



University College
of the
Cayman Islands

Financial Statements For The Year Ended June 30, 2012

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 (2012 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 (2012 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 2012.

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

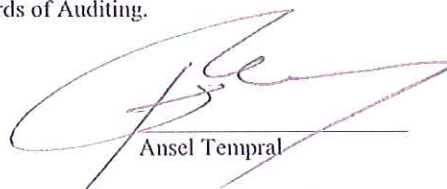
- (a) completely and reliably reflect the financial transactions of the University College of the Cayman Islands for the year ended 30 June 2012;
- (b) fairly reflect the financial position as at 30th June 2012 and performance for the year ended 30th June 2012;
- (c) comply with the provisions of the Public Management and Finance law (2012 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.


Roy Boddan

President

Date- 31/10/12


Ansel Temporal

Chief Financial Officer

Date- 31/10/12

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 2012, the statement of changes in equity, the statement of comprehensive income and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 11(3) of the *University College Law (2005 Revision)*, and Section 60(1)(a) of the *Public Management and Finance Law (2012 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. 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 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 2012 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and University College Law (2005 Revision).

Emphasis of Matter

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

October 31, 2012

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2012
(Stated in Cayman Islands Dollars)

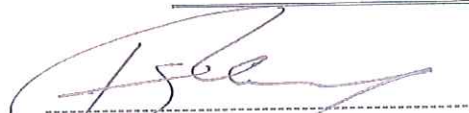
	NOTE	2012	2011
ASSETS			
Fixed Assets	2b,3,4		
Buildings		\$5,473,152	\$5,603,151
Land		273,090	273,090
Furniture and Equipment		166,773	209,074
Computers		97,147	80,759
Library Books		10,254	18,378
Total fixed assets		6,020,416	6,184,452
Current Assets			
Unrestricted Cash Balance	6a	267,179	299,332
Restricted Cash Balance – Capital Fund	6b	136,362	8,671
Inventory	2d	170,678	141,959
Accounts Receivable	5	720,666	563,746
Prepayments		38,662	66,226
Total current assets		1,333,547	1,079,934
TOTAL ASSETS		\$7,353,963	\$7,264,386
EQUITY AND LIABILITIES			
Capital and reserves			
Contributed Capital	7	\$4,249,942	\$4,249,942
Capital Fund	8	300,682	339,260
Accumulated Surplus		(1,155,608)	(1,639,707)
		3,395,016	2,949,495
Long-term Liabilities	9	2,522,335	2,738,615
Current liabilities	10	1,186,384	1,347,890
Accounts Payable			
Current Maturities of Long Term Liabilities	9	250,227	202,602
Prepaid Course Fees	11	-	25,784
Total Current Liabilities		1,436,611	1,576,276
TOTAL EQUITY AND LIABILITIES		\$7,353,962	\$7,264,386

Approved on behalf of the Board of Governors



PRESIDENT

DATE: 31/10/12


CHIEF FINANCIAL OFFICER

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 2012
(Stated in Cayman Islands Dollars)

	NOTE	2012	2011
INCOME			
Government Grant	12	4,231,440	4,048,383
Tuition Fees		1,952,673	2,140,893
Book Sales		442,572	362,696
Other Income	13	764,310	530,003
Total Income		7,390,995	7,081,975
EXPENSES			
Salaries and Wages		4,356,816	4,944,131
Pension Expense	14	248,191	290,045
Operating Expenses	16	677,441	731,057
Depreciation	2b,3	439,374	484,789
Supplies and Materials	17	392,559	469,341
Utilities		437,961	425,460
Travel and Subsistence		138,337	83,210
Brac Campus Expenses		72,000	126,134
Insurance		159,820	152,876
Health Insurance		106,875	105,569
Loan Interest and Bank Charges		36,399	35,149
Bad Debts		19,671	23,499
Foreign Exchange (Gain) / Loss	2e	(139,548)	187,549
Total Expenses		6,945,896	8,058,809
Net (Deficit) / Surplus for the Year		445,099	(976,834)
Deficit at Beginning of the Year		(1,639,707)	(981,996)
Transfer (to)/from Plant fund	8	39,000	100,000
Transfer from Endowment Fund	6c	-	219,123
Accumulated Deficit at end of the Year		(1,155,608)	(1,639,707)

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 2012
(Stated in Cayman Islands Dollars)

	Capital Fund	Donated Capital	Accumulated Surplus	Total
Balance as at June 30, 2010	\$438,760	\$4,249,942	\$(981,996)	\$3,706,706
Interest earned on capital fund balance	500	-	-	500
Transfer from Capital During the Year	(100,000)	-	100,000	-
Retirement of Endowment Fund	-	-	219,123	219,123
Government Capital Injection	-	-	-	-
Net Surplus for the year	-	-	(976,834)	(976,834)
Balance as at June 30, 2011	339,260	4,249,942	(1,639,707)	2,949,495
Interest Earned on capital fund balance	422	-	-	422
Transfer From Capital During the Year	(39,000)	-	39,000	-
Government Capital Injection	-	-	-	-
Net Surplus for the year	-	-	445,099	445,099
Balance as at June 30, 2012	\$300,682	\$4,249,942	\$(1,155,608)	\$3,395,016

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 2012
(Stated in Cayman Islands Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus / (Deficit) for the Year	445,099	(976,834)
Adjustment to reconcile Net (Deficit) / Surplus for the year to Net Cash Provided by Operating Activities		
Depreciation	439,374	484,789
Unrealised loss (gain) on foreign currency translation	(139,548)	187,549
Increase in Past Service Liability	47,000	25,000
Operating Profit before Working Capital Changes	791,925	(279,496)
Net Changes in Non-Cash Working Capital Balances Related to Operations		
(Increase) / Decrease in Accounts Receivable	(156,920)	(108,365)
(Increase) / Decrease in Prepayments	27,564	58,381
(Increase) / Decrease in Inventory	(28,719)	61,827
Increase / (Decrease) in Accounts Payable	(161,506)	(257,244)
Increase / (Decrease) in Current Maturities	47,625	49,132
Increase / (Decrease) in Payable to Endowment Fund	-	2,819
Increase / (Decrease) in Prepaid Course Fees	(25,784)	(29,847)
Cash Generated from Operations	494,185	(502,793)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(275,337)	(199,822)
Net Cash Used In Investing Activity	(275,337)	(199,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long Term Loans	(123,732)	(87,226)
Interest Received on Capital Fund Balance	422	500
Transfer from Endowment Fund	-	219,123
	(123,310)	132,397
Net (decrease)/increase in cash and cash equivalents during the year	95,538	(570,218)
Cash and cash equivalents at beginning of year	308,003	878,221
Cash and cash equivalents at end of year	403,541	308,003

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 2012
(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). The University College is wholly owned by the Cayman Islands Government 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 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. Changes in International Financial Reporting Standards

(i) Amendments to published standards effective July 1, 2011:

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the University College.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the entity because the entity does not have these types of instruments.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The entity is not subject to minimum funding requirements in Euro and therefore the amendment of the interpretation has no effect on the financial position nor performance of the entity.

Improvements to IFRS's

IFRS 7 Financial Instruments — Disclosures:

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The entity reflects the revised disclosure requirements in Note 16.

IAS 1 Presentation of Financial Statements:

The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The amendment had no effect on the performance of the entity or in the statement of changes in equity or in the notes to the financial statements.

(ii) Relevant standards and amendments issued prior to June 30, 2011, but not effective until future periods

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 entity 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.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 19 *Employee Benefits* (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The group had made a voluntary change in accounting policy to recognize actuarial gains and losses in OCI in the current period. The entity is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Entity's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Entity will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The entity is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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 2d) and past service liability (note 14).

Generally Accepted Accounting Principles 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 potential impairment of assets and rates for depreciation.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Fixed assets and 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 years
Furniture and Equipment	5 – 10 years
Computers	3 years
Vehicles	4 years
Library Books	2 – 8 years

d. Inventory

Inventory represents textbooks on hand and in-transit, at 30 June 2012, 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.

e. 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.

f. Borrowing Cost

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

g. 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 has purview on the timing of the use of resourced donated once the provisions of (a) above have already been met as necessary.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS

Description	Freehold Land	Buildings	Furniture & Equipment	Vehicles	Computers	Library Books	Total
Cost:							
At 01 July 2011	273,090	9,417,617	1,034,835	9,285	942,303	412,648	12,089,778
Additions	-	108,210	56,637	-	110,491	-	275,338
Disposals							
At 30 June 2012	273,090	9,525,827	1,091,471	9,285	1,052,794	412,648	12,365,116
Accumulated Depreciation:							
At 01 July 2011	-	3,814,466	825,761	9,285	861,543	394,271	5,905,326
Depr. Charge	-	238,209	98,937	-	94,104	8,124	439,374
Depr. Charge on Disposals	-	-				-	
At 30 June 2012	-	4,052,675	924,698	9,285	955,647	402,395	6,344,700
Net Book value:							
At 30 June 2012	273,090	5,473,152	166,773	-	97,147	10,253	6,020,416
At 30 June 2011	273,090	5,603,151	209,074	-	80,759	18,378	6,184,452

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 7).

5. ACCOUNTS RECEIVABLE

	<u>30.06.12</u>	<u>30.06.11</u>
Trade Receivable		
Tuition	\$445,664	\$467,104
Government Bodies	674,779	494,868
Staff Advances	139,285	134,831
Unsubstantiated Expenditure	211,391	211,391
	<u>1,471,119</u>	<u>1,308,194</u>
Less: Provision for Bad Debts (Bals. > 90days)	<u>(750,453)</u>	<u>(744,448)</u>
Total	<u>\$720,666</u>	<u>\$563,746</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

5. ACCOUNTS RECEIVABLE (continued)

Movement in Bad Debt Provision

Opening Balance	\$744,448	\$720,949
Bad Debts Written Off	(13,666)	-
Increase in general provision	19,671	23,499
Closing Balance	<u>\$750,453</u>	<u>\$744,448</u>

Trade Accounts Receivable	Current	31-60	61-90	> 90 Days	Total
Tuition Fees	38,363	2,394	1,920	402,987	445,664
Staff Advances	3,210	-	-	136,075	139,285
Unsubstantiated Expenditure	-	-	-	211,391	211,391
Total Third Party Receivables	41,573	2,394	1,920	750,453	796,340
Government Bodies	637,447	736	-	36,596	674,779
Total	679,020	3,130	1,920	787,049	1,471,119

6. BANK BALANCES

- a) Unrestricted Balances: Represents the University 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>30.06.12</u>	<u>30.06.11</u>
Operating Accounts:		
Current Account - \$C.I.	(45,261)	(47,492)
Current Account - \$U.S	9,107	3,988
Cashiers' Float	2,650	3,575
Total Operating Funds	<u>(33,504)</u>	<u>(39,929)</u>
Funds Held in Fixed Deposits:		
Capital Fund	300,683	339,261
Total Fixed Deposits - \$C.I.	<u>267,179</u>	<u>339,261</u>
Total Unrestricted Balances	<u>267,179</u>	<u>299,332</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

6. BANK BALANCES (continued)

- b) Restricted Balances: 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>30.06.12</u>	<u>30.06.11</u>
Ironwood Trust Scholarship	106,265	-
FAMU/UCCI Student Exchange	15,552	-
Donated Capital – Scholarship & Science	14,545	8,671
Total Restricted Balances	<u>136,362</u>	<u>8,671</u>
 Total Cash & Cash Equivalents	 <u>\$403,541</u>	 <u>\$308,003</u>

7. CONTRIBUTED CAPITAL

The University'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>30.06.12</u>	<u>30.06.11</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
	<u>4,203,088</u>	<u>4,203,088</u>
<u>Private Sector</u>	<u>46,854</u>	<u>46,854</u>
Total	<u>\$4,249,942</u>	<u>\$4,249,942</u>

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. Transfers from this fund during the year amounted to \$39,000 (2011:\$100,000) to fund minor capital projects and bolster working capital. Interest of \$422 (2011:\$501) was received on these funds.

	<u>30.06.12</u>	<u>30.06.11</u>
Fund Balance	<u>\$300,683</u>	<u>339,260</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

9. LONG TERM LIABILITIES

	<u>30.06.12</u>	<u>30.06.11</u>
Cayman Islands Government:		
a. Assets Vested	\$1,172,215	\$1,172,215
b. European Development Fund	953,348	1,150,080
	<u>2,125,563</u>	<u>2,322,295</u>
c. Public Service Pensions Board (Past Service Liability)	647,000	600,000
d. Redundancy Provisions	-	18,922
TOTAL LIABILITIES	<u>2,772,563</u>	<u>2,941,217</u>
Less Current Maturities		
a. Assets Vested	192,904	144,678
b. European Development Fund	57,324	57,924
TOTAL CURRENT LIABILITIES	<u>250,228</u>	<u>202,602</u>
TOTAL LONG TERM LIABILITIES	<u>\$2,522,335</u>	<u>\$2,738,615</u>

The loans from the Cayman Islands Government comprise the following:

Loans	Current	1-2yrs	3-5yrs	5+yrs	2012	2011
a) Assets Vested	192,904	96,452	144,678	738,181	1,172,215	1,172,215
c) European Dev Fund	57,324	118,708	182,889	594,427	953,348	1,150,080
					2012	2011
					2,125,563	2,322,295
					250,228	202,602
					<u>1,875,335</u>	<u>2,119,693</u>

Included in operating expenses for the year ended June 30, 2012 is interest expense of CI\$10,495 (2011 CI\$11,541) relating to these loans. If interest rates increase by 1% the interest expense in the financial statements will increase by approximately CI\$18,753.

- 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. (EUR 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.

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10. ACCOUNTS PAYABLE

	<u>30.06.12</u>	<u>30.06.11</u>
Trade Payables	\$241,204	\$219,887
Accrued Vacation and Gratuity	282,085	464,865
Accrued Wages	56,425	38,135
Scholarship Clearing	78,838	90,601
Credit Balances in A/R	191,607	217,281
Audit Fees Provisions	109,185	122,710
Due to CIG Treasury	203,395	170,796
Other provisions and accruals	23,645	23,615
TOTAL ACCOUNTS PAYABLE	<u>\$1,186,384</u>	<u>\$1,347,890</u>

11. PREPAID COURSE FEES

Prepaid Course Fees represent amounts received in advance from students, for courses to be undertaken during the 2011/2012 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 \$4,231,440 (2011: \$4,048,383). 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.

13. OTHER INCOME

Description	<u>30.06.12</u>	<u>30.06.11</u>
Civil Service College	92,015	115,236
Dept. of Tourism TATP	89,011	125,600
Miscellaneous Receipts	166,176	220,547
Donations	373,013	42,000
Rental Income	40,088	20,375
Examination Fees	4,000	6,198
Interest Income	7	47
Total	<u>\$764,310</u>	<u>\$530,003</u>

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14. PENSIONS

The University College carried three separate classes of pension contributions for an average of sixty (60) employees during the year ended 30 June 2012.

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 2012.

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 estimate was performed as of June 30, 2012 by the Public Service Pension Board (“PSPB”) indicated a plan deficit attributable to the University College of CI\$647,000 (2010: CI\$600,000).

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14. PENSIONS (continued)

Pension Expense and Reconciliation of Defined Pension Liability

	2012 CIS(000)	2011 CIS(000)
Provision at the beginning of the year	600	575
Pension expense for the year	47	28
Employer Contributions		(3)
	-----	-----
Provision at end of year	647	600
	-----	-----

Reconciliation of Funded status:

Company's share of Defined Benefit obligation	205	172
Fair Value of Plan Assets	560	529
	-----	-----
Funded Status	765	701
Unrecognized past service costs	-	-
Unrecognized actuarial (loss)/gain	(118)	(101)
	-----	-----
Defined benefit liability	647	600
	=====	=====

Components of the Pension expense for the year:

Interest Cost	-	1
Expected return on assets net of expense	-	30
Recognition of net(Gain)/Loss	-	(3)
	-----	-----
Pension Expense for the year	-	28
	=====	=====

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14. PENSIONS (continued)

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 2012.

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. During 2010 the Board of Governors determined that the entity's pension contribution should be reduced to 5% and the gratuity eliminated for new and renewed contracts. Fifty-five (53) employees were on this plan during the year ended 30 June 2012. The total amount recognised, as a pension expense during the year was \$248,191 (2011:\$290,045)

15. 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 (2011: \$45,000).

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 \$510,809 (2011 \$435,656).
- d) At year end a staff members had outstanding balances totaling \$3,210 relating primarily to advances for relocating new expat hires. These balances will be settled in 2012/13.
- e) Members of the University College's Board of Governors receive no remuneration for their services.

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16. OPERATING EXPENSES

	2012	2011
Expense Description		
Software Fees	59,509	55,164
Printing & Stationery	43,138	32,709
Advertising, Promotion and Public Relations	28,364	53,641
Subscriptions	14,909	12,284
External Exam Expenses	85,072	102,545
Consultancy Fees	3,585	8,689
Hospitality	20,736	21,031
Courier, Postage and Delivery Services	13,018	10,017
Student Activities, Awards and Graduation	8,439	10,268
Legal & Professional Fees	6,045	52,143
Miscellaneous	13,156	14,004
Audit Fees	40,000	45,000
Training And Staff Development	2,519	8,309
Publications & Distribution Expenses	5,968	10,888
Pandemix Steel Band	5,410	6,726
Maintenance of Buildings & Grounds	110,316	72,786
Maintenance of Equipment	35,281	56,002
Janitorial Services	85,170	82,680
Security Services	91,806	76,171
Total Operating Expenses	672,441	731,057

17. SUPPLIES AND MATERIALS (OWN USE)

<u>Description</u>	<u>30.06.12</u>	<u>30.06.11</u>
Inventory Items Expensed	9,617	7,962

During the year educational materials held in stock, text books predominately, are 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.

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18. COMMITMENTS

As at 30 June 2012 the College had the following commitments relating to a 3-year commercial lease entered into with Garston Grant and Hedy Grant in August 2010 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	6,000

19. FINANCIAL INSTRUMENTS

i. Fair values

At 30 June 2012 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.

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 College 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.

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19. FINANCIAL INSTRUMENTS (continued)

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.

20. 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, 2012.

21. SUBSEQUENT EVENTS

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.