



Annual Report 2006-2007



MARITIME AUTHORITY OF THE CAYMAN ISLANDS

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.



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Statement from the Chairperson

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This report covers the Maritime Authority of the Cayman Islands' (MACI) second successful year since its independent inception and restructuring, established 1 July 2005. I am happy to be able to reveal that, at the fiscal year's ending, 30 June 2007, MACI reported an operating profit of some US\$1.59m, a remarkable achievement for such a fledgling organisation.

It has accomplished this successful feat whilst undergoing expansion of its global presence, through staff additions and physical accommodations, yet still maintaining its continued commitment to the provision of excellent service to global shipowners worldwide.

Another testament to MACI's success story is its obtaining the prestigious Qualship 21 status by the United States Coast Guard. The Qualship designation is the highest level of recognition the Coast Guard offers and attests to the high-quality vessels flying Cayman's flag.



I look forward to another bright year as MACI moves forward, going from strength to strength in its maturity as an Authority, furthering the maritime interests of the Cayman Islands on a global basis.

A handwritten signature in cursive script that reads "Sharon Roulstone". The ink is dark and the signature is fluid and elegant.

Sharon Roulstone, NP
Chairperson, MACI Board



Statement from the CEO (Designate)

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I am pleased to report that the year 2006/7 saw continued growth and vigor for the Maritime Authority of the Cayman Islands (MACI). Amongst other achievements, we established technical (survey and audit) services in the Far East, based in Singapore, and also vessel registration capability and commercial representation in South Florida, in Fort Lauderdale, Florida's preeminent boating capital. MACI was able to add advisory services, including survey, crew compliance certification, and safety and technical services within just one year of first opening its South Florida location.

MACI continued to exhibit a high global profile through attendance at a broad variety of international fora by MACI representatives, from the prestigious Monaco Yacht Show to the huge and popular Fort Lauderdale International Boat Show, as well as other far-flung boating/shipping industry events, promoting MACI'S preeminent product, world-class value-for-money services.

Additionally, during this time, we expanded MACI Consulting and upgraded that department's vessel registration training documentation by enhancing, condensing and simplifying the training tools, making them more 'user-friendly'.

We continued our dedication to service excellence, ensuring the maintenance of first-class relationships with our valued clients. And, as a furtherance of that, the

Authority implemented the second phase of the Cayman Islands Shipping Registry's Virtual Office Environment for enhanced electronic accessibility.

The Authority worked diligently to update and streamline MACI's seven international Class agreements as well as the Cayman Islands Government's own maritime legislation.

In-house, we implemented Personal Development Plans for MACI employees and commissioned a MACI Salary/Benefits Review. And in 2006/7 we continued to appreciate the active consultative services provided by our Maritime Sector Consultative Committee (MSCC), the Cayman Islands Shipowners'

Advisory Council (CISAC), and the newly-formed Cayman Islands Shipowners' Advisory Council - Yacht Committee (CISAC-YC).

Concluding a successful year, we ended it on an impressively profitable note (see Chairperson's Message and Financial Statements) and were eager and optimistic to face the challenges of continued expansion in 2007/8.

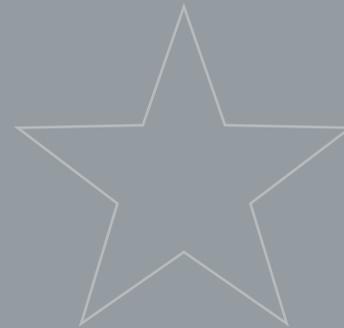
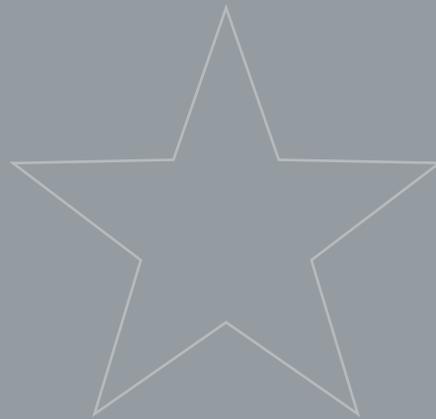
A handwritten signature in black ink, appearing to read 'A. Walton', with a long horizontal line extending to the right.

A. Joel Walton, JP
CEO (Designate), MACI

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About the Maritime Authority of the Cayman Islands

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



Role & Functions of the Maritime Authority

The original Cayman Islands Shipping Registry (CISR) maritime administration structure, which is the main forerunner to MACI, was first 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 Registries can register vessels of any size and type provided that they meet international standards.

The CISR is now a division of MACI; however, there is a number of other critical responsibilities that have been added to the new 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 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
- 6 The responsibility to facilitate the development of the Cayman Islands as an international maritime centre

Relationship with the Cayman Islands and United Kingdom Government

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.

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 now includes the Cayman Islands Shipowners' Advisory Council - Yacht Committee (CISAC-YC), as of the 2006/7 fiscal year.

The MSCC (previously known as 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 that 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 of Cayman-flagged vessels and was formed in 1997. The CISAC-YC also consists of major yacht managers and owners of Cayman-registered vessels and was established in 2007. These bodies are fora 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 (IMO): The main international standard-prescribing body responsible for safety of life at sea, maritime security and the protection of the marine environment.
- International Labour Organisation (ILO): Establishes international standards for employment and working conditions for seafarers.

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





Ms Sharon Roulstone, NP
Chairperson

Mr Sydney Coleman, NP
Deputy Chairperson

Mr Woodward Terry, NP
Director

Mr Andrew Eden, JP
Director



Mr Errol Bush, MBE
Director

Mr Lemuel Hurlston,
CVO, MBE, JP
Director

Mr Robb Maass
Director

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

Mr Marco Archer
MACI Board Secretary
& Ex-Officio Member

Board of Directors

The Board of the Maritime Authority of the Cayman Islands (MACI) was appointed by the Governor in August 2005 and consists of individuals with expertise in the areas of law, financial management, national security, international shipping, corporate services and maritime affairs. In the 2006/7 fiscal year there was one resignation and two new appointments.

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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.

BOARD OF DIRECTORS PROFILES

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 recently been appointed by the Governor as Deputy Chair of the Public Service Appeals Commission and is a member of the National Pensions Board.

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 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 BA in Business Administration from Morgan State University, USA and an LLB from the University of Liverpool, England. He joined the Cayman Islands Civil Service in 1977 where he served until 1992.

11 During this time he held the position of Registrar General which included responsibility for the register of ships, and he also held the position of Deputy Financial Secretary.

In 1992, Mr Terry established his own law firm of 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 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.

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 specialisation 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; 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 completing his Articles. Prior to this, he served in the Cayman Islands Civil Service, which he joined in 1989, and held several posts including that of 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 Executive 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 United Church.

**Key Management Personnel
as at 30 June 2007**

CEO (Designate) & Director, CISR
A. Joel Walton, JP

Divisional Director – Registration,
Human Resources & Administration
Alfred C. Powery

Divisional Director (Acting) –
Finance & Information Technology
Kenrick A. Ebanks

Divisional Director – Safety,
Survey & Inspection – Europe
Gregory V. Evans

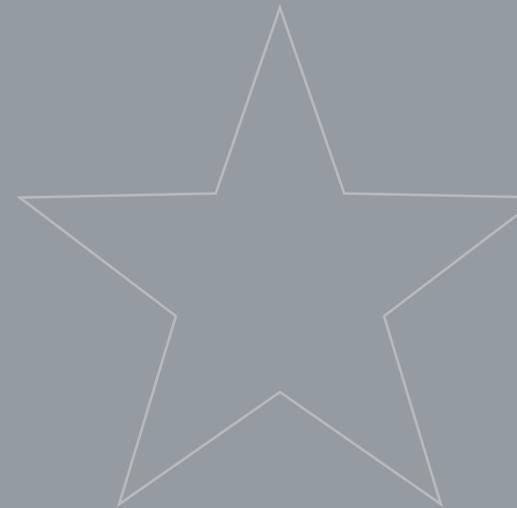
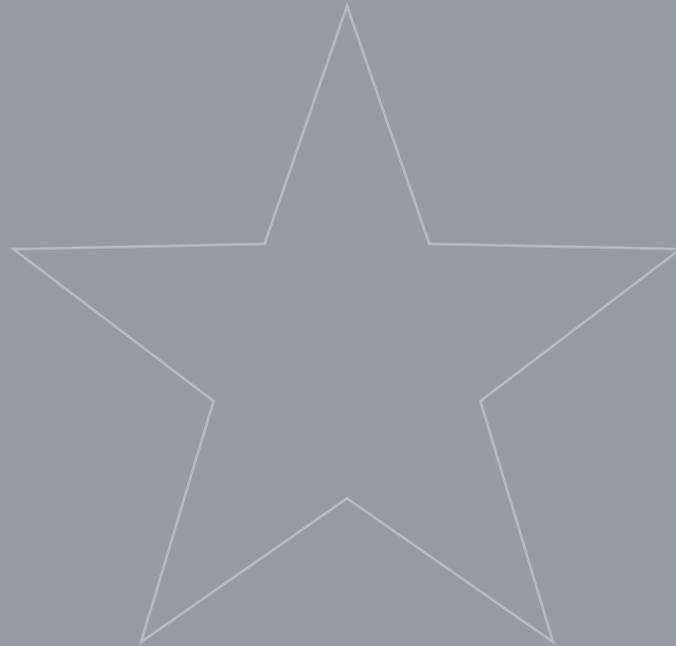
Deputy Divisional Director – Safety,
Survey & Inspection, Head of Section
(Yachts) – Head Office
Peter C. Southgate

Deputy Divisional Director –
Safety, Survey & Inspection – Europe
Michael Jennings

Head, Human Resources
& Administration
Sian E. Pairaudeau

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Maritime Authority of the Cayman Islands Annual Report



Registration, Human Resources & Administration Division

REGISTRATION

The Registration section is a frequent point of contact for clients and it 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 (2005).

In the 2006/7 fiscal year, the Register increased by 8.9% as compared to the previous fiscal period of 2005/6. At the end of this reporting period there was a total of 1,600 vessels on the Register, of which some 350 were commercial (merchant) vessels. This represents a net increase of some 300,000 gross tonnes to the Register, bringing the total tonnage on the Register to 3,440,000. In addition to its growth, the Registry continues to attract reputable owners to its register. This success represents an increase in revenue and an enhanced reputation for the Cayman Islands.

Redesigned forms with online form completion, in addition to online name reservation and the development of a 'Guide to Vessel Registration' booklet have proven to be a more client-friendly approach, providing greater efficiency and delivery of service. Japanese and Greek CISR representatives, as collectors of registration documents, have also enhanced our response time. During the second quarter of the 2006/7 fiscal year, a CISR representative was placed in the South Florida area (Fort Lauderdale) in order to cater to the significant and growing client base in this region. Reports from third and fourth quarters demonstrate its success and scope for growth.

HUMAN RESOURCES & 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 48 employees and five consultants in the Authority's two regional and four representative offices are working to their fullest potential within a supportive environment. In addition, this section oversees all aspects of office management for the Head Office in George Town.

MACI Scholarships

Two Maritime Scholarships were made available by the Ministry of Education through the Education Council for the 2007/8 academic year. The overall purpose of the scholarships is to increase the competencies of Caymanians (young and mature persons) in the maritime industry. MACI was asked to take the responsibility for the promotion of the scholarships and the selection process. Four applications were received and following interviews, the panel recommended to the Education Council that two of them be awarded scholarships.

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Finance & Information Technology Division

15 FINANCE

The Finance section has the responsibility for all financial matters relating to the budget, fee collection, accounts payable and asset management. It is also responsible for the preparation of MACI's financial statements, and the purchase and ownership agreements between the Cabinet and the Authority. The section's objectives are essentially created by the financial requirements of the organisation, its stakeholders and the resources available to MACI.

In just its second year of operation and during the 2006/7 financial year, MACI was able to produce an operating surplus of CI\$1.17 million. This operating surplus was particularly gratifying, as at the end of its first year of operation on 30 June 2006, MACI's operating position ended with an operating loss of CI\$47,000. We achieved this strong operating performance while soundly investing in capital resources, thereby strategically positioning MACI for continued growth. During 2006/7, we invested in a wide variety of IT-based projects

for a broad range of client-focused needs. Financial Statements for 1 July 2006 to 30 June 2007 were audited by the Auditor General on 18 April 2008 and accepted by MACI's Board of Directors on 14 May 2008 and form a part of this Report (see Financial Statements, page 27).

INFORMATION TECHNOLOGY

The Information Technology (IT) section is responsible for providing IT support, IT business and technical solutions that leverage technology to gain efficiencies across MACI.

Virtual Office Environment (VOE)

Key to the business development and the strategic direction of MACI, the VOE project commenced during the 2005/6 reporting period. The VOE project is about utilising Information Technology to provide more efficient back office support systems with centralised and comprehensive databases, and simplified clients' electronic access to services and information. Due to the comprehensive nature of this project, the VOE

will be implemented in different phases with final completion of all phases by the end of the 2007/8 fiscal year.

Within the 2006/7 period, Phase Two has been completed with a primary focus on the VOE, with specific regard to making more services available through our very successful MACI website: www.cishipping.com. The ability to pay for invoices and name reservations with credit cards on the website has been positively received by our clients. All forms are now 'enter-able' and can be printed, faxed or emailed. MACI products such as flags, etc., can now be purchased through our online shopping cart. Headstart, a new subscription service to the Ship's Registry Database, has been launched as a pilot.



Safety, Survey & Inspection Division

17 SAFETY, SURVEY & INSPECTION - OVERVIEW

The primary objective of the Safety, Survey and Inspection Division is to ensure that all Cayman-registered vessels are compliant with international standards and with Cayman legislation, especially with regards to maritime safety, security and marine pollution prevention.

This objective was independently verified in the fiscal period of 2006/7 by the UK MCA during its monitoring visit and as part of the UK's remit to ensure that the Category 1 Shipping Registries uphold the appropriate international standards. Three officers from the MCA spent two weeks with MACI monitoring how these responsibilities are discharged, in the UK and George Town offices. In summary, there were no adverse comments or recommendations; MACI was also complimented on some of its safety initiatives.

In addition, this division has fostered good working relationships with its clients and provides assistance and support on regulatory matters by providing guidance on a day-to-day basis and through the promulgation of Advisories and Shipping Notices. This division includes the following three sections:

- Statutory Compliance & Casualty Investigation (all vessels)
- Yacht Services (Commercial and Pleasure)
- Crew Compliance & Port State Control (Domestic CMOU and the performance of the CISR internationally)

STATUTORY COMPLIANCE & MARINE CASUALTY INVESTIGATION

The Statutory Compliance section has overall responsibility for compliance with applicable standards across the spectrum of vessels on the Register. This section also provides advice and guidance on the interpretation and

implementation of applicable requirements. This includes monitoring all developments at the International Maritime Organization (IMO) to enable MACI to adopt a proactive approach to the changing international statutory regime that governs international shipping.

The last 12 months have seen the introduction of several amendments to the statutory requirements that apply to Cayman Islands ships. Two of the most noteworthy were the major amendments to the requirements of preventing pollution by oil and by noxious liquid substances in bulk (MARPOL Annex I and II) and the phasing in of Voyage Data Recorders (VDR) carriage requirements for a wider range of cargo ships. No significant problems have been reported by Cayman Islands ships in complying with any of the changes to the statutory requirements.

During 2006/7, MACI also increased the capability to respond to marine casualties and accidents wherever they may occur. Surveyors from both the George Town and UK offices were trained by IMO to act as Casualty Investigators under the 'Code for the Investigation of Marine Casualties and Incidents'. The number of such incidents reported to MACI rose to 23 in 2006/7 from

16 in the previous 12 months. Analysis of the reports shows that this increase was due to better reporting practices, rather than an actual increase in marine incidents. Of the 23 reported accidents, only three required a formal investigation with a MACI Casualty Investigator attending at the scene. These incidents were fully investigated and the reports forwarded to IMO for inclusion in their worldwide database of marine casualties. The main findings and recommendations of these investigations are available in the form of a Shipping Notice.

YACHT SERVICES

The role and function of the Yacht Services section is to increase the number of yachts on the Register and to coordinate and provide related technical services to yacht industry clientele.

This year has been another highly successful year for the Authority's Yacht Services section. After achieving an increase from 130 to 180 new-build projects by the end of 2006, a target to reach 220 by the end of 2007 was tentatively set. At the time of writing, the current figure stands at approximately 150 projects for the UK office and close to 60 for those handled by the George Town office, and requests for quotations are still coming in on a weekly basis. Therefore, the target to increase the new-build portfolio for 2007 appears to be achievable at the current market growth. In addition to the number of new-build units, and reflected by the global increase in demand for new yachts, we are receiving quotations from outside the core yacht building areas such as Germany, Holland, Italy, Australia, New Zealand and the USA, with notable growth in South

America, Turkey, and Russia. The UK, China, Taiwan and Japan are also breaking into this lucrative market.

In order to cope with the increased workload, additional survey staff have been recruited, two in the UK office and one in Fort Lauderdale reporting to the George Town office. The survey presence in Fort Lauderdale is considered vital in order to support the increasingly successful representative office in Fort Lauderdale.

Another exciting development for the 2006/7 year was the inauguration of the Cayman Islands Shipowners' Advisory Council - Yacht Committee (CISAC-YC), which took place in February 2007 in George Town. The Yacht Committee is formed of several of the industry's major players and following a very successful first session, the CISAC-YC is likely to serve as a very useful tool in keeping MACI ahead of the competition.

CREW COMPLIANCE

The key role of the Crew Compliance section is to ensure that the competency of masters, officers and crew onboard Cayman Islands registered vessels conform to all the applicable standards under national and international requirements, primarily the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (1978), as amended (STCW Convention).

The discharge of our responsibilities, in the last period of 2006/7, was not without difficulties as the yacht industry is facing a massive shortfall in experienced and certified crew for the many new yachts, either already in service or during the build. This problem is reflected in the many requests that MACI has received

to grant dispensations, mainly to engineers who do not hold appropriate certification or the required sea time, which is a pre-requisite to enable them to upgrade their Certificates of Competency.

The increase in demand for Cayman Islands Endorsements and Seaman's Discharge Books (SDBs) has consequently resulted in a greater staff utilization rate and a subsequent growth in revenue for the 2006/7 financial year.

A contributing factor to the financial performance of the section was the extension of the crew compliance services offered by the Fort Lauderdale office. It is now able to provide 'over the counter' service within 24 hours from the time of an application to the issuance of a Cayman Islands Endorsement or SDB.

PORT STATE CONTROL (DOMESTIC CMOU)

The Cayman Islands endeavours to maintain a leading role in Caribbean Port State Control (PSC) and continues to be seen as one of the most effective and experienced members of the Caribbean Memorandum of Understanding on Port State Control (CMOU).

During this reporting period, this section along with surveyors based in George Town within the Safety, Survey & Inspection Division, have actively participated in PSC inspections of ships visiting Cayman waters under the provisions of the CMOU. The Cayman Islands is required by the CMOU to inspect at least 15% of all individual ships visiting Cayman over a 12-month period.

In the 2006/7 there were 123 distinctive calls into the port of George Town of which 74 were cargo ships. MACI's Port State Control Officers carried out 14 inspections on 11 individual ships equivalent to 18.9% of distinctive cargo ship calls. MACI has adopted a risk-based target approach, and thus primarily focuses on cargo ships. A significant number of passenger ships frequently call at George Town; however, it has been noted that these vessels operate from the USA and are regulated by the United States Coast Guard (USCG). These ships are subject to quarterly control verification examinations; however, a representative sample of passenger ships are inspected by MACI for congruence with the targeting matrix. The effectiveness of the targeting approach has been verified, as 54% of the ships inspected were detained during the period due to major deficiencies contravening international conventions and local regulations.

At the Caribbean Port State Control Committee (CPSCC) inter-sessional meeting, held in Jamaica in May 2006, training was given on the new Caribbean Marine Information (CMI) system used to report on PSC Inspections and to disseminate vital information among participating members.

PORT STATE CONTROL (INTERNATIONAL)

Control performance within the major MOUs and this section is responsible for continually monitoring the performance of each registered vessel within the fleet and working with the owners/managers to ensure all identified deficiencies are promptly dealt with.

The most notable event for MACI during this period is the USCG awarding the Cayman Islands with Qualship 21 status. The Qualship 21 matrix system recognises 'foreign' Flag States which have demonstrated a good safety and pollution prevention record with respect to its ships. As a result, ships in the Qualship 21 system are required to undergo significantly less Port State Control inspections by the USCG whilst in US waters.

This achievement is even more commendable noting that MACI has been elevated from a 'targeted flag' for safety to Qualship 21 status in less than three years and is a testament to the commitment of MACI to operate a quality register and to the high level of professionalism within the organisation.

In the other MOUs, MACI continues to improve its status and has maintained its Paris MOU 'white list' status and is diligently working to move from the Tokyo MOU 'grey list' to the 'white list'. Within the 2006/7 reporting period, there have been a total number of six detentions: one in the USA, three in the Tokyo MOU and two in the Paris MOU.

A series of significant initiatives has been put in place by the MACI Management Committee including a zero tolerance policy for those companies that operate ships outside the acceptable international and national standards.

MACI has also initiated a proactive Port State Control monitoring system where the Port State performance of each ship in each of the major MOUs is analysed on a weekly basis. Those companies that operate ships which are not performing to standard are requested to provide explanations on the defects and corrective actions identified during the PSC inspections. In some cases, where considered necessary, unscheduled PSC visits by MACI surveyors will follow. At least three ships have been requested to leave the Register this year due to their poor safety record.



Maritime Policy & Legislative Development Unit

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MARITIME POLICY AND LEGISLATIVE DEVELOPMENT - OVERVIEW

The Maritime Policy and Legislative Development unit is responsible for the general development of MACI policies in conjunction with the development of appropriate legislation. This is carried out through various activities including the monitoring of general trends and policy development across the maritime industry.

Work on the development of Maritime Policy continued with, inter alia, the on-going review of Classification Society Agreements to reflect recent developments and practices, ensuring that MACI maintains an appropriate level of control over the work of the classification societies carried out on our behalf. Procedures for dealing with Casualty Investigations were further developed and implemented, concurrent with attendance at an International Maritime Organization (IMO) training course on Accident Investigation.

On the legislative front, amendments were brought to the Maritime Authority of the Cayman Islands (MACI) Law as well as to the Merchant Shipping Law (2005 Revision) (MSL). The former brought in changes considered necessary in light of operating experience. For example, the capital borrowing limit was raised above the limit for which Cabinet approval would normally be needed, and provided for the Governor in Cabinet to appoint MACI Board members rather than the Governor in his personal capacity. The MSL 2005 amendments addressed anomalies that existed between the MACI Law and the MSL, and brought in provisions to give effect to heightened limits for oil pollution compensation and access to a Supplementary Oil Pollution Compensation Fund. In addition, additional Ports of Registry were introduced, namely 'The Creek', in Cayman Brac, and 'Bloody Bay', in Little Cayman.





Client Relationships & MACI Consulting Unit

CLIENT RELATIONSHIPS

The primary purpose of Client Relationships is to be the initial point of contact to resolve any and all client issues that may span the spectrum of all services provided by MACI for a positive resolution for all sides involved. The unit also strives to build new or enhance existing relationships with all clients, as well as to help clients discover MACI services/products available to them and to align their goals with our business strategies.

MACI's employees currently have many valued and positive relationships with our various types of clients. The quality of client interactions whether via telephone, email, facsimile or face-to-face, provides a significant business advantage to MACI.

During the fiscal year 2006/7, MACI staff members were briefed on the role of Client Relationships within the organisation. A further update on the development of this area was released through an article in *The Journal* entitled *Smooth Sailing for MACI Clients*.

The Unit has focused on assessing the various business sections of MACI in order to understand how these operate and contribute to organisational efficiency and positive client relationships. Within the past reporting period, client queries were dealt with well within the two days normally allocated, and complaints were usually dealt with within 24 hours.

The issue of holistic data management of the organisation to identify and assess client needs was highlighted this past year and the need for an underlying strong data and research component to the organisation was strongly advocated so as to be able to better meet client needs in all business sections of the organisation. The Unit has also undertaken an ongoing organisational review of the quality of MACI's services and products provided to clients by way of client feedback and monitoring the provision of services.

MACI CONSULTING

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MACI Consulting aims to provide cost-effective consulting services on various maritime issues utilising informed and efficient expertise whilst employing innovative solutions. These services include: Maritime Administration Structures; Financial Aspects of Operating a Maritime Administration; Maritime Legal Services; Conference Organisation; and Training.

Within the 2006/7 fiscal period, significant progress was made in the area of 'Conference Organising and Training' with the development of the Vessel Registration Training Programme. This training programme was held five times locally as well as for the first time in South Florida (Fort Lauderdale). Evaluations of the training programme were made available for participants to assess the set-up and structure of the course in order for MACI to make any adjustments for future training.

Business Development & Corporate Communications Unit

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BUSINESS DEVELOPMENT

The Business Development & Corporate Communications unit is responsible for promoting and ultimately increasing business for the Cayman Islands Shipping Registry. This is done through event planning and management as well as the dissemination of information to specific target markets for the development of the Registry.

The CISR continued to work closely with other agencies to maintain joint business development activities targeting clients that would benefit from the services of all agencies involved. Partner agencies for cooperative promotions and exhibitions included in the past year: the Cayman Islands Civil Aviation Authority; the Cayman Islands Investment Bureau; the Cayman Islands Department of Tourism and the local private sector. In its second year of operations, MACI participated in various marketing and promotional events in order to market the CISR.

Regular suggestions and advice on a range of business development activities were provided by the private sector represented by the MSCC and the CISAC.

CORPORATE COMMUNICATIONS

The key objective of this area is to raise the awareness of MACI and the CISR by updating national and international stakeholders of initiatives and recent developments. This objective is achieved through the dissemination of information via local and overseas media, MACI's website and liaising with, planning and organising meetings for the MSCC and CISAC. This unit is also responsible for establishing and maintaining a consistent brand message through the production and distribution of promotional material.

During the 2006/7 fiscal year, new material for the CISR was developed including an exhibition booth, marketing folders, and *A Guide to Vessel Registration* booklet (in conjunction with the Registration Division). CISR business development updates were disseminated via local and overseas media, MACI's website and by liaising with the MSCC and the CISAC.



Financial Statements

Year Ended
30 June 2007

Certificate of the Auditor General

I have audited the financial statements of the Maritime Authority of the Cayman Islands for the year ended 30 June 2007 as set out on pages 29 to 41 and in accordance with Section 17 (1) of the Maritime Authority of the Cayman Islands Law 2005 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 representation of these financial statements in accordance with International Public Sector Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control 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 and Basis of Opinion

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 control 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 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 2007, and the results of its operations and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards and the Maritime Authority Law (2005 Revision)



Dan Duguay, MBA, FCGA
Auditor General

18 April 2008

Balance Sheet

As at 30 June 2007

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	Notes	June 2007 CI\$'000	June 2006 CI\$'000
CURRENT ASSETS			
Cash & Cash Equivalents	17	1,180	495
Accounts Receivable	18	1,843	950 (Restated)
Inventories		2	1
Total Current Assets		3,025	1,446
Non Current Assets			
Property, Plant & Equipment	7	214	118
Other Non Current Assets	8	48	48 (Restated)
Total Non Current Assets		262	166
Total Assets		3,287	1,612
CURRENT LIABILITIES			
Accounts Payable	19	380	481
Unearned Revenue	20	229	225 (Restated)
Employee Entitlements	21	154	86
Other Current Liabilities	22	230	262
Total Current Liabilities		993	1,054
Total Liabilities		993	1,054
Total Assets Less Total Liabilities		2,294	558
NET WORTH			
Net Operating Surplus/(Deficit)		1,170	(47) (Restated)
Paid Up Capital	5	1,000	500
Opening Accumulated Surplus		124	105 (Restated)
Total Net Worth		2,294	558

Approved on Behalf of the Board of Directors on 1 April 2008

The accompanying notes
on pages 32 to 41 form
an integral part of these
Financial Statements.



Sharon Roulstone, NP
Chairperson



A. Joel Walton, JP
Chief Executive Officer (Designate)

Operating Statement

For the twelve months ended 30 June 2007

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	Notes	June 2007 CI\$'000	June 2006 CI\$'000	
OPERATING REVENUE				
Sales of Goods & Services	12	5,435	3,413	(Restated)
Investment Revenue		8	0	
Donations Received		10	0	
Other Operating Revenue	13	305	125	(Restated)
Revenue from Government	14	1,535	1,535	
Total Operating Revenues		7,293	5,073	
OPERATING EXPENSES				
Personnel Cost	15	3,481	3,064	
Supplies & Consumables	16	2,639	2,064	
Depreciation	7	71	14	
Total Operating Expenses		6,191	5,142	
Surplus/(Deficit) from Operating Activities		1,102	(69)	
NON OPERATING REVENUE & EXPENSES				
Gains/(Losses) on Revaluation/Disposal of Fixed Assets		7	0	
Gains/(Losses) on Foreign Exchange Transaction		61	22	
Total Non Operating Revenue & Expenses		68	22	
Net Surplus/(Deficit)		1,170	(47)	(Restated)

The accompanying notes on pages 32 to 41 form an integral part of these Financial Statements.

Cash Flow Statement

For the twelve months ended 30 June 2007

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	Notes	June 2007 CIS\$'000	June 2008 CIS\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sales of Goods & Services		4,674	2,873 (Restated)
Interest Received		8	0
Donations Received		10	0
Other Receipts		432	2
Receipts from Government	14	1,375	1,953
Payments			
Personnel Costs		(3,450)	(2,995) (Restated)
Suppliers		(2,704)	(1,825)
Other Payments		0	(80)
Net Cash Flows from Operating Activities		345	(72)
CASH FROM INVESTING ACTIVITIES			
Capital Contribution Cabinet		(167)	(65)
Proceeds from Sale of Non-current Assets		7	0
Net Cash Flows from Investing Activities		(160)	(65)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital Contribution Cabinet		500	500
Net Cash Flows from Financing Activities		500	500
Net Increase/(Decrease) in Cash & Cash Equivalents		685	363
Cash & Cash Equivalents at Beginning of Period		495	132
Cash & Cash Equivalents at End of Period	17	1,180	495

The accompanying notes on pages **32** to **41** form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ending 30 June 2007 (expressed in Cayman Islands Dollars)

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1 Organisation 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, 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:

- A The original CISR's vessel and mortgage Registration, Advisory, and marine Survey and Audit services
- B 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
- C 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
- D The responsibility for national maritime policy formulation, the provision of advice on maritime-related matters, and the development of Cayman's maritime-related legislation
- E The responsibility to represent Cayman at international fora and to protect its maritime interests

Notes to the Financial Statements

For the year ending 30 June 2007 (expressed in Cayman Islands Dollars)

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, 2007.

4 Significant Accounting Policies

- A **Investments** Short-term investments are valued, on a monthly basis at amortised cost and long term investments are valued at quoted market value. Unrealised 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 recognised 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. Appropriate allowance has been made for obsolescence.
- 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** Accounts Payable 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 2006.

5 Capital

The authorised capital of MACI is \$1,500,000. The Cayman Islands Government is the sole subscriber and has contributed Paid-Up Capital of \$1,000,000 as at 30 June 2007. The Cabinet of the Cayman Islands Government has committed to increasing the Paid-Up Capital of MACI to \$1,500,000 by the year 2008, by yearly equity injections.

6 Lease Obligation

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 dated 1 September 2003 for the total office space 4,694 sq ft at \$30.00 per sq ft. The lease is for 3 years with 1 year option to renew. The lease expires September 2007 and will operate on a month to month basis thereafter. MACI is currently seeking an alternative location of 8,000 sq ft. Current market trends indicate lease prices at \$47 per sq ft. Lease payments under the operating leases are charged to the income statement in equal instalments over the period of the lease.

Lease Obligation for 1 year	£45,084.76	CI\$140,820.00
Lease Obligation for 2-5 years	£180,339.04	CI\$1,166,957
Lease Obligation for 6-11 years	£270,508.56	CI\$-

Notes to the Financial Statements

For the year ending 30 June 2007 (expressed in Cayman Islands Dollars)

7 Fixed Assets	Furniture & Fixtures	Leasehold Improvement	Office Equipment	Computer Equipment	Other Assets*	Total
ORIGINAL COST	88,917	9,500	48,546	120,437	1,000	268,400
Balance at 30 June 06	16,390	480	48,960	49,930	51,520	167,280
Additions:	0	0	0	0	0	0
Disposals:	105,307	9,980	97,506	170,367	52,520	435,680
Balance at 30 June 07						
ACCUMULATED DEPRECIATION	29,944	475	18,881	100,810	340	150,450
Balance at 30 June 06	15,310	1,205	10,960	43,450	290	71,215
Additions:	0	0	0	0	0	0
Disposals:	45,254	1,680	29,841	144,260	630	221,665
Balance at 30 June 07						
	60,053	8,300	67,665	26,107	51,890	214,015
Net Book Value at 30 June 07:						

* Booth Displays

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% employer's 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 is 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 recognised as a pension expense during the year ended June 30, 2007 was \$63,000 (2006: \$99,000). The schemes are valued by independent Actuaries. The latest actuarial valuation was done as at 1 July 2006.

1 July 2006

Net Present Value of Funded Obligation	(135)
Fair Value of Plan Assets	218
	<hr/>
	83
Unrecognised Net Gains	(35)
	<hr/>
Net Assets in Balance Sheet	48
	<hr/>

The distribution of the Plan Assets at 1 July 2006, based on the share of the total Fund allocated to the Authority was as follows:

Equity Investments	59%
Bond Investments	37%
Cash/Other	4%
	<hr/>
Total	100%

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

Economic Assumptions Used to Determine Benefit Obligations at 30 June 2006

1	Discount Rate	6.25%
2	Rate of Salary Increase	4.00%
3	Rate of Price Inflation	2.50%
4	Rate of Pension increases	2.50%

Economic Assumptions Used to Determine Net periodic Benefit Cost for Year ending 30 June 2006

1	Discount Rate	5.25%
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%

The IAS19 Actuarial Valuation is currently being prepared by the Public Service Pension Board's Actuary for the period to June 30th, 2007 and is not yet available for inclusion in these Financial Statements.

Notes to the Financial Statements

For the year ending 30 June 2007 (expressed in Cayman Islands Dollars)

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 2007.

The following Government department/entities provided services to MACI during 2007:

- A Treasury Department
- B Legal Department
- C Public Service Pension Board (see Note 8)
- D Computer Services Department
- E Immigration Department
- F Customs Department

MACI is responsible for the registration of vessels 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.

11 Restatement of Financial Statements for Financial Year ending June 30, 2006

Restatement required after detailed analysis performed on the June 30, 2006 Financials and identified that a portion of revenue was incorrectly recorded in the June 30, 2007 Financial Year that was to be recorded for June 30, 2006 year. Such portion was then correctly allocated, hence restatement.

After final adjustments to the period, the previously stated operating Deficit of CI\$181,000 (rounded) was reduced to CI\$47,000 (rounded).

12 Sale of Goods and Services

	June 2007 CI\$'000	June 2006 CI\$'000
Registration	245	308
Surveyor Fees	3,591	2,033
Crew Compliance	519	311
Tonnage	1,080	761
Total Fees and Charges	5,435	3,413

13 Other Operating Revenue

	June 2007 CI\$'000	June 2006 CI\$'000
GMDSS Radio Log Book	6	3
Official Log Books	3	5
Merchant Shipping Legislation	3	3
Oil Record Book	9	2
Garbage Record Book	2	0
Refund of Revenue	(15)	0
Courier & Postal Charges	102	70
Exhibition Fees	0	6
Miscellaneous Fax	7	15
Communications Charges	1	1
Red Ensign Flags	4	3
24 Hour Rush Fees	20	4
Administrative Rate	14	2
Professional/Surveyor Rate	31	5
Consultative Rate	50	2
Website Marketing Fees	5	4
Out-of-Office Surcharge	4	0
Over-the-Counter Surcharge	56	0
Training/Workshops	2	0
Wire Transfer Fee	1	0
Total Other Operating Revenue	305	125

Notes to the Financial Statements

For the year ending 30 June 2007 (expressed in Cayman Islands Dollars)

14 Revenue from Government

	June 2007 CI\$'000	June 2006 CI\$'000
Revenue from Government Departments:		
Policy Advice to Cabinet	642	310
Provision of Technical Advice & Support to Government Agencies, Private Sector & the General Public	405	377
Registration of Marine Vessels and Advice, Assistance & Advocacy	297	445
State Inspections & Investigation Services	191	403
Total Revenue from Government	<u>1,535</u>	<u>1,535</u>

15 Personnel Cost

	June 2007 CI\$'000	June 2006 CI\$'000
Salaries and Wages	3,037	2,574
Pension Expense	229	208
Other Personnel Cost	209	196
Movement in Annual Leave Provision	6	86
Total Personnel Cost	<u>3,481</u>	<u>3,064</u>

16 Supplies and Consumables

	June 2007 CI\$'000	June 2006 CI\$'000
Supply of Goods & Services	2,284	1,822
Operating Lease Rental	264	207
Other	91	35
Total Supplies and Consumables	<u>2,639</u>	<u>2,064</u>

17 Cash and Cash Equivalents

	June 2007 CI\$'000	June 2006 CI\$'000
Imprest	179	209
Bank Accounts	1,001	285
Total Cash and Cash Equivalents	1,180	495

18 Accounts Receivables

	June 2007 CI\$'000	June 2006 CI\$'000
Sales of Goods & Services	1,909	1,186
Interest Receivable	0	0
Prepayments	45	4
Cabinet Receivables	128	0
Other Receivables	1	0
Total Gross Receivables	2,083	1,190
Less Provision for Doubtful Debts	240	240
Total Net Receivables	1,843	950

19 Accounts Payables

	June 2007 CI\$'000	June 2006 CI\$'000
Trade Creditors	368	481
Operating Lease Rentals	12	0
Total Payables	380	481

Notes to the Financial Statements

For the year ending 30 June 2007 (expressed in Cayman Islands Dollars)

20 Unearned Revenue

	June 2007 CI\$'000	June 2006 CI\$'000
Revenue Deposits	229	225
Total Unearned Revenue	229	225

21 Employees Entitlements

	June 2007 CI\$'000	June 2006 CI\$'000
Leave Entitlements	154	86
Total Employee Entitlements	154	86

22 Other Current Liabilities

	June 2007 CI\$'000	June 2006 CI\$'000
Due to Government Departments	230	262
Total Other Current Liabilities	230	262



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