Cayman Maritime

Annual Report 2018

Contents

Forword 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 2018 Annual Report.

As the Cayman Islands Shipping Registry marks its 115th year, I am pleased to be part of this milestone, as not many local organisations can mark such a historic occasion.

The Cayman Islands has spent many years and great effort building its reputation as a flag administration that supports its clients through professionalism, dependability, and quality. MACI's continued growth can be credited to proactively seeking out new opportunities and developing our products and services around them.

The marketplace is continually changing, and our strategy is to keep our focus on building a quality shipping business platform with high standards for the safety of lives at sea and for the marine environment, while ensuring that the infrastructure for Cayman's maritime industry is sound responsive and dynamic.

MACI has recognised continued improvement on its negative equity position of $1,472,668 in 2017 to a positive $16,106 while recognising a Total Comprehensive Income of $1,795,595 at December 31, 2018; a testament to the operational strength of the Organisation. Cash position continues to grow with a balance at December 31, 2018 of $5,329,145, an increase of 41% over December 31, 2017. Total Assets grew from $5,941,563 to $6,808,210, a 15% increase while Total Liabilities decreased by 8% ($7,414,231 to $6,792,104) year over year.

I thank my fellow board members and the management team at MACI for their continued diligence and unwavering commitment to developing the Cayman Islands into a quality international maritime centre. I look forward to MACI's continued development as it strives to expand its horizons, broadening the crosssection 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.

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

Statement from the CEO

During 2018, MACI's hard work and its achievements have ensured that the Cayman Islands remains buoyant as a maritime centre. We continue our dedication to service excellence, ensuring the maintenance of first-class relationships with our valued clients by supporting them comprehensively, quickly and proactively. This, combined with our efforts to move with the times, keeping up-to-date with new rules and regulations, technological developments and the needs of the maritime industry, help keep us ahead of the game, meeting and exceeding expectations.

The Register ended 2018 with 2,215 vessels registered with a total of 5.6 million gross tons, a first in its 115-year history. We continued to dominate the superyacht new build market with a 17% increase in the new build portfolio showing that Cayman is being recognized for its technical excellence, building a solid reputation as a leader in regulator and advisory services.

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

In addition to these notable achievements, Cayman was again recognized by the International Chamber of Shipping for the seventh 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.

With the vision of expanding its fleet, MACI continued to exhibit a high global profile by exploring new markets. We saw an increase in the merchant fleet, which was a direct result of business development efforts in European and Asian markets. One of our proudest achievements during the last year was holding the inaugural Luncheon in Greece for the Greek Shipping Community which was also attended by the Cayman Islands Honorable Premier, Alden McLaughlin.

This year, the Cayman Islands had the distinguished honor of being asked to host the 23rd Annual meeting of the Caribbean Port State Control Committee for the Caribbean MOU on PSC. The meeting offered the CMOU Member States the opportunity for the detailed face-to-face discussions on matters including the performance of the CMOU, amendments to the MOU as well as the addition of new Member States.

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

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

A. Joel Walton, JP
CEO, MACI

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.

About the Maritime Authority

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

NATURE AND SCOPE 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

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

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

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

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

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

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

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

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

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

Customers and Location of Activities

The services provided by Maritime Authority of the Cayman Islands 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
5. Cayman Islands Government

The Maritime Authority of the Cayman Islands is able to offer its services to its Customers from fourteen locations: the Head Office in George Town, the European Regional Office in the United Kingdom, Asian Regional Office in Singapore, representatives in London, Greece, United States of America, France,Panama, Japan, The Netherlands, Italy, Jersey, Brazil, and China.

Relationship between the Cayman Islands and the United Kingdom governments

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

Relationship with the Private Sector

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

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

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

International Regulatory Environment

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

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

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

History of the CISR and MACI at a glance

1903

- The original Cayman Islands Shipping Registry (CISR) was first established in 1903 when George Town was formally recognized as a British Port of Registry.
- First ship registered on January 14th, 1903: El Paso. GRT 52.60, Length 18.6 feet.

1935

- Lady Slater came on the Register. She was built by Capt. Rayal B. Bodden 1934 and was the largest motor vessel ever built in the Cayman Islands. GRT 273, Length 109 ft.

1991

- 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.

1993

- 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.

1997

- The Cayman Islands Shipowners' Advisory Council (CISAC) was formed and is comprised of major shipowners of Cayman-flagged vessels.

2000

- In May CISR received initial certification to operate a Quality Management System (QMS) which complied with the requirements of ISO 9002:1994

2005

- 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.
- In August, Governor Bruce Dinwiddy appointed the first MACI Board.
- "White list" Paris Memorandum of Understanding (MOU).
- 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.

2007

- The Cayman Islands Shipowners' Advisory Council – Yacht Committee (CISAC-YC) was established and consists of major yacht managers and owners of Cayman registered vessels.
- Two Maritime Scholarships were made available by the Ministry of Education.
- The Cayman Islands was awarded with Qualship 21 Status by the United States Coast Guard (USCG).
- Additional Ports of Registry were introduced, "The Creek" in Cayman Brac and "Bloody Bay" in Little Cayman.

2009

- "White List" Tokyo Memorandum of Understanding (MOU)

2010

- 2nd MACI Board of Directors appointed.

2011

- In January achieved International Organization for Standardization (ISO) 9001:2008 certification.
- Successfully completed International Maritime Organisation (IMO) audit under the Voluntary IMO Member State Audit Scheme (VIMSAS).

2012

- 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).

2013

- MACI marks the 110th anniversary of the formal establishment of the Cayman Islands Shipping Registry (CISR).
- 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.
- 1st Annual Cayman Islands Shipping Summit.

2014

- Attained Tokyo MOU Low Risk Ship status
- 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.

2015

- 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).
- Cayman in Top 14 flag states according to International Chamber of Shipping (ICS).
- Passenger Yacht Code (PYC) developed by Red Ensign Group led by Cayman Flag to carry up to 36 passengers.

2016

- Cayman listed in the Top 6 performing Maritime Administrations in the Tokyo MOU Port State Control.
- New Chapter 14 of Passenger yacht Code (PYC).
- The International Chamber of Shipping (ICS) has for the 5th year running rated Cayman Registry in the top 15 flag states in their 2015/2016 Annual Flag State Performance Table.
- Hosted first Cayman Maritime Week with a joint public sector/ private sector partnership.

2017

- Cayman listed as the top performing Flag in the Paris MOU Port State Control
- The International Chamber of Shipping (ICS) has for the 6th year running rated Cayman Registry in the top 16 flag states in their 2016/2017 Annual Flag State Performance Table.
- Hosted the Red Ensign Group Annual Conference
- Cayman reaffirmed Most Favoured Nation Status for Cayman ships entering Chinese ports
- Introduced an optional Flag State Compliance (FSC) fixed fee and survey regime for large yachts

2018

- Cayman listed as a top performing Flag in the Paris MOU Port State Control.
- The International Chamber of Shipping (ICS) has for the 7th year running rated Cayman Registry as a top performing flag in their 2017/2018 Annual Flag State Performance Table.

History of the CISR and MACI at a glance

- Hosted the Annual General Meeting of the CMOU on PSC in June 2018.
- Convene the Red Ensign Group Yacht Codes & Industry working group and produce a corrigenda prior the REG Yacht Codes entry into force.

- Complete the Casualty Investigation Regulations, and gazette.
- Hold the Inaugural Luncheon in Greece for Greek Shipping Community in October 2018.

Office of the CEO

Events, Client Relationships and Special Projects

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

EVENTS

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

In June of 2018, the Cayman Islands Shipping Registry hosted on behalf of the Cayman Islands Government, the Caribbean Memorandum of Understanding on Port State Control (CMOU). In attendance was 13 of the 17 Member States and the Observer State of Haiti.

In addition, the Regional Maritime Advisor of the International Maritime Organization, the General Secretary of the Paris Memorandum of Understanding and representatives from the United States Coast Guard were also in attendance. Port State Control is a check on visiting foreign ships to see that they comply with international rules on safety, pollution prevention and seafarers living and working conditions. It is a means of enforcing compliance where the owner and Flag State have failed in their responsibility to implement or ensure compliance. The Caribbean MOU was signed in 1996 in Barbados and now has a complement of 17 Member States (Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Cayman Islands, Cuba, Curaçao, France, Grenada, Guyana, Jamaica, the Netherlands, St. Christopher and Nevis, St. Lucia, Suriname and Trinidad and Tobago) and one Associate Member (St. Vincent & the Grenadines).

CLIENT RELATIONSHIPS

Data gathered in respect to client relationship management, indicated that 87 per cent of client queries were responded to within the organisation's 24-hour target response time. Additionally, MACI employees in both the Head Office and European Regional Office continued to capture significant queries, complaints and compliments, based on specified criteria, throughout all sections of the organisation.

BUSINESS DEVELOPMENT

The Business Development Section is responsible for advising on the organisation of conferences geared toward maritime issues and the staging of conferences, seminars and workshops in specialised maritime subjects, and also the preparation and/or delivery of training in the maritime sector, including Port State Control, International Ship and Port Facility Security Code, International Safety Management, commercial yacht safety and other specialised areas.

Human Resources and Administration

OVERVIEW

The Human Resources and Administration Team is charged with the responsibility of providing structure and support to meet the organisation's needs through managing its most valuable resources, its employees. Human Resources strategically manage the organisation's resources of recruitment, coordinating benefits, promoting training and professional development of its employees.

The Administration Team collaborates with Human Resources acting as the face of the company, by providing professional administrative and friendly service to customers, ensuring they all receive a heartwarming welcome when visiting or calling the office. They also support employees by coordinating services to maintain office functionality.

PERSONNEL CHANGES

During this period personnel changes at MACI were as follows:

3	2	1	2
NEW HIRES	RESIGNATIONS	REDUNDANCY	COVERTED TO INDEPENDENT CONTRACTOR
(3) Safety & Compliance	(1) Safety & Compliance, (1) Finance	(1) Human Resources	(2) Commecial Services

TRAINING AND PROFESSIONAL DEVELOPMENT

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

Training Hours

60 COMMERCIAL SERVICES	79 HUMAN RESOURCES & ADMIN	54 OPERATIONS
9 POLICY & QMS	425 SAFETY & COMPLIANCE	38 REGISTRATION

- 1 Employee granted extended study leave to attend University of Liverpool undertaking BSC. Accounting.
- 2 Employees completed in the CMoU/USCG Passenger Ship Inspection Course.
- 2 Employees completed Compliance Training.
- 2 Employees completed IPSAS Training.
- 2 Employees participated in Leadership Workshops.

INTERNSHIP PROGRAMME

In 2017-18 the Organisation's Internships Programme was restricted to Maritime Scholarship Recipients only. However, the Organisation continued its participation at High School Career Days in various local schools and the annual Chamber of Commerce Career's Expo. This has resulted in an increased number of student's indicating an interest Internships with the Organisation and in pursuing studies in maritime related fields.

MARITIME SCHOLARSHIP

Each year the Organisation collaborates with the Ministry of Education to offer young Caymanians the opportunity to earn an undergraduate, post graduate or professional qualification within Marine Engineering, Marine Surveying, Maritime Administration, Nautical Studies and Navel architecture. Consideration is also given to specialist areas that support the maritime industry such as Legal, Human Resources, Accounting and IT. The 2017 recipient is now in his second year of studies in Navel Architecture at the University of Plymouth, UK. While the 2018 recipient commenced studies in Nautical Science also at the University of Plymouth, UK.

Maritime Policy, Quality and Casualty Investigation

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

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

MERCHANT SHIPPING LAW AND REGULATIONS (DEVELOPMENT AND IMPLEMENTATION)

After a lengthy dialogue with the Legal Drafting Department, legislation regulating the investigation of marine accidents has now been made by Cabinet (See Casualty Investigation, on the right).

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 signals a change from a "transcription" approach to International Conventions to a modern "ambulatory referencing" approach. As part of this review, several conflicts with the 2009 Constitution Order have been resolved in the revised Merchant Shipping Law. Due to the specialist nature of this work, an establish Professor of Maritime Law has been engaged to work with MACI on the drafting of the new Merchant Shipping Law.

MARITIME POLICY

During 2018, 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 Steering Group has been established by Cabinet to coordinate preparations for this audit under the chairmanship of the Ministry of Financial Services and Home Affairs. MACI is an active participant in this group and has prepared a draft National Maritime Strategy for consideration and further development by CIG.

A further visit by officials from the UK Maritime and Coastguard Agency has been scheduled for Q1 2019 where the draft National Maritime Strategy will be presented for finalization and implementation across CIG.

During 2018, the Maritime Policy section prepared an "Article 22 Report" for submission to the International Labour Organization. This report is required by the ILO Constitution and consists of a comprehensive and detailed report of how the Maritime Labour Convention is being implemented in the Cayman Islands. After the submission of the report to ILO's "Committee of Experts", the Maritime Policy section addressed the resulting "Direct Requests" from both ILO and labor organisations.

QUALITY MANAGEMENT SYSTEMS

During the 2016/17 fiscal period, MACI was re-certified to ISO 9001:2008 by BSI in December 2016. The QMS was then overhauled during 2018 in anticipation of the IMO Audit of the Cayman Islands Government which is planned for September 2020. This has resulted in the development of a completely new QMS aimed at aiding MACI demonstrate compliance with the mandatory instruments of IMO which have been extended to the Cayman Islands. Despite the major revision of the QMS, recertification to ISO 9001:2015 is still planned for 2020 to follow the IMO's III Code audit of CIG in September 2020.

CASUALTY INVESTIGATION

During 2018 the Casualty Investigation section processed over 130 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). During the period covered no reports were received that were serious enough to require a formal investigation though a small number were investigated administratively whilst not requiring full investigation under the Casualty Investigation Code.

New regulations (The Merchant Shipping (Marine Casualty Reporting and Investigation) Regulations, 2018) have been made by Cabinet to govern the reporting and investigation of accidents and incidents occurring on board Cayman Islands ships. These regulations compliment section 430 of the Merchant Shipping Law and, inter alia, put in place a formal system of ministerial oversight of the casualty investigation process.

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 2018 the Shipping Master has investigated 80 complaints from seafarers on Cayman Islands Ships most of which were for unpaid or late wages with a small minority being for other welfare issues such as hours of rest or medical expenses. The vast majority of these disputes were resolved rapidly and amicably once the Shipping Master became involved. As with reports of accidents, every complaint is recorded for statistical purposes and is required to be submitted to both the UK (as one of the REG Quality Objectives) and to the International Labour Organization (ILO) as part of our obligations under the Maritime Labour Convention, 2006 (MLC).

In addition to the investigation of complaints by seafarers, the Shipping Master also conducted 6 "Death Inquiries" under section 434 of the Merchant Shipping Law into deaths occurring on or associated with Cayman Islands ships. Such inquiries are mainly administrative in nature and allow the death to be properly recorded and passed to General Registry and for the information of H M Coroner.

Commercial Services

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

In 2018 we held Registration and Flag State familiarization seminars in Singapore and London, which were well attended by the law-firms and management companies in the respective areas.

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

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

Registration

The Registration section is a frequent point of contact for clients and also serves as the core of the Cayman Islands Shipping Registry (CISR). This section is responsible for processing several types of registrations including: full, interim, term, under construction and demise (bareboat) charter registrations; and the registration of mortgages in accordance with the Merchant Shipping Law (2016 Revision). Registrations recognised all three Cayman ports of entry: George Town (Grand Cayman), The Creek (Cayman Brac) and Bloody Bay (Little Cayman), thereby broadening the geographic scope of the Registry.

The Cayman Islands has been recognized by the International Chamber of Shipping for the 7th year running as being top-of-class in the 2018 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.

For the first time in its 115-year history, the Registry ended the 2018 with 2,215 units, which includes 1,897 pleasure vessels and 318 commercial vessels. At the end of 2018, the Register totaled 5.60 million gross tons, another first in the Registry's history. Additionally, 2018 marks the second-best year in recent times with an 8.5% net increase in tonnage as compared to a 7 % net tonnage increase in 2017. The period also ended with the average age of the vessels at 10.81 years.

The Cayman Islands continued to dominate the superyacht market with a 17% increase in the new build portfolio for 2018, which recognizes the flag's technical excellence and regulatory and advisory services. Furthermore, the Register saw an increase in the merchant fleet, which was a direct result of business development efforts in the European and Asian markets.

At the end of this period, there were 84 name reservations, 8 registered vessels under construction, and 151 new-build yachts, 9 of which are to be certified to the Red Ensign Group Code Part 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.

Operations

Information Technology and Information Management

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

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

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

Following the RFP process for new Financial software in 2016/2017, MACI performed a migration from Microsoft GP Dynamics to Microsoft 365 Operations on cloud infrastructure.

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.

For the first time in 13 years, MACI had its financials audited by a non-governmental entity.

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 2018 fiscal year, the Registry's business development updates continued to be circulated via local and overseas media houses, the CISR website, social media and the MSCC and CISAC advisory groups.

Global Safety and Compliance

INTERNATIONAL RECOGNITION AND REGULATORY PERFORMANCE

The Cayman Islands maintained it's "White Listing" and "Low Risk" status within the Paris and Tokyo Port State Control Memoranda of Understanding (PSC MOU) and remained within the top two of the best performing flags in the Paris MOU.

Cayman also maintained "USCG Qualship 21" status for the 8th Consecutive year and were recognised by the International Chamber of Shipping for the 7th year running as being top-of-class in the 2017/18 Annual Flag State Performance Table.

PORT STATE CONTROL (DOMESTIC)

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

The (CMOU) held its 23rd Committee meeting in Grand Cayman from the 27th – 29th of June 2018, hosted by the MACI. During the meeting Mr. A. Joel Walton MACI CEO was elected by acclamation as Vice Chairman of the CPSCC for a period of three years

QUALITY MANAGEMENT & IMO INSTRUMENT IMPLEMENTATION CODE (IIIC) PREPARATION

Work continued to streamline Safety and Compliance Policies and Procedures including the development of a section specific Quality Management Manual and supporting work instructions in preparation for the UK's four yearly monitoring visit. This monitoring visit conducted by the UK Maritime and Coastguard Agency an Executive Agency of the Department for Transport will now be expanded to a Triple I Code mock audit. The mock audit has been scheduled for April 2019 covering all of the Cayman Islands Government obligations under the respective International Conventions, Codes and Instruments.

YACHT CODES & TECHNICAL POLICY

Three Naval Architect consultants in South Florida were appointed to act on MACI's behalf when dealing with Stability and Load Line matters on non-classed yachts under 300GT certified to the Cayman Yacht Code.

In addition, MACI led the discussions on the Corrigenda for the Red Ensign Group Yacht Codes which enters into force on 1 January 2019.

Following on from the Manilla Amendments to the International Convention on Standards of Training Certification and Watchkeeping (STCW) for Seafarers. MACI has updated it's Manning Policy Manual (MPM) taking account of these changes.

NEW PRODUCTS AND POLICY CHANGES

Yacht Engaged in Trade (YET), was introduced in December 2017. Whilst the current scheme only applies to France and Monaco, work continues with industry partners to expand the YET Scheme to other jurisdictions including Italy, Spain and Croatia.

RED ENSIGN GROUP (REG) – TECHNICAL FORUM

MACI was appointed to Co-Chair of the Technical forum which has responsibility for the development of the technical policy for all British Ships. Within the Technical Forum there are several working groups covering the Polar Code, Safe Return o Port on Passenger Ships and the sharing of Surveyor resources within the REG.

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

Regulation 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. 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 (21 female and 23 male).
2. Age range 23 to 66.
3. CEO (1), Global Directors (4), Regional Directors (3), Heads (2), Chief Policy Advisor (1), Registrar/Deputy Global Director (1), Administrative Staff (33)
4. 64% Caymanian and 36% Non-Caymanian.
5. Salary Scale range $22,440 to $222,600.
6. Spent $3,267,555 on Personnel Costs (basic salary, motor car allowance).
6. Spent $39,103 on Training & Professional Development (1 Certified Programme, 1 Maritime Diploma, 1 Associate Degree, 2 Bachelor's Degrees, Courses, Workshops and Seminars).

PERSONNEL CHANGES

During this period personnel changes at MACIwere as follows:

HEAD OFFICE, GT/SECTION

1

NEW HIRES

(1) Safety & Compliance

1

RESIGNATIONS

(1) Operations / Finance

8

PROMOTIONS

(1) Operations,
(2) HR & Admin,
(4) Safety & Compliance,
(1) Commercial Services.

ERO, UK/SECTION

2

NEW HIRES

(2) Safety & Compliance

1

RESIGNATIONS

(1) Safety & Compliance

1

PROMOTIONS

(1) Safety & Compliance

Management Discussion & Analysis

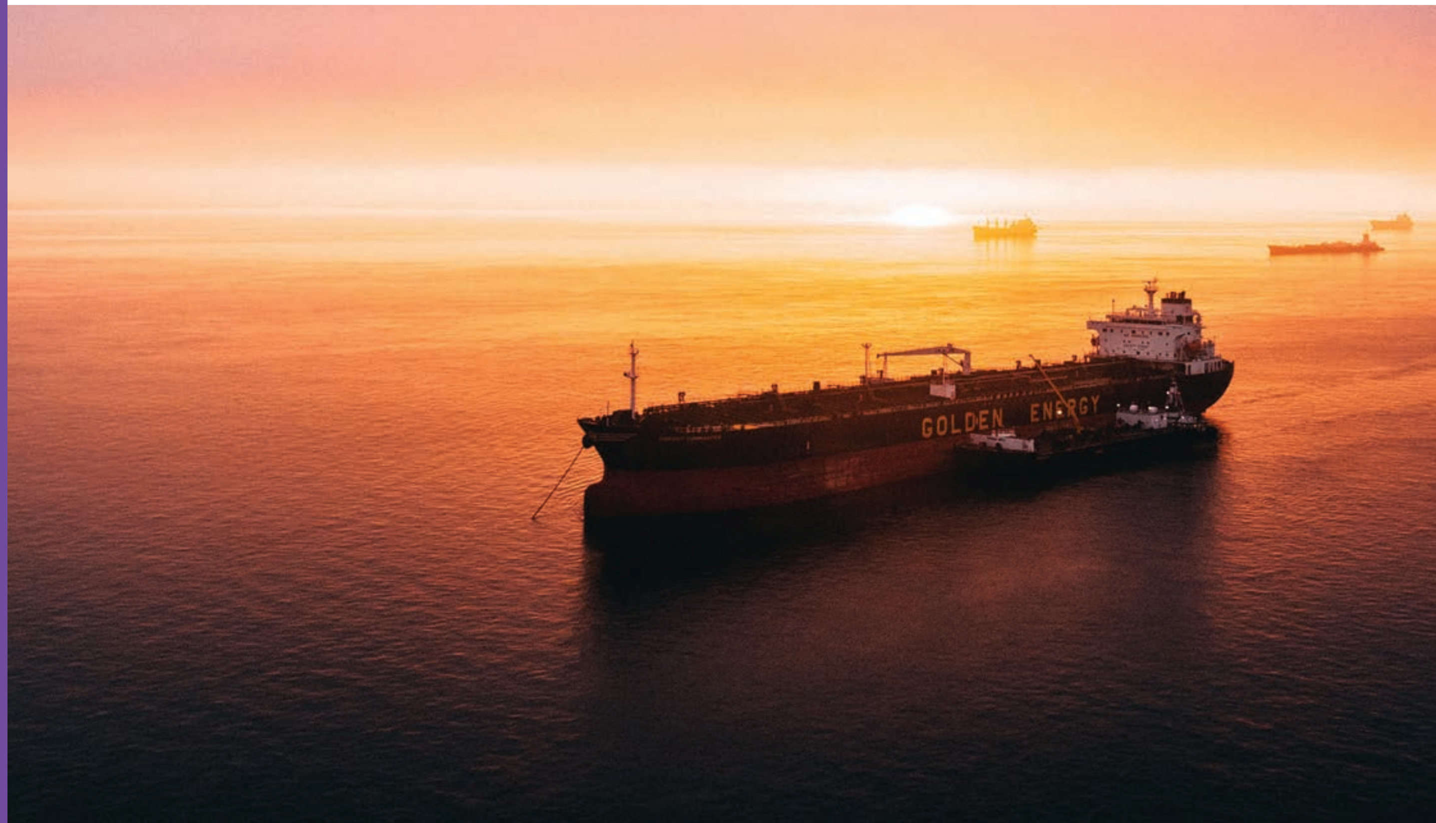
HIGHLIGHT OF ACHIEVEMENT

The key strategic goals and objectives for the Maritime Authority of the Cayman Islands for the 2018 financial year are as follows:

1. Hosted the Annual General Meeting of the CMOU on PSC in June 2018;
2. Convened the Red Ensign Group Yacht Codes & Industry working group and produce a corrigenda prior the REG Yacht Codes entry into force;
3. Completed the Casualty Investigation Regulations, and gazette;
4. Held the Inaugural Luncheon in Greece for Greek Shipping Community in October 2018;
5. Wrote the Yacht Master's Handbook;
6. Wrote the Manning Policy Manual;
7. Developed and sign 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). Carry out Business Development visits to Europe (Italy, France and Greece) and Middle Eastern yacht build/refit yards;
8. Implemented the Client Relationships Management (CRM) system with initial use; and
9. Conducted Vessel Registration Training in Singapore and London.

Risk Management

KEY RISKS FACED BY MINISTRY/PORTFOLIO	CHANGED IN STATUS FROM 2016/2017	ACTIONS TO MANAGE RISK	FINANCIAL VALUE OF RISK
War & 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 2018	TOTAL EXPENDITURE 2018	TOTAL REVENUES 2016/2017 (18 Months)	TOTAL EXPENDITURE 2016/2017 (18 Months)	CASH POSITION 2018	CASH POSITION 2016/2017
$9, 950, 986	$9,502,391	$13,666,689	$14,746,146	$5,329,145	$3,770,287

NOTES:

- The Statement of Financial Position included in the Financial Statements for the fiscal period ended 31 December 2018, shows that MACI's total assets were valued at $6,808,210 and total liabilities at $6,792,104, resulting in a positive net worth of $16,106. Fiscal period ended 31 December 2017 (18 months), shows that MACI's total assets were valued at $5,627,608 and total liabilities at $7,414,231, resulting in a negative net worth of $1,472,668. MACI's cash position increased from $3,770,287 at 31 December 2017 to $5,329,145 at 31 December 2018, an increase of $1,558,858.
- The total comprehensive profit for 31 December 2018 was $1,795,595.
- During the 2014/15 financial year MACI created a sinking fund. These funds are designated for carrying out casualty investigation on board Cayman registered vessels. The fund currently has a balance at 31 December 2018 of $301,241 (2017: $238,622), of which the full amount forms part of MACI's 2018 cash balance of $5,329,145 (2017: $3,770,287).
- Audited Financial Statements for 1 January 2018 to 31 December 2018 form a part of this Annual Report (Appendix 1).

Internal and Exernal Audit updates

1. External auditors have issued an unqualified opinion on the financial statements for the year ended 31 December 2018.

Scrutiny by Parliament and Public

Maritime Authority of the Cayman Islands Financial Highlights

REQUEST DESCRIPTION	DATE RECIEVED	CLOSURE DATE	OUTCOME
A break-down of flights, other travel expenses, hotel costs, daily stipends, the cost of tickets for the conference and related events, the cost of hosting the diner and receptions and the promotional and public relations costs such as the video and related material for both the Monaco Yacht Show and the Client Visit to Athens, Greece.	October 15 2018	October 31 2018	Granted in Full, emailed to applicant
What are the monthly stipends (and other benefits) paid to Board members/directors serving on the Boards of Statutory Authorities & Government.	July 31 2018	August 13 2018	Granted in Full, emailed to applicant
Request a breakdown of all investigations involving civil servants over the last four years including the first 4 months of 2018. Broken down by their nature, the number of employees/their department	May 03 2018	May 11 2018	Granted in Full, emailed to applicant

Forward Looking Key Performance Indicators

CLIENT SERVICE

1. Provide a Registration regime to protect vessel ownership and the priority ranking of any related mortgage, by:
   a. completing documents that are accurate;
   b. providing registration certification within 24 hours of receipt of all required documentation and fees; and
   c. ensuring that all documents and records are properly filed.
2. Provide a cost-effective vessel and company audit and vessel survey regime that promotes quality vessels; effective maritime security systems; protection of the marine environment; and social responsibility and that:
   a. schedules (acknowledgement) Surveys and Audits within 2 working days of the receipt of a request and of all required documentation;
   b. provides all Statutory certifications or documentation within 5 working days of receipt of all relevant information; and
   c. issues crew compliance certification within 2 working days of receipt of all required documentation and fees.

3. Ensure that all client complaints and queries are adequately researched and responded to within 2 working days of the receipt of supporting information.

4. Provide immediate support (less than 2 hours) upon request in the case of PSC detention of a Cayman Registered vessel.

5. Ensure attendance by a Cayman Surveyor on-board every Cayman Registered vessel that has been detained, within 90 days of the date of its detention.

6. Provide response to ALL queries for direct client interface groups as listed, within 2 working days:
   a. Crew;
   b. Accounts Receivable;
   c. Shipping Master
   d. Registration;
   e. Technical; and
   f. Bunker.

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;
   d. 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 36 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. Achieve a Net Income margin of 5% from 2015/16 onwards.

6. Maintain a minimum 90-day cash requirement as at December 31 of each fiscal year.

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

MAJOR INITIATIVES FOR 2019

- Sign a MOU on technical cooperation with Panama Maritime Administration;
- Partner with RINA to promote Yachting at agreed locations in line with MACI's Business Development Strategy;
- Collaborate with major yacht re-fit yards to encourage the use of Codes and Cayman yacht specialist advice during the re-fit process;
- Commence the International Maritime Organisations Instruments Implementation Code **(IIIC)** preaudit with UK MCA;
- Complete modernisation of the Cayman Islands Merchant Shipping Law;
- Commence the modernisation of the Cayman Islands Merchant Shipping (Marine Pollution) Law; and
- Spearhead development of uniformed title and mortgage documents within the Red Ensign Group **(REG)**.

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.

MR. PHILIP BARNES, NP
Chairperson
(19 November, 2013 – 31 August, 2019)

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

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

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

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

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

MS. SHERICE ARMAN
Deputy Chairperson
(1 September, 2016 – 31 August, 2019)

Ms. Arman has over 17 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, 2016 – 31 August, 2019)

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
Directo
(1 September 2016 – 31 August, 2019)

Mr. DaCosta is a Partner in the Corporate department in the Cayman Islands office of Conyers Dill & Pearman. He joined Conyers in 2003 and, 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.

Mr. DaCosta holds a LLB from the University of Liverpool.

MR. ANDREAS UGLAND
Director
(1 September 2017 – 31 August, 2019)

Mr. Ugland serves as the Chairman of the Board of Queensgate Bank & Trust Company Ltd. a family owned bank based in the Cayman Islands. He also serves as the Vice-chairman and Chair of the audit committee or Nordic American Tankers (NAT), a large shipowning company specialising in suez-max tankers. He has been a member of the NAT Board since 1997. Nordic American Tankers, currently have 10 vessels registered in the Cayman Islands totalling a gross tonnage of approx. 800,000 (16% of the Registry's total gross tonnage). The company also has 3 newbuilds under construction which are being built to Cayman Flag.

Mr. Ugland has spent his entire life in the shipping industry growing up in one of the most recognised and well known Norwegian shipping families. He has been working in or serving on the Board of Directors of a multitude of international shipping companies. Mr. Ugland has been living in the Cayman Islands since the 1980's.

Mr. Ugland has been a great support for the Cayman Registry over the years, most recently with very valuable introductions to several shipowners in Northern Europe, which has contributed to the registry's growth in this area.

He holds a Honours Degree in Naval Architecture from University of Newcastle upon Tyne, UK and a MBA from New York University.

MR. JOHN MACKENZIE
Director
(12 December 2017 – 11 December 2019)

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. He 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 survey 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 Consultive Committee for the Cayman Islands Shipping Registry and a board/council member of the National Trust for The Cayman Islands.

MR. A. JOEL WALTON, JP
MACI CEO & Ex-Officio Member
(1 July, 2005 – Present)

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

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

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

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

MS. LORNA E. WASHINGTON
MACI Board Secretary & Ex-Officio Member
(1 July, 2014 – Present)

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

MACI's obligations to meet the REG Quality Objectives

The In addition to the Key Performance Indicators, Ongoing Objectives and Major Initiatives, MACI has a number of Quality Objectives that form part of the obligations that every British Category 1 Red Ensign Registry must monitor and record. These objectives are divided between the various Divisions and Sections within MACI as follows:

REGISTRATION

1

Provide quarterly updates on the size of the registered fleet by:

a. Ship Type;
b. Number of vessels;
c. Total Gross Tonnage;
d. Total Deadweight; and
e. Average age.

2

Maintain consolidated data in the use of the "Flag In Matrix" for ships wishing to register in the Cayman Islands.

3

Maintain records of vessels which are refused registration in the Cayman Islands detailing:

a. Ship Name;
b. IMO Number;
c. Date of Refusal; and
d. Reason for refusal.

GLOBAL SAFETY AND COMPLIANCE (SAFETY, SURVEY AND INSPECTION)

4

Monitor the Port State Control (PSC) performance of Cayman Vessels in the major PSC Regions against the following targets:

i. Paris MOU: Detentions <2.5%, Maintain White List status; Excess Factor < -1.4.
ii. Tokyo MOU: Detentions <2.5%, Maintain White List status; Excess Factor < -0.5.
iii. United States Coast Guard: <1%, Maintain "Qualship 21" status.

5

Follow up on all PSC Detentions with an onboard inspection within 6 months of any detention.

6

Promulgate important safety and security advice to clients within one working day of receipt.

7

Monitor the number of safe manning infringements found during surveys and inspections.

8

Ensure at least 95% of all ISM audits (excluding "Interim Audits") are conducted by MACI auditors and not delegated to classification societies.

9

Ensure that all ISPS audits (excluding Interim Audits and cases of Force Majeure) are conducted by MACI auditors and not delegated to classification societies.

10

Ensure all audit non conformances as followed up and closed out in a timely manner.

11

Ensure that MACI attends each Large Commercial Yacht registered in the Cayman Islands at least once every two years.

12

Undertake all required surveys onboard registered Passenger Ships.

13

Undertake stability assessments on all new Passenger Ships, High Speed Craft and nominated Cargo Ships.

14

Maintain records of all certificates issued and exemptions granted.

15

Monitor the performance of classification societies by:

b. Attendance at two British Classification Committee (BCC) Meetings per year;
c. Attendance at two British Classification (BC) Meetings per year; and
d. Conducting one Vertical Contract Audit per year.

16

Conduct the appropriate number of PSC Inspections in George Town to meet the obligations of the Caribbean MOU on Port State Control.

TECHNICAL COMPLIANCE

17

Ensure all Endorsements issued are in respect to countries recognized by MACI.

18

Ensure at least 25% of Certificates of Competence submitted in support of endorsement applications are checked for validity.

19

Record the number of endorsements either withdrawn or refused.

20

Record number of Safe Manning Certificate infringements found during survey.

POLICY, CASUALTY INVESTIGATION AND QUALITY

21

Process seafarer complaints promptly. Not responded to within 48 hours: target <10%

22

Arrange for the repatriation of stranded crew members.

23

Ensure agreements with classification societies are reviewed at intervals not exceeding five years.

24

Investigate accidents and incidents in line with MLC Standard A4.3.5 2006: Accidents resulting inpersonal ingury.

25

Maintain records of all accidents and incidents reported on Cayman Islands ships.

26

Record accidents and incidents requiring formal investigation.

27

Maintain records of time taken for investigations and reporting via the IMO GISIS system.

28

Ensuring that National Legislation gives full effect to International Convention requirements by the applicable entry into force dates.

29

Maintain records of external quality audits to maintain ISO 9001:2015 certification

CORPORATE COMMUNICATIONS

30

Maintain records of all customer complaints received,investigated and their resolution.

Financial Statements

for the year ended 31 December, 2018

Contents

Statement of responsibility for the financial statements

These financial statements have been prepared by the Maritime Authority of the Cayman Islands in accordance with the provisions of the Public Management and Finance Law (2018 Revision) and International Financial Reporting Standards.

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

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

The financial statements fairly present the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year ended 31 December 2018.

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

(a) completely and reliably reflect the financial transactions of Maritime Authority of the Cayman Islands for the for the year ended 31 December 2018;

(b) fairly reflect ihe financial position as at 31 December 2018 and performance for the year ended 31 December 2018;

(c) comply with the provisions of the Public Management and Finance Law (2018 Revision) and International Financial Reporting Standards

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

P Barnes
Chairperson
Maritime Authority of the Cayman Islands

23 August 2019

A. Joel Walton
CEO
Maritime Authority of the Cayman Islands

23 August 2019

Auditor General's Report

To the Board of Directors of the 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 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 38.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2018 and its financial performance and its cash flows for year ended 31 December 2018 in accordance with International Financial Reporting Standards.

BASIS FOR OPINION

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'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 included my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's 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 accrodance with ISA's 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 proceedures 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, mirepre sentations, 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 effectivness 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 managements's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the Public Management and Finance Law (2018 Revision). I communicated 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.

Sue Winspear, CPFA
Auditor General

23 August 2019
Cayman Islands

Statement of Financial Position

As at December 31, 2018

ASSETS	NOTES	December 2018 CI$'000	December 2017 CI$'000
Current Assets			
Cash & Cash Equivalents	5/24	5,329,145	3,770,287
Trade Receivables	6/16/24	1,094,435	1,694,263
Other Receivables	6	90,820	163,058
Total Current Assets		**6,514,400**	**5,627,608**
Non-Current Assets			
Property, Plant & Equipment	7	293,810	313,955
Total Non-Current Assets		**293,810**	**313,955**
Total Assets		**6,808,210**	**5,941,563**
EQUITY AND LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Expenses	8	288,537	488,142
Unearned Revenue	9/16	355,643	292,139
Casualty Investigation Fund	10	301,241	238,622
Employee Entitlements	11	61,683	67,328
Total Current Liabilities		**1,007,104**	**1,086,231**
Non-Current Liabilities			
Past Service Pesion Liability	12	556,000	838,000
Post-Retirement Healthcare Liability	13	5,229,000	5,490,000
Total Non-Current Liabilities		**5,785,000**	**6,328,000**
Total Liabilities		**6,792,104**	**7,414,231**
EQUITY			
Contributed Capital	15	1,500,000	1,500,000
Accumulated Deficit		(2,705,894)	(2,847,668)
Other Comprehensive Income/Loss		1,222,000	(125,000)
Total Equity		**16,106**	**(1,472,668)**
Total Equity and Liabilities		**6,808,210**	**5,941,563**

Approved on Behalf of the Board of Directors on 23 August, 2019

Philip Barnes
Chairperson

A. Joel Walton
Chief Executive Officer

The accompanying notes form an integral part of these financial statements

Statement of Comprehesive Income

For the year ended 31 December 2018

REVENUE	NOTES	Year Ended (December 2018) CI$'000	Year Ended (December 2017) CI$'000
Sales of Goods and Services	16	7,381,118	9,839,082
Annual Tonnage Fees	16	1,723,194	1,664,790
Other Operating Revenue	16	433,096	1,623,672
Sales of Goods and Services - CIG	16	413,578	539,145
Total Revenue		**9,950,986**	**13,666,689**
EXPENSES			
Personnel Cost	17	4,958,912	7,367,888
Professional Services	18	1,848,515	2,499,199
Other Expenses	19	1,145,067	2,400,708
Operating Lease and Utilities	20	545,410	831,108
Travel, Entertainment and Business Development	21	526,705	918,065
Survey Related Expense	16	388,034	462,623
Impairment Allowances	24	22,578	135,279
Depreciation	7	67,170	131,276
Total Expenses		**9,502,391**	**14,746,146**
Net Operating Income/(loss)		**448,595**	**(1,079,457)**
OTHER COMPREHENSIVE INCOME			
Items that will not be classified to profit or loss:			
Re-measurement of Defined Pension Benefits	12	477,000	1,213,000
Re-measurement of Post-Retirement Healthcare Benefits	13	870,000	585,000
Total other Comprehensive Income		**1,347,000**	**1,798,000**
Total Comprehensive Income		**1,795,595**	**718,543**

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2018

	Contributed Capital	Retained Earnings/ (Accumulated Deficit)	Other Comprehensive Income/(Loss)	Total
	CI$'000	CI$'000	CI$'000	CI$'000
Balance at 30 June 2016	**1,500,000**	**(1,768,211)**	**(1,923,000)**	**(2,191,211)**
Net Operating Loss for the period	-	(1,079,457)	-	(1,079,457)
Other Comprehensive Income	-	-	1,798,000	1,798,000
Balance at 31 December 2017	**1,500,000**	**(2,847,668)**	**(125,000)**	**(1,472,668)**
Prior Year adjustment	-	(204,919)	-	(204,919)
Effect of change in Accounting Policy	-	(101,902)	-	(101,902)
Net operating income for the year	-	448,595	-	448,595
Other comprehensive income	-	-	1,347,000	1,347,000
Balance at 31 December 2018	**1,500,000**	**(2,705,894)**	**1,222,000**	**16,106**

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December 2018	18 months ended 31 December 2017
	CI$'000	CI$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Operating Income/(loss)	448,595	(1,079,457)
Adjustments for:		
Depreciation	67,170	131,276
Impairment Allowances	22,578	56,800
Decrease in past service Pension Liability	(282,000)	
Decrease in post-retirement Healthcare Liability	(261,000)	-
Remeasurement of defined Pension Benefits	477,000	-
Remeasurement of post-retirement Healthcare Benefits	870,000	-
Prior period Adjustment	(204,919)	-
Effect of change in Accounting Policy	(101,902)	
Increase in Non-CurrentLiabilities	-	1,261,000
Net changes in non-cash working capital relating to operations		
Decrease in Trade Receivables	577,250	237,789
Decrease in other Receivables	72,238	36,882
(Decrease)/increase in Accounts Payable and Accrued Expenses	(199,605)	177,384
Increase in Unearned Revenue	63,504	28,028
(Decrease)/increase in Employee Entitlements	(5,645)	11,474
Increase in Casualty Investigation Fund	62,619	66,493
Decrease in other Current Liabilities	-	(74,014)
Net cash fows from operating activities	**1,605, 883**	**853,655**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(47,025)	(188,902)
Net cash used in investing activities	**(47,025)**	**(188,902)**
Net increase in Cash and Cash Equivalents	1,558,858	664,753
Cash and Cash equivalents at beginning of year/period	3,770,287	3,105,534
Cash and cash equivalents at end of year/period	**5,329,145**	**3,770,287**

Notes
to Financial Statements

For the year ended 31 December 2018

(Expressed in Cayman Islands Dollars)

1. Organization and Objectives

Maritime Authority of the Cayman Islands ("MACI", or the "Authority") is a statutory corporation formed as a separate legal entity under the Maritime Authority Law (2005) which came into effect on 1 July 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 ("Cayman") through the Ministry of Financial Services and Home Affairs. MACI 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 25 July 1991. The Category 1 Group of British Registries includes the UK, Bermuda, Cayman, Gibraltar, Isle of Man, and the British Virgin Islands. The CISR became a division of MACI with effect from 1 July 2005, and a number of other critical responsibilities were added to the new Authority as of that date. The Authority therefore combines into one body the following functions:

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

b) 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;

c) 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;

d) The CIG delegated responsibility for Marine Casualty Investigation activities in relation to Cayman-flagged vessels;

e) 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;

f) The CIG delegated responsibility to represent the Cayman Islands at international forums and to protect its maritime interests; and

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

2. Basis of Preparation

The financial statements of MACI are prepared in accordance with International Financial Reporting Standards (IFRS) using the accrual basis of accounting. These standards are issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standing and Interpretations Committee of the International Accounting Standards Committee (IFRIC). The reporting currency is Cayman Islands Dollars ("KYD") and figures presented have not been rounded, unless otherwise stated.

3. Reporting Period

The reporting period is for the year ended 31 December 2018. MACI's financial year was changed from 30 June to 31 December as a result of an amendment to the Public Management and Finance Law (2017 Revision) that was passed by the Legislative Assembly on 27 March 2017. Accordingly, the comparatives included in the financial statements relate to the 18-month period ended 31 December 2017, hereinafter referred to as "2017".

4. Significant Accounting Policies

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

a) New or revised standards adopted

The Authority has adopted the following standards and amendments for the first time for the annual reporting period commencing 1 January 2018:

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 'Financial Instruments' ("IFRS 9") is applicable for periods beginning on or after 1 January 2018. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. When adopting IFRS 9, MACI has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 (if any), in relation to the recognition, measurement, and impairment are recognised in retained earnings. Please refer to Note 14 for more detail on the adoption of IFRS 9.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' ("IFRS 15") replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. This guidance was applied using a modified retrospective ("cumulative catch-up"). Please refer to Note 16 for more detail on the adoption of IFRS 15.

b) New standards, amendments and interpretations not yet adopted

Standards issued but not yet effective up to the date of issuance of the Authority's financial statements are listed below. This listing of standards and interpretations issued comprise those that the Authority reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Authority intends to adopt these standards when they become effective.

c) **New standards, amendments and interpretations not yet adopted**

IFRS 16 LEASES (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2019)

IFRS 16 was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and shortterm leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Management is currently assessing the impact of IFRS 16 on the Authority.

d) **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. Actual results may differ from these estimates.

The key areas of judgement or estimation are with regard to the recoverability of trade receivables, and the measurement of the defined benefit pension and healthcare obligation. Trade receivables are considered to be recoverable in full by the Authority after taking into consideration the age of the receivable, the financial stability of the debtors, and the post period-end receipts to the date of the report.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those evisions.

e) **Property, plant and equipment**

Property, plant and equipment are recorded at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line method of 20% per annum for Furniture and Fixtures, Leasehold Improvements and Office Equipment; and 33.33% for Computer Hardware and Software, which is sufficient to write-off the cost of the assets over their estimated useful lives.

f) **Foreign currency translation**

Assets and liabilities denominated in currencies other than KYD are translated at exchange rates in effect at the financial position date. Revenue and expense transactions denominated in currencies other than KYD are translated at exchange rates ruling at the time of these transactions. Gains and losses on exchange are included in the Statement of Comprehensive Income. The current monetary policy of the CIG is to maintain parity between the United States Dollar ("USD") and the KYD, at an exchange rate of USD1:0.82.

g) **Defined contribution pension**

A defined contribution plan is a pension plan under which the Authority pays fixed contributions into a separate entity. The Authority has no legal or constructive obligations to pay further contributions if the defined contribution plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Authority pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Authority has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

h) **Defined benefit plans – pension and healthcare**

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension or healthcare benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position, in respect of defined benefit plans, is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related obligation.

The current service cost of the defined benefit plan, recognised in the statement of comprehensive income in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past service costs are recognised immediately in the statement of comprehensive income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

i) **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 Authority's overall revenue stream which equates to 4.0% in 2018 (2017: 4.0%). The full amount of the purchase agreement is treated as income in the year which it is earned.

j) **Expenses**

Expenses are recognized when incurred.

k) **Operating lease**

Operating lease payments are recognised as an expense in the statement of comprehensive income on straight-line basis over the lease term.

l) **Receivables and advances**

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

m) **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consist of current and call deposits and fixed deposits maturing within 30 days from the date of acquisition. Cash accounts are held in Euro ("EUR"), Great Britain Pounds ("GBP"), USD and KYD.

n) Accounts payable

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

5. Cash and Cash Equivalents

	31 December 2018 CI$'000	31 December 2017 CI$'000
Bank Accounts	5,329,145	3,535,613
Fixed Deposits	-	234,674
Total Cash and Cash Equivalents	**5,329,145**	**3,770,287**

Cash and cash equivalents consist of current and call deposits and fixed deposits maturing within 30 days from the date of acquisition. Cash accounts are held in EUR, GBP, USD and KYD.

6. Trade and Other Receivables

	31 December 2018 CI$'000	31 December 2017 CI$'000
Trade Receivables		
Sales of goods and services	1,170,164	1,925,479
Due from CIG	26,368	25,584
Total Gross Receivables	**1,196,532**	**1,951,063**
Provision for doubtful debts	(102,097)	(256,800)
Total Trade Receivables	**1,094,435**	**1,694,263**
Other Receivables		
Other receivables	46,819	130,400
Prepayments	44,001	32,658
Total Other Receivables	**90,820**	**163,058**

7. Property, Plant and Equipment

	Furniture and Fixtures CI$'000	Computer Equipment CI$'000	Other Assets/ Booth Displays CI$'000	Total CI$'000
Cost:				
At 31 December 2017	63,945	812,797	44,300	921,042
Additions	-	44,991	2,034	47,025
At 31 December 2018	63,945	857,788	46,334	968,067
Accumulated Depreciation:				
At 31 December 2017	3,197	603,890	-	607,087
Depreciation for the year	12,789	54,381	-	67,170
At 31 December 2018	15,986	658,271	-	674,257
Net book value: At 31 December 2018	**47,959**	**199,517**	**46,334**	**293,810**
Cost:				
At 1 July 2016	-	561,449	170,691	732,140
Additions	63,945	80,657	44,300	188,902
Reclassifications	-	170,691	(170,691)	-
At 31 December 2017	63,945	812,797	44,300	921,042
Accumulated Depreciation:				
At 1 July 2016	-	475,811	-	475,811
Depreciation for the period	3,197	128,079	-	131,276
At 31 December 2017	3,197	603,890	-	607,087
Net book value: At 31 December 2017	**60,748**	**208,907**	**44,300**	**313,955**

8. Accounts Payable and Accrued Expenses

	31 December 2018 CI$'000	31 December 2017 CI$'000
Accruals	154,510	86,960
Trade Creditors	72,469	349,890
Other Payables	61,558	51,292
Total Accounts Payable	**288,537**	**488,142**

9. Unearned Revenue

Unearned revenue relates to the amounts shown in the table below. Please refer to **Note 14** for more detail on contract liabilities.

	31 December 2018	31 December 2017
	CI$'000	CI$'000
Advance payments received from customers	305,590	292,139
Contract Liabilities	50,053	-
Total Accounts Payable	**355,643**	**292,139**

10. Casualty Investigation Fund

The CIG through the Authority, is responsible, under international convention requirements and the Merchant Shipping Law (2016 Revision), for investigating marine casualties involving Cayman ships and foreign ships in Cayman waters. The purpose of such investigations is to establish the causes so that lessons may be learned in preventing any recurrence. MACI promulgates the results of an investigation within the wider shipping industry so that all may be aware of the lessons learned and any preventative actions recommended. Casualty investigations can also be viewed as another tool for measuring the standards to which Cayman ships are operating.

During the period from 1 July 2015 to 30 June 2016, MACI created a sinking fund designated for carrying out casualty investigations on board Cayman-registered vessels. The fund currently has a balance of $301,241 (2017: $238,622), of which the full amount forms part of MACI's cash balance of $5,329,145 (2017: $3,770,287).

11. Employee Entitlements

	31 December 2018	31 December 2017
	CI$'000	CI$'000
Leave Entitlement		
Executive Committee Members	23,336	-
Management Committee Members	18,877	35,994
Managers	10,138	16,405
Administration	9,332	14,929
Total Employee Entitlements	**61,683**	**6 7,328**

12. Pension Obligation

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

The Public Service Pensions Law, 1999 re-organised 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 Member 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 by the PSPB.

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 2018 which reflected the pension liability of $556,000 (2017: $838,000). To reflect the estimated valuation, the Authority has recorded the amount of $477,000 (2017: $1,213,000) (which is reflected within the statement of comprehensive income including $258,000 (2017: $524,000) defined benefit cost in personnel cost. **(See Note 17)**.

a) Pension expense and reconciliation of defined benefit pension liability:

The Authority has adopted the following standards and amendments for the first time for the annual reporting period commencing 1 January 2018:

	31 December 2018	31 December 2017
	CI$'000	CI$'000
Liability at the beginning of the year/period	3,450	3,615
Current service cost	231	447
Interest Expense	121	184
Participant Contributions	63	86
Remeasurements	-	-
Effect of changes in demographic assumptions	(29)	(432)
Effect of changes in financial assumptions	(476)	(427)
Effect of experience adjustments	(178)	(23)
Liability at end of year/period	**3,182**	**3,450**
Components of defined benefit cost for the year/period:		
Current Service Cost	231	447
Interest Expense	121	184
Interest (income) on plan assets	(94)	(107)
Defined Benefit Cost included in Comprehensive Income	**258**	**524**

The Authority classified the unfunded pension liability as a non-current liability under the line item 'past service pension liability' for the year ended 31 December 2018 (same as at 31 December 2017).

b) Change in Fair Value of Plan Assets:

	31 December 2018	31 December 2017
	CI$'000	CI$'000
Fair value of plan assets at beginning of year/period	2,612	2,002
Interest Income	94	107
Cash Flows		
Employer and participant contributions	126	172
Remeasurements – return on plan assets (excluding interest income)	(206)	331
FairValue of Plan Assets at end of year/period	**2,626**	**2,612**

c) Defined Benefit Liability Reconciliation at end of year/period:

	31 December 2018	31 December 2017
	CI$'000	CI$'000
Defined benefit obligation		
Fair value of plan assets	3,182	3,450
Defined Benefit Liability	(2,626)	(2,612)
	556	**838**

d) Sensitivity Analysis on the Defined Benefit Obligation:

	Year Ended 31 December 2018	18 Months Ended 31 December 2017
	CI$'000	CI$'000
1. Discount Rate		
a. Discount rate - 25 basis points	3,339	3,642
b. Discount rate + 25 basis points	3,036	3,272
2. Inflation Rate		
a. Inflation rate - 25 basis points	3,039	3,269
b. Inflation rate + 25 basis points	3,334	3,644
3. Mortality		
a. Mortality - 10% of current rates	3,250	3,351
b. Mortality + 10% of current rates	3,120	3,376

e) Expected Cash Flow for the following year/period:

	Year Ended 31 December 2018	18 Months Ended 31 December 2017
	CI$'000	CI$'000
Expected employer contributions	86	88

f) Significant Actuarial Assumptions applicable to the Defined Benefit Obligation:

WEIGHTED-AVERAGE ASSUMPTIONS TO DETERMINE BENEFIT OBLIGATIONS

	Year Ended 31 December 2018	18 Months Ended 31 December 2017
1. Discount rate		
2. Rate of salary increase	4.50%	3.80%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increase	2.00%	2.00%
5. Post-retirement mortality table	2.00%	2.00%
6. Cost method	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2018	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2016
7. Asset valuation method	Projected Unit Credit	Projected Unit Credit
	Market Value	Market Value

WEIGHTED-AVERAGE ASSUMPTIONS TO DETERMINE BENEFIT COST

1. Discount rate		
2. Rate of salary increase	3.85%	4.10%
3. Rate of price inflation	2.50%	3.50%
4. Rate of pension increase	2.00%	2.50%
5. Post-retirement mortality table	2.00%	2.50%
	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2016	RP-2014 projected on a generational basis using Scale MP-2014

DISCOUNT RATE

	Year Ended 31 December 2018	18 Months Ended 31 December 2017
Beginning of year/period disclosure and current year/ period expense	3.80% per year	4.00% per year
End of year/period disclosure and following year expenses	4.50% per year	3.80% per year
Increases in pensionable earnings	2.50% per year	2.50% per year
Rate of pension increase	2.00% per year	2.00% per year

MORTALITY

	Year Ended 31 December 2018	18 Months Ended 31 December 2017
Beginning of year/period disclosure and current year expense	RP-2014 scaled back to2006 using Scale MP- 2014 then generationally projected from 2006 using Scale MP-2016	RP-2014 generationally projected using Scale MP-2014
End of year/period disclosure and following year expense	RP-2014 scaled back to2006 using Scale MP- 2014 then generationally projected from 2006 using Scale MP-2018	RP-2014 scaled back to2006 using Scale MP- 2014 then generationally projected from 2006 using Scale MP-2016
Disability	None	None
Turnover Rates	Age and gender based rates. See table on next page	Age-related retirement rates used. See table on next page
Retirement	Age-related retirement rates used. See table on next page	Age-related retirement rates used. See table on next page
Assumed Life Expectations on Retirement	Retiring today (member age 57): 28.80 Retiring in 25 years (at age 57): 31.08	Retiring today (member age 57): 29.13 Retiring in 25 years (at age 57): 31.42
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

Turnover Rates at sample ages:
31 December 2018 and 2017

AGE	MALES	FEMALES
20	7.5%	12.5%
25	5.0%	12.5%
30	3.5%	7.5%
35	2.5%	4.5%
40	1.5%	2.5%
45	0.5%	5.0%
50	0.0	0.0%

Retirement Rates:
31 December 2018 and 2017

AGE	
Below 55	0%
55 - 59	8%
60	60%
61 - 64	8%
65	100%

13. Healthcare Obligation

The Authority recognises 100% of the employee healthcare benefits liability to qualified participants.
To be eligible for a 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 or more years of service at time of retirement from MACI.

As of 31 December 2018, the number of active employees entitled to the above healthcare plan was 13 (2017: 13). The premiums for this health insurance coverage are paid for by the Authority for eligible retirees until the end of their lives. This coverage falls within the definition of a defined benefit and as such, represents a future liability.

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

a) Change in Defined Benefit Obligation:

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Liability at the beginning of the year/period	5,490	5,252
Defined benefit cost included in statement of comprehensive income	609	823
Remeasurement included in other comprehensive income (OCI):	(870)	(585)
Liability at end of year/period	**5,229**	**5,490**
Components of defined benefit cost for the year/period:		
Current service cost	409	542
Total net interest cost	200	281
Administrative expenses and taxes	-	-
Defined benefit cost included in comprehensive income	**609**	**823**

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Remeasurement included in OCI:		
Demographic assumptions change	(52)	(861)
Financial assumptions change	(812)	271
Plan experience	(6)	5
Total remeasurement included in OCI	**(870)**	**(585)**

b) Change in Fair Value of plan assets:

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Fair value of plan assets at beginning of year/period	-	-
Interest Income	-	-
CASH FLOWS		
Employer and participant contributions	-	-
Benefit payments from plan	-	-
Administrative expenses paid from plan assets	-	-
Remeasurements – return on plan assets (excluding interest income)	-	-
Fair value of the deficit in plan assets at end of year/period	-	-

c) Significant Actuarial Assumptions:

	Year Ended 31 December 2018	18 Months Ended 31 December 2017
WEIGHTED-AVERAGE ASSUMPTIONS TO DETERMINE BENEFIT OBLIGATIONS		
1. Discount rate	4.55%	3.85%
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
5. Mortality assumption	RP-2014 projected with MP-2018	RP-2014 projected with MP-2016
6. Effective discount rate	3.85%	4.05%
7. Effective rate for interest cost	3.65%	3.60%
8. Effective discount for service cost	3.90%	4.20%
9. Effective rate for interest on service cost	3.85%	4.10%
10. Immediate trend rate	5.00%	5.00%
12. Ultimate trend rate	5.00%	5.00%
13. Year rate reaches ultimate trend rate	N/A	N/A
14. Post-retirement mortality table	RP-2014 projected with MP-2016	RP-2014 projected with MP-2014

d) Sensitivity Analysis on Defined Benefit Obligation:

	Year Ended 31 December 2018	18 Months Ended 31 December 2017
1. Discount rate		
a. Discount rate - 25 basis points	289	325
b. Discount rate + 25 basis points	(269)	(301)
2. Health care cost trend rates		
a. Health care cost trend rates - 100 basis points	-	(995)
b. Health care cost trend rates + 100 basis points	1,157	1,262
3. Mortality		
a. Mortality - 10% of current rates	(195)	(220)

e) **Expected Cash Flow for the following year:**

	Year Ended 31 December 2018	18 Months Ended 31 December 2017
	CI$'000	CI$'000
Expected employer contributions	46	23
Expected total benefit payments: Year 1	46	23
Expected total benefit payments: Year 2	67	46
Expected total benefit payments: Year 3	84	67
Expected total benefit payments: Year 4	95	84
Expected total benefit payments: Year 5	104	95
Expected total benefit payments: Next 5 years	753	660

14. Financial Assets and Liabilities

IFRS 9 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.

a) **Classification and Measurement**

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

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

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

Financial assets are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are de-recognised when the rights to receive cash flows have expired or have been transferred and MACI has transferred substantially all risks and rewards of ownership. Cash and receivables are subsequently carried at amortised cost using the effective interest method.

Financial liabilities in the Authority's financial statements are comprised of past service pension liability, postretirement healthcare liability, accounts payable and accrued expenses, unearned revenue, 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 and employees. Accounts payable and accruals are classified as current liabilities if paymentis due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

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

b) **Derecognition**

MACI de-recognises 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 de-recognised.

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.

On de-recognition 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 profit or loss.

c) **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.

d) **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.

i 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 on each reporting date according to a threestage 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.

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

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

ii 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 24).**

iii 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.

iv 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**:

- Instruments which are 90 days past due are considered to have experienced a significant increase in credit risk.
- 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.

e) IFRS 9 Transition Provisions

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

MACI has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

i The determination of the business model within which a financial asset is held.

ii The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Authority's financial assets and financial liabilities as at 1 January 2018.

1 January 2018	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 CI$'000	New carrying amount under IFRS 9 CI$'000
Financial Assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	3,770,287	3,770,287
Trade receivables	Loans and receivables	Amortised cost	1,694,263	1,534,848
Other receivables	Loans and receivables	Amortised cost	163,058	163,058
Total Financial Assets			**5,627,608**	**5,468,193**
Financial Liabilities				
Accounts payable and accrued expenses	Other financial liabilities	Other financial liabilities	488,142	488,142
Unearned revenue	Other financial liabilities	Other financial liabilities	292,139	292,139
Employee entitlements	Other financial liabilities	Other financial liabilities	238,622	238,622
Casualty investigation fund	Other financial liabilities	Other financial liabilities	67,328	67,328
Past service pension liability	Amortised cost	FVOCI	838,000	838,000
Post-retirement healthcare liability	Amortised cost	FVOCI	5,490,000	5,490,000
Total Financial Liabilities			**7,414,231**	**7,414,231**

The following table summarises the impact of the transition to IFRS 9 on the opening balance of retained earnings.

31 December 2017	As Reported CI$'000	Adjustments CI$'000	Amounts upon Adoption of IFRS 9 CI$'000
Shareholder's Equity			
Share capital	1,500,000	-	1,500,000
Accumulated deficit	(2,847,668)	(159,415)	(3,007,083)
Other comprehensive income/(loss)	(125,000)	-	(125,000)
Total Accumulated Deficit	**(1,472,668**	**(159,415)**	**(1,632,083)**

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Authority has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment in opening retained earnings on transition to IFRS 9. As such, an increase of $159,415 in the allowance for impairment over these receivables was recognised as shown in the following table.

	CI$'000
Loss allowance at 31 December 2017 under IAS 39	256,800
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables as at 31 December 2017	159,415
Loss Alowance at 1 January 2018 under IFRS 9	**416,215**

15. Contributed Capital

The Authority's contributed capital represents cumulative funds donated by the Cayman Islands Government. The authorised capital of MACI is $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 equal yearly equity injections.

16. Revenue from Contracts with Customers

MACI has four main categories of revenue as follows:

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Revenue		
Sales of goods and services	7,381,118	9,839,082
Annual tonnage fees	1,723,194	1,664,790
Other operating revenue	433,096	1,623,672
Sales of goods and services - Cayman Islands Government	413,578	539,145
Total revenue	**9,950,986**	**13,666,689**

a) Sales of Goods and Services

Revenue from the sales of goods and services was as follows:

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Safety and surveyor fees	5,298,284	7,052,000
Technical compliance fees	984,593	1,442,395
Vessel registration fees	729,388	885,688
Safety and surveyor recoverable fees	368,853	458,999
Total Sales of Goods and Services	**7,381,118**	**9 ,839,082**

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. Safety Survey Recoverable Fees and Expenses are covered in Shipping Notices No. 01/2015 (effective 1 January to 28 February 2018) and 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 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.

ii VESSEL REGISTRATION FEES

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

b) Annual Tonnage Fees

Annual tonnage fees were as follows:

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Tonnage fees - yachts	1,010,239	946,610
Tonnage fees - ships	442,016	416,844
Flag state compliance fee	246,697	279,251
Tonnage fees - local vessels	24,242	22,085
Total Annual Fees	**1 ,723,194**	**1,664,790**

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-imbursement of accommodation, travel and other costs related to vessel surveys.

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Professional service fees	343,790	608,883
Vessel books and products	204,266	110,198
Gain on foreign exchange	123,845	291,572
Communication and courier fees	123,534	287,760
Other fees (including 1% late fee)	93,683	246,784
Revenue refunds and reversals	(456,022)	-
Royalties and other income	-	78,475
Total other Operating Revenue	**433,096**	**1,623,672**

d) Sales of goods and services - CIG

MACI operates on a fee for service basis with the CIG. The annual purchase agreement sets out the service which the Authority agrees to deliver to CIG based on quantity, quality, location and cost of services. These fees form part of the overall Authority revenue stream which equates to 4.0% in 2018 (2017: 4.0%). The full amount of the purchase agreement is treated as income in the year which it is earned. During this financial year, the annual purchase agreement was $419,146 (2017: 539,145) and the Authority provided services for a value of $413,578 (2017: $589,145). The amount of $22,000 (2017: $50,000) was written off (from 'Policy Advice to Cabinet' output) for services provided but not covered by the agreement.

The following table gives more detail on sales of goods and services to the CIG during the year:

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Policy advice to CIG	166,838	235,422
Provision of technical advice and support to CIG	153,844	100,207
Long range identification and tracking of ships	85,000	101,672
State inspections and investigations services	7,896	101,844
Total sales of Goods and Services to CIG	**413,578**	**539,145**

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 IAS 18, revenue from new build survey fees was recognised over time in instalments over the period of the contract. The recognition of revenue at each stage of the contract was done when a physical inspection of the vessel had been performed, and this was taken to be the point at which the related risks and rewards of ownership transferred for that portion of the contract had passed. Revenue was recognised at that point provided that the revenue and any costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the service.

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

- review of architectural drawings and provision of technical advice to the shipyard prior to each physical inspection of the vessel; and
- physical inspection of the vessel at the shipyard by a MACI consultant at various stages of construction, to ensure that it meets the requirements of international conventions agreed upon by members of the International Maritime Organization ("IMO").

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

The following table provides 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 security is listed, and subsequently at beginning of each calendar year.	Revenue is recognized at the point in time at which the security is registered, subsequently, at the beginning of each calendar year, based on the Authority's published price list.	Revenue was recognized at the point in time at which the security is registered, and subsequently, at the beginning of each calendar year.
Safety and Surveyor Fees	**WORKING VESSELS** Surveys of working vessels are conducted at the point at which the customer makes the request or a survey. **NEW BUILDS** Each customer signs a contract with the Authority which states the contract price and the number of visits to be made by the surveyor. The contract also states the number of instalments required to pay off the contract price based on the number of physical inspections expected for each contract, excluding the final visit/meeting. Prior to each physical survey/visit, excluding the final visit, the Authority reviews architectural drawings on the vessel, and provides feedback to the shipyard.	**WORKING VESSELS** Revenue is recognized at the point in time at which the survey is conducted, based on the Authority's published price list. **NEW BUILDS** Based on IFRS 15, the entire contract consists of two performance obligations at each stage of the build process, i.e. **1.** the review of architectural drawings; and **2.** the physical inspection of the vessel. Over the duration of the contract, each of these performance obligations is conducted multiple times, based on the size and type of vessel. As such, revenue are recognized over time, based on the completion of each performance obligation at various stages of the contract.	**WORKING VESSELS** Revenue was recognized at the point in time at which the survey was conducted. **NEW BUILDS** Invoices for the survey of working vessels were issued after each physical survey/visit is based on the number of instalments stipulated on the Authority's contract with the customer.

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)
Sales of Goods and Services to the CIG	The services are provided in line with a budget issued by the CIG, as and when they are required by the CIG.	Revenue is recognized at the point in time at which the services are provided, and the CIG is invoices for these on a monthly basis at rates listed on the Authority's published price list.	Revenue was recognized at the point in time at which the services are provided, and the CIG is invoices for these on a monthly basis at rates listed on the Authority's published price list.
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.

iii IFRS 15 TRANSITION PROVISIONS

The Authority has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure equirements in IFRS 15 have not generally been applied to comparative information.

As a result of the reassessment of the recognition of new build survey fees, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied as of 31 December 2018 is $50,053. This revenue has been deferred, and is expected to be recognized as revenue over the next year. The Day 1 retained earnings adjustment related to new build survey fees to comply with IFRS 15 is $57,513. This amount relates to partially completed obligations for open contracts as of 1 January 2018. The table below shows the impact of the transition to IFRS 15 on the opening balance of retained earnings:

31 December 2017	As Reported CI$'000	Adjustments CI$'000	Amounts upon Adoption of IFRS 15 CI$'000
Shareholder's Equity			
Share capital	1,500,000	-	1,500,000
Accumulated deficit	(2,847,668)	57,513	(2,790,155)
Other comprehensive income/(loss)	(125,000)	-	(125,000)
Total Accumulated Equity	**(1,472,668)**	**57,513**	**(1,415,155)**

The following table shows the split of revenue for the year ended 31 December 2018, based on the timing of revenue recognition:

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Services transferred at a point in time	8,641,728	12,567,751
Services transferred over time	1,309,258	1,098,938
Revenue from Contracts with Customers	**9,950,986**	**13,666,689**

iv CONTRACT BALANCES

The following table provides information about receivables and contract liabilities from contracts with customers as of 31 December 2018.

	Year Ended 31 December 2018 CI$'000
Trade receivables	1,094,435
Contract liabilities	355,643

Contract liabilities primarily relate to performance obligations partially satisfied for new build surveys. As at 31 December 2018, the amount of contract liabilities is $50,053, which will be recognised as revenue over the next year.

No information is provided about remaining performance obligations at 31 December 2018 that have an original expected duration of one year or less, as allowed by IFRS 15.

As a result of the adoption of IFRS 9, the Authority did not have to make any consequential amendments relating to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of comprehensive income and OCI. Impairment osses on other financial assets are presented under 'other expenses', similar to the presentation under IAS 39, and not presented separately in the statement of comprehensive income and OCI due to materiality considerations.

Additionally, the Authority has adopted consequential amendments to IFRS 7 Financial Instruments. Disclosures that are relate to have generally not been applied to comparative information.

17. Personnel Cost

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Salaries and wages	3,298,143	5,365,828
Health care expense	929,390	1,452,414
Pension expense	400,857	291,516
Other personnel cost	313,274	209,774
Movement in annual leave provision	17,248	48,356
Total Personnel Cost	**4,958,912**	**7 ,367,888**

18. Professional Services

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Professional fees survey	997,458	1,390,988
Professional fees	764,892	878,109
Other professional costs	86,165	113,320
Long range identification and tracking of ships	-	116,782
Total Professional Cost	**1,848,515**	**2 ,499,199**

19. Other Expenses

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Maintenance	619,574	555,472
General and administration services	381,670	1,437,839
Bad debts written off	-	234,931
Bank fees	108,407	135,900
Insurance	35,416	115,045
Total Other Expense	**1,145,067**	**2 ,479,187**

20. Lease Obligation

MACI leases the premises used for its operations in Cayman and in the United Kingdom for the European Regional Office ("ERO"). The Cayman office is located in the CIG administration building, on Elgin Avenue in George Town. A service level and occupancy agreement for the George Town premises was signed on 9 September 2014 for 5,405 sq. ft. at $56.57 per sq. ft. The lease is year to year with an annual renewal.

The lease agreement for the ERO (Southampton) was dated 4 October 2017 for the part of the first floor, Vanbrugh House, Botleigh Grange, Office Campus, Grange Drive, Eastleigh, Hampshire. The lease is for 5 years with an option to renew for an additional 5 years. Lease payments under the operating leases are charged to the statement of comprehensive income in equal instalments over the year/period. Refer to Note 23 for the payments schedule.

21. Travel, Entertainment and Business Development

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

	Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
Business development	279,481	530,909
Official travel	216,910	347,385
Entertainment	30,314	39,771
Total travel, entertainment and business development	**526,705**	**918,065**

22. Related Party Transactions

The board of directors ("Board") of MACI is appointed by the Governor and consists of the Chief Executive Officer ("CEO") and the secretary to the Board as ex-officio members, as well as six directors as at 31 December 2018. The fees of $14,250 (2017: $19,844) relates to payments made to the seven directors and secretary to the board.

The following are significant related party transactions:

i. An employee of MACI is a close family member to a director of MACI's Board. This employee has been employed by MACI for a number of years, whereas the director's appointment was more recent. The employee earns an approved MACI annual salary and has no decision-making authority.

ii. One of the directors is a director of the PSPB.
iii. One of the directors (non-remunerated) is a related party to a vendor of the Authority which provided legal services during the year in the amount of $Nil (2017: $1,589).

Apart from the disclosed information, there are no other significant related party transactions.

The CEO is included in the number and cost of the executive management team. The total number of personnel in the executive management team was 5 in 2018 (2017: 5). Salaries and other short term benefits expensed relating to the executive management team were $986,000 (2017: $1,227,421) and long term benefits obligation were $5,785,000 (2017: $6,328,000).

As at 31 December 2018, excess annual leave outside the normal standard annual allowance of the CEO amounted to $Nil (2017: $22,893) recorded as other receivables in the statement of financial position.

The following CIG departments/entities provided services to MACI during 2018 with the following amounts being expensed:

		Year Ended 31 December 2018 CI$'000	18 Months Ended 31 December 2017 CI$'000
i.	Treasury Department	19,048	65,677
ii.	Computer Services Department (pre-election June 2017)	-	77,855
iii.	Computer Services Department (post-election July 2017 onwards)	28,361	23,937
iv.	Immigration Department	18,412	39,800
v.	Cayman Islands Cabinet Office	18,412	63,581
vi.	Public Service Pension Board (pre-election June 2017)	-	294,966
vii.	Public Service Pension Board (post-election July 2017 onwards)	199,923	-
viii.	Office of the Auditor General	38,250	76,500
ix.	Ministry of Commerce, Planning and Infrastructure	305,764	485,645
x.	Ministry of Finance and Economic Development	2,676	9,414
xi.	Portfolio of Civic Service Administration	200	75
xii.	Risk Management	-	80,930
xiii.	Postal Service (pre-election June 2017)	315	500

23. Commitments

As at 31 December 2018, MACI had the following commitments relating to lease agreements, as per the details in **Note 21**:

	European Regional Office CI$'000	George Town Office CI$'000
Lease obligation - 2018:		
Within one year	59,207	-
After one year but not more than five years	162,821	-
Lease obligation - 2017:		
Within one year	17,760	305,761
After one year but not more than five years	66,600	-

24. Financial Instruments - Associated Risks

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 summarised below.

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a) Credit and Counterparty Risk

Credit and counterparty risk is the risk 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.
The comparatives disclosed for the 18 month period ended 31 December 2017 have not been adjusted for the impact of the adoption of IFRS 9 on impairment allowances and trade receivables. Instead, the opening retained earnings for the year ended 31 December 2018 have been reduced by $159,415.

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 recognised because of collateral.

MACI limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months. More than 70% of the Authority's customers have been transacting with the Authority for over 10 years, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including their geographic location, industry, trading history with the Authority and existence of previous financial difficulties.

The Authority's policy is to provide for an allowance of doubtful debts 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 2018.

Age of accounts receivable - impaired	% Loss*	2018	2017
		CI$'000	CI$'000
1-30 Days	3%	414,780	618,946
31-90 Days	6%	324,846	374,269
91-365 Days	11%	84,848	605,704
Over 365 Days	18%	269,961	95,344
Total		**1,094,435**	**1,694,263**

* December 2018 only

EXPECTED CREDIT LOSS ASSESSMENT

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 impairment in respect of trade receivables and contract assets during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

Movement in impairment allowances	2018	2017
	CI$'000	CI$'000
Balance at beginning of year/period	256,800	200,000
Additional impairment recognised at beginning of year/period	159,415	-
Impairment losses recognised on receivables	22,578	135,279
Amounts written off as uncollectible	(336,696)	(78,479)
Balance at end of year/period	**102,097**	**256,800**

The significant reduction in the gross carrying amount of trade receivables and the corresponding reduction in the impairment loss allowance during 2018 was due to the write-off of $336,000 in bad debts during 2018.

CASH AND CASH EQUIVALENTS

MACI cash and cash equivalents of $5,329,145 at 31 December 2018 (2017: $3,770,287). 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) 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.

CURRENCY RISK

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

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

INTEREST 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, in the amount of $Nil (31 December 2017: $234,674) 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.

d) Fair Value

The carrying amount of current, call and fixed deposits, accounts and interest receivable, other receivables and prepayments, demand liabilities, and other liabilities and payables approximated their fair value due to the short term maturities of these assets and liabilities. The fair value of these assets and liabilities are not materially different from the carrying amounts. At 31 December 2018, the following methods and assumptions were used by management to estimate the fair value of each financial instrument.

25. Subsequent Events

A contract was issued on 8 November 2017 for approximately US$195,825 for the migration from Dynamics GP to Dynamics 365. The project went into production on 1 January 2019.

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