



Annual Report

2011 - 2012

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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, 2012

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, 2011 – 30 June, 2012, to all relevant parties.

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

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

A. Joel Walton, JP
CEO, MACI

STATEMENT FROM THE CHAIRPERSON

On behalf of the Board of Directors of the Maritime Authority of the Cayman Islands (MACI), I am pleased to present to you MACI's annual report for the year ending 30 June, 2012.

This fiscal year, the organisation has continued to face many constraints due to the ongoing decline in the global economy. Needless to say, this has presented MACI with many challenges, to which it has risen to the occasion in a very professional manner, as is to be expected from the Authority.

MACI has continued to remain at the cutting edge with continual revision of domestic legislation to keep current with international maritime standards, as well as technological advancements to better facilitate day-to-day operations for employees and clients alike. Meanwhile, the Authority has also provided a restructuring of fees which continues to rival other flag states and keep clients satisfied, while further attracting business.

With much global uncertainty ahead, MACI continues to remain very confident in the solid foundation which it has built over the years. I am proud of the way in which the organisation has manoeuvred its way through many obstacles and has triumphantly endured through the troubled times.

I remain optimistic for a more positive fiscal year 2012/13.

Bruce Blake
Chairperson, MACI Board of Directors

STATEMENT FROM THE CEO

The fiscal year 2011/12 was marked by MACI accomplishing many noteworthy achievements, which have continued to reinforce MACI as a truly prestigious flag administration.

The Registry achieved its best year ever, in its more than 100 years of existence, in terms of both the total number of vessels registered and total gross tonnage, representing an enhanced reputation for the Cayman Islands.

Embracing the e-commerce philosophy, a number of technological advancements were made this period through the introduction of the Cayman Islands Regulatory Intelligence System (CIRIS) to provide MACI's ship operators with concise, up-to-date regulatory information on a subscription access basis. As part of CIRIS, the Laws and Administrative Procedures (LAP) Manual and associated examination for officer candidates was developed and implemented to enable seafarers to demonstrate proficiency in Cayman Islands laws and procedures.

The United States Coast Guard (USCG) has again recognised MACI for its excellent Port State Control record and listed the Cayman Islands among the elite qualifying flag administrations eligible for the prestigious Qualship 21, which attests to the high-quality vessels registered within the Cayman Islands.

Furthermore, MACI's white list status across all the major Port State Control Memoranda of Understanding ranking systems was augmented by the designation of "low risk," following the final report of the Voluntary IMO Member State Audit Scheme, commenced during the 2010/11 period. This was a major achievement and a significant benefit to the ships that fly the Cayman flag.

In demonstration of MACI keeping abreast of developments in the maritime legislation, significant work has commenced on the complete revision of the Merchant Shipping Law, and in preparation for the implementation of the Maritime Labour Convention.

In a bid to remain competitive, MACI carried out an in depth review of its Annual Tonnage Fee structure.

During this period, the Authority introduced an annual series of fora and seminars, commencing in Monaco and Turkey, with the purpose to reinforce Cayman as a jurisdiction of vessel registration.

Concluding another successful year, in spite of many economic challenges, MACI has managed to stay the course once again, and has continued to prove itself an aggressive contender on an international level, meanwhile continuing to stay ahead of its competition with regard to revamping of legislation, provision of services, innovating technology and competitive pricing.

We look forward to the new fiscal year 2012/13.

A. Joel Walton, JP
CEO, MACI

ABOUT THE MARITIME AUTHORITY

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

ROLE AND FUNCTIONS

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

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

RELATIONSHIP BETWEEN THE CAYMAN ISLANDS AND THE UNITED KINGDOM GOVERNMENTS

The Authority is wholly-owned by the Government of the Cayman Islands, but governed by a Board of Directors appointed by the Governor of the Cayman Islands. MACI reports to the Cabinet of the Cayman Islands through the Ministry of Finance, but is also answerable to the UK Secretary of State via the UK Maritime and Coastguard Agency for the effective implementation of relevant international maritime and related Conventions that have been ratified by the UK Government and, hence, extended to Cayman.

RELATIONSHIP WITH THE PRIVATE SECTOR

In recognition of the global nature of shipping, and the need for MACI to have the benefit of local and international advice, two bodies were established, namely, the Maritime Sector Consultative Committee (MSCC) and the Cayman Islands Shipowners' Advisory Council (CISAC), which includes the Cayman Islands Shipowners' Advisory Council – Yacht Committee (CISAC–YC), as of the 2006/7 fiscal year.

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

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

INTERNATIONAL REGULATORY ENVIRONMENT

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

- The International Maritime Organization: The main international standard-prescribing body responsible for safety of life at sea, maritime security and the protection of the marine environment.
- The International Labour Organization: This body establishes international standards for employment and working conditions for seafarers.

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

BOARD OF DIRECTORS

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

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

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

PROFILES OF THE DIRECTORS

Mr. Bruce Blake - Chairperson

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

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

Mr. Bruce Putterill - Deputy Chairperson

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

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

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

Mr. Dennis Hunter - Director

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

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

Mr. James C. Parsons, Jr. - Director

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

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

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

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

Mr. John P. Wolf - Director

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

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

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

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

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

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

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

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

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

Mr. Pappadakis, upon graduating from College, joined the family firm of A.G. Pappadakis & Co. Ltd. in London as management trainee, progressing through multiple assignments, and eventually to the head of chartering and operations of the family firm and fleet (112.000 TDW O/B/O vessels, 30-60.000 TDW tankers, 40-77.000 bulk carriers, 23.000 TDW multipurpose/heavy lift vessels – 16.500 cargo liners and twin deckers at various periods). Prior to this, Mr. Pappadakis had served periods at sea as an apprentice on tankers, dry cargo and bulk carrier vessels. Eventually he became in charge of the family maritime and aviation interests.

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

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

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

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

KEY MANAGEMENT PERSONNEL

(As at 30 June, 2012)

CEO

A. Joel Walton, JP

Director – Global Operations

Kenrick A. Ebanks

Director – Global Safety and Compliance

Gregory V. Evans

Registrar of Shipping

Lorna Washington

Chief Advisor, Maritime Policy and Legislative Development

Capt. W. Barrie Rial

Advisor, Maritime Policy and Legislative Development and Shipping Master

Peter C. Southgate

Head, Quality Management Systems and Special Projects

Sian Pairaudeau

Head, Human Resources and Administration

Glenda Dilbert-Davis

Head, Business Development and Client Relationships

Exie Tomlinson-Panton

GLOBAL COMMERCIAL SERVICES

REGISTRATION

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

At the end of the 2011/12 fiscal year (1 July, 2011 – 30 June, 2012), the Registry had achieved its best year ever for the historic Register with regard to the total number of vessels on the Register, 1895, and total gross registered tonnage, 4.0 million gross tons. During this period, 186 new vessels registered. Of the 1895 vessels on the Registry, 247 were commercial (merchant) ships. The increase in gross tonnage is due to the organisation's heightened efforts in targeting the merchant industry.

The CISR has representation in 11 locations globally: George Town, Grand Cayman - Head Office; European Regional Office - Southampton, UK; London; USA; Monaco; Greece; Italy; The Netherlands; Singapore; Hong Kong and Japan. This global service network ensures CISR's ability to effectively serve its international clientele.

MACI CONSULTING

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

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

During the current reporting period, MACI Consulting continued in its on ongoing registration training programme for industry stakeholders from the George Town office from 26 - 27 July, 2011 and on 26 April, 2012. The courses were well received by all delegates and will be continued during the next financial period.

GLOBAL OPERATIONS

FINANCE

Operating revenue for 30 June, 2012, totaled CI\$8.984 million, a CI\$.023 million, or 0.26% decrease, over CI\$9.007 million for 30 June, 2011. Operating expenses for 30 June, 2012 totaled CI\$9.140 million, a CI\$.001 million decrease, over CI\$9.141 million for 30 June, 2011. MACI reported a deficit of CI\$0.156 million from operating activities.

The balance sheet included in the Audited Financial Statements for the year ended 30 June, 2012, indicates that MACI's total assets were valued at CI\$3.641 million and total liabilities at CI\$1.034 million, resulting in a net worth of CI\$2.607 million compared to CI\$2.616 million for the period ended 30 June, 2011, where MACI's total assets were valued at CI\$3.699 million and total liabilities at CI\$1.083 million.

Financial Statements for 1 July, 2011 to 30 June, 2012, were audited by the Auditor General on 31 October, 2012 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 utilises technology to gain efficiencies across the Maritime Authority's operations.

As part of its efforts to develop new products to improve business acumen with its clients, MACI launched the Laws and Administrative Procedures (LAP) Examination System. LAP is part of a broader state-of-the-art technology platform known as the "Cayman Islands Regulatory Intelligence System" (CIRIS). LAP is designed to assist Masters and Officers of Cayman-flagged vessels to be able to demonstrate proficiency in Cayman Islands laws and procedures in support of their application for a Cayman Islands Endorsement. CIRIS is a hyperlinked pathway to searchable versions of the most current maritime laws and regulations of the Cayman Islands. It also provides access to Shipping Notices, Shipmaster's and Yachtmaster's Guides and online forms. Both LAP and CIRIS are offered to clients and the public via MACI's public website (<http://www.cishipping.com>).

Other systems implemented this fiscal year included online transcripts and MACI Dashboard – an executive management tool that provides executives with a dashboard view of MACI's performance across all sections. The Maritime Authority launched a controlled document portal that provides a web-hosted platform where the most up-to-date versions of documents can be accessed by internal staff and the public alike. The portal provides a secure, fully auditable trail of document versioning. The controlled document portal is yet another tool implemented by MACI that allows for the highest service level to its clients.

INFORMATION MANAGEMENT

During the 2011/12 period, MACI continued to develop and improve its records management program and has now started to actively destroy Human Resource and Finance records in accordance with the Authorised Disposal Schedules developed by the Cayman Islands National Archive.

HUMAN RESOURCES AND ADMINISTRATION

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

During this period, one employee joined MACI in the Head Office within the Registration section; and two employees joined in the ERO within the HR and Administration, and Finance and IT sections. One promotion was awarded in the Head Office within the Finance and IT section; two employees were awarded promotions in the ERO within the HR and Administration, and Survey and Compliance sections. One Surveyor Consultant was also promoted. MACI appointed three Consultant Surveyors responsible for survey and audit functions within the following Regions: Europe, USA, Hong Kong, Brazil and Singapore.

The 2012 Maritime Scholarship & Awareness Programme resulted in the receipt of one applicant who did not meet the criteria. Therefore, no maritime scholarship was awarded for this period.

The Cayman Islands Government confirmed Cabinet's approval of funding regarding re-fitting costs of MACI's revised office space in the new Government Administration Building. The re-fitting is slated to be completed in September 2012, with MACI being relocated in October 2012; a timeframe which was accepted by MACI and its Board, providing MACI's office lease in its current location is resolved.

By the end of 2011, MACI's Business Crisis and Continuity Management Plan was developed and circulated to its operations globally. MACI also introduced a Wellness and Community Awareness Programme in 2011, which MACI's Head Office and ERO employees embraced by participating in various events.

GLOBAL SAFETY & COMPLIANCE

The Safety and Compliance section continued to support MACI's strategic targets and objectives during another period of achievement and consolidation, in addition to exceeding budget revenue expectations.

PORT STATE CONTROL

The Safety section continued to support MACI's quality objective ensuring "White List" status across all the Port State Control Memoranda of Understanding (PSC MOUs). This included eligibility for entry into the prestigious United States Coast Guard Qualship 21 programme. Through the fleet quality monitoring and follow-up initiative, MACI was able to maintain its PSC performance and the quality of the register's fleet with a global detention to inspection ratio in 2011 of 1.58%.

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 2011.

REGULATIONS (DEVELOPMENT AND IMPLEMENTATION)

During this period, Cayman continued to co-chair the Red Ensign Group, Technical Forum (REG-TF). This forum has proven to be an excellent launching pad for the development of new regulations and formulation of policy within the Red Ensign Group. The REG-TF was intrinsic in providing technical input during the development of the Passenger Yacht Code (established in the 2010/11 fiscal period) and continues to review and, where applicable, update the current regulations based on industry feedback.

CREW COMPLIANCE

The Crew Compliance section enjoyed another very successful year providing crew compliance documentation including Seafarer's Discharge Books and Officer Endorsements from two of its global locations – George Town, Grand Cayman and Southampton, UK, supported by the satellite offices in Monaco and Ft. Lauderdale. During this period, MACI developed software for a redesigned crew compliance module to streamline the current process and produce a credit card size officer endorsement - initial staff feedback has been very positive.

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 2011/12 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 noteworthy events included the Cayman Yacht Seminar – Monaco 2011 (held during the Monaco Yacht Show in September 2011) and the Cayman Yacht Forum – Turkey 2012 (following the biennial Posidonia 2012 commercial shipping show in June 2012). Both events were introduced by the Authority with the purpose to reinforce the Cayman Islands as a jurisdiction for vessel registration, while securing private sector support and participation, and targeting lawyers, brokers and other decision makers.

Other significant achievements during this period included the Business Development section assisting with the design of the imminent credit card style Cayman Islands Endorsements, to be issued by the Crew Compliance section; as well as the designs for the Cayman Islands Regulatory Intelligence System (CIRIS) and Laws and Administrative Procedures (LAP) Examination System.

With regard to the client relationships aspect of this section, some 72% of client queries were responded to within the organisation's 48-hour target time, with the remaining 28% requiring somewhat more time to satisfactorily answer. Additionally, MACI employees in both the Head and European Regional Offices received training on the newly implemented Customer Feedback Procedure to capture significant queries, complaints and compliments, based on specified criteria, throughout all sections of the organisation, which is in keeping with the recently effected ISO 9001:2008 certification.

MARITIME POLICY AND LEGISLATIVE DEVELOPMENT

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

During this period, the Maritime Policy and Legislative Development section commenced a project to conduct a complete revision of the Merchant Shipping Law, 2008 Revision. The last full revision was in 2001 and there have been several notable developments in the international Conventions over the past decade and whilst these

changes were encapsulated in the form of amendments to the primary law, it was felt that a complete revision of the current Merchant Shipping Law is needed. The project, which involved the engagement of Maritime Law expert, Professor Mukherjee, commenced in April 2012 and is due to be completed in late 2012.

Also achieved in this period was the extension completion of the Regulations giving effect to MARPOL Annex VI and the successful extension of the Protocol to the Cayman Islands. In addition to the above, the Maritime Policy section continued to monitor and maintain the Passenger Yacht Code, and the 2nd Edition was published in January 2012. Preparations also continue towards the implementation of the Maritime Labour Convention, which is due to enter into force in the very near future.

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 2011/12 period, MACI continued to improve the quality management systems and practices to re-affirm customer satisfaction and excellence. The Authority remained committed to maintaining a high level of standards in accordance to the ever changing business environment and clients' business needs.

APPENDIX 1



**Maritime Authority of the
Cayman Islands
Financial Statements
For the year ended June 30, 2012**

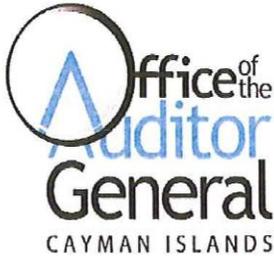


FINANCIAL STATEMENTS OF THE
MARITIME AUTHORITY OF THE CAYMAN ISLANDS

Year Ended 30 June 2012

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

I have audited the financial statements of the Maritime Authority of the Cayman Islands, which comprise of the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of cash flows and the statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 21 and in accordance with Section 17(1) of the Maritime Authority of the Cayman Islands law 2005 (2008 Revision) and Section 60(1)(a) of the Public Management and Finance Law (2012 Revision).

Management's Responsibilities for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Maritime Authority of the Cayman Islands as at 30 June 2012, and the results of its financial performance for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 23 of the financial statement which describes the material subsequent event in relation to the 87% reduction in the Revenues from Government. Our opinion is not qualified in respect of this matter.

Other Matter**Contingent Liability**

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

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

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



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
October 31, 2012



STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

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

The financial statements fairly present the financial position, financial performance and cash flows of the Maritime Authority of the Cayman Islands for the financial year ended 30 June 2012.

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

- (a) completely and reliably reflect the financial transactions of Maritime Authority of the Cayman Islands for the year ended 30 June 2012;
- (b) fairly reflect the financial position as at 30th June 2012 and performance for the year ended 30th June 2012;
- (c) comply with the provisions of the Public Management and Finance law (2010 Revision) and International Financial Reporting Standards.

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

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

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

Date: October 26 2012



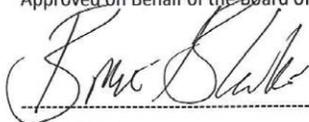
MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

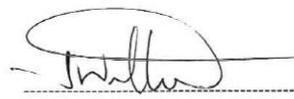
(Expressed in Cayman Islands Dollars)

		<i>June 30, 2012</i>	<i>June 30, 2011</i>
Assets			
Current Assets			
Cash & Cash Equivalents	5	900,812	1,314,885
Trade and Other Receivables (net)	6	<u>2,365,872</u>	<u>2,054,645</u>
Total Current Assets		3,266,684	3,369,530
Property, Plant & Equipment	7	<u>374,601</u>	<u>329,944</u>
Total Assets		<u><u>3,641,285</u></u>	<u><u>3,699,474</u></u>
Equity and Liabilities			
Current Liabilities			
Accounts Payable	8	306,815	300,634
Revenue Deposits	9	297,498	281,001
Employee Entitlements	10	48,025	42,115
Other Current Liabilities	21	<u>68,675</u>	<u>-</u>
Total Current Liabilities		721,013	623,750
Other Liabilities	11	<u>313,000</u>	<u>459,384</u>
Total Liabilities		<u><u>1,034,013</u></u>	<u><u>1,083,134</u></u>
Equity			
Contributed Capital	12	1,500,000	1,500,000
Retained Earnings		<u>1,107,272</u>	<u>1,116,340</u>
Total Equity		<u><u>2,607,272</u></u>	<u><u>2,616,340</u></u>
Total Equity and Liabilities		<u><u>3,641,285</u></u>	<u><u>3,699,474</u></u>

Approved on Behalf of the Board of Directors on October 31st, 2012



Chairperson
Bruce Blake



Chief Executive Officer
A. Joel Walton

The accompanying notes on pages 8 - 21 form an integral part of these financial statements.



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012
 (Expressed in Cayman Islands Dollars)

		June 30, 2012	June 30, 2011
	Notes		
Revenue			
Sales of Goods and Services	13	5,984,899	5,828,423
Tonnage Revenue		1,232,319	1,069,240
Revenue from Government	14	1,093,942	1,280,652
Other Income	16	672,356	828,757
Total Revenue		8,983,516	9,007,072
Expenses			
Personnel Cost	17	4,031,200	4,323,917
Professional Services		1,510,098	1,271,796
Other Expenses	18	1,176,361	1,247,444
Operating Lease and Utilities		960,791	971,537
Travel, Business Development and Training		772,368	598,582
Survey Related Expense		549,076	592,432
Depreciation	7	140,074	135,261
Total Expenses		9,139,968	9,140,969
Net Loss		(156,452)	(133,897)

The accompanying notes on pages 8 – 21 form an integral part of these financial statements.



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF CHANGE IN EQUITY
As at 30 June 2012
(Expressed in Cayman Islands Dollars)

	Retained Earnings	Contributed Capital	Total
Balance at 30 June 2010	1,250,237	1,500,000	2,750,237
Net Loss for 10/11	<u>(133,897)</u>	<u>-</u>	<u>(133,897)</u>
Balance at 30 June 2011	1,116,340	1,500,000	2,616,340
Net Loss for 11/12	(156,452)	-	(156,452)
Debt Forgiveness by C.I. Government	<u>147,384</u>	<u>-</u>	<u>147,384</u>
Balance at 30 June 2012	<u><u>1,107,272</u></u>	<u><u>1,500,000</u></u>	<u><u>2,607,272</u></u>

The accompanying notes on pages 8 - 21 form an integral part of these financial statements.



MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF CASH FLOWS
 For the year ended 30 June 2012
 (Expressed in Cayman Islands Dollars)

	June 30, 2012	June 30, 2011
<i>Notes</i>		
Cash Flows Used In Operating Activities		
(Net Loss)	(156,452)	(133,897)
Adjustments for:		
Depreciation	140,074	135,261
(Gain)/ Loss on Assets	(500)	4,380
Increase in Receivable	(311,227)	(237,795)
Increase in Payables	6,181	58,139
Increase/(Decrease) in Revenue Deposits	16,497	(79,503)
Increase in Employee Entitlements	5,910	8,734
Increase in Other Liabilities	69,675	214,419
Net cash used in operating activities	<u>(229,842)</u>	<u>(30,262)</u>
Cash Flows Used in Investing Activities		
Acquisition of Fixed Assets	(184,731)	(152,202)
Sale Proceeds Fixed Assets	500	982
Net cash used in investing activities	<u>(184,231)</u>	<u>(151,220)</u>
Net decrease in cash and cash equivalents	(414,073)	(181,482)
Cash and cash equivalents at beginning of period	1,314,885	1,496,367
Cash and cash equivalents at end of period	5 <u>900,812</u>	<u>1,314,885</u>

The accompanying notes on pages 8 - 21 form an integral part of these financial statements.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2012
(Expressed in Cayman Islands Dollars)

1. Organization and Objectives

The Maritime Authority of the Cayman Islands ("MACI", "Authority") is a statutory corporation formed as a separate legal entity under the Maritime Authority of the Cayman Islands Law (2005) which came into effect on July 1, 2005. The Authority is wholly-owned by the Government of the Cayman Islands but governed by a Board of Directors appointed by the Governor of the Cayman Islands. MACI reports to the Cabinet of the Cayman Islands through the Ministry of Finance, Tourism and Development but is also responsible to the United Kingdom Secretary of State via the UK's Maritime and Coastguard Agency (UK MCA) for the effective implementation of the relevant international maritime and related Conventions that have been ratified by the UK Government and extended to Cayman.

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

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

2. Basis of preparation

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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2012
(Expressed in Cayman Islands Dollars)

2. Basis of preparation (Continued)

Comparative Information –The Financials for MACI provide comparable information for year on year performance for 30 June 2011. Certain Chart of Accounts and Statement of Comprehensive Income line items have been reclassified or renamed in the current year to allow for a fairer presentation during the year. The changes have no impact on the reported net loss or equity. These line items are as follows (with previous descriptions in brackets):

- Other Income (“Other Operating Revenue”)
- Removed (“Non Operating Revenue & Expenses”) and Re-classed under Other Income for fair presentation in the Statement of Comprehensive Income
- Chart of Accounts (“Other Revenue”) previously included under Sales of Goods and Services, re-classed under Other Income

3. Reporting Period

The reporting period is for the year ended 30 June, 2012.

4. Significant Accounting Policies

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

a) Financial Assets and Liabilities

i) Classification

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

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities in the Authority’s financial statements comprise long and short term obligations.

ii) Recognition

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

4. Significant Accounting Policies (Continued)

iii) De-recognition

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

iv) Measurement

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

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

b) Foreign Currency Translation

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

c) Revenue Recognition

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

d) Purchase Agreement

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

e) Expenses

Expenses are recognised when incurred.

f) Receivables and advances

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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2012
(Expressed in Cayman Islands Dollars)

4. Significant Accounting Policies (Continued)

g) 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.

h) Cash and cash equivalents

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

i) Accounts Payable

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

j) Employee entitlements

Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability. (See also Note 10)

k) Employee benefits

Obligation for contribution to defined contribution and defined benefits pension plans are recognized as an expense in the statement of Comprehensive Income as incurred. (See Note 17)

l) Use of Estimates

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

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

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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2012
(Expressed in Cayman Islands Dollars)

4. Significant Accounting Policies (Continued)

m) Changes in International Financial Reporting Standards

Standards issued but not yet effective up to the date of issuance of the Authority's financial statements are listed below. This listing of standards and interpretations issued are those that the Authority reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Authority intends to adopt these standards when they become effective.

- i. IAS 1 - Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (effective for periods beginning on or after July 1, 2012) - The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Authority's financial position or performance.
- ii. IAS 19 - Employee Benefits (Amendment) (effective for periods beginning on or after January 1, 2013) - The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The Authority is currently assessing the full impact of the amendments.
- iii. IFRS 9 – Financial instruments (effective for periods beginning January 1, 2013) – addresses classification and measurement of financial instruments and replaces portions of IAS 39. Financial instruments can only be measured at amortized cost or fair value. Equity securities can only be recorded at fair value. An entity can record unrealized and realized gains or losses in other comprehensive income on an instrument by instrument basis and the election to do so is at initial recognition and this election is irrevocable. Dividend income on these equity securities can be recorded in profit and loss. Debt securities can only be recorded at amortized cost if the objective is to hold financial assets for the collection of contractual cash flows and the contractual cash flows represent solely payments of principal and interest, otherwise debt securities must be carried at fair value.
- iv. An entity can still designate a financial instrument at fair value through profit and loss – however, this is an irrevocable election and the entity has to be consistent with this basis from year to year. The Authority currently does not have any equity or debt securities; however, an assessment will have to be made prior to the issuance of the standard in 2013, where applicable.

5. Cash and Cash Equivalents

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
Bank Accounts	500,504	849,664
Fixed Deposits	400,308	465,221
<i>Total Cash & Cash Equivalents</i>	<u>900,812</u>	<u>1,314,885</u>

Included in the "Bank Accounts" balance is \$297,498 of funds held from Customer's Revenue Deposits and \$68,675 owed to the Cayman Island Government for Coercive Revenue collected on behalf of the Government.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2012
(Expressed in Cayman Islands Dollars)

6. Trade and Other Receivables (net)

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
Sales of Goods & Services	2,055,866	1,882,794
Prepayments	233,492	102,284
Cabinet Receivables (Note 14)	191,129	233,749
Other Receivables	85,385	35,819
Total Gross Receivables	2,565,872	2,254,645
Less Provision for Doubtful Debts	200,000	200,000
Total Net Receivables	2,365,872	2,054,645

An impairment assessment is generally performed periodically by Management and relies on updates from field personnel to decipher if items are likely to be collectable. Once determined, write offs are approved by the CEO or a MACI Director. In 2012, the Authority directly wrote off \$65,359 in receivables.

Aging Profile of Sales of Goods and Services as at June 30, 2012

1-30 Days	\$972,381
30-90 Days	\$593,207
Over 90 Days	\$490,278
Total	\$2,055,866

7. Fixed Assets

	Furniture & Fixture	Leasehold Improvement	Office Equipment	Computer Equipment	Other Assets	Total
Original Cost						
Balance at 30/06/11	165,743	82,906	116,223	332,189	97,391	794,452
Additions:	0	0	10,657	62,668	111,406	184,731
Reclassification:	0	0	0	47,233	(47,233)	0
Disposals:	0	0	0	(20,338)	0	(20,338)
Balance at 30/06/12	165,743	82,906	126,880	421,752	161,564	958,845
Accumulated Depreciation						
Balance at 30/06/11	93,585	37,282	86,336	240,602	6,703	464,508
Additions:	28,980	16,569	16,309	74,445	3,771	140,074
Reclassifications:	0	0	0	0	0	0
Disposals:	0	0	0	(20,338)	0	(20,338)
Balance at 30/06/12	122,565	53,851	102,645	294,709	10,474	584,244
Net Book Value at 30/06/12:	43,178	29,055	24,235	127,043	151,090	374,601
Net Book Value at 30/06/11:	72,158	45,624	29,887	91,587	90,688	329,944

Included in "Other Assets" is an amount of \$142,282 relating to the custom development of the Technical Compliance system which is scheduled to be placed in production October 2012. At that time depreciation will commence with a useful life of three years.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2012
(Expressed in Cayman Islands Dollars)

8. Accounts Payables

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
Trade Creditors (Less Than 30 Days)	281,074	278,794
Trade Creditors (Over 90 Days)	<u>25,741</u>	<u>21,840</u>
<i>Total Payables</i>	<u><u>306,815</u></u>	<u><u>300,634</u></u>

9. Revenue Deposits

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
Revenue Deposits (USD)	223,351	199,850
Revenue Deposits (Euro)	<u>74,147</u>	<u>81,151</u>
<i>Total Revenue Deposits</i>	<u><u>297,498</u></u>	<u><u>281,001</u></u>

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

10. Employees Entitlements

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
Leave Entitlement (Management Committee Members)	11,563	11,457
Leave Entitlement (Managers)	28,392	21,834
Leave Entitlement (Administration)	<u>8,070</u>	<u>8,824</u>
<i>Total Employee Entitlements</i>	<u><u>48,025</u></u>	<u><u>42,115</u></u>

11. Other Liabilities

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
Defined Benefit Liability	313,000	312,000
Due to Government	<u>-</u>	<u>147,384</u>
<i>Total Other Liabilities</i>	<u><u>313,000</u></u>	<u><u>459,384</u></u>

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2012
(Expressed in Cayman Islands Dollars)

12. Capital

The authorised capital of MACI is CI\$1,500,000. The Cayman Islands Government is the sole subscriber and has contributed Paid-Up Capital of CI\$1,500,000 as at 30 June 2012. The Cabinet of the Cayman Islands Government has fulfilled its commitment of contributed Capital to MACI of the required CI\$1,500,000, having contribute equal yearly equity injections.

13. Sales of Goods and Services

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
a) Registration	297,617	280,781
b) Surveyor Fees	4,838,137	4,716,651
c) Crew Compliance	<u>849,145</u>	<u>830,991</u>
<i>Total Sales of Goods and Services</i>	<u><u>5,984,899</u></u>	<u><u>5,828,423</u></u>

a) Registration

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

b) Survey Fees

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

c) Crew Compliance

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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2012
(Expressed in Cayman Islands Dollars)

14. Revenue from Government

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
Policy Advice to Cabinet	482,570	540,691
Provision to Technical Advice and Support to Government Agencies, Private Sector and General Public	155,288	252,881
Registration of Marine Vessels and Advice, Assistance and Advocacy	197,784	237,144
State Inspections and Investigations Services	<u>258,300</u>	<u>249,936</u>
<i>Total Revenue from Government</i>	<u><u>1,093,942</u></u>	<u><u>1,280,652</u></u>

15. Tonnage Revenue

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

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30 2012
(Expressed in Cayman Islands Dollars)

16. Other Income (*Note 2)

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
Professional Service Fee	360,266	424,088
Royalties, Settlement and Other Income	202,904	24,713
Communication/Courier Fee	151,021	156,876
Vessel Books and Products	56,095	49,906
Other Fees (Including Refund of Revenues)	509	8,434
Gain/(Loss) on Revaluation/Disposal of Fixed Assets (*Note 2)	500	(4,380)
(Loss)/Gain on Foreign Exchange Transaction (*Note 2)	<u>(98,939)</u>	<u>169,121</u>
<i>Total Other Income</i>	<u>672,356</u>	<u>828,758</u>

"Royalties, Settlement and Other Income"- This includes an agreed sum as stated in the settlement agreement reached in August 2011 between MACI and their Authorized Reseller. The agreement also provides for an ongoing quarterly payment to MACI for all items authorized to be resold.

17. Personnel Cost

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
Salaries and Wages	3,242,115	3,289,456
Other Personnel Cost	417,445	521,772
Pension Expense	365,730	503,955
Movement in Annual Leave Provision	<u>5,910</u>	<u>8,734</u>
<i>Total Personnel Cost</i>	<u>4,031,200</u>	<u>4,323,917</u>

18. Other Expense

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
Debt Write Off	362,103	442,735
General and Administration Services	427,454	429,064
Maintenance	249,621	212,784
Bank Fees	108,099	108,092
Insurance	<u>29,084</u>	<u>54,769</u>
<i>Total Other Expense</i>	<u>1,176,361</u>	<u>1,247,444</u>

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19. Lease Obligations

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

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

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

20. Defined Benefit Pension Obligation

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

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

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

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20. Defined Benefit Pension Obligation (continued)

The total amount recognized as a pension expense for the Defined Benefit Plan during the year ended June 30, 2012 was \$55,251 (2011: \$52,895). The schemes are valued by independent Actuaries. The latest actuarial valuation was done as at 1 July 2011.

1 July 2011

Net Present Value of Funded Obligation	(1,218)
Fair Value of Plan Assets	<u>937</u>
	(281)
Unrecognized Net (Losses)	<u>(32)</u>
Net Liabilities in Balance Sheet	(313)

The distribution of the Plan Assets at 1 July 2011, based on the share of the total Fund allocated to the Authority was as follows:

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

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

Economic Assumptions Used to Determine Benefit Obligations at June 30th, 2011

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

Economic Assumptions Used to Determine Net periodic Benefit Cost for Year ending June 30th, 2011

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

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21. Related Party Transactions

The Board of Directors of MACI is appointed by the Governor and consists of the Chief Executive Officer, Secretary to the Board as ex-officio members and seven directors as at 30 June 2012. The fees of \$12,125 (2011: \$9,856) relates to payments made to the seven directors and Secretary to the Board only. An employee of MACI is a close family member to a Director of MACI's Board. This employee has been employed by MACI for a number of years, whereas the Director's appointment was more recent. The employee earns an approved MACI annual salary and has no decision making authority. Apart from the disclosed information, there are no other significant related party transactions.

For the purpose of IAS 24 disclosure the CEO is included in the number and cost of the Executive Management Team. The total number of personnel of the Executive Management Team was 4 in 2012 (2011: 4) and salaries and other short term benefits expensed were \$500,520 (2011: \$537,923) and long term benefits expensed were \$38,707.

The following Government department/entities provided services to MACI during 2012 with amounts being expensed:

- i. Treasury Department (\$49,321)
- ii. Computer Services Department (\$257,925); at June 30th, 2012 \$31,004 was included in the Accounts Payable amount
- iii. Immigration Department (\$48,600) at June 30th, 2012 \$4,000 was included in the Accounts Payable amount
- iv. Office of the Auditor General (\$63,502); at June 30th, 2012 \$42,707 was included in the Accounts Payable amount)

MACI is responsible for the registration of vessels and the collection of the related fees which are paid over to the Cayman Islands Government. For the year, \$138,571 represented the value of services provided and of that amount; \$68,675 was unpaid at June 30th, 2012. 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.

MARITIME AUTHORITY OF THE CAYMAN ISLANDS
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22. Financial Instruments

a) Credit Risk

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

b) Fair Value

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

c) Foreign Currency Risk

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

22. Restatement of Financial Statements for Financial Year ending June 30, 2012

No Restatement.

23. Subsequent Events

The Board of Directors of the Maritime Authority of the Cayman Islands (MACI) approved the Purchase Agreement of the 2012/2013 financial year on February 1st, 2012 for \$1,051,399. The original Purchase Agreement between MACI and Cabinet for the 2012/2013 financial year was submitted to the Ministry on February 13th, 2012, for the approved amount of \$1,051,399. In August 2012, the Purchase Agreement approved by the Legislative Assembly was \$133,567, resulting in a reduction of \$917,832 for the 2012/2013 financial year.