

Financial Statements of

**COMMUNITY COLLEGE OF THE
CAYMAN ISLANDS**

For the Six Months Ended 30 June 2003

COMMUNITY COLLEGE OF THE CAYMAN ISLANDS

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Community College of the Cayman Islands

CERTIFICATE OF THE AUDITOR GENERAL

To the Board of Governors of the Community College of the Cayman Islands

I have audited the financial statements of the Community College of the Cayman Islands for the six months ended 30 June 2003 as set out on pages 2 to 17 in accordance with the provisions of Section 11(3) of the Community College Law (1999 Revision), and Section 45(1) of the Public Finance and Audit Law (1997 Revision).

Respective Responsibilities of Management and the Auditor General

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

Basis of Opinion

Except as discussed in the following paragraph 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.

Opinion

The Community College did not carry out a physical inventory count as at 30 June 2003. I was unable to satisfy myself as to inventory quantities by other audit procedures. In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to physical inventory quantities, these financial statements present fairly, in all material respects, the financial position of the Community College of the Cayman Islands as at 30 June 2003, and the results of its operations and its cash flows for the six months then ended in accordance with International Accounting Standards and the Community College Law (1999 Revision).

Don Duguay

D. Duguay, M.B.A., C.G.A.
Auditor General

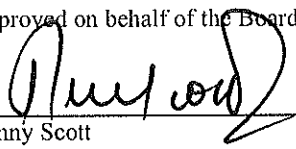
28 January 2005

**COMMUNITY COLLEGE OF THE CAYMAN ISLANDS
BALANCE SHEET AS AT 30 JUNE 2003**

(Stated in Cayman Islands Dollars)

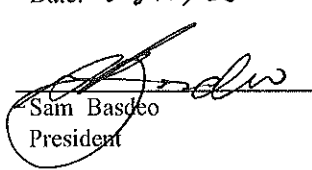
	NOTE	6 Months June 2003	2002
ASSETS			
Fixed assets	2b,3,4		
Land		\$ 273,090	\$ 273,090
Buildings		6,638,629	6,744,967
Furniture and Equipment		72,482	79,089
Computers		6,601	9,084
Library Books		130,176	130,046
Total fixed assets		7,120,978	7,236,276
Current assets			
Inventory	2c	77,875	69,240
Accounts Receivable	5	30,498	30,277
Receivable from Endowment Fund		380	380
Prepayments		10,516	40,060
Unrestricted Cash Balance	6a	828,126	567,951
Restricted Cash Balance - Capital Fund	6b	845,557	841,818
Total current assets		1,792,952	1,549,726
TOTAL ASSETS		\$8,913,930	\$8,786,002
EQUITY AND LIABILITIES			
Capital and reserves			
Donated Capital	7	\$2,917,333	\$2,917,333
Capital Fund	8	845,811	842,145
Accumulated Surplus		1,658,617	1,583,946
		5,421,761	5,343,424
Long term liabilities	9	2,872,725	2,855,070
Current liabilities			
Accounts Payable		448,629	328,124
Payable to Endowment Fund		556	556
Current Maturities of Long Term Liabilities	9	165,637	161,606
Prepaid Course Fees	10	4,622	97,222
Total Current Liabilities		619,444	587,508
TOTAL EQUITY AND LIABILITIES		\$8,913,930	\$8,786,002

Approved on behalf of the Board of Governors:



Danny Scott
Chairman

Date: 28/1/05



Sam Basdeo
President

The accompanying notes form an integral part of these financial statements

COMMUNITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF INCOME AND EXPENDITURE
FOR THE 6 MONTHS ENDED 30 JUNE 2003

(Stated in Cayman Islands Dollars)

	NOTE	6 Months	
		June 2003	2002
INCOME			
Government Grant	11	\$ 934,868	\$ 1,779,800
Tuition Fees		459,615	752,091
Book Sales		45,500	102,925
Other Income	12	69,413	100,132
Total Income		1,509,396	2,734,948
EXPENSES			
Salaries and Wages		781,240	1,449,235
Depreciation	2b,3	147,065	297,794
Foreign Exchange Loss	2d	112,597	177,362
Utilities		69,668	128,798
Operating and Maintenance		66,517	150,607
Pension Expense	13	66,434	139,059
Insurance	15	64,633	129,682
Supplies and Materials		53,937	115,743
Travelling and Subsistence		35,016	32,870
Health Insurance		19,625	31,896
Loan Interest and Bank Charges		10,393	22,488
Bad Debts		7,600	10,001
Total Expenses		\$ 1,434,725	\$ 2,685,535
Net Surplus for the Year		74,671	49,413
Surplus at Beginning of the Year			
Balance as previously reported		1,583,946	1,631,612
Prior period adjustment	17	-	124,140
Restated Balance		1,583,946	1,755,752
Surplus before transfers		1,658,617	1,805,165
Transfer to Capital Fund	8	-	(221,219)
Accumulated Surplus at end of the Year		\$ 1,658,617	\$ 1,583,946

The accompanying notes form an integral part of these financial statements

COMMUNITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE 6 MONTHS ENDED 30 JUNE 2003
(Stated in Cayman Islands Dollars)

	Capital Fund	Donated Capital	Accumulated Surplus	Total
Balance as at December 31, 2001	\$ 612,400	\$ 2,917,333	\$ 1,755,752	\$ 5,285,485
Transfers	221,219	-	(221,219)	-
Interest earned on capital fund balance	8,526	-	-	8,526
Net surplus for the year	-	-	49,413	49,413
Balance as at December 31, 2002	\$ 842,145	\$ 2,917,333	\$ 1,583,946	\$ 5,343,424
Interest earned on capital fund balance	3,666	-	-	3,666
Net surplus for the year	-	-	74,671	74,671
Balance as at June 30, 2003	\$ 845,811	\$ 2,917,333	\$ 1,658,617	\$ 5,421,761

The accompanying notes form an integral part of these financial statements

COMMUNITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 30 JUNE 2003
(Stated in Cayman Islands Dollars)

	2003	
	6 Months	
	June 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus for the Year	\$74,671	\$49,413
Adjustment to reconcile Net Surplus for the year to Net Cash Provided by Operating Activities		
Depreciation	147,065	297,794
Unrealised loss on foreign currency translation	112,781	177,894
Interest Income	(2,917)	(4,875)
Loan Interest	10,393	22,488
Operating Profit before Working Capital Changes	341,993	542,714
Net Changes in Non-Cash Working Capital Balances Related to Operations		
(Increase) in Accounts Receivable	(433)	(9,516)
Decrease in receivable from Endowment Fund	-	2,105
Decrease / (Increase) in Prepayments	29,544	(16,050)
(Increase) / Decrease in Inventory	(8,635)	718
Increase in Accounts Payable	120,505	70,102
(Decrease) in payable to Endowment Fund	-	(3,444)
(Decrease) / Increase in Prepaid Course Fees	(92,600)	56,390
Cash Generated from Operations	390,374	643,019
Interest Received	6,795	13,159
Interest Paid	(10,393)	(21,672)
Net Cash Provided by Operating Activities	386,776	634,506
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(31,767)	(65,691)
Net Cash Used In Investing Activity	(31,767)	(65,691)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long Term Loans	(91,095)	(146,267)
Net Cash Provided by / (Used in) Financing Activities	(91,095)	(146,267)
Net increase in cash and cash equivalents during the year	263,914	422,548
Cash and cash equivalents at beginning of year	1,409,769	987,221
Cash and cash equivalents at end of year	\$1,673,683	\$1,409,769

The accompanying notes form an integral part of these financial statements

**COMMUNITY COLLEGE OF THE CAYMAN ISLANDS
BALANCE SHEET AS AT 30 JUNE 2003 - ENDOWMENT FUND**

(Stated in Cayman Islands Dollars)

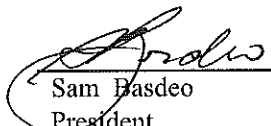
	NOTE	2003	2002
CURRENT FUNDS			
Cash at Bank		\$33,549	\$33,510
\$US Fixed Deposit		59,424	59,327
Receivable from General Fund		556	556
Payable to General Fund		(380)	(380)
Total Funds	6c	\$93,149	\$93,013
 Represented by:			
FUND BALANCE		\$93,149	\$93,013

Approved on Behalf of the Board of Governors:

Date: 28/1/05



 Danny Scott
 Chairman



 Sam Hasdeo
 President

The accompanying notes form an integral part of these financial statements

**COMMUNITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF INCOME AND EXPENDITURE - ENDOWMENT FUND
FOR THE 6 MONTHS ENDED 30 JUNE 2003**

(Stated in Cayman Islands Dollars)

	NOTE	2003	2002
INCOME			
Donations		\$ -	\$556
Interest on Savings Account		39	146
Interest on Fixed Deposit Account		97	368
Total Income		136	1,070
EXPENSES			
Funds Utilised: Lecturer's Expenses and Scholarships Awarded		-	390
Total Expenses		-	390
Net Increase in Fund Balance		136	680
Fund Balance at Beginning of the Year		93,013	92,333
Fund Balance at end of the Year	6c	\$93,149	\$93,013

Community College of the Cayman Islands
Notes to the Financial Statements
For the 6 Months Ended 30 June 2003
(Stated in Cayman Islands Dollars)

1. ESTABLISHMENT AND PRINCIPAL ACTIVITY

The Community College of the Cayman Islands is a corporate body established under the Community College of the Cayman Islands Law 1987 (Law 6 of 1987). Its principal activity is to provide full and part-time education, training, and education services, including teaching and research relevant to the needs of the Islands.

The College changed its fiscal year end from 31 December to 30 June in order to bring the College's financial year-end in line with the Public Management and Finance Law (Revision 2003) as it relates to the Entire Public Sector. Therefore the period presented is for the 6-month period ended 30 June 2003. The comparative figures are for the 12-month period ended 31 December 2002, and is not readily comparable.

The Community College is located at 168 Olympic Way, P.O. Box 702 GT, Grand Cayman, Cayman Islands, B.W.I.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC), and interpretations issued by the Standing Interpretations Committee of the IASC. The significant accounting policies adopted by the Community College are as follows:

a. Basis of Accounting

The financial statements of the Community College are prepared on the accruals basis under the historical cost convention.

b. Depreciation

Fixed assets are recorded at cost and with the exception of freehold land, are depreciated using the straight line method estimated to write-off the cost of the assets over their expected useful lives as follows:

Buildings	40	years
Furniture and Equipment	5 – 10	years
Computers	3	years
Vehicles	4	years
Library Books	2 – 8	years

Community College of the Cayman Islands
Notes to the Financial Statements
For the 6 Months Ended 30 June 2003
(Stated in Cayman Islands Dollars)

c. Inventory

Inventory represents textbooks on hand and in-transit, at 30 June 2003, which are purchased by the Community College for resale to students. They are valued at the lower of cost and net realisable value on a first-in, first-out basis.

d. Foreign Currency Translation

Assets and liabilities denominated in currencies other than Cayman Islands Dollars are translated at exchange rates in effect at the balance sheet date. Revenue and expense transactions denominated in currencies other than Cayman Islands Dollars are translated at exchange rates ruling at the time of these transactions. Gains and losses on exchange are included in the Statement of Income and Expenditure.

e) Borrowing Cost

Borrowing cost is recognised as an expense in the period in which they are incurred, regardless of how the borrowings are applied.

f) Revenue Recognition

Income from contracts and for services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the Statement of Income and Expenditure in the period in which it is earned.

Community College of the Cayman Islands
Notes to the Financial Statements
For the 6 Months Ended 30 June 2003
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS

Description	Freehold land	Buildings	Furniture and Equipment	Vehicles	Computers	Library Books	Total
Cost:							
At 31 December 2002	273,090	8,507,072	802,306	27,900	192,658	280,545	10,083,571
Additions	-	-	13,031	-	1,610	17,126	31,767
Disposals	-	-	-	-	-	-	-
At 30 June 2003	273,090	8,507,072	815,337	27,900	194,268	297,671	10,115,538
Accumulated Depreciation:							
At 31 December 2002	-	1,762,105	723,217	27,900	183,574	150,499	2,847,295
Charge for 6 Months	-	106,338	19,638	-	4,093	16,996	147,065
Charge on Disposals	-	-	-	-	-	-	-
At 30 June 2003	-	1,868,443	742,855	27,900	187,667	167,495	2,994,360
Net Book Value:							
At 30 June 2003	<u>\$273,090</u>	<u>\$6,638,629</u>	<u>\$72,482</u>	<u>-</u>	<u>\$6,601</u>	<u>\$130,176</u>	<u>\$7,120,978</u>
At 31 December 2002	<u>\$273,090</u>	<u>\$6,744,967</u>	<u>\$79,089</u>	<u>-</u>	<u>\$9,084</u>	<u>\$130,046</u>	<u>\$7,236,276</u>

4. LAND

The Government acquired 15.8 acres of land for the construction of the Community College through compulsory acquisition in 1988 and 1995. The property, consisting of land and buildings, has not yet been vested with the Community College of the Cayman Islands and is registered in the name of the Crown. The cost of land has been classified as Donated Capital (See Note 7).

5. ACCOUNTS RECEIVABLE

	<u>30.06.03</u>	<u>31.12.02</u>
Trade Receivable:		
Tuition	\$47,823	\$39,791
Less: Provision for Bad Debts	<u>(17,600)</u>	<u>(10,000)</u>
	30,223	29,791
Interest Receivable	<u>275</u>	<u>486</u>
Total	<u>\$30,498</u>	<u>\$30,277</u>

Community College of the Cayman Islands
Notes to the Financial Statements
For the 6 Months Ended 30 June 2003
(Stated in Cayman Islands Dollars)

6. BANK BALANCES

Unrestricted Balances: Represents the College's current account and fixed deposit balances, whose use is not restricted for any specific purpose.

Restricted Balances

Capital Fund: The Board of Governors has placed restrictions on the use of this bank account balance, which is to be used for future capital projects of the College.

Insurance Fund: The Board of Governors has placed restrictions on the use of this bank account balance, which is to be used in the event of a catastrophe.

<u>Account Type</u>	<u>30.06.03</u>	<u>31.12.02</u>
a) Unrestricted Balances:		
Cashier's Float	\$ 200	\$ 200
Current Account - \$C.I.	145,596	87,628
Current Account - \$U.S.	796	13,715
Total Current Accounts and Cash	<u>146,592</u>	<u>101,543</u>
Total Fixed Deposits - \$ C.I.	681,534	466,408
Total Unrestricted Balances	<u>828,126</u>	<u>567,951</u>
b) Restricted Balances		
Capital Fund - Fixed Deposit Account	543,371	540,600
Insurance Fund – Fixed Deposit Account	222,186	221,218
Donated Capital - Fixed Deposit Account	80,000	80,000
Total Restricted Balances	<u>845,557</u>	<u>841,818</u>
GRAND TOTAL	<u>\$1,673,683</u>	<u>\$1,409,769</u>

c) Endowment Fund: This balance comprises donations from the Board of Governors and the private sector plus interest thereon, for the purpose of providing local scholarships or other resources net of amount payable to the College.

	<u>30.06.03</u>	<u>31.12.02</u>
Fund Balance at 30 June	<u>\$93,149</u>	<u>\$93,013</u>

Community College of the Cayman Islands
Notes to the Financial Statements
For the 6 Months Ended 30 June 2003
(Stated in Cayman Islands Dollars)

7. DONATED CAPITAL

The Cayman Islands Government has provided Donated Capital for the following purposes:

	<u>30.06.03</u>	<u>31.12.02</u>
Continuation of the College's Building programme	\$1,250,990	\$1,250,990
Purchase of land	264,585	264,585
Capital works programme carried out by PWD during 1994	24,904	24,904
Development of a playfield for the College	80,000	80,000
Construction of the multi-purpose Hall/Hurricane Shelter	1,250,000	1,250,000
	<u>2,870,479</u>	<u>2,870,479</u>
Private sector donations	46,854	46,854
Total	<u>\$2,917,333</u>	<u>\$2,917,333</u>

8. CAPITAL FUND

This represents the balance of funds restricted by the Board of Governors to be used for future capital projects of the College and to replace assets in the event of a catastrophe.

9. LONG TERM LIABILITIES

	<u>30.06.03</u>	<u>31.12.02</u>
Cayman Islands Government:		
a. Assets Vested	\$1,461,570	\$1,461,570
b. CIBC Capital Projects Loan	284,470	354,878
	<u>1,746,040</u>	<u>1,816,448</u>
c. European Development Fund	1,262,931	1,170,837
	<u>3,008,971</u>	<u>2,987,285</u>
d. Public Service Pensions Fund		
Past Service Pension Liability	29,391	29,391
	<u>3,038,362</u>	<u>3,016,676</u>
Less Current Maturities:		
a. Assets Vested	48,226	48,226
b. CIBC Capital Projects Loan	71,330	71,330
c. European Development Fund	42,746	38,715
d. Cayman Islands Government	3,335	3,335
	<u>165,637</u>	<u>161,606</u>
Total	<u>\$2,872,725</u>	<u>\$2,855,070</u>

Community College of the Cayman Islands
Notes to the Financial Statements
For the 6 Months Ended 30 June 2003
(Stated in Cayman Islands Dollars)

The loans from the Cayman Islands Government comprise:

- a. The loan of CI\$1,461,570 is interest free and repayable in yearly instalments until the year 2033. Loan repayments commenced in 1993. It relates to the cost of land, buildings, furniture and equipment financed by the Cayman Islands Government prior to the Community College becoming a Statutory Authority. The formal vesting of these assets has not yet been finalised.
- b. The loan of CI\$284,470 forms part of a CIBC Capital Projects Loan of CI\$12,833,333 (US\$15,480,000) and is repayable in yearly instalments until the year 2007. Loan repayments commenced February 1992 at an annual interest rate of New York prime plus 0.5%. The loan is in the name of the Cayman Islands Government and is on lent to the Community College. Loan repayments which are made by the Government are reimbursed by the College in annual instalments of US\$85,171.
- c. The Loan from the European Development Fund of CI\$1,262,931 (ECU 1,316,100) commenced in October 1999 and is repayable in 60 semi-annual instalments until the year 2029. The loan attracts an interest rate of 1% per annum on the principal amount outstanding and has been guaranteed by the Cayman Islands Government.
- d. Refer to Note 13 for explanation of the Public Service Pensions Fund Past Service Liability.

10. PREPAID COURSE FEES

Prepaid Course Fees represent amounts received in advance from students, Government Departments and other corporate sponsors for courses to be undertaken during the 2003/2004 school term. Funds received from Government departments and corporate sponsors will be used for the benefit of specific scholarship holders. These funds are expected to be depleted by December 2003.

	<u>30.06.03</u>	<u>31.12.02</u>
From Students	\$4,622	\$ 80,102
From Government Departments & other Corporate Sponsors	-	17,120
Total	<u>\$4,622</u>	<u>\$97,222</u>

Community College of the Cayman Islands
Notes to the Financial Statements
For the 6 Months Ended 30 June 2003
(Stated in Cayman Islands Dollars)

11. GOVERNMENT GRANT

In 2003, the Cayman Islands Government's grant to the Community College of the Cayman Islands was \$934,868 (2002: \$1,779,800). To continue as a going concern the Community College will require annual assistance from the Government for the foreseeable future. This grant is based on the expected performance of the College during the six months to 30 June 2003.

12. OTHER INCOME

Description	<u>30.06.03</u>	<u>31.12.02</u>
Examination Fees	\$ 7,081	\$ 9,047
Rental Income	9,000	37,088
Interest Income	2,917	4,875
Miscellaneous Receipts	50,415	49,122
Total	<u>\$69,413</u>	<u>\$100,132</u>

13. PENSIONS

The Community College carried three separate classes of pension contributions for an average of twenty-eight (28) employees for the six months ended 30 June 2003.

Public Service Pensions Fund - Defined Benefits

The Public Service Pensions Law, 1999 (Law 6 of 1999) re-organised existing public service pensions provisions into separate defined benefit and defined contribution schemes with effect from April 1999. Only employees who were enrolled in the former public service pension scheme at that date were permitted to join the revised defined benefit scheme. The cut-off date for admission to the defined benefit scheme was extended to 31 December 1999.

An actuarial valuation for the College was carried out as of 1 January 1999, using the projected unit credit method of measuring costs and obligation. The College has accepted the new unfunded past service liability of \$36,950 and contribution rate of 15.99% (employers 7%, employee 6.0% and past service liability 2.99%). This is supposed to be amortised over a 20-year period.

The main actuarial assumptions used in the 1 January 1999 valuation were: a retirement age of 58 years, inflation rate of 3%, expected rate of return on the Fund's assets of 8%, expected salary and pension increase rates of 5% and 3% respectively.

Community College of the Cayman Islands
Notes to the Financial Statements
For the 6 Months Ended 30 June 2003
(Stated in Cayman Islands Dollars)

Public Service Pensions Fund – Defined Contributions

Caymanian employees who are not participating in the defined benefit plan shall be enrolled in the defined contribution scheme. No employees were on this plan during the six months ended 30 June 2003.

Expatriate Officers – Defined Contributions

In order to standardise employment practices, with effect from March 1999 the Board agreed that the 15% Contracted Officers Supplement payable to expatriate officers of the College would be replaced by an employer's contribution equivalent to 10% of salary to a private pension plan. The remaining 5% of salary is now paid as a gratuity upon completion of employment.

The total amount recognised, as a pension expense during 2003 was \$66,434 (2002: \$139,059)

14. COMMITMENTS

As at 30 June 2003 the College has no commitments for which provisions have not been made in these financial statements.

15. RELATED PARTY TRANSACTIONS

Insurance coverage for the College's buildings, equipment and vehicles is provided through the Cayman Islands Government at a 2003 premium of \$64,633 (2002: \$129,682).

The Community College retains the services of Government's Legal Department to advise on all legal matters at an agreed fixed fee of \$5,000 per annum. (2003: \$2,500).

The Auditor General has statutory responsibility for the audit of the Community College's financial statements. The fee for 2003 was \$11,000 (2002: \$6,600)

As disclosed in Note 11, the Community College is dependent on an annual grant from the Cayman Islands Government. The College also relies on the Cayman Islands Government to provide or arrange long-term finance for capital development projects, as referred to in Note 9 above.

16. FINANCIAL INSTRUMENTS

i. Fair values:

At 30 June 2003 the following methods and assumptions were used by management to estimate the fair value of each financial instrument:

Community College of the Cayman Islands
Notes to the Financial Statements
For the 6 Months Ended 30 June 2003
(Stated in Cayman Islands Dollars)

a) Bank Balances

The carrying amount approximates fair value.

b) Accounts Receivable, Other Receivables, Accounts Payable, and Other Payables

The above items are substantially short term and do not bear interest. As such, their carrying amount approximates their fair value.

c) Current and Long Term Debt

The Cayman Islands Government Loan for Assets Vested does not attract interest. The carrying amount of this loan represents the principal balance owing.

The CIBC loan is at a floating interest rate and therefore bears interest at the market rate. The carrying value of this loan approximates its fair value.

The loan from the European Development Fund attracts an annual interest rate of 1% on the principal amount outstanding. The anticipated future principal repayments have not been discounted, as it would not provide any additional relevant information.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

i. Credit risk

Financial assets that potentially subject the College to credit risk consist principally of current and fixed deposits, accounts and interest receivable, and other receivables and prepayments. The College's current and fixed deposits are placed with high credit quality institutions. Credit risk with respect to accounts and interest receivable and other receivables and prepayments is limited because the College only transacts business with counterparts it believes to be reputable and capable of performing their contractual obligations. Accordingly, the College has no significant concentration of credit risk.

ii. Interest rate risk

The College's deposits are at fixed interest rates. The ranges of interest rates and period of maturity are 0.25% to 0.875% and 31 to 33 days respectively.

Community College of the Cayman Islands
Notes to the Financial Statements
For the 6 Months Ended 30 June 2003
(Stated in Cayman Islands Dollars)

17. PRIOR PERIOD ADJUSTMENT AND RECLASSIFICATION

In 2002, the College changed its accounting policy with respect to the treatment of library books. In order to conform with IAS 16, Property, Plant and Equipment, the College now capitalises and depreciates library books rather than expensing such costs. The effect of the change was an increase in depreciation expense of \$35,107 and a reduction in library books expense of \$41,013 in 2002. Retained earnings for 2002 was increased by \$124,140, which was the amount of the adjustment relating to periods up to 2002.

18. SUBSEQUENT EVENTS

a) Change in the Name of the College

On July 26, 2004 the Community College (Amendment) Law, 2004 (Law 17 of 2004) was passed in the Legislative Assembly. This Law effectively changed the name of the institution from the Community College of the Cayman Islands to the University College of the Cayman Islands. This became effective on August 1, 2004.

The effect of this Law is to empower the institution to award bachelors and other degrees.

b) Devastation Caused by Hurricane Ivan

In September 2004, hurricane Ivan devastated the Cayman Islands causing extensive damage to most of the buildings at the University College of the Cayman Islands. The Administration Block, Hotel and Business Studies, Technical Studies and General Studies buildings were extensively damaged, while the Library and Site Works sustained lesser damage. The Multi Purpose Hall building seemed to have sustained minimal damage. In addition contents were also destroyed. Although, there is no detailed cost of the damages, it is estimated by management that this may be CI\$2.0 million for property and CI\$0.135 million for contents.

The University College has adequate insurance coverage for the buildings and contents on a written down value basis of those assets. It is expected that the insurance companies will honour the claims, which may take months to realize. Currently, the University College has received no advance payments on its insurance claims. The deductible for the insurance claim is 2% of the amount to be paid by the insurance companies.

There was a thirty percent reduction in enrolment in the post Ivan period and this approximates to CI\$0.3 million shortfall in revenues for the year ended 30 June 2005. From the feedback received it unlikely that this sum will be recovered during the period ended 30 June 2005.