MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Islands Marine Resources Authority:

We have audited the accompanying statements of net assets of the Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands (RepMar), as of September 30, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of MIMRA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MIMRA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of MIMRA as of September 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of MIMRA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2007, on our consideration of internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte + Touche LLP

May 10, 2007

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Management's Discussion and Analysis
September 30, 2006

This section of the Marshall Islands Marine Resources Authority (MIMRA) annual financial report presents our discussion and analysis of MIMRA's financial performance for the fiscal year ending September 30, 2006. Please read it and verify any clarification to the financial statements, which follow this section. The below table summarizes the financial condition and operations of MIMRA for fiscal year 2006 and 2005.

	2006	2005	% Change	2004
ASSETS:				
Current and other assets	$ 1,489,120	$ 944,635	58 %	$ 680,741
Capital assets	351,799	403,780	(13)%	441,545
Total Assets	$ 1,840,919	$ 1,348,415		$ 1,122,286
LIABILITIES:				
Current liabilities	$ 337,444	$ 276,226	22 %	$ 263,283
Long-term liabilities	-	103,545	(100)%	116,049
Total Liabilities	337,444	379,771		379,332
NET ASSETS:				
Investment in capital Assets	351,799	403,780	(13)%	441,545
Unrestricted	1,151,676	564,864	104 %	301,409
Total Net Assets	$ 1,503,475	$ 968,644		$ 742,954
Revenue, Expenses and Changes in Net Assets:				
Operating Revenue	$ 2,074,042	$ 1,912,626	8 %	$ 1,327,405
Operating Expenses	1,578,158	1,568,277	1 %	1,315,901
Operating Income	495,884	344,399	44 %	11,504
Non-operating revenues	38,947	25,307	54 %	17,968
Non-operating expenses	-	(144,016)	(100)%	(360,606)
Nonoperating revenues (expenses), net	38,947	(118,709)		(342,638)
Capital contributions	-	-	0 %	125,000
Changes in net assets	534,831	225,690	137 %	(206,134)
Net assets at beginning of year	968,644	742,954		949,008
NET ASSETS at end of year	$ 1,503,475	$ 968,644		$ 742,954

Overall analysis.

Compared to FY 2005 results of operations, there was only an 8% increase in FY 2006 operating revenue. The reason for this was that new fishing access rates were being implemented for Taiwan, Korea, China and others, but due to the new rates implemented, only few boats were registered for those new access rates. In addition, there was also an 8% increase in boats calling port at Majuro this year as compared to last year. Licensing fee collections increased by $ 260,000 but all other revenue collections fell to what is expected thus, the increase in revenues is less than 10% as compared to last year's increase in collections which was 44%.

As a result of the increase in collection of license fees and other related fees and also an increase of the boats calling port at Majuro, the overall picture of MIMRA financial condition is positive just like in FY2005. Operating expenses for FY 2006 marginally increased by 1% compared to FY2005 and compared with FY 2005 over FY 2004, which was 19%. Even though salaries and wages went up by 11%, all other expenses decreased and that's why the overall increase in operating expenses is only 1%. The minimal increase boosted a 44% increase in net operating income.

MIMRA's financial condition as shown on the Changes in Net Assets shows an overall 137% positive increase compared to FY 2005.

Management's Discussion and Analysis for the year ended September 30, 2005 is set forth in MIMRA's report on the audit of financial statements, which is dated July 26, 2006. That Discussion and Analysis explains the major factors impacting the 2005 financial statements and can be obtained from MIMRA's Administrator via the contact information on page 4.

Fund Analysis:

As MIMRA completed the year, the Agency's combined funds (Savings and Current Account) has a total balance of $1,332,592, which was $493,597 higher compared to FY 2005. The reason for the increase was due to the 8% higher revenue generated during the current fiscal year and the interest earned also increased by as much as 54% when compared to FY 2005. Transfers Out to REPMAR is nil compared to FY 2005 transfer of $144,016, which can be considerd as one factor leading to the positive financial picture of MIMRA for the current year.

Budget Variances:

Actual operating revenues is on the infavorable by as much as $917,408 compared to the final budget including transshipments and observers/training fees but the overall picture of MIMRA improves because the operating expenses incurred is up only by 1% budget versus the actual.

Capital Asset:

At the end of FY 2006, MIMRA has net assets of $351.799. Though there was a total addition of $49,156 on capital assets and a decrease in depreciation amounting to $101,137 during the current fiscal year, the net effect is a reduced balance of capital assets. The decrease, which is equivalent to 13%, compared to the previous years is not a good indication. The capital assets of MIMRA right now are not in good standing; thus, management needs to look at its capitalized asset situation carefully. (See table below).

	2006	2005
Buildings and improvements	$ 341,367	$ 341,367
Equipment improvements	76,320	76,320
Vehicles	123,595	103,595
Equipment	184,230	155,761
Furniture & Fixtures	19,734	19,047
Motorboats	60,016	60,016
Grand Total	805,262	756,106
Less: Accumulated Depreciation	453,463	352,326
NET	$ 351,799	$ 403,780

Fiscal Year 2006 major capital asset additions include:

1. EQUIPMENT:	
a.) Computers and printer	$ 18,752
b.) Woja hatchery equipment	3,850
c.) Others	5,268
d.) New air conditioning unit (FNTC)	600
TOTAL	$ 28,470
2.VEHICLES	$ 20,000

Long-Term Debt:

The long-term debt shown in MIMRA's financial statements is the renovation cost performed by Edgewater Fisheries (tenant) at the space they rented for a fish-base. Payment of this debt is offset against one-half of the total monthly lease payments for the fish base. The term of payment is based on the lease agreement.

There is no additional debt to be taken into consideration.

Economic Factors and Next year Budgets and Rates

Budgeted expenditures are expected to rise at a minimal rate of 8% or an amount equivalent to $145,000. Though an expected increase in salaries and wages to around 8% is due to new positions to be opened, all other expenses were budgeted lower than last year except for travel and membership contributions.

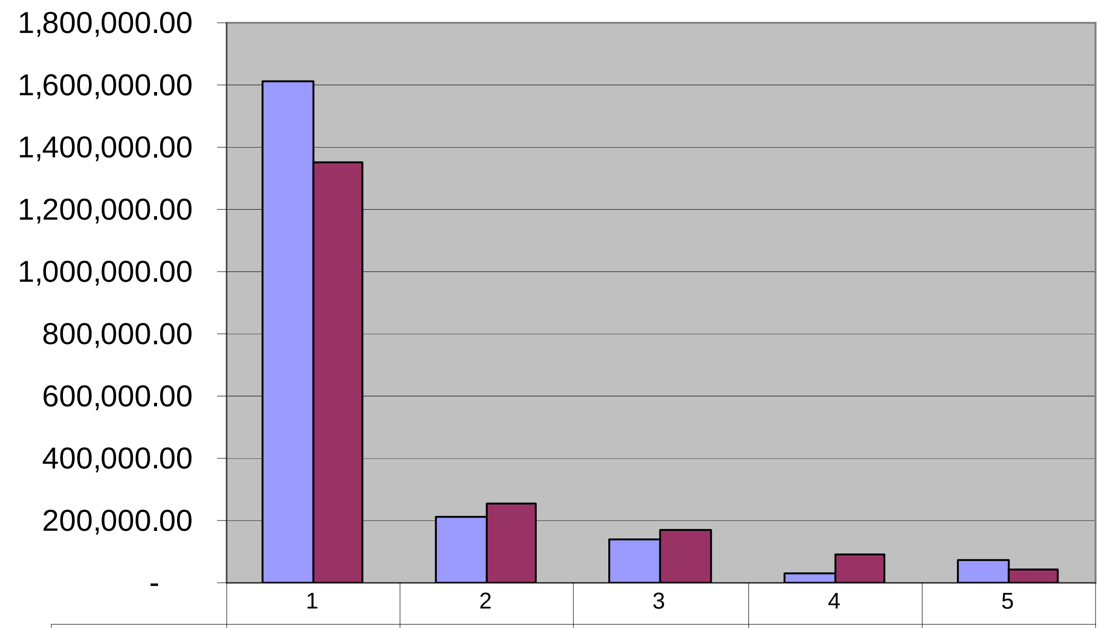
The El Niño phenomenon is impacting the Marshall Islands once more; thus, MIMRA is expecting a lower number of boats calling port at Majuro, which will affect the budgeted revenues.

Other potentially significant matters:

No potential significant matters happening during the course of the audit that appear to impact the overall results of MIMRA's audit during the current year.

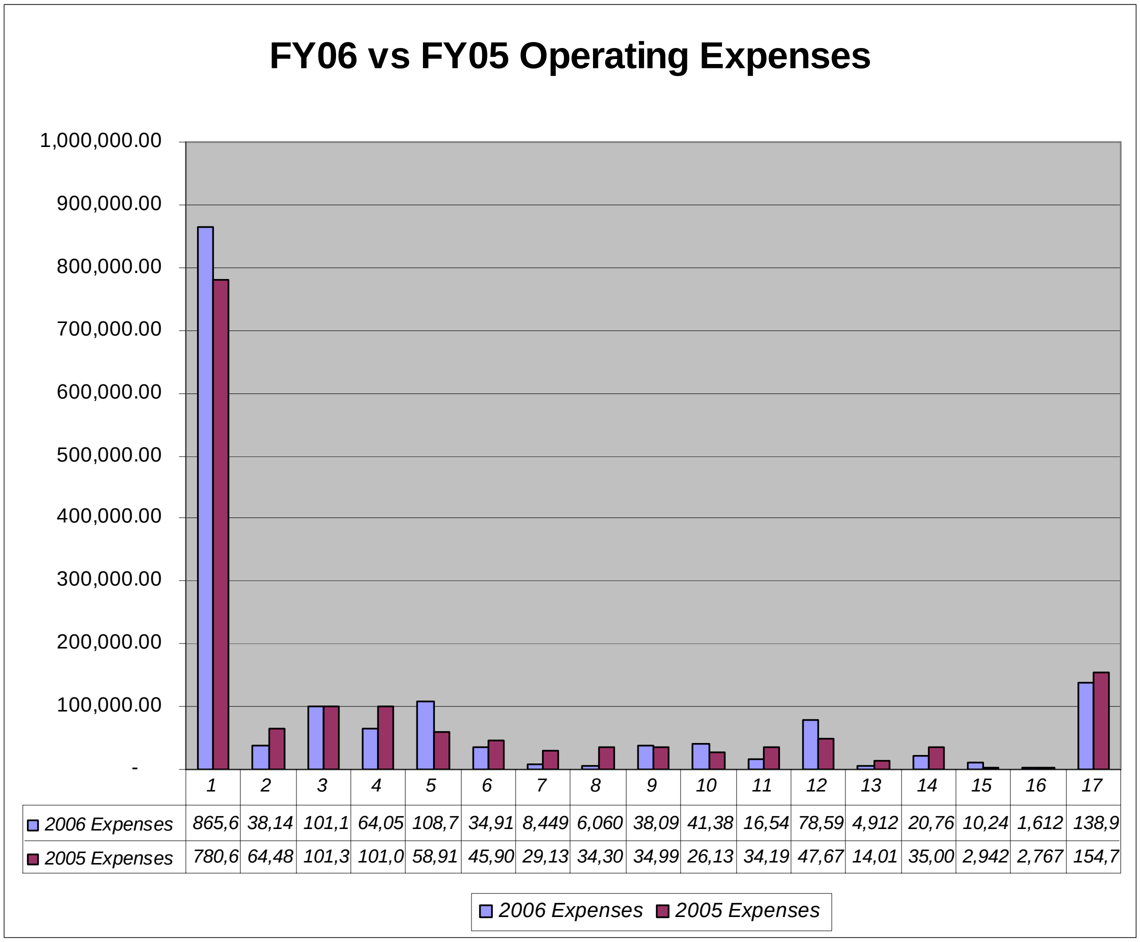
Contacting MIMRA's financial management

This financial report is designed to provide our beneficiaries and others a general overview of MIMRA's finances and to demonstrate its accountability for the money it collects. If you have questions about this report or need additional financial information, contact the Administrator, P.O. Box 175, Majuro, MH 96960 or via email at mimra@ntamar.net.



	1	2	3	4	5
2006 Revenues	1,614,222.00	214,422.00	140,400.00	29,312.00	75,686.00
2005 Revenues	1,354,000.00	255,130.00	168,600.00	92,895.00	42,001.00

	2006	2005
License fees collection	$ 1,614,222	$ 1,354,000
Other fees and charges	214,422	255,130
Transshipment	140,400	168,600
Grants	29,312	92,895
Others	75,686	42,001
TOTAL	$ 2,074,042	$ 1,912,626
Overall change in FY06 compared to FY05	$ 161,416	8%



	2006	2005
Salaries, wages & benefits	$ 865,629	$ 780,680
Bad debts	38,142	64,486
Depreciation	101,137	101,351
Utilities	64,059	101,032
Travel	108,711	58,912
Repairs and maintenance	34,915	45,900
Contributions	8,449	29,130
Training	6,060	34,309
Petroleum, oil and lubricants	38,090	34,995
Communications	41,382	26,133
Supplies	16,548	34,190
Boarding and observers fees	78,596	47,675
Entertainment	4,912	14,016
Professional fees	20,768	35,008
Freight	10,248	2,767
Miscellaneous	138,900	154,701
TOTAL OPERATING EXPENSES	$ 1,578,158	$ 1,568,227
Overall change in Expenses (FY06 vs FY 2005)	$ 9,931	1%

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Net Assets
September 30, 2006 and 2005

ASSETS	2006	2005
Current assets:		
Cash	$ 101,321	$ 56,474
Time certificates of deposit	1,231,271	782,521
Receivables:		
Affiliates	431,134	432,463
Trade	95,155	99,689
Accrued interest	11,422	6,707
Other	355,965	265,787
	893,676	804,646
Less allowance for doubtful accounts	(738,622)	(700,480)
	155,054	104,166
Other assets	1,474	1,474
Total current assets	1,489,120	944,635
Improvements and equipment, net	351,799	403,780
	$ 1,840,919	$ 1,348,415
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 16,785	$ 1,478
Current portion of leasehold payable	91,045	12,500
Payable to affiliates	136,414	118,113
Other liabilities and accruals	93,200	144,135
Total current liabilities	337,444	276,226
Noncurrent liabilities:		
Leasehold payable, net of current portion	-	103,545
Total liabilities	337,444	379,771
Commitments and contingency		
Net assets:		
Invested in capital assets	351,799	403,780
Unrestricted	1,151,676	564,864
Total net assets	1,503,475	968,644
	$ 1,840,919	$ 1,348,415

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2006 and 2005

	2006	2005
Operating revenues:		
Licensing fees	$ 1,614,222	$ 1,354,000
Other fees and charges	214,422	255,130
Transshipment fees	140,400	168,600
Grants	29,312	92,895
Other	75,686	42,001
Total operating revenues	2,074,042	1,912,626
Operating expenses:		
Salaries and wages	865,629	780,680
Travel	108,711	58,912
Depreciation	101,137	101,351
Boarding and observer fees	78,596	47,675
Utilities	64,059	101,032
Communications	41,382	26,133
Bad debts	38,142	64,486
Petroleum, oil and lubricants	38,090	34,995
Repairs and maintenance	34,915	45,900
Professional fees	20,768	35,008
Supplies	16,548	34,190
Freight	10,248	2,942
Contributions	8,449	29,130
Training	6,060	34,309
Entertainment	4,912	14,016
Advertising	1,612	2,767
Miscellaneous	138,900	154,701
Total operating expenses	1,578,158	1,568,227
Operating income	495,884	344,399
Nonoperating revenues (expenses):		
Interest income	38,947	25,307
Transfer to RepMar	-	(144,016)
Total nonoperating expenses, net	38,947	(118,709)
Change in net assets	534,831	225,690
Net assets at beginning of year	968,644	742,954
Net assets at end of year	$ 1,503,475	$ 968,644

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Cash received from customers	$ 1,955,236	$ 1,845,760
Cash payments to suppliers for goods and services	(585,800)	(675,200)
Cash payments to employees for services	(865,630)	(725,320)
Net cash provided by operating activities	503,806	445,240
Cash flows from noncapital financing activities:		
Transfers to RepMar's General Fund	-	(144,016)
Net cash used in noncapital financing activities	-	(144,016)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(49,156)	(63,586)
Net cash used in capital and related financing activities	(49,156)	(63,586)
Cash flows from investing activities:		
Net change in time certificates of deposit	(448,750)	(291,970)
Interest received on time certificates of deposit	38,947	24,813
Net cash used in by investing activities	(409,803)	(267,157)
Net change in cash	44,847	(29,519)
Cash at beginning of year	56,474	85,993
Cash at end of year	$ 101,321	$ 56,474
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 495,884	$ 344,399
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	101,137	101,351
Bad debts	38,142	64,486
(Increase) decrease in assets:		
Receivables:		
Affiliate	1,329	1,021
Trade	4,534	(9,609)
Other	(94,893)	(58,278)
Inventory	-	1,431
Increase (decrease) in liabilities:		
Accounts payable	2,807	(6,785)
Payable to affiliates	18,310	(17,631)
Other liabilities and accruals	(33,659)	24,855
Net cash provided by operating activities	$ 533,591	$ 445,240

Supplemental schedule of noncash investing, capital and financing activities:
During the years ended September 30, 2006 and 2005, MIMRA applied rental expense of $0 and $12,504, respectively, as reimbursement of cost of improvements.

See accompanying notes to financial statements.

(1) Organization

The Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands (RepMar), was created under Public Law 1997-60, the Marshall Islands Marine Resources Act of 1997. This legislation repealed Public Law 1988-12, the Marshall Islands Marine Resources Authority Act, 1988, and transferred all assets, liabilities, rights and obligations of the former Marshall Islands Marine Resources Authority (established under Public Law 1988-12) to MIMRA, effective October 2, 1997. MIMRA's principal line of business is to facilitate the sustainable and responsible use of the marine resources in the Marshall Islands. Access to the fishery waters of the Marshall Islands, including transshipment related activities, is granted by MIMRA to foreign and domestic-based fishing vessels through an access agreement, for which certain fees and licenses are levied.

MIMRA is governed by a seven-member Board of Directors, including three members consisting of the Minister of Resources and Development, the Secretary of Foreign Affairs and the Attorney General and four members appointed by the President of RepMar.

MIMRA's financial statements are incorporated into the financial statements of RepMar as a component unit.

(2) Summary of Significant Accounting Policies

The accounting policies of MIMRA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. MIMRA has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which was subsequently amended by Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and modified by Statement No. 38, *Certain Financial Statement Disclosures*. These statements establish financial reporting standards for governmental entities which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to the requirements of GASB 34, retained earnings is presented in the following net asset categories:

- Investment in capital assets; capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Unrestricted; net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

(2) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statements of net assets. Proprietary fund operating statements present increases and decreases in net total assets. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. MIMRA considers operating revenues to include activities that have the characteristics of exchange transactions, such as (1) licensing, transshipment, and other fees, and (2) most local and other grants. Revenues and expenses related to other activities are considered to be nonoperating.

Cash and Time Certificates of Deposit

Custodial credit risk is the risk that in the event of a bank failure, MIMRA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. MIMRA does not have a deposit policy for custodial credit risk.

For purposes of the statements of net assets and cash flows, cash is defined as cash on hand and cash held in demand accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified. As of September 30, 2006 and 2005, the carrying amount of cash and time certificates of deposit were $1,332,592 and $838,995, respectively, and the corresponding bank balances were $1,348,307 and $844,186, respectively. Of the bank balance amounts, $57,289 and $19,603, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance and were fully FDIC insured. MIMRA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Receivables

All receivables are uncollateralized and are due from customers, both governmental agencies and businesses, located within the Republic of the Marshall Islands and the Pacific region, including Japan, Korea and Taiwan. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluation of the collectibility of these accounts and prior collection experience. The allowance is established through a provision for losses on accounts receivable charged to expense.

(2) Summary of Significant Accounting Policies, Continued

Improvements and Equipment

MIMRA does not have a capitalization policy for improvements and equipment; however, items with a cost that equals or exceeds $1,000 are generally capitalized. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

Building improvements	10 years
Equipment improvements	10 years
Vehicles	3 years
Equipment	4 years
Furniture	4 years
Motor boats	6 years

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. MIMRA is specifically exempt from this tax.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. As of September 30, 2006 and 2005, the accumulated vacation leave liability totals $44,299 and $42,569, respectively, and is included within the statements of net assets as other liabilities and accruals.

New Accounting Standards

During fiscal year 2006, MIMRA implemented the following pronouncements:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes standards for impairment of capital assets when service utility has declined significantly and unexpectedly.

- GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section,* an amendment to NCGA Statement 1, which improves the understandability and usefulness of statistical section information and adds information from the new financial reporting model for state and local governments required by GASB Statement No. 34.

- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation (an amendment to GASB Statement No. 34)*, which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets.

- GASB Statement No. 47, *Accounting for Termination Benefits*, which establishes guidance for state and local governmental employers on accounting and financial reporting for termination of benefits.

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*, which clarifies the requirements of GASB Statement Nos. 27 and 45 for recognition of pension and other postemployment benefit expenditures/expense and liabilities by cost-sharing employers.

The implementation of these pronouncements did not have a material impact on the accompanying 2006 financial statements.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 43 establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The provisions of this Statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for periods beginning after December 15, 2008. Management does not believe the implementation of this statement will have a material effect on the financial statements of MIMRA.

(3) Risk Management

MIMRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. MIMRA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

(4) Improvements and Equipment

Capital assets activity during the years ended September 30, 2006 and 2005 is as follows:

	2006			
	October 1, 2005	Additions	Retirements	September 30, 2006
Building improvements	$ 341,367	$ -	$ -	$ 341,367
Equipment	155,761	28,470	-	184,230
Equipment improvements	76,320	-	-	76,320
Vehicles	103,595	20,000	-	123,595
Furniture	19,047	686	-	19,734
Motor boats	60,016	-	-	60,016
	756,106	49,156	-	805,262
Less accumulated depreciation	(352,326)	(101,137)	-	(453,463)
	$ 403,780	$ (51,981)	$ -	$ 351,799

(4) Improvements and Equipment, Continued

	2005			
	October 1, 2004	Additions	Retirements	September 30, 2005
Building improvements	$ 341,367	$ -	$ -	$ 341,367
Equipment	130,075	25,686	-	155,761
Equipment improvements	76,320	-	-	76,320
Vehicles	68,995	34,600	-	103,595
Furniture	18,147	900	-	19,047
Motor boats	57,616	2,400	-	60,016
	692,520	63,586	-	756,106
Less accumulated depreciation	(250,975)	(101,351)	-	(352,326)
	$ 441,545	$ (37,765)	$ -	$ 403,780

(5) Related Party Transactions

MIMRA was created by the Nitijela of RepMar under Public Law 1997-60 and is thus considered a component unit of RepMar. Accordingly, MIMRA is affiliated with all RepMar-owned and affiliated entities, including the Marshall Islands Social Security Administration (MISSA).

MIMRA utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions for the years ended September 30, 2006 and 2005 is as follows:

	2006		
	Expenses	Payables	Receivables
Marshall Islands Social Security Administration	$ 72,305	$ 45,475	$ 431,134
Marshall Islands National Telecommunications Authority	41,382	3,710	-
Marshalls Energy Company, Inc.	64,059	5,474	-
RepMar	-	81,694	-
Others	6,065	61	-
	$ 183,811	$ 136,414	$ 431,134

	2005		
	Expenses	Payables	Receivables
Marshall Islands Social Security Administration	$ 63,169	$ 41,127	$ 423,288
Marshall Islands National Telecommunications Authority	28,010	2,248	-
Marshalls Energy Company, Inc.	118,598	5,385	-
College of the Marshall Islands	20,000	-	-
RepMar	144,016	67,137	8,912
Others	32,466	2,216	263
	$ 406,259	$ 118,113	$ 432,463

(5) Related Party Transactions, Continued

On September 20, 2000, the Cabinet of RepMar approved the disbursement of funds from MIMRA, totaling $300,000, to MISSA and approved the subsequent reimbursement to MIMRA from RepMar's General Fund. The promissory note issued by RepMar states that payment is due on September 20, 2001 and that 16% and 24%, interest and penalty, respectively, shall apply in the event of nonpayment on the due date. As of September 30, 2006, MIMRA has not been reimbursed for this amount. As a result, $131,134 and $123,288, respectively of interest and penalties has been accrued at September 30, 2006 and 2005. The total balance of $431,134 and $423,288, respectively, has been included in the allowance for doubtful accounts at September 30, 2006 and 2005.

MIMRA remits certain fishing rights fees to RepMar's General Fund. Remittances in excess of such fees are recorded by MIMRA as transfers to RepMar. During the years ended September 30, 2006 and 2005, MIMRA transferred to RepMar's General Fund $0 and $144,016, respectively.

MIMRA occupies certain office space and uses properties belonging to RepMar at no cost. No lease agreements have been executed to formalize these arrangements and no rental payments are anticipated. The fair value of these contributions is presently not determinable. Accordingly, the contributed use of facilities has not been recognized as revenue and expenses in the accompanying financial statements.

MIMRA maintained deposit accounts amounting to $1,291,018 and $822,277 as of September 30, 2006 and 2005, respectively, with a related financial institution.

(6) Leasehold Payable

MIMRA had entered into a lease agreement for the use of a building and cold storage facility belonging to RepMar. The building lease is for ten years expiring on July 31, 2011, lease term with options to extend for an additional ten years. The cold storage is one year, or until such time that the operator is able to maintain and operate its own cold storage facility. The building lease states that the operator may deduct up to fifty percent of the annual rental fee (up to a maximum of $250,000) as reimbursement for cost of improvements placed on the premises during the term of the lease, all of which will remain on the premises after the expiration or termination of the lease. As of September 30, 2006, the operator made $165,000 of building improvements, of which $103,545 is to be reimbursed through future rental payments commencing in fiscal year 2007, and extending to the end of the lease.

Long-term debt activity during the years ended September 30, 2006 and 2005 is as follows:

2006				
Balance October 1, 2005	Additions	Reductions	Balance September 30, 2006	Amount due within one year
$ 116,045	$ -	$ (25,000)	$ 91,045	$ -

(6) Leasehold Payable, Continued

2005				
Balance October 1, 2004	Additions	Reductions	Balance September 30, 2005	Amount due within one year
$ 128,549	$ -	$ (12,504)	$ 116,045	$ 12,500

(7) Subsequent Event

In November 2006, the above property was razed and management has elected to reflect the effect of this change in its fiscal year 2007 financial statements.

(8) Commitments and Contingency

Commitments

On May 1, 2005, MIMRA entered into a joint venture agreement with Koo's Fishing Company, Ltd. (KFC) to form an ongoing association for the purpose of engaging in the purse seine fishing business. The association was formally organized during fiscal year 2006 with the purchase of the vessel, RMI201. MIMRA and KFC's contributed capital is$2,940,000 and $3,060,000, respectively, which equals to 49% and 51%, respectively, of the total vessel value of $6,000,000. The parties agreed that MIMRA's contribution to working capital will be provided by KFC and shall be classified as a loan provided to MIMRA at an annual rate of 3%. 100% of MIMRA's share of the profits will be used to pay off this loan for the first two years of the operation; thereafter, it will be 50%. The parties agreed that the joint venture will be operated by KFC and MIMRA will not be liable to the joint venture.

During the year ended September 30, 2000, MIMRA assumed the payment obligations under certain ground leases, which were previously the obligations of RepMar's Ministry of Internal Affairs. During the year ended September 30, 2003, MIMRA assumed the payment obligation under a ground lease, which was previously the obligation of an unrelated party. These ground leases have original terms ranging from five to twenty-five years, expiring in 2006 through 2024.

Total future minimum lease payments for subsequent years ending September 30, are as follows:

Year ending September 30,	
2007	$ 22,109
2008	15,650
2009	7,075
2010	6,790
2011	6,392
2012-2016	30,952
2017-2021	25,245
2022-2024	12,623
	$ 126,836

Lease expense amounted to $24,213 and $31,064 for the years ended September 30, 2006 and 2005, respectively.

(8) Commitments and Contingency, Continued

Commitments, Continued

As described in note 6, MIMRA entered into a lease agreement for the lease of a building belonging to RepMar. Total future minimum rentals, net of cost of improvements placed on the premises, for subsequent years ending September 30, are as follows:

Year ending September 30,	
2007	$ 12,500
2008	12,500
2009	12,500
2010	12,500
2011	10,417
	$ 60,417

Rental income amounted to $38,416 and $32,748 for the years ended September 30, 2006 and 2005, respectively.

Contingency

As of September 30, 2006 and 2005, MIMRA recorded withholding taxes payable to RepMar amounting to $23,022 and $44,077, respectively, relating to fiscal years 2000 and 2001. As of September 30, 2006, MIMRA wrote-off a total of $29,776 as RepMar's records shows that MIMRA does not have a liability with them. The remaining balance of $23,022 is still being investigated. The ultimate resolution of this matter is uncertain but does not have a material impact on the 2006 financial statements.