

THE UNIVERSITY OF THE WEST INDIES
CAVE HILL CAMPUS, BARBADOS



Financial Report & Accounts
For The Year Ended July 31, 2010



**THE UNIVERSITY OF THE WEST INDIES
CAVE HILL CAMPUS
FINANCIAL REPORT FOR THE YEAR ENDED JULY 31, 2010**

1. OVERVIEW

The Financial Year ended July 31, 2010 was one where the Campus, along with the rest of the world was still in the throes of the global economic recession. This unprecedented economic downturn has resulted in negative economic growth, a widening of government fiscal deficits and a heightened risk to the sovereign debts of the Caribbean countries.

As the University is funded primarily by the fifteen contributing governments of the region, the financial challenges facing those governments have impacted our operations. This has been felt in terms of reduced budgetary support as well as inconsistency and delays in receipt of contributions. At the end of the financial year, contributions owed by governments to the Campus amounted to \$72.6 million (2009 - \$63.4 million).

Through the prudent management of our resources, the Campus has sought to implement cost containment measures without endangering the quality of its teaching product or retreating from its obligations to its employees. Among the measures adopted were the temporary deferral of filling of vacancies, improved use of technology to reduce travel costs, energy saving initiatives and the rescheduling of some construction projects. The Campus has also had to en-cash additional investments which had been built up through savings in prior years in order to meet operating expenses. Through these initiatives and the continuing support of our Contributing Governments the Campus has been able to meet all obligations as they have arisen.

In spite of these financial challenges, 2010 saw the completion of the New Administration Building, new laboratories and teaching facilities for the Faculty of Medicine and the renovation and renaming of the Alister McIntyre Building. Work is continuing on the Black Rock Development, the provision of an additional floor to the Graduate Studies Building and the extension to the facility housing the Cave Hill School of Business. In the coming year construction will begin on new student accommodation at Clarendon which will be funded from a loan from a commercial bank.

1. OVERVIEW (cont'd)

The Campus has implemented measures to maximize the use of administrative technologies by continuing to upgrade current versions and train staff to make the best use of these facilities.

In this regard, the Cave Hill Campus has been lauded for its exemplary efforts in developing best practice in our Student Administrative System which allows students to manage their financial affairs with the Campus including the making of on-line payments.

2. BUDGET FOR 2009/2010

The Budget approved by the Campus Grants Committee for the year under review was as set out below:

	Bds\$
Total Budgeted Expenditure:	<u>\$170,213,581</u>
Source of Financing:	
Government Contributions	\$135,627,311
Tuition Fees	\$ 30,620,040
Other Income	<u>\$ 3,966,230</u>
	<u>\$170,213,581</u>

**THE UNIVERSITY OF THE WEST INDIES
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FINANCIAL REPORT FOR THE YEAR ENDED JULY 31, 2010**

3. RESULTS FOR THE YEAR

INCOME

For the financial year ended July 31, 2010, the total income of the Campus was \$219 million compared to \$194 million for the year ended July 31, 2009, as detailed below:

Source	2010		2009	
	\$'000	%	\$'000	%
Government Contributions	133,894	61	127,547	66
Tuition and Other Student Fees	34,007	16	30,539	16
Project Income	42,554	19	28,362	14
Commercial Activities	4,862	2	4,203	2
Investment and Other Income	3,428	2	3,729	2
TOTAL	218,745	100	194,380	100

Income from Government Contributions

Income from Government Contributions totalled \$133.9 million and represented 61% of total income. For the previous year Government Contributions were \$127.5 million and represented 66% of total income.

Tuition and Other Student Fees

Revenue from Tuition and Other Fees increased from \$30.5 million in 2009 to \$34.0 million in the current year. The growth was due to increased student numbers together with growth in the share of students paying full fees.

3. RESULTS FOR THE YEAR (cont'd)

Project Income

a) Special Projects

Special Project income represents funds received from external donors for research and other specific programmes. During the year, income from these sources totalled \$2.3 million (2009 - \$2.7 million).

b) Other Projects

Income from Other Projects totalled \$39.5 million (2009 – \$24.7 million). This consists of contributions for special initiatives, self financing activities such as the Taught Masters Programmes and the MBBS Programme and funds earned by departments through consultancies.

Total Project Income, both Special and Other, increased from \$28.4 million to \$42.6 million and constitute a significant source of income for the Campus.

Commercial Activities

Commercial Activities represent the operations of the Bookshop and Halls of Residence. In the year under review, there was an improvement in the financial performance of the Halls of Residence as a result of revised rental charges. The Campus Bookshop benefitted from the completion of the first phase of the upgrading of its facilities.

Investment and Other Income

This consists mainly of interest income earned by the Campus from the investment of funds accumulated from past savings. The decline in investment income resulted from the encashment of fixed deposits to supplement cash flow as well as a reduction in market interest rates.

**THE UNIVERSITY OF THE WEST INDIES
CAVE HILL CAMPUS
FINANCIAL REPORT FOR THE YEAR ENDED JULY 31, 2010**

EXPENDITURE

The breakdown of Gross Campus Expenditure from Campus Grants Committee Funds for the year is as follows:

Category	2010		2009	
	\$'000	%	\$'000	%
Teaching & Research Departments	70,080	44	68,990	49
Library & Information Services	18,191	12	17,491	12
Administration	26,911	17	24,240	17
New & Upgraded Programmes	3,679	2	5,227	4
Central Services	19,497	12	15,302	11
Depreciation	4,971	3	4,112	3
Employee Benefit Expense	5,748	4	3,176	2
Finance Costs	3,628	2	2,698	2
Provision for Impaired Deposit	6,902	4	0	0
TOTAL	159,607	100	141,236	100

The Campus continues to maintain expenditure within approved budgets.

**THE UNIVERSITY OF THE WEST INDIES
CAVE HILL CAMPUS
FINANCIAL REPORT FOR THE YEAR ENDED JULY 31, 2010**

4. ASSETS AND LIABILITIES

Cash and Cash Equivalents

The Campus faced funding challenges during the year. However, through prudent management of its affairs it was able to meet all obligations as they fell due and will continue to do so.

Accounts Receivable

Accounts receivable increased by \$10 million due mainly to outstanding tuition and other fees due from students and supporting governments.

Current Liabilities

This balance includes the accrual for payments to creditors, current portion of long-term debt and amounts due to staff. These obligations are within the current financial year and will be settled within the coming year.

Investments

Investments consist of government bonds and term deposits resulting from savings made by the Campus in previous years as well as gifts and donations. The total includes funds which are internally restricted. Such restricted funds have been allocated to support future pension obligations and scholarships as well as to provide security for loans.

At July 31, 2010 gross investments totalled \$55 million (2009 - \$70 million). The decline resulted from the en-cashing of unrestricted investments to support Campus operations.

At July 31, 2010, the Campus recognized the impairment of one of its investments in the amount of \$6.9 million.

Property, Plant and Equipment

During the year, several capital projects were completed. These included the New Administration Building, the Faculty of Medicine Building and the Alister McIntyre Building. Depreciation amounted to \$4.9 million (2009 - \$4.1 million).

4. ASSETS AND LIABILITIES (cont'd)

Loans

All loans are being serviced in accordance with the agreements. During the year an additional loan was secured to finance the construction of student accommodation at Clarendon. At July 31, 2010, these funds had not been disbursed.

5. CAMPUS PER CAPITA COSTS

The total number of full-time students registered in University Grants Committee (UGC) funded programmes for the Academic Year 2009/2010 was 8,342 (2008/2009 – 7,540) made up of 7,338 (2008/2009 – 6,712) registered for Undergraduate Degrees, Certificates and Diplomas and 1,004 (2008/2009 – 828) registered for Higher Degrees and Advanced Diplomas.

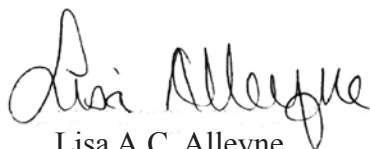
6. SOFTWARE SYSTEMS

During the year under review, Administration continued in its efforts to further enhance its Student Administration System which is now the envy of the other Campuses with the capability of allowing students to register and pay on-line for degree and other programs thereby increasing the efficient receipt of monies for tuition and other fees.

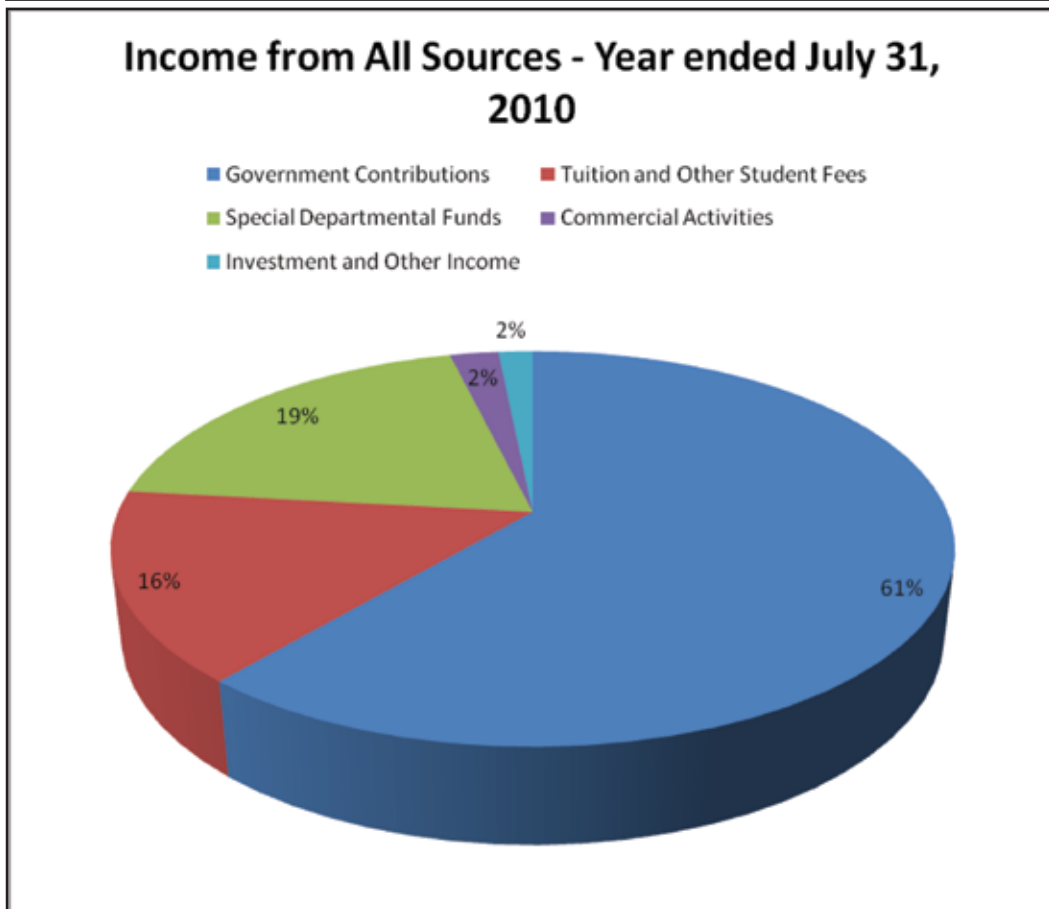
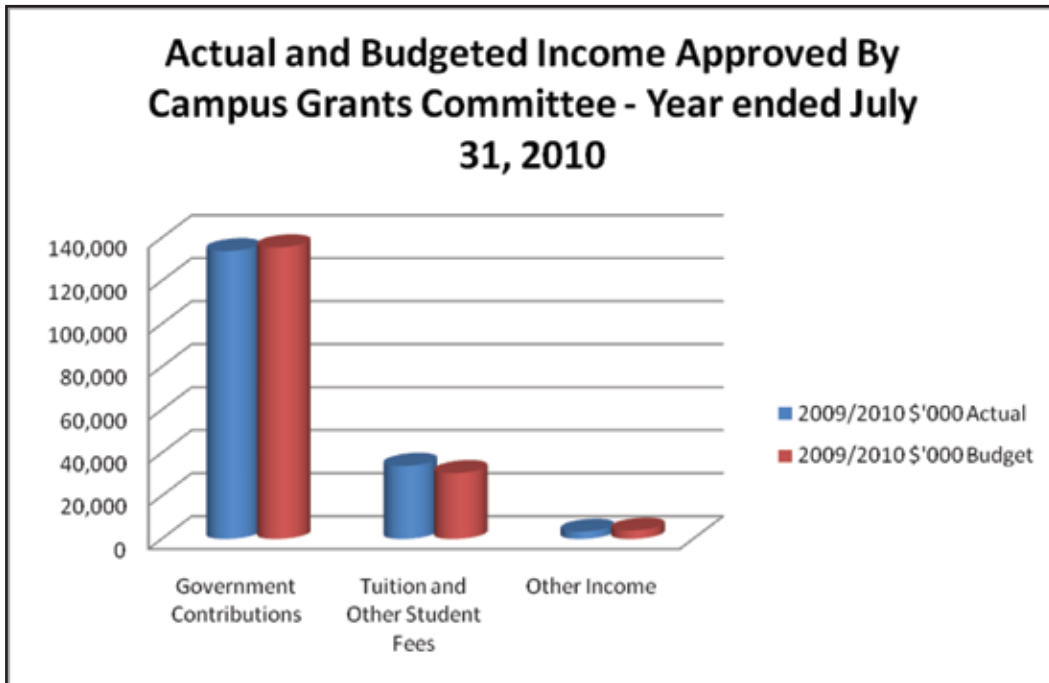
The PeopleSoft application and the Fixed Asset Module of Banner are working satisfactorily. In the coming financial year, there are plans to further upgrade the Banner Finance and PeopleSoft Applications.

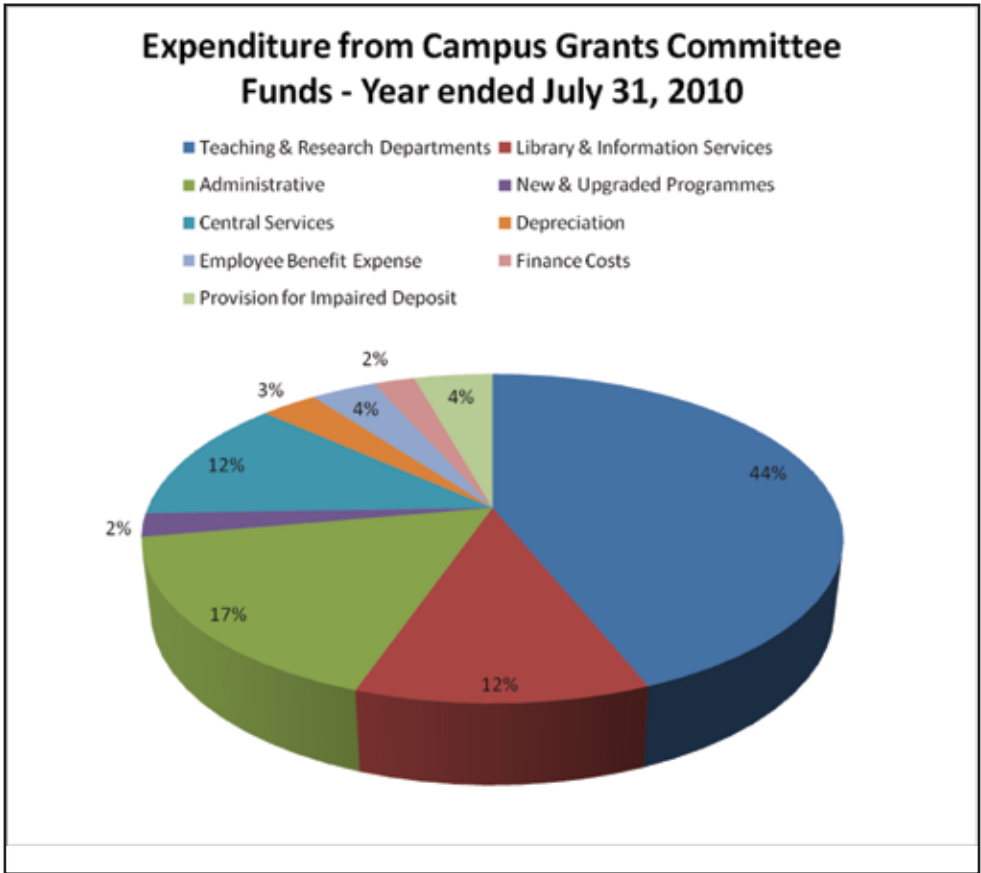
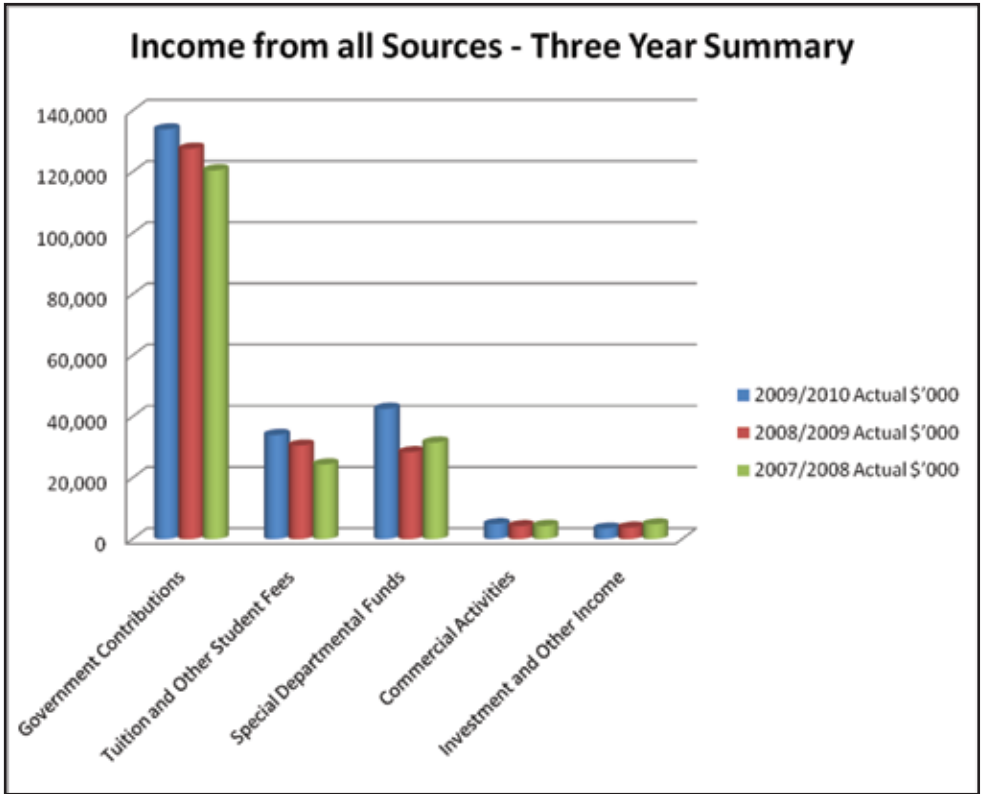
7. CONCLUSION

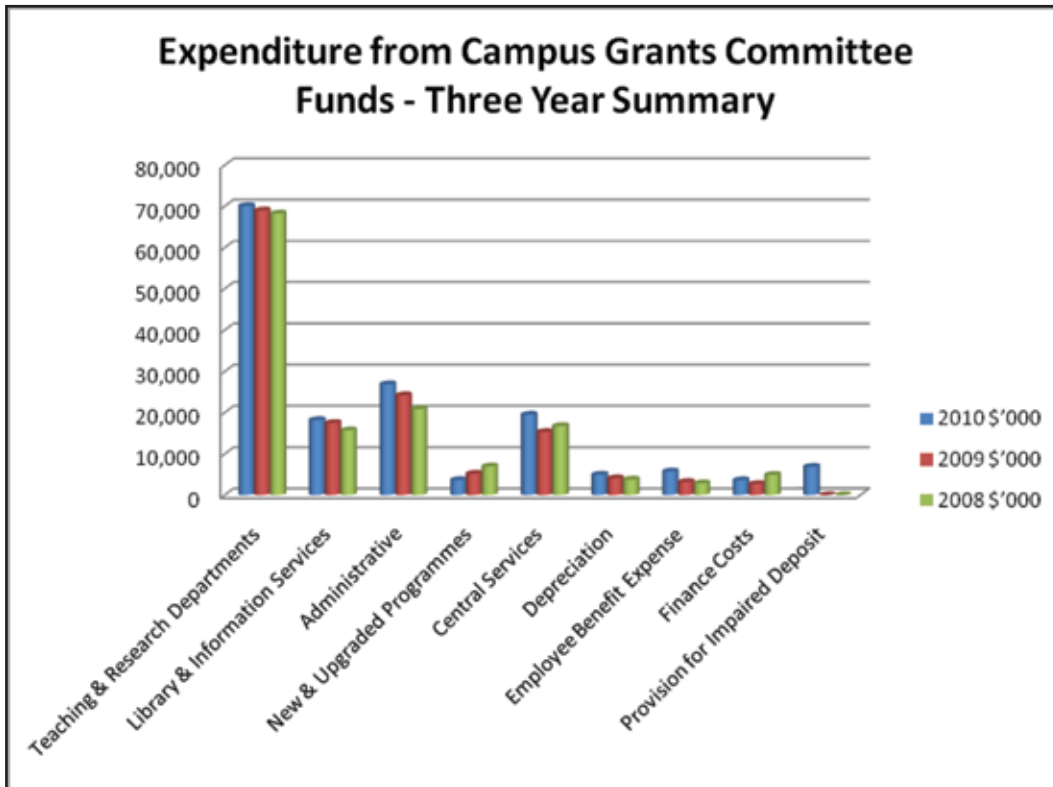
The Audited financial statements for the year show that the Campus remains financially stable. The Bursary wishes to thank all those members of the Campus community who have assisted in the efficient management of the financial and other resources of the Campus. In addition, we would wish to thank our external donors for their continuing generosity.



Lisa A.C. Alleyne
Campus Bursar
December 29, 2010









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INDEPENDENT AUDITORS' REPORT

To the Council of University of the West Indies Cave Hill Campus

We have audited the accompanying financial statements of University of the West Indies Cave Hill Campus, which comprise the statement of financial position as of July 31, 2010, the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 on our 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, we consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

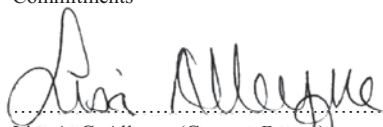
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of University of the West Indies Cave Hill Campus as of July 31, 2010, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

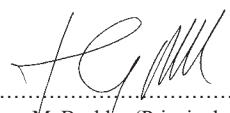
Chartered Accountants
Bridgetown, Barbados
December 29, 2010

**THE UNIVERSITY OF THE WEST INDIES
CAVE HILL CAMPUS
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2010 WITH COMPARATIVE FIGURES FOR JULY 31, 2009
(Expressed in Barbados Dollars)**

	<u>Notes</u>	<u>July 31, 2010</u>	<u>July 31, 2009</u>
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	3 (a) + 4	\$ 33,526,142	32,484,288
Accounts receivable	3 (c) + 6	20,394,523	10,296,123
Due from related parties	3 (q) + 7	13,436,130	13,688,848
Government remittance account	8	72,546,475	63,386,653
Inventories	3 (f)	2,081,341	1,725,171
		<u>141,984,611</u>	<u>121,581,083</u>
<u>CURRENT LIABILITIES</u>			
Due to related parties	3 (q) + 7	4,215,526	479,271
Current portion of long-term loans	12	6,654,863	5,542,899
Accrued liabilities	10	21,120,910	27,039,166
		<u>31,991,299</u>	<u>33,061,336</u>
NET CURRENT ASSETS		109,993,312	88,519,747
Investments	3 (b) + 5	47,941,147	69,691,338
Property, plant and equipment - net	3 (g) + 9	147,387,168	124,960,013
		<u>\$ 305,321,627</u>	<u>283,171,098</u>
Financed by:			
<u>FUNDS AND RESERVES</u>			
Capital reserves		\$ 56,547,456	56,547,456
General reserves		56,917,326	56,917,326
Accumulated surplus		60,201,275	44,333,427
		<u>173,666,057</u>	<u>157,798,209</u>
Capital grants	3 (i) + 14	28,745,882	24,779,859
Employee benefits liabilities	3 (h) + 11	32,311,730	27,445,851
Long-term loans	3 (o) + 12	70,597,958	73,147,179
Commitments	17	\$	\$
		<u>305,321,627</u>	<u>283,171,098</u>



 Lisa A. C. Alleyne (Campus Bursar)

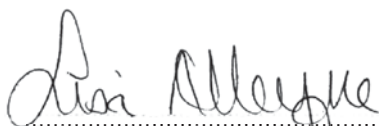


 Sir Hilary M. Beckles (Principal and Pro-Vice Chancellor)

The accompanying notes form an integral part of the financial statements.

**THE UNIVERSITY OF THE WEST INDIES
CAVE HILL CAMPUS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JULY 31, 2010 WITH COMPARATIVE FIGURES FOR JULY 31, 2009
(Expressed in Barbados Dollars)**

	<u>Notes</u>	<u>July 31, 2010</u>	<u>July 31, 2009</u>
<u>INCOME</u>			
Government Contributions	3 (k)	\$ 126,085,800	124,547,118
Development Initiatives to Advance Strategic Objectives	3 (n)	7,807,969	3,000,000
Tuition Fees	3 (k)	30,482,164	27,520,385
Other Student Fees		3,524,862	3,018,617
Miscellaneous		355,593	318,214
Interest Income		3,072,647	3,410,658
		<u>171,329,035</u>	<u>161,814,992</u>
Externally Funded Special Projects		2,304,789	2,676,401
Endowment and Appeal Funds		707,857	1,006,639
Other Projects		39,541,250	24,679,528
Commercial Operations		4,861,918	4,202,727
		<u>218,744,849</u>	<u>194,380,287</u>
Less amounts transferred to capital grant		(3,876,023)	(3,601,596)
		<u>214,868,826</u>	<u>190,778,691</u>
<u>EXPENDITURE, EXCLUDING FINANCE COSTS</u>			
Administrative		26,910,492	24,240,368
Departments		88,270,361	86,481,102
Central		19,496,981	15,301,725
Employee benefit expense		5,748,252	3,175,624
Development Initiatives to Advance Strategic Objectives		3,679,148	5,226,945
Depreciation	9	4,970,656	4,112,110
Externally Funded Special Projects		1,854,855	2,420,893
Endowment and Appeal Funds		57,255	251,069
Other Projects		32,168,756	27,328,175
Provision for impaired deposit	5	6,901,538	-
Commercial operation expenses		5,314,912	4,874,551
		<u>195,373,206</u>	<u>173,412,562</u>
Surplus for the year before finance costs		19,495,620	17,366,129
Finance costs		(3,627,772)	(2,697,727)
Total comprehensive income for the year		\$ <u>15,867,848</u>	<u>14,668,402</u>



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Lisa A. C. Alleyne (Campus Bursar)



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Sir Hilary M. Beckles (Principal and Pro-Vice Chancellor)

The accompanying notes form an integral part of the financial statements.

**THE UNIVERSITY OF THE WEST INDIES
CAVE HILL CAMPUS
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR JULY 31, 2010 WITH COMPARATIVE FIGURES FOR JULY 31, 2009
(Expressed in Barbados Dollars)**

		Capital Reserves	General Reserves	Accumulated Surplus	Total
Balances at July 31, 2008	\$	56,547,456	58,497,339	29,665,025	144,709,820
Assets transferred to Open Campus		-	(1,580,013)	-	(1,580,013)
Total comprehensive income for the year		-	-	14,668,402	14,668,402
Balances at July 31, 2009		<u>56,547,456</u>	<u>56,917,326</u>	<u>44,333,427</u>	<u>157,798,209</u>
Total comprehensive income for the year		-	-	15,867,848	15,867,848
Balances at July 31, 2010	\$	<u>56,547,456</u>	<u>56,917,326</u>	<u>60,201,275</u>	<u>173,666,057</u>

The accompanying notes form an integral part of the financial statements.

**THE UNIVERSITY OF THE WEST INDIES
CAVE HILL CAMPUS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2010 WITH COMPARATIVE FIGURES FOR JULY 31, 2009
(Expressed in Barbados Dollars)**

	<u>July 31, 2010</u>	<u>July 31, 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income for the year	15,867,848	14,668,402
Adjustments to reconcile total comprehensive income for the year to net cash from operating activities		
Depreciation	4,970,656	4,112,110
Finance costs	3,627,772	2,697,727
Exchange gain on restatement of loan balances	(35,333)	(229,615)
Employee benefits liability	4,865,879	2,554,634
Interest Income	<u>(3,072,647)</u>	<u>(3,410,658)</u>
Operating income before working capital changes	26,224,175	20,392,600
Increase in accounts receivable	(10,063,255)	(1,307,334)
Decrease/(Increase) in due from related parties	252,718	(398,830)
Increase in government remittance account	(9,159,822)	(39,072,440)
Increase in inventory	(356,170)	(165,715)
Increase/(Decrease) in due to related parties	3,736,255	(2,541,689)
(Decrease)/Increase in accrued liabilities	<u>(5,918,256)</u>	<u>8,411,658</u>
Net cash from/(used by) operating activities	<u>4,715,645</u>	<u>(14,681,750)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant & equipment	(27,397,811)	(22,936,277)
Proceeds on disposal of property, plant and equipment	-	1,607,998
Net reduction in long term investments	21,750,191	8,975,700
Interest received	<u>3,037,502</u>	<u>3,788,102</u>
Net cash used by investing activities	<u>(2,610,118)</u>	<u>(8,564,477)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	875,845	18,960,594
Repayment of loans	(2,277,769)	(4,218,887)
Increase in capital grants	3,966,023	4,179,829
Finance charges	(3,627,772)	(2,697,727)
Transfer of assets to Open Campus	-	(1,580,013)
Net cash (used by)/from financing activities	<u>(1,063,673)</u>	<u>14,643,796</u>
Net increase/(decrease) in cash and cash equivalents	1,041,854	(8,602,431)
Cash and cash equivalents, at beginning of year	<u>32,484,288</u>	<u>41,086,719</u>
Cash and cash equivalents, at end of year	<u><u>33,526,142</u></u>	<u><u>32,484,288</u></u>
Comprised of:		
Bank current accounts	19,017,889	18,819,061
Short-term deposits	14,508,253	13,665,227
	<u><u>33,526,142</u></u>	<u><u>32,484,288</u></u>

The accompanying notes form an integral part of the financial statements.

THE UNIVERSITY OF THE WEST INDIES
CAVE HILL CAMPUS
Notes to Financial Statements
July 31, 2010 with comparative figures for July 31, 2009
(Expressed in Barbados Dollars)

1. ACTIVITIES

The University of the West Indies (“UWI” or the “University”) is a non-profit educational institution providing higher education to sixteen Caribbean countries. These are Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago and Turks and Caicos Islands.

The primary activities of the University are the provision of a place of education, learning and research, in order to secure the advancement of knowledge and the diffusion and extension of arts, sciences and learning throughout the Caribbean.

The University is funded primarily by contributions from the governments of the sixteen countries, grants and tuition fees.

These financial statements were approved on December 29, 2010 by the Principal and Campus Bursar on behalf of Campus Finance & General Purposes Committee.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”)

(i) *New standards and interpretations adopted:*

Certain new IFRS, and interpretations of and amendments to existing standards which were in issue, came into effect for the current financial year. They are as follows:

- *IAS 1, Revised – Presentation of Financial Statements* (effective January 1, 2009) requires presentation of all non-owner changes in equity, either in a single statement of comprehensive income, or in an income statement plus a statement of comprehensive income. Revised IAS 1 also requires that a statement of financial position be presented

THE UNIVERSITY OF THE WEST INDIES
CAVE HILL CAMPUS
Notes to Financial Statements
July 31, 2010 with comparative figures for July 31, 2009
(Expressed in Barbados Dollars)

1. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (cont'd)

- at the beginning of the comparative period when the entity restates the comparatives, a disclosure for reclassification adjustments and disclosure of dividends and related per share amounts be disclosed on the face of the statement of changes in equity or in the notes.
- IAS 23, Revised – Borrowing Costs (effective January 1, 2009) removes the option of immediately recognizing all borrowing costs as an expense. The standard requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.

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2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (cont'd)

(a) Statement of compliance (cont'd)

(i) *New standards and interpretations adopted cont'd:*

- Amendments to *IAS 32 Financial instruments: Presentation* (effective January 1, 2009). The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification.
- *IAS 36 (Amendment), Impairment of Assets* becomes effective for annual reporting periods beginning on or after January 1, 2009. The standard provides that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculations should be made.
- Amendments to *IFRS 2 Share-based payment – Vesting Conditions and Cancellations* (effective January 1, 2009). Under the amendment, non-vesting conditions are taken into account in measuring the grant date fair value of the share-based payment and there is no true-up for differences between expected and actual outcomes.
- Amendments to *IFRS 7 Financial Instrument: Disclosure* (effective January 1, 2009), require enhanced disclosures in respect of two aspects: disclosures over fair value measurement for financial instruments specifically in relation to the inputs used in the valuation techniques and the uncertainty associated with such valuations; and improving disclosures over liquidity risk, to address current diversity in practice.
- *IFRS 8 Operating Segments* (effective January 1, 2009) introduces the “management approach” to segment reporting. *IFRS 8*, will require the disclosure of segment information based on the internal reports regularly reviewed by the University’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them.
- Revised *IFRS 3 Business Combinations* and amended *IAS 27 Consolidated and Separate Financial Statements* become effective for annual reporting periods beginning on or after July 1, 2009. The definition of a business combination has been revised and focuses on control. All items of consideration transferred by the acquirer are measured and recognized at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements have been introduced. The revisions are not expected to have any significant impact on the financial statements.

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CAVE HILL CAMPUS
Notes to Financial Statements
July 31, 2010 with comparative figures for July 31, 2009
(Expressed in Barbados Dollars)

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (cont'd)

- *IAS 39 (Amendments), Financial Instruments: Recognition and Measurement* becomes effective for annual reporting periods beginning on or after July 1, 2009. The amendments provided clarification that it is possible for there to be movements into and out of the fair value through profit or loss category where:
 - A derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
 - Financial assets are reclassified following a change in policy by an insurance company in accordance with IFRS 4.

The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition. There is also the removal of a segment as an example of what may be considered a party external to the reporting entity. When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

(ii) *New standards and interpretations not yet adopted that are relevant to the University:*

At the date of approval of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective and have not been early – adopted, and have therefore not been applied in preparing these financial statements. Those which are considered relevant to the University and their effective dates are as follows:

- *IFRS 9, Financial Instruments* (effective January 1, 2013) introduces new requirements for classifying and measuring financial assets. The standard also amends some of the requirements of IFRS 7 *Financial Instruments: Disclosures* including added disclosures about investments in equity instruments designated as fair value through other comprehensive income.
- *IAS 24, Related Party Disclosure, revised* (effective January 1, 2011) introduces changes to the related party disclosure requirements for government – related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure.

The adoption of IAS 24, and IFRS 9 revised may result in adjustments and additional disclosures in the financial statements. Management has not completed its evaluation of the impact of adopting these standards on the financial statements.

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2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (cont'd)

IFRIC 17, Distribution of Non-Cash Assets to Owners is effective for annual reporting periods beginning on or after July 1, 2009 and is required to be applied prospectively; earlier application is permitted. IFRIC 17 provides that a dividend payable should be recognized when appropriately authorized and no longer at the entity's discretion. Where an owner has a choice of a dividend of a non-cash asset or cash, the dividend payable is estimated considering both the fair value and probability of the owners selecting each option. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognized in profit or loss.

(b) Basis of presentation:

The University's financial statements are prepared under the historical cost convention, modified for the inclusion of investment properties, certain property, plant and equipment and available-for-resale and traded investments at fair value. The significant accounting policies used in the preparation of the financial statements are set out in note 3. The accounting policies have been applied consistently by all the entities. Where necessary, prior year comparatives have been restated and reclassified to conform to the 2010 presentation.

The preparation of the financial statements in accordance with IFRS assumes that the University will continue in operational existence for the foreseeable future. This means, *inter alia*, that the statement of position and the statement of comprehensive income account assume no intention or necessity to liquidate the University or curtail the scale of its operations. This is commonly referred to as the going concern basis. The Council and management are of the view that the going concern basis continues to be appropriate in the preparation of the financial statements.

These financial statements are presented in Barbados dollars, except where otherwise indicated.

(c) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the statement of position, and the statement of comprehensive income for the year then ended. Actual amounts could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (cont'd)

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) *Allowance for impairment losses on receivables:*

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measureable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows.

Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

(ii) *Pension and other post-retirement benefits:*

The amounts recognized in the University's statement of financial position and statement of comprehensive income for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognized include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-employment obligations.

The expected return on plan assets considers the long-term returns, asset allocation and future estimates of long-term investment returns; the discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the company's obligation; in the absence of such instruments in Barbados, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. Any changes in the foregoing assumptions will affect the amount recorded in the financial statements for these obligations.

(iii) *Residual value and expected useful life of property plant & equipment:*

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end, and, if expected differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the University.

It is reasonably possible, that outcomes that are different from these assumptions could require a material adjustment to the carrying amount reflected in future financial statements.

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2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (cont'd)

(iv) *Net realizable value of inventories:*

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realizable value also take into consideration the purpose for which the inventory is held.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) *Cash and cash equivalents:*

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity of ninety days or less.

(b) *Investments:*

Investments are in the category held-to-maturity and are represented by Government Treasury notes, Government bonds and cash deposits with original maturities greater than ninety days and are recorded at amortized cost.

(c) *Accounts receivable:*

Accounts receivable are stated at their cost less impairment losses.

(d) *Accounts payable:*

Accounts payable and other current liabilities are stated at amortized cost.

(e) *Provisions:*

A provision is recognized in the statement of financial position when the University has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) *Inventories:*

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis.

(g) *Property, plant and equipment and depreciation:*

Property, plant and equipment are depreciated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives.

(a) The depreciation rates are as follows:

Buildings	2%
Furniture and fittings	10%
Office equipment	10%
Computers	33 $\frac{1}{3}$ %
Motor vehicles	20%
Library books	20%

(b) Donated property, plant and equipment are valued at cost, capitalized and credited to capital receipts.

(c) Property, plant and equipment are disclosed net of depreciation.

(d) The depreciation method, useful lives and residual values are reviewed at each reporting date.

(h) *Employee benefits:*

Pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations were conducted in accordance with IAS 19 – Employee Benefits, and the financial statements reflect the University's post-employment benefit assets and obligations as computed by the actuary.

(i) *Defined-contribution scheme:*

The University's obligation for contributions to the defined-contribution pension scheme is recognized as an expense in the statement of comprehensive income incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) *Employee benefits cont'd:*

(ii) *Defined-benefits scheme:*

The University's net obligation in respect of defined-benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate used is the yield at statement of position date on long-term government instruments that have maturity dates approximating the terms of the University's pension obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When benefits of a plan are improved, the portion of the increased benefit that relates to past service by employees is recognized as an expense in the statement of comprehensive income on a straight-line basis over the average period remaining until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the statement of comprehensive income.

In calculating the University's obligation in respect of the scheme, to the extent that any cumulative unrecognized actuarial gain or loss exceeds ten percent (10%) of the greater of the present value of the defined benefit obligation (before deducting plan assets); and the fair value of any plan assets, that portion is recognized in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

Where the calculation results in a benefit to the University, an asset is recognized only to the extent of the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(i) *Capital grants:*

Capital grants consist of government contributions utilized for the purchase of property, plant & equipment as well as amounts forgiven by the Barbados National Bank in respect of a convertible demand loan for the construction of facilities on the campus. An amount equivalent to the annual depreciation charge on the relevant property, plant and equipment is transferred from capital grants as a credit to income. See notes 12(g) and 14.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) *Externally funded Special Projects:*

The total amount of externally funded endowment and appeal funds, other projects and externally funded special funds expenditure is included in departmental expenditure and the related funding shown under income. However, such expenditure is funded on a reimbursement basis. Accordingly, a significant portion of the income of the special funds for departmental expenditure relates to expenditure incurred during the year for which reimbursements were received after the end of the year.

In addition to subventions from the University Grants Committee (UGC), the University also receives funding from donors for endowment and appeal funds, other projects and externally funded special projects undertaken by various departments. Administration and common service fees charged for receiving and disbursing these funds are credited to income.

(k) *Revenue recognition:*

Government contributions are recognized as income when invoiced.

Tuition fees are recognized over the period of instruction for which the fees are paid.

Investment income is recognized in the statement of comprehensive income as it accrues.

(l) *Impairment losses:*

The carrying amounts of the University's assets, are reviewed at each date of the statement of financial position to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating units exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

(i) *Calculation of recoverable amount:*

The recoverable amount of the receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) *Impairment losses (cont'd):*

(ii) *Reversals of impairment:*

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) *Foreign currency translation:*

(i) Transactions in foreign currencies during the year are translated at the approximate rate ruling at the date of the transaction.

(ii) Assets and liabilities in foreign currencies are translated at the exchange rates ruling at the date of the statement of financial position.

(iii) Foreign currency translation gains and losses are reported under central expenditure in the statement of comprehensive income.

(iv) Gains and losses arising from conversion of inter-campus balances, government accounts and consolidation are included in the statement of comprehensive income.

(n) *Development initiatives to advance strategic objectives:*

The University has agreed that surplus income should be used to fund posts and other campus costs not included in the core budget to meet student-centeredness, quality assurance, expansion of access, development of graduate studies and research, enhancing the regional and international standing and visibility of the University and capacity building through information and communication technologies in accordance with the strategic plan.

(o) *Long-term liabilities:*

Interest-bearing borrowings:

Interest-bearing borrowings are recognized initially at cost. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost, with any difference between cost and redemption value being recognized in the statement of comprehensive income over the period of the borrowing to determine the effective interest rate.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) *Functional and presentation currency:*

Items included in the University's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Barbados dollars which is the University's functional and presentation currency.

(q) *Related parties:*

A party is related to the University, if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - (a) is controlled by, or is under common control with, the University;
 - (b) has a direct or indirect interest in the University that gives it significant influence; or
 - (c) has joint control over the University
- (ii) the party is an associate of the University;
- (iii) the party is a joint venture in which the University is a venturer;
- (iv) the party is a member of the key management personnel of the University;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the University, or of any entity that is a related party of the University.

A related party transaction is a transfer of resources, services or obligation between related parties regardless of whether a price is charged.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) *Leases:*

Arrangements by which all the risks and rewards incident to ownership have been transferred to the University are treated as finance leases. The fair value of the asset is capitalized at the inception of the lease and the corresponding obligation is recorded. The interest portion of lease installments is recognized in the statement of comprehensive income on the effective interest rate basis.

(s) *Finance Costs:*

Finance costs comprise interest payable on borrowings calculated using the effective interest rate basis.

(t) *Treasury policy:*

All funds not required for current use are invested to generate income for use in the operation of the University.

(u) *Reserves:*

Capital reserves consist of amounts contributed to the University for the purchase of fixed assets. General reserves consist of savings on the operations of the University up to July 31, 2003.

4. CASH AND CASH EQUIVALENTS

Cash and bank current accounts
Short-term deposits

	2010	2009
Cash and bank current accounts	19,017,889	18,819,061
Short-term deposits	14,508,253	13,665,227
	33,526,142	32,484,288

Internally restricted assets:

Included in cash and cash equivalents are internally restricted assets. These are funds set aside to reflect existing commitments and are represented by short-term deposits to support the following:

Scholarships
Gifts from donors
Security for loans

	2010	2009
Scholarships	82,279	-
Gifts from donors	783,391	-
Security for loans	665,367	647,367
	1,531,037	647,367

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5. INVESTMENTS

	2010	2009
Government Treasury Notes – 6 7/8% (Note 12 (i))	10,000,000	10,000,000
Government Bonds – 9 9/10%	647,120	647,120
Deposits (Note 12 (e))	44,195,565	59,044,218
	54,842,685	69,691,338
Provision for impaired deposit	(6,901,538)	-
	47,941,147	69,691,338

The Campus has provided in full for one of its deposits with CLICO International Life Insurance as there is no guarantee that these funds would be refunded to the Campus.

Government Treasury notes are held to maturity and are issued by the Government of Barbados. Government Bonds are held to maturity and are issued by the Government of Jamaica.

Internally restricted assets:

Included in investments are internally restricted assets. These are funds set aside to reflect existing commitments and are represented by government bonds and term deposits to support the following:

	2010	2009
Pension supplementation	16,438,333	11,749,063
Scholarships	57,516	138,114
Endowment and Appeal Funds	3,622,108	3,495,939
Gifts from donors	121,411	901,152
Security for loans	11,530,254	11,362,147
	31,769,622	27,646,415

6. ACCOUNTS RECEIVABLE

	2010	2009
Staff Accounts	1,998,508	2,326,735
Student Accounts	6,209,242	4,675,064
Other Accounts Receivable	11,170,633	1,214,660
Value Added Tax	3,670,734	4,390,845
GATE Receivables	968,059	515,859
	24,017,176	13,123,163
Provision for doubtful debts	(3,622,653)	(2,827,040)
	20,394,523	10,296,123

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7. RELATED PARTIES

(a) *Due from:*

	2010	2009
University Centre	3,992,112	6,006,747
Mona Campus	3,853,970	6,006,746
Cave Hill School of Business	788,215	770,852
Cave Hill Centre	-	447,721
Tuition Fees due from Centre	-	258,204
Open Campus – Current Account	4,498,795	198,578
Open Campus – Resources Pool	303,038	-
	13,436,130	13,688,848

(b) *Due to:*

	2010	2009
St. Augustine Campus	302,112	3,843
Open Campus – Resources Pool	-	475,428
Tuition fees due to Centre	3,913,414	-
	4,215,526	479,271

During the previous financial year the University transferred certain assets and balances to the newly created Open Campus. Among the items transferred were buildings which are being used by the Open Campus. This transfer has been done for book purposes only and there has been no legal transfer of title to the Open Campus.

The amounts due from University Centre and Mona Campus consist of Superannuation recoverable. They are unsecured, interest-free and repayable on demand.

(c) Key management personnel compensation paid during the year was as follows:

	2010	2009
Salaries and short-term benefits	1,221,587	1,041,380

Post retirement benefits of key management personnel include both a defined benefit plan and certain guarantees of the University which cannot be reasonably estimated.

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8. GOVERNMENT REMITTANCE ACCOUNT

The government remittance account consists of amounts billed by the University to contributing governments to cover the operating expenses of the Cave Hill Campus which are outstanding at the date of the statement of financial position. Management considers that all such amounts are recoverable.

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9. PROPERTY, PLANT & EQUIPMENT

	Land Development	Plant and Buildings	Office Furniture and Fixtures	Motors Vehicles	Computer and Other Electronic Equipment	Library Books	Work-in- Progress (WIP)	Total
<i>Cost</i>								
Balance at July 31, 2008	183,342	115,527,017	2,883,864	1,327,007	7,109,349	7,662,944	7,623,367	142,316,890
Additions	-	-	495,483	174,029	1,197,828	-	21,068,937	22,936,277
Transfers to Open Campus	-	(1,736,282)	(77,159)	(46,596)	(70,830)	-	-	(1,930,867)
Transfers from WIP to assets	-	6,169,027	-	-	-	-	(6,169,027)	-
Balance at July 31, 2009	183,342	119,959,762	3,302,188	1,454,440	8,236,347	7,662,944	22,523,277	163,322,300
Additions	-	292,275	2,269,882	439,113	684,081	-	23,712,460	27,397,811
Transfers from WIP to assets	-	33,565,588	-	-	-	-	(33,565,588)	-
Balance at July 31, 2010	183,342	153,817,625	5,572,070	1,893,553	8,920,428	7,662,944	12,670,149	190,720,111
<i>Depreciation</i>								
Balance at July 31, 2008	-	19,640,842	2,370,797	1,070,186	5,542,833	5,948,388	-	34,573,046
Charge for the year	-	2,399,195	84,233	162,993	779,775	685,914	-	4,112,110
Transfers to Open Campus	-	(173,568)	(55,951)	(37,276)	(56,074)	-	-	(322,869)
Balance at July 31, 2009	-	21,866,469	2,399,079	1,195,903	6,266,534	6,634,302	-	38,362,287
Charge for the period	-	3,104,093	631,694	241,329	650,659	342,881	-	4,970,656
Balance at July 31, 2010	-	24,970,562	3,030,773	1,437,232	6,917,193	6,977,183	-	43,332,943
<i>Net book values</i>								
At July 31, 2010	183,342	128,847,063	2,541,297	456,321	2,003,235	685,761	12,670,149	147,387,168
At July 31, 2009	183,342	98,093,293	903,109	258,537	1,969,813	1,028,642	22,523,277	124,960,013

As related in Note 7, certain assets were transferred to the Open Campus during the year ended July 31, 2009.

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10. ACCRUED LIABILITIES

	2010	2009
Other	12,870,817	16,548,619
Sundry Creditors	2,997,112	3,445,055
Students	2,808,591	1,065,507
FSSU/Superannuation	2,219,807	1,632,456
Third Party Contracts	224,583	4,347,529
	21,120,910	27,039,166

11. EMPLOYEE BENEFITS

The University operates two pension schemes for its employees, as follows:

- (a) For academic and senior administrative staff and
- (b) For non-academic staff

In addition to normal retirement benefits, the scheme provides for post retirement health benefits.

(a) Scheme for academic and senior administrative staff:

The scheme for the academic and senior administrative staff is the Federated Superannuation Scheme for Universities (F.S.S.U.), which is a UK based defined-contribution scheme invested with a number of UK life insurance companies and investment companies. Membership is compulsory for eligible staff members who are not engaged in short-term, part-time or special contracts. The scheme requires compulsory, joint contributions of 15% of salaries (10% by the University as Employer and 5% by Members). Members also have the option of voluntarily contributing up to an additional 5% of salaries.

The Campus has committed itself to supplementing pensions under certain circumstances. Under the Supplementation Scheme, the Campus is obligated to top up the pension of each retiring FSSU member to 2/3 of final salary, provided the member had at least 35 years of service (but fractionally less for shorter service in excess of ten years). If the pension derived from all his FSSU investments is less than the level up to which supplementation is triggered, that is, 2/3 of final salary, the Campus must meet the pension shortfall. The Campus has honoured all cases of supplementation that have arisen. Persons hired by the Campus as of August 1, 2005 who become FSSU members are not eligible for supplementation.

(b) Scheme for non-academic staff:

This is also a defined-contribution scheme funded by joint compulsory contributions of 15% of salaries (10% by the University as Employer and 5% payable by the Employees). Guardian Life Limited is the Administrator and Investment Manager of the Scheme.

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11. EMPLOYEE BENEFITS (cont'd)

Assets relating to contributions made prior to 1981 are held in Jamaican Dollars. Assets relating to subsequent contributions are maintained in Barbados Dollars.

(c) *Employee benefits liability and expense are as follows:*

<i>(i) Employee benefit liability</i>	2010	2009
Present value of unfunded obligations	42,322,597	37,723,854
Recognized liability	42,322,597	37,723,854

(ii) Movements in the net liability recognized in the statement of financial position:

	2010	2009
Net Liability at August 1	27,445,851	24,891,217
Contribution received	(882,372)	(597,805)
Expense recognized in the statement of comprehensive income	5,748,251	3,152,439
Net liability at July 31	32,311,730	27,445,851

(iii) Expense recognized in the statement of comprehensive income:

	2010	2009
Current Service costs	2,405,710	1,632,633
Interest on obligation	2,886,414	1,665,633
Actuarial gains recognized	456,127	(122,642)
Past service cost-vested benefits	-	-
Expense recognized for the year	5,748,252	3,175,624

(iv) Principal actuarial assumptions at the statement of position date:

	2010	2009
Discount rate at end of year	8.00%	7.50%
Expected return on plan assets at end of year	7.00%	7.00%
Future salary increases	5.00%	5.00%
Future pension increases	3.00%	3.00%
Proportion of employees opting for early retirement	0.00%	0.00%

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11. EMPLOYEE BENEFITS (cont'd)

(v) *Historical information:*

	2010	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	42,323	37,724	20,998	16,541	17,928
Fair value of plan assets	-	-	-	-	-
Deficit in plan	(42,323)	(37,724)	(20,998)	(16,541)	(17,928)
Experience adjustments arising on plan liabilities - (Loss/Gain)	(1,575)	(5,759)	(1,196)	953	(927)
Experience adjustment arising on plan assets	-	-	-	-	-

12. LONG-TERM LOANS

	2010	2009
(a) European Union Loan	2,585,738	2,961,220
(b) Inter-American Development Bank Loan	12,182,919	13,832,462
(c) United States Agency for International Development (USAID) Loan	867,067	976,178
(d) Development Bonds	8,900,742	10,677,962
(e) CLICO International	3,733,051	3,952,576
(f) Barbados National Bank	1,326,671	1,507,319
(g) Barbados National Bank Convertible Loan	731,767	821,767
(h) Bond Issue – BNB Finance & Trust Corporation	29,941,288	27,328,046
(i) Butterfield Bank	16,107,733	16,632,548
(j) Caribbean Development Bank	875,845	-
Current Portion	77,252,821	78,690,078
Total	(6,654,863)	(5,542,899)
	70,597,958	73,147,179

(a) During July 1993, the European Economic Community (now replaced by the European Union) granted a loan to the University of €4,692,232 the allocation of which is as follows:

- €1,764,796 to the Mona Campus;
- €1,640,246 to the St. Augustine/Mount Hope Campuses; and
- €1,287,190 to the Cave Hill Campus

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12. LONG-TERM LOANS (cont'd)

The University also received a grant of €7,820,386 for the purpose of constructing student accommodation in the three campuses and Mount Hope Medical Complex. The loan is repayable in 60 half-yearly instalments of €24,571 commencing June 1, 2003 and maturing in the year 2032. It bears interest at the rate of 1% per annum. The principal relating to the Cave Hill Campus outstanding at July 31, 2010 was €988,192 (July 31, 2009: €1,027,014). This loan is guaranteed by the Government of Barbados.

- (a) In April 1992, the Inter-American Development Bank (“IDB”) granted a loan of US\$12,991,600 to the University for the execution of a sub-programme for the Cave Hill Campus which is a component of the University’s development programme. This loan is repayable in semi-annual, consecutive, and, in so far as possible, equal instalments of 249,074.44 units of account, as defined by the loan agreement. The first instalment is payable on the first interest payment date, six months after the date originally scheduled for the last disbursement of the loan and the last instalment not later than April 7, 2017. The interest which is payable on the loan is to be accrued on the daily outstanding balances of the loan and shall be at a rate per annum for each semester as determined by the cost of qualified borrowings for the preceding semester, plus a spread (expressed as a percentage per annum) as may be established by IDB from time to time in accordance with the IDB’s lending rate policy. The loan is guaranteed by the Government of Barbados.
- (b) In February 1977, USAID granted a loan to the University of US\$8,500,000 to construct certain buildings and to provide for scholarships and training in each of the three Campuses. This loan is repayable in sixty-one (61) half-yearly instalments, of US\$34,540 each, which commenced in July 1987 and bears interest at the rate of 2% per annum for the first ten years, thereafter 3% per annum. The principal outstanding at July 31, 2010 was US\$433,244 (July 31, 2009: US\$488,089). This loan is guaranteed by the Government of Barbados.
- (d) In June 2003, The University of the West Indies (Cave Hill Campus) was successful in raising US\$10,475,000, described as The University of the West Indies US\$10,475,000 Series A Guaranteed Fixed and Floating rate Bond 2003-2013 for the Cave Hill Campus.

The guarantee was issued by the Government of Barbados for the repayment of the principal of US\$10,475,000 and interest.

The interest rate is fixed at 7.75% per annum or floating at 6.00% above the six month THE LIBOR. The floating rate is to be reset annually prior to each anniversary of the issue date. The current rate is 6.4375% per annum (2009 – 7.9375%). Interest is to be paid semi-annually in arrears commencing September 15, 2003. The principal is to be repaid by 24 equal semi-annual payments of US\$436,658 consisting of both principal and interest.

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12. LONG-TERM LOANS (cont'd)

- (e) CLICO International Life Insurance Limited (“CLICO”) in partnership with the University of the West Indies, constructed a teaching facility at a cost of approximately \$4,244,000. The financing for this structure was through a grant from CLICO OF \$1,525,000 and a loan for \$2,719,000. This loan is secured by term deposits with CLICO to the value of \$1,430,254 (2009 - \$1,362,147) and became repayable effective December 31, 2005 in equal annual instalments of \$371,500 comprising both principal and interest at a fixed rate of 5.5% for a period of 10 years.

In May 2006, CLICO made available to The University of the West Indies an additional loan facility of \$4,000,000 of which \$2,000,000 was drawn on June 23, 2006. The two loans have been combined and are repayable in equal annual instalments of principal and interest of \$707,000 from December 31, 2006 over a period of 15 years. The rate of interest is 7% per annum.

- (f) In February 2006, the Barbados National Bank (“BNB”) granted a loan of \$2,000,000 to The University of the West Indies to support the outfitting of the Creative Arts Centre. The loan is unsecured and bears interest at the rate of 1.0% below BNB’s prime rate, currently 9.2% (2009: 9.2%), for an effective rate of 8.2% (2009: 8.2%). The loan is repayable by blended monthly payments of \$24,840 over a period of 10 years.
- (g) In August 2006, The Barbados National Bank made available to The University of the West Indies an unsecured convertible demand loan of \$1,000,000 for the construction of the theatre and cinema building at the Errol Barrow Centre for Creative Imagination. The loan is interest free and is convertible into a grant by way of equal annual donations of \$100,000 from the Barbados National Bank commencing one year after the initial draw down or after the loan is fully disbursed, whichever is sooner. An initial draw down of \$500,000 was made in August 2006 and the remainder was received in April 2008. In September 2008 an additional \$500,000 was disbursed to the University to cover costs associated with the Media Centre at the 3 W’s Oval.
- (h) The University of the West Indies has entered into an agreement with BNB Finance & Trust for a bond issue of \$25,000,000, to be issued in multiple tranches of no less than \$5,000,000 each, to finance the upgrading and expansion of the School of Clinical Medicine & Research. There is a three year moratorium on principal and interest payments. Thereafter, principal is amortized over seventeen years in equal semi-annual payments. Interest is accrued monthly and capitalized semi-annually during the moratorium. Thereafter, interest is payable semi-annually in arrears. The rate of interest is fixed at the date of each disbursement at an amount equal to that on the most recent Government of Barbados debenture or bond (adjusted to tenor) plus 0.15%. The current effective rate is 9.45% (2009: 9.45%). The bond issue is guaranteed by the Government of Barbados.

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12. LONG-TERM LOANS (cont'd)

- (i) In September 2008, the University obtained a loan of \$16,000,000 from Butterfield Bank (Barbados) Limited to finance the construction of infrastructure and other costs relating to the expansion of the Cave Hill Campus. The loan is secured by a Letter of Comfort from the Government of Barbados in relation to the repayment of \$7,000,000 of the loan and the assignment by the borrower of Government of Barbados Treasury Notes in the amount of \$10,000,000. Interest on the loan is at the rate of 8% per annum for the first three years. Thereafter, it is to be re-set every three years based on the prevailing Government of Barbados Debenture rate. Thereafter, the loan is repayable in semi-annual payments of principal and interest with a bullet payment in year 10 in the sum which achieves full repayment of the loan on maturity.
- (j) In March 2007, the University of the West Indies entered into an agreement with the Caribbean Development Bank for the provision to the University of a loan not exceeding the equivalent of US\$3,500,000. The purpose of the loan is to provide the University with funds for on-lending to the Cave Hill School of Business Inc. (the School) to assist the School in its expansion. It is a condition of the loan that the University enters into an agreement with the School for the on-lending of the funds received and for the School to have primary responsibility to make all payments of principal, interest and other charges associated with the loan. The loan bears interest at the rate of 4.5% per annum on the outstanding balance and is repayable in fifty-six (56) equal quarterly instalments, commencing three years after the date of first disbursement. The loan is guaranteed by the Government of Barbados.
- (k) The University of the West Indies entered into an agreement with the BNB Finance & Trust Corporation for \$31,000,000 in June 2010. This loan has been garnered to construct a three-block student accommodation at Clarendon, St. Michael. The loan is repayable in blended instalments of principal and interest with a two year moratorium with interest of 7.5% for the first ten years, 8% for the next 10 years and 5% for the next five years. These funds had not been disbursed at July 31, 2010.

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13. FINANCIAL RISK MANAGEMENT

(a) Overview

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, receivables, due from related parties and investments. Financial liabilities have been determined to include current liabilities and long-term loans.

The University has exposure to the following risks from its use of financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk
- (iv) Operational risk

This note presents information about the University's exposure to each of the above risks, the University's objectives, policies and processes for measuring and managing risk, and the University's management of capital.

The University's Council has the overall responsibility for the establishment and oversight of the University's risk management framework.

The University's risk management policies are established to identify and analyze the risks faced by the University, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the University's activities.

The Audit Committee oversees how management monitors and is in compliance with the University's policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the University. The Audit Committee is assisted in their functions by the University's Management Audit Department, which undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises principally from the University's receivables from students, government receivables, cash and cash equivalents and investments.

The nature of the University's exposure to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

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13. FINANCIAL RISK MANAGEMENT (cont'd)

Exposure to credit risk

The following table sets out the financial assets that are exposed to credit risk and the maximum amount of the exposure:

	2010	2009
Cash and cash equivalents	33,526,142	32,484,288
Accounts receivable	20,394,523	10,296,123
Due from related parties	13,436,130	13,688,848
Government remittance account	72,546,475	63,386,653
Investments	47,941,147	69,691,338

Management of credit risk relating to different types of financial asset

Management establishes an allowance for impairment that represents its estimate of losses in respect of receivables. Management's policy is to provide for balances based on past default experience, current economic conditions and expected recovery.

- *Student receivables*

The University's exposure to credit risk is influenced mainly by the individual characteristics of each student and their ability to pay.

- *Due from Governments*

The University's exposure to credit risk is influenced by the ability of the various governments to meet their commitments. These amounts are all current and are not impaired.

- *Due from related parties and other receivables*

The University's exposure to credit risk is influenced by each person's ability to pay. These amounts are all current and not impaired.

- *Cash and cash equivalents*

Cash and cash equivalents and investments are placed with reputable financial institutions for short-term periods and management believes that these institutions have minimal risk of default.

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13. FINANCIAL RISK MANAGEMENT (cont'd)

• *Investments*

Investments are placed with reputable financial institutions for periods greater than three-months and management believes that these institutions have minimal risk of default.

Student receivables are the only financial assets with significant amounts which are past due. Student receivables are deemed past due when the payments are not received on the contractual repayment dates. The majority of past due amounts are not considered impaired.

The aging of the University's student receivables at the reporting date is summarized as follows:

	Gross 2010	Impairment 2010		Gross 2009	Impairment 2009
Past due 0-120 days	426,527	-		263,360	-
Past due 121-365 days	1,473,284	-		1,584,664	-
More than one year	4,309,431	3,622,653		2,827,040	2,827,040
	6,209,242	3,622,653		4,675,064	2,827,040

Movement in the allowance for impairment in respect of student receivables was as follows:-

	2010	2009
Balance at August 1	2,827,040	3,391,244
Amount expensed / (recovery)	795,613	(564,204)
Balance at July 31	3,622,653	2,827,040

Based on experience, management believes that no impairment allowance is necessary in respect of staff receivables, due from related parties and other receivables:

(ii) *Liquidity risk:*

Liquidity risk, also referred to as funding risk, is the risk that the University will encounter difficulty in raising funds to meet commitments associated with the financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. Prudent liquidity management implies maintaining sufficient cash and marketable securities. The management of the University manages this risk keeping a substantial portion of its financial assets in liquid form.

The following are the contractual maturities of non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements.

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13. FINANCIAL RISK MANAGEMENT (cont'd)

July 31, 2010:

	Carrying Amount	Cash Overflow	Less than 1 year	1-2 years	Over 2 years
Accrued liabilities	21,120,910	21,120,910	21,120,910	-	-
Long term loans	77,252,821	111,688,837	9,814,553	12,041,010	89,833,274
Due to related parties	4,215,526	4,215,526	4,215,526	-	-
	102,589,257	137,025,273	35,150,989	12,041,010	89,833,274

(ii) *Liquidity risk (cont'd):*

	Carrying Amount	Cash Overflow	Less than 1 year	1-2 years	Over 2 years
July 31, 2009:					
Accrued liabilities	27,039,106	27,039,166	27,039,166	-	-
Long term loans	78,690,078	123,583,618	8,307,207	10,944,790	104,331,621
Due to related parties	479,271	479,271	479,271	-	-
	106,208,455	151,102,055	35,825,644	10,944,790	104,331,621

(iii) *Market risk:*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the University's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimizing the return.

The University has no formal market risk management mechanism. Exposure to market risk comes under the purview of the Campus Bursar.

(a) *Interest rate risk:*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk is affected where there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. The University manages this risk by consistently analyzing and adjusting its portfolio of interest-bearing assets, depending on the direction in which interest rates are going in the opinion of management.

Interest-bearing financial assets are primarily represented by cash and cash equivalents and investments which are contracted at fixed and floating interest rates for the duration of the term.

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13. FINANCIAL RISK MANAGEMENT (cont'd)

(a) *Interest rate risk (cont'd):*

At the date of the statement of financial position, the interest bearing profile of the University's interest-bearing financial instruments as represented by their carrying amounts was:

Fixed rate instruments:

	2010	2009
Financial assets	69,573,825	86,063,613
Financial liabilities	(56,183,588)	(55,586,587)
	13,390,237	30,477,026

Variable rate instruments:

	2010	2009
Financial assets	4,615,530	7,592,4933
Financial liabilities	(19,070,687)	(22,281,725)
	(14,455,157)	(14,689,232)

Fair value sensitivity analysis for fixed rate instruments:

The University does not account for any fixed rate financial asset at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect surplus or deficit.

Cash flow sensitivity analysis for variable rate instruments.

A change of 100 basis points (1%) in interest rates would have the following effect:

- Surplus for the year would increase by \$145,722 (2009: \$183,818)

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

The interest rate and maturity applicable to these financial assets/liabilities are as follows:-

	2010	2009
Fixed rate financial assets		
Interest rate	0.5–9.9%	0.5–9.9%
Time for which rate is fixed (months)	1-122	1-34
Variable rate financial assets		
Interest rate	2.1–6.25%	2.1 – 6.25%
Fixed rate financial liabilities		
Interest rate	1.00–9.45%	1.00-9.45%
Time for which rate is fixed (years)	5-22	6-24
Variable rate financial liabilities		
Interest rate	6.4375-8.2%	7.9375-8.2%

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13. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The University incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the functional currencies of the entities. The University ensures that net exposure is kept within reasonable limits by monitoring and, where necessary, adjusting its exposure.

The University manages foreign exchange exposure by maintaining adequate liquid resources in intervening currencies and managing the timing of payments of foreign currency liabilities.

The University's exposure to foreign currency risk which is in the University's primary intervening currency based on notional amounts was as follows:

July 31, 2010:	United States (US)\$	Pounds (GBP)	Euro €	Jamaican (J)\$	Trinidad & Tobago (TT)\$
Cash and cash equivalents	2,005,745	189,600	-	45,085,540	9,797,330
Investments	2,833,642	-	-	-	5,555,970
Loans	(4,797,832)	-	-	-	-
Net Exposure	41,555	189,600	-	45,085,540	15,353,300

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13. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Foreign currency risk (cont'd)

July 31, 2009:

	United States (US)\$	Pounds (GBP)	Euro €	Jamaican (J)\$	Trinidad & Tobago (TT)\$
Cash and cash equivalents	4,255,580	1,372,900	-	45,085,540	15,325,880
Investments	-	-	-	-	5,433,474
Loans	(5,725,583)	-	(988,192)	-	-
Net exposure	(1,470,003)	1,372,900	(988,192)	79,854,021	20,759,354

As at July 31, 2010 the rates of exchange for the Barbados dollar against its principal intervening currencies were:

US\$1	=	Bds\$2.000000
GBP1	=	Bds\$3.104036
Euro1	=	Bds\$2.617026
J\$1	=	Bds\$0.023302
TT\$1	=	Bds\$0.314323
EC\$	=	Bds\$0.740734

As at July 31, 2009 the rates of exchange for the Barbados dollar against its principal intervening currencies were:

US\$1	=	Bds\$2.000000
GBP1	=	Bds\$3.281264
Euro1	=	Bds\$2.883331
J\$1	=	Bds\$0.022539
TT\$1	=	Bds\$0.316337
EC\$	=	Bds\$0.740741

Adjustments have been made in these financial statements for these changes in rates.

Sensitivity analysis:

A 5% strengthening of the currencies against the Barbados dollar would have decreased the surplus for the year by \$202,315 (2009: \$260,179). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 5% weakening of the currencies would have had the equal and opposite effect on the basis that all variables remain constant.

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13. FINANCIAL RISK MANAGEMENT (cont'd)

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the University's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The University's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the University's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall University standards for the management of operational risk in the following areas:

The University's exposure to credit risk is influenced mainly by the individual characteristics of each student and their ability to pay.

- Requirement for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirement for the periodic assessment of operational risks faced and adequacy of controls and procedures to address risks identified;
- Requirement for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

Compliance with the University's standards is supported by a programme of periodic reviews undertaken by the University's Management auditors. The results of management audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Council Members and senior management of the University.

(b) Capital management

The Council's policy is to maintain a strong capital base to maintain the confidence of students, governments, creditors and other stakeholders and to sustain future development of the University. The University is not subjected to any externally imposed capital requirements.

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13. FINANCIAL RISK MANAGEMENT (cont'd)

(c) *Fair values*

Definition of fair values

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who were under no compulsion to act and is best evidenced by a quoted market price, if one exists. Many of the University's instruments lack an available trading market. Therefore, these instruments have been valued using a generally accepted alternative technique and may therefore not necessarily be indicative of the amounts realizable in an immediate realization of the financial assets or settlement of the financial liabilities.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments which was material to the financial statements:

<u>Financial asset/liability</u>	<u>Method</u>
Cash and cash equivalents, due from Related parties, accounts receivable the and accrued liabilities and investments	Fair values assumed to be their carrying value because of the relatively short-term nature of the instruments.
Long-term loans	Discounting of future cash flows using balance sheet date of securities with similar risk.

14. CAPITAL GRANTS

Balance at August 1	2010	2009
	24,779,859	20,600,030
Government contribution for the purchase of fixed assets	3,876,023	3,601,596
Grant for the conversion of demand loan (Note 12 (g))	90,000	578,233
Balance at July 31	28,745,882	24,779,859

15. STAFF COSTS

Salaries and wages	2010	2009
	86,663,358	81,156,448
Statutory payroll contributions	5,575,673	3,784,393
Pension costs	5,190,767	4,826,975
Other	8,363,291	7,871,348
	105,793,089	97,639,164

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16. TAXATION

The University is an approved educational institution which has been granted exemption from tax.

17. COMMITMENTS

At the statement of position date, the University had outstanding commitments relating to various contracts of \$10 million (2009 - \$23.9 million).

18. COMPARATIVE FIGURES

Certain prior year balances have reclassified to conform with the current year's presentation.



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