



**CAYMAN PORT**



**Comprehensive Annual Financial Report for the Year  
Ended December 31, 2017**





# PORT AUTHORITY OF THE CAYMAN ISLANDS

## VISION

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

## 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, thus resulting in the continued economic development of the Cayman Islands .



### Sustainability

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



### Forward thinking

We will continuously strive to be proactive and innovative.

## CORE VALUES



### Accountability

We will take ownership of our decisions and actions.



### Efficient

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



### Commitment

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



### Honor

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



### Our people

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



### Integrity

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



### Collaboration

We will work together in unity to achieve our vision.



### Embrace change

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



### Service excellence.

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

<b>Table of Contents</b>	
<b>INTRODUCTION SECTION</b>	
LETTER FROM THE ACTING PORT DIRECTOR	4
LETTER FROM THE ACTING CHAIRMAN	5
BOARD OF DIRECTORS	6
GOVERNANCE	7
ABOUT US – WHAT WE DO	10
OUR PEOPLE – WHO WE ARE	12
CHARTING A NEW COURSE	16
MAJOR MILESTONES OF 2017	19
2017 AT A GLANCE	21
<b>FINANCIAL SECTION</b>	
ACTING DEPUTY DIRECTOR’S REPORT	31
MANAGEMENT DISCUSSION AND ANALYSIS	37
RISK MANAGEMENT	58
SCRUTINY BY PARLIAMENT AND THE PUBLIC	59
INTERNAL AND EXTERNAL AUDIT UPDATES	59
SELECTED STATISTICAL DATA	61
<b>FINANCIAL STATEMENTS</b>	

## LETTER FROM THE ACTING PORT DIRECTOR



Since the incorporation of the Port Authority of the Cayman Islands (PACI) in 1976 as a statutory authority, the infrastructure of the port has undergone substantial expansion to support the rapid growth of the Cayman Islands economy and PACI itself. Cargo and cruise operations are PACI's two main areas of maritime focus.

In the early days of cargo operations, the port operated with one roll-on roll-off (RoRo) berth and a one lift-on lift-off (LoLo) berth. Today, the port's single cargo pier can operate both RoRo and LoLo berths on each side to better service cargo ships. Also, because of the exponential growth of cruise tourism over the decades, the Port Authority operates three cruise tender terminals; The South Terminal, the North Terminal and the Royal Watler Terminal. On account of the projected demand and growth for both the cargo and cruise businesses, the Government is actively seeking to construct an enhanced cargo facility along with a new cruise berthing facility.

The new cruise berthing facility will accommodate larger cruise passenger vessels with a capacity greater than six thousand people, while the enhanced cargo facility will be capable handling bigger cargo vessels.

Between 2016 and 2017, PACI underwent an organizational realignment, which has incorporated the new vision and mission statements, as well as a five (5) year strategic plan. This will ensure that PACI has the ability to adapt to meet growing market demands and operate with greater levels of efficiency and effectiveness.

I am truly grateful to be supported by a competent, dedicated and loyal team, and appreciate the effort demonstrated to go the extra mile in order to meet and exceed customer expectations. Our team has worked diligently and efficiently, performing tasks to the maritime industry's highest standards, to make PACI a safe working environment. Our team's effort and steadfast commitment have been key elements of the continued success of the organization.

I also thank PACI's Board of Directors for their continued guidance and support during this critical period.

To the maritime industry partners and other stakeholders, your patronage and business is our inspiration to enhance our capabilities and efficiency. I am confident that together we can continue to build on our success as the elite port of excellence in the region.

Joseph Woods  
Acting Port Director

## LETTER FROM THE ACTING CHAIRMAN



As the Cayman Islands have grown tremendously over the past four decades, driven by the twin engines of financial services and tourism, the Port Authority of the Cayman Islands (PACI) has been at the pinnacle of that development. The ability to receive cargo and cruise passengers using the same port, underpins the largest portion of the economic activity in the Cayman Islands. With the continued expansion of facilities over this short time, the Cayman Islands were transformed from the sleepy Caribbean Islands that time forgot, to one of the largest and most dynamic financial centres and tourist destination in the world.

The growth of the cruise tourism product, meanwhile, has been underpinned by the ability to service the larger cruise ships, and the Cayman Islands has been fortunate to maintain its position amongst the preferred destinations. With the passenger volumes expected to increase over the next few years the construction of a state of the art cruise berthing facility will meet the needs of the cruise tourism sector and facilitate further growth in the cruise business.

The PACI has outgrown the facilities currently used to handle cargo. A master plan was also developed to provide new and expanded dock and warehouse facilities that will meet the anticipated cargo needs in the Cayman Islands for decades to come. Our roving fleet is also in the twilight years and is in need of replacement. The PACI has embarked on a plan to replace the fleet of vehicles and heavy equipment over several fiscal years. This will be financed internally.

All of our success can be attributed to current and past dedicated employees. I wish to personally thank our dedicated men and women of PACI for their loyalty and eagerness to go the extra mile in order to satisfy our stakeholders needs while maintaining a safe and secure place to work.

PACI is positioning itself to service the economic growth that the Cayman Islands will continue to enjoy in the future while maintaining the high standards our predecessors envisaged. I firmly believe that we will be the elite port of excellence in the Caribbean, and will always strive to make the cruising guests feel welcome and safe to visit, and likewise with the cargo stakeholders.

Arek Josephs  
Acting Chairman

## ***BOARD OF DIRECTORS***

The Board of Directors is appointed by the Cabinet of the Cayman Islands. The Ministry of District Administration, Tourism and Transport holds responsibility for the Port Authority. The following are the members of the Board of Directors:



**Mrs. Jacqueline Scott**



**Mr. Robert Foster**



**Capt. Ashton Bodden**



**Mr. Charles Clifford**



**Mr. Ken Thompson**



**Mr. Richard Parchment**



**Mr. Stran Bodden**



**Mr. Michael Nixon**

## *Governance*

The Port Authority is governed by the Port Authority Law (1999 revision) and the Port Regulations (2017 Revision). In addition, the Authority complies with the Public Management and Finance Law and Regulations, the Labour Law, Pensions Law, The Public Authorities Law, The Procurement Law, and the Insurance Law.

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



FOR 40 YEARS, THE PORT AUTHORITY OF THE CAYMAN ISLANDS HAS DEVELOPED CRITICAL INFRASTRUCTURE TO HANDLE THE FLOW OF CARGO IN AND OUT OF THE CAYMAN ISLANDS, PROVIDING THE FOUNDATION FOR INCREASED ECONOMIC GROWTH, SECURITY, STABILITY AND PROSPERITY FOR ALL THREE ISLANDS AND ITS PEOPLE.





Safehaven Marina

**THE PORT AUTHORITY OF THE CAYMAN ISLANDS SUPPORTS CRUISE TOURISM BY PROVIDING INFRASTRUCTURE TO SHOWCASE THE WARMTH AND BEAUTY OF THE CAYMAN ISLANDS**

# ABOUT US –WHAT WE DO

*The Port Authority has a presence in all three Islands. On Grand Cayman, we operate at Harbour Drive, 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 of the Cayman Islands (the “Port Authority”) is a statutory body established on September 15, 1976 under the *Port Authority Law*. This Law was revised in 1999. The Port Authority is also governed by the *Port Regulations (2017 Revision)*.

## Origins of the Port Authority of the Cayman Islands

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 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;
- enforcement of the Port Authority Law and the Regulations;
- inspection of vessels for the purpose of checking and enforcing compliance with the Port Authority Law

# Scope of Activities

Providing and maintaining facilities for the offloading of cargo imports into all three Islands

To contribute to the growth of cruise tourism (and thereby the economy), by providing and maintaining facilities to accommodate the cruise ship

Providing and maintaining navigational markers in Cayman Islands waters.

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

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

Carrying out the Port Authority Laws

## **OUR PEOPLE – MANAGEMENT TEAM**



**JOSEPH WOODS**  
Acting Port Director



**WILL JACOBS**  
Deputy Director and  
Chief Logistics Officer



**DON HUTCHINSON**  
Acting Deputy Director and  
Chief Financial Officer



**CHRIS KROHN**  
IT Services Manager



**BRUCE REYNOLDS**  
Cargo Distribution Center  
Manager



**KEISHA YATES**  
Finance Manager



**LIZ SMITH**  
HR Manager



**DALE CHRISTIAN**  
Manager Cayman Brac



**COURTNEY WISDOM**  
Facilities Manager



**ROYLEE MOORE**  
Acting Manager Cruise and  
Security



**JULIUS JACKY**  
Safety and Crisis Manager



## Our People - Who we are

The Port Authority had 154 employees at the 18 month period ended December 2017.

The distribution and other demographics are highlighted in this section.

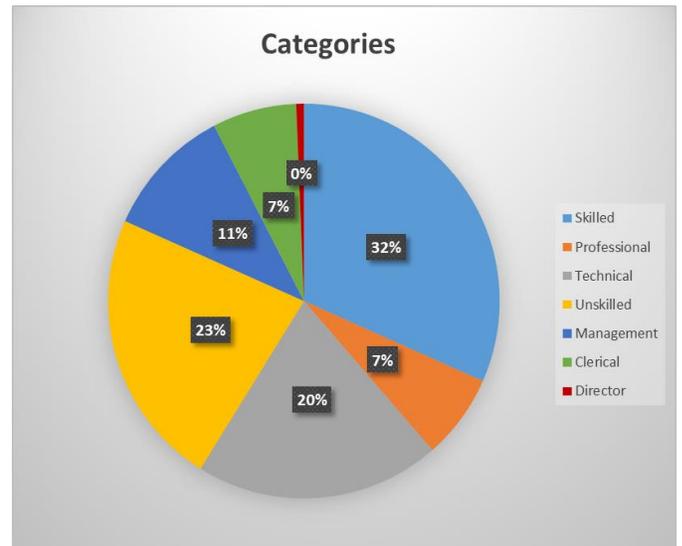
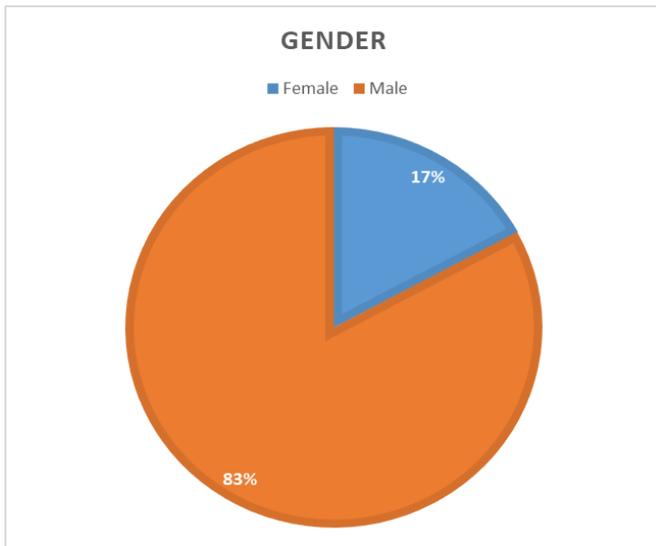
<b>Description</b>	<b>***2017</b>	<b>2016</b>
Salary and Wages	15,598,629	10,003,436
Medical Insurance	1,856,774	1,169,576
Pension	1,583,549	977,072
Other staff costs	226,944	154,969
<b>Total Staff Costs</b>	<b>19,265,896</b>	<b>12,305,053</b>

\*\*\* this covers the 18 month period July 1 2016 to December 31 2017

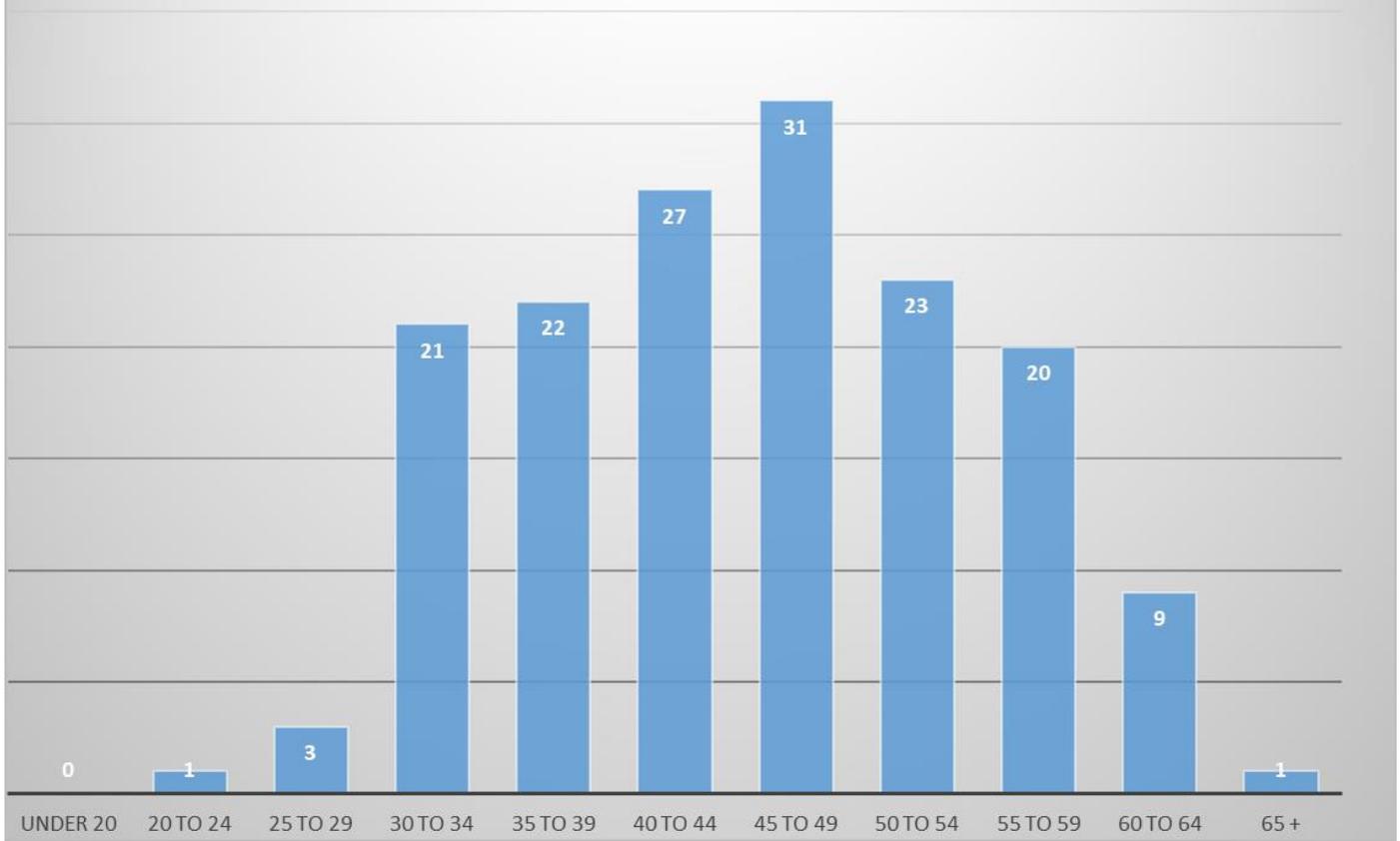
<b>Employee demographics</b>	<b>***2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Staff complement	158	148	151	154	154
Average income earned per staff	218,386	164,182	135,940	150,825	126,571
Average expense per staff	215,013	173,182	133,623	148,714	124,136
Average salary paid to staff	98,726	67,591	62,227	63,025	60,504

\*\*\* this covers the 18 month period July 1 2016 to December 31 2017

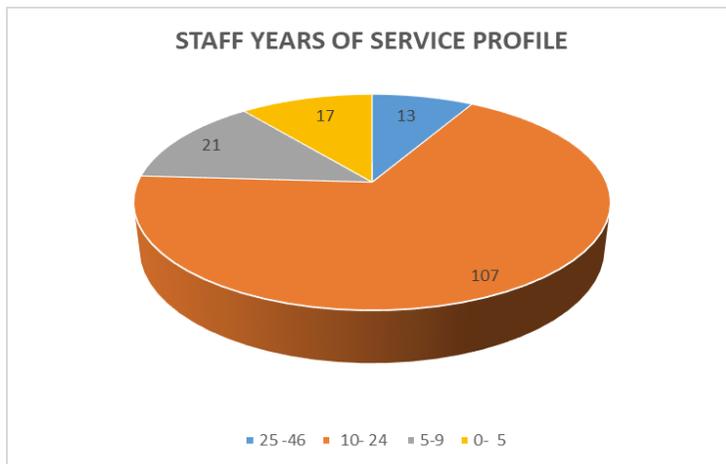
The Port Authority's staff is comprised of predominantly men. This has traditionally been the case. Initiatives are being pursued to attract and retain women. We have reaped success and look forward to a more gender balanced workforce in the future, where women are represented at all levels in the organization



## Staff Age Distribution



## STAFF YEARS OF SERVICE PROFILE



# C HARTING A NEW COURSE

## KEY STRATEGIC PRIORITIES IN BUILDING FOR THE FUTURE

- 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
- Fine tuning of the information system architecture to enhance customer experience and provide management information efficiently, effectively with better value for money
- Improving operational capacity to service current and future needs of the Islands' commerce and residents for the next 25 to 40 years
- Improving the aesthetics and functional abilities of the two operating streams by building new facilities and separating the cargo and cruise operations

Cayman Port has experienced tremendous growth over the past decade, with cargo volumes rising 28% over the last five years, and cruise passenger arrivals increasing by 27%. With this meteoric rise comes the attendant pressures on our human resources and infrastructure. As such, a master plan is being developed to address the anticipated infrastructure needs of the Port for the next 25 years.

As part of this plan, the CDC yard masterplan was developed and a project initiated to redesign the container space and utilize Rubber Tyre Gantry Cranes to store and retrieve cargo and empties more efficiently and effectively. This will reduce retrieval time as well as increase handling and storage capacity several times the current load. This is a multi-phased project, with the first phase budgeted at \$5.5M.

Work on this project started in the latter part of 2017, and was completed in May 2018. The project was financed by retained earnings; the pace of progression to the other phases will depend on future earnings in the short term, until Government policy is favorable towards other forms of financing for capital projects.

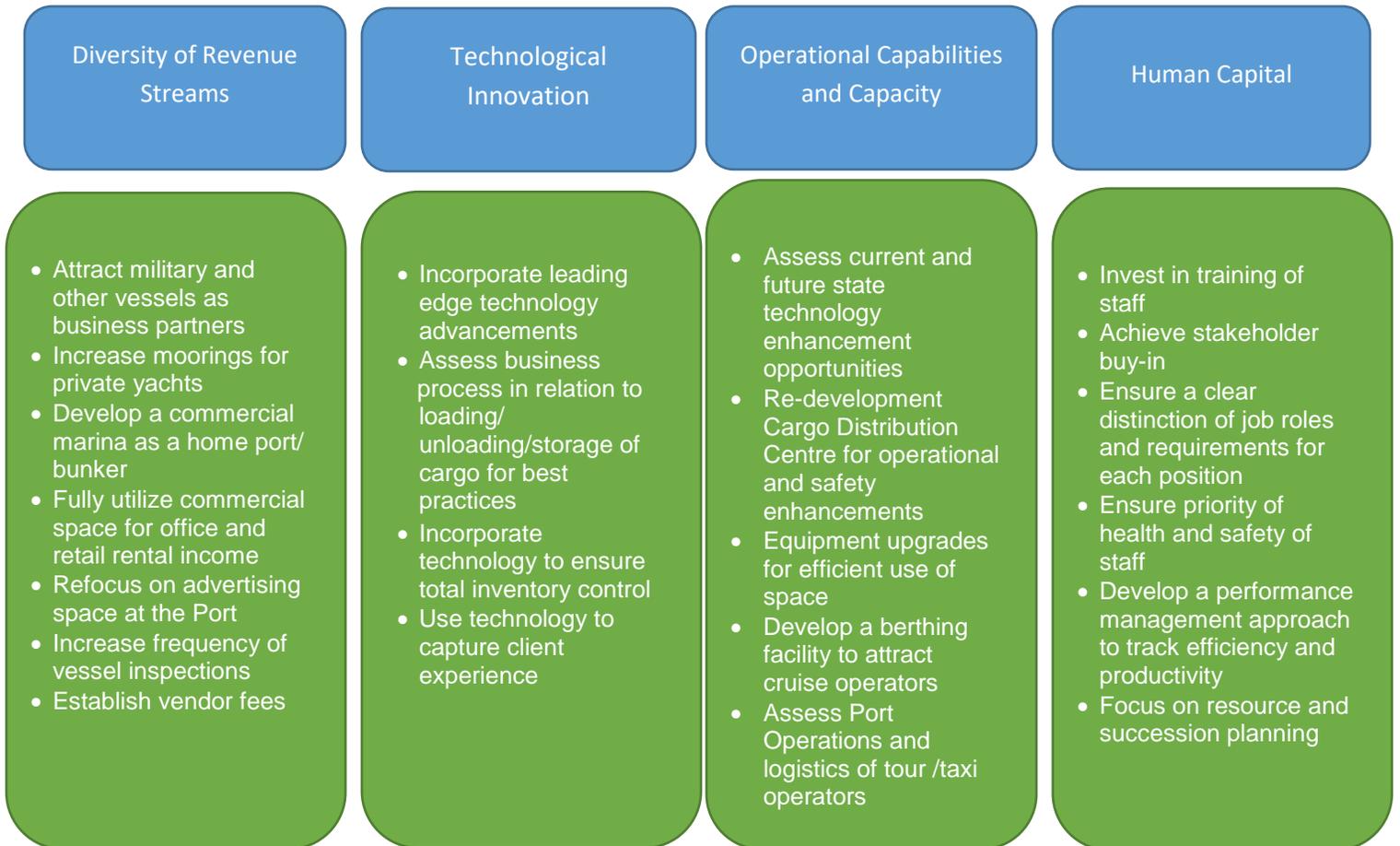
The financial planning process of the Port Authority integrates a biennial budget process with multiyear projections. Through the capital plan and budget process, management, in collaboration with the board, identifies strategic, financial, and operational risks and priorities that affect how resources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

Each new budget allows space for reflection on short and long term targets and amendments can be made to the pace of implementation of strategic initiatives and infrastructure plans. The approved budget becomes a blueprint for the implementation and continual review of expenditures to ensure that they align with statutory, contractual, and other commitments of the Authority and the policies and financial decisions of the Board and Cabinet through the portfolio Ministry. Internally developed forecasting models are used to assess the Authority's projected medium term financial condition; determine the financing needs and 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 and services that the Port Authority provides, in line with the priorities and policy framework of Cabinet.

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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 engaged external consultants to help identify gaps in our current organizational structure and in unison with management and the Board, designed and developed an appropriate framework that can deliver on the long term strategic priorities agreed in consultation with stakeholders.

It is this focus on long range planning of both our human and physical requirements, and making strategic plans that are designed to meet the future challenges, that are at the forefront of our new course upon which we have begun. Our four (4) strategic priority areas are outlined below.



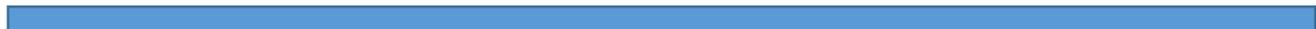
## MAJOR MILESTONES OF 2017

### KEY TARGETS

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

### ACHIEVEMENTS

- Complete improvement of Spotts, painting of buildings, erection of murals. Enhancing parking for tour buses
- Continual upgrades to software. Upgraded the Port website. Continual refinement of the accounting modules in Port Manager
- Purchase of new forklifts, additions to fleet and specialized equipment
- This is being pursued



SUCSESSES	CHALLENGES
Updates to the Authority’s fixed assets Portfolio in compliance with IFRS	Resource limitations to maintain compliance. Plans are in place to address this
Organisational review of the Port Authority	Timeliness to completion and roll out of action plan
Hosted the PMAC Conference	Limited resources to maintain and replicate success
Finalize strategic pans and direction	Financial resources , legislative support, and time horizon to achieve objectives
Staging our 40 <sup>th</sup> anniversary celebrations	





We are thrilled to report that Cayman has once again ranked as a top destination in the 2017 Cruisers' Choice Destination Awards!

Grand Cayman was ranked #2 of all Western Caribbean & Riviera Maya destinations in 2017 in the annual Cruise Critic awards - the leading cruise reviews and information site with more than five million monthly users. The rankings are based on the average scores given by real cruise visitors, and reflects the quality of the tourist experience throughout our islands. The work done by the Port Authority is a critical component of the cruise product in Cayman, as we are the visitors' first and last points of contact with these Islands.

## 2017 AT A GLANCE – IMPACTING OUR COMMUNITY

- Port Authority and Department of Tourism welcomed Carnival Cruise Lines Volunteers for Coastal Clean-Up.
- Career fair and exhibition – John Gray High School
- The Cayman Islands Department of Tourism, in partnership with the Port Authority of the Cayman Islands and crew members of Carnival Cruise Lines' Dream and Sensation, supported Ocean Conservancy's International Coastal Clean-up programme. Volunteers donated their time and effort to assist in cleaning the Coe-Wood public beach area in Bodden Town from 11:00 am to 2:30 pm on 15 September 2016.



Cayman Port provided opportunities for young Caymanians in our internship programme, that allows students the opportunity to work during school breaks and get exposure in all areas of the elite port of excellence in the Caribbean

## CAYMAN PORT – CONSERVATIONIST ON THE BEAT!



A small story of rescue to share from the recent weather. Asher Reid was able to rescue a green sea turtle hatchling that was trapped in the storm water drain on the cargo dock.

The hatchling was turned over to DOE for safe release into the ocean - great job, Asher!



A group of volunteers arrived at the Port on Christmas Day to spread Christmas cheer and show Caymankind to cruise visitors, with "Hugs for Christmas".



Samples of local favorites like swanky and cassava cake were enjoyed and handwritten notes of encouragement with a candy cane were handed out.

## CAYMAN PORT 40<sup>TH</sup> Anniversary awards









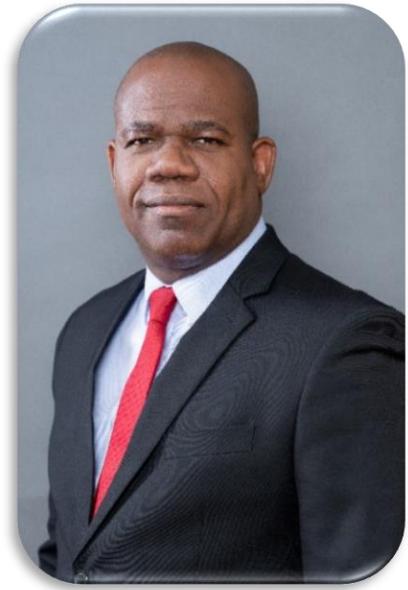




# FAMILY FUN DAY



# FINANCIAL SECTION



## DEPUTY DIRECTOR'S REPORT

The Consolidated Financial Statements (the "Financial Statements") of The Port Authority of the Cayman Islands for the fiscal years ended December 31, 2017 and June 30, 2016, are enclosed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in the Financial Statements rests with the management of the Port Authority

The Management's Discussion and Analysis ("MD&A") and Supplementary Information sections of the Financial Statements provide a narrative introduction, overview, and analysis of the Port Authority's financial performance for the period. Additional statistical information is presented at the end of this report to aid in further analysis. The Management of the Port Authority is also responsible for establishing and maintaining adequate internal controls over the financial architecture and systems that produce the numbers upon which the financial reporting



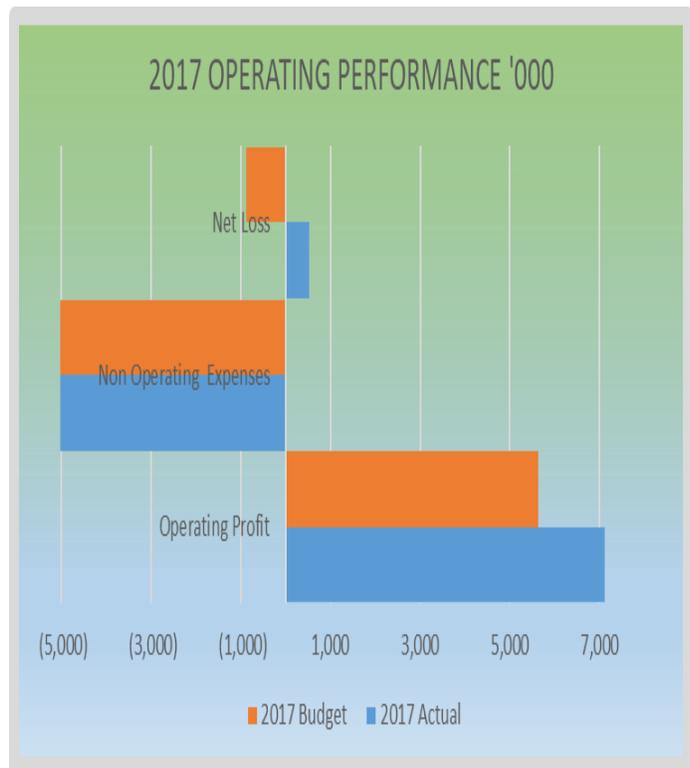
is made. Internal control over financial reporting is designed to provide reasonable assurance regarding the accuracy and reliability of financial information presented in the reports and include the disclosures and other material supporting the financial information. These collectively represent the performance and context of the performance of the Port Authority 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 Acting 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 judged by the auditor general, who is charged by statute 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 were presented to the auditor general who expressed an unqualified opinion at the conclusion of her audit.



The Port Authority achieved net profit of \$533K for the 18 month period ending December 31 2017. This was \$1.4M better than the budgeted loss of \$873K. The reason for the overall net profit was the strong cargo revenue performance as well as a decrease in the defined benefit remeasurement expense for fiscal 2017. This declined by \$2.6M mainly due to the effects of changes in the demographic assumptions used by the Actuaries in producing their report.

Actual Income of \$34.5M for the 18 month period performed 1% over the budget amount of \$34.3M. Expenditure of \$33.9M was less than the budget of \$35.2M, by 4%.



The Port Authority had \$1.5M or 26% better operating surplus than expected, due to a resurgence in cruise bookings and historic cargo volumes.

An improvement in revenue and reduction in operating expenses resulted in increased equity over last year by \$801K. This was reflected in higher cash balances and increases in other current assets. Investment in infrastructure and other assets climbed to \$2.7M and the Authority is now debt free.

The health care liability continues to erode the operating gains, with expenditure of \$4.8M for the 18 month period and a commensurate reduction in equity.



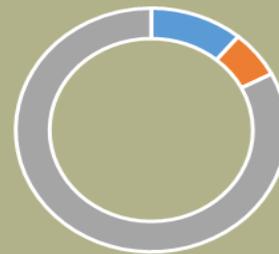
The Port purchased this Taylor forklift at a cost of \$436K as part of the Fleet modernization program

### Composition of Equity 2017



- Cash
- Other Current Assets
- Non Current Assets

### Composition of Equity 2016



- Cash
- Other Current Assets
- Non Current Assets

Cayman Port has much to be proud of for the 18 month period. The 5% growth seen for Cargo is expected to continue for the medium term. The uptick in cruise is also expected to continue. Other revenue streams are being pursued which if realized, will add additional revenue to the Authority and contribute to the

realization of operational and capital expansion plans. Downside risks include increased outlook for natural disasters as weather patterns continue to get more severe, which can disrupt port operations resulting in revenue loss and infrastructure damage. Other opportunities for growth in

The medium term will require significant investment in our infrastructure assets to take calls of larger cruise vessels and leverage geographical advantage to enter the logistics and supply chain space. The long term master plan foresees larger cargo vessels calling on the port which require capital planning.



The image at left shows the major challenge facing the Port Authority in the medium to long term. The Authority is financing operations and infrastructure investment from revenues. This closed circle will pose a challenge to improving our human capital and upgrading the infrastructure to meet the growing demands and the changing industry landscape. Additional funding is needed from secondary sources to undertake the levels of investment required to improve and maintain service levels.

The Port Authority looks forward to a promising future and the management and staff are prepared to engage stakeholders to participate in the rebuilding exercise, and to continue to deliver high calibre services that exceed customer expectations. The vital role the port has to play in our economy cannot be understated. It is the channel through which the majority of goods needed to service the Islands enter. Consequently, the solutions for the long term challenges and opportunities must be approached with creativity, flexibility and foresight. We are proud of our achievements in 2017 and will strive to improve in the years ahead.



CARGO DISTRIBUTION CENTRE IN CAYMAN BRAC

Don Hutchinson FCA, FCCA.

Acting Deputy Director Finance



## Management Discussion and Analysis (unaudited)

The ensuing section is management's commentary on the financial statements for the 18 month period ending 31 December 2017. 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. The period being reported is not comparative with the prior year as this was an 18 month transition to a calendar year fiscal year from the previous July to June fiscal year. However, the prior years will be referenced as the shifts in activity levels that drive the performance of the Port Authority are instructive in understanding the financial information.

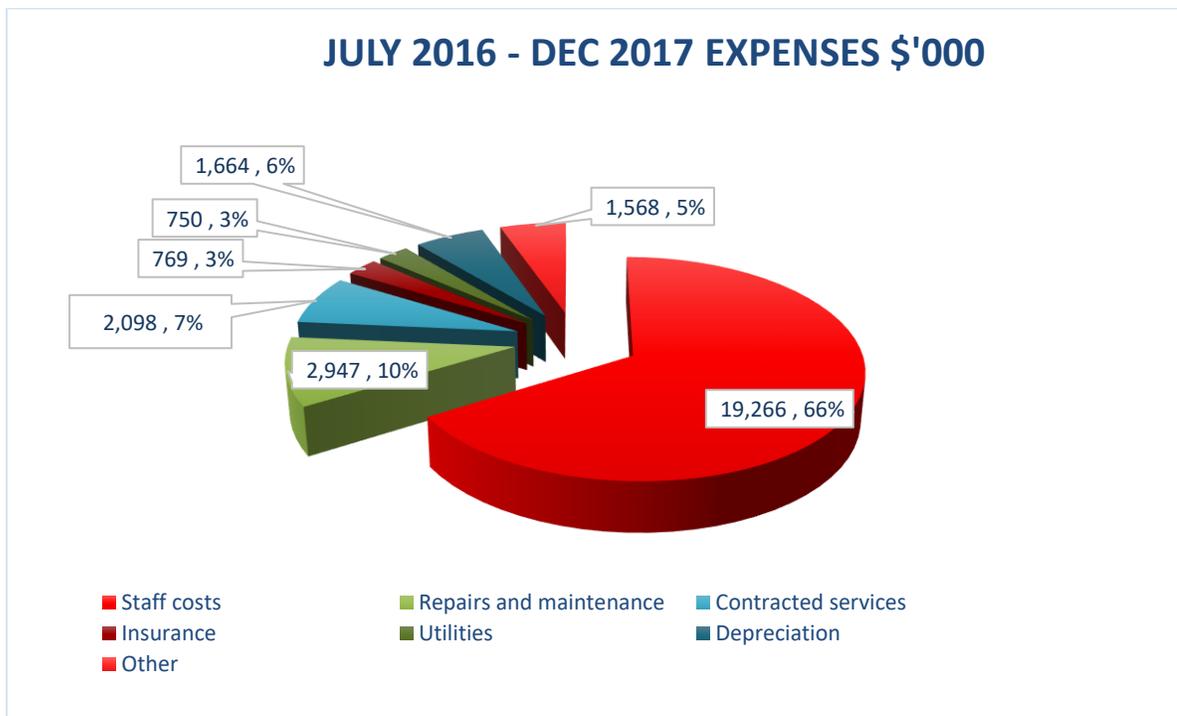
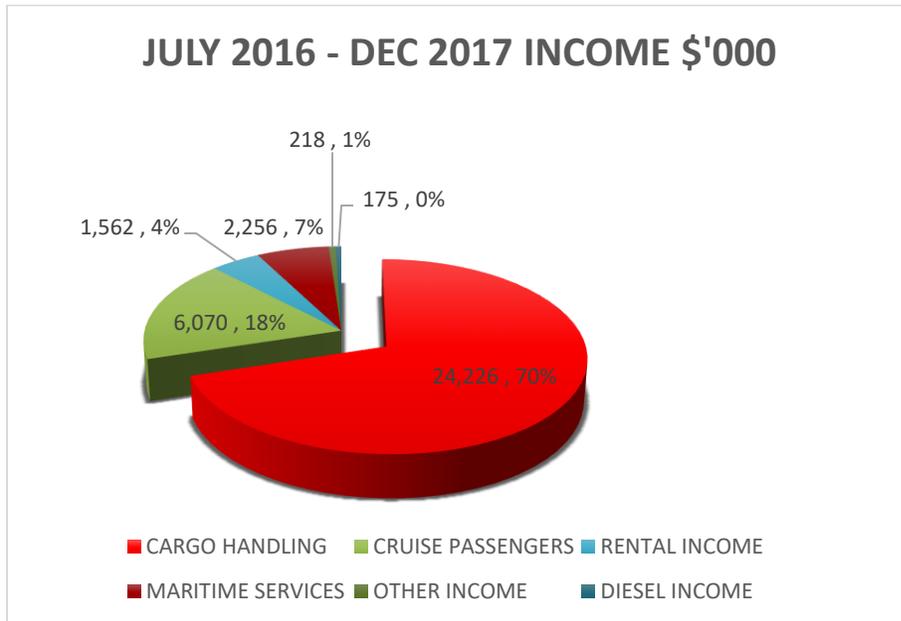
### 2017 financial performance

Equity increased at the end of the period by \$801K comprised of Income from operations of \$5.4M and non-operating expenses of \$4.6M.

<b>Description</b>	<b>2017</b>
<i>Gross operating revenues</i>	34,503,530
<i>Operating expenses</i>	(27,397,361)
<i>Depreciation</i>	(1,663,828)
<i>Total Operating expenses</i>	(29,061,189)
<b><i>Income from operations</i></b>	<b>5,442,341</b>
<i>Defined benefit annual expense</i>	(4,010,000)
<i>Interest income</i>	1,899
<i>Loss on disposal of fixed assets</i>	(124,058)
<i>Remeasurement of health care obligation</i>	(777,000)
<i>Defined benefit payment for current retirees</i>	268,360
<i>Net non – operating expenses</i>	<b>(4,640,799)</b>
<b><i>Increase in equity</i></b>	<b>801,542</b>

The pie chart shows the top three revenue sources were Cargo Handling, Cruise passenger fees and Maritime services. These accounted for 95% of total revenue.

On the expense section, the top four items were staff costs, repairs and maintenance, contracted services and depreciation. These contributed 89% of the total operating expense of \$29M.



## 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 three fiscal years, bearing in mind the 18 month fiscal year for 2017.

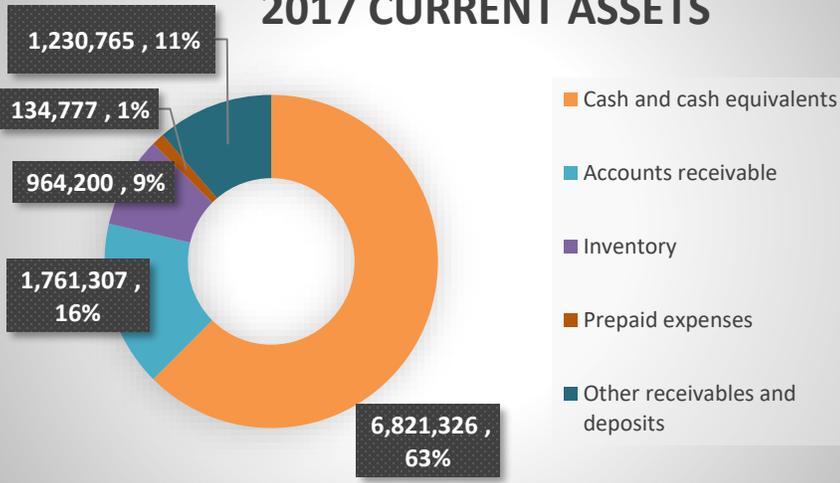
	DEC-17 \$	JUN-16 \$	JUN-15 \$
<b>ASSETS</b>			
Current assets	10,912,375	9,773,076	6,245,243
Non-current assets:			
Property plant and equipment , net	55,212,837	54,322,985	31,923,577
investment property	8,356,461	8,310,000	15,772,466
<b>Total assets</b>	<b>74,481,673</b>	<b>72,406,061</b>	<b>53,941,286</b>
<b>LIABILITIES</b>			
Current liabilities	1,560,824	4,469,216	5,459,531
Non – current liabilities:			
Bank loan	-	322,538	1,782,525
Health care liability	34,694,000	30,189,000	24,662,000
<b>Total liabilities</b>	<b>36,254,824</b>	<b>34,980,754</b>	<b>31,904,056</b>
<b>EQUITY</b>	<b>38,226,849</b>	<b>37,425,307</b>	<b>22,037,230</b>

The financial position shows that assets have increased and outpaced the increase in liabilities, resulting in an increase in equity for the period. The liquidity position has vastly improved which indicates that there is sufficient resources to meet obligations as they fall due. The Port has strong working capital owing to solid revenue performance and favorable gearing ratios due to the full repayment of the only bank loan.

The Port currently has no borrowed funds which is not the norm in the Port and maritime industry. Our ability to continue as a going concern without the need for government support is well demonstrated. However, much of the cash resources included in current assets are committed for capital projects which will reduce the liquidity position in the next financial year. The need for further infrastructure development and replacement of aging assets will

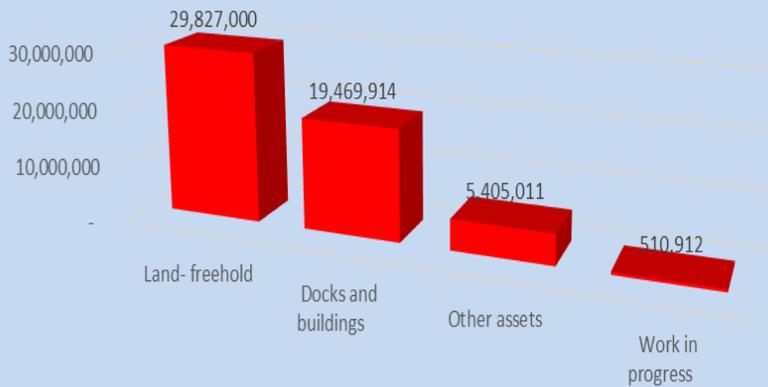
require additional resources that the port may not be able to generate within the time frame needed, based on our current business model. This suggests that other sources of financing may be needed to accelerate the pace of development that is required by the Port. With interest rates rising, our health care liability will increase, having a negative impact on our equity position going forward.

## 2017 CURRENT ASSETS



Current assets is dominated by cash comprising 63% or \$6.8M. Receivables closed at \$1.7M and deposits on equipment \$1.2M

## PROPERTY PLANT AND EQUIPMENT



The Port invested \$2.7M in asset replacement and improvement during the 2017 financial period. This represented 55% of the capital budget of \$5M. Improvements were made to:

- cargo dock
- cruise disembarking facilities
- procurement of vehicles heavy equipment
- furniture and office equipment
- building upgrades.

## 2017 Movement

Total assets at the Port Authority at Dec 31 2017 was \$2.1M or 3% greater than the previous reporting period. This was due mainly to the following factors:

- Revenue growth in the two major income streams of cargo and cruise. Activity levels in both areas improved which had a direct impact on revenue and cash. Cargo growth for the comparative 12 month period was 4% on volumes and 7% on TEU's, while cruise recovered towards the end of the 18 month period to 1% growth in passenger arrivals over the comparative 12 month period for 2016.
- Investment in assets was \$2.7M for the period. This combined with \$1.2M of deposits on assets in different stages of acquisition increased the overall asset spend to \$4M. The related depreciation on assets of \$1.7M would have offset the impact on net assets to \$2.3M.
- The cash balances at year end included \$1.2M special purpose fund (to offset the defined health care liability, which stands at \$34.7M at the reporting date) and \$1.17M that was hypothecated for the contract to purchase the two Rubber Tyre Gantry cranes. This left \$4.4M as operating cash balances.

Total liabilities of the Port Authority was \$36.3M, which is a \$1.2M increase from the last reporting period. This was the net of the repayment of the loan for the Royal Watler Cruise Terminal and the increase of \$4.2M in the defined benefit liability.

## 2017 Consolidated actual vs budget

Financial Position	2017 Actual \$	2017 Budget \$	Variance %
Assets	74,481,673	53,134,420	40
Liabilities	36,254,824	33,542,000	8
<i>Net Worth</i>	<i>38,226,849</i>	<i>19,592,420</i>	<i>95</i>

Actual assets performed 40% better than expected with a \$21.3M increase over target. This was the result of increase in cash and other current assets, and a net increase in property plant and equipment as a result of an asset revaluation exercise that was performed.

Liabilities did worse than budgeted with a \$2.7M or 8% increase over the target figure. The reduction in the discount rate applied to long term benefits is the reason for the adverse movement in the health care liability, in addition to changes in employee demographics.

The disaggregated budget vs actual for the 18 month period is as follows:

**SIX (6) MONTHS TO DECEMBER 2016**

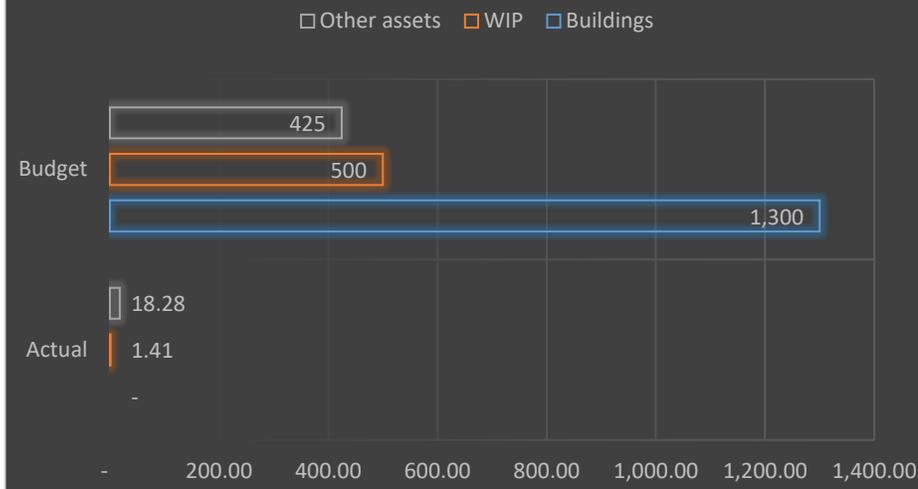
	<b>Actual Dec-16 \$</b>	<b>Budget Dec-16 \$</b>	<b>Variance Dec-16 \$</b>	<b>Variance Dec-16 %</b>
<b>ASSETS</b>				
Current assets	9,681,944	7,039,896	2,642,048	38
Non-current assets:				
Property plant and equipment , net	54,288,962	30,330,048	23,958,914	79
Investment property	8,203,462	15,411,173	(7,207,711)	(47)
<b>Total assets</b>	<b>72,174,368</b>	<b>52,781,117</b>	<b>19,393,251</b>	<b>37</b>
<b>LIABILITIES</b>				
Current liabilities	1,308,337	937,879	370,458	39
Non – current liabilities:				
Bank loan	1,029,477	1,215,848	(186,371)	(15)
Health care liability	31,576,000	28,662,000	2,914,000	10
<b>Total liabilities</b>	<b>33,913,814</b>	<b>30,815,727</b>	<b>3,098,087</b>	<b>10</b>
<b>EQUITY</b>	<b>38,260,554</b>	<b>21,965,390</b>	<b>16,295,164</b>	<b>74</b>

For the six month period ending December 2016, current assets was \$2.64M or 38% more than budget. This was countered by the health care liability exceeding projections by almost the same amount - \$2.9M or 10%. The higher current assets was due to increased earnings from cargo resulting in \$1.35M additional cash. Receivables, prepaids and other assets had a \$1.3M positive variance from the higher sales volume leading to higher recurrent receivables; a longer insurance term resulted in higher accrued prepayments Dec 31 2016, and capital spending necessitated deposits being made on assets.

PPE was \$24M or 79% above target due the revaluation exercise that was performed during the year. Investment property was \$7.2M less than budget as a result of the reduction in fair value after the revaluation exercise.

The net result of the positive and adverse variances was overall equity being \$16.3M more than the budget, due almost entirely to the revaluation reserve. Retained earnings was virtually unchanged at the reporting date.

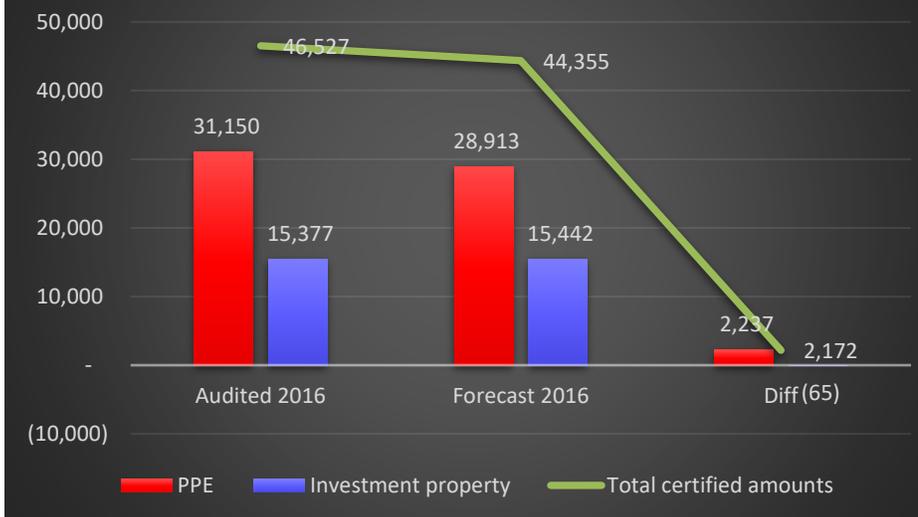
## CAPEX Dec 2016 \$'000



Planned capital spend for the 6 months was \$2.2M while only \$19K was actually spent at that date.

- Funds earmarked for Cruise berthing was not used
- Buildings improvements of \$1.3M was not used
- Small amount of other assets utilized

## Diff in opening PPE balances



The difference of \$2.17M in opening PPE between the amount certified and the forecast was a major cause of variances in actual PPE vs budget.

- Total PPE certified \$46M FY 2016
- Total PPE forecast \$44M
- Diff of \$2.2M

**TWELVE (12) MONTHS TO DECEMBER  
2017**

	<b>Actual Dec-17 \$</b>	<b>Budget Dec-17 \$</b>	<b>Variance Dec-17 \$</b>	<b>Variance Dec-17 %</b>
<b>ASSETS</b>				
Current assets	10,912,375	6,305,007	4,607,368	73
Non-current assets:				
Property plant and equipment , net	55,212,837	31,743,241	23,469,596	74
Investment property	8,356,461	15,086,172	6,729,711	(45)
<b>Total assets</b>	<b>74,481,673</b>	<b>53,134,420</b>	<b>21,347,253</b>	<b>40</b>
<b>LIABILITIES</b>				
Current liabilities	1,560,824	880,000	680,824	77
Non – current liabilities:				
Bank loan	-	-	-	-
Health care liability	34,694,000	32,662,000	2,032,000	6
<b>Total liabilities</b>	<b>36,254,824</b>	<b>33,542,000</b>	<b>2,712,824</b>	<b>8</b>
<b>EQUITY</b>	<b>38,226,849</b>	<b>19,592,420</b>	<b>18,634,429</b>	<b>95</b>

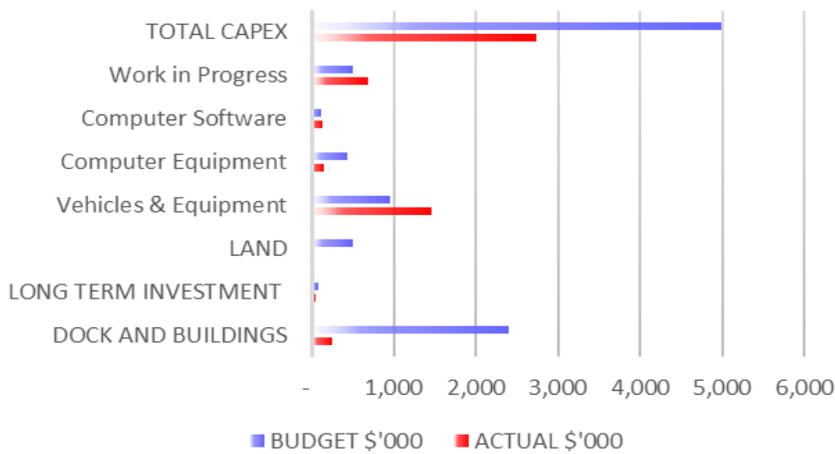
The total assets for the twelve month period outperformed budget by \$21M or 40%, largely due to the revaluation exercise that was concluded during the year. Total liabilities increased by \$2.7M or 8% as both recurrent and the defined benefit liability saw increases over budget. The defined benefit worsened by \$2M while the recurrent liabilities deteriorated by \$680K.

## 2017 CURRENT ASSETS PROFILE



Current assets had the largest variance of \$4.6M. The profile shows cash variance of \$2M was crucial to the overall variance position. Receivables adverse variance of \$1.5M was due to growth in income and deposits made to acquire equipment.

## CAPEX PROFILE - 18 MONTHS



Total purchases of assets was \$2.7M for the 18 month period. This excludes the \$1.2M deposit made on assets in various stages of acquisition. This contrasts with the \$4.9M budget, a positive variance of \$2.2M

This underspend in PPE had a positive impact on closing cash balance.

## HISTORICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

	2017	2016	2015	2014	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current Assets</b>	10,912	9,773	6,246	4,200	4,078	3,923
<b>Current Liabilities</b>	(1,561)	(4,469)	(5,460)	(5,080)	(6,733)	(7,424)
<b>Property Plant and Equipment</b>	55,213	54,323	31,924	33,039	31,232	32,724
<b>Long term Investments</b>	8,356	8,310	15,772	16,205	16,630	17,041
<b>Long term Liabilities</b>	(34,694)	(30,512)	(26,445)	(27,012)	(4,838)	(6,392)
<b>Equity</b>	<b>38,226</b>	<b>37,425</b>	<b>22,037</b>	<b>21,352</b>	<b>40,368</b>	<b>39,872</b>

There has been mixed results in the Financial Position of the Authority over the last six years. Current assets have improved by 178% since 2012 while current liabilities have declined by 79%. This has improved the liquidity ratios considerably. PPE has increased 69% due to the revaluation exercise performed in 2016. Investment property has seen little investment over the period consequently annual fair value adjustments have reduced its position by 51%.

Equity has deteriorated by 4% over the six- year period, while long term liabilities have increased by 443% due to the defined benefit health care liability. The impact of the health care liability going forward is among the major challenges facing the financial outlook of the Port Authority. There is much uncertainty regarding the movement of this liability as it is directly impacted by external market forces.

## Statement of Comprehensive Income

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

<b>Comprehensive Income</b>	<b>2017 18 month Actual \$</b>	<b>2017 18 month Budget \$</b>	<b>Variance %</b>	<b>Analysis</b>
Revenue	34,505,489	34,293,091	1	5% growth in cargo, 1% growth in cruise
Operating Expenses	27,399,260	31,165,184	12	Less hiring than projected
Non-Operating Expenses	6,572,987	4,000,000	64	Increase in DBL
Other Comprehensive Income		0	-	
<b>Net Surplus/Deficit</b>	<b>533,242</b>	<b>(873,735)</b>	<b>161</b>	<b>Net of above</b>

## Profit Performance

The Port Authority earned income of \$34.5M or 1% above the \$34.3M budget for the 18-month period, and incurred total expenses of \$33.9M or 3% less than the \$35M budget for 2017. This resulted in a net profit of \$533K for the eighteen months ended December 31 2017. This is \$1.4M or 161% more than the (\$873K) in the approved consolidated budget.

## Future outlook

There is increased bullishness on the prospects of the Port's revenue for the 2018 and 2019 financial years. This is based on the historic planning approvals, construction boom in hotels, condos and industrial developments and ongoing and planned infrastructure projects. In addition, there is increased cruise bookings, increased population and stayover visitors- all of which increase domestic demand for goods and services. Domestic GDP growth is projected at 2% - 2.2%, while US GDP growth has increased projections to in excess of 3%, not factoring in hurricane recovery efforts in the southern belts, the Caribbean and Latin America. Global growth has also been revised upwards.

In addition, PACI is cautiously optimistic about how long the recent cruise windfall will continue. As the damaged Ports reopen, itineraries will be adjusted and Cayman Port may lose some of these bookings.

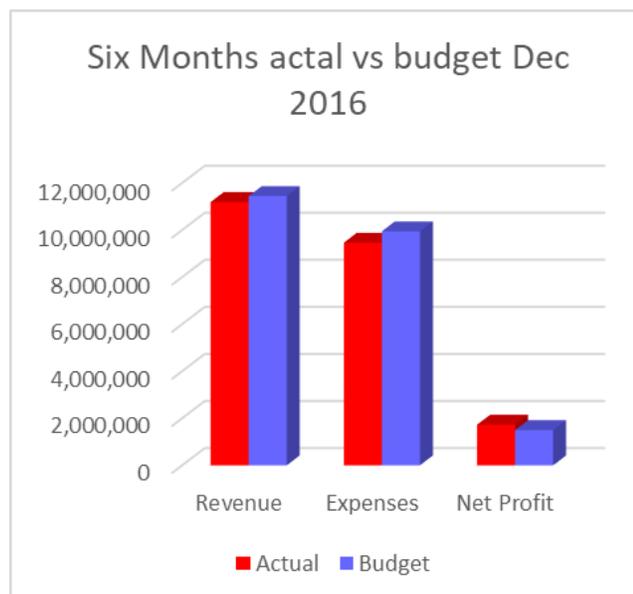
The following is a summary of the relative positions at the end of the last fiscal year showing separately the 6 and 12 months that comprise the 18 month fiscal year for 2017:

## SIX (6) MONTHS TO DECEMBER 2016

	Actual Dec-16 \$	Budget Dec-16 \$	Variance Dec-16 \$	Variance Dec-16 %
<b>REVENUE</b>				
Cargo Handling	7,911,387	7,982,696	(71,309)	(1)
Cruise Ship Passenger Fees	1,816,818	1,728,064	88,754	5
Other Revenue	1,461,717	1,733,478	(271,761)	(16)
<b>Total Revenue</b>	<b>11,189,922</b>	<b>11,444,238</b>	<b>(254,316)</b>	<b>(2)</b>
<b>EXPENSES</b>				
Staff Costs	5,809,973	6,938,494	(1,128,521)	(16)
Repairs and Maintenance	800,911	702,356	98,555	14
Contracted Services	796,562	598,362	198,200	33
Insurance	253,854	300,000	(46,146)	(15)
Other Operating Expenses	687,112	566,875	120,237	21
Defined benefit expense	1,387,000	0	(1,387,000)	-
Depreciation	634,263	838,916	(204,653)	(24)
<b>Total Expenses</b>	<b>10,369,675</b>	<b>9,945,003</b>	<b>424,672</b>	<b>4</b>
<b>NET PROFIT / (LOSS)</b>	<b>820,247</b>	<b>1,499,204</b>	<b>(678,988)</b>	<b>45</b>

### Key insights from the 6 month's performance

- Revenue was trailing target by 2%. All revenue lines except cruise were underperforming
- Staff costs 16% lower than budget due to less staff hiring than expected.
- Maintenance, contracted services and other expenses between 14% and 33% higher than budget due to greater activities in these areas.
- Insurance and depreciation were less than budget due to lower premiums, assets write off and no depreciation charged on RWCT.
- Defined benefit amortized was \$1.3M while no budget was made for this
- Total expense was 4% more than budget which led to profit of \$820K being 45% less than expected.



## TWELVE (12) MONTHS TO DECEMBER 2017

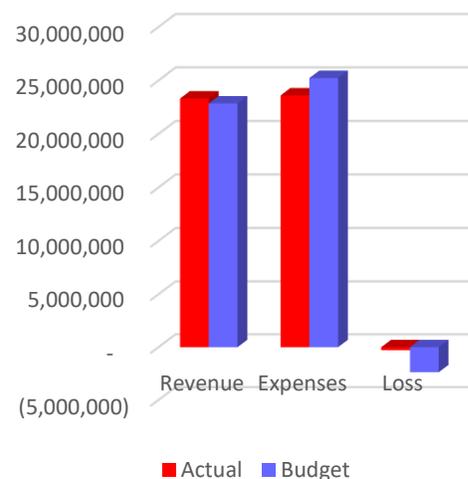
	Actual Dec-17 \$	Budget Dec-17 \$	Variance Dec-17 \$	Variance Dec-17 %
<b>REVENUE</b>				
Cargo Handling	16,314,987	15,167,122	1,147,865	8
Cruise Ship Passenger Fees	4,253,335	4,301,253	(47,918)	(1)
Other Revenue	2,747,246	3,380,477	(633,231)	(19)
<b>Total Revenue</b>	<b>23,315,568</b>	<b>22,848,853</b>	<b>466,715</b>	<b>2</b>
<b>EXPENSES</b>				
Staff Costs	13,455,923	14,802,243	(1,346,320)	(9)
Repairs and Maintenance	2,146,475	1,404,710	741,765	53
Contracted Services	1,301,292	1,396,723	(95,431)	(7)
Insurance	515,110	600,000	(84,890)	(14)
Other Operating Expenses	1,754,207	1,343,815	410,392	31
Depreciation	1,029,565	1,674,332	(644,767)	(39)
Defined benefit expense	3,400,000	4,000,000	(600,000)	(15)
<b>Total Expenses</b>	<b>23,602,572</b>	<b>25,221,823</b>	<b>(1,619,251)</b>	<b>(6)</b>
<b>NET PROFIT / (LOSS)</b>	<b>(274,004)</b>	<b>(2,372,970)</b>	<b>2,085,967</b>	<b>(88)</b>

### Key insights from the 12 month's results:

- Revenue exceeded projections by 2%. This was due to cargo income exceeding budget by 8%.
- Cruise underperformed slightly for the 12 month period but recovered overall to 1% above budget over the 18 month period.
- The other revenue streams performed poorly, ending at 19% below budget. These were due to :
  - Vacant units at RWCT
  - Less services to vessels calling on the port
  - Less fuel sales to vessels
- Net loss was 88% less than expected due to staff costs and other expense savings as well as better revenue performance than expected.

- Staff costs ended at 9% below budget as less staff was hired than planned.
- There was a 53% overspend on budget for repairs and maintenance due to increased upkeep in general areas, equipment and buildings.
- The defined benefit variance was amortized during the previous 6 month financials ending Dec 2016.
- Other operating expenses was 31% greater than budget due to increased activity in several operational areas.
- Depreciation was 39% less than budget due to RWCT classified as investment property, which is not depreciated.

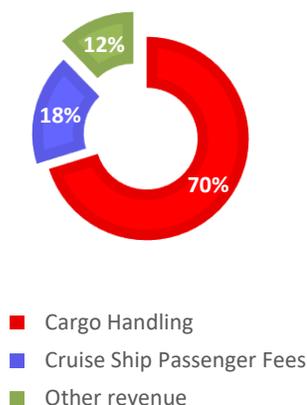
### Twelve Months Actual vs Budget 2017



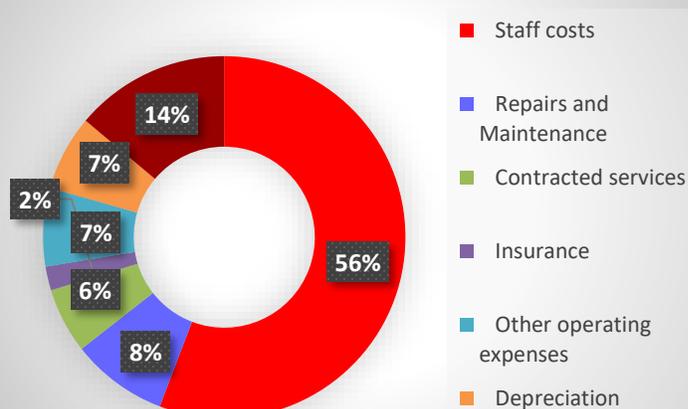
**EIGHTEEN (18) MONTHS TO DECEMBER 2017**

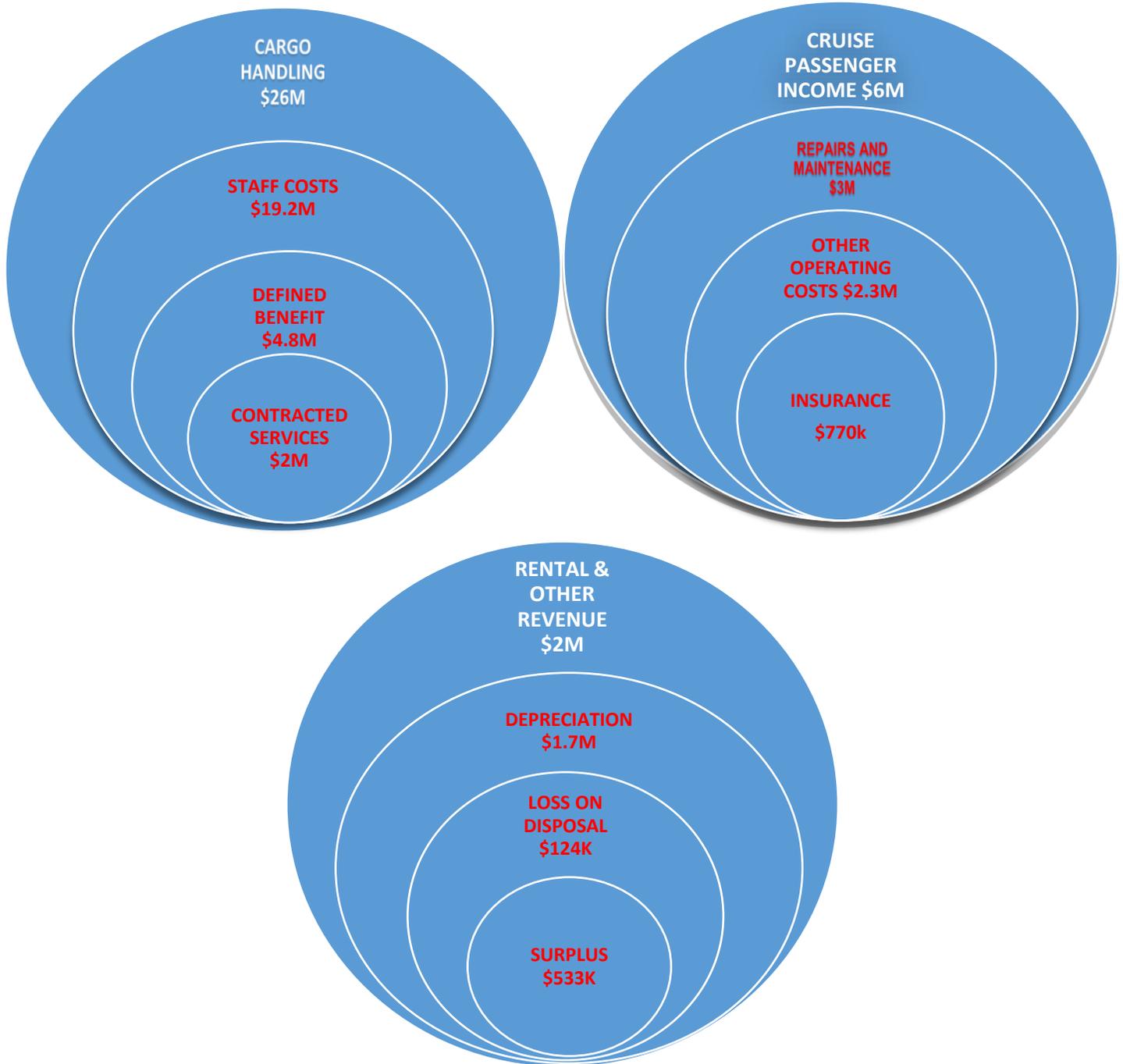
	<b>Actual Dec-17 \$</b>	<b>Budget Dec-17 \$</b>	<b>Variance Dec-17 \$</b>	<b>Variance Dec-17 %</b>
<b>REVENUE</b>				
Cargo Handling	24,226,373	23,149,818	1,076,555	5
Cruise Ship Passenger Fees	6,070,153	6,029,317	40,836	1
Other Revenue	4,208,962	5,113,956	(904,994)	(18)
<b>Total Revenue</b>	<b>34,505,488</b>	<b>34,293,091</b>	<b>212,397</b>	<b>1</b>
<b>EXPENSES</b>				
Staff Costs	19,265,896	21,740,737	(2,474,841)	(11)
Repairs and Maintenance	2,947,386	2,107,066	840,320	40
Contracted Services	2,097,854	1,995,085	102,769	5
Insurance	768,964	900,000	(131,036)	(15)
Other Operating Expenses	2,441,319	1,910,721	530,598	28
Depreciation	1,663,828	2,513,248	(849,420)	(34)
Defined Benefit Expense	4,787,000	4,000,000	787,000	20
<b>Total Expenses</b>	<b>33,972,247</b>	<b>35,166,826</b>	<b>1,194,579</b>	<b>(3)</b>
<b>NET PROFIT / (LOSS)</b>	<b>533,242</b>	<b>(873,735)</b>	<b>1,406,976</b>	<b>(161)</b>

**18 MONTH ACTUAL INCOME**



**18 MONTH EXPENSE DISTRIBUTION**





- If all the components of staff costs demanded immediate cash, it would be covered by the income earned from cargo. The defined benefit costs of \$4.8M requires funding to match the growth in liability. This would also be covered by the income from cargo handling, as well as the cash needed to pay for contracted services.
- Income earned from cruise passengers would cover expenses for repairs and maintenance, other operating expenses and insurance.
- The remaining revenue would be able to cover depreciation and other expenses, leaving a small surplus.
- Additional revenue would be needed to invest in infrastructure, equipment and other development.

## HISTORICAL PERFORMANCE

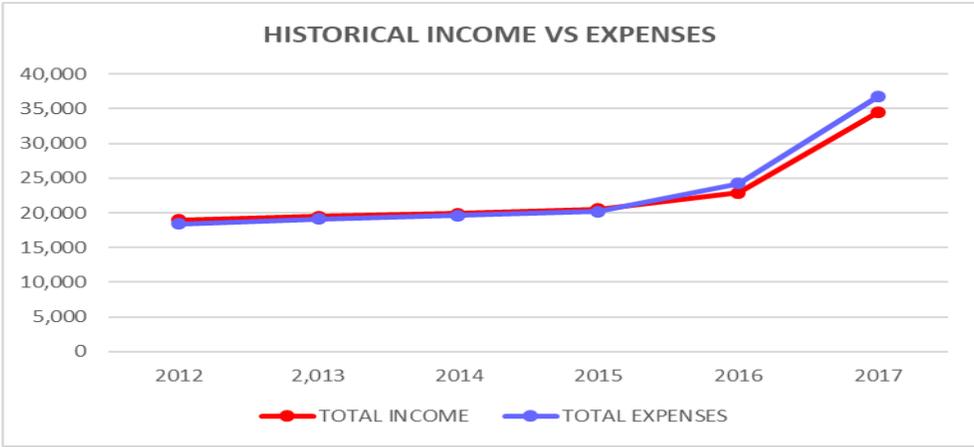
The net results for the year is reflective of the trend of low profits, largely brought about by the defined benefit costs since 2014. This comprise the majority of other operating costs which have reduced the combined gross surplus of \$15M for the last six fiscal years by \$16.3M. The revaluation gains and donated assets of \$20.9M restored overall profitability for the six year period, resulting in a \$16.9M combined net surplus.

The 6 year operating income chart shows that PACI has been improving in revenue generation, as dictated by activities in the economy. Operating income has seen growth over the four years preceding 2017, ranging from 3% in 2013 to 12% in 2016 giving an average growth of 5%. Growth in 2017 (12 months ended June 2017) slowed and ended with (1.70%) over 2016. This was mainly due to cruise underperforming at that time. Cruise recovered by Dec 2017 to register 1% growth in annual passenger arrivals.

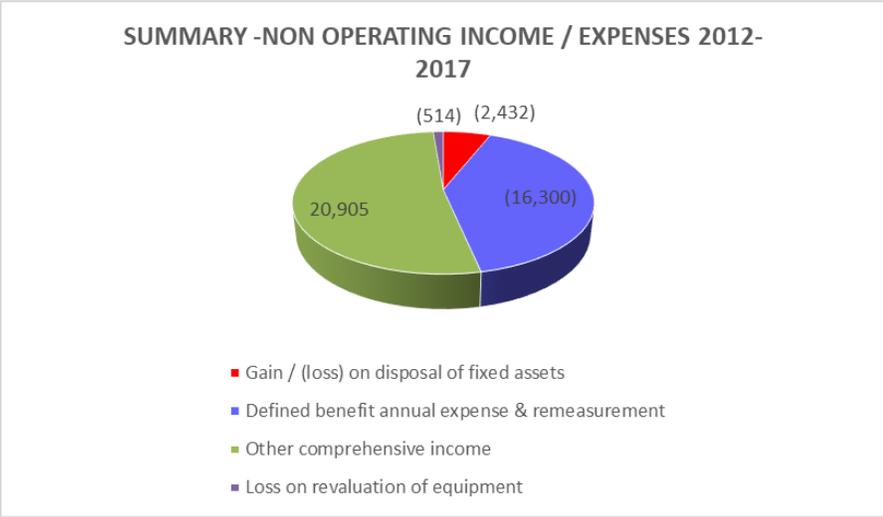
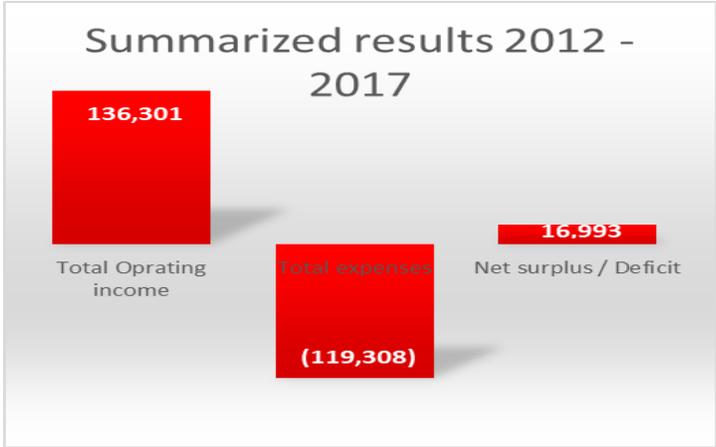
	<i>Restated</i>			<i>Restated</i>		<i>18 MONTHS</i>	
	2012	2013	2014	2015	2016	2017	TOTALS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cargo income	13,609	13,979	14,625	14,841	16,790	26,482	100,326
Cruise income	3,557	3,496	3,552	4,073	4,382	6,070	25,130
Rental income	1,068	1,224	1,188	1,159	1,236	1,562	7,437
Other income	717	793	557	454	496	391	3,408
<b>Total Operating Income</b>	<b>18,951</b>	<b>19,492</b>	<b>19,922</b>	<b>20,527</b>	<b>22,904</b>	<b>34,505</b>	<b>136,301</b>
Staff costs	(11,565)	(11,462)	(11,670)	(11,574)	(12,305)	(19,266)	(77,842)
Contracted services	(958)	(1,301)	(1,015)	(2,161)	(1,290)	(2,098)	(8,823)
Repairs and maintenance	(1,189)	(1,080)	(1,253)	(1,368)	(1,670)	(2,947)	(9,507)
Insurance	(964)	(993)	(945)	(654)	(601)	(769)	(4,926)
Other operating costs	(1,522)	(1,421)	(1,297)	(1,245)	(1,232)	(2,317)	(9,034)
Depreciation	(1,954)	(1,928)	(1,770)	(1,825)	(1,694)	(1,664)	(10,835)
<b>Total Operating Expenses</b>	<b>(18,152)</b>	<b>(18,185)</b>	<b>(17,950)</b>	<b>(18,827)</b>	<b>(18,792)</b>	<b>(29,061)</b>	<b>(120,967)</b>
<b>Operating Surplus</b>	<b>799</b>	<b>1,307</b>	<b>1,972</b>	<b>1,700</b>	<b>4,112</b>	<b>5,444</b>	<b>15,334</b>
Gain / (loss) on disposal of fixed assets	(250)	(929)	(612)	(45)	(472)	(124)	(2,432)
Defined benefit annual expense & remeasurement	-	-	(4,340)	(1,305)	(5,868)	(4,787)	(16,300)
Other comprehensive income	-	-	3,305	-	17,600	-	20,905
Loss on revaluation of equipment	-	-	-	-	(514)	-	(514)
<b>Total Comprehensive Income</b>	<b>549</b>	<b>378</b>	<b>325</b>	<b>350</b>	<b>14,858</b>	<b>533</b>	<b>16,993</b>

Despite appreciable income growth, expenses even prior to define benefit health care costs, was tracking in line with income, resulting in meagre profitability.

- This hinders investment in infrastructure, human resources and other capital assets.
- This indicates an imbalance in the cost recovery for the services provided by PACI, which may need equity investment by government to fund major capital projects.



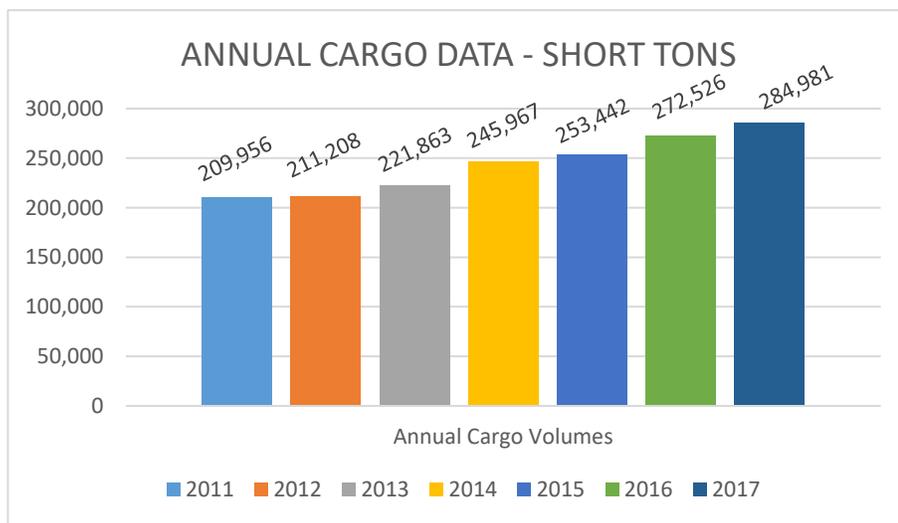
- ✧ Growth in income 2-12% (2017 Prorated)
- ✧ Marginal growth in operating expenses
- ✧ Average Defined Benefit Expense \$4M
- ✧ Growth in operating surpluses
- ✧ Positive surplus for the last six years
- ✧ Surplus for five of the last six years was less than \$600K per annum



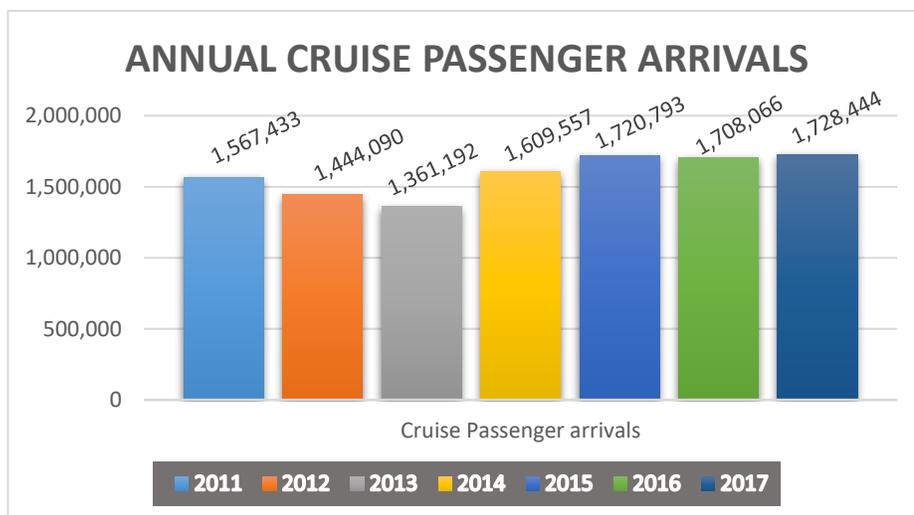
- **\$16.3M Defined benefit costs**
- **Non recurrent gain of \$20.9M (Net asset revaluation gains and donated property)**
- **Loss on disposal of PPE \$2.4M**
- **Revaluation loss \$514K**

The income growth is trending with the annual increases in cargo and cruise activities. Cargo volumes and Container movements (on a calendar year basis) both had a 6% average annual growth for the last five (5) years, while Cruise passenger arrivals increased by an annual average of 4% over the same period.

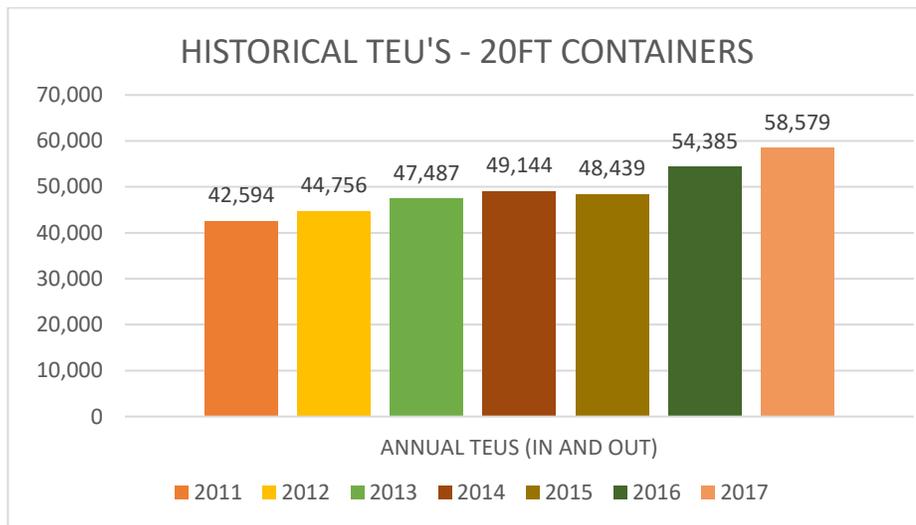
Activity Statistics	Calendar Year Totals						
	2011	2012	2013	2014	2015	2016	2017
Annual Cargo Volumes	209,956	211,208	221,863	245,967	253,442	272,526	284,981
Cruise Passenger arrivals	1,567,433	1,444,090	1,361,192	1,609,557	1,720,793	1,708,066	1,728,444
TEUS (IN AND OUT)	42,594	44,756	47,487	49,144	48,439	54,385	58,579



- PACI had expected a robust pace of growth of cargo activity & income of around 4% for the short term, consistent with the 5 - year average
- As seen by the graphs, we have been having fairly consistent yearly growth of both Cargo and TEU's for the last seven years.
- Cargo volume is up 5% over last year
- 7 year average of annual cargo growth is 6%.
- Cargo is up 28% since 2013
- TEU is up 8% over 2016
- TEU is up 23 % since 2013



- Cruise arrivals has performed well over the last five years, contributing a combined \$20M at an average of \$4M per Year. Cruise income accounted for 18% of total revenue for 2017. This is consistent with the average cruise income contribution for the past six years.
- The Cayman Islands still enjoy one of the highest rates of cruise visitors in this hemisphere, in spite of the absence of berthing facilities. The pace of growth averaged 6% per annum for the last four calendar years, despite the 1% decline in 2016 and the 1% improvement in 2017



- The cruise business is vital to the financial stability of the Cayman Port, evidenced by the size of its contribution to our operating revenue, as well as being the second largest operation the Port is engaged in, next to cargo activity.
- Cruise numbers are up 27% since 2013

#### ACTUAL VS BUDGET – OWNERSHIP PERFORMANCE TARGETS

STATEMENT OF CASH FLOWS	2017 Actual \$	2017 Budget \$	Annual Variance %	Analysis
Net cash flows from operating activities	5,354,379	4,790,527	12	Increased cargo and cruise revenue; less expenses vs. budget
Net cash flows from investing activities	(2,731,962)	(4,987,025)	(45)	A number of planned projects were delayed
Net cash flows from financing activities	(2,034,538)	(1,752,875)	16	Defined benefit payment for current retirees was not included in budget

STATEMENT OF CASH FLOWS	Dec 2016 Actual \$	Dec 2016 Budget \$	Variance %	Analysis
Net cash flows from operating activities	220,085	1,370,430	(84)	Reduction of current liabilities
Net cash flows from investing activities	(19)	(2,224,500)	(99)	Planned projects were delayed
Net cash flows from financing activities	(723,061)	(537,027)	35	Loan repayment during the period
Change in Cash Balances	(521,976)	(1,391,095)	62	Net of the above

STATEMENT OF CASH FLOWS	Dec 2017 Actual \$	Dec 2017 Budget \$	Variance %	Analysis
Net cash flows from operating activities	5,134,294	3,420,097	50	Increased revenue/ reduced costs
Net cash flows from investing activities	(2,712,962)	(2,762,525)	2	Within target
Net cash flows from financing activities	(1,311,477)	(1,215,848)	(8)	Defined benefit payments -retirees
Change in Cash Balances	1,109,855	(558,276)	300	Net of the above

## CASH FLOW SIX YEAR TREND ANALYSIS

	2017	2016	2015	2014	2013	2012	TOTALS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Cash	6,233	3,793	1,384	1,259	1,640	830	830
Net cash earned from Operations	5,354	5,608	4,640	5,167	2,717	3,759	27,244
Purchase of fixed assets	(2,731)	(1,397)	(278)	(3,248)	(953)	(762)	(9,369)
Debt repayment	(2,035)	(1,771)	(1,953)	(1,794)	(2,145)	(2,187)	(11,885)
Closing Cash balance	6,821	6,233	3,793	1,384	1,259	1,640	6,821

The strong operating performance shown in the Statement of Comprehensive Income is reflected in the improved operating cash flow over the six- year period. Actual cash balances improved by 316% over the period. The Authority invested an average of \$1.6M per annum in the asset portfolio, and repaid debt of \$11.8M at an annual average of \$1.9M for the last six years.

FINANCIAL PERFORMANCE RATIO	Dec 2016 Actual \$	Dec 2016 Budget \$	Analysis
CURRENT ASSETS: CURRENT LIABILITIES	7.32:1	7.50:1	Despite 38% (\$2.6M) more current assets, due to higher cash and receivables, current liabilities was also 41% (\$385K) greater, resulting in the lower performance
TOTAL ASSETS: TOTAL LIABILITIES	2.13:1	1.71:1	The revaluation of fixed assets was the major reason for this positive variance

FINANCIAL PERFORMANCE RATIO	Dec 2017 Actual \$	Dec 2017 Budget \$	Analysis
CURRENT ASSETS: CURRENT LIABILITIES	7.00:1	7.16:1	Current assets improved by \$4.6M or 73%, due to higher cash and receivables, but current liabilities increased by \$681K or 77% resulting in the lower actual ratio to budget
TOTAL ASSETS: TOTAL LIABILITIES	2.05:1	1.58:1	The revaluation of fixed assets was the major reason for this positive variance, as total assets improved by \$21M or 40%, while total liabilities increased by \$2.7M largely due to the Defined Benefit Liability

<b>HUMAN CAPITAL MEASURES</b>	<b>Dec 2016 Actual</b>	<b>Dec 2016 Budget</b>
TOTAL FULL TIME EQUIVALENT STAFF EMPLOYED	164	161
<b>STAFF TURNOVER (%)</b>	0	0
SENIOR MANAGER	9	12
PROFESSIONAL AND TECHNICAL STAFF	12	12
ADMINISTRATIVE STAFF	12	32

<b>HUMAN CAPITAL MEASURES</b>	<b>Dec 2017 Actual</b>	<b>Dec 2017 Budget</b>
TOTAL FULL TIME EQUIVALENT STAFF EMPLOYED	158	170
<b>STAFF TURNOVER (%)</b>	3	3 Max
SENIOR MANAGER	9	13
PROFESSIONAL AND TECHNICAL STAFF	12	12
ADMINISTRATIVE STAFF	32	32

<b>PHYSICAL CAPITAL MEASURES</b>	<b>2017 Actual \$ 000'S</b>	<b>2017 Budget \$ 000'S</b>	<b>Explanation</b>
VALUE OF TOTAL ASSETS	74,481	Unknown	Revaluation and purchases
ASSET REPLACEMENTS : TOTAL ASSETS	4%	Less than 1%	Accelerated Capex plans
BOOK VALUE OF ASSETS : COST OF THOSE ASSETS	106%	61%	Impact of revaluation
DEPRECIATION : CASH FLOW ON ASSET PURCHASES	61%	Not separately identified	Less depreciation due to IFRS rules on Investment property
CHANGES TO ASSET MANAGEMENT POLICES	Fair value	None	Fair value effective June 2016

<b>MAJOR CAPITAL EXPENDITURE PROJECTS</b>	<b>2017 ACTUAL \$</b>	<b>2017 TARGET \$</b>	<b>Explanation</b>
Cruise Berthing Consultancy Fees	0	500,000	Not required
Crane, Vehicles and Specialized Equipment	1,057,000	960,000	Within expectations
Paving of CDC Complex	0	2,000,000	Deferred to 2018
Dock & Spotts refurbishment	756,000	0	Urgent required works

## RISK MANAGEMENT

Key Risks	Mitigation strategies
Strategic risks <ul style="list-style-type: none"> <li>• Lack of long term planning</li> </ul>	<ul style="list-style-type: none"> <li>• Master Plan developed</li> </ul>
Compliance risks <ul style="list-style-type: none"> <li>• Risk of breach of Port Laws &amp; Regulations</li> <li>• Risk of breach of PMFL and Regulations</li> <li>• Risk of non- compliant financial reports</li> <li>• Risk of breach of security protocols</li> </ul>	<ul style="list-style-type: none"> <li>• Professional staff keep updated</li> <li>• Continuing training and development of staff</li> <li>• Regular reporting to strategic levels</li> <li>• Continual training &amp; regular reporting</li> </ul>
Operational risks <ul style="list-style-type: none"> <li>• Inability to efficiently discharge cargo</li> <li>• Industrial accidents</li> <li>• Terrorism</li> <li>• Breakdown of equipment</li> <li>• Lawsuits for negligence</li> </ul>	<ul style="list-style-type: none"> <li>• Trained personnel; rotated staff</li> <li>• Safety officer; adequate insurance</li> <li>• Security protocols; trained security staff</li> <li>• Backup equipment; maintenance programs</li> <li>• Safety procedures; adequate insurance</li> </ul>
Reputational risks <ul style="list-style-type: none"> <li>• Damage to the Cayman Tourism Brand</li> <li>• Loss of confidence in Port’s ability to deliver</li> </ul>	<ul style="list-style-type: none"> <li>• Manage key relationships in cruise sector</li> <li>• Training; capacity maintenance; upskilling of technical staff</li> </ul>
Hurricane and storms	Hurricane plan reviewed annually



GEORGE TOWN DOCK

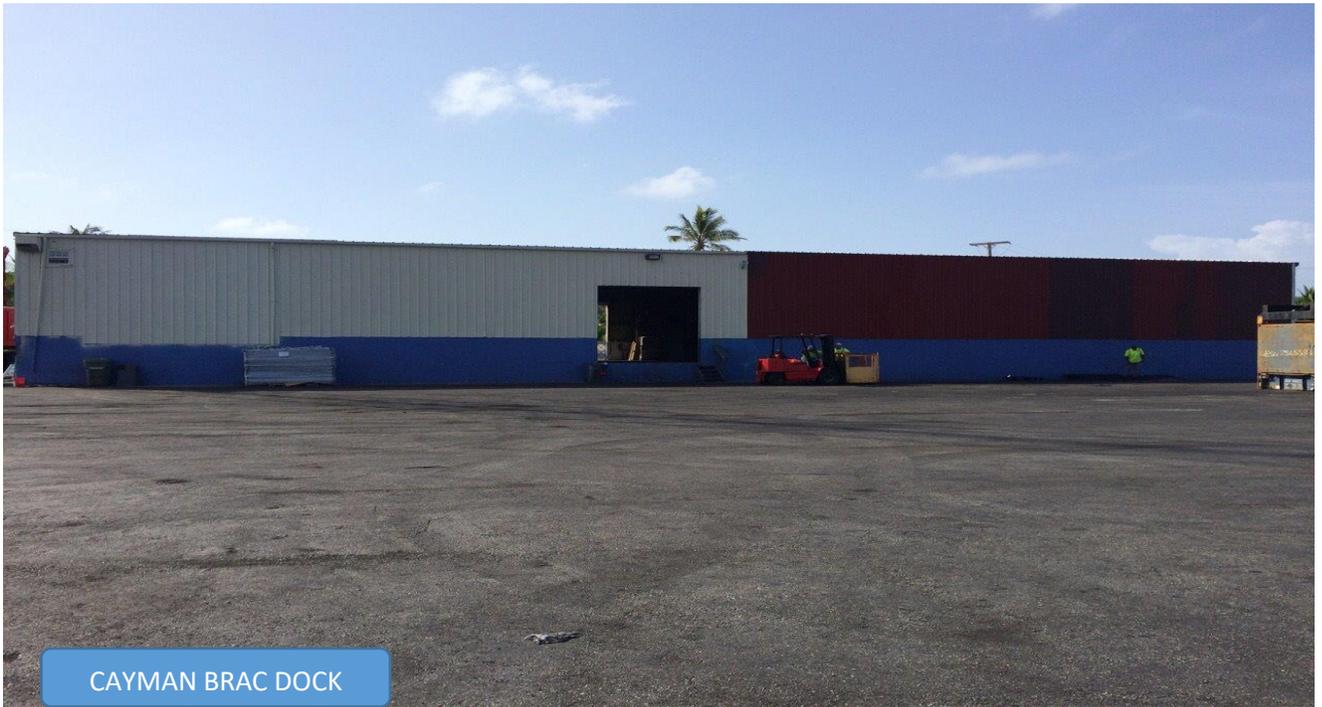
### **Scrutiny by Parliament and Public**

The Port Authority's 2016 audited accounts have not been reviewed by the PAC.

### **Internal and External audit updates**

The 2016 financial statements were duly certified by the auditor general in September 2017. The Port Authority received an unqualified audit opinion on the financial statements.

The Internal Audit Unit completed a financial audit and issued its report in August 2017. The Port Authority has addressed the concerns raised.



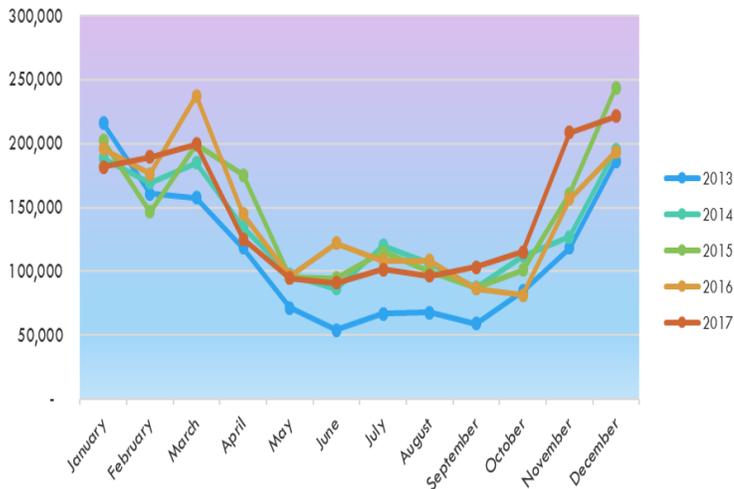
CAYMAN BRAC DOCK



CAYMAN BRAC DISTRIBUTION WAREHOUSE

## SELECTED STATISTICAL DATA

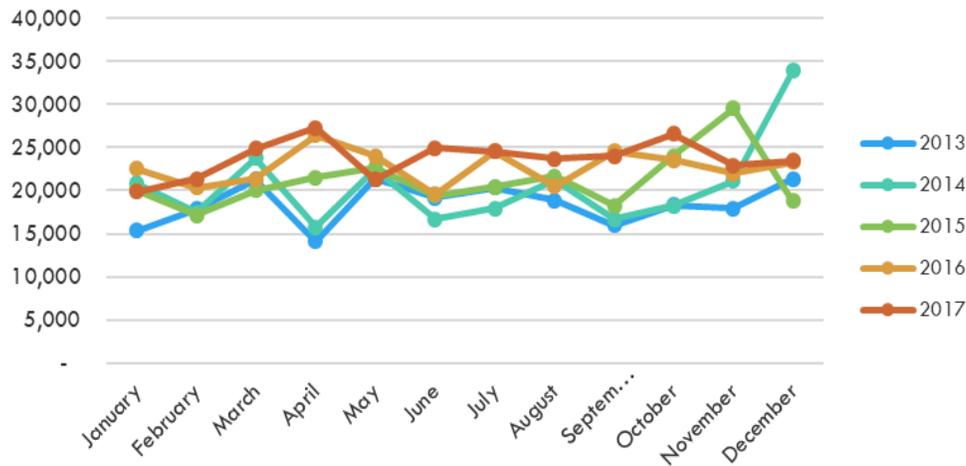
FIVE (5) YEAR CRUISE PASSENGER ARRIVALS (JAN - DEC)



The graph at left shows the calendar year cruise passenger arrivals. Despite underperforming for portions of the year, the numbers recovered to post the highest cruise arrivals in the last five years, as seen in the table below.

Five - year Passenger Arrivals							
Month	2013	2014	2015	2016	2017	2013-2017	5 yr % change
January	215,890	188,504	202,264	196,208	181,765	(34,125)	(16)
February	160,844	169,346	146,545	176,539	189,704	28,860	18
March	157,717	185,167	199,245	237,343	199,844	42,127	27
April	118,335	134,646	175,225	144,805	125,284	6,949	6
May	71,532	97,317	95,072	96,430	94,523	22,991	32
June	53,978	86,537	94,511	121,984	90,809	36,831	68
July	66,874	120,126	115,192	108,447	101,513	34,639	52
August	67,571	105,936	100,091	108,221	96,309	28,738	43
September	58,976	87,536	86,833	86,476	103,287	44,311	75
October	84,529	111,953	100,874	81,311	115,077	30,548	36
November	118,360	127,212	160,967	156,790	208,695	90,335	76
December	186,586	195,277	243,974	193,512	221,634	35,048	19
<b>TOTALS</b>	<b>1,361,192</b>	<b>1,609,557</b>	<b>1,720,793</b>	<b>1,708,066</b>	<b>1,728,444</b>	<b>367,252</b>	<b>27</b>
Annual growth rate		18.25	6.91	(0.74)	1.19	26.98	<b>5.12</b>
Cruise income	3,348,532	3,959,510	4,233,151	4,201,842	4,251,972	19,995,008	3,999,002

### 5 Year Monthly Cargo volumes

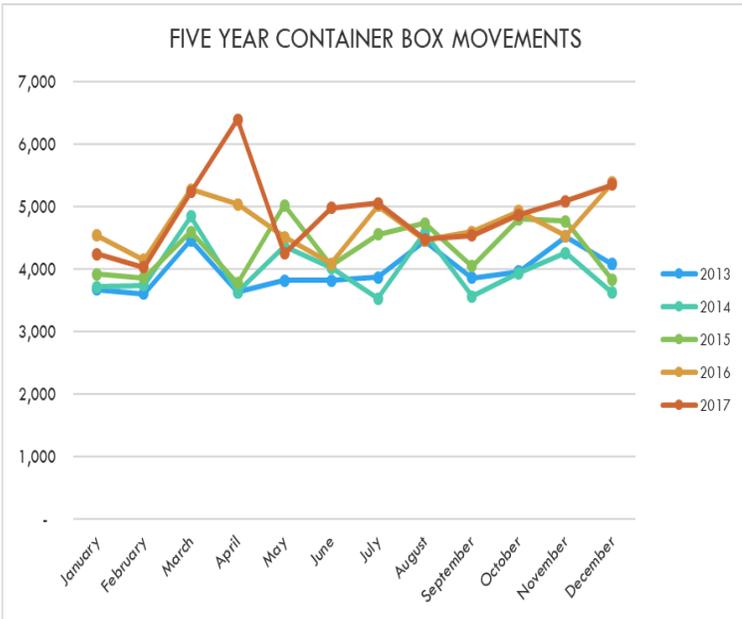


- ◇ The five-year cargo volume shows a fairly consistent trend line with some exceptions.
- ◇ Cargo Income maintained its 4 - 5% annual growth over last year to Dec 2017.
- ◇ Actual 12 month growth rate for cargo activity at Dec 2017 was 4.5%
- ◇ The average growth in cargo volume for the last four years is 7%

### Historical cargo Volume imports (FIVE YEARS ) January to December

Month	2013	2014	2015	2016	2017	2017/ 2013
January	15,379	20,779	20,056	22,524	19,858	29
February	17,815	17,463	17,179	20,352	21,392	20
March	21,257	23,782	20,021	21,361	24,867	17
April	14,136	15,760	21,476	26,421	27,321	93
May	21,333	22,431	22,690	24,005	21,303	(0)
June	19,185	16,710	19,380	19,544	24,958	30
July	20,347	17,907	20,412	24,522	24,577	21
August	18,858	21,202	21,666	20,482	23,689	26
September	15,994	16,642	18,223	24,516	24,031	50
October	18,290	18,242	24,040	23,573	26,569	45
November	17,910	21,141	29,544	21,958	22,916	28
December	21,359	33,908	18,755	23,268	23,500	10
<b>TOTALS</b>	<b>221,863</b>	<b>245,967</b>	<b>253,442</b>	<b>272,526</b>	<b>284,981</b>	<b>28</b>
<b>JAN - DEC</b>	<b>221,863</b>	<b>245,967</b>	<b>253,442</b>	<b>272,526</b>	<b>284,981</b>	<b>28</b>
Annual YTD growth		10.86	3.04	7.53	4.57	

Cargo activity has exceeded projections by 9% and is on a historic high, improving year on year. The boom in construction, real estate, and infrastructure development has fueled this continued strong performance in cargo volumes handled by the Port.



- ✧ The 2017 and 2016 container movements have not been uniform. However, the general trend line of cyclical movements is evident, with higher numbers than the previous two reporting periods.
- ✧ The 2017 calendar year ended at 4% above 2016.
- ✧ Container box movements have improved by 23% since 2013

**Five year TEU movements January to December**

Month	2013	2014	2015	2016	2017	2017/ 2013
January	3,677	3,719	3,925	4,543	4,243	15
February	3,608	3,746	3,865	4,153	4,037	12
March	4,465	4,850	4,607	5,278	5,240	17
April	3,638	3,637	3,779	5,041	6,404	76
May	3,820	4,363	5,028	4,519	4,257	11
June	3,819	4,028	4,068	4,091	4,986	31
July	3,870	3,533	4,559	5,016	5,062	31
August	4,457	4,585	4,742	4,470	4,482	1
September	3,865	3,567	4,048	4,603	4,540	17
October	3,970	3,945	4,807	4,931	4,878	23
November	4,528	4,261	4,769	4,538	5,093	12
December	4,087	3,626	3,835	5,394	5,357	31
TOTALS	47,803	47,860	52,032	56,577	58,579	23
Annual Growth		0	9	9	3.54	

