



Annual Report

2009 - 2010

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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, 2010

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, 2009 – 30 June, 2010, 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 CEO

Despite 2009/10 fiscal year being in the midst of the world's economic downturn, MACI managed to maintain its prominent position within the global maritime industry. To effectively counteract the worsening fiscal depression, the organisation analysed and revamped business strategies, increased cost effective methods of operation and continued to improve its position within the maritime sector. MACI's reputation of innovation continued to receive global recognition as it surpassed its previous standards and achievements within its niche segment of the industry.

The organisation continued to improve the quality of its register by way of low global detention ratings across all major Memoranda of Understanding (MOUs), resulting in MACI's best Port State Control performance record to date.

This year, the Cayman Islands had the distinguished honour of being asked to host the 1st Annual Caribbean Memorandum of Understanding (CMOU) Port State Control Seminar for port state control officers. MACI's willingness to take on this initiative further demonstrates not only its commitment to the Cayman Islands, but to the development of the Caribbean region as a whole.

The Authority continued to update and streamline relevant and domestic legislation to keep in the forefront of modern regulation. An example of this was the successful and timely implementation by MACI of the International Maritime Organization's (IMO) requirement of Long Range Identification and Tracking (LRIT) System of ships by 1 July, 2009.

Responding to client demand, MACI's further expansion of technical services worldwide saw the placement of highly skilled representatives in Europe, Japan and Italy. Additionally, registration and commercial representation services were made available in Monaco to promote the growth of the Registry in the European market.

The expansion of MACI Consulting services saw contracts awarded for the review and development of the domestic merchant shipping laws for the flag administrations of St. Lucia and Antigua and Barbuda, recognising MACI's position as a standard bearer for the Caribbean.

The technological advancements for the year consisted of further enhancement of the Cayman Islands Shipping Information System (CISIS) and the Voice over Internet Protocol (VOIP) telephone system, both introduced during the last fiscal year.

The growth of Caymanian professionals within the maritime industry, a key focus of MACI, was further promoted through the granting of a maritime scholarship. It is our hope that through providing these educational opportunities, the industry will continue to grow. This, in turn, will hopefully convince bright young Caymanians to consider the maritime sector as a career choice.

Marketing efforts have seen the implementation of a rebranding programme for the Maritime Authority to further enhance our prominence worldwide.

In the face of challenging economic times, MACI managed to exceed its own financial goals without unduly burdening its clientele. For example, within the Safety and Compliance section, its budgeted revenues were exceeded by 30%, a remarkable achievement based on no fee increases.

Concluding a remarkable year, we ended on a promising note and remain enthusiastic and confident in looking forward to the new challenges of 2010/11.

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 Board of the Maritime Authority of the Cayman Islands is appointed by the Governor of the Cayman Islands.

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.

During the 2009/10 reporting period there was no operational Board of Directors.

KEY MANAGEMENT PERSONNEL

(As at 30 June, 2010)

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. 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.

At the end of the 2009/10 fiscal year (1 July, 2009 - 30 June, 2010), there were 206 new vessels registered, bringing the total number of vessels on the Register to 1496 and the gross registered tonnage to 3.0 million tons. Of the 1496 vessels on the Registry, 202 were commercial (merchant) vessels.

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.

During the current reporting period, MACI Consulting completed the consultancy agreement toward establishing a maritime regime for the flag administration of St. Lucia. A similar agreement was completed for that of the Antigua and Barbuda Registry.

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.

GLOBAL OPERATIONS

FINANCE

Operating revenue for 30 June, 2010, totaled CI\$8.418 million, a CI\$.010 million, or 1.28% decrease, over CI\$8.428 million for 30 June, 2009. Operating expenses for 30 June, 2010 totaled CI\$8.691 million, a CI\$.207 million increase, over CI\$8.484 million for 30 June, 2009. MACI reported a deficit of CI\$0.272 million from operating activities.

The balance sheet included in the Audited Financial Statements for the year ended 30 June, 2010, indicates that MACI's total assets were valued at CI\$3.631 million and total liabilities at CI\$0.881 million, resulting in a net worth of CI\$2.750 million compared to CI\$3.023 million for the period ended 30 June, 2009, where MACI's total assets were valued at CI\$4.323 million and total liabilities at CI\$1.300 million.

Financial Statements for 1 July, 2009 to 30 June, 2010, were audited by the Auditor General on 24 August, 2011 and form a part of this Report (see audited Financial Statements, Appendix 1).

INFORMATION TECHNOLOGY

The Information Technology section is responsible for providing support, business and technical solutions that exploit technology to gain efficiencies across MACI operations.

Development of the Cayman Islands Shipping Information System (CISIS) continued with additional functionality for the Accounts, Registration and Crew Compliance sections. CISIS is a centralised database application system that allows all MACI offices and remote users to access "real time" vessel and accounting information. In preparation for providing 24-hour services to our clients, an analysis of MACI's e-commerce requirements was completed.

MACI also performed the analysis for an online Law and Administrative Procedures (LAP) Testing system. The system will allow clients to apply to and pay a MACI Test Center to undertake a LAP test. To ensure that MACI is always up-to-date with the latest statistics and performance to aid in reporting and decision making, an analysis of the requirements for an Executive Dashboard commenced. This Dashboard will present key management information regarding defined metrics, directly to the desktop.

A Voice over Internet Protocol (VOIP) telephone system was implemented in the Ft. Lauderdale Office, and now provides direct dialing of extensions to the Head Office, resulting in significant telephone cost savings. A Virtual Private Network between MACI's Head Office and the Ft. Lauderdale Office was successfully implemented which allows the joining of the two networks, ensuring secure and easily available access to enterprise applications and shared drives.

Electronic Content Management (ECM) went into production for the Human Resources (HR) section. HR personnel were afforded training and personnel files were scanned and 'checked in' to allow employees to view their personnel records. This is an ongoing project and as records are created they will be added to the ECM system. United Kingdom (UK) data protection issues were raised and legal consultation was undertaken to ensure compliance to UK FOI and Data Protection Laws. ECM vessel file development was started and this project is still ongoing.

INFORMATION MANAGEMENT

The Freedom of Information Law (FOI) commenced 5 January, 2009. During the year, MACI received seven legitimate requests for information. These ranged from requests for information on salary scales to rental costs and terms to travel expenses and furniture purchase costs, due to our relocation.

MACI received many FOI requests that did not qualify as official FOI queries. These were directed to the relevant sections for action. All reports and meetings were attended and the MACI publication scheme was developed and gazetted as required. The FOI Manager was invited to the Information Commissioner's Office to meet the Governor and the new Information Commissioner.

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, two employees joined MACI in the Head Office within the Safety and Compliance, and HR and Administration sections, and one employee joined the ERO within the Maritime Policy and Legislation Development section. Six promotions were awarded in the Head Office within the following sections: HR and Administration, Finance and IT, Safety and Compliance, and Registration. Three promotions were also awarded in the ERO within the Safety and Compliance section. Additionally, MACI appointed three Consultant Surveyors, responsible for survey and audit functions, within the following regions: Europe, Japan, and Italy. MACI also appointed a Registration/Commercial Representative in Monaco and a Consultant responsible for registration functions within the Cayman Islands.

With regard to the annual MACI Scholarship, one maritime scholarship was made available by the Ministry of Education through the Education Council for the 2009/10 academic year. The purpose of the scholarship is to increase the competencies of Caymanians (both young and more mature persons) in the maritime industry. As in the

past, MACI continued to be responsible for the promotion and selection process of the scholarship. Two applications were received and following an interview with the single eligible applicant, the panel recommended to the Education Council that one candidate be awarded the maritime scholarship, which was accepted by the Ministry.

GLOBAL SAFETY & COMPLIANCE

The Safety and Compliance section continued to meet its financial targets for the financial period 2009/10 by exceeding budgeted revenues by approximately 30%. The section continued to support MACI's overall key targets and objectives in a number of areas, including:

PORT STATE CONTROL

Through the proactive monitoring of fleet quality across the major Memoranda of Understanding (MOUs) on Port State Control (PSC), the organisation has continued to improve the quality of the register's fleet with a global detention to inspection ratio of 1.82% across all the MOUs, which is the best performance on record to date.

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 2009.



MACI CEO Mr. A. Joel Walton (third from left) and Mr. Dwight Gardiner, Chairman of the CMOU Port State Control Committee (fourth from left), are surrounded by attendees and delegates at the 1st Annual Caribbean Port State Control Seminar held 7 – 9 July, 2009 at the Grand Cayman Marriott Beach Resort.

Cayman also hosted the inaugural Caribbean Memorandum of Understanding (CMOU) Port State Control Seminar for port state control officers, which is intended as an information sharing seminar with a view to ensuring consistency in the approach to Port State inspections in the region. The event was recognised by the delegates as extremely beneficial, and which will now continue on an annual basis, with the hosting on a rotational schedule, as agreed by the participating members.

REGULATIONS (DEVELOPMENT AND IMPLEMENTATION)

Amendments to the Safety of Life at Sea Convention entered into force on 1 July, 2009 requiring all commercial vessels greater than 300 gross tons on international voyages to be fitted with a Long Range Identification and Tracking (LRIT) System. Cayman was able to establish a National Data Centre to receive the LRIT reports and integrate all the ships into the system. Around 400 ships and yachts registered in the Cayman Islands were certified with these new requirements and Cayman is one of the few Flag States whose ships can boast full compliance by the deadline.

MACI continued the development of the 13-36 Passenger Yacht Code. The Code is being 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 is being 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. The service was first established in the European Regional Office in Southampton within the financial period 2008/9 and has proven to be extremely popular with MACI’s European-based clients.

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 2009/10 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 1st Annual Caribbean Port State Control Seminar held in Grand Cayman on 7 – 9 July, 2009, which the Authority organised for port state control officers within the Caribbean region, and Posidonia 2010, the biennial commercial shipping show which MACI has participated in over the last decade in order to continue building its commercial tonnage.

Furthermore, MACI partnered with a local graphic design agency and initiated a major rebranding exercise from signage to verbiage to streamline and modernise its identity and a variety of promotional materials and products. Some of these included the redesign of the CISR's Vessel Registration Guide; various client forms for the Registration, Accounts and Human Resources sections; and a newly developed client web presentation (accessed via USBs and eliminating the need of printed material – another testament to MACI's "Go Green" initiative).

With regard to the client relationships aspect of this section, some 87% of client queries were responded to within the organisation's 48-hour target time, with the remaining 13% requiring somewhat more time to satisfactorily answer.

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.

Major achievements during this period were the completion of two consultancy projects for foreign administrations. The first of these was for St. Lucia, in which the Maritime Policy and Legislative Development section undertook a detailed review of the Merchant Shipping Law with the goal of providing a strategy to update this to reflect the myriad changes since its inception. The second of these consultancy projects was for the maritime administration of Antigua and Barbuda, which was looking to supplement its deep sea fleet with the introduction of a yacht register. Similarly to the St Lucia project,

this involved a detailed review of the Merchant Shipping Law of Antigua and Barbuda to identify any gaps or inconsistencies that would inhibit the formation of a yacht register. The project also involved development of some secondary legislation in support of the formation of the yacht register and some guidance on marketing and business development in this sector.

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.

During the 2009/10 reporting period, the Maritime Authority continued with the implementation of ISO 9001-2008, a Quality Management System with international certification and recognition. MACI is progressing to obtain certification in accordance with ISO 9001:2008 (by early 2011) in preparation for participation in the International Maritime Organization's Voluntary Member State Audit Scheme scheduled for mid-2011.

APPENDIX 1

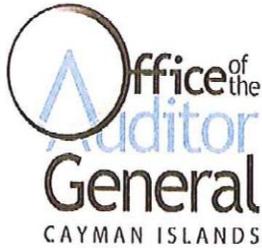


Financial Statements of the Maritime Authority of the Cayman Islands

Year Ended 30 June 2010

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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 balance sheet as at 30 June 2010, the operating statement and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 16 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 (2005 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 Public Sector Accounting Standards (IPSAS). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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.

Basis for Qualified Opinion

As disclosed in Note 8 of the financial statements, pension contributions for eligible employees of the Authority are paid either to the Public Service Pensions Fund or the Chamber of Commerce Silver Thatch Pension Fund. Prior to 1 January 2000, the scheme underlying the Fund was a defined benefit scheme. With effect from 1 January 2000, the Fund has both a defined benefit and a defined contribution element. In March 2005, the Financial Secretary of the Cayman Islands instructed the Authority to recognize its own portion of the past service pension liability from the date of incorporation. To date, Management of the Authority is currently in discussions with the Public Sector Pensions Board in order to obtain a comprehensive understanding of details supporting the June 30, 2010 valuation recommended by the appointed Actuary. Management is not confident with regards to the integrity of the supporting information used within the report and as such has opted not to record the recommended liability of \$173,000 until the issue has been resolved. The impact of such an increase would effectively further increase the loss position reported of \$272,000 to \$402,000 which represents a further decrease of \$130,000.00. As a result, I was unable to conclude if the amount of \$43,000 that the Authority has established as a past service pension liability in these financial statements is fairly stated.

Total foreign exchange gains and losses as recorded in the financial statements amounted to \$130,315 after adjustments. On review it was noted that certain aspects of the account balance was not calculated in accordance with *IPSAS 4 The effects of changes in foreign exchange rates*. The effect of this violation was not determined and quantified and as such I was unable to satisfy myself that the amount reported as gains on foreign exchanges transaction for the financial year ending 30 June 2010 is fairly stated.

The Authority has opted to present its financial statements in accordance with International Public Sector Accounting Pronouncement (IPSAS), however from my review I have observed that all of the requirements for presentation and disclosures under IPSAS have not been complied with. Of note, disclosures required under IPSAS 24 Presentation of budget information in financial statement has not been included in the financial statements, this lack of disclosure is material to the readers' ability to understand these financial statements. Furthermore it is my opinion that the Maritime Authority meets the definition of a Government Business Entity (GBE) and should therefore prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) and not IPSAS. As such, disclosure and other accounting requirements that are required under IFRS have also been omitted from the presentation of these statements.

As a result of the above mentioned issues, I am unable to determine whether the net worth at 30 June 2010 is fairly stated.

Qualified Opinion

In my opinion, except for the possible effects of the adjustments necessary to resolve the discrepancies highlighted above, these financial statements present fairly, in all material respects, the financial position of the Maritime Authority of the Cayman Islands as at 30 June 2010, and the results of its financial performance for the year then ended in accordance with International Public Sector Accounting Standards

Other Matter

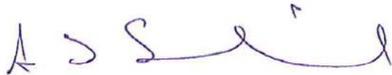
Contingent Liability

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, which may exceed \$800,000, based on my estimate of MACI's UK branch profits of \$3M KYD from July 2006 to June 2010.

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
September 7, 2011



Maritime Authority of the Cayman Islands
Management's Responsibility for Financial Reporting

The accompanying 2010 Financial Statements of the Maritime Authority of the Cayman Islands (MACI) and all information have been prepared by management, who are responsible for the integrity of the information presented. These Financial Statements have been prepared by MACI in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

In meeting its responsibility for the reliability and integrity of the Financial Statements, management has developed and maintains a system that provides the necessary internal controls to ensure transactions are correctly authorized and recorded.

I 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 (2005 Revision).

To the best of my knowledge the financial statements are:

- a) complete and reliable;
- b) fairly reflect the financial position as at 30 June 2010 and the financial performance for the year ended 30 June 30 2010; and
- c) comply with generally accepted accounting practice.

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

August 24th, 2011

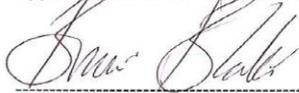
Kenrick Ebanks
Director - Global Operations
Maritime Authority of the
Cayman Islands



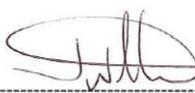
MARITIME AUTHORITY OF THE CAYMAN ISLANDS
BALANCE SHEET
 As at 30 June 2010
 (Expressed in Cayman Islands Dollars)

		<i>June 30, 2010</i>	<i>June 30, 2009</i>
	<i>Notes</i>		
Current Assets			
Cash & Cash Equivalents	17	1,496,367	1,556,253
Accounts Receivable	18	1,816,850	2,419,182
Total Current Asset		3,313,217	3,975,435
Non Current Assets			
Property, Plant & Equipment	7	318,365	347,825
Total Non Current Assets		318,365	347,825
Total Assets		3,631,582	4,323,260
 Current Liabilities			
Accounts Payable	19	242,495	571,070
Unearned Revenue	20	360,504	453,494
Employee Entitlements	21	33,381	80,840
Other Current Liabilities	8/22	244,965	194,988
Total Current Liabilities		881,345	1,300,392
Total Liabilities		881,345	1,300,392
Total Assets Less Total Liabilities		2,750,237	3,022,868
 Net Worth			
Net Operating Surplus/(Deficit)		(272,631)	43,682
Paid up Capital	5	1,500,000	1,500,000
Opening Accumulated Surplus		1,522,868	1,479,186
Total Network		2,750,237	3,022,868

Approved on Behalf of the Board of Directors on August 24th, 2011



 Chairperson
 Bruce Blake



 Chief Executive Officer
 A. Joel Walton

The accompanying notes on pages 8 - 16 form an integral part of these Financial Statements.



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
OPERATING STATEMENT
For the twelve months ended 30 June 2010
(Expressed in Cayman Islands Dollars)

		June 30, 2010	June 30, 2009
	Notes		
Operating Revenue			
Sales of Goods and Services	12	6,396,118	6,171,606
Investment Revenue		1,241	12,333
Other Operating Revenue	13	617,746	476,648
Revenue from Government	14	1,271,654	1,774,684
Total Operating Revenue		<u>8,286,759</u>	<u>8,435,271</u>
Operating Expenses			
Personnel Cost	15	4,263,797	4,428,513
Supplies & Consumables	16	4,290,281	3,937,484
Depreciation	7	137,097	118,384
Total Operating Expenses		<u>8,691,175</u>	<u>8,484,381</u>
Deficit from Operating Activities		<u>(404,416)</u>	<u>(49,110)</u>
Non Operating Revenue & Expenses			
Gains on Revaluation/Disposal of Fixed Assets		1,470	11,281
Gains on Foreign Exchange Transaction		130,315	81,511
Total Non Operating Revenue & Expenses		<u>131,785</u>	<u>92,792</u>
Net (Deficit)/Surplus		<u>(272,631)</u>	<u>43,682</u>



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
CASH FLOW STATEMENT
For the twelve months ended 30 June 2010
(Expressed in Cayman Islands Dollars)

	Change in Cash	Change in Cash
	June 30, 2010	June 30, 2009
	<i>Notes</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Sales of goods and services	6,524,290	6,463,904
Interest received	1,241	12,333
Other receipts	748,061	550,612
Receipts from government	14 1,670,802	1,591,746
Payments		
Personnel costs	(4,279,256)	(4,503,068)
Suppliers	(4,425,493)	(3,787,193)
Other payments	(193,364)	(381,078)
Net cash flows from operating activities	46,281	(52,744)
CASH FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(107,637)	(78,707)
Proceeds from sale of non-current assets	1,470	11,281
Net cash flows from investing activities	(106,167)	(67,426)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Contribution Cabinet	-	-
Net cash flows from financing activities	-	-
Net decrease in cash and cash equivalents	(59,886)	(120,170)
Cash and cash equivalents at beginning of period	1,556,253	1,676,423
Cash and cash equivalents at end of period	17 1,496,367	1,556,253

The accompanying notes on pages 8 - 16 form an integral part of these Financial Statements.

**Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2010
(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 Portfolio of Finance and Economics 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 Public Sector Accounting Standards (IPSAS) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Accounting Standards and United Kingdom reporting standards applicable to the public sector have been used. The measurement base applied is historical cost adjusted for revaluations of certain assets. The reporting currency is Cayman Islands Dollars basis.

3. Reporting Period

The reporting period is the 12 months ended 30 June, 2010.

Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2010
(Expressed in Cayman Islands Dollars)

4. Significant Accounting Policies

- a. Investments. Short-term investments are valued, on a monthly basis at amortized cost and long term investments are valued at quoted market value. Unrealized gains or losses are recorded in the income statement.
- b. Foreign Currency. 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 income statement. Assets and liabilities are translated at the exchange rate in effect at the Balance Sheet date.
- c. Sale of Goods and Services (including user charges and fees). 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 of receipt.
- 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.
- 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 cash flow statement, cash and cash equivalents consist of current and call deposit and fixed deposit maturing within 90 days from the date of acquisition.
- j. Accounts Payable. Account Payables are recorded at the amount owing after allowing for credit notes and other adjustments.
- k. Employee entitlements. Amount 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 21)
- l. Employee benefits. Obligation for contribution to defined contribution and defined benefits pension plans are recognized as an expense in the income statement as incurred. (See Note 8)
- m. Comparative Information. The Financials for MACI provide comparable information for year on year performance for 30 June 2009.

**Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2010
(Expressed in Cayman Islands Dollars)**

5. 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 2008. 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.

6. 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\$1,048,887
Lease Obligation for 6 -11 years	£101,451	CI\$ -

7. Fixed Assets

	Furniture & Fixture	Leasehold Improvement	Office Equipment	Computer Equipment	Other Assets / Booth Displays	Total
Original Cost						
Balance at 30/06/09	146,294	53,852	104,412	253,939	43,650	602,147
Additions:	29,389	29,054	10,196	17,498	21,500	107,637
Reclassification:	(10,752)	0	0	0	10,752	0
Disposals:	0	0	0	0	0	0
Balance at 30/06/10	164,931	82,906	114,608	271,437	75,902	709,784
Accumulated Depreciation						
Balance at 30/06/09	34,711	5,520	41,098	149,918	23,075	254,322
Additions:	29,257	15,181	23,602	58,419	10,638	137,097
Reclassifications:	(351)	0	0	0	351	0
Disposals:	0	0	0	0	0	0
Balance at 30/06/10	63,617	20,701	64,700	208,337	34,064	391,419
Net Book Value at 30/06/10:	101,314	62,205	49,908	63,100	41,838	318,365
Net Book Value at 30/06/09:	111,583	48,332	63,318	104,020	20,575	347,825

**Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2010
(Expressed in Cayman Islands Dollars)**

8. 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.

The total amount recognized as a pension expense during the year ended June 30, 2010 was \$270,991 (2009: \$312,401). The schemes are valued by independent Actuaries. The latest actuarial valuation was done as at 1 July 2009.

1 July 2009

Net Present Value of Funded Obligation	(789)
Fair Value of Plan Assets	558
	(231)
Unrecognized Net Gains	188
Net Liabilities in Balance Sheet	(43)

The distribution of the Plan Assets at 1 July 2009, based on the share of the total Fund allocated to the Authority was as follows:

Equity Investments	44%
Bond Investments	49%
Cash/Property/Other	7%
Total	100%

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

Economic Assumptions Used to Determine Benefit Obligations at June 30th, 2009

1) Discount Rate	5.75%
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%

**Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2010
(Expressed in Cayman Islands Dollars)**

8. Defined Benefit Pension Obligation (continued)

Economic Assumptions Used to Determine Net periodic Benefit Cost for Year ending June 30th, 2009

1) Discount Rate	6.75%
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%

Management is not confident with regards to the integrity of the data used in the 2010 IAS19 Actuarial Valuation. As such discussions are being held with the Public Service Pension Board's Actuary. No liability for the year ended has been included in these Financial Statements.

9. 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 2010. 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 following Government department/entities provided services to MACI during 2010:

- i. Treasury Department
- ii. Legal Department
- iii. Public Service Pension Board (see Note 8)
- iv. Computer Services Department
- v. Immigration Department
- vi. Customs Department
- vii. Audit Office

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.

10. Financial Instruments

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.

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.

Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2010
(Expressed in Cayman Islands Dollars)

11. Restatement of Financial Statements for Financial Year ending June 30, 2009

No Restatement.

12. Sale of Goods and Services

	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Registration	268,645	260,276
Surveyor Fees	4,443,935	4,279,568
Crew Compliance	575,208	565,214
Tonnage	<u>1,108,330</u>	<u>1,066,548</u>
<i>Total Fees and Charges</i>	<u><u>6,396,118</u></u>	<u><u>6,171,606</u></u>

**Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2010
(Expressed in Cayman Islands Dollars)**

13. Other Operating Revenue

	<i>June 30, 2010</i>	<i>June 30, 2009</i>
GMDSS Radio Log Book	3,403	3,239
Official Log Books	8,282	8,118
Merchant Shipping Legislation	3,364	4,315
Oil Record Book	6,232	5,002
Garbage Record Book	1,892	1,230
Cargo Record Book	1,148	287
Refund of Revenue	(2,731)	(17,490)
Courier and Postal Charges	130,571	132,787
Exhibition Fees	34,561	26,000
Miscellaneous Fax	11,079	14,152
Communications Charges	41	157
Red Ensign Flags	7,667	7,380
24 Hour Rush Fees	13,292	13,998
Administrative Rate	2,039	1,136
Professional/Surveyor Rate	164	1,100
Consultative Rate	210,384	161,529
Website Marketing Fees	10,045	35,038
Out-of-Office Surcharge	4,408	2,768
Over-the-Counter Surcharge	68,883	74,743
Training/Workshops	5,600	700
MACI Consultancy	94,841	-
Wire Transfer Fee	2,581	459
<i>Total Other Operating Revenue</i>	<u>617,746</u>	<u>476,648</u>

14. Revenue from Government

	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Policy Advice to Cabinet	566,194	328,944
Provision to Technical Advice and Support to Government Agencies, Private Sector and General Public	330,920	546,428
Registration of Marine Vessels and Advice, Assistance and Advocacy	-	308,976
State Inspections and Investigations Services	374,540	394,836
Long Range Identification and Tracking of Ships (LRIT)	-	195,500
<i>Total Revenue from Government</i>	<u>1,271,654</u>	<u>1,774,684</u>

**Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2010
(Expressed in Cayman Islands Dollars)**

15. Personnel Cost

	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Salaries and Wages	3,664,023	3,752,531
Pension Expense	270,992	312,401
Other Personnel Cost	376,242	362,850
Movement in Annual Leave Provision	(47,460)	731
<i>Total Personnel Cost</i>	<u>4,263,797</u>	<u>4,428,513</u>

16. Supplies and Consumables

	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Supply of goods and Services	3,385,152	3,001,493
Operating Lease Rental	711,765	554,913
Other	193,364	381,078
<i>Total Supplies and Consumables</i>	<u>4,290,281</u>	<u>3,937,484</u>

17. Cash and Cash Equivalents

	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Bank Accounts	831,851	694,403
Fixed Deposits	664,516	861,850
<i>Total Cash & Cash Equivalents</i>	<u>1,496,367</u>	<u>1,556,253</u>

18. Accounts Receivables

	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Sales of Goods & Services	1,662,801	1,832,104
Prepayments	89,374	141,233
Cabinet Receivables	228,856	610,026
Other Receivables	35,819	35,819
<i>Total Gross Receivables</i>	<u>2,016,850</u>	<u>2,619,182</u>
Less Provision for Doubtful Debts	<u>200,000</u>	<u>200,000</u>
<i>Total Net Receivables</i>	<u>1,816,850</u>	<u>2,419,182</u>

**Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2010
(Expressed in Cayman Islands Dollars)**

19. Accounts Payables

	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Trade Creditors	<u>242,495</u>	<u>571,070</u>
<i>Total Payables</i>	<u><u>242,495</u></u>	<u><u>571,070</u></u>

20. Unearned Revenue

	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Revenue Deposits	<u>360,504</u>	<u>453,494</u>
<i>Total Unearned Revenue</i>	<u><u>360,504</u></u>	<u><u>453,494</u></u>

21. Employees Entitlements

	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Leave Entitlements	<u>33,381</u>	<u>80,840</u>
<i>Total Employee Entitlements</i>	<u><u>33,381</u></u>	<u><u>80,840</u></u>

22. Other Current Liabilities

	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Due to Government Departments	201,965	183,988
Defined Benefit Liability	<u>43,000</u>	<u>11,000</u>
<i>Total Other Current Liabilities</i>	<u><u>244,965</u></u>	<u><u>194,988</u></u>