



**Annual Report**  
**January - December 2020**

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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 2020 Annual Report.

2020 was a year like no other in recent history. MACI maintained operations during this unprecedented time by putting specific plans in place and continuing to serve clients during the Global COVID-19 pandemic. The organisation has shown resilience due to robust quality management systems, IT systems and paperless solutions, with flexible, motivated employees all contributing to a smooth transition to remote working.

Although the past investment in effective systems provided for a smooth transition, MACI continued to look for effective ways to assist its clients and maintain overall business continuity during the worst of the lock down periods. In particular, the strategic decision taken many years ago to provide survey and certification services at key shipping and yachting locations worldwide allowed the organisation to fully service clients as soon as local restrictions are lifted.

MACI has recognised continued improvement on its position from CI\$8,948,362 to CI\$10,070,454. Cash position continues to grow with an ending balance at December 31, 2020 of CI\$8,484,927; an increase of 20% over December 31, 2019. Total Assets grew from CI\$8,229,617 to CI\$9,773,315 a 19% increase while Total Liabilities increased from CI\$8,574,022 to CI\$10,653,391 year over year.

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. I thank my fellow board members and the management team at MACI for their continued unwavering commitment to developing the Cayman Islands into a quality international maritime centre.

Sherice Arman  
Chairperson, MACI Board of Directors

## CHIEF EXECUTIVE OFFICER, MACI

2020 has been a year in which we have all had to adapt to changes and challenges brought on by COVID-19. MACI has demonstrated incredible resilience in the face of this global pandemic and adapted quickly across our network to support all of our clients and stakeholders during this unprecedented time.

Early anticipation of the effects COVID-19 restrictions would have on its functions ensured that employees could continue to function once the restrictions were put in place. This paid dividends as MACI was able to continue servicing its valued clients with minimal, if any, interruption in service. Representation in multiple time zones around the world enabled the leveraging of resources from other locations where necessary, ensuring business continuity for clients. Global personnel worked remotely to keep personnel safe while allowing them to continue to service their clients' needs effectively.

The priority during the COVID-19 pandemic remained the safety of Cayman vessels and crew, along with the protection of the marine environment. We understood that in view of the ongoing and evolving situation with the outbreak of COVID-19, owners and managers of Cayman Islands' registered vessels were facing challenges.

MACI's pragmatic approach ensured maximum responsiveness to the needs of ship owners whilst maintaining international standards at the highest level as demonstrated by its continued low risk, white list status on the major MOUs, namely Paris and Tokyo MOU as well as US Coastguards Qualship 21 status. These accolades earning the world-wide reputation for excellence and efficiency and helping to keep Cayman the flag of choice.

Additionally, Cayman was again recognized by the International Chamber of Shipping for the ninth 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 Register ended 2020 with 2,284 vessels registered with a total of 6.01 million gross tons. We continued to dominate the superyacht new build market increasing in the new build portfolio by 35% over the 2018-2020 period showing that Cayman is being recognized for its technical excellence, building a solid reputation as a leader in regulator and advisory services.

Our focus will always be on the quality of the flag and the needs of our clients. As we continue to sail through the unchartered waters in the wake of COVID-19, MACI remains dedicated to maintaining an outstanding safety and quality record for the Cayman flag.

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> </ul>

	<ul style="list-style-type: none"> <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> <li>• Hosted the Annual General Meeting of the Caribbean Memorandum of Understanding (CMOU) on Port State Control (PSC).</li> </ul>

	<ul style="list-style-type: none"> <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>• 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 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>
2020	<ul style="list-style-type: none"> <li>• Achieved 6.01m GT with 2,284 units on the Register and an average age of 12.9 years for Merchant Ships and Commercial Yachts over 30m, at December 31, 2020</li> <li>• 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 9<sup>th</sup> consecutive year.</li> </ul>

## **DIVISIONS AND FUNCTIONS OF THE AUTHORITY**

### **COMMERCIAL SERVICES**

The Commercial Services section turned attention to enhancing the Cayman Registry product to maintain our leading position within the maritime industry, the yachting sector in particular.

As the COVID-19 pandemic continued to evolve, unleashing a new era of change in the way the world does business. MACI focused efforts on key areas to help stabilize and enhance the services offered to its clients. This was done through reviewing and updating processes to ensure the continuity of business regardless of country wide lockdowns.

CISAC (Cayman Islands Shipowners' Advisory Committee), (CISAC-Yacht Committee), (CISAC-Asia) (CISAC-Yacht Committee) were held virtually in order to maintain our close relationship with the shipowners within our main market sectors.

### **REGISTRATION AND RECORDING**

Registration and Recording 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 9th year running as being top-of-class in the 2020 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 2020 with 2,284 units, which includes 1,872 pleasure vessels, 207 merchant, 111 commercial vessels, and 94 local vessels. The Register totaled 6.01 million gross tons.

At the end of this period, there were 103 name reservations, 9 registered vessels under construction, and 166 new-build yachts, 10 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 third year, had its financials audited by a non-governmental entity.

## **SAFETY & COMPLIANCE**

### **SURVEY, AUDIT AND INSPECTION**

The impact of COVID-19 required strategic development which involved the re-deployment of personnel throughout Europe to ensure the ability of the Cayman Registry to perform the required surveys, audits and inspections on the fleet.

During the pandemic flights were severely restricted throughout Europe and in some cases many of the regular flights were suspended. As a result of the airline disruption and the associated danger of traveling by air, several technical personnel were redeployed from the UK to strategic locations around Europe. Travelling personnel were encouraged to use private vehicles to travel from the UK to their designated location thus reducing any possible risk to themselves of exposure to the virus. In addition, several representatives already in Europe were utilised to provide technical services to yachts and ships within key locations.

In addition to the redeployment of personnel, MACI also commissioned a pilot scheme to investigate the possibility of remote surveys, audits, and inspections, whilst there is certainly some merit in this approach, there were several significant challenges which limited its use and was not considered as a replacement for surveyor attendance. Furthermore, client feedback suggested that their preference was that MACI has a physical presence onboard for survey, audit and inspections. Remote audits were one area where there are advantages over physical presence and as such is currently being used on a pilot scheme, in other areas however development will continue and will be subject to regular review.

As a result of the European Regional Office (ERO) closure on UK Government advice, and latterly the introduction of both shift systems and skeleton staff, most of the European Regional Office staff moved to remote working. To ensure regular personnel interaction several daily, weekly and monthly meetings were introduced. For the European surveyors this consists of a daily morning meeting with an ERO meeting held weekly.

Safety and Compliance continued to hold in person technical meetings with the first in UK in January 2020 for the Europe, Middle East and Asia regions. Remote meetings using teams were held in both Americas and South East Asia.

In addition to the above MACI continues to engage with industry partners at key events and technical seminars, in 2020 MACI participated in several key events including webinars and remote meetings.

## **INTERNATIONAL MARITIME ORGANISATION (IMO) INSTRUMENT IMPLEMENTATION CODE (IIIC)**

MACI has continued its preparation for the IIIC audit which was postponed in September 2020 and now scheduled for Feb/Sept 2021. This audit will be conducted by IMO on the UK and its overseas territories and crown dependencies. MACI has the role of the Flag State for the Cayman Islands Government. As part of this audit Safety & Compliance have completed an extensive review of procedures and processes across all of its activities and documented these in a Quality Management Manual. In addition to the implementation of the QMM the frequency, consistency and extent of reporting of Safety & Compliance performance indicators has been enhanced and improved and now include more detailed reports on Flag State performance. MACI has also closed out findings from the IIIC Mock Audit carried out on MACI by the UK MCA including the development of detailed instruction for the Recognised Organisation surveyors

Following the development of the IMO Code for Recognised Organisation and a common Red Ensign Group template a new set of agreements between MACI and their six Recognised Organisations a new set of agreements were signed in preparation for the IIIC audit. These agreements were also supplemented by detailed instruction to the RO surveyors which is now in the form of a Shipping Notice and available on the MACI website

## **TECHNICAL POLICY AND YACHT CODES**

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. For the first time and due to COVID-19 restrictions this event was held using Microsoft Teams with the Co-Chairs being located at Marine Coastguard Agency's (MCA) Head Quarter in Southampton. The meeting was extremely well attended giving the opportunity to overseas members to participate, with excellent engagement from the delegates.

MACI continues to take an active role in the ongoing amendments and Corrigenda update for the Red Ensign Group Yacht Codes, in 2020 Corrigenda 2 was approved by the REG Technical Forum and published in December for implementation in July 2021.

In 2020 MACI was involved in several of the International Standards Organisation (ISO) working groups relating to Yacht design and construction

To ensure the consistent application of technical policy across all regions Monthly Surveyor New Build meetings are held and recorded and available for review by all technical personnel.

The organizational technical policy is set by the Global Director Safety & Compliance in consultation with the Regional Directors during monthly meetings, all agenda items together with the agreed outcomes are recorded for future reference.

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. Through 2020 MACI was engaged with its industry partners to expand YET into Italy and Croatia

## **PORT STATE CONTROL**

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. Its target of 30 inspections per year, in line with the CMOU guidelines was severely hampered in 2020 due to the COVID-19 Pandemic.

## HUMAN RESOURCES AND ADMINISTRATION

The Human Resources and Administration Division 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

#### **PERSONNEL CHANGES**

During this period personnel changes at MACI were as follows:

Section	New Hires	Resignations	Redundancy	Converted to Independent Contractor
Safety & Compliance	3	0	0	0
Finance	0	0	0	0
Human Resources	1	0	0	0
Commercial Services	0	0	0	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</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.

#### **INTERNSHIP PROGRAMME**

Due to the impact of the COVID-19 Pandemic on the global and local community, the Internship Programme was suspended. Consequently, no High School Career Days or the Chamber of Commerce Career Expo were held during 2020. All such activities are expected to resume during the 2021 calendar year, pending the Pandemic status.

#### **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 Naval architecture. Consideration is also given to specialist areas that support the maritime industry such as Legal, Human Resources, Accounting and IT. The 2017 and 2018 recipients are completing studies in Naval Architecture and Nautical Science at the University of Plymouth, UK. No Maritime Scholarship applications were received in 2020. The MACI will continue to collaborate with the Ministry and intends to establish a MACI-funded Maritime Scholarship during 2021.

#### **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.

Due to COVID-19 and the travel restrictions, there were no Business Development visits in 2020.

## **EVENTS**

Event planning and management, as well as strategic marketing campaigns, are used to address specific target markets for further development.

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.

However, due to the COVID-19 pandemic, 2020 was a very challenging year. The pandemic affected every industry and the way business was done; the shipping industry was no exception. In an effort to maintain its status in the yachting and shipping industry, the Cayman Islands Shipping Registry welcomed opportunities to participate in overseas events brought through virtual platforms.

In October 2020 the Registry, along with hundreds of other companies, welcomed the opportunity to participate for the first time virtually at the 1<sup>st</sup> North American Shipping Week. The virtual event consisted of a conference and an exhibition, both of which the Registry had a very strong presence at. The North American Shipping Week was a joint effort between Shipping Insight and Connecticut Maritime Association. This new innovative approach to doing business was well received by the industry, and by all accounts, the event proved to be very successful.

Also, in October, the Fort Lauderdale International Show, which is the largest boat shows in the world, held a scaled back event. While the Registry did not exhibit, we nevertheless attend the show in an attempt to make ourselves available to our clients.

## **OFFICE OF THE CEO**

### **MARITIME POLICY**

Maritime Policy 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.

### ***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 now being finalized with Legal Drafting and is expected to be considered by Parliament in Q1 2021. 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. Revised "Manning Regulations" have also been drafted with a view to adoption with the revised MSL. These regulations ensure the Cayman Islands compliance with the STCW Convention on seafarer training and competence.

The revised 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. The revised Law is also a key component necessary to demonstrate compliance with the IMO III Code.

### **MARITIME POLICY**

During the 2020, 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 2020, the section developed a number of Shipping Notices and Guidance Notes to assist and support both ship owners and seafarers in the challenges brought by the COVID-19 pandemic.

### **QUALITY MANAGEMENT SYSTEMS**

During 2020, formal quality assurance documentation has been produced or revised in relation to the key client facing operations of MACI. Towards the end of 2020 a full internal audit program was commenced using an impartial auditor. This audit program will be completed in January 2021 and will provide a “baseline” from which MACI’s commitment to continuous improvement can bring service delivery benefits to both individual sections and across MACI.

The Quality Management Systems (QMS) of MACI is now 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 2021/22, 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 2020 the Casualty Investigation section processed over one hundred and seventy 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 second year in succession, 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). The year 2020 saw an increase of 41 accidents and incidents reported to MACI when compared to 2019..

During 2020, one very serious marine casualty was reported to MACI. This involved an engineer on a yacht being electrocuted while working on equipment in the engine room. Access to the yacht and witness necessary for the investigation of this accident was made extremely challenging due to the restriction imposed by the COVID-19 pandemic. However, the full report into this accident is expected to be published in Q1 2021.

The Cayman Islands has entered into a Memorandum of Understanding (MOU) with the UK Marine Accident Investigation Branch (MAIB). This MOU was made in July 2020 and under its terms, the MAIB will undertake the investigation and reporting of all future very serious marine casualties that occur in relation to a Cayman Islands ship.

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.

## **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 2020 the Shipping Master has investigated 168 complaints from seafarers on Cayman Islands Ships, this is a significant (over 80%) increase since 2019. It is considered highly likely that the bulk of this increase is related to the effects of the COVID 19 Pandemic. More than half of all 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). The second 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 8 “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.

Furthermore 2020 has seen the Shipping Master involved in many queries and disputes arising from the COVID-19 Pandemic which has resulted in a significant increase in advice given out and the Shipping Master has had to respond to fast moving situations in developing advice to meet concerns of seafarers, shipowners and employers. In particular there have been many queries regarding repatriation and rights where flights are suspended or delayed and where mandatory quarantine is required before or after the period of service. The Shipping Master has also dealt with all reported cases of COVID-19 on Cayman Islands flagged vessels, including advising Safety and Compliance where there are cases on our vessels that may impact on surveys. As of 31 December 2020 there have been 107 separate reported outbreaks on Cayman Islands flagged vessels involving 320 persons.

## **TECHNOLOGY**

The 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.

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.

- Moved the UK IT infrastructure to Microsoft Azure in Ireland.
- Migrated the majority of MACI GT IAAS on premise to the latest Microsoft Azure Stack with the exception of CRM.
- Continued implementation of CRM across Divisions.
- Moved MACI to Remote Desktop for daily access ensuring business continuity during the COVID-19 pandemic.

## **INFORMATION**

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

## **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 2020, the Registry's updates continued to be circulated via local and overseas media houses, the CISR website, social media and the MSCC and CISAC advisory groups.

## **CLIENT RELATIONSHIPS**

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.

Data gathered in respect to client relationship management, indicated that 94 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.

## 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

### REGULATIONS 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 Constitution (Amendment) Order (2020).
4. The Evidence (Amendment) Law (2020 Revision).
5. The Electronics Transactions Law (2003 Revision).
6. The Limitation Law (1996 Revision).
7. The Public Service Pensions Law (2020 Revision).
8. The National Pensions (Amendment) Law (2020).
9. The Public Management and Finance Act (2020 Revision)
10. Penal Code (Amendment) Law (2020)
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

1. 44 employees (20 female and 24 male).
2. Age range 24 to 67.
3. CEO (1), Global Directors (3), Regional Directors (2), Director (1), Chief Policy Advisor (1), Head (6), Operational Staff (30)
4. 61% Caymanian and 39% Non-Caymanian
5. Salary Scale range CI\$23,640 to CI\$235,217

## PERSONNEL CHANGES

During this period personnel changes at MACI were as follows:

TYPE OF CHANGE	HEAD OFFICE, GT/SECTION	ERO, UK/SECTION
New Hires	1 – Safety & Compliance	1 – Human Resources & Administration 2 – Safety & Compliance
Resignations	0	1 – Human Resources & Administration 1 – Safety & Compliance
Promotions	3 – Commercial Services 1 – Finance & Accounting 1 – Information & Quality Systems 1 – Technology 2 – Human Resources & Administration	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 2020 financial year are as follows:

1. Achieved 6.01m GT with 2,284 units on the Register and an average age of 12.9 years for Merchant Ships and Commercial Yachts over 30m, at December 31, 2020.
2. 207 Merchant Ships, 111 Commercial Yachts >30m, 1,872 Other Yachts and 94 Local Vessels, at December 31, 2020.
3. Achieved White List, Low Risk Status in all the major MoUs on Port State Control including USCG Qualship 21. Ranked as a top performing Flag under the International Chamber of Shipping for the 9<sup>th</sup> consecutive year.
4. Increased the New Build Portfolio by 35% over the 2018-2020 period.
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. Assisted MITIAMA to complete a MOU with the UK Marine Accident and Investigation Branch for the investigation of Very Serious Casualties on Cayman Islands ships.
7. Managed the COVID-19 Pandemic in accordance with Government Guidelines and Regulations, ensuring business continuity and revenues as well as employees' safety and wellbeing.

### 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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS FINANCIAL HIGHLIGHTS					
TOTAL REVENUES 2020	TOTAL REVENUES 2019	TOTAL EXPENDITURE 2020	TOTAL EXPENDITURE 2019	CASH POSITION 2020	CASH POSITION 2019
\$9,569,880	\$10,343,713	\$9,066,157	\$9,370,939	\$9,066,157	\$7,085,769

### Notes:

- The actuarial valuation results showed a post-retirement liability of \$8,923,000 existed at 31 December 2020, represented by accumulated Healthcare liability of \$6,908,000 as at 31 December 2020 and service cost and adjustments totalling to \$2,015,000 for the year ended 31 December 2020, resulting in a closing liability of \$8,923,000 at 31 December 2020.
- The Statement of Financial Position included in the Financial Statements for the fiscal period ended 31 December 2020, shows that MACI's total assets were valued at \$10,070,454 and total liabilities at \$10,653,391, resulting in a negative net worth of \$(582,937). MACI's cash position increased from \$7,085,769 at 31 December 2019 to \$8,484,927 at 31 December 2020, an increase of \$1,399,158.
- Net operating profit for 31 December 2020 as \$503,723 (2019: \$972,774)
- The total comprehensive (Loss)/ income for 31 December 2020 was \$(957,277) (2019: \$415,774).
- 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 2020 of \$445,280 (2019: \$372,001), of which the full amount forms part of MACI's 2020 cash balance of \$8,484,927 (2019: \$7,085,769).

Audited Financial Statements for 1 January 2020 to 31 December 2020 form a part of this Annual Report (Appendix 1).

## INTERNAL AND EXTERNAL AUDIT UPDATES

- Ongoing work is being completed by the External auditors on the financial statements for the year ended 31 December 2021.



**SCRUTINY BY PARLIAMENT AND PUBLIC**

There was a total of 1 Freedom of Information request for 2020, Granted in Full.

<b>Request Description</b>	<b>Date Received</b>	<b>Closure Date</b>	<b>Outcome</b>
<p>A breakdown of all of the hospitality events relating to the government's trip to Monaco last year for the boat show in September.</p> <p>A list of all the events hosted by the CIG and MACI delegation and the costs for each one including dinners, lunches, parties receptions etc. and any additional costs such as the cost of venues and travel costs for invitees if they were paid for by CIG.</p>	27-Jan-20	17-Feb-20	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. Ensure that all client complaints and queries are acknowledged within 24 hours and adequately researched and responded to within 2 working days of the receipt of supporting information.
3. 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.
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 2021**

- Update Continuity of Business Operations Plan to incorporate Emergency/Pandemic issue response times – dependent on the requirement.
- Implement MARIS platform with electronic certificates and electronic signatures.
- Undertake an Employee Salary and Benefit Review, including Independent Contractor rates.
- Re-instate billable hours utilization ratios for Surveyors.
- Implement Employee Salary and Benefit Review findings, including Independent Contractor rates.
- Participate in the Green Award, a scheme that recognizes high standards of safety and environmental protection measures; where incentives include reduced port fees and improved client perception.
- Continue to collaborate with major yacht re-fit yards to encourage the use of Codes and Cayman yacht specialist advice during the re-fit process.
- Complete the IMO Instrument Implementation Code audit.
- Heuristic Analysis of the website to evaluate and review in terms of relevant content, navigation, aesthetics and ease of use against standard usability principles.
- Implement HR Module and Employee Portal for Leave Management with employee submissions and automatic accruals as well as employee access to pay statements.

## 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 a Management Committee comprising the senior managers 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. Charlies 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. Shaunna-Lee Noble - MACI Board Secretary & Ex-Officio Member***

Ms. Noble has over 15 years of experience in Corporate Service, she is currently employed at a Cayman Islands law firm. She has Bachelor of Science degree in Finance from the University of New Orleans and Graduate Diploma in Law from BPP University. She is also a member of STEP and Cayman Islands Notary Public.

***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

## **Financial Statements** **Year Ended 2020**

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





**Maritime Authority of the  
Cayman Islands  
Financial Statements  
For the year ended 31 December 2020**



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

**For the year ended 31 December 2020**

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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 Act (2020 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 (loss) income, statement of cash flows and statement of changes in equity for the financial year ended 31 December 2020.

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

- (a) completely and reliably reflect the financial transactions of Maritime Authority of the Cayman Islands for the year ended 31 December 2020;
- (b) fairly reflect the financial position as at 31 December 2020 and financial performance for the year ended 31 December 2020;
- (c) comply with the provisions of the *Public Management and Finance Act (2020 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.

S. Arman  
Chairperson  
Maritime Authority of the Cayman Islands  
15 December 2021

A. Joel Walton  
CEO  
Maritime Authority of the Cayman Islands  
15 December 2021

## 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 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 42.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2020 and its financial performance and its cash flows for year ended 31 December 2020 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.

#### Emphasis of Matter

We draw attention to note 3(a) to the financial statements, which indicates that the Authority is in a net liability position of \$582,937 as at 31 December 2020 as a result of the adverse development of the non-current past service pension and post retirement healthcare liabilities. However, these liabilities are long term by nature and the Authority continues to meet its present obligations as they fall due. The financial statements have therefore continued to be prepared on the going concern basis. Our opinion is not modified in respect of this matter.

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

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

## AUDITOR GENERAL'S REPORT (continued)

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's Responsibilities for the Audit of the Financial Statements**

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

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

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

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



Patrick Smith  
Acting Auditor General

15 December 2021  
Cayman Islands



**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2020**  
**(Expressed in Cayman Islands Dollars)**

	Notes	31 December 2020	Restated 31 December 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash & cash equivalents	4	\$ 8,484,927	\$ 7,085,769
Trade receivables & prepayments	5	1,288,388	1,143,848
<b>Total current assets</b>		<b>9,773,315</b>	<b>8,229,617</b>
<b>Non-current assets</b>			
Property, plant & equipment	6	297,139	718,745
<b>Total non-current assets</b>		<b>297,139</b>	<b>718,745</b>
<b>Total assets</b>		<b>10,070,454</b>	<b>8,948,362</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Accounts payable & accrued expenses	7	482,884	465,099
Unearned revenue	8	546,790	374,602
Lease liability	19	69,682	125,028
Employee entitlements	10	140,529	49,935
Casualty investigation fund	9	445,280	372,001
<b>Total current liabilities</b>		<b>1,685,165</b>	<b>1,386,665</b>
<b>Non-current liabilities</b>			
Lease liability	19	45,226	377,357
Past service pension liability	11	2,015,000	1,087,000
Post retirement healthcare liability	12	6,908,000	5,723,000
<b>Total non-current liabilities</b>		<b>8,968,226</b>	<b>7,187,357</b>
<b>Total liabilities</b>		<b>10,653,391</b>	<b>8,574,022</b>
<b>Equity</b>			
Contributed capital	14	1,500,000	1,500,000
Accumulated deficit		(1,286,937)	(1,790,660)
Other comprehensive (loss) income		(796,000)	665,000
<b>Total equity</b>		<b>(582,937)</b>	<b>374,340</b>
<b>Total equity and liabilities</b>		<b>\$ 10,070,454</b>	<b>\$ 8,948,362</b>

Approved on behalf of the Board of Directors on 15 December 2021

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Chairperson  
Sherice Arman

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Chief Executive Officer  
A. Joel Walton

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

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**STATEMENT OF COMPREHENSIVE (LOSS) INCOME**  
For the year ended 31 December 2020  
(Expressed in Cayman Islands Dollars)

	<u>Notes</u>	<u>Year ended 31 December 2020</u>	<u>Restated Year ended 31 December 2019</u>
<b>Revenue</b>			
Sales of goods & services	15	\$ 6,834,758	\$ 7,480,659
Annual tonnage fees	15	2,044,001	2,006,379
Other operating revenue	15	387,832	513,279
Sales of goods & services - CIG	15	303,289	343,396
<b>Total revenue</b>		<b>9,569,880</b>	<b>10,343,713</b>
<b>Expenses</b>			
Personnel cost	16	4,981,232	4,561,055
Professional services	17	2,091,833	2,019,622
Other expenses	18	1,208,878	1,212,163
Operating lease & utilities	19	199,229	520,044
Travel, entertainment & business development	20	110,799	505,010
Survey related expense		290,853	410,868
Depreciation	6	183,333	138,847
Bad debts	23	-	3,330
<b>Total expenses</b>		<b>9,066,157</b>	<b>9,370,939</b>
<b>Net operating profit</b>		<b>503,723</b>	<b>972,774</b>
<b>Other comprehensive loss</b>			
Items that will not be classified to profit or loss:			
Remeasurement of defined pension benefits	11	(699,000)	(470,000)
Remeasurement of post-retirement healthcare benefits	12	(762,000)	(87,000)
<b>Total other comprehensive loss</b>		<b>(1,461,000)</b>	<b>(557,000)</b>
<b>Total comprehensive (loss) income</b>		<b>\$ (957,277)</b>	<b>\$ 415,774</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 2020**  
**(Expressed in Cayman Islands Dollars)**

	<u>Contributed Capital</u>	<u>Accumulated Deficit</u>	<u>Other Comprehensive Income/(Loss)</u>	<u>Total</u>
<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 adjustment	-	(55,807)	-	(55,807)
Net operating income for the year (restated)	-	972,774	-	972,774
Other comprehensive loss (restated)	-	-	(557,000)	(557,000)
<b>Balance at 31 December 2019 (restated)</b>	<b>\$ 1,500,000</b>	<b>\$ (1,790,660)</b>	<b>\$ 665,000</b>	<b>\$ 374,340</b>
Net operating income for the year	-	503,723	-	503,723
Other comprehensive loss	-	-	(1,461,000)	(1,461,000)
<b>Balance at 31 December 2020</b>	<b>\$ 1,500,000</b>	<b>\$ (1,286,937)</b>	<b>\$ (796,000)</b>	<b>\$ (582,937)</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 2020  
(Expressed in Cayman Islands Dollars)

	<u>31 December 2020</u>	<u>Restated 31 December 2019</u>
<b>Cash flows from operating activities</b>		
Net operating profit	\$ 503,723	\$ 972,774
<b>Adjustments for:</b>		
Depreciation	183,333	138,847
Increase in past service pension liability	928,000	531,000
Increase in post retirement healthcare liability	1,185,000	494,000
Remeasurement of defined pension benefits	(699,000)	(470,000)
Remeasurement of post-retirement healthcare benefits	(762,000)	(87,000)
Defined benefit pension adjustment	-	(55,807)
Allowance for doubtful debts	-	3,330
Scrapped assets, net	-	43,675
Prior period adjustment	-	(1,733)
<b>Net changes in non-cash working capital relating to operations</b>		
(Increase)/decrease in trade receivables & prepayments	(144,540)	38,077
Increase in accounts payable & accrued expenses	17,785	176,562
Increase in unearned revenue	172,188	18,959
Increase/(decrease) in employee entitlements	90,594	(11,748)
Increase in casualty investigation fund	73,279	70,760
<b>Net cash flows from operating activities</b>	<u>1,548,362</u>	<u>1,861,696</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(38,572)	(36,414)
<b>Net cash used in investing activities</b>	<u>(38,572)</u>	<u>(36,414)</u>
<b>Cash flows from financing activities</b>		
Payments of lease liabilities	(110,632)	(68,658)
<b>Net cash used in financing activities</b>	<u>(110,632)</u>	<u>(68,658)</u>
Net increase in cash and cash equivalents	1,399,158	1,756,624
Cash and cash equivalents at beginning of year	7,085,769	5,329,145
<b>Cash and cash equivalents at end of year</b>	<u>\$ 8,484,927</u>	<u>\$ 7,085,769</u>

*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 2020**  
**(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 Act (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 and Home Affairs 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 are issued by International Financial Reporting Interpretations 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 2020. These financial statements provide comparative information for the year on year performance for MACI as at and for the year ended 31 December 2020.

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(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 25, the coronavirus outbreak has caused significant disruption in both global and local economies. Management are also aware that the Authority is in a net liability position of \$582,937 as at 31 December, 2020, but this is as a result of the adverse development of the non-current past service pension and post retirement healthcare liabilities, which are long term by nature. Management are taking action through its Audit & Finance Committee to review the Authority's current medical insurance and post retirement healthcare obligations, given the high degree of uncertainty of the annual valuation and the impact on the statement of comprehensive (loss) income and financial position. Thereafter, management will implement a plan to better maintain its financial strength.

Management have also performed a detailed assessment and forecasts of the foreseeable future and believes that the risk that the Authority would not be able to meet its obligation as they become due is low. Management believes the Authority will continue as going concern for the foreseeable future and, therefore, the financial statements continue to be prepared on the going concern basis.

**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 (loss) 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.

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Expressed in Cayman Islands Dollars)**

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

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

*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.

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.

**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 (loss) 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 five-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 15 for IFRS 15 application done by the Authority during the years ended 31 December 2020 and 2019.

**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. The full amount of the purchase agreement is treated as income in the year which it is earned.

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Expressed in Cayman Islands Dollars)**

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

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**f) Expenses**

Expenses are recognised when incurred on the accrual basis.

**g) Receivables**

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

**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 and motor vehicles; 12.5% to 33.33% for computer equipment; and the length of the lease for right of use of assets, which are all deemed sufficient to write-off the cost of the assets over their estimated useful lives.

Right of use assets consists of leases capitalized in accordance with IFRS 16 – Leases.

**i) Cash and cash equivalents**

The Authority considers all highly liquid instruments with maturities of three months or less from the date of acquisition to be cash and cash equivalents.

**j) Accounts payable**

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

**k) Employee entitlements**

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.

**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 (loss) income as incurred. 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 (loss) 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.

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

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**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 taking into account of anticipated credit losses, lease liability, return of assets 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. 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.

**n) Standards issued and effective**

A number of new standards, amendments to standards and interpretations are issued and effective from January 1, 2020, but do not have a material effect on the Authority's financial statements, are as follows:

Disclosure Initiative – Definition of Material (Amendments to IAS 1 and IAS 8): IAS 1 has been revised to incorporate a new definition of 'material' and IAS 8 has been revised to refer to this new definition in IAS 1.

IFRS 3 'Business Combinations' – the 'Definition of a Business' was amended, which clarifies the definition of a business, with the aim of helping entities to determine whether a transaction should be accounted for as an asset acquisition or a business combination.

Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7): The IASB has finalised its response to the ongoing reform of inter-bank offered rates ("IBOR") and other interest rate benchmarks by issuing a package of amendments to IFRS Standards. The amendments are aimed at helping companies to provide investors with useful information about the effects of the reform on those companies' financial statements. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

On 28 May 2020, the IASB issued COVID-19 Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier adoption is permitted.

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

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**o) Standards issued but not yet effective**

A number of new standards, amendments to standards and interpretations are issued but not yet effective, and have not been applied in preparing these financial statements, are as follows:

- Classification of liabilities as current or non-current and disclosure of accounting policies (Amendments to IAS 1)
- References to the Conceptual Framework
- Onerous contracts (Amendments to IAS 37)
- Annual improvements to IFRS Standards 2018-2020 cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16): Phase 2 of the Interest Rate Benchmark Reform deals with the issues that might affect financial reporting when an existing interest rate benchmark is actually replaced. The proposed amendments apply to changes to financial instruments and hedging relationship required by the reform.

The directors do not anticipate that the adoption of the standards that are not yet effective will have a material impact on the financial statements of the Authority in the period of their initial adoption.

**p) Taxation**

There are no taxes on income or capital gains in the Cayman Islands and the Authority has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from local taxes on all income, profits, gains and appreciations. In addition, management believes that the Authority is not subject to taxation by any other jurisdiction, including the UK. Accordingly, no provision for income taxes is included in these financial statements.

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**4. Cash and Cash Equivalents**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Bank accounts	\$ 8,484,927	\$ 6,713,605
Fixed deposits	-	372,164
<b>Total cash &amp; cash equivalents</b>	<b><u>\$ 8,484,927</u></b>	<b><u>\$ 7,085,769</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.

Cash and cash equivalents amounting to \$445,280 (2019: \$372,001) has been designated for the casualty investigation fund (see Note 9).

**5. Trade Receivables and Prepayments**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Sales of goods & services (Note 23)	\$ 1,203,606	\$ 1,077,954
Other receivables	94,574	67,918
Prepayments	57,083	64,851
<b>Total gross receivables</b>	<b>1,355,263</b>	<b>1,210,723</b>
Provision for doubtful debts (Note 23)	(66,875)	(66,875)
<b>Total accounts receivable</b>	<b><u>\$ 1,288,388</u></b>	<b><u>\$ 1,143,848</u></b>



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**6. Property, Plant and Equipment**

Description	Furniture and Fixtures	Computer Equipment	Motor Vehicles	Right of Use of Assets	Total Fixed Assets
<b>Cost:</b>					
At 1 January 2020	\$ 63,725	\$ 875,182	\$ 21,899	\$ 571,042	\$ 1,531,848
Additions	220	38,352	-	-	38,572
Disposals	-	(592,310)	-	(340,337)	(932,647)
At 31 December 2020	63,945	321,224	21,899	230,705	637,773
<b>Accumulated Depreciation:</b>					
At 1 January 2020	28,776	711,472	1,428	71,427	813,103
Depreciation	12,787	62,143	4,378	104,025	183,333
Eliminated on disposal	-	(592,310)	-	(63,492)	(655,802)
At 31 December 2020	41,563	181,305	5,806	111,960	340,634
<b>Net book value:</b>					
<b>At 31 December 2020</b>	<b>\$ 22,382</b>	<b>\$ 139,919</b>	<b>\$ 16,093</b>	<b>\$ 118,745</b>	<b>\$ 297,139</b>

Description	Furniture and Fixtures	Computer Equipment	Motor Vehicles	Right of Use of Assets	Total Fixed Assets
<b>Cost:</b>					
At 1 January 2019	\$ 63,945	\$ 904,122	\$ -	\$ -	\$ 968,067
Additions	-	14,793	21,899	368,637	405,329
IFRS 16 remeasurement	-	-	-	202,405	202,405
Disposals	(220)	(43,733)	-	-	(43,953)
At 31 December 2019	63,725	875,182	21,899	571,042	1,531,848
<b>Accumulated Depreciation:</b>					
At 1 January 2019	15,986	658,271	-	-	674,257
Depreciation	12,790	53,202	1,428	71,427	138,847
Eliminated on disposal	-	(1)	-	-	(1)
At 31 December 2019	28,776	711,472	1,428	71,427	813,103
<b>Net book value:</b>					
<b>At 31 December 2019</b>	<b>\$ 34,949</b>	<b>\$ 163,710</b>	<b>\$ 20,471</b>	<b>\$ 499,615</b>	<b>\$ 718,745</b>

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**6. Property, Plant and Equipment (continued)**

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During the year ended 31 December 2019, the Authority entered into a lease which had a renewal option at the end of the first year. The full lease plus renewal period was capitalized in accordance with IFRS 16 as management were reasonably certain of renewing. During the year ended 31 December 2020, management has reassessed the renewal of the lease and has determined that they are no longer reasonably certain of renewing and is now on a month-to-month term. As a result of this, the right of use asset and accumulated depreciation associated with this lease, as well as the current and non-current lease liabilities (see Note 19), were derecognized during the year ended 31 December 2020.

**7. Accounts Payable and Accrued Expenses**

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	<b>31 December 2020</b>	<b>31 December 2019</b>
Trade creditors	\$ 137,133	\$ 251,963
Accruals	304,330	59,441
Other payables	41,421	153,695
<b>Total accounts payable and accrued expenses</b>	<b>\$ 482,884</b>	<b>\$ 465,099</b>

**8. Unearned Revenue**

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Unearned revenue relates to the amount shown in the table below.

	<b>31 December 2020</b>	<b>31 December 2019</b>
Advance payments received from customers	\$ 546,790	\$ 374,602
<b>Total unearned revenues</b>	<b>\$ 546,790</b>	<b>\$ 374,602</b>

**9. Casualty Investigation Fund**

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The CIG through the Authority, is responsible, under international convention requirements and the Merchant Shipping Act (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.

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**9. Casualty Investigation Fund (continued)**

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 2020 of \$445,280 (2019: \$372,001), of which the full amount forms part of MACI's cash balance of \$8,484,927 (2019: \$7,085,769). No amounts were expended from the fund during the year (2019: \$nil).

**10. Employee Entitlements**

	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>Leave entitlement</b>		
Executive committee members	\$ 53,286	\$ 12,227
Management committee members	13,276	10,043
Managers	52,479	18,489
Administration	21,488	9,176
<b>Total employee entitlements</b>	<u><u>\$ 140,529</u></u>	<u><u>\$ 49,935</u></u>

**11. 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 Act, 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 2020 which reflected the pension liability of \$2,015,000 (2019: \$1,087,000). To reflect the estimated valuation, the Authority has recorded the amount of \$699,000 (2019: \$470,000) which is reflected within the statement of comprehensive (loss) income including \$229,000 (2019: \$61,000) defined benefit cost in personnel cost. As of 31 December 2020, the number of active employees entitled to the above pension obligation was 9 (2019: 9).

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**11. Pension Obligation (continued)**

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
	<u>\$000</u>	<u>\$000</u>
<b>Liability at the beginning of the year</b>	4,629	3,182
Defined benefit cost included in net operating profit	401	316
Participant contributions	58	59
Remeasurement included in other comprehensive income	917	1,072
<b>Liability at end of year</b>	<b>6,005</b>	<b>4,629</b>
<b>Components of defined benefit cost for the year:</b>		
Current service cost	255	182
Past service cost	146	134
Defined benefit cost included in comprehensive income	<b>401</b>	<b>316</b>
<b>Remeasurement Included in other comprehensive income ("OCI"):</b>		
Demographic assumptions change	(186)	(17)
Financial assumptions change	1,003	803
Plan experience	100	286
Total remeasurement included in OCI	<b>917</b>	<b>1,072</b>

The Authority classified the unfunded pension liability as a non-current liability as at 31 December 2020 and 2019.

**B. Change in fair value**

	<u>31 December 2020</u>	<u>31 December 2019</u>
	<u>\$000</u>	<u>\$000</u>
<b>Fair value of plan assets at beginning of year</b>	3,542	2,626
Interest Income	114	113
<u>Cash flows</u>		
Employer and participant contributions	116	201
Decrease due to effect of divestitures/transfers	(199)	-
Remeasurements – return on plan assets (excluding interest income)	417	602
<b>Fair value of plan assets at end of year</b>	<b>3,990</b>	<b>3,542</b>

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**11. Pension Obligation (continued)**

<b><u>C. Defined benefit liability reconciliation</u></b>	<b><u>31 December 2020</u></b> <b><u>\$000</u></b>	<b><u>31 December 2019</u></b> <b><u>\$000</u></b>
Defined benefit obligation	6,005	4,629
Fair value of plan assets	(3,990)	(3,542)
<b>Defined benefit liability at end of year</b>	<b>2,015</b>	<b>1,087</b>

**D. Sensitivity analysis on the defined benefit obligations**

	<b><u>31 December 2020</u></b> <b><u>\$000</u></b>	<b><u>31 December 2019</u></b> <b><u>\$000</u></b>
1. Discount Rate		
a. Discount rate – 25 basis points	6,333	4,865
b. Discount rate + 25 basis points	5,700	4,408
2. Inflation rate		
a. Discount rate – 25 basis points	5,694	4,413
b. Discount rate + 25 basis points	6,338	4,859
3. Mortality		
a. Discount rate – 10 points	6,179	4,745
b. Discount rate + 10 points	5,847	4,523

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

	<b><u>31 December 2020</u></b> <b><u>\$000</u></b>	<b><u>31 December 2019</u></b> <b><u>\$000</u></b>
Expected employer contributions	117	85

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

	<b><u>Year ended</u></b> <b><u>31 December 2020</u></b>	<b><u>Year ended</u></b> <b><u>31 December 2019</u></b>
<b>Weighted-average assumptions to determine benefit obligations</b>		
1. Discount rate	2.60%	3.50%
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%

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**11. Pension Obligation (continued)**

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

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
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
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

**Weighted-average assumptions to determine defined benefit cost**

1. Discount rate	3.60%	4.55%
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

**Discount rate**

BOY disclosure and current year expense	3.50% per year	4.50% per year
EOY disclosure and following year expense	2.60% per year	3.50% 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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**11. Pension Obligation (continued)**

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

	<u>Year ended 31 December 2020</u>	<u>Year ended 31 December 2019</u>
<b>Mortality</b>		
BOY disclosure and current 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
EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2020	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2019
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): 28.45 Retiring in 25 years (at age 57): 30.61	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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**11. Pension Obligation (continued)**

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

<i>Turnover Rates at sample ages:</i>			<i>Retirement Rates:</i>	
31 December 2020 and 2019			31 December 2020 and 2019	
Age	Males	Females	Age	
20	7.5%	12.5%	Below 55	0%
25	5.0%	12.5%	55 - 59	8%
30	3.5%	7.5%	60 - 64	15%
35	2.5%	4.5%	65	100%
40	1.5%	2.5%		
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.

**12. Post-retirement Health Insurance Obligation**

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The Authority recognizes 100% of the employees' post-retirement 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 2020, the number of active employees entitled to the above healthcare plan was 14 (2019: 15) plus 2 retired (2019: 2). 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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**12. Post-retirement Health Insurance Obligation (continued)**

**A. Change in Defined Benefit Obligation**

	<b>Year ended 31 December 2020 \$000</b>	<b>Restated Year ended 31 December 2019 \$000</b>
<b>Liability at the beginning of the year</b>	5,723	5,229
Defined benefit cost included in statement of comprehensive income	423	407
Remeasurement included in other comprehensive income	762	87
<b>Liability at end of year</b>	<b>6,908</b>	<b>5,723</b>
<b>Components of defined benefit cost for the year:</b>		
Current service cost	279	370
Past service cost	-	(189)
Total net interest cost	192	226
Participant contributions	(48)	-
Defined benefit cost included in comprehensive income	423	407
<b>Remeasurement Included in other comprehensive income ("OCI"):</b>		
Demographic assumptions change	(936)	236
Financial assumptions change	1,245	845
Plan experience	453	(994)
Total remeasurement included in OCI	762	87

**B. Significant actuarial assumptions:**

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
<b>Weighted-average assumptions to determine benefit obligations</b>		
1. Discount rate	2.70%	3.60%
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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**12. Post-retirement Health Insurance Obligation (continued)**

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

<b>Weighted-average assumptions to determine benefit obligations</b>	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
5. Mortality assumption	RP-2014 projected using Scale MP- 2020	RP-2014 projected using Scale MP- 2019
6. Effective discount rate	3.60%	4.55%
7. Effective rate for interest cost	3.35%	4.35%
8. Effective discount for service cost	3.70%	4.60%
9. Effective rate for interest on service cost	3.65%	4.60%
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- 2019	RP-2014 projected using Scale MP- 2018

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

	<b>Year ended 31 December 2020</b>	<b>Restated Year ended 31 December 2019</b>
	<b>\$000</b>	<b>\$000</b>
1. Discount rate		
a. Discount rate - 25 basis points	401	333
b. Discount rate + 25 basis points	(374)	(311)
2. Health care cost trend rates		
a. Health care cost trend rates - 100 basis points	(1,191)	(998)
b. Health care cost trend rates + 100 basis points	1,509	1,262
3. Mortality		
a. Mortality - 10% of current rates	(306)	(233)

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

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<b>\$000</b>	<b>\$000</b>
Expected employer contributions	46	12
Expected total benefit payments: Year 1	46	12
Expected total benefit payments: Year 2	71	26
Expected total benefit payments: Year 3	80	52
Expected total benefit payments: Year 4	89	57
Expected total benefit payments: Year 5	105	63
Expected total benefit payments: Next 5 years	751	530

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**13. 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 which 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 (loss) 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.

*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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**13. 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 (loss) 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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**13. 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 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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**14. 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 2020 is \$1,500,000 (2019: \$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.

**15. Revenue from Contracts with Customers**

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MACI has four main categories of revenues as follows:

	<b>Year ended</b> <b><u>31 December 2020</u></b>	<b>Year ended</b> <b><u>31 December 2019</u></b>
<b>Revenue</b>		
Sales of goods and services	\$ 6,834,758	\$ 7,480,659
Annual tonnage fees	2,044,001	2,006,379
Other operating revenue	387,832	513,279
Sales of goods & services - CIG	303,289	343,396
<b>Total revenue</b>	<b><u>\$ 9,569,880</u></b>	<b><u>\$ 10,343,713</u></b>

**A. Sales of goods and services**

	<b>Year ended</b> <b><u>31 December 2020</u></b>	<b>Year ended</b> <b><u>31 December 2019</u></b>
Safety and surveyor fees	\$ 5,024,058	\$ 5,440,380
Technical compliance fees	798,364	856,607
Vessel registration fees	715,848	789,599
Safety and surveyor recoverable fees	296,488	394,073
<b>Total sales of goods and services</b>	<b><u>\$ 6,834,758</u></b>	<b><u>\$ 7,480,659</u></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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**15. 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. 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.

iii. 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.

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

**B. Annual tonnage fees**

Annual tonnage fees were as follows:

	<b>Year ended</b> <b>31 December 2020</b>	<b>Year ended</b> <b>31 December 2019</b>
Flag state compliance fee	\$ 266,377	\$ 270,641
Tonnage fees - ships	521,247	495,145
Tonnage fees - yachts	1,240,565	1,215,215
Tonnage fees - local vessels	15,812	25,378
<b>Total annual fees</b>	<b>\$ 2,044,001</b>	<b>\$ 2,006,379</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.

**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.

	<b>Year ended 31</b> <b>December 2020</b>	<b>Year ended 31</b> <b>December 2019</b>
Professional service fees	\$ 339,304	\$ 407,985
Vessel books and products	161,794	198,727
Gain on foreign exchange	68,552	64,145
Communication and courier fees	71,656	94,539
Other fees (including 1% late fee)	152,158	107,571
Revenue refunds and reversals	(405,877)	(358,490)
Gain/(loss) on sale of asset	245	(1,198)
<b>Total other operating revenue</b>	<b>\$ 387,832</b>	<b>\$ 513,279</b>



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

**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 3.2% for the year ended 31 December 2020 (2019: 3.3%). 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 \$332,775 (2019: \$419,146) and the Authority provided services for a value of \$303,289 (2019: \$343,396). The amount of \$190,644 (2019: \$Nil) was written off (from 'Policy Advice to Cabinet' output) for services provided in excess of the agreement.

	<u>Year ended 31 December 2020</u>	<u>Year ended 31 December 2019</u>
Policy advice to CIG	\$ 207,568	\$ 232,406
Provision of technical advice and support to CIG	95,721	18,094
Long range identification and tracking of ships	-	7,896
State inspections and investigations services	-	85,000
<b>Total sales of goods and services to CIG</b>	<b><u>\$ 303,289</u></b>	<b><u>\$ 343,396</u></b>

**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

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

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

ii. New build survey fees (continued)

- 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.

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.

Type of service	Nature and timing of satisfaction of performance obligations	Revenue recognition under IFRS 15 (applicable from 1 January 2018)	Revenue recognition under IAS 18 (applicable before 1 January 2018)
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 vessel is listed, and subsequently at beginning of each calendar year.	Revenue is recognized at the point in time at which the vessel 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 vessel 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 for 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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**15. Revenue from Contracts with Customers (continued)**

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**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 2020 and 2019.

	<b>Year ended</b> <b><u>31 December 2020</u></b>	<b>Year ended</b> <b><u>31 December 2019</u></b>
Trade receivables	1,288,388	1,143,848
Unearned revenues	546,790	374,602

**16. Personnel Cost**

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	<b>Year ended</b> <b><u>31 December 2020</u></b>	<b>Year ended</b> <b><u>31 December 2019</u></b>
Salaries and wages	\$ 3,435,704	\$ 3,281,824
Defined benefit post-retirement healthcare cost	423,000	407,000
Healthcare insurance expense	358,565	322,835
Other personnel costs	253,207	250,370
Defined benefit pension cost	229,000	61,000
Other pension expenses	191,162	248,508
Movement in annual leave provision	90,594	(10,482)
<b>Total personnel cost</b>	<b><u>\$ 4,981,232</u></b>	<b><u>\$ 4,561,055</u></b>

**17. Professional Services**

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	<b>Year ended</b> <b><u>31 December 2020</u></b>	<b>Year ended</b> <b><u>31 December 2019</u></b>
Professional fees survey	\$ 1,050,899	\$ 1,066,663
Professional fees	968,361	829,843
Other professional costs	72,573	123,116
<b>Total professional services</b>	<b><u>\$ 2,091,833</u></b>	<b><u>\$ 2,019,622</u></b>

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**18. Other Expenses**

	Year ended <u>31 December 2020</u>	Year ended <u>31 December 2019</u>
Maintenance	\$ 673,040	\$ 636,002
General and administration services	381,157	412,567
Bank fees	113,469	120,044
Insurance	30,716	34,665
Finance charges	10,496	8,885
<b>Total other expense</b>	<b>\$ 1,208,878</b>	<b>\$ 1,212,163</b>

**19. Lease Obligations and Utilities**

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 6 for the movement of the right of use of the lease assets during the years ended 31 December 2020 and 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.

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.

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**19. Lease Obligations and Utilities (continued)**

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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 (loss) income if the carrying amount of the right-of-use asset has been reduced to zero.

<b>Maturity analysis</b>	<b>Year ended</b> <b><u>31 December 2020</u></b>	<b>Year ended</b> <b><u>31 December 2019</u></b>
Less than one year	\$ 69,682	\$ 125,028
One to five years	45,226	377,357
More than five years	-	-
Total undiscounted lease liabilities at 31 December	<b><u>\$ 114,908</u></b>	<b><u>\$ 502,385</u></b>

Lease liabilities included in the statement of financial position at 31 December 2020 and 2019

Current	\$ 69,682	\$ 125,028
Non-current	\$ 45,226	\$ 377,357

During the year ended 31 December 2020, and as explained in Note 6, the Authority derecognized a right of use asset and its associated current and non-current lease liabilities under IFRS 16.

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**19. Lease Obligations and Utilities (continued)**

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

	Year ended <u>31 December 2020</u>	Year ended <u>31 December 2019</u>
Utilities and communication costs	\$ 77,247	\$ 53,871
Lease of Sites or Buildings	114,541	452,978
Lease of Equipment (I&T)	7,441	13,195
<b>Total other expense</b>	<b>\$ 199,229</b>	<b>\$ 520,044</b>

During the year ended 31 December 2020, operating lease expenses for a year on year lease agreement between MACI and the Cayman Islands Government was \$Nil (2019: \$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.

**20. 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.

	Year ended <u>31 December 2020</u>	Year ended <u>31 December 2019</u>
Business development	\$ 45,010	\$ 228,342
Official travel	42,400	235,178
Entertainment	23,389	41,490
<b>Total travel, entertainment and business development</b>	<b>\$ 110,799</b>	<b>\$ 505,010</b>

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**21. 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 (2019: seven) directors as at December 2020. The fees of \$13,506 (2019: \$17,460) relates to payments made to the 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.

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 2020 was 4 (2019: 4) and salaries and other short-term benefits expensed were \$834,566 (2019: \$921,000) and 3 (2019: 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 2020 were \$1,084,000 (2019: \$736,000).

The following Government department/entities provided services to MACI during 2020 and 2019 with amounts being expensed:

	<u>Year ended</u> <u>31 December 2020</u>	<u>Year ended</u> <u>31 December 2019</u>
i. Treasury Department	\$ 20,179	\$ 24,392
ii. University College of the Cayman Islands	340	-
iii. Cayman Islands Government London office	122,443	111,131
iv. Computer Services Department (post-election July 2017 onwards)	113,317	31,420
v. Immigration Department	11,800	11,700
vi. Cayman Islands Cabinet Office	-	16,944
vii. Counselling Services Department	425	410
viii. Public Service Pensions Board (post-election July 2017 onwards)	282,327	191,350
ix. Office of the Auditor General	7,607	8,050
x. Ministry of Commerce, Planning & Infrastructure	-	305,764
xi. Ministry of Finance & Economic Development	-	1,338
xii. Portfolio of the Civil Service Administration	435	490
xiii. Postal Service	253	250
xiv. Amounts due from Cayman Islands Government	179,168	102,314

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**21. Related Party Transactions (continued)**

	Year ended <u>31 December 2020</u>	Year ended <u>31 December 2019</u>
xv. West Indian Tonnage	\$ 443	\$ -
xvi. Director board meeting fees	13,506	14,651

Under the *Policy for the Payment of Annual Dividends by SAGCs*, the Authority is required to assess whether a dividend is payable to the Ministry of Finance & Economic Development on an annual basis. As at the year ended December 31, 2020, management have concluded that no dividend is payable as a result of their net liability position. However, this is subject to the Ministry of Finance & Economic Development's confirmation and as at the time these financial statements were made available for issue, the Authority is still waiting for a response.

**22. Restatement of prior year statement of financial position, statement of comprehensive loss and statement of cash flow**

During the year ended December 31, 2020, management had identified errors in the census member data used for the post-retirement health insurance obligation which dated back to 2019. This resulted in prior year adjustments to the post-retirement healthcare liability, healthcare expense and remeasurement in other comprehensive income.

The following restatements were made to the statement of financial position for the year ended December 31, 2019:

	As Previously Stated	Adjustment	Restated
<b>Non-current liabilities</b>			
Post retirement healthcare liability	4,330,000	1,393,000	5,723,000
<b>Equity</b>			
Accumulated deficit	(1,803,660)	13,000	(1,790,660)
Other comprehensive income	2,071,000	(1,406,000)	665,000

The following restatements were made to the statement of comprehensive income (loss) for the year ended December 31, 2019:

	As Previously Stated	Adjustment	Restated
<b>Expenses</b>			
Personnel cost	4,574,055	(13,000)	4,561,055
<b>Other comprehensive income (loss)</b>			
Remeasurement of post-retirement healthcare benefits	1,319,000	(1,406,000)	(87,000)



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**22. Restatement of prior year statement of financial position, statement of comprehensive loss and statement of cash flow (continued)**

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The following restatements were made to the statement of cash flow for the year ended December 31, 2019:

	<b>As Previously Stated</b>	<b>Adjustment</b>	<b>Restated</b>
<b>Cash flows from operating activities</b>			
Net operating profit	959,774	13,000	972,774
(Decrease)/increase in post retirement healthcare liability	(899,000)	1,393,000	494,000
Remeasurement of post-retirement healthcare benefits	1,319,000	(1,406,000)	(87,000)

**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.

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**23. Financial Instruments (continued)**

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

Trade receivables and contract assets (continued)

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

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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020 and 2019.

<b>Age of accounts receivable</b>	<b>% Loss</b>	<b><u>31 December 2020</u></b>	<b><u>31 December 2019</u></b>
Current	3%	\$ 715,876	\$ 499,799
31-60 days past due	6%	200,333	185,355
61-90 days past due	11%	140,898	242,311
Over 91 days past due	18%	146,499	150,489
<b>Total</b>		<b><u>\$ 1,203,606</u></b>	<b><u>\$ 1,077,954</u></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:

<b><u>Movement in allowance for credit losses</u></b>	<b><u>31 December 2020</u></b>	<b><u>31 December 2019</u></b>
Balance at beginning of year	\$ 66,875	\$ 102,097
Impairment losses recognised on receivables	-	3,330
Amounts written off as uncollectible	-	(38,552)
Balance at end of year	<b><u>\$ 66,875</u></b>	<b><u>\$ 66,875</u></b>

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**23. Financial Instruments (continued)**

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

Expected credit loss assessment (continued)

The reduction in the amount of trade receivables and the corresponding reduction in the impairment loss allowance during the year ended 31 December 2020 was due to the write-off of \$nil (2019: \$38,552) in bad debts. The bad debt expense for the year ended 31 December 2020, was \$nil (2019: \$3,330).

Cash and cash equivalents

MACI cash and cash equivalents of \$8,484,927 at 31 December 2020 (2019: \$7,085,769). 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 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 rate.

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**23. Financial Instruments (continued)**

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**d. Market risk (continued)**

*i. Currency risk (continued)*

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.

*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. Comparative Balances**

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Certain comparative balances have been reclassified in order to conform with the financial statement presentation adopted in the current year with no impact on the net income and comprehensive income for the year.

**25. Considerations of the impact of COVID-19**

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On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population. The pandemic has impacted on the revenue generated from new builds consulting services, due to the travel restrictions imposed, however, management has determined that there has been no negative impact on the revenue generated from other service lines. Further, the Authority's operations were already equipped for remote operations from the onset and there were no significant changes to the Authority's products or customer base. There was also no significant impact on any accounting estimates used by the Authority during the period. Consequently, management has determined that there is no material uncertainty over the Authority's ability to continue as a going concern. Given the continued evolving nature of the pandemic, management has been unable to make a final assessment of its impact on the Authority.

**26. Subsequent Events**

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Management has evaluated subsequent events through 15 December 2021, the date the financial statements were available to be issued, and have determined that no other subsequent events have occurred that would require recognition or additional disclosures in these financial statements.

**Head Office - Grand Cayman**

PO Box 2256  
125 Owen Roberts Drive  
Unit 1, Prestige Motors Building  
Grand Cayman KY1-1107  
CAYMAN ISLANDS  
Tel: +1 345 949 8831  
Fax: +1 345 949 8849

**European Regional Office - United Kingdom**

1st Floor, Vanbrugh House  
Grange Drive, Hedge End  
Southampton, SO30 2AF,  
England  
UNITED KINGDOM  
Tel: +44 (0) 1489 799 203  
Fax: +44 (0) 1489 799 204