



**CAYMAN PORT**

**COMPREHENSIVE ANNUAL**

# **FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2020**







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## 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.

## VISION

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

## CORE VALUES

### SUSTAINABILITY

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

### ACCOUNTABILITY

We will take ownership of our decisions and actions.

### FORWARD THINKING

We will continue to strive to be proactive and innovative.

### 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 life and family.

### OUR PEOPLE

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

### 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 .





# INTRODUCTORY SECTION



# LETTER FROM THE ACTING PORT DIRECTOR



The year 2020 began with a bright outlook. Cargo was up by 30% overall at the beginning of the year and at the end of January 2020, was up 129% over January of 2019. Cruise was down by 10% in January 2020 over January 2019, but still robust at around a quarter of a million tourists. There was news of a virus in China that was new and deadly and had the possibility of becoming a pandemic, but at that time, it had not reached the western hemisphere in any significant way.

However, that would all change by the end of February 2020 and by mid-March, the island began taking precautionary measures. PACI began making contingency

plans to operate during a pandemic. By the end of March 2020, Cayman went into a full lock down that would last for several months. Government's mandate was that all goods be allowed in so that when Cayman reached the point that it could safely reopen, there would be no impediments for businesses to commence operations. And thus, PACI implemented protocols to ensure the safety and well-being of its staff and the financial viability of the organization and continued to work around the clock throughout the pandemic to ensure the uninterrupted flow of cargo, food and medicine continued into the Cayman Islands.

I thank Public Health Cayman and HSA for the guidance they provided, as not one of PACI's staff contracted the virus, even though we worked non-stop, 24 hours per day, during the pandemic. I thank my management team who trusted me to lead them through that uncertain period and cooperated fully to achieve the objectives. Nine months later, we ended the year with a small operational profit of approximately \$3M, no loss of staff and no pay cuts. I also wish to acknowledge and thank the Board of Directors for their full support during 2020, as that support enabled us to successfully maneuver through what could have easily turned into a financial crisis created from a loss of approximately one third of our revenues as a result of the pandemic.

Then as if the pandemic was not enough, Cayman was brushed by Tropical Storm Eta, but once more our team prepared PACI and the damage sustained by the Port was minimal. We did lose several of the channel markers around Grand Cayman, but it had been intended to commence replacing them commencing 2021, so the loss from Tropical Storm Eta only accelerated the replacement.

At the end of 2020, the total tonnage of cargo imported declined only by 5.3%, or 684,656 tons versus 722,616 tons in 2019. Cruise passenger volume fell by 70.6% to 538,140 versus 1,831,011 in 2019, as all cruise calls ceased from mid-March for the remainder of 2020.

PACI continued with the expansion of its container storage facility in 2020 and funded it from operational profits reserves, as it was critical infrastructure required to enable PACI to meet the projected growth in cargo. The project was due for completion in December 2020, but Tropical Storm Eta caused some minor delays, which pushed the completion date into early 2021.



Nonetheless, the actual container storage pad expansion was completed before the end of the year. This project enabled us to essentially double our storage capacity of dry containers and triple the number of refrigerated containers we can presently handle.

Other projects carried out in 2020 included the development of a completely new and much more robust, reliable and dependable channel marker system by the Harbour Patrol team in conjunction with the Facilities Management team. Rather than buoys with lights that were just a few feet above the water surface, the new system would comprise of 5-ton concrete blocks with PVC poles at ten or more feet above the water surface enabling them to be seen from further away.

The new lighting system allowed all lights to be programmed to flash at one time. Also, during the slow period in June 2020, one set of tracks and rollers that were worn out on the 1996 M250 crane were changed. The UK's Maritime Coast Guard Agency purchased two oil spill response trailers fully equipped with booms, skimmers and other equipment to enable PACI to respond to any oil spills around the Port and to assist DOE should it be needed on a national scale. This followed PACI's staff completing a Tier 1 Oil Spill Response Training. One trailer was sent to the Port in Cayman Brac and the other at the port in Grand Cayman.

The South RoRo Ramp where the inter-island barge mainly loads from was constantly requiring concrete patches where the barge ramp impacted it. Upon completing the patch, PACI's team installed a heavy metal plate over it to eliminate damages to the concrete. The same method has been applied to the pier in Little Cayman.

Our IT Department seamlessly installed a new WIFI system to replace the old one that had absolutely reached the end of its useful life and it was achieved with no downtime. Repairs were carried out to rectify cracks in the surface and the curbs on Cayman Brac's dock as well. The generator in Cayman Brac was also repaired to enable it to start automatically if there was a failure of Brac Power & Light.

Security Refresher training and First Aid/CPR Training was conducted for staff in both Grand Cayman and Cayman Brac. In addition to this, PACI has also been involved in fulfilling its role and obligations to enable Cayman to be compliant with IMO requirements. That has required quite a significant amount of time and resources and it would have been easier if we had had the Deputy Director of Administration to handle this aspect of the job, but we have had to instead share the workload in order to remain as nimble as possible financially. The Finance Department also successfully completed and achieved an unqualified audit for 2019. We ended the year by honoring our staff who had served us for ten years or more. Thirty-seven (37) staff received awards for 15 years of service to PACI, four (4) for 20 years, two (2) for 25 years and two (2) for 10 years of service. PACI however, also has two (2) staff members who are nearing their 40 year of service to the organization.

2020 was an exceptional and extraordinary year and in spite of all of the challenges it brought, Team PACI was still able to achieve much progress while trimming its expenses to remain within its operational revenues. I express my gratitude to our staff and management team, Public Health Cayman, Customs and Border Control with whom we have all worked so closely with, the Shipping Lines, our shareholder, the Cayman Islands Government, and the Board of Directors; together we successfully maneuvered through the biggest challenge in modern history and achieved our mandate of facilitating commerce for the people of the Cayman Islands.

-   
Acting Port Director

# LETTER FROM THE CHAIRMAN

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The Port Authority is a vital component in the everyday life of the people of the Cayman Islands and in the development of the country. Practically everything that is required to enjoy the standard of living we have become accustomed to is imported through our seaports in the three islands.

We commenced 2020 with plans to continue improving and enhancing the organization to meet the continued vibrant growth in the Cayman Islands economy when the whole world was suddenly plunged into a pandemic of epic proportions. The Board and the Management of the Port Authority quickly evaluated its position and agreed on a plan that would ensure the financial survival of the Authority through the pandemic, while still preparing it for beyond.

The Acting Port Director monitored Key Performance Indicators every day and provided the Board with daily updates. This way, trends are quickly detected and PACI is able to respond and adapt accordingly. PACI continues to remain a debt free organization and I am proud to say that even though one third of its revenues were lost with the demise of the tourism industry, the organization has adapted and cut its operational expenses to remain within its revenue.

During 2020, PACI also successfully expanded and doubled its container storage capacity along with other improvements to its Cargo Distribution Facility. These improvements are but one step to further planned improvements, which will be carried out as revenues allow.

To our loyal and dedicated staff, our stakeholders, and our shareholder, the Government of the Cayman Islands, I thank you for your continued support. We look forward to being of greater service to you and in supporting your plans and efforts for the continued success of the Cayman Islands.

*- Kearney Gomez*  
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-Rankine



Mr. Robert Foster  
(resigned 2020)



Capt. Ashton Bodden



Mr. Charles Clifford



Mr. Ken Thompson



Mr. Richard Parchment



Mr. Arek Joseph



Mr. Stran Bodden



Mr. Michael Nixon



# GOVERNANCE

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

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



CARGO DISTRIBUTION CENTRE – PORTLAND ROAD





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 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 Act. This Act was revised in 1999. The Port Authority is also governed by the Port Regulations (2020 Revision). The Port Authority is engaged in the management of the maritime affairs of the Cayman Islands.

## ORIGINS OF THE PORT AUTHORITY OF THE CAYMAN ISLANDS

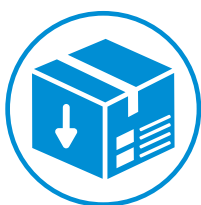
This Includes:

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



SAFE HAVEN MARINA

## 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 passengers.



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



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.



# OUR PEOPLE

# MANAGEMENT TEAM



Joseph Woods  
Acting Port Director



Will Jacobs  
Deputy Director  
*Operations*



Don Hutchinson  
Acting Deputy Director  
*Finance & Facilities*



Chris Khon  
IT Services Manager



Bruce Reynolds  
Cargo Distribution Center  
Manager



Keisha Yates  
*Finance Manager*



Roylee Moore  
Acting Manager  
*Cruise & Security*



Dale Christian  
Manager  
Cayman Brac



Courtney Wisdom  
Facilities Manager



Julius Jacky  
Safety & Crisis Manager

# OUR PEOPLE **WHO WE ARE**

The Port Authority had 161 employees at the period end December 2020. The distribution and other demographics are highlighted in this section.

Description	2020	2019	2018	18 MONTHS	2016	2015
				2017		
Salary and Wages	11,036,719	10,650,771	10,906,165	15,598,629	10,003,436	9,396,208
Medical Insurance	1,513,867	1,482,623	1,418,382	1,856,774	1,169,576	1,138,536
Pension	1,079,521	1,060,302	1,106,840	1,583,549	977,072	947,863
Other staff costs	100,584	168,919	122,198	226,944	154,969	91,174
<b>Total Staff Costs</b>	<b>13,730,691</b>	<b>13,362,615</b>	<b>13,553,585</b>	<b>19,265,896</b>	<b>12,305,053</b>	<b>11,573,781</b>

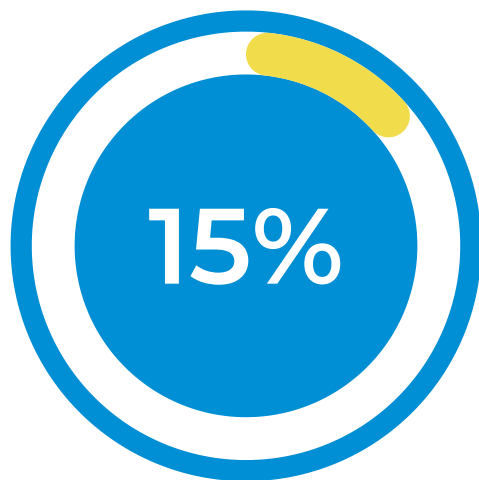


**PACI 2020 STAFF APPRECIATION AND AWARDS**

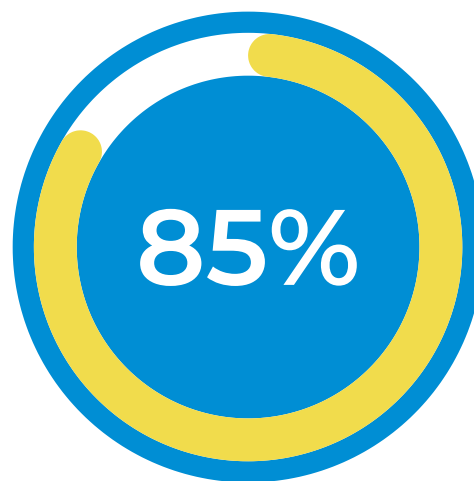
Employee demographics	2020	2019	2018	18 MONTHS	2016
				2017	
Staff complement***	161	158	157	158	148
Average income earned per staff	136,644	168,160	169,605	218,386	164,182
Average expense per staff	210,832	189,595	130,949	215,013	173,182
Average salary paid to staff	69,329	67,410	69,466	98,726	67,591
***Includes retirees on contract	4	4	4	4	

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

## GENDER

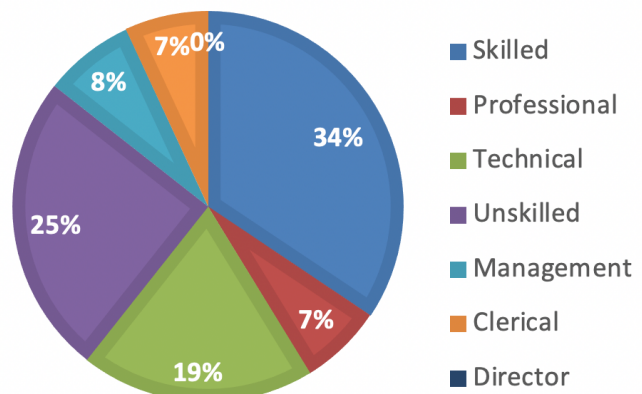


FEMALE



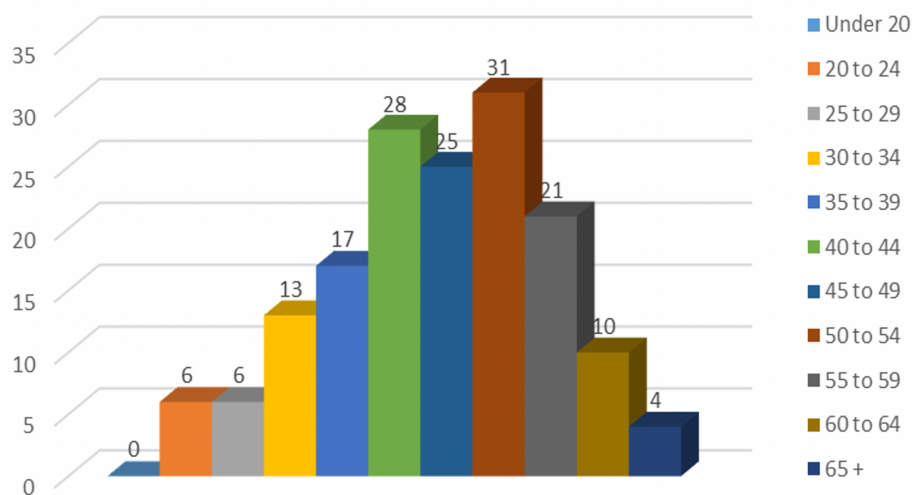
MALE

## STAFF CATEGORIES





## STAFF AGE DISTRIBUTION



- The staff profile indicates an aging workforce, as 74% of the staff complement is over 40 years old.
- 24% 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 2020 FISCAL YEAR

- 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 computer system to meet management's need for more useful management reports and to serve the customer needs more efficiently.
- Improving operations through the continued upkeep of existing equipment as well as the purchase of new and efficient equipment.
- Improving the efficiency of both the cruise and cargo operations by planning to separate and erect new facilities.

Cargo volumes (excluding aggregates) averaged 6% annual growth over the last five years. However, in 2020, cargo volumes declined by 2% over 2019 due to the COVID-19 pandemic. Cruise passenger arrivals increased by an average of 3% annually between 2016 and 2019, then nosedived by 71% between 2019 and 2020, due to the COVID-19 pandemic.

Despite the 2% reduction in cargo volumes in 2020 the Port still faces long term challenges to adequately facilitate the movement of cargo when the new normal returns. In anticipation of this, we continued with our master development plan to expand our operating space. This is the second phase of our development plan which involves the continued improvement of the yard space at our CDC facility. The Port spent \$5.5M on this initiative during 2020, with a further \$1M to be spent by the end of the first quarter of 2021.

The third phase will involve acquisition of more RTG equipment and other facilities upgrades, and due to COVID-19, the expected completion dates now range between 2024 to 2026. These projects will be financed entirely from retained earnings, and is dependent on when the economy recovers from the pandemic.

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

Each new budget allows space for reflection on short and long-term targets and amendments can be made to the pace of implementation of strategic initiatives and infrastructure plans. The approved budget becomes a blueprint for the implementation and






continual review of expenditures to ensure that they align with statutory, contractual, and other commitments of the Authority and the policies and financial decisions of the Board and Cabinet through the portfolio ministry. Internally developed forecasting models are used to assess the Authority's projected medium-term financial condition; determine the financing needs and 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 provides, 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.



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

TECHNOLOGICAL INNOVATION	OPERATIONAL CAPABILITIES AND CAPACITY	HUMAN CAPITAL
 <ul style="list-style-type: none"> <li>• Incorporate leading edge technology advancements</li> <li>• Assess business process in relation to loading/unloading/storage of cargo for best practices</li> <li>• Incorporate technology to ensure total inventory control</li> <li>• Use technology to capture client experience</li> </ul>	 <ul style="list-style-type: none"> <li>• Assess current and future state technology enhancement opportunities</li> <li>• Re-develop Cargo Distribution Centre for operational and safety enhancements</li> <li>• Equipment upgrades for efficient use of space</li> <li>• Develop a berthing facility to attract cruise operators</li> <li>• Assess Port operations and logistics of tour/taxi operators</li> </ul>	 <ul style="list-style-type: none"> <li>• Invest in training</li> <li>• Achieve stakeholder buy-in</li> <li>• Ensure a clear distinction of job roles and requirements for each position</li> <li>• Prioritize health and safety of staff</li> <li>• Develop performance management tools to track efficiency and productivity</li> <li>• Focus on resource and succession planning</li> </ul>



### TECHNOLOGICAL INNOVATION

- Implemented GP Dynamics accounting system and advanced steps to implement our HR systems
- Ongoing plans to implement asset management software



### OPERATIONAL CAPABILITIES AND CAPACITY

- Commenced Phase 2 - Re-development of Cargo Distribution Centre
- Acquisition and deployment of eight (8) Tico trucks
- Ongoing work with stakeholders to deliver a cruise berthing & enhanced cargo facility



### HUMAN CAPITAL

- Ongoing work to define job roles and update Job descriptions
- Facilitated training programs for staff



# MAJOR MILESTONES OF 2020

## 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 to existing equipment as well as the purchase of new and efficient equipment

Improve the efficiency of both the cruise and cargo operations by planning to separate and build new facilities

## ACHIEVEMENTS

Continual work with Government and other key stakeholders on the Cruise Berthing Facility. 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.

This project has been abandoned

## SUCSESSES

Implementation and monitoring of new Organizational Structure to ensure effectiveness

Continuation of CDC yard development phase II

Ongoing implementation of Microsoft Dynamics GP

## CHALLENGES

Resources needed to respond to organizational changes

Delay in completion due to Covid-19

Limited staff resources; teething pains with software implementation

# 2020 AT A GLANCE







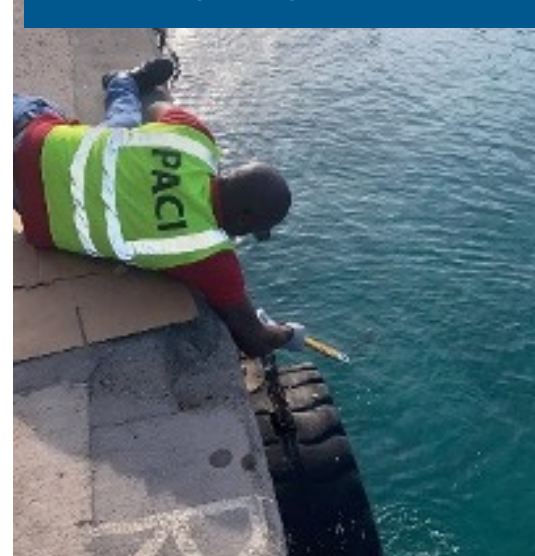
PACI CHRISTMAS FUNCTION



STAFF GETTING VACCINATED



FACILITIES TEAM











## FINANCIAL SECTION

# ACTING DEPUTY DIRECTOR'S REPORT



Don Hutchinson  
**Acting Deputy Director**  
*Finance & Facilities*

The Financial Statement of The Port Authority of the Cayman Islands for the year ended December 31, 2020 is enclosed. This includes the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Equity.

The Chairman, Port Director and Deputy Port Director Finance 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.

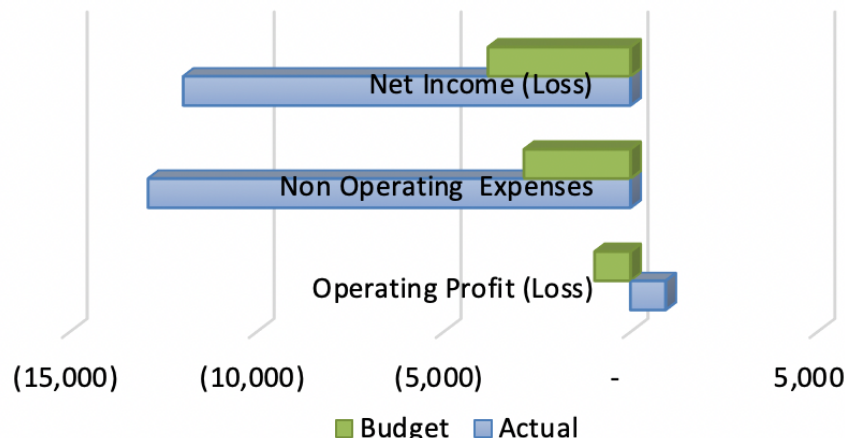
The Port Authority is required to, and has established a comprehensive framework of internal controls that includes maintaining records that accurately and fairly reflect the transactions of the Port Authority and that the necessary controls are in place and have been faithfully adhered to, which provides 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, 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 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 2020 were presented to the Auditor General who expressed an unqualified opinion at the conclusion of her audit.

## 2020 OPERATING PERFORMANCE



The Port Authority recorded a deficit of \$11.9M for the financial year ending December 31 2020. This was \$8.9M worse than the budget deficit of \$2.9M, and \$8.6M worse than 2019 deficit of \$3.3M.

Operating revenue underperformed 9% vs budget or \$2.3M, and was 18% or \$4.7M worse than last year. Total expenses overshoot the target by 25% or \$6.7M, but was only \$3.8M or 13% greater than last year. This was driven by the \$11M defined benefit expense for the 2020 period.

Net worth declined by \$9.7M or 25% against budget and \$11.7M or 28% less than last year. Notwithstanding higher asset balances, due to \$6.4M asset spend; the increase in health care liability and revenue decline were the major contributors to the decline of the overall net worth.

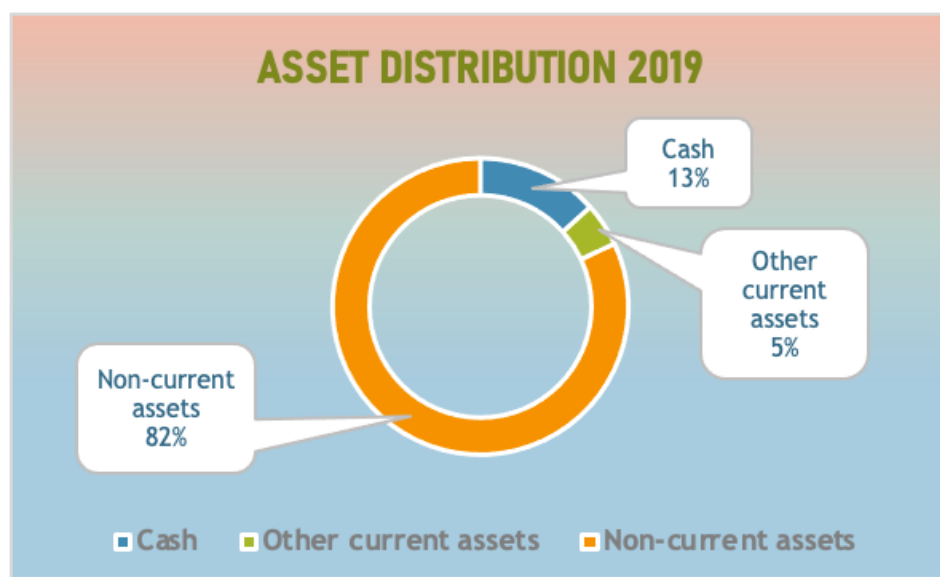
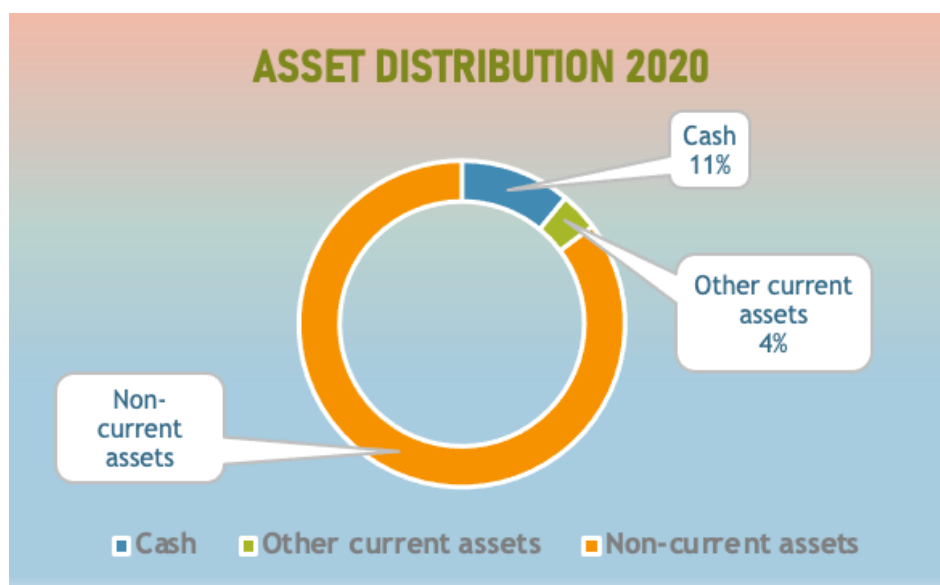
While the financial performance was worse than expected, some recovery in cargo revenue was made from the COVID-19 fallout in the last two quarters of 2020.

The Port was able to maintain a strong liquidity profile while continuing our capital development plans.

The pandemic has disrupted the revenue flows at the Port Authority. While cargo inflows continued, cruise and tourism related income flatlined. Based on the latest forecasts, the Port may continue to experience significant losses for the next three to five years, or until we return to the pre-COVID-19 conditions.

The cash reserve that the port had built up over several years of operations cannot sustain the levels of recurring investment required in our infrastructure. As such, the port may be unable to finance significant capital improvements until conditions return to normal.





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 and growth in cruise tourism over the period 2015-2018. A total of \$19M was used to invest in our infrastructure during the 2016-2020 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 negatively impacted by the contraction of the economy during the second quarter of 2020, and the absence of cruise for the rest of the year. Most of PACI's operating expenses are fixed and so not heavily influenced by a reduction in services, as seen by the \$506K reduction when compared to 2019.

The business model of the port is built on Cargo and cruise contributing 98% of total revenue. With the 23% cruise contribution gone the risks to our operations are clear. 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.

Other developments that were being pursued to increase our cargo handling capacity and our ability to berth larger cruise vessels have an uncertain future. However, 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.





*BILLING PERSONNEL OF THE FINANCE DEPARTMENT AT THE PORT AUTHORITY*

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*

FCA FCCA  
Acting Deputy Director – Finance & Facilities

# MANAGEMENT DISCUSSION & ANALYSIS

The ensuing section is management's commentary on the financial statements for the 12-month period ending 31 December 2020. 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.

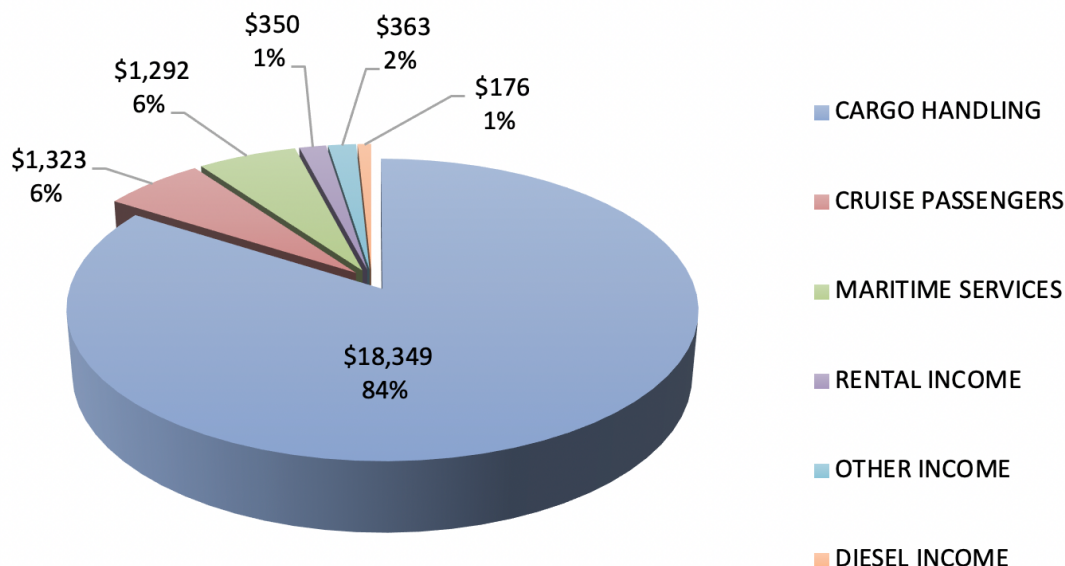
## 2020 FINANCIAL PERFORMANCE

Equity shrunk at the end of the period by \$11.8M due to an operating profit of \$0.9M, which was eliminated by non-operating expenses of \$12M, and supported by defined benefit payments of \$188K.

Description	2020
Gross operating revenue	21,853,149
Operating expenses	(20,923,899)
Income from operations	929,250
Loss on revaluation of investment property	(1,850,000)
Interest income	9,814
Defined benefit expense	(3,058,000)
Remeasurement of health care obligation	(7,994,000)
Net Loss	(11,962,936)
Defined benefit payments for current retirees	188,000
Decrease in equity	(11,774,936)

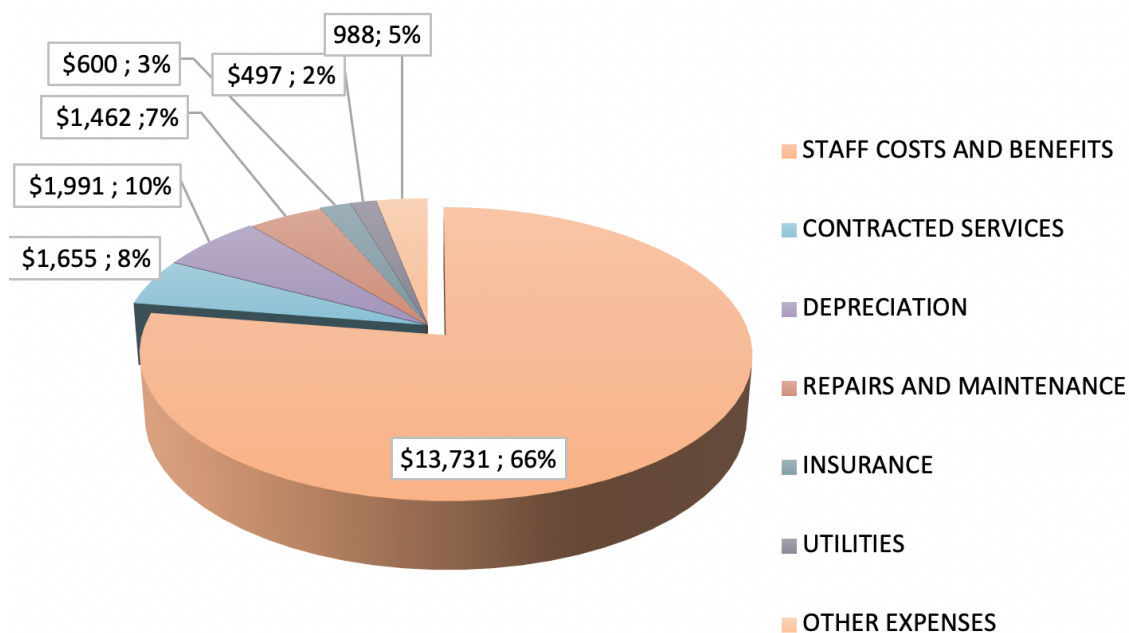


### 2020 INCOME \$'000



The pie chart shows that the top three revenue sources were Cargo handling, Cruise passenger fees and Maritime services. These accounted for 96% of total revenue.

### 2020 EXPENSES \$'000



On the expense side, the top three items were staff costs and benefits, contracted services, and depreciation. These contributed 84% of the total expenditure.

## 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, bearing in mind the 18 months fiscal year for 2017.

	Jun 2016 (Restated)	Dec 2017 (18 months)	Dec 2018	Dec 2019	Dec 2020
<b>ASSETS</b>					
Current assets	\$9,773,076	\$10,912,375	\$10,733,910	\$15,335,968	\$12,489,786
Non-current assets:					
Property plant and equipment	54,322,985	55,212,837	60,135,933	60,308,939	64,841,791
Right of use land & warehouses				196,509	194,020
Investment property	8,310,000	8,356,461	9,055,000	9,150,000	7,300,000
Total assets	<b>\$72,406,061</b>	<b>\$74,481,673</b>	<b>\$79,924,843</b>	<b>\$84,991,416</b>	<b>\$84,825,597</b>
<b>LIABILITIES</b>					
Current liabilities	\$4,469,216	\$1,560,824	\$2,316,065	\$2,104,565	\$2,851,184
Non-current liabilities:					
Bank loan	322,538	-	-	-	-
Lease liability	-	-	-	204,960	203,458
Health care liability	30,189,000	34,694,000	33,105,000	41,525,000	52,389,000
Total liabilities	<b>\$34,980,754</b>	<b>\$36,254,824</b>	<b>\$35,421,065</b>	<b>\$43,834,525</b>	<b>\$55,443,642</b>
<b>EQUITY</b>	<b>\$37,425,307</b>	<b>\$38,226,849</b>	<b>\$44,503,778</b>	<b>\$41,156,891</b>	<b>\$29,381,955</b>

The financial position shows a steady improvement in our total assets over the five-year period. This is due to asset purchases since the revaluation of the property and investment portfolio done in June 2016, with a marginal decline in 2020 due to COVID-19 factors. We also observe a 36% reduction in current liabilities and a \$3.3M or 33% increase in cash reserves. The bank loan was repaid in 2017, so amounts reflected as current liabilities from 2017 onwards reflect payables and year end accruals. The liquidity position in 2020 improved to 4.4 from the 2.2 in 2016, which indicates an increased ability to meet our obligations. Since 2016, the Port has strong working capital of at least 2.1 due to solid revenue performance and favorable gearing ratios, given the absence of commercial debt.

The Port has been debt free since 2017, and continues to channel surpluses to fund capital investment in our infrastructure and other assets. Despite the growing cash balance, the Port needs to replace critical assets that require resources beyond our ability to generate with our current business model. Our 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 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.



## MANAGEMENT DISCUSSION & ANALYSIS

The Port purchased equipment and other assets as well as upgraded property for the five-year period costing \$19M, an average of \$3.8M per annum.

In addition, debt repayment and other financing costs totaled \$4.6M since 2016.

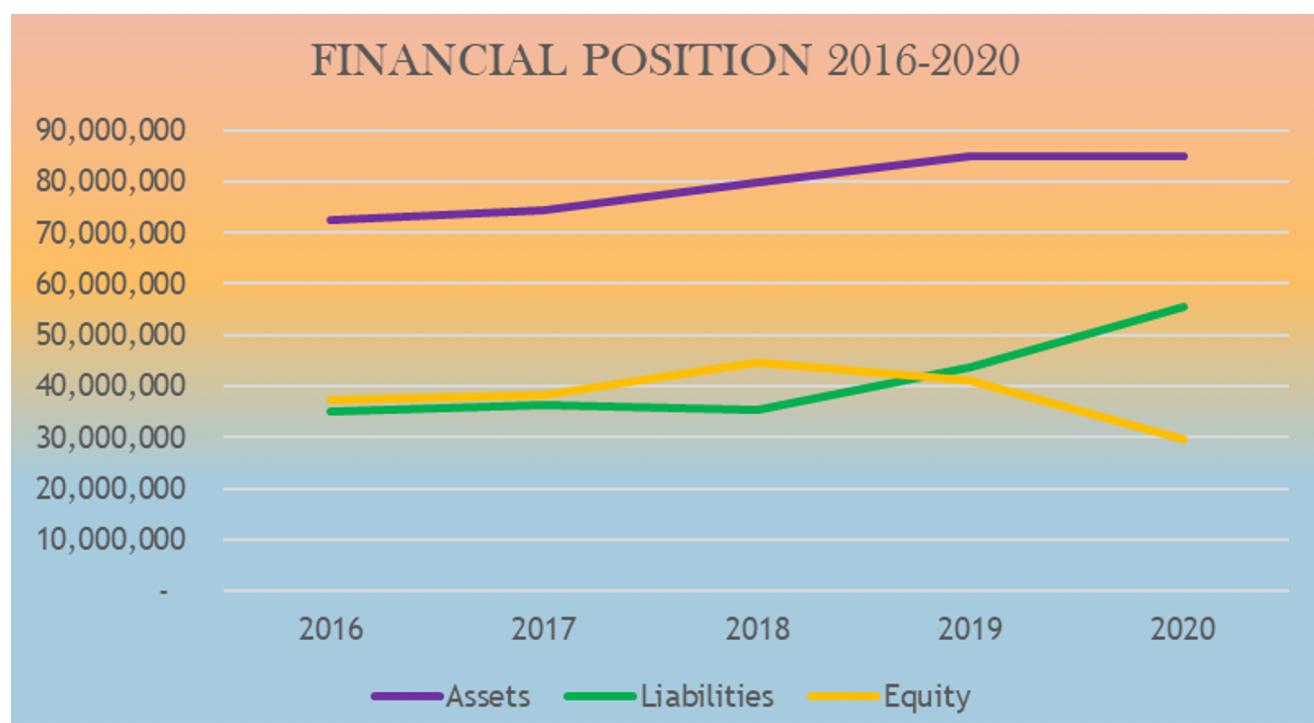
The asset investment and debt repayment totaled \$23.7M, or 81% of the \$29M cash generated by operations for the five-year period. The cash balance increased over the five-year period by \$5.5M.

Equity has declined over the five-year period by 21%, or \$8M due largely to 74% or \$22M increase in the defined benefit liability.

The \$22M increase in the health care liability over the last five years has reduced the impact of the gains made in asset value (\$12.5M) and Current assets (\$2.8M) respectively. The uncertainty of the annual movements presents significant risk to the equity of the Port Authority going forward.

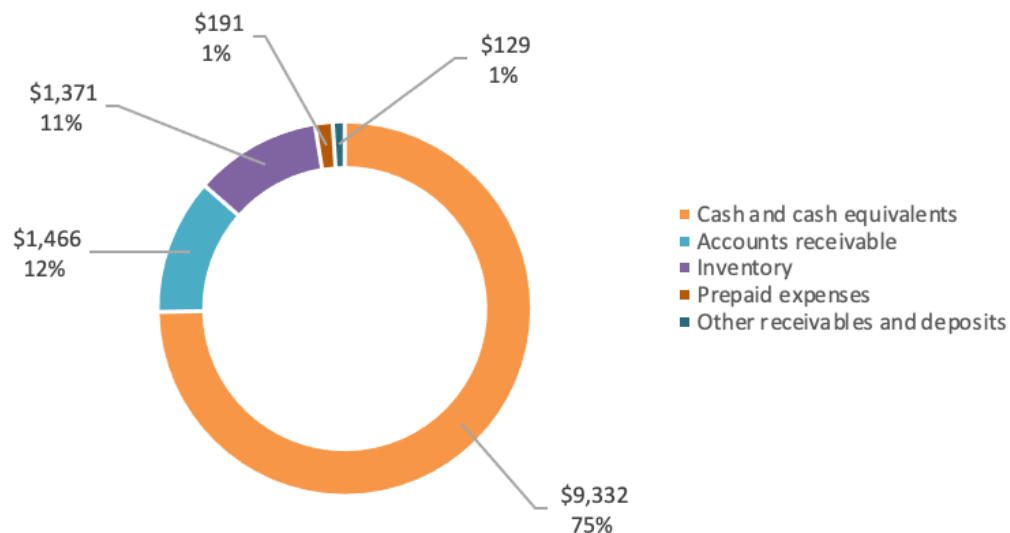
The notion that this health care liability represents a potential expense that will be due in the future is formidable, given the massive increase over a five-year period which saw limited growth in staff numbers.

In recognizing that this is currently unfunded, the Board approved a savings plan to begin to address this. At Dec 2020, this savings plan had accumulated a balance of \$2.4M.



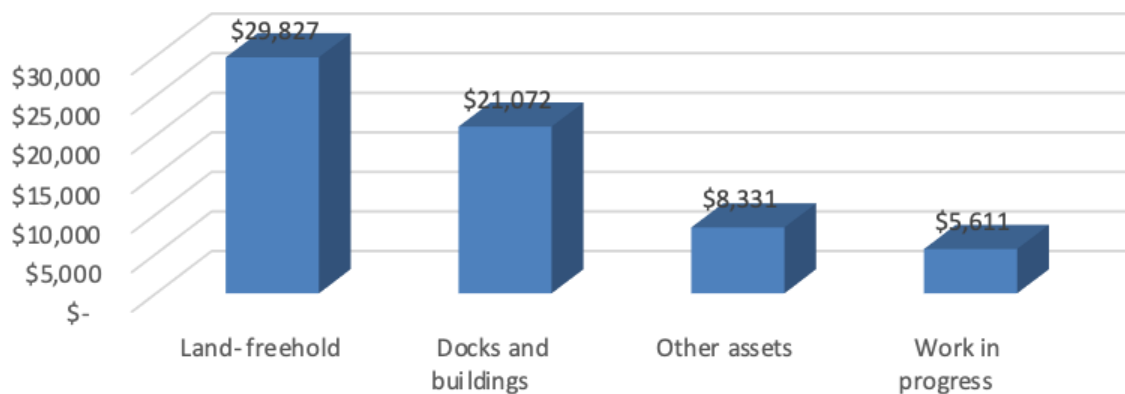
## MANAGEMENT DISCUSSION & ANALYSIS

### 2020 CURRENT ASSETS \$'000



Cash dominated current assets covering 75% or \$9.3M. Receivables closed at \$1.5M and inventory at \$1.4M.

### 2020 PROPERTY PLANT AND EQUIPMENT \$'000



The Port invested \$6.4M in asset replacement and improvement during the 2020 financial year. These include improvements to CDC facilities, furniture, office equipment, vehicles and heavy equipment.



### 2020 MOVEMENT

Total assets at the Port Authority at December 31, 2020 was similar to last year despite significant movements within the group. This was due mainly to the following factors:

- Cash declined by \$2M largely due to COVID-19 which saw revenue reduction of \$4.7M
- Reduction in accounts receivable(\$436K) due to revenue decline
- \$583K lower deposits on capital projects as these were curtailed on COVID-19 concerns
- Additions to fixed assets totaled \$6.4M which included CDC phase 2 development \$5.5M, Industrial, Office equipment & computer equipment \$907K
- Impairment in the fair value of RWCT was \$1.85M

Total liabilities of the Port Authority was \$55.4M, which is a \$11.6M or 26% increase over 2019. This was due mainly to the increase in the defined benefit liability.

### 2020 ACTUAL VS. BUDGET

Total assets performed 6% better than expected with a \$4.6M increase over target. This was driven by the 4.7M or 101% better outturn in cash balances vs expected.

Financial Position	2020 Actual \$	2020 Budget \$	2020 Variance \$	Change %
Assets	84,825,597	80,257,706	4,567,891	6%
Liabilities	55,443,642	41,183,666	14,259,976	35%
Net Worth	29,381,955	39,074,040	(9,692,085)	(25%)

Liabilities closed higher than budgeted with a \$14M or 35% increase. The adverse movement in the discount rate applied to long term health care benefits is the reason for the unfavorable movement in the health care liability.

## MANAGEMENT DISCUSSION & ANALYSIS

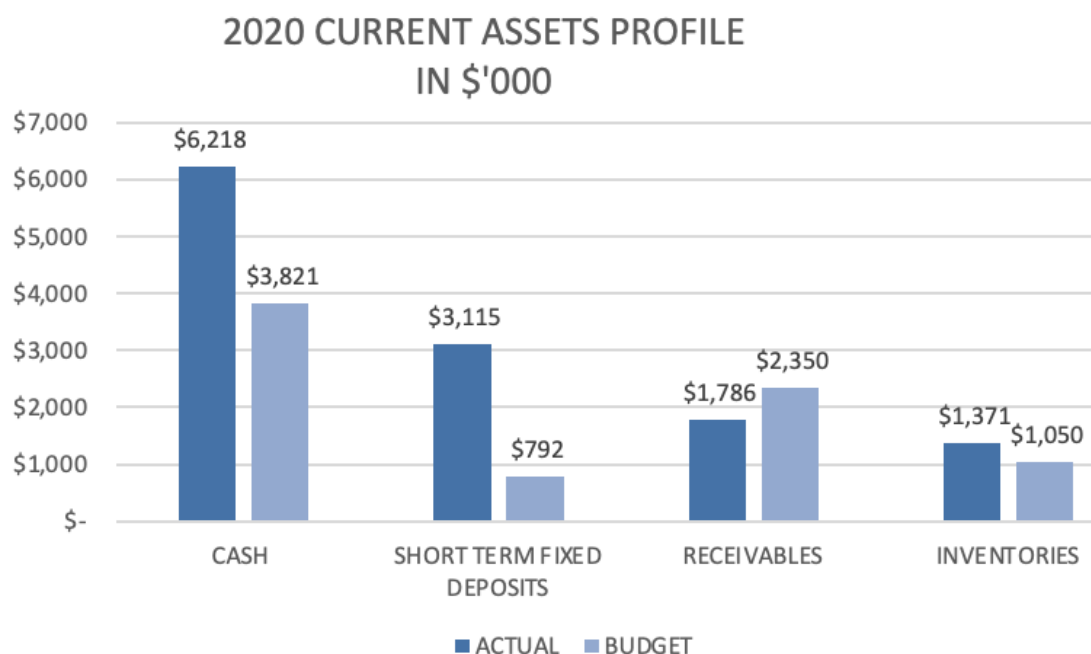
### THE SUMMARIZED ACTUAL VS BUDGET FOR THE 2020 FISCAL YEAR IS AS FOLLOWS:

	Actual Dec 2020 \$	Budget Dec 2020 \$	Variance Dec 2020 \$	Variance Dec 2020 %
<b>ASSETS</b>				
Current assets	12,489,786	8,012,824	4,476,963	56
Non-current assets:				
Property, plant and equipment, net	64,841,791	64,869,253	(27,462)	0
Right of use land & warehouses	194,020	0	194,020	100
Investment property	7,300,000	7,375,629	(75,629)	(1)
Total assets	84,825,597	80,257,706	4,567,892	6
<b>LIABILITIES</b>				
Current liabilities	2,851,184	2,200,000	651,184	30
Non-current liabilities:				
Lease liability	203,458	0	203,459	100
Defined benefit liability	52,389,000	38,983,666	13,405,334	34
Total liabilities	55,443,642	41,183,666	14,259,976	35
<b>EQUITY</b>	29,381,955	39,074,040	(9,692,085)	(25)

The net assets for the 2020 fiscal year performed worse than budget by \$9.7M or 25%, due mainly to the 34% increase in the defined benefit liability on account of adverse discount rate movements, and the \$4.6M positive movement in current assets. Despite the decline in investment property by \$1.85M in 2020, this was within the expectations factored in the budget. Current liabilities were \$651K or 30% more than expected, due mainly to unsettled bills for the CDC project at the year end.

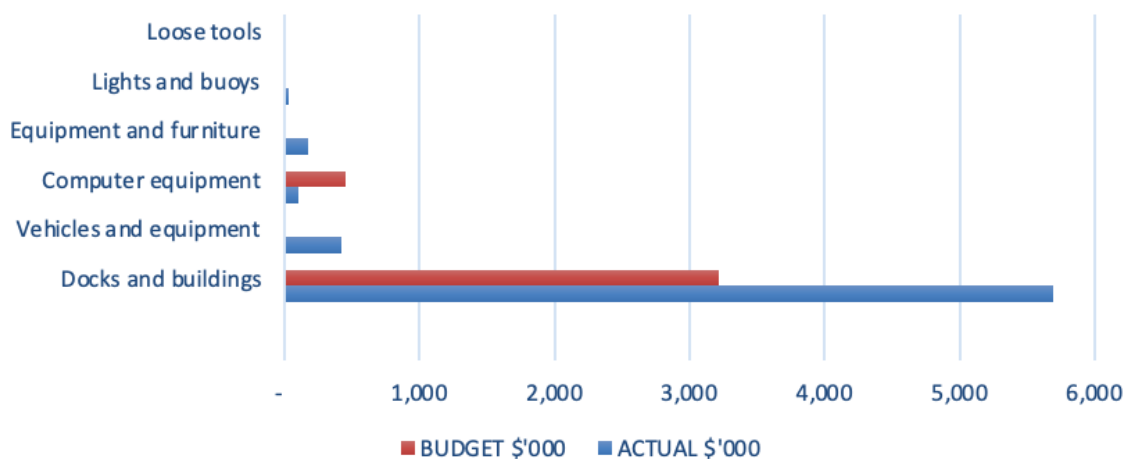


## MANAGEMENT DISCUSSION & ANALYSIS



Current assets had a positive variance of \$4.5M. The profile shows cash variance of \$2.4M and fixed deposits variance of \$2.3M were crucial to the overall variance position. Receivables' adverse variance of \$564K was due to less deposits on capital items and reduced revenue.

## CAPEX PROFILE 2020



New assets booked for 2020 was \$6.4M. This contrasts with the \$3.7M budget, a negative variance of \$2.7M.

The Board approved revised capital plans which resulted in the completion of projects which were earmarked for phased implementation.

# 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.

<b>Comprehensive Income</b>	<b>2020 Actual \$</b>	<b>2020 Budget \$</b>	<b>2020 Variance %</b>
Revenue	21,853,149	24,125,778	(9)
Operating Expenses	18,932,534	24,265,062	(22)
Non-Operating Expenses, net	6,889,551	2,850,000	142
Other Comprehensive Expense	7,994,000	-	100
Net Surplus/Deficit	(11,962,936)	(2,989,284)	(300)

## PROFIT PERFORMANCE

The Port Authority earned revenue of \$21.9M or 9% below the \$24.1M budget for the 2020 fiscal year, and incurred operating expenses of \$18.9M or 22% less than the \$24.2M budget for 2020. The negative defined benefit adjustment of \$7.9M, in addition to other non-operating expenses resulted in a net deficit of \$11.9M for the 2020 fiscal year. This is \$8.9M or 300% more than the (\$2.9M) deficit envisioned in the approved budget.

## FUTURE OUTLOOK

There was increased confidence that the Port would continue to build on the strong revenue performance seen over the last five years. This was 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 were strong, the population and stayover visitors were increasing - all of which increase demand for goods and services. There was also the possibility of medium-term growth in cruise revenue based on projections.

The Port Authority was then faced, like the rest of the world with COVID-19 in early 2020 and the resulting fallout across multiple sectors. Consequently, our outlook for the next two to three years is optimistic but cautious. Despite the recent vaccine approvals, there may not be a return to the pre -COVID 19 world for some time.

Consequently, the Port Authority is projecting cumulative deficits of \$21M for the next five fiscal years 2021-2025 inclusive. The extent of these will depend on a return to global norm as well as the variables in our local economy.

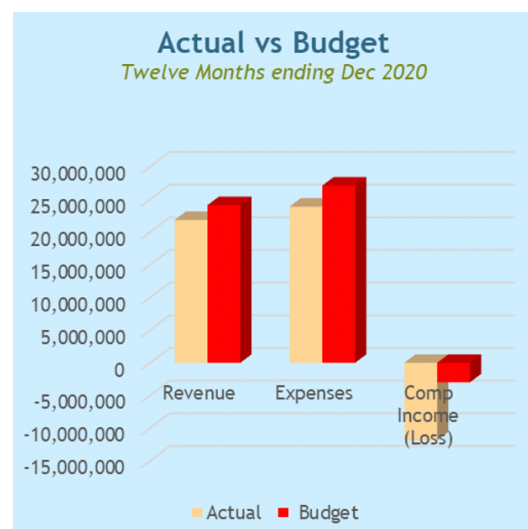


## MANAGEMENT DISCUSSION & ANALYSIS

Twelve (12) Months ended 31 December 2020	Actual \$	Budget \$	Variance \$	Variance %
<b>REVENUE</b>				
Cargo handling	18,349,346	18,090,743	258,603	1
Cruise ship passenger fees	1,323,211	3,026,630	(1,703,419)	(56)
Other revenue	2,180,592	3,005,405	(824,813)	(27)
<b>TOTAL REVENUE</b>	<b>21,853,149</b>	<b>24,122,778</b>	<b>(2,269,629)</b>	<b>(9)</b>
<b>EXPENSES</b>				
Staff costs including defined benefit costs	16,788,691	19,013,852	(2,225,161)	(12)
Repairs and maintenance	1,462,416	1,785,000	(322,584)	(18)
Contracted services	1,655,099	2,100,000	(444,901)	(21)
Insurance	600,466	650,000	(49,534)	(8)
Other operating expenses	1,483,862	1,475,225	8,637	1
Depreciation	1,991,365	2,090,985	(99,620)	(5)
<b>TOTAL EXPENSES</b>	<b>23,981,899</b>	<b>27,115,062</b>	<b>(3,133,163)</b>	<b>(12)</b>
Interest income	9,814	3,000	6,814	227
Loss on revaluation of investment property	(1,850,000)	-	(1,850,000)	-
Gain on disposal of fixed assets	-	-	-	-
Remeasurement of defined benefit obligation	(7,994,000)	-	(7,994,000)	-
	(9,834,186)	3,000	(9,837,186)	-
<b>COMPREHENSIVE LOSS</b>	<b>(11,962,936)</b>	<b>(2,989,284)</b>	<b>(8,973,652)</b>	<b>300</b>

### KEY INSIGHTS FROM THE 2020 RESULTS

- Revenue missed expectations by 9% - this was due to 56% contraction in cruise vs budget and marginal improvement in cargo vs expectations
- Cruise passengers flatlined after March 2020
- Other revenue streams underperformed, ending at a combined 27% below budget, largely due to COVID-19.
- Staff costs ended at 12% below budget. Planned recruitment was not completed
- There was a 18% underspend on budget for repairs and maintenance as COVID 19 curtailed some operations
- Other operating expenses was 1% less than budget due mainly to reduction in some activities
- Contracted services were \$445K or 21% below budget as professional fees, security and other expenses decreased in response to lower business volume.
- Operating deficit was \$0.9M better than expected due to decline in expenses outstripping the reduction in revenue





## MANAGEMENT DISCUSSION & ANALYSIS

**\$ 18.3 M**

CARGO

**\$ 16.8 M**

STAFF COSTS & BENEFITS

**\$ 1.6 M**

CONTRACTS

**\$ 1.3 M**

CRUISE

**\$ 1.5 M**

OTHER EXPENSES

**\$ 2.2 M**

OTHER REVENUE

**\$ 1.5 M**

REPAIRS/ MAINTENANCE

**\$ 0.6 M**

INSURANCE

**\$2M**

DEPRECIATION

**\$1.85M**

REVALUATION  
LOSS

**\$8M**

REMEASUREMENT  
DEFINED BENEFIT  
LIABILITY



## MANAGEMENT DISCUSSION & ANALYSIS

- The income earned from cargo handling is adequate to cover staff costs including the annual health care benefit cost, and contracted services for the period
- Cruise income would only be able to fund other operating expenses for 2020
- Repairs and maintenance, and insurance are funded by other revenue sources
- The non-cash expenses totaling \$11.9M would go unfunded during 2020
- These non-cash expenses should be matched by cash reserves, as they indicate future obligations which need to be financed, such as the development, replacement or rehabilitation of infrastructure and equipment and funding health care premiums for retired staff
- 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 provided. 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. Results for 2016 were impacted by revaluation of our book of Fixed assets and Investment property. 2017 was an 18-month transitional financial period and 2018 had financial variables that resulted in a \$1.3M net revenue outcome in our defined benefit expense. 2019 and 2020 had large swings of \$8.6M and \$11M respectively in the defined benefit cost due to external factors which affect 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 \$29M from 2016 to 2020 has erased the combined operating surplus of \$20M for the last five fiscal years. Then 2020 had the impact of the global pandemic which caused cruise activity and much of tourism to flatline from April 2020.

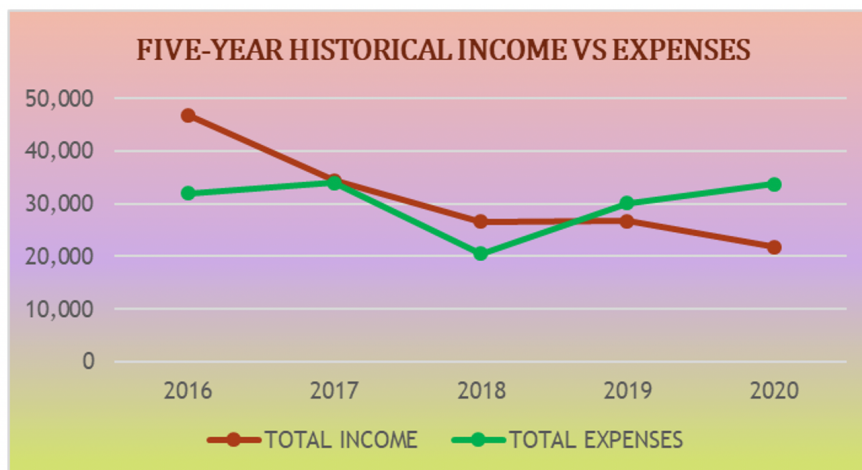
The five-year operating income chart shows that up to 2019, PACI was improving in revenue generation, as dictated by activities in the economy. Cargo volumes and cruise passengers, which accounts for about 94% of PACI's revenue, had increased by double digits over the period. Movements in container boxes also saw double digit increases. These were chiefly responsible for generating \$19M operating profit from 2016 to 2019.

Then in 2020 the impact of COVID-19 was seen in a \$4.7M reduction in income, and deterioration of our defined benefit position, resulting in a deficit of \$11.9M, the largest in the history of the Port Authority.

	Restated	( 18 Months)				
FIVE (5) YEAR HISTORICAL PERFORMANCE	2016	2017	2018	2019	2020	TOTALS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cargo income	16,790	26,482	18,422	20,596	19,641	101,931
Cruise income	4,382	6,070	4,726	4,504	1,323	21,005
Rental income	1236	1,562	1,050	1,061	350	5,259
Other income	496	391	359	415	549	2,210
<b>Total Operating Income</b>	<b>22,904</b>	<b>34,505</b>	<b>24,557</b>	<b>26,576</b>	<b>21,863</b>	<b>130,405</b>
Staff costs	(12,305)	(19,266)	(13,554)	(13,363)	(13,731)	(72,219)
Contracted services	(1,290)	(2,098)	(1,766)	(2,184)	(1,655)	(8,993)
Repairs and maintenance	(1,670)	(2,947)	(1,701)	(1,446)	(1,462)	(9,226)
Insurance	(601)	(769)	(559)	(604)	(600)	(3,133)
Other operating costs	(1,232)	(2,317)	(1,517)	(1,994)	(1,484)	(8,544)
Depreciation	(1,694)	(1,664)	(1,461)	(1,839)	(1,992)	(8,650)
<b>Total Operating Expenses</b>	<b>(18,792)</b>	<b>(29,061)</b>	<b>(20,558)</b>	<b>(21,430)</b>	<b>(20,924)</b>	<b>(110,765)</b>
<b>Operating Surplus</b>	<b>4,112</b>	<b>5,444</b>	<b>3,999</b>	<b>5,146</b>	<b>939</b>	<b>19,640</b>
Gain / (loss) on disposal of fixed assets	(472)	(124)	-	36	-	(560)
Defined benefit annual expense & remeasurement	(5,868)	(4,787)	1,382	(8,648)	(11,052)	(28,973)
Gain (loss) on revaluation of plant and equipment	1,395	-	-	-	-	1,395
Net gain on revaluation of land and building	22,589	-	-	-	-	22,589
Loss on revaluation of plant & equipment	(514)	-	-	-	-	(514)
Gain/ (loss) on revaluation of investment property	(6,384)	-	689	79	(1,850)	(7,466)
<b>Total Comprehensive Income</b>	<b>14,858</b>	<b>533</b>	<b>6,070</b>	<b>(3,387)</b>	<b>(11,963)</b>	<b>6,111</b>

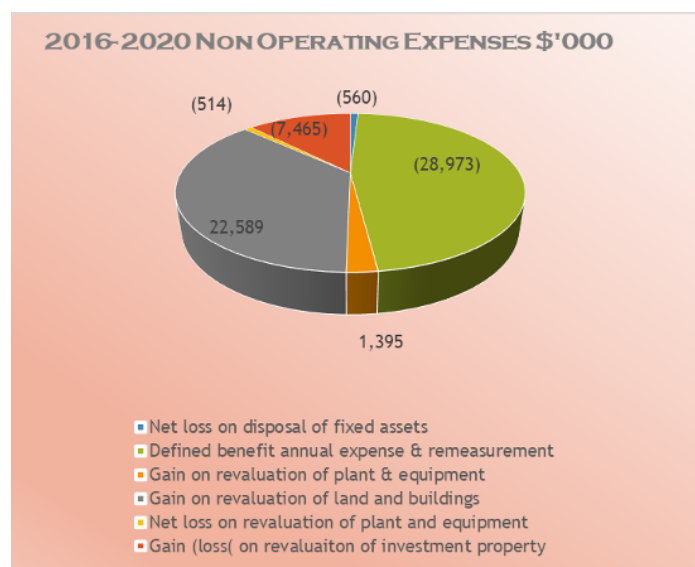
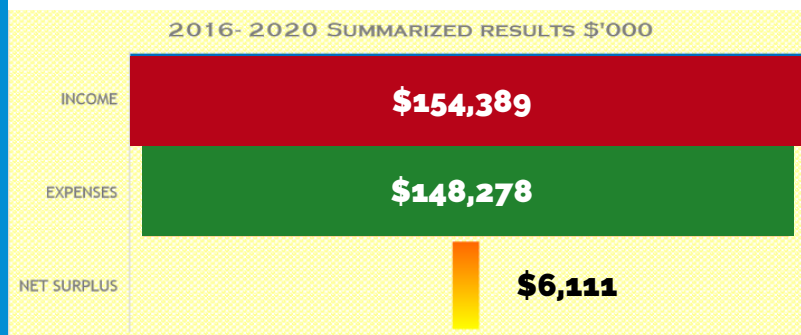


## MANAGEMENT DISCUSSION & ANALYSIS



- Total expenses are tracking in line with income, notwithstanding considerable income growth, resulting in inadequate profitability.
- This hinders investment in human resources, infrastructure and other capital assets.
- This indicates an imbalance in the cost recovery for the services provided by PACI, which need to be addressed.

- Annual growth in operating income except 2020
- Income declined by 18% in 2020
- Operating expenses decreased by 3% over 2019
- DBE increased by \$2.4M in 2020
- Total income for five-year period was \$154M
- Total expense was \$148M
- Net profit for five-year period was \$6M.



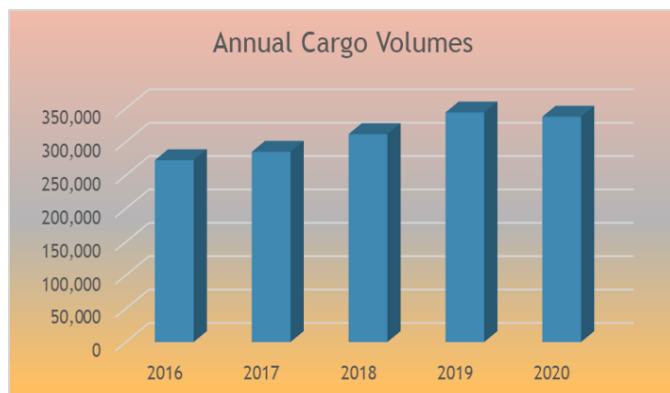
- \$29M defined benefit net expense
- Non-recurrent gain of \$1.4M from revaluation of equipment
- Net disposal loss of \$560K
- Equipment revaluation loss \$514K
- Net revaluation gains on investment property and land and building \$7.5M

## MANAGEMENT DISCUSSION & ANALYSIS

The 3% average annual operating income growth (2016-2020) is trending with the 6% average growth in cargo volumes and (16%) average decline in cruise activities. Container movements had 3% average annual growth as well between 2016 and 2020.

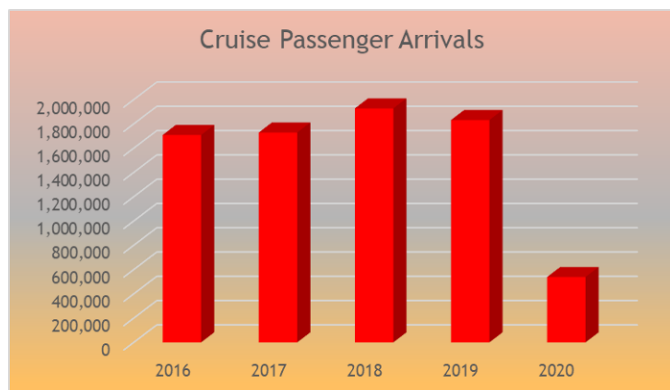
ACTIVITY STATISTICS	2016	2017	2018	2019	2020
Annual Cargo Volumes	272,526	284,981	311,612	344,001	337,658
Cruise Passenger Arrivals	1,708,066	1,728,444	1,927,185	1,831,011	538,140
TEUS (In and Out)	56,577	58,579	61,427	66,854	64,130

### ANNUAL CARGO VOLUMES



- Annual growth in operating income except 2020
- Income declined by 18% in 2020
- Operating expenses decreased by 3% over 2019
- DBE increased by \$2.4M in 2020
- Total income for five-year period was \$154M
- Total expense was \$148M
- Net profit for five-year period was \$6M.

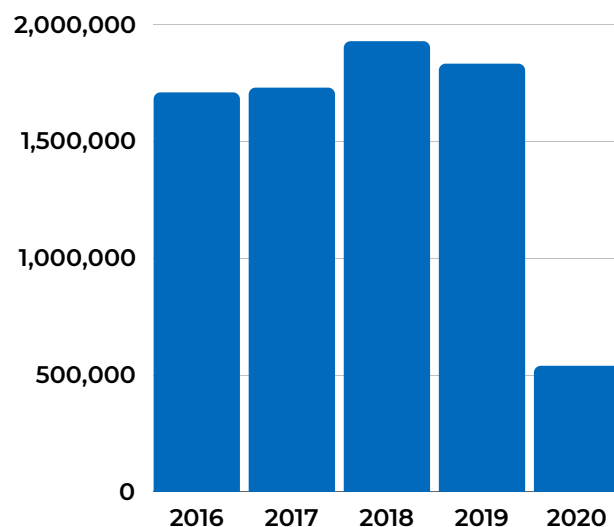
### CRUISE PASSENGER ARRIVALS



- Cruise arrivals has performed well over the last four financial years preceding 2020.
- Cruise income provided \$21M over the last 5 years to PACI,
- Cruise accounted for 6% of operating revenue for 2020, in comparison with the 17% contribution in 2019.



## TEUS (IN & OUT)



- TEU movement declined by 4% vs. 2019
- TEU is up 13 % since 2016
- Cargo is up by 24% since 2016
- Cargo volumes declined by 2% in comparison with 2019

## ACTUAL VS. BUDGET

Cash Flows	Actual 2020 \$	Budget 2020 \$	Variance %	Reason
Net cash flows from operating activities	4,737,941	1,412,593	335	Favorable expense performance
Net cash flows from investing activities	(6,437,649)	(1,025,300)	628	Revised capital plans
Net cash flows from financing activities	(273,545)	-	-	Payments for retirees and lease obligation

## CASH FLOW FIVE-YEAR TREND ANALYSIS

In \$'000	2016	2017	2018	2019	2020	TOTALS
Opening Cash	3,793	6,233	6,821	7,445	11,305	3,793
Net cash earned from operations	5,608	5,354	7,371	6,192	4,738	29,263
Purchase of fixed assets and investments	(1,397)	(2,732)	(6,540)	(2,022)	(6,438)	(19,129)
Debt repayment	(1,771)	(2,034)	(207)	(310)	(274)	(4,596)
Closing Cash	6,233	6,821	7,445	11,305	9,332	9,332

- 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 50% over the five-year period. The Port Authority invested an average of \$3.8M per annum in its asset portfolio, and repaid its debt and reduced liabilities by \$4.6M or an annual average of \$900K for the last five years.

## MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL PERFORMANCE RATIO	2020	2020	Explanation
	Actual	Budget	
CURRENT ASSETS: CURRENT LIABILITIES	4.38:1	3.64:1	Cash used to buy assets
TOTAL ASSETS: TOTAL LIABILITIES	1.53:1	1.94:1	Acceleration of capex plans and higher defined benefit liability upon valuation at year end

HUMAN CAPITAL MEASURES	2020 Actual	2020 Budget
TOTAL FULL TIME EQUIVALENT STAFF EMPLOYED	161	185
STAFF TURNOVER (%)		
SENIOR MANAGER	-	-
PROFESSIONAL AND TECHNICAL STAFF	-	-
ADMINISTRATIVE STAFF	-	-

PHYSICAL CAPITAL MEASURES	2020 Actual \$ 000'S	2020 Budget \$ 000'S	Explanation
VALUE OF TOTAL ASSETS	84,826	80,258	Asset purchases
ASSET REPLACEMENTS: TOTAL ASSETS	0.08:1	0.05:1	Within expectations
BOOK VALUE OF PPE: COST OF THOSE ASSETS	0.89:1	0.83:1	More asset investment
DEPRECIATION: CASH FLOW ON ASSET PURCHASES	0.31:1	0.57:1	More purchases than budget
CHANGES TO ASSET MANAGEMENT POLICES	None	None	None

MAJOR CAPITAL EXPENDITURE	2020 ACTUAL \$'000	2020 TARGET \$'000	EXPLANATION
Infrastructure upgrades	5,761	3,220	Accelerated Capex
Technology	376	457	Plan changes
Fleet Purchases	300	-	Plan changes



## MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL PERFORMANCE MEASURE	2020 Actual \$ 000'S	2020 Budget \$ 000'S	Explanation
REVENUE FROM OTHER PERSONS OR ORGANISATIONS	21,853	24,125	Loss of income due to COVID-19
OTHER EXPENSES	33,816	27,115	Impact of defined benefit health care
NET SURPLUS / (DEFICIT)	(11,963)	(2,989)	Less income and more expenses
TOTAL ASSETS	84,826	80,258	More purchases than budget
TOTAL LIABILITIES	55,444	41,184	Impact of defined benefit health care
NET WORTH	29,382	39,074	Less income and more expenses

## RISK MANAGEMENT

Key Risks	Mitigation strategies
<b>Strategic risks</b> <ul style="list-style-type: none"> <li>• Lack of long-term planning</li> <li>• Capital Structure</li> </ul>	<ul style="list-style-type: none"> <li>• Master Plan developed</li> <li>• Better cash management</li> </ul>
<b>Compliance risks</b> <ul style="list-style-type: none"> <li>• Risk of breach of Port Laws &amp; Regulations</li> <li>• Risk of breach of PMFA 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>• Keep professional staff 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>
<b>Operational risks</b> <ul style="list-style-type: none"> <li>• Inability to efficiently discharge cargo</li> <li>• Personal injury or fatality during operations</li> <li>• Terrorism</li> <li>• Breakdown of equipment</li> <li>• Lawsuits for negligence</li> <li>• Hurricanes &amp; Storms</li> <li>• Risk profile increased due to price volatility</li> </ul>	<ul style="list-style-type: none"> <li>• Trained personnel; rotated staff</li> <li>• Safety procedures; adequate insurance</li> <li>• Security protocols; trained security staff</li> <li>• Backup equipment; maintenance programs</li> <li>• Hurricane plan practiced continually</li> <li>• Price negotiations</li> <li>• Operational efficiency</li> <li>• Manage risk value within \$750,000</li> </ul>
<b>Reputational risks</b> <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>



# INTERNAL AND EXTERNAL AUDIT UPDATES

The 2020 Financial Statements were duly certified by the Auditor General in April 2021. The Port Authority received an unqualified audit opinion on the financial statements.

*NEW OUTDOOR SHELTER AT CARGO DISTRIBUTION CENTER*

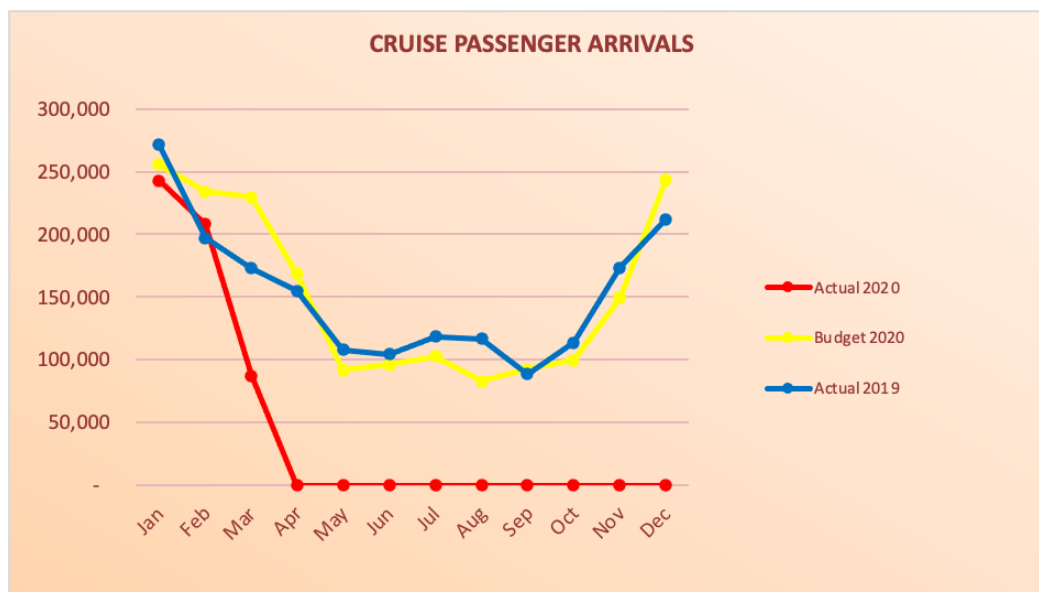




## SCRUTINY BY PARLIAMENT AND PUBLIC

The Port Authority's 2019 and 2020 audited accounts and annual reports have not yet been tabled in Parliament.

# SELECTED STATISTICAL DATA

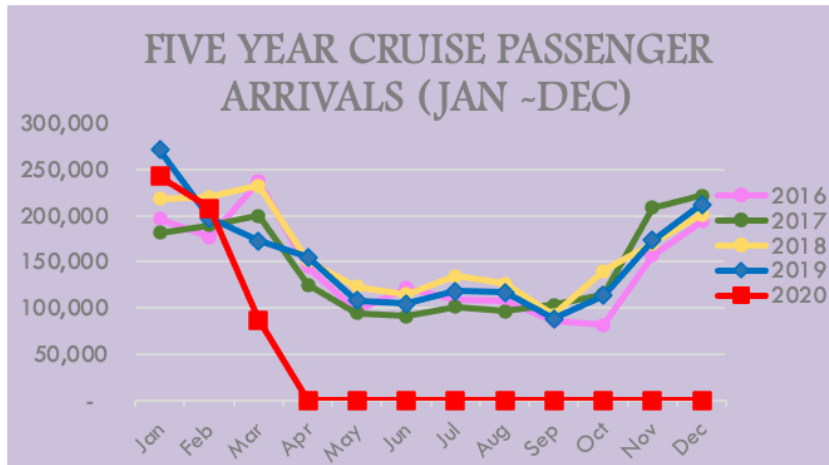


Month	Actual 2020	Budget 2020	Variance-Actual to Budget	% Change	Actual 2019	Variance 2020 vs 2019	% Change
January	242,908	255,329	-12,421	-5	271,111	-28,203	-10
February	207,959	234,121	-26,162	-11	197,234	10,725	5
March	87,273	229,509	-142,236	-62	172,700	-85,427	-49
April	-	168,310	168,310	-100	154,983	-154,983	-100
May	-	91,457	-91,457	-100	107,900	-107,900	-100
June	-	96,134	-96,134	-100	104,527	-104,527	-100
July	-	102,762	-102,762	-100	118,453	-118,453	-100
August	-	82,977	-82,977	-100	116,806	-116,806	-100
September	-	92,431	-92,431	-100	88,445	-88,445	-100
October	-	99,632	-99,632	-100	113,418	-113,418	-100
November	-	149,198	-149,198	-100	173,373	-173,373	-100
December	-	243,647	-243,647	-100	212,061	-212,061	-100
<b>Total</b>	<b>538,140</b>	<b>1,845,506</b>	<b>-1,307,366</b>	<b>-71</b>	<b>1,831,011</b>	<b>-1,292,871</b>	<b>-71</b>

Cayman Port has seen a decrease of 71% in cruise passenger arrivals over last year and 71% lower when compared to the budget.  
Income from cruise passengers moved by the same percentage



## SELECTED STATISTICAL DATA



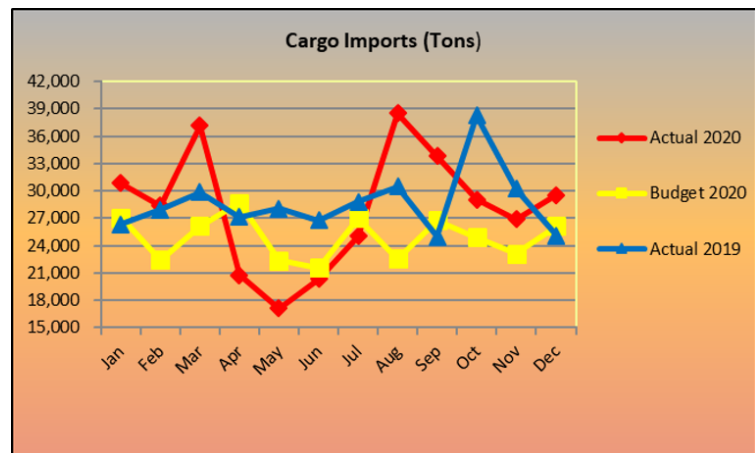
- The graph at left shows the calendar year cruise passenger arrivals for the last five years.
- Passenger numbers started to decline from 2019 (5%), then flatlined during COVID-19 decline in 2020.

<i>Five-Year Passenger Arrivals</i>							
<i>Month</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2016-2020</i>	<i>5 yr % change</i>
<i>Jan</i>	196,208	181,765	218,430	271,111	242,908	46,700	24
<i>Feb</i>	176,539	189,704	220,603	197,234	207,959	31,420	18
<i>Mar</i>	237,343	199,844	232,902	172,700	87,273	(150,070)	(63)
<i>Apr</i>	144,805	125,284	151,716	154,983	-	(144,805)	(100)
<i>May</i>	96,430	94,523	123,203	107,900	-	(96,430)	(100)
<i>Jun</i>	121,984	90,809	115,122	104,527	-	(121,984)	(100)
<i>Jul</i>	108,447	101,513	134,926	118,453	-	(108,447)	(100)
<i>Aug</i>	108,221	96,309	126,275	116,806	-	(108,221)	(100)
<i>Sep</i>	86,476	103,287	92,592	88,445	-	(86,476)	(100)
<i>Oct</i>	81,311	115,077	139,982	113,418	-	(81,311)	(100)
<i>Nov</i>	156,790	208,695	169,997	173,373	-	(156,790)	(100)
<i>Dec</i>	193,512	221,634	201,437	212,061	-	(193,512)	(100)
<b>ANNUAL TOTALS</b>	<b>1,708,066</b>	<b>1,728,444</b>	<b>1,927,185</b>	<b>1,831,011</b>	<b>538,140</b>	<b>(1,169,926)</b>	<b>(68)</b>
<i>Annual growth rate</i>		<b>1.19</b>	<b>11.50</b>	<b>(4.99)</b>	<b>(70.61)</b>		<b>(12.58)</b>
<b>CRUISE INCOME</b>	<b>4,201,842</b>	<b>4,251,972</b>	<b>4,740,875</b>	<b>4,504,287</b>	<b>1,323,824</b>	<b>19,022,801</b>	<b>3,804,560</b>

## SELECTED STATISTICAL DATA

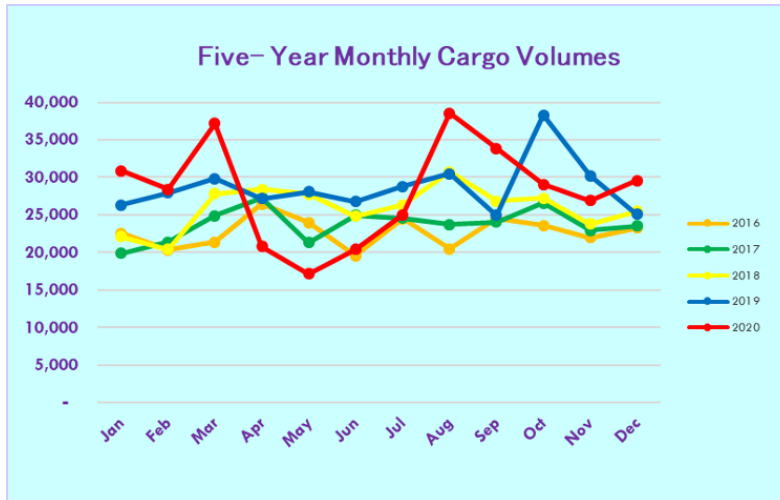
Cargo Imports (Tons)							
Month	Actual 2020	Budget 2020	Variance - Actual to Budget	% Change	Actual 2019	Variance 2020 / 2019	% Change
January	30,863	27,108	3,755	14	26,318	4,545	17
February	28,375	22,475	5,900	26	27,934	441	2
March	37,183	26,125	11,058	42	29,856	7,327	25
April	20,803	28,703	(7,900)	(28)	27,162	(6,359)	(23)
May	17,131	22,381	(5,250)	(23)	28,097	(10,966)	(39)
June	20,370	21,560	(1,190)	(6)	26,772	(6,402)	(24)
July	25,020	27,051	(2,031)	(8)	28,807	(3,787)	(13)
August	38,550	22,594	15,956	71	30,501	8,049	26
September	33,840	26,787	7,053	26	24,954	8,886	36
October	29,080	24,890	4,190	17	38,284	(9,204)	(24)
November	26,882	23,138	3,744	16	30,218	(3,336)	(11)
December	29,561	26,157	3,404	13	25,098	4,463	18
<b>Totals</b>	<b>337,658</b>	<b>298,968</b>	<b>38,690</b>	<b>13</b>	<b>344,001</b>	<b>(6,343)</b>	<b>(2)</b>

- Actual cargo volume (excluding aggregates) ended 2020 at 13% above total projections and 2% less than prior year. Cargo activity has exceeded expectations in the past five years. Despite COVID-19 cargo recovered some lost gains in the third quarter of 2020 due to infrastructure development and construction.





## SELECTED STATISTICAL DATA



- The five- year cargo volume trend showed steady annual growth between 5% and 10% until 2020 and the emergence of COVID-19.

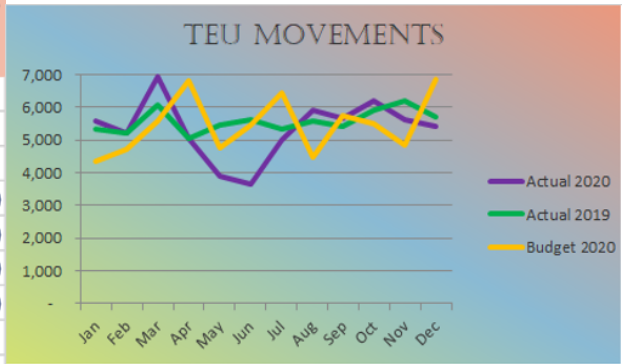
**Historical cargo Volume imports (FIVE YEARS ) January to December**

Month	2016	2017	2018	2019	2020	2020/2016
Jan	22,524	19,858	22,085	26,318	30,863	37%
Feb	20,352	21,392	20,382	27,934	28,375	39%
Mar	21,361	24,867	27,832	29,856	37,183	74%
Apr	26,421	27,321	28,406	27,162	20,803	-21%
May	24,005	21,303	27,722	28,097	17,131	-29%
Jun	19,544	24,958	24,843	26,772	20,370	4%
Jul	24,522	24,577	26,328	28,807	25,020	2%
Aug	20,482	23,689	30,761	30,501	38,550	88%
Sep	24,516	24,031	26,810	24,954	33,840	38%
Oct	23,573	26,569	27,214	38,284	29,080	23%
Nov	21,958	22,916	23,747	30,218	26,882	22%
Dec	23,268	23,500	25,482	25,098	29,561	27%
<b>TOTALS</b>	<b>272,526</b>	<b>284,981</b>	<b>311,612</b>	<b>344,001</b>	<b>337,658</b>	<b>24%</b>
<b>YTD Growth</b>		<b>5%</b>	<b>9%</b>	<b>10%</b>	<b>-2%</b>	

## SELECTED STATISTICAL DATA

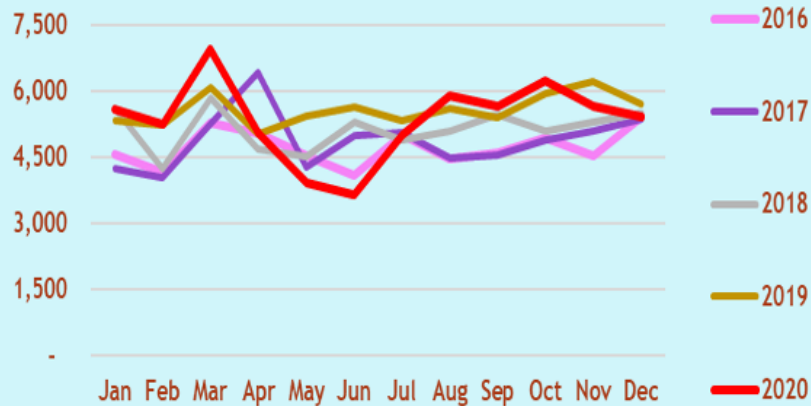
### TWENTY-FOOT EQUIVALENT UNIT (TEU) MOVEMENTS

Month	Actual 2020	Actual 2019	Budget 2020	Variance% 2020 vs 2019	Variance% Actual vs Budget
Jan	5,568	5,325	4,363	5	28
Feb	5,229	5,225	4,730	0	11
Mar	6,937	6,065	5,593	14	24
Apr	5,030	5,029	6,821	0	(26)
May	3,914	5,437	4,744	(28)	(17)
Jun	3,640	5,621	5,438	(35)	(33)
Jul	5,000	5,319	6,435	(6)	(22)
Aug	5,893	5,584	4,476	6	32
Sep	5,659	5,406	5,764	5	(2)
Oct	6,213	5,928	5,484	5	13
Nov	5,639	6,210	4,820	(9)	17
Dec	5,408	5,705	6,841	(5)	(21)
<b>Total</b>	<b>64,130</b>	<b>66,854</b>	<b>65,509</b>	<b>(4)</b>	<b>(2)</b>



The Port processed 64,130 equivalent 20-foot containers for the 12-month period ended 31 Dec 2020, in comparison with 66,854 last year. This is a 4% decline and is trending in line with the cargo volume imports.

### FIVE-YEAR CONTAINER MOVEMENTS



- The five-year container movement was trending positive between 3% & 9% annual growth until COVID-19 caused a 4% decline in 2020.

Five-year TEU movements January to December					
Month	2016	2017	2018	2019	2020
Jan	4,543	4,243	5,603	5,325	5,568
Feb	4,153	4,037	4,242	5,225	5,229
Mar	5,278	5,240	5,832	6,065	6,937
Apr	5,041	6,404	4,679	5,029	5,030
May	4,519	4,257	4,505	5,437	3,914
Jun	4,091	4,986	5,298	5,621	3,640
Jul	5,016	5,062	4,866	5,319	5,000
Aug	4,470	4,482	5,090	5,584	5,893
Sep	4,603	4,540	5,447	5,406	5,659
Oct	4,931	4,878	5,101	5,928	6,213
Nov	4,538	5,093	5,278	6,210	5,639
Dec	5,394	5,357	5,486	5,705	5,408
<b>TOTALS</b>	<b>56,577</b>	<b>58,579</b>	<b>61,427</b>	<b>66,854</b>	<b>64,130</b>
Annual Growth		3.54%	4.86%	8.83%	-4.07%



# CAYMAN BRAC PORT

