

Celebrating  
**100**  
YEARS



# Annual Report 2005-2006

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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.

### **Celebrating 100 Years**

The Cayman Islands Shipping Registry maritime administration structure, main forerunner to MACI, was first set up in 1903 when George Town was established as a British Port of Registry. Shipping, ship building and seafaring were traditionally the principal economic activities for Caymanians.

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ca. 1906  
Ship building has been a key industry  
through the ages for Caymanians





1938

The 'Goldfield', a schooner which made regular trading runs between Tampa and the Cayman Islands

# Statement from the Chairperson

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On behalf of the Board of the Maritime Authority of the Cayman Islands (MACI), it gives me great pleasure to introduce you to MACI's first annual report (1 July 2005 to 30 June 2006), since the reorganisation of the Cayman Islands Shipping Registry (CISR) under the new Maritime Authority of the Cayman Islands as of 1 July 2005.

During its first year of operations, MACI has continued offering world-recognised professional and client focused services to a global market, while certainly manifesting strength to adjust to the new and evolving responsibilities this level of independence from the Cayman Islands Government has presented.

There have been several major contributing factors to ensuring the efficient and dependable delivery of global services to meet the needs of a very sophisticated clientele who demand value for money.

These factors include a successful combination of MACI's highly qualified and experienced multicultural workforce, increased technological resources, competitive rates and the strategic placement of representatives worldwide. In the past year, I have seen a growing awareness of the vital

role of the shipping industry to Cayman and to the international economy, and a growing understanding of the role and functions of the Maritime Authority, largely due to its extensive promotions and continued features in the press. It is therefore my hope that more Caymanians will be encouraged to join this ever evolving industry and appreciate the fascinating and challenging opportunities it provides for our young men and women. I look forward to seeing the traditions which our forefathers were so proudly a part of propelled as job opportunities for our young people become more widely available through maritime administration.

During my first year of chairmanship, I have derived much satisfaction and encouragement from witnessing the many positive changes within the maritime industry in the Cayman Islands. I commend Mr Walton and his

dedicated staff for taking on this challenge as the organisation progresses through its initial stages as an Authority and wish MACI many more years of continuing a tradition of excellence!



**Sharon Roulstone, NP**  
Chairperson, MACI Board





# Statement from the CEO (Designate)

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I've been greatly pleased with the smooth transition during the 'changing of the watch' as the CISR has evolved into the Maritime Authority of the Cayman Islands. Through this critical changeover period, MACI focused much time and effort on ensuring that its performance continued to meet the needs and expectations of all stakeholders, whilst enabling a sound and supportive working environment for its employees.

The guiding principle of the reorganisation is increased efficiency with superior service. This will be supported with a focus on fee-for-service activities including the placement of marine survey, registration and advisory services closer to our clients. This will be achieved whilst maintaining our preeminence in large yachts along with our excellent commercial shipping record in safety, security and marine environmental protection.

## International & National Involvement

In order to keep current with the latest regulatory advancements and the establishment of new standards within the maritime industry internationally, over the

course of the past fiscal year MACI continued to be involved with regulatory organisations and attend structured forums. Such bodies included the International Maritime Organization (IMO), the Red Ensign Group (REG), MARE Forum, and the 11th Caribbean Port State Control Conference (CPSCC) of the Caribbean Memorandum of Understanding (CMOU).

MACI also continues to obtain advice from two main sources within the private sector on maritime affairs namely the Maritime Sector Consultative Committee (MSCC) and the Cayman Islands Shipowners' Advisory Council (CISAC). The MSCC has been instrumental in providing constructive input on proposed maritime-related legislation and

the amendments to the Merchant Shipping Fees Regulations. Similarly, it has demonstrated strong cooperation by recommending various business development opportunities in addition to co-funding exhibitions and promotional events such as the annual Fort Lauderdale International Boat Show and the biennial Posidonia in Greece. The CISAC has maintained dialogue with MACI on enhancing services offered thereby improving the overall quality of the organisation. Business development prospects are also continually suggested by CISAC.

## Internal Operations

Within its first year of operation, MACI has made great strides in augmenting staff skills, technology and resources to operate efficiently and consequently uphold our reputation of quality and high responsiveness.

With the newly formed Human Resources and Administration section, significant outcomes have transpired such as the production and adoption of the MACI Human Resources Manual and an on-going in-house training programme to cross-train all employees within the various sections of the organisation.

To complement employee familiarisation with the organisation's policies, procedures and guide to services, a strategic document entitled 'Building a Global Niche Market Leader' was created for internal use by MACI's employees. As part of the reorganisation plans for MACI representation globally, the CISR representative based in Holland has been relocated and will resume operations out of Shreveport, Louisiana, assisting in survey and audit functions within the North and South American regions. The launch of MACI's redesigned website ([www.cishipping.com](http://www.cishipping.com)) is the first phase of the Virtual Office Environment (VOE) Project as the organisation moves to restructure business by introducing an online marketplace to better service existing clients and attract new ones.

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### INTERNAL OPERATIONS 2006-2007 Objectives

During its second year of operation, beginning 1st July, 2006, MACI will:

- 1 Position technical (survey and audit) capability in the Far East (Singapore) and vessel registration capability and commercial representation in South Florida (Fort Lauderdale), by mid-2006
- 2 Implement Phase 2 of the CISR Virtual Office Environment by December 2006
- 3 Expand MACI Consulting, including the implementation of training seminars in Cayman's registration and safety procedures and the CISR Virtual Office Environment for our staff, domestic maritime services providers, international documentation agencies and yacht managers, and for the employees of Cayman-flagged vessel owners/operators that deal with these matters
- 4 Continue to update and streamline relevant domestic legislation
- 5 Participate in the IMO's Flag State Voluntary Audit Scheme (VAS)
- 6 Establish a parallel Yacht Managers' Advisory Council similar in purpose to the Cayman Islands Shipowners' Advisory Council
- 7 Implement a performance-based pay system and Personal Development Plans for all qualifying employees with effect from January 1, 2007, and commission a MACI Salary and Benefits Review by December 2006
- 8 Update and streamline our seven Class agreements

I express much gratitude to the MACI Board of Directors for their continued guidance and solid support during this critical period. Their expertise and knowledge have been driving factors for the quick advancement of the Authority thus far. The untiring efforts and steadfast commitment of the staff have been key elements of the growing success of the organisation, for which I am very thankful.

To the maritime industry partners and other stakeholders, your resolute assurance and keen interest have been invigorating. I am confident that together we can continue to build on our success as a first-class maritime administration and globally-recognised flag state.



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

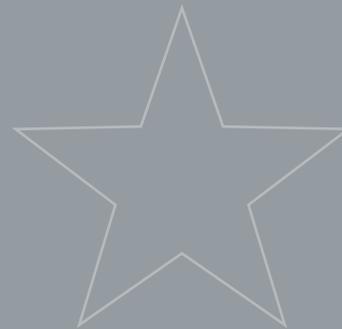
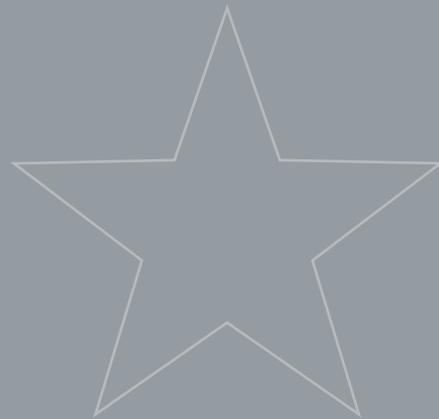


1949  
Catboat, close-hauled, in  
South Hole Sound,  
Little Cayman

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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

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ca. 1949

Turtles were regularly captured by Caymanians from the distinctive, locally-built catboats



CI National Archive  
DI 7344

## 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).

The MSCC (previously known as the Shipping Sector Consultative Committee or SCCC) 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. This body is a forum for establishing and maintaining dialogue and for exchanging ideas between and among its members and the Cayman Islands maritime administration. Through this channel of communication, MACI hopes to maintain and improve the quality of the CISR as well as promoting its interests generally.



ca. 1960  
Durable thatch rope is loaded for  
export onto MV 'Merco'

CI National Archive  
DI 12545

## 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 Donovan Ebanks, MBE, JP  
Director**



**Mr Woodward Terry, NP  
Director**



**Mr Andrew Eden, JP  
Director**



**Mr Errol Bush, MBE  
Director**



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



**Mr Marco Archer  
MACI Board Secretary (Acting)  
& Ex-Officio Member**

# Board of Directors

**The Board of the newly formed Maritime Authority of the Cayman Islands 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.**

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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.

Since 1992, she has been appointed to serve in varying capacities on numerous Cayman Islands Government statutory boards including a period as Deputy Chairman of the then Immigration Board and various other entities. Ms Roulstone has many years of experience within the Cayman Islands business community in the areas of law, corporate affairs and statutory boards.

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 currently 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 Donovan Ebanks, MBE, JP - Director**

Mr Ebanks is a Civil Engineer by training and a Public Administrator by profession. He has a BSc in Civil Engineering from the University of the West Indies and an MSc in Civil Engineering from the University of Dundee.

He joined the Cayman Islands Civil Service in 1975 as a junior officer in the Public Works Department and rose through the ranks to be appointed in 1983 as Chief Engineer. Mr Ebanks held this position until 1994 when he was appointed Deputy Chief Secretary in the Portfolio of Internal and External Affairs. Agencies falling under this Portfolio include: the Cadet Corp., Elections Office, Fire Services, Immigration Department, Legislative Department, National Archives, Prison Service, Royal Cayman Islands Police Service and Emergency Communications 911.

**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.

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 the immediate 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 A. Joel Walton, JP -  
MACI CEO (Designate) & 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, Deputy Chairman of the Cayman Turtle Farm Board and the Cayman Islands Monetary Authority Board, and member of the Cayman Islands Health Services Authority Board.

**Mr Marco Archer -  
MACI Board Secretary (Acting)  
& Ex-Officio Member**

Mr Archer is the Divisional Director of Finance & Information Technology and Secretary to the Board of Directors. 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; and an LLB (Hons) from the University of Liverpool, England. He also holds a Certificate in Project Preparation and Management from the Caribbean Development Bank. Mr Archer is currently a member of the Maritime Sector Consultative Committee and the MACI Management Committee.

## Key Management Personnel

as at 30 June 2006

CEO (Designate) & Director, CISR

**A. Joel Walton, JP**

Divisional Director – Registration,  
Human Resources & Administration

**Alfred C. Powery**

Divisional Director – Finance  
& Information Technology &  
Board Secretary (Acting)

**Marco S. Archer**

Divisional Director – Safety,  
Survey & Inspection – Europe

**Gregory V. Evans**

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

**Peter C. Southgate**

Head, Human  
Resources & Administration

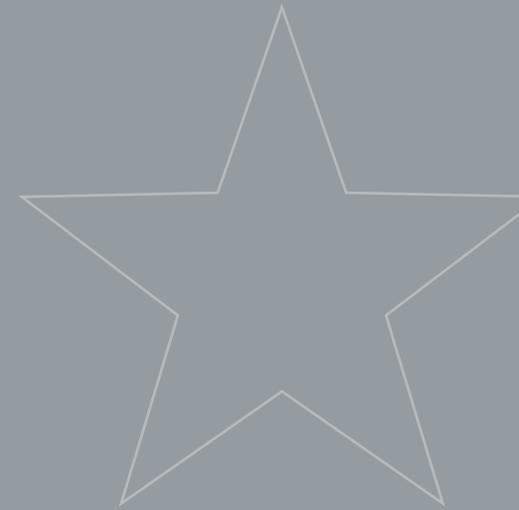
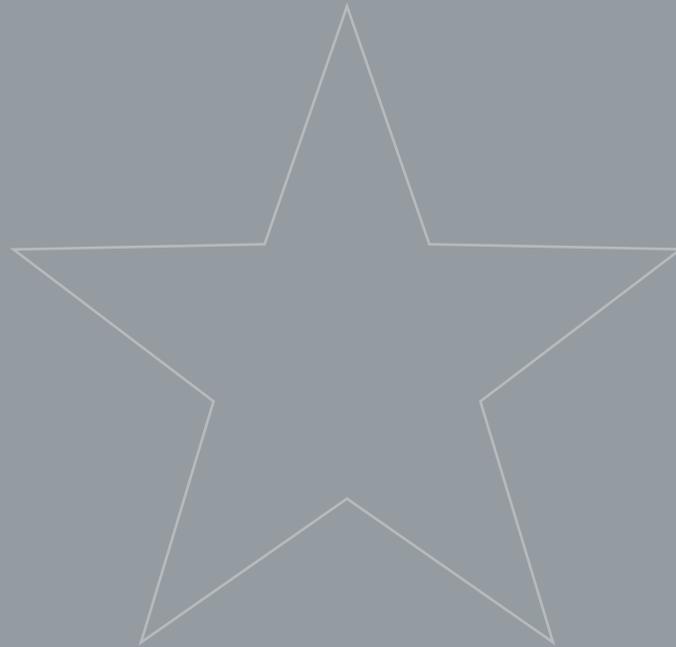
**Sian E. Pairaudeau**

Head, Finance,  
& Information Technology

**Kenrick A. Ebanks**

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# Maritime Authority of the Cayman Islands Annual Report



# Registration, Human Resources & Administration Division

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## REGISTRATION

Cayman is a top class international shipping registry with a reputation for quality and efficiency. As a Category 1 British registry, Cayman is able to register all types of vessels, commercial and recreational. Presently there are several innovative provisions to accommodate the needs of our clients such as a wide range of ownership structures that may qualify to own Cayman registered vessels; several type of vessel registration options such as Full Registration, Interim Registration, Provisional Registration, Demise Charter (Bareboat) Registration and Registration of Vessels Under Construction with the ability to register Mortgages (Mortgagee's interest) on each of these types of registration. This, coupled with a modern maritime legislation based on English Common Law; a strong maritime heritage; a solid political, legal, fiscal and social environment and worldwide British Consular services and Royal Naval assistance and protection for Cayman-flagged vessels, makes Cayman the Flag of Choice.

The Registration section is a frequent point of contact for clients and it also serves as the core service of the CISR. This section is responsible for processing new ship registrations, transfers of ownership and registrations of mortgages in accordance with the Merchant Shipping Law (2004).

In the 2005/6 fiscal year, the Register increased by 11.6% as compared to the previous fiscal period of 2004/5. At the end of this reporting period there was a total of 1,500 vessels on the Register, of which some 350 were commercial (merchant) vessels. This represents an addition of some 500,000 GT to the Register, bringing the total tonnage on the Register to 3,140,000. In addition to the significant growth, the Registry has attracted notable vessels such as the world's largest sailing vessel and the second largest motor yacht. This success represents an increase in revenue and an enhanced reputation for the Cayman Islands.

In recognition of the vital role played by the Registration section within the organisation, much time has been spent on the development of new application forms and features on MACI's redesigned website in order to better service our clients. These features provide for a

more user-friendly environment to the on-line services and improved access to all registration services. The new forms and redesigned website reduce the amount of paperwork necessary and provide greater efficiency of access to, and delivery of, service.

To this end, both the Japanese and Greek CISR Representatives were authorised to collect registration documents and issue certificates, thereby expediting the registration process. To further increase organisational efficiency in the registration process, a Deputy Registrar was recruited to deal with the increased workload.

Within the 2005/6 fiscal period much groundwork was covered in order to execute the Virtual Office Environment modules related to the registration of ships in the next financial year. An Information Technology Manager was hired and background research was carried out to further develop the system.

## 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 50 employees in the Authority's two regional and three representative offices are working to their fullest potential within a supportive environment. This section also oversees all aspects of office management for the Head Office in George Town.

### Recruitment

This section's recruitment activities are guided by one of the organisation's key objectives, namely to maintain a diverse, highly qualified and experienced multidisciplinary team, while paying particular attention to the issues of gender equity and equality and ongoing learning.

Guided by this objective, efforts are made to recruit suitable candidates who either have direct training and experience in the various fields or individuals with an aptitude for learning in the speciality areas who possess skills that are highly transferable. As employment opportunities arise, the initial response is always to explore whether there are existing employees who can be transferred and/or promoted in an effort to facilitate their professional development and to harness their existing expertise and knowledge of the

business in new and creative ways.

Indeed, for existing and new staff, career planning is an ongoing process that runs parallel to the planning of the overall development of the organisation and its products and services.

As of 30 June 2006, MACI employed 30 persons at the Head Office in Grand Cayman and 10 in the European Regional Office located in the UK. MACI also employs two full-time advisors, one for Maritime Policy & Legislation Development and the other for Business Development & Overseas Operations.

As of May 2006, a previous employee was re-hired in a consulting capacity on a short term basis to develop modules in key areas and deliver training to all staff in the Head Office, as well as those in the UK and Greece. There are an additional five staff members located in the three global representative offices, with three persons being employed in Greece and one each in Japan and Holland. Further, two UK-based consultants are hired on a part-time basis, one who is a surveyor and another who is a business development specialist.

### Training & Professional Development

MACI is a learning organisation and in keeping with this, particular attention is paid to the training and development

needs of its employees.

### Internal Training

In addition to encouraging employees to cross-train within the various sections of the organisation, an in-house training programme was developed in early June 2006 to provide a comprehensive overview of the core services offered by each section and to highlight the role that each section plays in the context of the overall organisation. This programme was delivered to all employees of the Head Office in Grand Cayman and, according to participant feedback, was highly informative.

The content of this training will be presented to all new staff as part of their orientation process. During this training, staff was introduced to the CISR Virtual Office Environment system and its capabilities with a view to enhancing their ability to assist clients once it is rolled out to the business community. A reference document was developed specifically for the area of Registration which is available to all staff and will be supplemented by individual instruction in the intricacies of this work. In addition to training of this nature, employees are given opportunities to travel to the various global offices as well as to the international shipping shows and conferences that we participate in annually, which gives them insight into the overall workings of the organisation as well as providing exposure to the industry at the highest level.

### External Training

Opportunities for employees to participate in training offered through the Public Service are also taken advantage of, particularly sessions offered by entities like the National Archives, whose series of workshops on Records

Management has been attended by four staff members, with another two enrolled for future sessions.

In addition, employees are encouraged to participate in training that is offered at international fora that relate to the specialty areas, and staff members from Safety, Survey and Inspection and Crew Compliance attended three such trainings in the last quarter of 2005:

- The Regional Workshop for Senior Administrators, organised by the International Maritime Organization (IMO) and held in Paramaribo, Suriname was attended by two senior staff members 17-19 October 2005. This workshop combined presentations by experts in the field with working group sessions and was highly interactive. One member of staff was sponsored by the IMO while the other was fully funded by MACI.
- The Regional Course on the Implementation of the International Maritime Dangerous Goods (IMDG) Code was attended by two senior members of staff in Bridgetown, Barbados, from 1-4 November 2005. This forum provided intensive training in this area and both participants received diplomas at the end of the course. Both attendees were fully sponsored by the IMO.
- CPSCC Training Course (Caribbean Marine Information Centre 'CMIC' Database Usage and PSC Activities). This training was attended by a senior staff member in December 2005 in Paramaribo, Suriname. In addition to receiving training, this MACI employee was the featured presenter on the topic of Caribbean Cargo Ship Code, having been identified as an expert in this area.

## Pursuit of Tertiary Education

Employees are supported in the pursuit of higher education and currently five staff members are in the process of attaining qualifications at the tertiary level. In addition to time off from work to attend classes and to study for and sit exams, monetary assistance is provided annually to help defray the costs of tuition. Wherever possible, the attainment of degree qualifications is recognised with adjustments to salaries.

## Promotion of Maritime Careers

In our efforts to promote careers within the maritime industry, we have hired a high school graduate for the summer and have joined the University College of the Cayman Islands' (UCCI) Internship Programme and will begin sponsoring a student in the fall of 2006. We attended the SKOOP Job Fair that was held in June 2006 at the UCCI Campus and used this as an opportunity to have staff of the various sections interact with students, parents and members of the general public to showcase the job opportunities available in this field. Finally, as a demonstration of our high level of commitment to the recruitment of young Caymanians into this industry, two Government scholarships have been secured, which are available through the Ministry of Education, for suitable candidates seeking a maritime related career.

# Finance & Information Technology Division

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## FINANCE

Financial statements for 1 July 2005 to 30 June 2006 were audited by the Auditor General and signed-off on 1 March 2007 and accepted by MACI's Board of Directors. They form a part of this Report (see Financial Statements, page 35).

## 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 this 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 citizens' electronic access to services and information. Due to the comprehensive nature of this project, the VOE will be implemented in different phases with final implementation of all phases by the end of the next fiscal year.

Phase One of the VOE project has seen the launch of a redesigned website, [www.cishipping.com](http://www.cishipping.com), which is more customer focused, interactive and informative.

In addition, technology has allowed access to the Authority's back-end systems by our Remote Offices. As the CISR streamlined its business processes, the Ships Registry System was upgraded to a web interface with the latest IT industry standards ensuring data integrity and security.

The introduction of the BlackBerry in the organisation has increased the communication possibilities and service opportunities with our customers.



# Safety, Survey & Inspection Division

## 23 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. The Division continues to foster good working relationships with clients and provides assistance and guidance on regulatory matters such as Advisory and Shipping Notices. This Division includes the following three sections:

- Statutory Compliance & Casualty Investigation (all vessels)
- Yacht Services (Commercial & Pleasure)
- Crew Compliance & Port State Control (all vessels)

The merchant shipping tonnage continues to expand, as evidenced by the following table, bringing with it an increased level of activity in this Division.

## STATUTORY COMPLIANCE & MARINE CASUALTY INVESTIGATION

The CISR has always carried out Statutory Compliance and Casualty Investigation functions and with the establishment of MACI, distinct roles and responsibilities were attached to these functions. A Senior Surveyor was appointed as the Head of Section and reports to the Director, Safety, Survey and Inspection.

### Statutory Compliance

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.

During the 2005/6 fiscal year, the section advised MACI customers as to the implications of amendments to the various international maritime conventions. This section has also assisted clients through the transitional stages of the implementation of new legal instruments. An example of this is assistance given to MACI clients following the entry into force of Annex VI of the MARPOL Convention. This Annex placed mandatory requirements on the control of air pollution from ships and the Statutory Compliance section of MACI was actively involved in ensuring that Cayman Islands vessels met the new requirements for fuel oil quality and atmospheric emissions.

The level of compliance with international standards by Cayman Islands ships remains of vital importance and continued efforts were made to maintain a level consistent with the CISR's image as a high quality and responsible registry. In spite of these efforts, the number of Cayman Islands merchant ships detained in foreign ports has increased this year with a total number of detentions reaching eight across the four main Port State Control (PSC) Memoranda of Understanding (MOUs).

These detentions can be attributed to three companies, all of which have been visited by the UK survey staff to investigate the reasons

leading to such detentions. In addition, MACI's Management Committee was unanimous in their decision not to register any further vessels which are operated by these companies until they can demonstrate the effective management of ships within their respective fleets. Contributory factors to these detentions are the Concentrated Inspection Campaigns which have been initiated by the various PSC MOUs around the world. Another factor is the direct link between the age of vessels and the quality of crews which are now being employed on older vessels.

## Marine Casualty Investigation

Under the Merchant Shipping Law of the Cayman Islands, certain incidents and hazardous occurrences onboard ships have to be reported to MACI. MACI has an obligation to investigate such occurrences to the extent deemed appropriate in a particular case. MACI can draw on the knowledge and experience of former senior deck and engineering officers as well as qualified naval architects from within MACI for the conduct of such investigations.

The objective of these investigations is to ascertain the cause of the incident so that any lessons learned may be used to prevent recurrence. The investigation may also uncover breaches of the relevant laws and regulations which could potentially lead to criminal charges though these matters would be the subject of a separate investigative exercise.

During 2005/6, around 15 reportable incidents were investigated by MACI; however, most were minor in nature. Two of these required more detailed investigation with an investigating officer from MACI attending onboard. One incident concerned a locally operated tour boat that capsized with over

50 persons onboard and the other was that of a chemical tanker which lost steerage in confined waters and collided with a tug.

Reports of casualty investigations along with the recommendations of the investigating officer are submitted to MACI management to decide on the response required.

## YACHT SERVICES

The role and function of the Yacht Section is to coordinate and develop the number of yachts on the Register and to provide related technical services to the yacht industry. The 2005/6 fiscal year has been another successful period for the Yacht Section. The redistribution and recruitment of staff to suit the needs of MACI has assisted greatly in its ability to serve its clients including yacht builders, designers and owners. Following the formation of MACI, three key regions were introduced (i.e. Europe, Far East and the Americas) and a Lead Surveyor was appointed for each region to ensure a consistent streamlined approach and to provide a focal point in each of the regions.

The success of the Yacht Section has continued with the number of new-build projects soaring close to 160 new-builds throughout the world. Most of these are long term projects which will ensure MACI a guaranteed income level for some years to come as the Yacht Section enjoys a high level of success in attracting and retaining these new-builds to the CISR. Analysis of industry trends indicates that the yacht industry is booming and MACI is currently the flag of choice for the building and registration of large yachts. The surveyors in this section have managed to keep the Shipping Registry ahead of the game despite ever increasing competition from potential rivals.

It has been an exciting year of yacht deliveries, with yachts ranging from a little over 24m to those of 80m and above. One of the more unique vessels on the Registry is the large 87m sailing yacht, Maltese Falcon (built by Perini Navi). This vessel is the first to be built with the DynaRig concept which is a sophisticated computerised system to manage the configuration of the vessel's sails and masts for optimum efficiency. Several yachts in excess of 100m have been ordered and Fincantieri Yachts have secured an order for a 133m yacht which is to be certified as a passenger ship of less than 36 passengers.

Europe has traditionally had the biggest concentration of yacht builders, and this is still the case, but we are seeing an increasing number of vessels being built in the USA, Canada and the Far East because the available build slots in Europe are being far outstripped by the demand. In fact, even the yards which traditionally had available slots, for example in Turkey, are reported to be turning work away. Another development is the production of the semi-custom design, which in essence utilises production line methodology intended to reduce build times and to cater for the high level of demand.

Statutory Compliance on Yachts continues to be maintained at an excellent standard with, largely positive support of the industry as evidenced by a high level of voluntary compliance with the Large Yacht Code (LYC). With respect to services supplied for new yacht buildings, MACI has moved towards fixed price contractual arrangements covering the range of services involved from design to commissioning. This has enabled MACI to optimise its returns with respect to this area of activity.

# CREW COMPLIANCE & PORT STATE CONTROL

## Crew Compliance

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The key responsibility of the Crew Compliance area is to ensure that crew members are properly trained, certified and medically fit whilst working on Cayman Islands vessels and operating their equipment. To ensure that these objectives are met, an effective training programme was implemented resulting in fully trained and competent personnel.

This section ensures that the competency of crew members onboard Cayman Islands 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). To this end, Minimum Safe Manning Documents (MSMD) are issued to ensure that the vessel is manned to a required level of safety, and Endorsements are issued to recognise various national certificates of competence to make certain that crew members possess the required level of competency. A Seaman's Discharge Book (SDB) may also be issued upon request received from the ship's operators.

The Section exceeded expectations by processing 25% more applications per month than initially expected. As a result of this efficiency, revenue was increased by over 16%. The section was also actively involved in the preparation of MACI's policies in regards to the interpretation of manning requirements, particularly those applicable to pleasure

vessels in both commercial and private use. To facilitate greater efficiency, several forms were amended, including the MSMD application form and the Endorsement application form. At the end of the 2005/6 fiscal year, a restructured STCW database was initiated which is now in the final stages of refinement.

This section continues to meet and exceed its targets against a backdrop of high levels of demand for these services. In addition, the effective discharge of MACI's responsibilities in this area plays a major role in promoting and maintaining the necessary international standards for the safe operation of Cayman Islands vessels.

## Port State Control (PSC)

The Cayman Islands maintains 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 the reporting period, this Section was involved in PSC inspections on ships visiting Cayman waters under the provisions of the CMOU. Cayman is required by the CMOU to inspect at least 15% of all individual ships visiting Cayman over a 12 month period; however, this quota has been well exceeded as a result of Cayman's own legal inspection requirement of 30%. MACI provides Port State Control Inspection Services to the Cayman Islands Government, and on behalf of the government, detained six vessels primarily involved in regional trading. These activities provided a positive contribution not only to the Caribbean PSC effort but also to the protection of Cayman waters in terms of maritime safety and the protection of the marine environment.

Qualified, experienced and authorised Port State Control Officers (PSCO) provided by MACI carried out 24 inspections on 21 individual ships which places Cayman among the leading maritime administrations in the Caribbean region. In addition to four qualified PSCOs, there is one surveyor undergoing in-house training for qualification as a PSC Officer.

In support of the CMOU, MACI attended the 11th Meeting of the Caribbean PSC Committee (CPSCC) in the Bahamas in May 2006 as well as the preceding inter-sessional CPSCC Meeting in Suriname in October 2005. At the inter-sessional meeting, 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. Cayman is very active on the CPSCC's Technical Standing Working Group (TSWG) which deals with the development of a Manual for PSC Inspectors in the region. The next CPSCC meeting is scheduled for June 2007 in Trinidad and Tobago with the next TSWG meeting set for September 2006 in Cuba.

MACI has taken a pro-active approach to Port State Control by developing a tool for monitoring PSC performance of all ships across the fleet. This tool is intended to identify substandard ships before they are subject to further scrutiny by PSC Officers. Any ships which are identified as a potential risk will be subject to an additional General Inspection by a MACI surveyor to ensure that any deficiencies are promptly identified and dealt with. MACI's Port State Control performance in the US has positively impacted the recognition process for the United States Coast Guard's acceptance of MACI as a QUALSHIP 21 flag administration. This initiative recognises the efforts of quality flags and ship operators resulting in fewer inspections when entering US ports.



# Maritime Policy & Legislative Development Unit

## 27 MARITIME POLICY AND LEGISLATIVE DEVELOPMENT

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.

### Legislative Matters

Following the commencement of the Maritime Authority of the Cayman Islands Law, 2005 (MACI 2005) there was an initial settling in period for the new legislation, both in application of the Law and in identifying any amendments that may be required based on operating experience. This first year of operation was also a period of consolidating operational experience leading to the development of future policy and direction.

Within the reporting period, amendments to MACI 2005 were developed and submitted dealing with, inter alia, the way in which MACI Board Members are appointed, the appointment of Deputy and Assistant Registrars of Ships and Shipping Masters, clarification of the functions of MACI's Chief Executive Officer (CEO), the recruitment and appointment of MACI staff, and the employment package which may be offered to MACI staff. An increase in the borrowing power of the Authority was also proposed and, in line with current best practices, provisions were also tabled to preclude the appointment of Members of the Cayman Islands Legislative Assembly or Cabinet to the MACI Board.

There is a strong relationship between the Merchant Shipping Law, 2005 Revision (MSL 2005) and MACI 2005. Several amendments were developed and recommended, in particular, for the transfer of the power to appoint Registrars of Ships and Shipping Masters from MSL 2005 to MACI 2005.

Other amendments drafted for MSL 2005 include: changes regarding the monies to be paid to Treasury of the Government of the Cayman Islands; updating terminology applied for Overseas Territories; clarification regarding

the transfer of ship registrations between Cayman and other Red Ensign Group (REG) members; and amendments concerning Civil Liability for Oil Pollution Damage, the related International Oil Pollution Compensation (IOPC) Fund and the Supplementary Fund (SF) created under the 2003 Protocol to the 1992 Fund Convention. As a precursor to bringing the Civil Liability and Fund amendments, Cabinet's approval was sought regarding the extension to Cayman via the UK of the 2003 Protocol to the Fund Convention. This Protocol sets up a supplementary fund for claims submitted by victims of oil pollution.

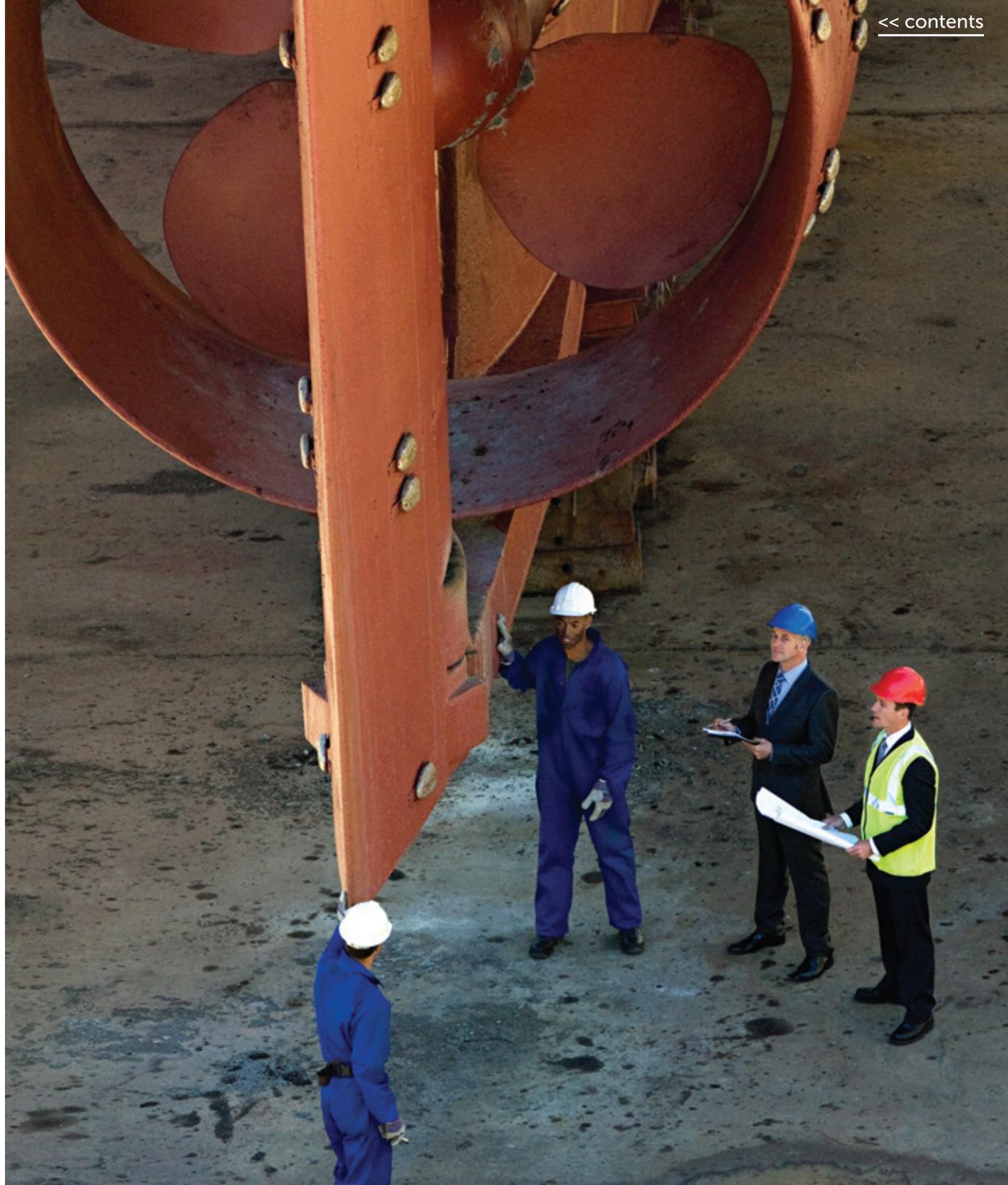
MACI undertook a significant overhaul of the Fees Regulations and draft revisions of the Fees Regulations, 2004, were submitted concurrent with on-going discussions with the Cayman Islands Government with respect to definitions of coercive revenue and entity revenue. The outcome of these discussions is vitally important to determining the revenue levels available to the Authority.

Work progressed in revising the Classification Society Agreements to reflect changes in both current practices and the growth of the Registry. The Alternative Compliance Scheme (ACS) which provides for greater delegation to Class for selected ships under controlled conditions is to be introduced, as well as additional items of survey and certification arising from the implementation of new international requirements.

## Other Issues

At a national level, advice and proposals were made to the Cayman Islands Government on the constitution of the MACI Board leading to the appointment of the first MACI Board by the end of August 2005.

At the international level, it is expected that the Voluntary Audit Scheme by the International Maritime Organization (IMO) will become mandatory in the not too distant future. It is essential that Cayman positions itself ahead of the curve with respect to this development by ensuring that MACI is fully discharging all aspects of its statutory responsibilities so that any audit will produce a good result. Not only will such positive results provide an invaluable marketing tool, it will also serve to maintain Cayman's enviable place among the world's leading maritime administrations. MACI has kept abreast of IMO developments through its various technical papers or through the UK MCA; however, the Cayman Islands needs to play a more proactive role in the IMO and other international fora.



# Client Relationships Unit

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## CLIENT RELATIONSHIPS

The Client Relationships unit is a newly formed area headed by a Client Relationships Manager. The objective of this unit is to ensure a superior level of customer service in all interactions between potential, new and existing clients with any and all aspects of MACI.

The unit has both proactive and reactive functions for the organisation. The proactive functions of the unit include identifying, building and maintaining solid relationships with new and potential clients. Client loyalty and repeat business can be increased by ensuring that client needs are catered for, and solutions provided based on familiarity with client needs and preferences. The reactive functions of the unit act primarily to ensure client satisfaction with all MACI products and services for a solution that enhances goodwill and maintains the quality of the organisation.

Client Relationships Management (CRM) is focused on client satisfaction for quality service and draws together all elements of the organisation to focus on understanding, anticipating and meeting the needs of our clients. Successful client relationships are built and maintained through a reorientation of the organisation which identifies and addresses service and operational gaps within the organisation as well as an analysis and application of market trends information and client profile information.

During the fiscal year 2005/6, all issues noted by the Client Relationships unit were dealt with to the satisfaction of each client while maintaining their business and fostering an environment conducive to attracting additional business in the future. In dealing with these issues however, it was noted that the process for resolving issues relied heavily on a reactive system rather than proactive interventions. It was therefore determined that a comprehensive CRM strategy was needed to address client's needs. Such a strategy would be assisted by software and towards the end of the fiscal period, CRM software was investigated for compatibility and relevance. Once a CRM strategy is completed, its implementation will include an IT component.

# MACI Consulting Unit

## MACI CONSULTING

In the latter half of 2005, the Authority introduced MACI Consulting as a means of diversifying MACI's revenue-base and promoting the varied and high level of expertise the organisation is able to offer. The mission of MACI Consulting is 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**  
Advice on the administrative structure and technical requirements of establishing an effective maritime administration related to a country's level and type of shipping activity.
- **Financial Aspects of Operating a Maritime Administration**  
Advice on the financial implications of establishing, operating and maintaining a maritime administration and the impact of regulating a significant flag fleet.

- **Maritime Legal Services**  
Assessment of needs with respect to the legal and regulatory regime necessary for a maritime administration to fulfill its obligations, and the drafting of specific legislation.
- **Conference Organisation**  
The organisation of conferences geared towards maritime issues and the staging of conferences, seminars and workshops in specialised maritime subjects.
- **Training**  
Preparation and/or delivery of training in the maritime sector, including Port State Control (PSC), International Ship and Port Facility Security Code (ISPS), International Safety Management (ISM) Code, commercial yacht safety, and other specialised areas.

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# Quality Systems Unit

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## QUALITY SYSTEMS

The Quality Systems unit is responsible for 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.

The QMS is being developed based on the ISO 9000 framework set by the International Standard for Quality Management Systems. This series of standards is designed to specify requirements for a system where an organisation aims to enhance customer satisfaction while demonstrating compliance with applicable regulatory requirements.

In a highly competitive international market, quality is often the key to differentiation and ISO 9000 accreditation represents an internationally recognised benchmark.

In May 2000, the Cayman Islands Shipping Registry (CISR), as it was then known, received initial certification to operate a QMS which complied with the requirements of ISO 9002:1994. In April 2003, this system was upgraded to ISO 9001:2000. With the development of MACI to encompass the CISR, significant changes were expected to be made to the organisational structure; personnel; levels of authority and responsibilities; and, organisational processes and procedures.

In anticipation of these changes, in April 2005 the CISR requested a voluntary suspension of the QMS in order to re-engineer the system to focus on the wider scope and increased responsibilities associated with becoming MACI. In the 2005/6 fiscal period, a new QMS has been developed to reflect the wider scope of MACI.

# Business Development & Corporate Communications Unit

## BUSINESS DEVELOPMENT & CORPORATE COMMUNICATIONS

The Business Development & Corporate Communications unit is responsible for promoting and ultimately increasing business for the CISR. 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.

### Business Development

During the past fiscal year, the CISR has worked closely with other agencies to continue joint business development activities targeting clients that would benefit from the services of all agencies involved. Partner agencies for cooperative promotions and exhibitions include: the Civil Aviation Authority; the Cayman Islands Investment Bureau; the Cayman Islands Department of Tourism and the local private sector.

Regular suggestions and advice on a range of business development activities is provided by the private sector represented by the Maritime Sector Consultative Committee (MSCC) and the Cayman Islands Shipowners' Advisory Council (CISAC).

In December 2005, a series of events were held by MACI to celebrate the 100th year of the CISR. Commemorative events took place in Grand Cayman and Cayman Brac and were very well attended. In its first year of operations, MACI participated in the following events in order to promote the CISR.

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### Events with CISR/MACI Participation

EVENT	DATES
Shipping in a Responsible Society MARE Forum (Rome, Italy)	12-13 September 2005
Monaco Yacht Show (Monte Carlo, Monaco)	21-24 September 2005
Seatrade Conference & Exhibition (London, United Kingdom)	5-6 October 2005
Fort Lauderdale International Boat Show (Florida, USA)	29 October - 1 November 2005
National Business Aviation Association (NBAA) (Orlando, Florida) In conjunction with CAACI.	9-11 November 2005
Project Europe 2005 (Amsterdam, Netherlands)	15-17 November 2005

## Events with CISR/MACI participation (cont'd)

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EVENT	DATES
The New European Maritime Policy Challenges & Opportunities MARE Forum (Brussels, Belgium)	17 November 2005
5th International Ship Registers Conference 2005 (Singapore)	30 November - 2 December 2005
Annual Shipowners' Advisory Council Meeting (Cyprus)	15-16 February 2006
Seatrade Cruise Shipping Convention (Miami, Florida)	13-16 March 2006
The Future of Superyachts – Maximising Opportunities in Tomorrow's Growth Industry MARE Forum (Nice, France)	15-16 March 2006
European Business Aviation Convention & Exhibition (EBACE) In conjunction with CAACI (Geneva, Switzerland)	3-5 May 2006
13th Conference of the Red Ensign Group of Ship Registers (Bermuda)	16-19 May 2006
Project USA (New Orleans, USA)	24-26 May 2006
CMOU's 11th Caribbean Port State Control Committee Meeting (Nassau, Bahamas)	29-31 May 2006
Posidonia 2006 (Athens, Greece)	5-9 June 2006

## 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 fiscal year 2005/6, various articles and advertisements were distributed locally and globally, through print and electronic media in the UK, Greece and Japan and also in reputable industry publications such as: Yacht Report, World Finance, Safety at Sea International and Lloyd's Register Fairplay. Among other material produced and distributed during the year were the CISR's 100 Years Commemorative Booklet, MACI's Maritime Careers Pamphlet, and Compact Discs promoting and explaining vessel registration, in addition to corporate giveaways with the CISR branding and website address.

These articles and publications are available on MACI's website ([www.cishipping.com](http://www.cishipping.com)). To support MACI's efforts to increase awareness of the CISR's 100 years of existence, in February 2006, the **Cayman Financial Review** published a shipping supplement in collaboration with MACI and the private sector.



# Financial Statements

Year Ended  
30 June 2006

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# Certificate of the Auditor General

## TO THE SHAREHOLDER & 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 ('Maritime Authority') for the year ended 30 June 2006 as set out on pages 38 to 48 and in accordance with the 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).

### Respective Responsibilities of Management and the Auditor General

These financial statements are the responsibility of the Maritime Authority's management. My responsibility is to express an opinion on the financial statements based on my audit.

### Basis of Opinion

My examination was made in accordance with International Standards on Auditing which require that I plan and perform my audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

### Points of Qualification:

#### 1 Revenue

Due to the inadequacy of the system for capturing when Surveys are conducted at the Maritime Authority, I was unable to determine whether all Surveys conducted during the financial year ended 30 June 2006 were invoiced and included in the reported revenue of \$1,834,000. Surveys represent 55% of revenue from total fees income. As such I was unable to satisfy myself that the revenue reported is accurate and complete.

#### 2 Revenue recognition

Total revenue invoiced for the financial year was \$4,591,120 but the amount recognized in the financial statement was \$4,938,511, resulting in a difference of \$347,391. This overstatement relates to income earned but not recorded in prior years due to the cash based system of recording revenue (see Note 11 of the financial statements) which existed at the Maritime Authority up to 30 June 2006. Therefore, I cannot conclude that the financial statements were prepared in accordance with the accrual concept and matching principles of accounting.

#### 3 Receivables

The receivables listing produced to support the balances in the financial statement was not reliable, as it did not reflect all the outstanding invoices for the year ended 30 June 2006. The receivables management system is not designed to provide the historical balance at the year end. Consequently, the schedules of year end receivables did not agree to the amount in the financial statements, resulting in unreconciled differences of \$178,257. Although significant adjustments were made by management, I was not presented with

the evidence to conclude that the amount was accurately adjusted and the ending balance fairly stated.

There were also discrepancies with several debtor account balances, as several clients of the Authority disputed, with evidence, the balances reflected on their accounts at the Maritime Authority. As such I cannot satisfy myself that the receivable balance is complete, reliable and accurate.

#### 4 Unearned Revenue

There is uncertainty as to the correctness and completeness of the amounts in the sub-ledger of the Maritime Authority for monies held on account for clients, giving rise to a substantial variance of \$180,000 between the general ledger and the sub-ledger. The Authority is unable to determine which figure is correct and the financial statements could therefore be misstated by this amount. Consequently, I cannot conclude that the liability for unearned revenue is fairly stated in the financial statements.

#### 5 Opening Net Worth

Uncertainties of approximately \$75,000 to \$150,000, regarding the fairness of the accumulated surpluses, fixed assets, receivables, and revenue deposits existed at the opening balance sheet date which limited our ability to determine whether this was fairly stated. As such I am unable to conclude that the opening net worth was fairly stated.

#### 6 Fixed Assets

The fixed assets register was not consistent with the fixed assets and depreciation provisions disclosed in the financial statements. This resulted in understatement of assets at cost, by at least \$64,000, as well as an undetermined amount for provision for depreciation. Therefore, I was unable to conclude that the fixed assets and related provision for depreciation in the financial statements are fairly stated.

#### 7 Past Service Pension Liability

As disclosed in Note 8 of the financial statements, pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund which is administered by the Public Service Pensions Board. Prior to 1 January 2000, the scheme underlying the Fund was a defined benefit scheme. With effect from 1 January 2000 the Fund has both a defined benefit and a defined contribution element. In March 2005 the Honourable Financial Secretary of the Cayman Islands instructed the Authorities to recognise their own portion of the past service pension liability as of the date of incorporation. The Authority however, is not able to quantify the liability as an actuarial valuation is currently being done as of 1 January 2005. As a result of insufficient relevant and reliable information acceptable to and agreed by the Maritime Authority and the Pensions Board, no past service liability has been recognised in these financial statements.

Based on the seven points of qualification noted, in my opinion, these financial statements do not present fairly, in all material respects, the financial position of the Maritime Authority of the Cayman Islands as at 30 June 2006, 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 of the Cayman Islands Law (2005 Revision).



**Dan Duguay, MBA, FCGA**  
Auditor General

1st March 2007

# Balance Sheet

As at 30 June 2006

	Notes	CI\$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash & Cash Equivalents	19	495
Accounts Receivable	20	816
Inventories		1
<b>Total Current Assets</b>		<b>1,312</b>
<b>Non Current Assets</b>		
Property, Plant & Equipment	7	118
<b>Total Non Current Assets</b>		<b>118</b>
<b>Total Assets</b>		<b>1,430</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	21	481
Unearned Revenue	22	137
Employee Entitlements	23	86
Other Current Liabilities	24	262
<b>Total Current Liabilities</b>		<b>966</b>
<b>Total Liabilities</b>		<b>966</b>
<b>Total Assets Less Total Liabilities</b>		<b>464</b>
<b>NET WORTH</b>		
Net Operating Deficit for the Year		(181)
Paid Up Capital	5	500
Opening Accumulated Surplus		145
<b>Total Net Worth</b>		<b>464</b>

Approved on Behalf of the Board of Directors on 1 March 2007

**Sharon Roulstone, NP**  
Chairperson

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

The accompanying notes on pages 41 to 48 form an integral part of these Financial Statements.

# Operating Statement

For the twelve months ended 30 June 2006

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	Notes	CI\$'000
<b>OPERATING REVENUE</b>		
Sales of Goods & Services	14	3,293
Other Operating Revenue	15	111
Revenue from Government	16	1,535
<b>Total Operating Revenue</b>		<b>4,939</b>
<b>OPERATING EXPENSES</b>		
Personnel Cost	17	3,064
Supplies & Consumables	18	2,064
Depreciation	7	14
<b>Total Operating Expenses</b>		<b>5,142</b>
<b>Deficit from Operating Activities</b>		<b>(203)</b>
<b>NON OPERATING REVENUE &amp; EXPENSES</b>		
Gains on Foreign Exchange Transaction		22
<b>Total Non Operating Revenue &amp; Expenses</b>		<b>22</b>
<b>Net Deficit</b>		<b>(181)</b>

The accompanying notes on pages 41 to 48 form an integral part of these Financial Statements.

# Cash Flow Statement

For the twelve months ended 30 June 2006

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	Notes	CI\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Sales of Goods & Services		2,921
Receipts from Government	13	1,953
<b>Payments</b>		
Personnel Costs		(3,041)
Suppliers		(1,825)
Other Payments		(80)
<b>Net Cash Out Flows From Operating Activities</b>		<b>(72)</b>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Purchase of Non-current Assets		(65)
<b>Net Cash Out Flows From Investing Activities</b>		<b>(65)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital Contribution Cabinet		500
<b>Net Cash Outflows From Financing Activities</b>		<b>500</b>
Net Increase in Cash & Cash Equivalents		363
Cash & Cash Equivalents at Beginning of Year		132
<b>Cash &amp; Cash Equivalents at End of Year</b>	19	<b>495</b>

The accompanying notes on pages **41** to **48** form an integral part of these Financial Statements.

# Notes to the Financial Statements

For the year ending 30 June 2006 (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

## 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 year ended 30 June, 2006.

## 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.

## Notes to the Financial Statements

For the year ending 30 June 2006 (expressed in Cayman Islands Dollars)

- 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.
- Accounts Payable** Account Payables are recorded at the amount owing after allowing for credit notes and other adjustments.
- K **Employee Entitlements** Amount incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability. (See also Note 23)
- L **Employee Benefits** Obligation for contribution to defined contribution and defined benefits pension plans are recognised as an expense in the income statement as incurred. (See also Note 8)
- M **Comparative Information** The Financials for MACI do not provide comparable information due to 30 June 2006 being the first year of operations. (See also Note 21)

### 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 \$500,000 as at 30 June 2006. 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 4694 sq ft at \$23.00 per sq ft. The lease is for 3 years with 1 year option to renew. Lease payments under the operating leases are charged to the income statement in equal instalments over the period of the lease.

The Lease agreement for the ERO lease agreement dated 6 September 2002 for the total office space 2578 sq ft at £14.88 per sq ft. The lease is for 15 years with 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:

<b>Lease Obligation for 1 year</b>	£38,360.64	\$59,075.39
<b>Lease Obligation for 2-5 years</b>	£153,442.56	\$236,301.54
<b>Lease Obligation for 6-11 years</b>	£230,163.84	\$354,452.31

## 7 Fixed Assets

	Furniture & Fixtures	Leasehold Improvement	Office Equipment	Computer Equipment	Total
<b>ORIGINAL COST</b>					
Balance at 01 July 05	67,295	0	23,627	112,210	203,132
Additions:	21,622	9,500	22,839	11,307	65,268
Disposals:	0	0	0	0	0
Balance at 30 June 06	88,917	9,500	46,466		268,400
<b>ACCUMULATED DEPRECIATION</b>					
Balance at 01 July 05	26,678	0	17,666	91,701	136,045
Additions:	3,266	475	1,215	9,109	14,065
Disposals:	0	0	0	0	0
Balance at 30 June 06	29,944		18,881	100,810	150,110
<b>Net Book Value</b> at 30 June 06:	<b>58,973</b>	<b>9,025</b>	<b>27,585</b>	<b>50,941</b>	<b>118,290</b>

## 8 Pensions

Pension contributions for eligible employees of MACI are paid 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 Pensions Board ('the Pensions Board') and is operated as a multi-employer non-contributory fund, whereby the employer pays both employer and employees contributions. With effect from 1 January 2000 the Fund had both a defined benefit and a defined contribution element. Participants joining after that date became members of the defined contribution element. MACI therefore funds 6% employee and 6% employers' contributions for all employees joining MACI prior to 1 January 2006.

MACI is not able to quantify the unfunded Past Service Liability (PSL) due to the fact that there is not an up to date Actuarial review. Pensions Board management also confirmed that the contribution rate would be 13% effective January 1999. This rate includes a 1% non-retirement benefit contribution. MACI began recognising this contribution rate of 13% from 1 July 2005 for employees under the defined contribution element.

## Notes to the Financial Statements

For the year ending 30 June 2006 (expressed in Cayman Islands Dollars)

For employees joining 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.

### 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 six directors as at 30 June 2006.

The following Government department/entities provided services to MACI during 2006:

- A Treasury Department
- B Legal Department
- C Public Service Pension Board (see Note 9)
- 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 16). MACI bills Cabinet on a monthly basis to help cover its recurrent expenditure for these outputs.

### 10 Comparative Information

The original Cayman Islands Shipping Registry (CISR) maritime administration structure, which is the main forerunner to MACI which was established on 1 July 2005 by the Maritime Authority of the Cayman Islands Law (2005). The CISR operated as a unit under the Cayman Islands General Registry in the Portfolio of Finance and Economics and as such the financials were presented in the Governments annual financial statements. As a result the Income Statement, the Statement of Cash Flow, Balance Sheet and related notes are not comparable.

### 11 Reorganisation of Prior Year Revenue

During the first year of operations MACI did not operate under a full accrual with regard to its revenue. The Authority undertook a project during the financial year which included the upgrade and the full accrualising of its revenue database. This project was not completed until the end of the financial year. As a result of this undertaking a portion of the revenue recognised in the operating statement may be prior year's revenue.

## 12 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.

## 13 Cash Flow from Government

During the financial year MACI received cash of \$1,953,000 from the Government of the Cayman Islands. This was made up of \$1,535,000 from Cabinet for outputs purchased from MACI for the current year. Also included was \$187,000 which was advanced to MACI and to be repaid in future periods, and \$231,000 for funding of opening accounts payables.

## 14 Sale of Goods and Services

Registration	307
Surveyor Fees	1,865
Crew Compliance	359
Tonnage	762
<b>Total Fees and Charges</b>	<b>3,293</b>

## 15 Other Operating Revenue

Courier & Postal Charges	70
Exhibition Fees	6
Miscellaneous Fax (Faxed Certs, etc)	16
Communications Charges	1
Red Ensign Flags	3
24 Hour Rush Fees	4
Administrative Rate	2
Professional/Surveyor Rate	5
Website Marketing Fees	4
<b>Total Other Operating Revenue</b>	<b>111</b>

## Notes to the Financial Statements

For the year ending 30 June 2006 (expressed in Cayman Islands Dollars)

### 16 Revenue from Government

Revenue from Government is derived from the following outputs delivered:

Policy Advice to Cabinet	310
Provision of Technical Advice & Support to Government Agencies, Private Sector & the General Public	377
Registration of Marine Vessels and Advice, Assistance & Advocacy	445
State Inspections & Investigation Services	403
<b>Total Revenue from Government</b>	<b>1,535</b>

### 17 Personnel Cost

Salaries and Wages	2,574
Pension Expense	208
Other Personnel Cost	196
Movement in Annual Leave Provision	86
<b>Total Personnel Cost</b>	<b>3,064</b>

### 18 Supplies and Consumables

Supply of Goods & Services	1,822
Operating Lease Rental	207
Other	35
<b>Total Supplies and Consumables</b>	<b>2,064</b>

### 19 Cash and Cash Equivalents

Imprest	209
Bank Accounts	286
<b>Total Cash and Cash Equivalents</b>	<b>495</b>

**20 Accounts Receivables**

Sales of Goods & Services	1,052
Prepayments	4
	<hr/>
Total Gross Receivables	1,056
	<hr/>
Less Provision for Doubtful Debts	240
	<hr/>
<b>Total Net Receivables</b>	<b>816</b>
	<hr/>

**21 Accounts Payables**

Trade Creditors	481
	<hr/>
<b>Total Payables</b>	<b>481</b>
	<hr/>

**22 Unearned Revenue**

Revenue Deposits	137
	<hr/>
<b>Total Unearned Revenue</b>	<b>137</b>
	<hr/>

**23 Employees Entitlements**

Leave Entitlements	86
	<hr/>
<b>Total Employee Entitlements</b>	<b>86</b>
	<hr/>

**24 Other Current Liabilities**

Due to Government Departments	262
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<b>Total Other Current Liabilities</b>	<b>262</b>
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MARITIME AUTHORITY OF THE CAYMAN ISLANDS

3rd Floor, Kirk House  
22 Albert Panton Street  
PO Box 2256  
Grand Cayman KY1-1107  
CAYMAN ISLANDS

T +1 345 949 8831  
F +1 345 949 8849  
E [cisrky@cishipping.com](mailto:cisrky@cishipping.com)