



University College of the Cayman Islands

FINANCIAL STATEMENTS

30 JUNE 2008

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 International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with International Financial Reporting Standards.

As the President and Chief Financial Officer, we are 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 the 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.

To the best of our knowledge we represent that these financial statements, except for possible adjustments necessary on account of unsubstantiated transactions incurred by UCCI Personnel ranging between \$220,000 and \$550,000:

- (a) completely and reliably reflect the financial transactions of The University College of The Cayman Islands for the year ended 30 June 2008;
- (b) fairly reflect the financial position as at 30th June 2008 and performance for the Year ended 30th June 2008;
- (c) comply with International Financial Reporting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants.

A handwritten signature in black ink, appearing to be "A. A. A.", written over a horizontal dashed line.

President

Date: 22-02-2011

A handwritten signature in black ink, appearing to be "R. A.", written over a horizontal dashed line.

Chief Financial Officer

Date: 22-02-2011

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 2008, 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 3 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 2008 uncovered unsubstantiated expenditure between CI\$220,000 to CI\$550,000. 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 of between \$220,000 to \$550,000 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.

Scope Limitation – non- accrual of Administrative staff leave

The University College of the Cayman Islands did not record administrative leave outstanding at the end of the financial year, due to inadequate recordkeeping. As such I am unable to determine whether accounts Payable was fairly stated

Other Income – income not earned by the UCCI

Included in "Other income" are amounts totalling \$124,000 was not earned by the UCCI but was received based on invoicing done to the Portfolio of the Civil Service for services purportedly rendered. Based on this, the income from the Civil Service College in the financial statements is not fairly stated.

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 possible effects of the adjustments necessary on account of the above matters, these financial statements present fairly, in all material respects, the financial position of the University College of the Cayman Islands as at 30 June 2008, 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)*



Alastair Swarbrick, MA (Hons) CPFA

Auditor General

Cayman Islands

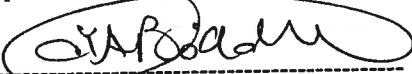
February 22 2011

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2008

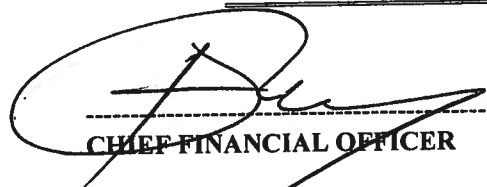
(Stated in Cayman Islands Dollars)

	NOTE	2008	2007
ASSETS			
Fixed Assets	2b,3,4		
Land		\$ 273,090	\$273,090
Buildings		6,186,309	6,052,343
Furniture and Equipment		346,106	291,243
Motor Vehicle		4,643	6,964
Computers		280,398	261,642
Library Books		55,404	78,184
Total fixed assets		7,145,950	6,963,467
Current Assets			
Inventory	2c	191,414	231,477
Accounts Receivable	5	164,568	80,204
Receivable from Endowment Fund		2,822	2,756
Prepayments		34,842	66,443
Unrestricted Cash Balance	6a	329,971	592,621
Restricted Cash Balance – Capital Fund	6b	1,037,864	1,073,507
Total current assets		1,761,481	2,047,007
TOTAL ASSETS		\$8,907,431	\$9,010,475
EQUITY AND LIABILITIES			
Capital and reserves			
Donated Capital	7	\$4,249,942	\$3,749,942
Capital Fund	8	1,037,864	1,074,806
Accumulated Surplus		68,572	863,330
		5,356,378	5,688,078
Long-term Liabilities	9	2,542,252	2,455,600
Current liabilities			
Accounts Payable		894,797	726,286
Payable to Endowment Fund		--	--
Current Maturities of Long Term Liabilities	9	107,979	99,571
Prepaid Course Fees	10	6,025	40,940
Total Current Liabilities		1,008,801	866,797
TOTAL EQUITY AND LIABILITIES		\$8,907,431	\$9,010,475

Approved on behalf of the Board of Governors



PRESIDENT



CHIEF FINANCIAL OFFICER

DATE: 22-02-2011

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 2008
(Stated in Cayman Islands Dollars)

	NOTE	2008	2007
INCOME			
Government Grant	11	3,803,004	2,236,002
Tuition Fees		2,409,996	1,476,885
Book Sales		296,935	217,095
Other Income	12	1,264,607	182,435
Total Income		7,774,542	4,112,417
EXPENSES			
Salaries and Wages		4,312,546	2,787,944
Operating Expenses		1,332,615	874,887
Depreciation	2b,3	595,803	630,868
Supplies and Materials		457,242	316,109
Utilities		423,768	300,035
Bad Debt Expense		346,901	1,403
Pension Expense	13	280,454	206,583
Travelling and Subsistence		226,938	205,931
Foreign Exchange Gain / (Loss)	2d	200,969	68,632
Brac Campus Expense		180,499	--
Insurance		150,943	146,912
Health Insurance		108,945	75,135
Loan Interest and Bank Charges		17,411	13,810
Loss on Disposal of Fixed Assets		--	--
Total Expenses		8,635,034	5,628,249
Net (Deficit) / Surplus for the Year		(860,492)	(1,515,832)
Post Hurricane Ivan Repairs		(14,266)	--
Net Surplus / (Deficit) for the Year after Ivan Related Expenses		(874,758)	(1,515,832)
Surplus at Beginning of the Year		863,330	2,005,689
Transfer (to)/from Plant fund	8	80,000	373,473
Accumulated Surplus at end of the Year		68,572	863,330

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 2008
(Stated in Cayman Islands Dollars)

	Capital Fund	Donated Capital	Accumulated Surplus	Total
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 to Capital During the Year	(373,473)	-	373,473	-
Government Capital Injection	-	632,609	-	632,609
Net Surplus for the year	-	-	(1,518,832)	(1,515,832)
Balance as at June 30, 2007	\$1,074,806	\$3,749,942	\$863,330	\$5,688,078
Interest earned on capital fund balance	43,058	-	-	43,058
Transfer From Capital During the Year	(80,000)	-	80,000	-
Government Capital Injection	-	500,000	-	500,000
Net Surplus for the year	-	-	(874,758)	(874,758)
Balance as at June 30, 2008	\$1,037,864	\$4,249,942	\$68,572	\$5,356,378

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 2008
 (Stated in Cayman Islands Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus / (Deficit) for the Year	(874,758)	(1,520,501)
Adjustment to reconcile Net (Deficit) / Surplus for the year to Net Cash Provided by Operating Activities		
Depreciation	595,803	630,868
Unrealised loss (gain) on foreign currency translation	201,210	70,924
Interest Income	(16,565)	(37,528)
Loan Interest	14,092	13,810
Gain / Loss on disposal of Fixed Assets	--	(5,364)
Operating Profit before Working Capital Changes	(80,218)	(847,791)
Net Changes in Non-Cash Working Capital Balances Related to Operations		
(Increase) / Decrease in Accounts Receivable	(85,569)	30,276
(Increase) / Decrease in Prepayments	31,602	(44,444)
(Increase) / Decrease in Inventory	40,063	(116,604)
Increase / (Decrease) in Accounts Payable	168,511	237,154
Increase / (Decrease) in payable to Endowment Fund	--	(20,457)
Increase / (Decrease) in Prepaid Course Fees	(34,915)	34,745
Cash Generated from Operations	39,474	(722,452)
Interest Received	17,704	39,832
Interest Paid	(14,092)	(12,757)
Net Cash Provided by Operating Activities	43,086	(695,376)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(778,288)	(1,134,945)
Proceeds from Sale of Fixed Assets	--	5,500
Net Cash Used In Investing Activity	(778,288)	(1,129,445)
CASH FLOWS FROM FINANCING ACTIVITIES		
Donated Capital (CIG)	500,000	632,609
Repayment of Long Term Loans	(106,149)	(174,066)
Interest Received on Capital Fund Balance	43,058	64,420
Net Cash (Used in) Financing Activities	436,909	522,962
Net (decrease)/increase in cash and cash equivalents during the year	(298,293)	(1,301,861)
Cash and cash equivalents at beginning of year	1,666,128	2,967,989
Cash and cash equivalents at end of year	\$1,367,835	\$1,666,128


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 2008 – ENDOWMENT FUND**

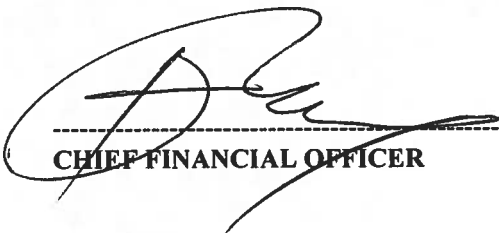
(Stated in Cayman Islands Dollars)

	NOTE	2008	2007
CURRENT FUNDS			
Cash at Bank		\$151,686	\$53,286
\$US Fixed Deposit		66,084	64,708
Receivable from General Fund		-	-
Payable to General Fund		(2,000)	(2,000)
Total Funds	6c	\$215,770	\$115,994
Represented by:			
FUND BALANCE		\$215,770	\$115,994

Approved on behalf of the Board of Governors



PRESIDENT



CHIEF FINANCIAL OFFICER

DATE: 22-02-2011

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 2008**

(Stated in Cayman Islands Dollars)

	NOTE	2008	2007
INCOME			
Donations		98,400	-
Interest on Savings Account		-	548
Interest on Fixed Deposit Account		1,376	2,208
Total Income		99,776	2,756
EXPENSES			
Funds Utilised: Scholarships Awarded		-	2,000
Total Expenses		-	2,000
Net Increase / (Decrease) in Fund Balance		99,776	756
Fund Balance at end of the Prior Year		115,994	115,238
Fund Balance at end of the Year	6c	215,770	115,994

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 2008
(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 2008
(Stated in Cayman Islands Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Inventory

Inventory represents textbooks on hand and in-transit, at 30 June 2008, 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 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 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 2008
(Stated in Cayman Islands Dollars)

3. FIXED ASSETS

Description	Freehold Land	Buildings	Furniture & Equipment	Vehicles	Computers	Library Books	Total
Cost:							
At 01 July 2007	273,090	8,932,121	573,815	9,285	473,631	403,824	10,665,766
Additions	-	366,430	169,728		237,414	4,716	778,288
Disposals							
At 30 June 2008	273,090	9,298,551	743,543	9,285	711,045	408,540	11,444,054
Accumulated Depreciation:							
At 01 July 2007	-	2,879,778	282,571	2,321	211,989	325,640	3,702,299
Depr. Charge	-	232,464	114,866	2,321	218,658	27,496	595,805
Depr. Charge on Disposals	-	-				-	
At 30 June 2008	-	3,112,242	397,437	4,642	430,647	353,136	4,298,104
Net Book value:							
At 30 June 2008	273,090	6,186,309	346,106	4,643	280,398	55,404	7,145,950
At 30 June 2007	273,090	6,052,343	291,244	6,964	261,642	78,184	6,963,467

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>30.06.08</u>	<u>30.06.07</u>
Trade Receivable		
Tuition	\$166,849	\$73,423
Staff Advances	137,345	10,092
Unsubstantiated Expenditure	211,390	-
	<u>515,584</u>	<u>83,515</u>
Less: Provision for Bad Debts	(351,329)	(4,763)
	<u>164,255</u>	<u>78,752</u>
Insurance Claim	-	-
Interest Recoverable	313	1,452
	<u>164,568</u>	<u>80,204</u>
Total	<u>\$164,568</u>	<u>\$80,204</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2008
(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>30.06.08</u>	<u>30.06.07</u>
Unrestricted Balances:		
Current Account - \$C.I.	65,556	63,336
Current Account - \$U.S	18,017	9,824
Cashier's Float	500	500
Total Current Accounts and Cash	84,073	73,660
Total Fixed Deposits - \$C.I.	245,898	518,961
Total Unrestricted Balances	329,971	592,621

- 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	652,662	623,590
Insurance Fund – Fixed Deposit Account	305,202	369,917
Donated Capital – Fixed Deposit Account	80,000	80,000
Total Restricted Balances	1,037,864	1,073,507
Total Cash & Cash Equivalentents	\$1,037,864	\$1,666,128

- 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>30.06.08</u>	<u>30.06.07</u>
Fund Balance	\$204,530	\$115,994

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

7. DONATED CAPITAL

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

	<u>30.06.08</u>	<u>30.06.07</u>
Capital Injection	1,132,609	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>4,203,088</u>	<u>3,703,088</u>
Private sector donations	46,854	46,854
Total	<u>\$4,249,942</u>	<u>\$3,749,942</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 \$ 80,000.00 Interest of \$43,058 was received on these funds.

	<u>30.06.08</u>	<u>30.06.07</u>
Fund Balance	\$1,037,864	\$1,074,806

9. LONG TERM LIABILITIES

	<u>30.06.08</u>	<u>30.06.07</u>
Cayman Islands Government:		
a. Assets Vested	\$1,220,441	\$1,268,667
b. CIBC Capital Projects Loan	-	-
	<u>1,220,441</u>	<u>1,268,667</u>
c. European Development Fund	1,429,790	1,286,504
	<u>2,650,231</u>	<u>2,555,171</u>
d. Public Service Pensions Board (Past Service Liability)	-	-
TOTAL LIABILITIES	<u>2,650,231</u>	<u>2,555,171</u>
Less Current Maturities		
a. Assets Vested	48,225	48,225
b. CIBC Capital Projects Loan	-	-
c. European Development Fund	59,754	51,346
d. Cayman Islands Government	-	-
TOTAL CURRENT LIABILITIES	<u>107,979</u>	<u>99,571</u>
TOTAL LONG TERM LIABILITIES	<u>\$2,542,252</u>	<u>\$2,455,600</u>

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

LONG TERM LIABILITIES (Continued)

The loans from the Cayman Islands Government comprise the following:

Loans	Current	1-2 yrs	3-5yrs	5+yrs	2008	2007
a) Assets Vested	48,225	96,450	144,675	931,091	1,220,441	1,268,667
c) European Dev Fund	59,754	119,508	179,262	1,071,266	1,429,790	1,286,504
					2008	2007
					Total Long Term Liabilities	2,650,231
					Less Current Maturities	2,555,171
					Due Beyond 1 year	107,979
					2,542,252	99,571
						2,455,600

Included in operating expenses for the year ended June 30, 2008 is interest expense of CI\$14,092 (2007 CI\$13,810) relating to these loans.

If interest rates increase by 1% the interest expense in the financial statements will increase by approximately CI\$14,298.

- 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 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 lent to the University College with no collateral security requirements.
- 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. No collateral security has been provided by the University College
- 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 2007/2008 school term. Funds received from the Government departments and corporate sponsors will be used for the benefit of specific scholarship holders.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

11. GOVERNMENT GRANT

During the year the Cayman Islands Government's grant to the University College of the Cayman Islands was \$3,803,004. (2007: \$2,236,002). 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.

12. OTHER INCOME

Description	<u>30.06.08</u>	<u>30.06.07</u>
Civil Service College	1,065,683	-
Miscellaneous Receipts	114,833	\$ 63, 866
Rental Income	55,685	67,140
Examination Fees	14,314	11,145
Interest Income	14,092	40,014
Total	<u>\$1,264,607</u>	<u>\$182,435</u>

13. PENSIONS

The University College carried three separate classes of pension contributions for an average of sixty (60) employees during the year ended 30 June 2008.

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 2008.

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 2008.

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

13. 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. Forty-four (44) employees were on this plan during the year ended 30 June 2007/8.

The total amount recognised, as a pension expense during 2007/8 was \$280,454 (2006/7:\$206,583)

14. COMMITMENTS

As at 30 June 2008 the College had the following commitments relating to a 3-year commercial lease entered into with Caybrac Limited for the housing of the Cayman Brac of the University College:

Lease Obligations for 1 year	171,402
Lease Obligations for 2-4 years	242,820

15. RELATED PARTY TRANSACTIONS

- a) The Auditor General has statutory responsibility for the audit of the University College's financial statements. The fee for 2007/8 was \$38,000 (2006/7: \$62,433).

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. During the year staff members were paid for work done at the Civil Service College amounting to \$100,436, this amount also includes compensation for performance of duties pertaining to the initial setting up of the Civil Service College.
- c) During the year separate lawsuits were brought by an employee against the then President and the University College with respect to the termination of his employment. The lawsuit was settled in full by the University.

16. FINANCIAL INSTRUMENTS

i. Fair values

At 30 June 2008 the following methods and assumptions were used by management to estimate the fair value of each financial instrument:

University College of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

16. FINANCIAL INSTRUMENTS (continued)

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 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 2008
(Stated in Cayman Islands Dollars)

17. 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. 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 \$220,000 and \$550,000 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.

18. 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 of former, in respect of the former employee's termination.

19. UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
BRANCH STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2008
(Stated in Cayman Islands Dollars)

	UCCI	CSC	Consol
INCOME			
Government Grant	3,803,004	--	3,803,004
Tuition Fees	2,409,996	--	2,409,996
Book Sales	296,935	--	296,935
Other Income	331,925	932,682	1,264,607
Total Income	6,841,860	932,682	7,774,542
EXPENSES			
Salaries and Wages	4,312,546	100,437	4,312,546
Operating Expenses	1,062,085	270,530	1,332,615
Depreciation	595,803	--	595,803
Supplies and Materials	438,382	18,860	457,242
Utilities	423,768	--	423,768
Bad Debt Expense	346,901	--	346,901
Pension Expense	280,454	--	280,454
Travelling and Subsistence	220,264	6,674	226,938
Foreign Exchange Gain / (Loss)	200,969	--	200,969
Brac Campus Expense	180,499	--	180,499
Insurance	150,943	--	150,943
Health Insurance	108,945	--	108,945
Loan Interest and Bank Charges	17,411	--	17,411
Loss on Disposal of Fixed Assets	--	--	--
Total Expenses	8,238,533	396,501	8,635,034
Net (Deficit) / Surplus for the Year	(1,396,673)	536,181	(860,492)
Post Hurricane Ivan Repairs	(14,266)	--	(14,266)
Net Surplus / (Deficit) for the Year after Ivan Related Expenses	(1,410,939)	536,181	(874,758)
Surplus at Beginning of the Year	863,330	--	863,330
Transfer (to)/from Plant fund	80,000	--	80,000
Accumulated Surplus at end of the Year	(467,609)	536,181	68,572