



University College of the Cayman Islands

Financial Statements

For the Year Ended June 30, 2007



University College

of the

Cayman Islands

Financial Statements

for the Year Ended June 30, 2007

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

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Cayman Islands

Office of the Auditor General
Cayman Islands Government
3rd Floor, Anderson Square
64 Shedden Road, George Town
Grand Cayman KY1-9000
Cayman Islands

TEL: 345-244-3211
FAX: 345-945-7738

E-mail: auditorgeneral@gov.ky

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 balance sheet as at 30 June 2007, the statement of income and expenditure, the statement of changes in capital and reserves, 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 9 to 18 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 (2005 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

Basis for Qualified Opinion

Unsubstantiated transactions

A review of the accounts for the year ended 30 June 2007 uncovered unsubstantiated expenditure between CI\$80,000 to CI\$150,000. The nature of these transactions appears to bear no relation to the operational activities of the University College of the Cayman Islands. These were incurred by UCCI personnel and reflected in the expenditure ledger, from which these financial statements were prepared. These matters are now subject to an ongoing probe by the Royal Cayman Islands Police Service.

Consequently, the expenditure shown in the financial statement includes expenditures between \$80,000 to \$150,000 that may be outside the normal operations of the University College. The Board of Directors has indicated that it is unlikely that this amount will be recovered.

As disclosed in the subsequent events financial statement note 17, unsubstantiated transactions continued into the 2007/ 08 financial year. For this subsequent period, it is estimated that a total of between CI\$220,000 to CI\$350,000 of transactions did not relate to the business of the UCCI and they received no benefit from these expenditures. These matters 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.

Key Management Personnel Compensation not disclosed

In addition, under International Accounting Standard 24, the UCCI is to disclose key management personnel compensation in total. No disclosure has been made in these financial statements or the notes thereto of key management personnel compensation.

Opinion

In my opinion, except for the non disclosure of the key management personnel remuneration, and the possible effects of the adjustments necessary on account of the unsubstantiated transactions, these financial statements present fairly, in all material respects, the financial position of the University College of the Cayman Islands as at 30 June 2007, and the results of its operations 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 the fact that the preparation of these financial statements did not comply with the requirements of section 52 of the *Public Management and finance Law (2005 Revision)*. This requires the annual financial statements to be prepared, submitted to the Auditor General for auditing, and included in an annual report that is required to be presented to the Legislative Assembly four months and two weeks after the end of the financial year. In addition, a Statement of Responsibility needs to be included as part of the financial statements



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
Date 23 Sept 2010

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

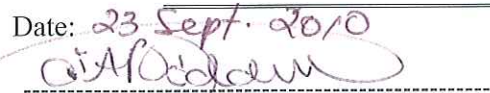
BALANCE SHEET AS AT 30 JUNE 2007

(Stated in Cayman Islands Dollars)

	NOTE	2007	2006
ASSETS			
Fixed Assets	2b,3,4		
Land		\$ 273,090	\$273,090
Buildings		6,052,343	6,000,597
Furniture and Equipment		291,244	50,794
Motor Vehicle		6,964	--
Computers		261,642	47,808
Library Books		78,184	87,236
Total fixed assets		6,963,467	6,459,525
Current Assets			
Inventory	2c	231,477	114,873
Accounts Receivable	5	80,204	111,736
Receivable from Endowment Fund		2,756	1,500
Prepayments		66,443	21,999
Unrestricted Cash Balance	6a	592,621	1,586,769
Restricted Cash Balance – Capital Fund	6b	1,073,507	1,381,220
Total current assets		2,047,008	3,218,097
TOTAL ASSETS		\$9,010,475	\$9,677,622
EQUITY AND LIABILITIES			
Capital and reserves			
Donated Capital	7	\$3,749,942	\$3,117,333
Capital Fund	8	1,074,806	1,383,859
Accumulated Surplus		863,330	2,005,689
		5,688,078	6,506,881
Long-term Liabilities	9	2,455,600	2,487,300
Current liabilities			
Accounts Payable		726,286	489,132
Payable to Endowment Fund		--	20,457
Current Maturities of Long Term Liabilities	9	99,571	167,657
Prepaid Course Fees	10	40,940	6,195
Total Current Liabilities		866,797	683,441
TOTAL EQUITY AND LIABILITIES		\$9,010,475	\$9,677,622

Approved on behalf of the Board of Governors


BOARD CHAIRMAN

Date: 23 Sept. 2010

PRESIDENT

The accompanying notes form an integral part of these financial statements
UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2007
(Stated in Cayman Islands Dollars)

	NOTE	2007	2006
INCOME			
Government Grant	11	2,236,002	2,246,500
Tuition Fees		1,476,885	1,128,420
Book Sales		217,095	162,564
Other Income	12	182,435	158,233
Total Income		4,112,417	3,695,717
EXPENSES			
Salaries and Wages		2,787,944	2,090,723
Operating and Maintenance		874,887	195,277
Depreciation	2b,3	630,868	317,015
Supplies and Materials		316,109	192,437
Utilities		300,035	220,809
Pension Expense	13	206,583	191,376
Travelling and Subsistence		205,931	88,714
Insurance		146,912	119,133
Health Insurance		75,135	59,600
Loan Interest and Bank Charges		13,810	13,296
Bad Debts		1,403	18,557
Foreign Exchange Gain / (Loss)	2d	68,632	67,555
Total Expenses		5,628,249	3,574,492
Net (Deficit) / Surplus for the Year		(1,515,832)	121,225
Insurance proceeds net of expenses		--	261,212
Net Surplus / (Deficit) for the Year after Ivan Related Expenses		(1,515,832)	382,437
Surplus at Beginning of the Year		2,005,689	2,105,224
Transfer (to)/from Plant fund	8	373,473	(481,972)
Accumulated Surplus at end of the Year		863,330	2,005,689

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2007
(Stated in Cayman Islands Dollars)

	Capital Fund	Donated Capital	Accumulated Surplus	Total
Balance as at June 30, 2005	864,117	3,117,333	2,105,224	6,086,674
Interest earned on capital fund balance	37,770	-	-	37,770
Transfer to Capital During the Year	481,972	-	(481,972)	-
Net Surplus for the year	-	-	382,437	382,436
Balance as at June 30, 2006	1,383,859	3,117,333	2,005,689	6,506,881
Interest earned on capital fund balance	64,420	-	-	64,420
Transfer From Capital During the Year	(373,473)	-	373,473	-
Government Capital Injection	-	632,609	-	632,609
Net Surplus for the year	-	-	(1,515,832)	(1,515,832)
Balance as at June 30, 2007	\$1,074,806	\$3,749,942	\$863,330	\$5,688,078

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 2007
(Stated in Cayman Islands Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus / (Deficit) for the Year	(1,515,832)	382,437
Adjustment to reconcile Net (Deficit) / Surplus for the year to Net Cash Provided by Operating Activities		
Depreciation	630,868	317,015
Unrealised loss (gain) on foreign currency translation	70,924	67,797
Interest Income	(37,528)	(39,163)
Loan Interest	13,810	13,296
Gain / Loss on disposal of Fixed Assets	(5,364)	(1,000)
Operating Profit before Working Capital Changes	(843,122)	740,383
Net Changes in Non-Cash Working Capital Balances Related to Operations		
(Increase) / Decrease in Accounts Receivable	30,276	(48,983)
(Increase) / Decrease in Prepayments	(44,444)	(17,439)
(Increase) / Decrease in Inventory	(116,604)	(33,654)
Increase / (Decrease) in Accounts Payable	237,154	(14,901)
Increase / (Decrease) in payable to Endowment Fund	(20,457)	14,901
Increase / (Decrease) in Prepaid Course Fees	34,745	6,195
Cash Generated from Operations	(722,452)	646,502
Interest Received	39,830	38,261
Interest Paid	(12,757)	(12,394)
Net Cash Provided by Operating Activities	(695,379)	672,369
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(1,134,945)	(135,976)
Proceeds from Sale of Fixed Assets	5,500	1,000
Net Cash Used In Investing Activity	(1,129,445)	(134,976)
CASH FLOWS FROM FINANCING ACTIVITIES		
Donated Capital (CIG)	632,609	-
Repayment of Long Term Loans	(174,066)	(174,657)
Interest Received on Capital Fund Balance	64,420	37,770
Net Cash (Used in) Financing Activities	522,963	(136,887)
 Net (decrease)/increase in cash and cash equivalents during the year	 (1,301,861)	 400,506
Cash and cash equivalents at beginning of year	2,967,989	2,567,483
Cash and cash equivalents at end of year	\$1,666,128	\$2,967,989

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
BALANCE SHEET AS AT 30 JUNE 2007 – ENDOWMENT FUND

(Stated in Cayman Islands Dollars)

	NOTE	2007	2006
CURRENT FUNDS			
Cash at Bank		\$53,286	\$33,782
\$US Fixed Deposit		64,708	62,501
Receivable from General Fund		-	20,455
Payable to General Fund		(2,000)	(1,500)
Total Funds	6c	\$115,994	\$115,238
 Represented by:			
FUND BALANCE		\$115,994	\$115,238

Approved on behalf of the Board of Governors


BOARD CHAIRMAN

Date: 23 Sept. 2010


PRESIDENT

The accompanying notes form an integral part of these financial statements

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF INCOME AND EXPENDITURE – ENDOWMENT FUND
FOR THE YEAR ENDED 30 JUNE 2007

(Stated in Cayman Islands Dollars)

	NOTE	2007	2006
INCOME			
Donations		-	\$20,457
Interest on Savings Account		548	146
Interest on Fixed Deposit Account		2,208	2,277
Total Income		2,756	22,880
EXPENSES			
Funds Utilised: Scholarships Awarded		2,000	1,500
Total Expenses		2,000	1,500
Net Increase / (Decrease) in Fund Balance		756	21,380
Fund Balance at end of the Year		115,238	93,858
Fund Balance at end of the Year	6c	\$115,994	\$115,238

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 2007
(Stated in Cayman Islands Dollars)

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.

1. 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 2007
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Inventory

Inventory represents textbooks on hand and in-transit, at 30 June 2007, 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 Income and Expenditure.

e. Borrowing Cost

Borrowing cost is recognised 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 Income and Expenditure 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 2007
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS

Description	Freehold Land	Buildings	Furniture & Equipment	Vehicles	Computers	Library Books	Total
Cost:							
At 01 July 2006	273,090	8,507,072	856,797	14,250	287,514	386,870	10,325,593
Additions	-	425,049	321,729	9,285	361,925	16,954	1,134,942
Disposals			(604,711)	(14,250)	(175,808)		(794,769)
At 30 June 2007	273,090	8,932,121	573,815	9,285	473,631	403,824	10,665,766
Accumulated Depreciation:							
At 01 July 2006	-	2,506,475	806,003	14,250	239,706	299,634	3,866,068
Depr. Charge	-	373,303	81,147	2,321	148,091	26,006	630,868
Depr. Charge on Disposals	-	-	(604,579)	(14,250)	(175,808)	-	(794,637)
At 30 June 2007	-	2,879,778	282,571	2,321	211,989	325,640	3,702,299
Net Book value:							
At 30 June 2007	273,090	6,052,343	291,244	6,964	261,642	78,184	6,963,467
At 30 June 2006	273,090	6,000,597	50,794	-	47,808	87,236	6,459,525

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>30.06.07</u>	<u>30.06.06</u>
Trade Receivable		
Tuition	\$83,515	\$46,242
Less: Provision for Bad Debts	(4,763)	(6,230)
	<u>78,752</u>	<u>40,012</u>
Insurance Claim	-	67,968
Interest Receivable	1,452	3,756
Total	<u>\$80,204</u>	<u>\$111,736</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2007
(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.

<u>Account Type</u>	<u>30.06.07</u>	<u>30.06.06</u>
Unrestricted Balances:		
Current Account - \$C.I.	63,336	212,312
Current Account - \$U.S	9,824	13,538
Cashier's Float	500	400
Total Current Accounts and Cash	<u>73,660</u>	<u>226,250</u>
 Total Fixed Deposits - \$C.I.	 518,961	 1,360,519
Total Unrestricted Balances	<u>592,621</u>	<u>1,586,769</u>

- b) Restricted Balances – Capital Fund: The Board of Governors has placed restrictions on the use of this bank account balance, which is to be used for future capital projects of the College.

Restricted Balances		
Capital Fund – Fixed Deposit Accounts	623,590	948,454
Insurance Fund – Fixed Deposit Account	369,917	352,766
Donated Capital – Fixed Deposit Account	80,000	80,000
Total Restricted Balances	<u>1,073,507</u>	<u>1,381,220</u>
Total Cash & Cash Equivalents	<u>\$1,666,128</u>	<u>\$2,967,989</u>

- 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>30.06.07</u>	<u>30.06.06</u>
Fund Balance	<u>\$115,994</u>	<u>\$115,238</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

7. DONATED CAPITAL

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

	<u>30.06.07</u>	<u>30.06.06</u>
Capital Injection	632,609	-
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>3,503,088</u>	<u>2,870,479</u>
Private sector donations	46,854	46,854
Total	<u>\$3,749,942</u>	<u>\$3,117,333</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 \$373,473. Interest of \$64,420 was received on these funds.

	<u>30.06.07</u>	<u>30.06.06</u>
Fund Balance	\$1,074,806	\$1,383,859

9. LONG TERM LIABILITIES

	<u>30.06.07</u>	<u>30.06.06</u>
Cayman Islands Government:		
a. Assets Vested	\$1,268,667	\$1,316,893
b. CIBC Capital Projects Loan	-	70,478
	<u>1,268,667</u>	<u>1,387,371</u>
c. European Development Fund	1,286,504	1,264,255
	<u>2,555,171</u>	<u>2,651,626</u>
d. Public Service Pensions Board (Past Service Liability)	-	3,331
TOTAL LIABILITIES	<u>2,555,171</u>	<u>2,654,957</u>
Less Current Maturities		
a. Assets Vested	48,225	48,225
b. CIBC Capital Projects Loan	-	70,478
c. European Development Fund	51,346	45,623
d. Cayman Islands Government	-	3,331
TOTAL CURRENT LIABILITIES	<u>99,571</u>	<u>167,657</u>
TOTAL LONG TERM LIABILITIES	<u>\$2,455,600</u>	<u>\$2,487,300</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

LONG TERM LIABILITIES (Continued)

The loans from the Cayman Islands Government comprise:

- a. The loan of CI\$1,268,667 is 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 Community College becoming a Statutory Authority. The formal vesting of these assets has not yet been finalised.
- b. The CIBC Capital Projects Loan of CI\$12,833,333 (US\$15,480,000) was repaid in full; with the final instalment being paid in March 2007. Loan repayments commenced February 1992 at an annual interest rate of New York prime plus 0.5%. The loan was in the name of the Cayman Islands Government and on lent to the Community College.
- c. 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.
- d. Refer to Note 13 for explanation of the Public Service Pensions Fund's Past Service Liability.

10. PREPAID COURSE FEES

Prepaid Course Fees represent amounts received in advance from students, for courses to be undertaken during the 2006/2007 school term. Funds received from the Government departments and corporate sponsors will be used for the benefit of specific scholarship holders.

11. GOVERNMENT GRANT

During the year the Cayman Islands Government's grant to the University College of the Cayman Islands was \$2,236,002. (2006: \$2,246,000). 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 College during the current year.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

12. OTHER INCOME

Description	<u>30.06.07</u>	<u>30.06.06</u>
Miscellaneous Receipts	\$ 66,724	\$ 58,005
Rental Income	67,140	49,852
Examination Fees	11,043	11,213
Interest Income	37,528	39,163
Total	<u>\$182,435</u>	<u>\$158,233</u>

13. PENSIONS

The University College carried three separate classes of pension contributions for an average of Sixty Two (62) employees during the year ended 30 June 2007.

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.

An actuarial valuation for the College was carried out as of 1 January 2002, using the projected unit credit method of measuring costs and obligation. The College has accepted the new unfunded past service liability of \$36,950 and contribution rate of 15.99% (employers 6%, employee 6.0% and past service liability 3.99%). This liability was settled in July 2006.

The main actuarial assumptions used in the 1 January 2002 valuation were: a retirement age of 55 years, inflation rate of 3%, expected rate of return on the Fund's assets of 8%, expected salary and pension increase rates of 5% and 3% respectively. One employee was on this plan during the Financial Year ended 30 June 2007.

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 employee was on this plan during the Financial Year ended 30 June 2007.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

PENSIONS (continued)

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. Sixty two (62) employees were on this plan during the year ended 30 June 2006/7.

The total amount recognised, as a pension expense during 2006/7 was \$206,583 (2005/6: \$191,376)

14. COMMITMENTS

As at 30 June 2007 the College had no commitments for which provisions have not been made in these financial statements.

15. RELATED PARTY TRANSACTIONS

The Auditor General has statutory responsibility for the audit of the University College's financial statements. The fee for 2006/7 was \$62,433 (2005/6: \$20,000).

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

16. FINANCIAL INSTRUMENTS

i. Fair values

At 30 June 2007 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.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

FINANCIAL INSTRUMENTS (continued)

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 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 4.5% to 4.9% and 31 to 33 days respectively.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

17. UNSUBSTANTIATED TRANSACTIONS

A review of the accounts for the year ended June 30, 2007 uncovered unsubstantiated expenditures of between CI\$80,000 and CI\$150,000. 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 are reflected in the expenditure ledger, from which these financial statement were prepared. These matters are now subject to ongoing probe by the Royal Cayman Islands Police Service.

Consequently, the expenditure shown in the financial statements includes amounts between \$80,000 and \$150,000 that may be outside the normal operations of the College. The Board of Governors has indicated that it is unlikely that this amount will be recovered.

17. SUBSEQUENT EVENTS

It was discovered that the problem with the unsubstantiated transactions continued well into the 2007/2008 financial year. For this subsequent period, it is estimated that a total of between CI\$220,000 and CI\$350,000 of transactions did not relate to the business of the UCCI and they received no benefit from these expenditures. These matters are now subject to 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.