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Board of Trustees



Chairman, His Excellency The Governor, Stuart Jack, CVO



Vice Chair, Conor O'Dea, Managing Director, Butterfield Bank



Naul Bodden Cayman Businessman



Bruce Dinwiddy, CMG Former Governor, Cayman Islands



Hon. G. Kenneth Jefferson, JP Financial Secretary Cayman Islands Government



NRF Enforcer Andrew Jones, QC Partner, Maples and Calder



Tina McLaughlin, Chief Financial Officer and Corporate Secretary DART Management Ltd.



Huw Moses, OBE Managing Partner, Appleby Global



John Owen, CMG, MBE Former Governor, Cayman Islands



Pastor Winston Rose Church Of God, Bodden Town



Dan Scott Managing Partner, Ernst & Young



Andreas Ugland Chairman, Andreas Ugland & Sons



Corporate Trustee Cayman National Trust Company Ltd



Message from the

Chairman

His Excellency Stuart Jack, CVO Governor of the Cayman Islands

It has been a
little over three
years since
the Cayman
Islands were
devastated by
one of the most
catastrophic
hurricanes in
recorded history.

Driving around Cayman today and seeing a thriving economy, much new development, and a natural environment recovering from the shock of Hurricane Ivan, it is amazing to me to witness the progress that has been made in a relatively short time, especially compared to many other localities that are recovering in a much slower fashion.

The recovery process has been a hard fought battle waged by a fully committed Government in partnership with the private and not-forprofit sectors. The success in dealing with the housing problems caused by Hurricane Ivan has demonstrated how Government and the private sector can work in harmonious and synergistic partnership to address and resolve a seemingly insurmountable task.

A special mention must be made of the incredible resilience of the Caymanian People. All segments of society worked together as a close knit community to address its own recovery largely without the assistance of the outside world in 'building back better'. The generosity of the corporate and individual donors has been tremendous, as has the hard work and commitment of my fellow Trustees, who have been constant in their generous donation of time and material towards the effort.

In my dual role as Chairman of the Cayman Islands National Recovery Fund (CINRF) and as Governor, I have been proud to be associated with this effort. As we move forward in 2008 and complete our current tasks in rebuilding the remaining damaged properties, we are also considering what roles a private/public partnership like the CINRF could play in the future development of the Cayman Islands. I look forward to continued involvement in the future.

Stuart Jack, CVO
Chairman and Governor
of the Cayman Islands



It is expected that the fund will continue its work with recently received European Union Funds in continuing to assist those adversely affected by poor housing, including those still residing in trailers and temporary accommodation.

Dr. Mark J. Laskin **Executive Director** Message from the

Executive Director

The Cayman Islands National Recovery Fund continued to make good progress during 2007, at the end of which it completed the rebuilding and refurbishment of some 650 family homes, plus an additional 400 families who were helped with furnishings and/or appliances. This accounts for approximately 4,500 people or some 18% of the indigenous/ natal Caymanian population.

The funds for these activities have been largely raised from private corporations and individuals, but in the autumn of 2007 the Cayman Islands Government (CIG) committed an additional CI\$4 million through the National Recovery Fund to complete the rebuilding process and assist in improving the housing stock of Cayman for those who do not have the ability to do so for themselves.

CINRF signed an agreement with the European Commission in February 2007 for an additional US\$11 million and the Cayman Islands Government generously stepped into the breach and enabled work to continue unabated.

It is expected the fund will continue its work with recently received European Union Funds in continuing to assist those adversely affected by poor housing, including those still residing in trailers and temporary accommodation. The Trustees of the CINRF and the Government have also discussed continuing roles for the organisation in low income housing, training and hurricane preparedness.

Since its establishment on September 23, 2004 the CINRF has taken in some CI\$13.3 million and expended or 'obligated' construction/management of some \$12.8 million. Administrative costs as a percentage of expenditure remain quite low compared to similar not-forprofits, although these were slightly higher in 2007 due to the slow down between expenditure of CINRF funds and the

non arrival of EU funding.

At the end of 2007 some 21 construction projects were underway, with some 15 contractors being utilised. Although the numbers continued to increase, approximately 44 houses needed full rebuilding or moderate repairs as of 31 December. The CIG has contracted the CINRF to also build social needs housing for destitute individuals/families, particularly the elderly and mentally/physically disabled who may not otherwise qualify under the strict post Hurricane Ivan criteria originally set by the trustees.

In its three years of existence, the CINRF has made substantial and impressive progress in the rebuilding of Grand Cayman with few visitors or casual observers seeing the damage that the devastating hurricane visited on Cayman in 2004.

For this effort, I would wish to express sincere and heartfelt thanks to the impressive and hardworking trustees of the CINRF, the numerous and generous donors who have consistently funded the entire effort, the staff and contractors who have worked tirelessly to see the job through to its near conclusion and most importantly to the people of the Cayman Islands who have been patient and long suffering as it took so long for us to assist everyone to get back to their pre-Ivan living conditions.







Top: Leader of Government Business, Hon. Kurt Tibbetts handed over the keys to a new home to happy resident, Turley Ebanks, who is surrounded by project contractors. Looking on are CINRF Trustee, Huw Moses (back row, left) and Dr. Marl Laskin, Executive Director of CINRF (back row, right). Below: Construction workers lay the foundation for rebuilding the home of Phillip Clarke-Wright, a beneficiary of the CINRF's housing programme. Bottom: The completed home of Samuel Reid Scott, another CINRF beneficiary.

Cayman Islands National Recovery Funds



In September, 2007 the Cayman Islands Government supported the Cayman Islands National Recovery Fund with a cheque for CI\$500,000 to continue repairing and rebuilding houses that were damaged by Hurricane Ivan. Financial Secretary, Hon. Kenneth Jefferson (3rd from right), handed the cheque over to Dr. Mark Laskin, Executive Director of the CINRF. Also pictured are (from left) CINRF Trustee, Huw Moses, H.E. the Governor Stuart Jack, Trustee Naul Bodden (partly hidden), Leader of Government Business, Hon. Kurt Tibbetts and Trustee Conor O'Dea.

Pictorial Review

Ongoing community support through corporate donations and fundraising, voluntary labour and contribution of building materials enabled the CINRF to fulfill its mission of assisting as many persons as possible with suitable living conditions after Hurricane Ivan.

The CINRF received widespread support from government, the private sector and individual donors.



Members of staff of Butterfield Bank provided contributions from their salary to the Cayman Islands National Recovery Fund. The contribution was matched by the Bank and paid monthly up to December 2006.



Youth for Christ volunteers assisted the CINRF by donating their time to paint one George Town residence. From left are: Mandy Kleinman; Sean Johnson; Kevin Kusmer; Edgar Gibson, National Director of YFC Cayman; Cole Slipher; Pam Miller; Katie Engel and Erin Murphy. In front: Jason Wann and Michael Powell.



Cruise ship volunteers from the Don Shire Ministries came ashore and assisted the CINRF with painting of a few rebuilt homes. CINRF's Project Manager, Ludlow Buckeridge (left) is pictured with a group of volunteers.



Staff members of KPMG donated time and effort to the repair work on the home of George Town resident, Mrs. Dulcie Rankine. KPMG also funded the cost of repairs to the home, which was severely damaged.

Pictorial Review continued



Deloitte employees used their Impact Day -- when the company's worldwide offices participate in community projects to improve the lives of the less fortunate – to support the CINRF on one of its home repair projects in Bodden Town. Deloitte employees and partners also made significant monetary contribution to the CINRF.



The Bodden Town District Assistance Fund pooled its contribution with the CINRF to build a new home for Lower Valley resident, Ms. Dimple Jackson. At her house opening, Ms. Jackson (centre) was surrounded by her daughter Eloise Milson, nephew Otto Watler, contractor Jerry Wood of Jernat Construction, Bodden Town MLA Osbourne Bodden and Chairman of the Bodden Town District assistance Fund, George Ebanks. Also participating was (back, right) Ludlow Buckeridge, CINRF's Project Manager.



Red Bay Primary School's Bible Club donated their mite to assist the CINRF. Here Club members and teachers and shareD a photo moment with CINRF's Executive Director, Dr. Mark Laskin.



Members of the Cayman Islands Cadet Corps also volunteered with the CINRF and provided valuable house painting skills.

Pictorial Review continued



Digicel was among the companies that provided funds for housing repairs, in addition to organising a staff work day to provide landscaping service to the home of George Town resident, Doris Mejia.



RE/MAX was a faithful contributor to the CINRF as agents and staff participated in several efforts to provide finishing touches to repaired homes. In this photo, agent Michael Joseph and his colleagues got ready to paint the home of one West Bay resident.



The Self Help Community Foundation also assisted the CINRF's efforts with a monetary contribution. CEO, JC Connors (right) and Chairman, James Myles (left) presented a cheque to Dr. Mark Laskin, CINRF's Executive Director.



The Cayman Islands National Recovery Fund

Financial STATEMENTS

Prepared on a modified Cash
Receipts and Disbursements
Basis of Accounting for the year
ended September 30, 2007.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

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PricewaterhouseCoopers
P.O. Box 258GT

Strathvale House George Town, Cayman Islands Telephone 345 949 7000 Facsimile 345 949 7352

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of The Cayman Islands National Recovery Fund

We have audited the accompanying financial statements of The Cayman Islands National Recovery Fund (the "Recovery Fund"), which comprise the balance sheet as of September 30, 2007 and the statement of income, expenditure and distributions, statement of changes in undistributed funds and statement of cash flows for the year then ended, and a summary of the principal accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies as described in Note 2. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained below, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The accompanying financial statements were prepared on the modified cash receipts and disbursements basis as described in Note 2, which is not a recognized basis of accounting.

Basis for Qualified Opinion

In common with many non-profit oriented organizations, the Recovery Fund derives a portion of its revenue from fundraising activities and cash donations, the completeness of which is not susceptible to independent audit verification. Accordingly, our verification of such revenues was limited to the amounts recorded in the records of the Recovery Fund and we are not able to determine whether any adjustments might be necessary to income, assets or the balance of the undistributed funds at the beginning and end of the year.

Qualified Opinion

In our opinion, except for the effects, if any, on the financial statements of the matter referred to in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Recovery Fund as of September 30, 2007, and the results of its operations, the changes in fund balances and its cash flows for the year then ended in accordance with the accounting policies described in Note 2.

Other Matters

This report, including the opinion, has been prepared for and only for the Board of Trustees in accordance with the terms of our engagement letter dated October 30, 2007 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Pricewaterhouse Coopers

February 1, 2008

BALANCE SHEET

AS AT SEPTEMBER 30, 2007

(Expressed in Cayman Islands dollars)

	<u>September 30,</u> 2007 2006	
ASSETS		
Current assets Cash at bank (Note 3)	899,891	1,582,787
Total assets	\$ <u>899,891</u>	\$ <u>1,582,787</u>
LIABILITIES AND FUND BALANCES Current Liabilities		
Bank overdraft		8,620
Total liabilities		8,620
Fund Balances Undistributed fund balance	899,891	<u>1,574,167</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>899,891</u>	\$ <u>1,582,787</u>

Approved for issuance on behalf of the Board of Trustees of The Cayman Islands National Recovery Fund by:

Conor O'Dea	Huw Moses
Trustee	Trustee
February 1, 2008	
Date	

STATEMENT OF INCOME, EXPENDITURE AND DISTRIBUTIONS

YEAR ENDED SEPTEMBER 30, 2007

(Expressed in Cayman Islands dollars)

Income	For year o <u>Septem</u> 2007	nded	
Donations (Notes 4, 5, 11) Government Corporate	901,360 281,067	523,835 3,965,600	
Individuals	15,041 1,197,468	<u>635,156</u> 5,124,591	
Interest received	27,794	<u>25,075</u>	
	1,225,262	5,149,666	
Administration Expenses Administration expenses and salaries (Note 10) Marketing and fundraising expenses and salaries (Note 10) Professional fees Other expenses	204,593 68,671 	348,395 223,324 91,666 	
Funds Available For Distribution		<u>671,333</u> <u>4,478,333</u>	
Distributions			
Repairs and construction of properties Project management fees and salaries (Note 10)	1,472,694 	3,930,202 220,501	
	1,618,068	4,150,703	
(Decrease)/Increase in Undistributed Funds	\$(<u>674,276</u>)	\$ <u>327,630</u>	

STATEMENT OF CHANGES IN UNDISTRIBUTED FUNDS

YEAR ENDED SEPTEMBER 30, 2007

(Expressed in Cayman Islands dollars)

	Fund balances
Balance at September 30, 2005	1,246,537
Funds available for distribution Distributions	4,478,333 (<u>4,150,703</u>)
Balance at September 30, 2006	1,574,167
Funds available for distribution Distributions	943,792 (<u>1,618,068</u>)
Balance at September 30, 2007	\$ <u>899,891</u>

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2007

(Expressed in Cayman Islands dollars)

	For the year ended <u>September 30,</u>	
	<u>2007</u>	2006
Cash flows from operating activities		
(Decrease)/Increase in Undistributed funds for the year	(<u>674,276</u>)	_327,630
	(<u>674,276</u>)	327,630
Cash flows from financing activities		
Repayment of loan		(<u>1,348,082</u>)
Net cash used in financing activities		(<u>1,348,082</u>)
Net decrease in cash and cash equivalents	(674,276)	(1,020,452)
Cash and cash equivalents - beginning of year	<u>1,574,167</u>	<u>2,594,619</u>
Cash and cash equivalents - end of year	\$ <u>899,891</u>	\$ <u>1,574,167</u>
Cash and cash equivalents - end of year comprises:	899,891	1,582,787
Bank overdraft		(8,620)
	\$ <u>899,891</u>	\$ <u>1,574,167</u>

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

1. Organisation and principal activity

The Cayman Islands National Recovery Fund (the "Recovery Fund") was established as a Trust under the laws of the Cayman Islands by a Declaration of Trust dated September 23, 2004, between the Trust and the Original Trustees. The registered office of the Recovery Fund is PO Box 1350, Clifton House, George Town, Grand Cayman, KY1-1104, Cayman Islands.

The Recovery Fund has established a wholly owned United States Company, The Cayman Islands National Recovery Fund Foundation, which was granted a United States IRS tax exemption under section 501(c)(3) of the Internal Revenue code, effective from December 2, 2004. All of the funds raised in this entity will be transferred to the Recovery Fund in their entirety with any incidental costs being absorbed by the Recovery Fund. During the years ended September 30, 2007 and September 30, 2006, there had been no project activity in this entity.

On June 7, 2005, the Recovery Fund received tax exempt status in Canada for a period of 12 months, as per sub sections 110.1(1) and 118.1(1) of the Income Tax Act, Canada. This tax exempt status expired on June 6, 2006, and was not renewed by the Recovery Fund.

The Recovery Fund was established for the purpose of relieving those who were injured, bereaved, rendered homeless, destitute or otherwise adversely affected by Hurricane Ivan in the Cayman Islands on or after September 11, 2004 and who are in need and for other charitable purposes connected with or arising out of Hurricane Ivan.

The current trustees of the Recovery Fund are the Chairman, His Excellency the Governor, Start Jack CVO; Vice Chairman, Conor O'Dea, Managing Director Butterfield Bank; Naul Bodden, Cayman Businessman; Bruce Dinwiddy CMG, Former Governor, Cayman Islands; Hon Kenneth Jefferson, JP, Financial Secretary, Cayman Islands Government; Tina McLaughlin, Chief Financial Officer and Corporate Secretary, Dart Management Ltd.; Huw Moses OBE, Managing Partner, Appleby Global; John Owen CMG, MBE, Former Governor, Cayman Islands; Pastor Winston Rose, Church of God, Bodden Town; Dan Scott, Managing Partner, Ernst and Young; Andreas Ugland, Chairman, Andreas Ugland and Sons; and Cayman National Corporation, Corporate Trustee.

2. Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation: These financial statements have been prepared on a modified cash receipts and disbursement basis of accounting which is not a recognized basis of accounting.

Cash and cash equivalents: Cash and cash equivalents consist of cash at bank, bank overdrafts and short-term deposits with original terms to maturity of less than three months as well as investment in money market funds which are available on daily notice.

Loans: Borrowings are recognised initially at the proceeds received. Borrowings are subsequently stated at proceeds received less amounts repaid.

Foreign Exchange: Monetary assets and liabilities denominated in foreign currencies are translated into Cayman Islands dollars at the exchange rate prevailing on the Balance Sheet date. Income and expense items denominated in foreign currencies are translated into Cayman Islands dollars at the exchange rate prevailing on the transaction date. Gains and losses on translation are included in the Statement of Income, Expenditure and Distributions.

The Recovery Fund translates its Cayman Islands dollars into United States dollars at a fixed rate of CI\$0.8333 to US\$1.00.

Donations, expenditure and distributions: Donations, expenditures and distributions are recorded on a cash basis.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

2. Principal accounting policies (continued)

Donated goods and services: The Recovery Fund receives donations in the form of donated goods and services as further described in Note 7.

3. Cash

Cash at bank comprise the following:

	<u>2007</u>	2006
Current accounts Investment in Money Market Fund	705,419 194,472	242,264 1,340,523
	\$ <u>899,891</u>	\$ <u>1,582,787</u>

4. Donations

Donations received during the years ended September 30, 2007 and September 30, 2006 are further analysed as follows:

		% of	% of
		Total	Total
		Donations	Donations
		2007	2006
Government		75%	10%
Corporate		24%	77%
Individuals		<u>1</u> %	<u>_12</u> %
		<u>100</u> %	<u>100</u> %

5. Restricted Funds

The Recovery Fund did not receive any restricted donations during the years ended September 30, 2007 and September 30, 2006.

6. Applications

As at September 30, 2007, the Recovery Fund had received 1,841 (2006: 1,805) applications, of which a total of 586 (2006: 485) applications have received assistance.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

6. Applications (continued)

The Trustees have adopted a set of criteria for the allocation of funds raised by the Recovery Fund. The assessment criteria are as follows:

- Damage must be as a result of Hurricane Ivan
- Funds are intended for repairs to property which were demonstrably damaged by the hurricane or its aftermath
- The property should have been uninsured
- Applicants must be able to show that their total household income is such that they cannot be reasonably expected to obtain finance nor self fund the costs of repairs to their homes
- Grant funds will not normally be made available to:
 - those who are tenants in accommodation rented on commercial terms nor for landlords or those in strata accommodation
 - those who have or are awaiting insurance settlements including the underinsured

As outlined in Note 11 below the Recovery Fund has reached an understanding with the Government of the Cayman Islands (the "Government") for funding in the form of a donation of approximately KYD\$4.0million. The majority of these funds will be used by the Recovery Fund to fulfill the requirements of the pending applications. Whilst the majority of these applications will fall within the scope of the criteria outlined above, a number of those applications which might be outside the criteria established by the Trustees will be undertaken directly on request and 'contract' from the Government via the Leader of Government Business. These contracts will be managed in the same way as all other applications and contracts although they will not require trustee review and approval as with other applicants.

7. Donated goods and services

A number of unpaid volunteers have made significant contributions of their time and resources to manage and carry out the Recovery Fund's activities. Furthermore, the Recovery Fund accepts donations from the public in the form of goods (e.g., furniture, fridges, cookers, kitchens, etc.,) which in turn are distributed to applicants on a needs basis. Cayman National Trust provide all the accounting and financial management services for the Recovery Fund without charge. In addition, Appleby, provide all the corporate legal assistance and secretarial functions for the Recovery Fund without charge. The auditors, PricewaterhouseCoopers, have waived their fees for their audit of these financial statements. Such donated goods and services are not included within these financial statements. The value of these contributions is not reflected in the financial statements since they are not susceptible to objective measurement or valuation.

The Recovery Fund operates from premises which are owned by the National Trust for the Cayman Islands, for which no rent is charged. The approximate value of this rent is \$36,000 (2006: \$36,000).

8. Funding

During the year ended September 30, 2005, the Recovery Fund entered into a donation agreement with a donor to the Recovery Fund. The donor agreed to donate an amount of \$208,333 (US\$250,000) to be paid on a monthly basis commencing on July 1, 2005 and thereafter on the first day of each month for the next twenty-four months, with the final payment to be made on July 1, 2007. During the year ended September 30, 2007 an amount of \$75,000 (US\$90,000) (2006: \$100,000 (US\$120,000)) had been paid and the balance remaining to be paid as at September 30, 2007 was \$8,333 (US\$10,000) (2006: \$83,333 (US\$100,000)) which is not included in the current donations.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

8. Funding (continued)

During the period ended September 30, 2005, the Recovery Fund entered into a loan agreement with a donor to the Recovery Fund. The donor lent to the Recovery Fund the sum of \$2,500,000 (US\$3,000,000), on an interest free basis for a period of eighteen months from the date of drawdown, February 25, 2005. If the loan was fully repaid during the term period of eighteen months and a minimum of \$2,500,000 (US\$3,000,000) in donations had been received by the Recovery Fund from "Approved Sources" (as defined in the loan agreement) within 24 calendar months from January 1, 2005, then the donor agreed to make an ex-gratia payment of \$1,250,000 (US\$1,500,000) to the Recovery Fund. During the year ended September 30, 2006 an amount of \$1,348,082 (US\$1,617,698) was repaid and as of December 6, 2005 the loan was fully repaid. Accordingly the ex-gratia payment was paid to the Recovery Fund on March 3, 2006. This amount is included within corporate donations in the statement of income, expenditure and distributions for the year ended September 30, 2006.

The Trustees have in place a policy to ensure that the Recovery Fund retains sufficient assets to meet approximately six months of administration expenses. However subject to this it is the Trustees intention to ensure that all available resources are distributed at the earliest opportunity and not to create reserves.

9. Commitments

At September 30, 2007, the Recovery Fund had signed contracts with builders to repair and rebuild houses for applicants. As at September 30, 2007, the Recovery Fund has an obligation of \$353,972 (2006: \$228,804) in relation to such contracts. This amount is not recorded in the financial statements as they are prepared in accordance with the basis of accounting as disclosed in Note 2.

10. Salaries and pension costs

During the year ended September 30, 2007, The Recovery Fund had up to 6 (2006: 5) full-time employees including the Executive Director of the Recovery Fund and 2 (2006: 2) part-time employees. As at year end September 30, 2007, the Recovery Fund had 3 (2006: 4) full time employees including the Executive Director of the Recovery Fund and 2 (2006: 0) part-time employees.

The salaries of all employees were paid exclusively by the Recovery Fund. However, during the year ended September 30, 2005 a donor to the Recovery Fund agreed to pay the salary of the Executive Director until April 30 2006. The salary of the Executive Director of the Recovery Fund was paid initially by the Recovery Fund, and the donor subsequently made a donation to the Recovery Fund which matched the salary cost. The salary amount paid is included within administration expenses and salaries, and the donation received is included within donations, in the statement of income, expenditure and distributions in the year ended September 30, 2006.

Total salaries paid during the year ended September 30, 2007 was \$325,536 (2006: \$447,537).

The employees of the Recovery Fund are entitled to Medical Benefits and Pension in accordance with the National Health Insurance Law and the Pension Law (2003 Revision). Pension contributions are being matched by the Recovery Fund to a maximum of 5% of the employee's basic salary. The pension expense for the year ended September 30, 2007 was \$17,745 (2006: \$29,336) and is included in administration expenses and salaries in the statement of revenue and expenditure.

In compliance with the terms of The Health Insurance Law, 1997, the Recovery Fund is required to effect a standard health insurance contract for its employees. The Recovery Fund's health insurance expense for the year ended September 30, 2007 was \$13,970 (2006: \$21,631) and is included in administration expenses and salaries in the statement of income, expenditure and distributions.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

11. EU Funding

In June 2005, the Recovery Fund in conjunction with the Government of the Cayman Islands (the "Government") jointly applied to the European Union (the "EU") for a grant in the form of funding assistance to aid in the recovery process, to a total value of €7 million. The terms and conditions of how this funding will be utilized is subject to ongoing discussions between the Recovery Fund, the Government and the EU. The ultimate proportion of the €7 million grant applied for to be received directly by the Recovery Fund is also subject to ongoing discussions.

In February 2007, an agreement was signed with the EU for the first installment of €3.7 million, of the total grant applied for. Since the date of signing of the agreement with the EU, work with locally raised funding continued, albeit at a slow pace awaiting the EU funds. Conditions imposed and lack of clarity on the processes of the EU grant has delayed receipt of this funding.

Arising from the delay in receipt of funding from the EU, in August 2007, the Government indicated that it would provide funding in the form of a donation of approximately KYD\$4.0million, to be drawn down as needed by the Recovery Fund. This funding from Government is being granted to enable the Recovery Fund to continue with its work and to fulfill the remaining works in relation to the families that still require assistance.

As at September 30, 2007, the total value of donations received from Government in respect of this particular arrangement was KYD\$0.5million. Subsequent to year end, through to the date of approval of these financial statements, the Government made four further donations under this arrangement to a total value of KYD\$2.0 million.

12. Risks

The Recovery Fund is exposed to the following risks in respect to its financial instruments:

Concentration of credit risk

The Recovery Fund is exposed to concentration of credit risk in respect of cash at bank. The Recovery Fund seeks to mitigate its credit risk on cash at bank by placing its cash with reputable financial institutions. At September 30, 2007 and September 30, 2006, cash at bank is placed with two financial institutions, one in the United States and another in Cayman Islands. Management believes it is not exposed to any significant credit risk on cash at bank as a result of this concentration.

Currency risk

The Recovery Fund receives a proportion of its donations in United States dollar and holds cash at bank in United States dollars. The value of such donations and cash at bank will fluctuate because of changes in the exchange rates at which these are converted into Cayman Islands dollars. Management considers this risk to be minimal as all foreign currency holdings are denominated in the United States dollar, which has a fixed rate of exchange to the Cayman Islands dollar.

13. Fair value of financial assets and liabilities

Due to their short term nature, the book value of cash at bank and bank overdraft approximates fair values.

14. Taxation

The Cayman Islands Government does not currently levy taxes on income or capital gains, consequently no tax liability or expense has been recorded in these financial statements.

