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Annual Report
2014-2015

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Authorisation Affidavit

30 June, 2015

To All Concerned:

I hereby authorise the dissemination of this document, which constitutes a summary of the activities of the Maritime Authority of the Cayman Islands during the fiscal year 1 July, 2014 - 30 June, 2015, to all relevant parties.

It includes the financial results of the organisation, duly audited and approved by the Auditor General.

It is submitted to the Cabinet of the Cayman Islands Government and is tabled in the Legislative Assembly as a public document.



A. Joel Walton, JP
CEO, MACI



Our Vision

To be the leading maritime administration in the provision of exceptional service to the global shipping community.

Our Mission

To facilitate the development of the Cayman Islands as a premier international maritime centre, whilst promoting compliance with international standards, regional agreements and domestic legislation in the areas of maritime safety and security, pollution prevention, and social responsibility.

Statement from the Chairperson



The maritime industry continues to adapt, evolve and progress in step with the demands of yacht and commercial ship owners and the consumers who drive the latter. Cayman competes aggressively against other international maritime centres, all of which are vying for the attention of a niche market. A number of decision-making criteria are at the forefront of shipowners' minds when they are selecting a flag for their vessels and it is our duty to ensure that Cayman ticks as many of those boxes as possible. We do this in pursuit of our mission: "To be the leading maritime administration in the provision of exceptional service to the global shipping community". Our aim is to develop Cayman into a full-service international maritime centre and for Cayman to experience all of the ancillary benefits that this position would create, including developing a new economic sector for Cayman, and the jobs that would be a result of this development, from management, logistics and crew operations, to chandlery functions and onboard crew.

To accomplish this goal, we prioritise upholding the very highest of standards as dictated by the applicable international conventions and treaties. We are pleased to report that Cayman has maintained its 'white listing' and 'low risk' status across the three major Port State Control MOUs and for the first time in MACI history, the Tokyo MOU on Port State Control listed the Cayman Islands in the top six performing maritime administrations in their 2014 Annual Report. The International Chamber of Shipping in their 2014 annual report again recognised the Cayman Islands as one of

the world's top 14 performing Maritime Administrations for the third successive year. We have been working closely with the Cayman Economic Zone over the past year to help us push forward the concept of making the maritime industry an economic pillar for Cayman and we are pleased with the progress that has been made. The legislative and regulatory infrastructure is now in place, as well as amendments and modernisations to the Merchant Shipping Law and the Marine Pollution Law. With all hands on deck, there is an active effort to entice maritime businesses to our shores.

The Cayman Islands Shipping Registry has continued to explore new markets in Brazil, Colombia and Panama and to expand our global coverage. We are continuing to meet our clients where they are: through our Cayman and United Kingdom offices, our representative offices in the USA, France, Greece and Singapore and through our representatives in Brazil, Italy, The Netherlands, Hong Kong, Japan, Philippines, Australia and China.

Our competitors are moving ahead at pace and we must never let our competitive edge become dull. The marketplace is continually changing and we must be proactively seeking new opportunities and developing our products and services around them. Our strategy is to keep our focus on building a quality shipping business platform with high standards for the safety of lives at sea and for the marine environment.

I continue to admire the excellent team that I work with – both my fellow board members and the management team of MACI, who are diligent and dedicated to our vision and work every day to accomplish our objectives.

A handwritten signature in blue ink, appearing to read "P. Barnes".

Philip A. Barnes, NP
Chairperson, MACI Board of Directors

"We are constantly striving to lead on innovation."



Statement from the CEO

We operate in a highly competitive and highly cyclical market and we have proven year after year that we are an innovative and client-centric flag that warrants our 'flag of choice' distinction.

We have continued to move from strength to strength and remain profitable. Our revenues remain healthy at \$8,837 million and our expenses have dropped by \$.120 million to \$8,561 million. We have 216 new vessel registrations; gross registered tonnage (GRT) has risen by .43 million GRT to 4.3 million GRT.

We are constantly striving to lead on innovation and have been working hard, leading the committee responsible for updating the new Passenger Yacht Code and are pleased to say that this committee should be soon releasing the next update which will include specifications for sailing vessels as well.

We continue to travel to our key markets, developing relationships with shipowners, boatbuilders and maritime advisors, spreading the word about Cayman's capabilities in this industry. We have been invited to speak at some of the world's leading fora and conferences on various issues related to the administration and registration of ships, including the implementation of the Commercial Yacht Code and the Passenger Yacht Code and how these codes work to increase asset values.

These efforts are obviously bearing fruit as Cayman continues to stay a step ahead of our competitors as evidenced by the financial figures.

As I thank my capable team for their excellent work in the past year, I also prepare them for the year ahead. A new financial year is in front of us and again, I have given them a long list of objectives and targets to meet. I am looking forward to working with them to achieve these goals: to maintain our high standards of service and continue our constant search for new opportunities.

A. Joel Walton, JP
CEO, MACI

About the Maritime Authority

The Maritime Authority of the Cayman Islands (MACI) is a statutory corporation formed as a separate legal entity under The Maritime Authority of the Cayman Islands Law, 2005, that came into effect 1 July, 2005.

Role and Functions

The original Cayman Islands Shipping Registry (CISR) maritime administration structure, which was the main forerunner to MACI, was first established in 1903 when George Town became a British Port of Registry. The CISR obtained British Registry Category 1 Status on July 25, 1991. The Category 1 Group of British Registries includes the UK, Bermuda, Cayman, Gibraltar, Isle of Man, and the British Virgin Islands.

The CISR is now a division of MACI, and a number of other critical responsibilities have been added to the new combined Authority, including the following:

ONE

The CISR's vessel and mortgage registration, advisory, and marine survey and audit services;

TWO

The overall responsibility for implementing Cayman's maritime safety and security, marine pollution prevention, and social responsibility obligations under international Conventions and Codes, and under Cayman legislation for Cayman-flagged vessels;

THREE

The Cayman Islands Government (CIG)-delegated responsibility for the implementation of Cayman's obligations under the Caribbean Memorandum of Understanding on Port State Control (CMOU PSC) for foreign-flagged vessels entering Cayman ports;

FOUR

The CIG-delegated responsibility for marine casualty investigation activities in relation to Cayman-flagged vessels;

FIVE

The CIG-delegated responsibility for national maritime policy formulation, the provision of advice on maritime-related matters, and the development of Cayman's maritime-related legislation;

SIX

The CIG-delegated responsibility to represent Cayman at international fora and to protect its maritime interests;

SEVEN

The CIG-delegated responsibility to help facilitate the development of the Cayman Islands as an international maritime centre.

Relationship between the Cayman Islands and the United Kingdom governments

The Authority is wholly-owned by the Government of the Cayman Islands, but governed by a Board of Directors which is appointed by the Governor-in-Cabinet. MACI reports to the Cabinet of the Cayman Islands through the Ministry of Financial Services, Commerce and Environment, but is also answerable to the UK Secretary of State via the UK's Department of Transport for the effective implementation of relevant international maritime and related Conventions that have been ratified by the UK Government and, hence, extended to Cayman.

Relationship with the Private Sector

In recognition of the global nature of shipping, and the need for MACI to have the benefit of local and international advice, two bodies have been established, namely, the Maritime Sector Consultative Committee (MSCC) and the Cayman Islands Shipowners' Advisory Council (CISAC), which includes the Cayman Islands Shipowners' Advisory Council – Yacht Committee (CISAC–YC), as of the 2006/7 fiscal year.

MSCC (previously the Shipping Sector Consultative Committee, or SSCC) was formed in 1993 and is comprised of local service providers. The objective of the MSCC is to provide a formal mechanism through which the private sector and the Authority can collaborate, and share ideas and best practices, with a view to ensuring the maritime industry's continued positive growth and viability.

Formed in 1997, CISAC is comprised of major shipowners with Cayman-flagged vessels. CISAC–YC, established in 2007, also consists of major yacht managers and owners with Cayman-registered vessels. These bodies are the conduits for the exchange of ideas, and creating and maintaining dialogue between and among its members and the Cayman Islands maritime administration. Through these channels of communication, MACI hopes to continually improve the quality of the Cayman Islands Shipping Registry as well as promote its interests generally

International Regulatory Environment

One of the primary roles of MACI is to cooperate with overseas regulatory bodies to enable them to execute their regulatory functions. The main bodies include:

- The International Maritime Organisation, which is the main international standard-prescribing body responsible for safety of life at sea (SOLAS), maritime security and the protection of the marine environment.
- The International Labour Organisation, which is the body that establishes international standards for employment and working conditions for seafarers.

There are other players whose activities significantly impact international shipping and therefore affect Cayman-flagged vessels, namely: the International Association of Classification Societies, the United States Coast Guard, various signatories to Memoranda of Port State Control and, increasingly, the European Union (EU).



“MACI hopes to continually improve the quality of the Cayman Islands Shipping Registry.”

History of the CISR and MACI at a glance





Office of the CEO

Human Resources and Administration

OVERVIEW

The Human Resources and Administration section is charged with the responsibility for all matters related to staff recruitment, training and professional development as well as the creation, implementation and monitoring of all personnel policies, procedures and practices to ensure that

the employees in the two regional offices, George Town, Grand Cayman (Head Office) and Southampton, United Kingdom (European Regional Office (ERO) and other representative offices, offer a supportive working environment so as to enable staff to work to their fullest potential.

PERSONNEL CHANGES

During this period personnel changes at MACI were as follows:

Head Office, GT / Section

0
NEW HIRES

1
RESIGNATIONS
(1) Survey

8
PROMOTIONS
(1) Business Development
(1) Finance, (2) HR & Admin,
(2) Survey and (2) Registration

ERO, UK / Section

1
NEW HIRES
(1) Admin

1
RESIGNATIONS
(1) HR & Admin

5
PROMOTIONS
(1) Admin, (2) Finance,
and (2) Survey

MARITIME SCHOLARSHIP

Three applications were received for the 2014 Maritime Scholarship and Awareness Programme, which was promoted by MACI. Following interviews, MACI made an award recommendation to the Ministry of Education. However, the Ministry's Scholarship Secretariat deferred the scholarship award until the recommended applicant completed a foundation course. Upon successful completion of that programme, the scholarship will be awarded to the applicant.

EMPLOYEE WELLNESS PROGRAMME

The focus on Employee Wellness in Head Office, GT continued this year, building on a successful launch of the programme in 2013-14. In partnership with BritCay, MACI's health care insurance provider, MACI introduced an interactive wellness portal and programme with 91% employee participation.

JOB DESCRIPTIONS

Revised job descriptions for employees in the head office, George Town and the ERO, integrating corporate, section and individual targets, along with key performance indicators were finalised in the reporting and are scheduled for implementation beginning in July 2015.

EMPLOYEE AND OFFICE POLICIES HANDBOOK

Revisions to the Employee and Office Policies Handbook commenced in the first quarter of 2015 and are on-going, with an anticipated effective date of 1 January 2016.

Information Technology and Information Management

The Information Technology section is responsible for providing support, business and technical solutions to gain efficiencies across the Maritime Authority's operations.

MACI has moved the majority of its infrastructure to industry standard cloud technology. In addition, the ERO network infrastructure has been migrated from physical servers to a virtual environment. The new infrastructure provides seamless access from all remote locations. To ensure that systems run securely, efficiently and effectively, MACI has implemented Information and Technology Policies that govern all of its systems.

MACI is in the initial stages of redeveloping www.cishipping.com. The new website will enable us to better meet customer expectations across the maritime industry. Anticipated completion is by end of June 2016.

Maritime Policy, Quality and Casualty Investigation

The Maritime Policy, Quality and Casualty Investigation section is responsible for: the development of maritime policies within MACI; the development and updating of maritime legislation relevant to the discharge of MACI's functions and responsibilities; the development, implementation and management of an effective Quality Management System (QMS), which is aimed at enhancing customer satisfaction, operational efficiency and cost effectiveness; and marine casualty investigation activities in relation to Cayman-flagged vessels.

REGULATIONS (DEVELOPMENT AND IMPLEMENTATION)

During this period, the regulations implementing the Maritime Labour Convention were formally made by Cabinet and gazetted in August 2014. In April 2015, the Nairobi International Convention on the Removal of Wrecks entered into force and Cabinet has approved the extension of this Convention to the Cayman Islands. Once extended, this Convention will require ships visiting the Cayman Islands to carry sufficient insurance to cover the full costs of removing any wreck and putting right any damage caused. The Convention also enables the Government to intervene in the wreck removal process and reclaim all costs directly from the insurer.

Regulations have been drafted to implement this Convention and these are currently with the Legal Drafting Department for finalisation.

MERCHANT SHIPPING LAW

During the 2014/15 financial year, significant revisions to the Merchant Shipping Law (MSL) and Marine Pollution Law (MPL) continued with the assistance of an acknowledged world expert in maritime law and legislative drafting. As part of this process, a number of key amendments have been identified for early implementation and these have been passed to the Ministry of Financial Services, Commerce and Environment for consideration. Amendments have also been identified which would bring financial benefits to both MACI and to the Cayman Islands, including clarifying MACI's ability to provide advisory technical services, increasing the number of Ports of Registry available in the Islands and widening the ownership criteria for Cayman Islands ships.

As these amendments relate to primary legislation, final implementation will be subject to Legislative Assembly approval.

MARITIME POLICY

During the 2014/15 fiscal year, the main focus on maritime policy has been concentrated on the forthcoming "IMO Instruments Implementation Code" (III Code). Under the III Code, the Cayman Islands Government will be independently evaluated on how the obligations required by a number of international instruments are being met. These instruments relate to maritime matters, but also touch many parts of CIG outside of MACI.

Cabinet has approved the formation of an "Inter Agency Group" to look at these issues and to develop a National Maritime Strategy for the Cayman Islands. Having such a National Maritime Strategy is a requirement of the III Code. The group has met under the chairmanship of the Ministry of Financial Services, Commerce and Environment and its work has now begun.

QUALITY MANAGEMENT SYSTEMS

In December 2014, MACI's Head and ERO offices successfully underwent the surveillance audits by the British Standards Institution. The report was wholly positive, with no non-conformities or other adverse observations raised.

MACI remains the only CIG entity (including statutory authorities and government-owned companies) to hold an internationally accredited approval to the ISO 9001:2008 quality management standard.

CASUALTY INVESTIGATION

The Casualty Investigation Fund established in January 2014 is now in operation. The fund is being used to purchase the specialised equipment necessary for effective casualty investigation and to offset the cost of conducting investigations on behalf of the CIG. This fund made up from a small annual subscription paid by each registered vessel. As the fund grows, is intended that it will offset the financial risk to the CIG, should it have to conduct a major and expensive casualty investigation.

Global Operations & Commercial Services

Registration

The Registration section is a frequent point of contact for clients and also serves as the core of the Cayman Islands Shipping Registry (CISR). This section is responsible for processing several types of registrations including: new, interim and provisional vessel registrations; transfer of ownership; vessels under construction; demise charter (bareboat), and registration of mortgages in accordance with the Merchant Shipping Law (2008 Revision). Registrations recognise all three Cayman ports of entry: George Town (Grand Cayman), The Creek (Cayman Brac) and Bloody Bay (Little Cayman), thereby broadening the geographic scope of the Registry.

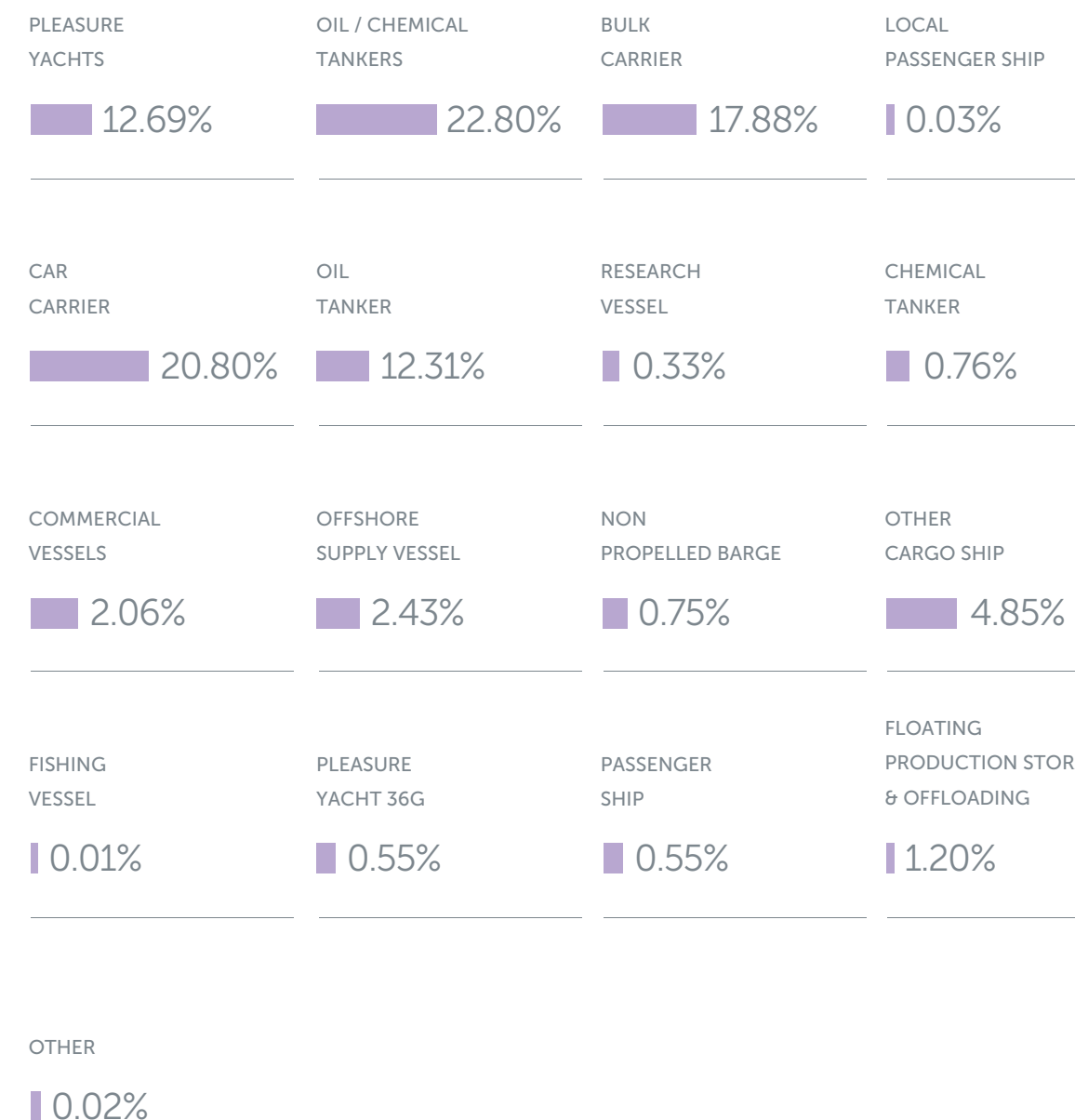
The CISR has achieved recognition as a top jurisdiction for vessel registration and is a flag of choice for a widening number of shipowners, mainly due to Cayman being a Category 1 British Red Ensign Registry that will register only the highest quality vessels meeting the stiffest regulatory requirements in terms of design, construction, maintenance, safety and pollution control.

The CISR continues to recognise that it exists in a global community and it needs to be where its clients are, to listen, and to provide services and solutions. These services and solutions are supported by its Head Office in Cayman, or one of the 14 other CISR locations – a European Regional Office in Southampton, UK; Asian Regional Office in Singapore; London; USA; Brazil; France; Greece; Italy; The Netherlands; Hong Kong; Japan; Philippines; Australia and China.

The Registry ended the 2014 calendar year (1 January, 2014 – 31 December, 2014) with 216 new registrations for that period at .43 million gross tonnes (GRT), bringing the total number of vessels on the Register to 2,003 units and the gross registered tonnage to 4.3 million GRT*. Additionally, the average age of vessels on the Register was 12.9 years at the end of December 2014. There has been an increase in ship registrations over the last year however overall ship deletions have marginally increased from 172 in 2013 to 185 in 2014*.

*Registration figures quoted in Annual Reports prior to 2014/15 were based on a fiscal year end

Vessel Type as a Percentage of Total GT



Finance / Accounting

The balance sheet included in the Audited Financial Statements for the year ended 30 June, 2015, indicates that MACI's total assets were valued at CI\$5,111 million and total liabilities at CI\$1,649 million, resulting in a net worth of CI\$3,462 million compared to CI\$3.012 million for the period ended 30 June, 2014, where MACI's total assets were valued at CI\$4,455 million and total liabilities at CI\$1,443 million.

Operating revenue for 30 June, 2015, totaled CI\$8,837 million, a CI\$.769 million decrease over CI\$9,606 million for 30 June, 2014. Operating expenses for 30 June, 2015 totaled CI\$8,561 million, a CI\$.120 million decrease over CI\$8,681 million for 30 June, 2014. Due to change in accounting policy (the adoption of IAS19 Revised), profit for 30 June, 2015 was CI\$.276 million before the re-measurements of the defined benefit pension scheme of CI\$0.174 million, resulting in an overall profit of CI\$0.450 million for 30 June, 2015. MACI experienced an overall decrease change in position of CI\$0.330 million when comparing the profit of CI\$0.783 million, the ending position of 30 June, 2014, to the current reporting period's profit of CI\$0.450 million.

Financial Statements for 1 July, 2014 to 30 June, 2015, were audited by the Auditor General on 28th October, 2015 and form a part of this Report (see audited Financial Statements, Appendix 1).

Business Development and Corporate Communications

The Business Development and Corporate Communications section is responsible for promoting and ultimately increasing business for the Registry, through the management of information dissemination to specific target markets, liaising with local and overseas media, and ensuring a consistent brand message through the production and distribution of promotional material.

During the 2014/15 fiscal year, the Registry's business development updates continued to be circulated via local and overseas media houses, the CISR website, social media (CISR Facebook and LinkedIn pages) and the MSCC and CISAC advisory groups. However, greater emphasis was placed on promoting the Registry and its activities through social media. Additionally, following a year-long hiatus, the CISR Globe e-newsletter was revamped and reintroduced to the Registry's clients. Finally, much work was done on the development of new marketing material, which will be introduced in the 2015/16 fiscal year.

Events, Client Relationships and Special Projects

The Events, Client Relationships and Special Projects section is primarily responsible for event planning and management as well as ensuring a superior level of customer service satisfaction throughout the organisation.*

Significant to highlight during this period, was the Registry's ability to establish, in conjunction with the private sector, a Cayman chapter of the global organisation, Women's International Shipping and Trading Association (WISTA). WISTA is a highly reputable shipping networking organisation for women at a management level in the maritime industry both internationally and locally.

In an effort to broaden its reach of attendees and help to further raise Cayman's internationally profile, the CISR partnered with the well-known MARE Forum group to co-host the 1st MARE Monaco Yacht Forum 2014 in September 2014 and 1st MARE Ft. Lauderdale Yacht Form 2014 in October 2014. Additionally, the CISR co-sponsored the 3rd Annual Cayman Islands Shipping Summit, also organised by the MARE Forum group.

In addition to the coordination of various events and seminars overseas and locally, the Registry hosted the 20th Annual Cayman Islands Shipowners' Advisory Council (CISAC) meeting, which took place in May 2015. With a current overseas membership of 26, the meeting was well attended by some 20 of its members. Law firms and vessel management companies, who act as local representatives, were also invited to attend the opening session.

With regard to client relationship management, 89% of client queries were responded to within the organisation's 24-hour target response time. Additionally, MACI employees in both the Head Office and European Regional Office continued to capture significant queries, complaints and compliments, based on specified criteria, throughout all sections of the organisation, which is in keeping with MACI's ISO 9001:2008 certification.

MACI Consulting

In addition to the regulatory and compliance services offered by the Authority, MACI also offers consultation services through MACI Consulting, which is functionally independent of all statutory and regulatory services offered through the Global Safety and Compliance division.

This arm of the organisation strives to provide cost-effective consulting services on a variety of maritime issues, including advice on the administrative structure and technical requirements of establishing an effective maritime administration related to a country's levels and type of shipping activity; advice on the financial implications of establishing, operating and maintaining a maritime administration; the impact of regulating a significant flag fleet; and the assessment of needs regarding the legal and regulatory regime necessary for a maritime administration to fulfil its obligations, plus the drafting of specific legislation. This branch of MACI also advises on the organisation of conferences geared toward maritime issues and the staging of conferences, seminars and workshops in specialised maritime subjects, and also the preparation and/or delivery of training in the maritime sector, including Port State Control, International Ship and Port Facility Security Code, International Safety Management, commercial yacht safety and other specialised areas. During the current reporting period, MACI Consulting engaged with Lloyd's Register in a training program focusing on the design construction and operation of passenger yachts built to the Passenger Yacht Code.

*As of 1 January, 2015, the Business Development and Client Relationships section has been reorganised as two sections: Events, Client Relationships and Special Projects section and the Business Development and Corporate Communications section.

Global Safety & Compliance

Port State Control

Global Safety & Compliance continued to support the quality objectives of the Maritime Authority of the Cayman Islands by ensuring "White Listing" and "Low Risk" status across the three major Port State Control Memoranda of Understanding (PSC MOU).

For the first time in MACI's history, the Tokyo MOU on Port State Control, in their 2014 Annual Report, listed the Cayman Islands in the top six performing Maritime Administrations.

Additionally and as a member of the Caribbean MOU (CMOU) on Port State Control (PSC), the Maritime Authority of the Cayman Islands continued to support the Cayman Islands Government by providing technical expertise and inspections on foreign-flagged vessels visiting ports in the Cayman Islands. Globalisation of Technical Services

MACI continued to strengthen its global survey and compliance network with the addition of several professional consultant surveyors in support of MACI's own team of expert Chartered Marine Surveyors. MACI was also delighted to promote Godfrey Johnson from trainee surveyor to surveyor following an extensive period of study including a Masters Degree in marine technology with Honours in small craft technology and on-the-job training at sea and in the ERO.

Global Recognition & Quality

The International Chamber of Shipping in their 2014 annual report again recognised MACI as one of the world's top 14 performing Maritime Administrations for the third successive year. This was followed by the four-times yearly monitoring visit of MACI by the United Kingdom's Maritime and Coastguard Agency on behalf of UK's Secretary of State. Both MACI offices (the ERO and Head Office) were visited with no significant findings being recorded.

Passenger Yacht Code

MACI has continued its lead role in the development of the Passenger Yacht Code (PYC), with Revision 5 being released in January 2015. The PYC continues to gain popularity in the ultra large super yacht industry. The annual industry working group meetings continue with significant developments and industry-funded research. A new chapter for large Passenger Sailing Yachts is currently in development.

Passenger Yacht Training

The Safety and Compliance section of MACI has provided technical support to MACI consulting in the development and delivery of the Passenger Yacht training course. This initiative has been a collaborative effort between MACI technical staff and Lloyds Register and has received extremely positive feedback from the delegates.

Rule Development

During this period MACI's technical staff have been working closely with the Classification on the development of rules intended for vessels using alternative and green fuels.



Board of Directors

The second Board of the Maritime Authority of the Cayman Islands was appointed by the Governor on 1 September, 2010 and consists of individuals with expertise in the areas of law, financial management, national security, international shipping, corporate services and maritime affairs.

The Board has authority to delegate to any director, sub-committee or the Chief Executive Officer (CEO). Such delegation, however, does not preclude the Authority from exercising any power delegated. Thus far there are no sub-committees and the Board has chosen only to delegate the Authority's power to the CEO for engaging such officers and consultants as he or she considers necessary and on such terms and conditions as is considered appropriate within the salary scales approved by the Board.

In the absence of sub-committees, the CEO has established a Management Committee comprising the senior managers of the Authority that deals with matters that would otherwise rest with a Board-appointed sub-committee.



BACK Kirkland H. Nixon, John P. Wolf,
Dennis Hunter & James C. Parsons, Jr.

FRONT A. Joel Walton, Lorna E. Washington,
Philip Barnes & Bruce Putterill

MR. PHILIP BARNES NP
Chairperson

Mr. Philip Barnes, born in the district of George Town, Grand Cayman, has held appointments on boards in the Cayman Islands public and private sectors, including: Deputy Chairman of the National Housing Development Trust and Director of Caribbean Utilities Company Ltd., a TSE-listed company.

In 1983, Mr. Barnes obtained a Bachelors of Science degree (Hons.) in Accounting from Fort Lauderdale College, Florida and has been a Certified Public Accountant since 1987. Subsequent to public accounting, he worked in the offshore financial industry for a number of years and obtained the Trust and Estate Practitioners certificate (STEP) in 2006.

Mr. Barnes is an experienced financial accounting manager in the offshore financial industry. He trained and articulated with PriceWaterHouse, and is currently employed at Walkers Global as Group Financial Controller.

Mr. Barnes has actively served his community over the years: He is a Past President and life member of the Lions Club of Grand Cayman and a Melvin Jones Fellow (the highest award of the Lions Club); and he is a Past President and charter member of the Leos Club of Grand Cayman. Other civic responsibilities include Returning Officer for the Cayman Islands General Elections (district of George Town) and Funding Director of the Cayman Islands Scouts Association.

His professional memberships include the American Institute of Certified Public Accountants (AICPA) and the Cayman Islands Society of Public Accountants (CISPA). Mr. Barnes is also a Notary Public in and for the Cayman Islands.

MR. BRUCE PUTTERILL
Deputy Chairperson

Mr. Putterill practiced Cayman Islands law for over 25 years, as Senior Partner and then Chairman of Appleby, a global leader in the supply of international offshore legal, fiduciary and administration services, before retiring in 2009. He continues a relationship with the firm as Senior Counsel. From 2004-9, he was the Cayman Head of Appleby's Corporate & Commercial Practice Group and the Global Leader of the firm's Banking & Asset Finance Team and Funds & Investment Services Team.

Mr. Putterill is a leading shipping lawyer in the Cayman Islands and played a major role in the adoption by the Cayman Islands in the 1980s of the international maritime safety conventions and subsequently, the establishment of the Cayman Islands Shipping Registry, now a division of the Maritime Authority of the Cayman Islands. He has been an active member since inception of the Maritime Sector Consultative Committee, promoting and assisting the Cayman Shipping Registry in its on-going development.

Prior to moving to the Cayman Islands, Mr. Putterill practised as a solicitor in London with Norton Rose, specialising in ship finance. He holds a Law Degree from the University of Zimbabwe and is admitted as a Solicitor in England & Wales (non-practising) and as an Attorney-at-Law in the Cayman Islands.

MR. DENNIS HUNTER
Director

Mr. Hunter has been the Managing Director of Queensgate Bank & Trust Company Ltd. in the Cayman Islands since 1993 and a Director thereof since 1990. He has over 37 years' experience in offshore banking and the administration of mutual funds. From 1978-93, he was the Financial Controller and Treasurer of Aall Trust & Banking Corporation Limited, Grand Cayman.

Mr. Hunter graduated with a Higher National Diploma in Business Studies and postgraduate Diploma in Management Studies from Newcastle and Brighton Polytechnics, respectively. He is a director of a range of investment funds, commercial property holding companies in Cayman, and other entities both onshore and offshore. He has also been a member of the Maritime Sector Consultative Committee since its inception.

MR. JAMES C. PARSONS, JR.
Director

Mr. Parsons qualified as a Certified Public Accountant in 1991 following his graduation from Barry University in Miami, Florida. He presently holds the position of Deputy Port Director, and has been charged with the responsibility of the Accounting, Financial and Freedom of Information Reporting for the Port Authority of the Cayman Islands since 1 March, 2005.

Prior to joining the Authority, Mr. Parsons worked as a Senior Auditor for three and a half years with Ernst & Young, as a Fund Administrator/Accountant for three years with Deutsche Bank (Cayman) Ltd., and for eight years as Deputy Managing Director/Chief Financial Officer with Andy's Rent-A-Car Limited. Prior to attending university in the mid-1980s, Mr. Parsons

held various junior and senior level positions with Barclays Bank, PLC, Lloyds Bank and Trust, and the Swiss Bank Corporation.

Mr. Parsons has previously served as an active member on two government boards in the 1990s, namely, the Housing Development Corporation Board, and the Immigration Board. He is also a past member and Treasurer of the Rotary Club Central, and a past member of the Kiwanis Club of Grand Cayman. His experience also includes being a founding member of the Overseas Student Association.

MR. JOHN P. WOLF
Director

Mr. John Wolf is Head of the Corporate Department at Campbells. He specialises in maritime and shipping law with particular emphasis on pleasure vessels and deals with all matters involving British registered ships.

Mr. Wolf regularly advises on all matters involving acquisition, financing, title, registration and operation of vessels at the British ports of registry in the Cayman Islands including acting for owners, purchasers and secured lenders.

He is a member of the Cayman Islands Shipping Registry's Maritime Sector Consultative Committee and author of numerous briefing papers and articles relating to the registration and financing of ships in the Cayman Islands. Mr. Wolf trained and qualified in 1992 as a Solicitor of the Supreme Court in the City of London, England. He qualified as a Cayman Islands Attorney-at-Law in 1997 and has over 20 years practising experience in English and Cayman Islands law.

MR. KIRKLAND H. NIXON, MBE, QFSM, JP
Director

Mr. Kirkland Nixon is a retired civil servant with over 38 years' experience. He joined the Civil Aviation Authority in 1966 as a Fireman and retired as Chief Fire Officer in 2005.

During his tenure in the Cayman Islands Government, Mr. Nixon was awarded the Most Excellent Order of the British Empire (MBE) in 1979. He was also instrumental in the establishment of the Cayman Islands Fire Brigade in 1980. He served as President of the Lions Club of Grand Cayman from 1979-80, and was appointed as a Justice of the Peace (JP) of the Cayman Islands in May 1987. In 1989, he was awarded the Queen's Fire Service Medal (QFSM) for meritorious service. He also received in 1989 the International Distinguished Service Award (IDSA) at the National Hurricane Conference in Miami, Florida.

Mr. Nixon served as the first Chairman and Founding Member of the National Trust of the Cayman Islands. He also served as President of the Cayman Islands Civil Service Credit Union and Justice of the Peace Association. Additionally, he has served on numerous Government Boards and Committees as follows: Chairman of the CAYS Foundation and the Cayman Islands Marine Institute; Deputy Chairman of the Civil Aviation Authority Board; Coordinator of the National Hurricane Committee; Secretary of the Cayman Airways Board; Member of the National Security Committee, Airport Security Committee and Civil Aviation Authority Board; and Ex-officio Member of the Planning Board.

Mr. Nixon presently serves as Chairman of the Cayman Islands Airports Authority; and Member of the Public Service Pensions Board.

MR. NICOLAS ("NICKY") A. PAPPADAKIS
Director

Mr. Pappadakis, upon graduating from College, joined the family firm of A.G. PAPPADAKIS & CO LTD in London as management trainee, progressing through multiple assignments, and eventually to head of chartering and operations of the family firm and fleet (112,000 TDW O/B/O vessels, 30-60,000 TDW tankers, 40-77,000 bulk carriers, 23,000 TDW multipurpose/heavy lift vessels – 16,500 cargo liners and twin deckers at various periods). Prior to this, Mr. Pappadakis had served periods at sea as an apprentice on tankers, dry cargo and bulk carrier vessels. Eventually he became in charge of the family maritime and aviation interests.

Mr. Pappadakis has served on numerous committees and is Ex Chairman of INTERCARGO; Ex Chairman of the Malta International Shipping Council (Shipowners' Association under Malta flag); Ex Chairman of the Greek Committee of RINA; Past President of the U.S. Propeller Club International Port of Piraeus; Past President of HELMEPA (Hellenic Marine Environment Protection Association); Ex Vice President of The Hellenic Chinese Chamber of Commerce, long serving member of the Board of Directors of the Union of Greek Ship-Owners and past member of The London Steam-Ship Owners' P&I Club Committee.

Mr. Pappadakis currently serves as Vice Chairman & Chairman Emeritus of INTERCARGO; Chairman Emeritus of Malta International Shipping Council; Life Member of the U.S. Propeller Club International Port of Piraeus; member of the: Hellenic Committee of Lloyds Register, Hellenic Committee of American Bureau of Shipping, Hellenic Committee of DNV-GL, Mediterranean Committee of China Classification Society, The Hellenic Chinese Chamber of Commerce, HELMEPA and INTERMEPA (International Marine Environment Protection Association). Mr. Pappadakis is also a Life Member of NAMEPA.

Mr. Pappadakis has an ongoing deep concern and commitment for the sea, seafarers and the environment. He is deeply proud of his Caymanian nationality and Status and is dedicated to the people of the Cayman Islands having first arrived in Cayman in 1954 and is very proud to serve on the MACI Board of Directors.

MR. A. JOEL WALTON, JP
MACI CEO & Ex-Officio Member

Since May 2004, Mr. Walton has been the Chief Executive Officer of the Maritime Authority of the Cayman Islands (MACI), which also owns and operates the Cayman Islands Shipping Registry. He obtained a Bachelor of Administration (Hons) degree with a specialisation in Finance from Brock University, Canada, in 1983 and an MBA with a concentration in Finance and Strategic Planning from the University of Windsor, Canada, in 1988.

Mr. Walton formerly served in the Cayman Islands Civil Service, which he joined in 1983. He held several posts, including that of Deputy Financial Secretary of the Cayman Islands, which he held for 11 years, until May 2004.

Mr. Walton has held appointments on a number of boards and committees in the Cayman Islands public and private sectors including: Chairman of the Cayman Islands Health Services Authority Board, Cayman Company Sector Consultative Committee, Cayman Turtle Farm Board and Cayman Brac Economic Development Committee; and Deputy Chairman of the Cayman Islands Monetary Authority Board, Cayman Islands Public Service Pensions Board and Cayman Islands Stock Exchange Authority Board. Mr. Walton has also held other board appointments, including with the Caribbean Utilities Company Ltd., a Toronto Stock

Exchange listed company, and with the Caribbean Development Bank.

He is currently Chairman of the MACI Executive Management Committee and the Maritime Sector Consultative Committee.

MS. LORNA E. WASHINGTON
MACI Board Secretary & Ex-Officio Member

Coming to the Maritime Authority of the Cayman Islands (MACI) with a broad governmental background, particularly in Finance and Development, Lorna E. Washington joined MACI in December 2005 as the Deputy Registrar of Shipping. Today she is the Registrar of Shipping, after being promoted to the post in October 2008.

As such, she performs various document transactions related to vessels on the Cayman Islands Shipping Register, including the addition and deletion of vessels, transfers of ownership, mortgage registrations and discharges, answering requests for transcripts, demise charters in and out, and change of vessel types, amongst other responsibilities.

Prior to joining MACI, Ms. Washington started her civil service career as Personal Secretary with the Portfolio of Finance and Economic Development for the Cayman Islands Government in 1988, and was promoted to Higher Executive Officer in that Portfolio in 1992 and again in 1993 to the position of Administrative Officer. She then also served with the Ministry of Health, as Assistant Secretary, from 2001 – 2003, then rejoined the Portfolio of Finance & Economic Development as Administrative Officer I and was later promoted, in 2005, to Acting Senior Assistant Secretary, until she joined MACI.

Ms. Washington earned a Bachelor's of Science degree in Child and Adolescent Development from Howard University in Washington, District of Columbia. Additionally, she has undertaken extensive government training courses, studied at the Community College of the Cayman Islands (today known as the University College of the Cayman Islands), various Chamber of Commerce training courses, and a Napier University Supervisory Management Course.

Ms. Washington has observer status of the MACI Management Committee.

Management

as at 30 June, 2015

EXECUTIVE MANAGEMENT COMMITTEE

CEO
A. Joel Walton, JP

EXECUTIVE DIRECTOR
GLOBAL OPERATIONS AND
COMMERCIAL SERVICES
Kenrick Ebanks

EXECUTIVE DIRECTOR
GLOBAL SAFETY AND
COMPLIANCE
Gregory Evans

MANAGEMENT COMMITTEE

DEPUTY DIRECTOR
GLOBAL OPERATIONS AND
COMMERCIAL SERVICES (GT)
John Aune

DEPUTY DIRECTOR
GLOBAL SAFETY AND
COMPLIANCE (GT)
Duncan Currie

DEPUTY DIRECTOR
GLOBAL OPERATIONS AND
COMMERCIAL SERVICES (UK)
Richard Blake

REGISTRAR OF
SHIPPING
Lorna Washington

REGISTRAR OF
SHIPPING (DESIGNATE)
Exie Tomlinson-Panton

HEAD, MARITIME POLICY,
QUALITY AND CASUALTY
INVESTIGATION
Angus McLean

HEAD, HUMAN RESOURCES
AND ADMINISTRATION
Glenda Dilbert-Davis

HEAD, HUMAN RESOURCES
AND ADMINISTRATION
(DESIGNATE)
Beverley McField-Walters

HEAD, BUSINESS
DEVELOPMENT AND
CORPORATE
COMMUNICATIONS
Sian Pairaudeau

HEAD, INFORMATION
AND TECHNOLOGY
Osbert Francis

HEAD, FINANCE AND
REPORTING (DESIGNATE)
Keisha Yates

Financial Statements

Year ended 30 June, 2015

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Auditor General's Report

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

I have audited the accompanying financial statements of Maritime Authority of the Cayman Islands (the "Authority"), which comprise the statement of financial position as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 25 in accordance with the provisions of Section 60(1)(a) of the Public Management and Finance Law (2013 Revision).

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements. In order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

POST-RETIREMENT HEALTHCARE COSTS

The Authority could not recognize the estimated costs related to future obligations under its postretirement healthcare plan as no actuarial valuation was completed. Therefore, the Authority was unable to record the required estimated amounts on the statement of financial position and the statement of financial performance. As a result, other long term liabilities, personnel cost and other comprehensive gain/loss are understated for the current and past service costs relating to the Authority's post-retirement healthcare plan. In addition, the financial statements omit the required disclosures in accordance with IAS 19R - Employee benefits.

RETAINED EARNINGS

Retained Earnings are also understated to the extent of the current and past service cost relating to the non-recognition of the post-retirement healthcare plan as discussed in the preceding paragraph.

QUALIFIED OPINION

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion the financial statements present fairly, in all material respects, the financial position of the Authority as at June 30, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

CONTINGENT LIABILITY - TAXES ON UK OPERATIONS

I draw attention to a contingent liability involving the Authority's operations in the United Kingdom(UK). There is uncertainty as to whether the Authority is required by Her Majesty's Revenue and Customs (HMRC) to pay either corporation tax on surpluses generated or value added tax on services supplied or both on its UK office operations. There have been no formal discussions with the HRMC to date on this matter.

The Authority could be liable for significant corporation taxes on its UK operations. I have included this information in my report because I believe that it is critical for users in understanding any significant issues that may impact the true financial position of the Authority.

My opinion is not qualified in respect of this matter.



Garnet Harrison, CPA
CA Acting Auditor General

28 October 2015

Statement of responsibility for the financial statements

These financial statements have been prepared by the Maritime Authority of the Cayman Islands in accordance with the provisions of the Public Management and Finance Law (2013 Revision) and International Financial Reporting Standards.

We are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Maritime Authority of the Cayman Islands.

We are responsible for the preparation of the Maritime Authority of the Cayman Islands financial statements and for the judgements made in them. We accept responsibility for their accuracy and integrity.

The financial statements fairly present the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year ended 30 June 2015.

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

(a) completely and reliably reflect the financial transactions of Maritime Authority of the Cayman Islands for the year ended June 30, 2015;

(b) fairly reflect the financial position as at June 30, 2015 and performance for the year ended June 30, 2015;

(c) comply with the provisions of the Public Management and Finance Law (2013 Revision) and International Financial Reporting Standards

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



P Barnes
Chairperson
Maritime Authority of
the Cayman Islands

28 October 2015



A. Joel Walton
CEO
Maritime Authority of
the Cayman Islands

28 October 2015

Financial Position

As at June 30, 2015

| | | June 30, 2015 | June 30, 2014 |
|-----------------------------------------------|-------|------------------|------------------|
| | NOTES | CI\$'000 | CI\$'000 |
| ASSETS | | | |
| Current Assets | | | |
| Cash & Cash Equivalents | 5 | 2,641,848 | 2,172,356 |
| Trade & Other Receivables (net) | 6 | 2,075,468 | 2,018,750 |
| Other Receivables (Cabinet) - Due from Parent | 7 | 160,470 | 74,064 |
| Total Current Assets | | 4,877,786 | 4,265,170 |
| Property, Plant & Equipment | 8 | 233,634 | 190,013 |
| Total Assets | | 5,111,420 | 4,455,183 |
| EQUITY AND LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts Payable | 9 | 453,492 | 387,968 |
| Revenue Deposits | 10 | 263,181 | 198,639 |
| Employee Entitlements | 11 | 55,297 | 57,383 |
| Casualty Investigation Fund | 26 | 109,484 | 52,967 |
| Total Current Liabilities | | 881,454 | 696,957 |
| Other Long Term Liabilities | 12/23 | 768,000 | 746,000 |
| Total Liabilities | | 1,649,454 | 1,442,957 |
| EQUITY | | | |
| Contributed Capital | 13 | 1,500,000 | 1,500,000 |
| Retained Earnings | | 1,961,966 | 1,512,226 |
| Total Equity | | 3,461,966 | 3,012,226 |
| Total Equity and Liabilities | | 5,111,420 | 4,455,183 |

Approved on Behalf of the Board of Directors on October 28, 2015



Philip Barnes
Chairperson



A. Joel Walton
Chief Executive Officer

The accompanying notes on pages 41-57 form an integral part of these financial statements

Statement of Comprehensive Income

For the year ended June 30, 2015

| | | June 30, 2015 | June 30, 2014 |
|------------------------------------------------------|-------|------------------|------------------|
| | NOTES | CI\$'000 | CI\$'000 |
| REVENUE | | | |
| Sales of Goods and Services | 14 | 6,567,630 | 7,026,756 |
| Tonnage Revenue | 16 | 1,231,759 | 1,302,529 |
| Other Income | 17 | 607,436 | 844,318 |
| Revenue from Government | 15 | 429,716 | 432,270 |
| Total Revenue | | 8,836,541 | 9,605,873 |
| EXPENSES | | | |
| Personnel Cost | 18 | 4,440,453 | 4,165,612 |
| Professional Services | 19 | 1,486,353 | 1,685,501 |
| Other Expenses | 20 | 953,881 | 1,004,983 |
| Travel, Business Development and | 22 | 581,109 | 587,171 |
| Entertainment Survey Related Expense | 14 | 479,139 | 553,407 |
| Operating Lease and Utilities | 21 | 514,952 | 522,401 |
| Depreciation | 8 | 104,914 | 162,127 |
| Total Expenses | | 8,560,801 | 8,681,202 |
| Profit | | 275,740 | 924,671 |
| Other Comprehensive Gain/Loss | | | |
| Items that will not be classified to profit or loss: | | | |
| Re-measurements of Defined Benefit | | | |
| Pension Scheme | 12/23 | 174,000 | (142,000) |
| Total Comprehensive Income | | 449,740 | 782,671 |

The accompanying notes on pages 41-57 form an integral part of these financial statements

Statement of Changes in Equity

For the year ended June 30, 2015

| | | Retained Earnings | Capital | Total |
|---------------------------------|-------|-------------------|------------------|------------------|
| | NOTES | CI\$'000 | CI\$'000 | CI\$'000 |
| Balance at June 30, 2013 | | 729,555 | 1,500,000 | 2,229,555 |
| Profit for 13/14 | | 924,671 | - | 924,671 |
| Other Comprehensive Loss | 12/23 | (142,000) | - | (142,000) |
| Balance at June 30, 2014 | | 1,512,226 | 1,500,000 | 3,012,226 |
| Profit for 14/15 | | 275,740 | - | 275,740 |
| Other Comprehensive Gain | 12/23 | 174,000 | - | 174,000 |
| Balance at June 30, 2015 | | 1,961,966 | 1,500,000 | 3,461,966 |

The accompanying notes on pages 41-57 form an integral part of these financial statements

Statement of Cash Flows

For the year ended June 30, 2015

| | | June 30, 2015 | June 30, 2014 |
|---------------------------------------------------|-------|------------------|------------------|
| | NOTES | CI\$'000 | CI\$'000 |
| CASH FLOWS USED FROM OPERATING ACTIVITIES | | | |
| Net Profit | | 275,740 | 924,671 |
| Actuarial Re-Measurements | | 174,000 | 142,000 |
| Adjustments for: | | | |
| Depreciation | | 104,914 | 162,127 |
| Loss on Assets | | - | 5,211 |
| (Increase)/Decrease in Receivables | | (143,124) | 286,689 |
| Increase/(Decrease) in Payables | | 65,525 | (5,365) |
| Increase/(Decrease) in Revenue Deposits | | 64,542 | (79,784) |
| (Decrease) in Employee Entitlements | | (2,086) | (206) |
| (Decrease) in Other Liabilities | | - | (128,021) |
| Increase in Casualty Investigation Fund | | 56,517 | 52,967 |
| Increase in Long Term Liabilities | | 22,000 | 249,000 |
| Net cash from operating activities | | 618,028 | 1,325,289 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | |
| Acquisition of Fixed Assets | 8 | (148,536) | (101,582) |
| Sale Proceeds of Fixed Assets | | - | 4,000 |
| Net cash used in investing activities | | (148,536) | (97,582) |
| Net increase in Cash and Cash Equivalents | | 469,492 | 1,227,707 |
| Cash and cash equivalents at beginning of period | | 2,172,356 | 944,649 |
| Cash and cash equivalents at end of period | 5 | 2,641,848 | 2,172,356 |

The accompanying notes on pages 41-57 form an integral part of these financial statements

Notes to Financial Statements

For the year ended June 30, 2015

(Expressed in Cayman Islands Dollars)

1. Organization and Objectives

Maritime Authority of the Cayman Islands ("MACI", "Authority") is a statutory corporation formed as a separate legal entity under the Maritime Authority of the Cayman Islands Law (2005) which came into effect on July 1, 2005. The Authority is wholly-owned by the Cayman Islands Government (CIG) but governed by a Board of Directors appointed by the Governor-in-Cabinet. MACI reports to the Cabinet of the Cayman Islands through the Ministry of Financial Services, Commerce and Environment but is also responsible to the United Kingdom (UK) Secretary of State via the UK's Department of Transport for the effective implementation of the relevant international maritime and related conventions that have been ratified by the UK Government and extended to the Cayman Islands.

The original Cayman Islands Shipping Registry (CISR) maritime administration structure, which is the main forerunner to MACI, was first set-up in 1903 when George Town was established as a British Port of Registry. The CISR obtained British Registry Category 1 Status on July 25, 1991. The Category 1 Group of British Registries includes the UK, Bermuda, Cayman, Gibraltar, Isle of Man, and the British Virgin Islands. The CISR is now a division of MACI. However, there are a number of other critical responsibilities that have been added to the new Authority. The Authority therefore combines into one body:

1. The CISR's vessel and mortgage registration, advisory, and marine survey and audit services;
2. The overall responsibility for implementing Cayman's maritime safety and security, marine pollution prevention and social responsibility obligations under international Conventions and Codes, and under the Cayman legislation for Cayman-flagged vessels;
3. The CIG delegated responsibility for the implementation of Cayman's obligations under the Caribbean Memorandum of Understanding on Port State Control (CMOU PSC) for foreign-flagged vessels entering Cayman ports;
4. The CIG delegated responsibility for marine Casualty Investigation activities in relation to Cayman-flagged vessels;
5. The CIG delegated responsibility for national maritime policy formulation, the provision of advice on maritimelated matters, and the development of Cayman's maritime-related legislation;
6. The CIG delegated responsibility to represent the Cayman Islands at international fora and to protect its maritime interests;
7. The CIG delegated responsibility to help facilitate the development of the Cayman Islands as an international maritime centre.

2. Basis of Preparation

The financial statements of MACI are prepared in accordance with International Financial Reporting Standards (IFRS) using the accrual basis of accounting. These standards are issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standing and Interpretations Committee of the International Accounting Standards Committee. The reporting currency is Cayman Islands Dollars and figures presented have not been rounded, unless otherwise stated. Comparative Information -The Financials for MACI provide comparable information for year on year performance for June 30, 2014.

3. Reporting Period

The reporting period is for the year ended June 30, 2015.

4. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Financial Assets and Liabilities

I CLASSIFICATION

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets in the Authority's financial statements comprise of cash and cash equivalents, accounts receivable and short term investments.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially favourable. Financial liabilities in the Authority's financial statements comprise long and short term liabilities.

II RECOGNITION

The Authority recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of an instrument. From this date, any gains and losses arising from changes in fair value of the assets and liabilities are recognised in the statement of comprehensive income.

III DE-RECOGNITION

A financial asset is de-recognised when the Authority realizes the rights to the benefits specified in the contract or loses control over any right that compromise that asset. A financial liability is de-recognised when it is extinguished, that is, when the obligation is discharged, cancelled or expires.

IV MEASUREMENT

Financial instruments are measured initially at cost, which is the fair value of the consideration given or received. Subsequent to initial recognition, all financial assets are measured at their estimated fair value.

Financial liabilities are subsequently measured at amortized cost, being the amount at which the liability was initially recognised less any principal repayments plus any amortisation (accrued interest) of the difference between that initial amount and the maturity amount.

b) Foreign Currency Translation

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. Assets and liabilities are translated at the exchange rate in effect at the statement of financial position date.

c) Revenue Recognition

Revenue from the sale of goods and services, including revenue resulting from user charges or fees, is recognised when it is earned. This is generally at time of sale or on delivery of service. Revenue from the rendering of a service is recognised by reference to the stage of completion of contracts or in accordance with agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

d) Purchase Agreement

MACI operates on a fee for service basis with the CIG. The annual purchase agreement sets out the service which the Authority agrees to deliver to CIG based on quantity, quality, location and cost of services. These fees form part of the overall Authority revenue stream which equates to 4.8% in 2015 (4.5% in 2014). The full amount of the purchase agreement is treated as income in the year which it is earned.

e) Expenses

Expenses are recognised when incurred.

f) Receivables and advances

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

g) Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line method of 20% per annum for Furniture & Fixtures, Leasehold Improvements and Office Equipment; and 33 1/3% for Computer Hardware and Software, which is sufficient to write-off the cost of the assets over their estimated useful lives.

h) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of current and call deposit and fixed deposit maturing within 30 days from the date of acquisition and yield an interest rate of 0.125 per annum. Cash accounts are held in Euro, Great Britain Pounds, United States Dollars and Cayman Islands Dollars.

i) Accounts Payable

Account Payables are recorded on an accrual basis at the amount owing after allowing for credit notes and other adjustments.

j) Property, Plant and Equipment

Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability. (See also Note 11)

k) Cash and cash equivalents

Obligation for contribution to defined contribution and defined benefits pension plans are recognized as an expense in the statement of Comprehensive Income as incurred (See Note 18). Defined benefit scheme surpluses and deficits are measured at fair value of plan assets at the reporting date; less plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus unrecognised past service cost; less the effect of minimum funding requirements agreed with scheme trustees. Re-measurements of the net defined obligation are recognised directly within equity and include actuarial gains and losses, return on plan assets (interest exclusive) and any asset ceiling effects (interest exclusive). Service cost and net interest expense (income) are recognised in profit or loss.

l) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect:

- Reported amounts of assets and liabilities
- Disclosure of contingent assets and liabilities at the date of financial statements
- The reported amounts of revenue and expenses during the reporting period

m) Changes in International Financial Reporting Standards

i. IAS 19 - Defined Benefit Plans: Employee Contributions (Amendment) (effective for periods beginning on or after July 1, 2014) - IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service. This amendment is applied retrospectively.

ii. IFRS 24 - Related Party Disclosures (effective for periods beginning July 1, 2014) - the amendment clarifies that a management entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is applied retrospectively.

n) Accounting pronouncements issued but not yet effective

i. In July 2014, the IASB issued the final version of IFRS 9 Financial instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments; Recognition and Measurement and all early application permitted. MACI is in the process of evaluating the impact of the new standard.

ii. IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. MACI is in the process of evaluating the impact of the new standard.

5. Cash and Cash Equivalents

| | June 30, 2015 | June 30, 2014 |
|----------------------------------------|------------------|------------------|
| | CI\$'000 | CI\$'000 |
| Bank Accounts | 2,641,848 | 1,921,345 |
| Fixed Deposits | - | 251,011 |
| Total Cash and Cash Equivalents | 2,641,848 | 2,172,356 |

In 2015, included in the "Bank Accounts" balance is \$263,182 (2014: \$198,639) of funds held from Customer's Revenue Deposits and \$109,484 (2014: \$52,243) of funds relating to the Casualty Investigation Fund (Note 25).

6. Trade and Other Receivables (net)

| | June 30, 2015 | June 30, 2014 |
|-----------------------------------|------------------|------------------|
| | CI\$'000 | CI\$'000 |
| Sales of Goods & Services | 2,127,190 | 2,010,122 |
| Prepayments | 112,820 | 185,239 |
| Other Receivables | 35,458 | 23,389 |
| Total Gross Receivables | 2,275,468 | 2,218,750 |
| Less Provision for Doubtful Debts | 200,000 | 200,000 |
| Total Net Receivables | 2,075,468 | 2,018,750 |

Ageing Profile of Sales of Goods and Services as at June 30, 2015 and June 30, 2014

| | June 30, 2015 | June 30, 2014 |
|---------------|----------------------|----------------------|
| 1 - 30 Days | CI\$789,627 | CI\$1,095,800 |
| 31 - 90 Days | CI\$531,530 | CI\$355,314 |
| 91 - 365 Days | CI\$543,978 | CI\$364,838 |
| Over 365 Days | CI\$262,055 | CI\$194,170 |
| Total | CI\$2,127,190 | CI\$2,010,122 |

7. Other Receivables (Cabinet) - Due from Parent

| | June 30, 2015 | June 30, 2014 |
|-----------------------------------------------------------------------------------------------------|----------------|---------------|
| | CI\$'000 | CI\$'000 |
| Policy Advice to Cabinet | 58,498 | - |
| Provision to Technical Advice and Support to Government Agencies, Private Sector and General Public | 63,741 | - |
| Registration of Marine Vessels and Advice, Assistance and Advocacy | 16,974 | 59,975 |
| State Inspections and Investigations Services | 21,257 | 14,089 |
| Total Other Receivables (Cabinet)-Due From Parent | 160,470 | 74,064 |

The impairment assessment is generally performed on an ongoing basis by Management. Once determined, write offs are approved by the CEO or a designate. In 2015 the Authority directly wrote off \$172,009 (2014: \$209,448) in receivables. There was no movement in the provisions for doubtful debts.

8. Property, Plant and Equipment

| | Furniture & Fixture | Leasehold Improvement | Office Equipment | Computer Equipment | Other Assets / Booth Displays | Total |
|------------------------------------|---------------------|-----------------------|------------------|--------------------|-------------------------------|----------------|
| | CI\$'0.00 | CI\$'0.00 | CI\$'0.00 | CI\$'0.00 | CI\$'0.00 | CI\$'0.00 |
| Original Cost | | | | | | |
| Balance at 30/06/14 | 54,391 | 53,852 | 117,665 | 700,938 | 19,676 | 946,522 |
| Additions: | 0 | 0 | 0 | 0 | 148,535 | 148,535 |
| Reclassification: | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals: | 54,391 | 53,852 | 0 | 0 | 0 | (108,243) |
| Balance at 30/06/15 | 0 | 0 | 117,665 | 700,938 | 168,211 | 986,814 |
| Accumulated Depreciation | | | | | | |
| Balance at 30/06/14 | 54,391 | 53,852 | 111,052 | 534,046 | 3,168 | 756,509 |
| Depreciation Charge: | 0 | 0 | 2,431 | 101,053 | 1,430 | 104,914 |
| Reclassifications: | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals: | 54,391 | 53,852 | 0 | 0 | 0 | 108,243 |
| Balance at 30/06/15 | 0 | 0 | 113,483 | 635,099 | 4,598 | 753,180 |
| Net Book Value at 30/06/15: | 0 | 0 | 4,182 | 65,839 | 163,613 | 233,634 |
| Net Book Value at 30/06/15: | 0 | 0 | 6,613 | 166,892 | 16,508 | 190,013 |

9. Accounts Payable

| | June 30, 2015 | June 30, 2014 |
|-------------------------------------|----------------|----------------|
| | CI\$'000 | CI\$'000 |
| Trade Creditors (Less Than 30 Days) | 276,138 | 117,916 |
| Trade Creditors (Over 31 Days) | 76,778 | 200,352 |
| Accruals | 100,576 | 69,700 |
| Total Accounts Payable | 453,492 | 387,968 |

10. Revenue Deposits

| | June 30, 2015 | June 30, 2014 |
|-------------------------------|----------------|----------------|
| Revenue Deposits (USD) | 140,670 | 116,978 |
| Revenue Deposits (Euro) | 122,511 | 81,661 |
| Total Revenue Deposits | 263,181 | 198,639 |

Revenue deposits represent amounts paid in advance and held in the Authority's bank accounts by clients for services to be rendered.

11. Employee Entitlements

| | June 30, 2015 | June 30, 2014 |
|--------------------------------------------------|---------------|---------------|
| | CI\$'000 | CI\$'000 |
| Leave Entitlement (Management Committee Members) | 23,227 | 4,465 |
| Leave Entitlement (Managers) | 22,080 | 45,078 |
| Leave Entitlement (Administration) | 9,990 | 7,840 |
| Total Employee Entitlements | 55,297 | 57,383 |

12. Long Term Liabilities

| | June 30, 2015 | June 30, 2014 |
|------------------------------------------|----------------|----------------|
| | CI\$'000 | CI\$'000 |
| Defined Benefit Liability (Note 22) | 768,000 | 746,000 |
| Total Other Long Term Liabilities | 768,000 | 746,000 |

13. Contributed Capital

The authorised capital of MACI is \$1,500,000. The Cayman Islands Government is the sole subscriber and has contributed Paid-Up Capital of \$1,500,000 as at June 30, 2015. The Cabinet of the Cayman Islands Government has fulfilled its commitment of contributed Capital to MACI of the required \$1,500,000, having contributed equal yearly equity injections.

14. Sales of Goods and Services

| | June 30, 2015 | June 30, 2014 |
|------------------------------------------|------------------|------------------|
| | CI\$'000 | CI\$'000 |
| Safety Surveyor Fees (a) | 4,880,679 | 5,423,227 |
| Technical Compliance (b) | 798,112 | 762,845 |
| Safety Surveyor Recoverable Fees (a) | 446,295 | 532,844 |
| Vessel Registration (c) | 442,544 | 307,840 |
| Total Sales of Goods and Services | 6,567,630 | 7,026,756 |

a) Safety Survey and Recoverable Fees

As a Category 1 British Registry, Cayman Islands is authorised to certify all sizes and types of vessels. The survey and audit certification requirements for Cayman-registered ships are based on international conventions which are given effect through Cayman Islands legislation. Additionally, these survey and audit requirements are also guided by policies and procedures agreed among the members of the British Registers.

Safety Survey Recoverable Fees and Expenses are covered in Shipping Notice No. 02/2014 (Rev 1), section 5.1; Where a fee is determined by the amount of work involved, the amount to be charged will be calculated by taking into account the amount of time spent, both in office and out of the office, on the service, or other relevant activity, including the following where applicable:

- Travelling time between the office and the location of or a localised base for a ship or shore establishment involved
- The cost of return transport between the office and the location of the ship or shore establishment
- The cost of local travel between a localised base and the ship or shore establishment involved
- The cost of accommodation and subsistence for the persons undertaking the work
- Any additional cost incurred in relation to the work involved

b) Technical Compliance

- 1) Services Include Endorsements - Crew members of Cayman Islands-registered vessels may hold any nationality or residency. They must be holders of Certificates of Competency issued by one of the countries recognised by Cayman Islands and for which, where appropriate, it issues endorsements attesting to the recognition of such certificates.
- 2) Seaman's Discharge Book - A Seaman Discharge Book (SDB) is a seafarer's official record of service and current employment status. A bona-fide seafarer on a Cayman Islands-registered vessel, including yachts, is eligible to be issued with a Cayman SDB.
- 3) Minimum Safe Manning - Cayman Islands issues a Minimum Safe Manning Document under provisions of Chapter V (Safety of Navigation) of Safety of Life at Sea (SOLAS) 1974 as amended; to all ships to which Chapter 1 of SOLAS applies and to ensure that all vessels are sufficiently, efficiently and safely manned with properly trained and certified personnel.

c) Vessel Registration

The Cayman Islands offers five types of vessel registration (Full, interim, provisional, under construction and demise (bareboat) charter). The Cayman Islands is an efficiently regulated international finance jurisdiction at the leading edge of global best practice. The Cayman Islands offers several vessel ownership structures, ranging from Individual ownership through to a choice of corporate ownership options.

15. Revenue from Government

| | June 30, 2015 | June 30, 2014 |
|-----------------------------------------------------------------------------------------------------|----------------|----------------|
| | CI\$'000 | CI\$'000 |
| Policy Advice to Cabinet | 192,855 | 131,625 |
| Provision to Technical Advice and Support to Government Agencies, Private Sector and General Public | 83,965 | - |
| Registration of Marine Vessels and Advice, Assistance and Advocacy | 67,896 | 216,136 |
| State Inspections and Investigations Services | 85,000 | 84,509 |
| Total Sales of Goods and Services | 429,716 | 432,270 |

The Authority provides services to the CIG outlined in the annual Purchase Agreement. During this financial year, the annual purchase agreement was \$419,146 (2014: 308,567) and the Authority provided services for a value of \$429,716 (2014: \$432,270). The amount of \$10,570 (2014: \$131,625) was written off (from 'Policy Advice to Cabinet' output) for services provided but not covered by the agreement.

16. Tonnage Revenue

Tonnage Services - The term 'tonnage', or more often 'gross tonnage', in very simple terms relates to the internal volume of the ship and this has no relation to the weight of the ship, as is often confused. Historically, the term tonnage relates to the cargo carrying capability of the ship, and the word originates from the word 'tun' which is a barrel and therefore, a ship tonnage was measured on how many barrels it could carry. In the modern day the calculation of gross tonnage is a very complex process, but the basic philosophy is the same. As a measure of the cargo carrying capacity, it relates directly to the earning capacity of the ship and accordingly port dues are charged according to the tonnage. Based on the same principle, modern ship registers collect an annual (calendar) fee based on the tonnage of the ship.

17. Other Income

| | June 30, 2015 | June 30, 2014 |
|-----------------------------------------------------|----------------|----------------|
| | CI\$'000 | CI\$'000 |
| Professional Service Fee | 351,080 | 379,883 |
| Royalties and Other Income | 71,090 | 83,254 |
| Communication/Courier Fee | 171,262 | 170,279 |
| Vessel Books and Products | 97,022 | 63,168 |
| Other Fees (Including Refund of Revenues) | 107,699 | 6,252 |
| (Loss)/Gain on Revaluation/Disposal of Fixed Assets | - | 5,213 |
| (Loss)/Gain on Foreign Exchange Transaction | 190,717 | 159,199 |
| Total Other Income | 607,436 | 844,318 |

18. Personnel Cost

| | June 30, 2015 | June 30, 2014 |
|------------------------------------|------------------|------------------|
| | CI\$'000 | CI\$'000 |
| Salaries and Wages | 3,643,401 | 3,302,895 |
| Other Personnel Cost | 51,110 | 57,786 |
| Pension Expense | 354,815 | 449,104 |
| Health Care Expense | 393,213 | 356,033 |
| Movement in Annual Leave Provision | (2,086) | (206) |
| Total Personnel Cost | 4,440,453 | 4,165,612 |

19. Professional Services

| | June 30, 2015 | June 30, 2014 |
|----------------------------------------------------|------------------|------------------|
| | CI\$'000 | CI\$'000 |
| Professional Services - Survey Related | 800,706 | 951,460 |
| Professional Services - Registration and Marketing | 519,869 | 590,112 |
| Long Range Identification Tracking | 106,280 | 83,252 |
| Audit Fees | 48,500 | 51,000 |
| Legal Fees | 10,998 | 9,677 |
| Total Professional Services | 1,486,353 | 1,685,501 |

20. Other Expenses

| | June 30, 2015 | June 30, 2014 |
|-------------------------------------|----------------|------------------|
| | CI\$'000 | CI\$'000 |
| Debt Write Off | 106,468 | 254,372 |
| General and Administration Services | 387,551 | 347,915 |
| Maintenance | 280,767 | 248,916 |
| Bank Fees | 120,138 | 122,763 |
| Insurance | 58,957 | 31,017 |
| Total Other Expenses | 953,881 | 1,004,983 |

21. Lease Obligations

MACI leases the premises used for its operations in George Town and in the United Kingdom for the European Regional Office (ERO). The George Town office is located to the Government Administration Building, on Elgin Avenue in George Town. The Service Level and Occupancy Agreement dated 9 September 2014 for 5,405 sq. ft. at \$56.57 per sq.ft. The lease is year to year with an annual renewal.

The Lease agreement for the ERO (Southampton) was dated 6 September 2002 for the total office space of 2,578 sq.ft at £17.49 per sq. ft. The lease is for 15 years with an option to renew. Lease payments under the operating leases are charged to the income statement in equal instalments over the period of the lease as follows:

| | European Regional Office | George Town Office |
|----------------------------------|--------------------------|--------------------|
| Lease Obligation for 1 year | CI\$59,969 | CI\$305,761 |
| Lease Obligation for 2-5 years | CI\$69,963 | CI\$ - |
| Lease Obligation for 6 -11 years | CI\$ - | CI\$ - |

22. Travel, Business Development and Entertainment

In order to maintain and promote the flags services amongst our competitors, MACI participates in various business development industry events. Including exhibits at major shipping shows/conferences and participates in various forums. In the global maritime industry, to maintain good client relations, various follow up and site meetings are required. All official travel and entertainment are fully paid from MACI's revenues. MACI does partner with key sponsors to co-share exhibits where possible.

23. Pension Obligation

Pension contributions are paid for eligible employees of MACI to either the Public Service Pensions Fund (the "Fund") or the Chamber of Commerce Silver Thatch Pension Fund ("Silver Thatch"). The Fund is administered by the Public Service Pension Board (the "Pensions Board") and is operated as a multi-employer contributory fund. Prior to 1 January 2000 the scheme underlying the Fund was a defined benefit scheme.

With effect from 1 January 2000 the Fund had both a defined benefit and a defined contribution element, with participants joining after 1 January 2000 becoming members of the defined contribution element only. MACI therefore funds 6% employee and 6% employer contributions for all employees joining MACI prior to 1 January 2006. For employees joining after 1 January 2006, the contribution rate in effect is 5% employer's contribution and the employees are required to contribute 5% if enrolled with the Silver Thatch or 6% to participate in the Public Service Pension Fund. Using the projected Unit Credit method of measuring costs and obligations, the actuarial assessment for the Authority assessed the minimum normal annual contribution to be 13% of pensionable earnings (includes basic salary and allowances) in the actuarial valuation. MACI first became a statutory authority as of July 1, 2005. Accordingly, no IAS 19 actuarial reports for prior years have previously been submitted for MACI.

Pensionable service continues from date of hire. The retirement pension computation is generally based on the monthly pensionable earnings at the time of retirement, unless there are transfers from one office to another, in which case the computation may be based on one-third of the aggregate pensionable earnings during the final three years. Eligibility for retirement pension is generally on or after attaining age 50 and completing 10 years of service. An employee who terminates employment can expect to receive a pension commencing at age 60, based on benefits accrued at the time the termination

or alternatively to receive the participant contribution account balance. The pension has the same features of commutation, post-retirement death benefit, and post-retirement pension increases as for active employees eligible for retirement benefits.

The Defined Benefit assets as well as the Defined Contribution assets of the Plan are held as a part of the Fund and managed by the Pensions Board. The assets of two other pension plans are pooled together to constitute the Fund. The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income and expenses in proportion to the opening value of assets allocated. Similar internal accounting is used for developing each participating entity's share of the asset portfolio of the Fund.

To prepare the valuation report, assumptions are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The future is uncertain and the plans' actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and in some cases, to the interaction between the assumptions.

The schemes are valued by independent actuaries and there have been no changes to the actuarial methods. No curtailment or settlement occurred during the report period. The latest actuarial valuation was done as at June 30, 2015 which reflected the pension liability of \$768,000 (2014:\$746,000). To reflect the current valuation, the Authority has recorded the amount of \$22,000 and is reflected in the Statement of Comprehensive Income.

For this schedule, figures presented have been rounded to the nearest thousand.

| Disclosure Information (\$000's) | June 30, 2015 | June 30, 2014 |
|---------------------------------------------------------------------------------------------|---------------|---------------|
| Change in defined benefit obligation | | |
| Current Service Cost | 2,323 | 1,697 |
| Interest Expense | 228 | 179 |
| Participant contributions | 105 | 88 |
| Re-measurements; Effect of changes in demographic assumptions | 54 | 54 |
| Re-measurements; Effect of changes in financial assumptions | (138) | - |
| Re-measurements; Effect of experience adjustments | - | 327 |
| Defined benefit obligation at end of year | 2,577 | 2,323 |
| Change in fair value of plan assets | | |
| Fair value of plan assets at end of prior year | 1,577 | 1,231 |
| Interest Income | 74 | 67 |
| Employer Contributions | 63 | 62 |
| Participant Contributions | 54 | 54 |
| Return on plan assets (excluding interest expense) Fair value of plan assets at end of year | 41 | 163 |
| | 1,809 | 1,577 |

| Disclosure Information (\$000's) | June 30, 2015 | June 30, 2014 |
|------------------------------------------------------------------|---------------|---------------|
| Amounts recognized in the statement of financial position | | |
| Defined benefit obligation | 2,577 | 2,323 |
| Fair value of plan assets | 1,809 | 1,577 |
| Funded status | 768 | 746 |
| Effect of asset ceiling/onerous liability | - | - |
| Net liability | 768 | 746 |

| Components of defined benefit cost | | |
|----------------------------------------------------------|------|------|
| Total Service Cost | 228 | 179 |
| Interest expense on DBO | 105 | 88 |
| Interest (income) on plan assets Total net interest cost | (74) | (67) |
| Administrative expense and taxes | - | - |
| Defined benefit cost included in P&L | 259 | 200 |

| Re-measurements (recognized in other comprehensive income) | | |
|-------------------------------------------------------------------|-------|-------|
| Effect of changes in demographic assumptions | 5 | - |
| Effect of changes in financial assumptions | (138) | 327 |
| Effect of experience adjustments | - | (22) |
| (Return) on plan assets (excluding interest income) | (41) | (163) |
| Total re-measurements included in OCI | (174) | 142 |
| Total defined benefit cost recognized in P&L and OCI | 85 | 342 |

| Disclosure Information (\$000's) | June 30, 2015 | June 30, 2014 |
|--------------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------|
| Significant actuarial assumptions | | |
| Weighted-average assumptions to determine benefit obligations | | |
| Discount Rate | 4.75% | 4.50% |
| Rate of salary increase | 3.50% | 3.50% |
| Rate of price inflation | 2.50% | 2.50% |
| Rate of pension increases | 2.50% | 2.50% |
| Post-retirement mortality table | RP-2014 projected on a generational basis using Scale BB | UP-94 projected on a generational basis using Scale BB |
| Cost Method | Projected Unit Credit | Projected Unit Credit |
| Asset Valuation Method | Market Value | Market Value |
| Weighted-average assumptions to determine defined benefit cost | | |
| Discount rate | 4.50% | 5.20% |
| Rate of salary increase | 3.50% | 3.50% |
| Rate of price inflation | 2.50% | 2.50% |
| Rate of pension increases Post-retirement mortality table | 2.50% | 2.50% |
| Post-retirement mortality table | UP-94 projected on a generational basis using Scale BB | UP-94 projected on a generational basis using Scale BB |
| Sensitivity analysis | | |
| Discount rate - 25 basis points | 2,715 | 2,450 |
| Weighted average duration of defined benefit obligation (in years) | 2,445 | 2,445 |
| Inflation rate - 25 basis points | 2,440 | 2,209 |
| Inflation rate+ 25 basis points | 2,721 | 2,445 |
| Mortality - 10% of current rates | 2,623 | 2,362 |
| Mortality+ 10% of current rates | 2,532 | 2,287 |
| Expected cash flows for following year | | |
| Expected employer contributions | 65 | - |

| Disclosure Information (\$000's) | June 30, 2015 | June 30, 2014 |
|---------------------------------------------------------|---------------|---------------|
| Defined benefit obligation by participant status | | |
| Actives | 2,531 | 2,276 |
| Vested deferreds | 46 | 47 |
| Retires | - | - |
| | 2,577 | 2,323 |

The valuations are based on the asset value as June 30, 2015 provided by the Pensions Board, along with cash flow and other supplemental asset information. These assets are held in trust by CIBC Mellon. The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As of June 30, 2015, the Funds were invested as follows:

| Plan Assets By Asset Category | June 30, 2015 | | June 30, 2014 | |
|-------------------------------|------------------|-------------|------------------|-------------|
| | Amount (000's) | Percentage | Amount (000's) | Percentage |
| Global equity securities | \$411,606 | 80% | \$411,606 | 80% |
| Debt securities | \$97,807 | 19% | \$97,807 | 19% |
| Real estate/Infrastructure | \$0 | | \$0 | |
| Cash | \$6,312 | 1% | \$6,312 | 1% |
| Total | \$515,726 | 100% | \$515,726 | 100% |

Actuarial assumptions were used which were approved by the Financial Secretary, the main sponsor of the Plan on July 17, 2015. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the following year.

| | June 30, 2015 | June 30, 2014 |
|---------------------------------------------------------------------------------------------|----------------|-------------------------------------------------------------------------------------|
| Discount Rate | | |
| BOY disclosure and current year expense | 4.50% per year | - |
| EOY disclosure and following year expense | 4.75% per year | 4.5% per year for 30 June 2014 funded status and fiscal 2015 expense determination |
| | | 5.20% per year for 30 June 2013 funded status and fiscal 2014 expense determination |
| | | 5.25% per year for 30 June 2012 funded status and fiscal 2013 and 2014 expense |
| Increases in pensionable earnings | 3.50% per year | 3.5% per year |
| Expected long-term rate of return on assets (net of expenses) for purposes of IFRIC 14 only | 7.00% per year | 7.00% per year |

24. Related Party Transactions

The Board of Directors of MACI is appointed by the Governor and consists of the Chief Executive Officer, Secretary to the Board as ex-officio members and seven directors as at June 30, 2015. The fees of \$14,938 (2014: \$10,625) relates to payments made to the seven directors and Secretary to the Board only.

For the purpose of IAS 24 disclosure, the following are significant related party transactions:

- i. An employee of MACI is a close family member to a Director of MACI's Board. This employee has been employed by MACI for a number of years, whereas the Director's appointment was more recent. The employee earns an approved MACI annual salary and has no decision making authority
- ii. One of the Directors was recently appointed as a Director of the Public Service Pension Board
- iii. One of the Directors (non-remunerated) is a related party to one of the Authority's vendors which provides legal services during the year in the amount of \$10,998 (2014: 9,487)
- iv. Apart from the disclosed information, there are no other significant related party transactions

For the purpose of IAS 24 disclosure, the CEO is included in the number and cost of the Executive Management Team. The total number of personnel of the Executive Management Team was 3 in 2015 (2014: 3) and salaries and other short term benefits expensed were \$537,581 (2014: \$485,682) and long term benefits obligation were \$856,727 (2014: \$896,395).

The following Government department/entities provided services to MACI during 2015 with amounts being expensed:

- i. Treasury Department (\$55,285); at June 30, 2015 \$8,771 was included in the Accounts Payable amount
- ii. Computer Services Department (\$106,307.61); at June 30, 2015 \$74,245 was included in the Accounts Payable amount
- iii. Immigration Department (\$17,500)
- iv. Cayman Islands London Office (\$26,436)
- v. Public Service Pension Board (\$197,911)
- vi. Ministry of Financial Services, Commerce & Environment (\$305,764); at June 30, \$25,480 was included in the Accounts Payable amount

25. Financial Instruments

a) Credit Risk

Financial assets that potentially subject the Authority to credit risk consist principally of current, call and fixed deposits, long and short-term investments, accounts and interest receivable, and other receivables and prepayments. Credit risk with respect to accounts and interest receivable, and other receivables and prepayments is limited because the Authority only transacts business with clients it believes to be reputable and capable of performing their contractual obligations. Accordingly, the Authority has no significant concentrations of credit risk.

b) Fair Value

The carrying amount of current, call and fixed deposits, accounts and interest receivable, other receivables and prepayments, demand liabilities, and other liabilities and payables approximated their fair value due to the short term maturities of these assets and liabilities. The fair value of other assets and liabilities are not materially different from the carrying amounts.

c) Foreign Currency Risk

The Authority received revenue in Euro, Great Britain Pounds (GBP), United States Dollars (US\$) and Cayman Islands Dollars (CI\$). Expenses are also paid in GBP, USD and CI\$. Since the exchange rates are variable between the reporting currency CI\$, the Euro, and the GBP, the Authority is exposed to foreign currency risk.

26. Casualty Investigation Fund

The Cayman Islands Government/MACI is responsible, under internal Convention requirements and Cayman Shipping Law, for investigating marine casualties involving Cayman ships and foreign ships involved in a casualty in Cayman waters.

The purpose of such Investigations is to establish the causes of the casualty so that lessons may be learned in preventing a recurrence. MACI promulgates the results of an investigation within the wider shipping industry so that all may be aware of the lessons learned and any preventative actions recommended. Casualty investigations can also be viewed as another tool for measuring the standards to which Cayman ships are operating.

During the 2014/15 financial year MACI created a sinking fund with the funds from the sinking fund to be designated for carrying out casualty investigation on board of Cayman registered vessels. The fund currently has a balance of \$109,484 (2014: \$52,967), of which the full amount form part of MACI's cash balance of \$2,641,848 (2014: \$2,172,356).

27. Subsequent Events

A Request for purchase exercise was issued for the redesign, redevelopment and hosting of MACI's website on March 25, 2015 and a contract was issued on September 15, 2015. Contract negotiations are scheduled to be completed mid October 2015 with an approximate cost of US\$250,000

