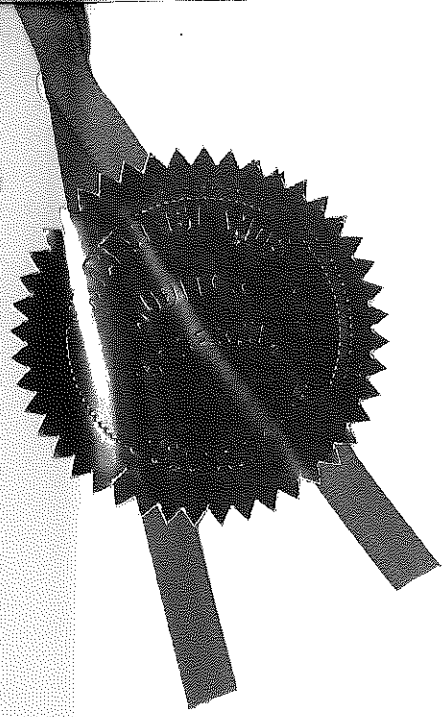


Financial Statements of

COMMUNITY COLLEGE OF THE CAYMAN ISLANDS

31 December 2002 and 2001

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 year ended 31 December 2002 as set out on pages 2 to 18 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

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Community College of the Cayman Islands as at 31 December 2002, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards and the Community College Law (1999 Revision).

Dan Duguay

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

15 January 2004

COMMUNITY COLLEGE OF THE CAYMAN ISLANDS
BALANCE SHEET AS AT 31 DECEMBER 2002

(Stated in Cayman Islands Dollars)

	NOTE	2002	2001 (Restated - see Note 17)
ASSETS			
Fixed assets	2b,3,4		
Land		$ 273,090	$ 273,090
Buildings		6,744,967	6,957,642
Furniture and Equipment		79,089	97,895
Computers		9,084	15,612
Library Books		130,046	124,140
Total fixed assets		**7,236,276**	**7,468,379**
Current assets			
Inventory	2c	69,240	69,958
Accounts Receivable	5	30,277	20,519
Receivable from Endowment Fund		380	2,485
Prepayments		40,060	24,010
Unrestricted Cash Balance	6a	567,951	294,821
Restricted Cash Balance - Capital Fund	6b	841,818	692,400
Total current assets		**1,549,726**	**1,104,193**
TOTAL ASSETS		**$8,786,002**	**$8,572,572**
EQUITY AND LIABILITIES			
Capital and reserves			
Donated Capital	7	$2,917,333	$2,917,333
Capital Fund	8	842,145	612,400
Accumulated Surplus		1,583,946	1,755,752
		5,343,424	**5,285,485**
Long term liabilities	9	**2,855,070**	**2,830,059**
Current liabilities			
Accounts Payable		328,124	257,206
Payable to Endowment Fund		556	4,000
Current Maturities of Long Term Liabilities	9	161,606	154,990
Prepaid Course Fees	10	97,222	40,832
Total Current Liabilities		**587,508**	**457,028**
TOTAL EQUITY AND LIABILITIES		**$8,786,002**	**$8,572,572**

Approved on behalf of the Board of Governors:

Danny Scott
Chairman

Date: 15 January 2004

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 YEAR ENDED 31 DECEMBER 2002
(Stated in Cayman Islands Dollars)

	NOTE	2002	2001 (Restated - see Note 17)
INCOME			
Government Grant	11	$1,779,800	$1,741,370
Tuition Fees		752,091	890,915
Book Sales		102,925	109,340
Other Income	12	100,132	215,768
Total Income		**2,734,948**	**2,957,393**
EXPENSES			
Salaries and Wages		1,449,235	1,391,021
Depreciation	2b,3	297,794	310,510
Operating and Maintenance		150,607	146,840
Utilities		128,798	141,935
Pension Expense	13	139,059	126,898
Supplies and Materials		115,743	125,393
Loan Interest and Bank Charges		22,488	35,995
Insurance	15	129,682	90,404
Health Insurance		31,896	26,918
Travelling and Subsistence		32,870	26,591
Bad Debts		10,001	4,464
Foreign Exchange Loss (Gain)	2d	177,362	(59,166)
Total Expenses		**$2,685,535**	**$2,367,803**
Net Surplus for the Year		49,413	589,590
Surplus at Beginning of the Year			
Balance as previously reported		1,631,612	1,606,406
Prior period adjustment	17	124,140	(30,736)
Restated Balance		1,755,752	1,575,670
Surplus before transfers		1,805,165	2,165,260
Transfer to Capital Fund	8	(221,219)	(409,508)
Accumulated Surplus at end of the Year		**$1,583,946**	**$1,755,752**

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 YEAR ENDED 31 DECEMBER 2002
(Stated in Cayman Islands Dollars)

	Capital Fund	Donated Capital	Accumulated Surplus	Total
Balance as at 31 December 2000	181,770	2,917,333	1,473,011	4,572,114
Transfers	409,508	-	(409,508)	-
Interest earned on capital fund balance	21,122	-	-	21,122
Net surplus for the year	-	-	589,590	589,590
Prior period adjustment	-	-	102,659	102,659
Balance as at 31 December 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 31 December 2002	$ 842,145	$ 2,917,333	$ 1,583,946	$ 5,343,424

The accompanying notes form an integral part of these financial statements

COMMUNITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2002
(Stated in Cayman Islands Dollars)

	2002	2001 (Restated - see Note 17)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus for the Year	**$49,413**	**$589,590**
Adjustment to reconcile Net Surplus for the year to Net Cash Provided by Operating Activities		
Depreciation	297,794	310,510
Unrealised loss (gain) on foreign currency translation	177,894	(58,627)
Interest Income	(4,875)	(16,621)
Loan Interest	22,488	35,995
Operating Profit before Working Capital Changes	**542,714**	**860,847**
Net Changes in Non-Cash Working Capital Balances Related to Operations		
(Increase) / Decrease in Accounts Receivable	(9,516)	16,588
Decrease / (Increase) in receivable from Endowment Fund	2,105	(2,485)
(Increase) / Decrease in Prepayments	(16,050)	12,483
Decrease / (Increase) in Inventory	718	(10,978)
Increase in Accounts Payable	70,102	21,233
(Decrease) / Increase in payable to Endowment Fund	(3,444)	4,000
(Decrease) in C.I. Government Payable	-	(500,000)
Increase / (Decrease) in Prepaid Course Fees	56,390	(83,757)
(Decrease) in Contract Retention	-	(58,707)
Cash Generated from Operations	**643,019**	**259,224**
Interest Received	13,159	38,429
Interest Paid	(21,672)	(35,995)
Net Cash Provided by Operating Activities	**634,506**	**261,658**
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(65,691)	(93,267)
Net Cash Used in Investing Activity	**(65,691)**	**(93,267)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long Term Loans	(146,267)	(157,488)
Net Cash Used in Financing Activities	**(146,267)**	**(157,488)**
Net increase in cash and cash equivalents during the year	422,548	10,903
Cash and cash equivalents at beginning of year	987,221	976,318
Cash and cash equivalents at end of year	**$1,409,769**	**$987,221**

The accompanying notes form an integral part of these financial statements

COMMUNITY COLLEGE OF THE CAYMAN ISLANDS
BALANCE SHEET AS AT 31 DECEMBER 2002 - ENDOWMENT FUND
(Stated in Cayman Islands Dollars)

	NOTE	2002	2001
CURRENT FUNDS			
Cash at Bank		$33,510	$31,855
$US Fixed Deposit		59,327	58,959
Receivable from General Fund		556	1,519
Payable to General Fund		(380)	-
Total Funds	6c	**$93,013**	**$92,333**
Represented by:			
FUND BALANCE		**$93,013**	**$92,333**

Approved on Behalf of the Board of Governors:

Date: 15 January 2004

Danny Scott
Chairman

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 - ENDOWMENT FUND
FOR THE YEAR ENDED 31 DECEMBER 2002

(Stated in Cayman Islands Dollars)

	NOTE	2002	2001
INCOME			
Donations		$556	$4,000
Interest on Savings Account		146	227
Interest on Fixed Deposit Account		368	1,450
Total Income		**1,070**	**5,677**
EXPENSES			
Lecturer's Expenses and Scholarships Awarded		390	2,485
Total Expenses		**390**	**2,485**
Net Increase in Fund Balance		680	3,192
Fund Balance at Beginning of the Year		92,333	89,141
Fund Balance at end of the Year	**6c**	**$93,013**	**$92,333**

The accompanying notes form an integral part of these financial statements

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 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

c) *Inventory*

Inventory represents textbooks on hand and in-transit, at 31 December 2002, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. FIXED ASSETS

Description	Freehold Land	Buildings	Furniture and Equipment	Vehicles	Computers	Library Books	Total
Cost:							
At 31 December 2001	$273,090	$8,507,072	$783,360	$27,900	$188,961	$239,532	**$10,019,915**
Additions	-	-	20,373	-	4,305	41,013	**65,691**
Disposal	-	-	(1,427)	-	(608)	-	**(2,035)**
At 31 December 2002	**273,090**	**8,507,072**	**802,306**	**27,900**	**192,658**	**280,545**	**10,083,571**
Accumulated Depreciation:							
At 31 December 2001	-	1,549,430	685,465	27,900	173,349	115,392	**2,551,536**
Charge for Year	-	212,675	39,179	-	10,833	35,107	**297,794**
Charge on Disposal	-	-	(1,427)	-	(608)	-	**(2,035)**
At 31 December 2002	**-**	**1,762,105**	**723,217**	**27,900**	**183,574**	**150,499**	**2,847,295**
Net Book Value:							
At 31 December 2002	**$273,090**	**$6,744,967**	**$79,089**	**-**	**$9,084**	**$130,046**	**$7,236,276**
At 31 December 2001	$273,090	$6,957,642	$97,895	-	$15,612	$124,140	$7,468,379

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

	2002	2001
Trade Receivable:		
Tuition	$39,791	$21,083
Less: Provision for Bad Debts	(10,000)	(808)
	29,791	**20,275**
Interest Receivable	486	244
Total	**$30,277**	**$20,519**

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.

	Account Type	2002	2001
a)	**Unrestricted Balances:**		
	Cashier's Float	$ 200	$ 500
	Current Account - $C.I.	87,628	10,813
	Current Account - $U.S.	13,715	4,763
	Total Current Accounts and Cash	**101,543**	**16,076**
	Fixed Deposits - $ C.I.	466,408	278,745
	Total Unrestricted Balances	**567,951**	**294,821**
b)	**Restricted Balances:**		
	Capital Fund - Fixed Deposit Accounts	761,818	612,400
	Donated Capital - Fixed Deposit Account	80,000	80,000
	Total Restricted Balances	**841,818**	**692,400**
	GRAND TOTAL	**$1,409,769**	**$987,221**

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

	2002	2001
Fund Balance at 31 December	$93,013	$92,333

7. DONATED CAPITAL

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

	2002	2001
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
	2,870,479	2,870,479
Private sector donations	46,854	46,854
Total	$2,917,333	$2,917,333

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.

9. LONG TERM LIABILITIES

	2002	2001
Cayman Islands Government:		
a. Assets Vested	$1,461,570	$1,501,970
b. CIBC Capital Projects Loan	354,878	426,208
	1,816,448	**1,928,178**
c. European Development Fund	1,170,837	1,027,480
	2,987,285	**2,955,658**
Public Service Pensions Fund:		
d. Past Service Liability	29,391	29,391
	3,016,676	**2,985,049**
Less Current Maturities:		
a. Assets Vested	48,226	48,226
b. CIBC Capital Projects Loan	71,330	71,330
c. European Development Fund	38,715	32,099
d. Past Service Liability	3,335	3,335
	161,606	**154,990**
Total	**$2,855,070**	**$2,830,059**

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$354,878 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 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$1,170,837 (ECU 1,338,149) 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 2002/2003 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 June 2003.

	2002	2001
From Students	$80,102	$ 32,837
From Government Departments & other Corporate Sponsors	17,120	7,995
Total	**$97,222**	**$40,832**

11. GOVERNMENT GRANT

In 2002, the Cayman Islands Government's grant to the Community College of the Cayman Islands was $1,779,800 (2001: $1,741,370). To continue as a going concern the Community College will require annual financial assistance from the Government for the foreseeable future. This grant is based on the expected performance of the College during the current year.

12. OTHER INCOME

Description	2002	2001
Examination Fees	$ 9,047	$ 9,531
Rental Income	37,088	70,800
Interest Income	4,875	16,621
Miscellaneous Receipts	49,122	118,816
Total	**$100,132**	**$215,768**

13. PENSIONS

The Community College carried three separate classes of pension contributions for an average of twenty-eight (28) employees during 2002.

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.

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 year ended 31 December 2002.

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 2002 was $139,059 (2001: $126,898).

14. COMMITMENTS

As at 31 December 2002 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 2002 premium of $129,682 (2001: $90,404).

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.

The Auditor General has statutory responsibility for the audit of the Community College's financial statements. The College paid a fee of $6,600 (2001: $6,600) for this service.

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 31 December 2002 the following methods and assumptions were used by management to estimate the fair value of each financial instrument:

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.

i. Fair values (Continued):

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.

ii. 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.

iii. Interest rate risk

The College's deposits are at fixed interest rates. The ranges of interest rates and period of maturity are 0.5% to 1.875% and 31 to 33 days respectively.

17. PRIOR PERIOD ADJUSTMENT

The College has 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 comparative financial statements for 2001 have been restated to conform to the changed policy. The effect of the change is an increase in depreciation expense of $35,107 and a reduction in library books expense of $41,013 in 2002, and an increase in depreciation expense of $30,253 and a reduction in library books expenses of $51,734 in 2001. Opening retained earnings for 2001 have been increased by $102,659, which is the amount of the adjustment relating to periods prior to 2001.

17. PRIOR PERIOD ADJUSTMENT (Continued)

	2002	2001
Unpaid vacation leave	-	(133,395)
Library books	124,140	102,659
Total	**$124,140**	**$(30,736)**