



CAYMAN PORT

Annual Report

2022

Port Authority of the Cayman Islands

Innovative, safe, and efficient solutions which stimulate and facilitate waterborne commerce, trade and leisure travel of the Cayman Islands.

**The elite Port
of excellence
in the
Caribbean.**


The image is a graphic design with a red background. A white diagonal line runs from the bottom left towards the top right. A blue diagonal bar is positioned parallel to this line, starting from the bottom left and extending towards the center. The text "The elite Port of excellence in the Caribbean." is written in white, bold, sans-serif font, positioned in the upper left quadrant of the image.



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Our Vision

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



Our Mission

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



Our Core Values

S

Sustainability

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

A

Accountability

We will take ownership of our decisions and actions.

F

Forward Thinking

We will continuously strive to be proactive and innovative.

E

Efficient

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

C

Commitment

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

H

Honor

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

O

Our People

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

I

Integrity

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

C

Collaboration

We will work together in unity to achieve our vision.

E

Embrace Change

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

S

Service Excellence

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

A Message from the Port Director

Paul Hurlston
Port Director



I joined the Port in July 2022 as Port Director, in the middle of the 2022 budget year with the post COVID-19 recovery underway. Once on board, I had to get a quick handle on the state of the Port's finances, human resources and operations but was able to do so quickly given the hard-working staff and solid structure that was in place. The rebounding of the economy and the relaxing of certain COVID-19 restrictions gave us a better opportunity to rebuild our cruise tourism so that more cruise ship passengers can visit our shores. In an effort to improve visitor experience certain well needed improvements were made to the Royal Watler, North & South Cruise Terminals. Extra safety protocols were implemented to minimize possible exposure to and the spread of the COVID-19 virus.

On the human resources side, critical positions were filled and some individuals promoted to ensure that we have a strong team in place to navigate the many challenges and continue to provide efficient and high-quality services to our stakeholders.

Operating revenue for 2022 performed 8% better than 2021, due mainly to the continued strong performance of cargo revenue and the resumption of cruise ship passenger arrivals. Our operating expenses for 2022 were closely monitored against budget to ensure that we were in line with the budget

The rebounding of the economy and the relaxing of certain COVID-19 restrictions gave us a better opportunity to rebuild our cruise tourism.



We ended 2022 with a solid capital base, with total assets of \$96M, which is \$3M higher than 2021 and \$12M higher than budgeted.

and we were able to close the 2022 financial year favorably. The 2022 financial year recorded a net surplus of \$16M. This was largely due to revaluation gain from investment property of \$2M and the favorable movement on the remeasurement of the defined benefit obligation of \$18M. Our operating loss of \$1.3M is indicative that structural alignment of our fees is increasingly necessary.

Our capital expenditure of \$500K reflects the minimum required to maintain our infrastructure and fleet to safe and acceptable levels. Given the age of our assets and the continued stress due to increasing usage, greater attention will be paid to replacing these assets in the coming years. We ended 2022 with a solid capital base, with total assets of \$96.3M, which is \$2.5M higher than 2021 and \$12M higher than budgeted. The Port currently has no loans or debts and at year end had enough cash to cover more than six months of operational expenses.

Cargo importation continues to do well, however there was a 3% reduction in cargo volume over 2021, which also affected the revenue from that source. Total cargo imports for the 2022 financial year was 370,684 tons, which is higher than the budget but lower than 2021. Despite the slight dip in the 2022 cargo tonnage, and except for 2021, the 2022 volume was the highest of the last five years. In addition, 71,394 Twenty-Foot Equivalent Units (TEU's) were processed in 2022 and this is the largest number of TEUs' that have ever been processed by the Port.

As we look to the future with optimism, there are a few things that the Port may need to consider in the short, medium and long-term. In the short term, we will look at the a) continued upgrading of our facilities, machinery and equipment to meet the growing needs of our stakeholders; b) continued training and upgrading of our human resources to ensure that we have the necessary capacity to fulfil our mandate. To this end and with the support of the Board of Directors, the Authority recruited thirty-three positions and promoted and adjusted over fifty employees during the 2022 financial year. Further realignment will be done on a phased basis as we position the organization to be the employer of choice and the elite Port of excellence in the Caribbean. In the long term, we may need to consider expanding or relocating our cargo facilities to cater to the growing demand as we are currently operating at almost maximum capacity.

In closing, I wish to express my gratitude to PACI's staff, management team and the Board for their support in achieving a very successful financial year. We closed 2022 in good standing, with a very sound financial position and a positive financial performance.

Paul Hurlston
Port Director

A Message from the Chairman

Cline Glidden Jr.
Chairman



Despite the late start of cruise ship passenger arrivals in 2022, we were able to welcome 736,382 cruise ship passengers which was more than twice what we expected.

The Port Authority plays a critical role in the continued development of the Cayman Islands and transcends every facet of life. The Port is considered to be the “backbone” of our society as most of the food, motor vehicles, machinery, construction material, furniture and other items imported into the Islands come through the Port. In addition, the Port is responsible for welcoming the millions of visitors who travel by sea to our beloved Islands.

We commenced 2022 with the hope of a reduced impact from the global pandemic and a return to some form of normality, especially since our borders were fully re-opened and some of the COVID-19 restrictions reduced. In March 2022, we resumed cruise passenger arrivals which is a significant contributor to our operating revenue. Despite the late start of cruise ship passenger arrivals in 2022, we were able to welcome 736,382 cruise ship passengers, which was more than twice what we expected. This contributed \$1.8M to our



With the COVID-19 pandemic behind us, I am quite optimistic and excited about the future of the Port and in taking PACI to the next level with higher standards and greater service excellence.

operating revenue for 2022. Cargo movement performed well in 2022 but had a slight reduction in the volume over 2021. This also manifested itself in lower cargo revenue for 2022. However, despite the lower revenue from cargo, it was higher than what was budgeted for in 2022.

The 2022 fiscal year had higher operating costs than the previous year, however the overall cost was in line with the budget. We were able to close the 2022 financial year with a net surplus of \$16M and cash balance in excess of \$12M.

With the COVID-19 pandemic behind us, I am quite optimistic and excited about the future of the Port and in taking PACI to the next level with higher standards and greater service excellence. As we prepare for our next two-year budget cycle in the coming year, we will highlight our priorities for the next two years; 2024 and 2025.

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

Cline Glidden
Chairman

Board of Directors for the Port Authority

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



Cline Glidden Jnr.
Chairman



Richard Parchment
Deputy Chairman



Edgar A. Bodden
Member



Charles Clifford
Ex Officio Member

Board of Directors for the Port Authority (continued)



Jacqueline Scott-Rankine
Member



Irma Arch
Member



Matthew Adam
Member



Stran Bodden
Ex-Officio Member



Michael Nixon
Ex-Officio Member



Carilee G. Bolen
Member



Governance

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

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

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

04

**Locations in
Grand Cayman**

01

**Location in
Cayman Brac**

01

**Location in
Little Cayman**

Origins of the Port Authority of the Cayman Islands

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

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

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



Cargo Imports

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



Navigational Maintenance

Providing and maintaining navigational markers in Cayman Islands waters.



Safe Environment

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



Cruise Tourism

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



Patrolling Presence

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



Management Team for the Port Authority



Paul Hurlston
Port Director



Dale Christian
Acting Deputy Director
of Operations



Don Hutchinson
Acting Deputy Director
of Finance and Facilities



Chris Krohn
IT Services Manager



Julius Jacky
Safety and Crisis Manager



Keisha Yates
Finance Manager

Management Team for the Port Authority (continued)



Roylee Moore
Acting Manager, Cruise
and Security



Bruce Reynolds
Cargo Distribution
Centre Manager



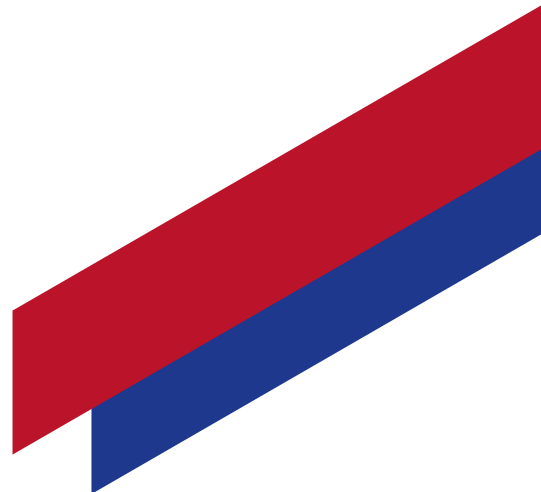
Courtney Wisdom
Facilities Manager



Bryce Webb
Fleet Manager



Myra Ryan
Acting Manager, Cayman Brac



Our People: Who we are

The Port Authority had **166 employees** at the year ended 31 December 2022. The distribution and other demographics are highlighted below.

Staff Costs

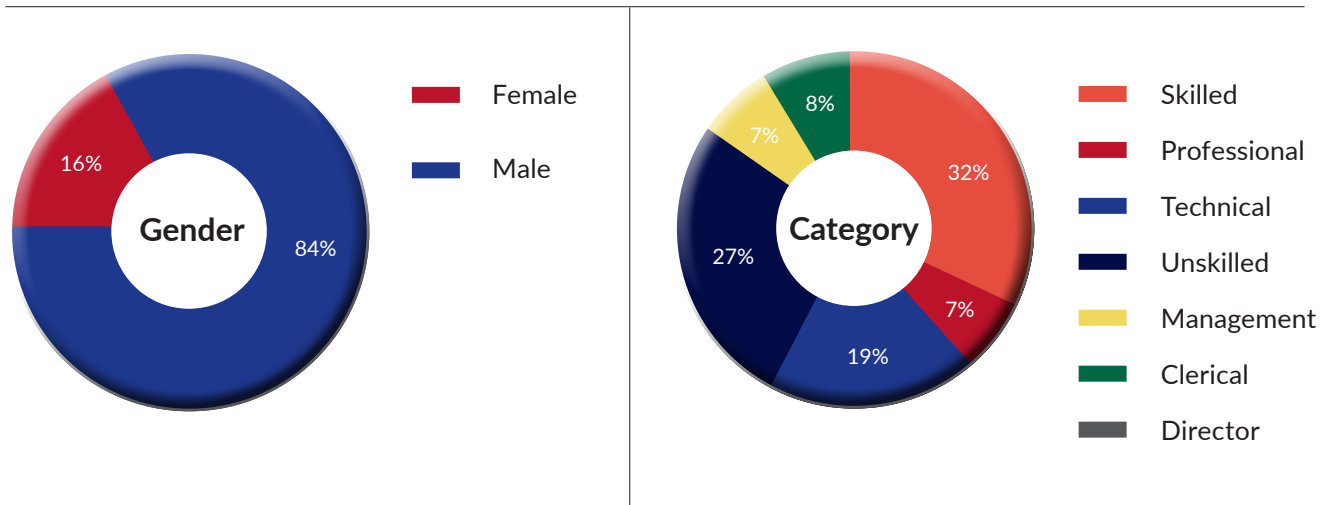
Description	2022	2021	2020	2019	2018
Salary & Wages	13,464,258	11,265,118	11,036,719	10,650,771	10,906,165
Medical Insurance	1,631,596	1,488,885	1,513,867	1,482,623	1,418,382
Pension	1,219,987	1,121,744	1,079,520	1,060,302	1,106,840
Other Staff Costs	118,262	107,613	100,584	168,919	122,198
Total Staff Costs	16,616,103	13,983,360	13,730,690	13,362,615	13,553,585

Employee Demographics

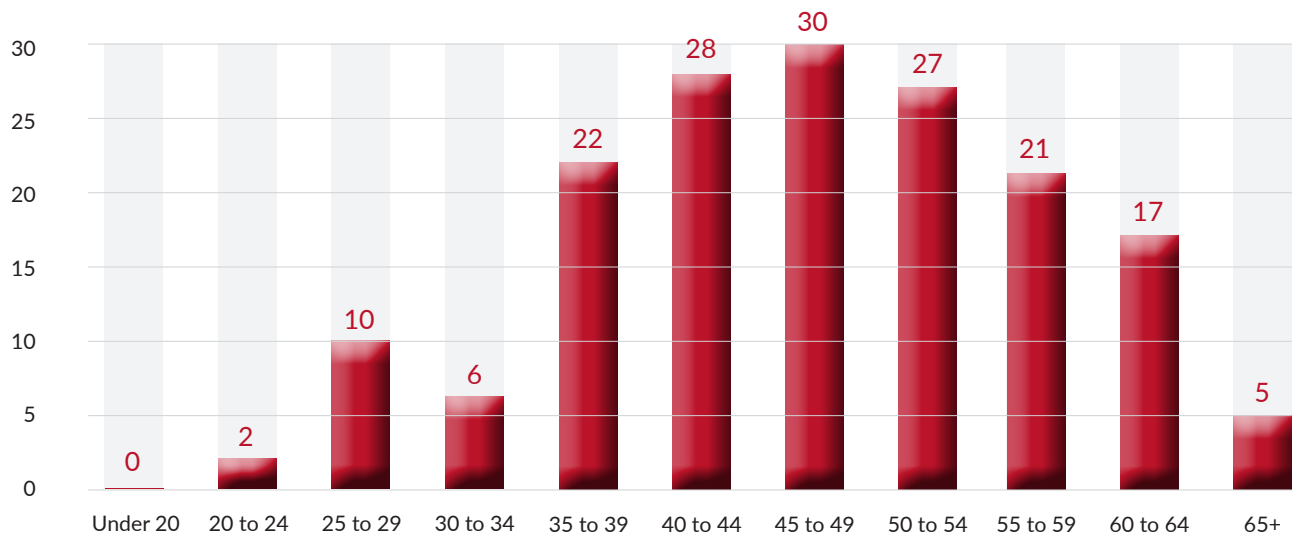
Description	2022	2021	2020	2019	2018
Staff Complement**	166	159	161	158	157
Avg. income earned per staff	144,557	140,173	136,644	168,160	169,605
Avg. expense per staff	158,405	162,357	210,832	189,595	130,949
Avg salary paid to staff	82,206	70,850	68,551	67,410	69,466

** Includes retirees on contract 4 3 4 4 4

The Port staff is comprised predominantly of men, which has traditionally been the case. The Port looks forward to a more gender balanced workforce in the future where women are represented at all levels in the organisation.



Staff Age Distribution



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

Strategic Objectives

Key strategic priorities in focus for the 2022 fiscal year

01

Improve the image of the Cayman Islands

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

02

Fine tune the computer system

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

03

Improve operations

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

04

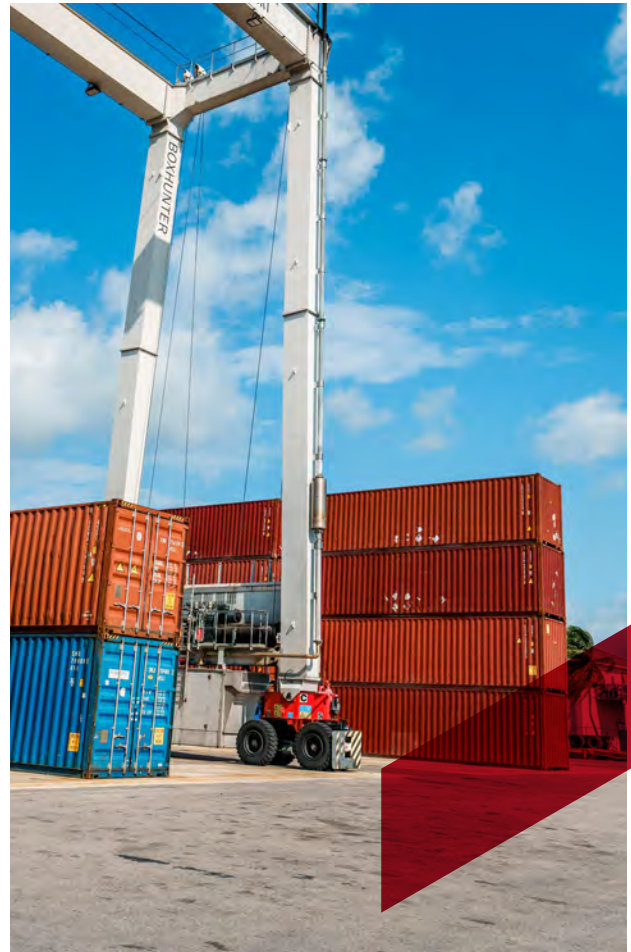
Improve efficiency of cruise and cargo

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

Cargo volumes (excluding aggregates) averaged 5% annual growth over the last five years.

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

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



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

Strategic Objectives (continued)

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

01 Technological Innovation

02 Operational Capacity and Capabilities

03 Human Capital



01

Technological Innovation



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

02

Operational Capacity and Capabilities



- Assess current and future state technology enhancement opportunities
- Re-develop Cargo Distribution Centre for operational and safety enhancements
- Upgrade of equipment for efficient use of space
- Assess Port operations and logistics of tour /taxi operators

03

Human Capital



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

Our achievements for the fiscal year 2022 with regard to these long-term strategic priority areas are highlighted below

- Continued work on implementing HR systems
- Ongoing plans to implement asset management software

- Refurbishment of Cargo Distribution Centre
- Acquisition of new vehicles to aid in the efficient performance of duties

- Recruitment of 33 positions
- Review and amendment of over 50 staff employment agreements
- Rollout of new contracts to staff
- New Organizational Chart developed

Major Milestones of 2022

Key Targets

T

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

Achievements

A

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

Successes

S

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

Challenges

C

- Resources needed to respond to organizational changes
- Limited staff resources; teething pains with software implementation

Highlights: Cruise and Security



The main highlights for the **Cruise and Security** department for 2022 are as follows:



Taxi Dispatch

- During the first quarter prior to the restart of cruise operations some of the Taxi Dispatchers were assigned to work at CDC and with Facilities to perform various duties within the scope of their abilities
- All dispatchers were trained to perform at Security Level 1 function in September 2022
- After cruise operations restarted all dispatchers returned to their normal roles within the Port



Cruise Operations

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



Harbour Patrol

- Prior to the restart of cruise operations Harbour Patrol staff were attending to Vessel Safety inspections, maintenance of the Nav Aids and swim area/Anchorage area, buoys and moorings
- Since the restart of cruise operations, the Harbour Patrol have resumed normal duties relative to when the ships are in port
- Vessels inspections still occur but normally on a scheduled day for the week and any repairs to markers is scheduled depending on the urgency
- Security level 1 refresher training done in September 2022



Security

- Security functions remained unchanged throughout the year
- Security refresher completed by all Port Security staff in September 2022
- The Port had an inspection done in July by the UK DfT on security operations and the outcome was good based on their assessment
- The Cayman Brac security staff came to Grand Cayman in September 2022 to observe and assist with the cruise operations

Highlights:

Information Technology Department

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

Department Responsibilities

The IT Department is responsible for much of the data reporting, including statistics (both internal and external). The department currently employs the IT Manager, Chris Krohn; Systems Administrator, Clifford Moiten; Programmer Analyst, Nivedita Ghosh; and IT Technician, Stefan Bodden. Together, the department ensures that the IT infrastructure and data is secure, reliable and resilient.

Major Milestones

2022 was a busy year for the Port Authority's IT department. The department dealt with more than 390 individual service requests and completed over 320 of them (over 80%) within the same year. The department also ensured that the Port had no major IT outages in 2022. Finally, the IT Department took over responsibility for handling Freedom of Information (FOI) requests.

Infrastructure Milestones

The IT Department completed some infrastructure projects in 2022. The first was to digitize the Board meetings via hand held devices. This increased efficiency, improved communication and lowered costs. The second was an improvement to the CCTV camera coverage of the CDC yard. A total of 15 cameras were installed around the RTG yard area and mechanics shop. Finally, new tablets were installed in all Port trucks to replace the failing, older tablets.

Highlights: Facilities



The main highlights for the **Facilities Department** for 2022 are as follows:



PACI Cruise Locations

- Six (6) cruise locations were given an extensive face lift in preparation for cruise return in March 2022.



Cargo Dock

- Dock surface repairs were completed
- Refurbishment of the dock workers' lunch room. This will be completed in 2023.



Cargo Distribution Centre

- Refurbishment of the CDC lunch room
- Repair of the yard well drainage system
- Rehabilitation and improvement to the perimeter fencing



Cayman Brac

- Fire alarm systems were installed in the warehouse and offices.
- Repaired damage to the cargo dock.



Billing Office

- Refurbishment of the billing office
- Redesigned space to expand capacity and improve efficiency



Little Cayman

- Repairs done to dock assets.
- Repaired damages to reefer house from lightning strike



HR Administration Office

- Refurbishment and expansion of the human resources building



Facilities Department

- Purchased assets to improve productivity and sufficiency.

Financial Section



Acting Deputy Director's Report

Don Hutchinson

**Acting Deputy Director
of Finance and Facilities**



The Port Authority recorded a surplus of \$16M for the financial year ended December 31, 2022, in contrast to the \$5M deficit in the approved budget. This performance was \$21M better than budget.

The Financial Statements of The Port Authority of the Cayman Islands for the year ended December 31, 2022 is enclosed. This includes the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity.

The Chairman, Port Director and Acting Deputy Port Director of Finance & Facilities are responsible for the accuracy of the data and the completeness and fairness of the presentation in the Financial Statements.

An analysis of the financial statements is provided in the Management Discussion section of this report, where the financial performance of the Authority is explained in detail. Selected statistical information is also presented at the end of this report to assist in understanding the overall performance of the Port Authority.

The Port Director is also responsible for establishing and maintaining adequate internal controls over the financial systems that produce the numbers presented in this report.

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

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

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

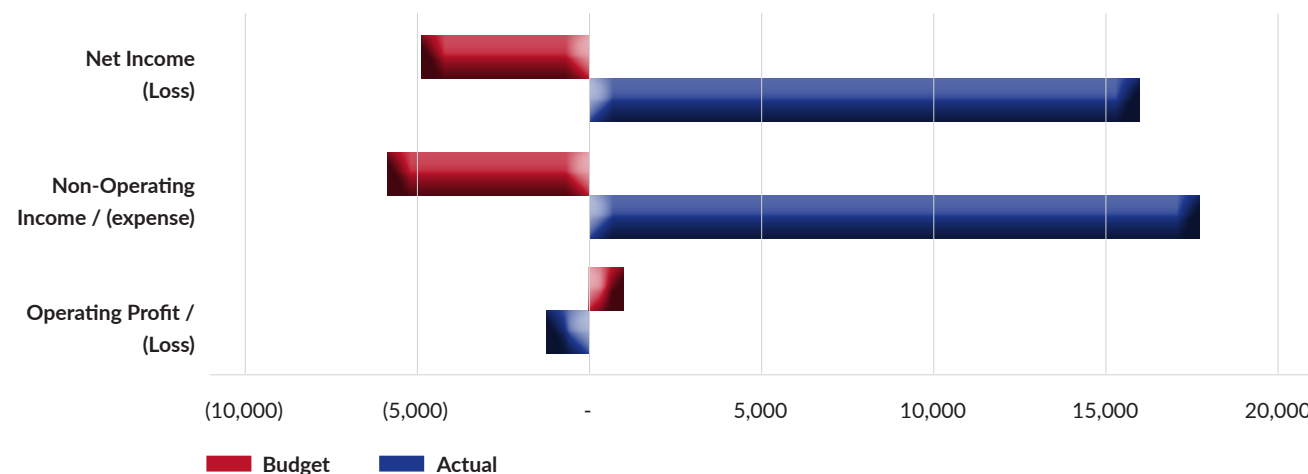
Our assertion that the financial statements are fairly stated is examined and validated by the Auditor General, who is charged by the Public Management and Finance Act (PMFA) to express an opinion on our financial statements based on her audit.

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

The financial statements for the 2022 financial year were audited by the Auditor General, who expressed an unqualified audit opinion on these financial statements.

The Port Authority recorded a surplus of \$16M for the financial year ended December 31, 2022, in contrast to the \$5M deficit in the approved budget. This performance was \$21M better than budget. The 2022 results were also \$5M better than the 2021 results. The 2021 financial year had a Surplus of \$11M.

2022 Operating Performance





Net worth increased by \$39M or 218% against budget and \$16M or 40% greater than last year. The increase in asset values is attributable to new acquisitions and revaluation of assets in 2022 and higher cash and receivable balances at year end.

Operating revenue underperformed by 2% or \$600K vs budget. It was however 8% or \$1.7M better than last year. Total operating expenses of \$25.2M was \$1.7M more than the budget amount of \$23.6M and was \$4.3M more than last year. The 2022 financial year also realized a gain from the revaluation of Investment Property of \$1.9M and a positive \$18.3M from the remeasurements of defined benefit obligations, resulting in the \$16M surplus achieved at year end. In 2021, PACI realized a net revaluation gain of \$8.9M on revaluation of its land & building, including investment property and a positive \$4M on the remeasurement of defined benefit obligations and these contributed to the \$11M surplus in 2021.

Net worth increased by \$39M or 218% against budget and \$16.3M or 40% greater than last year. The increase in asset values is attributable to new acquisitions and revaluation of assets in 2022 and higher cash and receivable balances at year end. The increased assets value coupled with a reduction in health care liability at 31 December 2022, were the major contributors to the overall higher net worth at 31 December 2022.

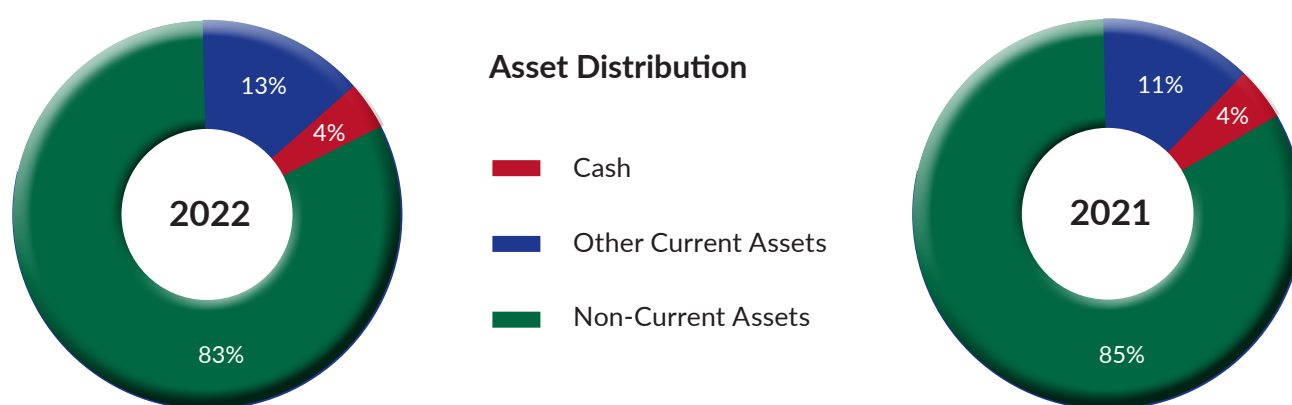
The total revenue for 2022 was 2% less than expected, due mainly to lower rental income which was partially offset by higher cargo handling fees. Significant discount was given to the tenants in 2022 to lessen the impact of COVID-19 on them, which resulted in the PACI rental income being \$0.5M less than expected.

The Port was able to maintain a strong liquidity profile. Due to the harsh economic environment capital plans were put on hold.

The pandemic disrupted the revenue flows at the Port Authority in 2021, however we had some recovery in 2022 as cruise passenger arrivals returned in March 2022 and revenue of \$1.8M was realized from this source during the 2022 financial year.

The cash reserve that the Port has built up over several years of operations cannot sustain the levels of recurring investment required in our current infrastructure. As such, the Port may be unable to finance significant capital improvements going forward, unless the fee structure is reviewed.

The Port Authority enjoyed positive operating performance over the last five years. The Authority's liquid assets have also seen measurable growth due to increase in cargo imports over the past 5 years and growth in cruise tourism over the period 2017 to 2019.



Income from cruise tourism fell significantly in 2020 and was completely wiped out in 2021 due to the COVID-19 pandemic, however cruise passenger arrivals resumed in March 2022 and income of \$1.8M was realized from this revenue stream in 2022. A total of \$16.5M was used to invest in our infrastructure during the 2018-2022 period, funded entirely from operating profits.

When the global norm returns, the projected increase in economic activity in the Cayman Islands in the medium to long term is expected to resume its upward trajectory. To support that growth, the Port Authority will need continual investment in our infrastructure and human capital to build and maintain capacity to facilitate the needs of our stakeholders.

The current year's performance was positively impacted by the return of cruise passenger arrivals in March 2022, which gave rise to a \$1.8M increase in operating revenue from \$22.3M in 2021 to \$24M in 2022.

There was also an increase in PACI's operating expenses in 2022 of \$4.3M. This is due to higher repairs and maintenance, contracted services and staff cost in 2022. The return of cruise passenger arrivals in 2022 had a direct impact on certain expense category such as contracted services and repairs and maintenance, especially with the implementation of additional COVID-19 protocols to minimize possible exposure and spread of the COVID-19 virus.

Additional COVID-19 protocols were implemented to minimize possible exposure and spread of the virus thus protecting our visitors and residents.



PORT STAFF GETTING TESTED FOR COVID-19
AT THE CDC FACILITY



BILLING PERSONNEL OF THE FINANCE DEPARTMENT
AT THE PORT AUTHORITY

The business model of the Port is built on cargo and cruise contributing an average of 95% of total revenue. This was partially realized in 2022 (92% actual) due to the absence of cruise passenger arrivals in the first 2 months of 2022.

In the short to medium term, our fortunes will be tied to the recovery in the local economy and the global cruise market conditions. Other risks include increased outlook for natural disasters, 'black swan' events such as COVID-19 or other global crises, which can be both unpredictable and devastating.

Given the age and condition of our sole cargo facility, the Port Authority may be faced with significant costs to renovate or replace the cargo dock in the short to medium term. Funding will have to be secured to achieve this outcome.

The Port Authority remains resolute in our commitment to continuous improvement, to build capacity and increase efficiency to satisfy the needs of our stakeholders and to evolve with the changing landscape. We will continue to seek creative solutions for the challenges ahead to the benefit of the people of the Cayman Islands.

Don Hutchinson

Don Hutchinson
Acting Deputy Director
of Finance & Facilities

Management Discussion and Analysis

The ensuing section is management's commentary on the financial statements for the 12-month period ended 31 December 2022. It sets the context of the results reported, and highlights important information that is useful to the readers of the financial report. This is meant to be read in conjunction with the full set of financial statements and note disclosures which follow.

2022 Financial Performance

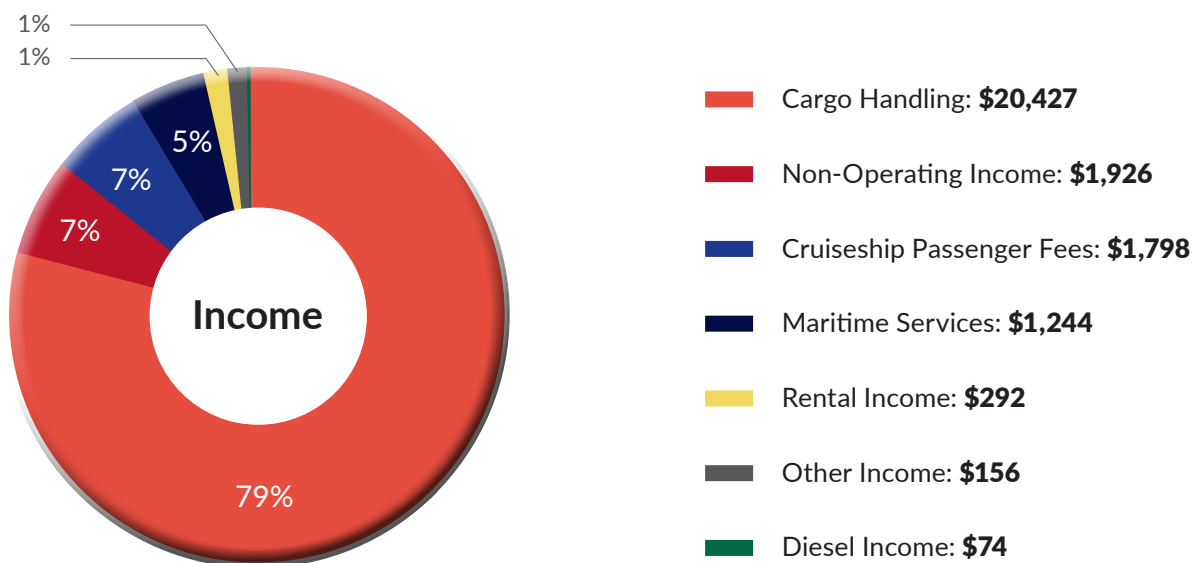
Equity increased at the end of the year by \$16M due to an operating loss of \$1.3M, which was reduced by net non-operating income of \$17.3M, and reduced by defined benefit payments of \$183K.

Description	2022
Gross Operating Revenue	23,991,007
Operating Expenses	25,244,840
Operating Loss	(1,253,833)
Net Gain on Revaluation of Investment Property / Land & Building	1,926,000
Interest Income	5,426
Loss on disposal of fixed assets	(14,772)
Defined benefit expense	(2,967,000)
Remeasurement of health care obligation	18,341,000
Net Profit / (Loss)	16,036,021
Defined benefit payments for current retirees	183,000
Increase in Equity	16,219,821

Management Discussion and Analysis (continued)

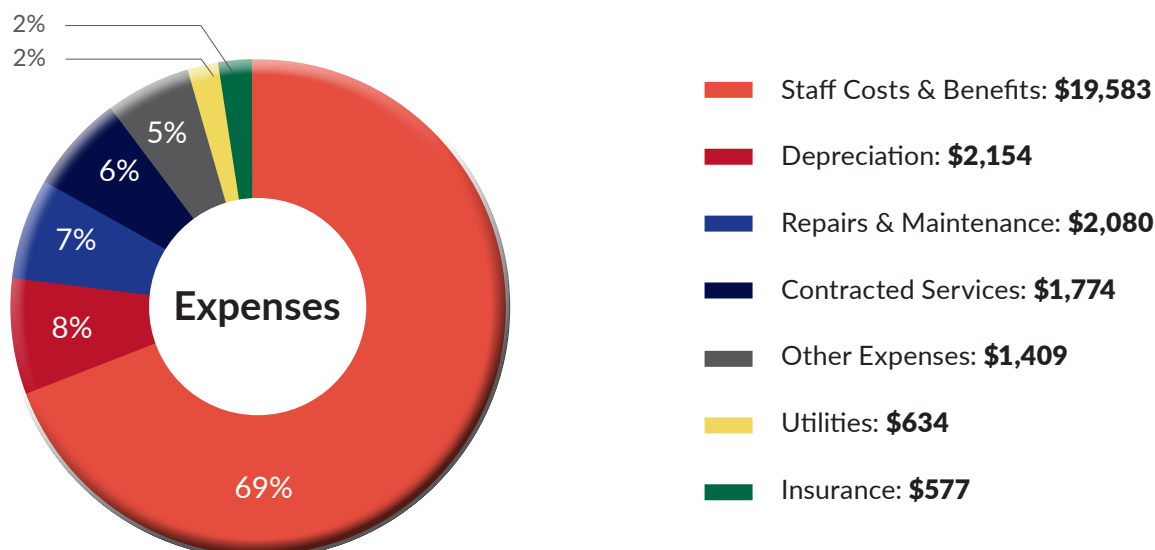
2022 Income \$'000

The pie chart shows that the top three income sources for the 2022 financial year were cargo handling, cruise ship passenger fees and non-operating income (revaluation gain on investment property). These accounted for 93% of total income for the year.



2022 Expenses \$'000

The top three expenditure items for the current year were staff costs and post-retirement benefits, depreciation and repairs & maintenance. These accounted for 84% of the total expenditure for the 2022 financial year.



Statement of Financial Position

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

Description	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022
Assets					
Current Assets	\$10,733,910	\$15,335,968	\$12,489,786	\$13,788,909	\$15,854,795
Non-Current Assets:					
Property plant and equipment	60,135,933	60,308,939	64,841,791	72,606,949	71,020,410
Right of use land & warehouses	-	196,509	194,020	107,315	161,393
Investment property	9,055,000	9,150,000	7,300,000	7,300,000	9,226,000
Total Assets	\$79,924,843	\$84,991,416	\$84,825,597	\$93,803,173	\$96,262,598
Liabilities					
Current Liabilities	\$2,316,065	\$2,104,565	\$2,851,184	\$1,643,649	\$3,352,143
Non-Current Liabilities:					
Lease Liability	-	204,960	203,458	115,337	165,697
Health Care Liability	33,105,000	41,525,000	52,389,000	51,446,000	35,889,000
Total Liabilities	\$35,421,065	\$43,834,525	\$55,443,642	\$53,204,986	\$39,406,840
Equity					
Total Equity	\$44,503,778	\$41,156,891	\$29,381,955	\$40,598,187	\$56,855,758



The Port's debt free status allows it to utilize cash surpluses to fund capital investment in its infrastructure and other assets.

The financial position shows a steady improvement in total assets over the five-year period. This is due to higher assets value following the revaluation of investment property and acquisition of fixed assets between 2018 and 2022. There was an increase in current assets in 2019, due to higher cash balance as at that date, however in 2020 it declined marginally due to COVID-19 factors, but went up in 2021 and 2022. Total assets at 31 December 2022 increased by \$2.5M over 2021 due mainly to increase in current assets by \$2M and the net increase in non-current assets of \$0.4M.

There was a 45% increase in current liabilities and a 48% or \$5M increase in current assets over the past 5 years. The current liabilities balance comprised payables and year end accruals.

The liquidity position in 2022 reduced to 4.7 from 8.4 in 2021, which indicates less ability to meet our obligations. Since 2018, the Port has had strong working capital due to solid revenue performance and favorable gearing ratios, given the absence of commercial debt.

The Port's debt free status allows it to utilize cash surpluses to fund capital investment in its infrastructure and other assets. Despite the growing cash balance, the Port needs to replace critical assets that require resources beyond its ability to generate with its current business model. The fee structure

gets reviewed every ten years or more, resulting in dated charges for services whose costs are impacted by inflation and other industry cost increases every year. We will have to rely on government or external financing to address our major infrastructure needs such as development of an expanded cargo facility, increase in our distribution space and enhancements to accommodate staff and provide excellent customer service.

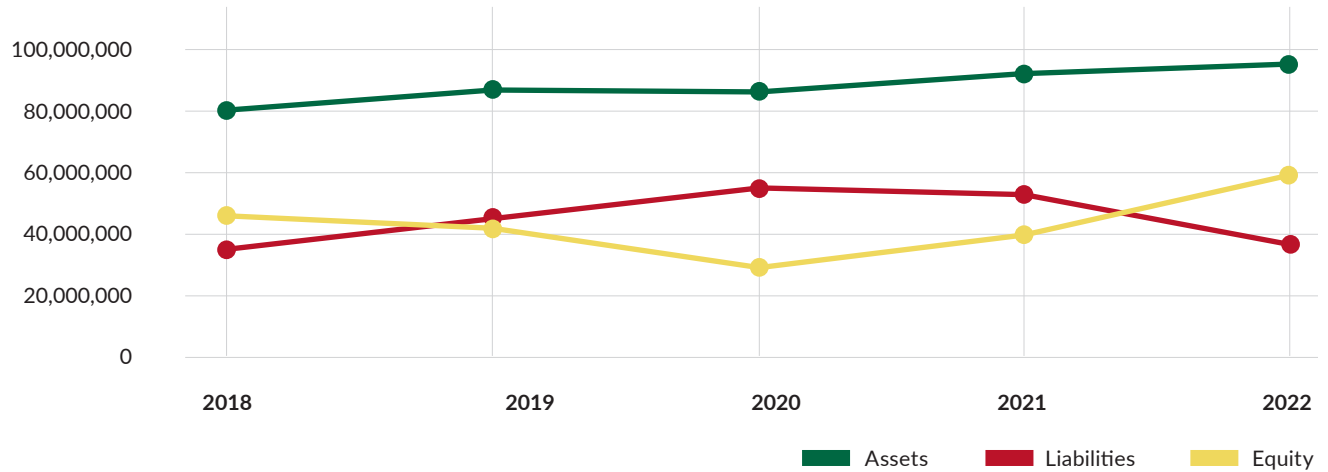
The Port purchased equipment and other assets as well as upgraded property and revalued land and buildings during the five-year period costing \$10.9M, an average of \$2.2M per annum.

Over the past 5 years, the Port generated cash from its operations totaling \$23.4M. Of this amount, \$16.5M was used to purchase fixed assets and \$1.4M used for debt repayment / financing activities, leaving a net cash inflow of \$5.6M. The cash balance increased over the five-year period by \$5.6M, resulting in cash balance as at the 2022 financial year- end of \$12.4M.

The health care liability continues to be a challenge. This will get progressively worse.

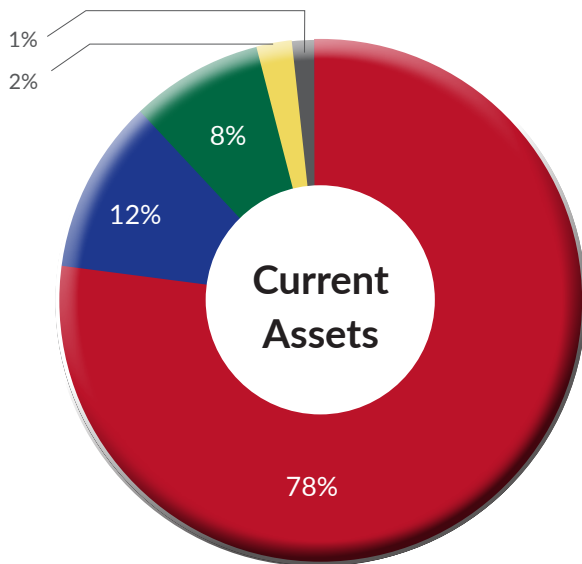
In recognizing that this is currently unfunded, the Board approved a savings plan to begin to address this. At 31 December 2022, this savings plan had accumulated a balance of \$1.7M.

Financial Position 2018 - 2022



2022 Current Assets \$'000

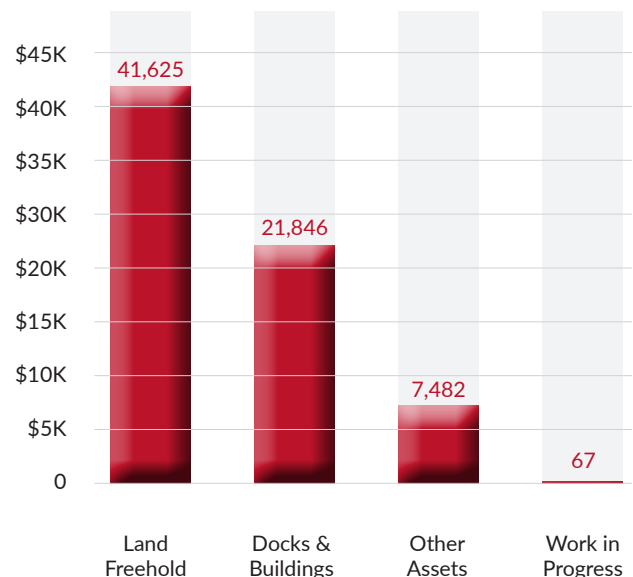
Cash dominated current assets covering 78% or \$12.4M. Receivables closed at \$1.9M (12%) and inventory at \$1.3M (8%).



Cash & Cash Equivalents:	\$12,424
Accounts Receivable:	\$1,869
Inventory:	\$1,274
Prepaid Expenses:	\$180
Other Receivables and Deposits:	\$108

2022 Property Plant and Equipment \$'000

The Port invested \$0.8M in asset replacement and improvement during the 2022 financial year. These include improvements to docks and buildings, computer equipment, office equipment & furniture and vehicles & equipment. The Port closed the 2022 financial year with Property, Plant & Equipment balance of \$71M.





2022 Movement

Total assets at the Port Authority at December 31, 2022 is \$2.5M more than last year. This is due mainly to the following factors:

- Cash increased by \$1.8M due largely to increase in revenue, which is directly as a result of the resumption of cruise ship passenger arrivals which brought in revenue of \$1.8M in 2022.
- Increase in accounts receivable by \$630K due to higher billings in December 2022.
- Reduction in inventory balance of \$333K due to less parts on hand at year end.
- Lower property plant & equipment balance due to additions and disposal of assets which net \$568K coupled with depreciation charge of \$2.2M for the year.
- Revaluation of investment property in 2022 which gave rise to an increase in asset value of \$1.9M. Total liabilities of the Port Authority were \$39.4M, which is a \$13.8M or 26% decrease over 2021. This was due mainly to a reduction in the defined benefit liability.

Liabilities closed lower than budget at \$26.8M or 40% reduction. The favorable movement in the discount rate applied to long term health care liability valuation is the reason for the movement in the health care liability.

2022 Consolidated Actual vs. Budget

Financial Position	2022 Actual	2022 Budget	2021 Variance	% Change
Assets	\$96,262,598	\$84,120,171	\$ 12,142,426	14%
Liabilities	\$39,406,840	\$66,229,785	(\$26,822,945)	(40%)
Net Worth	\$56,855,758	\$17,890,386	\$38,965,371	218%

Total assets performed 14% better than expected with a \$12.1M increase over target. This was driven by the \$1.7M increase in current assets and a \$10.7M increase in non-current assets. The increased current assets balance is due to higher cash, receivables and inventory balances than expected. The higher non-current assets balance is due to revaluation of investment property.

Summarized actual vs. budget for the 2022 fiscal year is as follows:

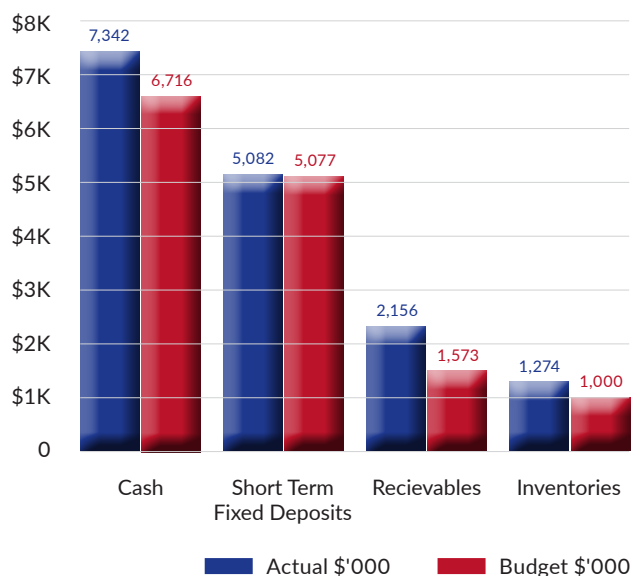
Description	\$ Actual Dec 2022	\$ Budget Dec 2022	\$ Variance Dec 2022	% Variance Dec 2022
ASSETS				
Current Assets	15,854,795	14,366,138	1,488,657	10
Non-Current Assets:				
Property plant and equipment	71,020,410	63,759,033	7,261,376	11
Right of use land & warehouses	161,393	195,000	(33,607)	(31)
Investment property	9,226,000	5,800,00	3,426,000	59
Total Assets	96,262,598	84,120,171	12,142,426	14
LIABILITIES				
Current Liabilities	3,352,143	2,511,785	840,358	33
Non-Current Liabilities:				
Lease liability	165,697	200,000	(34,303)	(17)
Defined benefit liability	35,889,000	63,518,000	(27,629,000)	(43)
Total Liabilities	39,406,840	66,229,785	(26,822,945)	(40)
Equity	56,855,758	17,890,386	38,965,371	218



The net assets for the 2022 fiscal year performed better than budget.

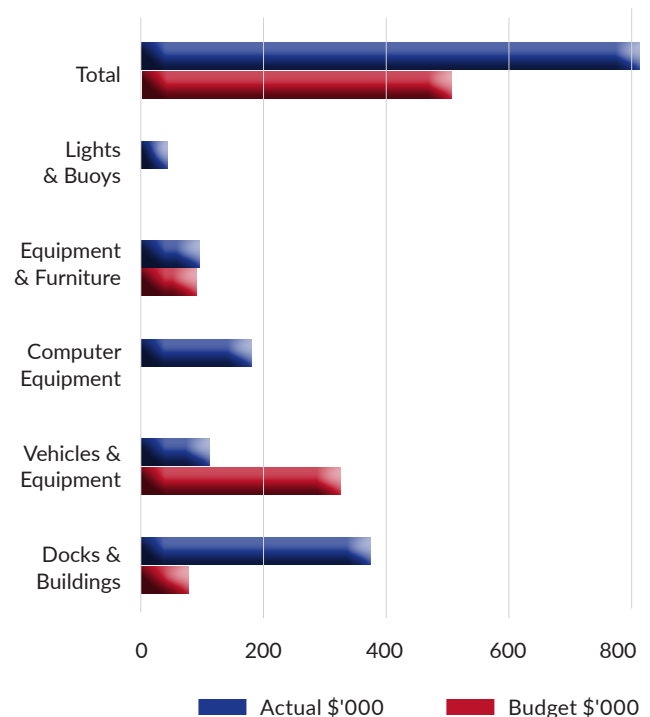
The net assets for the 2022 fiscal year performed better than budget by \$39M or 218%, due mainly to a 10% or \$1.5M increase in current assets, 10% or \$10.7M increase in non-current assets coupled with a \$26.8M decrease in liabilities. The increase in non current assets was due to higher property plant and equipment and investment property values than budgeted following the revaluation of land and building, including the investment property during the 2021 and 2022 financial years. The reduction in liabilities is due mainly to the fact that the defined benefit liability was 43% lower than the budget given the favorable discount rate movements.

2022 Current Assets Profile



Current assets had a positive variance of \$1.5M. The profile shows cash variance of \$0.63M. Fixed deposit was somewhat in line with the budget. Receivables was \$0.6M higher than budget due to the resumption of cruise passenger arrivals. The positive inventory variance of \$0.3M is due to higher inventory items on hand to service the various equipment.

2022 CAPEX Profile



New assets booked for 2022 was \$0.8M. This contrasts with the \$0.5M budget, an adverse variance of \$0.3M. More capital items were acquired in 2022 than initially planned in the budget.

Statement of Comprehensive Income

The statement of comprehensive income shows the income and expenses of the Port Authority for the period, and the net effect of the financial performance on equity.

Comprehensive Income	2022 Actual \$	2022 Budget \$	2022 Variance %
Revenue	23,991,007	24,575,072	(2)
Operating expenses	25,244,840	23,558,291	7
Non-operating expenses	1,050,346	3,941,500	(73)
Other comprehensive income/(expense)	18,341,000	(2,000,000)	(1017)
Net surplus/(deficit)	16,036,821	(4,924,719)	(426)

Profit Performance

The Port Authority earned revenue of \$24M for the 2022 financial year, which is 2% below the budgeted amount of \$24.5M. This is because less rental income was received in 2022 than budgeted, due to rental waiver given to tenants to lessen the economic impact of COVID-19 on their business finances.

Operating expenses were \$1.7M more than budget due mainly to higher staff costs and higher repairs and maintenance expenses than expected. The total non operating expenses was \$2.9M or 73% less than budget due to gain on revaluation of investment property of \$1.9M which was not budgeted for in the 2022 budget. This was offset by the defined benefit expense of \$2.97M, which was \$0.98M less than budget due to favorable movement in interest rate.

Other comprehensive income / (expense) was \$20.3M more than budget due to higher remeasurement of defined benefit obligations following the favorable movement in the interest rates used in the calculations.

Future outlook

There is increased confidence that the Port will continue to build on the strong revenue performance seen over the last five years. This is based on the high planning approvals, construction boom in hotels, condos and industrial developments and ongoing and planned infrastructure projects. In addition, future cruise bookings are expected to remain strong, the population and stayover visitors are increasing and new properties are being built, all of which will increase the demand for goods and services. There is also the possibility of medium-term growth in cruise revenue based on projections.

Like the rest of the world, The Port Authority was faced with COVID-19 pandemic in early 2020 and the resulting fallout across multiple sectors also affected the 2021 results and part of 2022. With the introduction of the COVID-19 vaccines and the resumption of cruise passenger arrivals in March 2022, our outlook for the next two to three years is cautiously optimistic.

The Port Authority is projecting significant reductions in the defined benefit liability valuation in the next two fiscal years given the current trend in rising interest rates. This will result in the Port reporting high overall profits. Operationally, economic conditions will determine the growth of revenue and cash flows as well as government priorities for the Port Authority in the next budget cycle.

Twelve (12) Months ended 31 December 2022

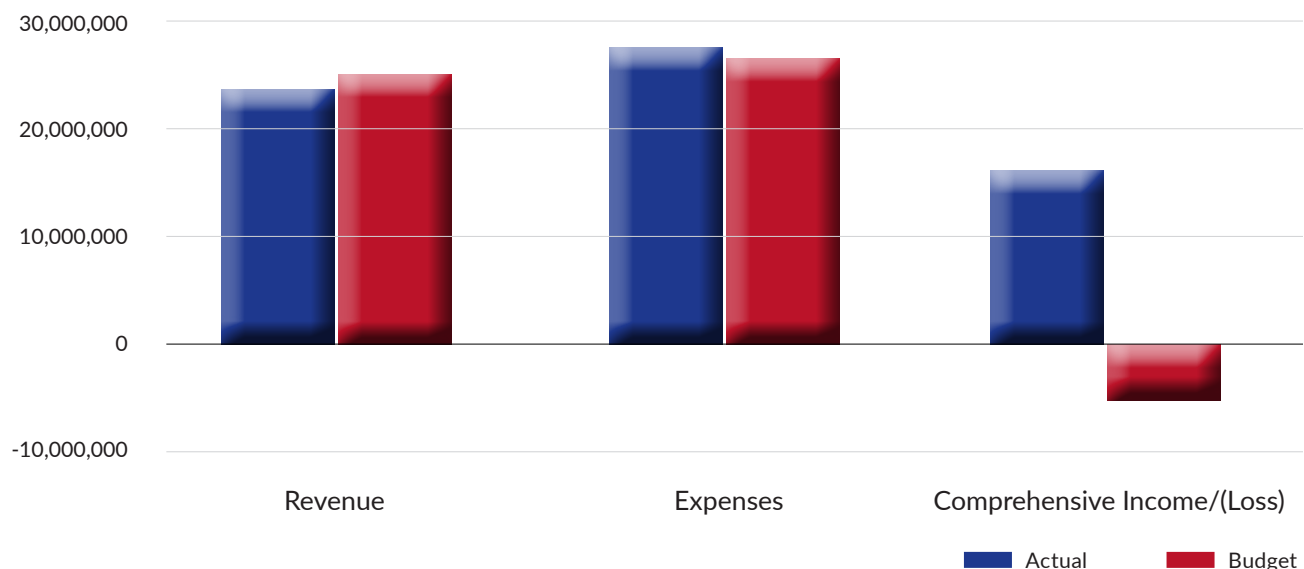
Description	\$ Actual	\$ Budget	\$ Variance	% Variance
REVENUE				
Cargo handling	20,427,237	20,220,470	206,767	1
Cruise ship passenger fees	1,797,893	1,801,714	(3,821)	(0)
Other revenue	1,765,877	2,552,888	(787,011)	(31)
Total Revenue	23,991,007	24,575,072	(584,065)	(2)
EXPENSES				
Staff costs including defined benefit cost	19,583,103	19,280,954	(302,149)	2
Repairs & maintenance	2,080,318	1,685,734	394,584	23
Contracted services	1,774,481	1,808,823	(34,342)	(2)
Insurance	577,112	650,000	(72,888)	(11)
Other operating expenses	2,042,460	1,767,020	275,440	16
Depreciation	2,154,366	2,315,760	(161,394)	(7)
Total Expenses	25,244,840	23,558,291	1,686,549	7
Interest income	5,426	8,500	(3,074)	(36)
Net gain on revaluation of land & buildings	1,926,000	-	1,926,000	100
Loss of disposal of assets	(14,772)	-	14,772	100
Remeasurement of defined benefit obligation	18,341,000	(2,000,000)	20,341,000	(1,017)
Total	20,257,654	(1,991,500)	18,266,154	917
COMPREHENSIVE PROFIT/(LOSS)	16,036,821	(4,924,719)	20,961,540	426

Key insights from the 2022 results

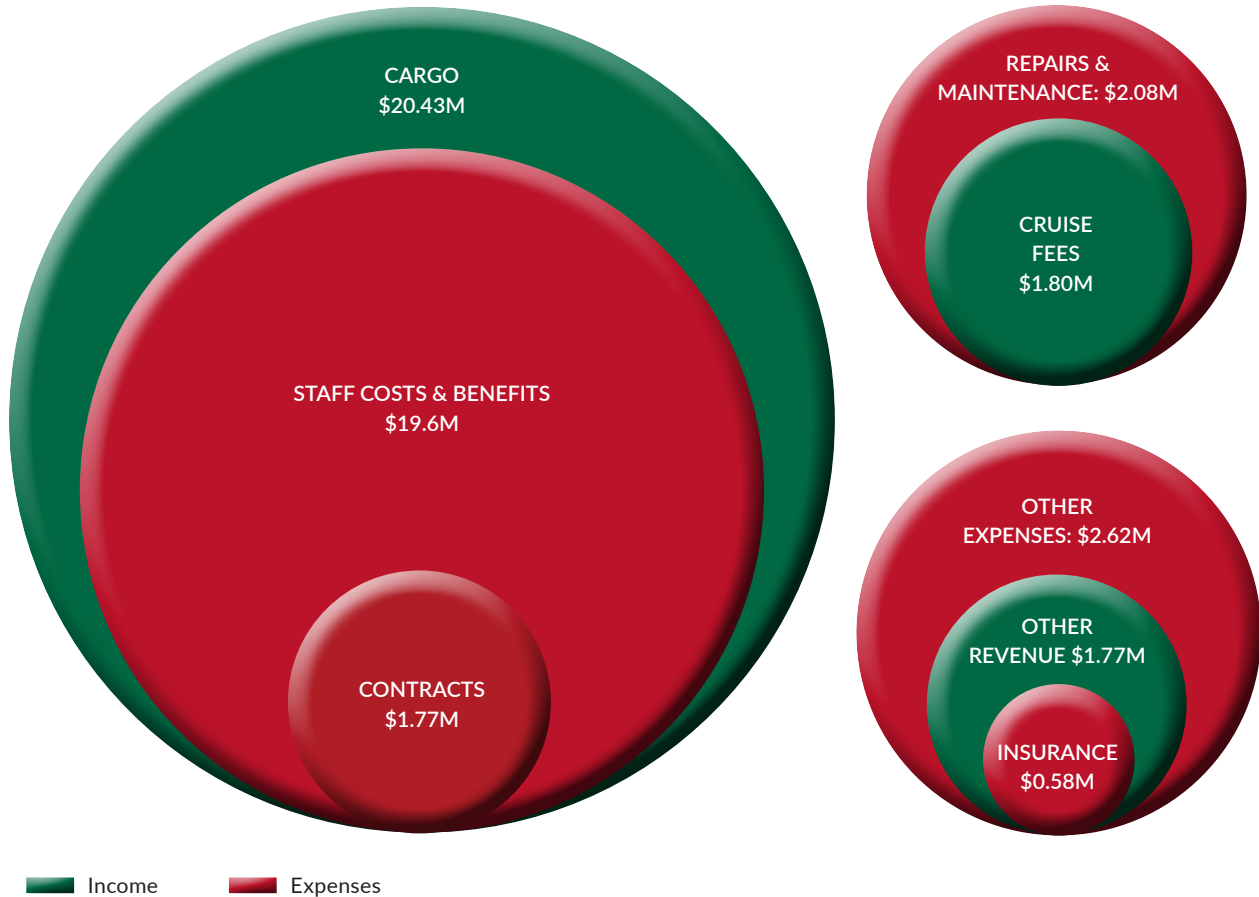
Total revenue missed expectations by \$500K due to the following:

- Cargo handling revenue was slightly (\$200K) higher than budget.
- Cruise passenger fees and marine services was in line with the budget. The variance of \$90K being negligible.
- Other revenue underperformed, ending at 57% below budget due mainly to rental waiver given to tenants at Royal Watler Cruise Terminal.
- Staff costs including defined benefit ended at \$300k above budget. This is due mainly to higher staff cost arising from year end accrual of \$1.6M relating to ex-gratia payments to staff coupled with lower than budgeted defined benefit expense of \$1M.
- There was a 23% overspent on the repairs & maintenance budget due to work carried out at the terminals to facilitate the resumption of cruise passenger arrivals.
- Other operating expenses was 29% more than budget due mainly to higher diesel cost and board expenses and fees.
- Operating loss was \$2.3M more than budgeted due to lower income realized in 2022 coupled with higher operating expenses.
- There was also a net gain on the revaluation of investment property in 2022 of \$1.9M and a gain on the remeasurement of defined benefit obligation of \$18.3M which impacted the overall surplus for the year positively.

Actual vs. Budget: 12 Months ending 31st December 2022



Key insights from the 2022 results:



- The income earned from cargo handling is adequate to cover staff costs including the annual health care benefit cost, and part of contracted services for the 2022 financial year.
- Income from cruise ship passenger fees was used to fund 90% of the repairs and maintenance expenses for the year.
- Insurance and other expenses were partially funded by other revenue sources.
- There was a positive non-cash income and expenses totaling \$18.05M for 2022.
- The Port is able to slowly build cash reserves by delaying capital spending and operating with minimal sinking fund for depreciation. PACI's business model does not allow fees that reflect the full cost of delivering the services being rendered. If this persists, the Port Authority will continue to face challenges to fund infrastructure development and investments to build and enhance our human capital.



Historical Performance

The financial performance for the last five years shows the susceptibility of the Port to variables that cause huge disparities in the net results from one year to the next.

In 2018 net defined benefit revenue was \$1.4M. The 2019 and 2020 fiscal years had large swings of \$8.6M and \$11M respectively in the defined benefit cost due to external factors which affected the discount rate resulting in increases of the defined benefit liability. The defined benefit costs have had a detrimental impact on the results of the Authority since being brought on the books in 2014. The defined benefit expense of \$2.2M from 2018 to 2022 has reduced the combined operating surplus of \$8M for the last five (5) fiscal years.

The 2020 fiscal year had the impact of the global COVID-19 pandemic which caused cruise activity and much of tourism to flatline from April 2020 and this continued into 2021, which had no cruise passenger arrivals in that year. Cruise ship passenger arrivals resumed in March 2022 and this had a positive impact on the Port's operating surplus for 2022. The Port also benefited from the positive movement in defined benefit expense remeasurement in fiscal 2021 and 2022 due to the favorable movement in the discount rate given the increase in the global interest rates.

The defined benefit expense of \$2.2M from 2018 to 2022 has reduced the combined operating surplus of \$8M for the last five (5) fiscal years.



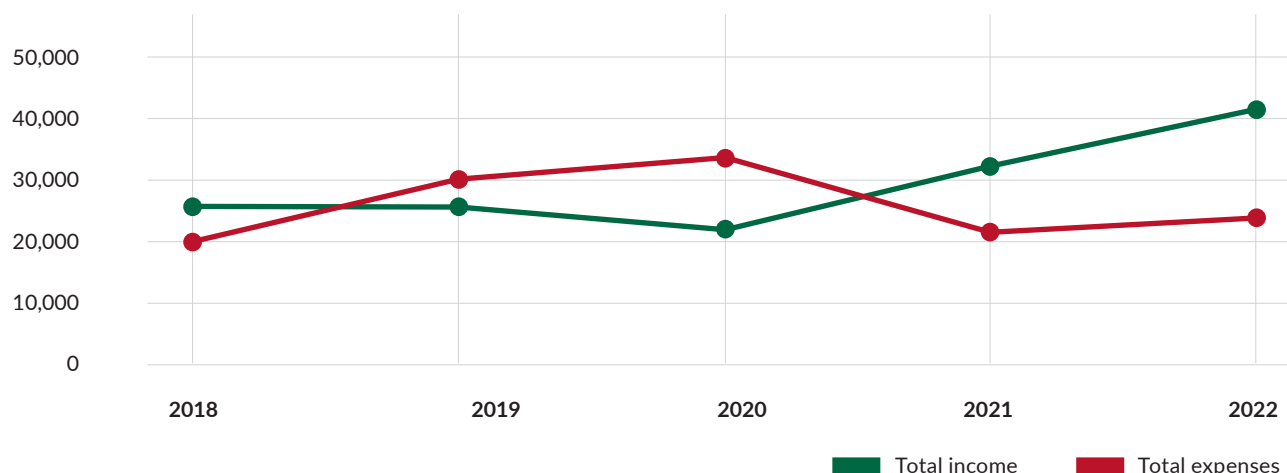
Fiscal 2022, saw the resumption of cruise passenger arrivals in March of that year and revaluation gain on revaluation of investment property of \$1.9M.

The five-year operating income chart shows that up to 2019, PACI was improving in revenue generation, as dictated by activities in the economy. Cargo volumes and cruise passengers, which accounts for about 94% of PACI's revenue at the time, had meaningful annual increases. These were chiefly responsible for generating \$9.1M operating profit from 2018 to 2019. In 2020 the impact of COVID-19 was evident with a \$4.7M reduction in income, and deterioration of the defined benefit position, resulting in a deficit of \$11.96M, the largest in the history of the Port Authority. The negative effects of the COVID-19 pandemic continued into 2021,

however the marginal increase in overall revenue and the positive define benefit remeasurement expense of \$0.75M and gain from the revaluation of land and building totaling \$8.9M resulted in a surplus at 31 December 2021 of \$11M. Fiscal 2022, saw the resumption of cruise passenger arrivals in March of that year and revaluation gain on revaluation of investment property of \$1.9M. In addition, there was a positive movement on the defined benefit remeasurement of \$15.4M and these resulted in an overall net surplus / **total comprehensive income of \$17.8M for the five year period ended 31 December 2022.**

FIVE (5) YEAR HISTORICAL PERFORMANCE	2018	2019	2020	2021	2022	TOTALS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cargo income	18 422	20 596	19 641	21 795	21 671	102 125
Cruise income	4 726	4 504	1 323	-	1 798	12 351
Rental income	1 050	1 061	350	194	292	2 946
Other income	359	415	549	299	236	1 857
Total Operating Income	24 557	26 576	21 863	22 288	23 996	119 281
Staff costs	(13 554)	(13 363)	(13 731)	(13 983)	(16 616)	(71 246)
Contracted services	(1 766)	(2 184)	(1 655)	(1 253)	(1 774)	(8 632)
Repairs and maintenance	(1 701)	(1 446)	(1 462)	(1 420)	(2 080)	(8 110)
Insurance	(559)	(604)	(600)	(591)	(577)	(2 932)
Other operating costs	(1 517)	(1 994)	(1 484)	(1 445)	(2 042)	(8 483)
Depreciation	(1 462)	(1 840)	(1 991)	(2 205)	(2 154)	(9 652)
Total Operating Expenses	(20 559)	(21 430)	(20 924)	(20 898)	(25 245)	(109 055)
Operating Surplus	3 999	5 146	939	1 390	(1 248)	10 225
Gain / (loss) on disposal of fixed assets	-	36	-	-	(15)	21
Defined benefit annual expense & remeasurement	1 382	(8 648)	(11 052)	751	15 374	(2 193)
Net Gain (loss) on revaluation of plant and equipment	-	-	-	-	-	-
Net gain on revaluation of land and building	-	-	-	8 914	1 926	10 840
Loss on revaluation of plant & equipment	-	-	-	-	-	-
Gain/ (loss) on revaluation of investment property	689	79	(1 850)	-	-	(1 081)
Total Comprehensive Income	6 070	(3 387)	(11 963)	11 055	16 037	17 812

Five year historical income vs. expenses



- Total expenses did not trend in line with income due mainly to the effects of COVID-19 in 2020 and 2021. The high expenses in 2020 resulted in significant loss in that year. The Port returned to profitability in 2021 and was further increased in 2022 due to revaluation gain and Defined Benefit Expense (DBE) remeasurement effects in 2021 and 2022.
- The last five years saw operating surplus averaging \$2M, which is insufficient for this capital intensive operation.
- The low operating profitability reduces the ability to invest in human resources, infrastructure and other capital assets.

Five year historical income vs. expenses

Income	\$126,083
Expenses	\$117,184
Net Surplus	\$10,762

The five year historical income vs. expenses shows the following:

- Annual growth in operating income except 2020.
- In 2021, DBE changed from a negative \$11M to a positive \$0.75M, It further increased to \$15.4M in 2022
- Gain on revaluation of assets revalued was \$8.9M in 2021 and \$1.9M in 2022
- Total income for the five year period was \$126M
- Total expense was \$117M
- Net surplus for five-year period was \$8M

2018 - 2022 Non-operating income / (expenses) in \$'000

Net gain/(loss) on disposal of fixed assets	21
Defined benefit annual expense & revaluation	(2,193)
Net gain on revaluation of land & building	8,914
Gain/(loss) on revaluation of investment property	845

- \$2.2M defined benefit net expense
- Non-recurrent gain of \$8.9M from revaluation of land & building
- Net gain on disposal of fixed assets of \$21K
- Net revaluation gain on revaluation of investment property \$0.8M

The Port container movements had a 6% average annual growth from 2018 to 2019 and was trending with an **average growth in cargo volumes of 8%** for the same period.

Activity Statistics

Description	2018	2019	2020	2021	2022
Annual Cargo Volumes	311,612	344,001	337,658	382,482	370,684
Cruise Passenger Arrivals	1,927,185	1,831,011	538,140	-	736,382
TEUS (in and Out)	61,427	66,854	64,130	70,740	71,394

Container movements had a 6% average annual growth between 2018 and 2019. In 2019, cruise arrivals dropped by 5% when compared to 2018 and declined by a further 71% in 2020 due to the effects of COVID-19. Cruise income was completely wiped out in 2021 due to the intensity of the COVID-19 pandemic. The pandemic appears to be behind us now and cruise ship passenger arrivals resumed in March 2022. The Port operating income growth for 2021 was 2% and this was increased to 8% in 2022, an average of 5% for both years. It is anticipated that the Port's operating income growth of 5% annual average will continue for the next two to five years.

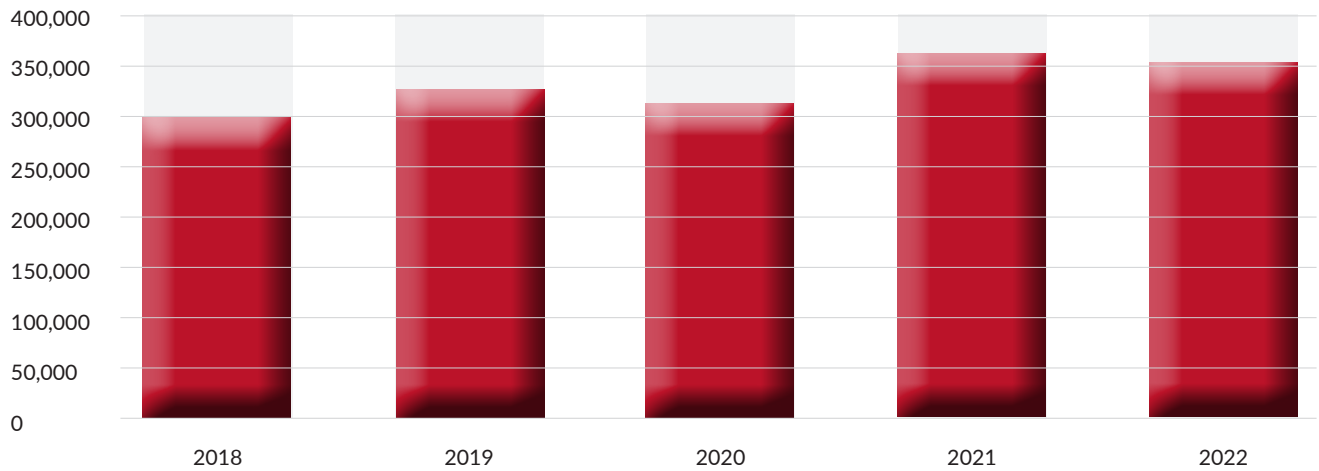
As seen by the graphs on the next page, we have had consistent yearly growth of both Cargo and TEU's between 2018 and 2019, however these volumes declined in 2020 due to the adverse impact of the COVID-19 pandemic. Both cargo and TEU's volumes went back up in 2021 due to increased imports as a result of various economic activities



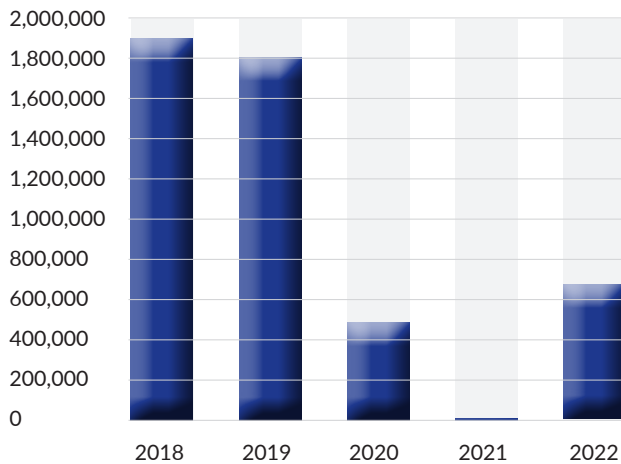
on the islands. In 2022 cargo volume decreased by 3% over 2021, and TEU's increased by 0.92%. The upward trend is set to continue based on Cayman's macroeconomic variables. COVID – 19 may have impacted cargo growth in the short term, but the extent and severity are unknown at this time.

PACI feels confident that once the global norm returns, the performance and growth trajectory will resume.

Annual Cargo Volumes

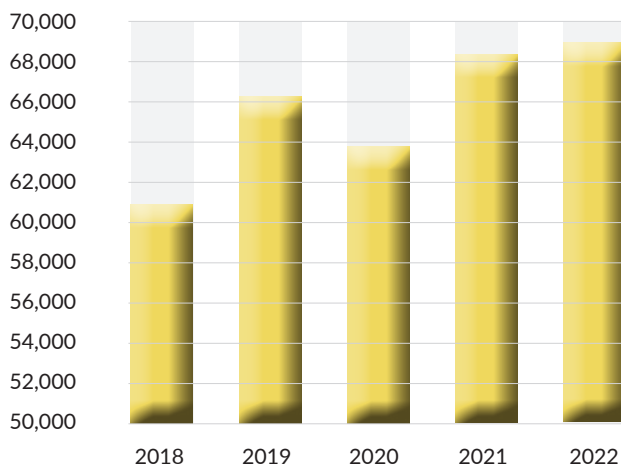


Cruise Passenger Arrivals



- Cruise arrivals has performed well over the last two financial years preceding 2020.
- Cruise arrivals declined by 71% in 2020 and 100% in 2021 due to the COVID-19 pandemic. Cruise passenger arrivals resumed in March 2022.
- Cruise income provided \$12.4M over the last 5 years to PACI.
- Cruise accounted for 6% of operating revenue for 2020, in comparison with the 17% contribution in 2019. There was no cruise revenue in 2021 and in 2022 it contributed 7% of operating revenue.

TEUS (in & out)



- TEU recorded a 3.5% and 8.8% increase in 2018 & 2019 respectively and declined by 4% in 2020
- TEU subsequently went up by 10.3% in 2021 and 0.9% in 2022
- Cargo volumes increased by 9% & 10% in 2018 & 2019 respectively.
- Cargo volumes declined by 2% in 2020 and recovered with a 13% increase in 2021. It subsequently dropped by 3% in 2022 and closed the year with a volume of 370,684

Actual vs. Budget

Description	\$ Actual 2022	\$ Budget 2022	% Variance	Reason
CASH FLOWS				
Net cash flows from operating activities	2,564,811	3,719,000	(31)	Less favorable revenue & expense performances worse than expected
Net cash flows from investing activities	(503,483)	(500,000)	3	Revised capital plans
Net cash flows from financing activities	(277,025)	-	-	Payments for retirees & lease obligation

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

Description	2018	2019	2020	2021	2022	TOTALS
Opening cash	6,821	7,445	11,305	9,332	10,640	6,821
Net cash earned from operations	7,371	6,192	4,738	2,555	2,565	23,421
Purchase of fixed assets & investments	(6,540)	(2,022)	(6,438)	(963)	(503)	(16,466)
Debt repayment	(207)	(310)	(274)	(284)	(277)	(1,351)
Closing Cash	7,445	11,305	9,332	10,640	12,425	12,425

The strong operating performance shown in the Statement of Comprehensive Income is reflected in the improved operating cash flow over the five-year period. Actual closing cash balances improved by 67% over the five-year period. The Port Authority invested an average of \$3.3M per annum in its asset portfolio, and repaid its debt and reduced liabilities by \$1.4M or an annual average of \$270K for the last five years.

FINANCIAL PERFORMANCE RATIO	2022	2022	Explanation
	Actual	Budget	
CURRENT ASSETS: CURRENT LIABILITIES	4.73:1	5.30:1	Higher receivables and cash balance at 31 December 2022 than budgeted coupled with lower inventory balance than expected. Also, non-current assets value at the 2022 year end was higher than expected.
TOTAL ASSETS: TOTAL LIABILITIES	2.44:1	1.27:1	Higher assets value & lower liabilities than budgeted

HUMAN CAPITAL MEASURES	2022 Actual	2022 Budget
TOTAL FULL TIME EQUIVALENT STAFF EMPLOYED	166	178
STAFF TURNOVER (%)		
SENIOR MANAGER	2	-
PROFESSIONAL AND TECHNICAL STAFF	2	-
ADMINISTRATIVE STAFF	4	-

PHYSICAL CAPITAL MEASURES	2022 Actual \$ 000'S	2022 Budget \$ 000'S	Explanation
VALUE OF TOTAL ASSETS	96,263	84,120	Asset purchased and land & building revalued giving rise to higher values
ASSET REPLACEMENTS: TOTAL ASSETS	0.01:1	0.01:1	Within expectations
BOOK VALUE OF ASSETS: COST OF THOSE ASSETS	0.84:1	0.73:1	Higher NBV and lower cost of assets than budgeted
DEPRECIATION: CASH FLOW ON ASSET PURCHASES	4.28:1	4.63:1	Lower depreciation charge than expected.
CHANGES TO ASSET MANAGEMENT POLICES	None	None	None

CAPITAL EXPENDITURE	2022 ACTUAL \$	2022 TARGET \$	EXPLANATION
Infrastructure upgrades	312	-	Accelerated Capex
Technology	38	-	Plan changes
Fleet	186	500	Plan changes

FINANCIAL PERFORMANCE MEASURE	2022 ACTUAL \$ 000'S	2022 BUDGET \$ 000'S	EXPLANATION
REVENUE FROM OTHER PERSONS OR ORGANISATIONS	23 991	24 584	Lower income due to COVID-19
OTHER EXPENSES	7 954	29 508	Impact of defined benefit health care
NET SURPLUS / (DEFICIT)	16 037	(4 924)	Impact of DB remeasurement. 2022 had a gain of \$18M compared to a nil in the budget
TOTAL ASSETS	96 263	84 120	Higher cash, receivables & inventory balances
TOTAL LIABILITIES	39 407	66 230	Impact of defined benefit health care
NET WORTH	56 856	17 890	Higher revaluation reserve

Risk Management

Key Risks

Mitigation Strategies

Strategic risks

- Lack of long-term planning
- Capital Structure

- Master Plan developed
- Better cash management

Compliance risks

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

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

Operational risks

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

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

Reputational risks

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

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

Internal & External Audit Updates

The 2022 Financial Statements were submitted to the Auditor General on 9th February 2023. The Port has received an unqualified audit opinion for the 2022 financial year. These financial statements are included in this report.



NEW OUTDOOR SHELTER AT CARGO DISTRIBUTION CENTER

Scrutiny By Parliament & Public

The Port Authority's audited accounts and annual reports up to and including the 2021 financial year have been tabled in Parliament.



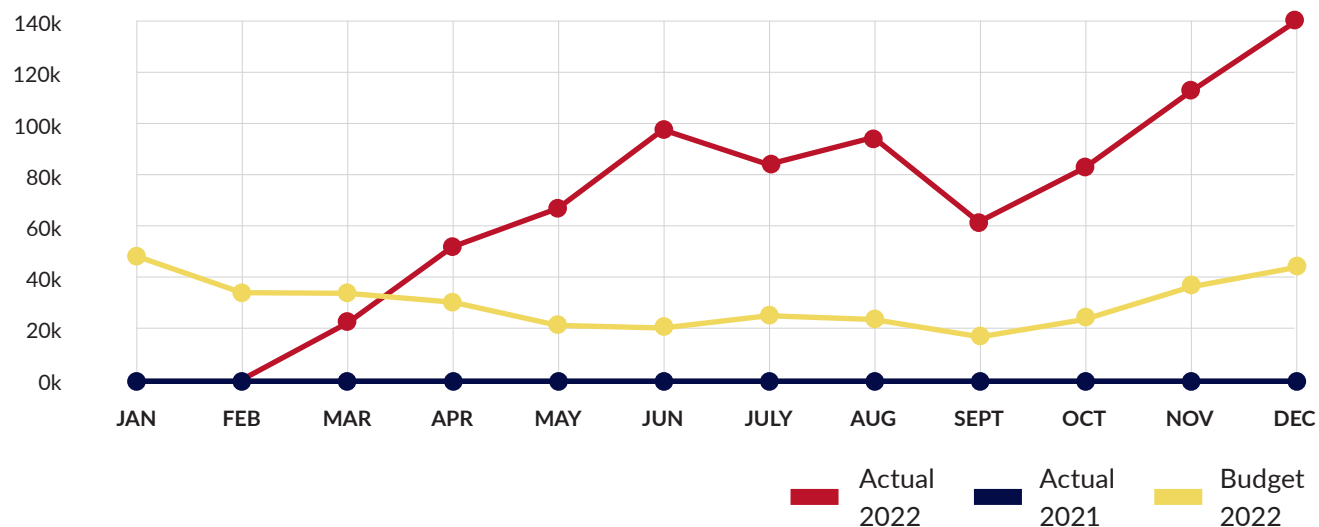
Selected Statistical Data

Cayman Port resumed cruise operations in March 2022. As such, no income was earned during 2021 and limited income was garnered in 2022. The projections for the next two years are encouraging.



CRUISE PASSENGERS RIDING THE TENDER INTO GEORGE TOWN

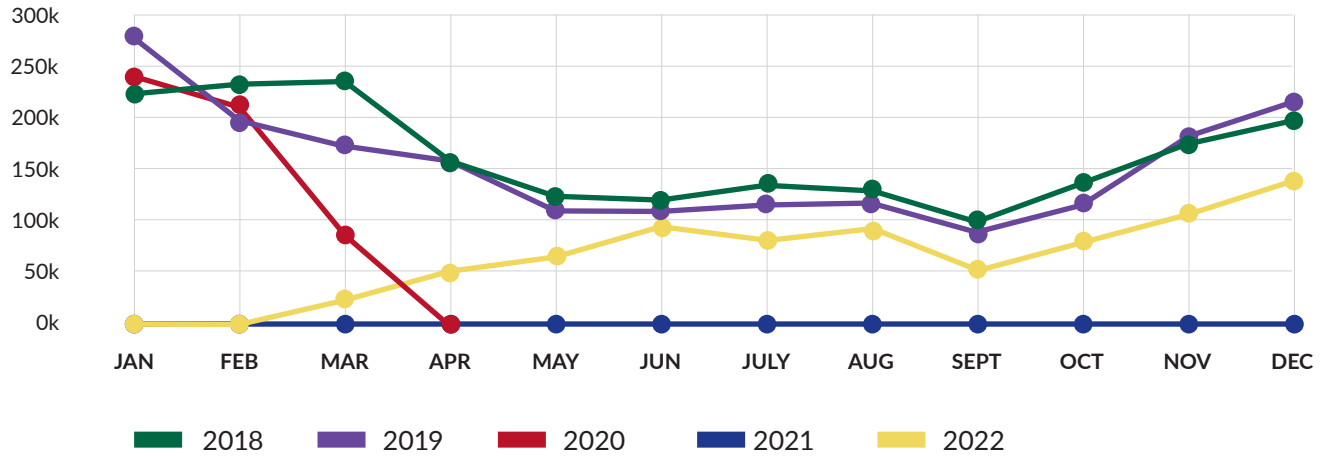
Cruise Passenger Arrivals



Month	Actual 2022	Budget 2022	Variance to Actual Budget	% Change	Actual 2021	Variance 2022 vs 2021	% Change
January	-	43,222	(43,222)	(100)	-	-	-
February	-	34,245	(34,245)	(100)	-	-	-
March	16,879	34,540	(17,661)	(51)	-	16,879	100
April	45,481	30,997	14,484	47	-	45,481	100
May	60,769	21,580	39,189	182	-	60,769	100
June	89,868	20,905	68,963	330	-	89,868	100
July	77,545	23,691	53,854	227	-	77,545	100
August	84,840	23,361	61,479	263	-	84,840	100
September	53,137	17,689	35,448	200	-	53,137	100
October	74,365	22,684	51,681	228	-	74,365	100
November	102,400	34,675	67,725	195	-	102,400	100
December	131,098	42,412	88,686	209	-	131,098	100
Total	736,382	350,000	386,382	110	-	736,382	100

No cruise ship was allowed in Cayman during the 2021 financial year and the first 2 months of 2022 due to the Covid - 19 pandemic.

5 Year Cruise Passenger Arrivals (Jan - Dec)



The graph above shows the monthly cruise passenger arrivals for the last five years, 2018 to 2022. Passenger numbers started to decline from 2019 (5%), then made a sharp decline in March 2020 and flat lined due to the COVID-19 pandemic. There were no cruise passenger arrivals in 2021 due to the continued impact of the COVID-19 pandemic. Cruise passenger arrivals resumed in March 2022 with total arrivals for 2022 being 734,891.



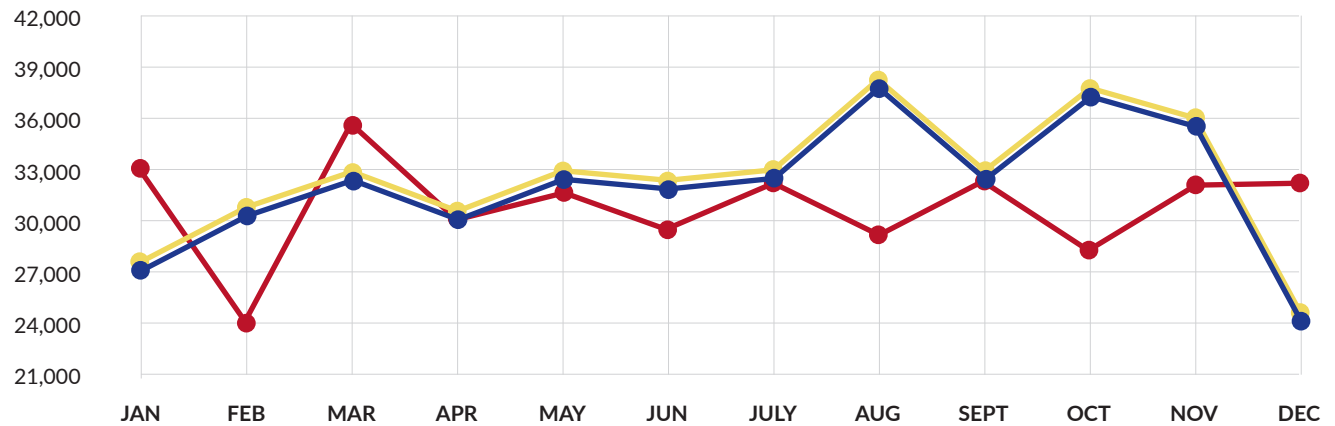
VIEW OF A CRUISE SHIP FROM GEORGE TOWN HARBOUR

5 Year Cruise Passenger Arrivals (Jan - Dec)

Month	2018	2019	2020	2021	2022	2018-2022	5 year % change
January	218,430	271,111	242,908	–	–	(218,430)	(100)
February	220,603	197,234	207,959	–	–	(220,603)	(100)
March	232,902	172,700	87,273	–	16,879	(216,023)	(93)
April	151,716	154,983	–	–	45,481	(106,235)	(70)
May	123,203	107,900	–	–	60,769	(62,434)	(51)
June	115,122	104,527	–	–	89,868	(22,254)	(22)
July	134,926	118,453	–	–	77,545	(57,381)	(43)
August	126,275	116,806	–	–	84,840	(41,435)	(33)
September	92,592	88,445	–	–	53,137	(39,455)	(43)
October	139,982	113,418	–	–	74,365	(65,617)	(47)
November	169,997	173,373	–	–	102,400	(67,597)	(40)
December	201,437	212,061	–	–	131,098	(70,339)	(35)
Annual Totals	1,927,185	1,831,011	538,140	–	736,382	(1,190,803)	(62)
Annual Growth Rate	1.19	(4.99)	(70.61)	(100)	100		(14.88)
Cruise Income	4,740,875	4,504,287	1,323,824	–	1,811,500	12,380,486	2,476,097



Cargo Imports (Tons)



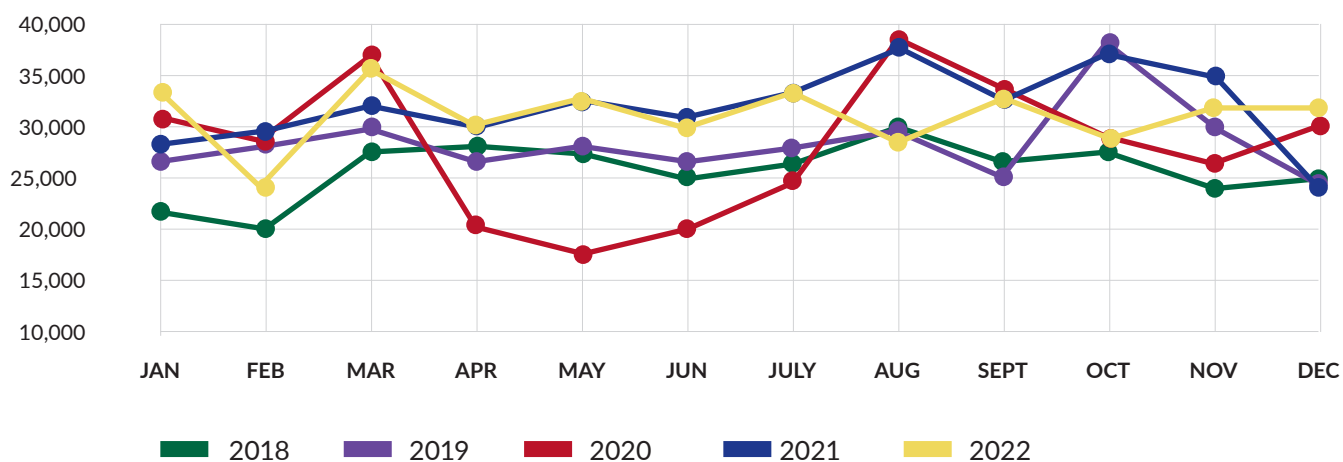
Actual cargo volume (excluding aggregates) ended 2022 at 5% below total projections and 3% less than prior year. Cargo activity has exceeded expectations in the past four years, prior to 2022. Despite COVID-19 cargo recovered some lost gains in the third quarter of 2020 and 2021 due to infrastructure development and construction, it declined slightly in 2022.

■ Actual 2022
■ Actual 2021
■ Budget 2022

Cargo Imports (Tons)

Month	Actual 2022	Budget 2022	Variance - Actual to Budget	% Change	Actual 2021	Variance 2022 / 2021	% Change
January	33 462	27 884	5 578	20	27 337	6 125	22
February	23 980	31 248	(7 268)	(23)	30 635	(6 655)	(22)
March	35 398	32 999	2 399	7	32 352	3 046	9
April	29 886	30 588	(702)	(2)	29 988	(102)	(0)
May	31 894	32 836	(942)	(3)	32 192	(298)	(1)
June	29 197	31 940	(2 743)	(9)	31 314	(2 117)	(7)
July	32 582	32 937	(355)	(1)	32 291	291	1
August	28 966	38 140	(9 174)	(24)	37 392	(8 426)	(23)
September	32 844	33 135	(291)	(1)	32 485	359	1
October	28 362	37 778	(9 416)	(25)	37 037	(8 675)	(23)
November	31 928	35 385	(3 457)	(10)	34 691	(2 763)	(8)
December	32 185	25 263	6 922	27	24 768	7 417	30
Totals	370 684	390 132	(19 448)	(5)	382 482	(11 798)	(3)

Five- Year Monthly Cargo Volumes

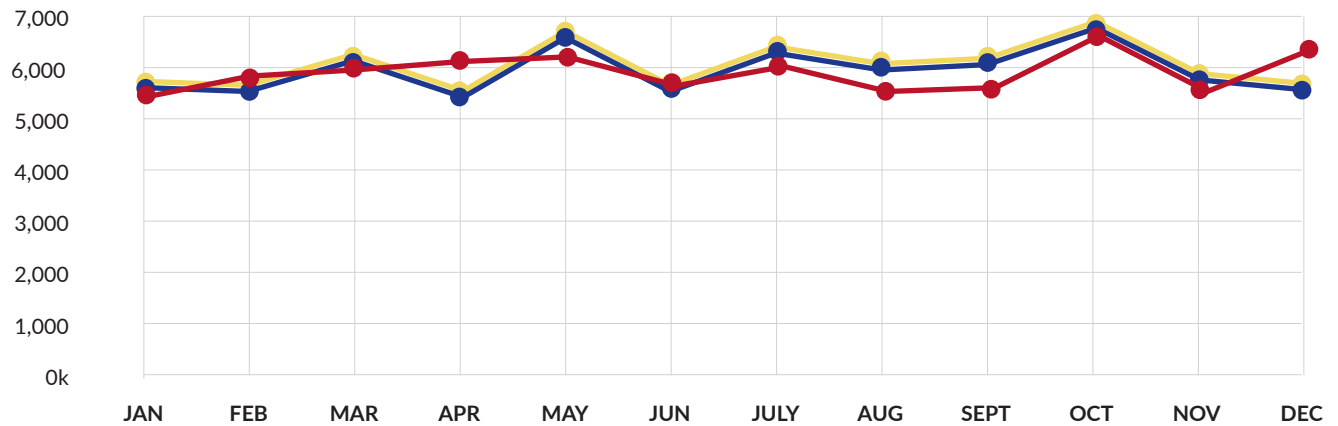


The five- year cargo volume trend showed steady annual growth between 9% and 10%, until 2020 when it dropped by 2% due to the emergence of COVID-19. In 2021 cargo volume increased 13% over 2020 and reduced by 3% in 2022.

Historical Cargo Volume Imports (Five Years) January to December

Month	2018	2019	2020	2021	2022	2022/2018
January	22,085	26,318	30,863	27,337	33,462	52%
February	20,382	27,934	28,375	30,635	23,980	18%
March	27,832	29,856	37,183	32,352	35,398	27%
April	28,406	27,162	20,803	29,988	29,886	5%
May	27,722	28,097	17,131	32,192	31,894	15%
June	24,843	26,772	20,370	31,314	29,197	18%
July	26,328	28,807	25,020	32,291	32,582	24%
August	30,761	30,501	38,550	37,392	28,966	-6%
September	26,810	24,954	33,840	32,485	32,844	23%
October	27,214	38,284	29,080	37,037	28,362	4%
November	23,747	30,218	26,882	34,691	31,928	34%
December	25,482	25,098	29,561	24,768	32,185	26%
Totals	311,612	344,001	337,658	382,482	370,684	19%
YTD Growth	9%	10%	-2%	13%	-3%	

TEU Movements



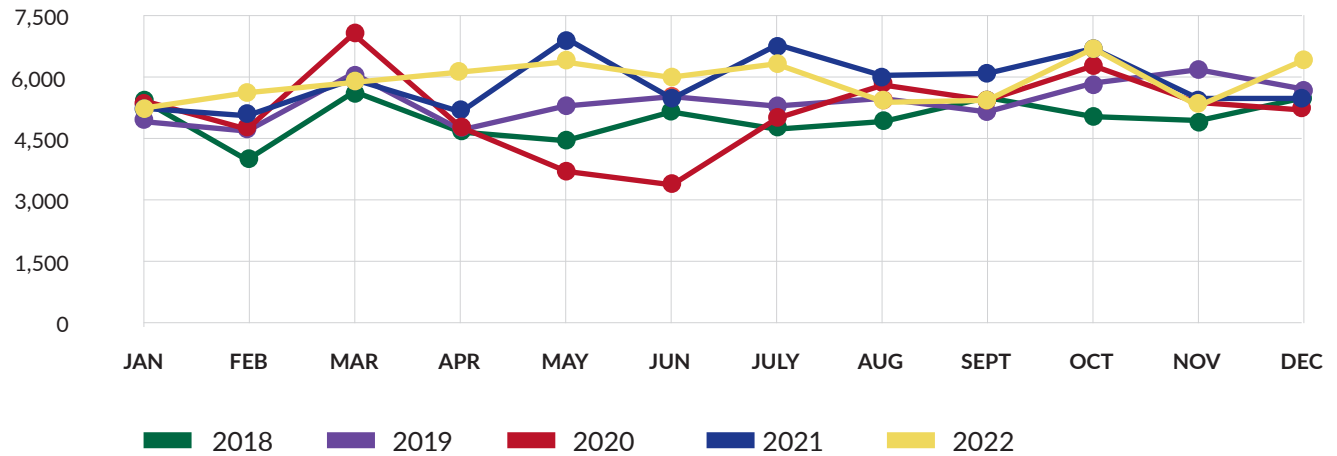
The Port processed 71,394 TEU's in 2022. This contrasts with the 70,740 done in 2021 and the expected amount of 72,155.

Actual 2022 Actual 2021 Budget 2022

Twenty-Foot Equivalent Unit (TEU) Movements

Month	Actual 2022	Actual 2021	Budget 2022	Variance % 2022 vs 2021	Variance % Actual vs Budget
January	5,476	5,519	5,629	(1)	(3)
February	5,753	5,420	5,528	6	4
March	5,986	5,988	6,108	(0)	(2)
April	6,120	5,310	5,416	15	13
May	6,204	6,479	6,609	(4)	(6)
June	5,862	5,630	5,743	4	2
July	6,024	6,265	6,390	(4)	(6)
August	5,583	5,942	6,061	(6)	(8)
September	5,647	6,063	6,184	(7)	(9)
October	6,773	6,789	6,925	(0)	(2)
November	5,638	5,768	5,883	(2)	(4)
December	6,328	5,567	5,678	14	11
Totals	71,394	70,740	72,155	1	(1)

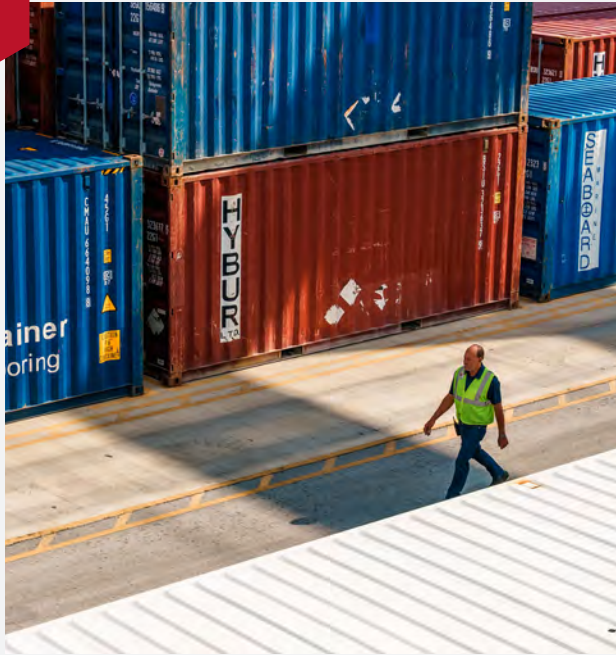
Five Year Container Movements



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

Five Year Container Movements

Month	2018	2019	2020	2021	2022
January	5,603	5,325	5,568	5,519	5,476
February	4,242	5,225	5,229	5,420	5,753
March	5,832	6,065	6,937	5,988	5,986
April	4,679	5,029	5,030	5,310	6,120
May	4,505	5,437	3,914	6,479	6,204
June	5,298	5,621	3,640	5,630	5,862
July	4,866	5,319	5,000	6,265	6,024
August	5,090	5,584	5,893	5,942	5,583
September	5,447	5,406	5,659	6,063	5,647
October	5,101	5,928	6,213	6,789	6,773
November	5,278	6,210	5,639	5,768	5,638
December	5,486	5,705	5,408	5,567	6,328
Totals	61,427	66,854	64,130	70,740	71,394
Annual Growth	3.54%	8.83%	-4.07%	10.31%	0.92%



AERIAL VIEW OF CAYMAN BRAC PORT

Innovative, safe,
and efficient
solutions which
stimulate
and facilitate
waterborne
commerce, trade
and leisure travel
of the Cayman
Islands.



PORT AUTHORITY OF THE CAYMAN ISLANDS

Financial Report

For the financial year ended 31 December 2022



Financial Statements of the

**PORT AUTHORITY OF THE
CAYMAN ISLANDS**

31 December 2022



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

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PO Box 1358, Harbour Drive, Grand Cayman, KY1-1108, Cayman Islands
(345) 949 2055, Fax (345) 949 5820

Statement of Responsibility for the Financial Statements

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

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

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


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

The financial statements fairly present the financial position, financial performance and cash flows of the Port Authority of the Cayman Islands for the financial year ended 31 December 2022.

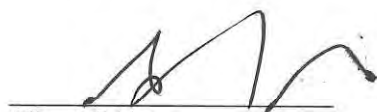
To the best of our knowledge, we represent that these financial statements:

- (a) Completely and reliably reflect the financial transactions of Port Authority of the Cayman Islands for the year ended 31 December 2022;
- (b) Fairly reflect the financial position as at 31 December 2022 and performance for the financial year ended 31 December 2022.
- (c) Comply with International Financial Reporting Standards as set out by the International Accounting Standards Board under the responsibility of the International Federation of Accountants.

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


Paul Hurlston
Port Director

Date: April 30, 2023


Cline Glidden
Chairman of the Board

Date: April 30, 2023


Don Hutchinson
Acting Deputy Director Finance

Date: April 30, 2023

AUDITOR GENERAL'S REPORT

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

Opinion

I have audited the financial statements of the Port Authority of the Cayman Islands (the "Authority"), which comprise the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended December 2022, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 41.

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

Basis for Opinion

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

Emphasis of Matters

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

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

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

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

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

AUDITOR GENERAL'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Act (2020 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sue Winspear
Auditor General

30 April 2023
Cayman Islands

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

As at 31 December 2022

(Stated in Cayman Islands dollars)

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

Approved:


 Paul Hurlston (Port Director)

 30 April 2023
 Date


 Don Hutchinson (Acting Deputy Director - Finance)

 30 April 2023
 Date

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

PORT AUTHORITY OF THE CAYMAN ISLANDS
Statement of Comprehensive Income

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

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS
Statement of Cash Flows

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

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS
Statement of Changes in Equity

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

	General Reserve	Revaluation Reserve	Total
Beginning balance 1 January 2021	4,239,823	25,142,132	29,381,955
Defined benefit payments	192,000	-	192,000
Total comprehensive income	653,990	-	653,990
Revaluation of land and buildings	-	10,370,242	10,370,242
Ending balance 31 December 2021	5,085,813	35,512,374	40,598,187
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 December 2022	19,417,384	37,438,374	56,855,758

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

1. Establishment and principal activities

The Port Authority of the Cayman Islands (the “Port Authority”) is a statutory body established on September 15, 1976 under the *Port Authority Act*. This Act was revised in 1999. The Port Authority is also governed by the *Port Regulations (2020 Revision)* and the *Public Authorities Act (2020 Revision)*.

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

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

As at 31 December 2022, the Port Authority had 166 employees (2021: 159 employees). The Head Office is located at the Port Authority Building on 113 Seafarers Way, P.O. Box 1358 GT, Grand Cayman whereas Cargo Distribution Centre and Billing Office are situated at 110 Portland Road, GT, Grand Cayman. The Port Authority also has a branch at 385 Creek Road, P.O. Box 9, Cayman Brac.

2. Statement of compliance and basis of preparation

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

The financial statements of the Port Authority have been prepared on an accrual basis under the historical cost convention. The reporting currency is Cayman Islands Dollars and figures presented have been rounded to the nearest dollar. Land and Buildings, Investment Property and Right of Use for leases are reported at fair value.

3. Significant accounting policies

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

(a) Changes in accounting policies

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

PORT AUTHORITY OF THE CAYMAN ISLANDS
Notes to the Financial Statements

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

3. Significant accounting policies (continued)

(b) Use of estimates

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

(c) Financial instruments

The Port Authority adopted IFRS 9 effective January 1, 2018. IFRS 9 supersedes IAS 39, Financial Instruments-Recognition and Measurement (IAS 39). IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

(i) Recognition and Derecognition

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

(ii) Classification and Measurement

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

The Port Authority classifies its financial assets (subsequently) in the following specified categories:

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

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

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

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

	IAS 39		IFRS 9
	Classification	Measurement basis	Classification & Measurement basis
Financial Assets:			
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost	Amortized Cost
Accounts receivables 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 that result from those default events on the financial instrument that are possible within 12 months after the reporting date; or
- expected credit losses that result from all possible default events over the life of the financial instrument.

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

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

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

Financial liabilities are initially measured at fair value net of transaction cost. Subsequently, they are measured at amortized cost using the effective interest method. Financial liabilities at amortized cost include accounts payable and accrued expenses.

(d) Property, Plant and Equipment

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

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

Land, buildings and Docks reported in the Statement of Financial Position as of the period end are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment loss. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising from the revaluation of such asset is recognized in other comprehensive income in the Statement of Comprehensive Income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same class of asset previously in other income/expense in the Statement of Comprehensive Income. In this case, the increase is credited to the other income or expense to the extent of the decrease previously expensed. A decrease in the carrying amount arising from the revaluation of such asset is recognized in the other income/expense to the extent that it exceeds the balance, if any, held at revaluation reserve relating to previous revaluation gain of that class of asset.

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

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

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

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

i. Additions

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

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

ii. Disposals

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

iii. Subsequent costs

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

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

iv. Revaluation gains and losses

The Port Authority values its assets to ensure that the carrying amount does not exceed the recoverable amount. This is intended to move the assets to being reported at fair value rather than at historical cost. For the year ended 31 December 2022, the land and buildings and investment property were reported at revalued amounts less subsequent depreciation where applicable. This value was determined by independent appraisers.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

iv. *Revaluation gains and losses (continued)*

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

v. *Impairment*

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

(e) *Investment property*

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

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

(f) *Foreign currency translation*

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Cayman Islands dollars at the foreign currency exchange rate at the statement of financial position dates. Foreign exchange differences arising from translation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign currency exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Cayman Islands dollars at the foreign exchange rates at the dates that the fair values were determined.

(g) *Allowance for bad debts*

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(h) *Construction in progress*

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

(i) *Inventory*

Inventory consists of diesel fuel and service parts and consumables for the Port Authority's fleet of vehicles, cranes and other specialised equipment. These are valued at the lower of net realisable value or cost, on a first in, first out basis. Inventory is recorded net of an allowance for obsolete items. Any change in the allowance for obsolescence is reflected in the Statements of Comprehensive Income in the year of change. There was no provision for obsolescence in the year ended 31 December 2022 or 31 December 2021.

(j) *Revenue recognition*

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

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

(i) Revenue from vessels, cargo and passengers

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

3. Significant accounting policies (continued)

(ii) Passenger fees

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

(iii) Rent income

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

(iv) Other income

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

(k) Expenses

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

(l) Borrowing costs

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

(m) Pension and other post-retirement benefits

The Port Authority participates in the Silver Thatch Pension Plan, a defined contribution pension fund, in accordance with the Cayman Islands National Pension Act. The Port Authority makes monthly contributions of 10% of an employee's salary to an approved pension provider. Employees who joined after July 2018 are required to contribute 50% of their pension. This was changed to the Port Authority making 100% pension contributions for all employees beginning January 2021. Contributions are charged to expenses, as they are incurred based on set contribution rates.

(n) New and revised standards issued

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS
Notes to the Financial Statements

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

3. Significant accounting policies (continued)

(o) Standards issues but not yet effective

New standards, amendments and interpretations adopted

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

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

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

(p) Going Concern

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

4. (a) Cash and cash equivalents

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

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

Restricted cash

Included in the bank balances above is restricted cash of \$89,569 (2021: \$89,569) representing deposits held on escrow for tenants of renting the Port Authority's investment properties.

4. (b) Accounts receivable

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

4. (b) Accounts receivable (continued)

Fair value

The carrying value of receivables approximates their fair value.

Impairment

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

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

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

Due to the large number of receivables, the impairment assessment is generally performed on a collective basis, based on an analysis of past collection history and write-offs. Special consideration was given to those with a higher degree of risk for default. The provision over the comparative period was not adjusted.

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

4. (c) Prepaid expenses

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

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

4. (d) Other receivables and deposits

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

5. Property, plant and equipment

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

5. Property, plant and equipment (continued)

Analysis of Other Assets

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

6. Capitalization of leases

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

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

6. Capitalization of leases (continued)

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

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

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

7. Revaluation of land, buildings and investment property

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

Investment Property was revalued by an independent expert, with an effective revaluation date of 31 December 2022, in accordance with IAS 40. The revaluation shows an increase in investment property value from \$7,300,000 at December 31, 2021 to \$9,226,000 at December 31, 2022, a gain of \$1,926,000.

Fair Value Measurements

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

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Port Authority has the ability to access.
- Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

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

Assets and Fair Values as at December 31, 2022

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

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

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

8. Capital works in progress

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

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For the financial year ended 31 December 2022

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9. Investment property

	Buildings \$
Beginning balance at 31 December 2022	7,300,000
Additions during the year	-
Changes in fair value at 31 December 2022	<u>1,926,000</u>
Ending balance at 31 December 2022	<u>9,226,000</u>
Ending balance at 31 December 2021	<u>7,300,000</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 period and changes in the fair value is charged to "Other Comprehensive Income" in the Statement of Comprehensive Income. There was an increase of \$1.9 million in the fair value of Investment Property upon revaluation by Lands and Survey Department for value date 31 December 2022.

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

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

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

10. Accounts payable and accrued expenses

This represents unpaid expenses incurred in the current and prior years, which are due within the next twelve months. Approximately \$888,098 (2021: \$616,334) of this amount comprises payables occurring in the normal course of business. \$71,555 (2021: \$200,000) represents amount owed to Government for insurance coverage.

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

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For the financial year ended 31 December 2022
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10. Accounts payable and accrued expenses (continued)

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

11. Defined benefit liability: Post employment health care

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

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

The Port Authority commissioned Mercer Actuaries of Canada to provide this service and their assessment is included hereunder. The Port Authority has a present value net defined benefit obligation of \$35,889,000 at the end of the financial year 31 December 2022 (2021: \$51,446,000). The details of the expected valuation and the assumptions used are reproduced hereunder in accordance with IAS 19.

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

The Port Authority established a monthly savings programme to fund this liability. Consequently, while at the end of the year the entire \$35,889,000 is unfunded; the monthly savings will begin to offset the liability in the coming years. At December 31 2022, the savings totalled \$1,666,048 (2021: \$1,540,622).

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

Management does not consider the pension paid to retired workers to be material as all four (4) (2021: 3) retirees currently receive a combined \$37,300 per annum (2021: \$30,029). This benefit will not pass to their estate.

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For the financial year ended 31 December 2022
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11. Defined benefit liability: Post employment health care (continued)

Plan Name	Port Authority of the Cayman Islands	
	31 Dec 2022	31 Dec 2021
Financial year ending on		
<i>Currency Information</i>		
1. Local currency	KYD	KYD
2. Reporting currency	KYD	KYD
A. Change in defined benefit obligation		
1. Defined benefit obligation at end of prior year	51,446,000	52,389,000
2. Service cost		
a. Current service cost	1,531,000	2,164,000
b. Past service cost	-	-
c. (Gain) / loss on settlements	-	-
3. Interest expense	1,436,000	1,297,000
4. Cash flows		
d. Benefit payments from plan assets	-	-
e. Benefit payments from employer	(183,000)	(192,000)
f. Settlement payments from plan assets	-	-
g. Settlement payments from employer	-	-
h. Participant contributions	-	-
5. Other significant events		
a. Increase / (decrease) due to effect of any business combinations/ divestures /transfers	-	-
b. Increase / (decrease) due to plan combinations	-	-
6. Remeasurements		
a. Effect of changes in demographic assumptions	-	1,638,000
b. Effect of changes in financial assumptions	(17,934,000)	(3,745,000)
c. Effect of experience adjustments	(407,000)	(2,105,000)
7. Effect of changes in Foreign exchange rates	-	-
8. Defined benefit obligation at the end of year	35,889,000	51,446,000
B. 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	183,000	192,000
iii. Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	-	-
d. Benefit payments from employer	(183,000)	(192,000)
e. Settlement payments from plan assets	-	-
f. Settlement payments from employer	-	-
4. Other significant events		
a. Increase / (decrease) due to effect of any business combinations/ divestures or transfers	-	-
b. Increase / (decrease) due to plan combinations	-	-
5. Remeasurements		
a. Return on plan assets (excluding interest income)	-	-
6. Effect of changes in Foreign exchange rates	-	-
7. Fair value of plan assets at the end of year	-	-

PORT AUTHORITY OF THE CAYMAN ISLANDS
Notes to the Financial Statements

For the financial year ended 31 December 2022
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11. Defined benefit liability: Post employment health care (continued)

Plan Name	Port Authority of the Cayman Islands	
	31 Dec 2022	31 Dec 2021
Financial period ending on		
C. Amounts recognized in the statement of financial position		
1. Defined benefit obligation	35,889,000	51,446,000
2. Fair value of plan assets	-	-
3. Funded status	35,889,000	51,446,000
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability/(asset)	35,889,000	51,446,000
D. Components of defined benefit cost		
1. Service cost		
a. Current service cost	1,531,000	2,164,000
b. Reimbursement service cost	-	-
c. Past service cost	-	-
d. (Gain) / loss on settlements	-	-
e. Total service cost	1,531,000	2,164,000
2. Net interest cost		
a. Interest expense on Defined Benefit Obligation (DBO)	1,436,000	1,297,000
b. Interest /(income) on plan assets	-	-
c. Interest /(income) on reimbursement rights	-	-
d. Interest expense on effect of (asset ceiling)/onerous liability	-	-
e. Total net interest cost	1,436,000	1,297,000
3. Remeasurements of Other Long Term Benefits	-	-
4. Administrative expenses and/or taxes (not reserved within DBO)	-	-
	2,967,000	3,461,000
5. Defined benefit cost included in Profit and Loss (P&L)		
6. Remeasurements (recognized in the other comprehensive income)		
a. Effect of changes in demographic assumptions	(17,934,000)	(3,745,000)
b. Effect of changes in financial assumptions	(407,000)	(2,105,000)
c. Effect of experience adjustments	-	-
d. (Return) on plan assets (excluding interest income)	-	-
e. (Return) on reimbursement rights (excluding interest income)	-	-
f. Total remeasurement included in Other Comprehensive Income (OCI)	(18,341,000)	(4,212,000)
7. Total defined benefit cost recognized in P&L and OCI	(15,374,000)	(751,000)
E. Net defined benefit liability/(asset) reconciliation		
1. Net defined benefit liability/(asset)	51,446,000	52,389,000
2. Defined benefit cost included in P&L	2,967,000	3,461,000
3. Total remeasurement included in OCI	(18,341,000)	(4,212,000)
4. Other significant events		
a. Net transfer in/(out) (including the effect of any business combinations/divestitures)	-	-
b. Amounts recognized due to plan combinations	-	-
5. Other significant events		
a. Employer contributions	-	-
b. Employer direct benefit payments	(183,000)	(192,000)
c. Employer direct settlements payments	-	-
6. Credit to reimbursements	-	-
7. Effect of changes in Foreign exchange rates	-	-
8. Net defined benefit liability/(asset) as of end of year	35,889,000	51,446,000

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

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

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

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

ECONOMIC ASSUMPTIONS	POST RETIREMENT HEALTHCARE	BASIS OF DEVELOPMENT – ACCOUNTING SPECIFIC ASSUMPTIONS
Discount rate (p.a.) - Dec 31, 2022 - Dec 31, 2021	5.45% per annum 3.00% per annum	Per IAS 19 para. 83 determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. Mercer US Above Mean Yield Curve (referencing US corporate bonds yields) used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.
Discount rate for the following year's current service cost (p.a.) - Dec 31, 2022 - Dec 31, 2021	5.35% per annum 3.00% per annum	
Rate of medical inflation used to determine December 31 2022 benefit obligation (p.a.)	5.35% for all benefits	Based on short-term and long term medical inflation expectation for the Cayman Islands and overseas care
Rate of medical inflation used to determine December 31 2021 benefit obligation (p.a.)	5.3% per annum in 2021 grading down to 4.0% per annum in and after 2045 for health care benefits 4% for dental and vision care benefits	Based on short –term and long –term medical inflation expectations for the Cayman Islands and overseas care in Mercer U.S. November 2021 Retiree Medical Trend Model
Administration expenses used to determine December 31 2022 defined benefit obligation	33.3% of claims	Based on target loss ratio of 75%
Administration expenses used to determine December 31 2021 defined benefit obligation	33.3% of claims	Based on target loss ratio of 75%

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

Demographic Assumptions	Post-retirement Healthcare	Basis of Development – Accounting Specific Assumptions
Current mortality rates	RP-2014 Mortality Table scaled back to 2006 using MP-2014	Recent mortality studies in the U.S. and Canada shows that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the US over the last 20 years.
Mortality improvements used to determine December 31 2022 benefit obligation	Scale MP -2020	Broad consensus amongst longevity experts that mortality improvement will continue in the future. Scale MP-2014 was released in October 2014. In the U.S., the latest future mortality improvement scale updated issued by the Society of Actuaries is scale MP- 2019.
Mortality improvements used to determine December 31 2021 benefit obligation	Scale MP -2020	
Turnover rates	See below ***	
Disability rates	None assumed	
Retirement Age	Age 60	
Current age 65 healthcare claims cost assumption used to determine December 31 2022 benefit obligation	Health \$13,450 per participant Dental \$525 per participant Vision \$95 per participant	Based on actual Port Authority retiree claims experience from January 1 2018 to December 31 2019. 2020 and 2021 claims experience was excluded due to the impact of the pandemic on claims patterns.
Current age 65 healthcare claims cost assumption used to determine December 31 2021 benefit obligation	Health \$13,450 per participant Dental \$525 per participant Vision \$95 per participant	Based on actual Port Authority retiree claims experience from January 1 2018 to December 31 2019. 2020 and 2021 claims experience was excluded due to the impact of the pandemic on claims patterns.
Healthcare utilization changes due to age used to determine December 31 2022 benefit obligation	Current Mercer standard healthcare aging assumptions for medical and dental	Based on updated analysis of healthcare utilization for Mercer clients in US
Healthcare utilization changes due to age used to determine December 31 2021 benefit obligation	Current Mercer standard healthcare aging assumptions for medical and dental	Based on updated analysis of healthcare utilization for Mercer clients in US
Family /single coverage – future pensioners	Male – 100% single Female – 100% single	The Port Authority pays for single coverage only.

*** Turnover Rates

Turnover rates at sample ages

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

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12. Contingencies and commitments

a) *Liability to Cayman Islands Government*

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

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

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

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

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

b) *Leases*

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

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

c) *Operating Lease*

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

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

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

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12. Contingencies and commitments (continued)

In this case, there are no lease payments forthcoming due to the lease being granted at peppercorn, and the risks and rewards incidental to legal ownership is enjoyed by the lessor. Consequently, the Port Authority has no receivable to book in the statement of financial position as at 31 December 2022 as well as at 31 December 2021.

d) Legal Proceedings against the Authority

- (i) In January 2021, correspondence was received from an attorney representing a member of staff who was dismissed. The letter alleged that the dismissal was unfair and / or wrongful. Port Authority instructed our attorneys to respond indicating the general basis upon which the decision was made. At the date of this report no further communication was received from the attorney on this matter.
- (ii) A cruise passenger who visited the Cayman Islands in January 2020 suffered minor cuts and bruises and commenced proceedings against the Authority. The last correspondence from the attorney representing the claimant was received in November 2021. Based on the correspondence, the action may have been abandoned. PACI's attorney has advised that any claim for damages arising subsequently would likely be minimal given the facts and circumstances of the case. PACI's attorneys was advised that an update was received in February 2023, indicating that the matter had not progressed.
- (iii) Section 47 of The Public Authorities Act (PAA) came into effect on 1 June 2019. The section requires public authorities to use the same salary scale as determined by the Cayman Islands' Cabinet and requires the salary scales of a public authority to be adjusted to reduce any differences between public authorities' and public service's terms and conditions of employment.

The exercise to give effect to section 47 of the PAA was not completed at year end.
- (iv) On 4 November 2022 PACI received a letter from attorneys representing a member of staff. This correspondence alleged certain claims against the PACI for various losses totalling CI\$478,228.56 arising from the actions taken against the staff in accordance with internal policy. PACI instructed our attorneys to defend these threatened claims. At the date of this report no further communication was received from the attorney on this matter.
- (v) In July 2022 PACI received a claim relation to a personal injury made by an employee of one of PACI's contractors, who was injured whilst working on the Port premises. The claim has not yet been quantified by the attorneys. The claim has been referred to the PACI insurers and we have corresponded with claims managers. There has been no development in this matter at the date of this report.
- (vi) In June 2022 PACI was served with a writ in respect of a claim for personal injuries made by an employee of a trucking company that was carrying out work at the Port. The matter was referred to the PACI's insurers who are handling the matter.
- (vii) This matter relates to an incident at the Cargo Distribution Centre on the evening of Sunday 11 December 2021 that involved the RTG Crane where a member of staff was affected. The PACI insurers were notified. Subsequent developments suggest that there will not be further action in this matter.

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

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13. Related party transactions

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

- a) Insurance coverage for property, motor, worker's compensation and other risks is provided through the Cayman Islands government for an annual premium of \$577,112 (2021: \$591,220). The Cayman Islands Government procures insurance for all its entities at favourable market rates, and they apportion the related liability according to the value of the entities' assets.

The insurance expense of \$577,112 in the Statement of Comprehensive Income represents the amortized estimated insurance premium for period 1 January - 31 December 2022.

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

- c. Key management personnel

As at 31 December 2022, there are two (2) full time senior management personnel on recurring employment agreements (2021: 3), and one on a fixed term contract (2021: 1). The total remuneration includes regular salary, pension contribution, health insurance contribution and post - employment health care. The pension and health insurance benefits provided to key management personnel are similar to that provided for all employees. Total remuneration (including benefits) in 2022 for senior management was \$699,146 (2021: \$616,721).

- d. Board members

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

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

One board member receives an additional \$344 per meeting (2021: \$344) attended for travel, car and accommodation allowance. The other three are civil servants. The total fees and expenses paid for the eligible members for the year ended 31 December 2022 was \$127,808 (2021: \$31,038).

- e. Lines of credit

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

PORT AUTHORITY OF THE CAYMAN ISLANDS

Notes to the Financial Statements

For the financial year ended 31 December 2022

(Stated in Cayman Islands dollars)

14. Fair value disclosure

At 31 December 2022, the following methods and assumptions were used by management to estimate the fair value of each class of financial instruments:

(a) Cash and cash equivalents

The carrying amount approximates fair value.

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

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

(c) Current and long-term debt

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

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in interest rate assumptions have been reflected in note 11. Changes in the discount rate assumptions could significantly affect the estimates, especially for the defined benefit liability, as seen in note 11.

15. Financial instruments and associated risks

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

Concentration of credit risk

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

The Port Authority invests available cash and cash equivalents with one local bank. The Port Authority also holds receivables from clients. Counterparties to these financial instruments expose the Port Authority to credit-related losses in the event of non-performance. However, management does not expect the bank and the debtors to renege on their obligations, due to the soundness of the bank and the credit checks done by the Port Authority. When bad debts are identified, they are expensed.

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15. Financial instruments and associated risks (continued)

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

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

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

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

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Notes to the Financial Statements

For the financial year ended 31 December 2022
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15. Financial instruments and associated risks (continued)

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

	Up to 45 days	46 to 90 days	> 90 days	Total
As at December 31, 2022	\$	\$	\$	\$
Accounts receivable	1,282,327	180,696	405,968	1,868,991
Other receivables, prepaids and deposits	287,448	-	-	287,448
Total	1,569,775	180,696	405,968	2,156,439

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

Management of financial risks

The following tables indicate the contractual timing of cash flows arising from financial assets and liabilities included in the Port Authority's financial statements as of December 31, 2022 and December 31 2021.

	Contractual cash flows (undiscounted)				
	Carrying amount	No stated maturity	0 – 1 yr.	1 – 2 yrs.	> 2 yrs.
December 31, 2022	\$	\$	\$	\$	\$
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 payable	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	-	-

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(Stated in Cayman Islands dollars)

15. Financial instruments and associated risks (continued)

	Contractual cash flows (undiscounted)				
	Carrying amount	No stated maturity	0 – 1 yr.	1 – 2 yrs.	> 2 yrs.
December 31, 2021	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	10,639,968	-	10,639,968	-	-
Accounts receivable	1,238,182	-	1,238,182	-	-
Other receivables, prepaid and deposits	303,454	-	303,454	-	-
Total	12,181,604	-	12,181,604	-	-
Short-term liabilities					
Accounts payables	1,643,649	-	1,643,649	-	-
Loans repayable within 12 months	-	-	-	-	-
Total	1,643,649	-	1,643,649	-	-
Difference in contractual cash flows	10,537,955	-	10,537,955	-	-

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Port Authority holds cash and cash equivalents that are interest bearing and as a result, the Port Authority is subject to risk due to fluctuations in the prevailing levels of market interest rates in relation to these financial instruments.

Foreign currency risk

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

16. Cargo handling

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

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17. Cruise Ship passenger fees

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

18. Maritime services

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

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

19. Other income

This comprise the following:

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

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20. Diesel sales

The Port Authority sells diesel fuel to cargo and other vessels for profit. Diesel sales are shown net in the Statement of Comprehensive Income; due to the incidental nature of the transaction to the overall operations, and it is outside the main business that the Port Authority is engaged in.

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

21. Staff costs

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

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

22. Contracted services

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

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

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23. Repairs and maintenance

Repairs and maintenance consist of parts, consumables and external labour costs used in the upkeep of the cranes and heavy equipment, the fleet of vehicles, and overall maintenance of the physical plant infrastructure of the Port Authority. For the financial year ended 31 December 2022, repairs and maintenance amounted to \$2,080,318 (2021: \$1,420,120).

24. Rental income

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

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

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

25. Donations

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

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26. Branch Statements of Financial Position

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

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27. Branch Statements of Comprehensive Income

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

Financial performance of Cayman Brac Operations

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

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

28. Subsequent events

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

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

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

The elite Port of **excellence** in the Caribbean.



CAYMAN PORT

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