

Month	2019	2020	2021	2022	2023
January	5,325	5,568	5,519	5,476	5,893
February	5,225	5,229	5,420	5,753	5,707
March	6,065	6,937	5,988	5,986	6,321
April	5,029	5,030	5,310	6,120	6,112
May	5,437	3,914	6,479	6,204	5,824
June	5,621	3,640	5,630	5,862	6,550
July	5,319	5,000	6,265	6,024	6,490
August	5,584	5,893	5,942	5,583	5,774
September	5,406	5,659	6,063	5,647	6,455
October	5,928	6,213	6,789	6,773	5,994
November	6,210	5,639	5,768	5,638	5,765
December	5,705	5,408	5,567	6,328	6,540
<b>Totals</b>	<b>66,854</b>	<b>64,130</b>	<b>70,740</b>	<b>71,394</b>	<b>73,425</b>
<b>Annual Growth</b>	<b>8.83%</b>	<b>-4.07%</b>	<b>10.31%</b>	<b>0.92%</b>	<b>2.84%</b>



# FINANCIAL STATEMENTS

PORT AUTHORITY OF THE CAYMAN ISLANDS

# Financial Report

For the financial year ended 31 December 2023



Financial Statements of the

**PORT AUTHORITY OF THE  
CAYMAN ISLANDS**

31 December 2023

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

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(345) 949 2055, Fax (345) 949 5820

## 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 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, comprehensive income and cash flows of the Port Authority of the Cayman Islands for the financial year ended 31 December 2023.

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

- (a) Completely and reliably reflect the financial transactions of Port Authority of the Cayman Islands for the year ended 31 December 2023;
- (b) Fairly reflect the financial position as at 31 December 2023 and performance for the financial year ended 31 December 2023.
- (c) Comply with International Financial Reporting Standards as set out by the International Accounting Standards Board under the responsibility of the International Federation of Accountants.

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

Paul Hurlston  
Port Director

  
Don Hutchinson  
Deputy Director Finance &  
Administration (Actg)

Date: 30<sup>th</sup> April 2024

Date: 30<sup>th</sup> April 2024

Cline Glidden  
Chairman of the Board

Date: 30<sup>th</sup> April 2024



## 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 2023 and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended December 2023, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 43.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2023 and its financial performance and its cash flows for the year ended 31 December 2023 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 has not yet been implemented, 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 2024  
Cayman Islands

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

As at 31 December 2023  
*(Stated in Cayman Islands dollars)*

	Note	December 2023 \$	December 2022 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4(a)	13,386,416	12,424,271
Accounts receivable (net)	4(b)	1,977,859	1,868,991
Inventory		1,884,748	1,274,085
Prepaid expenses	4(c)	174,070	179,556
Other receivables and deposits	4(d)	124,116	107,892
<b>Total Current Assets</b>		<b>17,547,209</b>	<b>15,854,795</b>
<b>Non-Current Assets</b>			
Property, plant and equipment			
Land- freehold	5	41,625,000	41,625,000
Docks and buildings	5	20,503,405	21,845,915
Other fixed assets	5	6,988,844	7,482,083
Work in progress	5, 8	67,412	67,412
<b>Total property, plant and equipment</b>		<b>69,184,661</b>	<b>71,020,410</b>
Right of use land and warehouses	6	426,579	161,393
Investment property	7, 9	9,000,000	9,226,000
<b>Total Non-Current Assets</b>		<b>78,611,240</b>	<b>80,407,803</b>
<b>TOTAL ASSETS</b>		<b>96,158,449</b>	<b>96,262,598</b>
<b>LIABILITIES and EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	10	2,180,273	3,352,143
<b>Total Current Liabilities</b>		<b>2,180,273</b>	<b>3,352,143</b>
<b>Non-Current Liabilities</b>			
Lease liability	6	431,935	165,697
Defined benefit liability	11	39,445,000	35,889,000
<b>Total Non-Current Liabilities</b>		<b>39,876,935</b>	<b>36,054,697</b>
<b>TOTAL LIABILITIES</b>		<b>42,057,208</b>	<b>39,406,840</b>
<b>RETAINED EARNINGS</b>		<b>16,662,867</b>	<b>19,417,384</b>
<b>ASSET REVALUATION RESERVE</b>		<b>37,438,374</b>	<b>37,438,374</b>
		<b>54,101,241</b>	<b>56,855,758</b>
<b>TOTAL LIABILITIES and EQUITY</b>		<b>96,158,449</b>	<b>96,262,598</b>
<hr/>			
Approved:			
			
Paul Hurlston (Port Director)		Don Hutchinson (Deputy Director - Finance Acting)	
<u>30 APRIL 2024</u>		<u>30 APRIL 2024</u>	
Date		Date	

The accompanying notes on pages 8-42 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 2023  
*(Stated in Cayman Islands dollars)*

	Note	December 2023 \$	December 2022 \$
<b>OPERATING REVENUE</b>			
Cargo handling	16	21,429,933	20,427,237
Cruise ship passenger fees	17	3,146,044	1,797,893
Maritime services	18	1,277,909	1,243,779
Rental income	24	1,292,968	291,731
Other income	19	286,178	155,978
Diesel sales	20	150,804	74,389
<b>Total Operating Revenue</b>		<b>27,583,836</b>	<b>23,991,007</b>
<b>OPERATING EXPENSES</b>			
Staff costs	21	17,340,962	16,616,103
Contracted services	22	2,230,613	1,774,481
Depreciation	5	2,085,220	2,154,366
Repairs and maintenance	23	2,006,982	2,080,318
Utilities		727,653	633,928
Insurance	13(a)	596,179	577,112
Diesel		485,296	519,213
Stationery, supplies and computer supplies		397,757	367,185
Bad debt		206,828	39,168
Miscellaneous expenses	25	161,988	115,106
Travel, conventions and training		158,773	43,940
Board expenses and fees	13(d)	141,871	127,808
Advertising and entertainment		103,073	139,896
Claims		33,049	14,672
Finance charges		25,751	17,886
Fleet licenses		19,876	23,658
Rent		275	-
<b>Total Operating Expenses</b>		<b>26,722,146</b>	<b>25,244,840</b>
<b>GROSS OPERATING PROFIT/(LOSS)</b>		<b>861,690</b>	<b>(1,253,833)</b>
<b>OTHER INCOME/EXPENSES</b>			
Interest income		50,110	5,426
Loss on disposal of fixed assets		-	(14,772)
Defined benefit expense – post employment health care	11	(2,868,000)	(2,967,000)
<b>Total Other Income/(Expenses)</b>		<b>(2,817,890)</b>	<b>(2,976,346)</b>
<b>NET LOSS</b>		<b>(1,956,200)</b>	<b>(4,230,179)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
Remeasurements of defined benefit obligation:			
Effect of changes in financial assumptions	11	(948,000)	18,341,000
Loss on revaluation of investment property	9	(226,000)	1,926,000
<b>TOTAL COMPREHENSIVE (LOSS)/ INCOME</b>		<b>(3,130,200)</b>	<b>16,036,821</b>

*The accompanying notes on pages 8-42 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 2023  
*(Stated in Cayman Islands dollars)*

	Note	December 2023 \$	December 2022 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Comprehensive (loss) income		(3,130,200)	16,036,821
Adjustments to reconcile comprehensive (loss) income to net cash generated			
Defined benefit expense		3,816,000	(15,374,000)
Depreciation	5	2,085,220	2,154,366
Bad debts	4(b)	206,828	39,168
Loss on disposal of fixed assets		-	14,772
Loss / (Gain) on revaluation of property	7, 9	226,000	(1,926,000)
Prior period adjustments		-	48,941
Defined benefit payments		260,000	183,000
Net changes in working capital			
Accounts receivable		(137,074)	(630,809)
Inventory		(610,663)	333,220
Prepaid expenses		5,486	8,208
Other receivables and deposits		(16,224)	(31,370)
Accounts payable and accrued expenses		(1,219,895)	1,708,494
<b>Net Cash Provided by Operating Activities</b>		<b>1,485,478</b>	<b>2,564,811</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Procurement of property, plant and equipment	5	(159,038)	(415,587)
Proceeds from disposal of equipment		-	33,050
Construction in progress (net)	5	-	(120,946)
<b>Net Cash Used in Investing Activities</b>		<b>(159,038)</b>	<b>(503,483)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Defined benefit payment for active enrolees	11	(260,000)	(183,000)
Principal lease payments		(104,295)	(94,025)
<b>Net Cash Used in Financing Activities</b>		<b>(364,295)</b>	<b>(277,025)</b>
<b>Net increase in cash and cash equivalents</b>		<b>962,145</b>	<b>1,784,303</b>
Cash and cash equivalents at the beginning of the year	4(a)	12,424,271	10,639,968
<b>Cash and cash equivalents at the end of year</b>	4(a)	<b>13,386,416</b>	<b>12,424,271</b>

*The accompanying notes on pages 8-42 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 2023  
*(Stated in Cayman Islands dollars)*

	<b>Retained Earnings</b>	<b>Revaluation Reserve</b>	<b>Total</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 Dec 2022</b>	<b>19,417,384</b>	<b>37,438,374</b>	<b>56,855,758</b>
<b>Beginning balance 1 January 2023</b>	<b>19,417,384</b>	<b>37,438,374</b>	<b>56,855,758</b>
Prior year adjustments:			
Payments made on defined obligation for the current beneficiaries	260,000	-	260,000
Net corrections	115,683*	-	115,683
Total comprehensive loss	(3,130,200)	-	(3,130,200)
<b>Ending balance 31 Dec 2023</b>	<b>16,662,867</b>	<b>37,438,374</b>	<b>54,101,241</b>

*The accompanying notes on pages 8-42 form an integral part of these financial statements.*

*\* This amount consists of \$82,633 backpay over accrual and \$33,050 loss on disposal for previous year transactions.*

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2023

(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 2023, the Port Authority had 176 employees (2022: 166 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. 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, corresponding 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 2023  
(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 2023

(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 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 (ECL) 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 2023

*(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 provision for expected credit losses 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, current and long-term loans.

#### *(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 2023

(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 2023, 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 2023

*(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 financial position 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) *Provision for expected credit losses of trade receivables*

The Authority uses simplified loss rate model for trade receivable. The written off amount is used to calculate a loss rate for the calculation of the expected credit losses. Loss given default is taken at full amount, unless given specific considerations. Management determines that the effective interest rate of the deposit and current accounts is insignificant and concludes that the effect of discounting is trivial. Forward looking information is considered; however, no adjustment is made in the current year due to the trades receivables being short-term in nature and the loss rate reflects the current and future outlook of the portfolio.

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2023

(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 2023 or 31 December 2022.

#### (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 2023

*(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

The Port Authority applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Authority has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts*. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2023

*(Stated in Cayman Islands dollars)*

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### 3. Significant accounting policies (continued)

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

- IFRS 17 Insurance Contracts (continued)

insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Authority's financial statements.

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Authority's financial statements.

- Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Authority's financial statements.

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

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Port Authority's financial statements are disclosed below. The Authority intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.



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

For the financial year ended 31 December 2023  
(Stated in Cayman Islands dollars)

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**3. Significant accounting policies (continued)**

(o) *Standards issued but not yet effective (continued)*

*Effective for periods beginning on or after 1 January 2024*

- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Authority is currently assessing the impact the amendments will have on current practice.

- *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The Authority is currently assessing the impact the amendments will have on current practice.

- *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the financial statements of the Port Authority.

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2023

(Stated in Cayman Islands dollars)

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### 3. Significant accounting policies (continued)

#### *(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 2023	Dec 2022
	\$	\$
Bank balances and short-term deposits	13,386,416	12,424,271

This consists of operating bank balances of \$13,386,416 (2022: \$9,008,064). The revolving 30 days deposit held by Port Authority was closed in 2023 (2022: \$3,416,207).

#### *Restricted cash*

Included in the bank balances above is restricted cash of \$89,569 (2022: \$89,569) representing deposits held on escrow for tenants of renting the Port Authority's investment properties.

### 4. (b) Accounts receivable

	Dec 2023	Dec 2022
	\$	\$
Accounts receivable	2,272,065	1,958,197
Provision for expected credit losses	(294,206)	(89,206)
Accounts receivable, net	1,977,859	1,868,991

#### *Fair value*

The carrying value of receivables approximates their fair value.

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2023

(Stated in Cayman Islands dollars)

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

##### *Expected credit losses*

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

	Dec 2023			Dec 2022		
	Gross	Expected Credit Losses	Net	Gross	Expected Credit Losses	Net
Past due up to 45 days	1,440,944	-	1,440,944	1,341,457	-	1,341,457
Past due 46- 90 days	173,336	-	173,336	180,696	-	180,696
Past due over 90 days	657,785	(294,206)	363,579	436,044	(89,206)	346,838
Total	2,272,065	(294,206)	1,977,859	1,958,197	(89,206)	1,868,991

The Authority uses simplified loss rate model for trade receivable. The written off amount in prior year is used to calculate a loss rate for the calculation of the expected credit losses. Loss given default is taken at full amount, unless given specific considerations. Management determines that the effective interest rate of the deposit and current accounts is insignificant and concludes that the effect of discounting is trivial. Forward looking information is considered; however, no adjustment is made in the current year due to the trades receivables being short term in nature and the loss rate reflects the current and future outlook of the portfolio.

Movements in the provision for expected credit losses of trade are as follows:

	Actual Dec 2023 \$	Actual Dec 2022 \$
Balance at 1 January	89,206	50,038
Increase in provisions during the year	205,000	39,168
Balance at 31 December	294,206	89,206

#### 4. (c) Prepaid expenses

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

	Dec 2023 \$	Dec 2022 \$
Unamortized insurance	146,709	142,889
Firewall licence renewal	27,361	-
Rent (Accrued prepayment)	-	36,667
Total	174,070	179,556

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2023

(Stated in Cayman Islands dollars)

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

This represents amounts paid in advance to secure services and as deposit on assets and equipment. These are short term in nature and will be completed during the 2024 financial year.

	Dec 2023	Dec 2022
	\$	\$
Deposits for assets and expenses	124,116	107,892

### 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 2022	41,625,000	24,505,224	18,589,751	67,412	84,787,387
Additions	-	-	159,039	-	159,039
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Transfers	-	-	(16,352)	-	(16,352)
Closing balance at 31 Dec 2023	41,625,000	24,505,224	18,732,438	67,412	84,930,074
<b>Accumulated Depreciation</b>					
Beginning balance at 31 Dec 2022	-	2,659,309	11,107,668	-	13,766,977
Charge for the year	-	1,348,511	646,488	-	1,994,999
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Transfers	-	(6,001)	(10,562)	-	(16,563)
Closing balance at 31 Dec 2023	-	4,001,819	11,743,594	-	15,745,413
<b>Net Book Value</b>					
Closing balance at 31 Dec 2023	41,625,000	20,503,405	6,988,844	67,412	69,184,661
Closing balance at 31 Dec 2022	41,625,000	21,845,915	7,482,083	67,412	71,020,410

Depreciation Summary	Dec 2023	Dec 2022
	\$	\$
Buildings	1,348,511	1,359,360
Cranes, fleet, plant and equipment	464,740	488,085
Computer equipment and software	181,748	220,696
Right of use assets	90,221	86,225
Total depreciation expense	2,085,220	2,154,366

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2023

(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 2022	13,681,467	856,695	1,540,267	1,605,910	717,819	187,593	18,589,751
Additions	20,065	30,795	-	94,506	-	13,673	159,039
Disposals	-	-	-	-	-	-	-
Transfers	(116,687)	1,595	(2,869)	108,970	(8,256)	895	(16,352)
At 31 Dec 2023	13,584,845	889,085	1,537,398	1,809,386	709,563	202,161	18,732,438
Accumulated Depreciation							
At 31 Dec 2022	6,846,971	595,687	1,427,334	1,403,575	650,147	183,954	11,107,668
Charge for the year	338,316	78,715	103,033	115,501	6,042	4,881	646,488
Disposals	-	-	-	-	-	-	-
Transfers	(72,132)	(2,062)	-	63,796	-	(164)	(10,562)
At 31 Dec 2023	7,113,155	672,340	1,530,367	1,582,872	656,189	188,671	11,743,592
Book Value							
At 31 Dec 2023	6,471,690	216,745	7,031	226,514	53,374	13,490	6,988,844
At 31 Dec 2022	6,834,496	261,008	112,933	202,335	67,672	3,639	7,482,083

### 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 2023

(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 2023 \$	Fair value 2022 \$
Unit A, Storage Unit	100,086	13,652	86,434	13,013
Unit B, Storage Unit	130,809	47,360	83,449	118,202
South Terminal (14BHP135)	265,548	8,852	256,696	30,178
Total	496,443	69,864	426,579	161,393

Description	Net Present Value \$	Principal Payments \$	Lease Liability 2023 \$	Lease Liability 2022 \$
Unit A, Storage Unit	178,812	90,407	88,405	13,968
Unit B, Storage Unit	130,809	43,537	87,272	119,445
South Terminal (14BHP135)	597,637	341,379	256,258	32,284
Total	907,258	475,323	431,935	165,697

#### 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 2023, in accordance with IAS 40. The revaluation shows a decrease in investment property value from \$9,226,000 at December 31, 2022 to \$9,000,000 at December 31, 2023, a loss of \$226,000.

#### 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 2023

(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, 2023

	Level 1	Level 2	Level 3	Total
Land and buildings	-	62,128,405	-	62,128,405
Investment property	-	9,000,000	-	9,000,000
Total	-	71,128,405	-	71,128,405

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 2023, there was no such revaluation of the assets during the financial year ended December 31, 2023.

#### 8. Capital works in progress

	Dec 2023	Dec 2022
	\$	\$
Others	67,412	67,412
Total	67,412	67,412

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

For the financial year ended 31 December 2023  
*(Stated in Cayman Islands dollars)*

**9. Investment property**

	<b>Buildings</b> <b>\$</b>
Beginning balance at 31 December 2022	9,226,000
Additions during the year	-
Changes in fair value at 31 December 2023	<u>(226,000)</u>
Ending balance at 31 December 2023	<u>9,000,000</u>
Ending balance at 31 December 2022	<u>9,226,000</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 year and changes in the fair value is charged to “other income / expense” in the Statement of Comprehensive Income. There was a decrease of \$226,000 in the fair value of Investment Property upon revaluation by Lands and Survey Department for value date 31 December 2023.

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:

	<b>\$</b>
Rental Income from Investment Property	1,168,159
Direct Operating Expenses arising from Investment (i) Property that generated the income	<u>(682,274)</u>
<b>Net Income</b>	<u><b>485,885</b></u>

- i. This represents utilities of \$131,387, repairs and maintenance expenses of \$261,643 and contracted services of \$289,244 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 \$665,088 (2022: \$888,098) of this amount comprises payables occurring in the normal course of business. \$600,000 (2022: \$71,555) represents amount owed to Government for insurance coverage.

A total of \$915,185 (2022: \$2,393,595), 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. For the year ended 31 December 2022, 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 31 December 2022. This amount was eventually settled in June 2023.

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2023

(Stated in Cayman Islands dollars)

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

Detail	Dec 2023 \$	Dec 2022 \$
Accruals and staff benefit	1,328,046	621,908
Creditors	665,088	958,548
Escrow deposits	104,327	97,227
Provisions and other accruals	82,812	74,460
Provision for ex-gratia payment	-	1,600,000
Total	2,180,273	3,352,143

#### 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 \$39,445,000 at the end of the financial year 31 December 2023 (2022: \$35,889,000). The details of the expected valuation and the assumptions used are reproduced hereunder in accordance with IAS 19.

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

The Port Authority established a monthly savings programme to fund this liability. Consequently, while at the end of the period the entire \$39,445,000 (2022: \$35,889,000) is unfunded; the monthly savings will begin to offset the liability in the coming years. At December 31 2023, the savings totalled \$0 (2022: \$1,666,048).

The Port Authority also currently pays a monthly pension to a small number of retirees. As of December 31, 2023, there were 2 retirees (2022: 4).

Management does not consider the pension paid to retired workers to be material as the retirees currently received a combined \$32,060 per annum (2022: \$37,300). 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 2023  
*(Stated in Cayman Islands dollars)*

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

Plan Name	Port Authority of the Cayman Islands	
	31 Dec 2023	31 Dec 2022
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	35,889,000	51,446,000
2. Service cost		
a. Current service cost	940,000	1,531,000
b. Past service cost	-	-
c. (Gain) / loss on settlements	-	-
3. Interest expense	1,928,000	1,436,000
4. Cash flows		
d. Benefit payments from plan assets	-	-
e. Benefit payments from employer	(260,000)	(183,000)
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	-	-
b. Effect of changes in financial assumptions	1,463,000	(17,934,000)
c. Effect of experience adjustments	(515,000)	(407,000)
7. Effect of changes in Foreign exchange rates	-	-
8. Defined benefit obligation at the end of year	39,445,000	35,889,000
<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	260,000	183,000
iii. Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	-	-
d. Benefit payments from employer	(260,000)	(183,000)
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 2023  
*(Stated in Cayman Islands dollars)*

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

Plan Name	Port Authority of the Cayman Islands	
	31 Dec 2023	31 Dec 2022
Financial period ending on		
<b>C. Amounts recognized in the statement of financial position</b>		
1. Defined benefit obligation	39,445,000	35,889,000
2. Fair value of plan assets	-	-
3. Funded status	39,445,000	35,889,000
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability/(asset)	39,445,000	35,889,000
<b>D. Components of defined benefit cost</b>		
1. Service cost		
a. Current service cost	940,000	1,531,000
b. Reimbursement service cost	-	-
c. Past service cost	-	-
d. (Gain) / loss on settlements	-	-
e. Total service cost	940,000	1,531,000
2. Net interest cost		
a. Interest expense on Defined Benefit Obligation (DBO)	1,928,000	1,436,000
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	1,928,000	1,436,000
3. Remeasurements of Other Long Term Benefits	-	-
4. Administrative expenses and/or taxes (not reserved within DBO)	-	-
	2,868,000	2,967,000
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	1,463,000	(17,934,000)
b. Effect of changes in financial assumptions	(515,000)	(407,000)
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)	948,000	(18,341,000)
7. Total defined benefit cost recognized in P&L and OCI	3,816,000	(15,374,000)
<b>E. Net defined benefit liability/(asset) reconciliation</b>		
1. Net defined benefit liability/(asset)	35,889,000	51,446,000
2. Defined benefit cost included in P&L	2,868,000	2,967,000
3. Total remeasurement included in OCI	948,000	(18,341,000)
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	(260,000)	(183,000)
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	39,445,000	35,889,000



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

For the financial year ended 31 December 2023  
*(Stated in Cayman Islands dollars)*

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

Plan Name	Port Authority of the Cayman Islands	
	31 Dec 2023	31 Dec 2022
Financial period ending on		
<b>F. Defined benefit obligation</b>		
1. Defined benefit obligation by participant status		
a. Actives	32,636,000	29,523,000
b. Vested deferreds	-	-
c. Retirees	6,809,000	6,366,000
d. Total	39,445,000	35,889,000
<b>G. Significant actuarial assumptions</b>		
<i>Weighted-average assumptions to determine defined benefit obligations</i>		
Discount rate	5.20%	5.45%
Health care cost trend rates		
Immediate trend rate	5.19%	5.25%
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	5.45%	3.00%
Effective rate for net interest	5.43%	2.81%
Effective discount rate for service cost	5.35%	3.00%
Effective rate for interest on service cost	5.41%	3.01%
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
<b>H. Sensitivity analysis</b>		
<i>Present value of defined benefit obligations</i>		
Effective discount rate - 25 basis points	1,540,000	1,425,000
Effective discount rate + 25 basis points	(1,463,000)	(1,353,000)
Health care cost trend rates – 100 basis points	(3,164,000)	(2,883,000)
Health care cost trend rates + 100 basis points	2,941,000	2,692,000
Mortality assumption + 10%	(995,000)	(900,000)
<b>I. Expected cash flows for following year</b>		
1. Expected employer contributions	872,000	771,000
2. Expected total benefit payments		
Year 1	872,000	771,000
Year 2	954,000	872,000
Year 3	1,069,000	955,000
Year 4	1,207,000	1,070,000
Year 5	1,325,000	1,208,000
Next 5 years	9,360,000	8,475,000

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2023

(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 2023 and 31 December 2022 are shown in the table below.

ECONOMIC ASSUMPTIONS	POST RETIREMENT HEALTHCARE	BASIS OF DEVELOPMENT – ACCOUNTING SPECIFIC ASSUMPTIONS
Discount rate (p.a.)  - Dec 31, 2023 - Dec 31, 2022	  5.20% per annum 5.45% 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, 2023 - Dec 31, 2022	  5.20% per annum 5.35% per annum	
Rate of medical inflation used to determine December 31 2023 benefit obligation (p.a.)	5.30% for all benefits	Based on short-term and long term medical inflation expectation for the Cayman Islands and overseas care in Mercer U.S. November 2022 Retiree Medical Trend Model
Rate of medical inflation used to determine December 31 2022 benefit obligation (p.a.)	5.30% per annum in 2021 grading down to 4.00% per annum in and after 2045 for health care benefits 4.00% 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 2023 defined benefit obligation	33.3% of claims	Based on target loss ratio of 75%
Administration expenses used to determine December 31 2022 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 2023

(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 2023 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. Future mortality improvement scales are updated regularly.
Mortality improvements used to determine December 31 2022 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 2023 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 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.
Healthcare utilization changes due to age used to determine December 31 2023 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 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
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 2023

(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.

Cabinet granted approval pursuant to section 39(2) of the Public Authorities Act (2020 Revision), to exempt Statutory Authorities and Government Companies from paying over to Core Government surplus cash reserves as at 31<sup>st</sup> December 2023.

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.

Based on the dividend formula, no dividend is due to the government for the financial year ended 31 December 2023 as the change in cash and cash equivalents less restricted cash is negative.

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 2023 (2022: \$0) as the capital charge rate for the 2023 financial year was set at 0%.

We do not anticipate any amount payable to the Government for the financial year ended 31 December 2023.

##### b) Leases

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

	<b>Dec 2023</b>	<b>Dec 2022</b>
	<b>\$</b>	<b>\$</b>
Depreciation charge for right-of-use	93,869	86,225
Interest expense on lease liabilities	10,426	6,229
<b>Total cash outflow for leases</b>	<b>104,295</b>	<b>92,454</b>

The following pertains to timing of capital lease contractual payment:

	<b>Net Present Value</b>	<b>Less than 1 year</b>	<b>2 – 5 yrs.</b>	<b>More than 5 years</b>
<b>Description</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Unit A, Storage Unit	100,086	29,264	69,123	-
Unit B, Storage Unit	130,809	28,800	62,400	-
South Terminal (14BHP135)	265,548	60,000	225,000	-
<b>Total</b>	<b>496,443</b>	<b>118,064</b>	<b>356,523</b>	<b>-</b>

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

For the financial year ended 31 December 2023  
*(Stated in Cayman Islands dollars)*

**12. Contingencies and commitments (continued)**

*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.

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 2023 as well as at 31 December 2022.

The following pertains to timing of contractual payment:

	Less than 1 year	2 – 5 years	More than 5 years
Description	\$	\$	\$
Cargo Port Development	421,526	421,526	-
Janitorial	245,928	942,724	-
Legal	80,667	121,000	-
Security	615,600	256,500	-
Stevedore contract- CYB	108,000	81,000	-
Total	1,471,721	1,822,750	-

*d) Legal Proceedings against the Authority*

- (i) 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 arising from the actions taken against the staff in accordance with internal policy. In October 2023, the Attorneys for the Employee and his wife issued a writ making various allegations against PACI as well as the Attorney General and the Anti-Corruption Commission (“ACC”). That Writ was subsequently served on PACI. The Attorneys for the PACI filed an Acknowledgement of service and then a Defence to the Writ action (the Attorney General’s department has also filed a Defence on behalf of the Attorney General and the ACC). The PACI’s and the Attorney General’s Defences both raise a number of defences to the claims. 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

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2023

*(Stated in Cayman Islands dollars)*

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### 12. Contingencies and commitments (continued)

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

- (ii) subsequently would likely be minimal given the facts and circumstances of the case. PACI's attorneys was advised that an update was received in August 2023, indicating that the matter had not progressed.
- (iii) In January 2019, correspondence was received from an attorney representing 51 staff members concerning non-payment of overtime, vacation, sick and compassionate leave from July 2007 to June 2010 and July 2010 to August 2017, respectively. Following meetings in late 2018, this matter was left dormant until late 2023. On 29 December 2023, a letter was received from the attorneys. A meeting in January 2024 was held to determine the nature of the claims now being made. Essentially, the same claims that were made before are being repeated. Given the passage of time, many (if not all) of the claims may now be subject to limitation defences, among other defences, that were previously advanced. The Attorneys to PACI are currently seeking further instructions from the PACI Board.
- (iv) 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.

On 11 September 2023, the Attorneys for PACI were advised that the PACI Board has now officially adopted the Cabinet-approved salary scales i.e. section 47(1) of the PAA. The Attorneys then provided further advice to the PACI Board on 14 September in relation to the implementation of section 47(2).

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.

### 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 \$596,179 (2022: \$577,112). 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 \$596,179 in the Statement of Comprehensive Income represents the amortized estimated insurance premium for period 1 January - 31 December 2023.

- b) A director is the principal of Miracle Brokers Ltd and Aeropost GCM Ltd, from which the Port Authority earned \$827,727 (2022: \$824,745) and \$5,116 (2022: \$0), respectively in 2023, with unpaid balance of \$93 and \$0, respectively at the end of the financial year. The Port Authority also incurred expenditure of \$62,350 for the year (2022: \$33,606) with outstanding balance of \$0 (2022: \$0) at the



# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2023

(Stated in Cayman Islands dollars)

### 13. Related party transactions (continued)

- b) end of 2023. 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 2023, there are two (2) full time senior management personnel on recurring employment agreements (2022: 2), and one (1) on a fixed term contract (2022: 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 2023 for senior management was \$669,570 (2022: \$699,146).

	Dec 2023	Dec 2022
	\$	\$
Salaries	590,896	606,125
Pension	47,828	60,613
Medical	28,535	29,768
Life Insurance	2,310	2,640
Total remuneration (including benefits)	669,570	699,146

- d) Board members

There are 10 members that make up the Port Authority's board (2022:10); of those members, only seven receive board fees. The fees are fixed per month as follows:

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

One board member receives an additional \$344 per meeting (2022: \$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 2023 was \$141,871 (2022: \$127,808).

- e) Lines of credit

The Port Authority has an overdraft facility of CI\$250,000 (2022: CI\$250,000) and two (2022:1) corporate credit card with a total credit limit of US\$50,000 (2022: US\$20,000). At 31 December 2023, the outstanding balance was \$7 (2022: \$169).

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2023

*(Stated in Cayman Islands dollars)*

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### 14. Fair value disclosure

At 31 December 2023, 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.

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 2023

(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 2023	Dec 2022
	\$	\$
Financial assets		
Cash and cash equivalents	13,386,416	12,424,271
Accounts receivable	1,977,859	1,868,991
Other receivables, prepaids and deposits	298,186	287,448
Total financial assets	15,662,461	14,580,710
Non-financial assets	-	-
<b>Total assets exposed to credit risks</b>	<b>15,662,461</b>	<b>14,580,710</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
<b>As at December 31, 2023</b>	\$	\$	\$	\$
Cash and cash equivalents	13,386,416	-	-	13,386,416
Accounts receivable	-	2,272,065	(294,206)	1,977,859
Other receivables, prepaids and deposits	298,186	-	-	298,186
<b>Total assets exposed to credit risks</b>	<b>13,684,602</b>	<b>2,272,065</b>	<b>(294,206)</b>	<b>15,662,461</b>

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
<b>As at December 31, 2022</b>	\$	\$	\$	\$
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>

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2023

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

Set out below is the information about the credit risk exposure on trade receivables and contract assets using a provision matrix:

	Up to 45 days	46 to 90 days	91 to 120 days	Over 120 days	Total
As at December 31, 2023	\$	\$	\$	\$	\$
Expected credit loss rate	65%	6%	1%	2%	
Estimated total gross carrying amount at default	1,553,021	134,756	31,479	481,500	2,200,755
Expected credit loss	130,771	9,913	6,210	444,084	590,977
As at December 31, 2022	\$	\$	\$	\$	\$
Expected credit loss rate	0%	0%	0%	24%	
Estimated total gross carrying amount at default	1,282,327	180,696	72,346	333,622	1,238,182
Expected credit loss	-	-	-	39,168	39,168

### 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, 2023 and December 31 2022.

	Contractual cash flows (undiscounted)				
	Carrying amount	No stated maturity	0 – 1 yr.	1 – 2 yrs.	> 2 yrs.
December 31, 2023	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	13,386,416	-	13,377,370	-	-
Accounts receivable	1,977,859	-	1,977,859	-	-
Other receivables, prepaids and deposits	298,186	-	348,106	-	-
Total	15,662,461	-	15,662,461	-	-
<b>Short-term liabilities</b>					
Accounts payable	2,180,273	-	2,180,273	-	-
Loans repayable within 12 months	-	-	-	-	-
Total	2,180,273	-	2,180,273	-	-
<b>Difference in contractual cash flows</b>	<b>13,482,188</b>	<b>-</b>	<b>13,482,188</b>	<b>-</b>	<b>-</b>

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

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

**Management of financial risks (continued)**

<b>December 31, 2022</b>	<b>Contractual cash flows (undiscounted)</b>				
	<b>Carrying amount</b>	<b>No stated maturity</b>	<b>0 – 1 yr.</b>	<b>1 – 2 yrs.</b>	<b>&gt; 2 yrs.</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<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 payables	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>

**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**

Cargo handling income is comprised of the following:

	<b>Dec 2023</b>	<b>Dec 2022</b>
	<b>\$</b>	<b>\$</b>
Cargo dues	14,544,879	14,157,800
Crane fees	3,377,600	3,271,350
Storage charges	1,750,456	1,327,439
Trucking fees	1,089,353	1,039,972
Empty container handling and storage	378,089	346,884
Cargo handling charges	172,250	172,988
Other fees	117,306	110,804
<b>Total cargo handling income</b>	<b>21,429,933</b>	<b>20,427,237</b>

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

For the financial year ended 31 December 2023

*(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 2023 to 31 December 2023, the Cayman Islands recorded 1,270,053 cruise passenger arrivals (2022: 736,382) giving rise to passenger fees of \$3,146,044 (2022: \$1,797,893).

**18. Maritime services**

	<b>Dec 2023</b>	<b>Dec 2022</b>
	<b>\$</b>	<b>\$</b>
Berthing fees	561,336	523,358
Dock usage surcharge	314,280	354,740
Line handling	178,550	177,150
Overtime worked	139,219	126,392
Cruise ship tender dues	47,271	28,481
Navigation aids	29,253	23,704
Hire of equipment	8,000	9,700
Lay-up anchorage fees	-	254
<b>Total maritime services income</b>	<b>1,277,909</b>	<b>1,243,779</b>

**19. Other income**

	<b>Dec 2023</b>	<b>Dec 2022</b>
	<b>\$</b>	<b>\$</b>
Finance charges on overdue balances	115,224	60,869
ID's, vessel inspection, miscellaneous	74,434	10,084
Garbage fees	48,525	54,450
Container trans-shipments	36,400	20,000
Water sales (net)	11,595	7,775
Crane heavy lift	-	2,800
<b>Total other income</b>	<b>286,178</b>	<b>155,978</b>



## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2023

(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 2023	Dec 2022
	\$	\$
Diesel sales	547,734	274,660
Diesel cost of sales	(396,930)	(200,271)
Net income from diesel sales	150,804	74,389

#### 21. Staff costs

	Dec 2023	Dec 2022
	\$	\$
Salary and wages	13,870,126	12,046,258
Medical insurance	1,888,088	1,631,596
Pension	1,374,813	1,219,987
Other staff costs – uniforms, training etc.	207,935	118,262
Provision for ex- gratia payments to staff	-	1,600,000
Total staff costs	17,340,962	16,616,103

Pension contributions for 2023 were \$1,374,813 (2022: \$1,219,987). 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 \$59,277 (2022: \$38,947).

#### 22. Contracted services

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

	Dec 2023	Dec 2022
	\$	\$
Security	1,005,269	888,958
Professional	489,086	238,264
Janitorial	435,657	330,471
Legal	190,601	226,788
Audit	110,000	90,000
Total contracted services	2,230,613	1,774,481

## PORT AUTHORITY OF THE CAYMAN ISLANDS

### Notes to the Financial Statements

For the financial year ended 31 December 2023

*(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 2023, repairs and maintenance amounted to \$ 2,006,982 (2022: \$2,080,318).

#### 24. Rental income

The Port Authority owns properties that it lets to tenants for a monthly rental. The annual rent receipts at full occupancy are estimated at \$1,562,787 per annum. For the year ended 31 December 2023, the actual rent earned was \$1,292,968 (2022: \$291,731).

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	1,562,787
Rental income for 2-5 years	6,251,148

#### 25. Miscellaneous expenses

	Dec 2023	Dec 2022
	\$	\$
Miscellaneous - day/night operations	72,928	84,835
Miscellaneous - administration	37,643	5,141
Professional association membership dues	28,549	14,356
Miscellaneous - various	20,190	9,971
Miscellaneous - cruise and security	2,678	803
Total miscellaneous expense	161,988	115,106

The Port Authority made \$5,000 donations to the F.C. International summer football camp. This is included in Miscellaneous - various expense during the 2023 financial year (2022: \$5,000).

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

For the financial year ended 31 December 2023  
*(Stated in Cayman Islands dollars)*

**26. Branch statements of financial position**

	<b>Grand Cayman</b>	<b>Cayman Brac</b>	<b>Total 2023</b>	<b>Total 2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Current assets</b>				
Cash and cash equivalents	13,112,964	273,452	13,386,416	12,424,271
Accounts receivable	1,850,036	127,823	1,977,859	1,868,991
Inventory	1,825,404	59,344	1,884,748	1,274,085
Prepaid expenses	174,070	-	174,070	179,556
Other receivables	117,563	6,553	124,116	107,892
Total current assets	17,080,037	467,172	17,547,209	15,854,795
<b>Current liabilities</b>				
Accounts payable and accrued expenses	2,123,081	57,192	2,180,273	3,352,143
Total current liabilities	2,123,081	57,192	2,180,273	3,352,143
<b>Working capital</b>	<b>14,956,956</b>	<b>409,980</b>	<b>15,366,936</b>	<b>12,502,652</b>
Plant, property and equipment	66,599,915	2,584,746	69,184,661	71,020,410
Leases-right of use land and warehouse	426,579	-	426,579	161,393
Investment property	9,000,000	-	9,000,000	9,226,000
Lease liability	(431,935)	-	(431,935)	(165,697)
Defined benefit liability-health care	(39,445,000)	-	(39,445,000)	(35,889,000)
<b>Net assets</b>	<b>51,106,515</b>	<b>2,994,726</b>	<b>54,101,241</b>	<b>56,855,758</b>
Represented by:				
Retained earnings	29,775,437	(13,112,570)	16,662,867	19,417,384
Asset revaluation reserve	36,748,392	689,982	37,438,374	37,438,374
Inter-branch account	(15,417,314)	15,417,314	-	-
<b>Equity</b>	<b>51,106,515</b>	<b>2,994,726</b>	<b>54,101,241</b>	<b>56,855,758</b>

# PORT AUTHORITY OF THE CAYMAN ISLANDS

## Notes to the Financial Statements

For the financial year ended 31 December 2023

(Stated in Cayman Islands dollars)

### 27. Branch statements of comprehensive income

	Grand Cayman	Cayman Brac	Total 2023	Total 2022
	\$	\$	\$	\$
Operating income	26,596,090	987,746	27,583,836	23,991,007
Operating expenses	23,132,056	1,504,870	24,636,926	(23,090,474)
Depreciation	1,831,540	253,680	2,085,220	(2,154,366)
<b>Gross operating profit (loss)</b>	<b>1,632,494</b>	<b>(770,804)</b>	<b>861,690</b>	<b>(1,253,833)</b>
Other expense				
Loss on disposal of fixed assets	-	-	-	(14,772)
Interest income	50,110	-	50,110	5,426
Defined benefit annual expense	(2,868,000)	-	(2,868,000)	(2,967,000)
Total other income/(expense)	(2,817,890)	-	(2,817,890)	(2,976,347)
<b>Net loss</b>	<b>(1,185,396)</b>	<b>(770,804)</b>	<b>(1,956,200)</b>	<b>(4,230,179)</b>
Other comprehensive income:				
Remeasurements-defined benefit	(948,000)	-	(948,000)	18,341,000
Gain on revaluation of land and buildings	-	-	-	1,926,000
Gain on revaluation of property	(226,000)	-	(226,000)	-
<b>Total comprehensive (loss) / income</b>	<b>(2,359,396)</b>	<b>(770,804)</b>	<b>(3,130,200)</b>	<b>16,036,821</b>
Retained Earnings	32,134,833	(12,341,766)	19,793,067	3,380,563
Revaluation reserve	36,748,392	689,982	37,438,374	37,438,374
<b>General reserve at 31 December</b>	<b>66,523,829</b>	<b>(12,422,588)</b>	<b>54,101,241</b>	<b>56,855,758</b>

### Financial performance of Cayman Brac Operations

Cayman Brac continues to post losses on an annual basis. Total accumulated losses for the 2023 period was \$770,804 (2022: \$849,749) as seen in the table above. The total losses for Cayman Brac to date are reflected in the negative general reserve figure of \$12,341,766 as at 31 December 2023 (2022: \$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 Cayman Islands experienced two Northwesters in February 2024 that caused significant damage to some of the properties on the Waterfront in George Town, and in Cayman Brac and Little Cayman. The complete assessments were not completed at the financial position date, but management believes the estimates may be substantial.



**CAYMAN PORT**

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