

THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 31 December 2011 and of the transactions for the 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.


..... 18/4/12
Professor Rajesh Chandra
Vice Chancellor &
President


.....
Ms Fay Yee
Chair, Finance and
Investments Committee


..... 18/4/12
Munish Malik
Executive Director
Finance

18 April 2012

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 31 December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the 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 31 December 2011 and of the results, cash flows and changes in equity of the University for the year ended on that date.

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 year from 1 January to 31 December 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 and equipment 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 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 outstanding for more than four years has been provided for. In addition, all VAT receivable for Laucala Book Centre has 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 classified as borrowings under current liabilities in 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 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 existing 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 operating contributions received from Government regional members 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*

(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 has established 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 of the South Pacific 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, which 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 (\$)
31 December 2011	10%	(1,122,396)
	(10%)	1,371,817
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 YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 \$	2010 \$
Income			
Government contributions	1	47,946,462	48,924,962
Student tuition fees	2	35,438,939	33,472,981
Development assistance	3	32,254,202	27,540,216
Trading activities	4	13,866,134	14,863,350
Consultancy income	4a	2,913,492	924,726
Other income	5	6,103,326	7,629,718
Release of deferred revenue	6	3,939,609	3,922,051
Interest income		1,263,842	1,848,629
Unrealised exchange gain		432,008	30,835
Total operating income		144,158,014	139,157,468
Expenditure			
Staff costs	7	62,399,251	64,604,367
Operating costs	8	62,016,571	57,906,853
Depreciation	14	6,679,938	5,732,796
Provision for doubtful debts		3,955,320	4,027,298
Write down in value of inventories		110,893	383,691
Realised exchange loss		1,938,847	1,724,847
Loss on demolition of assets		812,477	-
Total operating expenditure		137,913,297	134,379,852
Surplus for the year		6,244,717	4,777,616
Other comprehensive income		-	-
Total comprehensive income for the year		6,244,717	4,777,616

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 31 DECEMBER 2011**

	Notes	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	12	47,945,341	14,781,546
Held-to-maturity financial assets	12	9,579,809	39,393,285
Prepayments	11	771,680	652,453
Accounts receivable	10	7,527,382	15,036,718
Inventories	9	4,994,561	5,031,712
		<u>70,818,773</u>	<u>74,895,714</u>
Non-current assets			
Property, plant and equipment	14	198,782,030	171,237,077
		<u>198,782,030</u>	<u>171,237,077</u>
Total assets		<u>269,600,803</u>	<u>246,132,791</u>
Current liabilities			
Creditors and accruals	16	15,183,234	18,589,483
Development assistance (projects) unexpended	16a	24,054,991	20,343,897
Provisions	16b	4,274,842	3,074,598
		<u>43,513,067</u>	<u>42,007,978</u>
Non-current liabilities			
Provisions	16b	962,691	882,768
		<u>962,691</u>	<u>882,768</u>
Total liabilities		<u>44,475,758</u>	<u>42,890,746</u>
Net assets		<u>225,125,045</u>	<u>203,242,045</u>
Represented by:			
Funds and reserves			
Deferred revenue reserve		170,506,682	154,354,299
Endowment capital		5,847,916	6,362,016
Retained earnings		48,770,447	42,525,730
		<u>225,125,045</u>	<u>203,242,045</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 YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 \$	2010 \$
Normal operating activities			
<i>Recurrent activities</i>			
Development assistance (recurrent)	17,572,083	10,774,832	
Government contributions	49,091,825	49,443,406	
Interest received	1,556,588	1,850,972	
Student tuition fees	33,716,136	30,594,452	
Trading activities	14,400,656	14,556,698	
Other receipts	7,191,809	8,822,607	
	<u>123,529,097</u>	<u>116,042,967</u>	
Staff costs	(58,197,579)	(61,897,512)	
Other operating costs	(57,361,710)	(48,152,326)	
	<u>(115,559,289)</u>	<u>(110,049,838)</u>	
Net cash flows provided by recurrent activities		7,969,808	5,993,129
<i>Project activities</i>			
Development assistance	21,126,023	22,616,383	
Staff costs	(3,225,234)	(2,706,854)	
Other operating costs	(10,242,215)	(9,836,218)	
	<u>(13,467,449)</u>	<u>(12,543,072)</u>	
Net cash flows provided by project activities		7,658,574	10,073,311
Total net cash flows provided by normal operating activities	13	15,628,382	16,066,440
Investing activities			
Payment for property plant and equipment	(12,278,063)	(6,994,009)	
Proceeds from disposal of fixed assets	-	6,139	
Net receipt from/(investment in) financial assets	29,813,476	(16,722,480)	
Net cash flows provided by/(used in) investing activities		17,535,413	(23,710,350)
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		33,163,795	(7,743,591)
Cash and cash equivalents at 1 January		14,781,546	22,525,137
Net increase/(decrease) in cash and cash equivalents		33,163,795	(7,743,591)
Cash and cash equivalents at 31 December	12	47,945,341	14,781,546

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 YEAR ENDED 31 DECEMBER 2011**

	Note	2011 \$	2010 \$
Retained Earnings			
Balance at 1 January		42,525,730	37,748,114
Surplus for the year		6,244,717	4,777,616
Balance at year end		48,770,447	42,525,730
Endowment capital			
Balance at 1 January		6,362,016	7,163,327
Foreign exchange (loss)/gain for the year		(514,100)	525,565
Restate capital fund balance	20	-	(1,326,876)
Balance at year end		5,847,916	6,362,016
<u>Analysed as:</u>			
Endowments - general		94,133	94,133
Endowments - specific		5,753,783	7,594,759
Total endowment capital		5,847,916	7,688,892
Deferred revenue reserve			
Balance at 1 January		154,354,299	115,094,458
Net additions during the year		21,470,423	43,937,963
Release during the year - depreciation		(5,318,040)	(4,678,122)
Balance at year end		170,506,682	154,354,299

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 YEAR ENDED 31 DECEMBER 2011

1 GOVERNMENT CONTRIBUTIONS	General Grant	Special Grant	2011 Total	2010 Total
	\$	\$	\$	\$
Cook Islands	262,107	91,098	353,205	353,890
Fiji	23,027,087	13,464,965	36,492,052	37,597,202
Kiribati	1,093,179	159,822	1,253,001	1,407,408
Marshall Islands	121,464	68,724	190,188	163,083
Nauru	63,929	41,554	105,483	101,112
Niue	25,571	55,938	81,509	91,327
Samoa	930,161	497,045	1,427,206	1,660,187
Solomon Islands	3,774,985	225,348	4,000,333	3,807,994
Tokelau	22,375	-	22,375	22,832
Tonga	1,042,036	75,116	1,117,152	1,126,905
Tuvalu	457,090	59,134	516,224	512,081
Vanuatu	1,144,322	1,243,412	2,387,734	2,080,941
	31,964,306	15,982,156	47,946,462	48,924,962

2 STUDENT TUITION FEES	2011 \$	2010 \$
Regional students	14,823,870	14,971,936
International students	670,714	480,975
	<u>15,494,584</u>	<u>15,452,911</u>
Distance and flexible learning	7,652,909	7,502,179
	23,147,493	22,955,090
College of Foundation Studies	4,341,390	3,727,928
Republic of Marshall Islands (RMI)	340,462	750,374
Master of Business Administration	3,304,003	2,197,348
Others	4,305,591	3,842,241
	35,438,939	33,472,981

3 DEVELOPMENT ASSISTANCE		
Australia	- Recurrent	11,059,568
	- Projects	8,971,848
New Zealand	- Recurrent	6,512,515
	- Projects	-
European Union		2,095,153
Other Partners		3,615,118
		<u>32,254,202</u>
		<u>27,540,216</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

4 TRADING ACTIVITIES	2011	2010
	\$	\$
Book centre	8,628,152	9,984,134
Residential services		
- <i>Laucala</i>	2,811,261	2,602,827
- <i>Emalus</i>	1,209,548	1,180,449
- <i>Alafua</i>	179,350	253,815
	<u>4,200,159</u>	<u>4,037,091</u>
Gymnasium and Community Recreation Centre	363,232	400,042
Information Centre for Technology park	369,187	267,861
Others	305,404	174,222
	<u>13,866,134</u>	<u>14,863,350</u>

4a CONSULTANCY INCOME

Consultancy work with Tonga Police	44,141	17,059
Dairy Farms Fiji - Blue Prawns project	67,804	50,403
Professional services and project consultancies - IAS	1,932,175	343,175
- Others	288,069	149,725
Training and teaching	422,063	144,877
Others	159,240	219,487
	<u>2,913,492</u>	<u>924,726</u>

5 OTHER INCOME

Administration cost recovery	557,663	339,036
Course material and text book sales	1,179,099	2,972,577
Faculty and support units' income	832,560	277,369
ITS domain name registration	137,014	177,633
Laboratory income	849,999	1,027,625
Miscellaneous student activities	1,334,123	1,616,527
Other income	645,106	772,016
Publication sales	20,626	66,030
Rental income	547,136	380,905
	<u>6,103,326</u>	<u>7,629,718</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
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6 RELEASE OF DEFERRED REVENUE	2011	2010
	\$	\$
Depreciation charge for the year	6,679,938	5,732,796
Less: charge on items acquired		
through loans or finance leases	-	(144,808)
through normal operating activities	<u>(1,361,898)</u>	<u>(909,866)</u>
Release of deferred revenue - depreciation	5,318,040	4,678,122
Fixed asset additions for the year	(35,039,429)	(48,404,386)
Less: items acquired		
through normal operating activities	13,569,006	4,466,423
Less: items acquired through donations		
Japan Pacific ICT Centre buildings	18,701,134	40,723,309
Japan Pacific ICT Centre equipment	1,390,858	1,888,702
Donations - I -Direct Equipment	-	565,025
Purchases for USPSA	<u>-</u>	<u>4,856</u>
Increase in deferred revenue - additions	(1,378,431)	(756,071)
NET TRANSFER	<u>3,939,609</u>	<u>3,922,051</u>

7 STAFF COSTS

Academic and comparable staff	40,369,356	43,587,184
Intermediate and junior staff	12,645,887	12,054,262
Hourly paid staff	6,576,977	6,890,215
Provision for leave entitlement	1,200,244	299,215
Senior management	1,606,787	1,773,491
Total staff costs	<u>62,399,251</u>	<u>64,604,367</u>

Staff numbers (including part-time staff) by category

Academic and comparable staff	560	540
Intermediate and junior staff	512	544
Hourly paid staff	350	351
Senior management	8	8
Total staff numbers	<u>1,430</u>	<u>1,443</u>

Annualized taxable emoluments for staff paid \$100,000 or more

\$100,000 - \$119,999	35	34
\$120,000 - \$139,999	12	18
\$140,000 - \$159,999	18	14
\$160,000 - \$179,999	10	6
\$180,000 - \$199,999	2	2
\$200,000 - \$219,999	1	1
\$220,000 - \$239,999	1	1
\$240,000 - \$259,999	-	-
\$260,000 - \$279,999	1	1
\$280,000 - \$299,999	<u>1</u>	<u>1</u>
	<u>81</u>	<u>78</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

8 OPERATING COSTS	2011	2010
	\$	\$
Cost of sales	9,152,340	10,265,704
Travel and related expenses	5,585,141	5,269,709
Student - related expenses	7,489,387	6,871,050
Grounds and maintenance	1,602,682	3,371,946
<u>Consultancy expenses:</u>		
GMES project	-	225,957
Other	2,901,537	2,467,974
Total consultancy expenses	2,901,537	2,693,931
Utilities	5,336,486	3,850,640
Telecommunications	3,421,034	3,238,045
PRIDE - in-country expenses	-	106,671
- end of project audit	158,222	-
Library books	2,072,566	2,092,981
Staff recruitment and passages	1,729,322	1,249,441
Printing and stationery	2,451,937	2,356,754
Insurance premiums	1,716,821	1,593,345
Computer software and hardware	1,470,573	938,726
Workshop expenses	1,402,300	1,963,055
Advertising	1,354,924	1,559,225
Hospitality / expenditure on meetings	1,139,843	875,740
Teaching materials	1,390,454	1,319,135
Operating costs - strategic plan	1,222,487	953,609
Sub-total	51,598,056	50,569,707
Other items of expenditure	10,121,301	7,031,726
<u>Fees paid to auditors:</u>		
External audit - audit of financial statements	40,250	39,374
- other services	4,025	-
Internal audit - audit	202,490	168,000
- other services	8,251	52,650
<u>Honorarium:</u>		
Council	22,722	24,444
Audit and risk committee	12,984	13,968
Finance and investments committee	6,492	6,984
Total operating costs	62,016,571	57,906,853

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Goods and Publications	Academic Gowns	Maintenance	Catering and Domestic	Total
	\$	\$	\$	\$	\$
9 INVENTORIES					
Balance at 1 January 2010	4,057,848	513,763	151,006	26,186	4,748,803
Additions	9,428,548	100,251	529,079	76,256	10,134,134
Expensed	(8,822,917)	(25,302)	(518,490)	(100,825)	(9,467,534)
Write down in value	(383,691)	-	-	-	(383,691)
Cost or valuation at 31 December 2010	4,279,788	588,712	161,595	1,617	5,031,712
Balance at 1 January 2011	4,279,788	588,712	161,595	1,617	5,031,712
Additions	8,142,699	58,305	297,462	49,549	8,548,015
Expensed	(8,138,105)	(59,522)	(227,297)	(49,349)	(8,474,273)
Write down in value	(79,661)	(3,886)	(27,346)	-	(110,893)
Cost or valuation at 31 December 2011	4,204,721	583,609	204,414	1,817	4,994,561

	2011	2010
	\$	\$
Analysis of value of inventories		
Total cost of inventories	6,506,678	6,995,475
Less: unrealised profit	(1,245,392)	(1,291,135)
Less: provision for obsolescence	(266,725)	(672,628)
Cost or valuation at year end	4,994,561	5,031,712

Analysis of goods and publications:

Book centre - inventory	1,790,287	2,058,768
Book centre - goods in transit	868,520	422,503
Regional campuses - books	1,363,746	1,432,573
Regional campuses - course materials	337,869	353,894
Institute of Pacific Studies	-	604,268
Institute of Education	64,613	65,232
	4,425,035	4,937,238
Less: provision for obsolescence	(220,314)	(657,450)
Cost or valuation at year end	4,204,721	4,279,788

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

10 ACCOUNTS RECEIVABLE	Notes	2011 \$	2010 \$
Government contributions	10a	587,527	1,456,796
Trade debtors	10b	1,598,200	1,063,678
Student debtors	10c	6,908,136	5,332,893
Staff debtors	10d	105,635	108,064
VAT / GST receivable	10e	2,755,345	4,894,999
Other debtors	10f	5,639,361	8,291,789
		<u>17,594,204</u>	<u>21,148,219</u>
Less: provision for doubtful debts	10g	<u>(10,066,822)</u>	<u>(6,111,501)</u>
		<u>7,527,382</u>	<u>15,036,718</u>
10a Contributions due from governments:			
Nauru		-	61,191
Solomon Islands		587,527	1,265,111
Tokelau		-	47,396
Tonga		-	83,098
		<u>587,527</u>	<u>1,456,796</u>
<u>Ageing of government contributions due:</u>			
0 to 90 days		27,977	1,166,748
91 to 180 days		559,550	290,048
181 to 365 days		-	-
Between 1 and 2 years old		-	-
		<u>587,527</u>	<u>1,456,796</u>
Overpayments by member countries are classified as creditors.			
10b Trade Debtors			
Alafua campus		50,013	-
Emalus campus and book centre		20,745	22,646
Laucala campus and book centre		1,527,442	1,041,032
		<u>1,598,200</u>	<u>1,063,678</u>
Less: provision for doubtful debts		<u>(792,279)</u>	<u>(573,875)</u>
		<u>805,921</u>	<u>489,803</u>
<u>Ageing of trade debtors due:</u>			
0 to 90 days		773,331	224,840
91 to 180 days		65,181	529,927
181 to 365 days		537,503	150,347
Between 1 and 2 years old		128,079	69,161
Between 2 and 3 years old		85,339	31,639
More than 3 years old		8,767	57,764
		<u>1,598,200</u>	<u>1,063,678</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
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FOR THE YEAR ENDED 31 DECEMBER 2011

10 ACCOUNTS RECEIVABLE (continued)	2011	2010
	\$	\$
10c Student Debtors		
Alafua	507,399	171,555
Emalus	1,435,314	1,236,636
Laucala	2,805,954	2,695,961
Other regional campuses	2,159,469	1,228,741
	<u>6,908,136</u>	<u>5,332,893</u>
Less: provision for doubtful debts	(6,680,848)	(4,721,982)
	<u>227,288</u>	<u>610,911</u>
<u>Ageing of student debtors due:</u>		
0 to 90 days	650,208	376,786
91 to 180 days	1,765,519	1,778,094
181 to 365 days	1,372,159	930,124
Between 1 and 2 years old	1,999,072	515,061
Between 2 and 3 years old	428,516	568,820
More than 3 years old	692,662	1,164,008
	<u>6,908,136</u>	<u>5,332,893</u>
10d Staff debtors		
Laucala	98,345	105,638
Other regional campuses	7,290	2,426
	<u>105,635</u>	<u>108,064</u>
Less: provision for doubtful debts	(98,345)	(98,344)
	<u>7,290</u>	<u>9,720</u>
<u>Ageing of staff debtors due:</u>		
0 to 90 days	34	2,259
91 to 180 days	2,524	3,278
181 to 365 days	4,732	4,183
Between 1 and 2 years old	-	-
More than 3 years old	98,345	98,344
	<u>105,635</u>	<u>108,064</u>
10e VAT / GST receivable		
Alafua book centre	259,995	64,012
Laucala book centre	2,495,350	2,163,674
Laucala Japan Pacific ICT centre	-	2,667,313
	<u>2,755,345</u>	<u>4,894,999</u>
Less: provision for doubtful debts	(2,495,350)	(717,300)
	<u>259,995</u>	<u>4,177,699</u>
<u>Ageing of VAT/GST due:</u>		
0 to 90 days	114,098	96,153
91 to 180 days	139,087	1,525,531
181 to 365 days	274,473	1,486,097
Between 1 and 2 years old	440,468	365,445
Between 2 and 3 years old	365,445	305,809
More than 3 years old	1,421,774	1,115,964
	<u>2,755,345</u>	<u>4,894,999</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
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10 ACCOUNTS RECEIVABLE (continued)

	2011	2010
	\$	\$
10f Other debtors		
Development assistance partners (projects)	4,975,265	7,565,682
Interest receivable	286,071	578,817
Other debtors	378,025	147,290
	5,639,361	8,291,789

Ageing of other debtors due:

0 to 90 days	1,521,900	2,215,522
91 to 180 days	1,214,205	2,619,508
181 to 365 days	2,261,425	2,816,125
Between 1 and 2 years old	582,800	327,538
Between 2 and 3 years old	59,031	123,466
More than 3 years old	-	189,630
	5,639,361	8,291,789

10g Movement in provision for doubtful debts

Balance at 1 January	6,111,501	2,084,203
Additional provision made during the year	3,955,321	4,027,298
Balance at 31 December	10,066,822	6,111,501

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

	2011	2010
	\$	\$
Alafua	20,651	12,873
Laucala	559,879	554,366
Laucala book centre	191,150	85,214
	771,680	652,453

THE UNIVERSITY OF THE SOUTH PACIFIC
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	2011 \$	2010 \$
12 CASH AND CASH EQUIVALENTS		
Cash and short - term deposits		
- Current accounts	18,304,888	8,742,352
- Term deposits (3 months or less)	29,613,945	6,013,968
- Cash on hand and petty cash	26,508	25,226
Cash and cash equivalents	47,945,341	14,781,546
Held-to-maturity financial assets	9,579,809	39,393,285
	57,525,150	54,174,831

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

a) Where held:

In Fiji	41,945,101	49,589,884
With other regional banks	4,666,663	2,983,447
In other overseas accounts	10,913,386	1,601,500
	57,525,150	54,174,831

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

Fijian dollars	26,847,399	35,685,164
Australian dollars	9,525,534	8,240,586
New Zealand dollars	824,742	-
Solomon Island dollars	1,982,111	1,467,535
British pounds	13,968	13,968
	39,193,754	45,407,253

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

c) Comprising:

University funds	22,262,159	24,949,266
Development assistance (projects)	29,415,075	21,536,673
Endowment funds	5,847,916	7,688,892
	57,525,150	54,174,831

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

THE UNIVERSITY OF THE SOUTH PACIFIC
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13 RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
	\$	\$
Surplus for the year	6,244,717	4,777,616
<u>Adjustments to income and expenditure:</u>		
Release of deferred revenue	(3,939,609)	(3,922,051)
Depreciation	6,679,938	5,732,796
Provision for doubtful debts	3,955,320	4,027,298
Loss on disposal of assets	812,477	3,601
Provision for leave entitlement	1,200,244	299,215
Write down in value of inventories	110,893	383,691
Net cash from operating activities before changes in assets and liabilities	15,063,980	11,302,166
Increase in inventories	(73,742)	(666,600)
Decrease/(increase) in accounts receivable	886,702	(8,615,447)
Increase in prepayments	(119,227)	(200,488)
Increase in development assistance (projects)	3,711,094	10,560,549
(Decrease)/increase in creditors	(3,840,425)	3,686,260
Net cash provided by normal operating activities	15,628,382	16,066,440

14 PROPERTY, PLANT AND EQUIPMENT

	Property	Equipment and Furniture	Vehicles and 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	25,485,774	5,093,858	417,868	4,041,929	35,039,429
Disposals	(1,249,965)	(18,583)	(34,900)	-	(1,303,448)
Transfers between asset classes	2,064,759	1,491,211	14,500	(3,570,470)	-
Deemed cost at 31 December 2011	209,081,248	21,451,464	2,180,448	4,571,266	237,284,426
Accumulated depreciation					
Accumulated depreciation at 1 January 2011	23,188,317	8,037,263	1,085,788	-	32,311,368
Charge for the year	4,072,839	2,360,821	246,278	-	6,679,938
Disposals	(437,488)	(16,522)	(34,900)	-	(488,910)
Accumulated depreciation at 31 December 2011	26,823,668	10,381,562	1,297,166	-	38,502,396
Net carrying amount at 31 December 2011	182,257,580	11,069,902	883,282	4,571,266	198,782,030
Net carrying amount at 31 December 2010	159,592,363	6,847,715	697,192	4,099,807	171,237,077

**THE UNIVERSITY OF THE SOUTH PACIFIC
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14 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under finance lease

The carrying amount of tangible fixed assets was nil (2010: nil) in respect of assets held under finance lease reported under the equipment category relating to PABX equipment. The depreciation charge for the year was \$5,884 (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	2011	2010
	\$	\$
Continuing from 2010		
144 bed hostel	-	1,938,337
Lab equipment replacement installations	-	575,017
ITS - IBM blade server - SAN storage	-	183,775
Other ITS projects	-	514,656
Improve campus infrastructure and developments	1,219,650	400,000
Roof replacement of building 202	-	35,550
FBE tourism lounge and toilets	-	34,898
New modules in Banner	-	1,795
Renovation of staff housings	-	136,280
Concrete roading	-	87,504
Lift in FSTE building	-	136,395
Regional campus - MYOB implementation	-	55,600
New projects in 2011		
Regional React equipment upgrade	12,606	-
IT equipment installation	1,588,710	-
Lab equipment installation	187,468	-
Sheltered walkway	126,000	-
Facilities for students	110,868	-
Improve recreational space and campus life	502,070	-
Multimedia equipment installations	80,519	-
Pony club landscaping	27,165	-
Statham and lower campus upgrade	177,175	-
OHS requirements upgrades	59,846	-
Software development	133,758	-
Refurbish FAL postgraduate space	23,272	-
FSTE - EARS plant photosynthesis	3,665	-
FBE refurbish and upgrade	60,000	-
Resource centre and MBA Library (204)	61,278	-
Replace old fibre optic backbone	46,154	-
Replace old networking hardware	68,988	-
Expansion of wireless coverage	82,074	-
	4,571,266	4,099,807
Reconciliation of fixed assets to related accounts		
Carrying amount of property, plant and equipment at 31 December 2011		198,782,030
<u>This is represented by:</u>		\$
Deferred revenue		170,506,682
Carrying amount of properties acquired directly or through loans:		
Statham street campus		3,941,609
Services complex		106,560
Residential block		760,000
Carrying amount of assets funded from normal operating activities		23,467,179
		198,782,030

**THE UNIVERSITY OF THE SOUTH PACIFIC
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15 FINANCING FACILITIES

The University has access to overdraft facilities of \$4,083,209 (December 2010: \$4,084,818) with various banks across the region for which all conditions precedent have been met. As at 31 December 2011, nil (December 2010: nil) was utilised.

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents as at 31 December 2011 is \$47,945,341 (December 2010: \$14,781,546).

16 CREDITORS AND ACCRUALS

	2011	2010
	\$	\$
Member countries' contributions received in advance	2,875,812	2,599,718
Other creditors and accruals	692,365	202,568
Research funds	1,760,640	1,621,149
Payroll creditors	1,860,984	3,374,499
Student creditors	93,083	82,923
Student fees received in advance	404,425	551,985
Trade creditors	7,495,925	10,156,641
	<u>15,183,234</u>	<u>18,589,483</u>

16a PROJECT FUNDS UNEXPENDED

Development assistance (projects) unexpended	<u>24,054,991</u>	<u>20,343,897</u>
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16b PROVISIONS

Current

Provision for annual leave

Balance at 1 January	3,074,598	2,775,384
Additional provision during the year	<u>1,200,244</u>	<u>299,214</u>
Balance at 31 December	<u>4,274,842</u>	<u>3,074,598</u>

Non-current

Provision for severance allowance

Balance at 1 January	855,116	861,950
Additional provision during the year	95,631	(6,834)
Paid during the year	<u>(92,597)</u>	<u>-</u>
Balance at 31 December	<u>858,150</u>	<u>855,116</u>

Provision for gratuity

Balance at 1 January	27,652	8,769
Additional provision during the year	<u>76,889</u>	<u>18,883</u>
Balance at 31 December	<u>104,541</u>	<u>27,652</u>
	<u>962,691</u>	<u>882,768</u>

Total provisions

	<u>5,237,533</u>	<u>3,957,366</u>
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17 COMMITMENTS

17a Operating lease commitments

The commitments in respect of leased assets are as follows:

Expiring within one year	666,954	652,455
Expiring within more than one year but less than two years	166,739	652,455
Expiring within more than two years but less than five years	<u>-</u>	<u>163,114</u>
	<u>833,693</u>	<u>1,468,024</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
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17 COMMITMENTS (continued)

The University has an operating lease with Fuji Xerox Fiji for the provision of managed multi function device services. Minimum monthly lease of \$55,580 for five years subject to adjustments based upon actual utilization.

17b Capital commitments

The University has a capital commitment of \$6,894,800 for various projects not yet started and asset purchases for which the items had not been received or paid for. This balance was not been recognised as a liability at balance date.

18 CONTINGENT ASSETS AND LIABILITIES

<u>Contingent liabilities</u>	2011 \$	2010 \$
The University's contingent liabilities are estimated to be:		
Fiji Electricity Authority - guarantees given	158,857	158,857
EDF programme management unit - guarantees given	-	223,744
FRCA - customs bond - guarantees given	-	331,645
Ministry of Primary Industries, Land and Water	-	8,963
VAT on contributions received from Fijian government (1992 - 2007)	39,802,087	39,802,087
	<u>39,960,944</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>

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 FIRCA 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 \$294,183,091 (2010: \$317,717,612), with maximum claim limited to \$50,000,000 for any single event.

20 MAC ARTHUR ENDOWMENT FUND

The endowment capital for Mac Arthur endowment fund was restated to USD 1,500,000 from USD 2,000,000 in the prior year in accordance with Mac Arthur Foundation agreement. USD 500,000 has been reclassified to development assistance (projects) unexpended.