



Annual Report

2010 - 2011

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OUR VISION

To become a reputable medium-sized global niche market leader in the provision of client-focused and distinctive quality maritime administration and related services that add value to our clients' operations, meet and promote international standards, and positively contribute to the development of the Cayman Islands.

OUR MISSION

The Maritime Authority will facilitate the development of the Cayman Islands as an international maritime centre and help foster a dynamic environment that supports its clients' efforts to maximise their growth opportunities and returns, whilst promoting compliance with international standards, regional agreements and domestic legislation in the areas of maritime safety and security, pollution prevention, and social responsibility.

AUTHORISATION AFFIDAVIT

30 June, 2011

To All Concerned:

I hereby authorise the dissemination of this document, which constitutes a summary of the activities of the Maritime Authority of the Cayman Islands during the fiscal year 1 July, 2010 – 30 June, 2011, to all relevant parties.

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

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

A. Joel Walton, JP
CEO, MACI

STATEMENT FROM THE CHAIRPERSON

On behalf of the second appointed Board of Directors of the Maritime Authority of the Cayman Islands (MACI), it gives me great pleasure to present to you MACI's annual report for the year ending 30 June, 2011.

As can be seen from the audited financials, MACI, as with most statutory bodies, still experienced financial challenges as a result of the global economic downturn during the 2008/9 period. Notwithstanding this, Mr. Walton and his team of capable staff have continued to adapt and achieved many great feats to continue growing the Authority from strength to strength and, most importantly, keeping it competitive within its niche sector of the maritime industry.

During my first year of chairmanship, I have derived much satisfaction and encouragement from witnessing the record highs in terms of registration figures, global expansion in key locations and the leadership role MACI has played in establishing new regulatory advancements within the maritime industry internationally, in addition to many other significant accomplishments (indicated throughout the report).

As MACI continues to meet the needs of a very discerning clientele, keeping Cayman's Red Ensign the number one choice, I look forward to the Authority's bright future and also the continuation of service, as Chairperson, to such a prestigious organisation.

Bruce Blake
Chairperson, MACI Board of Directors

STATEMENT FROM THE CEO

The 2010/11 fiscal year comes to a close with proud achievements and reiteration of MACI's commitment to continual improvement, a cornerstone in our journey towards excellence.

The year 2010 was the second best year ever for the register in terms of both the total number of vessels registered and total gross tonnage, rivalled only by the organisation's best year in 2008.

MACI continued its global expansion of technical services and appointed representatives in new locations: Amsterdam, The Netherlands, and Houston and Ft. Lauderdale, USA, thus ensuring MACI can continue to deliver services where our global client base dictates.

For the second year in a row, the organisation achieved its lowest global detention rating to date across all the major Memoranda of Understanding (MOUs), a significant milestone for Cayman Islands in terms of Port State Control.

In recognition of the importance of maintaining its prominent position in the shipping industry, MACI endeavoured to achieve the ISO 9001:2008 certification. This was accomplished after successful audits in the George Town and United Kingdom offices. Achievement of this goal underpins MACI's unwavering commitment and ongoing pledge to customers to provide only world-class quality service.

The organisation again demonstrated its high level of expertise and knowledge, as a world leader in technical innovation, through the development of the Passenger Yacht Code – a Code of Practice for yachts carrying 13 to 36 passengers – spearheaded by MACI in conjunction with the Red Ensign Group.

MACI's high standards of quality were again illustrated by the organisation's completion of the IMO's rigorous Voluntary Member State Audit Scheme (VIMSAS), thus Cayman Islands ships enjoy the categorisation of low risk in terms of Port State Control.

The Authority continued its rebranding exercise to stay ahead of the continual changes of the business environment and marketplace.

These important milestones for 2010/11, all stand testimony to the fact that the excellence culture has been deeply rooted in MACI. The dedication and efforts of the entire MACI staff prove that MACI is a quality-driven organisation which is dedicated to achieving unparalleled status within its niche market area of the shipping industry.

A. Joel Walton, JP
CEO, MACI

ABOUT THE MARITIME AUTHORITY

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

ROLE AND FUNCTIONS

The original Cayman Islands Shipping Registry (CISR) maritime administrative structure, which is the main forerunner to MACI, was established in 1903 when George Town was formally recognised as a British Port of Registry. The CISR obtained British Registry Category 1 Status on 25 July, 1991. The Category 1 Group of British Registries includes Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Isle of Man and the UK. All of these so-called “Red Ensign” Registries can register vessels of any age, size and type, provided they meet international standards. 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 combines into one body:

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

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 appointed by the Governor of the Cayman Islands. MACI reports to the Cabinet of the Cayman Islands through the Ministry of Finance, but is also answerable to the UK Secretary of State via the UK Maritime and Coastguard Agency 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 were established, namely, the Maritime Sector Consultative Committee (MSCC) and the Cayman Islands Shipowners' Advisory Council (CISAC), which includes the Cayman Islands Shipowners' Advisory Council – Yacht Committee (CISAC–YC), as of the 2006/7 fiscal year.

MSCC (previously the Shipping Sector Consultative Committee, or SSCC) was formed in 1993 and is comprised of local service providers. The objective of the MSCC is to provide a formal mechanism through which the private sector may provide advice and recommendations for ensuring the maritime industry's continued growth and viability. The Authority believes it is imperative that these stakeholders have an opportunity to provide input on the development of the sector.

The CISAC is comprised of major shipowners with Cayman-flagged vessels and was formed in 1997. The CISAC-YC also consists of major yacht managers and owners with Cayman-registered vessels and was established in 2007. These bodies are for establishing and maintaining dialogue and for exchanging ideas between and among its members and the Cayman Islands maritime administration. Through these channels of communication, MACI hopes to maintain and improve the quality of the Cayman Islands Shipping Registry as well as promoting 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: The main international standard-prescribing body responsible for safety of life at sea, maritime security and the protection of the marine environment.
- The International Labour Organization: This body establishes international standards for employment and working conditions for seafarers.

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

BOARD OF DIRECTORS

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

The Board has authority to delegate to any director, sub-committee or the Chief Executive Officer (CEO). Such delegation, however, does not preclude the Authority from exercising any power delegated. Thus far there are no sub-committees and the Board has chosen only to delegate the Authority's power to the CEO for engaging such officers and consultants as the CEO considers necessary and on such terms and conditions as the CEO considers 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 deal with such matters that would otherwise rest with a Board appointed sub-committee.

PROFILES OF THE DIRECTORS

Mr. Bruce Blake - Chairperson

After graduating from the University of South Florida, Mr. Blake worked for PriceWaterhouse in Grand Cayman, New York and Toronto for four years, before going on to join the law firm of Maples and Calder as a Financial Controller. During his time in the Finance Department, he attended the Cayman Islands Law School. After being admitted as an attorney, he joined the Finance Group in the Maples and Calder Grand Cayman office for seven months before being transferred to the Maples office in London for a two-year tour of duty. Mr. Blake returned from the London office in April 2010 and re-joined the Finance Group.

He is also the General Secretary of the Cayman Islands Football Association.

Mr. Bruce Putterill - Deputy Chairperson

Mr. Putterill is a Cayman Islands lawyer who has been in practise for over 25 years. He was a Senior Partner and then Chairman of Appleby, a global leader in the supply of international offshore legal, fiduciary and administration services, before retiring as a Partner in 2009. He continues a relationship with the firm as Senior Counsel to the firm. For 2004-9, he was the Cayman Head of Appleby's Corporate & Commercial Practice Group and the Global Leader of the firm's Banking & Asset Finance Team and Funds & Investment Services Team.

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

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

Mr. Dennis Hunter - Director

Mr. Hunter has been the Managing Director of Queensgate Trust Company Ltd., and Queensgate Bank Ltd. (formerly Queensgate Bank & Trust Company Ltd.) in the Cayman Islands since 1993 and a Director thereof since 1990. He has over 30 years' experience in offshore banking and the administration of mutual funds. From 1978-93, he was the Financial Controller and Treasurer of Aall Trust & Banking Corporation Limited, Grand Cayman.

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

Mr. James C. Parsons, Jr. - Director

Mr. Parsons qualified as a Certified Public Accountant in 1991 following his college education at Barry University in Miami, Florida. He presently holds the position of Deputy Port Director, and has been charged with the responsibility of the Accounting, Financial and Freedom of Information Reporting for the Port Authority of the Cayman Islands since 1 March, 2005.

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

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

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

Mr. John P. Wolf - Director

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

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

Mr. Wolf trained and qualified in 1992 as a Solicitor of the Supreme Court in the City of London, England. He qualified as a Cayman Islands Attorney-at-Law in 1997 and has over 19 years practising experience in English and Cayman Islands law.

Mr. Kirkland H. Nixon, MBE, QFSM, JP - Director

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

During his tenure in the Cayman Islands Government, Mr. Nixon was awarded the Most Excellent Order of the British Empire (MBE) in 1979. He was also instrumental in the establishment of the Cayman Islands Fire Brigade in 1980. He served as President of the Lions Club of Grand Cayman from 1979-80, and was appointed as a Justice of the Peace (JP) of the Cayman Islands in May 1987. In 1989, he was awarded the Queen's Fire Service Medal (QFSM) for meritorious service. He also received in 1989 the International Distinguished Service Award (IDSA) at the National Hurricane Conference in Miami, Florida.

Mr. Nixon served as the first Chairman and Founding Member of the National Trust of the Cayman Islands. He also served as President of the Cayman Islands Civil Service Credit Union and Justice of the Peace Association. Additionally, he has served on numerous Government Boards and Committees as follows: Chairman of the KEYS Foundation and the Cayman Islands Marine Institute; Coordinator of the National Hurricane Committee; Secretary of the Cayman Airways Board; Member of the National Security Committee, Airport Security Committee and Civil Aviation Authority Board; and Ex-officio Member of the Planning Board.

Mr. Nixon presently serves as Chairman of the Tourism Attraction Board; Deputy Chairman of the Civil Aviation Authority Board and Member of the Public Service Pensions Board.

Mr. Nicolas ("Nicky") A. Pappadakis - Director

Mr. Pappadakis, upon graduating from College, joined the family firm of A.G. Pappadakis & Co. Ltd. in London as management trainee, progressing through multiple assignments, and eventually to the head of chartering and operations of the family firm and fleet (112,000 TDW O/B/O vessels, 30-60,000 TDW tankers, 40-77,000 bulk carriers, 23,000 TDW multipurpose/heavy lift vessels – 16,500 cargo liners and twin deckers at various periods). Prior to this, Mr. Pappadakis had served periods at sea as an apprentice on tankers, dry cargo and bulk carrier vessels. Eventually he became in charge of the family maritime and aviation interests.

Mr. Pappadakis has served on numerous committees and is Ex-Chairman of the Greek Committee of RINA; Immediate Past Chairman of INTERCARGO (presently Chairman Emeritus); Immediate Past President of the U.S. Propeller Club International Port of Piraeus; and Ex-member of the Board of Directors of the Union of Greek Ship-Owners.

Mr. Pappadakis currently serves as Chairman of the Malta International Shipping Council (Shipowners' Association under Malta flag) and Vice President of The Hellenic Chinese Chamber of Commerce. He is also a Member of the current Board of

Governors of the U.S. Propeller Club International, Port of Piraeus, Hellenic Committee of Lloyds Register, Hellenic Committee of Germanischer Lloyd, Hellenic Committee of American Bureau of Shipping, Hellenic Committee of Det Norske Veritas, Mediterranean Committee of China Classification Society, The London Steam-Ship Owners' P&I Club Committee, and HELMEPA & INTERMEPA (Hellenic Maritime Protection Association). Mr. Pappadakis is also a Life Member of NAMEPA.

Mr. Pappadakis has an ongoing deep concern and commitment for the sea, seafarers and the environment.

KEY MANAGEMENT PERSONNEL

(As at 30 June, 2011)

CEO

A. Joel Walton, JP

Director – Global Operations

Kenrick A. Ebanks

Director – Global Safety and Compliance

Gregory V. Evans

Registrar of Shipping

Lorna Washington

Chief Advisor, Maritime Policy and Legislative Development

Capt. W. Barrie Rial

Advisor, Maritime Policy and Legislative Development and Shipping Master

Peter C. Southgate

Head, Quality Management Systems and Special Projects

Sian Pairaudeau

Head, Human Resources and Administration

Glenda Dilbert-Davis

Head, Business Development and Client Relationships

Exie Tomlinson-Panton

GLOBAL COMMERCIAL SERVICES

REGISTRATION

The Registration section is a frequent point of contact for clients and also serves as the core of the Cayman Islands Shipping Registry (CISR). This section is responsible for processing several types of registrations including: new, interim and provisional vessel registrations; transfer of ownership; vessels under construction; demise charter (bareboat), and registration of mortgages in accordance with the Merchant Shipping Law (2008 Revision). Registrations recognised all three Cayman ports of entry: George Town (Grand Cayman), The Creek (Cayman Brac) and Bloody Bay (Little Cayman), thereby broadening the geographic scope of the Registry.

The Maritime Authority reported record numbers for vessel registration in 2010. It was the second best year ever for the historic register, established in 1903, in terms of both the total number of vessels registered and the combined gross registered tonnage.

At the close of the 2010/11 fiscal year (1 July, 2010 - 30 June, 2011), 213 new vessels were registered, bringing the total number of vessels on the register to 1709 and the gross registered tonnage to 3.4 million tons. Of the 1709 vessels on the register, 225 were commercial (merchant) vessels.

As the world leader in the registration of superyachts, Cayman also has supertankers and cargo carriers amongst its fleet. Some 85% of the vessels are private yachts, with the remaining 15% falling into the commercial category.

The Registry is able to accommodate various services throughout the world due to the different offices and representatives worldwide. Besides the head office in Grand Cayman, there are offices in Greece, Hong Kong, Japan, Monaco, Singapore, the UK and USA.

MACI CONSULTING

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 fulfill its obligations, plus the drafting of specific legislation.

This branch of MACI also advises on the organisation of conferences geared toward maritime issues and the staging of conferences, seminars and workshops in specialised maritime subjects, and also the preparation and/or delivery of training in the maritime

sector, including Port State Control, International Ship and Port Facility Security Code, International Safety Management, commercial yacht safety and other specialised areas.

During the current reporting period, MACI Consulting continued in its ongoing registration training programme for industry stakeholders from the George Town office from 13 - 14 September, 2010 and from 9 -10 December, 2010. The courses were well received by all delegates and will be continued during the next financial period.

GLOBAL OPERATIONS

FINANCE

Operating revenue for 30 June, 2011, totaled CI\$9.007 million, a CI\$.589 million, or 7% increase, over CI\$8.419 million for 30 June, 2010. Operating expenses for 30 June, 2011 totaled CI\$9.141 million, a CI\$.450 million, or 5% increase over CI\$8.691 million for 30 June, 2010. For the year ended 30 June, 2011 MACI recognised an expense of CI\$0.269 million relating to past service pension expense, resulting in a deficit of CI\$0.134 million from operating activities.

The balance sheet included in the Audited Financial Statements for the year ended 30 June, 2011, indicates that MACI's total assets were valued at CI\$3.699 million and total liabilities at CI\$1.083 million, resulting in a net worth of CI\$2.616 million compared to CI\$2.750 million for the period ended 30 June, 2010, where MACI's total assets were valued at CI\$3.632 million and total liabilities at CI\$0.881 million.

Financial Statements for 1 July 2010 to 30 June 2011, were audited by the Auditor General on 15 February, 2012 and form a part of this Report (see audited Financial Statements, Appendix 1).

INFORMATION TECHNOLOGY

With the responsibility of providing support and business and technical solutions for the Maritime Authority, the Information Technology section leverages technology to progress MACI's procedures more effectively and efficiently while maximising returns in an ever challenging economic environment. Summaries of technologies that have been implemented to keep MACI as a leader in the maritime arena are outlined below:

MACI continued its connectivity initiatives over fiscal year 2009/10 by extending the Virtual Private Network (VPN) capabilities to remote surveyors and support staff for improved turnaround on client services. The VPN allows the connection of networks, ensuring secure and easily available access to enterprise applications and shared drives. Further development of the Cayman Islands Shipping Information System (CISIS) included systems for processing survey requests and for survey billing. CISIS is a centralised database application system that allows all MACI offices and remote users to access "real time" vessel and accounting information. Enhancements to the Crew Compliance module, within CISIS, were tendered via a Request for Proposal and a vendor was selected to improve this module to include e-commerce capabilities. Following the commencement of the electronic content management (ECM) vessel file development in the 2009/10 period, a legacy file plan structure was created and implemented in ECM.

INFORMATION MANAGEMENT

MACI developed and implemented a more formal record structure for maintaining vessel documentation. This was part of the Authority's ongoing project to align management of records in all formats to follow the established file plan structure. MACI's Information Policy was updated to reflect new procedures for creating and managing electronic vessel and HR records.

With improved understanding of Freedom of Information (FOI) by the public, the number of information requests declined this fiscal year. MACI received four legitimate requests for information and these ranged from requests for information on registration statistics to historical requests for vessels once registered. Historical requests were also directed to the Cayman Islands National Archive for additional information.

HUMAN RESOURCES AND ADMINISTRATION

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

During this period, one employee joined MACI in the Head Office within the Finance and IT section. Three promotions were awarded in the Head Office within the Registration Section and five were awarded in the ERO within the Safety and Compliance section. MACI appointed three Consultant Surveyors responsible for survey and audit functions in Amsterdam, The Netherlands, and Houston and Ft. Lauderdale, USA.

Notification was received from the Ministry of Education, in mid-February 2011, of funding for one maritime scholarship for 2011. Following a MACI promotional campaign for the maritime scholarship, one application was received. The Authority conducted an interview; however, no scholarship was awarded during this fiscal period.

Discussions commenced between the Cayman Islands Government and MACI representatives on the re-fitting of MACI's floor space at the new Government Administration Building.

GLOBAL SAFETY & COMPLIANCE

The Safety and Compliance section continued to support MACI's strategic targets and objectives during another period of achievement and consolidation. In addition to significantly exceeding budget revenue expectations, the Safety section was instrumental in supporting a number of long standing initiatives which were completed during the financial period 2010/11. These included a series of independent external audits which were successfully completed and clearly demonstrated the high standards to which MACI continually strives to achieve in operating a quality register. One of these audits was conducted by a four man audit team from the International Maritime Organisation (IMO) to verify that the Cayman Islands was able to meet its obligations under International Conventions in respect to all matters maritime.

In summary, the following audits that were completed during this fiscal period include:

- The four-yearly monitoring audit of MACI by the United Kingdom Maritime & Coast Guard Agency (provides the UK with an opportunity to verify that the Cayman Islands is exercising its obligations to the UK Secretary of State in respect of shipping matters);
- An independent audit on MACI's activities and compliance in relation to the Standards of Training Certification and Watchkeeping for Seafarers (STCW);
- A Voluntary IMO Member State Audit Scheme (VIMSAS) to demonstrate that the Cayman Islands meets its international obligations under the relevant conventions; and
- A third party audit by the British Standards Institution (BSI) to verify compliance with ISO 9001: 2008.

Three of these audits covered in detail a top to bottom review of all MACI's activities, with the STCW audit focusing on MACI's obligations under the STCW Convention. All audits were conducted by third parties providing an impartial and extremely positive report on all of the activities audited.

PORT STATE CONTROL

This reporting period proved another outstanding year for MACI in respect to fleet quality across the major Memoranda of Understanding (MOUs) on Port State Control (PSC). Through the fleet quality monitoring and follow up initiative, MACI continued to improve the quality of the register's fleet with a global detention to inspection ratio in 2010 of 1.19%. This is the second consecutive year where MACI has been able to show a record breaking performance.

As a member of the Caribbean MOU on PSC, Cayman continued to meet its obligations under the terms of the Caribbean MOU in respect to inspections on foreign-flagged vessels visiting ports in the Cayman Islands; however, the organisation was just short of its target for the calendar year 2010.

For the second year running, Cayman hosted the 2nd Annual Caribbean Memorandum of Understanding (CMOU) Port State Control Seminar from 13 – 15 July, 2010. Specifically focused on Port State Control Officer training, this has become recognised by the delegates as extremely beneficial providing a technical platform to exchange views and share ideas for the mutual benefit of the region. An unusual feature of this year's seminar was an actual training inspection carried out on board a Carnival Cruise ship in the George Town harbour during the second day of the meeting, which had been arranged by Lloyd's Register North America.

REGULATIONS (DEVELOPMENT AND IMPLEMENTATION)

During this period, Cayman continued to co-chair the Red Ensign Group, Technical Forum (REG-TF). This forum has proven to be an excellent launching pad for the development of new regulations and formulation of policy within the Red Ensign Group. The REG-TF was intrinsic in providing technical input during the development of the Passenger Yacht Code and continues to review and, where applicable, update the current regulations based on industry feedback.

MACI also completed the development of the 13-36 Passenger Yacht Code. The Code was developed to address the difficulties in applying some of the international Convention standards (in particular the Safety of Life at Sea Convention and the Load Line Convention), which were designed for "merchant" ships, to the present day superyacht. The Code sets technical, safety and operational standards for these yachts, and addresses everything from construction and equipment to manning specifications. Much of the technical support during the developmental stage was provided by the Safety and Compliance section and drafted in conjunction with the Red Ensign Group.

CREW COMPLIANCE

The Crew Compliance section enjoyed another very successful year providing crew compliance documentation including Seafarer's Discharge Books and Officer Endorsements from two of its global locations – George Town, Grand Cayman and Southampton, UK, supported by the satellite offices in Monaco and Ft. Lauderdale.

BUSINESS DEVELOPMENT, MARITIME POLICY AND QUALITY MANAGEMENT SYSTEMS

BUSINESS DEVELOPMENT AND CLIENT RELATIONSHIPS

The Business Development and Client Relationships section is responsible for promoting and ultimately increasing business for the Registry. This is done through event planning and management as well as the dissemination of information to specific target markets, while ensuring a superior level of customer service satisfaction throughout the organisation.

During the 2010/11 fiscal year, much work was done to continue highlighting the Cayman Islands Shipping Registry (CISR) through the attendance and organisation of various events and seminars overseas and locally. Some significant events included the high-status Superyacht Owners Summit in Monaco, for which MACI was a sponsor enabling us to benefit from great promotional opportunities, and the Superyacht Design Symposium in Palm Beach, Florida, where we had speaking opportunities, demonstrating the organisation's knowledge and expertise of maritime affairs.

Furthermore, MACI continued its rebranding exercise, initiated in the previous fiscal year, to streamline and modernise its identity and a variety of promotional materials and products. Some of these included the redesign of the CISR's various client forms for the Accounts, Survey and Crew Compliance sections; and newly developed policy document templates.

With regard to the client relationships aspect of this section, some 81% of client queries were responded to within the organisation's 48-hour target time, with the remaining 19% requiring somewhat more time to satisfactorily answer. Additionally, the distribution of annual client satisfaction surveys was implemented as one way of giving clients an opportunity to provide feedback on the Authority's customer service, which also is in keeping with the newly effected ISO 9001:2008 certification.

MARITIME POLICY AND LEGISLATIVE DEVELOPMENT

The Maritime Policy and Legislative Development section is responsible for the general development of appropriate policies within MACI and the development and upgrading of maritime legislation relevant to the discharge of the organisation's functions and responsibilities.

November 2010 saw the publication of the Passenger Yacht Code, which is the culmination of three year's work. Aply assisted by the Survey and Compliance team and members of the Red Ensign Group, the Maritime Policy section was responsible for pulling the final version together and this was duly presented to the international community at the Global Superyacht Forum in Amsterdam in November 2010. This is a major development and now provides a mechanism for large yachts carrying more than 12 and up to 36 passengers.

Also during this period, the Maritime Policy section was directly involved in the completion of the Voluntary IMO Member State Audit Scheme (VIMSAS) in June 2011. The purpose of the VIMSAS Audit is to provide member states with a detailed assessment of how effectively the member state implements the international treaties and instruments they are a party to. The Audit covers a range of activities performed by the state including those attributed to the coastal state, the flag state and the port state. Various governmental departments, in the Cayman Islands and in the UK were subject to a detailed and rigorous audit by three IMO appointed auditors. Completion of the Audit provides for ships of a whitelist member state to be considered as low risk by the major Port State MOUs in Paris and the US.

QUALITY MANAGEMENT SYSTEMS

The Quality Management Systems section is responsible for the development, implementation and management of an effective Quality Management System (QMS) for MACI. This is aimed at enhancing customer satisfaction, operational efficiency and cost effectiveness.

In January 2011, MACI achieved the International Organization for Standardization (ISO) 9001:2008 certification from BSI Management Systems on all aspects of MACI's management systems and business operations for its George Town and United Kingdom Offices. It was very important for MACI to attain the ISO certification as it helps to solidify its leadership position in the shipping industry. The scope of the certification covered ship mortgage registration; advisory and marine survey and audit services; Cayman's marine pollution prevention; maritime safety and security; seafarers' welfare obligations under international conventions and codes and Cayman legislation for Cayman-flagged vessels; Port State Control for foreign-flagged vessels entering Cayman Islands ports and Casualty Investigation activities in relation to Cayman-flagged vessels.

APPENDIX 1

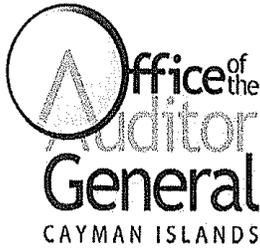


FINANCIAL STATEMENTS OF THE MARITIME AUTHORITY OF THE CAYMAN ISLANDS

Year Ended 30 June 2011

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Auditor General's Report
To the Board of Directors of the
Maritime Authority of the Cayman Islands

I have audited the financial statements of the Maritime Authority of the Cayman Islands, which comprise of the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of cash flows and the statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 21 and in accordance with Section 17(1) of the Maritime Authority of the Cayman Islands law 2005 (2008 Revision) and Section 52 (3) of the Public Management and Finance Law (2010 Revision).

Management's Responsibilities for the Financial Statement

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Maritime Authority of the Cayman Islands as at 30 June 2011, and the results of its financial performance for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

Contingent Liability

Without further qualifying my opinion I draw attention to a possible contingent liability involving the MACI operations in the United Kingdom.

There is uncertainty as to whether MACI's UK office (Cayman Islands Shipping Registry) could be called upon by HMRC to pay either corporation tax on surpluses generated and / or VAT on services supplied. This is based on a UK law passed in 2005 requiring all foreign Governments with revenue generating enterprises operating in the UK to pay corporation tax.

If enforced, MACI could be liable for significant corporation taxes on its UK operations. We included this information in our report because we believe that it is critical for users in understanding any significant issues that may impact the true financial position of the Authority.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
February 28, 2012



STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Maritime Authority of the Cayman Islands in accordance with the provisions of the Public Management and Finance law (2010 Revision) , and International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance law (2010 Revision), and International Financial Reporting Standards.

As the Chief Executive Officer and Director of Global Operations, we are responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Maritime Authority of the Cayman Islands.

As Chief Executive officer and Global Director, Finance, we are responsible for the preparation of the Maritime Authority of the Cayman Islands financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the Maritime Authority of the Cayman Islands for the financial year ended 30 June 2011.

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 30 June 2011;
- (b) fairly reflect the financial position as at 30th June 2011 and performance for the year ended 30th June 2011;
- (c) comply with the provisions of the Public Management and Finance law (2010 Revision) and International Financial Reporting Standards.

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

A. Joel Walton
Chief Executive Officer
Maritime Authority of the
Cayman Islands

Kenrick Ebanks
Director – Global Operations
Maritime Authority of the
Cayman Islands

Date: February 15, 2012



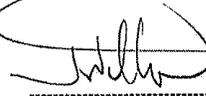
MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION
 As at 30 June 2011
 (Expressed in Cayman Islands Dollars)

		<i>June 30, 2011</i>	<i>June 30, 2010</i>
<i>Notes</i>			
Assets			
Current Assets			
Cash & Cash Equivalents	5	1,314,885	1,496,367
Accounts Receivable (net)	6	<u>2,054,645</u>	<u>1,816,850</u>
Total Current Assets		3,369,530	3,313,217
Property, Plant & Equipment	7	<u>329,944</u>	<u>318,365</u>
Total Assets		<u><u>3,699,474</u></u>	<u><u>3,631,582</u></u>
 Equity and Liabilities			
Current Liabilities			
Accounts Payable	8	300,634	242,495
Unearned Revenue	9	281,001	360,504
Employee Entitlements	10	<u>42,115</u>	<u>33,381</u>
Total Current Liabilities		623,750	636,380
Other Liabilities	11	<u>459,384</u>	<u>244,965</u>
Total Liabilities		<u><u>1,083,134</u></u>	<u><u>881,345</u></u>
 Equity			
Contributed Capital	12	1,500,000	1,500,000
Retained Earnings		<u>1,116,340</u>	<u>1,250,237</u>
Total Equity		<u>2,616,340</u>	<u>2,750,237</u>
Total Equity and Liabilities		<u><u>3,699,474</u></u>	<u><u>3,631,582</u></u>

Approved on Behalf of the Board of Directors on February 15, 2012



Chairperson
 Bruce Blake



Chief Executive Officer
 A. Joel Walton

The accompanying notes on pages 8 - 21 form an integral part of these Financial Statements.



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011
 (Expressed in Cayman Islands Dollars)

	Notes	June 30, 2011	June 30, 2010
Revenue			
Sales of Goods and Services	13	5,853,135	5,287,788
Revenue from Government	14	1,280,652	1,271,654
Tonnage Revenue	15	1,069,240	1,108,330
Other Operating Revenue	16	639,304	618,987
Total Revenue		8,842,331	8,286,759
Expenses			
Personnel Cost	17	4,323,917	4,263,797
Professional Services		1,271,796	1,089,962
Other Expenses	18	1,247,444	954,800
Operating Lease and Utilities		971,537	956,226
Travel, Business Development and Training		598,582	746,925
Survey Related Expense		592,432	542,368
Depreciation	7	135,261	137,097
Total Expenses		9,140,969	8,691,175
Loss from Operating Activities		(298,638)	(404,416)
Non Operating Revenue & Expenses			
(Loss)/gain on Revaluation/Disposal of Fixed Assets		(4,380)	1,470
Gains on Foreign Exchange Transaction		169,121	130,315
Total Non Operating Revenue & Expenses		164,741	131,785
Net (Loss)		(133,897)	(272,631)

The accompanying notes on pages 8 – 21 form an integral part of these Financial Statements.



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF CHANGE IN EQUITY
As at 30 June 2011
 (Expressed in Cayman Islands Dollars)

	Retained Earnings	Contributed Capital	Total
Balance at July 2009	1,522,868	1,500,000	3,022,868
Net Loss for 09/10	<u>(272,631)</u>	-	<u>(272,631)</u>
Balance at 30 June 2010	1,250,237	1,500,000	2,750,237
Net Loss for 10/11	<u>(133,897)</u>	-	<u>(133,897)</u>
Balance at 30 June 2011	<u><u>1,116,340</u></u>	<u><u>1,500,000</u></u>	<u><u>2,616,340</u></u>

The accompanying notes on pages 8 - 21 form an integral part of these Financial Statements.



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF CASH FLOWS
For the year ended 30 June 2011
 (Expressed in Cayman Islands Dollars)

	June 30, 2011	June 30, 2010
<i>Notes</i>		
Cash Flows From Operating Activities		
(Net Loss)	(133,897)	(272,631)
Adjustments for:		
Depreciation	135,261	137,097
Loss on Assets	4,380	-
(Increase)/Decrease in Receivable	(237,795)	602,332
Increase/(Decrease) in Payables	58,139	(298,045)
(Decrease) in Unearned Revenue	(79,503)	(92,990)
Increase/(Decrease) in Employee Entitlements	8,734	(47,460)
Increase in Other Liabilities	214,419	17,978
Net cash (used)/from flows (in)/from operating activities	(30,262)	46,281
Cash Flows From Investing Activities		
Acquisition of Fixed Assets	(152,202)	(107,637)
Sale Proceeds Fixed Assets	982	1,470
Net cash used in investing activities	(151,220)	(106,167)
Cash Flows From Financing Activities		
Capital Contribution Cabinet	-	-
Net cash flows from financing activities	-	-
Net (decrease) in cash and cash equivalents	(181,482)	(59,886)
Cash and cash equivalents at beginning of period	1,496,367	1,556,253
Cash and cash equivalents at end of period	5 1,314,885	1,496,367

The accompanying notes on pages 8 - 21 form an integral part of these Financial Statements.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2011
(Expressed in Cayman Islands Dollars)

1. Organization and Objectives

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 July 1, 2005. The Authority is wholly-owned by the Government of the Cayman Islands but governed by a Board of Directors appointed by the Governor of the Cayman Islands. MACI reports to the Cabinet of the Cayman Islands through the Ministry of Finance, Tourism and Development but is also responsible to the UK Secretary of State via the UK's Maritime and Coastguard Agency (UK MCA) for the effective implementation of the relevant international maritime and related Conventions that have been ratified by the UK Government and extended to Cayman.

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, British Virgin Islands, Cayman, Gibraltar and the Isle of Man. All of these can register vessels of any size and type provided that they meet international standards. The CISR is now a division of MACI. However, there are a number of other critical responsibilities that have been added to the new Authority. The Authority therefore combines into one body:

1. The original CISR's vessel and mortgage Registration, Advisory, and marine Survey and Audit services
2. The overall responsibility for implementing Cayman's marine pollution prevention, maritime safety and security, and seafarers' welfare obligations under international Conventions and Codes and under Cayman legislation for Cayman-flagged vessels
3. The responsibility for the implementation of Cayman's obligations under the Caribbean Memorandum of Understanding on Port State Control for foreign-flagged vessels entering Cayman Islands ports and for marine Casualty Investigation activities in relation to Cayman-flagged vessels
4. The responsibility for national maritime policy formulation, the provision of advice on maritime-related matters, and the development of Cayman's maritime-related legislation
5. The responsibility to represent Cayman at international fora and to protect its maritime interests

2. Basis of preparation

The financial statements of MACI are prepared in accordance with International Financial Reporting Standards (IFRS) using the accrual basis of accounting. These standards are issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standing and Interpretations Committee of the IASC. The reporting currency is Cayman Islands Dollars.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2011
(Expressed in Cayman Islands Dollars)

2. Basis of preparation (Continued)

Comparative Information - The Financials for MACI provide comparable information for year on year performance for 30 June 2010. Certain presentation differences between previously used IPSAS and IFRS have no impact on reported profit of total equity. Some line items are described differently (renamed) under IFRS compared to previous IPSAS, although the revenues and expenses included in these line items are unaffected. These line items are as follows (with previous IPSAS descriptions in brackets):

- Tonnage Revenue ("Sales of Goods and Services")
- Professional Services ("Supplies and Consumables")
- Other Expenses ("Supplies and Consumables")
- Operating Lease and Utilities ("Supplies and Consumables")
- Travel, Business Development Shows and Training ("Supplies and Consumables")
- Survey Related Expense ("Supplies and Consumables")

3. Reporting Period

The reporting period is for the year ended 30 June, 2011.

4. Significant Accounting Policies

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

a) Financial Assets and Liabilities

i) Classification

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

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 favourable. Financial liabilities in the Authority's financial statements comprise long and short term debt.

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.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2011
(Expressed in Cayman Islands Dollars)

4. Significant Accounting Policies (Continued)

iii) De-recognition

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

iv) Measurement

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

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

b) Foreign Currency Translation

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of Comprehensive Income. Assets and liabilities are translated at the exchange rate in effect at the Statement of Financial Position date.

c) Revenue Recognition

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

d) Purchase Agreement

MACI is semi dependent upon annual purchase agreement from the Cayman Islands Government to meet its obligations. The full amount of the purchase agreement is treated as income in the year which earned.

e) Expenses

Expenses are recognised when incurred.

f) Receivables and advances

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

g) Inventory

Inventories are recorded at the lower of cost and net current value. Where inventories are valued at cost, specific identification or the FIFO method has been used.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2011
(Expressed in Cayman Islands Dollars)

4. Significant Accounting Policies (Continued)

h) Fixed Assets

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

i) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of current and call deposit and fixed deposit maturing within 30 days from the date of acquisition and yield an interest rate of 0.125 per annum. Cash accounts are held in Euro, Great Britain Pounds, United States Dollars and Cayman Islands Dollars.

j) Accounts Payable

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

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. (See also Note 10)

l) Employee benefits

Obligation for contribution to defined contribution and defined benefits pension plans are recognized as an expense in the Statement of Comprehensive Income as incurred.

m) Use of Estimates

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

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

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

n) Changes in International Financial Reporting Standards

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2011
(Expressed in Cayman Islands Dollars)

4. Significant Accounting Policies (Continued)

- a) Amendments to published standards effective July 1, 2010:
- i. IFRIC 19 - "Extinguishing Financial Liabilities with Equity Instruments" (effective July 1, 2010) clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognized in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. This interpretation is expected to impact the Authority in the subsequent period.
- b. Relevant standards and amendments issued prior to June 30, 2011 but not effective until future periods:
- i. IAS 24 - Related party disclosures (amended and effective for periods beginning after January 1, 2011) - simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This amendment may impact the disclosures required in the financial statements, but the impact thereof is yet to be assessed.
 - ii. IFRS 9 – Financial instruments (effective for periods beginning January 1, 2013) – addresses classification and measurement of financial instruments and replaces portions of IAS 39. Financial instruments can only be measured at amortized cost or fair value. Equity securities can only be recorded at fair value. An entity can record unrealized and realized gains or losses in other comprehensive income on an instrument by instrument basis and the election to do so is at initial recognition and this election is irrevocable. Dividend income on these equity securities can be recorded in profit and loss. Debt securities can only be recorded at amortized cost if the objective is to hold financial assets for the collection of contractual cash flows and the contractual cash flows represent solely payments of principal and interest, otherwise debt securities must be carried at fair value.
 - ii. An entity can still designate a financial instrument at fair value through profit and loss – however, this is an irrevocable election and the entity has to be consistent with this basis from year to year. The Authority currently does not have any equity or debt securities however an assessment will have to be made prior to the issuance of the standard in 2013, where applicable.

5. Cash and Cash Equivalents

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
Bank Accounts	849,664	831,851
Fixed Deposits	<u>465,221</u>	<u>664,516</u>
<i>Total Cash & Cash Equivalents</i>	<u><u>1,314,885</u></u>	<u><u>1,496,367</u></u>

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2011
(Expressed in Cayman Islands Dollars)

6. Accounts Receivables

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
Sales of Goods & Services	1,882,794	1,662,801
Prepayments	102,283	89,374
Cabinet Receivables (Note 14)	233,749	228,856
Other Receivables	35,819	35,819
<i>Total Gross Receivables</i>	<u>2,254,645</u>	<u>2,016,850</u>
Less Provision for Doubtful Debts	200,000	200,000
<i>Total Net Receivables</i>	<u>2,054,645</u>	<u>1,816,850</u>

The impairment assessment is generally performed periodically by Management and relies on updates from field personnel to decipher if items are likely to be collectable. Once determined, write offs are approved by the CEO or a MACI Director. In 2011 the Authority directly wrote off \$84,617 in receivables.

Ageing Profile of Sales of Goods and Services as at June 30, 2011

1-30 Days	\$884,064
30-90 Days	\$646,560
Over 90 Days	\$352,170
Total	\$1,882,794

7. Fixed Assets

	Furniture & Fixture	Leasehold Improvement	Office Equipment	Computer Equipment	Other Assets / Booth Displays	Total
Original Cost						
Balance at 30/06/10	164,931	82,906	114,608	271,437	75,902	709,784
Additions:	812	0	2,678	85,202	63,510	152,202
Reclassification:	0	0	0	(1,700)	0	(1,700)
Disposals:	0	0	(1,063)	(22,750)	(42,021)	(65,834)
Balance at 30/06/11	165,743	82,906	116,223	332,189	97,391	794,452
Accumulated Depreciation						
Balance at 30/06/10	63,617	20,701	64,700	208,337	34,064	391,419
Additions:	29,968	16,581	22,699	56,640	9,373	135,261
Reclassifications:	0	0	0	(1,700)	0	(1,700)
Disposals:	0	0	(1,063)	(22,675)	(36,734)	(60,472)
Balance at 30/06/11	93,585	37,282	86,336	240,602	6,703	464,508
Net Book Value at 30/06/11:	72,158	45,624	29,887	91,587	90,688	329,944
Net Book Value at 30/06/10:	101,314	62,205	49,908	63,100	41,838	318,365

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2011
(Expressed in Cayman Islands Dollars)

8. Accounts Payables

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
Trade Creditors (Less Than 30 Days)	278,794	212,742
Trade Creditors (Over 90 Days)	<u>21,840</u>	<u>29,753</u>
<i>Total Payables</i>	<u><u>300,634</u></u>	<u><u>242,495</u></u>

9. Unearned Revenue

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
Revenue Deposits (USD)	199,850	321,951
Revenue Deposits (Euro)	<u>81,151</u>	<u>38,553</u>
<i>Total Unearned Revenue</i>	<u><u>281,001</u></u>	<u><u>360,504</u></u>

Unearned Revenue represents amounts paid in advance by clients for services to be rendered.

10. Employees Entitlements

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
Leave Entitlement (Management Committee Members)	11,457	2,958
Leave Entitlement (Managers)	21,834	23,822
Leave Entitlement (Administration)	<u>8,824</u>	<u>6,601</u>
<i>Total Employee Entitlements</i>	<u><u>42,115</u></u>	<u><u>33,381</u></u>

11. Other Liabilities

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
Coercive Revenue Owed to Government	-	54,581
Defined Benefit Liability	312,000	43,000
Due to Government (See Note #12)	<u>147,384</u>	<u>147,384</u>
<i>Total Other Current Liabilities</i>	<u><u>459,384</u></u>	<u><u>244,965</u></u>

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2011
(Expressed in Cayman Islands Dollars)

12. Capital

The authorised capital of MACI is CI\$1,500,000. The Cayman Islands Government is the sole subscriber and has contributed Paid-Up Capital of CI\$1,500,000 as at 30 June 2011. The Cabinet of the Cayman Islands Government has fulfilled its commitment of contributed Capital to MACI of the required CI\$1,500,000, having contribute equal yearly equity injections.

13. Sales of Goods and Services

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
a) Registration	280,781	268,645
b) Surveyor Fees	4,741,363	4,443,935
c) Crew Compliance	<u>830,991</u>	<u>575,208</u>
<i>Total Sales of Goods and Services</i>	<u><u>5,853,135</u></u>	<u><u>5,287,788</u></u>

a) Registration

Cayman offers five types of vessel registration (Full, interim, provisional, under construction and demise (bareboat) charter). The Cayman Islands is an efficiently regulated international finance jurisdiction at the leading edge of global best practice. Cayman offers several vessel ownership structures, ranging from individual ownership through to a choice of corporate ownership options.

b) Survey Fees

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

c) Crew Compliance

- 1) Services Include 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, it issues Endorsements attesting to the recognition of such certificates.
- 2) Seaman's Discharge Book – A Seaman Discharge Book (SDB) is a seafarer's official record of service and current employment status. A bona-fide seafarer on a Cayman-registered vessel, including yachts, is eligible to be issued with a Cayman SDB.
- 3) Minimum Safe Manning – Cayman issues a Minimum Safe Manning Document under provisions of Chapter V (Safety of Navigation) of Safety of Life at Sea (SOLAS) 1974 as amended; to all ships to which Chapter 1 of SOLAS applies and to ensure that all vessels are sufficiently, efficiently and safely manned with properly trained and certified personnel.

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14. Revenue from Government

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
Policy Advice to Cabinet	540,691	566,194
Provision to Technical Advice and Support to Government Agencies, Private Sector and General Public	252,881	330,920
Registration of Marine Vessels and Advice, Assistance and Advocacy	237,144	-
State Inspections and Investigations Services	<u>249,936</u>	<u>374,540</u>
<i>Total Revenue from Government</i>	<u><u>1,280,652</u></u>	<u><u>1,271,654</u></u>

15. Tonnage Revenue

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

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16. Other Operating Revenue

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
GMDSS Radio Log Book	3,977	3,403
Official Log Books	11,773	8,282
Merchant Shipping Legislation	1,438	3,364
Oil Record Book	15,211	6,232
Garbage Record Book	8,323	1,892
Cargo Record Book	1,517	1,148
Refund of Revenue	-	(2,731)
Courier and Postal Charges	147,171	130,571
Exhibition Fees	26,000	34,561
Miscellaneous Fax	9,705	11,079
Communications Charges	-	41
Red Ensign Flags	7,667	7,667
24 Hour Rush Fees	13,530	13,292
Administrative Rate	1,160	2,039
Professional/Surveyor Rate	587	164
Consultative Rate	259,877	210,384
Website Marketing Fees	12,437	10,045
Out-of-Office Surcharge	820	4,408
Over-the-Counter Surcharge	72,368	68,883
Training/Workshops	7,600	5,600
MACI Consultancy	37,310	94,841
Wire Transfer Fee	128	2,581
Interest on Cash Balances	705	1,241
<i>Total Other Operating Revenue</i>	<u>639,304</u>	<u>618,987</u>

17. Personnel Cost

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
Salaries and Wages	3,289,456	3,664,023
Other Personnel Cost	521,772	376,242
Pension Expense	503,955	270,992
Movement in Annual Leave Provision	8,734	(47,460)
<i>Total Personnel Cost</i>	<u>4,323,917</u>	<u>4,263,797</u>

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18. Other Expense

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
Debt Write Off	442,735	119,121
General and Administration Services	429,064	496,784
Maintenance	212,784	192,971
Bank Fees	108,092	103,937
Insurance	54,769	41,987
<i>Total Other Expense</i>	<u>1,247,444</u>	<u>954,800</u>

19. Lease Obligations

MACI leases the premises used for its operations in George Town and in the United Kingdom for the European Regional Office (ERO). The lease agreement for the George Town offices effective date 1 December 2008 for the total office space 9,614 sq ft at \$43.64 per sq ft. The lease is for 5 years with an additional 5 year option to renew. The lease expires in December 2013.

The Lease agreement for the ERO lease agreement dated 6 September 2002 for the total office space 2578 sq ft at £17.49 per sq ft. The lease is for 15 years with an option to renew. Lease payments under the operating leases are charged to the income statement in equal instalments over the period of the lease as follows:

	UK Office	George Town Office
Lease Obligation for 1 year	£45,089	CI\$419,555
Lease Obligation for 2-5 years	£180,357	CI\$629,389
Lease Obligation for 6 -11 years	£101,451	CI\$ -

20. Defined Benefit Pension Obligation

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

With effect from 1 January 2000 the Fund had both a defined benefit and a defined contribution element, with participants joining after 1 January 2000 becoming members of the defined contribution element only. MACI therefore funds 6% employee and 6% employers' contributions for all employees joining MACI prior to 1 January 2006. For employees joining after 1 January 2006, the contribution rate in effect is 5% employer's contribution and the employees are required to contribute 5% if enrolled with the Silver Thatch or 7% to participate in the Public Service Pension Fund (if enrolled in the Fund as a Defined Benefit Member).

IAS19 has been adopted, retrospectively, for the first time as of July 1, 2004 for all participating employers. MACI first became a statutory authority as of July 1, 2005. Accordingly, no IAS19 actuarial reports for prior years have previously been submitted for MACI.

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20. Defined Benefit Pension Obligation (continued)

The total amount recognized as a pension expense for the Defined Benefit Plan during the year ended June 30, 2011 was \$105,204 (2010: \$114,674). The schemes are valued by independent Actuaries. The latest actuarial valuation was done as at 1 July 2010, and based on the valuation; \$130,000 was recognized as pension expense for the year ended June 30th, 2010. Additionally, an estimate for the year ended June 30th, 2011 was received; and a further \$139,000 was recognized as pension expense for the same period.

1 July 2010

Net Present Value of Funded Obligation	(968)
Fair Value of Plan Assets	<u>654</u>
	(314)
Unrecognized Net Gains	<u>141</u>
Net Liabilities in Balance Sheet	(173)

The distribution of the Plan Assets at 1 July 2010, based on the share of the total Fund allocated to the Authority was as follows:

Equity Investments	55%
Bond Investments	37%
Cash/Property/Other	<u>8%</u>
Total	100%

The principal Actuarial Assumptions at the date of valuation are as follows:

Economic Assumptions Used to Determine Benefit Obligations at June 30th, 2010

1) Discount Rate	5.50%
2) Expected Long-Term Return	
On Plan Assets	6.00%
3) Rate of Salary Increase	4.00%
4) Rate of Price Inflation	2.50%
5) Rate of Pension Increases	2.50%

Economic Assumptions Used to Determine Net periodic Benefit Cost for Year ending June 30th, 2010

1) Discount Rate	5.75%
2) Expected Long-term Return on Plan Assets	7.00%
3) Expected Long-term Return on Reimbursement	
Rights	0.00%
4) Rate of Salary Increase	4.00%
5) Rate of Price Inflation	2.50%
6) Rate of Pension Increases	2.50%

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21. Related Party Transactions

The Board of Directors of MACI is appointed by the Governor and consists of the Chief Executive Officer, Secretary to the Board as ex-officio members and seven directors as at 30 June 2011. The Board was retired in August 2009 with the exception of two Directors, in accordance with Section 3 of the First Schedule of MACI Act. At the date of the Financial Statements, a new Board was appointed. The fees of \$9,856 (2010: \$5,625) relates to payments made to the seven directors and Secretary to the Board only. Apart from the disclosed remuneration, 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 of the Executive Management Team was 4 in 2011 (2010: 4) and salaries and other short term benefits expensed were \$537,923 (2010: \$581,044).

The following Government department/entities provided services to MACI during 2011 with amounts expensed:

- i. Treasury Department (\$50,600)
- ii. Public Service Pension Board (see Note 8) (\$280,866)
- iii. Computer Services Department (\$236,133)
- iv. Immigration Department (\$83,600)
- v. Office of the Auditor General (\$45,921)

MACI is responsible for the registration of vessel and the collection of the related fees which are paid over to the Cayman Islands Government. MACI operates on a purchase agreement for outputs delivered to Government (see note 14). MACI bills Cabinet on a monthly basis to help cover its recurrent expenditure for these outputs.

22. Financial Instruments

a) Credit Risk

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

b) Fair Value

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

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22. Financial Instruments (Continued)

c) Foreign Currency Risk

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

23. Restatement of Financial Statements for Financial Year ending June 30, 2011

No Restatement.

24. Subsequent Events

The Board of Directors of the Authority have approved to revise the tonnage fee schedule and will come into effect in January 2012.