



**University College
of the**

Cayman Islands

Financial Statements for the Year Ended 30 June 2016

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

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University College of the Cayman Islands

Member of the Association of Caribbean Tertiary Institutions

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the University College of the Cayman Islands in accordance with the provisions of the Public Management and Finance Law (2013 Revision), and International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law (2013 Revision), and International Financial Reporting Standards.

As the President, I am responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the University College of the Cayman Islands.

As President and Chief Financial Officer, we are responsible for the preparation of the University College of the Cayman Islands financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the University College of the Cayman Islands for the financial year ended 30 June 2016.

To the best of our knowledge we represent that these financial statements:

- (a) completely and reliably reflect the financial transactions of the University College of the Cayman Islands for the year ended 30 June 2016;
- (b) fairly reflect the financial position as at 30 June 2015 and performance for the year ended 30 June 2016;
- (c) comply with the provisions of the Public Management and Finance Law (2013 Revision) and International Financial Reporting Standards.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

A handwritten signature in blue ink, appearing to read 'Roy Bodden', is written over a horizontal line.

Roy Bodden

President

October 26, 2016

A handwritten signature in blue ink, appearing to read 'Ansel Tempral', is written over a horizontal line.

Ansel Tempral

Chief Financial Officer

October 26, 2016



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AUDITOR GENERAL'S REPORT

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

I have audited the accompanying financial statements of the University College of the Cayman Islands which comprise the statement of financial position as of 30 June 2016 and the related statements of comprehensive income, statement of changes in reserves and contributed capital and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 8 to 28 in accordance with the provisions of Section 11(3) of the University College Law 2012 (Revision) and section 60 (1) (a) of the Public Management and Finance Law (2013 Revision).

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor General's Responsibility and Basis of Opinion

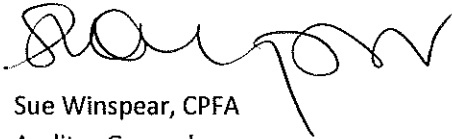
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 upon 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University College of the Cayman Islands as at 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'Sue Winspear', with a stylized flourish at the end.

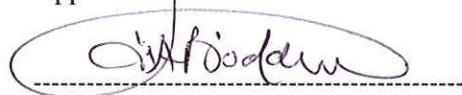
Sue Winspear, CPFA
Auditor General

26 October 2016

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016
(Stated in Cayman Islands Dollars)

	NOTE	2016	2015
ASSETS			
Non-Current Assets			
Fixed Assets	2d,3,4	\$7,735,539	\$5,599,809
Intangible Assets	3	10,345	23,906
Total Non-Current Assets		7,745,884	5,623,715
Current Assets			
Unrestricted Cash Balance	6a	1,768,768	1,137,950
Restricted Cash Balance – Capital Fund	6b	123,494	122,591
Inventory	2d	297,989	283,245
Accounts Receivable	2c,5	58,677	280,516
Prepayments		104,384	118,467
Total Current Assets		2,353,312	1,942,769
TOTAL ASSETS		\$10,099,196	\$7,566,484
EQUITY AND LIABILITIES			
Equity			
Contributed Capital	7	\$6,917,000	\$6,917,000
Capital Fund	8	302,153	301,809
Revaluation Reserve	3	2,348,757	-
Accumulated Deficit		(1,249,926)	(1,451,796)
Accumulated Other Comprehensive Loss		(112,000)	(185,000)
Total Equity		8,205,984	5,582,013
Current liabilities			
Accounts Payable	9	795,212	881,471
Unfunded Pension Liabilities	12	1,098,000	1,103,000
Total Current Liabilities		1,893,212	1,984,471
TOTAL EQUITY AND LIABILITIES		\$10,099,196	\$7,566,484

Approved on behalf of the Board of Governors



PRESIDENT



CHIEF FINANCIAL OFFICER

DATE: October 26, 2016

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016
(Stated in Cayman Islands Dollars)

	NOTE	2016	2015
REVENUE			
Services provided to the Cayman Islands Government	10	\$4,077,658	\$4,073,205
Tuition Fees		2,048,816	1,939,534
Other Income	11	786,719	798,216
Book and Merchandise Sales		544,598	519,214
Total Revenue		7,457,791	7,330,169
EXPENSES			
Salaries and Wages		4,364,261	4,424,166
Operating Expenses	14	1,000,863	908,342
Supplies and Materials	15	534,249	445,082
Depreciation	2d, 3	405,221	440,759
Utilities		393,975	434,528
Pension Expense	12	197,583	191,669
Insurance		107,204	139,846
Health Insurance		108,702	110,370
Travel and Subsistence		61,109	109,373
Campus Rental Expenses		72,000	72,000
Loan Interest and Bank Charges		22,379	19,615
Foreign Exchange Gain	2f	-	(1,534)
Disposal of Assets Gain		(75)	(1,550)
Bad Debts		(11,550)	21,722
Total Expenses		7,255,921	7,314,388
Net Surplus for the Year		201,870	15,781
Other comprehensive Income/(loss) - Not to be reclassified to profit and loss in the subsequent periods:			
Re-measurement of defined benefit pension	12	73,000	(2,000)
Revaluation of Land and Building	3	2,348,757	-
Total Comprehensive Income for the Year		2,623,627	13,781

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016
(Stated in Cayman Islands Dollars)

	Capital Fund	Contributed Capital	Revaluation Reserve	Accumulated Deficit	Accumulated Other Comprehens- ive Loss	Total
Balance as at 1 July 2014	\$301,433	\$6,917,000	\$ -	(\$1,467,577)	(\$183,000)	\$5,567,856
Interest Earned on Capital Fund Balance	376	-	-	-	-	376
Net Surplus for the year	-	-	-	15,781	-	15,781
Other comprehensive loss for the year	-	-	-	-	(2,000)	(2,000)
Balance as at 30 June 2015	301,809	6,917,000	-	(1,451,796)	(185,000)	5,582,013
Interest Earned on Capital Fund Balance	344	-	-	-	-	344
Net Surplus for the Year	-	-	-	201,870	-	201,870
Other comprehensive gain for the year (Revaluation Reserve)	-	-	2,348,757	-	73,000	2,421,757
Balance as at 30 June 2016	\$302,153	\$6,917,000	\$2,348,757	(\$1,249,926)	(\$112,000)	\$8,205,984

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016
(Stated in Cayman Islands Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus for the Year	\$ 201,870	\$ 15,781
Adjustment to Reconcile Net Surplus for the Year to Net Cash Provided by Operating Activities:		
Depreciation	405,221	440,759
Realised Gain on sale of Fixed Assets	(75)	(1,550)
Defined benefit pension cost charged to surplus	68,000	63,000
Operating Profit before Working Capital Changes	675,016	517,990
Net Changes in Non-Cash Working Capital Balances Related to Operations:		
Decrease in Accounts Receivable	221,839	469,944
Decrease/ (Increase) in Prepayments	14,083	(24,855)
(Increase) / Decrease in Inventory	(14,744)	56,385
(Decrease) Increase / in Accounts Payable	(86,259)	88,693
Net Cash Generated from Operations	809,935	1,108,157
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(178,633)	(94,873)
Sale of Fixed Assets	75	3,000
Net Cash Used In Investing Activity	(178,558)	(91,873)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest Received on Capital Fund Balance	344	376
Net Cash Provided by Financing Activities	344	376
Net Increase in Cash and Cash equivalents	631,721	1,016,660
Cash and cash equivalents at Beginning of Year	1,260,541	243,881
Cash and cash equivalents at End of Year	1,892,262	1,260,541

Cash and cash equivalents reported above is comprised of the following items presented in the statement of financial position:

Unrestricted Cash Balance	1,768,768	1,137,950
Restricted Cash Balance – Capital Fund	123,494	122,591
	1,892,262	1,260,541

The accompanying notes form an integral part of these financial statements

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016
(Stated in Cayman Islands Dollars)

1. ESTABLISHMENT AND PRINCIPAL ACTIVITY

The University College of the Cayman Islands (the “University College”) is a corporate body established under the University College Law (2012 Revision). The University College is wholly-owned by the Cayman Islands Government (the “Government” or “CIG”) and 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 University College is located at 168 Olympic Way, P.O. Box 702, Grand Cayman KY1-1107, Cayman Islands, B.W.I.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB. The significant accounting policies adopted by the University College are as follows:

a. Changes in International Financial Reporting Standards

Standards issued but not yet effective up to the date of issuance of the University College’s financial statements are listed below. This listing of standards and interpretations issued are those that the University College reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The University College intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments (replacement of IAS 39) (Effective for annual periods beginning on or after 1 January 2018).

The International Accounting Standards Board (the Board) completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 Financial Instruments in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting.

Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 introduces a logical approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments removing a source of complexity associated with previous accounting requirements.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2017).

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model: 1. Identify the contract(s) with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognise revenue when (or as) the entity satisfies a performance obligation The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

IAS 1 Disclosure Initiative – Amendments to IAS 1 (Effective for annual periods beginning on or after 1 January 2016.)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: The materiality requirements in IAS 1. That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated. That entities have flexibility as to the order in which they present the notes to financial statements. That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

AS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (Effective for annual periods beginning on or after 1 January 2016.)

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

b. Basis of Accounting

The financial statements of the University College are prepared on the accruals basis under the historical cost convention, except for inventory (see note 2e) and unfunded pension liability (note 12).

International Financial Reporting Standards requires management to make estimates and assumptions that impact reported amounts for assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the unfunded pension liability, potential impairment of assets and rates for depreciation. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the reporting period and in any future periods that are affected by those revisions.

c. Bad Debt Provisions & Write Offs

Management uses a balance sheet approach for estimating a general provision for bad debt each year. More specifically, all positive balances aged over 90 days at year end are provided for in full. Specific account balances are written off each year against the general provision if after a detail review of the account activity and internal discussions on the probability of payment being received, the amount is determined to be uncollectible.

d. Fixed assets and Depreciation

Fixed assets, excluding building, 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:

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Fixed assets and Depreciation (continued)

Land and buildings are carried at fair value.

<u>Item</u>	<u>Useful Life</u>
Buildings	40 years
Furniture and Equipment	5 – 10 years
Computers	3 years
Vehicles/Other Intangibles	4 years
Library Books	2 – 8 years

e. Inventory

Inventory represents textbooks on hand and in-transit, at 30 June 2016, which is purchased by the University College for resale to students. They are valued at the lower of cost and net realizable value on a first-in, first-out basis.

f. Foreign Currency Translation

Assets and liabilities denominated in currencies other than Cayman Islands Dollars are translated at exchange rates in effect at the financial position 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 Comprehensive Income.

g. Defined Contribution Pension

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

h. Defined Benefit Pension

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Defined Benefit Pension (Continued)

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past service costs are recognised immediately in the statement of comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

i. Revenue Recognition

- i. 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 Comprehensive Income in the period in which it is earned.
- ii. Donations received are recognized immediately as income in the fiscal year received if:
 - a) All conditions necessary for use of these resources have been met by the University College and/or,
 - b) In situations where specific use has been determined by the donor, the University College has purview on the timing of the use of resources donated once the provisions of (a) above have already been met as necessary.
- iii. Books and Merchandise sale represents revenue from the sale of goods and is recognized in the profit or loss when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, associated costs and possible return of goods can be estimated reliably and there is no continuing managerial involvement with the good.

j. Comparative figures

The presentations of the prior year corresponding figures are restated to ensure consistency with the current period unless it is impracticable to do so.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS

Description	Freehold Land	Buildings	Construction In Progress	Furniture & Equipment	Vehicles	Computers Hardware	Intangible Assets	Library Books	Total
Cost:									
At 01 July 2015	\$273,090	\$9,786,575	\$ -	\$1,424,421	\$9,285	\$1,053,639	\$310,874	\$413,293	\$13,271,177
Additions	-	1,420	65,240	40,209	-	62,655	6,558	2,552	178,634
Revaluation	651,910	(3,327,995)	-	-	-	-	-	-	(2,676,085)
At 30 June 2016	925,000	6,460,000	65,240	1,464,630	9,285	1,116,294	317,432	415,845	10,773,726
Accumulated Depreciation:									
At 01 July 2015	-	4,780,166	-	1,171,492	9,285	987,554	286,968	411,997	7,647,462
Depreciation	-	244,675	-	85,866	-	53,648	20,119	913	405,221
Revaluation	-	(5,024,841)	-	-	-	-	-	-	(5,024,841)
At 30 June 2016	-	-	-	1,257,358	9,285	1,041,202	307,087	412,910	3,027,842
Net Book Value:									
At 30 June 2016	\$925,000	\$6,460,000	\$65,240	\$207,272	\$ -	\$75,092	\$10,345	\$2,935	\$7,745,884

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS

Description	Freehold Land	Buildings	Furniture & Equipment	Vehicles	Computers Hardware	Intangible Assets	Library Books	Total
Cost:								
At 01 July 2014	\$273,090	\$9,780,802	\$1,395,802	\$15,085	\$1,009,816	\$294,861	\$412,648	\$13,182,104
Additions	-	5,773	28,619	-	43,823	16,013	645	94,873
Disposal	-	-	-	(5,800)	-	-	-	(5,800)
At 30 June 2015	273,090	9,786,575	1,424,421	9,285	1,053,639	310,874	413,293	13,271,177
Accumulated Depreciation:								
At 01 July 2014	-	4,535,526	1,076,813	12,185	919,439	255,977	411,113	7,211,053
Depreciation	-	244,640	94,679	1,450	68,115	30,991	884	440,759
Disposal	-	-	-	(4,350)	-	-	-	(4,350)
At 30 June 2015	-	4,780,166	1,171,492	9,285	987,554	286,968	411,997	7,647,462
Net Book Value:								
At 30 June 2015	\$273,090	\$5,006,409	\$252,929	\$ -	\$66,085	\$23,906	\$1,296	\$5,623,715

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS (Continued)

Intangible Assets

Intangible Assets include software purchases at cost of \$267,553 (2015:\$250,839) and academic program design costs of \$49,879 that were fully depreciated at 30 June 2016.

Revaluation of Land & Buildings at 30 June 2016

During the 2015/16 financial year Land & Buildings were revalued using the valuation report from BCQS Property and Development Consultants. The valuation was prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards January 2014, including the International Valuation Standards (IVS), on the basis of Fair Value (Cost Approach) as defined with Section 4.1. Since the valuation report is effective 30 June 2016 no depreciation relating to the revalued amounts, was charged during the year. The resulting revaluation gain of \$2,348,757 was reported in other comprehensive income consistent with IAS16 and in the Statement of Financial Position as a Revaluation Reserve.

Calculations: Revaluation Gain	Land	Building & Site Works	Total
Cost	\$273,090	\$9,787,986	\$10,061,076
Accumulated Depreciation	-	5,024,833	5,024,833
Carrying Value at 30 June 2016	273,090	4,763,153	5,036,243
Revaluation Gain	651,910	1,696,847	2,348,757
Carrying Value after revaluation	925,000	6,460,000	7,385,000
Depreciation current year	-	-	-
Carrying value at 30 June 2016	\$ 925,000	\$ 6,460,000	\$ 7,385,000

4. FREEHOLD LAND

The Government acquired 15.8 acres of land for the construction of the University College through compulsory acquisition in 1988 and 1995. The property, consisting of land and buildings, is vested with the University College of the Cayman Islands and is registered in the institution's name. The cost of land has been classified as Contributed Capital (See Note 7).

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2016
(Stated in Cayman Islands Dollars)

5. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Trade Receivable		
Tuition	\$334,063	\$332,386
Government Bodies	8,500	242,599
Staff Advances	3,939	4,241
	<u>346,502</u>	<u>579,226</u>
Less: Provision for Bad Debts (Bals. > 90days)	<u>(287,825)</u>	<u>(298,710)</u>
Total	<u>\$58,677</u>	<u>\$280,516</u>

	<u>2015</u>	<u>2015</u>
Movement in Bad Debt Provision		
Opening Balance	\$298,710	\$272,543
Provision for Bad Debts	<u>(10,885)</u>	<u>26,167</u>
Closing Balance	<u>\$287,825</u>	<u>\$298,710</u>

**Ageing of Trade
Receivables at 30
June 2016**

	<u>Current</u>	<u>31-60</u>	<u>61-90</u>	<u>> 90 Days</u>	<u>Total</u>
Tuition Fees	\$750	\$23,083	\$545	\$309,685	\$334,063
Staff Advances	3,939	-	-	-	3,939
Total Third Party Receivables	<u>4,689</u>	<u>23,083</u>	<u>545</u>	<u>309,685</u>	<u>338,002</u>
Government Bodies	2,675	5,395	-	430	8,500
Total	<u>\$7,364</u>	<u>\$28,478</u>	<u>\$545</u>	<u>\$310,115</u>	<u>\$346,502</u>

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6. BANK BALANCES

- a) Unrestricted Cash Balance: Represents the University College's current account and fixed deposit balances, whose use is not restricted for any specific purpose and/or for which the timing and nature of its use is determinable solely at the discretion of the Board of Governors.

<u>Account Type</u>	<u>2016</u>	<u>2015</u>
Operating Accounts:		
Current Account - \$C.I.	\$1,448,329	\$828,222
Current Account - \$U.S	12,860	2,494
Cashiers' Float	5,425	5,425
Total Operating Funds	\$1,466,614	\$836,141
Funds Held in Fixed Deposits:		
Capital Fund	302,154	301,809
Total Fixed Deposits - \$C.I.	302,154	301,809
Total Unrestricted Cash Balances	\$1,768,768	\$1,137,950

- b) Restricted Cash Balance: This represents the balance of funds donated by third parties for specific academic or capital projects to be undertaken by the University College.

Restricted Balances	<u>2016</u>	<u>2015</u>
Ironwood Trust Scholarship	\$19,873	\$19,963
FAMU/UCCI Student Exchange	15,491	15,531
Donated Funds – Scholarship & Science	88,130	87,097
Total Restricted Cash Balances	\$123,494	\$122,591

7. CONTRIBUTED CAPITAL

The University College's Contributed Capital represents cumulative funds donated by the Cayman Islands Government and Private Sector Interests as shown below.

<u>Cayman Islands Government</u>	<u>2016</u>	<u>2015</u>
Capital Injection	\$1,132,609	\$1,132,609
Equity Injection to Fund Post Ivan Recovery	200,000	200,000
For the continuation of the College's Building programme	1,250,990	1,250,990
For the purchase of land	264,585	264,585
For the Capital works programme carried out by PWD during 1994	24,904	24,904
For the development of a playfield for the College	80,000	80,000
For the construction of the multi-purpose Hall/Hurricane Shelter	1,250,000	1,250,000
For Capital Items related to The UCCI School of Nursing	240,740	240,740
Long Term Loan Debt Forgiveness (Cabinet Approved)	2,426,318	2,426,318
	6,870,146	6,870,146
Private Sector	46,854	46,854
Total	\$6,917,000	\$6,917,000

University College of the Cayman Islands
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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. Interest of \$344 (2015:\$376) was received on these funds.

	<u>2016</u>	<u>2015</u>
Fund Balance	<u>\$302,153</u>	<u>\$301,809</u>

9. ACCOUNTS PAYABLE

	<u>2016</u>	<u>2015</u>
Government Bodies	\$ 4,303	\$ 3,016
Accrued Vacation and Gratuity	324,946	386,759
Trade Payables	112,156	116,327
Credit Balances in Accounts Receivable	209,437	208,180
Scholarship Clearing	74,841	74,841
Accrued Wages	-	10,810
Audit Fees Provisions	47,410	44,070
Other Provisions and Accruals	22,119	37,468
TOTAL ACCOUNTS PAYABLE	<u>\$795,212</u>	<u>\$881,471</u>

10. SERVICES PROVIDED TO THE CAYMAN ISLANDS GOVERNMENT

During the year, the Cayman Islands Government engaged the University College of the Cayman Islands to provide a number of educational and related services. The provision of these services (Outputs) is formalized in a purchase agreement with a total consideration of \$4,077,658 (2015: \$4,073,205).

11. OTHER INCOME

Description	<u>2016</u>	<u>2015</u>
Miscellaneous Receipts	\$183,794	\$158,350
Civil Service College	100,900	106,950
Donations	64,528	85,728
Dept. of Tourism/SOHS	347,250	347,250
Rental Income	82,340	91,947
Examination Fees	7,873	7,985
Interest Income	34	6
Total	<u>\$786,719</u>	<u>\$798,216</u>

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12. PENSIONS

The University College carried three separate classes of pension contributions for an average of just over fifty (50) employees during the year ended 30 June 2016. IAS 19R became effective 1 January 2013. For the University College, adoption of IAS 19R is mandatory for fiscal year ending 30 June 2014. Upon transitioning to IAS 19R in prior year, there was an adjustment to the prior year statement of financial position of \$165,000. All unamortized gains and losses and past service costs under IAS 19 are immediately recognized as a one-off transition adjustment to equity. Administration costs that are not investment-related will be recognized in the Statement of Comprehensive Income as an operating charge under IAS 19R. This differs from the approach under IAS 19, where all administration costs are allowed for within the expected rate of return of assets. Under IAS 19R, the expected return on assets is no longer used in the determination of the defined benefit cost, but it continues to be used in the determination of the asset limit under **International Financial Reporting Interpretation Committee (IFRIC) 14 – The Limit on A Defined Benefit Asset, Minimum Funding Requirements and their Interaction**. The expected return on assets assumption continues to be management best estimate.

Public Service Pensions Fund – Defined Benefits

The Public Service Pensions Law, 1999 (Law 6 of 1999) re-organised existing public service pension provisions into separate defined benefit and defined contribution schemes with effect from 1 January 2000. 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. None of the currently employees are active participants at 30 June 2016. At year-end however, there are former employees under this plan: four are deferred and one has transferred. Deferred former employees are those whose defined benefits have already vested and do not actively contribute to the Fund, and the transferred employee remains to be an active member of Plan and is employed in another participating public sector entity.

Contributions towards benefits accruing in respect of the current service (i.e. for the period since the employee was enrolled in the plan) are funded at rates periodically advised to University College by the Public Service Pensions Board (“PSPB”) and are recognised as an expense in the period incurred. The University College is also required to make payments to the plan to fund benefits accruing in respect of past service (the “past service funding liability”).

This past service funding liability, which is generally equivalent to the actuarially determined present value of the defined benefit obligations less the value of the assets available to meet such obligations, is calculated periodically by the Plan actuaries and reported to the University College by the Pensions Board.

The University College recognizes changes in the past service funding liability, adjusted for funding payments made, as an expense or gain in the period in which such changes are incurred.

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12. PENSIONS (continued)

The most recent provisional actuarial estimate was performed as of 30 June 2016 by the PSPB indicated a plan deficit attributable to the University College of CI\$1,098,000 (2015: CI\$1,103,000). The University College has engaged the PSPB and the new Actuaries, Mercer, in discussions concerning the basis appropriateness of the calculation of the defined benefit liability and basis on which the obligation was assigned to the entity.

Information about the characteristics of its defined benefit plans

All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

Pension Expense and Reconciliation of Defined Pension Liability

	<u>2016</u>	<u>2015</u>
	CI\$(000)	CI\$(000)
Provision at the beginning of the year	1,103	1,038
Pension expense for the year	(5)	65
Employer Contributions	-	-
Provision at end of year	1,098	1,103
Reconciliation of Funded Status:		
Company's share of Defined Benefit Obligation	298	298
Less: Fair Value of Plan Assets (Negative)	(800)	(805)
Defined benefit liability	1,098	1,103
Components of Defined Benefit Cost for the year:		
Current Service Cost	16	16
Total Net Interest Cost	52	47
Defined benefit cost included in P&L	68	63
Remeasurement Included in Other Comprehensive Income (OCI):		
Demographic Assumptions Change	-	(1)
Discount Rate Change	13	(16)
Plan Experience	(92)	-
Return on Plan Asset (Excluding Interest)	6	19
Total remeasurement included in OCI	(73)	2
Pension Expense for the year	(5)	65

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12. PENSIONS (continued)

The change in fair value of plan assets is as follows:

	<u>2016</u>	<u>2015</u>
	<u>\$000</u>	<u>\$000</u>
Fair value of plan assets at beginning of year (negative)	(805)	(752)
Interest income	(38)	(34)
Cash flows		
Employer and participant contributions	-	-
Benefit payments from plan	(181)	-
Administrative expenses paid from plan assets	-	-
Remeasurements – return on plan assets (excluding interest income)	(6)	(19)
Fair value of plan assets at end of year (negative)	(1,030)	(805)

The defined benefit liability reconciliation is as follows:

	<u>2016</u>	<u>2015</u>
	<u>\$000</u>	<u>\$000</u>
Defined benefit obligation at beginning of year	298	286
Current service cost	16	16
Interest expense	14	13
Cash Flows- Benefit payment from plan assets	(181)	-
Effect of changes in demographic assumptions	-	(1)
Effect of changes in financial assumptions	13	(16)
Effect of changes in experience adjustments	(92)	-
Cash flows – employer contributions	-	-
Defined benefit obligation at end of year	68	298

The sensitivity analysis on defined benefit obligation is shown below:

	<u>2016</u>	<u>2015</u>
1. Discount rate		
a. Discount rate - 25 basis points	73	314
b. Discount rate + 25 basis points	63	284
2. Inflation rate		
a. Inflation rate - 25 basis points	65	284
b. Inflation rate + 25 basis points	70	314
3. Mortality		
a. Mortality - 10% of current rates	70	304
b. Mortality +10% of current rates	66	293

The University College classified the Unfunded Pension Liability as a current liability for the year ended 30 June 2016 (same as in 2015).

University College of the Cayman Islands
Notes to the Financial Statements
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12. PENSIONS (continued)

The expected cash flow for the following year is as follows:

	Amount (\$000)
Expected employer contributions	Nil

The significant actuarial assumptions are presented below:

<i>Weighted-average assumptions to determine benefit obligations</i>	<u>2016</u>	<u>2015</u>
1. Discount rate	4.00%	4.75%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	RP-2014 projected on a generational basis using MP-2014	RP-2014 projected on a generational basis using Scale BB
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

<i>Weighted-average assumptions to determine defined benefit cost</i>	<u>2016</u>	<u>2015</u>
1. Discount rate	4.75%	4.50%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	UP-94 projected on a generational basis using MP-2014	UP-94 projected on a generational basis using Scale BB

Plan Assets

The Defined Benefit assets as well as Defined Contribution assets of the Plan are held as part of the Public Service Pensions Fund ("the Fund") and managed by the PSPB. The assets of two other pension plans are pooled together to constitute the Fund.

The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income and expenses in proportion to the opening value of assets allocated. Similar internal accounting is used for developing each participating entity's share of the asset portfolio of the Fund.

The valuations are based on the draft financial statements as at 30 June 2016 as well as asset value as at 30 June 2016 provided by PSPB, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon.

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12. PENSIONS (continued)

Plan Assets (continued)

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at 30 June 2016, the Fund was invested as follows:

Plan Assets by Asset Category	2016		2015	
	(\$000)	Percentage	(\$000)	Percentage
Global equities securities	431,083	80%	411,606	80%
Debt securities	103,167	19%	97,807	19%
Real estate / Infrastructure	-	-	-	-
Cash	2,583	1%	6,312	1%
Total	536,833	100%	515,725	100%

Normally, at year-end the share of the Fund that has been notionally allocated to the University College with regards to its participation in the Defined Benefit Part of the Plan is disclosed. However, PSPB has determined that the University College owes the Fund \$1,030,000 as at 30 June 2016 (2015: owes the Fund \$805,000).

The Actuarial Assumptions

The actuarial assumptions have been approved by the Financial Secretary, the main sponsor of the Plan. The principal financial and demographic assumptions used at 30 June 2016 and 30 June 2015 are shown in the table below. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the following year.

Measurement Date	2016	2015
Discount rate		
- BOY disclosure and current year expense	4.75% per year	4.50% per year
- EOY disclosure and following year expense	4.00% per year	4.75% per year
Increases in pensionable earnings	3.50% per year	3.50% per year
Rate of Pension Increases	2.50% per year	2.50% per year
Rate of Indexation	2.50% per year	2.50% per year

Measurement Date	2016	2015
Expected long-term rate of return on assets (net of expenses) for purposes of IFRIC only	7.00% per year	7.00% per year

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12. PENSIONS (continued)

The Actuarial Assumptions (continued)

Measurement Date	2016	2015
Mortality		
- BOY disclosure and current year expense	RP-2014 generationally projected using Scale MP-2014	UP-94 generationally projected using Scale BB
- EOY disclosure and following year expense	RP-2014 generationally projected using Scale MP-2014	RP-2014 generationally projected using Scale MP-2014
Disability	None	None
Turnover Rates	Age and gender based rates. See table below.	Age and gender based rates. See table below.
Retirement	Age 57 & 10 years of service	Age 57 & 10 years of service
Assumed life expectations on retirement	Retiring today (member age 32) 30.12 Retiring in 25 years (at age 57): 32.49	Retiring today (member age 32) 30.12 Retiring in 25 years (at age 57): 32.40
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

Turnover Rates at sample ages:

Age	Males	Females
20	7.5%	12.5%
25	5.0%	12.5%
30	3.5%	7.5%
35	2.5%	4.5%
40	1.5%	2.5%
45	0.5%	5.0%
50	0.0%	0.0%

There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the table above. The mortality assumption was updated to make allowance for future mortality improvements. In the addition, the mortality improvement scale has been updated from Scale AA to Scale BB.

University College of the Cayman Islands
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12. PENSIONS (continued)

The Actuarial Assumptions (continued)

These are the same assumptions as approved by the PSPB for use in the 1 January 2014 funding valuation of the Plan.

The discount rate as at 30 June 2016 and 30 June 2015 were determined in accordance with IAS 19. In accordance with IAS 19R paragraph 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. The Mercer US Above Mean Yield Curve (referencing US corporate bond yields) was used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.

Defined Contributions

Fifty-four (54) employees were on different Defined Contribution Plans during the year ended 30 June 2016. The total amount recognised, as a pension expense during the year was \$129,583 (2015: \$128,669).

13. RELATED PARTY TRANSACTIONS

- a) The Auditor General has statutory responsibility for the audit of the University College's financial statements. The fee for the year was \$45,000 (2015: \$45,000).
- b) As disclosed in Note 10, revenue from outputs sold to the Cayman Islands Government amounted to \$4M (2015: \$4M). The University College also relies on the Cayman Islands Government to provide or arrange long-term finance for capital development projects.
- c) The University College allows full time members of staff to be paid additional compensation for lecturing duties done outside of normal working hours or above the required base teaching load. Payments are made based on contact hours at a predetermined rate.
- d) Emoluments Paid to Key Management Personnel during the year amounted to \$855,882 (2015: \$924,713), inclusive of pension benefits in the amount of \$22,741 (2015: \$22,741).
- e) At year end one staff members had outstanding balances totaling \$608 relating to computer purchases made through the University College. This balance was subsequently settled.
- f) Members of the University College's Board of Governors received no remuneration for their services.

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13. RELATED PARTY TRANSACTIONS (continued)

- g) The University College provides vocational and tertiary educational services through its School of Hospitality Studies and Civil Service College to the Ministry of Tourism/Department of Tourism and the Portfolio of the Civil Service respectively. The value of services billed under these Memoranda of Agreement is shown in Note 13. During the year the University College also entered into a room rental agreement with the Ministry of Education, Training & Employment under its Passport 2 Success program. The value of the contract is \$51,000 per annum, included in the Rental Income account.

14. OPERATING EXPENSES

	<u>2016</u>	<u>2015</u>
Expense Description		
Maintenance of Buildings & Grounds	\$177,245	\$178,835
Janitorial Services	113,812	107,180
Security Services	92,330	92,982
Software Fees	94,406	65,435
Printing & Stationery	47,976	49,233
Audit Fees	45,000	45,000
Advertising, Promotion and Public Relations	64,832	49,172
Maintenance of Equipment	75,058	67,676
Hospitality	38,559	41,978
Miscellaneous	2,882	5,298
Courier, Postage and Delivery Services	32,229	19,672
External Exam Expenses	59,931	65,515
Subscriptions	18,102	18,028
Student Activities, Awards and Graduation	63,733	10,953
Legal & Professional Fees	25,764	21,562
Consultancy Fees	18,088	61,378
Training And Staff Development	14,107	5,438
Directors' Stipend	4,175	-
Publications & Distribution Expenses	11,320	1,877
Pandemix Steel Band	1,814	1,130
Total Operating Expenses	<u>\$1,000,863</u>	<u>\$908,342</u>

University College of the Cayman Islands
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15. SUPPLIES AND MATERIALS

Cost of sales of book and merchandise sales

Included in Supplies and Materials are the cost related to the revenue recognised from sales of books and merchandise that amount to:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Inventory Items Expensed	\$382,751	\$356,390

Supplies and materials for own use

During the year educational materials held in stock, text books predominantly, were issued to members of faculty at no charge for use in the delivery of teaching services. These are expensed under the heading of supplies and material in the Statement of Comprehensive Income.

<u>Description</u>	<u>2016</u>	<u>2015</u>
Inventory Items Expensed	\$21,008	\$13,183

16. COMMITMENTS

As at 30 June 2016 the College had the following commitments relating to a 5-year commercial lease entered into with Garston Grant and Hedy Grant in August 2013 for the housing of the Cayman Brac Campus of the University College:

Lease Obligations for the next 12 months	\$72,000
Lease Obligations for 2-5 years	\$78,000

17. FINANCIAL INSTRUMENTS

i. Fair values

At 30 June 2016 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.

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17. FINANCIAL INSTRUMENTS (CONTINUED)

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 University College to credit risk consist principally of current and fixed deposits, accounts and interest receivable, and other receivables and prepayments. The University 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 University College only transacts business with counterparts it believes to be reputable and capable of performing their contractual obligations. Accordingly, the University College has no significant concentrations of credit risk.

iii. Interest rate risk

The University College deposits are at fixed interest rates. The ranges of interest rates and period of maturity are 0.04% to 0.25% and 30 to 32 days, respectively.

iv. Liquidity risk

Liquidity risk relates to the University College's ability to meet its payment obligations associated with its financial liabilities when they are due.

The ability of the University College to meet its debts and obligations is dependent upon its ability to collect the debts outstanding on a timely basis. Management manages liquidity risk through monitoring cash flows from debtors, paying creditors on their due dates, and if the circumstances required it to obtain funding from Government to temporarily fund any shortfalls, the University College would have with its own cash flows. As at 30 June 2016 and 2015, all of the financial liabilities were due within three months of the year end dates.