



Annual Report

July 2016 – December 2017

Maritime Authority of the Cayman Islands (MACI)

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Annual Report

AUTHORISATION AFFIDAVIT

28 February, 2018

To All Concerned:

I hereby authorise the dissemination of this document, which constitutes a summary of the activities of the Maritime Authority of the Cayman Islands during the fiscal year 1 July, 2016 – 31 December, 2017, to all relevant parties.

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

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

A. Joel Walton, JP
CEO, MACI

FORWORD FROM:

CHAIRPERSON, MACI BOARD OF DIRECTORS

The maritime industry continues to adapt, evolve and progress and Cayman is persistent in its hard work to make sure that the infrastructure for our maritime industry is sound, responsive and dynamic.

The hard work over the past 18 months has ensured that the Cayman Islands has kept its cutting edge and remains the centre of choice in the very competitive maritime market. I want to take a moment to reflect on some of our accomplishments during this period and to acknowledge this truly talented team that is exemplary in the business.

For the first time in MACI's history, we are delighted to report that we were recognized as the Best Performing Flag State in the Paris Memorandum of Understanding (MOU) in July 2017. Also, not to go unnoticed, Cayman maintained United States Coast Guard Qualship 21 status which Cayman was 1 of 16 Flags, as well as continued to maintain Low Risk status in the Tokyo MOU.

The International Chamber of Shipping, in their 2016/2017 Annual Flag State Performance Table, has recognized Cayman as one of the world's top performing Flag States for the sixth consecutive year.

The Cayman Islands Shipping Registry has continued to explore new markets and created a new regime for increasing its market share in the merchant fleet. It has done this by offering a survey and fixed fee system which allowed Cayman to increase its register to over 5m gross tonnes.

For a number of years, there has been ambiguity in respect of Cayman-flagged or operated vessels being able to access preferential port dues in China. This Most Favoured Nation (MFN) status was confirmed for Cayman ships entering Chinese ports following the Chinese Ambassador to the United Kingdom's (U.K.) visit to the islands the beginning of 2017.

The Nairobi Convention was extended to Cayman in February 2017 which offers a significant degree of protection in the event of wrecks in Cayman waters; a pool of funds to which we did not previously have access.

We were pleased to be asked to host the annual Red Ensign Group (REG) conference in July 2017. This meeting allows the U.K. and its Crown dependencies and overseas territories that operate shipping registers to share best practices, both in terms of commercial success and international maritime standard setting. Participants also collaborate on optimizing the performance of the British register internationally.

In partnership, we also hosted the 5th Annual Cayman Islands Shipping and Yachting Summit in May 2017 which focused on the future trends of shipping, trade and trade patterns as well as the yachting business in the region and beyond.

These are just a few of the highlights from the past 18 months, which help keep us ahead of the game, meeting and exceeding expectations of the industry and our clients.

We must always remember that the maritime industry is a fiercely competitive one. It is important that we keep seeking new opportunities and tailoring our products to meet the needs and demands of the yacht and

commercial ship owners and the consumers who drive the latter. We have to maintain the high standards for which we have received so many accolades, and continue working together as we navigate the year ahead.

I wish to thank my Board of Directors for its guidance and support as well as our Chief Executive Officer and his management team at MACI who have a passion for this organisation, for their continued diligence and unwavering commitment to building a quality shipping business platform with high standards for the safety of lives at sea and for the marine environment.

Our common goal of developing the Cayman Islands into a full-service international maritime centre 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 last 18-month period, MACI has continued offering professional and client focused services to the global maritime market, showing that the Cayman Islands is a maritime centre of international standing.

The authority continued to improve the quality of its register by way of low global detention ratings across all major Memoranda of Understanding (MOUs), resulting, for the first time in history, ranking #1 top performing flag with the Paris MOU as well as maintaining white list status with the Tokyo MOU. Additionally, testament to MACI's success is keeping the prestigious Qualship 21 status by the United States Coast Guard. The Qualship 21 designation is the highest level of recognition the Coast Guard offers and attests to the high-quality of vessels flying Cayman's flag.

Another notable achievement is being recognised by the International Chamber of Shipping for the sixth consecutive year as one of the world's top 16 performing flag states.

With the vision of expanding its fleet, MACI continued to exhibit a high global profile by exploring new markets. Through developing and offering a new survey and fixed fee system, Cayman has been able to expand its merchant fleet which has, in turn, resulted in an increase of the register to over 5m gross tonnes.

This year, the Cayman Islands had the distinguished honor of being asked to host the annual Red Ensign Group (REG) conference. The REG conference offered the geographical widespread membership of the REG the opportunity for detailed face-to-face discussions on matters including the performance of the REG, international relations, possibilities for partnerships and collaboration.

We continued our dedication to service excellence, ensuring the maintenance of first-class relationships with our valued clients. With main offices in Cayman and in the U.K. as well as representative offices in the U.S.A., Greece, and Singapore, along with representatives in France, Panama, Japan, Holland, Isle of Man, Italy and Jersey, we have presence and influence in the many other major maritime centres of the world.

MACI continues to meet the needs of a very sophisticated and discerning clientele who demand value for money. I thank our dedicated team, who, through their hard work during the last 18 months, has ensured that we retained our "flag of choice" distinction.

I am looking forward to working with them to meet and surpass the goals we have set for the year ahead as we maintain our high standards of client-focused service and our continual search for new opportunities.

A. Joel Walton, JP
CEO, MACI

ABOUT US

OUR VISION

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

OUR MISSION

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

NATURE AND SCOPE OF ACTIVITIES

GENERAL NATURE OF ACTIVITIES

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

SCOPE OF ACTIVITIES

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 fourteen locations: the Head Office in George Town, the European Regional Office in the United Kingdom, Asian Regional Office in Singapore, representatives in London, Greece, United States of America, France, Panama, Japan, The Netherlands, Italy, Jersey, Brazil, and China.

RELATIONSHIP BETWEEN THE CAYMAN ISLANDS AND THE UNITED KINGDOM GOVERNMENTS

The Authority is wholly-owned by the Government of the Cayman Islands, but governed by a Board of Directors which is appointed by the Governor-in-Cabinet. MACI reports to the Cabinet of the 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.
2017	• Cayman listed as the top performing Flag in the Paris MOU Port State Control • The International Chamber of Shipping (ICS) has for the 6th year running rated Cayman Registry in the top 16 flag states in their 2016/2017 Annual Flag State Performance Table. • Hosted the Red Ensign Group Annual Conference • Cayman reaffirmed Most Favoured Nation Status for Cayman ships entering Chinese ports • Introduced an optional Flag State Compliance (FSC) fixed fee and survey regime for large yachts

OFFICE OF THE CEO

EVENTS, CLIENT RELATIONSHIPS AND SPECIAL PROJECTS

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

EVENTS

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

In May of 2017, the Cayman Islands Shipping Registry in partnership with Maples and Calder, Cayman Maritime Services Park (an integral part of the Cayman Enterprise City Special Economic Zone) the Women's International Shipping and Trading Association – Cayman Islands (WISTA Cayman) and the North American Marine Environment Protection Association (NAMEPA), successfully held its second event for Cayman Maritime Week. In attendance were various government agencies along with local private sector representatives. This initiative continues to focus on strategies to address the challenges presented by the new maritime landscape and key roles played by innovation and the drive for sustainability.

Also, in July of 2017, the Maritime Authority of the Cayman Islands (MACI), on behalf of the Government of the Cayman Islands, hosted the Annual Red Ensign Group (REG) Conference. In attendance were some 35 overseas delegates representing the United Kingdom, Crown Dependencies (Isle of Man, Guernsey and Jersey) and the UK Overseas Territories (Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Falkland Islands, Gibraltar, Montserrat, St Helena and the Turks & Caicos Islands), all of which operate shipping registers from their jurisdiction.

CLIENT RELATIONSHIPS

Data gathered in respect to client relationship management, indicated that 72 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.

HUMAN RESOURCES AND ADMINISTRATION

OVERVIEW

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

PERSONNEL CHANGES

During this period personnel changes at MACI were as follows:

Section	New Hires	Resignations	Redundancy	Converted to Independent Contractor
Business Development	-	2	-	-
Crew Compliance	2	4	-	-
Finance	2	1	-	-
Human Resources	1	-	-	-
Registration	-	-	-	1
Survey	3	2	1	1
Total	8	9	1	2

TRAINING AND PROFESSIONAL DEVELOPMENT

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

	Admin	Crew Compliance	Finance	Human Resources	IT	Policy & QMS	Registration	Survey	IT
Training Hrs	66.25	97	51	40	8	27	158.75	428.25	50

- 4 Employees qualified as ISO 9000: 2015.2001 Internal Auditors
- 2 Employees completed the Leadership Cayman Programme
- 1 Employee Received a Master of Science in International Management with Merit

EMPLOYEE AND OFFICE POLICIES HANDBOOK

The revised Employee and Office Policies Handbook was approved by the Board of Directors in August 2017, with an implementation date of 1 January 2018. MACI continues to improve the quality of life for employees, therefore the benefits and processes outlined within the Handbook may be amended as necessary from time-to-time.

INTERNSHIP PROGRAMME

In 2016-17 MACI had the pleasure of working with 6 Student Interns. Where possible, each Intern is assigned to a section in an area relevant to their area of study or interest or rotated throughout various sections. These assignments provide students with a broad overview of the Organisation and aids them in realistically assessing their future career decisions, particularly in the maritime industry. Employees strive to ensure that all Interns have an engaging and rewarding experience.

MARITIME SCHOLARSHIP

Each year the organisation collaborates with the Ministry of Education to offer young Caymanians the opportunity to earn an undergraduate, post graduate or professional qualification within Marine Engineering, Marine Surveying, Maritime Administration, Nautical Studies and Naval architecture. Consideration is also given to specialist areas that support the maritime industry such as Legal, Human Resources, Accounting and IT. The 2016 Recipient completed a Masters in Maritime Operations Management and returned to work with the organisation. The 2017 Recipient commenced studies in Naval Architecture at the University of Southampton, UK.

MARITIME POLICY, QUALITY AND CASUALTY INVESTIGATION

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

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

MERCHANT SHIPPING LAW AND REGULATIONS (DEVELOPMENT AND IMPLEMENTATION)

During this period, the major focus was the continued updating of the Merchant Shipping Law and related Regulations. The Merchant Shipping (Wreck Removal Convention) Regulations to give effect to the Nairobi International Convention on the Removal of Wrecks were published in January 2017. This Convention offers significant financial security to the Cayman Islands Government in the event of a serious wreck occurring in our waters and resulted in a significant new revenue stream for MACI through the issue of "Wreck Convention Certificates".

Draft regulations have been prepared to give effect to the IMO Casualty Investigation Code, which will strengthen MACI's ability to conduct no blame accident investigations on Cayman Islands vessels with the aim of preventing future accidents; and the 2014 Amendments to the Maritime Labour Convention which cover financial security for abandonment and shipowner liability which will protect seafarers on Cayman Islands vessels and the government in the event of any abandonment of seafarers on our vessels or in our ports. Both regulations are in the final stages of drafting and are expected to be formally made by Cabinet in Q1/2 2018.

MARITIME POLICY

During the 2016/17 fiscal period, the section has continued to be actively involved in the Cayman Islands Government's preparations for audit by the International Maritime Organization under the mandatory Instruments Implementation Code (III Code). This Code covers compliance with all international maritime obligations across Government. A Steering Group has been established by Cabinet to coordinate preparations for this audit under the chairmanship of the Ministry of Financial Services, Commerce and Environment / Ministry of Financial Services and Home Affairs. MACI is an active participant in this group.

During the period as part of the preparations for the forthcoming audit, UK Government experts twice visited the Cayman Islands once, for a gap analysis of the coastal state obligations for the III Code, and for a review of the Search and Rescue capabilities of the Cayman Islands. A representative of the section accompanied the UK on these visits and actively contributed to these reviews and continues to work to build on this work.

QUALITY MANAGEMENT SYSTEMS

During the 2016/17 fiscal period, MACI was re-certified to ISO 9001:2008 by BSI in December 2016. Although preparations were temporarily put on hold for recertification to ISO 9001-2015 midway through the 18-month period, in December 2017 work resumed and preparations continued with a view for a pre-audit in January 2019 and recertification in January 2020.

CASUALTY INVESTIGATION

During the fiscal period 2016/17 the Casualty Investigation section processed 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 REG Quality Objectives) and to the International Labour Organization (ILO) as part of our obligations under the Maritime Labour Convention, 2006 (MLC). During the period covered no reports were received that were serious enough to require a formal investigation though a small number were investigated administratively whilst not requiring full investigation under the Casualty Investigation Code.

There are, however, currently two major investigations ongoing which are very close to being finalised and will be published once the Casualty Investigations Regulations mentioned previously are formally published.

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 period 2016/17 the Shipping Master has investigated 140 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).

GLOBAL 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 (2016 Revision). Registrations recognised all three Cayman ports of entry: George Town (Grand Cayman), The Creek (Cayman Brac) and Bloody Bay (Little Cayman), thereby broadening the geographic scope of the Registry.

The Cayman Islands has been recognized by the International Chamber of Shipping for the 6th year running as being top-of-class in the 2016/17 Annual Flag State Performance Table - a popular flag of choice for vessel registration. This is mainly due to Cayman being a Category 1 British Red Ensign Registry that will register only the highest quality vessels, which meet the stiffest regulatory requirements in terms of design, construction, maintenance, safety and pollution control.

The Registry ended the 2017 reporting period (1 July 2016 – 31 December 2017) with 2,157 units, 1,810 pleasure vessels and 347 commercial vessels¹. The end of year position proved to be the second-best year on record in terms of 70 overall net registrations when compared to the benchmark year of 2007 when there were 85 overall net registrations recorded. Additionally, for the first time in MACI's history, the Register hit over 5 million gross tons and ended the period with the average age of vessels at 10.67 years. The Register also saw an increase in the merchant fleet, which was a direct result of business development efforts in the European and Asian markets.

At the end of this period, there were 70 name reservations, 11 registered vessels under construction, and 129 new-build yachts, 8 of which are to be certified to the Passenger Yacht Code.

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 2016/17 fiscal year, the Registry's business development updates continued to be circulated via local and overseas media houses, the CISR website, social media (CISR Facebook and LinkedIn pages) and the MSCC and CISAC advisory groups.

A new attractive survey and fixed fee system has been well received in the merchant sector and due to active promotion of our services to specific shipowners the total gross tonnage of the registry has increased to beyond 5 million gross tonnes during this period.

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.

¹ Registration figures quoted in Annual Reports prior to 2012/13 were based on a fiscal year end.

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 Large Yacht Code training courses to yards and management companies in China, Hong Kong and Taiwan.

OPERATIONS

INFORMATION TECHNOLOGY AND INFORMATION MANAGEMENT

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

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

MACI issued and awarded an RFP for upgrading its Dynamics GP environment to Dynamics 365 Operations. Further, MACI continued the improvement of its record management systems by implementing Microsoft Sharepoint and Microsoft CRM into various sections and processes of the organisations, with an overall goal of achieving a fully integrated system between its operations, back office and field service areas.

FINANCE & ACCOUNTING AND FINANCIAL REPORTING

MACI underwent a change of fiscal terms moving from a July to June fiscal year to a Jan-December fiscal term. The Organisation had to recognize an eighteen-month Fiscal period (July 2016 to December 2017) to accommodate the change.

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

FINANCIAL PERFORMANCE AND ANALYSIS

MARITIME AUTHORITY OF THE CAYMAN ISLANDS FINANCIAL HIGHLIGHTS					
TOTAL REVENUES 2016/2017 (18 months)	TOTAL EXPENDITURE 2016/2017 (18 months)	TOTAL REVENUES 2015/2016 (As restated)	TOTAL EXPENDITURE 2015/2016 (As restated)	CASH POSITION 2016/2017	CASH POSITION 2015/2016
\$13,666,689	\$14,746,146	\$9,339,185	\$9,502,362	\$3,770,287	\$3,105,534

Notes:

- MACI underwent a change of fiscal terms moving from a July to June fiscal year to a January to December fiscal term. The Organisation had to recognize an eighteen-month fiscal period (July 2016 to December 2017) to accommodate the change.
- The financial statements for the year ended 30 June 2016 and 30 June 2015 were restated due to the significant adjustments required to account for the actuarially determined defined benefit liability for the Authority's postretirement healthcare benefits.
- The actuarial valuation results showed a post-retirement liability of \$5,252,000 existed at 30 June

2016, represented by accumulated liability of \$3,414,000 as at 30 June 2015 and service cost and adjustments totalling to \$1,838,000 for the year ended 30 June 2016, resulting in a closing liability of \$5,252,000 at 30 June 2016.

- The Statement of Financial Position included in the Financial Statements for the fiscal period ended 31 December 2017 (18 months), shows that MACI's total assets were valued at KY\$5,941,563 and total liabilities at KY\$7,414,231, resulting in a negative net worth of KY\$(1,472,668). At Fiscal period ending 30 June 2016 (restated), total assets were valued at KY\$5,550,655 and total liabilities at KY\$7,741,688 recognising a negative net worth KY\$(2,191,211). MACI's cash position at 2017 increased from KY\$3,105,534 at 30 June 2016 to KY\$3,770,287 at 31 December 2017, an increase of KY\$664,753.
- The total comprehensive loss for 31 December 2017 was KY\$(1,079,457).
- 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 \$238,622 (2016: \$172,129), of which the full amount forms part of MACI's cash balance of \$3,770,287 (2016: 3,105,534).
- Audited Financial Statements for 1 July 2016 to 31 December 2017 form a part of this Annual Report (Appendix 1).

INTERNAL AND EXTERNAL AUDIT UPDATES

1. External auditors have issued an unqualified opinion on the financial statements for fiscal period dating 1 July 2016 to 31 December 2017.
2. Post-retirement healthcare liability recognised and prior year statements restated for 2015/2016 and 2014/2015.

GLOBAL SAFETY & COMPLIANCE

INTERNATIONAL RECOGNITION AND REGULATORY PERFORMANCE

Global Safety and Compliance continued to support the Corporate Targets of the Maritime Authority of the Cayman Islands by ensuring “White Listing” and “Low Risk” status within the Paris and Tokyo Port State Control Memoranda of Understanding (PSC MOU). The Cayman Islands were also listed as the top performing flag in Paris MOU for first time in their history.

MACI maintained “USCG Qualship 21” status (only 1 of 16 Flags) and were recognised by the International Chamber of Shipping for the 6th year running as being top-of-class in the 2016/17 Annual Flag State Performance Table.

PORT STATE CONTROL (DOMESTIC)

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

CENTRALISATION OF TECHNICAL SERVICES & ACTIVITIES

MACI were able to streamline the processing of Crew Documentation through enhancements and changes to internal procedures together with the centralisation of these activities to its Head Office in George Town. This process facilitated a reduction in staff through natural attrition in the UK Office together with partial outsourcing of the activities to Independent Contractors located in George Town.

TECHNICAL TRAINING

MACI continued to develop working relationships with existing and new Yacht Builders through a series of Large Yacht Code training seminars in China and Taiwan during October 2017. 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.

NEW PRODUCTS AND POLICY CHANGES

During this period MACI developed a policy to recognize yacht chefs’ certification. This policy recognises the qualifications of chef’s to facilitate their service onboard yachts where traditionally the basic qualifications of a ships cook would be required.

In order to further promote the flag MACI have extended the eligibility criteria for all bonified seafarers to apply for a Seaman’s Discharge Book (SDB).

YACHT CODES

MACI were appointed by the Red Ensign Group (REG) as the chair of the working group for the revision and harmonisation of the Large Commercial & Passenger Yacht Codes. The revised and harmonised Codes were announced at the London International Shipping Week with a technical presentation at the Monaco Yacht with the official launch at the Global Superyacht Forum in Amsterdam, November 2017.

Cayman were appointed and chaired various working groups of the International Standards Organisation (ISO) Large Yacht Sub-committee.

BOARD OF DIRECTORS

The third Board of the Maritime Authority of the Cayman Islands is appointed by the Governor and consists of individuals with expertise in the areas of law, financial management, national security, international shipping, corporate services and maritime affairs.

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

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

PROFILES OF THE DIRECTORS

Mr. Philip Barnes, NP – Chairperson (19 November 2013 – 31 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.

Ms. Sherice Arman - Deputy Chairperson (1 September 2016 – 31 August 2018)

Ms. Arman has over 17 years of experience in the area of Corporate and Commercial law. She has a Bachelor of Arts degree in English (with Honours) and a Bachelor of Laws degree (with Honours) from the University of the West Indies and a Master of Laws degree specializing in Banking and Finance Law (with Merit) from the University College London (UCL).

Her practice areas include banking and asset finance, corporate finance, financial services regulation and capital markets. She has significant experience in mergers and acquisitions and corporate restructuring and

is recognised as an expert in financial services regulation - advising on licensing and regulatory issues relating to regulated financial institutions in the Cayman Islands including banks, insurance companies, fund administrators and trust companies.

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

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

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

Mr. Clement Reid – Director (1 September 2016 – 31 August 2018)

Mr. Clement Reid has been the Port Director of Port Authority of the Cayman Islands since 2015 and the Deputy Port Director – Operations there since 1999. He has over 17 years of experience in the maritime industry. From 1993--99, he worked as Resident Engineer of Water Authority Cayman.

As Port Director, he oversees operations and capital development for this diverse seaport that is consistently ranked amongst the top five cruise destination ports in the Caribbean.

Mr. Reid serves as Chairman of the Caribbean Delegation at the American Association of Port Authorities (AAPA), Member of the Cruise Committee of the International Association of Port Authorities (IAPH), Member of the Port Managers Association of the Caribbean, and Member of the American Society of Civil Engineers. Mr. Reid graduated with a BSc in Civil Engineering from Florida Institute of Technology.

Mr. Robb Maass – Director (1 September 2016 – 31 August 2018)

Mr. Maass is a shareholder/associate in Alley, Maass, Rogers & Lindsay, P.A., a full-service law firm with offices in Palm Beach and Stuart, Florida. Mr. Mass and the other lawyers in his department represent a broad spectrum of the marine industry, including yacht owners, crew members, manufacturers, dealers, brokers, and vendors.

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

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

Mr. Gene DaCosta – Director (1 September 2016 – 31 August 2018)

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

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

He holds a LLB from the University of Liverpool.

Mr. Andreas Ugland – Director (1 September 2017 – 31 August 2019)

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

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

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

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

Mr. A. Joel Walton, JP - MACI CEO & Ex-Officio Member

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

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

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

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

Ms. Lorna E. Washington - MACI Board Secretary & Ex-Officio Member

Coming to the Maritime Authority of the Cayman Islands (MACI) with a broad governmental background, particularly in Finance and Development, Mrs. Washington joined MACI in December 2005 as the Deputy Registrar of Shipping. She served as the Registrar of Shipping from October 2008 to December 2016. From January 2017 – December 2017, Mrs. Washington has been working in Crew Compliance.

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

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

Annex 1



**Maritime Authority of the
Cayman Islands
Financial Statements
For the year ended 31 December 2017**



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

Period Ended 31 December 2017

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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 (2017 Revision)* and *International Financial Reporting Standards*.

We are responsible for establishing; and have established and maintained 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 18-month period ended 31 December 2017.

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 18-month period ended 31 December 2017;
- (b) fairly reflect the financial position as at 31 December 2017 comprehensive income for the 18-month period ended 31 December 2017;
- (c) comply with the provisions of the *Public Management and Finance law (2017 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
08 August 2018

A. Joel Walton
CEO
Maritime Authority of the Cayman Islands
08 August 2018



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AUDITOR GENERAL'S REPORT

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

Opinion

I have audited the financial statements of the Maritime Authority of the Cayman Islands (the "Authority"), which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 18-month period from 1 July 2016 to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 33.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Maritime Authority of the Cayman Islands as at 31 December 2017 and its financial performance and its cash flows for the 18-month period from 1 July 2016 to 31 December 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

AUDITOR GENERAL'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

I have undertaken the audit in accordance with the provisions of Section 60(1)(a)(ii) of the *Public Management and Finance Law (2017 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sue Winspear, CPFA
Auditor General

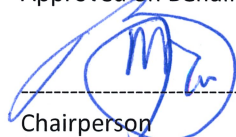
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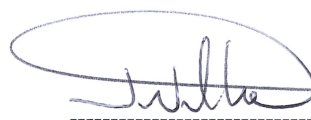


MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017
(Expressed in Cayman Islands Dollars)

		<i>December 2017</i>	<i>June 2016</i> <i>(As Restated)</i>	<i>June 2015</i> <i>(As Restated)</i>
	<i>Notes</i>			
Assets				
Current Assets				
Cash and Cash Equivalents	<i>5</i>	3,770,287	3,105,534	2,641,848
Accounts Receivable (net)	<i>6</i>	1,808,844	1,978,339	2,075,468
Due from Cabinet	<i>7</i>	25,584	150,678	160,470
Other Receivables	<i>25</i>	22,893	59,775	10,234
Total Current Assets		5,627,608	5,294,326	4,888,020
Property, Plant & Equipment	<i>8</i>	313,955	256,329	233,634
Total Assets		5,941,563	5,550,655	5,121,654
Equity and Liabilities				
Current Liabilities				
Accounts Payable and Accrued Expenses	<i>9</i>	488,142	310,758	453,492
Unearned Revenue	<i>10</i>	292,139	264,111	263,181
Employee Entitlements	<i>11</i>	67,328	55,854	65,531
Casualty Investigation Fund	<i>27</i>	238,622	172,129	109,484
Other Current Liabilities		-	74,014	-
Total Current Liabilities		1,086,231	876,866	891,688
Non-Current Liabilities				
Defined Pension Benefits	<i>12, 23</i>	838,000	1,613,000	768,000
Post-Retirement Healthcare Benefits	<i>12, 24, 28</i>	5,490,000	5,252,000	3,414,000
Total Non-Current Liabilities		6,328,000	6,865,000	4,182,000
Total Liabilities		7,414,231	7,741,866	5,073,688
Equity/(Deficit)				
Contributed Capital	<i>13</i>	1,500,000	1,500,000	1,500,000
Accumulated Deficit	<i>28</i>	(2,847,668)	(1,768,211)	(1,605,034)
Other Comprehensive (Loss)/Income	<i>28</i>	(125,000)	(1,923,000)	153,000
Total Equity/(Deficit)		(1,472,668)	(2,191,211)	47,966
Total Equity/(Deficit) and Liabilities		5,941,563	5,550,655	5,121,654

Approved on Behalf of the Board of Directors on 08 August 2018


 Chairperson
 Philip Barnes


 Chief Executive Officer
 A. Joel Walton

The accompanying notes on pages 8-33 form an integral part of these financial statements



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF COMPREHENSIVE INCOME/(LOSS)
For the 18-month period ended 31 December 2017
(Expressed in Cayman Islands Dollars)

		<i>December 2017</i>	<i>June 2016</i> <i>(As Restated)</i>
	Notes		
Revenue			
Sales of Goods and Services	14	9,839,082	6,740,966
Annual Fees	16	1,664,790	1,375,888
Other Operating Revenue	17	1,623,672	794,386
Sales of Goods and Services - CIG	15	539,145	427,945
Total Revenue		13,666,689	9,339,185
Expenses			
Personnel Cost	18, 28	7,367,888	4,837,376
Professional Services	19	2,499,199	1,558,501
Other Expenses	20	2,479,187	1,233,875
Travel, Entertainment and Business Development	22	918,065	679,190
Operating Lease and Utilities	21	831,108	564,597
Survey Related Expense		462,623	476,810
Depreciation	8	131,276	152,013
Provision for Bad Debts	6	56,800	-
Total Expenses		14,746,146	9,502,362
Net Loss		(1,079,457)	(163,177)
Other Comprehensive Income/(Loss)			
Items that will not be classified to profit or loss:			
Re-measurement of Defined Pension Benefits	23	1,213,000	(652,000)
Re-measurement of Post-Retirement Healthcare Benefits	24, 28	585,000	(1,424,000)
Items that will not be classified to profit or loss:		1,798,000	(2,076,000)
Total Comprehensive Income/(Loss)		718,543	(2,239,177)

The accompanying notes on pages 8-33 form an integral part of these financial statements



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF CHANGES IN EQUITY (DEFICIT)
For the 18-month period ended 31 December 2017
(Expressed in Cayman Islands Dollars)

	Contributed Capital	Retained Earnings/ (Accumulated Deficit) (As Restated)	Other Comprehensive Income/(Loss) (As Restated)	Total (As Restated)
Balance at 30 June 2015, as Previously Reported	1,500,000	2,020,966	(59,000)	3,461,966
Prior Period Adjustment	-	(3,626,000)	212,000	(3,414,000)
Balance at 01 July 2015, as Restated	1,500,000	(1,605,034)	153,000	47,966
Net loss for 15/16	-	(163,177)	-	(163,177)
Other Comprehensive Loss	-	-	(2,076,000)	(2,076,000)
Balance at 30 June 2016	1,500,000	(1,768,211)	(1,923,000)	(2,191,211)
Net Loss for 2016-17	-	(1,079,457)	-	(1,079,457)
Other Comprehensive Income	-	-	1,798,000	1,798,000
Balance at 31 December 2017	1,500,000	(2,847,668)	(125,000)	(1,472,668)

The accompanying notes on pages 8-33 form an integral part of these financial statements



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF CASH FLOWS
For the 18-month period ended 31 December 2017
(Expressed in Cayman Islands Dollars)

		<i>December 2017</i>	<i>June 2016</i> <i>(As Restated)</i>
	<i>Notes</i>		
Cash Flows From Operating Activities			
Net Loss	28	(1,079,457)	(163,177)
Adjustments for:			
Depreciation		131,276	152,013
Provision for Bad Debts		56,800	-
Loss on Disposal of Property, Plant and Equipment		-	21,162
Net changes in non-cash working capital relating to operations			
Decrease in Accounts Receivable		112,695	97,129
Decrease in Due from Cabinet		125,094	9,792
Decrease/(Increase) in Other Receivables		36,882	(49,541)
Increase/(Decrease) in Accounts Payable and Accrued Expenses		177,384	(142,735)
Increase in Unearned Revenue		28,028	930
Increase/(Decrease) in Employee Entitlements		11,474	(9,677)
Increase in Casualty Investigation Fund		66,493	62,645
(Decrease)/Increase in Other Current Liabilities		(74,014)	74,014
Increase Non-Current Liabilities	28	1,261,000	607,000
Net cash flows from operating activities		853,655	659,555
Cash Flows From Investing Activities			
Cost of Property, Plant and Equipment Purchased		(188,902)	(195,869)
Net cash used in investing activities		(188,902)	(195,869)
Net increase in cash and cash equivalents		664,753	463,686
Cash and cash equivalents at beginning of period		3,105,534	2,641,848
Cash and cash equivalents at end of period	5	3,770,287	3,105,534

The accompanying notes on pages 8-33 form an integral part of these financial statements

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the 18-month period ended 31 December 2017
(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.

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2. Basis of Preparation (Continued)

The MACI's financial year was changed from 30 June to 31 December as a result of an amendment to the *Public Management and Finance Law (2017 Revision)* that was passed by the Legislative Assembly on 27 March 2017. Accordingly, the financial statements have been prepared for the 18-month period ended 31 December 2017, however the comparatives are for the 12 month period ended 30 June 2016 and are not entirely comparable to the 31 December 2017 numbers.

3. Reporting Period

The reporting period is for the 18-month period ended 31 December 2017.

4. Significant Accounting Policies

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

a) 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.

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4. Significant Accounting Policies (Continued)

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.

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 4.0% in 2017 (4.6% in 2016). 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) Operating Lease

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

g) Receivables and Advances

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

h) Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line method of 20% per annum for Furniture & 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.

i) Cash and Cash Equivalents

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

j) Accounts Payable

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

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4. Significant Accounting Policies (Continued)

k) Employee Entitlements and Benefits

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

Employee Benefits

The Authority provides post-employment benefits through a defined benefit pension plan, a defined contribution plan and defined benefit healthcare plans.

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 **Notes 23 and 24**). Defined benefit scheme surpluses and deficits are measured at fair value of plan assets at the reporting date; less plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus unrecognised past service cost; less the effect of minimum funding requirements agreed with scheme trustees. Re-measurements of the net defined obligation are recognised directly within equity and include actuarial gains and losses, return on plan assets (interest exclusive) and any asset ceiling effects (interest exclusive). Service cost and net interest expense (income) are recognised in profit or loss.

l) Use of Estimates

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

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

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

m) New Standards and Amendments Adopted by the Authority

Below are several new standards and amendments that have been issued but are not yet effective. They do not impact the annual financial statements of the Authority. The nature and impact of each new standard/amendment is described below:

i. IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018)

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: (1) Classification and measurement, (2) Impairment, (3) Hedge accounting and (4) Derecognition.

ii. IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018)

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: (1) Identify the contract with the customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contracts, and (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

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4. Significant Accounting Policies (Continued)

m) New Standards and Amendments Adopted by the Authority (Continued)

- iii. *Clarifications to IFRS 15 'Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018)*

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

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

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

- v. *IFRS 17 Insurance Contracts - (Effective for annual periods beginning on or after 1 January 2021)*

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

- vi. *IFRIC 22 Foreign Currency Transactions and Advance Consideration - (Effective for annual periods beginning on or after 1 January 2018)*

The interpretation addresses the foreign currency transactions or parts of transactions where: (1) there is consideration that is denominated or priced in a foreign currency; (2) the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and (3) the prepayment asset or deferred income liability is non-monetary.

5. Cash and Cash Equivalents

	Dec 2017	June 2016	June 2015
Bank Accounts	3,535,613	2,934,766	2,593,358
Fixed Deposits	234,674	170,768	-
Deposit in Transit	-	-	48,490
	-----	-----	-----
Total Cash & Cash Equivalents	3,770,287	3,105,534	2,641,848
	=====	=====	=====

In 2017, included in the "Bank Accounts" balance is \$ 87,220 (2016: \$259,293, 2015: \$263,182) of funds held from Customer's Revenue Deposits and \$ 238,624 (2016: \$172,129, 2015: \$109,484) of funds relating to the Casualty Investigation Fund (**Note 27**).

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6. Accounts Receivable (net)

	Dec 2017	June 2016	June 2015
Sales of Goods and Services	1,925,479	2,074,696	2,127,191
Prepayments	32,658	103,643	112,820
Other Receivables	107,507	-	35,457
	-----	-----	-----
Total Gross Accounts Receivables	2,065,644	2,178,339	2,275,468
Less Provision for Doubtful Debts	(256,800)	(200,000)	(200,000)
	-----	-----	-----
Total Accounts Receivable (net)	1,808,844	1,978,339	2,075,468
	=====	=====	=====

Ageing Profile of Sales of Goods and Services as at 31 December 2017 and 30 June 2016

Ageing Sales	Dec 2017	June 2016	June 2015
1-30 Days	\$618,946	\$1,014,151	\$789,627
31-90 Days	\$348,685	\$405,641	\$531,530
91-365 Days	\$605,704	\$378,422	\$543,978
Over 365 Days	\$352,144	\$276,482	\$262,056
Total	\$1,925,479	\$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 2017 the Authority directly wrote off \$4,560 (2016: \$87,800) in receivables. There was a \$56,800 additional provision for doubtful debts as at 31 December 2017 (2016: Nil and 2015: Nil).

7. Due from Cabinet

	Dec 2017	June 2016	June 2015
Policy Advice to Cabinet	13,740	22,115	58,498
Provision of Technical Advice and Support to Gov	1,866	90,332	63,741
State Inspections and Investigations Services	5,179	16,974	16,974
Long Range Identification & Tracking Ships (LRIT)	4,799	21,257	21,257
	-----	-----	-----
Total Due From Cabinet	25,584	150,678	160,470
	=====	=====	=====

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8. Property, Plant and Equipment

	Furniture & Fixtures	Office Equipment	Computer Equipment	Other Assets / Booth Displays	Total
Original Cost					
Balance at 30/06/16	-	-	561,449	170,691	732,140
Additions:	63,945	-	80,657	44,300	188,902
Reclassification:	-	-	170,691	(170,691)	-
Disposals:	-	-	-	-	-
Balance at 31/12/17	63,945	-	812,797	44,300	921,042
Accumulated Depreciation					
Balance at 30/06/16	-	-	475,811	-	475,811
Depreciation Charge:	3,197	-	128,079	-	131,276
Reclassifications:	-	-	-	-	-
Disposals:	-	-	-	-	-
Balance at 31/12/17	3,197	-	603,890	-	607,087
Net Book Value at 30/06/17:	60,748	-	208,907	44,300	313,955
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

9. Accounts Payable and Accrued Expenses

	Dec 2017	June 2016	June 2015
Trade Creditors	349,890	192,167	352,917
Accruals	86,960	63,150	50,655
Other Payables	51,292	55,441	49,920
Total Accounts Payable and Accrued Expenses	488,142	310,758	453,492
	=====	=====	=====

Trade and other payables are non-interest bearing and are normally steeled on 30-day terms.

10. Unearned Revenue (Revenue Deposits)

	Dec 2017	June 2016	June 2015
Revenue Deposits (USD)	192,106	143,255	140,310
Revenue Deposits (EURO)	100,033	120,856	122,871
Total Unearned Revenue	292,139	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.

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11. Employee Entitlements

	Dec 2017	June 2016	June 2015
Leave Entitlement (Management Committee Members)	35,994	38,029	33,461
Leave Entitlement (Managers)	16,405	12,440	22,080
Leave Entitlement (Administration)	14,929	5,385	9,990
	-----	-----	-----
Total Employee Entitlements	67,328	55,854	65,531
	=====	=====	=====

12. Non-Current Liabilities

	Dec 2017	June 2016 (As Restated)	June 2015 (As Restated)
Past Service Pension Liability	838,000	1,613,000	768,000
Post Retirement Healthcare Liability	5,490,000	5,252,000	3,414,000
	-----	-----	-----
Total Non-Current liabilities	6,328,000	6,865,000	4,182,000
	=====	=====	=====

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 31 December 2017. 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

	Dec 2017	June 2016
Safety and Surveyor Fees	7,052,000	5,066,900
Technical Compliance Fees	1,442,395	770,016
Vessel Registration Fees	885,688	479,064
Safety and Surveyor Recoverable Fees	458,999	424,986
	-----	-----
Total Sales of Goods and Services	9,839,082	6,740,966
	=====	=====

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14. Sales of Goods and Services (Continued)

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. 2015-01-CISN_R5, section 5.1. Where a fee is determined by the amount of work involved, the amount to be charged shall be calculated by taking into account the amount of time spent, both in office and out of office, on the service, or other relevant activity, including, where applicable:

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

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 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.

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15. Sales of Goods and Services - CIG

	Dec 2017	June 2016
Policy Advice to Cabinet	235,422	181,204
State Inspections & Investigations Services	101,844	67,897
Long Range Identification & Tracking Ships (LRIT)	101,672	85,000
Provision of Technical Advice & Support to Gov.	100,207	93,844
	-----	-----
Total Sales of Goods and Services - CIG	539,145	427,945
	=====	=====

The Authority provides services to the CIG outlined in the annual Purchase Agreement. During this financial year, the annual purchase agreement was \$539,145 (2016: 419,146) and the Authority provided services for a value of \$589,145 (2016: 427,945). The amount of \$50 Thousand (2016: \$8.8 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.

	Dec 2017	June 2016
Tonnage Fees – Yachts	946,610	851,935
Tonnage Fees - Ships	416,844	394,724
Flag State Compliance Fee	279,251	111,500
Tonnage Fees – Local Vessels	22,085	17,729
	-----	-----
Total Annual Fees (Tonnage Revenue)	1,664,790	1,375,888
	=====	=====

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17. Other Operating Revenue

	Dec 2017	June 2016
Professional Service Fees	608,883	321,877
Gain/(Loss) on Foreign Exchange	291,572	67,109
Communication and Courier Fees	287,760	158,856
Other Fees (Including Late Fees)	246,784	97,133
Vessel Books and Products	110,198	69,800
Royalties and Other Income	78,475	80,543
Loss on Revaluation/Disposal of Fixed Assets	-	(932)
	-----	-----
Total Other Operating Revenue	1,623,672	794,386
	=====	=====

18. Personnel Cost

	Dec 2017	June 2016 (As Restated)
Salaries and Wages	5,365,828	3,581,284
Health Care Expense	1,452,414	877,193
Pension Expense	291,516	253,957
Other Personnel Cost	209,774	184,161
Movement in Annual Leave	48,356	(59,219)
	-----	-----
Total Personnel Cost	7,367,888	4,837,376
	=====	=====

19. Professional Services

	Dec 2017	June 2016
Professional Fees – Survey	1,390,988	958,044
Professional Services – Operations	878,109	520,277
Long Range Identification Tracking (LRIT)	116,782	13,091
Audit and Legal Fees	113,320	67,089
	-----	-----
Total Professional Services	2,499,199	1,558,501
	=====	=====

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20. Other Expenses

	Dec 2017	June 2016
General and Administrative Services	1,437,839	615,383
Maintenance	555,472	271,998
Debt Write Off	234,931	197,560
Bank Fees	135,900	116,249
Insurance	115,045	32,685
	-----	-----
Total Other Expenses	2,479,187	1,233,875
	=====	=====

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 4 October 2017 for the Part First Floor, Vanbrugh House, Botleigh Grange, Office Campus, Grange Drive, Eastleigh, Hampshire. The lease is for 5 years with an option to renew for an additional 5. Lease payments under the operating leases are charged to the statement of comprehensive income in equal instalments over the period with total payments for the period lease as follows:

	European Regional Office	George Town Office
Within one year	CI\$17,760	CI\$305,761
After one year but not more than five years	CI\$66,600	-

22. Travel, Entertainment and Business Development

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

	Dec 2017	June 2016
Business Development	530,909	348,485
Official Travel	347,385	304,090
Entertainment	39,771	26,615
	-----	-----
Total Travel, Entertainment and Business Development	918,065	679,190
	=====	=====

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23. Defined Pension Benefits

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 31 December 2017 which reflected the pension liability of \$838,000 (2016: \$1,613,000, 2015: \$775,000). To reflect the estimated valuation, the Authority has recorded the amount of \$652,000 and is reflected within the Statement of Comprehensive Income including \$291,516 defined benefit cost in personnel cost. (See **Note 18**).

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23. Defined Pension Benefits (Continued)

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

Disclosure Information (\$'000's)	Dec 2017	June 2016
A. Change in defined benefit obligation		
Defined benefit obligation at end of prior year	3,615	2,577
Current Service Cost	447	226
Interest Expense	184	122
Benefit payments from plan assets	-	(23)
Participant contributions	86	57
Re-measurements; Effect of changes in demographic assumptions	(432)	-
Re-measurements; Effect of changes in financial assumptions	(427)	537
Re-measurements; Effect of experience adjustments	(23)	119
Defined benefit obligation at end of year	3,450	3,615
B. Change in fair value of plan assets		
Fair value of plan assets at end of prior year	2,002	1,809
Interest Income	107	89
Employer Contributions	86	66
Participant Contributions	86	57
Benefit payments from plan assets	-	(23)
Return on plan assets (excluding interest income)	331	4
Fair value of plan assets at end of year	2,612	2,002
C. Amounts recognised in the statement of financial position		
Defined benefit obligation	3,450	3,615
Fair value of plan assets	(2,612)	(2,002)
Funded status	838	1,613
Net liability	838	1,613
D. Components of defined benefit cost		
Service Cost	447	226
Total Service Cost	447	226
Interest expense on DBO	184	122
Interest (income) on plan assets	(107)	(89)
Total net interest cost	77	33
Defined benefit cost included in P&L	524	259
Re-measurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	(432)	-
Effect of changes in financial assumptions	(427)	537
Effect of experience adjustments	(23)	119
(Return) on plan assets (excluding interest income)	(331)	(4)
Total re-measurements included in OCI	(1,213)	652
Total defined benefit cost recognised in P&L and OCI	(689)	911

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23. Defined Pension Benefits (Continued)

E. Net defined benefit liability reconciliation	Dec 2017	June 2016
Net defined benefit liability	1,613	768
Defined benefit cost included in P&L	524	259
Total remeasurements included in OCI	(1,213)	652
Cash Flows - Employer contributions	(86)	(66)
Net defined benefit liability as of end of year	838	1,613
F. Significant actuarial assumptions		
<i>Weighted-average assumptions to determine benefit obligations</i>		
Discount Rate	3.80%	4.00%
Rate of salary increase	2.50%	3.50%
Rate of price inflation	2.00%	2.50%
Rate of pension increases	2.00%	2.50%
Post-retirement mortality table	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected using Scale MP-2016	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 used to determine current service cost	4.10%	4.75%
Discount rate used to determine interest on current service cost	3.80%	4.75%
Discount rate used to determine interest on defined benefit obligation	3.40%	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

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23. Defined Pension Benefits (Continued)

G. Sensitivity analysis – Present value of defined benefit obligations	Dec 2017	June 2016
Discount rate – 25 basis points	3,642	3,823
Discount rate – 25 basis points	3,272	3,422
Inflation rate – 25 basis points	3,269	3,423
Inflation rate + 25 basis points	3,644	3,821
Mortality – 10% of current rates	3,531	3,691
Mortality + 10% of current rates	3,376	3,546
H. Expected cash flows for following year		
Expected employer contributions	88	102
I. Defined benefit obligation by participant status		
Actives	3,377	3,543
Vested deferreds	73	72
Total	3,450	3,615

Plan Assets

The valuations are based on the asset values as at 31 December 2017, provided to us by the PSPB, along with cash flow and other supplemental asset information provided by the PSPB. The assets are held in trust by CIBC Mellon. We have relied on the data provided to us by the PSPB without further audit.

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at December 31, 2017 and June 30, 2016, the Fund was invested as follows:

	Dec 2017		June 2016	
Plan Assets By Asset Category	Amount (000's)	Percentage	Amount (000's)	Percentage
Global equity securities	\$547,500	80%	\$431,083	80%
Debt securities	\$129,083	19%	\$103,167	19%
Cash	\$9,000	1%	\$2,583	1%
Total	\$685,583	100%	\$536,833	100%

The share of the Fund that has been notionally allocated to the Authority with regards to its participation in the Defined Benefit Part of the Plan is \$303,457,800 as at 31 December 2017 (2016 :\$261,754,300).

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23. Defined Pension Benefits (Continued)

The Actuarial Assumptions

The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the defined benefit cost for the following year. We have used actuarial assumptions approved by the Financial Secretary. The principal financial and demographic assumptions used at December 31, 2017 and June 30, 2016 are shown in the table below.

	Dec 2017	June 2016
Discount Rate		
BOY disclosure and current year expense	4.00% per year	4.75% per year
EOY disclosure	3.80% per year	4.00% per year
Following year current service cost	3.85 per year	4.10 per year
Rate used to determine interest on defined benefit obligation and plan assets for following year experience	3.50% per year	3.40% per year
Rate used to determine interest on current service cost for following year experience	3.70% per year	3.80% per year
Increases in pensionable earnings	2.50% per year	3.50% per year
Rate of pension increases	2.00% per year	2.50% per year
Mortality		
BOY disclosure and current year expense	RP-2014 generationally projected using Scale MP-2014	RP-2014 generationally projected using Scale MP-2014
EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected using Scale MP-2016	RP-2014 generationally projected using Scale MP-2014
Disability	None	None
Turnover Rates	Age Related Table	Age related Table
Retirement	Age-related retirement rates used. See table below	Age 57 and 10 years of service
Assumed life expectations on retirement	Retiring today (member age 57): 29.13 Retiring in 25 years (at age 57): 31.42	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

Turnover Rates at sample ages:

Age	Males	Females
20	7.5%	12.5%
25	5.0%	12.5%
30	3.5%	7.5%
35	2.5%	4.5%
40	1.5%	2.5%
45	0.5%	5.0%
50	0.0%	0.0%

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23. Defined Pension Benefits (Continued)

The Actuarial Assumptions (Continued)

Retirement Rates:

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

There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the table above.

24. Post-Retirement Healthcare Benefits

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

- MACI's transition period - participants who transferred from CIG to MACI on 1 July 2005 is age 50 with 10 years of continued service.
- Remaining participants is age 60 with 10 or more years of service at time of retirement from MACI.

The current number of active employees entitled to employee healthcare plan is 13 (30 June 2016: 13). The premiums for this health insurance coverage are paid for by the Authority for all eligible retirees until the end of their lives. This coverage falls within the definition of a defined benefit by the International Accounting Standards and as such represents a future liability of the Authority.

The Authority is required to use the actuarial valuation method to determine the present value of its post-retirement healthcare obligations for its former workers as well as future retirees and the related current service costs. IAS 19 directs that funded or unfunded post-employment benefits must be recognized in the statement of financial position (in the case of net defined liability or asset) and the statement of comprehensive income (for the annual expense). These actuarial valuations use several financial and demographic assumptions to determine the liability and current expense of the benefits which will be honored on behalf of the retirees. Financial assumptions include, the discount rate, estimated future costs of the medical premiums, and the claims rate for the medical plans. Demographic assumptions include estimated mortality and benefits levels.

The Authority commissioned Mercer Actuaries of Canada to provide this service. The most recent actuarial valuation for IAS 19 reporting was conducted on 21 February 2018 using data as at 31 December 2017. Management used this as a best estimate to record the post-retirement healthcare benefits and the statement of comprehensive income charges associated with the plan's participation as at and for the period ended 31 December 2017. The defined benefit cost for the year ended 31 December 2017 is \$1,408,000 (30 June 2016:\$1,838,000). The defined benefit cost comprises a P&L cost of \$823,000 (2016: \$414,000) and an OCI cost of \$585,000 (2016: (\$1,424,000)). The actuarial liability as at 31 December 2017 is \$5,490,000 (30 June 2016:\$5,252,000) and is entirely unfunded.

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24. Post-Retirement Healthcare Benefits (Continued)

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

Disclosure Information (\$'000's)	Dec 2017	June 2016
A. Change in defined benefit obligation		
Defined benefit obligation at end of prior year	5,252	3,414
Current Service Cost	542	252
Past Service Cost	-	-
(Gain/loss on settlements	-	-
Interest Expense	281	162
Benefit payments from plan assets	-	-
Benefit payments from employer	-	-
Other significant events	-	-
Re-measurements; Effect of changes in demographic assumptions	(861)	-
Re-measurements; Effect of changes in financial assumptions	271	1,437
Re-measurements; Effect of experience adjustments	5	(13)
Effect of changes in foreign exchange	-	-
Defined benefit obligation at end of year	5,490	5,252
B. Change in fair value of plan assets		
Fair value of plan assets at end of prior year	-	-
Interest Income	-	-
Employer Contributions	-	-
Employer direct benefit payments	-	-
Employer direct settlement payments	-	-
Participant Contributions	-	-
Benefit payments from plan assets	-	-
Benefit payments from employer	-	-
Settlement payments from plan assets	-	-
Settlement payments from employer	-	-
Other significant events	-	-
Re-measurements	-	-
Effect of changes in foreign exchange rates	-	-
Fair value of plan assets at end of year	-	-
C. Amounts recognised in the statement of financial position		
Defined benefit obligation	5,490	5,252
Fair value of plan assets	-	-
Funded status	5,490	5,252
Effect of changes	-	-
Net liability	5,490	5,252

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24. Post-Retirement Healthcare Benefits (Continued)

D. Components of defined benefit cost	Dec 2017	June 2016
Service Cost	542	252
Total Service Cost	542	252
Interest expense on DBO	281	162
Interest (income) on plan assets	-	-
Total net interest cost	281	162
Defined benefit cost included in P&L	823	414
Re-measurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	(861)	-
Effect of changes in financial assumptions	271	1,437
Effect of experience adjustments	5	(13)
Total re-measurements included in OCI	(585)	1,424
Total defined benefit cost recognised in P&L and OCI	238	1,838
E. Net defined benefit liability reconciliation		
Net defined benefit liability	5,252	3,414
Defined benefit cost included in P&L	823	414
Total re-measurements included in OCI	(585)	1,424
Cash Flows a) Employer contributions	-	-
Net defined benefit liability (asset) as of end of year	5,490	5,252
F. Defined benefit obligation		
Actives	5,490	5,252
Vested deferrals	-	-
Retirees	-	-
Total	5,490	5,252
G. Significant actuarial assumptions		
<i>Weighted-average assumptions to determine benefit obligations</i>		
Effective discount rate for defined benefit obligation	3.85%	4.05%
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A
Mortality assumption	RP-2014 projected on a generational basis using Scale MP-2014	RP-2014 projected with MP-2014

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24. Post-Retirement Healthcare Benefits (Continued)

G. Significant actuarial assumptions (continued)	Dec 2017	June 2016
<i>Weighted-average assumptions to determine defined benefit cost</i>		
Effective discount rate for defined benefit obligation	4.05%	4.75%
Effective rate for interest cost	3.60%	4.75%
Effective discount rate for service cost	4.20%	4.75%
Effective rate for interest on service cost	4.10%	4.75%
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A
Mortality assumption	RP-2014 projected on a generational basis using Scale MP-2014	RP-2014 with MP-2014
H. Sensitivity analysis		
<i>Change in the defined benefit obligation</i>		
Effective Discount rate – 25 basis points	325	316
Effective Discount rate + 25 basis points	(301)	(293)
Health care cost trend rates – 100 basis points	(995)	(920)
Health care cost trend rates + 100 basis points	1,262	1,163
Mortality + 10% of current rates	(220)	(177)
I. Expected cash flows for following year		
Expected employer contributions	23	42
Expected contributions to reimbursement rights	-	-
Expected total benefit payments: Year 1	23	42
Expected total benefit payments: Year 2	46	45
Expected total benefit payments: Year 3	67	48
Expected total benefit payments: Year 4	84	58
Expected total benefit payments: Year 5	95	87
Expected total benefit payments: Next 5 Years	660	610

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24. Post-Retirement Healthcare Benefits (Continued)

The Actuarial Assumptions

The assumptions as at the reporting date are used to determine the present value of the defined benefit obligation (DBO) at the date and the defined benefit cost for the following year. Mercer have used the actuarial assumptions selected by MACI. The assumptions, other than the claims cost and the future healthcare coverage assumption, are consistent with the assumptions used to determine the results for the CIG's post-retirement healthcare program. The principal financial and demographic assumptions used at 31 December 2017 and 30 June 2016 are shown in the table below.

ECONOMIC ASSUMPTIONS	POST RETIREMENT HEALTHCARE	BASIS OF DEVELOPMENT - ACCOUNTING SPECIFIC ASSUMPTIONS
Discount rate for benefit obligations (p.a.)		Per IAS 19 para. 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. Mercer US Above Mean Yield Curve (referencing US corporate bond yields) used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.
• 30 June 2016	4.05%	
• 31 December 2017	3.85%	
Discount rate for following year's current service cost (p.a.)		
• 30 June 2016	4.20% ²	
• 31 December 2017	3.90%	
Administrative expenses	Included in projected premiums	
Rate of Medical Inflation (p.a.)	5.0%	Based on an analysis of historical claims information and long-term medical inflation expectations.

DEMOGRAPHIC ASSUMPTIONS	POST RETIREMENT HEALTHCARE	BASIS OF DEVELOPMENT - ACCOUNTING SPECIFIC ASSUMPTIONS
Current mortality rates		Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the US over the last 20 years.
• 30 June 2016	RP-2014	
• 31 December 2017	RP-2014 Mortality Table scaled back to 2006 using MP-2016	
Mortality improvements		Broad consensus amongst longevity experts that mortality improvement will continue in the future. In the U.S., the future mortality improvement scale has been updated to Scale MP-2016.
• 30 June 2016	Scale MP-2014	
• 31 December 2017	Scale MP-2016	

² Rate used to determine 18 month service cost at 30 June 2016

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24. Post-Retirement Healthcare Benefits (Continued)

The Actuarial Assumptions (Continued)

DEMOGRAPHIC ASSUMPTIONS	POST RETIREMENT HEALTHCARE	BASIS OF DEVELOPMENT - ACCOUNTING SPECIFIC ASSUMPTIONS																										
Turnover rates	<table> <tr> <th rowspan="2">Age</th><th colspan="2">Rate</th></tr> <tr> <th>Male</th><th>Female</th></tr> <tr> <td>20-24</td><td>7.5%</td><td>12.5%</td></tr> <tr> <td>25-29</td><td>5.0%</td><td>12.5%</td></tr> <tr> <td>30-34</td><td>3.5%</td><td>7.5%</td></tr> <tr> <td>35-39</td><td>2.5%</td><td>4.5%</td></tr> <tr> <td>40-44</td><td>1.5%</td><td>2.5%</td></tr> <tr> <td>45-49</td><td>0.5%</td><td>0.5%</td></tr> <tr> <td>50+</td><td>0.0%</td><td>0.0%</td></tr> </table>	Age	Rate		Male	Female	20-24	7.5%	12.5%	25-29	5.0%	12.5%	30-34	3.5%	7.5%	35-39	2.5%	4.5%	40-44	1.5%	2.5%	45-49	0.5%	0.5%	50+	0.0%	0.0%	
Age	Rate																											
	Male	Female																										
20-24	7.5%	12.5%																										
25-29	5.0%	12.5%																										
30-34	3.5%	7.5%																										
35-39	2.5%	4.5%																										
40-44	1.5%	2.5%																										
45-49	0.5%	0.5%																										
50+	0.0%	0.0%																										
Disability rates	None																											

DEMOGRAPHIC ASSUMPTIONS	POST RETIREMENT HEALTHCARE	BASIS OF DEVELOPMENT - ACCOUNTING SPECIFIC ASSUMPTIONS												
Retirement age	Participants who transferred from CIG to MACI on 1 July 2005: Age 57 & 10 years of service Remaining participants: Age 60 <table><thead><tr><th>Age</th><th>Rate</th></tr></thead><tbody><tr><td>< 55</td><td>0.0%</td></tr><tr><td>55-59</td><td>8.0%</td></tr><tr><td>60</td><td>60.0%</td></tr><tr><td>61-64</td><td>8.0%</td></tr><tr><td>65</td><td>100.0%</td></tr></tbody></table>	Age	Rate	< 55	0.0%	55-59	8.0%	60	60.0%	61-64	8.0%	65	100.0%	
Age		Rate												
< 55		0.0%												
55-59		8.0%												
60		60.0%												
61-64		8.0%												
65	100.0%													
• 30 June 2016														
• 31 December 2017														
Marital assumption for participants who transferred from CIG to MACI on 1 July 2005	80% married, wife 3 years younger													
Current healthcare claims cost assumption														
• Participants who transferred from CIG to MACI on 1 July 2005	Health - \$9,500 per participant Dental - \$1,100 per participant	Based on 2015/16 premium rates												
• Remaining participants	Health - \$10,000 per participant Dental - \$525 per participant Vision - \$100 per participant	Based on claims experienced for other retiree groups with the same BritCay plan												
DEMOGRAPHIC ASSUMPTIONS	POST RETIREMENT HEALTHCARE	BASIS OF DEVELOPMENT - ACCOUNTING SPECIFIC ASSUMPTIONS												
Healthcare coverage - future pensioners														
• Participants who transferred from CIG to MACI on 1 July 2005	Male - 27% single, 73% family Female - 50% single, 50% family	Based on CIG experience.												
• Remaining participants	Male – 100% single Female – 100% single	MACI pays for single coverage only												
Healthcare utilization changes due to age	Mercer standard healthcare aging assumptions for medical and dental	Based on analysis of healthcare utilization for Mercer clients in Canada and U.S. and by reference to Society of Actuaries												

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25. 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 31 December 2017. The fees of \$19,844 (2016: 13,250) relates to payments made to the seven directors and Secretary to the Board.

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

- i. An employee of MACI is a close family member to a Director of MACI's Board. This employee has been employed by MACI for a number of years, whereas the Director's appointment was more recent. The employee earns an approved MACI annual salary and has no decision making authority
- ii. One of the Directors 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 5 in 2017 (2016: 3) and salaries and other short term benefits expensed were \$1,227,421 (2016: \$553,326) and long term benefits obligation were \$6,328,000 (2016: \$6,865,000).

As at 31 December 2017, excess annual leave outside the normal standard annual allowance of the CEO amounted to \$22,893 (2016: \$59,775) recorded as Other Receivables in the statement of financial position.

The following Government department/entities provided services to MACI during 2017 with amounts being expensed:

- i. Treasury Department (\$65,677)
- ii. Computer Services Department (Pre-Election June 2017) (\$77,855)
- iii. Computer Services Department (Post-Election July 2017) (\$23,937)
- iv. Immigration Department (\$39,800)
- v. Cayman Islands Cabinet Office (\$63,581)
- vi. Public Service Pension Board Pre-Election (June 2017) (\$294,966)
- vii. Office of The Auditor General (\$76,500) at December 31 2017, \$38,250 was included within Accounts Payable and Accruals
- viii. Ministry of Commerce, Planning & Infrastructure (formerly Ministry of Planning Land Agriculture, Housing & Infrastructure) (\$458,645)
- ix. Ministry of Finance & Economic Development (\$9,414)
- x. Portfolio of Civil Service Admin (\$75)
- xi. Risk Management (\$80,930)
- xii. Postal Service (Pre-Election June 2017) (\$500)

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26. 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, US\$ 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.

27. 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 \$238,622 (2016: \$172,129), of which the full amount forms part of MACI's cash balance of \$3,770,287 (2016: 3,105,534).

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28. Prior Period Adjustment

For the prior year ended 30 June 2016

The financial statements for the year ended 30 June 2016 and 30 June 2015 were restated due to the significant adjustments required to account for the actuarially determined defined benefit liability for the Authority's post-retirement healthcare benefits.

The actuarial valuation results showed a liability of \$5,252,000 existed at 30 June 2016, represented by accumulated liability of \$3,414,000 as at 30 June 2015 and service cost and adjustments totalling to \$1,838,000 for the year ended 30 June 2016, resulting in a closing liability of \$5,252,000 at 30 June 2016.

	As of and for the year ended 30 June 2016		
	As previously reported	Adjustment required	As Restated
Statement of financial position:			
Post-Retirement Healthcare Benefits	\$ -	\$ 5,252,000	\$ 5,252,000
Total Non-Current Liabilities	1,613,000	5,252,000	6,865,000
Total Liabilities	2,489,866	5,252,000	7,741,866
Retained Earnings (Accumulated deficit)	2,271,789	(4,040,000)	(1,768,211)
Other Comprehensive Loss	(711,000)	(1,212,000)	(1,923,000)
Total Equity	3,060,789	(5,252,000)	(2,191,211)
Statement of comprehensive income:			
Personnel Costs	4,423,376	414,000	4,837,376
Total Expenses	9,088,362	414,000	9,502,362
Net Income	250,823	(414,000)	(163,177)
Other Comprehensive Income (Loss)	(652,000)	(1,424,000)	(2,076,000)
Total Comprehensive Income (Loss)	(401,177)	(1,838,000)	(2,239,177)
Statement of cash flows:			
Net income	250,823	(414,000)	(163,177)
Increase in Long Term Liabilities	193,000	414,000	607,000

	As of and for the year ended 30 June 2015		
	As previously reported	Adjustment required	As Restated
Statement of financial position:			
Post-Retirement Healthcare Benefits	\$ -	\$ 3,414,000	\$ 3,414,000
Total Non-Current Liabilities	768,000	3,414,000	4,182,000
Total Liabilities	1,659,688	3,414,000	5,073,688
Retained Earnings (Accumulated deficit)	2,020,966	(3,626,000)	(1,605,034)
Other Comprehensive Loss	(59,000)	212,000	153,000
Total Equity	3,461,966	(3,414,000)	47,966

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
P.O. Box 2256
Grand Cayman KY1-1107
CAYMAN ISLANDS
