

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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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: 30th April 2024

Date: 30th April 2024

Cline Glidden
Chairman of the Board

Date: 30th 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 \$ |
|--|------|---------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| 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 |
| Total Current Assets | | 17,547,209 | 15,854,795 |
| Non-Current Assets | | | |
| 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 |
| Total property, plant and equipment | | 69,184,661 | 71,020,410 |
| Right of use land and warehouses | 6 | 426,579 | 161,393 |
| Investment property | 7, 9 | 9,000,000 | 9,226,000 |
| Total Non-Current Assets | | 78,611,240 | 80,407,803 |
| TOTAL ASSETS | | 96,158,449 | 96,262,598 |
| LIABILITIES and EQUITY | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | 10 | 2,180,273 | 3,352,143 |
| Total Current Liabilities | | 2,180,273 | 3,352,143 |
| Non-Current Liabilities | | | |
| Lease liability | 6 | 431,935 | 165,697 |
| Defined benefit liability | 11 | 39,445,000 | 35,889,000 |
| Total Non-Current Liabilities | | 39,876,935 | 36,054,697 |
| TOTAL LIABILITIES | | 42,057,208 | 39,406,840 |
| RETAINED EARNINGS | | 16,662,867 | 19,417,384 |
| ASSET REVALUATION RESERVE | | 37,438,374 | 37,438,374 |
| | | 54,101,241 | 56,855,758 |
| TOTAL LIABILITIES and EQUITY | | 96,158,449 | 96,262,598 |

Approved:


Paul Hurlston (Port Director)

30 APRIL 2024
Date


Don Hutchinson (Deputy Director - Finance Acting)

30 APRIL 2024
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 \$ |
|---|-------|---------------------|---------------------|
| OPERATING REVENUE | | | |
| 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 |
| Total Operating Revenue | | 27,583,836 | 23,991,007 |
| OPERATING EXPENSES | | | |
| 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 | - |
| Total Operating Expenses | | 26,722,146 | 25,244,840 |
| GROSS OPERATING PROFIT/(LOSS) | | 861,690 | (1,253,833) |
| OTHER INCOME/EXPENSES | | | |
| 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) |
| Total Other Income/(Expenses) | | (2,817,890) | (2,976,346) |
| NET LOSS | | (1,956,200) | (4,230,179) |
| OTHER COMPREHENSIVE INCOME: | | | |
| 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 |
| TOTAL COMPREHENSIVE (LOSS)/ INCOME | | (3,130,200) | 16,036,821 |

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 \$ |
|--|------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 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 |
| Net Cash Provided by Operating Activities | | 1,485,478 | 2,564,811 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | |
| 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) |
| Net Cash Used in Investing Activities | | (159,038) | (503,483) |
| CASH FLOWS USED IN FINANCING ACTIVITIES | | | |
| Defined benefit payment for active enrolees | 11 | (260,000) | (183,000) |
| Principal lease payments | | (104,295) | (94,025) |
| Net Cash Used in Financing Activities | | (364,295) | (277,025) |
| Net increase in cash and cash equivalents | | 962,145 | 1,784,303 |
| Cash and cash equivalents at the beginning of the year | 4(a) | 12,424,271 | 10,639,968 |
| Cash and cash equivalents at the end of year | 4(a) | 13,386,416 | 12,424,271 |

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)

| | Retained Earnings | Revaluation Reserve | Total |
|---|--------------------------|----------------------------|-------------------|
| Beginning balance 1 January 2022 | 5,085,813 | 35,512,374 | 40,598,187 |
| 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 |
| Ending balance 31 Dec 2022 | 19,417,384 | 37,438,374 | 56,855,758 |
| Beginning balance 1 January 2023 | 19,417,384 | 37,438,374 | 56,855,758 |
| 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) |
| Ending balance 31 Dec 2023 | 16,662,867 | 37,438,374 | 54,101,241 |

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)

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)

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 |
| Financial Assets: | | | |
| Cash and cash Equivalents | Loans and Receivables | Amortized Cost | Amortized Cost |
| Accounts and other receivables | Loans and Receivables | Amortized Cost | Amortized Cost |
| Financial Liabilities | | | |
| Accounts payable and accrued expenses | Other liabilities | Amortized Cost | Amortized Cost |

(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)

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)

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)

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)

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)

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)

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)

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)

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 \$ |
|----------------------------------|------------------------|------------------------------|-----------------------|-----------------------------------|-------------|
| Book Value | | | | | |
| 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 |
| Accumulated Depreciation | | | | | |
| 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 |
| Net Book Value | | | | | |
| 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

| | Buildings \$ |
|---|-------------------------------|
| 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:

| | |
|---|-----------------------|
| | \$ |
| Rental Income from Investment Property | 1,168,159 |
| Direct Operating Expenses arising from Investment (i) Property that generated the income | <u>(682,274)</u> |
| Net Income | <u>485,885</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 |
| A. Change in defined benefit obligation | | |
| 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. Change in fair value of plan assets | | |
| 1. Fair value of plan assets at end of prior year | - | - |
| 2. Interest income | - | - |
| 3. Cash flows | | |
| a. Total employer contributions | - | - |
| i. Employer contributions | - | - |
| ii. Employer direct benefit payments | 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 | - | - |

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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 | | |
| C. Amounts recognized in the statement of financial position | | |
| 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 |
| D. Components of defined benefit cost | | |
| 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) |
| E. Net defined benefit liability/(asset) reconciliation | | |
| 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 |

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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 | | |
| F. Defined benefit obligation | | |
| 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 |
| G. Significant actuarial assumptions | | |
| <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 |
| H. Sensitivity analysis | | |
| <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) |
| I. Expected cash flows for following year | | |
| 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

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(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% |

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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% |

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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 31st 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:

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

The following pertains to timing of capital lease contractual payment:

| | Net Present Value | Less than 1 year | 2 – 5 yrs. | More than 5 years |
|---------------------------|--------------------------|-------------------------|-------------------|--------------------------|
| Description | \$ | \$ | \$ | \$ |
| 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 | - |
| Total | 496,443 | 118,064 | 356,523 | - |

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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

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For the financial year ended 31 December 2023

(Stated in Cayman Islands dollars)

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

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Notes to the Financial Statements

For the financial year ended 31 December 2023

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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).

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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.

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Notes to the Financial Statements

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(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 | - | - |
| Total assets exposed to credit risks | 15,662,461 | 14,580,710 |

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

| | Neither past due nor impaired | Past due but not impaired | Impaired | Total |
|---|----------------------------------|------------------------------|------------------|-------------------|
| As at December 31, 2023 | \$ | \$ | \$ | \$ |
| 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 |
| Total assets exposed to credit risks | 13,684,602 | 2,272,065 | (294,206) | 15,662,461 |

| | Neither past due nor impaired | Past due but not impaired | Impaired | Total |
|---|----------------------------------|------------------------------|-----------------|-------------------|
| As at December 31, 2022 | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | 12,424,271 | - | - | 12,424,271 |
| Accounts receivable | - | 1,958,197 | (89,206) | 1,868,991 |
| Other receivables, prepaids and deposits | 287,448 | - | - | 287,448 |
| Total assets exposed to credit risks | 12,711,719 | 1,958,197 | (89,206) | 14,580,710 |

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Notes to the Financial Statements

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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 | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| 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 | - | - |
| Short-term liabilities | | | | | |
| Accounts payable | 2,180,273 | - | 2,180,273 | - | - |
| Loans repayable within 12 months | - | - | - | - | - |
| Total | 2,180,273 | - | 2,180,273 | - | - |
| Difference in contractual cash flows | 13,482,188 | - | 13,482,188 | - | - |

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(Stated in Cayman Islands dollars)

15. Financial instruments and associated risks (continued)

Management of financial risks (continued)

| December 31, 2022 | Contractual cash flows (undiscounted) | | | | |
|--|--|---------------------------|-------------------|-------------------|--------------------|
| | Carrying amount | No stated maturity | 0 – 1 yr. | 1 – 2 yrs. | > 2 yrs. |
| | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| 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 | - | - |
| Total | 14,580,710 | - | 14,580,710 | - | - |
| Short-term liabilities | | | | | |
| Accounts payables | 1,752,143 | - | 1,752,143 | - | - |
| Other liabilities repayable within 12 months | 1,600,000 | - | 1,600,000 | - | - |
| Total | 3,352,143 | - | 3,352,143 | - | - |
| Difference in contractual cash flows | 11,228,567 | - | 11,228,567 | - | - |

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:

| | Dec 2023 | Dec 2022 |
|--------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| 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 |
| Total cargo handling income | 21,429,933 | 20,427,237 |

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

| | Dec 2023 | Dec 2022 |
|--------------------------------|-----------|-----------|
| | \$ | \$ |
| 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 |
| Total maritime services income | 1,277,909 | 1,243,779 |

19. Other income

| | Dec 2023 | Dec 2022 |
|--|----------|----------|
| | \$ | \$ |
| 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 |
| Total other income | 286,178 | 155,978 |

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)

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

| | Grand Cayman | Cayman Brac | Total 2023 | Total 2022 |
|--|---------------------|--------------------|-------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Current assets | | | | |
| 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 |
| Current liabilities | | | | |
| 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 |
| Working capital | 14,956,956 | 409,980 | 15,366,936 | 12,502,652 |
| 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) |
| Net assets | 51,106,515 | 2,994,726 | 54,101,241 | 56,855,758 |
| 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 | - | - |
| Equity | 51,106,515 | 2,994,726 | 54,101,241 | 56,855,758 |

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) |
| Gross operating profit (loss) | 1,632,494 | (770,804) | 861,690 | (1,253,833) |
| 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) |
| Net loss | (1,185,396) | (770,804) | (1,956,200) | (4,230,179) |
| 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) | - |
| Total comprehensive (loss) / income | (2,359,396) | (770,804) | (3,130,200) | 16,036,821 |
| 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 |
| General reserve at 31 December | 66,523,829 | (12,422,588) | 54,101,241 | 56,855,758 |

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.