



# **Annual Report**

## **January 2019 – December 2019**

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**Maritime Authority of the Cayman Islands (MACI)**

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## Annual Report

### FORWARD FROM:

#### CHAIRPERSON, MACI BOARD OF DIRECTORS

On behalf of the Board of Directors of the Maritime Authority of the Cayman Islands (MACI), it gives me great pleasure to present the 2019 Annual Report.

The Cayman Islands has spent many years and great effort building its reputation as a flag administration that supports its clients through professionalism, dependability, and quality. MACI's continued growth can be credited to proactively seeking out new opportunities and developing our products and services around them. The marketplace is continually changing, and 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, while ensuring that the infrastructure for Cayman's maritime industry is sound responsive and dynamic.

MACI has recognised continued improvement on its equity position from CI\$16,106 to CI\$1,767,340 while recognising a Total Comprehensive Income of CI\$1,808,774 at December 31, 2019; a testament to the operational strength of the Organisation. Cash position continues to grow with an ending balance at December 31, 2019 of CI\$7,085,769, an increase of 33% over December 31, 2019. Total Assets grew from CI\$6,808,210 to CI\$8,948,362 a 31% increase while Total Liabilities increased by 6% (CI\$6,792,104 to CI\$7,181,022) year over year.

I thank my fellow board members and the management team at MACI for their continued diligence and unwavering commitment to developing the Cayman Islands into a quality international maritime centre. I look forward to MACI's continued development as it strives to expand its horizons, broadening the cross-section of vessel types and sizes and owners as well as expanding the organisations geographical locations, while staying true to its core values of technical excellence and quality customer service.

Sherice Arman  
Chairperson, MACI Board of Directors

## CHIEF EXECUTIVE OFFICER, MACI

During 2019, MACI's hard work and its achievements have ensured that the Cayman Islands remains buoyant as a maritime centre. We continue our dedication to service excellence, ensuring the maintenance of first-class relationships with our valued clients by supporting them comprehensively, quickly and proactively. This, combined with our efforts to move with the times, keeping up-to-date with new rules and regulations, technological developments and the needs of the maritime industry, help keep us ahead of the game, meeting and exceeding expectations.

The Register ended 2019 with 2,288 vessels registered with a total of 5.9 million gross tons. We continued to dominate the superyacht new build market with a 9% increase in the new build portfolio showing that Cayman is being recognized for its technical excellence, building a solid reputation as a leader in regulator and advisory services.

The authority continued to improve the quality of the register, recording a low global detention rating across all major Memoranda of Understandings following Port State Control (PSC) inspections. Remaining a top performing flag with the Paris and Tokyo MOUs as well as keeping the Qualship 21 status by the United States Coast Guard, attesting to the high-quality of vessels flying the Cayman Flag on their sterns.

In addition to these notable achievements, Cayman was again recognized by the International Chamber of Shipping for the eighth consecutive year as one of the world's top performing flag states. A notable achievement and a testament to the authority's dedication to ensure the safety of life at sea, marine environment protection, and the provision of industry standard working and living conditions for seafarers.

The Cayman Islands has a thriving maritime industry due to its quality surveyors, administrators and the service providers to the industry. These include company managers, lawyers and agents. It is our intention to build upon the successes that we have achieved and to continue to meet and exceed these international standards and continue to develop the Cayman Islands as a world renowned international maritime centre.

Our continuing dedication to committed excellence in client services is recognised by the world's superyacht owners, keeping Cayman's Red Ensign the number one Flag of choice. I thank my capable team for their excellent work in the past year, I am looking forward to working with them to maintain our high standards of service and continue our constant search for new opportunities.

A. Joel Walton, JP  
CEO, MACI

## ABOUT US

### 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.

## NATURE AND SCOPE OF ACTIVITIES

### GENERAL NATURE OF ACTIVITIES

The *Maritime Authority of the Cayman Islands (MACI)* activities involve the national maritime administration for the Cayman Islands. MACI will facilitate the development of Cayman as an international maritime centre and help foster a dynamic environment that supports its clients' efforts to maximise their respective stakeholders' growth opportunities and returns in global shipping; whilst promoting compliance with international standards, regional agreements, and Cayman's legislation in the areas of maritime safety and security, marine environmental pollution prevention, and social responsibility.

### SCOPE OF ACTIVITIES

MACI is a statutory regulatory 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 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 Islands, Gibraltar, Isle of Man, and the British Virgin Islands. The CISR (now simply known as "Cayman Registry" or "the Registry") is now a division of MACI. However, a number of other critical responsibilities were added to the Authority. The Authority therefore combines into one body:

1. The CISR's (Cayman Registry) 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 Cayman Islands legislation for Cayman-flagged vessels;
3. To assist the MITIAMA with the implementation of the Cayman Islands' obligations under the Caribbean Memorandum of Understanding on Port State Control (CMOU PSC) for foreign-flagged vessels entering the Cayman Islands ports;
4. To assist the MITIAMA with marine Casualty Investigation activities in relation to Cayman-flagged vessels;
5. To assist the MITIAMA with national maritime policy formulation, the provision of advice on maritime-related matters, and the development of Cayman's maritime-related legislation;
6. To support the MITIAMA with representing the Cayman Islands at international fora and to protect its maritime interests; and
7. To help facilitate the development of the Cayman Islands as an international maritime centre

## **CUSTOMERS AND LOCATION OF ACTIVITIES**

The services provided by MACI are provided to the following Customers both locally and internationally:

1. Vessel Owners/Operators and their Representatives;
2. Vessel Builders;
3. Yacht Designers and related Consultants;
4. Seafarers on Cayman flagged Vessels; and
5. Cayman Islands Government.

MACI is able to offer its services to its Customers from fifteen locations: the Head Office in George Town, the European Regional Office in the United Kingdom, Asian Regional Office in Singapore, representatives in Australia, France, Greece, Holland, Italy, Japan, Jersey, New Zealand, Panama, Philippines, Spain and the United States of America.

## **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 through the newly formed Ministry of International Investment, Aviation and Maritime Affairs. MACI 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).

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 Organization (IMO), 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; and

- The International Labour Organization (ILO), 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 (CLASS), the United States Coast Guard (USCG), various signatories to Memoranda of Understanding (MOU) on Port State Control (PSC) and, increasingly, the European Union (EU).

## HISTORY OF THE CISR AND MACI AT A GLANCE

1903	<ul style="list-style-type: none"> <li>• The original Cayman Islands Shipping Registry (CISR) was first established in 1903 when George Town was formally recognized as a British Port of Registry.</li> <li>• First ship registered on January 14, 1903: El Paso. GRT 52.60, Length 18.6 feet.</li> </ul>
1935	<ul style="list-style-type: none"> <li>• Lady Slater came on the Register. She was built by Capt. Royal B. Bodden 1934 and was the largest motor vessel ever built in the Cayman Islands. GRT 273, Length 109 ft.</li> </ul>
1991	<ul style="list-style-type: none"> <li>• The CISR obtained British Registry Category 1 Status on 25 July 1991. The Category 1 Group of British Registries includes the UK, Bermuda, Cayman, Gibraltar and the Isle of Man. All of these Registries can register vessels of any size and type provided that they meet international standards.</li> </ul>
1993	<ul style="list-style-type: none"> <li>• The Maritime Sector Consultative Committee (MSCC) (previously known as the Shipping Sector Consultative Committee or SSCC) was formed in 1993 and is comprised of local service providers.</li> </ul>
1997	<ul style="list-style-type: none"> <li>• The Cayman Islands Shipowners' Advisory Council (CISAC) was formed and is comprised of major shipowners of Cayman-flagged vessels.</li> </ul>
2000	<ul style="list-style-type: none"> <li>• In May CISR received initial certification to operate a Quality Management System (QMS) which complied with the requirements of ISO 9002:1994.</li> </ul>
2005	<ul style="list-style-type: none"> <li>• 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, which came into effect on 1 July 2005. It is governed by a Board of Directors appointed by the Governor of the Cayman Islands.</li> <li>• In August, Governor Bruce Dinwiddy appointed the first MACI Board.</li> <li>• "White list" Paris Memorandum of Understanding (MOU).</li> <li>• In April the CISR requested a voluntary suspension of the QMS in order to re-engineer the system to focus on the wider scope with becoming MACI.</li> </ul>
2007	<ul style="list-style-type: none"> <li>• The Cayman Islands Shipowners' Advisory Council – Yacht Committee (CISAC-YC) was established and consists of major yacht managers and owners of Cayman registered vessels.</li> <li>• Two maritime scholarships were made available by the Ministry of Education.</li> <li>• The Cayman Islands was awarded with Qualship 21 Status by the United States Coast Guard (USCG).</li> <li>• Additional Ports of Registry were introduced, "The Creek" in Cayman Brac and "Bloody Bay" in Little Cayman.</li> </ul>
2009	<ul style="list-style-type: none"> <li>• "White List" Tokyo Memorandum of Understanding (MOU)</li> </ul>
2010	<ul style="list-style-type: none"> <li>• 2<sup>nd</sup> MACI Board of Directors appointed.</li> </ul>



2011	<ul style="list-style-type: none"> <li>• In January achieved International Organization for Standardization (ISO) 9001:2008 certification.</li> <li>• Successfully completed International Maritime Organisation (IMO) audit under the Voluntary IMO Member State Audit Scheme (VIMSAS).</li> </ul>
2012	<ul style="list-style-type: none"> <li>• Launched the Laws and Administrative Procedures (LAP) Examination System. LAP is part of a broader state-of-the-art technology platform known as the “Cayman Islands Regulatory Intelligence System” (CIRIS).</li> </ul>
2013	<ul style="list-style-type: none"> <li>• MACI marks the 110th anniversary of the formal establishment of the Cayman Islands Shipping Registry (CISR).</li> <li>• The Cayman Islands were ranked in the top 13 countries by the International Chamber of Shipping in their annual report on Flag State Performance, which demonstrates that Cayman-registered vessels have an excellent safety and pollution record, allowing them to undergo significantly fewer Port State Control inspections.</li> <li>• 1<sup>st</sup> Annual Cayman Islands Shipping Summit.</li> </ul>
2014	<ul style="list-style-type: none"> <li>• Attained Tokyo MOU Low Risk Ship status.</li> <li>• The development of the Passenger Yacht Code (PYC) in the Red Ensign Group Technical Forum. The PYC is a code of practice for yachts carrying 13 to 36 passengers providing a yacht specific alternative to the International Convention for the Safety of Life at Sea (SOLAS) Passenger Ship compliance. The code sets out technical, safety and operational standards appropriate to the size and operation of the yachts operated under this code, which is gaining popularity in the ultra large super yacht industry.</li> </ul>
2015	<ul style="list-style-type: none"> <li>• Registered 140M Yacht “Ocean Victory” under the Cayman Flag February 2015. “Ocean Victory” is one of the 10 largest passenger yachts in the world and the largest ever to be certified to the Passenger Yacht Code (PYC).</li> <li>• The International Chamber of Shipping (ICS) has for the 4<sup>th</sup> year running rated Cayman Registry as a top flag state.</li> <li>• Passenger Yacht Code (PYC) developed by Red Ensign Group led by Cayman Flag to carry up to 36 passengers.</li> </ul>
2016	<ul style="list-style-type: none"> <li>• Cayman listed in the Top 6 performing Maritime Administrations in the Tokyo MOU Port State Control.</li> <li>• New Chapter 14 of Passenger yacht Code (PYC).</li> <li>• The International Chamber of Shipping (ICS) has for the 5<sup>th</sup> year running rated Cayman Registry as a top flag state.</li> <li>• Hosted first Cayman Maritime Week with a joint public sector/private sector partnership.</li> </ul>
2017	<ul style="list-style-type: none"> <li>• Cayman listed as the top performing Flag in the Paris MOU Port State Control</li> <li>• The International Chamber of Shipping (ICS) has for the 6<sup>th</sup> year running rated Cayman Registry as a top flag state.</li> <li>• Hosted the Red Ensign Group Annual Conference</li> <li>• Cayman reaffirmed Most Favoured Nation Status for Cayman ships entering Chinese ports</li> <li>• Introduced an optional Flag State Compliance (FSC) fixed fee and survey regime for large yachts</li> </ul>
2018	<ul style="list-style-type: none"> <li>• Cayman listed as a top performing Flag in the Paris MOU Port State Control</li> <li>• The International Chamber of Shipping (ICS) has for the 7<sup>th</sup> year running rated Cayman Registry as a top performing flag.</li> </ul>

	<ul style="list-style-type: none"> <li>• Hosted the Annual General Meeting of the Caribbean Memorandum of Understanding (CMOU) on Port State Control (PSC).</li> <li>• Convene the Red Ensign Group Yacht Codes &amp; Industry working group and produce a corrigenda prior the REG Yacht Codes entry into force.</li> <li>• Completed and gazetted the Casualty Investigation Regulations.</li> <li>• Held the Inaugural Luncheon in Greece for Greek Shipping Community.</li> <li>• Developed and signed service level agreements with 3 Naval Architect companies in South Florida to facilitate load line functions on behalf of MACI for vessels certified to the Cayman Yacht Code (Designated Area Caribbean).</li> </ul>
2019	<ul style="list-style-type: none"> <li>• The Cayman Islands maintains top White-List, low-risk status on the Paris MOU Port State Control for the 15<sup>th</sup> consecutive year</li> <li>• The Cayman Islands maintains White-List, low-risk status on the Tokyo MOU Port State Control for the 11<sup>th</sup> consecutive year</li> <li>• The Cayman Islands maintains United States Coast Guard (USCG) Qualship 21 status for the 9<sup>th</sup> consecutive year</li> <li>• The International Chamber of Shipping (ICS) has for the 8<sup>th</sup> year running rated Cayman Registry as a top performing flag.</li> <li>• Successfully underwent the Mock IMO Instrument Implementation (III) Code audit by the UK MCA with an overall positive result.</li> </ul>

## OFFICE OF THE CEO

### EVENTS, CLIENT RELATIONSHIPS AND SPECIAL PROJECTS

Through Client Relationships, the section manages the creation of long-term value for Maritime Authority of the Cayman Islands (MACI) from clients, markets and relationships by developing and maintaining lasting partnerships and generating new business in current and new global markets. This includes building, managing and leveraging strong client relationships and managing relationships/alliances with third party companies establishing strategic partnerships where appropriate. CISR works closely with other agencies to maintain joint business development activities. Event planning and management, as well as strategic marketing campaigns, are used to address specific target markets for further development.

#### EVENTS

In an effort to maintain its status in the yachting and shipping industry, the Cayman Islands Shipping Registry ensures each year that the flag has a presence at two of the largest in-water shows in the world: the Monaco Yacht Show and the Fort Lauderdale International Boat Show. As well as attending shows, the Registry is also very pro-active by participating in well-known MARE Fora and conferences held in various locations throughout the world.

In February 2019, the Cayman Islands Shipping Registry successfully hosted it's 3rd Vessel Registration Training in Grand Cayman and in Fort Lauderdale, USA. Both sessions were very well attended by the Private Sector in all two locations.

The 11th Annual Port State Control Training Seminar was hosted by the Maritime Authority of the Cayman Islands on behalf of the Cayman Islands Government. The seminar was held at Canon Place, Grand Cayman, during the period 8-12 April, 2019.

The Training seminar was for port state control officers conducting inspections within the framework of the Caribbean memorandum of understanding on port state control. Such training is an important part updating the knowledge of these officers and also ensuring consistent application of shipping regulations within the region

It is worthy to note that in addition to the Maritime Authority's participation, the training was also attended by participants from Antigua & Barbuda, Bahamas, Barbados, Curacao, Guyana, Grenada, Jamaica, St. Kitts & Nevis, St. Vincent & the Grenadines, St. Lucia, Suriname, Trinidad and Tobago, St. Maarten, Anguilla, USA and France.

Also, in 2019, during the period 14-17 May 2019, Hurley's Media Ltd., presented the first Cayman Billfish Rundown international fishing tournament. The tournament was held at Camana Bay, Grand Cayman.

The Cayman Islands Shipping Registry supported this initiative by becoming a Bronzer Sponsor. The event was well attended by approximately 41 boats and 230 participants as anglers.

Last but not least, the Cayman Islands Shipping Registry continues to ensure that its presence is maintained at the Monaco Yacht Show and the Fort Lauderdale International Boat Show year after year, and 2019 was no exception.

#### CLIENT RELATIONSHIPS

Data gathered in respect to client relationship management, indicated that 87 per cent of client queries were responded to within the organisation's 24-hour target response time. Additionally, MACI employees in both the Head Office, Grand Cayman, and European Regional Office, United Kingdom continued to capture

significant queries, complaints and compliments, based on specified criteria, throughout all sections of the organisation.

### ***BUSINESS DEVELOPMENT***

The Business Development Section is responsible for advising 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.

In 2019 the Organisation carried out Business Development visits to Europe (Italy, France and Greece), the Middle East (Turkey, United Arab Emirates) and yacht build/refit yards. Vessel Registration Training was a conducted in George Town and Fort Lauderdale for clients.

## **HUMAN RESOURCES AND ADMINISTRATION**

### ***OVERVIEW***

The Human Resources and Administration Team is charged with the responsibility of providing structure and support to meet the Organisation's needs through managing its most valuable resources, its employees. Human Resources strategically manage the Organisation's resources of recruitment, coordinating benefits, promoting training and professional development of its employees. The Administration Team collaborates with Human Resources acting as the face of the company, by providing professional administrative and friendly service to customers, ensuring they all receive a heartwarming welcome when visiting or calling the office. They also support employees by coordinating services to maintain office functionality.

### ***PERSONNEL CHANGES***

During this period personnel changes at MACI were as follows:

<b>Section</b>	<b>New Hires</b>	<b>Resignations</b>	<b>Redundancy</b>	<b>Converted to Independent Contractor</b>
Safety & Compliance	1	-	-	1
Finance	-	1	-	-
Human Resources	-	-	-	-
Commercial Services	-	2	-	-
<b><i>Total</i></b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>1</b>

**TRAINING AND PROFESSIONAL DEVELOPMENT**

Continuous learning and development are vital to ensuring employees have the skills, knowledge and abilities for their current roles and are prepared for new challenges. As such, both internal/external domestic/overseas training and development opportunities were undertaken. These were aimed at building employee capacity to deliver services, meet strategic needs and align with the Organisation's values, strategic plan, and overall mission. Notable highlights are captured below:

	Admin	Finance	Human Resources	IT	Policy & QMS	CST	Survey/survey Admin
Training Hrs.	0	0	24	0	40	94	40

- 1 Employee granted extended study leave to attend University of Liverpool undertaking BSC. Accounting.
- 1 Employee completed a Bachelor of Science Degree in Business Administration
- 1 Employee completed a Diploma in Small Craft Surveying
- 5 Employees completed EXCEL training at various levels (Beginners, Intermediate & Advanced)
- 2 Employees completed Client Services related training
- 1 Employee Time Management and Productivity Training
- 4 Employees participated in Leadership Workshops
- 1 Employee completed Maritime Auditor/Lead Auditor Certification
- 1 Employee completed Information Manager Basic Training
- 1 Employee completed Proliferation Financing Seminar
- 1 Employee completed Employment Law Seminar

**INTERNSHIP PROGRAMME**

In 2019 the Organisation's Internships Programme was offered to Maritime Scholarship Recipients and students from local public and private schools. The Organisation continued its participation at High School Career Days in various local schools, including the Layman Scott High School in Cayman Brac for the first time, as well as the annual Chamber of Commerce Career's Expo. The benefit of ongoing participation in these events is evident, as the number of students and schools indicating interest in Internships with the Organisation continues to increase.

**MARITIME SCHOLARSHIP**

Each year the Organisation collaborates with the Ministry of Education to offer young Caymanians the opportunity to earn an undergraduate, post graduate or professional qualification within Marine Engineering, Marine Surveying, Maritime Administration, Nautical Studies and Navel architecture. Consideration is also given to specialist areas that support the maritime industry such as Legal, Human Resources, Accounting and IT. The 2017 recipient is now in his third year of studies in Navel Architecture at the University of Plymouth, UK. While the 2018 recipient is pursuing studies in Nautical Science also at the University of Plymouth, UK and is in his second year. There was one applicant in 2019, but the course of study was maritime related, therefore not recommended for approval.

**MARITIME POLICY, QUALITY AND CASUALTY INVESTIGATION**

The Maritime Policy, Quality and Casualty Investigation section is responsible for the development of maritime policy within MACI and the development and updating of maritime legislation relevant to the discharge of the organisation's functions and responsibilities; the development, implementation and

management of an effective Quality Management System (QMS) for MACI, which is aimed at enhancing customer satisfaction, operational efficiency and cost effectiveness; and marine casualty investigation activities in relation to Cayman-flagged vessels.

This section is also home to the Shipping Master, which is responsible for welfare matters relating to seafarers serving on board Cayman Islands ships.

### ***MERCHANT SHIPPING LAW AND REGULATIONS (DEVELOPMENT AND IMPLEMENTATION)***

To better comply with mandatory IMO Instruments which have been extended to the Cayman Islands, a “root and branch” review and modernization of the Merchant Shipping Law commenced in 2018. This review has resulted in a totally revised Merchant Shipping Law being drafted. This completed draft is awaiting Cabinet approval to be finalized in conjunction with PoLA and passing to the Legislative Assembly. Once the revised Merchant Shipping Law has been passed by the Legislative Assembly, a similar exercise will commence with the Merchant Shipping (Marine Pollution) Law.

This proposed Merchant Shipping Law signals a change from a “transcription” approach when implementing International Conventions to a modern “ambulatory referencing” approach. This approach greatly simplifies the Merchant Shipping Law and offers a degree of “future proofing” to account for amendments to the IMO Instruments extended to the Cayman Islands.

### ***MARITIME POLICY***

During the 2019, the section has continued to be actively involved in the Cayman Islands Government’s preparations for audit by the International Maritime Organization under the mandatory Instruments Implementation Code (III Code). This Code covers compliance with all international maritime obligations across Government.

A Working Group has been established by Cabinet to coordinate preparations for this audit under the chairmanship of the Cabinet Secretary. MACI is an active participant in this group and has participated in the ongoing development of the National Maritime Strategy for adoption and implementation by CIG.

During the 4<sup>th</sup> Quarter of 2019, the Head of Section was seconded to George Town to assist CIG in preparations for the forthcoming III Code audit scheduled to take place in September 2020.

### ***QUALITY MANAGEMENT SYSTEMS***

During 2019, MACI was independently audited for compliance against the requirements of International Convention on Standards of Training, Certification and Watchkeeping for Seafarers. MACI also played a major role in the “mock” audit of CIG against the requirements of the III Code. This audit was conducted by the UK Maritime and Coastguard Agency (MCA) and took place in both George Town and at MACI’s offices in the United Kingdom.

As a result of these audits, improvements have been made in the way MACI evaluates its performance against requirements and promotes “continuous improvement” into processes and procedures.

This has resulted in the Quality Management Systems (QMS) of MACI being more effective at demonstrating MACI’s compliance with those mandatory instruments of IMO which have been extended to the Cayman Islands. Alongside this major revision of the QMS, recertification to ISO 9001:2015 is being considered for 2020/21, following the IMO’s III Code audit of CIG.

## **CASUALTY INVESTIGATION**

Accidents and incidents occurring on board Cayman Islands ships are investigated on behalf of the Minister, by specialist inspectors appointed under section 430 of the Merchant Shipping Law.

During 2019 the Casualty Investigation section processed over one hundred reports of accidents and incidents on board Cayman Islands ships. The majority of these reports are fairly minor in nature and do not require formal investigation. However, every report is recorded for statistical purposes and is required to be submitted to both the UK (as one of the REG Quality Objectives) and to the International Labour Organization (ILO) as part of our obligations under the Maritime Labour Convention, 2006 (MLC).

For the first time, a consolidated summary report of all accidents and incidents reported to MACI has been compiled, published and made publicly available on [www.cishipping.com](http://www.cishipping.com).

During 2019, one very serious marine casualty was reported to MACI. This involved a serious explosion and subsequent fire on board a Cayman Islands registered chemical tanker. There were no fatalities or pollution resulting from the explosion and fire, but there was extensive damage to both the ship and the surrounding area. The investigation of this casualty is being carried out with the assistance of the UK Marine Accident Investigation Branch.

A number of other accidents and incident that did not require a full investigation under the Merchant Shipping (Marine Casualty Reporting and Investigation) Regulations, 2018) were investigated administratively.

During the “mock audit” conducted by the UK MCA in 2019, the reporting, recording and investigation of accidents and incidents was determined to be in full compliance with the IMO Casualty Investigation Code.

## **SHIPPING MASTER**

The Office of the Shipping Master is responsible for all aspects of crew welfare in particular dealing with crew disputes, complaints and investigations into deaths on Cayman Islands Ships. During 2019 the Shipping Master has investigated 92 complaints from seafarers on Cayman Islands Ships. Most reported complaints were for unpaid or late wages with a small minority being for other welfare issues such as safety concerns, alleged bullying, hours of rest or medical expenses. The vast majority of these disputes were resolved rapidly and amicably once the Shipping Master became involved. On occasion and with express permission from the complainant information was passed on for follow up and possible enforcement action by Safety and Compliance.

As with reports of accidents, every complaint is recorded for statistical purposes and is required to be submitted to both the UK (as one of the REG Quality Objectives) and to the International Labour Organization (ILO) as part of our obligations under the Maritime Labour Convention, 2006 (MLC). In addition for the first time, a consolidated summary report of all complaints and welfare issues reported to MACI has been compiled, published and made publicly available on [www.cishipping.com](http://www.cishipping.com).

In addition to the investigation of complaints by seafarers, the Shipping Master also conducted 3 “Death Inquiries” under section 434 of the Merchant Shipping Law into deaths occurring on or associated with Cayman Islands ships. Such inquiries are mainly administrative in nature and allow the death to be properly recorded and passed to General Registry and for the information of H M Coroner.

## COMMERCIAL SERVICES

The Commercial Services section continued to focus on growing the merchant side of the Shipping Registry and to maintain our leading position within the yachting sector.

Our fixed fee and enhanced survey delegation scheme (FSC) has been very positively received in the market and we saw several shipowners changing flag to Cayman Islands that had previously not had Cayman Islands flagged vessels.

CISAC (Cayman Islands Shipowners' Advisory Committee) meetings were held in Grand Cayman (CISAC-Yacht Committee), Athens, Greece (CISAC luncheon) and Tokyo, Japan (CISAC-Asia) in order to maintain our close relationship with the shipowners within our main market sectors.

## 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: full, interim, term, under construction and demise (bareboat) charter registrations; and the registration of mortgages in accordance with the Merchant Shipping Law (2016 Revision). Registrations recognised 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 Cayman Islands has been recognized by the International Chamber of Shipping for the 8th year running as being top-of-class in the 2019 Annual Flag State Performance Table - a popular flag of choice for vessel registration. This is mainly due to Cayman being a Category 1 British Red Ensign Registry that will register only the highest quality vessels, which meet the stiffest regulatory requirements in terms of design, construction, maintenance, safety and pollution control.

The Registry ended the 2019 with 2,288 units, which includes 1,856 pleasure vessels, 213 merchant, 116 commercial vessels, and 103 local vessels. The Register totaled 5.90 million gross tons.

The Cayman Islands continued to dominate the superyacht market with a 9% increase in the new build portfolio for 2019, which recognizes the flag's technical excellence and regulatory and advisory services. Furthermore, the Register saw an increase in the merchant fleet, which was a direct result of business development efforts in the European and Asian markets.

At the end of this period, there were 97 name reservations, 7 registered vessels under construction, and 165 new-build yachts, 11 of which are to be certified to the Red Ensign Group Code Part A or B.

## 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.

## **FINANCE & ACCOUNTING AND FINANCIAL REPORTING**

The Finance & Accounting and the Financial Reporting Sections have the responsibility for all financial matters relating to the annual budget, fee collection, accounts payable and asset management. It is also responsible for the preparation of MACI's financial statements, 3-year projected financial position and the annual purchase and ownership agreements between Cabinet and the Authority. The section's objectives are essentially created by the financial requirements of the organisation, its stakeholders and the resources available to MACI.

Through the Office of the Auditor General (OAG), MACI for the second year, had its financials audited by a non-governmental entity.

## OPERATIONS

### INFORMATION TECHNOLOGY AND INFORMATION MANAGEMENT

The Information and Technology Section has responsibility for the management and maintenance of all MACI's IT systems and networks. It provides support, business and technical solutions that utilise technology to gain efficiencies across MACI's operations.

The Information Management section is responsible for matters relating to all MACI's records and handling of all Data within the Organisation. IM is also responsible for addressing and documenting all aspects of Freedom of Information (FOI).

MACI continued its digital transformation path with continued infrastructure upgrades and modernizations, real time monitoring of systems, improved device security and information protection, implementation of Advanced threat analytics and protection and implementation of Multifactor authentication. MACI also migrated to the Microsoft Office 365 service for email delivery and delivery of office products.

- Implemented the latest Dynamics 365 Finance and Operations to improve efficiencies and more functionality
- Migrated Dynamics 365 Finance and Operations to the Cloud as part of our digital transformation path
- Moved Microsoft tenancy to a similar jurisdiction

### CORPORATE COMMUNICATIONS

Corporate Communications is concerned with raising awareness of MACI and the CISR by updating national and international stakeholders of initiatives and recent developments through the dissemination of information via local and overseas media, and MACI's website. This area is also responsible for establishing and maintaining a consistent brand message through the production and distribution of promotional material.

During the 2019 fiscal year, the Registry's business development updates continued to be circulated via local and overseas media houses, the CISR website, social media and the MSCC and CISAC advisory groups.

## **GLOBAL SAFETY & COMPLIANCE**

### **INTERNATIONAL RECOGNITION AND REGULATORY PERFORMANCE**

The Maritime Authority of the Cayman Islands (MACI) maintained its “White Listing” and “Low Risk” status within the Paris and Tokyo Port State Control Memoranda of Understanding (PSC MOU) and remained within the top eight of the best performing flags in the Paris MOU.

MACI also maintained “USCG Qualship 21” status for the 9<sup>th</sup> Consecutive year and were recognised by the International Chamber of Shipping for the 8<sup>th</sup> year running as being top-of-class in their 2019/20 Annual Flag State Performance Table.

### **PORT STATE CONTROL (DOMESTIC)**

As a member of the Caribbean Memorandum of Understanding (CMOU) on Port State Control (PSC), MACI provided technical support to the Cayman Islands Government conducting inspections on foreign-flagged vessels visiting ports of the Cayman Islands and achieved its target of 30 inspections in line with the CMOU.

### **QUALITY MANAGEMENT & IMO INSTRUMENT IMPLEMENTATION CODE (IIIC) PREPARATION**

MACI continued to streamline its Safety and Compliance Policies and Procedures including the completion of a section specific Quality Management Manual and supporting work instructions in preparation for the UK’s four yearly monitoring visit. This monitoring visit conducted by the UK Maritime and Coastguard Agency an Executive Agency of the Department for Transport took place in the Southampton, UK office in August 2019 and was expanded to include the International Maritime Organisation Instrument Implementation Code (IIIC) mock audit. The UK phase of the IIIC mock audit covered all of the Cayman Islands Government obligations under the respective International Conventions, Codes and Instruments as they relate to a Maritime Administration with an overall positive result.

MACI also underwent an STCW independent evaluation with overall positive result.

MACI is providing technical input to the CIG in respect to the development of a technical code for the regulation of domestic craft operating within the Islands.

### **YACHT CODES & TECHNICAL POLICY**

MACI continues to take an active role in the ongoing amendments and Corrigenda update for the Red Ensign Group Yacht Codes, in addition MACI has been actively involved in several of the International Standards Organisation (ISO) working groups relating to Yacht design and construction.

MACI also completed a full review and update of its Manning Policy Manual (MPM) in line with the Red Ensign Group policy and amendments to the International Convention on Standards of Training Certification and Watchkeeping (STCW) for Seafarers. In addition MACI conducted a review and update of the Endorsement application forms and work instructions.

### **NEW PRODUCTS AND POLICY CHANGES**

Yacht Engaged in Trade (YET), was introduced in December 2017 and promulgated to industry by Shipping Notice 2017\_03\_CISN (Rev 1.1). Whilst the current scheme only applies to France and Monaco MACI has been actively engaged with industry partners to expand the YET Scheme to other jurisdictions including Italy, Spain and Croatia. This initiative included a joint visit with representatives from the Marshall Islands to Croatia.

## **RED ENSIGN GROUP – TECHNICAL FORUM**

MACI continued to support the Red Ensign Group-Technical Forum (REG-TF) as the Co-Chair. REG-TF plays a key role in the development of technical policy for all British Ships.

## **TECHNICAL SEMINARS AND TRAINING**

During 2019 MACI conducted surveyor meetings in all three regions including EMEA, Americas and the Inaugural surveyor meeting in Manila covering the Asia Pacific region.

In addition to the above MACI continues to engage with industry partners at key events and technical seminars, for 2019 these include a delegation at the Superyacht Forum in Amsterdam and a Cayman Registry seminar in Turkey.

MACI has also provided technical input together with various Classification Societies at numerous technical events and seminars covering the regulatory developments of yachts and ships.

## GOVERNANCE

### **PRIMARY LEGISLATION**

1. The Maritime Authority Law, (2013 Revision)
2. The Merchant Shipping Law (2016 Revision)
3. The Merchant Shipping (Marine Pollution) Law, 2001

### **REGULATION MADE UNDER THE CURRENT MERCHANT SHIPPING LAW AND THE CURRENT MARINE POLLUTION LAW**

1. The Merchant Shipping (Returns of Births and Deaths) Regulations, 2004.
2. The Merchant Shipping (Classes of Ships) Regulations, 2002.
3. The Merchant Shipping (Carriage of Packaged Irradiated Nuclear Fuel Etc) (INF Code) Regulations, 2003.
4. The Merchant Shipping (Classes of Ships) Regulations, 2002.
5. The Merchant Shipping (Prevention of Collisions and Use of Distress Signals) Regulations, 2003.
6. The Merchant Shipping (Counting and Registration of Persons on Board Passenger Ships) Regulations, 2002.
7. The Merchant Shipping (Entry into Dangerous Spaces) Regulations, 2004.
8. The Merchant Shipping (Guarding Of Machinery and Safety of Electrical Equipment) Regulations, 2004.
9. The Merchant Shipping (Load Line) Regulations, 2002.
10. The Merchant Shipping (Certification, Safe Manning, Hours of Work and Watchkeeping) Regulations, 2004 Revision
11. The Merchant Shipping (Certification, Safe Manning, Hours of Work and Watchkeeping) (Amendment) Regulations, 2014
12. The Merchant Shipping (Marine Pollution) Regulations, 2004.
13. The Merchant Shipping (Means of Access) Regulations, 2004.
14. The Merchant Shipping (Carriage of Nautical Publications) Regulations, 2002.
15. The Merchant Shipping (Port State Control) Regulations, 2003.
16. The Merchant Shipping (Registration of Ships) Regulations, 2002.
17. The Merchant Shipping (Marine Pollution) (Reporting of Incidents Involving Harmful Substances) Regulations, 2004.
18. The Merchant Shipping (Safety of Navigation) Regulations, 2004.
19. The Merchant Shipping (Tonnage) Regulations, 2002.
20. The Merchant Shipping (Vessels in Commercial Use for Sport or Pleasure) Regulations, 2002.
21. The Merchant Shipping (Pleasure Yachts Carrying Passengers) Regulations 2011.
22. The Merchant Shipping (Wreck Removal Convention) Regulations, 2017
23. The Merchant Shipping (Maritime Labour Convention) (Crew Accommodation) Regulations, 2014
24. The Merchant Shipping (Maritime Labour Convention) (Food and Catering) Regulations, 2014
25. The Merchant Shipping (Maritime Labour Convention) (Health and Safety) Regulations, 2014

26. The Merchant Shipping (Maritime Labour Convention) (Medical Care) Regulations, 2014
27. The Merchant Shipping (Maritime Labour Convention) (Medical Certification) Regulations, 2014
28. The Merchant Shipping (Maritime Labour Convention) (Repatriation) Regulations, 2014
29. The Merchant Shipping (Maritime Labour Convention) (Seafarer Employment Agreement, Shipowners' Liabilities and Wages) Regulations, 2014
30. The Merchant Shipping (Maritime Labour Convention) (Survey and Certification) Regulations, 2014
31. The Merchant Shipping (Fees) Regulations, 2014
32. The Merchant Shipping (Maritime Security) Regulations 2007
33. The Merchant Shipping (Marine Pollution) (Prevention of air pollution from ships) Regulations, 2012
34. The Merchant Shipping (Marine Casualty Reporting and Investigation) Regulations, 2018

***REGULATIONS MADE UNDER EARLIER MERCHANT SHIPPING LAW AND MARINE POLLUTION LAW BUT RETAINED UNDER CURRENT LAWS***

1. The Merchant Shipping (Control of Pollution by Noxious Liquid Substances in Bulk)(Cayman Islands) Regulations 1988.
2. The Merchant Shipping (BCH Code) (Cayman Islands) Regulations, 1988.
3. The Merchant Shipping (IBC Code) (Cayman Islands) Regulations, 1988.
4. The Merchant Shipping (Prevention of Pollution by Garbage) (Cayman Islands) Regulations, 1988.
5. The Merchant Shipping (Submersible Craft Construction, Equipment and Survey)(Cayman Islands) Regulations 1991.
6. The Merchant Shipping (Submersible Craft Operations) (Cayman Islands) Regulations, 1991.
7. The Merchant Shipping (Repatriation) (Cayman Islands) Regulations, 1989.
8. The Merchant Shipping (Crew Agreements, List of Crew and Discharge of Seamen) Regulations, 1992.

***OTHER LAWS FOLLOWED BY MACI***

1. The National Archive and Public Records Law (2015 Revision).
2. The Freedom of Information Law (2018 Revision).
3. The Cayman Islands Constitutional Order (2009).
4. The Evidence Law (2018 Revision).
5. The Electronics Transactions Law (2003 Revision).
6. The Limitation Law (1996 Revision).
7. The Public Service Pensions Amendment Law (2016).
8. The National Pensions Law (2012 Revision).
9. The Public Management and Finance Law (2018 Revision)
10. Penal Code (2018 Revision)
11. Grand Court Law (2015 Revision).

**LOCAL AND INTERNATIONAL STANDARDS FOLLOWED BY MACI**

1. International Maritime Organisation.
2. International Labour Organisation.
3. Regional and International Instruments.
4. International Standard ISO 15489–2002, Records Management.
5. ANSI/ISO/ASQ Q9001:2008, Quality Management.
6. Cayman Islands National Archive’s standards and guidance.

**OUR PEOPLE**

7. 42 employees (21 female and 21 male).
8. Age range 24 to 67.
9. CEO (1), Global Directors (3), Regional Directors (2), Head (1), Chief Policy Advisor (1), Registrar (1), Administrative Staff (34)
10. 62% Caymanian and 38% Non-Caymanian
11. Salary Scale range CI\$23,640 to CI\$235,217
12. Spent CI\$3.5M on Personnel Costs (basic salary, motor car allowance)
13. Spent CI\$39.1K on Training & Professional Development (1 Certified Programme, 1 Maritime Diploma, 1 Associate Degree, 2 Bachelor’s Degrees, Courses, Workshops and Seminars).

**PERSONNEL CHANGES 2019**

During this period personnel changes at MACI were as follows:

<b>TYPE OF CHANGE</b>	<b>HEAD OFFICE, GT/SECTION</b>	<b>ERO, UK/SECTION</b>
New Hires	0	1 – Safety & Compliance
Resignations	3 – Finance, Commercial Services, Safety & Compliance	1 – Safety & Compliance
Promotions	0	1 – Safety & Compliance

## MANAGEMENT DISCUSSION AND ANALYSIS

### HIGHLIGHT OF ACHIEVEMENT

The key strategic goals and objectives for the Maritime Authority of the Cayman Islands for the 2019 financial year are as follows:

1. Achieved 5.9m GT with 2,288 units on the Register and an average age of 12.9 years for Merchant Ships and Commercial Yachts over 30m, at December 31, 2019.
2. 213 Merchant Ships, 116 Commercial Yachts >30m, 1,856 Other Yachts and 103 Local Vessels, at December 31, 2019.
3. Achieved White List, Low Risk Status in all the major MoUs on Port State Control including USCG Qualship 21 and ranked as a top performing Flag under the International Chamber of Shipping for the 8<sup>th</sup> consecutive year.
4. Successfully underwent the Mock IMO Instrument Implementation (III) Code audit by the UK MCA with an overall positive result.
5. Provided extensive III Code support to other Cayman Islands Government Agencies and Committees as well as to the UK MCA in the conduct of the Mock III Code of two other Cat 1 REG members.
6. Successfully underwent an STCW independent evaluation with an overall positive result.
7. Co-chaired the Red Ensign Group Technical Forum and chaired the Business Strategy Forum.
8. Drafted updates to the Merchant Shipping Law and Manning Regulations.

### RISK MANAGEMENT

KEY RISKS FACED BY MINISTRY/PORTFOLIO	CHANGED IN STATUS FROM 2014/15	ACTIONS TO MANAGE RISK	FINANCIAL VALUE OF RISK
War and Terrorism	None	Insurance policy to manage risk	Unquantifiable
Loss/absence of critical staff	None	Succession planning and develop an organisational structure and environment which provides challenges, promotes advancement and recognize achievements	Unquantifiable
Loss of important data	None	Back up vital and important documentation on disks and hard copy and place in a secure environment	Unquantifiable



**FINANCIAL PERFORMANCE AND ANALYSIS**

<b>MARITIME AUTHORITY OF THE CAYMAN ISLANDS FINANCIAL HIGHLIGHTS</b>					
<b>TOTAL REVENUES 2019</b>	<b>TOTAL REVENUES 2018</b>	<b>TOTAL EXPENDITURE 2019</b>	<b>TOTAL EXPENDITURE 2018</b>	<b>CASH POSITION 2019</b>	<b>CASH POSITION 2018</b>
<b>\$10,343,713</b>	<b>\$9,950,986</b>	<b>\$9,383,939</b>	<b>\$9,502,391</b>	<b>\$7,085,769</b>	<b>\$5,329,145</b>

**Notes:**

- The Statement of Financial Position included in the Financial Statements for the fiscal period ended 31 December 2019, shows that MACI's total assets were valued at \$8,948,362 and total liabilities at \$7,181,022, resulting in a positive net worth of \$1,767,340. Fiscal period ended 31 December 2018, shows that MACI's total assets were valued at \$6,808,210 and total liabilities at \$6,792,104, resulting in a positive net worth of \$16,106. MACI's cash position increased from \$5,329,145 at 31 December 2018 to \$7,085,769 at 31 December 2019, an increase of \$1,756,624.
- The total comprehensive profit for 31 December 2019 was \$1,808,774 (2018: \$1,795,595).
- During the 2014/15 financial year MACI created a sinking fund. These funds are designated for carrying out casualty investigation on board Cayman registered vessels. The fund currently has a balance at 31 December 2019 of \$372,001 (2018: \$301,241), of which the full amount forms part of MACI's 2019 cash balance of \$7,085,769 (2018: \$5,329,145).
- Draft Financial Statements for 1 January 2019 to 31 December 2019 form a part of this Annual Report (Appendix 1).

**INTERNAL AND EXTERNAL AUDIT UPDATES**

1. Draft audited financials have been issued pending finalisation to be completed by the external auditors for the year ended 31 December 2019.

## SCRUTINY BY PARLIAMENT AND PUBLIC

There was a total of 3 FOI requests for 2019, all were Granted in Full.

Request Description	Date Received	Closure Date	Outcome
Records reflecting the money spent since Jan. 1, 2014 by the Office of the AG on Queens Counsels, other attorneys and all other legal services procured from outside parties.	25-Mar-19	24-Apr-19	Granted in Full
Information regarding two ships from 1970-1975, specifically the MD Kirkson and J. Louis operated by a shipping company, Kirk Lines. Information requested includes: the engine of the ship, it's manufacturer and any maintenance records on them. I am also requesting a crew list if available.	10-Apr-19	15-Apr-19	No records found
The number of yachts, draft, beam, and LOA that are registered with Cayman Registry.	29-May-19	04-Jul-19	Granted in Full

## CROSS GOVERNMENT COMMITTEMENTS

N/A

## FORWARD LOOKING

### KEY PERFORMANCE INDICATORS

#### *CLIENT SERVICE*

1. Provide a Registration regime to protect vessel ownership and the priority ranking of any related mortgage,  
by:
  - a. completing documents that are accurate;
  - b. providing registration certification within 24 hours of receipt of all required documentation and fees; and
  - c. ensuring that all documents and records are properly filed.
2. Provide a cost-effective vessel and company audit and vessel survey regime that promotes quality vessels; effective maritime security systems; protection of the marine environment; and social responsibility and that:
  - a. schedules (acknowledgement) Surveys and Audits within 2 working days of the receipt of a request and of all required documentation;
  - b. provides all Statutory certifications or documentation within 2 working days of receipt of all relevant information; and
  - c. issues crew documentation within 2 working days of receipt of all required documentation and fees.
  - d. issues invoice within 7 working days of completion of survey and audits.
3. Ensure that all client complaints and queries are adequately researched and responded to within 2 working days of the receipt of supporting information.
4. Provide immediate support (less than 2 hours) upon request in the case of PSC detention of a Cayman Registered vessel.

5. Ensure attendance by a Cayman Surveyor on-board every Cayman Registered vessel that has been detained, within 90 days of the date of its detention.
6. Provide response to ALL queries for direct client interface groups as listed, within 2 working days:
  - a. Client Services Teams;
  - b. Shipping Master;
  - c. Technical; and
  - d. Accidents and Incidents.

## Safety & Compliance

1. Maintain “Low Risk” status under **both** the Paris and Tokyo Memorandums’ of Understanding on Port State Control (PSC) system, as follows:
  - a. Paris MOU: Inspection to Detention ratio of <2.5%,
  - b. Tokyo MOU: Inspection to Detention ratio of <2.5%;
  - c. Maintain “Qualship 21” status under the United States Coast Guard ([USCG](#)) PSC system.
2. Ensure at least 25% of Certificates of Competence submitted in support of crew endorsement applications are checked for validity.
3. Maintain a clean ranking by the International Chamber of Shipping ([ICS](#)).
4. Conduct PSC Inspections on a total number of 30 or 15% (whichever is greater) of all foreign-flagged merchant vessels entering the Port of George Town, during a 12-month (calendar) period.
5. Investigate marine casualties by:
  - a. recording and assessing all casualties and other incidents reported to MACI;
  - b. assigning an investigator within 24 hours of a report of a very serious marine casualty; and
  - c. where the Cayman Islands is the Lead Investigating State, completing an investigation into all very serious marine casualties and publish reports to IMO, GISIS and [www.cishipping.com](#). Further, within 12 months of the casualty occurring (if it is not possible to publish a full report within 12 months due to circumstances beyond MACI’s control, an interim report will be published.
6. Promulgate important safety and security advice to clients within 1 working day of receipt.

## Commercial

1. Maintain a portfolio of new-build yachts over 30 metres equal to at least 50% of the estimated global new-build market.
2. Maintain a portfolio of existing yachts over 30 metres equal to at least 42% of the estimated global yachts and services that are classed with MACI’s Recognised Organisations.
3. Increase the net total of registered commercial units by 24 each year;
4. Maintain the per unit average age of our commercial fleet (ships and commercial yachts (excluding domestic fleet) at less than 15 years.
5. Maintain a minimum 120-day cash requirement as at December 31 of each fiscal year.

6. Complete the Annual Financial Audit of the Authority:
  - a. without qualification; and
  - b. within legislative time requirements.

#### **MAJOR INITIATIVES FOR 2020**

- Develop an activities programme for Cayman Maritime Year.
- Move the UK IT infrastructure to a UK Microsoft Azure Stack.
- Undertake an Employee Salary and Benefit Review, including Independent Contractor rates.
- Re-instate billable hours utilization ratios for Surveyors.
- Revise the GT and UK Employee and Office Policies Handbooks.
- Implement Employee and Intern Orientation and Induction Programmes.
- Carry out Business Development visits to Europe (Turkey and Spain) and Middle Eastern yacht build/refit yards.
- Upgrade the MACI website to the latest software version.
- Expand the online features on MACI's website to pay and generate receipts for Statutory and Crew Documentation.
- Upgrade MARIS to the latest version including the implementation of digital signatures.

## BOARD OF DIRECTORS

The Board of the Maritime Authority of the Cayman Islands is appointed by the Governor 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 an Executive Committee comprising the CEO and Global Directors of the Authority that deals with matters that would otherwise rest with a Board-appointed sub-committee.

## PROFILES OF THE DIRECTORS

### ***Ms. Sherice Arman - Chairperson (1 September 2019 – 31 August 2022)***

Ms. Arman has over 18 years of experience in the area of Corporate and Commercial law. She has a Bachelor of Arts degree in English (with Honours) and a Bachelor of Laws degree (with Honours) from the University of the West Indies and a Master of Laws degree specializing in Banking and Finance Law (with Merit) from the University College London (UCL).

Her practice areas include banking and asset finance, corporate finance, financial services regulation and capital markets. She has significant experience in mergers and acquisitions and corporate restructuring and is recognised as an expert in financial services regulation - advising on licensing and regulatory issues relating to regulated financial institutions in the Cayman Islands including banks, insurance companies, fund administrators and trust companies.

Ms. Arman has emerged as a leader in the asset finance field and is often called upon by the Cayman Islands Shipping Registry and the Civil Aviation Authority of the Cayman Islands for collaboration and guidance.

She has been recognised in most of the major legal directories including Chambers and Partners, PLC Which Lawyer, IFLR1000 and Legal 500 who recognised her as a key advisor and a 'Leader in her Field' and more recently were quoted as saying that she is 'particularly terrific; she has particular expertise in yacht finance that is almost unique in the Western Hemisphere'.

Ms. Arman has been ranked by Chambers and Partners for a number of years, where she has been praised for her excellent client service and in-depth knowledge of banking and finance, especially asset finance. Most recently they commented that she continues to impress peers and clients with her strong banking and finance knowledge.

### ***Mr. Robb Maass – Director (1 September 2019 – 31 August 2022)***

Mr. Maass is a shareholder/associate in Alley, Maass, Rogers & Lindsay, P.A., a full-service law firm with offices in Palm Beach and Stuart, Florida. Mr. Mass and the other lawyers in his department represent a

broad spectrum of the marine industry, including yacht owners, crew members, manufacturers, dealers, brokers, and vendors.

He holds an A.B. from Princeton University and a J.D. from Yale University. Mr. Maass heads the firm's Admiralty Department, which specialises in marine transactions.

Mr. Maass is a former Director of the Maritime Authority of the Cayman Islands from 12 August 2009 to 11 August 2011.

***Mr. Gene DaCosta – Director (1 September 2019 – 31 August 2022)***

Mr. DaCosta is a Partner in the Corporate department in the Cayman Islands office of Conyers Dill & Pearman. Gene joined Conyers in 2003. His practice covers all aspects of corporate and commercial law, with extensive expertise on advising on all areas of investment funds including regulated, licensed, exempted and private equity funds. Additionally, he assists with the restructuring and/or the winding down of distressed funds.

Mr. DaCosta also specialises in structured finance with an emphasis on both commercial and private aircraft and ship financing, including loans, leasing, mortgages, as well as aircraft and vessel registration. He is a member of the Cayman Islands Maritime Sector Consultative Committee and is also a member of the Health Insurance Commission Board of Directors.

He holds a LLB from the University of Liverpool.

***Mr. John MacKenzie – Director (1 September 2019 – 31 August 2022)***

Mr. MacKenzie is the founder and principal shareholder of West Indian Marine Group, a privately-owned Cayman Islands based Maritime Group of Companies that provides shipping and maritime related services in and around the Cayman Islands and the Western Caribbean region. He serves as the Managing Director of each company in the Group.

Mr. MacKenzie has a diverse background in the marine industry, both international and worldwide, which spans 48 years, 32 of those years here in the Caribbean and USA. His areas of experience include shipping, salvage, material handling, maritime industry services, marine survey, marine construction, towage, offshore oil, vessel management, marine projects, ship design, and ship construction.

Mr. MacKenzie also is experienced in marine services and marine construction related industries, including ship building, ship repair and a period as an American Bureau of Shipping marine surveyor before later turning to large scale marine projects and business in the shipping and towage industries.

Mr. MacKenzie holds a degree in Marine Engineering from Sydney Institute of Technology, Australia. He is a founding member of The Private Sector Consultative Committee for the Cayman Islands Shipping Registry and a board/council member of the National Trust for The Cayman Islands.

***Mr. Stefano Rosina – Director (1 September 2019 – 31 August 2022)***

Mr. Rosina has over 30 years' experience in the Maritime sector running a stock listed company and is CEO of Rosina and Partners, sourcing and executing shipping investment opportunities.

Mr. Rosina worked as an Analyst at Oceanic Financial Services in London for two years before he joined the family business, Navigazione Italiana as a Manager in 1988. In 1990 he arranged the takeover of the Italian stock listed shipping company Premuda, one of the leading dry bulk shipping companies in Italy,

becoming General Manager and expanding the international business by opening offices abroad and commencing joint ventures. During 2000, Mr. Rosina was one of the first to understand the full potential of FPSO vessels, developing an Aframax to provide FPSO services in Western Australia.

Mr. Rosina has a full experience in new building, conversions and Sale & Purchase transactions (+100 ships) ensuring reputable, productive associations are created with all parties involved and creating firm relationships with companies for ongoing contracts including the likes of ENEL over a long-term period. He has set up and run various Joint Venture over his career with outstanding partners such as Duferco (steel conglomerate), Czechoslovakian Ocean Shipping, Diogenes Fund (Lehman Brothers), Klaveness (bulk owners), Sierra Leone Government (for creation of National Shipping Company), Romeo family (handysize fleet owners), Yinson (stock listed company) and Wealth Management Funds.

Mr. Rosina has a degree in Economics from Genoa University, with a specialisation in Shipping Finance. He is currently a Council Member of Intertanko, and has been a Member of the Cayman Islands Registry Shipowners Advisory Council for over 20+ years, and the ABS.

***Mr. Charles Clifford – Director (1 September 2019 – 31 August 2022)***

Mr. Clifford was appointed as the Director of Customs and Border Control, an integrated department which will be established through the merger of the Customs Department and components of the Immigration Department. He has held this position since January 2019.

Mr. Clifford formerly served with other departments within the Cayman Islands Government. He started his career in 1980 with the Royal Cayman Islands Police Service and served with them for 17 years, reaching the position of Chief Inspector in charge of Police Administration. During his policing career he trained with the Federal Bureau of Investigation (FBI), Drug Enforcement Administration (DEA), Scotland Yard, and the Royal Canadian Mounted Police.

In 1997, Mr. Clifford was appointed Senior Assistant Secretary in the Ministry of Tourism, and was promoted to Permanent Secretary in 2001. In 2004, after 24 years of public service, Mr. Clifford resigned from the Cayman Islands Government and joined the law firm of Quin & Hampson.

In 2005 Mr. Clifford was elected as a Member of the Legislative Assembly – 2nd Elected Member for the District of Bodden Town, and was subsequently appointed as the Minister of Tourism, Environment, Investment and Commerce. He served in that post until 2009 and gained considerable experience in representing the Cayman Islands at international forums involving the Foreign and Commonwealth Office, the United Nations, CARICOM, and other Overseas Territories.

Mr. Clifford has held appointments on a number of boards and committees in the Cayman Islands public and private sectors including: Chairman of the National Tourism Management Policy Steering Committee; Chairman of the Air Transport Licensing Authority; Deputy Chairman of the Port Authority; Member of the Cayman Airways Board of Directors; Member of the Cayman Turtle Farm Board of Directors, and Member of the National Hurricane Committee.

Mr. Clifford holds a Bachelor of Laws (Honours) Degree from the University of Liverpool, and a Professional Practice Certificate from the Queen's University of Belfast. He was admitted to the bar as an Attorney-at-Law in 2012 and consequently opened his own law firm, Clifford Law Associates, and partnered with two other local attorneys.

**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, Mrs. Washington joined MACI in December 2005 as the Deputy Registrar of Shipping. She served as the Registrar of Shipping from October 2008 to December 2016. From January 2017 – December 2017, Mrs. Washington has been working in Crew Compliance.

Prior to joining MACI, Mrs. 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.



## Annex 1

# The Cayman Islands Maritime Authority Financial Statements

Year ended 31 December 2019



**Maritime Authority of the  
Cayman Islands  
Financial Statements  
For the year ended 31 December 2019**



**FINANCIAL STATEMENT OF THE  
MARITIME AUTHORITY OF THE CAYMAN ISLANDS**

**For the year ended 31 December 2019**

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## 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 (2018 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 31 December 2019.

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 31 December 2019;
- (b) fairly reflect the financial position as at 31 December 2019 and financial performance for the year ended 31 December 2019;
- (c) comply with the provisions of the *Public Management and Finance law (2018 Revision)* and *International Financial Reporting Standards*.

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

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Sherice Arman  
Chairperson  
Maritime Authority of the Cayman Islands  
6 August 2020

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A. Joel Walton  
CEO  
Maritime Authority of the Cayman Islands  
6 August 2020



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## AUDITOR GENERAL'S REPORT

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

#### Opinion

I have audited the financial statements of the Maritime Authority of the Cayman Islands (the "Authority"), which comprise the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 41.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2019 and its financial performance and its cash flows for year ended 31 December 2019 in accordance with International Financial Reporting Standards.

#### Basis for Opinion

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

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

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

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

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

## AUDITOR GENERAL'S REPORT (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2018 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Patrick Smith, CPA, CFE  
Acting Auditor General

6 August 2020  
Cayman Islands

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2019**  
**(Expressed in Cayman Islands Dollars)**

	<u>Notes</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 7,085,769	\$ 5,329,145
Trade receivables	5,14	1,041,534	1,158,887
Due from Cayman Islands Government	6	102,314	26,368
<b>Total current assets</b>		<b>8,229,617</b>	<b>6,514,400</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	718,745	293,810
<b>Total non-current assets</b>		<b>718,745</b>	<b>293,810</b>
<b>Total assets</b>		<b>8,948,362</b>	<b>6,808,210</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	8	465,099	288,537
Unearned revenue	9	374,602	355,643
Lease liability	20	125,028	-
Employee entitlements	11	49,935	61,683
Casualty investigation fund	10	372,001	301,241
<b>Total current liabilities</b>		<b>1,386,665</b>	<b>1,007,104</b>
<b>Non-current liabilities</b>			
Lease liability	20	377,357	-
Past service pension liability	12	1,087,000	556,000
Post retirement healthcare liability	13	4,330,000	5,229,000
<b>Total non-current liabilities</b>		<b>5,794,357</b>	<b>5,785,000</b>
<b>Total liabilities</b>		<b>7,181,022</b>	<b>6,792,104</b>
<b>Equity</b>			
Contributed capital	15	1,500,000	1,500,000
Accumulated deficit		(1,803,660)	(2,705,894)
Other comprehensive income		2,071,000	1,222,000
<b>Total equity</b>		<b>1,767,340</b>	<b>16,106</b>
<b>Total equity and liabilities</b>		<b>\$ 8,948,362</b>	<b>\$ 6,808,210</b>

Approved on behalf of the Board of Directors on 6 August, 2020



Chairperson  
Sherice Arman



Chief Executive Officer  
A. Joel Walton

*The accompanying notes on pages form an integral part of these financial statement*

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2019  
(Expressed in Cayman Islands Dollars)

	<b>Notes</b>	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
<b>Revenue</b>			
Sales of goods & services	16	\$ 7,480,659	\$ 7,381,118
Annual tonnage fees	16	2,006,379	1,723,194
Other operating revenue	16	513,279	433,096
Sales of goods & services - Cayman Islands Government	16	343,396	413,578
<b>Total revenue</b>		<b>10,343,713</b>	<b>9,950,986</b>
<b>Expenses</b>			
Personnel cost	17	4,574,055	4,958,912
Professional services	18	2,019,622	1,848,515
Other expenses	19	1,212,163	1,061,403
Operating lease and utilities	20	520,044	545,410
Travel, entertainment and business development	21	505,010	526,705
Survey related expense		410,868	388,034
Depreciation	7	138,847	67,170
Bad debts expense	23	3,330	106,242
<b>Total expenses</b>		<b>9,383,939</b>	<b>9,502,391</b>
<b>Net operating profit</b>		<b>959,774</b>	<b>448,595</b>
<b>Other comprehensive income</b>			
Items that will not be classified to profit or loss:			
Remeasurement of defined pension benefits	12	(470,000)	477,000
Remeasurement of post-retirement healthcare benefits	13	1,319,000	870,000
<b>Total other comprehensive income</b>		<b>849,000</b>	<b>1,347,000</b>
<b>Total comprehensive income</b>		<b>\$ 1,808,774</b>	<b>\$ 1,795,595</b>

*The accompanying notes form an integral part of these financial statements*



**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2019**  
**(Expressed in Cayman Islands Dollars)**

	<b>Contributed Capital</b>	<b>Accumulated Deficit</b>	<b>Other Comprehensive Income/(Loss)</b>	<b>Total</b>
<b>Balance at 31 December 2017</b>	<b>1,500,000</b>	<b>(2,847,668)</b>	<b>(125,000)</b>	<b>(1,472,668)</b>
Prior year adjustment	-	(204,919)	-	(204,919)
Effect of change in accounting policy	-	(101,902)	-	(101,902)
Net operating income for the year	-	448,595	-	448,595
Other comprehensive income	-	-	1,347,000	1,347,000
<b>Balance at 31 December 2018</b>	<b>\$ 1,500,000</b>	<b>\$ (2,705,894)</b>	<b>\$ 1,222,000</b>	<b>\$ 16,106</b>
IFRS 16 adjustment	-	(1,733)	-	(1,733)
Defined benefit pension adjustment	-	(55,807)	-	(55,807)
Net operating income for the year	-	959,774	-	959,774
Other comprehensive income	-	-	849,000	849,000
<b>Balance at 31 December 2019</b>	<b>\$ 1,500,000</b>	<b>\$ (1,803,660)</b>	<b>\$ 2,071,000</b>	<b>\$ 1,767,340</b>

*The accompanying notes form an integral part of these financial statements*

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2019**  
**(Expressed in Cayman Islands Dollars)**

	<u>Year ended</u> <u>31 December 2019</u>	<u>Year ended</u> <u>31 December 2018</u>
<b>Cash flows from operating activities</b>		
Net operating profit	\$ 959,774	\$ 448,595
<b>Adjustments for:</b>		
Depreciation	138,847	67,170
Increase in past service pension liability	531,000	(282,000)
Increase in post retirement healthcare liability	(899,000)	(261,000)
Remeasurement of defined pension benefits	(470,000)	477,000
Remeasurement of post-retirement healthcare benefits	1,319,000	870,000
Prior period adjustment	(1,733)	(204,919)
Allowance for doubtful debts	3,330	22,578
Effect of change in accounting policy	-	(101,902)
Scrapped assets (note 7)	43,675	-
Defined benefit pension adjustment	(55,807)	-
<b>Net changes in non-cash working capital relating to operations</b>		
(Increase)/decrease in trade receivables	114,023	577,250
Decrease in due from CIG	(75,946)	72,238
Increase/(decrease) in accounts payable & accrued expenses	176,562	(199,605)
Increase in unearned revenue	18,959	63,504
Decrease in employee entitlements	(11,748)	(5,645)
Increase in casualty investigation fund	70,760	62,619
<b>Net cash flows from operating activities</b>	<b>1,861,696</b>	<b>1,605,883</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(36,414)	(47,025)
<b>Net cash used in investing activities</b>	<b>(36,414)</b>	<b>(47,025)</b>
<b>Cash flows from financing activities</b>		
Net increase in lease liability	(68,658)	(47,025)
<b>Net cash used in financing activities</b>	<b>(68,658)</b>	<b>(47,025)</b>
Net increase in cash and cash equivalents	1,756,624	1,558,858
Cash and cash equivalents at beginning of year	5,329,145	3,770,287
<b>Cash and cash equivalents at end of year</b>	<b>\$ 7,085,769</b>	<b>\$ 5,329,145</b>

*The accompanying notes form an integral part of these financial statements*

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**  
**(Expressed in Cayman Islands Dollars)**

**1. Organization and Objectives**

---

Maritime Authority of the Cayman Islands (“MACI”, “the Authority”) is a statutory corporation formed as a separate legal entity under the Maritime Authority Law (2005) which came into effect on July 1, 2005. The Authority is wholly-owned by the Cayman Islands Government (“CIG”) and 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 up to 28 February 2019, and since 1 March 2019 reported to the newly-formed Ministry of International Trade, Investments, Aviation and Maritime Affairs; 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:

- The CISR’s vessel and mortgage registration, advisory, marine survey and audit services;
- 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;
- The CIG delegated responsibility for the implementation of Cayman’s obligations under the Caribbean Memorandum of Understanding on Port State Control for foreign-flagged vessels entering Cayman ports;
- The CIG delegated responsibility for Marine Casualty Investigation activities in relation to Cayman-flagged vessels;
- 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;
- The CIG delegated responsibility to represent the Cayman Islands at international forums and to protect its maritime interests;
- The CIG delegated responsibility to help facilitate the development of the Cayman Islands as an international maritime centre.

**2. Basis of preparation**

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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 (“IFRIC”). The reporting currency is Cayman Islands Dollars and figures presented have not been rounded, unless otherwise stated.

The reporting period is for the year ended 31 December 2019.

These financial statements provide comparative information for the year on year performance for MACI as at and for the year ended 31 December 2019.

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**  
**(Expressed in Cayman Islands Dollars)**

### **3. Significant Accounting Policies**

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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) Going concern**

As explained in Note 24, the coronavirus outbreak has caused significant disruption in both global and local economies. However, on the basis of management assessment and forecasts, management believes that the risk that the Authority would not be able to meet its obligation as they become due is low and that the Authority will continue as going concern for the foreseeable future.

**b) 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 other receivables.

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 unfavourable. 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 realises 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.

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**  
**(Expressed in Cayman Islands Dollars)**

**3. Significant Accounting Policies (Continued)**

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**b) Financial assets and liabilities (continued)**

*iv) Measurement (continued)*

MACI uses an allowance matrix to measure the expected credit losses (“ECLs”) of trade receivables from individual customers. Loss rates are calculated using a ‘roll rate’ method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

MACI uses an allowance matrix to measure the ECLs of trade receivables from individual customers. Loss rates are calculated using a ‘roll rate’ method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

**c) 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 recognised in the statement of comprehensive income. Monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the historical exchange rate i.e at the date of transaction.

**d) Revenue recognition**

The Authority recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for good or services. IFRS 15 - Revenue from contracts with customers provides a single, principles based five-step model to be applied to all contracts with customers.

To determine whether to recognise revenue, the Authority follows the standard’s 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

See note 16 for IFRS 15 application done by the Authority during the years ended 31 December 2019 and 2018.

**e) 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% in 2019 (2018: 4%). The full amount of the purchase agreement is treated as income in the year which it is earned.

**f) Expenses**

Expenses are recognised when incurred.

**g) Receivables and prepaids**

Receivables and prepaids are stated at the amounts expected to be ultimately collected in cash.

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**  
**(Expressed in Cayman Islands Dollars)**

**3. Significant Accounting Policies (Continued)**

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**h) 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 and fixtures, leasehold improvements and office equipment; and 33.33% for computer hardware and software, which is sufficient to write-off the cost of the assets over their estimated useful lives.

**i) 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 90 days from the date of acquisition. Cash accounts are held in Euro ("EUR"), Great Britain Pounds ("GBP"), United States Dollars ("USD") and Cayman Islands Dollars ("KYD").

**j) Accounts payable**

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

**k) Employee entitlements and benefits**

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.

**l) Employee benefits**

Obligation for contribution to defined benefit healthcare and defined benefit pension plans are recognised as an expense in the statement of comprehensive income as incurred (see Notes 13 and 12 respectively). 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 through other comprehensive income 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 net operating income.

**m) Use of estimates and judgements**

IFRS requires management to make estimates and assumptions that impact reported amounts for assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the period. Specifically, the key areas requiring estimation include the recoverability of trade receivables, lease liability, return of assets, anticipated credit losses and the measurement of the defined benefit pension and healthcare obligation. Actual results may differ from these estimates.

Trade receivables are considered to be recoverable in full by the Authority after taking into consideration the age of the receivable, the financial stability of the debtors, and the post period-end receipts to the date of the report. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

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**3. Significant Accounting Policies (Continued)**

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**n) New standards and amendments adopted by the Authority**

The Authority has adopted the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019:

IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019)

This standard replaces International Accounting Standards (“IAS”) 17 Leases. IFRS 16 ‘Leases’ replaces IAS 17 ‘Leases’ along with three Interpretations (IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases-Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’).

A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration’. To apply this definition, the Authority assesses whether the contract meets three key evaluations namely whether:

- (i) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Authority;
- (ii) the Authority has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and;
- (i) the Authority has the right to direct the use of the identified asset throughout the period of use. The Authority assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

The adoption of this new Standard has resulted in the Authority recognising a right-of-use asset and related lease liability in connection with the operating lease of its United Kingdom offices in at Part 1<sup>st</sup> floor, Vanbrugh House, Botleigh Grange, Office Campus, Grange Drive, Eastleigh, Hampshire and current lease on their Cayman Islands operations at Unit U1, Breezy Castle, Georgetown, Cayman Islands and a printer.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.25%. This is the appropriate rate that Cayman Islands Government Public Sector Entities have been encouraged to use.

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**3. Significant Accounting Policies (Continued)**

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**n) New standards and amendments adopted by the Authority (continued)**

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019:

	<b>IAS 17 carrying amount at 31 December 2018</b>	<b>Remeasurement</b>	<b>IFRS 16 carrying amount at January 1, 2019</b>
<b>Non-current assets</b>			
Right-of-use asset	-	202,405	202,405
<b>Total Right-of-use asset</b>	<u>-</u>	<u>202,405</u>	<u>202,405</u>
<b>Non-current liabilities</b>			
Lease liability	-	204,138	204,138
<b>Total Lease liability</b>	<u>-</u>	<u>204,138</u>	<u>204,138</u>

The comparatives disclosed for the period ended 31 December 2018 have not been adjusted for the impact of the adoption of IFRS 16 on lease liability. Instead, the opening retained earnings for the year ended 31 December 2019 have been reduced by \$1,733.



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**4. Cash and Cash Equivalents**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bank accounts	\$ 6,713,605	\$ 5,329,145
Fixed deposits	372,164	-
<b>Total cash &amp; cash equivalents</b>	<b><u>\$ 7,085,769</u></b>	<b><u>\$ 5,329,145</u></b>

Cash and cash equivalents consist of current, call deposits and fixed deposits maturing within 90 days from the date of acquisition. Cash accounts are held in EUR, GBP, USD and KYD.

In 2019, the fixed deposit balance of \$372,001 (2018: \$nil) of funds relating to the Casualty Investigation Fund. The bank accounts include \$374,602 (2018: \$355,643) of funds held from Customer's Revenue Deposits.

**5. Trade and Other Receivables**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Sales of goods & services	\$ 975,640	\$ 1,170,164
Other receivables	67,918	46,819
Prepayments	64,851	44,001
<b>Total gross receivables</b>	<b><u>1,108,409</u></b>	<b><u>1,260,984</u></b>
Provision for doubtful debts	(66,875)	(102,097)
<b>Total accounts receivable</b>	<b><u>\$ 1,041,534</u></b>	<b><u>\$ 1,158,887</u></b>

**6. Due from CIG**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Policy advice to CIG	\$ 70,870	\$ 10,638
Provision of technical advice and support to CIG	-	9,808
Long range identification and tracking of ships	3,111	5,419
State inspections and investigation services	28,333	503
<b>Total due from CIG</b>	<b><u>\$ 102,314</u></b>	<b><u>\$ 26,368</u></b>

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**7. Property, Plant and Equipment**

Description	Furniture and Fixtures	Computer Equipment	Other Assets/ Booth Displays	Right of use of Assets	Total Fixed Assets
<b>Cost:</b>					
At 1 January 2019	\$ 63,945	\$ 857,788	\$ 46,334	\$ -	\$ 968,067
Additions/(Disposals)	(220)	14,793	21,841	368,637	405,051
IFRS 16 remeasurement	-	-	-	202,405	202,405
Scrapped assets	-	-	(43,675)	-	(43,675)
At 31 December 2019	63,725	872,581	24,500	571,042	1,531,848
<b>Accumulated Depreciation:</b>					
At 1 January 2019	15,986	658,271	-	-	674,257
Depreciation	12,790	52,920	1,710	71,427	138,847
Scrapped assets	-	-	(1)	-	(1)
At 31 December 2019	28,776	711,191	1,709	71,427	813,103
<b>Net book value:</b>					
At 31 December 2019	<b>\$ 34,949</b>	<b>\$ 161,390</b>	<b>\$ 22,791</b>	<b>\$ 499,615</b>	<b>\$ 718,745</b>

Description	Furniture and Fixtures	Computer Equipment	Other Assets/ Booth Displays	Right of use of Assets	Total Fixed Assets
<b>Cost:</b>					
At January 1, 2018	\$ 63,945	\$ 812,797	\$ 44,300	\$ -	\$ 921,042
Additions	-	44,991	2,034	-	47,025
At 31 December 2018	63,945	857,788	46,334	-	968,067
<b>Accumulated Depreciation:</b>					
At January 1, 2018	3,197	603,890	-	-	607,087
Depreciation	12,789	54,381	-	-	67,170
At 31 December 2018	15,986	658,271	-	-	674,257
<b>Net book value:</b>					
At 31 December 2018	<b>\$ 47,959</b>	<b>\$ 199,517</b>	<b>\$ 46,334</b>	<b>\$ -</b>	<b>\$ 293,810</b>

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**8. Accounts Payable**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Trade creditors	\$ 251,963	\$ 72,469
Accruals	59,441	94,510
Provision for Legal Claims	-	60,000
Other payables	153,695	61,558
<b>Total accounts payable</b>	<b><u>\$ 465,099</u></b>	<b><u>\$ 288,537</u></b>

**9. Unearned Revenue**

Unearned revenue relates to the amount shown in the table below. Please refer to Note 16(E) for more details on contract liabilities.

	<u>31 December 2019</u>	<u>31 December 2018</u>
Advance payments received from customers	\$ 374,602	\$ 305,590
Contract liabilities	-	50,053
<b>Total unearned revenues</b>	<b><u>\$ 374,602</u></b>	<b><u>\$ 355,643</u></b>

**10. Casualty Investigation Fund**

The CIG through the Authority, is responsible, under international convention requirements and the Merchant Shipping Law (2016 Revision), for investigating marine casualties involving Cayman ships and foreign ships in Cayman waters. The purpose of such investigations is to establish the causes so that lessons may be learned in preventing any 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 period from 1 July 2015 to 30 June 2016, MACI created a sinking fund designated for carrying out casualty investigations on board Cayman-registered vessels. The fund has a balance as at 31 December 2019 of \$372,001 (2018: \$301,241), of which the full amount forms part of MACI's cash balance of \$7,085,769 (2018: \$5,329,145).

**11. Employee Entitlement**

	<u>31 December 2019</u>	<u>31 December 2018</u>
<b>Leave entitlement</b>		
Executive committee members	\$ 12,227	\$ 23,336
Management committee members	10,043	18,877
Managers	18,489	10,138
Administration	9,176	9,332
<b>Total employee entitlements</b>	<b><u>\$ 49,935</u></b>	<b><u>\$ 61,683</u></b>

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**12. Pension Obligation**

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

The Public Service Pensions Law, 1999 re-organized existing public service pension provisions into separate defined benefit and defined contribution schemes with effect from 1 January 2000. Only employees who were enrolled in the former public service pension scheme at that date were permitted to join the revised defined benefit scheme. The cut-off date for admission to the defined benefit scheme was later extended to 31 December 1999.

With effect from 1 January 2005, the PSPB mandated a transfer of obligation for retiring participants along with a matching notional transfer of assets, be made from the non-Central Government Employer to the Central Government. This decision was made to alleviate the administrative burden of allocating portions of each month’s benefit payment to relevant members.

This past service funding liability, which is generally equivalent to the actuarially determined present value of the defined benefit obligations less the value of the assets available to meet such obligations, is calculated periodically by the plan actuaries and reported to the Authority.

The schemes are valued by independent actuaries and there have been no changes to the actuarial methods. No curtailment or settlement occurred during the year. The latest estimate was done as at 31 December 2019 which reflected the pension liability of \$1,087,000 (2018: \$556,000). To reflect the estimated valuation, the Authority has recorded the amount of \$470,000 (2018: \$(477,000)) which is reflected within the statement of comprehensive income including \$203,000 (2018: \$258,000) defined benefit cost in personnel cost.

**A. Pension Expense and Reconciliation of Defined Pension Liability**

	<u>31 December 2019</u>	<u>31 December 2018</u>
	<u>\$000</u>	<u>\$000</u>
<b>Liability at the beginning of the year</b>	3,182	3,450
Defined benefit cost included in statement of comprehensive income	316	352
Participant contributions	59	63
Remeasurement included in other comprehensive income	1,072	(683)
<b>Liability at end of year</b>	<u>4,629</u>	<u>3,182</u>
<b>Components of defined benefit cost for the year:</b>		
Current service cost	182	231
Past service cost	134	121
Defined benefit cost included in comprehensive income	<u>316</u>	<u>352</u>
<b>Remeasurement Included in other comprehensive income (OCI):</b>		
Demographic assumptions change	(17)	(29)
Financial assumptions change	803	(476)
Plan experience	286	(178)
Total remeasurement included in OCI	<u>1,072</u>	<u>(683)</u>

The Authority classified the unfunded pension liability as a non-current liability as at 31 December 2019 and 2018.

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**12. Pension Obligation (continued)**

**B. Change in fair value of plan assets:**

	<u>31 December 2019</u>	<u>31 December 2018</u>
	<u>\$000</u>	<u>\$000</u>
Fair value of plan assets at beginning of year	2,626	2,612
Interest Income	113	94
<u>Cash flows</u>		
Employer and participant contributions	201	126
Benefit payments from plan	-	-
Administrative expenses paid from plan assets	-	-
Remeasurements – return on plan assets (excluding interest income)	602	(206)
Fair value of plan assets at end of year	<u>3,542</u>	<u>2,626</u>

**C. Defined benefit liability reconciliation:**

	<u>31 December 2019</u>	<u>31 December 2018</u>
	<u>\$000</u>	<u>\$000</u>
Defined benefit obligation at beginning of year	4,629	3,182
Fair value of plan assets	(3,542)	(2,626)
Defined benefit liability at end of year	<u>1,087</u>	<u>556</u>

**D. Sensitivity analysis on the defined benefit obligation:**

	<u>31 December 2019</u>	<u>31 December 2018</u>
	<u>\$000</u>	<u>\$000</u>
1. Discount rate		
a. Discount rate - 25 basis points	4,865	3,339
b. Discount rate + 25 basis points	4,408	3,036
2. Inflation rate		
a. Inflation rate - 25 basis points	4,413	3,039
b. Inflation rate + 25 basis points	4,859	3,334
3. Mortality		
a. Mortality - 10% of current rates	4,745	3,250
b. Mortality + 10% of current rates	4,523	3,120

**E. Expected cash flow for the following year:**

	<u>31 December 2019</u>	<u>31 December 2018</u>
	<u>\$000</u>	<u>\$000</u>
Expected employer contributions	85	86

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**12. Pension Obligation (continued)**

**F. Significant actuarial assumptions applicable to the defined benefit obligation:**

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
<b>Weighted-average assumptions to determine benefit obligations</b>		
1. Discount rate	3.50%	4.50%
2. Rate of salary increase	2.50%	2.50%
3. Rate of price inflation	2.00%	2.00%
4. Rate of pension increases	2.00%	2.00%
5. Post-retirement mortality table	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2018	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2018
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value
<b>Weighted-average assumptions to determine defined benefit cost</b>		
1. Discount rate	4.55%	3.85%
2. Rate of salary increase	2.50%	2.50%
3. Rate of price inflation	2.00%	2.00%
4. Rate of pension increases	2.00%	2.00%
5. Post-retirement mortality table	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2019	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2018
<b>Discount rate</b>		
Beginning of year disclosure and current year expense	4.50% per year	3.80% per year
End of year disclosure and following year expense	3.50% per year	4.50% per year
Increases in pensionable earnings	2.50% per year	2.50% per year
Rate of Pension Increases	2.00% per year	2.00% per year

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**12. Pension Obligation (continued)**

**F. Significant actuarial assumptions applicable to the defined benefit obligation (continued):**

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
<b>Mortality</b>		
Beginning of year disclosure and current year expense	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2018	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2016
End of year disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2019	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2018
Disability	None	None
Turnover rates	Age and gender based rates. See table below	Age and gender based rates. See table below
Retirement	Age-related retirement rates used. See table below	Age-related retirement rates used. See table below
<b>Mortality</b>		
Assumed life expectations on retirement	Retiring today (member age 57): 28.80 Retiring in 25 years (at age 57): 31.08	Retiring today (member age 57): 28.80 Retiring in 25 years (at age 57): 31.08
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

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**12. Pension Obligation (continued)**

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**F. Significant actuarial assumptions applicable to the defined benefit obligation (continued):**

<b><i>Turnover Rates at sample ages:</i></b>			<b><i>Retirement Rates:</i></b>	
<b>31 December 2019 and 2018</b>			<b>31 December 2019 and 2018</b>	
<b>Age</b>	<b>Males</b>	<b>Females</b>	<b>Age</b>	
20	7.5%	12.5%	Below 55	0%
25	5.0%	12.5%	55 - 59	8%
30	3.5%	7.5%	60	60%
35	2.5%	4.5%	61 -64	8%
40	1.5%	2.5%	65	100%
45	0.5%	5.0%		
50	0.0%	0.0%		

There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the tables above. The mortality assumption was updated to make allowance for future mortality improvements. In addition, the mortality improvement scale has been updated from Scale AA to Scale BB. These are the same assumptions as approved by the PSPB for use in the January 1, 2019 funding valuation of the Plan.

**13. Health Insurance Obligation**

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The Authority recognizes 100% of the employees' healthcare benefits liability earned to date to qualified participants. To be eligible for post-retirement healthcare program, an employee must meet the following criteria:

- MACI's transition period – for participants who transferred from CIG to MACI on 1 July 2005, retirement age is 50 with 10 years of continued service.
- For the remaining participants - retirement age is 60 with 10 years of continued service at time of retirement at MACI.

As of 31 December 2019, the number of active employees entitled to the above healthcare plan was 12 (2018: 13). The premiums for this health insurance coverage are paid for by the Authority for eligible retirees until the end of their lives. This coverage falls within the definition of a defined benefit and as such, represents a future liability.

The Authority is required to use the actuarial valuation method to determine the present value of its post- retirement healthcare obligations for former employees as well as future retirees and the related current service costs.



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**13. Health Insurance Obligation (continued)**

**A. Change in Defined Benefit Obligation**

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Liability at the beginning of the year</b>	5,229	5,490
Defined benefit cost included in statement of comprehensive income	420	609
Remeasurement included in other comprehensive income	(1,319)	(870)
<b>Liability at end of year</b>	<b>4,330</b>	<b>5,229</b>
<b>Components of defined benefit cost for the year:</b>		
Current service cost	370	409
Past service cost	(176)	-
Total net interest cost	226	200
Administrative expenses and taxes	-	-
Defined benefit cost included in comprehensive income	<b>420</b>	<b>609</b>
<b>Remeasurement Included in other comprehensive income (OCI):</b>		
Demographic assumptions change	236	(52)
Financial assumptions change	845	(812)
Plan experience	(2,400)	(6)
Total remeasurement included in OCI	<b>(1,319)</b>	<b>(870)</b>

**B. Change in fair value of plan assets:**

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
	<b>\$000</b>	<b>\$000</b>
Fair value of plan assets at beginning of year	-	-
Interest Income	-	-
Cash flows		
Employer and participant contributions	-	-
Benefit payments from plan	-	-
Administrative expenses paid from plan assets	-	-
Remeasurements – return on plan assets (excluding interest income)	-	-
Fair value of the deficit in plan assets at end of year	<b>-</b>	<b>-</b>

**C. Significant actuarial assumptions:**

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
<b>Weighted-average assumptions to determine benefit obligations</b>		
1. Discount rate	4.55%	4.55%
2. Immediate trend rate	5.00%	5.00%
3. Ultimate trend rate	5.00%	5.00%
4. Year rate reaches ultimate trend rate	N/A	N/A

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**13. Health Insurance Obligation (continued)**

**C. Significant actuarial assumptions (continued):**

<b>Weighted-average assumptions to determine benefit obligations</b>	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
5. Mortality assumption	RP-2014 projected using Scale MP- 2019	RP-2014 projected using Scale MP- 2018
6. Effective discount rate	4.55%	3.85%
7. Effective rate for interest cost	4.35%	3.65%
8. Effective discount for service cost	4.60%	3.90%
9. Effective rate for interest on service cost	4.60%	3.85%
10. Immediate trend rate	5.00%	5.00%
11. Ultimate trend rate	5.00%	5.00%
12. Year rate reaches ultimate trend rate	N/A	N/A
13. Post-retirement mortality table	RP-2014 projected using Scale MP- 2018	RP-2014 projected using Scale MP- 2016

**D. Sensitivity analysis on defined benefit obligation:**

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
	<b>\$000</b>	<b>\$000</b>
1. Discount rate		
a. Discount rate - 25 basis points	252	289
b. Discount rate + 25 basis points	(235)	(269)
2. Health care cost trend rates		
a. Health care cost trend rates - 100 basis points	(755)	(921)
b. Health care cost trend rates + 100 basis points	955	1,157
3. Mortality		
a. Mortality - 10% of current rates	(176)	(195)

**E. Expected cash flow for the following year:**

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
	<b>\$000</b>	<b>\$000</b>
Expected employer contributions	12	46
Expected total benefit payments: Year 1	12	46
Expected total benefit payments: Year 2	26	67
Expected total benefit payments: Year 3	52	84
Expected total benefit payments: Year 4	57	95
Expected total benefit payments: Year 5	63	104
Expected total benefit payments: Next 5 years	530	753

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**14. Financial Assets and Liabilities**

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IFRS 9 - Financial Instruments sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *IAS 39 Financial Instruments: Recognition and Measurement*.

*Classification and measurement*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, MACI classifies its financial assets as cash and cash equivalents, trade receivables and other receivables. IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications - those measured at amortised cost and those measured at fair value. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Cash and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. MACI's cash and receivables comprise trade and other receivables, short term deposits and cash and cash equivalents in the statement of financial position.

Financial assets are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income.

Financial liabilities in the Authority's financial statements are comprised of past service pension liability, post-retirement healthcare liability, accounts payable and accrued expenses, employee entitlements and the casualty investigation fund balance.

Such financial liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, customers and employees. Accounts payable and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Management has determined that there has been no impact on the measurement of these financial assets and liabilities resulting from the change of classification from IAS 39 to IFRS 9.

*Derecognition*

MACI derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Authority also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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**14. Financial Assets and Liabilities (continued)**

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*Derecognition (continued)*

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of comprehensive income.

MACI derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which MACI neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

MACI enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, MACI currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

*Impairment*

IFRS 9 replaces the “incurred loss” model in IAS 39 for the impairment of financial assets with an “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

*Allowance for credit losses*

An allowance for credit losses (“ACL”) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Financial assets carried at amortized cost are presented net of ACL on the statement of financial position. MACI measures the ACL at each reporting date according to a three-stage expected credit loss impairment model, with Stages 1 and 2 for performing financial assets, and Stage 3 for impaired financial assets.

Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date.

Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.

Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset.

The ECL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon.

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**14. Financial Assets and Liabilities (continued)**

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*Allowance for credit losses (continued)*

Increases or decreases in the required ACL attributable to derecognitions and remeasurements due to changes in loss expectations or stage migrations are recorded in provision for credit losses. Write-off and recoveries are recorded against the allowance for credit losses. The ACL represents an unbiased estimate of expected credit losses on financial assets as at the reporting date.

Judgement is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward-looking information. The underlying assumptions and estimates could result in changes to the allowances from period to period that significantly affects the results of operations.

*Measurement of expected credit losses*

Expected credit losses are based on a range of possible outcomes and consider available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

Expected credit losses are discounted to the reporting period date using the effective interest rate.

The Authority has adopted a "simplified approach" for trade receivables. The simplified approach, as permitted by IFRS 9, allows entities to recognise lifetime expected losses without the need to identify significant increases in credit risk (see Note 23).

*Expected life*

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

*Assessment of significant increase in credit risk*

The assessment of significant increase in credit risk requires significant judgement. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognized. For the purposes of this assessment, credit risk is based on the delinquency status. The assessment is performed at the instrument level.

MACI's assessment of significant increases in credit risk is performed at least quarterly based on two factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2:

- 1) Instruments which are 90 days past due are considered to have experienced a significant increase in credit risk.
- 2) Additional qualitative reviews are performed to assess the staging results and make adjustments, as necessary, to better reflect the positions whose credit risk has increased significantly.

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**15. Contributed Capital**

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The Authority's contributed capital represents cumulative funds injected by the Cayman Islands Government. The authorised capital of MACI as at 31 December 2019 is \$1,500,000 (2018: \$1,500,000) and CIG is the sole subscriber. The Cabinet of the Cayman Islands Government has fulfilled its commitment of contributed capital to MACI of the required \$1,500,000, having contributed all capital injections to date.

**16. Revenue from Contracts with Customers**

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MACI has four main categories of revenues as follows:

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
<b>Revenue</b>		
Sales of goods and services	\$ 7,480,659	\$ 7,381,118
Annual tonnage fees	2,006,379	1,723,194
Other operating revenue	513,279	433,096
Sales of goods & services - CIG	343,396	413,578
<b>Total revenue</b>	<b>\$ 10,343,713</b>	<b>\$ 9,950,986</b>

**A. Sales of goods and services**

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
Safety and surveyor fees	\$ 5,150,550	\$ 5,298,284
Technical compliance fees	856,607	984,593
Vessel registration fees	789,599	729,388
Safety and surveyor recoverable fees	394,073	368,853
<b>Total sales of goods and services</b>	<b>\$ 7,190,829</b>	<b>\$ 7,381,118</b>

i. Safety and surveyor fees

As a Category 1 British Registry, the 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 legislation.

Additionally, these survey and audit requirements are also guided by policies and procedures agreed among the members of the British Registers.

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**16. Revenue from Contracts with Customers (continued)**

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**A. Sales of goods and services (continued)**

i. Safety and surveyor fees (continued)

Safety Survey Recoverable Fees and Expenses are covered in Shipping Notice No. 01/2018 (effective 1 March 2018), section 5.1. Where a fee is determined by the amount of work involved, the amount to be charged shall be calculated by taking into account the amount of time spent, both in office and out of office, on the service, or other relevant activity, including, where applicable:

- Travelling time between the office and the location of or a localised base for a ship or shore establishment involved, subject to a maximum charge of sixteen hours for any one visit;
- The cost of return transport between the office and the location of the ship or shore establishment involved and any costs incidental thereto;
- 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; and
- Any additional costs incurred in relation to the work involved, including reasonable out of pocket expenses.

ii. Safety and surveyor fees

As a Category 1 British Registry, the 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 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 section 5.1 Shipping Notice No. 01/2018 (effective 1 March 2018). Where a fee is determined by the amount of work involved, the amount to be charged shall be calculated by taking into account the amount of time spent, both in office and out of office, on the service, or other relevant activity, including, where applicable:

- Travelling time between the office and the location of or a localised base for a ship or shore establishment involved, subject to a maximum charge of sixteen hours for any one visit;
- The cost of return transport between the office and the location of the ship or shore establishment involved and any costs incidental thereto;
- 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; and
- Any additional costs incurred in relation to the work involved, including reasonable out of pocket expenses.

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**16. Revenue from Contracts with Customers (continued)**

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**A. Sales of goods and services (continued)**

iii. Technical compliance fees

These services include the below:

- **Endorsements** - Crew members of Cayman-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 and for which, where appropriate, MACI issues endorsements attesting to the recognition of such certificates.
- **Seaman's discharge book ("SDB")** – This 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.
- **Minimum safe manning** – Cayman issues a Minimum Safe Manning Document under provisions of Chapter V (Safety of Navigation) of Safety of Life at Sea, 1974 ("SOLAS") 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.

iv. Vessel registration fees

MACI offers five types of vessel registration: full, interim, provisional, under construction and demise (bareboat) charter. MACI also offers several vessel ownership structures, ranging from individual ownership through to a choice of corporate ownership options.

**B. Annual tonnage fees**

Annual tonnage fees were as follows:

	<u>Year ended</u> <u>December 31, 2019</u>	<u>Year ended</u> <u>December 31, 2018</u>
Flag state compliance fee	\$ 270,641	\$ 246,697
Tonnage fees - ships	495,145	442,016
Tonnage fees - yachts	1,215,215	1,010,239
Tonnage fees - local vessels	25,378	24,242
<b>Total annual fees</b>	<b><u>\$ 2,006,379</u></b>	<b><u>\$ 1,723,194</u></b>

The term 'tonnage' relates to the internal volume of the ship and this has no relation to the weight of the ship. Historically, the term tonnage relates to the cargo-carrying capability of the ship, and the word originates from the word 'ton' 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 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.



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**16. Revenue from Contracts with Customers (continued)**

**C. Other operating revenue**

Other operating revenue relates to revenue made from the sale of vessel books and other products, as well as re-imburement of accommodation, travel and other costs related to vessel surveys.

	<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>
Professional service fees	\$ 407,985	\$ 343,790
Vessel books and products	198,727	204,266
Gain on foreign exchange	9,982	123,845
Communication and courier fees	94,539	123,534
Other fees (including 1% late fee)	107,571	93,683
Revenue refunds and reversals	(85,873)	(456,022)
Gain on Sale of Asset	(1,198)	-
<b>Total other operating revenue</b>	<b><u>\$ 731,733</u></b>	<b><u>\$ 433,096</u></b>

**D. Sales of goods and services - Cayman Islands Government**

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 4.0% for the year ended 31 December 2019 (2018: 4.0%). The full amount of the purchase agreement is treated as income in the year which it is earned.

During this financial year, the annual purchase agreement was \$419,146 (2018: \$413,578) and the Authority provided services for a value of \$343,396 (2018: \$435,591). The amount of \$nil (2018: \$22,013) was written off (from 'Policy Advice to Cabinet' output) for services provided in excess of the agreement.

	<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>
Policy advice to CIG	\$ 232,406	\$ 166,838
Provision of technical advice and support to CIG	18,094	153,844
Long range identification and tracking of ships	7,896	85,000
State inspections and investigations services	85,000	7,896
<b>Total sales of goods and services to CIG</b>	<b><u>\$ 343,396</u></b>	<b><u>\$ 413,578</u></b>

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**16. Revenue from Contracts with Customers (continued)**

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**E. IFRS 15: Revenue from contracts with customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

i. Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Authority recognises revenue when it transfers control over a service to a customer. The Authority has initially applied IFRS 15 from 1 January 2018. Information about the Authority's accounting policies relating to contracts with customers is provided below.

ii. New build survey fees

Under IFRS 15, revenue for listing fees is recognised over time based on the number of performance obligations discharged by MACI as each stage of the contract. There are two separate performance obligations over the life of the contract as follows:

- review of architectural drawings and provision of technical advice to the shipyard prior to each physical inspection of the vessel; and
- physical inspection of the vessel at the shipyard by a MACI consultant at various stages of construction, to ensure that it meets the requirements of international conventions agreed upon by members of the International Maritime Organization ("IMO").
- These performance obligations are executed over the course of the actual visits made per the contracted amounts.

As a result of the adoption of IFRS 15, a portion of new build survey fees for the year ended 31 December 2019 was deferred and a contract liability recognized for \$nil (2018: \$50,053). IFRS 15 did not have a significant impact on the Authority's accounting policies with respect to other revenue streams.

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

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**16. Revenue from Contracts with Customers (continued)**

**E. IFRS 15: Revenue from contracts with customers (continued)**

ii. New build survey fees (continued)

<b>Type of service</b>	<b>Nature and timing of satisfaction of performance obligations</b>	<b>Revenue recognition under IFRS 15 (applicable from 1 January 2018)</b>	<b>Revenue recognition under IAS 18 (applicable before 1 January 2018)</b>
Vessel registration fees	Once the customer's application for vessel registration/deletion or mortgage registration is accepted by the Authority, the vessel/mortgage registration or deletion is processed by the Authority.	Revenue is recognized at the point at which the vessel registration/deletion or mortgage registration is processed, based on the Authority's published price list.	Revenue was recognized upon vessel registration/deletion or mortgage registration.
Annual tonnage fees	Invoices for annual tonnage fees are issued at the point at which the security is listed, and subsequently at beginning of each calendar year.	Revenue is recognized at the point in time at which the security is registered, subsequently, at the beginning of each calendar year, based on the Authority's published price list.	Revenue was recognized at the point in time at which the security is registered, and subsequently, at the beginning of each calendar year.
Safety and surveyor fees	<u>Working vessels</u> Surveys of working vessels are conducted at the point at which the customer makes the request or a survey.	<u>Working vessels</u> Revenue is recognized at the point in time at which the survey is conducted, based on the Authority's published price list.	<u>Working vessels</u> Revenue was recognized at the point in time at which the survey was conducted.
Technical compliance	The services are provided as requested by the Authority's clients.	Revenue is recognized at the point in time at which the services are provided, based on the Authority's published price list.	Revenue was recognized at the point in time at which the services are provided.
Other operating fees	The services are provided as requested by the Authority's clients.	Revenue is recognized at the point in time at which the services are provided, based on the Authority's published price list.	Revenue was recognized at the point in time at which the services are provided.

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**16. Revenue from Contracts with Customers (continued)**

**E. IFRS 15, Revenue from contracts with customers (continued)**

iii. Contract balances

The following table provides information about receivables and unearned revenues from contracts with customers as of 31 December 2019 and 2018.

	<u>Year ended</u> <u>31 December 2019</u>	<u>Year ended</u> <u>31 December 2018</u>
Trade receivables	1,041,534	1,094,435
Unearned revenues	374,602	355,643

Included in unearned revenues are contract liabilities that relate to performance obligations partially satisfied for new build surveys. As at 31 December 2019, the amount of contract liabilities is \$nil (2018: \$50,053), which will be recognised as revenue over the next year.

**17. Personnel Cost**

	<u>Year ended 31</u> <u>December 2019</u>	<u>Year ended 31</u> <u>December 2018</u>
Salaries and wages	\$ 3,281,824	\$ 3,298,143
Post retirement healthcare expense	420,000	-
Health care expense	322,835	929,390
Other personnel cost	250,370	400,857
Pension expense	309,508	313,274
Movement in annual leave provision	(10,482)	17,248
<b>Total personnel cost</b>	<b>\$ 4,574,055</b>	<b>\$ 4,958,912</b>

**18. Professional Services**

	<u>Year ended 31</u> <u>December 2019</u>	<u>Year ended 31</u> <u>December 2018</u>
Professional fees survey	\$ 1,066,663	\$ 997,458
Professional fees	829,843	764,892
Other professional costs	123,116	86,165
<b>Total professional services</b>	<b>\$ 2,019,622</b>	<b>\$ 1,848,515</b>

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**19. Other Expenses**

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
Maintenance	\$ 636,002	\$ 619,574
General and administration services	412,567	298,006
Bank fees	120,044	108,407
Insurance	34,665	35,416
Finance charges	8,885	-
<b>Total other expense</b>	<b>\$ 1,212,163</b>	<b>\$ 1,061,403</b>

**20. Lease Obligations and utilities**

The Authority has applied IFRS 16 using the modified retrospective approach and therefore the corresponding figures have not been adjusted for the impact of the adoption of the standard and continues to be reported under IAS 17 and IFRIC 4. Instead, the opening retained earnings for the year ended 31 December 2019 have been reduced. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 3.

The Authority recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Refer to Note 7 for the movement of the right of use of the lease assets during the year ended 31 December 2019.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Authority's incremental borrowing rate. Generally, the Authority uses CIG's incremental borrowing rate as the discount rate.

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**20. Lease Obligations (continued)**

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Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Authority is reasonably certain to exercise, lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Authority is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Authority's estimate of the amount expected to be payable under a residual value guarantee, or if the Authority changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

<b>Maturity analysis</b>	<b>31 December 2019</b>
Less than one year	\$ 125,028
One to five years	377,357
More than five years	-
Total undiscounted lease liabilities at 31 December	<u>\$ 502,385</u>
Lease liabilities included in the statement of financial position at 31 December 2019	
Current	125,028
Non-current	377,357

During the year ended 31 December 2019 operating lease expenses for a year on year lease agreement between MACI and the Cayman Islands Government was \$305,764. The Authority elected to not recognise right of use asset and lease liabilities for this lease, being an exemption allowed under IFRS 16.5 by reason of the lease being classified as a short-term lease with a termination option that the Authority exercised as at 31 December 2019.

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**20. Lease Obligations (continued)**

The total amount of the Authority's lease obligations and utilities not affected by IFRS 16 reflected on the statement of comprehensive income is summarized below:

	<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>
Electricity (Utilities)	\$ 11,822	\$ 8,795
Telephone Charges	41,978	36,668
Facsimile Charges	71	342
Lease of Sites or Buildings	452,978	466,794
Lease of Equipment (I&T)	13,195	32,811
<b>Total other expense</b>	<b><u>\$ 520,044</u></b>	<b><u>\$ 545,410</u></b>

**21. Travel, Entertainment and Business Development**

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 as possible.

	<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>
Business development	\$ 228,342	\$ 279,481
Official travel	235,178	216,910
Entertainment	41,490	30,314
<b>Total travel, entertainment and business development</b>	<b><u>\$ 505,010</u></b>	<b><u>\$ 526,705</u></b>

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**22. Related Party Transactions**

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The Board of Directors (“Board”) of MACI is appointed by the Governor and Cabinet and consists of the Chief Executive Officer (“CEO”), Secretary to the Board as ex-officio members, and seven (2018: six) directors as at December 2019. The fees of \$17,460 (2018: \$14,250) relates to payments made to the seven directors and Secretary to the Board.

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 is a director of the PSPB

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 in the Executive Management Team for the year ended 31 December 2019 was 4 (2018: 5) and salaries and other short-term benefits expensed were \$921,000 (2018: \$986,000) and 3 (2018: 3) of the executives participated in the long-term benefits obligation. The expenses for the long term benefit obligations for the year ended 31 December 2019 were \$736,000 (2018: 961,000).

The following Government department/entities provided services to MACI during 2019 with amounts being expensed:

	<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>
i. Treasury department	\$ 24,392	\$ 19,048
ii. Cayman Islands Government london office	111,131	-
iii. Computer services department (post-election July 2017 onwards)	31,420	28,361
iv. Immigration department	11,700	18,412
v. Cayman Islands cabinet office	16,944	18,412
vi. Counselling Services department	410	-
vii. Public Service Pension Board (post-election July 2017 onwards)	191,350	199,923
viii. Office of the Auditor General	8,050	7,000
ix. Ministry of Commerce, Planning & Infrastructure	305,764	305,764
x. Ministry of Finance & Economic Development	1,338	2,676
xi. Portfolio of Civic Service Administration	490	200
xiii. Postal service	250	315



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**23. Financial Instruments**

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MACI's operating activities expose it to various types of financial risks that are associated with the financial instruments and markets in which it invests. These financial risks include credit and counterparty risk, liquidity risk and market risk (including currency risk and interest rate risk). The Authority's overall risk management program focuses on minimising potential adverse effects on the Authority's operations resulting from these financial risks. The exposure to, and management of, these risks are summarized below.

**a. Credit and counterparty risk**

Credit and counterparty risk is that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially expose MACI to credit risk consist primarily of cash and cash equivalents and trade receivables.

Trade receivables and contract assets

MACI's trade receivables do not contain any financing components. In accordance with IFRS 9, MACI calculates impairment allowances based on default rates as shown in the expected credit loss assessment table below.

MACI's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

MACI does not require collateral in respect of trade receivables. MACI does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

MACI limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including their geographic location, industry, trading history with the Authority and existence of previous financial difficulties.

The Authority's policy is to provide for an allowance for credit losses based on expected credit losses on both the total trade receivables balance as well as specifically identified outstanding trade receivables based on the age and assessed collectability of receivables.

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**23. Financial Instruments (continued)**

**a. Credit and counterparty risk (continued)**

Expected credit loss assessment

MACI uses an allowance matrix to measure the ECLs of trade receivables from individual customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

MACI uses an allowance matrix to measure the ECLs of trade receivables from individual customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019 and 2018.

<b>Age of accounts receivable - impaired</b>	% Loss	<b>31 December 2019</b>	<b>31 December 2018</b>
Current	3%	\$ 499,799	\$ 414,780
31-60 days past due	6%	185,355	324,846
61-90 days past due	11%	73,122	84,848
Over 91 days past due	18%	150,489	269,961
<b>Total</b>		<b>\$ 908,766</b>	<b>\$ 1,094,435</b>

Loss rates are based on actual credit loss experience over the past year. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and MACI's view of economic conditions over the expected lives of the receivables.

The movement in the allowance for doubtful debts in respect of trade receivables and contract assets during the year was as follows.

<u><b>Movement in allowance for credit losses</b></u>	<b>31 December 2019</b>	<b>31 December 2018</b>
Balance at beginning of year	\$ 102,097	\$ 256,800
Impairment losses recognised on receivables	3,330	106,242
Amounts written off as uncollectible	(38,552)	(260,945)
Balance at end of year	<b>\$ 66,875</b>	<b>\$ 102,097</b>

The reduction in the amount of trade receivables and the corresponding reduction in the impairment loss allowance during the year ended 31 December 2019 was due to the write-off of \$38,553 (2018: \$491,813) in bad debts included under other expenses under Note 19. The net provision expense for the year ended 31 December 2019, was \$3,330 (2018: \$337,110).

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**23. Financial Instruments (continued)**

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**a. Credit and counterparty risk (continued)**

*Cash and cash equivalents*

MACI cash and cash equivalents of \$7,085,769 at 31 December 2019 (2018: \$5,329,145). MACI mitigates its exposure to credit risk by placing cash with major international institutions.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. MACI considers that its cash and cash equivalents have low credit risk based on the external credit ratings of its counterparties.

**b. Liquidity risk**

Liquidity risk is the risk that the MACI will encounter difficulty in meeting obligations associated with financial liabilities.

MACI's primary financial liabilities are accounts payable and accrued expenses, past service pension liabilities, post-retirement healthcare liabilities and casualty investigation liabilities. MACI monitors current assets and liabilities to ensure that it has sufficient liquid assets to be able to meet its future expected cash outflows.

**c. 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 these assets and liabilities are not materially different from the carrying amounts.

**d. Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for MACI comprises two types of risk: currency risk and interest rate risk. The Authority is not exposed to any other market risks.

*i. Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

MACI receives revenue in Euro, GBP, USD and KYD. Expenses are also paid in GBP, USD and KYD. The exchange rate between KYD and USD is fixed however, since the exchange rates are variable between KYD, the Euro, and the GBP, the Authority is exposed to foreign currency risk. The impact of any fluctuation of foreign currencies would not have a material effect on MACI's net income and comprehensive income. As such, no currency risk sensitivity analysis has been prepared.

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**23. Financial Instruments (continued)**

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**e. Market risk (continued)**

*ii. Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The only financial instrument upon which changes in interest rates could have an impact is a fixed deposit, which is shown on the statement of financial position as part of cash and cash equivalents. As the financial instrument is short-term in nature and a fixed rate is set at each monthly renewal of the fixed deposit, interest rate fluctuations would not significantly impact MACI's future cash flows. As such, no sensitivity analysis for interest rate risk has been prepared.

**24. Subsequent Events**

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In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The global efforts to contain the spread of the coronavirus began to cause significant disruption in the global and local economies from January 2020 to date. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Authority expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

Management has evaluated subsequent events through 6 August 2020, the date the financial statements were available to be issued.

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