

University College
Of the
Cayman Islands
FINANCIAL STATEMENTS
For The Year Ended 30 June, 2010

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

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UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

Member of the Association of Caribbean Tertiary Institutions

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 (2010 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 (2010 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 2010.

To the best of our knowledge we represent that these financial statements, except for the matters relating to note 17:

- (a) completely and reliably reflect the financial transactions of the University College of the Cayman Islands for the year ended 30 June 2010;
- (b) fairly reflect the financial position as at 30th June 2010 and performance for the year ended 30th June 2010;
- (c) comply with the provisions of the Public Management and Finance law (2010 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 of Auditing.

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

Roy Bodden

President

Date- 21/2/12

A handwritten signature in black ink, appearing to read "Ansel Temporal", is written over a horizontal line.

Ansel Temporal

Chief Financial Officer

Date- 21/2/12

Auditor General's Report

To the Board of Directors 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 of the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 21 in accordance with the provisions of Section 11(3) of the *University College law (2005 Revision)*, and Section 52(3) of the *Public Management and Finance Law (2010 Revision)*.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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

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 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 we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the University College of the Cayman Islands as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the University College Law (2005 Revision).

Emphasis of Matter

Without qualifying my opinion, I draw attention to note 4 to the financial statements which describes the ownership of the buildings and lands presented on the statement of financial position as being that of the crown, and not yet vested in the name of the University College of the Cayman Islands.



Alastair Swarbrick, MA (Hons) CPFA

Auditor General

Cayman Islands

February 21, 2012

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2010
(Stated in Cayman Islands Dollars)

	NOTE	2010	2009
ASSETS			
Fixed Assets	2b,3,4		
Land		\$ 273,090	\$273,090
Buildings		5,817,005	5,953,845
Furniture and Equipment		263,201	290,705
Motor Vehicle		-	2,321
Computers		87,468	118,712
Library Books		28,655	41,078
Total fixed assets		6,469,419	6,679,751
Current Assets			
Inventory	2c	203,786	144,915
Accounts Receivable	5	455,381	535,274
Receivable from Endowment Fund		2,819	2,819
Prepayments		124,607	64,543
Unrestricted Cash Balance	6a	836,221	1,364,624
Restricted Cash Balance – Capital Fund	6b	42,000	-
Total current assets		1,664,814	2,112,175
TOTAL ASSETS		\$8,134,233	8,791,926
EQUITY AND LIABILITIES			
Capital and reserves			
Donated Capital	8	\$4,249,942	\$4,249,942
Capital Fund	9	438,760	994,346
Accumulated Surplus		(981,996)	(926,215)
		3,706,706	4,318,073
Long-term Liabilities	10	2,613,294	2,840,080
Current Liabilities			
Accounts Payable	7	1,605,132	1,434,315
Current Maturities of Long Term Liabilities	10	153,470	152,131
Prepaid Course Fees	11	55,631	47,327
Total Current Liabilities		1,814,233	1,633,773
TOTAL EQUITY AND LIABILITIES		\$8,134,233	\$8,791,926

Approved on behalf of the Board of Governors

PRESIDENT

CHIEF FINANCIAL OFFICER

DATE: 21/2/12

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 2010
(Stated in Cayman Islands Dollars)

	NOTE	2010	2009
INCOME			
Government Grant	12	3,924,982	3,925,000
Tuition Fees		2,248,769	2,056,182
Book Sales		371,311	273,619
Other Income	13	722,653	884,045
Total Income		7,267,715	7,138,846
EXPENSES			
Salaries and Wages		4,828,293	4,574,302
Operating Expenses		838,177	560,338
Depreciation	2b,3	529,219	593,218
Supplies and Materials		469,874	526,571
Utilities		397,393	408,792
Pension Expense	14	331,259	320,415
Brac Campus Expenses		178,987	229,730
Insurance		146,003	160,832
Bad Debts		103,370	266,415
Health Insurance		102,261	98,885
Travel and Subsistence		74,385	38,011
Loan Interest and Bank Charges		23,749	23,408
Foreign Exchange (Gain) / Loss	2d	(143,149)	(146,831)
Total Expenses		7,879,821	7,654,086
Net (Deficit) / Surplus for the Year		(612,106)	(515,240)
Post Hurricane Ivan Repairs		--	(1,789)
Net Deficit for the Year after Ivan Related Expenses		(612,106)	(517,029)
Deficit at Beginning of the Year		(926,215)	(464,186)
Transfer (to)/from Plant fund	9	556,325	55,000
Accumulated Deficit at end of the Year		(981,996)	(926,215)

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 2010
(Stated in Cayman Islands Dollars)

	Capital Fund	Donated Capital	Accumulated Surplus	Total
Balance as at June 30, 2008	\$1,037,864	\$4,249,942	(\$464,186)	\$4,823,620
Interest earned on capital fund balance	11,482	-	-	11,482
Transfer from Capital During the Year	(55,000)	-	55,000	-
Government Capital Injection	-	-	-	-
Net Deficit for the year	-	-	(517,029)	(517,029)
Balance as at June 30, 2009	994,346	4,249,942	(926,215)	4,318,073
Interest earned on capital fund balance	739	-	-	739
Transfer From Capital During the Year	(556,325)	-	556,325	-
Government Capital Injection	-	-	-	-
Net Deficit for the year	-	-	(612,106)	(612,106)
Balance as at June 30, 2010	\$438,760	\$4,249,942	(\$981,996)	\$3,706,706

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 2010
(Stated in Cayman Islands Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus / (Deficit) for the Year	(612,106)	(517,029)
Adjustment to reconcile Net (Deficit) / Surplus for the year to Net Cash Provided by Operating Activities		
Depreciation	529,219	593,218
Unrealised loss (gain) on foreign currency translation	(143,149)	(146,831)
Interest Income	-	(939)
Loan Interest	12,341	15,186
Increase in past service liability	28,000	--
Adjustments to prior year reserves	--	(18,758)
Operating Profit before Working Capital Changes	(185,695)	(75,153)
Net Changes in Non-Cash Working Capital Balances Related to Operations		
(Increase) / Decrease in Accounts Receivable	79,893	(370,706)
(Increase) / Decrease in Prepayments	(60,064)	(29,701)
(Increase) / Decrease in Inventory	(58,871)	46,500
Increase / (Decrease) in Accounts Payable	172,156	532,599
Increase / (Decrease) in payable to Endowment Fund	--	--
Increase / (Decrease) in Prepaid Course Fees	8,304	41,302
Cash Generated from Operations	(44,277)	144,841
Interest Received	--	1,252
Interest Paid	(12,341)	(6,460)
Net Cash Provided by Operating Activities	(56,618)	139,633
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(318,887)	(127,019)
Proceeds from Sale of Fixed Assets	--	--
Net Cash Used In Investing Activity	(318,887)	(127,019)
CASH FLOWS FROM FINANCING ACTIVITIES		
Donated Capital (CIG)	--	--
Repayment of Long Term Loans	(111,637)	(27,307)
Interest Received on Capital Fund Balance	739	11,482
Net Cash (Used in) Financing Activities	(110,898)	(15,825)
Net (decrease)/increase in cash and cash equivalents during the year	(486,403)	(3,211)
Cash and cash equivalents at beginning of year	1,364,624	1,367,835
Cash and cash equivalents at end of year	878,221	\$1,364,624

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF POSITION FOR THE PERIOD ENDED 30 JUNE 2010 – ENDOWMENT FUND

(Stated in Cayman Islands Dollars)

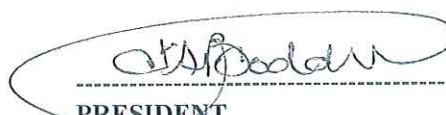
	NOTE	2010	2009
CURRENT FUNDS			
Cash at Bank		\$152,399	\$152,323
\$US Fixed Deposit		66,611	66,587
Receivable from General Fund		-	-
Payable to General Fund		(3,500)	(3,500)
Total Funds	6c	\$215,511	\$215,410

Represented by:

FUND BALANCE

\$215,511 \$215,410

Approved on behalf of the Board of Governors


PRESIDENT


CHIEF FINANCIAL OFFICER

DATE: 21/2/12

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF COMPREHENSIVE INCOME – ENDOWMENT FUND
FOR THE YEAR ENDED 30 JUNE 2010

(Stated in Cayman Islands Dollars)

	NOTE	2010	2009
INCOME			
Donations		-	-
Interest on Savings Account		76	655
Interest on Fixed Deposit Account		25	503
Total Income		101	1,158
EXPENSES			
Funds Utilized: Scholarships Awarded		-	1,500
Bank Charges		-	18
Total Expenses		-	1,518
Net Increase / (Decrease) in Fund Balance		101	(360)
Fund Balance at end of the Prior Year		215,410	215,770
Fund Balance at end of the Year	6c	215,511	215,410

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

1. ESTABLISHMENT AND PRINCIPAL ACTIVITY

The University College of the Cayman Islands (University College) is a corporate body established under the Community College (Amendment) Law 2004 (Law 17 of 2004). 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 GT, Grand Cayman, 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 Committee (IASC), and interpretations issued by the Standing Interpretations Committee of the IASC. The significant accounting policies adopted by the University College are as follows:

a. Basis of Accounting

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

b. Depreciation

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

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

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Inventory

Inventory represents textbooks on hand and in-transit, at 30 June 2010, 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.

d. Foreign Currency Translation

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

e. Borrowing Cost

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

f. Revenue Recognition

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

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS

Description	Freehold Land	Buildings	Furniture & Equipment	Vehicles	Computers	Library Books	Total
Cost:							
At 01 July 2009	273,090	9,298,551	808,655	9,285	770,403	411,089	11,571,073
Additions	-	96,938	119,062	-	101,522	1,365	318,887
Disposals							
At 30 June 2010	273,090	9,395,489	927,717	9,285	871,925	412,454	11,889,960
Accumulated Depreciation:							
At 01 July 2009	-	3,344,706	517,950	6,964	651,691	370,011	4,891,322
Depr. Charge	-	233,778	146,566	2,321	132,766	13,788	529,219
Depr. Charge on Disposals	-	-				-	
At 30 June 2010	-	3,578,484	664,516	9,285	784,457	383,799	5,420,541
Net Book value:							
At 30 June 2010	273,090	5,817,005	263,201	-	87,468	28,655	6,469,419
At 30 June 2009	273,090	5,953,845	290,705	2,321	118,712	41,078	6,679,751

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, has not yet been vested with the University College of the Cayman Islands and is registered in the name of the Crown. The cost of land has been classified as Donated Capital (See Note 8).

5. ACCOUNTS RECEIVABLE

	<u>30.06.10</u>	<u>30.06.09</u>
Trade Receivable		
Tuition	454,989	416,032
Government Bodies	373,675	382,061
Staff Advances	136,276	143,370
Unsubstantiated Expenditure	211,390	211,390
	<u>1,176,330</u>	<u>1,152,853</u>
Less: Provision for Bad Debts	(720,949)	(617,579)
	<u>455,381</u>	<u>535,274</u>
Insurance Claim	-	-
Interest Receivable	-	-
Total	<u>455,381</u>	<u>535,274</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

6. BANK BALANCES

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

<u>Account Type</u>	<u>30.06.10</u>	<u>30.06.09</u>
Operating Accounts:		
Current Account - \$C.I.	398,267	367,655
Current Account - \$U.S	(2,631)	1,823
Cashiers' Float	1,825	800
Total Operating Funds	<u>397,461</u>	<u>370,278</u>
Funds Held in Fixed Deposits:		
Capital Fund	438,760	604,891
Insurance Fund	-	389,455
Total Fixed Deposits - \$C.I.	<u>438,760</u>	<u>994,346</u>
Total Unrestricted Balances	<u>836,221</u>	<u>1,364,624</u>

- b) Restricted Cash: Restricted Cash and Cash Equivalents (CCE) include items like fixed or time deposits pledged as collateral. In such cases, they cannot be lifted or withdrawn by the company for use. CCE can also be restricted due to currency restrictions imposed by government monetary authorities or in the case of donations, where the use is restricted by the donor and in a manner that preserves the initial principal balance and/or its use is not at management's discretion i.e. the nature of its use is governed or determined by a third party e.g. endowment funds and scholarships trusts.

The current balance of restricted cash relates to corporate donations received for specific academic development projects. No payments were made from these funds during the year and no interest earned. At the end of the 2009 financial year no such cash balance met this requirement and the previous balance of \$994,346 was restated to Nil in the current year's financial statements.

Restricted Balances

Donated Capital – Scholarship & Science	42,000	-
Total Restricted Balances	<u>42,000</u>	<u>-</u>
Total Cash & Cash Equivalents	<u>\$878,221</u>	<u>\$1,364,624</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

6. BANK BALANCES (continued)

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

	<u>30.06.10</u>	<u>30.06.09</u>
Fund Balance	\$215,511	\$215,410

7. ACCOUNTS PAYABLE

Description	<u>30.06.10</u>	<u>30.06.09</u>
Trade Payables	355,444	243,118
Accrued Employee Benefits	575,907	512,235
Interest Payable	2,442	8,726
Scholarship Clearing	90,601	121,931
Other Current Liabilities	580,738	548,305
Total	<u>\$1,605,132</u>	<u>\$1,434,315</u>

8. DONATED CAPITAL

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

	<u>30.06.10</u>	<u>30.06.09</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
	4,203,088	4,203,088
Private sector donations	46,854	46,854
Total	<u>\$4,249,942</u>	<u>\$4,249,942</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

9. CAPITAL FUND

This represents the balance of funds restricted by the Board of Governors to be used for future capital projects of the College. Transfers from this fund during the year amounted to \$ 556,325 to fund minor capital projects and bolster working capital. Interest of \$739 was received on these funds.

	<u>30.06.10</u>	<u>30.06.09</u>
Fund Balance	\$438,760	994,346

10. LONG TERM LIABILITIES

	<u>30.06.10</u>	<u>30.06.09</u>
Cayman Islands Government:		
a. Assets Vested	\$1,172,215	\$1,220,441
b. European Development Fund	1,019,549	1,224,771
	<u>2,191,764</u>	<u>2,445,212</u>
c. Public Service Pensions Board (Past Service Liability)	575,000	547,000
TOTAL LIABILITIES	<u>2,766,764</u>	<u>2,992,212</u>
Less Current Maturities		
a. Assets Vested	96,452	96,452
b. European Development Fund	57,018	55,680
TOTAL CURRENT LIABILITIES	<u>153,470</u>	<u>152,132</u>
TOTAL LONG TERM LIABILITIES	<u>\$2,613,294</u>	<u>\$2,840,080</u>

The loans from the Cayman Islands Government comprise the following:

Loans	Current	1-2 yrs	3-5yrs	5+yrs	2010	2009
a) Assets Vested	96,452	96,452	144,678	834,633	1,172,215	1,220,441
c) European Dev Fund	57,018	116,384	178,956	667,191	1,019,549	1,224,771
					2010	2009
					2,191,764	2,445,212
					153,470	152,132
					<u>2,038,294</u>	<u>2,293,080</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

10. LONG TERM LIABILITIES (continued)

Included in operating expenses for the year ended June 30, 2010 is interest expense of CI\$12,341 (2009 CI\$15,186) relating to these loans.

If interest rates increase by 1% the interest expense in the financial statements will increase by approximately CI\$23,862.

- a. The loan of CI\$1,316,893 is unsecured, interest free and repayable in yearly instalments until the year 2033. Loan repayments commenced in 1993. It relates to the cost of land, buildings, furniture and equipment financed by the Cayman Islands Government prior to the University College becoming a Statutory Authority. The formal vesting of these assets has not yet been finalised.
- b. The Loan from the European Development Fund of CI\$1,286,504. (ECU 1,134,783) commenced in October 1999 and is repayable in 60 semi-annual instalments until the year 2029. The loan attracts an interest rate of 1% per annum on the principal amount outstanding and has been guaranteed by the Cayman Islands Government. No collateral security has been provided by the University College
- c. Refer to Note 14 for explanation of the Public Service Pensions Fund's Past Service Liability.

11. PREPAID COURSE FEES

Prepaid Course Fees represent amounts received in advance from students, for courses to be undertaken during the 2009/2010 school term. Funds received from the Government departments and corporate sponsors will be used for the benefit of specific scholarship holders.

12. GOVERNMENT GRANT

During the year the Cayman Islands Government's grant to the University College of the Cayman Islands was \$3,924,982. (2009: \$3,925,000). To continue as a going concern the University College will require annual assistance from the Government for the foreseeable future. This grant is based on expected performance of the University College during the current year.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

13. OTHER INCOME

Description	30.06.10	30.06.09
Civil Service College	262,128	473,181
Dept. of Tourism TATP	156,530	197,705
Miscellaneous Receipts	228,498	143,569
Rental Income	63,917	54,750
Examination Fees	11,580	13,901
Interest Income	-	939
Total	\$722,653	\$884,045

14. PENSIONS

The University College carried three separate classes of pension contributions for an average of sixty (69) employees during the year ended 30 June 2010.

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 January 1, 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. One employee was on this plan during the Financial Year ended 30 June 2010.

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 Pensions Board 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. In the absence of formal notification from the Pensions Board, the University College has no reliable way to quantify its liability to the Plan in respect of unfunded past service benefits.

The most recent actuarial valuation was performed as of June 30, 2010 and the result, which was communicated to the University College by the Public Service Pension Board (“PSPB”) subsequently, indicated a plan deficit attributable to the University College of CI\$575,000 (2009: CI\$547,000).

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

	2010 CIS(000)	2009 CIS(000)
Provision at the beginning of the year	547	514
Pension expense for the year	28	33
	-----	-----
Provision at end of year	575	547
	-----	-----

Reconciliation of Funded status:

Company's share of Defined Benefit obligation	19	17
Fair Value of Plan Assets	492	485
	-----	-----
Funded Status	511	502
	-----	-----
Unrecognized past service costs	-	-
Unrecognized actuarial (loss)/gain	64	45
	-----	-----
Defined benefit liability	575	547
	=====	=====

Components of the Pension expense for the year:

Interest Cost	1	-
Expected return on assets net of expense	29	33
Recognition of net(Gain)/Loss	(2)	-
	-----	-----
Pension Expense for the year	28	33
	=====	=====

Public Service Pensions Fund – Defined Contributions

Caymanian employees who are not participating in the defined benefit plan shall be enrolled in the defined contribution scheme. No employees were on this plan during the Financial Year ended 30 June 2010.

Expatriate Officers – Defined Contributions

In order to standardise employment practices, with effect from March 1999 the Board agreed that the 15% Contracted Officers Supplement payable to expatriate officers of the College would be replaced by an employer's contribution equivalent to 10% of salary to a private pension plan. The remaining 5% of salary is now paid as a gratuity upon completion of employment. Forty-four (40) employees were on this plan during the year ended 30 June 2010. During the year the Board of Governors determined that the gratuity payment will not be a feature of future employment contracts for expatriates.

The total amount recognised, as a pension expense during 2009/10 was \$331,259 (2008/9:\$320,415)

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15. COMMITMENTS

As at 30 June 2010 the College had the following commitments relating to a 3-year commercial lease entered into with Caybrac Limited in December 2007 for the housing of the Cayman Brac of the University College:

Lease Obligations for the next 12 months	71,417
Lease Obligations for 2-5 years	-

16. RELATED PARTY TRANSACTIONS

- a) The Auditor General has statutory responsibility for the audit of the University College's financial statements. The fee for 2009/10 was \$45,000 (2008/9: \$40,000).

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

- b) The University 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.
- c) Emoluments Paid to Key Management Personnel during the year amounted to \$392,404.
- d) At year end a staff member had an outstanding balance of \$5,600 relating to a loan granted in 2007 for educational purposes. This balance was full paid in July 2011.

17. FINANCIAL INSTRUMENTS

i. Fair values

At 30 June 2010 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)

c) Current and Long Term Debt

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

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

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

ii. Credit Risk

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

iii. Interest rate risk

The University 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.

d) UNSUBSTANTIATED TRANSACTIONS

A review of the accounts for the year ended June 30, 2008 uncovered unsubstantiated expenditures of between CI\$220,000 and CI\$550,000. Consequently, the expenditure shown in the financial statements for the year ended June 30, 2008, includes amounts between \$220,000 and \$550,000 that may be outside the normal operations of the College

The nature of these transactions appears to bear no relation to the operational activities of the University College of the Cayman Islands and that the College received no benefit from these expenditures. These expenditures were incurred by UCCI personnel and were reflected in the expenditure ledger in the relevant years affected.

These matters are now subject to ongoing probe by the Royal Cayman Islands Police Service. There were no such expenditures occurring in the year ended June 30, 2010.

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e) SUBSEQUENT EVENTS

- i.** The matters relating to the unsubstantiated transactions are now subject to an ongoing probe by the Royal Cayman Islands Police Service. The Board of Governors has indicated that it is unlikely that this amount will be recovered.
- ii.** In April 2009 a suit was filed against the University College by a former employee, with respect to the termination of his employment. A settlement was reached in November 2010 and subsequently paid by the University. This payment represent full and final settlement of all and any claims that may be brought against the College or its officers, present or former, in respect of the former employee's termination.