

THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

	Page
Table of Contents	
Statement by appointed officers	2
Independent audit report	3
Statement of accounting policies	4-11
Statement of comprehensive income	12
Statement of financial position	13
Statement of cash flows	14
Statement of changes in funds and reserves	15
Notes to the financial statements	16-28

THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

STATEMENT BY APPOINTED OFFICERS

In our opinion the accompanying Financial Statements give a true and fair view of the financial position of The University of the South Pacific as at 30 June 2011 and of the transactions for the half year ended on that date.

We are not aware of any circumstances which would render any particulars included in the Financial Statements misleading or inaccurate.



Professor Rajesh Chandra
Vice Chancellor &
President



Ms Fay Yee
Chair, Finance and
Investments Committee



Munish Malik
Executive Director
Finance

26 September 2011

INDEPENDENT AUDIT REPORT

To the Council of the University of the South Pacific

We have audited the accompanying financial statements of the University of the South Pacific, which comprise the statement of financial position as at 30 June 2011 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the half year then ended, and a summary of significant accounting policies and other explanatory notes.

The University Council's Responsibility for the Financial Statements

The University Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the University's Royal Charter. 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 estimates that are reasonable in the circumstances.

Auditor's 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 about 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 statement. The procedures selected depend on 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 University'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 University'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.

Audit Opinion

In our opinion:

- (a) proper books of account have been kept by the University, so far as it appears from our examination of those books; and
- (b) the accompanying Financial Statements which have been prepared in accordance with International Financial Reporting Standards:
 - i) are in agreement with the books of account; and
 - ii) to the best of our information and according to the explanations given to us give a true and fair view of the state of affairs of the University as at 30 June 2011 and of the results, cash flows and changes in equity of the University for the half year ended on that date.

Suva, Fiji

26 September 2011


Ernst & Young

Chartered Accountants

STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The University of the South Pacific was established by Royal Charter of the University in 1970. It is a non-profit educational institution providing higher education to member regional countries, with its main operations domiciled in Fiji. The registered office is at Laucala Bay Campus, Suva, Fiji.

1. SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies adopted in the preparation of the annual financial statements are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

(a) *Reporting Period*

The financial statements are reported for the half year from 1 January to 30 June 2011.

(b) *Basis of Preparation*

The financial statements are prepared on the basis of historical costs and, except where stated; do not take into account current valuation of non-current assets.

The concepts of the accrual method and going concern basis of accounting are applied. The Finance and Investments Committee and officers of the University believe that the basis for preparation of the accounts is appropriate and that the University will be able to continue its normal operations in the next 12 months. The Committee and the officers resolved that the classification and carrying amounts of assets and liabilities included in these accounts are appropriate.

All amounts shown in the financial statements are expressed in Fijian dollars.

(c) *Statement of Compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB").

(d) *Basis of Consolidation*

The format of the University's Annual Financial Statements is approved by the Finance and Investments Committee on behalf of Council.

The Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash Flows are prepared on a consolidated basis including all the funds of the University.

(e) *Principal Activities*

The University is the premier provider of tertiary education in the Pacific region and an international centre of excellence for teaching, research and consulting on all aspects of Pacific life.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Segmental Reporting*

The University's academic activities are regarded as a single segment of activity since they are undertaken by the same staff, using the same premises and financed substantially from the same income streams. None of the University's other peripheral activities achieve the 10% threshold which would require separate reporting under *IFRS 8*. As a regional institution, the University does not consider reporting of geographical segmentation below regional level to be appropriate and cash flows outside the region fall below the reporting threshold.

(g) *Property, Plant and Equipment*

The policy of the University is not to revalue its property, plant and equipment. In view of the specialised nature and wide geographical distribution of much of the University's property and equipment, it is considered that the costs of any revaluation to reflect current values would outweigh the benefit to users of these financial statements. The value of its property, plant and equipment is therefore either their value when originally incorporated within the University's Statement of Financial Position, or historical cost if acquired at a later date.

Acquisitions and additions of non-current assets are capitalised if the value is more than \$1,000. These items are recorded at cost.

Depreciation

Property, plant and equipment are depreciated only when they are completed and ready for use.

Property, plant and equipment acquired since 31 December 1993 are recorded at cost and depreciated over their estimated useful life:

- (i) Motor vehicles are written down on a straight line basis over 5 years.
- (ii) Buildings are written down on a straight line basis over 50 years i.e. 2% per annum.
- (iii) Equipment, furniture, fittings and vessels are written down on a straight line basis over 5 years.
- (iv) Computer equipment is written down on a straight line basis over 5 years, effective from 1 July 2009.
- (v) Freehold land is not depreciated.

The depreciation applicable to donated assets is offset by a transfer from the Deferred Revenue Reserve to the Statement of Comprehensive Income.

Impairment

Tangible property, plant and equipment are inspected annually by a Board of Survey. If the inspection identifies that the carrying amount of the fixed asset is overstated, a provision is made for the impairment. No such provisions have been found necessary at balance date.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Property, Plant and Equipment (continued)*

Deferred Capital Grants

Property, plant and equipment acquired with the aid of specific grants are capitalised and depreciated in accordance with the above policy, with the related grant being credited to a Deferred Revenue Reserve and released to the Statement of Comprehensive Income over the expected useful economic life of the related property, plant and equipment. The exception to this is when the acquisition of property, plant and equipment is financed either through University's own funds or a loan or finance lease when no revenue is deferred to the Reserve.

(h) *Leased Assets*

The University leases some property under operating leases. The rentals are charged as an expense over the term of the lease.

Assets held under leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. These are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term and the useful economic life of the assets. The capital element outstanding is shown as obligations under finance leases. The interest element of the lease payments is charged to the Statement of Comprehensive Income over the term of the lease.

(i) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Cost is determined predominantly on the first-in, first-out basis of valuation. Only inventories which are purchased and controlled centrally have been reported within the financial statements. Consumables purchased by the University for departmental use and held under the control of individual departments have been expensed in the accounts at the time of purchase.

(j) *Accounts Receivable*

The provision for doubtful debts is made as follows:

(i) Government debtors

No provision for doubtful debts is made for sovereign debts on the premise that, despite the age of the debt, all such debts will eventually be paid.

(ii) Trade debtors

Trade debtors greater than 91 days and less than 180 days are provided for at 50%, while all debts greater than 180 days are fully provided for.

(iii) Student debtors

All student debtors other than government sponsored greater than 91 days and less than 180 days are provided for at 50%, while all debts greater than 180 days are fully provided for.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Accounts Receivable (continued)*

(iv) Refunds due for Value Added Tax/Goods and Services Tax

VAT/GST refunds outstanding for more than four years have been fully provided for.

(v) For all other receivables, no provisions are made against debtors.

The amounts required to fund the provision for doubtful debts are charged to expenditure in the year. Bad debts are generally written off against the provision when identified.

(k) *Statement of Cash Flows*

The following are the definitions of the terms used in the statement of cash flows:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held with banks, deposits held at call with banks, other short-term deposits with terms of three months or less and are subject to an insignificant risk of change in value and bank overdrafts. Bank overdrafts are included as current liabilities on the Statement of Financial Position.

Operating Activities

Operating activities include all transactions and other events that are not investing or financing activities.

Investing Activities

Investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment and investments. Investments can include securities not falling within the definition of cash and cash equivalents.

Financing Activities

Financing activities are those that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash and cash equivalents.

(l) *Employee Benefits*

Provision is made for employee entitlements in respect of salaries and wages, annual leave, severance allowance and superannuation where applicable and is calculated as the amount unpaid as at reporting date at current pay rates. All employee benefit related provisions, except for severance allowance and gratuity of selected senior managers, are classified as a current liability. Accrued leave is expected to be utilised in the following year.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) *Foreign Currency Transactions*

All foreign currency transactions during the half year have been translated to Fijian currency using the exchange rate in effect at the dates of the transactions. Foreign currency monetary items at balance date are translated at the exchange rate in effect at that date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income in the financial year in which they arise.

(n) *Income Tax*

The University is exempt from income tax in accordance with the provision of Section 17 of the Fiji Income Tax Act.

(o) *Revenue Recognition*

Revenue is measured at the fair value of the consideration received or receivables. Amounts disclosed as revenue are net of returns and trade allowances.

Revenue is recognised in the financial statements for the major activities as follows:

(i) Government contributions

The University treats contributions due from member Governments as revenue when the entitlement for the revenue is established.

(ii) Student tuition fees

The University recognises all student tuition fees when due.

(iii) Development Assistance

Development assistance received for recurrent funding is recognised on due date while development assistance received with specific end purposes is recognized as revenue when the conditions attached to the assistance have been met. Until those conditions are met, receipt of development assistance funds in advance is accounted for as deferred revenue and recognized as a liability.

(iv) Trading Activities

Revenue from trading operations is recognised on receipt.

(v) Consultancy Revenue

Consultancy revenue is recognised as revenue when it is earned.

(vi) Other Income

Other income is recognised on receipt except where a department of the University has arranged for a University invoice to be raised to a third party; the revenue associated with these invoices is recognised on due date.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue Recognition (continued)

(vii) Release of Deferred Revenue

Release of deferred revenue is recognised when the donated asset is depreciated over its useful life.

(viii) Interest Revenue

Interest revenue is recognised as it accrues.

(p) Capital Grants

Development assistance which is applied to capital items is credited to the Deferred Revenue Reserve at the lower of cost and valuation when the related capital expenditure is incurred, and released to the Statement of Comprehensive Income as income over the life of the asset.

(q) Endowment Funds

The University operates Endowment Funds for specific purposes. The capital amount of such funds is maintained at its original nominal value. The revenue generated through the investment of the capital is used in accordance with any conditions imposed by Council, deed, gift or by the terms of the endowments or bequests. Endowment funds are transferred to the Statement of Comprehensive Income only when no longer required for the purpose for which the fund was originally established.

(r) Commitment Accounting

The University operates a system of commitment accounting for its non-salary expenditure. Expenditure is recognised when purchase orders are placed and charged against the appropriate cost centre.

(s) Trade Creditors and Accruals

Liabilities for trade payable and other amounts are carried at cost (inclusive of VAT/GST where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the University. These amounts are unsecured and are usually paid within 30 days of recognition.

(t) Value Added Tax (VAT)/Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated VAT/GST, unless VAT/GST incurred is not recoverable from the Tax Authority. In this case it is recognised as part of the cost of acquisition of the asset or part of the expense.

Receivables and payables are stated inclusive of the amount of VAT/GST, receivable or payable. The net amount of VAT/GST recoverable from, or payable to, the Tax Authority is included in other receivables or payables in the Statement of Financial Position.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) *Superannuation Funds*

The University contributes to a number of defined contribution superannuation schemes.

Contributions are made by employees and by the University as a percentage of salary or specified amounts as required by relevant agreements. The cost to the University is charged as an expense at the time it is incurred.

(v) *Held-to-Maturity Financial Assets*

Non-derivative financial assets with fixed or determinable payments and fixed maturities of more than three months are classified as held-to-maturity financial assets when the University has the positive intention and ability to hold it to maturity. After initial measurement, these assets are measured at amortised cost. Interest earned from these assets is recognised when due.

(w) *Comparative Amounts*

Where the presentation or reclassification of items in the financial report is amended, comparable amounts shall be reclassified unless reclassification is impracticable.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The University has on-going exposures to foreign currency, liquidity risk and interest rate risk through its normal operations.

The overarching policies and objectives of the University's treasury management activities are defined as being the "management and control of its cash flows, banking, and investment transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

The Finance and Investments Committee reviews and approves policies for managing each of these risks within the University's overall risk management framework. These risks are summarised below.

Liquidity Risk

The University's objective is to maintain a balance between continuity of funding to meet its day-to-day obligations, whilst minimising the utilisation of bank overdrafts, which in practice, are to be used for contingency purposes only.

Daily operating funds are maintained with the approved bankers in the University's operating bank accounts while surpluses are invested within approved guidelines. This arrangement covers local, regional and international bank accounts which are operated by the University.

Subventions within campuses or from the main Laucala campus to other campuses are carried out in order to maintain sufficient cash balances in all campuses for the funding of day-to-day operations.

Foreign Currency Risk

The University has transactional currency exposures. Such exposures arise from receipts or payments in currencies other than the University's main operating currency (FJD), as well as accounting for the regional campuses' various currency denominations.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign Currency Risk (continued)

The University maintains off-shore bank accounts in its efforts to provide natural hedge against currency exposures.

The following table demonstrates the sensitivity to a reasonably possible change in the Australian dollar (AUD), New Zealand dollar (NZD), Solomon Island dollar (SBD) and British pound (GBP) exchange rate on the University's surplus, with all other variables held constant:

As at	Increase/(decrease) in AUD, NZD, SBD and GBP exchange rate against FJD	Effect on surplus (\$)
30 June 2011	10%	(1,074,561)
	(10%)	1,313,353
31 December 2010	10%	(883,826)
	(10%)	1,080,232

Interest Rate Risk

The University's exposure to the changes in market interest rates relates primarily to the investment of surplus cash into at call or short term deposits as well as through finance lease and utilisation of bank overdrafts.

Short-term investments are either rolled over at maturity at interest rates applicable on roll-over dates, or converted to operational use if the need arises at the time of maturity. Interest on bank overdrafts is subject to changes in market interest rates.

Long-term investments are not feasible due to the nature of operations within the University, therefore, avoiding the risk of a cashflow mismatch or a liquidity shortfall.

Lending Facilities - Debt, Refinancing and Granting Security

The University ensures that its borrowing, private financing and partnership arrangements are negotiated, structured, documented and the maturity profile of the raised monies managed, with a view to obtaining competitive and favourable terms in light of market conditions prevailing at the time.

Prior to entering into or negotiating for any agreement to increase lending facilities (including leases) or re-finance the University's current borrowing arrangements, approval from the Finance and Investments Committee (FIC) must be obtained.

In raising capital finance, those with delegated authority will take account of:

- (i) the University's powers and rules and, in particular the University's Charter, Statutes, Financial Regulations and Scheme of Financial Delegations;
- (ii) any legal or fiscal statutory restrictions; and
- (iii) the terms and covenants of borrowing.

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	Notes	June 2011 \$	Restated June 2010 \$
Income			
Government contributions	1	23,973,229	24,462,500
Student tuition fees	2	18,171,139	17,406,882
Development assistance	3	16,002,286	12,182,663
Trading activities	4	7,164,987	7,401,465
Consultancy income	4a	540,608	442,670
Other income	5	3,572,761	4,056,037
Release of deferred revenue	6	1,888,177	1,825,754
Interest income		777,379	1,004,646
Total operating income		72,090,566	68,782,617
Expenditure			
Staff costs	7	31,999,409	33,091,208
Operating costs	8	30,917,020	29,459,426
Depreciation	14	3,071,647	2,730,403
Provision for doubtful debts		676,943	1,166,385
Write down in value of inventories		59,313	86,867
Unrealised exchange loss/(gain)		207,229	(64,321)
Realised exchange loss		645,317	576,561
Interest on finance lease		-	2,224
Total operating expenditure		67,576,878	67,048,753
Surplus for the half year		4,513,688	1,733,864
Other comprehensive income		-	-
Total comprehensive income for the half year		4,513,688	1,733,864

The accompanying notes form an integral part of this Statement of Comprehensive Income.

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Notes	June 2011 \$	December 2010 \$	Restated June 2010 \$
Current assets				
Cash and cash equivalents	12	18,775,527	14,781,546	11,783,510
Held-to-maturity financial assets	12	33,134,176	39,393,285	25,544,947
Prepayments	11	1,386,117	652,453	1,105,296
Accounts receivable	10	41,385,538	15,036,718	29,797,489
Inventories	9	5,046,097	5,031,712	3,922,112
		<u>99,727,455</u>	<u>74,895,714</u>	<u>72,153,354</u>
Non-current assets				
Property, plant and equipment	14	175,605,935	171,237,077	168,677,048
		<u>175,605,935</u>	<u>171,237,077</u>	<u>168,677,048</u>
Total assets		<u>275,333,390</u>	<u>246,132,791</u>	<u>240,830,402</u>
Current liabilities				
Creditors and accruals	16	28,717,909	18,589,483	20,585,289
Bank overdraft		-	-	609,351
Development assistance (projects) unexpended	16a	33,762,378	19,017,021	14,161,465
Provisions	16b	4,650,795	3,074,598	3,206,273
		<u>67,131,082</u>	<u>40,681,102</u>	<u>38,562,378</u>
Non-current liabilities				
Provisions	16b	907,882	882,768	-
		<u>907,882</u>	<u>882,768</u>	<u>-</u>
Total liabilities		<u>68,038,964</u>	<u>41,563,870</u>	<u>38,562,378</u>
Net assets		<u>207,294,426</u>	<u>204,568,921</u>	<u>202,268,024</u>
Represented by:				
Funds and reserves				
Deferred revenue reserve		152,466,122	154,354,299	155,885,569
Endowment capital		7,788,886	7,688,892	7,045,009
Retained earnings		47,039,418	42,525,730	39,337,446
		<u>207,294,426</u>	<u>204,568,921</u>	<u>202,268,024</u>

The accompanying notes form an integral part of this Statement of Financial Position.

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	Notes	June 2011 \$	Restated June 2010 \$
Normal operating activities			
<i>Recurrent activities</i>			
Development assistance (recurrent)		13,726,157	3,513,191
Government contributions		5,715,279	11,388,013
Interest received		898,554	1,038,869
Student tuition fees		17,312,182	15,137,432
Trading activities		7,164,987	9,376,662
Other receipts		<u>4,640,514</u>	<u>2,968,193</u>
		49,457,673	43,422,360
Staff costs		(29,360,081)	(27,931,083)
Other operating costs		<u>(22,398,946)</u>	<u>(27,739,844)</u>
		(51,759,027)	(55,670,927)
Net cash flows used in recurrent activities		(2,301,354)	(12,248,567)
<i>Project activities</i>			
Development assistance (projects)		<u>14,560,161</u>	<u>11,553,691</u>
Staff costs (projects)		(1,446,531)	(1,267,839)
Other operating costs (projects)		<u>(5,636,899)</u>	<u>(3,902,001)</u>
		(7,083,430)	(5,169,840)
Net cash flows provided by project activities		7,476,731	6,383,851
Total net cash flows provided by/(used in) normal operating activities	13	5,175,377	(5,864,716)
Investing activities			
Payment for property plant and equipment		(7,440,505)	(1,986,875)
Net receipt from/(investment in) financial assets		<u>6,259,109</u>	<u>(2,790,355)</u>
Net cash flows used in investing activities		(1,181,396)	(4,777,230)
Financing activities			
Payment of finance lease liabilities		-	(99,681)
Net cash flow used in financing activities		-	(99,681)
Net increase/(decrease) in cash and cash equivalents		<u>3,993,981</u>	<u>(10,741,627)</u>
Cash and cash equivalents at 1 January		14,781,546	22,525,137
Net increase/(decrease) in cash and cash equivalents		<u>3,993,981</u>	<u>(10,741,627)</u>
Cash and cash equivalents at 30 June	12	<u>18,775,527</u>	<u>11,783,510</u>

The accompanying notes form an integral part of this Statement of Cash Flows.

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	Note	June 2011 \$	December 2010 \$	Restated June 2010 \$
Retained earnings				
Balance at 1 January		42,525,730	37,748,114	44,973,024
Surplus for the period		4,513,688	4,777,616	1,733,864
Effect of change in accounting policy	20	-	-	(7,369,442)
Balance at period end		47,039,418	42,525,730	39,337,446
Endowment capital				
Balance at 1 January		7,688,892	7,163,327	7,163,327
Foreign exchange gain/(loss) for the period		99,994	525,565	(118,318)
Balance at period end		7,788,886	7,688,892	7,045,009
Analysed as:				
Endowments - general		94,133	94,133	94,133
Endowments - specific		7,694,753	7,594,759	6,950,876
Total endowment capital		7,788,886	7,688,892	7,045,009
Deferred revenue reserve				
Balance at 1 January		154,354,299	115,094,458	115,094,458
Net additions during the period		464,242	43,937,963	43,063,254
Release during the period - depreciation		(2,352,419)	(4,678,122)	(2,272,143)
Balance at period end		152,466,122	154,354,299	155,885,569

The accompanying notes form an integral part of this Statement of Changes in Funds and Reserves.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

1	GOVERNMENT CONTRIBUTIONS	General	Special	June 2011	Restated
		Grant	Grant	Total	June 2010
		\$	\$	\$	\$
	Cook Islands	131,054	45,549	176,603	176,945
	Fiji	11,513,544	6,732,482	18,246,026	18,798,601
	Kiribati	546,590	79,909	626,499	703,704
	Marshall Islands	60,732	34,362	95,094	81,542
	Nauru	31,964	20,777	52,741	50,556
	Niue	12,786	27,967	40,753	45,663
	Samoa	465,081	248,522	713,603	830,094
	Solomon Islands	1,887,492	112,676	2,000,168	1,903,997
	Tokelau	11,188	-	11,188	11,436
	Tonga	521,018	37,558	558,576	563,452
	Tuvalu	228,545	29,567	258,112	256,040
	Vanuatu	572,160	621,706	1,193,866	1,040,470
		15,982,154	7,991,075	23,973,229	24,462,500
2	STUDENT TUITION FEES			June 2011	Restated
				\$	\$
	Regional students			6,595,247	7,831,442
	International students			359,253	223,855
				<u>6,954,500</u>	<u>8,055,297</u>
	Distance and flexible learning			4,345,260	3,895,477
				11,299,760	11,950,774
	College of Foundation Studies			2,659,643	1,790,292
	Republic of Marshall Islands (RMI)			229,864	440,260
	Master of Business Administration			1,777,259	1,315,953
	Others			2,204,613	1,909,603
				<u>18,171,139</u>	<u>17,406,882</u>
2a	STUDENT TUITION FEES BY SPONSOR				
	Private students			13,496,351	12,523,300
	Private sponsored			185,026	82,437
	Government sponsored			4,379,092	4,711,580
	USP sponsored			110,670	89,565
				<u>18,171,139</u>	<u>17,406,882</u>
3	DEVELOPMENT ASSISTANCE				
	Australia	Recurrent		6,504,394	3,513,192
		Projects		2,235,311	3,004,450
	New Zealand	Recurrent		2,951,768	1,843,102
		Projects		235,050	521,978
	European Union projects			1,164,090	-
	Other projects			2,911,673	3,299,941
				<u>16,002,286</u>	<u>12,182,663</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

4 TRADING ACTIVITIES	June 2011	Restated June 2010
	\$	\$
Book centre	4,757,489	5,285,272
Catering services		
- <i>Alafua</i>	2,402	-
Residential services		
- <i>Laucala</i>	1,399,200	1,318,043
- <i>Emalus</i>	324,366	197,507
- <i>Alafua</i>	108,217	141,546
	<u>1,831,783</u>	<u>1,657,096</u>
Gym and community recreation centre	208,402	174,562
ICT park	123,458	157,709
Others	241,453	126,826
	<u>7,164,987</u>	<u>7,401,465</u>
4a CONSULTANCY INCOME		
Consultancy work with Tonga police	33,975	11,614
Dairy Farms Fiji - Blue Prawns project	67,803	31,394
Professional services and project consultancies	182,733	171,919
Training and teaching	169,940	144,877
Others	86,157	82,866
	<u>540,608</u>	<u>442,670</u>
5 OTHER INCOME		
Administration cost recovery	254,264	216,156
Course material and text book sales	557,936	1,671,629
Faculty and support units' income	517,212	26,397
ITS domain name registration	62,537	76,420
Laboratory income	564,051	487,099
Miscellaneous student activities	1,018,582	995,368
Other income	449,986	483,490
Publication sales	10,441	33,652
Rental income	137,752	65,826
	<u>3,572,761</u>	<u>4,056,037</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

6 RELEASE OF DEFERRED REVENUE	June 2011	Restated June 2010
	\$	\$
Depreciation charge for the period	3,071,647	2,730,403
Less: charge on items acquired		
through loans or finance leases	-	(144,808)
through normal operating activities	<u>(719,228)</u>	<u>(313,454)</u>
Release of deferred revenue - depreciation	2,352,419	2,272,141
Fixed asset additions for the period	(7,442,566)	(46,347,329)
Less: items acquired		
through normal operating activities	6,978,324	3,284,075
Less: items acquired through donations		
Japan Pacific ICT Centre buildings	-	40,723,309
Japan Pacific ICT Centre equipment	-	1,888,702
Purchases for USPSA	<u>-</u>	<u>4,856</u>
Increase in deferred revenue - additions	(464,242)	(446,387)
NET TRANSFER	<u>1,888,177</u>	<u>1,825,754</u>
7 STAFF COSTS		
Academic and comparable staff	20,148,624	23,637,410
Intermediate and junior staff	6,344,994	5,382,397
Hourly paid staff	3,147,554	2,892,935
Provision for leave entitlement	1,576,197	430,890
Senior management	782,040	747,576
Total staff costs	<u>31,999,409</u>	<u>33,091,208</u>
Staff numbers (including part-time staff) by category		
Academic and comparable staff	542	568
Intermediate and junior staff	557	515
Hourly paid staff	336	409
Senior management	8	9
Total staff numbers	<u>1,443</u>	<u>1,501</u>
Annualized taxable emoluments for staff paid \$100,000 or more		
\$100,000 - \$119,999	31	26
\$120,000 - \$139,999	15	11
\$140,000 - \$159,999	16	12
\$160,000 - \$179,999	6	5
\$180,000 - \$199,999	2	1
\$200,000 - \$219,999	1	1
\$220,000 - \$239,999	1	-
\$240,000 - \$259,999	-	1
\$260,000 - \$279,999	1	-
\$280,000 - \$299,999	1	1
	<u>74</u>	<u>58</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

8 OPERATING COSTS	June 2011	Restated June 2010
	\$	\$
Cost of sales	4,542,269	4,818,082
Travel and related expenses	2,305,894	2,208,794
Student-related expenses	3,083,750	3,353,630
Grounds and maintenance	2,124,202	1,774,655
<u>Consultancy expenses:</u>		
GMES project	12,344	93,452
Other	<u>1,243,769</u>	<u>1,012,510</u>
Total consultancy expenses	1,256,113	1,105,962
Utilities	2,240,782	1,604,853
Telecommunications	1,718,715	1,279,219
PRIDE - in-country expenses	-	278,104
- end of project audit	130,222	-
Library books	1,160,810	1,514,036
Staff recruitment and passages	702,591	588,369
Printing and stationery	1,221,312	1,068,322
Insurance premiums	863,385	793,654
Computer software and hardware	1,240,559	635,503
Workshop expenses	587,997	1,282,204
Advertising	572,899	1,002,714
Hospitality/expenditure on meetings	397,531	291,337
Teaching materials	781,268	748,098
Operating costs - strategic plan	351,520	175,766
Sub-total	<u>25,281,819</u>	<u>24,523,302</u>
Other items of expenditure	5,467,994	4,806,243
<u>Fees to auditors:</u>		
External audit - audit	20,125	19,688
- other services	4,025	-
Internal audit - audit	113,707	84,000
- other services	8,251	6,693
<u>Honorarium:</u>		
Council	11,361	10,500
Audit and Risk Committee	6,492	6,000
Finance and Investments Committee	3,246	3,000
Total operating costs	<u>30,917,020</u>	<u>29,459,426</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	Goods & Publications	Academic Gowns	Maintenance	Catering & Domestic	Total
	\$	\$	\$	\$	\$
9 INVENTORIES					
Balance at 1 January 2010	4,057,848	513,763	151,006	26,186	4,748,803
Additions	5,290,601	71,604	59,099	367,117	5,788,421
Expensed	(5,992,837)	(74,512)	(69,535)	(391,361)	(6,528,245)
Write down in value	(78,411)	(8,456)	-	-	(86,867)
Cost or valuation at 30 June 2010	3,277,201	502,399	140,570	1,942	3,922,112
Balance at 1 January 2011	4,279,788	588,712	161,595	1,617	5,031,712
Additions	4,894,724	40,738	128,853	29,407	5,093,722
Expensed	(4,876,905)	(30,524)	(85,456)	(27,139)	(5,020,024)
Write down in value	(55,675)	-	(3,638)	-	(59,313)
Cost or valuation at 30 June 2011	4,241,932	598,926	201,354	3,885	5,046,097

			Restated
	June 2011	December 2010	June 2010
Analysis of value of inventories	\$	\$	\$
Total cost of inventories	6,446,139	6,995,475	5,883,462
Less: unrealised profit	(1,167,946)	(1,291,135)	(1,165,927)
Less: provision for obsolescence	(232,096)	(672,628)	(795,423)
Cost or valuation at period end	5,046,097	5,031,712	3,922,112

Analysis of goods and publications:

Book centre - inventory	1,785,440	2,058,768	1,500,631
Book centre - goods in transit	874,954	422,503	193,998
Regional campuses - books	1,397,313	1,432,573	1,023,444
Regional campuses - course materials	324,038	353,894	643,281
Institute of Pacific Studies	-	604,268	611,237
Institute of Education	68,355	65,232	80,084
	4,450,100	4,937,238	4,052,675
Less: provision for obsolescence	(208,168)	(657,450)	(775,474)
Cost or valuation at period end	4,241,932	4,279,788	3,277,201

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

				Restated
10 ACCOUNTS RECEIVABLE	Notes	June 2011	December 2010	June 2010
		\$	\$	\$
Government contributions	10a	18,577,954	1,456,796	16,180,070
Trade debtors	10b	2,421,731	1,063,678	2,151,313
Student debtors	10c	6,401,210	5,332,893	4,681,077
Staff debtors	10d	99,226	108,064	224,670
VAT/GST refunds due	10e	5,450,425	4,894,999	4,270,881
Other debtors	10f	15,223,436	8,291,789	5,540,066
		<u>48,173,982</u>	<u>21,148,219</u>	<u>33,048,077</u>
Less: provision for doubtful debts	10g	(6,788,444)	(6,111,501)	(3,250,588)
		<u>41,385,538</u>	<u>15,036,718</u>	<u>29,797,489</u>
10a Contributions due from governments:				
Cook Islands		88,302	-	160,015
Fiji		18,193,026	-	12,662,851
Kiribati		215,591	-	351,867
Marshall Islands		-	-	101,379
Nauru		25,194	61,191	136,390
Niue		36,060	-	32,824
Solomon Islands		19,781	1,265,111	2,037,772
Tokelau		-	47,396	-
Tonga		-	83,098	633,749
Tuvalu		-	-	63,223
		<u>18,577,954</u>	<u>1,456,796</u>	<u>16,180,070</u>
<u>Ageing of government contributions due:</u>				
0 to 90 days		9,492,259	1,166,748	11,225,453
91 to 180 days		9,085,695	290,048	4,644,873
181 to 365 days		-	-	279,585
Between 1 and 2 years old		-	-	30,159
		<u>18,577,954</u>	<u>1,456,796</u>	<u>16,180,070</u>
Any overpayments by member countries are classified as creditors.				
10b Trade Debtors				
Laucala campus and book centre		2,384,005	1,041,032	2,132,191
Emalus campus and book centre		37,726	22,646	19,122
		<u>2,421,731</u>	<u>1,063,678</u>	<u>2,151,313</u>
Less: provision for doubtful debts		(1,069,156)	(573,875)	(317,615)
		<u>1,352,575</u>	<u>489,803</u>	<u>1,833,698</u>
<u>Ageing of trade debtors due:</u>				
0 to 90 days		1,054,868	224,840	1,780,306
91 to 180 days		595,415	529,927	106,784
181 to 365 days		629,799	150,347	155,367
Between 1 and 2 years old		115,249	69,161	42,173
Between 2 and 3 years old		17,994	31,639	66,683
More than 3 years old		8,406	57,764	-
		<u>2,421,731</u>	<u>1,063,678</u>	<u>2,151,313</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

	June 2011	December 2010	Restated June 2010
	\$	\$	\$
10 ACCOUNTS RECEIVABLE (continued)			
10c Student Debtors			
Laucala	2,973,305	2,695,961	1,845,923
Alafua	271,040	171,555	98,353
Emalus	1,426,646	1,236,636	1,259,874
Other regional campuses	1,730,219	1,228,741	1,476,927
	<u>6,401,210</u>	<u>5,332,893</u>	<u>4,681,077</u>
Less: provision for doubtful debts	(4,737,748)	(4,721,982)	(2,823,728)
	<u>1,663,462</u>	<u>610,911</u>	<u>1,857,349</u>
<u>Ageing of student debtors due:</u>			
0 to 90 days	855,857	376,786	1,299,770
91 to 180 days	1,527,850	1,778,094	1,089,301
181 to 365 days	1,819,312	930,124	767,044
Between 1 and 2 years old	1,412,617	515,061	416,978
Between 2 and 3 years old	278,739	568,820	389,430
More than 3 years old	506,835	1,164,008	718,554
	<u>6,401,210</u>	<u>5,332,893</u>	<u>4,681,077</u>
10d Staff debtors			
Laucala	98,859	105,638	220,064
Alafua	367	2,426	4,606
	<u>99,226</u>	<u>108,064</u>	<u>224,670</u>
Less: provision for doubtful debts	(98,345)	(98,344)	(109,245)
	<u>881</u>	<u>9,720</u>	<u>115,425</u>
<u>Ageing of staff debtors due:</u>			
0 to 90 days	881	2,259	111,572
91 to 180 days	-	3,278	7,705
181 to 365 days	-	4,183	3,180
Between 1 and 2 years old	-	-	3,868
More than 3 years old	98,345	98,344	98,345
	<u>99,226</u>	<u>108,064</u>	<u>224,670</u>
10e VAT/GST refunds due			
Laucala book centre	2,283,997	2,163,674	1,972,410
Alafua book centre	167,038	64,012	24,285
Laucala Japan Pacific ICT centre	2,999,390	2,667,313	2,274,186
	<u>5,450,425</u>	<u>4,894,999</u>	<u>4,270,881</u>
Less: provision for doubtful debts	(883,195)	(717,300)	-
	<u>4,567,230</u>	<u>4,177,699</u>	<u>4,270,881</u>
<u>Ageing of VAT/GST refunds due:</u>			
0 to 90 days	305,390	96,153	789,376
91 to 180 days	250,036	1,525,531	758,193
181 to 365 days	1,642,933	1,486,097	1,118,816
Between 1 and 2 years old	1,647,570	365,445	335,627
Between 2 and 3 years old	335,627	305,809	352,247
More than 3 years old	1,268,869	1,115,964	916,622
	<u>5,450,425</u>	<u>4,894,999</u>	<u>4,270,881</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	June 2011	December 2010	Restated June 2010
	\$	\$	\$
10 ACCOUNTS RECEIVABLE (continued)			
10f Other debtors			
Development assistance partners (projects)	14,652,809	7,565,682	4,781,500
Interest receivable	525,562	578,817	515,687
Other debtors	45,065	147,290	242,879
	<u>15,223,436</u>	<u>8,291,789</u>	<u>5,540,066</u>
<u>Ageing of other debtors due:</u>			
0 to 90 days	2,451,908	2,215,522	1,517,929
91 to 180 days	4,524,049	2,619,508	1,726,299
181 to 365 days	4,796,731	2,816,125	1,568,977
Between 1 and 2 years old	3,125,774	327,538	663,840
Between 2 and 3 years old	136,546	123,466	41,325
More than 3 years old	188,428	189,630	21,696
	<u>15,223,436</u>	<u>8,291,789</u>	<u>5,540,066</u>
10g Movement in provision for doubtful debts			
Balance at 1 January	6,111,501	2,084,203	2,084,203
Additional provision made during the period	676,943	4,027,298	1,166,385
Balance at end of period	<u>6,788,444</u>	<u>6,111,501</u>	<u>3,250,588</u>
The creation and release of provision for doubtful debts is shown under Provision for doubtful debts in the Statement of Comprehensive Income.			
Amounts charged to the provision account are written off when there is no expectation of recovery.			
11 PREPAYMENTS			
Laucala	1,292,110	554,366	846,640
Alafua	12,873	12,873	6,089
Laucala book centre	81,134	85,214	252,567
	<u>1,386,117</u>	<u>652,453</u>	<u>1,105,296</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	June 2011	December 2010	Restated June 2010
	\$	\$	\$
12 CASH, TERM DEPOSITS AND CASH EQUIVALENTS			
Cash and short - term deposits			
- Current accounts	16,762,390	8,742,352	4,524,202
- Term deposits (3 months or less)	1,987,953	6,013,968	7,232,747
- Cash on hand and petty cash	25,184	25,226	26,561
Cash and cash equivalents	18,775,527	14,781,546	11,783,510
Held-to-maturity financial assets	33,134,176	39,393,285	24,935,596
	51,909,703	54,174,831	36,719,106

Held-to-maturity financial assets comprise term deposits maturing between 3 and 12 months.

a) Where held:

In Fiji	37,533,581	49,589,884	33,464,276
With other regional banks	2,801,770	2,983,447	2,372,774
In other overseas accounts	11,574,352	1,601,500	882,056
	51,909,703	54,174,831	36,719,106

b) The following term deposits are denominated in the following currencies but stated in Fijian dollars:

Fijian dollars	23,301,952	35,685,164	23,209,266
Australian dollars	9,380,060	8,240,586	7,365,905
New Zealand dollars	846,262	-	-
Solomon Island dollars	1,579,872	1,467,535	1,578,197
British pounds	13,983	13,968	14,975
	35,122,129	45,407,253	32,168,343

Cash and cash equivalents denominated in other currencies are exposed to foreign currency risk.

c) Comprising:

University funds	15,107,413	24,949,266	11,826,884
Development assistance (projects)	29,013,404	21,536,673	17,847,213
Endowment funds	7,788,886	7,688,892	7,045,009
	51,909,703	54,174,831	36,719,106

Development assistance (projects) and Endowment funds are restricted and are not available for University's recurrent expenditure.

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

13 RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO SURPLUS

	June 2011	Restated June 2010
	\$	\$
Surplus for the half year	4,513,688	1,733,864
<u>Adjustments to income and expenditure:</u>		
Release of deferred revenue	(1,888,177)	(1,825,754)
Depreciation	3,071,647	2,730,403
Provision for doubtful debts	676,943	1,166,385
Provision for leave entitlements	680,854	430,890
Write down in value of inventories	59,313	86,867
Net cash from operating activities before changes in assets and liabilities	<u>7,114,268</u>	<u>4,322,655</u>
(Increase)/decrease in inventories	(73,698)	739,823
Increase in accounts receivable	(27,025,763)	(21,012,659)
Increase in prepayments	(733,664)	(653,334)
Increase in development assistance (projects)	14,745,357	6,271,441
Increase in creditors	11,148,877	4,467,358
Net cash provided by/(used in) normal operating activities	<u>5,175,377</u>	<u>(5,864,716)</u>

14 PROPERTY, PLANT AND EQUIPMENT

	Property \$	Equipment & Furniture \$	Vehicles & Vessels \$	Work In Progress \$	Total \$
Cost or Valuation					
Deemed cost at 1 January 2011	182,780,680	14,884,978	1,782,980	4,099,807	203,548,445
Additions	33,750	917,274	112,700	6,378,842	7,442,566
Disposals	-	(18,583)	(34,900)	-	(53,483)
Transfers between asset classes	8,850	1,295,061	-	(1,303,911)	-
Deemed cost at 30 June 2011	<u>182,823,280</u>	<u>17,078,730</u>	<u>1,860,780</u>	<u>9,174,738</u>	<u>210,937,528</u>
Accumulated depreciation					
Accumulated depreciation at 1 January 2011	23,188,317	8,037,263	1,085,788	-	32,311,368
Charge for the year	2,010,033	933,574	128,040	-	3,071,647
Disposals	-	(16,522)	(34,900)	-	(51,422)
Accumulated depreciation at 30 June 2011	<u>25,198,350</u>	<u>8,954,315</u>	<u>1,178,928</u>	<u>-</u>	<u>35,331,593</u>
Net carrying amount at 30 June 2011	<u>157,624,930</u>	<u>8,124,415</u>	<u>681,852</u>	<u>9,174,738</u>	<u>175,605,935</u>
Net carrying amount at 31 December 2010	<u>159,592,363</u>	<u>6,847,715</u>	<u>697,192</u>	<u>4,099,807</u>	<u>171,237,077</u>
Net carrying amount at 30 June 2010	<u>161,355,630</u>	<u>6,192,338</u>	<u>790,215</u>	<u>338,865</u>	<u>168,677,048</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under finance lease

The carrying amount of tangible fixed assets held under finance lease was nil (June 2010: \$17,650 and is reported under the equipment category relating to PABX equipment). The depreciation charge for the six months was \$5,884 (June 2010: \$88,700).

Work in progress

Work in progress relates to costs for property-related projects where the project has not been completed. The costs will be capitalised once all major items of expenditure, other than the payment of retention monies, have been incurred.

Carrying amount of work in progress projects	June 2011	December 2010
	\$	\$
Continuing from 2010		
Regional campuses - MYOB implementation	-	55,600
144 bed hostel	4,192,057	1,938,337
Lab equipment replacement installations	93,567	575,017
ITS-IBM blade server-SAN storage	-	183,775
Other ITS projects	1,054,363	514,656
Improve campus infrastructure and development	738,099	400,000
Roof replacement of building 202	35,550	35,550
FBE tourism lounge and toilets	34,898	34,898
New modules in banner	-	1,795
Renovation of housing units	258,583	136,280
Concrete roading	81,932	87,504
Lift in FSTE building	-	136,395
New projects		
ERM TRIM	35,197	-
Fume cupboards	81,866	-
PACE renovations	37,500	-
FBE postgraduate library	18,750	-
ITS helpdesk management system	125,460	-
VM ware	78,978	-
Improve student facilities	89,239	-
Renovation of HR section	90,000	-
AusAid lecture theatre upgrade	191,065	-
ITS-Catalyst 6509 E network	46,415	-
Installation of stand-by Generators	777,552	-
Other projects	1,113,667	-
	<u>9,174,738</u>	<u>4,099,807</u>
Reconciliation of fixed assets to related accounts		
Carrying amount of property, plant and equipment at 30 June 2011		<u>175,605,935</u>
This is represented by:		
		\$
Deferred revenue		152,466,122
Carrying amount of properties acquired directly or through loans:		
Statham street campus		3,983,559
Services complex		108,720
Residential block		772,000
Carrying amount of assets funded from normal operating activities		<u>18,275,534</u>
		<u>175,605,935</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

15 FINANCING FACILITIES

The University has access to overdraft facilities of \$4,087,904 (December 2010: \$4,084,818, June 2010: \$4,088,059) with various banks across the region for which all conditions precedent have been met. As at 30 June 2011, \$279,375 (December 2010: Nil, June 2010: \$609,351) was utilised.

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents as at 30 June 2011 is \$18,775,527 (December 2010: \$14,781,546, June 2010: \$11,783,510).

	June 2011	December 2010	Restated June 2010
	\$	\$	\$
16 CREDITORS AND ACCRUALS			
Development assistance (recurrent) received in advance	4,248,767	-	623,116
Member countries' contributions received in advance	3,692,492	2,599,718	2,918,928
Other creditors and accruals	1,073,462	202,568	908,777
Research funds	1,999,263	1,621,149	1,953,090
Payroll creditors	2,991,097	3,374,499	4,538,364
Student creditors	88,951	82,923	156,731
Student fees received in advance	755,322	551,985	196,927
Trade creditors	13,868,555	10,156,641	9,289,356
	28,717,909	18,589,483	20,585,289
16a PROJECT FUNDS UNEXPENDED			
Development assistance (projects) unexpended	33,762,378	19,017,021	14,161,465
16b PROVISIONS			
<u>Current</u>			
Provision for annual leave	4,650,795	3,074,598	3,206,273
<u>Non-current</u>			
Provision for severance allowance	847,826	855,116	-
Provision for gratuity	60,056	27,652	-
	907,882	882,768	-
Total provisions	5,558,677	3,957,366	3,206,273
17 COMMITMENTS			
Operating lease commitments			
The commitments in respect of leased assets are as follows:			
Expiring within one year	666,954	652,455	652,455
Expiring within more than one year but less than two years	500,216	652,455	652,455
Expiring within more than two years but less than five years	-	163,114	489,341
	1,167,170	1,468,024	1,794,251

The University has an operating lease with Fuji Xerox Fiji for the provision of managed multi function device services. Minimum monthly lease of \$54,371 for five years subject to adjustments based upon actual utilization.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

18 CONTINGENT ASSETS AND LIABILITIES	June 2011	December 2010	Restated June 2010
	\$	\$	\$
<u>Contingent liabilities</u>			
The University's contingent liabilities are estimated to be:			
Fiji Electricity Authority - guarantees given	158,857	158,857	158,857
EDF programme management unit - guarantees given	223,744	223,744	223,744
FRCA customs bond - guarantees given	138,266	331,645	331,645
Ministry of Primary Industries, Land and Water	-	8,963	8,963
VAT on contributions received from Fijian government (1992 - 2007)	39,802,087	39,802,087	39,802,087
	<u>40,322,954</u>	<u>40,525,296</u>	<u>40,525,296</u>
<u>Contingent assets</u>			
VAT on Fijian government contributions (1992 - 2007)	<u>39,802,087</u>	<u>39,802,087</u>	<u>39,802,087</u>

The Fiji Islands Revenue Customs Authority advised in a letter dated June 2007 that the University may be liable to pay VAT on contributions received from the Government of Fiji since 1992. The University has made an effort in 2009 to close the matter with FIRCA, but no reply nor any formal assessment has been issued by FRCA since the University's last communication dated 20 October 2009. Accordingly, no provision for liability has been made in the financial statements.

The University claims Government contributions on a VAT exclusive basis. In the event that the tax liability is considered probable, the University would make a claim for the short fall in payment of contributions and recognise a receivable amount to the same value as the potential tax liability.

There are various legal claims and trade disputes pending against the University at the balance date. The University considers these claims, arising in the normal course of business, to be immaterial and mostly spurious. No amounts have been provided in relation to any of these matters.

19 INSURANCE

The University has taken cover for combined material damage and business interruption at a replacement value of \$268,883,093 (2010: \$317,717,612), with maximum claim limited to \$50,000,000 for any single event.

20 CHANGE IN ACCOUNTING POLICY

Subsequent to June 2010, the University changed its policy on the recognition of student tuition fees and development assistance. The changes in policy and their impact on the financial statements are as follows:

Student tuition fees

Prior to December 2010, private student tuition fees were recognised on receipt while sponsored student tuition fees were recognised when due. Subsequent to June 2010 and prior to December 2010, the University changed its policy to recognise all student fees when due. The impact of this change in policy resulted in an increase in student fee revenue. However, the University has assessed as doubtful those private student fees for which there has been no receipt resulting in no change in surplus for the period ended 31 December 2010.

Development assistance

Prior to December 2010, development assistance from major donors were recognised on due date while those from other donors were recognised on receipt. The definition of development assistance is now more simplified as development assistance received for recurrent funding is recognised on due date while development assistance received with specific end purposes is recognised as revenue when the conditions attached have been met. Until those conditions are met, receipt of development assistance funds in advance is accounted for as a liability. This change in policy resulted in an adjustment of prior year retained earnings and restatement of related accounts. The impact on various related accounts is disclosed below:

	June 2010
	\$
Increase in Development assistance (projects) unexpended	(16,114,556)
Decrease in Development assistance income	6,271,442
Increase in other debtors - Development assistance partners income	2,473,672
Decrease in retained earnings	<u>7,369,442</u>

The following adjustment was reflected in the financial statements for the year ended 31 December 2010. This change in policy is disclosed in these financial statements as the change in policy occurred after the issue of the 30 June 2010 half year financial statements.