



MARITIME AUTHORITY OF THE CAYMAN ISLANDS

Annual Report

2008 - 2009

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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

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

AUTHORISATION AFFIDAVIT

30 June, 2009

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, 2008 – 30 June, 2009, 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, J.P.
CEO

STATEMENT FROM THE CHAIRPERSON

This report covers the Maritime Authority of the Cayman Islands' (MACI) fourth successful year since its independent inception and restructuring, established 1 July 2005. At the fiscal year's ending, 30 June 2009, MACI reported an operating profit of \$.04 million, despite severe economic downturns on a global scale, which speaks highly of this dynamic organisation and its leadership, with Mr. Joel Walton at the helm since the beginning.

It is well established that Cayman, as the world's fifth largest financial centre, has been put on the global map as a result of the preeminence of its financial services. I, however, note with pride that Cayman has also been put on the global map as a result of the Shipping Registry arm of MACI, flying the Cayman Islands Red Ensign across the Seven Seas and being one of the most respected registries in the world. Such a feat for such a small country has its roots in the more than a century-old respected tradition of Caymanian seafarers sailing the globe; although we now have a more modernised approach, our reach and our reputation in all things maritime remain strong and enviable throughout the world.

I wish to take this opportunity to also recognise the dedication and contribution of the Board of Directors with which I have had the pleasure to work during these challenging times. Their input and steadfast approach have been of incalculable worth to the organisation and I thank them for their efforts and the time they have so generously given.

I would also wish to thank Mr. Joel Walton for his energetic and effective leadership of the MACI organisation, which has made my job as Chair that much easier. I wish him, the global staff of MACI and my successor much continued progress and fair winds for the organisation.

Sharon Roulstone, N.P.
Chairperson, MACI Board

STATEMENT FROM THE CEO (DESIGNATE)

As noted by the Chairperson in her Message, the 2008/9 fiscal year was marked by an economic downturn on a worldwide scale, but the Maritime Authority of the Cayman Islands (MACI) nevertheless managed to weather the financial doldrums and stay the course. In keeping with the times, we of course effected necessary and prudent restraints, while maintaining a front-line, high-profile presence in global marketing efforts.

Since we are a far-flung organisation, with nine geographic locations, we were pleased this year to finally launch CISIS, the Cayman Islands Shipping Information System, a key component of MACI operations. This puts George Town, Grand Cayman, Headquarters and the European Regional Office in Southampton, U.K. on the “same page” as it were, with a shared technology platform, thereby enabling access to real-time vessel and accountancy information.

In January, 2009, we were on-time and compliant for the initiation of the Government-enacted Freedom of Information legislation.

And, at that same time, we effected an organisational restructuring to more efficiently delineate and codify overall areas of responsibility, which are reflected within the pages of this Annual Report.

The foundation of our organisation, the Cayman Islands Shipping Registry, despite the downward economic climate, saw yet another upward trend.

At the close of the fiscal year, we had identified and secured alternative office accommodation which would become our new, more convenient and comfortable home beginning in the next calendar year, an inevitable boost to staff morale.

We moved our first Mediterranean port office from Cannes, France, to the Principality of Monaco, and brought on board a highly skilled surveyor to work out of that location, the hub of yachting activity in the Mediterranean.

Our continuing dedication to committed excellence in client services is recognised by the world’s superyacht owners, keeping Cayman’s Red Ensign the number one choice.

A. Joel Walton, J.P.
CEO (Designate), 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 the UK, Bermuda, Cayman, Gibraltar and the Isle of Man. All of these so-called “Red Ensign” Registries can register vessels of any size/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 Portfolio of Finance and Economics, 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 on 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 (MACI) was first appointed by the Governor in August 2005, and all members were reappointed for a further (final) period of two years during the 2007/8 reporting period; additionally, last fiscal year, two members, Messrs. Lemuel Hurlston and Robb Maass were appointed to a period of two years. The Board 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 who deal with such matters that would otherwise rest with a Board-appointed sub-committee.

PROFILES OF THE DIRECTORS

Ms. Sharon Roulstone, NP – Chairperson

Ms. Roulstone is a Partner with the law firm of Turner & Roulstone and is a principal of Turner & Roulstone Management Company Limited. She is also a Principal and Director of DHL International (Cayman) Ltd.

Ms. Roulstone currently serves as Chairperson of the Maritime Authority of the Cayman Islands and of the Work Permit Board, Cayman Islands Department of Immigration. She has also been appointed by the Governor as Deputy Chair of the Public Service Appeals Commission.

Ms. Roulstone obtained an LLB (Hons.) from the University of Liverpool, England, in 1994, and qualified as an attorney-at-law in 1996. She is also a Notary Public.

Mr. Sydney Coleman, NP – Deputy Chairperson

Mr. Coleman qualified as a Chartered Accountant in 1966. He was previously the Managing Director of a UK company involved in the mechanical engineering industry. From 1983 to present he has been the Chief Executive Officer of Paget-Brown Trust Company Limited.

Mr. Coleman is a founding member of the Shipping Sector Consultative Committee (now the Maritime Sector Consultative Committee) and has maintained an active role, acquiring an insight into the functions and role of the CISR in particular, and maritime affairs in general. Mr. Coleman is a past president of the Cayman Islands Company Management Association and has held positions with the Cayman Islands Association of Professional Accountants, the Cayman Islands Chamber of Commerce and the Cayman Islands Chamber of Commerce Pension Plan.

Mr. Woodward Terry, NP - Director

Mr. Terry holds a BS in Business Administration from Morgan State University in Baltimore, Md., and an LLB from the University of Liverpool, England, and has been admitted to practice law in the Cayman Islands.

He joined the Cayman Islands civil service in 1977 where he served until 1992. During this time he held the position of Registrar General, which included responsibility for the register of shipping, companies, trusts, patents & trademarks, partnerships, marriages, births and deaths, and public records.

In 1989, he was transferred to the Department of Finance and served as Deputy Financial Secretary.

In 1992, Mr. Terry left the civil service to establish his own law firm, Woodward Terry & Company, which, in addition to other services, concentrates on the registration of ships and the formation and management of companies and trusts.

Mr. Terry is a member of the Cayman Islands Chamber of Commerce and the Caymanian Bar Association, and a founding member and active participant of the Shipping Sector Consultative Committee (now known as the Maritime Sector Consultative Committee or MSCC). He has also served on several public sector boards and committees.

Mr. Andrew Eden, JP - Director

Mr. Eden, J.P., has an extensive seafaring background, having sailed for 17 years after deciding as a teenager to follow his dream to be a marine engineer. At the age of 24, Mr. Eden became one of the youngest Caymanians to obtain a Chief Engineer's License.

Mr. Eden is a past president, and a current council member of the Cayman Islands Seafarers' Association.

Mr. Eden is the only Board member who has served at sea and through his experience can represent the contribution of seafarers to the maritime industry.

Mr. Errol Bush, MBE - Director

Mr. Bush is a past Director of the Cayman Islands Port Authority. As such, he has extensive experience in shipping in the context of port operations. During his tenure as Port Director, Mr. Bush maintained close links with the then CISR and, even before the emergence of the maritime security measures, he fully supported and kept abreast of the Port State Control efforts being mounted in Cayman.

Mr. Bush was also closely involved with the Caribbean Shipping Association, which deals with a wide spectrum of maritime-related matters. During his tenure as Director of the Port Authority of the Cayman Islands, Mr. Bush also served as Chairman of the American Association of Port Authorities for the year 1996/7 (only the 2nd Caribbean port director to be appointed in its then 86-year history) and as a Director of the International Association of Port and Harbours for the years 1996 to 2001.

Mr. Lemuel Hurlston, CVO, MBE, JP - Director

Mr. Hurlston retired as Chief Secretary (and Deputy Governor) in 1995 after 26 years of public service.

In 1997, he was named Managing Director of Montpelier Properties (Cayman) Limited.

He was appointed a Justice of the Peace in 1983, a Notary Public in 1986 (since surrendered) and has twice been honoured by Her Majesty the Queen, first in 1989 with the award of the Most Excellent Order of the British Empire (MBE), and again in 1994 with the Commander of the Royal Victorian Order (CVO).

Mr. Hurlston is a Director of Sagicor Life of the Cayman Islands Limited, and a former Director of the Cayman Islands National Insurance Company (CINICO), as well as the

first Chairman of the National Roads Authority. In 2007, he was appointed as a Commissioner to the Civil Service Appeals Commission.

Mr. Hurlston is a past president of the Kiwanis Club of Grand Cayman, a past chairman of the National Council of Voluntary Organisations, and President of the Justices of the Peace Association. He is also a founding member of the Civil Service Credit Union and served as its Treasurer twice, and President, three times.

He has also served as the Cayman Islands representative for the British Executive Service Overseas (BESO).

He was educated at Wandsworth College, London..

Mr. Robb Maass – Director

Mr. Maass is a shareholder in Alley, Maass, Rogers & Lindsay, PA, a full-service law firm with offices in Palm Beach and Stuart, Florida. He holds an AB from Princeton University and a JD from Yale University. Mr. Maass heads the firm's Admiralty Department, which specialises in marine transactions. He and the other lawyers in his Department represent a broad spectrum of the marine industry, including yacht owners, crew, manufacturers, dealers, brokers, and vendors.

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

Mr. Walton is the Chief Executive Officer (Designate) of the Maritime Authority of the Cayman Islands and Director of the Cayman Islands Shipping Registry. He holds a B Admin (Hons) from Brock University, Canada, and an MBA from the University of Windsor, Canada, with a specialization in Finance and Planning.

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

Mr. Walton has held appointments on a number of boards and committees in the public and private sector. He is currently Chairman of the Maritime Sector Consultative Committee, the Cayman Turtle Farm Board, and the Cayman Brac Economic Development Committee, and Deputy Chairman of the Cayman Islands Monetary Authority Board and member of the Cayman Islands Health Services Authority Board.

Mr. Marco Archer – MACI Board Secretary & Ex-Officio Member

Mr. Archer, a former Director of Finance & Information Technology with the Maritime Authority, is currently employed at Mourant Du Feu & Jeune law firm as an Associate. Prior to this, he served in the Cayman Islands Civil Service, which he joined in 1989, and held several posts including that of Senior Statistician until 1999 and Senior Assistant Secretary in the Portfolio of Finance and Economics until 2004.

Mr. Archer holds a BSc in Economics and Finance from Barry University, USA; an MBA from the University of Miami, Florida; an LLB (Hons) from the University of Liverpool, England; and a Diploma in Legal Practice from The College of Law in the UK. He also holds a Certificate in Project Preparation and Management from the Caribbean Development Bank. Mr. Archer is a member of the Executive Committee for Generation NOW and a member of the Elmslie Memorial Church.

KEY MANAGEMENT PERSONNEL

CEO (Designate) & Director, CISR

A. Joel Walton, JP

Director – Global Commercial Services

Alfred C. Powery

Director – Global Operations

Kenrick A. Ebanks

Director – Global Safety & Compliance

Gregory V. Evans

Deputy Director – Head Office, and Head of Section (Yachts)

Peter C. Southgate

Deputy Director – Safety, Survey & Inspection – Europe

Michael Jennings

Head, Quality Management Systems & Special Projects

Sian Pairaudeau

Head, Human Resources & Administration

Glenda Dilbert-Davis

Head, Business Development & 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. This section is responsible for processing several types of registrations including: new, interim and provisional vessel registrations; transfers of ownership; vessels under construction; demise charter (bareboat), and registration of mortgages in accordance with the Merchant Shipping Law (2004).

At the end of the calendar year 2008, the Registry had achieved its best year ever in its more than 100 years of existence, with a total of 275 new units registered, bringing the units on register, at that point in time, to 1,737, totaling 3.7 million gross tons. Registrations recognised all three Cayman ports of entry: George Town (Grand Cayman), Blood Bay (Little Cayman), and The Creek (Cayman Brac), thereby broadening the geographic scope of the Registry.

Continuing on in the ensuing busy 2008/9 fiscal year, there were 237 new vessels registered, bringing the total number of vessels on the Register to 1,793 and the gross registered tonnage to 3.7 million tons, as at 30 June, 2009. Of the 1793 vessels, 251 were commercial (merchant) vessels. In the 2008/9 fiscal year, the Register increased by 5.1% as compared to the previous fiscal period of 2007/8. In addition to its growth, the Registry continued to attract reputable owners to it. This success represents an increase in revenue and an enhanced reputation for the Cayman Islands.

MACI, through the newly designated “Global Commercial Services” division, was able to develop an attractive and very competitive fixed annual tonnage fee for vessels 87,500 gross tons and over, and during the third and last quarter of the fiscal year a campaign to promote the new fee structure was carried out in the Far East region, namely Singapore, Hong Kong and Japan.

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 continued in its ongoing pursuit of negotiations regarding a St. Lucia Consultancy Agreement toward establishing the latter's own maritime regime.

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 2009, totaled CI\$8.435 million, a CI\$.927 million, or 11 percent increase, over \$7.508 million for 30 June 2008. Operating expenses for 30 June 2009, totaled CI\$8.484 million, a 1.315 million, or 18 percent increase, over \$7.169 million for 30 June 2008. MACI reported a deficit of CI\$0.05 million from operating activities and an overall net surplus of CI\$0.04 million resulting from a gain of CI\$.09 million on foreign exchange earnings.

The balance sheet included in the audited Financial Statements for the year 1 July 2008 to 30 June 2009, indicates that MACI's total assets were valued at CI\$4.323 million and total liabilities at CI\$1.300 million, resulting in a net worth of CI\$3.023 million. For the period of 1 July 2007 to 30 June 2008, MACI's total assets were valued at CI\$4.339 million and total liabilities at CI\$1.334 million (restated), resulting in a net worth of CI\$3.005 million (restated).

Financial Statements for 1 July 2008 to 30 June 2009, were audited by the Auditor General on 14 October 2010 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.

Key to this goal, the Cayman Islands Shipping Information System (CISIS) was implemented with modules for the Accounts, Crew Compliance and Registration sections. CISIS is a centralised application and database system that allows all MACI offices to access "real time" vessel and accounts information. A Voice over Internet Protocol telephone system was implemented in the European Regional Office (ERO), 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 ERO was successfully implemented and this allows the joining of the two networks, ensuring secure and easily available access to enterprise applications and shared drives.

INFORMATION MANAGEMENT

The Freedom of Information Law (FOI) commenced 5 January 2009. Prior to this date, all MACI staff were "sensitized" and trained in how to deal with requests. A MACI FOI manager was trained during a 3-day course held by the Government FOI Unit and policy and procedures were written and promulgated throughout MACI to ensure ongoing transparency, compliance and commitment to the Freedom of Information legislation. The MACI website was also updated in order to be FOI-compliant.

ENTERPRISE CONTENT MANAGEMENT

The Administration section joined with Finance/Information Technology and undertook a lead role, in partnership with the Computer Services Department (CSD), in extensive preparation for the implementation and testing/evaluation of the pilot project for the Content Management System within the HR/Admin. Section. to date, MACI has completed all required tasks in this planning phase.

HUMAN RESOURCES AND ADMINISTRATION

On 1 January 2009, the Authority relocated its Head Office operations to the second floor of Strathvale House on North Church Street in George Town, with a view overlooking Hog Sty Bay and the many cruise ships which come to call.

The organisation officially adopted the “Go Green” initiative and, as a result, the office’s used paper, envelopes, and newspapers are being recycled by being given to pre-schools and the C.I. Humane Society for further use. A change in brand of photocopy paper to one more cost-effective as well as bio-degradable, and a streamlined requisition process for stationery and office supplies, along with a discounted rate from the vendor, were brought on line.

MACI SCHOLARSHIPS

Two maritime scholarships were made available by the Ministry of Education through the Education Council for the 2008/9 academic year. The purpose of the scholarships is to increase the competencies of Caymanians (both young and more mature persons) in the maritime industry. MACI was asked to take the responsibility for the promotion of the scholarships and the selection process.

Five applications were received and, following interviews, the panel recommended to the Education Council that two applicants be awarded scholarships.

GLOBAL SAFETY & COMPLIANCE

SAFETY & COMPLIANCE

Safety and Compliance continued to meet its financial targets for the fourth consecutive financial period. During the period 2008/9 the budget figure for chargeable hours was exceeded by approximately 30 percent.

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), together with a series of initiatives instigated by the Management Committee, the organisation has continued to improve the quality of the Register's fleet. A significant milestone in this area was reached by attaining the Tokyo MOU "White List" status; this was originally set as a target to be achieved by the end of 2009, but due to the exceptional performance of the Registry's fleet, the entry criteria were achieved by the end of 2008.

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 2008.

Cayman also hosted the inaugural Caribbean MOU, Port State Control Inspectors training forum, 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)

Cayman ships greater than 1,000 gross tons, including private yachts, were required to comply with the "Bunker Convention" by 21 November 2008; all ships were able to meet the deadline and a total of 252 certificates were issued.

Amendments to the Safety of Life at Sea Convention required 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 by the deadline of 1 July 2009.

MACI spearheaded the development of the significant 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 Safety and Compliance, and a draft document produced for consideration during the Red Ensign Group Technical Forum, which was to take place in October 2009. This highly technical and important document was several years in the making, and drafted in conjunction with the Red Ensign Group.

GLOBALISATION OF TECHNICAL SERVICES

Following the successful placement, on a temporary basis, of an existing member of staff in the south of France, a permanent technical representative was identified and appointed to work out of Monaco; this has proven to be an extremely popular and welcomed development by MACI’S many clients in the Mediterranean.

CREW COMPLIANCE

In line with MACI’s strategic vision of placing MACI services close to its key clients, a full crew compliance service was established in the European Regional Office in Southampton, U.K. This service is offered as an option to the existing crew compliance services provided by the Head Office, in George Town, Grand Cayman, which, upon application, issues Seafarer’s Discharge Books and Officer Endorsements.

BUSINESS DEVELOPMENT, MARITIME POLICY AND QUALITY SYSTEMS

BUSINESS DEVELOPMENT

The Business Development section is responsible for increasing business for the Shipping Registry and, to this end, annually explores a variety of promotional opportunities. CISR continued to work closely with other agencies to maintain joint business development activities, with enhanced support from the Dept. of Tourism.

Once again, MACI had a prominent presence at the world's most prestigious boat shows and maritime industry symposia – from the Ft. Lauderdale International Boat Show to the prestigious Monaco Yacht Show (where MACI was finally able to secure larger exhibition space after several years of trying), and the Global Superyacht Forum in Amsterdam, wherever premium business was to be found.

Additional partner agencies for cooperative promotions and exhibitions were the Civil Aviation Authority and the Cayman Islands Investment Bureau, as well as the local private sector, including prestigious law firms who generously assisted through their sponsorship of promotional activities and events, such as the “Mojitos in Monaco” and “Spice” parties in Ft. Lauderdale. These prove to be extremely popular promotional/social events for existing and potential clients, including ship owners, yacht managers and other industry professionals.

Event planning and management, as well as strategic marketing campaigns, were used to address specific target markets for further development. For example, a promotional luncheon was organised and hosted in Monaco, to launch the organisation's relocation (from Cannes) to that Principality, the hub of yachting activity in the Mediterranean.

Additionally, a successful development trip to Japan was coordinated with the Registry's representative there, and taking up a recommendation of the Cayman Islands Shipowner's Advisory Committee - Ship Committee, the 13th Annual CISAC-SC meeting was held in Tokyo in May, 2009. This was positively received by all delegates.

MACI continued to attend international fora and had a presence at the inaugural Red Ensign Group Technical Forum, held in the U.K's MCA Headquarters at Spring Place, Southampton, in October, 2008. This was followed by attendance at the Red Ensign Group Conference in May, 2009, hosted by Gibraltar.

CORPORATE COMMUNICATIONS

During the 2008/9 fiscal year, 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.

A Corporate Communications Manual was also developed to bring uniformity to communications across the board and an events management checklist implemented to ensure smooth functioning in that area.

Cayman Registry business development updates, including a successful public relations campaign for the organisation's maritime scholarships, were disseminated via local and overseas media, as well as through the MACI website (www.cishipping.com). Also, staff received additional technical training to further enhance management of the MACI website, thereby increasing efficiency.

Additionally, Corporate Communications assisted with efforts for the organisation to be FOI-compliant by the 1 January 2009 deadline.

CLIENT RELATIONSHIPS

Client Relationships falls under the aegis of Business Development and is charged with ensuring a superior level of customer service satisfaction throughout the organisation. Some 93 percent of client queries were responded to within the organisation's 24-hour target time, with the remaining 7% 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.

During this period efforts continued to create and strengthen an "equal partners" corporate approach amongst the Red Ensign Group (REG). This included the initiation of a REG Technical Forum (TF) to address the technical aspects of interest to the group. Additionally, the first draft of a new Code for passenger-carrying Pleasure Yachts (the PY Code) was completed and assessed by the REG-TF (see p. 21)

MACI representatives were in attendance for the Legal Committee and Maritime Safety Committee meetings of the International Maritime Organization (IMO) held at IMO Headquarters in London.

Work was completed in upgrading the Classification Society Agreements (specifically Det Norske Veritas and Registro Italiano Navale) with MACI's international representatives, providing a broader international presence.

Extensive amendments to the Merchant Shipping Law were submitted to give effect to the Bunkers Convention and to bring further refinements to the ship registration processes. Amendments also submitted for the Maritime Authority Law to address issues of indemnity and to allow a more phased system for Directors' terms of office.

Additionally, this section undertook a major review of the organisation's fiscal structure regarding Annual Tonnage Fees in order to increase MACI's competitive edge in the marketplace.

QUALITY MANAGEMENT SYSTEMS

Additionally, during the 2008/9 year, the Maritime Authority initiated the implementation of ISO 9001, a Quality Management System with international certification/recognition. This will allow MACI to obtain certification in accordance with ISO 9001:2008 in preparation for participation in the International Maritime Organization's Flag State Voluntary Audit Scheme.

APPENDIX 1



Financial Statements of the
Maritime Authority of the Cayman Islands

Year Ended 30 June 2009

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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 2009, 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. 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.

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 Honourable 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. The Authority, however, is not able to quantify the liability as at 30 June 2009 as an actuarial valuation has not been completed for this date. As a result, I was unable to determine if the amount of \$82,000 that the Authority has established as a past service pension liability in these financial statements is fairly stated.

There was an unreconciled difference of \$344,000 between the sales of goods and services receivable sub ledger and the general ledger as at 30 June 2009. The Authority was unable to determine the cause of the variance. Consequently, I am unable to determine whether the accounts receivable balance of \$2.4M reflected in these financial statements is fairly stated

There was an unreconciled variance of \$60,000 between the unearned revenue sub ledger and the general ledger. The Authority was unable to determine the cause of the variance. As a result, I was unable to satisfy myself that the unearned revenue balance of \$453,494 reflected in these financial statements is fairly stated.

Total revenue reported for the financial year was inconsistent with the supporting schedules and other internal documentation by an amount of \$118,000. In addition, the unreconciled variances with the accounts receivable and the unearned revenue totalling \$404,000 may have caused the revenue to be misstated. Consequently, I was unable to satisfy myself that the \$8.5M reported as revenue for the financial year ending 30 June 2009 is fairly stated.

The Authority failed to provide supporting documentation for the balance of \$81,511 included in the operating statement as gain on foreign exchange transactions. As a result, I was unable to satisfy myself that the amount of \$81,511 is fairly stated.

As a result of the inability of the Maritime Authority to satisfactorily address the variances between the above mentioned sub ledgers and the general ledger, as well as an unsupported adjustment to accounts payable of \$278K which was made after the 2008 audit, I am unable to determine whether the net worth of \$3M at 30 June 2009 is fairly stated.

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 2009, and the results of its financial performance for the year then ended in accordance with International Public Sector Accounting Standards and the Maritime Authority Law (2005 Revision)

Matter of emphasis

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

There is uncertainty to date as to whether MACI's UK office (Cayman Islands Shipping Registry) could be called upon by HM Revenue Customs 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.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
October 14 2010



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

The accompanying 2009 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 2009 and the financial performance for the year ended 30 June 2009; and
- c) comply with generally accepted accounting practice.

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

June 1st, 2010

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



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
BALANCE SHEET
As at 30 June 2009
 (Expressed in Cayman Islands Dollars)

		<i>June 30, 2009</i>	<i>June 30, 2008</i>
	Notes		
Current Assets			
Cash & Cash Equivalents	17	1,556,253	1,676,423
Accounts Receivable	18	2,419,182	2,361,360
Total Current Asset		<u>3,975,435</u>	<u>4,037,783</u>
Non Current Assets			
Property, Plant & Equipment	7	347,825	249,218
Other Non Current Assets	8	-	52,000
Total Non Current Assets		<u>347,825</u>	<u>301,218</u>
Total Assets		<u>4,323,260</u>	<u>4,339,001</u>
Current Liabilities			
Accounts Payable	19	571,070	783,333 Restated
Unearned Revenue	20	453,494	322,916
Employee Entitlements	21	80,840	80,110
Other Current Liabilities	8/22	194,988	147,384
Total Current Liabilities		<u>1,300,392</u>	<u>1,333,743</u>
Total Liabilities		<u>1,300,392</u>	<u>1,333,743</u>
Total Assets Less Total Liabilities		<u>3,022,868</u>	<u>3,005,258</u>
Net Worth			
Net Operating Surplus		43,682	419,779 Restated
Paid up Capital	5	1,500,000	1,500,000
Opening Accumulated Surplus		1,479,186	1,085,479 Restated
Total Network		<u>3,022,868</u>	<u>3,005,258</u>

Approved on Behalf of the Board of Directors on June 1st, 2010

Chairman
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 2009
 (Expressed in Cayman Islands Dollars)

		June 30, 2009	June 30, 2008	
	Notes			
Operating Revenue				
Sales of Goods and Services	12	6,171,606	5,480,056	
Investment Revenue		12,333	31,534	
Conference Contributions		-	24,000	
Other Operating Revenue	13	476,648	437,796	
Revenue from Government	14	1,774,684	1,535,000	
Total Operating Revenue		<u>8,435,271</u>	<u>7,508,386</u>	
Operating Expenses				
Personnel Cost	15	4,428,513	4,059,977	Restated
Supplies & Consumables	16	3,937,484	2,995,818	Restated
Depreciation	7	118,384	112,836	
Total Operating Expenses		<u>8,484,381</u>	<u>7,168,631</u>	
Surplus from Operating Activities		<u>(49,110)</u>	<u>339,755</u>	
Non Operating Revenue & Expenses				
Gains/(Losses) on Revaluation/Disposal of Fixed Assets		11,281	(784)	
Gains on Foreign Exchange Transaction		81,511	80,808	
Total Non Operating Revenue & Expenses		<u>92,792</u>	<u>80,024</u>	
Net Surplus		<u>43,682</u>	<u>419,779</u>	Restated

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

		Change in Cash June 30, 2009	Change in Cash June 30, 2008
	<i>Notes</i>		
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sales of goods and services		6,463,904	5,318,328
Interest received		12,333	31,534
Donations received		0	24,000
Other receipts		550,612	310,446
Receipts from government	14	1,591,746	1,189,894
Payments			
Personnel costs		(4,503,068)	(4,198,085)
Suppliers		(3,787,193)	(2,583,864)
Other payments		(381,078)	(6,971)
Net cash flows from operating activities		<u>(52,744)</u>	<u>85,282</u>
CASH FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(78,707)	(87,767)
Proceeds/(Losses) from sale of non-current assets		11,281	(784)
Net cash flows from investing activities		<u>(67,426)</u>	<u>(88,551)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital Contribution Cabinet		-	500,000
Net cash flows from financing activities		<u>-</u>	<u>500,000</u>
Net increase/(Decrease) in cash and cash equivalents		(120,170)	496,731
Cash and cash equivalents at beginning of period		1,676,423	1,179,692
Cash and cash equivalents at end of period	17	<u>1,556,253</u>	<u>1,676,423</u>

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 2009
(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, 2009.

Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2009
(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 2008.

**Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2009
(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	£45,089.22	CI\$419,554.96
Lease Obligation for 2-5 years	£180,356.88	CI\$1,468,442.36
Lease Obligation for 6 -11 years	£146,539.97	CI\$ -

7. Fixed Assets

	Furniture & Fixture	Leasehold Improvement	Office Equipment	Computer Equipment	Other Assets / Booth Displays	Total
Original Cost						
Balance at 30/06/08	113,679	9,981	88,925	265,794	45,139	523,518
Additions:	82,160	53,475	28,108	55,949	1,501	221,193
Reclassification:	0	0	0	0	0	0
Disposals:	(49,545)	(9,604)	(12,621)	(67,804)	(2,990)	(142,564)
Balance at 30/06/09	146,294	53,852	104,412	253,939	43,650	602,147
Accumulated Depreciation						
Balance at 30/06/08	67,150	2,705	28,801	160,454	15,190	274,300
Additions:	27,113	8,007	17,432	57,267	8,565	118,384
Reclassifications:	0	0	0	0	0	0
Disposals:	(59,552)	(5,192)	(5,135)	(67,803)	(680)	(138,362)
Balance at 30/06/09	34,711	5,520	41,098	149,918	23,075	254,322
Net Book Value at 30/06/09:	111,583	48,332	63,314	104,021	20,575	347,825
Net Book Value at 30/06/08:	46,529	7,276	60,124	105,340	29,949	249,218

**Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2009
(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, 2009 was \$312,401 (2008: \$250,600). The schemes are valued by independent Actuaries. The latest actuarial valuation was done as at 1 July 2008.

1 July 2008

Net Present Value of Funded Obligation	(417)
Fair Value of Plan Assets	<u>446</u>
	29
Unrecognized Net Gains	<u>(40)</u>
Net Assets in Balance Sheet	(11)

The distribution of the Plan Assets at 1 July 2008, based on the share of the total Fund allocated to the Authority was as follows:

Equity Investments	46%
Bond Investments	43%
Cash/Property/Other	<u>11%</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, 2008

1) Discount Rate	6.75%
2) Expected Long-Term Return	
On Plan Assets	7.00%
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 2009
(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, 2008

1) Discount Rate	6.25%
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%

The IAS19 Actuarial Valuation is currently being prepared by the Public Service Pension Board's Actuary for the period to June 30th, 2009 and is not yet available for inclusion 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 2009. The Board was retired 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 not appointed.

The following Government department/entities provided services to MACI during 2009:

- 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

- 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.

Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2009
(Expressed in Cayman Islands Dollars)

11. Restatement of Financial Statements for Financial Year ending June 30, 2008

2008 Financial Statements was restated to account for some Prior Year Adjustments. The net effect was a decrease in net profit of \$126,000 and a reduction in net worth of \$278,000

12. Sale of Goods and Services

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Registration	260,277	338,841
Surveyor Fees	4,279,568	3,625,140
Crew Compliance	565,213	489,234
Tonnage	1,066,548	1,026,841
<i>Total Fees and Charges</i>	<u>6,171,606</u>	<u>5,480,056</u>

**Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2009
(Expressed in Cayman Islands Dollars)**

13. Other Operating Revenue

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
GMDSS Radio Log Book	3,239	4,510
Official Log Books	8,118	10,877
Merchant Shipping Legislation	4,315	3,572
Oil Record Book	5,002	9,594
Garbage Record Book	1,230	2,583
Cargo Record Book	287	369
Refund of Revenue	(17,490)	(9,004)
Courier and Postal Charges	132,787	97,835
Exhibition Fees	26,000	0
Miscellaneous Fax	14,152	10,416
Communications Charges	157	693
Red Ensign Flags	7,380	9,348
24 Hour Rush Fees	13,998	19,628
Administrative Rate	1,136	2,214
Professional/Surveyor Rate	1,100	1,991
Consultative Rate	161,529	148,510
Website Marketing Fees	35,038	8,400
Out-of-Office Surcharge	2,768	8,508
Over-the-Counter Surcharge	74,743	100,849
Training/Workshops	700	6,300
Wire Transfer Fee	459	603
Total Other Operating Revenue	476,648	437,796

14. Revenue from Government

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Policy Advice to Cabinet	328,944	353,220
Provision to Technical Advice and Support to Government Agencies, Private Sector and General Public	546,428	542,800
Registration of Marine Vessels and Advice, Assistance and Advocacy	308,976	235,000
State Inspections and Investigations Services	394,836	403,980
Long Range Identification and Tracking of Ships (LRIT)	195,500	
Total Revenue from Government	1,774,684	1,535,000

Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2009
(Expressed in Cayman Islands Dollars)

15. Personnel Cost

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Salaries and Wages	3,752,531	3,546,284 Restated
Pension Expense	312,401	250,600
Other Personnel Cost	362,850	274,750
Movement in Annual Leave Provision	731	(11,657)
<i>Total Personnel Cost</i>	<u>4,428,513</u>	<u>4,059,977</u>

16. Supplies and Consumables

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Supply of goods and Services	3,001,493	2,676,898 Restated
Operating Lease Rental	554,913	311,949
Other	381,078	6,971
<i>Total Supplies and Consumables</i>	<u>3,937,484</u>	<u>2,995,818</u>

17. Cash and Cash Equivalents

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Imprest	-	273,172
Bank Accounts	694,403	129,207
Fixed Deposits	861,850	1,274,044
<i>Total Cash & Cash Equivalents</i>	<u>1,556,253</u>	<u>1,676,423</u>

18. Accounts Receivables

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Sales of Goods & Services	1,832,104	2,013,763
Prepayments	141,233	65,268
Cabinet Receivables	610,026	390,484
Other Receivables	35,819	81,845
<i>Total Gross Receivables</i>	<u>2,619,182</u>	<u>2,561,360</u>
Less Provision for Doubtful Debts	<u>200,000</u>	<u>200,000</u>
<i>Total Net Receivables</i>	<u>2,419,182</u>	<u>2,361,360</u>

**Notes to the Financial Statements
FOR THE YEAR ENDING 30 JUNE 2009
(Expressed in Cayman Islands Dollars)**

19. Accounts Payables

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Trade Creditors	<u>571,070</u>	<u>783,333</u> Restated
<i>Total Payables</i>	<u>571,070</u>	<u>783,333</u>

20. Unearned Revenue

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Revenue Deposits	<u>453,494</u>	<u>322,916</u>
<i>Total Unearned Revenue</i>	<u>453,494</u>	<u>322,916</u>

21. Employees Entitlements

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Leave Entitlements	<u>80,840</u>	<u>80,110</u>
<i>Total Employee Entitlements</i>	<u>80,840</u>	<u>80,110</u>

22. Other Current Liabilities

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Due to Government Departments	<u>183,988</u>	<u>147,384</u>
Defined Benefit Liability	<u>11,000</u>	<u>-</u>
<i>Total Other Current Liabilities</i>	<u>194,988</u>	<u>147,384</u>

23. Uncertainty relating to United Kingdom Tax Status

The Maritime Authority of the Cayman Islands (MACI) conducts its operations within the United Kingdom in such a manner as to preclude it from being subjected to United Kingdom corporation tax or VAT. On this basis, the Maritime Authority does not expect to be required to pay United Kingdom corporation tax or VAT.

However, as there is uncertainty as to the activities that constitute an entity such as MACI being subjected to United Kingdom corporation tax or VAT, there can be no assurance that HM Revenue and Customs would not contend that the MACI is subject to United Kingdom corporation tax or VAT. As such, there remains the possibility that the MACI may have contingent liabilities in this regards.