

NATIONAL TRUST FOR THE CAYMAN ISLANDS

SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2005

NATIONAL TRUST FOR THE CAYMAN ISLANDS

SPECIAL PURPOSE FINANCIAL STATEMENTS

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CONTENTS

	Page
Independent Auditor's Report	2-3
Special Purpose Balance Sheet	4
Special Purpose Statement of Operations	5
Special Purpose Statement of Changes in Fund Balance	6
Special Purpose Statement of Cash Flows	7
Notes to Special Purpose Financial Statements	8 - 12



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Independent Auditor's Report

To the Council and Members of
National Trust for the Cayman Islands

We have audited the accompanying special purpose balance sheet of the National Trust for the Cayman Islands (the "Trust") as of June 30, 2005, and the related special purpose statements of operations, changes in fund balances and cash flows for the year then ended. These special purpose financial statements are the responsibility of the Council of the Trust. Our responsibility is to express an opinion on these special purpose financial statements based on our audit. The special purpose financial statements of the Trust for the year ended June 30, 2004, were audited by other auditors whose report dated June 27, 2006, included scope limitations and going concern matters similar to those matters noted below.

Except as discussed in the paragraph below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. We were not engaged to perform an audit of the Trust's internal control over financial reporting. Our audit included 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 the Trust'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 special purpose financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the accompanying special-purpose financial statements have been prepared for the purpose of complying with, and on the basis of accounting practices specified in, Note 2 of the financial statements and as prescribed by the Council of the Trust, and are not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

The Trust was not able to provide sufficient information of inventory accounting records, and we were unable to obtain adequate evidence from the Trust, to satisfy ourselves as to the completeness, accuracy and valuation of inventory as of June 30, 2005. Accordingly, we were not able to determine whether any adjustments might be necessary to inventory as recorded in the special purpose financial statements at June 30, 2005, and the cost of products sold to the public and the movement in unrestricted fund balances for the year then ended.

Independent Auditor's Report (Continued)

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the inventory, the special purpose financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Trust at June 30, 2005, the results of its operations and its cash flows for the year then ended in accordance with the accounting policies described in Note 2.

The accompanying special purpose financial statements have been prepared assuming the Trust will continue as a going concern. As described in Note 8, the Trust is dependent on receiving sufficient government funding and donations in order to meet ongoing expenses. This condition raises substantial doubt about the Trust's ability to continue as a going concern.

This report is intended solely for the information and the use of the Council and Members of the Trust and should not be used for any other purpose.

Ernst + Young

December 2, 2008

NATIONAL TRUST FOR THE CAYMAN ISLANDS

SPECIAL PURPOSE BALANCE SHEET

(Expressed in Cayman Islands dollars)

	<u>June 30,</u> <u>2005</u>
ASSETS	
Current assets	
Cash and cash equivalents - (Note 3)	\$ 964,677
Accounts receivable	-
Inventory	<u>20,415</u>
Total current assets	<u>985,092</u>
Fixed assets (Note 4)	<u>176,629</u>
Total assets	<u>\$ 1,161,721</u>
 LIABILITIES AND FUND BALANCE	
Current liabilities	
Accounts payable and accrued expenses	\$ <u>11,469</u>
Total fund balance	<u>1,150,252</u>
Total liabilities and fund balance	<u>\$ 1,161,721</u>

NATIONAL TRUST FOR THE CAYMAN ISLANDS

SPECIAL PURPOSE STATEMENT OF OPERATIONS

(Expressed in Cayman Islands dollars)

	For the year ended June 30, <u>2005</u>
Revenue and support from operations	
Fundraising events	\$ 53,507
Donations, donated goods and services	467,633
Government grants (Note 8)	235,000
Product sales to public	1,681
Membership dues - individuals	14,186
Membership dues - corporate	9,075
Insurance funds received	101,015
Interest income	5,846
Other income	<u>-</u>
Total revenue and support from operations	<u>887,943</u>
Program service expenses	
Historic preservation	4,733
Environmental preservation	546,704
Educational programs	<u>35,066</u>
Total service expenses	<u>586,503</u>
Support service expenses	
Operating and administration	151,132
Cost of fundraising events	3,690
Depreciation of fixed assets (Note 4)	31,450
Pension (Note 7)	12,126
General (Note 2)	<u>30,000</u>
Total support expenses	<u>228,398</u>
Net increase in fund balance for year	<u>\$ 73,042</u>

See accompanying notes and Report of Independent Auditors

NATIONAL TRUST FOR THE CAYMAN ISLANDS
SPECIAL PURPOSE STATEMENT OF CHANGES IN FUND BALANCE

(Expressed in Cayman Islands dollars)

	For the year ended June 30, <u>2005</u>
Fund balance at start of year	\$1,077,210
Increase in fund balance	<u>73,042</u>
Total fund balance at end of year	<u>\$1,150,252</u>

See accompanying notes and Report of Independent Auditors

NATIONAL TRUST FOR THE CAYMAN ISLANDS

SPECIAL PURPOSE STATEMENT OF CASHFLOWS

(Expressed in Cayman Islands dollars)

	For the year ended June 30, <u>2005</u>
Net increase in fund balance	73,042
Add/(deduct):	
Items not involving movement in cash:	
Depreciation	31,450
Net changes in non-cash operating balances:	
Accounts receivable	1,578
Inventory	17,291
Accounts payable and accrued expenses	<u>(22,430)</u>
Net cash provided by operating activities	100,931
Investing activities	
Purchase of fixed assets	<u>(56,212)</u>
Increase in cash and cash equivalents for year	44,719
Cash and cash equivalents at beginning of year	<u>919,958</u>
Cash and cash equivalents at end of year	<u>\$ 964,677</u>

See accompanying notes and Report of Independent Auditors

NATIONAL TRUST FOR THE CAYMAN ISLANDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2005

1. Background information

The National Trust for the Cayman Islands (the "Trust") was formed on September 14, 1987 by the enactment of the National Trust for the Cayman Islands Law, 1987 (the "Trust Law").

The purpose of the trust is the preservation of the historic, natural and maritime heritage of the Cayman Islands, the conservation of lands, natural features and submarine areas of beauty with historic or environmental importance and, the protection of native flora and fauna. The registered office of the Trust is P.O. Box 31116 SMB, George Town, Grand Cayman, Cayman Islands. The Trust had 5 employees at June 30, 2005.

2. Significant accounting policies

These special purpose financial statements are prepared in accordance with accounting policies prescribed by the Council of the Trust. Such policies do not form a comprehensive recognized basis of accounting. On this basis, revenue and support are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred, except for certain receivables or accruals, which are recognized if the amount to be received or paid can be reasonably estimated and collection or payment is reasonably assured. As these special purpose financial statements do not purport to be in accordance with a comprehensive recognized basis of accounting (such as accounting principles generally accepted in the United States of America or International Financial Reporting Standards), they may not be suitable for all users.

The following is a summary of the significant accounting policies adopted by the Trust:

Membership dues and donations: Membership dues and donations are recorded in revenue in the period in which they are received.

Government grants: Government grants are received for financial support on a quarterly basis and are recorded when received. Grants may also be received for special projects and these are matched with project expenditure over the term of the project and recorded in the unrestricted fund balance special purpose statement of operations when the expenditure is incurred.

Donated materials and services: A number of unpaid volunteers have made significant contributions of their time and resources to manage and carry out the Trust's activities. The value of these contributions is not reflected in these special purpose financial statements since they are not susceptible to objective measurement or valuation. In addition, the Trust has received certain goods as donations. The value of these donated goods and services are reflected in the special purpose financial statements at their estimated value at the date of receipt.

Donated materials and services (continued): As of June 30, 2005, the services of Ernst & Young in connection with the audit of these special purpose financial statements at an estimated cost of C\$30,000 were donated and are reflected herein in the special purpose statement of operations as donations and "general" support service expenses.

Pension and other post-retirement benefits: Pension and other post-retirement benefits are recorded on an accrual basis based on the contribution rate.

Inventory: Inventory is valued at the lower of cost and net realisable value. Goods purchased for resale are recorded at cost. Contributed inventories are recorded at their estimated value at the date of receipt.

NATIONAL TRUST FOR THE CAYMAN ISLANDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2005

2. Significant accounting policies (continued)

Fixed assets: Fixed assets are depreciated by the straight line method over the estimated useful lives of the assets as follows:

Trust house and Visitors' centre	20 years
Fixtures	5 years
Office equipment	3 years
Vehicles	5 years
Iguana captive breeding facility	10 years

Heritage properties: The Trust owns certain properties, which have been either acquired by gift or acquisition, and are important to the Trust in carrying out its historic and environmental preservation programs. The Trust does not include in its assets the cost or appraised value of any of those heritage properties that are intended to be retained by the Trust and which either have been declared or may be declared "inalienable" under the Trust Law. The expenditures related to the development or acquisition of such heritage properties is included in the relevant fund account as current year expenses in the period incurred.

At June 30, 2005, the Trust's heritage properties comprised:

Dr. Roy's Ironshore - George Town
Fort George - George Town
Heritage Beach - Frank Sound
The Brac Parrot Reserve - Cayman Brac Bluff
The Salina Reserve - Queens Highway
The Mastic Reserve - North Side
The Queen Elizabeth II Park (50%) - North Side
Watler's Cemetery - Prospect
The Governor Gore Bird Sanctuary - Spotts
The Bodden Town Guard House - Bodden Town
The Booby Pond Nature Reserve - Little Cayman
The Central Mangrove Wetland
The Mission House - Bodden Town
Miss Izzy's Schoolhouse - West Bay
Jackson's Wall - Savannah
The Mass Grave Site - Cayman Brac
Brac Splits – 95C 3REM 1

The Trust is not able to sell or borrow against these properties.

NATIONAL TRUST FOR THE CAYMAN ISLANDS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2005

2. Significant accounting policies (continued)

Cash and cash equivalents: For the purposes of the special purpose statements of cash flows, the Trust considers all short-term investments with a maturity date of three months or less to be cash equivalents. Cash and cash equivalents include Cayman Islands dollar fixed deposits, money market funds and current accounts.

The money market fund is valued at the prevailing net asset value per share as supplied by the relevant fund manager in accordance with industry practice.

Foreign exchange: Revenue and expense transactions involving currencies other than Cayman Islands dollars are translated to Cayman Islands dollars at the exchange rates ruling at the time of those transactions. Assets and liabilities included in these financial statements are translated to Cayman Islands dollars at the rates of exchange prevailing at the balance sheet date. Gains and losses on exchange, if any, are taken to the special purpose statements of operations.

3. Cash and cash equivalents

	Year ended <u>June 30,</u> <u>2005</u>
Current accounts	\$ 580,339
Short-term deposits	123,649
Money market fund	<u>260,689</u>
Total cash and cash equivalents	\$ <u>964,677</u>

NATIONAL TRUST FOR THE CAYMAN ISLANDS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2005

4. Fixed assets

	<u>Trust house & Visitor's centre</u>	<u>Fixtures & equipment</u>	<u>Iguana captive breeding facility</u>	<u>Total</u>
Cost:				
Balance at beginning of year	229,468	135,723	59,918	425,109
Additions during year	<u>-</u>	<u>17,711</u>	<u>38,501</u>	<u>56,212</u>
Balance at end of year	<u>229,468</u>	<u>153,434</u>	<u>98,419</u>	<u>481,321</u>
Accumulated depreciation:				
Balance at beginning of year	142,553	117,114	13,575	273,242
Depreciation during year	<u>11,473</u>	<u>11,492</u>	<u>8,485</u>	<u>31,450</u>
Balance at end of year	<u>154,026</u>	<u>128,606</u>	<u>22,060</u>	<u>304,692</u>
Net book value at June 30, 2005	<u>\$ 75,442</u>	<u>\$ 24,828</u>	<u>\$ 76,359</u>	<u>\$176,629</u>

5. Concentration of credit risk

At June 30, 2005 the Trust had 59% of its cash and cash equivalents in one financial institution in the Cayman Islands. As such, the Trust is exposed to credit-related losses in the event of non-performance by the financial institution. However, the Council of the Trust does not anticipate any material losses as a result of this concentration.

6. Commitments and contingent liabilities

The Trust leases certain properties under operating leases. Expiry dates together with future minimum lease payments under the terms of these leases are as follows:

NATIONAL TRUST FOR THE CAYMAN ISLANDS
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2006

6. Commitments and contingent liabilities (continued)

As of June 30, 2005:

<u>Description</u>	<u>Expiry date</u>	<u>Future minimum lease payment</u>
Lease on land used for the Old Savannah School House	August 1, 2090	_____86
Total future minimum lease payment		\$ <u>_____86</u>

7. Pension scheme

The Trust participates in the Colonial Private Trust Pension Plan, a defined contribution pension fund. Cayman Islands law requires all employees to participate in a pension scheme. The Trust is required to match each employee's contributions on a one to one basis up to 5% of the employee's annual salary. During the period ended June 30, 2005, the Trust contributed C\$12,126 for all employees.

8. Going concern

The nature of the Trust's operations is such that there can be considerable fluctuations in its cash flows. The Trust's ability to continue as a going concern is dependent on receiving sufficient government funding and donations in order to meet ongoing expenses. The government grant was increased during 2004/2005 to a quarterly amount of C\$58,750.