



Annual Report

January - December 2022

Maritime Authority of the Cayman Islands (MACI)

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Annual Report

FORWORD FROM:

CHAIRPERSON, MACI BOARD OF DIRECTORS

On behalf of the Board of Directors of the Maritime Authority of the Cayman Islands (MACI), it gives me great pleasure to present the 2022 Annual Report.

Much like 2021, we have experienced another world crisis in 2022, even more unexpected and unpredictable than COVID-19. The Russian invasion of the Ukraine has shaken the world and has turned the economy and society upside down in an unprecedented way.

This has been another challenging year and MACI had to navigate a more complex course. MACI has adapted and developed existing strategies and objectives to continue to provide the outstanding client service that we are known for. MACI has maintained operations and has continued serving its clients during the ongoing successive world crisis'. The organisation's resilience is due not only to its robust quality management systems and IT systems, but also to flexible, motivated employees who have all adapted to each circumstance.

MACI has recognised continued improvement on its 2022 financial position. Cash position continues to grow with an ending balance at December 31, 2022 of CI\$10,387,654 an increase of 6% over December 31, 2021. Total assets were valued at CI\$11,654,968 and total liabilities at CI\$6,770,882 resulting in a surplus net worth of CI\$5,163,794. The total comprehensive income for 31 December 2022 was CI\$3,447,398 (2021: CI\$2,621,494)

I wish MACI every success with its continued development striving to expand its horizons, broadening the cross-section of vessel types and sizes and owners as well as expanding the organisations geographical locations. I would like to commend and thank my fellow Board members, the management team at MACI, and all MACI personnel for their positive attitude and professionalism throughout.

It has been my pleasure to service at Chair of the MACI Board of Directors. I commend MACI's continued unwavering commitment to staying true to its core values of technical excellence and quality customer service in the wake of the continued impacts of each world crisis.

Ian Wight
Chairperson, MACI Board of Directors

CHIEF EXECUTIVE OFFICER, MACI

The Annual Report for the Maritime Authority of the Cayman Islands (MACI) captures our work over 2022, which was guided by an

2022 has been another hugely demanding year, with another major world crisis developing at the start of the year. The war in the Ukraine caused major disruptions throughout the global maritime industry with vessels and seafarers being trapped by the conflict as well as a sanctions regime that has been difficult to navigate.

The Ukraine Crisis comes on top of the challenges still brought on by the COVID-19 pandemic, which we still continued to meet, demonstrating tremendous resilience with the highest professionalism, loyalty, and commitment to support our clients while working through such difficult and extraordinary times.

The steady growth of geographical locations to further distribute representation around the world, in multiple time zones, ensured business continuity for clients. Through this expanded network, global personnel were able to continue to service their clients' needs effectively.

The continued priority during another turbulent year for the shipping sector, is that of crew welfare and the safety of Cayman Islands vessels. The protection of the marine environment also stated at the forefront. The ongoing and evolving situation with the Ukraine crisis and with the outbreaks of COVID-19 and its variants, owners and managers of Cayman Islands' registered vessels faced many challenges.

The International Chamber of Shipping recognized the Cayman Islands, for the twelfth consecutive year, as one of the world's top performing flag states. This accomplishment shows the Authority's dedication to ensure the safety of life at sea, marine environment protection, and the provision of industry standard working and living conditions for seafarers.

MACI's once again, received low risk, white list status on the major MOUs, namely Paris and Tokyo MOU as well as US Coastguards Qualship 21 status. These accolades earning the world-wide reputation for excellence and efficiency and helping to keep Cayman the flag of choice.

The Register ended 2022 with 2,377 vessels registered with a total of 5.04 million gross tons. We continued to dominate the superyacht new build market increasing in the new build portfolio by 18% in 2022, demonstrating that the Cayman Islands is building a solid reputation as a leader in regulator and advisory services.

Despite another year of unprecedented challenges thrown at us by the Ukraine crisis and COVID-19, MACI personnel has, once again, risen to these challenges and delivered exceptional performance. Our focus will always be on the quality of the flag and the needs of our clients. We will remain dedicated to maintaining an outstanding safety and quality record for the Cayman flag.

A. Joel Walton, JP
CEO, MACI

ABOUT US

OUR VISION

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

OUR MISSION

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

NATURE AND SCOPE OF ACTIVITIES

GENERAL NATURE OF ACTIVITIES

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

SCOPE OF ACTIVITIES

MACI is a statutory regulatory corporation formed as a separate legal entity under the Maritime Authority of the Cayman Islands Act (2005) which came into effect on July 1, 2005.

The original Cayman Islands Shipping Registry (CISR) maritime administration structure, which is the main forerunner to MACI, was first set-up in 1903 when George Town was established as a British Port of Registry. The CISR obtained British Registry Category 1 Status on July 25, 1991. The Category 1 Group of British Registries includes the UK, Bermuda, Cayman Islands, Gibraltar, Isle of Man, and the British Virgin Islands. The CISR (now simply known as "Cayman Registry" or "the Registry") is now a division of MACI. However, a number of other critical responsibilities were added to the Authority.

The Authority therefore combines into one body:

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

CUSTOMERS AND LOCATION OF ACTIVITIES

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

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

MACI is able to offer its services to its Clients from seventeen countries: the Head Office in George Town, the European Regional Office in the United Kingdom, Asian Regional Office in Singapore, representatives in Australia, Brazil; China; France, Greece, Holland, Italy, Japan, New Zealand, Palma, Panama, Philippines, Turkey and the United States of America.

RELATIONSHIP BETWEEN THE CAYMAN ISLANDS AND THE UNITED KINGDOM GOVERNMENTS

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

RELATIONSHIP WITH THE PRIVATE SECTOR

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

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

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

INTERNATIONAL REGULATORY ENVIRONMENT

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

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

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

HISTORY OF THE CISR AND MACI AT A GLANCE

1903	- 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. Rayal B. Bodden 1934 and was the largest motor vessel ever built in the Cayman Islands. GRT 273, Length 109 ft.
1991	The CISR obtained British Registry Category 1 Status on 25 July 1991. The Category 1 Group of British Registries includes the UK, Bermuda, Cayman, Gibraltar and the Isle of Man. All of these Registries can register vessels of any size and type provided that they meet international standards.
1993	The Maritime Sector Consultative Committee (MSCC) (previously known as the Shipping Sector Consultative Committee or SSCC) was formed in 1993 and is comprised of local service providers.
1997	The Cayman Islands Shipowners' Advisory Council (CISAC) was formed and is comprised of major shipowners of Cayman-flagged vessels.
2000	In May CISR received initial certification to operate a Quality Management System (QMS) which complied with the requirements of ISO 9002:1994.
2005	- The Maritime Authority of the Cayman Islands (MACI) is a statutory Corporation formed as a separate legal entity under the Maritime Authority of the Cayman Islands Law, 2005, which came into effect on 1 July 2005. It is governed by a Board of Directors appointed by the Governor of the Cayman Islands. - In August, Governor Bruce Dinwiddy appointed the first MACI Board. "White list" Paris Memorandum of Understanding (MOU). - In April the CISR requested a voluntary suspension of the QMS in order to re-engineer the system to focus on the wider scope with becoming MACI.
2007	- The Cayman Islands Shipowners' Advisory Council – Yacht Committee (CISAC-YC) was established and consists of major yacht managers and owners of Cayman registered vessels. - Two maritime scholarships were made available by the Ministry of Education. - The Cayman Islands was awarded with Qualship 21 Status by the United States Coast Guard (USCG). - Additional Ports of Registry were introduced, "The Creek" in Cayman Brac and "Bloody Bay" in Little Cayman.
2009	"White List" Tokyo Memorandum of Understanding (MOU)
2010	2nd MACI Board of Directors appointed.
2011	In January achieved International Organization for Standardization (ISO) 9001:2008 certification.

	• Successfully completed International Maritime Organisation (IMO) audit under the Voluntary IMO Member State Audit Scheme (VIMSAS).
2012	• Launched the Laws and Administrative Procedures (LAP) Examination System. LAP is part of a broader state-of-the-art technology platform known as the “Cayman Islands Regulatory Intelligence System” (CIRIS).
2013	• MACI marks the 110th anniversary of the formal establishment of the Cayman Islands Shipping Registry (CISR). • The Cayman Islands were ranked in the top 13 countries by the International Chamber of Shipping in their annual report on Flag State Performance, which demonstrates that Cayman-registered vessels have an excellent safety and pollution record, allowing them to undergo significantly fewer Port State Control inspections. • 1st Annual Cayman Islands Shipping Summit.
2014	• Attained Tokyo MOU Low Risk Ship status. • The development of the Passenger Yacht Code (PYC) in the Red Ensign Group Technical Forum. The PYC is a code of practice for yachts carrying 13 to 36 passengers providing a yacht specific alternative to the International Convention for the Safety of Life at Sea (SOLAS) Passenger Ship compliance. The code sets out technical, safety and operational standards appropriate to the size and operation of the yachts operated under this code, which is gaining popularity in the ultra large super yacht industry.
2015	• Registered 140M Yacht “Ocean Victory” under the Cayman Flag February 2015. “Ocean Victory” is one of the 10 largest passenger yachts in the world and the largest ever to be certified to the Passenger Yacht Code (PYC). • The International Chamber of Shipping (ICS) has for the 4th year running rated Cayman Registry as a top flag state. • 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 as a top flag state. • 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 as a top flag state. • Hosted the Red Ensign Group Annual Conference • Cayman reaffirmed Most Favoured Nation Status for Cayman ships entering Chinese ports • Introduced an optional Flag State Compliance (FSC) fixed fee and survey regime for large yachts
2018	• Cayman listed as a top performing Flag in the Paris MOU Port State Control • The International Chamber of Shipping (ICS) has for the 7th year running rated Cayman Registry as a top performing flag.

	• Hosted the Annual General Meeting of the Caribbean Memorandum of Understanding (CMOU) on Port State Control (PSC). • Convened the Red Ensign Group Yacht Codes & Industry working group and produce a corrigenda prior the REG Yacht Codes entry into force. • Completed and gazetted the Casualty Investigation Regulations. • Held the Inaugural Luncheon in Greece for Greek Shipping Community. • Developed and signed service level agreements with 3 Naval Architect companies in South Florida to facilitate load line functions on behalf of MACI for vessels certified to the Cayman Yacht Code (Designated Area Caribbean).
2019	• Cayman listed as a top performing Flag in the Paris MOU Port State Control • The International Chamber of Shipping (ICS) has for the 8th year running rated Cayman Registry as a top performing flag. • Successfully underwent the Mock IMO Instrument Implementation (III) Code audit by the UK MCA with an overall positive result.
2020	• Achieved 6.01m GT with 2,284 units on the Register and an average age of 12.9 years for Merchant Ships and Commercial Yachts over 30m, at December 31, 2020 • Achieved White List, Low Risk Status in all the major MoUs on Port State Control including USCG Qualship 21 and ranked as a top performing Flag under the International Chamber of Shipping for the 9th consecutive year.
2021	• Achieved a total of 2,333 units on the Register. • Achieved White List, Low Risk Status in all the major MoUs on Port State Control including USCG Qualship 21. Ranked as a top performing Flag under the International Chamber of Shipping for the 11th consecutive year. • Increased the New Build Portfolio 10% in 2021. • Assisted the UK in III Code preparations across the entire REG and completed the IMO Instrument Implementation Code audit as part of the UK OT's and CD's with only 2 findings.
2022	• Achieved a total of 2,377 units on the register. • Achieved White-List, Low Risk Status in all the major MoUs on Port State Control including USCG Qualship 21. Ranked as a top performing Flag under the International Chamber of Shipping for the 12th consecutive year. • Increased the New Build Portfolio 18% in 2022.

DIVISIONS AND FUNCTIONS OF THE AUTHORITY

COMMERCIAL SERVICES

The Commercial Services section continued to work to enhance the Cayman Registry product to maintain our leading position within the maritime industry.

REGISTRATION AND RECORDING

Registration and Recording is a frequent point of contact for clients and also serves as the core of the Cayman Islands Shipping Registry (CISR). This section is responsible for processing several types of registrations including: full, interim, term, under construction and demise (bareboat) charter registrations; and the registration of mortgages in accordance with the Merchant Shipping Act (2021 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.

For the 12th consecutive year, the Cayman Islands has been recognized by the International Chamber of Shipping as being top-of-class in the 2022 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 2022 with 2,377 units, which includes 2,011 pleasure vessels, 175 merchant, 101 commercial vessels, and 90 local vessels. The Register totaled 5.04 million gross tons.

At the end of this period, there were 137 name reservations, 16 registered vessels under construction, and 236 new-build yachts at 66 ship yards.

MACI CONSULTING

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

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

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

FINANCE & ACCOUNTING AND FINANCIAL REPORTING

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

are essentially created by the financial requirements of the organisation, its stakeholders and the resources available to MACI.

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

SAFETY & COMPLIANCE

SURVEY, AUDIT AND INSPECTION

The invasion of Ukraine by Russia in February 2022 and the substantive sanctions imposed on numerous Russian interests by the USA, U.K. and Europe was concerning for all sectors of the industry. MACI was able to establish early on in the conflict its position in respect to its Statutory obligations under the respective International Conventions and Instruments which have been extended to the Cayman Islands by the U.K. It was established and conveyed to MACI by the U.K. Department for Transport that Sanctions do not out trump MACI's obligations under the International Conventions to continue to fulfil their Statutory obligations.

Technical representation was also provided at numerous key events throughout the year including the Technical Superyacht Forum, Monaco Yacht Show and the Fort Lauderdale International Boat Show.

SURVEYOR RESOURCES

During this period MACI revised its contract with IDWAL Marine Services who provide global technical resource to MACI on a pay as you go basis. This contract was amended in 2022 to include surveyor coverage in Australia, Brazil, China, USA, Japan & Singapore.

In addition, and in response to a significant growth in the yacht new build portfolio MACI engaged the services of additional Independent Contractor Surveyors in Italy & one in Turkey.

Daily teams' meetings continued with all European & Americas Based survey teams, and included regular new build yacht meetings, ad hoc meetings and monthly Regional Director meetings. In addition global newbuild and surveyor meetings were held in January 2022 with a combination of in person and remote attendance.

SUPERYACHT NEW BUILD PORTFOLIO

The Cayman Islands continues to dominate the Superyacht new build market with an 18% increase in units from the previous year and an increase over the last 5 years of 80%. This increase is reflected in MACI's positive financial position.

MACI is currently involved in a series of technologically sophisticated projects which incorporate emerging technologies that utilize green solutions for main propulsion or supplementary power generation. MACI is at the forefront of this technological innovation and is one of the leaders in the development of regulations for this technology.

TECHNICAL POLICY AND YACHT CODES

MACI continued to support the Red Ensign Group-Technical Forum (REG-TF) as Co-Chair along with the United Kingdom's Maritime and Coastguard Agency. REG-TF plays a key role in the development of technical policy for all British Ships.

MACI was well represented at the Superyacht Builders Association (SYBAss) technical meeting in May 2022, where REG Yacht Code amendments were discussed, during this meeting a working group was also established to investigate the tonnage measurement and interpretation for vessels of <500GT.

MACI continues to lead as the secretariate for the Yacht Codes engaging with industry on any contentious issues and possible amendments and improvements.

MACI also continues to support the Red Ensign Group with the review of complex regulatory matters concerning innovative and unconventional ship design via its participation in the Equivalent Provisions and Alternative Design and Arrangements working group.

In 2022, 6 Shipping Notices and 12 Guidance Notices have been issued or updated.

TECHNOLOGY

Following the successful roll out of the “MARIS” software platform Continuous Synopsis Records (CSR's) were also digitised facilitating their issue in electronic format together with digital signatures. With a few years operation experience of the “MARIS” platform there have been significant time savings in the preparation of documents with the advantage of it providing a depository for technical documentation applicable to vessels and companies, with the added benefit of zero courier fees. This has contributed to a streamlined reporting processes with corresponding efficiencies gained.

RECOGNISED ORGANISATION (RO) MONITORING

MACI has met its IMO and REG obligations on monitoring activities delegated to ROs and provided an annual report to the REG Secretariat.

INTERNAL AUDITS

In furtherance of MACI's obligations in respect of the International Maritime Organisation Instrument Implementation Code (IIBC), the Safety and Compliance sections in the ERO and Americas were subject to internal Audits conducted by an independent third party auditor with minimal findings.

PORT STATE CONTROL

MACI continues to support the Ministry of Financial Services and Commerce (MFSC) as a member of the Caribbean Memorandum of Understanding (CMOU) on Port State Control (PSC), by providing technical support and conducting inspections on foreign-flagged vessels visiting ports of the Cayman Islands.

MACI continued to rank as White List, Low Risk Status in all the major MoUs on Port State Control including USCG Qualship 21, Tokyo and Paris, whilst continuing to be ranked as one of the top performing Flags as documented in the International Chamber of Shipping “Flag State Performance Table 2021/2022”.

In providing immediate support to its clients during Port State Control inspections, MACI was able to challenge a PSC detention and following a formal review process through the Tokyo MOU was successful in having the detention rescinded.

MACI published its Flag State Performance (2020-2022) Report under [CIGN 01/2013](#).

HUMAN RESOURCES AND ADMINISTRATION

The Human Resources and Administration Division is charged with the responsibility of providing structure and support to meet the Organisation's needs, through managing its most valuable resources, its staff, comprising employees and independent contractors. Human Resources strategically manages 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 and remote working functionality.

PERSONNEL

PERSONNEL CHANGES

During this period personnel changes at MACI were as follows:

Section	New Hires	Resignations	Redundancy	Retired	Converted to Independent Contractor
Safety & Compliance	1	0	0	0	0
Human Resources & Administration	0	0	0	1	1
Commercial Services	0	1	0	0	1
Total	1	1	0	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 available to employees. These are aimed at building employee capacity to deliver services, meet strategic needs and align with the Organisation's values, strategic plan and overall mission.

INTERNSHIP PROGRAMME

The Internship Programme resumed, with internship opportunities being offered to four (4) students. Two (2) Interns accepted, one of which was from Cayman Islands Further Education Centre and another who is completing Maritime-related University studies in the UK. Participation in High School Career Days was limited John Gray High School, as well as the Chamber of Commerce Careers Expo.

MARITIME SCHOLARSHIP

Each year the Organisation collaborates with the Ministry of Education's Scholarship Secretariat to offer young Caymanians the opportunity to earn an undergraduate, post-graduate or professional qualification within Marine Engineering, Marine Surveying, Maritime Administration, Nautical Studies and Naval architecture. Consideration is also given to specialist areas that support the maritime industry such as Legal, Human Resources, Accounting, and IT. The 2017 Scholarship recipient has completed studies in Marine Technology from the University of Plymouth, UK and joined the Organisation's Head office in March 2022 as a Surveyor Trainee. The 2018 recipient completed studies in Nautical Science, also from the University of

Plymouth, UK. This recipient was offered a fully sponsored maritime cadetship in January 2023 in Scotland, UK.

One (1) Maritime Scholarship application was received in 2022 and the applicant was interviewed by the Organisation and recommended to Scholarship Secretariat. The Organisation will continue to collaborate with the Education Secretariat and intends to establish a MACI-funded Maritime Scholarship in the near future..

BUSINESS DEVELOPMENT

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

As part of a collaboration with one of its Recognised Organisations (RO's) RINA, MACI has been engaged to develop and deliver a training course to their new build yacht surveyors throughout Europe. This collaboration is part of a mutually beneficial initiative to increase RINA's and MACI's market share throughout Europe.

To maintain its connections within the yachting industry, CISR 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. Both shows were well received throughout the industry and proved to be successful despite the ongoing challenges.

OFFICE OF THE CEO

MARITIME POLICY

Maritime Policy is responsible for the development of maritime policy within MACI and the development and updating of maritime legislation relevant to the discharge of the organisation's functions and responsibilities.

MERCHANT SHIPPING LAW AND REGULATIONS (DEVELOPMENT AND IMPLEMENTATION)

During 2022 MACI worked closely with the Legal Drafting Department to finalize a "Cabinet Ready" draft of the new Merchant Shipping Bill.

On completion, this draft was forwarded to the Ministry of Financial Services and Commerce for intra governmental consultation and Cabinet approval.

In anticipation of the Bill receiving Royal Assent, preparations were commenced for a similar revision and update of the Merchant Shipping (Marine Pollution) Act and secondary legislation made under both Acts.

MARITIME POLICY

During 2022, actively participated in CIG's response to the UK sanction extended to the Cayman Islands following Russia's invasion of Ukraine. During 2022, the United Kingdom made 17 sets of amending regulations relating to the Russia (Sanctions)(EU Exit) Regulations, 2019 and 4 amendments to the Russia (Sanctions)(Overseas Territories) Order, 2020 extending the UK regulations to the Cayman Islands.

The "Russia Sanctions" extended in 2022 contained specific provisions relating to the registration, ownership and operation of ships. As well as developing MACI's internal policies on these sanctions, MACI worked closely across CIG as a member of a number of intra government groups and committees. MACI

also worked bilaterally with individual agencies such as the Financial Reporting Authority, the Governor's Office and the Bureau of Financial Investigations.

During 2022, MACI published a number of Shipping Notices and Guidance Notes to assist and support both ship owners and seafarers. Topic covered included –

- Updated policies relating to the Nairobi International Convention on the Removal of Wrecks and the International Convention on Civil Liability for Bunker Oil Pollution;
- The removal of the "High Risk Area" established in the Gulf of Ade and Indian Ocean;
- Amendments adopted to the Maritime Labour Convention;
- The recording of television shows on large yachts;
- Instructions to Recognized Organizations and their surveyors;
- The adoption of Electronic Statutory Certificates; and
- Ukrainian seafarers serving on Cayman Islands ships.

QUALITY MANAGEMENT SYSTEMS

During 2022, internal audits were conducted across departments and sections of MACI and the Cayman Islands Shipping Registry. For the first time, the scope of the audit was extended to include the Human Resources functions within MACI.

The Quality Management Systems (QMS) of MACI continues to be effective at ensuring MACI's compliance with those mandatory instruments of IMO which have been extended to the Cayman Islands as was demonstrated by the successful external audit as part of IMSAS.

CASUALTY INVESTIGATION

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

In addition, Cayman Islands Shipping Notice 02/2015 and regulation 5 of the Merchant Shipping (Marine Casualty Reporting and Investigation) Regulations, 2018, require certain accidents and incidents to be reported to the Maritime Authority of the Cayman Islands (MACI). These reports are recorded, logged, and followed up as appropriate.

The majority of these reports are fairly minor in nature and do not require formal investigation. However, every report is recorded for statistical purposes and is required to be submitted to both the UK (as one of the REG Quality Objectives) and to the International Labour Organization (ILO) as part of our obligations under the Maritime Labour Convention, 2006 (MLC).

For the third year in succession, a consolidated summary report of all accidents and incidents reported to MACI has been compiled, published and made publicly available on www.cishipping.com. The year 2022 saw a total of 195 accidents and other incidents and other incidents were reported to MACI, an increase of 9 accidents and incidents reported to MACI when compared to 2021.

Throughout 2022, MACI continues to manage the MOU with the UK Marine Accident Investigation on behalf of the Ministry of Financial Services and Commerce. Thankfully, it was not necessary to activate the provisions of the MOU during 2022 as no Cayman Islands ship was involved in a Very Serious Marine Casualty involving the loss of life, the loss of the vessel or serious environmental damage.

Where an incident reported may have implications for the welfare of seafarers involved, details were passed to the Shipping Master.

Survey & Certification were informed if a reported incident may have an impact on the statutory certification of the ship or yacht involved or if the report indicates a significant breach of merchant shipping law may have occurred.

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 2022 the Shipping Master has investigated 98 complaints from seafarers on Cayman Islands Ships. This is a significant decrease since 2021 and broadly similar to that in 2019 prior to the pandemic. Just over a third of all reported complaints were for unpaid or late wages and a quarter were related to termination issues. A small minority of complaints being for other welfare issues such as safety concerns, alleged bullying, hours of rest or medical expenses. As all of these complaints are from seafarers on yachts it appears that recent sanctions and the associated issues are having a significant impact on some yacht owners or at least in the free flow of funds. Unlike previous years it appears that COVID is not having a significant impact any longer. The vast majority of these disputes were resolved rapidly and amicably once the Shipping Master became involved. On occasion and with express permission from the complainant information was passed on for follow up and possible enforcement action by Safety and Compliance.

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

In addition to the investigation of complaints by seafarers, the Shipping Master also conducted 5 “Death Inquiries” under section 434 of the Merchant Shipping Act into deaths occurring on or associated with Cayman Islands ships. Such inquiries are mainly administrative in nature and allow the death to be properly recorded and passed to General Registry and for the information of H M Coroner.

Furthermore 2022 has seen the Shipping Master continue to be involved in queries and disputes arising from the COVID-19 Pandemic which has continued to require a higher amount of advice given out though as the year progressed this began to ease as much of the world moved towards pre pandemic normality. The Shipping Master has also dealt with all reported cases of COVID-19 on Cayman Islands flagged vessels, including advising Safety and Compliance where there are cases on our vessels that may impact on surveys. During 2022 there have been 264 separate reported outbreaks on Cayman Islands flagged vessels involving 786 persons testing positive for COVID 19. Including the reported cases from 2020 also there have been 602 separate reported outbreaks on Cayman Islands flagged vessels involving 1845 persons as at 31 December 2021

TECHNOLOGY

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

Key to the business development and the strategic direction of MACI, efforts continued with its digital transformation path. Implementation and upgrades of infrastructure and application platforms remain at the forefront.

- Upgrade of MACI's website platform to the latest version
- Implemented an Employee Service Portal
- Relocated the European Regional Office IT infrastructure
- Updated MACI IT policies

CLIENT RELATIONSHIPS

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

Data gathered in respect to client relationship management, indicated that 85 per cent of client queries were responded to within the organisation's 24-hour target response time. Additionally, MACI employees in both the Head Office, Grand Cayman, and European Regional Office, United Kingdom continued to capture significant queries, complaints and compliments, based on specified criteria, throughout all sections of the organisation.

GOVERNANCE

PRIMARY LEGISLATION

1. The Maritime Authority Act (2013 Revision)
2. The Merchant Shipping Act (2021 Revision)
3. The Merchant Shipping (Marine Pollution) Act, 2001

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

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

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

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

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

OTHER LAWS FOLLOWED BY MACI

1. The National Archive and Public Records Act (2015 Revision).
2. The Freedom of Information Act (2021 Revision).
3. The Cayman Islands Constitution (Amendment) Order (2020).
4. The Evidence Act (2021 Revision).
5. The Electronics Transactions Act (2003 Revision).
6. The Limitation Act (1996 Revision).
7. The Public Service Pensions Act (2021 Revision).
8. The National Pensions (Amendment) Act (2020).
9. The Public Management and Finance Act (2020 Revision)
10. Penal Code (Amendment) Law (2020)
11. Grand Court Act (2015 Revision).

LOCAL AND INTERNATIONAL STANDARDS FOLLOWED BY MACI

1. International Maritime Organisation.
2. International Labour Organisation.

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

OUR PEOPLE

1. 40 employees (17 female and 23 male).
2. Age range 24 to 70.
3. CEO (1), Global Directors (3), Regional Directors (2), Director (1), Chief Policy Advisor (1), Head (6), Operational Staff (26)
4. 63% Caymanian and 37% Non-Caymanian
5. Salary Scale range CI\$27,240.00 to OCI\$247,080.00

PERSONNEL CHANGES

During this period personnel changes at MACI were as follows:

TYPE OF CHANGE	HEAD OFFICE, GT/SECTION	ERO, UK/SECTION
New Hires	1	0
Resignations	1	0
Retired	1 – Human Resources – Converted to IC	0
Promotions	0	2 – Safety & Compliance

MANAGEMENT DISCUSSION AND ANALYSIS

HIGHLIGHT OF ACHIEVEMENT

The key strategic goals and objectives for the Maritime Authority of the Cayman Islands for the 2022 financial year are as follows:

1. Achieved a total of 2,377 units with a total of 5.04 GRTM.
2. Achieved White-List, Low Risk Status in all the major MoUs on Port State Control including USCG Qualship 21. Ranked as a top performing Flag under the International Chamber of Shipping for the 12th consecutive year.
3. Increased the New Build Portfolio 18% in 2022.
4. Implemented Employee Portal.
5. Completed the MACI enterprise-wide risk assessment.
6. Implemented basic HR Module and trained HR employees.
7. Continued implementation of Microsoft CRM by Division.
8. Upgraded the MACI website to the latest Drupal software version.
9. Completed an internal audit review on Human Resources.
10. Reviewed IT Policies.
11. Transitioned employees from remote working to return to offices or a combination thereof.
12. Re-established the Internship Program and accommodated 3 Interns in the Head Office.
13. Recruited new Independent Contractors in Italy, Greece, Turkey, and expanded global network via IDWAL in Australia, Brazil, China, USA and Singapore covering Commercial Services, Safety & Compliance, Business Development and Human Resources.
14. Relocation of the European Regional Office, UK.
15. Submitted "Cabinet ready" draft of revised and updated Merchant Shipping Act to Ministry of Financial Services & Commerce

RISK MANAGMENT

KEY RISKS FACED BY MINISTRY/PORTFOLIO	CHANGED IN STATUS FROM 2020	ACTIONS TO MANAGE RISK	FINANCIAL VALUE OF RISK
War and Terrorism	None	Insurance policy to manage risk	Unquantifiable
Loss/absence of critical staff	None	Succession planning and develop an organisational structure and environment which provides challenges, promotes advancement and recognize achievements	Unquantifiable
Loss of important data	None	Back up vital and important documentation on disks and hard copy and place in a secure environment	Unquantifiable

FINANCIAL PERFORMANCE AND ANALYSIS

MARITIME AUTHORITY OF THE CAYMAN ISLANDS FINANCIAL HIGHLIGHTS					
TOTAL REVENUES 2022	TOTAL REVENUES 2021	TOTAL EXPENDITURE 2022	TOTAL EXPENDITURE 2021	CASH POSITION 2022	CASH POSITION 2021
\$11,210,370	\$11,037,552	\$10,662,265	\$10,354,058	\$10,387,654	\$9,763,800

Notes:

- The forecast actuarial valuation results show a post-retirement liability of \$4,983,000 existed on 31 December 2022 which represented accumulated Healthcare liability of \$4,243,000 and past pension service cost liability of \$740,000.
- The Statement of Financial Position included in the Financial Statements for the fiscal period ended 31 December 2022, shows that MACI's total assets were valued at \$11,934,676 and total liabilities at \$6,770,882, resulting in a surplus net worth of \$5,163,794, MACI's cash position increased from \$9,763,800 at 31 December 2021 to \$10,387,654 at 31 December 2022, an increase of \$ 623,854.
- Net operating profit for 31 December 2022 as \$491,398 (2021: \$683,494).
- The total comprehensive income for 31 December 2022 was \$3,447,398 (2021: \$ 2,621,494).
- During the 2014/15 financial year MACI created a sinking fund. These funds are designated for carrying out casualty investigation on board Cayman registered vessels. The fund currently has a balance at 31 December 2022 of \$596,774 (2021: \$525,178), of which the full amount forms part of MACI's 2022 cash balance of \$10,387,654 (2021: \$9,763,800).

Audited Financial Statements for 1 January 2022 to 31 December 2022 form a part of this Annual Report (Annex 1).

INTERNAL AND EXTERNAL AUDIT UPDATES

- Work has been completed by the External auditors on the financial statements for the year ended 31 December 2022.

SCRUTINY BY PARLIAMENT AND PUBLIC

There was a total of 1 Freedom of Information request for 2022, Granted in Full.

Request Description	Date Received	Closure Date	Outcome
Referencing the above vessel, Lady J, IMO 8979269, we are submitting a FOI request for electronic copies of the following documents, if available: • Certificate of Registry, in force on or about October 18, 2017; • Certificate of Compliance with the Large Yacht Code, in force on or about October 18, 2017; • Survey report associated with the above Certificate of Compliance; • Appointment of Authorised Person, CISR 855; and • Vessel Registration in Cayman, CISR 857.	26-JUL-2022	26-AUG-2022	Granted in Part Already offered as a paid service. Exempt under Sections 21(1)(b), and 23(1) of the FOI Act
Request for pay scales currently in use at your organisation.	06-OCT-2022	07-NOV-2022	Granted in full
CIG advertising spend broken down by media house and category (promotional vs. job adverts) for the time period of 1 Jan 2021 to 30 September 2022	06-OCT-2022	07-NOV-2022	Granted in full

CROSS GOVERNMENT COMMITTEMENTS

N/A

FORWARD LOOKING**KEY PERFORMANCE INDICATORS****CLIENT SERVICE**

1. Provide a Registration regime to protect vessel ownership and the priority ranking of any related mortgage,
by:
 - a. completing documents that are accurate with an error rate less than 2.5%; and
 - b. ensuring that all documents and records are properly filed.
2. Ensure that all client complaints and queries are acknowledged within 24 hours and adequately researched and responded to within 2 working days of the receipt of supporting information.
3. Provide a cost-effective vessel and company audit and vessel survey regime that promotes quality vessels; effective maritime security systems; protection of the marine environment; and social responsibility and that:
 - a. completing documents for statutory certifications/documentation and crew documentation that are accurate with an error rate less than 2.5%; and
 - b. issues invoice within 7 working days of completion of survey and audits.
4. Provide immediate support (less than 2 hours) upon request in the case of PSC detention of a Cayman Registered vessel.

5. Ensure attendance by a Cayman Surveyor on-board every Cayman Registered vessel that has been detained, not more than 90 days of the date of its detention.
6. Provide response to ALL queries/documentation for direct client interface groups as listed, within 2 working days:
 - a. Client Services;
 - b. Shipping Master;
 - c. Technical; and
 - d. Flag State Accidents and Incidents not under IMO Casualty Investigation Code.

SAFETY & COMPLIANCE

1. Maintain “Low Risk” status under **both** the Paris and Tokyo Memorandums’ of Understanding on Port State Control (PSC) system, as follows:
 - a. Paris MOU: Inspection to Detention ratio of <2.5%,
 - b. Tokyo MOU: Inspection to Detention ratio of <2.5%;
 - c. Maintain “Qualship 21” status under the United States Coast Guard ([USCG](#)) PSC system.
2. Ensure 100% of Certificates of Competence submitted in support of crew endorsement applications are checked for validity.
3. Maintain a top ranking (with no negative indicators) from the International Chamber of Shipping ([ICS](#)).
4. Conduct PSC Inspections on a total number of 24 of all foreign-flagged merchant vessels entering the Port of George Town, during a 12-month (calendar) period. [MFSC]
5. Investigate marine casualties by:
 - a. recording and assessing all casualties and other incidents reported to MACI.
 - b. assigning an investigator within 24 hours of a report of a very serious marine casualty; and
 - c. where the Cayman Islands is the Lead Investigating State, completing an investigation into all very serious marine casualties and publish reports to IMO, GISIS and [www.cishipping.com](#). Further, within 12 months of the casualty occurring (if it is not possible to publish a full report within 12 months due to circumstances beyond MACI’s control, an interim report will be published. [MFSC]
6. Promulgate important security advice to clients within 1 working day of receipt.
7. Promulgate important safety advice to clients as required.

COMMERCIAL

1. Maintain a portfolio of new-build yachts over 30 metres equal to at least 50% of the estimated global new-build market.
2. Maintain a portfolio of existing yachts over 30 metres equal to at least 42% of the estimated global yachts in service that are classed with MACI’s Recognised Organisations.
3. Increase the net total of registered commercial units by 18 each year.

4. Maintain the per unit average age of our commercial fleet (excluding domestic fleet and superyachts) at less than 15 years.
5. Maintain a minimum 270-day cash requirement as at December 31 of each fiscal year.
6. To pay an annual shareholders dividend at the Cayman Islands Government (CIG) prescribed rate.
7. Complete the Annual Financial Audit of the Authority:
 - a. without qualification; and
 - b. within legislative time requirements.

MAJOR INITIATIVES FOR 2023

- Introduce and e-register and electronic Certificate of British Registry (COBR).
- Formulate and implement a financial sustainability plan for 2023-2025 with the help of external assistance.
- Develop a plan in conjunction with the Red Ensign Group to build human capacity in Maritime.
- Develop training platforms/courses to promote & improve consistency & standards between Flag and Class on Yachts, first training course material and delivery expected to be delivered to RINA.
- Revoke outdated secondary legislation and replace with “Section 459 Shipping Notices”.
- Complete the modernisation of the Cayman Islands Merchant Shipping (Marine Pollution) Act ready for submission to Legal Drafting.
- Support the Ministry of Financial Services & Commerce to facilitate the passage of the Merchant Shipping Act (Rev 2023).

BOARD OF DIRECTORS

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

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

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

PROFILES OF THE DIRECTORS

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

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

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

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

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

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

Mr. Ian Wight – Director (1 January 2020 – 31 August 2022); Chair (1 September 2022 – 31 December 2023)

Ian Wight is a Chartered Accountant (UK) whose career spans over 50 years in that profession, having worked in London, Jersey (Channel Islands) and the Cayman Islands.

In 1980, he became the Managing Partner of Deloitte in the Cayman Islands and served in that position until retiring in 2012. He has experience in audit, consulting, and financial advisory services, where he specialised in complex, cross border insolvency and restructuring engagements for over 30 years.

Mr. Wight was also active in Deloitte's regional structure having been appointed as Deputy chairman of Deloitte's Offshore Working Group, Chairman of Deloitte Caribbean and Bermuda Cluster and member of the Americas Management Committee and Services Council.

Since his retirement, in addition to being appointed Deputy Chairman of the Board of Directors for the Maritime Authority of the Cayman Islands, he has served as Chairman of Cayman Finance, as a member of Commission to Standards in Public Life and was appointed to the Board of Directors of the Cayman Islands Monetary Authority.

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

Robb 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.

Ms. Caroline Barton – Director (1 September 2021 – 31 August 2022); Deputy Chair (1 September 2022 - 31 August 2023)

Caroline Barton is a partner at Appleby in the Cayman Islands with the Corporate department and Group Head of Banking & Asset Finance, as well as Transport & Logistics.

Ms. Barton's practice areas include asset finance, corporate finance, structured finance, private equity and bond offerings. She is extensively involved in aircraft and vessel financing, subscription financing and CLOs. Ms. Barton also has vast experience in capital markets, shipping, corporate restructuring and mergers and acquisitions, especially working on the buyer side of transactions.

Ms. Barton has been recognised by Who's Who Legal with respect to Aircraft Finance, and is acknowledged as a 'Rising Star' in IFLR1000's 2020 capital markets law rankings.

In 2020, she was considered by Chambers Global to be an up-and-coming lawyer in a number of spaces, including structured finance, asset finance, debt capital markets and private equity.

She is a member of the Cayman Islands Law Society, the Law Society of England and Wales, the Cayman Islands Labour Tribunal and the Caymanian Bar Association, and a notary public registered in the Cayman Islands.

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

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

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

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

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

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

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

Mr. Rosina worked as an Analyst at Oceanic Financial Services in London for two years before he joined the family business, Navigazione Italiana as a Manager in 1988. In 1990 he arranged the takeover of the Italian stock listed shipping company Premuda, one of the leading dry bulk shipping companies in Italy, becoming General Manager and expanding the international business by opening offices abroad and commencing joint ventures. During 2000, Mr. Rosina was one of the first to understand the full potential of FPSO vessels, developing an Aframax to provide FPSO services in Western Australia.

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

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

Mr. Bruce Rosenblatt – Director (1 September 2022 – 31 August 2023)

Bruce S. Rosenblatt, a third-generation naval architect whose family has been practicing ship design for 115 years, has spent his nearly 40-year marine industry career focused on all facets of ship design and ship design management. Mr. Rosenblatt holds a Naval Architecture and Marine Engineering degree from the University of Michigan (1983) and an Executive MBA from Pace University (1995).

The family firm, M. Rosenblatt & Son, Inc. (MR&S), was founded in 1947 jointly by his grandfather, Mandell (a prominent Yacht Designer) and father, Lester. Informally Bruce Rosenblatt began his apprenticeship in 1974 working summers at MR&S as a high school and college student. His more “formal” ship design/marine industry career began in 1983 at MR&S, where he worked in various engineering and management positions, from Naval Architect & Marine Engineer to President and COO of the 500+ person company. In 2000 MR&S was sold to AMSEC LLC where he worked as a Senior Vice President until 2008 when he founded the Naval Architecture & Marine Engineering firm, Bruce S. Rosenblatt & Associates, LLC (BSR); a smaller rebirth of the old MR&S. At BSR, Mr. Rosenblatt is President and CEO. They have offices on the east and west coasts of the United States and employ over fifty engineers and designers.

Mr. Rosenblatt holds senior positions on the boards of four different schools of naval architecture & marine engineering including Chairman of the Board of Webb Institute. He is a member of the Council of the American Bureau of Shipping, a member of the Board of the Shipbuilders Council of America, a past president of the U.S. based Society of Naval Architects & Marine Engineers and a past President of the U.K. based Royal Institution of Naval Architects, having been their first non-Brit president in their 160+ year history.

Mr. Rosenblatt is responsible for bringing to Cayman marine industry speakers, as well as two programs, subsequently funded by DART, the Sea Perch program and the Summer Engineering Academy.

Ms. Jennifer Stein – Director (15 November 2022 – 14 November 2024)

Jennifer Stein is Caymanian and was educated in Cayman, Canada and the UK. She has a BSc Hons in Medical Microbiology from Edinburgh University and a Postgraduate diploma in Law from BPP Law School in London.

Ms. Stein was a solicitor at Bristows in London and moved back to the Cayman Islands in 2009 where she worked in law and the financial services industry at Intertrust and Walkers for the past 13 years managing large teams and dealing with all aspects of corporate and legal services for Cayman investment structures. She left the financial services industry in July 2022 to pursue other interests and has joined the board of directors of Sprogs Garden Playschool handling the financial aspects of the company.

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

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

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

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

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

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

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

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

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

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

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

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

Ms. Shaunna-Lee Noble - MACI Board Secretary & Ex-Officio Member

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

Annex 1



**Maritime Authority of the
Cayman Islands
Financial Statements
For the year ended 31 December 2022**



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

For the year ended 31 December 2022

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STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Maritime Authority of the Cayman Islands in accordance with the provisions of the *Public Management and Finance Act (2020 Revision)* and *International Financial Reporting Standards*.

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

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

The financial statements fairly present the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year ended 31 December 2022.

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

- (a) completely and reliably reflect the financial transactions of Maritime Authority of the Cayman Islands for the year ended 31 December 2022;
- (b) fairly reflect the financial position as at 31 December 2022 and financial performance for the year ended 31 December 2022; and
- (c) comply with the provisions of the *Public Management and Finance Act (2020 Revision)* and *International Financial Reporting Standards*.

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

Ian Wight
Chairperson
Maritime Authority of the Cayman Islands
27 September 2023

A. Joel Walton
CEO
Maritime Authority of the Cayman Islands
27 September 2023

AUDITOR GENERAL'S REPORT

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

Opinion

I have audited the financial statements of the Maritime Authority of the Cayman Islands (the "Authority"), which comprise the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 39.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2022 and its financial performance and its cash flows for year ended 31 December 2022 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

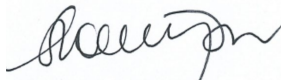
AUDITOR GENERAL'S REPORT (continued)

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

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

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

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



Sue Winspear, CPFA
Auditor General

27 September 2023
Cayman Islands

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Expressed in Cayman Islands Dollars)

	<u>Notes</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Assets			
Current assets			
Cash	4	\$ 10,387,654	\$ 9,763,800
Trade receivables & prepayments	5	1,267,314	1,128,910
Total current assets		11,654,968	10,892,710
Non-current assets			
Property, plant & equipment	6	279,708	230,306
Total non-current assets		279,708	230,306
Total assets		11,934,676	11,123,016
Liabilities and Equity			
Current liabilities			
Accounts payable & accrued expenses	7	377,533	453,901
Unearned revenue	8	571,823	431,534
Lease liability	19	13,970	45,834
Employee entitlements	10	92,524	89,012
Dividend payable to Cayman Islands Government	21	-	322,161
Casualty investigation fund	9	596,774	525,178
Total current liabilities		1,652,624	1,867,620
Non-current liabilities			
Lease liability	19	135,258	-
Past service pension liability	11	740,000	1,167,000
Post retirement healthcare liability	12	4,243,000	6,372,000
Total non-current liabilities		5,118,258	7,539,000
Total liabilities		6,770,882	9,406,620
Equity			
Contributed capital	14	1,500,000	1,500,000
Retained earnings (deficit)		1,127,794	(925,604)
Other comprehensive income		2,536,000	1,142,000
Total equity		5,163,794	1,176,396
Total liabilities and equity		\$ 11,934,676	\$ 11,123,016

Approved on behalf of the Board of Directors on 27 September 2023

Chairperson, Ian Wight

Chief Executive Officer, A. Joel Walton

The accompanying notes form an integral part of these financial statements

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Expressed in Cayman Islands Dollars)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Revenue			
Sales of goods & services	15	\$ 8,270,254	\$ 7,948,558
Annual tonnage fees	15	2,017,702	2,068,781
Other operating revenue	15	663,560	658,924
Sales of goods & services - CIG	15	258,854	361,289
Total revenue		11,210,370	11,037,552
Expenses			
Personnel cost	16	4,908,625	5,350,657
Professional services	17	2,813,679	2,477,974
Other expenses	18	1,468,842	1,304,054
Operating lease & utilities	19	359,273	394,681
Travel, entertainment & business development	20	515,988	244,561
Survey related expense		450,856	363,025
Depreciation	6	143,940	137,764
Bad debts	22	57,769	81,342
Total expenses before effect of defined benefit medical plan amendment (DBMPA) *		10,718,972	10,354,058
Effect of defined benefit medical plan amendment	12	(1,562,000)	-
Total expenses		9,156,972	10,354,058
Net operating profit before effect of DBMPA		491,398	683,494
Net profit		2,053,398	683,494
Other comprehensive income			
Items that will not be classified to profit or loss:			
Remeasurement of defined pension benefits	11	440,000	1,020,000
Remeasurement of post-retirement healthcare benefits	12	954,000	918,000
Total other comprehensive income		1,394,000	1,938,000
Total comprehensive income		\$ 3,447,398	\$ 2,621,494

The accompanying notes form an integral part of these financial statements

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(Expressed in Cayman Islands Dollars)

	<u>Contributed Capital</u>	<u>(Deficit)/ Retained Earnings</u>	<u>Other Comprehensive (Loss)/Income</u>	<u>Total</u>
Balance at 31 December 2020	\$ 1,500,000	\$ (1,286,937)	\$ (796,000)	\$ (582,937)
Net operating profit for the year	-	683,494	-	683,494
Dividend declared	-	(322,161)	-	(322,161)
Other comprehensive income	-	-	1,938,000	1,938,000
Balance at 31 December 2021	\$ 1,500,000	\$ (925,604)	\$ 1,142,000	\$ 1,716,396
Net operating profit for the year	-	2,053,398	-	2,053,398
Other comprehensive income	-	-	1,394,000	1,394,000
Balance at 31 December 2022	\$ 1,500,000	\$ 1,127,794	\$ 2,536,000	\$ 5,163,794

The accompanying notes form an integral part of these financial statements

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Expressed in Cayman Islands Dollars)

	Year ended 31 December 2022	Year ended 31 December 2021
Cash flows from operating activities		
Net operating profit	\$ 2,053,398	\$ 683,494
Adjustments for:		
Depreciation	143,940	137,764
Decrease in past service pension liability	(427,000)	(848,000)
Decrease in post retirement healthcare liability	(2,129,000)	(536,000)
Remeasurement of defined pension benefits	440,000	1,020,000
Remeasurement of post-retirement healthcare benefits	954,000	918,000
Scrapped assets	10,167	-
Net changes in non-cash working capital relating to operations		
(Increase)/Decrease in trade receivables & prepayments	(138,404)	159,478
Decrease in accounts payable & accrued expenses	(76,398)	(28,983)
Increase/(Decrease) in unearned revenue	140,289	(115,256)
Increase/(Decrease) in employee entitlements	3,512	(51,517)
Increase in casualty investigation fund	71,596	79,898
Net cash flows from operating activities	<u>1,046,130</u>	<u>1,418,878</u>
Cash flows from investing activities		
Purchase of property, plant & equipment	(203,509)	(70,931)
Net cash used in investing activities	<u>(203,509)</u>	<u>(70,931)</u>
Cash flows from financing activities		
Payment for lease liabilities	103,394	(69,074)
Payment of dividend	(322,161)	-
Net cash used in financing activities	<u>(218,767)</u>	<u>(69,074)</u>
Net increase in cash	623,854	1,278,873
Cash at beginning of year	9,763,800	8,484,927
Cash at end of year	<u><u>\$ 10,387,654</u></u>	<u><u>\$ 9,763,800</u></u>

The accompanying notes form an integral part of these financial statements

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Cayman Islands Dollars)

1. Organization and Objectives

Maritime Authority of the Cayman Islands (“MACI”, “the Authority”) is a statutory corporation formed as a separate legal entity under the Maritime Authority Act (2005) which came into effect on July 1, 2005. The Authority is wholly-owned by the Cayman Islands Government (“CIG”) and governed by a Board of Directors appointed by the Governor-in-Cabinet. MACI currently reports to the Cabinet of the Cayman Islands through the Ministry of Financial Services and Commerce; but is also responsible to the United Kingdom (“UK”) Secretary of State via the UK's Department of Transport for the effective implementation of the relevant international maritime and related conventions that have been ratified by the UK Government and extended to the Cayman Islands.

The original Cayman Islands Shipping Registry (“CISR”) maritime administration structure, which is the main forerunner to MACI, was first set-up in 1903 when George Town was established as a British Port of Registry. The CISR obtained British Registry Category 1 Status on July 25, 1991. The Category 1 Group of British Registries includes the UK, Bermuda, Cayman, Gibraltar, Isle of Man, and the British Virgin Islands. The CISR is now a division of MACI. However, there are a number of other critical responsibilities that have been added to the Authority. The Authority therefore combines into one body:

- The CISR's vessel and mortgage registration, advisory, marine survey and audit services;
- The overall responsibility for implementing Cayman's maritime safety and security, marine pollution prevention and social responsibility obligations under international Conventions and Codes, and under the Cayman legislation for Cayman-flagged vessels;
- The CIG delegated responsibility for the implementation of Cayman's obligations under the Caribbean Memorandum of Understanding on Port State Control for foreign-flagged vessels entering Cayman ports;
- The CIG delegated responsibility for Marine Casualty Investigation activities in relation to Cayman-flagged vessels;
- The CIG delegated responsibility for national maritime policy formulation, the provision of advice on maritime-related matters, and the development of Cayman's maritime-related legislation;
- The CIG delegated responsibility to represent the Cayman Islands at international forums and to protect its maritime interests; and
- 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 are issued by International Financial Reporting Interpretations Committee (“IFRIC”). The reporting currency is Cayman Islands Dollars and figures presented have not been rounded, unless otherwise stated.

The reporting period is for the year ended 31 December 2022. These financial statements provide comparative information for the year on year performance for MACI as at and for the year ended 31 December 2021.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Cayman Islands Dollars)

3. 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) Going concern

The Authority's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

b) Financial assets and liabilities

i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets in the Authority's financial statements comprise of cash and trade 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 lease, past service pension and post retirement healthcare liabilities, accounts payable and accrued expenses that can be current or non-current liabilities.

ii) Recognition

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

iii) De-recognition

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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Cayman Islands Dollars)

3. Significant Accounting Policies (Continued)

b) Financial assets and liabilities (continued)

iv) Measurement

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

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

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

c) Foreign currency translation

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

d) Revenue recognition

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

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

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

See Note 15 for IFRS 15 application done by the Authority.

e) Purchase agreement

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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Cayman Islands Dollars)

3. Significant Accounting Policies (Continued)

f) Expenses

Expenses are recognised when incurred on the accrual basis.

g) Receivables

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

h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line method of 20% per annum for furniture and fixtures and motor vehicles; 12.5% to 33.33% for computer equipment; and the length of the lease for right of use of assets, which are all deemed sufficient to write-off the cost of the assets over their estimated useful lives.

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

i) Cash

Cash consists of operating accounts held with a reputable financial institution in the Cayman Islands.

j) Accounts payable

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

k) Employee entitlements

Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability.

l) Employee benefits

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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Cayman Islands Dollars)

3. Significant Accounting Policies (Continued)

m) Use of estimates and judgements

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

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

n) Standards issued and effective

A number of new standards, amendments to standards and interpretations issued and effective from January 1, 2022, but do not have a material effect on the Authority's financial statements, are as follows:

- Amendments to IAS 37, Provision, Contingent Assets Onerous Contracts—Cost of Fulfilling a Contract clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract.
- Amendments to IFRS 3, Business Combinations – updates reference in IFRS 3 to the revised 2018 Conceptual Framework
- Amendments to IAS 16, Property, Plant and Equipment (PPE)

o) Standards issued but not yet effective

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

- IAS 1 – Presentation of Financial Statements: On 23 January 2020, the IASB issued “Classification of Liabilities as Current or Non-current (Amendments to IAS 1)” providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022, however, their effective date has been delayed to 1 January 2023.
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: On February 12, 2021, the IASB published Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates.

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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Cayman Islands Dollars)

3. Significant Accounting Policies (Continued)

p) Taxation

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

4. Cash

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash denominated in:		
United States Dollar (USD)	\$ 9,625,714	\$ 9,580,710
Cayman Islands Dollar (KYD)	488,430	119,075
British Pound Sterling (GBP)	272,104	61,341
Euro (EUR)	1,406	2,674
Total cash	<u><u>\$ 10,387,654</u></u>	<u><u>\$ 9,763,800</u></u>

5. Trade Receivables & Prepayments

	<u>31 December 2022</u>	<u>31 December 2021</u>
Sales of goods & services (Note 22)	\$ 1,198,770	\$ 1,070,582
Other receivables	-	61,342
Recovery deposits	10,490	10,490
Prepayments	124,929	53,371
Total gross receivables & prepayments	1,334,189	1,195,785
Provision for doubtful debts (Note 22)	(66,875)	(66,875)
Total trade receivables & prepayments	<u><u>\$ 1,267,314</u></u>	<u><u>\$ 1,128,910</u></u>

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in Cayman Islands Dollars)

6. Property, Plant and Equipment

Description	Furniture and Fixtures	Computer Equipment	Motor Vehicles	Right of Use of Assets	Total Fixed Assets
Cost:					
At 1 January 2022	\$ 63,945	\$ 392,155	\$ 21,899	\$ 230,705	\$ 708,704
Additions	-	53,944	-	149,565	203,509
Disposals	-	-	-	(230,705)	(230,705)
At 31 December 2022	63,945	446,099	21,899	149,565	681,508
Accumulated Depreciation:					
At 1 January 2022	56,359	236,625	10,188	175,226	478,398
Depreciation	7,586	82,884	4,380	49,090	143,940
Eliminated on disposal	-	-	-	(220,538)	(220,538)
At 31 December 2022	63,945	299,663	14,568	3,778	401,800
Net book value:					
At 31 December 2022	\$ -	\$ 146,436	\$ 7,331	\$ 145,787	\$ 279,708

Description	Furniture and Fixtures	Computer Equipment	Motor Vehicles	Right of Use of Assets	Total Fixed Assets
Cost:					
At 1 January 2021	\$ 63,945	\$ 321,224	\$ 21,899	\$ 230,705	\$ 637,773
Additions	-	70,931	-	-	70,931
At 31 December 2021	63,945	392,155	21,899	230,705	708,704
Accumulated Depreciation:					
At 1 January 2021	41,563	181,305	5,806	111,960	340,634
Depreciation	14,796	55,320	4,382	63,266	137,764
At 31 December 2021	56,359	236,625	10,188	175,226	478,398
Net book value:					
At 31 December 2021	\$ 7,586	\$ 155,530	\$ 11,711	\$ 55,479	\$ 230,306

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7. Accounts Payable & Accrued Expenses

	<u>31 December 2022</u>	<u>31 December 2021</u>
Trade creditors	\$ 17,678	\$ 51,473
Accruals	353,599	402,428
Other payables	6,256	-
Total accounts payable & accrued expenses	<u>\$ 377,533</u>	<u>\$ 453,901</u>

8. Unearned Revenue

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
Advance payments received from customers	\$ 571,823	\$ 431,534
Total unearned revenues	<u>\$ 571,823</u>	<u>\$ 431,534</u>

9. Casualty Investigation Fund

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

During the period from 1 July 2015 to 30 June 2016, MACI created a sinking fund designated for carrying out casualty investigations on board Cayman-registered vessels. The fund has a balance as at 31 December 2022 of \$596,774 (2021: \$525,178), of which the full amount forms part of MACI's cash balance of \$10,387,654 (2021: \$9,763,800). No amounts were expended from the fund during the year (2021: \$nil). Management plans to transfer the balance of this fund to the Cayman Islands Government in 2023.

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10. Employee Entitlements

	<u>31 December 2022</u>	<u>31 December 2021</u>
Leave entitlement		
Executive committee members	\$ 41,731	\$ 38,776
Management committee members	37,399	35,629
Administration	13,394	14,607
Total employee entitlements	<u><u>\$ 92,524</u></u>	<u><u>\$ 89,012</u></u>

11. Pension Obligation

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

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

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

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

The schemes are valued by independent actuaries and there have been no changes to the actuarial methods. No curtailment or settlement occurred during the year. The latest estimate was done as at 31 December 2022 which reflected the net pension liability of \$740,000 (2021: \$1,167,000). As of 31 December 2022, the number of active employees entitled to the above pension obligation was 9 (2021: 9). Out of the 9 active employees, 3 are personnel in the Executive Management Team with a gross pension benefit obligations of \$2,420,000 (2021: \$2,761,000) exclusive of the fair value of plan assets.

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11. Pension Obligation (continued)

	31 December 2022	31 December 2021
<u>A. Defined Benefit (Asset)/Liability and Pension Expense</u>		
<u>Reconciliation</u>	<u>\$'000</u>	<u>\$'000</u>
Amounts recognized in the statement of financial position:		
Defined benefit obligation	4,848 *	5,929
Fair value of plan assets	(4,108)	(4,762)
Net defined benefit liability at end of year	<u>740</u>	<u>1,167</u>
Roll forward of defined benefit obligation:		
Net liability at the beginning of the year	1,167	2,015
Defined benefit cost included in net operating profit	154	343
Remeasurement included in other comprehensive income	(440)	(1,020)
Employer contributions	(141)	(171)
Net defined benefit liability at end of year	<u>740</u>	<u>1,167</u>
Components of defined benefit cost for the year:		
Current service cost	126	301
Past service cost	157	132
Income on plan assets	(129)	(90)
Defined benefit cost included in operating profit	<u>154</u>	<u>343</u>
Remeasurement included in other comprehensive income ("OCI"):		
Demographic assumptions change	-	19
Financial assumptions change	(1,588)	(357)
Plan experience	163	(237)
Return on plan assets	985	(445)
Total remeasurement included in OCI	<u>(440)</u>	<u>(1,020)</u>

*\$2,420,000 (2021: \$2,761,000) relates to personnel in the Executive Management Team as a gross defined benefit obligation.

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11. Pension Obligation (continued)

<u>B. Change in defined benefit obligation</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
	<u>\$000</u>	<u>\$000</u>
Liability at the beginning of the year	5,929	6,005
Defined benefit cost included in net operating profit	283	433
Remeasurement included in other comprehensive income	(1,425)	(575)
Participant contributions	61	66
Liability at the end of the year	<u>4,848</u>	<u>5,929</u>
 <u>C. Change in fair value</u>	 <u>31 December 2022</u>	 <u>31 December 2021</u>
	<u>\$000</u>	<u>\$000</u>
Fair value plan assets at beginning of year	4,762	3,990
Interest Income included in net operating profit	129	90
Remeasurements – return on plan asset	(985)	445
<u>Cash flows</u>		
Employer contributions	141	171
Participant contributions	61	66
Fair value plan assets at end of year	<u>4,108</u>	<u>4,762</u>
 <u>D. Sensitivity analysis on the defined benefit obligation:</u>	 <u>31 December 2022</u>	 <u>31 December 2021</u>
	<u>\$000</u>	<u>\$000</u>
1. Discount rate		
a. Discount rate - 25 basis points	5,035	6,224
b. Discount rate + 25 basis points	4,671	5,654
2. Inflation rate		
a. Inflation rate - 25 basis points	4,664	5,663
b. Inflation rate + 25 basis points	5,042	6,214
3. Mortality		
a. Mortality - 10% of current rates	4,936	6,087
b. Mortality + 10% of current rates	4,766	5,787

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11. Pension Obligation (continued)

E. Expected cash flow for the following year:

	<u>31 December 2022</u>	<u>31 December 2021</u>
	\$000	\$000
Expected employer contributions	154	122

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
Weighted-average assumptions to determine benefit obligations		
1. Discount rate	5.40%	2.90%
2. Rate of salary increase	5% in 2023, 4% in 2024 and 3.7% thereafter	2.50%
3. Rate of price inflation	4.0% in 2023, 2.40% in 2024 and 2.0% thereafter	2.00%
4. Rate of pension increases	4.0% in 2023, 2.40% in 2024 and 2.0% thereafter	2.00%
5. Post-retirement mortality table	100% RP-2014 generationally projected using Scale MP-2021	100% RP-2014 generationally projected using Scale MP-2021
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value
Weighted-average assumptions to determine defined benefit cost		
1. Effective rate for net interest cost	2.65%	2.20%
2. Effective discount rate for service cost	2.95%	2.70%
3. Effective rate for interest on service cost	2.85%	2.50%
4. Rate of salary increase	2.50%	2.50%
5. Rate of price inflation	2.00%	2.00%
6. Rate of pension increases	2.00%	2.00%
7. Post-retirement mortality table	100% RP-2014 generationally projected using scale MP-2021	100% RP-2014 generationally projected using Scale MP-2021

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11. Pension Obligation (continued)

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

Discount rate	31 December 2022	31 December 2021
Beginning of year disclosure and current year expense	2.90% per year	2.60% per year
End of year disclosure and following year expense	5.40% per year	2.90% per year
Increases in pensionable earnings	5% in 2023, 4% in 2024 and 3.7% thereafter	2.50% per year
Rate of Pension Increases	4.0% in 2023, 2.40% in 2024 and 2.0% thereafter	2.00% per year
Mortality		
Beginning of year disclosure and current year expense	100% RP-2014 generationally projected using scale MP-2021	100% RP-2014 generationally projected using scale MP-2021
End of year disclosure and following year expense	100% RP-2014 generationally projected using scale MP-2021	100% RP-2014 generationally projected using scale MP-2021
Disability	None	None
Turnover rates	Age related table See table below	Age related table See table below
Retirement	Age-related retirement rates used See table below	Age-related retirement rates used See table below
Assumed life expectations on retirement	Retiring today (member age 57): 28:69 Retiring in 25 years (at age 57): 30.84	Retiring today (member age 57): 28:61 Retiring in 25 years (at age 57): 30.75
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

Turnover Rates at sample ages:			Retirement Rates:	
31 December 2022 and 2021			31 December 2022 and 2021	
Age	Males	Females	Age	Rate
20	7.50%	12.50%	Below 55	0%
25	5.00%	12.50%	55 - 59	8%
30	3.50%	7.50%	60-64	15%
35	2.50%	4.50%	65	100%
40	1.50%	2.50%		
45	0.50%	5.00%		
50	0.00%	0.00%		

There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the tables above. The mortality assumption was updated to make allowance for future mortality improvements.

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12. Post retirement Health Insurance Obligation

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

- MACI's transition period – for participants who transferred from CIG to MACI on 1 July 2005, retirement age is 60 (2021: 50) with 10 years of continued service.
- For the remaining participants - retirement age is 65 (2021: 60) with 10-30 years of continued service at time of retirement at MACI.

As of 31 December 2022, the number of active employees entitled to the above healthcare plan was 25 (2021: 14) plus 4 retired (2021: 2). The premiums for this health insurance coverage are paid for by the Authority for eligible retirees until the end of their lives. This coverage falls within the definition of a defined benefit and as such, represents a future liability.

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

A. Healthcare Expense and Reconciliation of Post-retirement Healthcare Liability

	<u>31 December 2022</u>	<u>31 December 2021</u>
	<u>\$000</u>	<u>\$000</u>
Liability at the beginning of the year	6,372	6,908
Defined benefit cost included in net operating profit	410	429
Effect of defined benefit medical plan amendment	(1,562)	-
Remeasurement included in OCI	(954)	(918)
Employer contributions	(23)	(47)
Liability at end of year	<u>4,243</u>	<u>6,372</u>
 Components of defined benefit cost for the year		
Defined benefit medical plan amendment	1,562	-
Current service cos	276	264
Total net interest cost	134	165
Defined benefit cost included in net operating profit	<u>1,972</u>	<u>429</u>
 Remeasurement Included in OCI:		
Demographic assumptions change	738	238
Financial assumptions change	(1,672)	(870)
Plan experience	(20)	(286)
Total remeasurement included in OCI	<u>(954)</u>	<u>(918)</u>

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12. Post-retirement Health Insurance Obligation (continued)

<u>B. Significant actuarial assumptions:</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Weighted-average assumptions to determine benefit obligations		
1. Discount rate	5.35%	2.95%
2. Immediate trend rate	5.28%	5.33%
3. Ultimate trend rate	4.00%	4.90%
4. Year rate reaches ultimate trend rate	2045	2045
5. Mortality assumption	RP-2014 projected using Scale MP-2021	RP-2014 projected using Scale MP-2021
6. Effective discount rate	2.95%	2.70%
7. Effective rate for interest cost	2.83%	2.40%
8. Effective discount for service cost	2.95%	2.75%
9. Effective rate for interest on service cost	2.98%	2.75%
10. Immediate trend rate	5.28%	5.00%
11. Ultimate trend rate	4.00%	5.00%
12. Year rate reaches ultimate trend rate	2045	N/A
13. Post-retirement mortality table	RP-2014 projected using Scale MP-2021	RP-2014 projected using Scale MP-2020
<u>C. Sensitivity analysis on defined benefit obligation:</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
	<u>\$000</u>	<u>\$000</u>
1. Discount rate		
a. Discount rate - 25 basis points	173	189
b. Discount rate + 25 basis points	(164)	(178)
2. Health care cost trend rates		
a. Health care cost trend rates - 100 basis points	(473)	(499)
b. Health care cost trend rates + 100 basis points	547	574
3. Mortality		
a. Mortality + 10% of current rates	(135)	(147)
<u>D. Expected cash flow for the following year:</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
	<u>\$000</u>	<u>\$000</u>
Expected employer contributions	89	76
Expected total benefit payments: Year 1	89	76
Expected total benefit payments: Year 2	97	82
Expected total benefit payments: Year 3	109	88
Expected total benefit payments: Year 4	128	109
Expected total benefit payments: Year 5	144	117
Expected total benefit payments: Next 5 years	1,083	859

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13. Financial Assets and Liabilities

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

Classification and measurement

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

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

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

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

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

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

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

Derecognition

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

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13. Financial Assets and Liabilities (continued)

Derecognition (continued)

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

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

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

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, MACI currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. As at December 31, 2022 and 2021, there were no financial assets and financial liabilities which had offsetting arrangements.

Impairment

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

Allowance for credit losses

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

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

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

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

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

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13. Financial Assets and Liabilities (continued)

Allowance for credit losses (continued)

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

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

Measurement of expected credit losses

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

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

The Authority has adopted a "simplified approach" for trade receivables. The simplified approach, as permitted by IFRS 9, allows entities to recognise lifetime expected losses without the need to identify significant increases in credit risk (see Note 22).

Expected life

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

Assessment of significant increase in credit risk

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

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

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

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14. Contributed Capital

The Authority's contributed capital represents cumulative funds injected by the Cayman Islands Government. The authorised capital of MACI as at 31 December 2022 is \$1,500,000 (2021: \$1,500,000) and CIG is the sole subscriber. The Cabinet of the CIG has fulfilled its commitment of contributed capital to MACI of the required \$1,500,000, having contributed all capital injections to date.

15. Revenue from Contracts with Customers

MACI has four main categories of revenues as follows:

	Year ended <u>31 December 2022</u>	Year ended <u>31 December 2021</u>
Revenue		
Sales of goods and services	\$ 8,270,254	\$ 7,948,558
Annual tonnage fees	2,017,702	2,068,781
Other operating revenue	663,560	658,924
Sales of goods & services - CIG	258,854	361,289
Total revenue	<u>\$ 11,210,370</u>	<u>\$ 11,037,552</u>

A. Sales of goods and services

	Year ended <u>31 December 2022</u>	Year ended <u>31 December 2021</u>
Safety and surveyor fees	\$ 5,844,031	\$ 5,843,664
Technical compliance fees	1,027,300	910,703
Vessel registration fees	947,187	855,178
Safety and surveyor recoverable fees	451,736	339,013
Total sales of goods and services	<u>\$ 8,270,254</u>	<u>\$ 7,948,558</u>

i. Safety and surveyor fees

As a Category 1 British Registry, the Cayman Islands is authorised to certify all sizes and types of vessels. The survey and audit certification requirements for Cayman-registered ships are based on international conventions which are given effect through Cayman legislation.

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

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15. Revenue from Contracts with Customers (continued)

A. Sales of goods and services (continued)

i. Safety and surveyor fees (continued)

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

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

ii. Technical compliance fees

These services include the below:

- **Endorsements** - Crew members of Cayman-registered vessels may hold any nationality or residency. They must be holders of certificates of competency issued by one of the countries recognised by Cayman and for which, where appropriate, MACI issues endorsements attesting to the recognition of such certificates.
- **Seaman's discharge book ("SDB")** – This is a seafarer's official record of service and current employment status. A bona-fide seafarer on a Cayman Islands-registered vessel, including yachts, is eligible to be issued with a Cayman SDB.
- **Minimum safe manning** – Cayman issues a Minimum Safe Manning Document under provisions of Chapter V (Safety of Navigation) of Safety of Life at Sea, 1974 ("SOLAS") as amended to all ships to which Chapter 1 of SOLAS applies and to ensure that all vessels are sufficiently, efficiently and safely manned with properly trained and certified personnel.

iii. Vessel registration fees

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

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15. Revenue from Contracts with Customers (continued)

B. Annual tonnage fees

Annual tonnage fees were as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Flag state compliance fee	\$ 419,082	\$ 417,573
Tonnage fees - ships	409,569	513,476
Tonnage fees - yachts	1,178,541	1,125,342
Tonnage fees - local vessels	10,510	12,390
Total annual fees	\$ 2,017,702	\$ 2,068,781

The term 'tonnage' relates to the internal volume of the ship and this has no relation to the weight of the ship. Historically, the term tonnage relates to the cargo-carrying capability of the ship, and the word originates from the word 'ton' which is a barrel and therefore, a ship tonnage was measured on how many barrels it could carry. In the modern day the calculation of tonnage is a very complex process, but the basic philosophy is the same. As a measure of the cargo-carrying capacity, it relates directly to the earning capacity of the ship and accordingly port dues are charged according to the tonnage. Based on the same principle, modern ship registers collect an annual (calendar) fee based on the tonnage of the ship.

C. Other operating revenue

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

	Year ended 31 December 2022	Year ended 31 December 2021
Professional service fees	\$ 421,754	\$ 435,319
Vessel books and products	97,385	100,237
Gain on foreign exchange	73,972	68,160
Communication and courier fees	38,753	72,848
Other fees (including 1% late fee)	45,297	25,369
Revenue refunds and reversals	(14,123)	(43,034)
Gain on sale of asset	522	25
Total other operating revenue	\$ 663,560	\$ 658,924

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15. Revenue from Contracts with Customers (continued)

D. Sales of goods and services - Cayman Islands Government

MACI operates on a fee for service basis with the CIG. The annual purchase agreement sets out the service which the Authority agrees to deliver to CIG based on quantity, quality, location and cost of services. These fees form part of the overall Authority revenue stream which equates to 2.3% for the year ended 31 December 2022 (2021: 3.3%). The full amount of the purchase agreement is treated as income in the year which it is earned.

During this financial year, the annual purchase agreement was \$332,633 (2021: \$339,430) and the Authority provided services for a value of \$258,854 (2021: \$427,065). The amount of \$16,006 (2021: \$65,776) was written off (from 'Policy Advice to Cabinet' output) for services provided in excess of the agreement.

	<u>Year ended 31 December 2022</u>	<u>Year ended 31 December 2021</u>
Policy advice to CIG	\$ 258,854	\$ 345,238
Provision of technical advice and support to CIG	-	16,051
Total sales of goods and services to CIG	<u>\$ 258,854</u>	<u>\$ 361,289</u>

E. IFRS 15: Revenue from contracts with customers

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

i. Revenue recognition

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

ii. New build survey fees

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

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

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15. Revenue from Contracts with Customers (continued)

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

ii. New build survey fees (continued)

These performance obligations are executed over the course of the actual visits made per the contracted amounts.

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

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

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15. Revenue from Contracts with Customers (continued)

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

iii. Contract balances

The following table provides information about receivables and unearned revenues from contracts with customers as of 31 December 2022 and 2021.

	<u>31 December 2022</u>	<u>31 December 2021</u>
Trade receivables	1,198,770	1,070,582
Unearned revenues	571,823	431,534

16. Personnel Cost

	<u>Year ended</u> <u>31 December 2022</u>	<u>Year ended</u> <u>31 December 2021</u>
Salaries and wages	\$ 3,295,552	\$ 3,583,658
Defined benefit post-retirement healthcare cost	410,000	429,000
Healthcare insurance expense	362,649	343,470
Other personnel costs	302,560	361,471
Other pension expenses	170,116	186,575
Employee performance reward programme	210,237	155,000
Defined benefit pension cost	154,000	343,000
Movement in annual leave provision	3,511	(51,517)
Total personnel cost	\$ 4,908,625	\$ 5,350,657

17. Professional Services

	<u>Year ended</u> <u>31 December 2022</u>	<u>Year ended</u> <u>31 December 2021</u>
Professional fees - survey	\$ 1,419,809	\$ 1,188,564
Professional fees - consultants	1,272,500	1,186,269
Other professional costs	121,370	103,141
Total professional services	\$ 2,813,679	\$ 2,477,974

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18. Other Expenses

	Year ended <u>31 December 2022</u>	Year ended <u>31 December 2021</u>
Maintenance	\$ 671,038	\$ 529,963
General and administration services	599,867	503,794
Bank fees	144,823	132,443
Insurance	51,473	135,534
Finance charges	1,641	2,320
Total other expense	\$ 1,468,842	\$ 1,304,054

19. Lease Obligations and Utilities

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Refer to Note 6 for the movement of the right of use of the lease assets during the years ended 31 December 2022 and 2021.

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

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

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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
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19. Lease Obligations and Utilities (continued)

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

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

	Year ended <u>31 December 2022</u>	Year ended <u>31 December 2021</u>
Maturity analysis		
Less than one year	\$ 13,970	\$ 45,834
One to five years	135,258	-
Total undiscounted lease liabilities at 31 December	<u>\$ 149,228</u>	<u>\$ 45,834</u>

Lease liabilities included in the statement of financial position at
31 December 2022 and 2021

Current	\$ 13,970	\$ 45,834
Non-current	\$ 135,258	\$ -

During the year ended 31 December 2022, the Authority entered into a new ten (10) year lease agreement and relocated its Southampton office.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
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(Expressed in Cayman Islands Dollars)

19. Lease Obligations and Utilities (continued)

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

	Year ended <u>31 December 2022</u>	Year ended <u>31 December 2021</u>
Lease of sites or buildings	\$ 255,869	\$ 316,561
Utilities and communication costs	72,128	69,768
Lease of equipment (I&T)	31,276	8,352
Total operating lease and utilities	\$ 359,273	\$ 394,681

20. Travel, Entertainment and Business Development

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

	Year ended <u>31 December 2022</u>	Year ended <u>31 December 2021</u>
Business development	\$ 272,049	\$ 164,075
Official travel	185,502	40,912
Entertainment	58,437	39,574
Total travel, entertainment and business development	\$ 515,988	\$ 244,561

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21. Related Party Transactions

The Board of Directors ("Board") of MACI is appointed by the Governor and Cabinet and consists of the Chief Executive Officer ("CEO"), Secretary to the Board as ex-officio members, and Seven (2021: Seven) directors as at 31 December 2022. The fees of \$34,181 (2021: \$12,599) relates to payments made to the Directors and Secretary to the Board.

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

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

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

For the purpose of IAS 24 disclosure, the CEO is included in the number and cost of the Executive Management Team. The total number of personnel in the Executive Management Team for the year ended 31 December 2022 was 4 (2021: 4) and salaries and other short-term benefits expensed were \$836,387 (2021: \$842,346) and 3 (2021: 3) of the executives participated in the long-term benefits obligation. The expenses for the long term benefit obligations for the year ended 31 December 2022 were \$963,000 (2021: \$1,043,000) for post healthcare insurance obligation and \$2,420,000 (2021: \$2,761,000) for gross defined benefit obligation exclusive of the fair value of plan assets.

The following Government departments/entities provided services to MACI during 2022 and 2021 with amounts being expensed:

	<u>Year ended</u> <u>31 December 2022</u>	<u>Year ended</u> <u>31 December 2021</u>
i. Treasury Department	\$338,591	\$ 18,654
ii. University College of the Cayman Islands	660	1,515
iii. Cayman Islands Government London office	117,110	141,962
iv. Computer Services Department (post-election July 2017 onwards)	157,918	70,063
v. Ministry of Employment and Border Control (formerly Immigration Department)	31,423	-
vi. Cayman Islands Cabinet Office	-	18,296
vii. Counselling Services Department	-	400
viii. Public Service Pensions Board (post-election July 2017 onwards)	311,103	326,934
ix. Office of the Auditor General	7,000	7,607
x. Ministry of Commerce, Planning & Infrastructure	-	54,930
xii. Portfolio of the Civil Service Administration	420	-
xiii. Postal Service	250	250

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21. Related Party Transactions (continued)

	Year ended <u>31 December 2022</u>	Year ended <u>31 December 2021</u>
xiv. National Trust of the Cayman Islands	-	2,220
xv. West Indian Tonnage	443	1,312
xvi. Amounts due from Cayman Islands Government	8,278	2,763
xvii. Risk Management Unit	77,546	63,211
xviii. Director board meeting fees	34,181	12,599
xix. Cayman Islands Development Bank	4,608	-

Under the Policy for the Payment of Annual Dividends by Statutory Authorities and Government Companies, the Authority is required to assess whether a dividend is payable to the Ministry of Finance & Economic Development on an annual basis. For the year ended 31 December 2022, management have concluded that a dividend is payable in the amount of \$Nil (2021: \$322,161).

22. Financial Instruments

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

a. Credit and counterparty risk

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

Trade receivables and contract assets

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

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

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

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NOTES TO FINANCIAL STATEMENTS
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22. Financial Instruments (continued)

a. Credit and counterparty risk (continued)

Trade receivables and contract assets (continued)

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

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

Expected credit loss assessment

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 2021.

Age of accounts receivable	% Loss	<u>31 December 2022</u>	<u>31 December 2021</u>
Current	3%	698,780	\$ 731,069
31-60 days past due	7%	289,724	125,929
61-90 days past due	14%	38,685	51,442
Over 91 days past due	24%	171,581	162,142
Total		<u>\$1,198,770</u>	<u>\$ 1,070,582</u>

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

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

<u>Movement in allowance for credit losses</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Balance at beginning of year	\$ 66,875	\$ 66,875
Impairment losses recognised on receivables	57,769	81,342
Amounts written off as uncollectible	(57,769)	(81,342)
Balance at end of year	<u>\$ 66,875</u>	<u>\$ 66,875</u>

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22. Financial Instruments (continued)

a. Credit and counterparty risk (continued)

Expected credit loss assessment (continued)

The reduction in the amount of trade receivables and the corresponding reduction in the impairment loss allowance during the year ended 31 December 2022 was due to the write-off of \$57,769 (2021: \$81,342) in bad debts. The bad debt expense for the year ended 31 December 2022, was \$57,769 (2021: \$81,342).

Cash and cash equivalents

MACI mitigates its exposure to credit risk by placing cash with major international institutions.

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

b. Liquidity risk

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

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

c. Fair Value

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

d. Market risk

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

i. Currency risk

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

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NOTES TO FINANCIAL STATEMENTS
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22. Financial Instruments (continued)

d. Market risk (continued)

i. Currency risk (continued)

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

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority does not hold any instruments with interest rate risk.

23. Russian invasion of Ukraine

Whilst the military invasion of Ukraine by Russia continues on, the economic sanctions by multiple jurisdictions have had insignificant impact on the Authority's operations. Management continues to closely monitor developments relating to the attack and any imposed sanctions with enhanced scrutiny of the Authority's clientele. During the year ended 31 December 2022 there were insignificant impact to the financial performance and the operations of the Authority. However, the Authority continues to monitor current events and future developments, which are highly uncertain and cannot be predicted. However, management does not consider the current events to have a material impact on the assumption of preparing these financial statements on a going concern basis.

24. Subsequent Events

Management has evaluated subsequent events through 27 September 2023, the date the financial statements were available to be issued and have determined that no other subsequent events have occurred that would require recognition or additional disclosures in these financial statements.

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