



Annual Report

2015-2016

Maritime Authority of the Cayman Islands (MACI)

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Annual Report

FORWORD FROM:

CHAIRPERSON, MACI BOARD OF DIRECTORS

The hard work and achievements of the past year have ensured that the Cayman Islands remains buoyant as a maritime centre.

Of course, it is always necessary to move with the times, keeping up-to-date with new rules and regulations, technological developments and the needs of the maritime industry.

The 2015-2016 year, in particular, has seen some very rewarding results as we all strive towards excellence and to keep the Cayman Islands as the centre of choice for the industry.

For example, we were recognised by the International Chamber of Shipping for the fifth consecutive year as one of the world's top performing Flag States in its 2015/2016 Annual Flag State Performance Table, as well as listed in the top six performing maritime administrations in the Tokyo Memorandum of Understanding (MOU) and on the White List of the Paris MOU Port State Control for the 11th consecutive year.

However, one of our proudest achievements during the last year was hosting the first ever Cayman Maritime Week, which was held in May. This event was staged as a joint public sector/private sector partnership.

These are just a few of the highlights from the past year, which help keep us ahead of the game, meeting and exceeding expectations of the industry.

We must never forget that other countries and jurisdictions are competing with our facilities and the services that we offer. It is important that we keep seeking new opportunities and tailoring our products to meet the needs and demands of the modern world. We must maintain the high standards for which we have received so many accolades, and continue working together as we navigate the year ahead.

I thank my fellow board members and the management team at MACI for their continued diligence and unswerving commitment to our common goal of developing the Cayman Islands into a full-service international maritime centre.

The rewards of such an accomplishment will mean that not only have we built this nation upon a proud seafaring heritage, but we will reap the rewards of our maritime legacy for generations to come.

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

CHIEF EXECUTIVE OFFICER, MACI

During the past year we have once again shown that the Cayman Islands is a maritime centre of international standing.

We have been recognised by the International Chamber of Shipping for the fifth consecutive year as one of the world's top performing flag states, in the top 15 performers, and we were white listed Tokyo MOU (2006) and Paris MOU (2004) and we are also United States Coast Guard Qualship 21 listed with 46 ships registered at the end 2015, which is the highest number of ships of any OT or CD, including the UK.

I am also proud to say that the Cayman Islands achieved a combined inspection detention ratio of 0.8 per cent across the entire fleet in all major MOU's in 2015.

Other notable highlights during the past year include the passing of legislation to allow gaming on board Cayman-flagged cruise ships outside Cayman Islands waters. The Gambling (amendment) Law 2015 came into effect on 1 January 2016.

With main offices in Cayman and in the U.K. as well as representative offices in the U.S. France, Panama, Greece, and Singapore, along with representatives in Japan, Germany, China, the Philippines, Brazil, Italy, South Africa and the Netherlands, we have presence and influence in the many other major maritime centres of the world.

As we look to the year ahead, we must ensure that we capitalise on this far-reaching network to allow us to operate to the best of our ability in a highly competitive market.

I thank everybody for their hard work during the last year to ensure that we retain our "flag of choice" distinction. Let us all strive to meet and surpass the goals we have set for the year ahead as we seek to keep Cayman at the forefront of the industry.

A. Joel Walton, JP
CEO, MACI

ABOUT US

OUR VISION

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

OUR MISSION

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

NATURE AND SCOPE OF ACTIVITIES

GENERAL NATURE OF ACTIVITIES

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

SCOPE OF ACTIVITIES

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

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

1. The CISR's vessel and mortgage registration, advisory, and marine survey and audit services;
2. The overall responsibility for implementing Cayman's maritime safety and security, marine pollution prevention, and social responsibility obligations under international Conventions and Codes, and under Cayman legislation for Cayman-flagged vessels;
3. 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;
4. The CIG-delegated responsibility for marine casualty investigation activities in relation to Cayman-flagged vessels;
5. The CIG-delegated responsibility for national maritime policy formulation, the provision of advice on maritime-related matters, and the development of Cayman's maritime-related legislation;
6. The CIG-delegated responsibility to represent Cayman at international fora and to protect its maritime interests;

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

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 fifteen locations: the Head Office in George Town, the European Regional Office - United Kingdom, representatives in Greece, United States of America, France, Japan, Singapore, The Netherlands, Germany, Brazil, Philippines, South Africa, Italy, Japan 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 Cayman Islands through the Ministry of Financial Services, Commerce and Environment, but is also answerable to the UK Secretary of State via the UK's Department of Transport for the effective implementation of relevant international maritime and related Conventions that have been ratified by the UK Government and, hence, extended to Cayman.

RELATIONSHIP WITH THE PRIVATE SECTOR

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

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

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

INTERNATIONAL REGULATORY ENVIRONMENT

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

- The International Maritime Organization, 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 Organization, 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 14, 1903: El Paso. GRT 52.60, Length 18.6 feet.
1935	• Lady Slater came on the Register. She was built by Capt. Royal B. Bodden 1934 and was the largest motor vessel ever built in the Cayman Islands. GRT 273, Length 109 ft.
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.
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OFFICE OF THE CEO

HUMAN RESOURCES AND ADMINISTRATION

OVERVIEW

The Human Resources and Administration section is charged with the responsibility for all matters related to staff recruitment, training and professional development as well as the creation, implementation and monitoring of all personnel policies, procedures and practices to ensure that the employees in the two regional offices, George Town, Grand Cayman (Head Office) and Southampton, United Kingdom (European Regional Office or ERO) and other representative offices are working to their fullest potential.

MARITIME SCHOLARSHIP

No new applications were received for 2015 Maritime Scholarship Programme. However, the 2013 Maritime Scholarship recipient, who had completed a maritime-related Bachelor's Degree, applied and was granted approval by the Ministry of Education Scholarship Secretariat to commence a Master's Degree, also in maritime-related studies.

EMPLOYEE AND OFFICE POLICIES HANDBOOK

Revisions to the Employee and Office Policies Handbook are nearing completion, with an anticipated effective date of 1 January 2017.

PAYROLL SYSTEM CONVERSION

Payroll in the George Town, Head Office, was converted from the Cayman Islands Government's Integrated Resource Information System (IRIS) to Microsoft Dynamics Great Plains (GP) on 1 July 2015 with a smooth transition. GP Payroll is an on-line based system, eliminating the need to process individual bank payroll cheques. Instead, payroll deposits are processed online from MACI's Class A Bank directly into employee accounts at the other 5 Class A Banks.

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. Information Management is responsible for all matters relating to records and information management as well as Freedom of Information (FOI).

The 2014/2015 period has seen MACI's Information and Technology continue migrating their technology infrastructure to an Infrastructure as a service (IAAS) environment to facilitate ease of growth and flexibility. Systems migrated included the Internal Domain, file sharing and emails (Microsoft Exchange). All email archives were also moved into Mimecast – a Gartner's magic Quadrant leader for enterprise information archiving.

MACI implemented an online crew application system. Phase 1 of the redevelopment of www.cishipping.com was completed inclusive of updated application programme interfaces (APIs) to back-end systems that provide improved functionality and security. The new website will also enable MACI to better meet customer expectations across the maritime industry.

As part of MACI's continued development and improvement of its records management programme, it conducted a review of its recordkeeping systems. This was part of the Authority's ongoing project to align management of records in all formats to follow the established file plan structure. MACI's Information Policy was updated to ensure it reflected any changes and was still in compliance with legislation and business needs.

MARITIME POLICY, QUALITY AND CASUALTY INVESTIGATION

The Maritime Policy, Quality and Casualty Investigation section is responsible for the development of maritime policies 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.

REGULATIONS (DEVELOPMENT AND IMPLEMENTATION)

During this period, the major focus was the continued updating of the Merchant Shipping Law and related Regulations. In addition, amendments were successfully implemented to the Gambling Law which now allows passenger ships to operate casinos whilst in International waters. Gambling is not permitted whilst in Cayman ports or territorial waters. This removes a major barrier to cruise passenger ships flagging into the Cayman Islands.

Draft regulations have also been prepared to give effect to the Nairobi International Convention on the Removal of Wrecks. These regulations are currently in the final stages of drafting and are expected to be formally made by Cabinet in Q3 2016. Extension of this Convention to Cayman will offer significant financial security to the Cayman Islands Government in the event of a serious wreck occurring in our waters. Extension will also result in a significant new revenue stream for MACI through the issue of "Wreck Convention Certificates". This revenue is expected to be in excess of \$200,000 per annum.

MERCHANT SHIPPING LAW

During the 2015/16 financial year, the significant revisions to the Merchant Shipping Law (MSL) and Marine Pollution Law (MPL) continued. Whilst this will result in a "root and branch" modernisation of the legislation governing Cayman Islands ships, a number of areas were

identified that could merit earlier implementation. These areas have been passed to the Ministry for consideration and include:

- Increasing eligibility to own Cayman Islands ships under a regime of increased due diligence;
- Adding additional Ports of Registry for Cayman Islands ships; and
- Confirmation of the powers of the CEO to appoint the various officers of the Cayman Islands Shipping Registry and MACI including, surveyors, inspectors and investigators of marine casualties under both the Merchant Shipping Law and the Maritime Authority Law.

These amendments are intended to support the growth of MACI. Amendments have also been proposed for the Maritime Authority Law to emphasise MACI's ability to offer technical and advisory services on a worldwide basis.

MARITIME POLICY

During the 2015/16 fiscal year, the section has been actively involved in the Cayman Islands Government's preparations for audit by the International Maritime Organization under the mandatory Instruments Implementation Code (IIC 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, Commerce and Environment. MACI is an active participant in this group.

As part of the preparations for the forthcoming audit, MACI has identified opportunities to improve the effective exercise of Cayman's jurisdiction and control in administrative, technical and social matters in relation to Cayman Islands ships, both on the High Seas and in the territory of other states.

Meetings have taken place to explore ways in which these opportunities can be realised. Representatives of the Ministry, Attorney General's Chambers, H M Coroner, General Registry and MACI have been in attendance at these meetings.

QUALITY MANAGEMENT SYSTEMS

During 2015/2016, MACI has maintained ISO 9001 certification through BSI. In this period, preparations have begun for MACI to make the transition from the "2008 Standard" to the new "2015 Standard". Although considerable work and effort will be required to make the transition, this is an extremely positive move for MACI. Not only will accredited certification to ISO 9001:2015 recognise MACI's commitment to internationally recognised best management practices, the new standard is also closely aligned to MACI's own vision and objective for organisational management in the 21st century.

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

CASUALTY INVESTIGATION

The Casualty Investigation section continues to process over 100 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 Red Ensign Group (REG) Quality Objectives) and to the International Labour Organization (ILO) as part of our obligations under the Maritime Labour Convention, 2006 (MLC).

Although the majority of reports received were comparatively minor, a number of more serious reports were received that did require formal investigation during this period. Formal reports of each investigation will be made publicly available on the conclusion of the investigations.

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 the fiscal year 2015/16 the Shipping Master has investigated 58 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).

The Office of the Shipping Master was also responsible for collating the first Annual report to the ILO on implementation of MLC, as required under Article 22 of that Convention. This report examines the implementation of the MLC in great detail paying particular attention to legislation, procedures and survey. As this was the first report, significant amounts of information were required to be obtained, analysed and included. This involved both the Maritime Authority and the wider Cayman Islands Government. This extensive and comprehensive report of more than 50 pages was completed in August 2015 and submitted on time via the UK Government.

GLOBAL OPERATIONS & COMMERCIAL SERVICES

REGISTRATION

The Registration section is a frequent point of contact for clients and also serves as the core of the Cayman Islands Shipping Registry (CISR). This section is responsible for processing several types of registrations including: full, interim, term, under construction and demise (bareboat) charter registrations; and the registration of mortgages in accordance with the Merchant Shipping Law (2008 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.

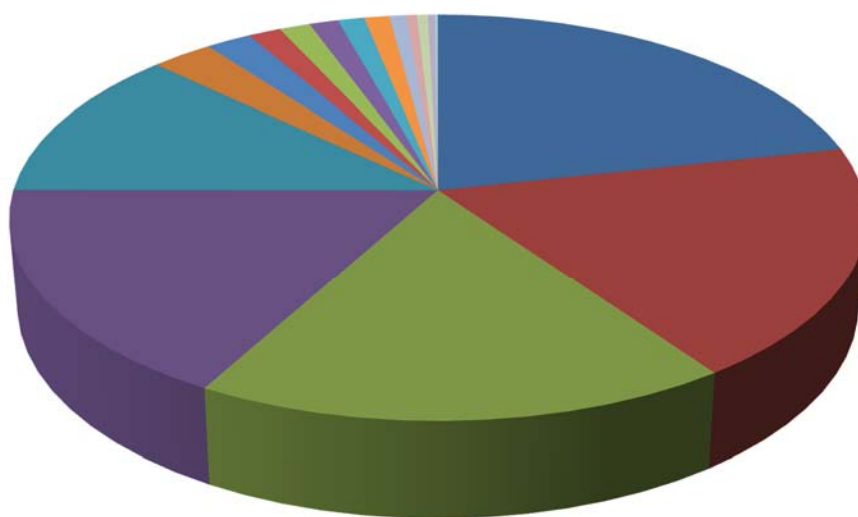
The Cayman Islands has achieved the ranking as one of the 15 top performers as per the International Chamber of Shipping (ICS) Flag State Performance - a popular flag of choice for vessel registration. This is mainly due to Cayman being a Category 1 British Red Ensign Registry that will register only the highest quality vessels, which meet the stiffest regulatory requirements in terms of design, construction, maintenance, safety and pollution control.

The Registry ended the 2015 calendar year (1 January, 2015 – 31 December, 2015) with 210 new registrations with a total Gross Tonnage (GT) of .21 million for that period, bringing the total number of vessels on the Register to 2,034 units and the gross tonnage to 4.3 million, which is an increase in total units from 2,003 and the gross registered tonnage remaining

unchanged in 2014^[1]. Of the 2,034 units, there were 1,674 pleasure vessels and 360 commercial vessels^[1]. There was a slight decrease in ship registrations during the last year from 216 in 2014 to 210 in 2015 (as mentioned above), however overall ship deletions have also slightly decreased from 185 in 2014 to 176 in 2015^[1]. Additionally, the average age of vessels on the Register was 12.2 years at the end of December 2015.

At the end of this period, there were 113 name reservations, 22 registered ships under construction, and 134 new-build yachts, 14 of which are to be certified to the Passenger Yacht Code.

VESSEL TYPE AS A PERCENTAGE OF TOTAL GROSS TONNAGE (GT)



- OIL/CHEMICAL TANKER (21.54%)
- CAR CARRIER (18.58%)
- BULK CARRIER (17.79%)
- OIL TANKER (17%)
- PLEASURE YACHT (12%)
- COMMERCIAL VESSEL (2.67%)
- OFFSHORE SUPPLY VESSEL (1.98%)
- CHEMICAL TANKER (1.40%)
- VEHICLES CARRIER (1.32%)
- OTHER CARGO SHIP (1.25%)
- FLOATING PRODUCTION STORAGE & OFFLOADING (1.15%)

BUSINESS DEVELOPMENT AND CORPORATE COMMUNICATIONS

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

During the 2015/16 fiscal year, the Registry's business development updates continued to be circulated via local and overseas media houses, the CISR website, social media (CISR Facebook and LinkedIn pages) and the MSCC and CISAS advisory groups. New marketing material is being developed and will be released alongside the newly designed website in the near future.

EVENTS, CLIENT RELATIONSHIPS AND SPECIAL PROJECTS

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

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.

For the first-time, in May 2016, the Cayman Islands Shipping Registry, Cayman Maritime Services Park (an integral part of the Cayman Enterprise City Special Economic Zone) and Maples and Calder joined forces to create a world-class annual event in the Cayman Islands – Cayman Maritime Week. The week was kick started with an opening session, which was attended by local and overseas industry experts, followed by the MARE Forum - 4th Cayman Islands Shipping Summit. The Annual Cayman Islands Shipowners' Advisory Council Meeting, open to members only, began the second day of events, which was followed by a luncheon hosted by the Women's International Shipping and Trading Association – Cayman Islands (WISTA Cayman) and then a marine environment seminar jointly hosted by WISTA Cayman and the North American Marine Environment Protection Association. Digital Ship, one of the world's leaders in maritime and IT news, hosted a full day conference on the final day, focusing on strategies to address the challenges presented by the new maritime landscape and the key roles played by innovation and the drive for sustainability.

Data gathered in respect to client relationship management, indicated that 91 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, which is in keeping with MACI's ISO 9001:2008 certification.

MACI CONSULTING

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

This arm of the organisation strives to provide cost-effective consulting services on a variety of maritime issues, including advice on the administrative structure and technical requirements of establishing an effective maritime administration related to a country's levels and type of shipping activity; advice on the financial implications of establishing, operating and maintaining a maritime administration; the impact of regulating a significant flag fleet; and the assessment of needs regarding the legal and regulatory regime necessary for a maritime administration to fulfil its obligations, plus the drafting of specific legislation.

This branch of MACI also advises on the organisation of conferences geared toward maritime issues and the staging of conferences, seminars and workshops in specialised maritime subjects, and also the preparation and/or delivery of training in the maritime sector, including Port State Control, International Ship and Port Facility Security Code, International Safety Management, commercial yacht safety and other specialised areas.

During the current reporting period, MACI Consulting in partnership with Lloyd's Register delivered a number of Passenger Yacht Code (PYC) training courses to industry in the UK and Netherlands. MACI Consulting also offered the same training courses to the Passenger Yacht Code in China and Hong Kong.

GLOBAL SAFETY & COMPLIANCE

PORT STATE CONTROL

Global Safety & Compliance continued to support the quality objectives of the MACI by ensuring "White Listing" and "Low Risk" status with a combined inspection to detention ratio of 0.8 per cent across the entire fleet in all three major Port State Control Memoranda of Understanding (PSC MOU).

MACI also retained the prestigious United States Coast Guard, QUALSHIP 21 ranking with 46 ships registered on the scheme at the end of 2015.

Additionally, 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 in the Cayman Islands.

GLOBALISATION OF TECHNICAL SERVICES

MACI continued to strengthen its global survey and compliance network with the addition of several professional consultant surveyors in support of MACI's own team of expert Chartered Marine Surveyors. This included the promotion of Peter Vettas to Principal Surveyor Athens, Mark Ross Principal Survey Southampton, U.K. and Phil Noad to Deputy Director Southampton, U.K.

GLOBAL RECOGNITION & QUALITY

For the fifth consecutive year, MACI was recognised by the International Chamber of Shipping as one of the world's top performing Flag States.

This was followed by the five-yearly independent compliance assessment of MACI's Standards of Training, Certification and Watchkeeping for Seafarers (or STCW), requiring visits to the European Regional Office, Southampton, U.K., and Head Office, George Town, Grand Cayman with no significant findings being recorded.

CAYMAN YACHT CODE

In consultation with industry partners MACI developed a set of standards for those Pleasure Yachts which operate in designated restricted areas, allowing them to engage in occasional charter.

GOVERNANCE

PRIMARY LEGISLATION

1. The Maritime Authority Law, (2008 Revision)
2. The Maritime Authority Amendment Law (2012)
3. The Merchant Shipping Law (2011 Revision)
4. The Merchant Shipping (Marine Pollution) Law, 2001

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

1. The Merchant Shipping (Returns of Births and Deaths) Regulations, 2004.
2. The Merchant Shipping (Classes of Ships) Regulations, 2002.
3. The Merchant Shipping (Carriage of Packaged Irradiated Nuclear Fuel Etc) (INF Code) Regulations, 2003.
4. The Merchant Shipping (Certification of Ships' Cooks) Regulations, 2004.
5. The Merchant Shipping (Classes of Ships) Regulations, 2002.
6. The Merchant Shipping (Prevention of Collisions and Use of Distress Signals) Regulations, 2003.
7. The Merchant Shipping (Counting and Registration of Persons on Board Passenger Ships) Regulations, 2002.
8. The Merchant Shipping (Entry into Dangerous Spaces) Regulations, 2004.
9. The Merchant Shipping (Registration Fees) Regulations, 2006.
10. The Merchant Shipping (Guarding Of Machinery and Safety of Electrical Equipment) Regulations, 2004.
11. The Merchant Shipping (Load Line) Regulations, 2002.
12. The Merchant Shipping (Certification, Safe Manning, Hours of Work and Watchkeeping) Regulations, 2002.
13. The Merchant Shipping (Certification, Safe Manning, Hours of Work and Watchkeeping) (Amendment) Regulations 2003.
14. The Merchant Shipping (Marine Pollution) Regulations, 2004.
15. The Merchant Shipping (Means of Access) Regulations, 2004.
16. The Merchant Shipping (Medical Examination) Regulations, 2002.
17. The Merchant Shipping (Carriage of Nautical Publications) Regulations, 2002.
18. The Merchant Shipping (Port State Control) Regulations, 2003.
19. The Merchant Shipping (Registration of Ships) Regulations, 2002.

20. The Merchant Shipping (Marine Pollution) (Reporting of Incidents Involving Harmful Substances) Regulations, 2004.
21. The Merchant Shipping (Safety of Navigation) Regulations, 2004.
22. The Merchant Shipping (Tonnage) Regulations, 2002.
23. The Merchant Shipping (Vessels in Commercial Use for Sport or Pleasure) Regulations, 2002.
24. The Merchant Shipping (Pleasure Yachts Carrying Passengers) Regulations 2011.

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

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

OTHER LAWS FOLLOWED BY MACI

- a. The National Archive and Public Records Law (2007).
- b. The Freedom of Information Law (2007).
- c. The Cayman Islands Constitutional Order (2009).
- d. The Evidence Law (2007 Revision).
- e. The Electronics Transactions Law (2003 Revision).
- f. The Limitations Law (1996 Revision).
- g. The Public Service Pensions Amendment Law (2016).
- h. The National Pensions Law (2012).
- i. The Public Management and Finance Law (2013).

LOCAL AND INTERNATIONAL STANDARDS FOLLOWED BY MACI

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

OUR PEOPLE

1. 51 employees (30 female and 21 male).
2. Age range 20 to 63.
3. CEO (1), Executive Directors (2), Directors (2), Heads (3), Chief Policy Advisor (1), Registrar (1), Registrar Designate (1), Deputy Directors (3), Deputy Registrar (2), Administrative Staff (35)
4. 63% Caymanian and 37% Non-Caymanian
5. Salary Scale range CI\$ 22,440 to CI\$222,600
6. Spent CI\$3.5 million on Personnel Costs (basic salary, motor car upkeep, acting)
7. Spent CI\$27,000 on Professional Development (3 online Master Degrees, 1 Foundation Course, 2 online Maritime Diplomas, 4 Associate Degrees, 2 Bachelor Degrees, 1 Certified Management Accountant)

PERSONNEL CHANGES 2015-2016

During this period personnel changes at MACI were as follows:

TYPE OF CHANGE	HEAD OFFICE, GT/SECTION	ERO, UK/SECTION
New Hires	1 – Survey	1 – Survey
Resignations	1 – Survey	1 – Survey
Promotions	4 – (1) Finance, (1) HR & Admin, and (2) IT & Information	3 – (1) Crew, (1) Policy and (1) Registration

MANAGEMENT DISCUSSION AND ANALYSIS

HIGHLIGHT OF ACHIEVEMENT

The key strategic goals and objectives for the Maritime Authority of the Cayman Islands for the 2015/16 financial year are as follows:

1. Review and update job descriptions and facilitate the re-implementation of performance based pay, starting July 2015;
2. Review of Employee and Office Policies Handbook for GT and ERO;
3. Revise the Merchant Shipping Law (MSL) and Marine Pollution Law (MPL) submit to CIG Cabinet by July 2015;
4. Completed a review and update of the CI MSL and MARPOL primary and secondary legislation by July 2015;
5. Create a Marine Accident Investigation Authority (MAIA) with anticipated appointment by July 2015; and
6. Review and streamline existing business processes throughout 2015/16 and organisational structure to facilitate working seamlessly across MACI with a view to completion by December 2016.

RISK MANAGMENT

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

FINANCIAL PERFORMANCE AND ANALYSIS

MARITIME AUTHORITY OF THE CAYMAN ISLANDS FINANCIAL HIGHLIGHTS				
TOTAL REVENUES 2015/2016	TOTAL EXPENDITURE 2015/2016	TOTAL REVENUES 2014/2015	TOTAL EXPENDITURE 2014/2015	CASH POSITION
\$9,339,185 ↑ 6%	\$9,088,362 ↑ 6%	\$8,836,541 ↓ 8%	\$8,560,801 ↓ 1%	\$3,105,534 ↑ 18%

Notes:

- Total Revenue increased by 6% (vs. an 8% decrease in 2014/15) whilst Total Expenditure increased by 6 % (vs. a 1% decrease in 2014/15) resulting in Net Income of \$0.3m, approx. the same as 2014/2015.
- Defined Benefit Liability increased 110% to \$1,613,000 (2016) from \$768,000 (2015). This was largely due to a decrease to 4% from 4.75% in the discount rate used for calculating the liability.
- Fluctuations in Foreign Exchange Currencies, specifically GBP and EURO against the US dollar.
- Increase of \$63K (\$172K 2016) vs. (\$109K 2015) within the Casualty Investigation Fund. Sinking Fund established in 2014/15 to carry out Casualty Investigations on-board Cayman Registered Vessels.

SCRUTINY BY PARLIAMENT AND PUBLIC

There was a total of 5 FOI requests for 2015/16. 3 of the requests were Granted in Full. No records existed for the remaining 2 requests.

Request Description	Date Received	Closure Date	Outcome
1. Number of chairmen of CIG boards and statutory boards that receive a salary.	17-Jun-15	9-Jul-15	Granted in Full, emailed to applicant
2. Number of chairmen of CIG boards and statutory boards that receive an emolument, payment or benefit.			
Please can you let me know how many persons applied for the recent Deputy Director positions that was advertised. Further, how many were Caymanian applicants and was a Caymanian hired for the role?	26-May-16	24-Jun-16	Granted in Full, emailed to applicant
The Portfolio of the Civil Service is currently in the process of collecting contact information for all directors/heads and HR personnel within each Statutory Authority and Government Company.	20-Oct-15	30-Oct-15	Granted in Full, emailed to applicant

Request Description	Date Received	Closure Date	Outcome
I am interested in obtaining the following information: - Copies of all current contracts with private security firms - The amount spent on private security for each of the past five financial years.	5-Nov-15	13-Nov-15	No records exist
This is a broad request but may not involve all government agencies so I have confined the list to ministries and department most likely to be impacted but I would be grateful if it could be forwarded	24-Feb-16	11-Mar-16	No records exist

INTERNAL AND EXTERNAL AUDIT UPDATES

1. Ensure Basis of Vendor Selection is Properly Documented. The recommendation as it relates to Independent Contractors has been implemented and a Specialised Recruitment Policy drafted.
2. Post-Retirement Health Care – MACI Board deferred making a final decision until a later date.

CROSS GOVERNMENT COMMITTEMENTS

N/A

FORWARD LOOKING

KEY PERFORMANCE INDICATORS

CLIENT SERVICE

1. Provide a quality Registration regime to protect vessel ownership title and secure the priority ranking of any related mortgage, and that provides:
 - o Registration certification within 24 hours of receipt of all required documentation and fees; and
 - o Crew Compliance certification within 2 working days of receipt of all required documentation and fees.
2. Provide a cost-effective vessel and company audit, and vessel survey regime that promotes quality ships; effective maritime security systems; protection of the marine environment; and social responsibility, and that:
 - o Schedules (acknowledgement) Surveys and Audits within 2 working days of the receipt of a request and of all required documentation;
 - o Provides all certifications or documentation within 5 working days of receipt of all relevant information;
 - o Acknowledge technical queries within 24 hours and provide a response within 3 working days.
3. Provide a 24-hour 'client complaints and queries receiving service' and ensure that all complaints and queries are adequately researched and responded to within 2 working days of the receipt of supporting information; and

4. Provide immediate support upon request in cases of PSC detentions and attendance by a Cayman Surveyor on-board every vessel that has been detained within 90 days of the date of its detention.

SAFETY

1. Maintain “Low Risk” status under the Paris and Tokyo Memorandum of Understanding on Port State Control (PSC) system, with an inspection to detention ratio of less than 2.5%;
2. Maintain “Qualship 21” status under the United States Coast Guard (USCG) PSC system;
3. Maintain an International Chamber of Shipping (ICS) clean ranking;
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 rolling 12-month period; and
5. Assess and if considered appropriate appoint a Casualty Investigator within 24 hours of the receipt of a casualty notification involving a Cayman-flagged vessel:
 - o complete an investigation on all serious incidents involving our vessels; and
 - o file Casualty Reports with the IMO (where necessary) and e-publish those Reports.

COMMERCIAL

1. Maintain a “portfolio of new-build yachts” over 30 metres equal to at least 50% of the global new-build market and yachts classed with MACI’s Recognised Organisations (RO);
2. Maintain a “portfolio of existing yachts” over 30 metres equal to at least 42% of yachts classed with MACI’s Recognised Organisations;
3. Increase the net total of registered commercial units by 30 each year;
4. Maintain the per unit average age of our commercial fleet (small ships and yachts) at less than 15 years;
5. Achieve a net profit margin of 5%;
6. Maintain a 90-day cash requirement as at June 30 of each fiscal year; and
7. Complete the Annual Financial Audit without qualification and within legislative time requirements.

RED ENSIGN GROUP (REG) QUALITY OBJECTIVES

In addition to MACI’s key targets, there are a number of REG quality objectives that need to be met. These can be found in [Annex 1](#).

MAJOR INITIATIVES FOR 2016/2017

- Revise the Merchant Shipping Law (MSL) and Marine Pollution Law (MARPOL), primary and secondary legislation, including new regulations for Casualty Investigation, submit to CIG Cabinet by December 2016;
- Create a Marine Accident Investigation Authority (MAIA) with anticipated appointment to CIG Cabinet by December 2016;

- Work with General Registry and HM Coroner to allow the investigation and registration of deaths on board ships in the Cayman Islands by December 2016;
- Obtain an extension of the Supplementary Fund December 2016;
- Develop the policy and legislation to ensure compliance with the implementation of IMO instruments (III) code December 2017;
- Complete the development of the MACI eCrew system to ensure compliance with the STCW manila convention by January 2017;
- Host the REG conference in Grand Cayman in June 2017;
- Website redesign complete by December 2016;
- Implement the requisite regulations to bring the Nairobi Convention into force by December 2016; and
- Implement infrastructure to remove AR, Registration and the Dashboard from CISIS by January 2017.

BOARD OF DIRECTORS

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

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

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

PROFILES OF THE DIRECTORS

Mr. Philip Barnes, NP – Chairperson (19 November 2013 – 21 August 2018)

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 Bachelor's of Science degree (hons.) in accounting from Fort Lauderdale College, Florida, and has been a Certified Public Accountant since 1987. Subsequent to public accounting, he worked in the offshore financial industry for a number of years and obtained the Trust and Estate Practitioners certificate (STEP) in 2006.

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

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

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

Mr. Bruce Putterill - Deputy Chairperson (1 September 2010 – 31 August 2016)

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

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

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

Mr. Dennis Hunter – Director (1 September 2010 – 31 August 2016)

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

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

Mr. James C. Parsons, Jr. – Director (1 September 2010 – 31 August 2016)

Mr. Parsons qualified as a Certified Public Accountant in 1991 following his graduation from Barry University in Miami, Florida. He presently holds the position of Deputy Port director, and

has been charged with the responsibility of the Accounting, Financial and Freedom of Information Reporting for the Port Authority of the Cayman Islands since 1 March, 2005.

Prior to joining the Authority, Mr. Parsons worked as a senior auditor for three and a half years with Ernst & Young, as a Fund Administrator/Accountant for three years with Deutsche Bank (Cayman) Ltd., and for eight years as Deputy Managing Director/Chief Financial Officer with Andy's Rent-A-Car Limited. Prior to attending university in the mid-1980s, Mr. Parsons held various junior and senior level positions with Barclays Bank, PLC, Lloyds Bank and Trust, and the Swiss Bank Corporation.

Mr. Parsons has previously served as an active member on two government boards in the 1990s, namely, the Housing Development Corporation Board, and the Immigration Board.

He is also a past member and Treasurer of the Rotary Club Central, and a past member of the Kiwanis Club of Grand Cayman. His experience also includes being a founding member of the Overseas Student Association.

Mr. John P. Wolf – Director (12 August 2011 – 11 August 2017)

Mr. John Wolf is Head of the Corporate Department at Campbells. He specialises in maritime and shipping law with particular emphasis on pleasure vessels and deals with all matters involving British registered ships. Mr. Wolf regularly advises on all matters involving acquisition, financing, title, registration and operation of vessels at the British ports of registry in the Cayman Islands, including acting for owners, purchasers and secured lenders.

He is a member of the Cayman Islands Shipping Registry's Maritime Sector Consultative Committee and author of numerous briefing papers and articles relating to the registration and financing of ships in the Cayman Islands.

Mr. Wolf trained and qualified in 1992 as a Solicitor of the Supreme Court in the City of London, England. He qualified as a Cayman Islands Attorney-at-Law in 1997 and has more than 20 years' practising experience in English and Cayman Islands law.

Mr. Kirkland H. Nixon, MBE, QFSM, JP – Director (12 August 2011 – 11 August 2017)

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

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

Mr. Nixon served as the first Chairman and Founding Member of the National Trust of the Cayman Islands. He also served as President of the Cayman Islands Civil Service Credit Union and Justice of the Peace Association. Additionally, he has served on numerous Government Boards and Committees as follows: Chairman of the CAYS Foundation and the

Cayman Islands Marine Institute; Deputy Chairman of the Civil Aviation Authority Board; Coordinator of the National Hurricane Committee; Secretary of the Cayman Airways Board; Member of the National Security Committee, Airport Security Committee and Civil Aviation Authority Board; and Ex-officio Member of the Planning Board.

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

Mr. Nicolas ("Nicky") A. Pappadakis – Director (1 September 2010 – 31 August 2016)

Mr. Pappadakis, upon graduating from College, joined the family firm of A.G. PAPPADAKIS & CO LTD in London as management trainee, progressing through multiple assignments, and eventually to head of chartering and operations of the family firm and fleet (112.000 TDW O/B/O vessels, 30-60.000 TDW tankers, 40-77.000 bulk carriers, 23.000 TDW multipurpose/heavy lift vessels – 16.500 cargo liners and twin deckers at various periods). Prior to this, Mr. Pappadakis had served periods at sea as an apprentice on tankers, dry cargo and bulk carrier vessels. Eventually he became in charge of the family maritime and aviation interests.

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

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

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

Mr. A. Joel Walton, JP - MACI CEO & Ex-Officio Member (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, Lorna E. Washington joined MACI in December 2005 as the Deputy Registrar of Shipping. Today she is the Registrar of Shipping, after being promoted to the post in October 2008.

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

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

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

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

Annex 1

[BACK](#)

MACI's obligations to meet the REG Quality Objectives

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:

<u>Registration</u>	
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.
<u>Global Safety and Compliance (Safety, Survey and Inspection)</u>	
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.
<u>Policy, Casualty Investigation and Quality</u>
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 in personal injury.
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
<u>Corporate Communications</u>
30. Maintain records of all customer complaints received, investigated and their resolution.

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**Maritime Authority of the
Cayman Islands
Financial Statements
For the year ended 30 June 2016**



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

Year Ended 30 June 2016

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STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

The financial statements fairly present the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year ended 30 June 2016.

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

- (a) completely and reliably reflect the financial transactions of Maritime Authority of the Cayman Islands for the year ended 30 June 2016;
- (b) fairly reflect the financial position as at 30 June 2016 and performance for the year ended 30 June 2016;
- (c) comply with the provisions of the Public Management and Finance law (2013 Revision) and International Financial Reporting Standards.

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

P Barnes
Chairperson
Maritime Authority of the Cayman Islands
31 October 2016

A. Joel Walton
CEO
Maritime Authority of the Cayman Islands
31 October 2016

AUDITOR GENERAL'S REPORT

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

I have audited the accompanying financial statements of the Maritime Authority of the Cayman Islands (the "Authority"), which comprise the statement of financial position as at 30 June 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 0 to 99 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

Post-retirement healthcare costs

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

Retained earnings

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

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion the financial statements present fairly, in all material respects, the financial position of Maritime Authority of the Cayman Islands (the "Authority") as at 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

Contingent Liability – taxes on UK operations

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

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

My opinion is not qualified in respect of this matter.



Sue Winspear, CPFA
Auditor General

31 October 2016
Cayman Islands



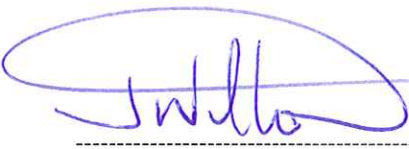
MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION
As at 30 June, 2016
(Expressed in Cayman Islands Dollars)

		<i>30-Jun-16</i>	<i>30-Jun-15</i>
	<i>Notes</i>		
Assets			
Current Assets			
Cash & Cash Equivalents	5	3,105,534	2,641,848
Accounts Receivable (net)	6	1,978,339	2,075,468
Due from Parent	7	150,678	160,470
Other Receivables		59,775	10,234
Total Current Assets		5,294,326	4,888,020
Property, Plant & Equipment	8	256,329	233,634
Total Assets		5,550,655	5,121,654
Equity and Liabilities			
Current Liabilities			
Accounts Payable	9	310,758	453,492
Unearned Revenue	10	264,111	263,181
Employee Entitlements	11	55,854	65,531
Casualty Investigation Fund	26	172,129	109,484
Other Current Liabilities	27	74,014	-
Total Current Liabilities		876,866	891,688
Retirement Liability/Other	12/23	1,613,000	768,000
Total Liabilities		2,489,866	1,659,688
Equity			
Contributed Capital	13	1,500,000	1,500,000
Retained Earnings		2,271,789	2,020,966
Other Comprehensive Loss		(711,000)	(59,000)
Total Equity		3,060,789	3,461,966
Total Equity and Liabilities		5,550,655	5,121,654

Approved on Behalf of the Board of Directors on 31 October 2016



 Chairperson
 Philip Barnes



 Chief Executive Officer
 A. Joel Walton

The accompanying notes on pages form an integral part of these financial statements.



STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

		<i>YTD - Actual 30-Jun-16</i>	<i>Annual - Actual 30-Jun-15</i>
	Notes		
Revenue			
Sales of Goods and Services	14	6,740,966	6,567,630
Annual Fees	16	1,375,888	1,231,759
Other Operating Revenue	17	794,386	607,436
Sales of Goods and Services - CIG	15	427,945	429,716
Total Revenue		9,339,185	8,836,541
Expenses			
Personnel Cost	18	4,423,376	4,440,453
Professional Services	19	1,558,501	1,486,353
Operating Lease and Utilities	21	564,597	514,952
Other Expenses	20	1,233,875	953,881
Survey Related Expense	14	476,810	479,139
Travel, Entertainment and Business Development	22	679,190	581,109
Depreciation	8	152,013	104,914
Total Expenses		9,088,362	8,560,801
Net Income		250,823	275,740
Other Comprehensive (Loss)/Income			
Items that will not be classified to profit or loss:			
Re-Measurements of defined pension liability	12/23	(652,000)	174,000
Total items that will not be classified to profit or loss		(652,000)	174,000
Total Comprehensive (Loss)/Income		(401,177)	449,740



MARITIME AUTHORITY OF THE CAYMAN ISLANDS

STATEMENT OF CHANGES IN EQUITY

As at 30 June 2016

(Expressed in Cayman Islands Dollars)

	Retained Earnings	Other Comprehensive Income (Loss)	Contributed Capital	Total
Balance at 30 June 2014	1,745,226	(233,000)	1,500,000	3,012,226
Net Income for 14/15	275,740	-	-	275,740
Other Comprehensive Income	-	174,000	-	174,000
Balance at 30 June 2015	2,020,966	(59,000)	1,500,000	3,461,966
Net Income for 15/16	250,823	-	-	250,823
Other Comprehensive Loss	-	(652,000)	-	(652,000)
Balance at 30 June 2016	2,271,789	(711,000)	1,500,000	3,060,789



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF CASH FLOWS
For the twelve months ended 30 June 2016
(Expressed in Cayman Islands Dollars)

		<i>YTD - Actual</i> <i>30-Jun-16</i>	<i>YTD - Actual</i> <i>30-Jun-15</i>
	<i>Notes</i>		
Cash Flows From Operating Activities			
Net Income		250,823	275,740
Adjustments for:		-	
Depreciation		152,013	104,914
Loss on disposal of Property, Plant & Equipment		21,162	-
Net changes in non-cash working capital relating to operations:			
(Decrease)/Increase in Receivables		106,921	(143,124)
Increase in Other Receivables		(49,541)	(10,234)
(Decrease)/Increase in Payables		(142,735)	65,525
Increase in Unearned Revenue		930	64,542
(Decrease)/Increase in Employee Entitlements		(9,677)	8,148
Increase in Casualty Investigation Fund		62,645	56,517
Increase in Other Liabilities		74,014	-
Increase in Long Term Liabilities		193,000	196,000
Net cash flows from operating activities		<u>659,555</u>	<u>618,028</u>
Cash Flows From Investing Activities			
Acquisition of Property, Plant & Equipment	8	(195,869)	(148,536)
Net cash used in investing activities		<u>(195,869)</u>	<u>(148,536)</u>
Net increase in cash and cash equivalents		463,686	469,492
Cash and cash equivalents at beginning of period		2,641,848	2,172,356
Cash and cash equivalents at end of period	5	<u>3,105,534</u>	<u>2,641,848</u>

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

1. Organization and Objectives

Maritime Authority of the Cayman Islands ("MACI", "Authority") is a statutory corporation formed as a separate legal entity under the Maritime Authority 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 through the Ministry of Financial Services, Commerce and Environment but is also responsible to the United Kingdom (UK) Secretary of State via the UK's Department of Transport for the effective implementation of the relevant international maritime and related conventions that have been ratified by the UK Government and extended to the Cayman Islands.

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

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

2. Basis of preparation

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

Corresponding figures – The Financials for MACI provide comparable information for year on year performance for 30 June 2015.

3. Reporting Period

The reporting period is for the year ended 30 June 2016.

4. Significant Accounting Policies

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

a) Financial Assets and Liabilities

i) Classification

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

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

ii) Recognition

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

iii) De-recognition

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

iv) Measurement

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

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

b) Foreign Currency Translation

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

4. Significant Accounting Policies (Continued)

c) Revenue Recognition

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

d) Purchase Agreement

MACI operates on a fee for service basis with the CIG. The annual purchase agreement sets out the service which the Authority agrees to deliver to CIG based on quantity, quality, location and cost of services. These fees form part of the overall Authority revenue stream which equates to 4.6% in 2016 (4.9% in 2015). The full amount of the purchase agreement is treated as income in the year which it is earned.

e) Expenses

Expenses are recognised when incurred.

f) Receivables and advances

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

g) Property, Plant and Equipment

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

h) Cash and cash equivalents

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

i) Accounts Payable

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

j) Employee Entitlements and Benefits

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

Employee Benefits

Obligation for contribution to defined contribution and defined benefits pension plans are recognised as an expense in the statement of Comprehensive Income as incurred (See **Note 23**). Defined benefit scheme surpluses and deficits are measured at fair value of plan assets at the reporting date; less plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus unrecognised past service cost; less the effect of minimum funding requirements agreed with scheme trustees. Re-measurements of the net defined obligation are recognised directly within equity and include actuarial gains and losses, return on plan assets (interest exclusive) and any asset ceiling effects (interest exclusive). Service cost and net interest expense (income) are recognised in profit or loss.

4. Significant Accounting Policies (Continued)

k) Use of Estimates

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

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

Actual results could differ from those estimates, the impact of which would be recorded in future periods.

l) New standards and amendments adopted by the Authority

The Authority has adopted the following standards and amendments for the first time for their annual reporting period commencing 1 July 2015:

- i. Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Authority's financial statements.
- ii. Amendments to IAS 36, 'Impairment of assets' on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have a significant effect on the Authority's financial statements.
- iii. Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment did not have a significant impact on the Authority's financial statements.
- iv. IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Authority is not currently subjected to significant levies so the impact on the Authority is not material.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

4. Significant Accounting Policies (Continued)

m) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2015 and not early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Authority. The Authority's assessment of the impact of these new standards and interpretations is set out below.

- i. IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Authority is yet to assess IFRS 9's full impact.
- ii. IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Authority is assessing the impact of IFRS 15.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Authority in the current or future reporting periods and on foreseeable future transactions.

The Authority reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. MACI is in the process of evaluating the impact of the new standard.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

5. Cash and Cash Equivalents

	Jun-16	Jun-15
Bank Accounts	2,934,766	2,593,358
Fixed Deposits	170,768	-
Deposit in Transit	-	48,490
Total Cash & Cash Equivalents	3,105,534	2,641,848

In 2016, included in the "Bank Accounts" balance is \$259,293 (2015: \$263,182) of funds held from Customer's Revenue Deposits and \$172,129 (2015: \$109,484) of funds relating to the Casualty Investigation Fund (Note 26).

6. Accounts Receivable (net)

	Jun-16	Jun-15
Sales of Goods & Services	2,074,696	2,127,191
Prepayments	103,643	112,820
Other Receivables	-	35,457
Total Gross Receivables	2,178,339	2,275,468
Less Provision for Doubtful Debts	200,000	200,000
Total Net Receivable (net)	1,978,339	2,075,468

Ageing Profile of Sales of Goods and Services as at 30 June 2016 and 30 June 2015

Ageing Sales	June 2016	June 2015
1-30 Days	\$1,014,151	\$789,627
31-90 Days	\$405,641	\$531,530
91-365 Days	\$378,422	\$543,978
Over 365 Days	\$276,482	\$262,056
Total	\$2,074,696	\$2,127,191

The impairment assessment is generally performed by Management on an ongoing basis. Once determined, write offs are approved by the CEO or a designate. In 2016 the Authority directly wrote off \$87,800 (2015: \$172,009) in receivables. There was no movement in the provisions for doubtful debts.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

7. Due from Parent

	Jun-16	Jun-15
Policy Advice to Cabinet	22,115	58,498
Provision to Technical Advice and Support to Government	90,332	63,741
State Inspections and Investigations Services	16,974	16,974
Long Range Identification and Tracking Ships (LRIT)	21,257	21,257
Total Sales of Goods and Services Due From Parent	150,678	160,470

8. Property, Plant and Equipment

	Furniture & Fixture	Office Equipment	Computer Equipment	Other Assets / Booth Displays	Total
Original Cost					
Balance at 30/06/15	-	117,665	700,938	168,211	986,814
Additions:	-	-	-	195,869	195,869
Reclassification:	1,220	(117,665)	283,315	(166,870)	-
Disposals:	(1,220)	-	(422,804)	(26,519)	(450,543)
Balance at 30/06/16	-	-	561,449	170,691	732,140
Accumulated Depreciation					
Balance at 30/06/15	-	113,483	635,099	4,598	753,180
Depreciation Charge:	1,220	603	148,766	-	150,589
Reclassifications:	-	(114,086)	118,684	(4,598)	-
Disposals:	(1,220)	-	(426,738)	-	(427,958)
Balance at 30/06/16	-	-	475,811	-	475,811
Net Book Value at 30/06/16:	-	-	85,638	170,691	256,329
Net Book Value at 30/06/15:	-	4,182	65,839	163,613	233,634

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

9. Accounts Payable

	Jun-16	Jun-15
Trade Creditors (Less Than 30 Days)	169,144	276,138
Trade Creditors (Over 90 Days)	23,023	76,778
Accruals	118,591	100,576
Total Accounts Payable	310,758	453,492

10. Unearned Revenue (Revenue Deposits)

	Jun-16	Jun-15
Revenue Deposits (USD)	143,255	140,310
Revenue Deposits (Euro)	120,856	122,871
Total Unearned Revenue	264,111	263,181

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

11. Employee Entitlements

	Jun-16	Jun-15
Leave Entitlement (Management Committee Members)	38,029	33,461
Leave Entitlement (Managers)	12,440	22,080
Leave Entitlement (Administration)	5,385	9,990
Total Employee Entitlements	55,854	65,531

12. Long Term Liabilities

	Jun-16	Jun-15
Retirement Liability/Other	1,613,000	768,000
Total Retirement Liability/Other	1,613,000	768,000

13. Contributed Capital

The authorised capital of MACI is \$1,500,000. The Cayman Islands Government is the sole subscriber and has contributed Paid-Up Capital of \$1,500,000 as at June 30, 2016. The Cabinet of the Cayman Islands Government has fulfilled its commitment of contributed Capital to MACI of the required \$1,500,000, having contributed equal yearly equity injections.

14. Sales of Goods and Services

	<u>Jun-16</u>	<u>Jun-15</u>
Safety and Surveyor Fees	5,066,900	4,880,679
Safety and Surveyor Recoverable Fees	424,986	446,295
Technical Compliance Fees	770,016	798,112
Vessel Registration Fees	479,064	442,544
Total Sales of Goods and Services	6,740,966	6,567,630

a) Safety Survey and Recoverable Fees

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

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

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

b) Technical Compliance

Services include:

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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

Chapter 1 of SOLAS applies and to ensure that all vessels are sufficiently, efficiently and safely manned with properly trained and certified personnel.

c) Vessel Registration

The Cayman Islands offers five types of vessel registration (Full, interim, provisional, under construction and demise (bareboat) charter). The Cayman Islands offers several vessel ownership structures, ranging from individual ownership through to a choice of corporate ownership options.

15. Revenue from Government

	Jun-16	Jun-15
Policy Advice to Cabinet	181,204	192,855
Provision to Technical Advice and Support to Government	93,844	83,965
State Inspections and Investigations Services	67,897	67,896
Long Range Identification and Tracking of Ships (LRIT)	85,000	85,000
Total Sales of Goods and Services to Cayman Islands Government	427,945	429,716

The Authority provides services to the CIG outlined in the annual Purchase Agreement. During this financial year, the annual purchase agreement was \$419,146 (2015: 419,146) and the Authority provided services for a value of \$427,945 (2015: \$429,716). The amount of \$8.8 Thousand (2015: \$10.5 Thousand) was written off (from 'Policy Advice to Cabinet' output) for services provided but not covered by the agreement.

16. Annual Fees (Tonnage Revenue)

Tonnage Services - The term 'tonnage', ('gross tonnage'), relates to the internal volume of the ship and this has no relation to the weight of the ship, as is often confused. Historically, the term tonnage relates to the cargo-carrying capability of the ship, and the word originates from the word '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 gross tonnage is a very complex process, but the basic philosophy is the same. As a measure of the cargo-carrying capacity, it relates directly to the earning capacity of the ship and accordingly port dues are charged according to the tonnage. Based on the same principle, modern ship registers collect an annual (calendar) fee based on the tonnage of the ship.

	Jun-16	Jun-15
Flag State Compliance Fee	111,500	-
Tonnage Fees - Ships	394,724	485,818
Tonnage Fees - Yachts	851,935	727,158
Tonnage Fees - Local Vessels	17,729	18,783
Total Annual Fees	1,375,888	1,231,759

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17. Other Operating Revenue

	Jun-16	Jun-15
Vessel Books and Products	69,800	97,022
Communication and Courier Fees	158,856	171,262
Professional Service Fees	321,877	351,080
Other Fees (including 1% Late Fee)	97,133	107,699
Royalties and Other Income	80,543	71,090
Loss on Revaluation/Disposal of Fixed Assets	(932)	-
Gain/(Loss) on Foreign Exchange	67,109	(190,717)
Total Other Operating Revenue	794,386	607,436

18. Personnel Cost

	Jun-16	Jun-15
Salaries and Wages	3,496,658	3,447,401
Defined Benefit Cost	193,000	196,000
Other Personnel Cost	75,786	51,110
Pension Expense	385,021	354,815
Health Care Expense	332,130	393,213
Movement in Annual Leave Provision	(59,219)	(2,086)
Total Personnel Cost	4,423,376	4,440,453

19. Professional Services

	Jun-16	Jun-15
Professional Fees Survey Related	958,044	800,706
Professional Services - Registration and Marketing	520,277	519,869
Long Range Identification Tracking (LRIT)	13,091	106,280
Audit Fees	65,500	48,500
Legal Fees	1,589	10,998
Total Professional Services	1,558,501	1,486,353

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20. Other Expenses

	Jun-16	Jun-15
General and Administration Services	615,383	387,551
Maintenance	271,998	280,767
Bank Fees	116,249	120,138
Insurance	32,685	58,957
Debt Write Off	197,560	106,468
Total Other Expense	1,233,875	953,881

21. Operating Lease Obligations

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

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

	European Regional Office	George Town Office
Within one year	CI\$59,969	CI\$305,761
After one year but not more than five years	CI\$69,963	CI\$ -

22. Travel, Business Development and Entertainment

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

	Jun-16	Jun-15
Business Development	348,485	383,939
Official Travel	304,090	181,309
Entertainment	26,615	15,861
Total Travel, Entertainment and Business Development	679,190	581,109

23. Pension Obligation

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

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

Pensionable service continues from date of hire. The retirement pension computation is generally based on the monthly pensionable earnings at the time of retirement, unless there are transfers from one office to another, in which case the computation may be based on one-third of the aggregate pensionable earnings during the final three years. Eligibility for retirement pension is generally on or after attaining age 50 and completing 10 years of service. An employee who terminates employment can expect to receive a pension commencing at age 60, based on benefits accrued at the time the termination or alternatively to receive the participant contribution account balance. The pension has the same features of commutation, post-retirement death benefit, and post-retirement pension increases as for active employees eligible for retirement benefits.

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

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

The schemes are valued by independent actuaries and there have been no changes to the actuarial methods. No curtailment or settlement occurred during the report period. The latest estimate was done as at 30 June 2016 which reflected the pension liability of \$1,613,000 (2015:\$768,000). To reflect the estimated valuation, the Authority has recorded the amount of \$652,000 and is reflected within the Statement of Comprehensive Income including \$193,000 defined benefit cost in personnel cost. (See **Note 18**).

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23. Pension Obligation (Continued)

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

Disclosure Information (\$000's)	June 30, 2016	June 30, 2015
A. Change in defined benefit obligation		
Defined benefit obligation at end of prior year	2,577	2,323
Current Service Cost	226	228
Interest Expense	122	105
Benefit payments from plan assets	(23)	-
Participant contributions	57	54
Re-measurements; Effect of changes in demographic assumptions	-	5
Re-measurements; Effect of changes in financial assumptions	537	(138)
Re-measurements; Effect of experience adjustments	119	-
Defined benefit obligation at end of year	3,615	2,577
B. Change in fair value of plan assets		
Fair value of plan assets at end of prior year	1,809	1,577
Interest Income	89	74
Employer Contributions	66	63
Participant Contributions	57	54
Benefit payments from plan assets	(23)	-
Return on plan assets (excluding interest expense)	4	41
Fair value of plan assets at end of year	2,002	1,809
C. Amounts recognised in the statement of financial position		
Defined benefit obligation	3,615	2,577
Fair value of plan assets	(2,002)	(1,809)
Funded status	1,613	768
Net liability	1,613	768
D. Components of defined benefit cost		
Service Cost	226	228
Total Service Cost	226	228
Interest expense on DBO	122	105
Interest (income) on plan assets	(89)	(74)
Total net interest cost	33	31
Defined benefit cost included in P&L	259	259
Re-measurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	-	5
Effect of changes in financial assumptions	537	(138)
Effect of experience adjustments	119	-
(Return) on plan assets (excluding interest income)	(4)	(41)
Total re-measurements included in OCI	652	(174)
Total defined benefit cost recognised in P&L and OCI	911	85

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E. Net defined benefit liability reconciliation		
Net defined benefit liability	768	746
Defined benefit cost included in P&L	259	259
Total remeasurements included in OCI	652	(174)
Cash Flows a) Employer contributions	(66)	(63)
Net defined benefit liability as of end of year	1,613	768
F. Significant actuarial assumptions	June 30, 2016	June 30, 2015
<i>Weighted-average assumptions to determine benefit obligations</i>		
Discount Rate	4.00%	4.75%
Rate of salary increase	3.50%	3.50%
Rate of price inflation	2.50%	2.50%
Rate of pension increases	2.50%	2.50%
Post-retirement mortality table	RP-2014 projected on a generational basis using Scale MP-2014	RP-2014 projected on a generational basis using Scale MP-2014
Cost Method	Projected Unit Credit	Projected Unit Credit
Asset Valuation Method	Market Value	Market Value
<i>Weighted-average assumptions to determine defined benefit cost</i>		
Discount rate	4.75%	4.50%
Rate of salary increase	3.50%	3.50%
Rate of price inflation	2.50%	2.50%
Rate of pension increases	2.50%	2.50%
Post-retirement mortality table	RP-2014 projected on a generational basis using Scale MP-2014	RP-2014 projected on a generational basis using Scale MP-2014

G. Sensitivity analysis – Present value of defined benefit obligations	June 30, 2016	June 30, 2015
Discount rate – 25 basis points	3,823	2,715
Discount rate – 25 basis points	3,422	2,445
Inflation rate – 25 basis points	3,423	2,440
Inflation rate + 25 basis points	3,821	2,721
Mortality – 10% of current rates	3,691	2,623
Mortality + 10% of current rates	3,546	2,532
H. Expected cash flows for following year		
Expected employer contributions	102	-
I. Defined benefit obligation by participant status		
Actives	3,543	2,531
Vested deferreds	72	46
Total	3,615	2,577

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23. Pension Obligation (Continued)

The valuations are based on the asset value as 30 June 2016 provided by the Pensions Board, along with cash flow and other supplemental asset information. These assets are held in trust by CIBC Mellon. The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As of 30 June 2016, the Funds were invested as follows:

Plan Assets By Asset Category	2016		2015	
	Amount (000's)	Percentage	Amount (000's)	Percentage
Global equity securities	\$431,083	80%	\$411,606	80%
Debt securities	\$103,167	19%	\$97,807	19%
Cash	\$2,583	1%	\$6,312	1%
Total	\$536,833	100%	\$515,726	100%

Actuarial assumptions were used which were approved by the Financial Secretary, the main sponsor of the Plan on 10 August 2016. The assumptions used at 30 June 2016 used to determine the present value of the benefit obligation at that date and the pension expense for the following year are shown below.

	2016	2015
Discount Rate		
BOY disclosure and current year expense	4.75% per year	4.50% per year
EOY disclosure	4.00% per year	4.75% per year
Following year current service cost	4.10 per year	4.75% per year
Rate used to determine interest on defined benefit obligation and plan assets for following year experience	3.40% per year	4.75% per year
Rate used to determine interest on current service cost for following year experience	3.80% per year	4.75% per year
Increases in pensionable earnings	3.50% per year	3.50% per year
Rate of pension increases	2.50% per year	2.50% per year
Mortality		
BOY disclosure and current year expense	RP-2014 generationally projected using Scale MP-2014	UP-94 generationally projected using Scale BB
EOY disclosure and following year expense	RP-2014 generationally projected using Scale MP-2014	RP-2014 generationally projected using Scale MP-2014
Disability	None	None
Turnover Rates	Age related Table	Age related Table
Retirement	Age 57 and 10 years of service	Age 57 and 10 years of service
Assumed life expectations on retirement	Retiring today (member age 57):30.12 Retiring in 25 years (at age 57): 32.40	Retiring today (member age 57):30.12 Retiring in 25 years (at age 57): 32.40
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value Assets	Market Value Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

24. Related Party Transactions

The Board of Directors of MACI is appointed by the Governor and consists of the Chief Executive Officer ("CEO"), Secretary to the Board as ex-officio members, and seven directors as at 30 June 2016. The fees of \$13,250 (2015: \$14,938) relates to payments made to the seven directors and Secretary to the Board.

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

- i. An employee of MACI is a close family member to a Director of MACI's Board. This employee has been employed by MACI for a number of years, whereas the Director's appointment was more recent. The employee earns an approved MACI annual salary and has no decision making authority
- ii. One of the Directors was recently appointed as a Director of the Public Service Pension Board
- iii. One of the Directors (non-remunerated) is a related party to one of the Authority's vendors which provides legal services during the year in the amount of \$1,589 (2015: 10,998)
- iv. Apart from the disclosed information, there are no other significant related party transactions

For the purpose of IAS 24 disclosure, the CEO is included in the number and cost of the Executive Management Team. The total number of personnel in the Executive Management Team was 3 in 2016 (2015: 3) and salaries and other short term benefits expensed were \$553,326 (2015: \$537,581) and long term benefits obligation were \$1,613,000 (2015: \$768,000).

The following Government department/entities provided services to MACI during 2016 with amounts being expensed:

- i. Treasury Department (\$45,519)
- ii. Computer Services Department (\$78,145)
- iii. Immigration Department (\$17,400)
- iv. Cayman Islands Cabinet Office (\$27,607)
- v. Public Service Pension Board (\$197,911)
- vi. Office of The Auditor General (\$57,000) at June 30, \$55,009 was included within Accounts Payable
- vii. Ministry of Financial Services, Commerce & Environment (\$229,323)

25. Financial Instruments

a) Credit Risk

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

b) Fair Value

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

c) Foreign Currency Risk

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

26. Casualty Investigation Fund

The Cayman Islands Government/MACI is responsible, under internal Convention requirements and Merchant Shipping Law (2011) Revision, for investigating marine casualties involving Cayman ships and foreign ships involved in a casualty in Cayman waters.

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

During the 2014/15 financial year MACI created a sinking fund. These funds are designated for carrying out casualty investigation on board Cayman registered vessels. The fund currently has a balance of \$172,129 (2015: \$109,484), of which the full amount forms part of MACI's cash balance of \$3,105,534 (2015: 2,641,848).

27. Subsequent Events

- a) A contract was issued 15 September 2015 for an approx. US\$250,000 for the redesign, redevelopment and hosting of MACI's website to be completed mid October 2015. On 6 August 2016 the website was launched at a final cost of about US\$254,700.
- b) 24 August 2016, the board approved a onetime honorarium of 2.2% effective 30 June 2016.