

THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 and of its financial performance, its changes in funds and reserves and its cash flows for the year then ended.

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 Lorna Aloma Johansson
Chair – Finance and
Investments Committee



Kolinio Boila
Executive Director
Finance



Independent Auditor's Report

To the Council of the University of the South Pacific

Report on the Financial Statements

We have audited the accompanying financial statements of the University of the South Pacific (the 'University'). The financial statements comprise the statement of financial position of the University as at 31 December 2015, and the statements of comprehensive income, changes in funds and reserves and 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 and for such internal control as the council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 statements. 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 entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the University as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Restriction on Distribution or Use

This report is made solely to the University Council, as a body. Our audit work has been undertaken so that we might state to the University Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University Council as a body, for our audit work, for this report, or for the opinions we have formed.

11 April 2016
Suva, Fiji

PricewaterhouseCoopers
PricewaterhouseCoopers
Chartered Accountants

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 \$	2014 \$
Income			
Government contributions	3	49,515,848	49,564,724
Student tuition fees	4	53,977,487	43,915,290
Development assistance	5	50,392,932	51,335,296
Trading activities	6	17,753,015	18,935,422
Consultancy income	6a	3,134,101	1,661,700
Other income	7	7,547,211	9,811,425
Release of deferred revenue	8	5,065,946	4,833,963
Interest income		661,172	759,948
Unrealised exchange gain/(loss)		11,848	(480,621)
Total income from continuing operations		188,059,560	180,337,147
Expenditure			
Staff costs	9	82,634,439	82,195,130
Operating costs	10	81,652,162	79,102,507
Depreciation and amortisation	16, 17	11,617,441	11,277,418
Movement in impairment provision	12g	4,380,285	1,929,042
Write up in value of inventories		(215,104)	(415,317)
Realised exchange (gain)/loss		(485,424)	424,902
Loss on disposal of assets		-	13,116
Write off of project debts		41,490	630,290
Total expenditure from continuing operations		179,625,289	175,157,088
Surplus for the year		8,434,271	5,180,059
Other comprehensive expense			
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		(1,261,688)	(244,401)
Total comprehensive income for the year		7,172,583	4,935,658

The accompanying notes from pages 9 to 42 form an integral part of these financial statements.

THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015 \$	2014 \$
Current assets			
Cash and cash equivalents	14	30,704,625	28,716,237
Held-to-maturity financial assets	14a	17,655,772	16,929,656
Trade and other receivables	12	19,457,052	19,084,790
Inventories	11	5,186,253	4,531,505
Prepayments	13	67,730	56,251
		<u>73,071,432</u>	<u>69,318,439</u>
Non-current assets			
Property, plant and equipment	16	212,514,318	208,373,868
Intangible assets	17	1,395,794	281,241
		<u>213,910,112</u>	<u>208,655,109</u>
Total assets		<u>286,981,544</u>	<u>277,973,548</u>
Current liabilities			
Creditors and accruals	20	14,048,240	15,591,938
Development assistance (projects) unexpended	20a	23,591,043	21,049,800
Provisions	20b	6,453,328	5,498,349
Deferred income	20c	5,065,946	4,833,963
Borrowings	19	170,515	-
		<u>49,329,072</u>	<u>46,974,050</u>
Non-current liabilities			
Provisions	20b	931,111	877,577
Deferred income	20c	111,240,242	115,417,849
Borrowings	19	8,620,534	4,714,843
		<u>120,791,887</u>	<u>121,010,269</u>
Total Liabilities		<u>170,120,959</u>	<u>167,984,319</u>
Net assets		<u>116,860,585</u>	<u>109,989,229</u>
Represented by:			
Funds and reserves			
Other contributed equity		8,173,810	8,173,810
Endowment capital		5,648,001	5,949,228
Retained earnings		106,484,829	98,050,558
Foreign currency translation reserve	21	(3,446,055)	(2,184,367)
		<u>116,860,585</u>	<u>109,989,229</u>

The accompanying notes from pages 9 to 42 form an integral part of these financial statements

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 \$	2014 \$
Retained earnings			
Balance as at 1 January		98,050,558	92,870,499
Surplus for the year		8,434,271	5,180,059
Balance at year end		<u>106,484,829</u>	<u>98,050,558</u>
Endowment capital			
Balance at 1 January		5,949,228	6,093,427
Foreign exchange gain for the year		(301,227)	(144,199)
Balance at year end		<u>5,648,001</u>	<u>5,949,228</u>
Analysed as:			
Endowments – general		94,133	94,133
Endowments – specific		5,553,868	5,855,095
Total endowment capital		<u>5,648,001</u>	<u>5,949,228</u>
Other contributed equity			
Balance at 1 January		8,173,810	7,940,310
Movement during the year	21	233,500	233,500
Balance at year end		<u>8,173,810</u>	<u>8,173,810</u>
Foreign currency translation reserve			
Balance at 1 January		(2,184,367)	(1,939,966)
Other comprehensive income		(1,261,688)	(244,401)
Balance at year end		<u>(3,446,055)</u>	<u>(2,184,367)</u>

The accompanying notes from pages 9 to 42 form an integral part of these financial statements.

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 \$	2014 \$
Operating activities			
<i>Recurrent activities</i>			
Development assistance (recurrent)		29,360,771	31,261,531
Government contributions		47,060,152	49,364,443
Interest received		650,075	863,077
Student tuition fees		51,632,627	42,600,705
Trading activities		17,160,655	17,387,409
Other receipts		10,720,912	9,979,408
		<u>156,585,192</u>	<u>151,456,573</u>
Staff costs		(75,763,011)	(78,274,606)
Other operating costs		(68,935,797)	(65,931,593)
		<u>(144,698,808)</u>	<u>(144,206,199)</u>
<i>Net cash flows provided by recurrent activities</i>		<u>11,886,384</u>	<u>7,250,374</u>
Project activities			
Receipts from development assistance		23,573,403	20,109,422
Staff costs		(5,702,551)	(5,564,189)
Other operating costs		(15,366,816)	(14,521,701)
		<u>(21,069,367)</u>	<u>(20,085,890)</u>
<i>Net cash flows provided by project activities</i>		<u>2,504,036</u>	<u>23,532</u>
Net cash provided by operating activities	15	14,390,420	7,273,906
Investing activities			
Payment for property plant and equipment - General		(14,631,800)	(10,395,669)
Payment for property plant and equipment - Projects		(1,120,322)	(1,210,565)
Net transfers to term deposits		(726,116)	1,782,477
Net cash used in investing activities		<u>(16,478,238)</u>	<u>(9,823,757)</u>
Financing Activities			
Proceeds from term loan, net		4,076,206	4,714,843
Net cash flow provided by financing activities		<u>4,076,206</u>	<u>4,714,843</u>
Net increase in cash and cash equivalents		<u>1,988,388</u>	<u>2,164,992</u>
Cash and cash equivalents at 1 January		28,716,237	26,551,245
Net increase in cash and cash equivalents		1,491,116	3,070,515
Effect of exchange rate fluctuations on cash held		497,272	(905,523)
Cash and cash equivalents at 31 December	14	<u>30,704,625</u>	<u>28,716,237</u>

The accompanying notes from pages 9 to 42 form an integral part of these financial statements.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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.

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

These financial statements were authorised for issue by the Finance and Investments Committee on 11 April 2016.

1 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting period

The financial statements are reported for the year from 1 January to 31 December 2015.

(b) Basis of measurement

The financial statements are prepared on the basis of historical costs and do not take into account changing money values or current valuation of non-current assets.

The concept of 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.

(c) Functional and presentation currency

The financial statements are presented in Fiji dollars which is the University's functional currency and rounded to the nearest dollar. Foreign currency amounts in respect of all overseas regional campuses of the University have been converted to Fiji dollars based on note 1 (m).

(d) 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").

New standards and interpretations not yet adopted.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the University.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Basis of aggregation

The financial statements of the overseas regional campuses and the book centre are aggregated in the University's financial statements. Inter-entity transactions, balances and gains/losses on the transactions between the University entities are eliminated.

(f) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular significant areas of estimation uncertainty and critical judgments relate to impairment provisions for accounts receivable and inventories.

(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 benefits to the 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, less depreciation and impairment.

Items of property, plant and equipment, costing \$1,000 or more are recognised as assets. Items of property, plant and equipment costing less than \$1,000 are expensed directly to profit or loss (other than where they form part of a group of similar items which are significant in total).

(i) Depreciation

Property, plant and equipment, including buildings, but excluding freehold land acquired since 31 December 1993, are recorded at cost and depreciated on a straight line basis over their estimated useful lives commencing from the time the asset is held and ready for use. The estimated useful lives are as follows:

- Motor vehicles and vessels 5 years.
- Buildings 50 years.
- Equipment, furniture and fittings 5 years.
- Freehold land not depreciated.

The depreciation applicable to donated assets is offset by a transfer from deferred income to profit or loss.

(ii) Impairment

Property, plant and equipment are inspected by a Board of Survey when required. 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.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

(iii) Deferred income

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 deferred income as a liability and released to profit or loss 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 the University's own funds, donated by member countries or a loan or finance lease.

(iv) Leased assets

The University leases some property and equipment under operating leases. The rentals are charged as an expense on a straight line basis over the term of the lease to profit or loss.

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 profit or loss over the term of the lease.

(h) Intangible assets

IT software

IT software which is purchased, developed, or implemented, is recorded at historical cost and is amortised over its estimated useful life as follows:

- Computer software 5 years.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined 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 profit or loss at the time of purchase.

(j) Accounts receivable

Accounts receivable are measured initially at fair value and subsequent measurement is at amortised cost less any impairment losses. The impairment provision is made as follows:

(i) Government debtors

No impairment provision 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.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Accounts receivable (continued)

(iii) Student debtors

Student 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.

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

All VAT receivable for Laucala Book Centre prior to 14 May 2012 have been fully provided for. The impairment provision is charged to profit or loss. 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 original terms of three months or less and are subject to an insignificant risk of change in value, and bank overdrafts.

(i) Operating activities

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

(ii) 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.

(iii) 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

(i) Short term benefits

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

(ii) Superannuation benefits

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 to profit or loss. The University's obligation is limited to these contributions.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are employee benefits that are payable as a result of an employee's decision to accept voluntary redundancy in exchange for those benefits. This is recognised as an expense in profit or loss as the obligation arises.

(m) Foreign currency transactions

All foreign currency transactions during the period have been translated to Fijian currency using the exchange rate in effect at the dates of the transactions. Foreign currency monetary assets and liabilities in foreign currencies 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 period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss in the financial period in which they arise.

Regional campuses

The assets and liabilities of regional campuses are translated to Fijian dollars using the exchange rate as at year end. The income and expenses of regional campuses are translated to Fijian dollars at average exchange rates. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve. The functional currencies of the regional campuses are those of their respective countries.

(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 comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the University's activities. Revenue is shown net of value added tax, rebates and discounts.

The University recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the University and when specific criteria have been met for each of the University's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The University bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue recognition (continued)

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

(i) Government grants

The University treats operating grants received from government contributions as income in the year of receipt or when entitlement to the grant is established. Government grants in respect of capex are recognised initially as deferred income when there is reasonable assurance that it will be received and the University will comply with the conditions associated with the grant. It is then recognised in profit or loss as income on a systematic basis over the useful life of the acquired asset.

(ii) Student tuition fees

The University recognises all student tuition fees on enrolment of the courses.

(iii) Development assistance

Development assistance received for recurrent funding is recognised on the due date while development assistance received with specific end purposes is recognised 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 recognised as a liability.

(iv) Trading activities

Revenue from trading operations is recognised at the point of sale for goods, or as the service is performed.

(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 when the goods/services have been provided.

(vii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease for the various properties held by the University.

(viii) Interest revenue

Interest revenue is recognised as it accrues.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 the Council, deed, gift or by the terms of the endowments or bequests. Endowment funds are transferred to profit or loss only when it is no longer required for the purpose for which the fund was originally established.

(q) 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. At period end all expenditure in respect of goods and services not yet rendered is reversed.

(r) Trade creditors and accruals

Liabilities for trade payables and other amounts are carried at amortised 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. The University's term in respect of its creditors is 30 days.

(s) Borrowings

The University classifies non-derivative financial liabilities into borrowings. Such financial liabilities are recognised initially at fair value less any direct attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Finance cost comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(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.

Amounts charged to the provision account are written off when there is no expectation of recovery.

(u) Held-to-maturity financials 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 on an accrual basis.

(v) Comparative amounts

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

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2 FINANCIAL RISK MANAGEMENT

The University has exposure to the following risks:

- (i) Credit risk
- (ii) Liquidity risk and
- (iii) Market risk

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 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.

(i) Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of these assets, as disclosed in the statement of financial position and notes to the financial statements. The movement in the allowance for impairment in respect of trade and other receivables is included in Note 12 (g).

(ii) Liquidity Risk

Liquidity risk refers to the risk of financial loss to the University as a result of insufficient funds being available to meet its short and long term liabilities. The University has creditors and accruals which are all short term and hence have been classified as current liabilities in the statement of financial position.

The University manages liquidity risk by maintaining adequate cash and cash equivalent balances and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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.

The table below summarises the maturity profile of the university's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2015	On Demand	3 to 12 months	1 to 5 years	> 5 years	Total
	\$	\$	\$		\$
Creditors and accruals	-	14,048,240	-	-	14,048,240
Borrowings	-	170,515	3,280,714	5,902,544	9,353,772

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2 FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the maturity profile of the university's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2014	On Demand	3 to 12 months	1 to 5 years	> 5 years	Total
	\$	\$	\$		\$
Creditors and accruals	-	15,591,938	-	-	15,591,938
Borrowings	-	-	3,585,842	1,669,133	5,254,975

(iii) Market risk

Foreign currency risk

Foreign currency risk refers to risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates. The University's foreign currency exchange risk arises primarily from trade receivables balances denominated in a foreign currency and transactions for receipts and payments settled in foreign currencies or with prices dependent on foreign currencies as well as transactions for regional campuses in various currency denominations.

The University manages this risk by maintaining off-shore bank accounts in its efforts to provide a natural hedge against currency exposures.

The following table demonstrates the sensitivity analysis to a reasonably possible change in the Australian dollar (AUD), New Zealand dollar (NZD), Solomon Island dollar (SBD), Japanese Yen (JPY) and Vanuatu Vatu (VUV) exchange rate on the University's surplus, with all other variables held constant:

	Increase / (decrease)	Effect on surplus(\$)				
		AUD	NZD	SBD	VUV	JPY
31-Dec-15	10%	1,556,873	579,687	(376,314)	17,734	267,852
	-10%	(1,556,873)	(579,687)	(376,314)	(17,734)	(267,852)
31-Dec-14	10%	2,460,825	510,312	311,891	-	7
	-10%	(2,460,825)	(510,312)	(311,891)	-	(7)

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2 FINANCIAL RISK MANAGEMENT (continued)

(ii) Market risk (continued)

Interest Rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

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, utilisation of bank overdrafts and borrowings.

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. The University does not have any fixed interest instruments at fair value through profit and loss and as such is not exposed to fair value movements due to change in interest rates.

Long-term investments are not feasible due to the nature of operations within the University, therefore, avoiding the risk of a cash flow 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, Regulations and Scheme of Financial Delegations;
- (ii) any legal or fiscal statutory restrictions; and
- (iii) the terms and covenants of borrowing

All the borrowings of the University are at fixed rates of interest.

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3 GOVERNMENT CONTRIBUTIONS

	Student Grant \$	Campus Grant \$	Total \$
DECEMBER 2015			
Cook Islands	130,894	72,217	203,111
Fiji	24,076,413	12,520,789	36,597,202
Kiribati	1,110,920	120,740	1,231,660
Marshall Islands	151,031	73,671	224,702
Nauru	60,413	49,557	109,970
Niue	20,137	40,604	60,741
Samoa	704,813	436,594	1,141,407
Solomon Islands	5,098,147	138,705	5,236,852
Tokelau	43,631	-	43,631
Tonga	1,295,513	197,936	1,493,449
Tuvalu	647,757	40,465	688,222
Vanuatu	1,792,239	692,662	2,484,901
	35,131,908	14,383,939	49,515,848

3 GOVERNMENT CONTRIBUTIONS

	Student Grant \$	Campus Grant \$	Total \$
DECEMBER 2014			
Cook Islands	147,675	86,304	233,979
Fiji	22,287,912	14,312,088	36,600,000
Kiribati	1,178,045	126,579	1,304,624
Marshall Islands	127,538	73,358	200,896
Nauru	77,194	76,235	153,429
Niue	23,494	43,152	66,646
Samoa	980,026	461,724	1,441,750
Solomon Islands	4,598,066	96,372	4,694,438
Tokelau	50,344	-	50,344
Tonga	1,497,846	109,318	1,607,164
Tuvalu	782,007	54,659	836,666
Vanuatu	1,812,376	562,412	2,374,788
	33,562,523	16,002,201	49,564,724

THE UNIVERSITY OF THE SOUTH PACIFIC
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4 STUDENT TUITION FEES	2015 \$	2014 \$
Regional students	23,807,930	16,772,115
International students	1,724,592	1,549,937
	<u>25,532,522</u>	<u>18,322,052</u>
Distance and flexible learning	13,853,687	12,866,476
	<u>39,386,209</u>	<u>31,188,528</u>
College of Foundation Studies	6,155,246	5,063,721
Republic of Marshall Islands (RMI)	306,512	233,010
Master of Business Administration	2,437,669	3,083,842
Others	5,691,851	4,346,189
	<u><u>53,977,487</u></u>	<u><u>43,915,290</u></u>

4a Student Tuition Fees by Sponsor

Private students	34,294,151	28,305,194
Private Sponsored	1,719,434	1,791,490
Government Sponsored	17,752,994	13,539,961
USP Sponsored	210,908	278,645
	<u>53,977,487</u>	<u>43,915,290</u>

5 DEVELOPMENT ASSISTANCE

Australia - Recurrent	22,190,465	23,618,928
- Projects	11,118,283	16,018,559
New Zealand - Recurrent	7,170,306	7,642,603
- Projects	79,997	44,761
European Union	3,783,445	104,810
Japan	365,574	310,118
Other Partners	5,684,862	3,595,517
	<u><u>50,392,932</u></u>	<u><u>51,335,296</u></u>

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6 TRADING ACTIVITIES

	2015 \$	2014 \$
Book centre	6,965,842	8,588,336
Computer shop	2,761,482	2,587,055
Residential/Housing rental income		
- <i>Laucala</i>	4,182,685	3,774,883
- <i>Emalus</i>	748,869	1,068,747
- <i>Alafua</i>	369,021	319,601
	<u>15,027,899</u>	<u>16,338,622</u>
Gymnasium and Community Recreation Centre	797,656	819,021
ICT Park rentals	774,113	709,143
Other rental	396,763	451,632
Others	756,584	617,004
	<u>17,753,015</u>	<u>18,935,422</u>

6a CONSULTANCY INCOME

Professional services and project consultancies		
- IAS	804,975	835,092
- Other	1,712,557	374,169
Training and teaching	596,549	392,500
Other	20,020	59,939
	<u>3,134,101</u>	<u>1,661,700</u>

7 OTHER INCOME

Administration cost recovery	251,967	137,668
Course material and text book sales	2,340,106	2,799,354
Faculty and support units' income	839,057	1,294,944
ITS domain name registration	187,610	151,431
Laboratory income	1,016,020	1,030,508
Miscellaneous student activities	1,571,878	2,238,609
Other income	1,340,573	2,158,911
	<u>7,547,211</u>	<u>9,811,425</u>

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8	RELEASE OF DEFERRED REVENUE	2015	2014
		\$	\$
	Depreciation charge for the year	11,617,441	11,277,418
	Less: charge on items acquired through normal operating activities	(6,551,495)	(6,443,455)
	Release of deferred revenue liability - depreciation	<u>5,065,946</u>	<u>4,833,963</u>

9	STAFF COSTS	2015	2014
		\$	\$
	Academic and comparable staff	53,873,900	53,663,891
	Intermediate and junior staff	17,989,290	17,684,141
	Hourly paid staff	7,435,231	7,444,398
	Provision for leave entitlement	954,979	448,704
	Senior management	2,381,039	2,953,996
	Total staff costs	<u>82,634,439</u>	<u>82,195,130</u>

Staff numbers (including part-time staff) by category

Academic and comparable staff	662	610
Intermediate and junior staff	564	653
Hourly paid staff	334	319
Senior management	9	9
Total staff numbers	<u>1,569</u>	<u>1,591</u>

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

\$100,000 - \$119,999	55	40
\$120,000 - \$139,999	32	29
\$140,000 - \$159,999	22	14
\$160,000 - \$179,999	6	16

**THE UNIVERSITY OF THE SOUTH PACIFIC
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9 Annualised taxable emoluments for staff paid \$100,000 or more (Continued)	2015 \$	2014 \$
\$180,000 - \$199,999	8	2
\$200,000 - \$219,999	5	8
\$220,000 - \$239,999	9	2
\$240,000 - \$259,999	4	2
\$260,000 - \$279,000	1	1
\$280,000 - \$299,000	1	1
Above \$300,000	2	3
	145	118

10 OPERATING COSTS

	2015 \$	2014 \$
Cost of sales	7,936,848	10,045,210
Travel and related expenses – University related	4,183,000	5,807,046
Travel and related expenses – Projects related	3,423,320	2,539,783
Student – research related expenses	9,301,938	9,345,424
Student – support related expenses	1,552,207	1,925,582
Grounds and maintenance	4,163,019	5,223,262
Consultancy expenses	6,296,262	4,662,800
Utilities	5,182,531	5,327,716
Telecommunications	5,788,528	3,513,834
Library books	2,842,089	2,811,126
Staff recruitment and passages	829,102	822,884
Printing and stationery	2,697,317	2,379,782
Insurance premiums	2,689,301	2,549,790
Computer software and hardware	2,284,273	1,953,268
Workshop expenses	1,325,083	1,334,740
Advertising	1,151,577	1,808,027
Hospitality / expenditure on meetings	960,634	1,008,309
Teaching materials	2,095,013	2,059,151
Medical expenses	1,836,196	2,439,972
Rental expense	1,787,971	1,613,419
Equipment purchase	1,523,284	1,132,164
Freight and courier charges	433,954	638,669

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10 OPERATING COSTS (Continued)	2015	2014
	\$	\$
Operating costs - strategic plan	3,666,826	3,626,697
Sub-total	73,950,273	74,568,655
Other items of expenditure	7,398,171	4,145,782
 <u>Fees paid to auditors:</u>		
External audit - audit of financial statements	57,505	54,483
Audit of projects	30,574	23,408
Other services	-	88,554
Internal audit	140,197	150,000
 <u>Honorarium:</u>		
Council	37,728	37,625
Audit and risk committee	24,875	23,500
Finance and investments committee	12,838	10,500
Total operating costs	81,652,162	79,102,507

THE UNIVERSITY OF THE SOUTH PACIFIC
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11 INVENTORIES	Goods and Publications	Academic Gowns	Maintenance	Catering and Domestic	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2014	2,885,600	711,209	35,028	4,147	3,635,984
Additions	9,342,736	383,057	36,057	39,644	9,801,494
Expensed	(9,241,421)	-	(39,118)	(40,751)	(9,321,290)
Impairment	420,932	(5,615)	-	-	415,317
Cost or valuation at 31 December 2014	3,407,847	1,088,651	31,967	3,040	4,531,505
Balance at 1 January 2015	3,407,847	1,088,651	31,967	3,040	4,531,505
Additions	6,272,881		36,057	50,967	6,359,905
Expensed	(5,717,758)	(93,556)	(56,554)	(52,393)	(5,920,261)
Impairment	174,975	16,430	23,699		215,104
Cost or valuation at 31 December 2015	4,137,945	1,011,525	35,169	1,614	5,186,253

	2015	2014
	\$	\$
Analysis of value of inventories		
Total cost of inventories	5,421,046	4,981,402
Less: provision for obsolescence	(234,793)	(449,897)
Cost or valuation at year end	5,186,253	4,531,505

Analysis of goods and publications:

Book centre - inventory	1,636,574	1,415,004
Book centre - goods in transit	611,941	893,345
Regional campuses - books	1,389,042	1,104,031
Regional campuses - course materials	435,995	321,094
Institute of Education	26,895	67,016
Institute of Research Extension & Training Agriculture	255,166	-
	4,355,613	3,800,490
Less: provision for obsolescence	(217,668)	(392,643)
Cost or valuation at year end	4,137,945	3,407,847

**THE UNIVERSITY OF THE SOUTH PACIFIC
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12 TRADE AND OTHER RECEIVABLES	Notes	2015 \$	2014 \$
Government contributions	12a	2,566,044	143,905
Trade debtors	12b	3,718,052	3,125,693
Student debtors	12c	15,371,141	12,607,497
Staff debtors	12d	32,366	123,083
VAT / GST receivable	12e	3,510,853	3,738,780
Other debtors	12f	9,610,016	10,871,707
		<u>34,808,472</u>	<u>30,610,665</u>
Less: provision for doubtful debts	12g	<u>(15,351,420)</u>	<u>(11,525,875)</u>
		<u>19,457,052</u>	<u>19,084,790</u>
12a Contribution due from governments:			
Solomon Islands		2,566,044	-
Marshall Islands		-	143,905
		<u>2,566,044</u>	<u>143,905</u>
<u>Ageing of government contributions due:</u>			
0 to 90 days		2,566,044	6,853
91 to 180 days		-	50,224
181 to 365 days		-	86,828
		<u>2,566,044</u>	<u>143,905</u>
Overpayments by member countries are classified as creditors.			
12b Trade Debtors			
Alafua campus		316,941	163,153
Emalus campus and book centre		73,856	50,153
Tonga Campus (IOE)		385,628	-
Laucala campus - Commercial		101,558	182,224
- Others		2,840,069	2,730,163
		<u>3,718,052</u>	<u>3,125,693</u>
Less: Impairment provision		<u>(1,713,690)</u>	<u>(838,861)</u>
		<u>2,004,362</u>	<u>2,286,832</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
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12b Trade Debtors (continued)	2015 \$	2014 \$
<u>Ageing of trade debtors due:</u>		
0 to 90 days	1,516,582	2,105,562
91 to 180 days	975,559	362,540
181 to 365 days	445,867	175,892
Between 1 and 2 years old	392,396	404,607
Between 2 and 3 years old	314,411	32,218
More than 3 years old	73,237	44,874
	3,718,052	3,125,693
12c Student Debtors		
Alafua	1,262,386	1,071,792
Emalus	2,185,092	2,531,491
Laucala	7,130,905	4,673,484
Other regional campuses	4,792,758	4,330,730
	15,371,141	12,607,497
Less: Impairment provision	(9,937,693)	(7,509,260)
Write off student debts	(141,707)	(333,794)
	5,291,741	4,764,443
<u>Ageing of student debtors due:</u>		
0 to 90 days	1,949,345	2,026,950
91 to 180 days	4,945,521	3,672,910
181 to 365 days	2,444,429	1,610,522
Between 1 and 2 years old	1,873,439	2,118,765
Between 2 and 3 years old	1,107,191	773,602
More than 3 years old	3,051,216	2,404,748
	15,371,141	12,607,497
12d Staff debtors		
Laucala	6,873	104,569
Other regional campuses	25,493	18,514
	32,366	123,083
Less: Impairment provision	(27,508)	(116,129)
	4,858	6,955

**THE UNIVERSITY OF THE SOUTH PACIFIC
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12d Staff debtors (continued)	2015	2014
	\$	\$
<u>Ageing of staff debtors due:</u>		
0 to 90 days	1,702	6,084
91 to 180 days	6,313	1,741
181 to 365 days	10,481	5,694
Between 1 and 2 years old	10,814	11,219
Between 2 and 3 years old	3,056	-
More than 3 years old	-	98,345
	32,366	123,083
12e VAT/GST receivable		
Alafua book centre	465,774	804,690
Laucala book centre	3,045,079	2,934,090
	3,510,853	3,738,780
Less: Impairment provision	(2,727,831)	(2,727,831)
	783,022	1,010,949
<u>Ageing of VAT/GST due:</u>		
0 to 90 days	91,220	52,935
91 to 180 days	46,591	72,996
181 to 365 days	-	264,057
Between 1 and 2 years old	24,249	219,761
Between 2 and 3 years old	219,761	416,183
More than 3 years old	3,129,032	2,712,848
	3,510,853	3,738,780
12f Other debtors		
Development assistance partners (projects)	7,214,945	9,210,701
Development assistance partners (Scholarships)	1,269,587	-
Interest receivable	162,088	150,992
Other debtors	963,396	1,510,014
	9,610,016	10,871,707
Less: Impairment provision	(389,958)	-
Write off project debtors	(413,033)	
	8,807,025	10,871,707

**THE UNIVERSITY OF THE SOUTH PACIFIC
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12f Other Debtors (Continued)

<u>Ageing of other debtors due:</u>	2015	2014
	\$	\$
0 to 90 days	4,625,427	2,004,408
91 to 180 days	1,016,388	3,258,357
181 to 365 days	3,461,761	1,801,357
Between 1 and 2 years old	366,696	996,666
Between 2 and 3 years old	30,374	1,414,987
More than 3 years old	109,370	1,395,932
	<u>9,610,016</u>	<u>10,871,707</u>

12g Movement in provision for doubtful debts

Balance at 1 January	11,525,875	9,930,627
Write offs	(554,740)	(333,794)
Additional provision made during the year	4,380,285	1,929,042
Balance at 31 December	<u>15,351,420</u>	<u>11,525,875</u>

The creation and release of provision for doubtful debts is shown under movement in 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.

13 PREPAYMENTS

Alafua	17,085	17,085
Laucala	25	370
Laucala book centre	50,620	38,796
	<u>67,730</u>	<u>56,251</u>

14 CASH AND CASH EQUIVALENTS

Cash and short – term deposits		
- Current Accounts	19,784,222	12,165,967
- Term deposits (3 months or less)	10,862,115	16,509,333
- Cash on hand and petty cash	58,288	40,937
Cash and cash equivalents	<u>30,704,625</u>	<u>28,716,237</u>

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14 CASH AND CASH EQUIVALENTS (Continued)	2015 \$	2014 \$
14a HELD-TO-MATURITY FINANCIAL ASSETS	17,655,772	16,929,656
Total cash and cash equivalents and held-to-maturity financial assets	48,360,397	45,645,893
Where held:		
In Fiji	17,524,532	9,906,145
With other regional banks	11,060,538	8,749,692
In other overseas accounts	19,775,327	26,990,056
	48,360,397	45,645,893

Held-to-maturity financial assets comprise term deposits maturing between 3 and 12 months at 31 December 2015.

14b The term deposits are denominated in the following currencies but stated in Fijian dollars:

Fijian dollars	533,283	608,658
Australian dollars	15,568,730	24,608,246
New Zealand dollars	5,796,883	5,103,110
Solomon Island dollars	3,763,137	3,118,908
Japanese yen	2,678,518	67
Vanuatu Vatu	177,336	-
	28,517,887	33,438,989

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

14c Comprising:

University funds	19,121,353	18,646,865
Development assistance (projects)	23,591,043	21,049,800
Endowment funds	5,648,001	5,949,228
	48,360,397	45,645,893

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

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15 Reconciliation of net cash from operating activities to statement of comprehensive income

	2015	2014
	\$	\$
(Deficit)/surplus for the year	8,434,271	5,180,059
<u>Adjustments to income and expenditure:</u>		
Release of deferred revenue	(5,065,946)	(4,833,963)
Depreciation	11,617,441	11,277,418
Movement in provision for doubtful debts	4,380,285	1,929,042
Loss on demolition of assets	-	13,116
Write-off student debts	(554,740)	(333,794)
Provision for leave entitlement	954,979	448,704
Write down/(reversal) in value of inventories	(215,104)	(415,317)
Write-off Project Debts	41,490	630,290
Net cash from operating activities before changes in assets and liabilities	<u>19,592,676</u>	<u>13,895,555</u>
Decrease/(Increase) in inventories	(439,644)	(480,204)
Increase in accounts receivable	(4,239,297)	(2,249,251)
Decrease/(increase) in prepayments	(11,479)	517,826
Increase/(decrease) in development assistance (projects)	2,541,243	(826,610)
Increase in creditors	(1,791,392)	(3,572,509)
Increase in other contributed Equity	-	233,500
(Decrease) in foreign currency translation reserve	(1,261,687)	(244,401)
Net cash provided by normal activities	<u>14,390,420</u>	<u>7,273,906</u>

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16 Property, plant and equipment

	Property	Equipment and Furniture	Vehicles and Vessels	Work in Progress	Total
	\$	\$	\$	\$	\$
Cost					
Deemed cost at 1 January 2014	217,534,608	35,402,700	2,841,964	5,234,806	261,014,078
Additions	7,003,142	5,287,644	672,679	2,071,257	15,034,722
Disposals	-	(15,972)	-	-	(15,972)
Transfers between asset classes	1,191,657	64,759	-	(1,256,416)	-
Deemed cost at 31 December 2014	225,729,407	40,739,131	3,514,643	6,049,647	276,032,828
Additions	7,583,065	4,460,610	367,847	3,166,240	15,577,762
Disposals	-	-	(178,500)	-	(178,500)
Transfers between asset classes	3,475,556	309,903	-	(3,785,459)	-
Deemed cost at 31 December 2015	236,788,028	45,509,644	3,703,990	5,430,428	291,432,090
Accumulated depreciation					
Accumulated depreciation at 1 January 2014	36,297,451	18,439,555	1,795,082	-	56,532,088
Charge for the year	4,827,132	5,936,597	366,860	-	11,130,589
Disposals	-	(3,717)	-	-	(3,717)
Accumulated depreciation at 31 December 2014	41,124,583	24,372,435	2,161,942	-	67,658,960
Charge for the year	5,023,146	5,997,321	415,370	-	11,435,837
Disposals	-	-	(177,025)	-	(177,025)
Accumulated depreciation at 31 December 2015	46,147,729	30,369,756	2,400,287	-	78,917,772

THE UNIVERSITY OF THE SOUTH PACIFIC
 NOTES TO THE FINANCIAL STATEMENTS
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16 Property, plant and equipment (continued)

	Property	Equipment and Furniture	Vehicles and Vessels	Work in Progress	Total
	\$	\$	\$	\$	\$
Net carrying amount at 1 January 2014	181,237,157	16,963,145	1,046,882	5,234,806	204,481,990
Net carrying amount at 31 December 2014	<u>184,604,824</u>	<u>16,366,696</u>	<u>1,352,701</u>	<u>6,049,647</u>	<u>208,373,868</u>
Net carrying amount at 31 December 2015	<u><u>190,640,299</u></u>	<u><u>15,139,888</u></u>	<u><u>1,303,703</u></u>	<u><u>5,430,428</u></u>	<u><u>212,514,318</u></u>

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 and the asset is put into service.

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Carrying amount of work in progress projects	2015 \$	2014 \$
Continuing from 2014		
Improve campus infrastructure and developments	1,680,283	2,102,877
IT equipment installation	2,856,440	396,290
Lab equipment installation	209,418	131,783
Improve recreational space and campus life	101,036	43,297
Lautoka Campus	12,535	118,196
Biofuel Testing Laboratory	-	239,717
MBA Resource Centre	-	113,109
Smart Class Room	-	183,958
Road Upgrade	-	79,000
Software development	-	70,186
11th Hall - 2 Additional Blocks	-	687,964
Kiribati Campus	-	1,883,270
New Projects in 2015		
Pony Club Road Construction	7,695	-
Marshall Islands Campus	199,164	-
Solomon Islands Campus	130,461	-
12 th Hall	106,805	-
4 th Year Engineering Block	126,591	-
	5,430,428	6,049,647

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

16 PROPERTY, PLANT AND EQUIPMENT (continued)

	2015	2014
	\$	\$
Reconciliation of fixed assets to related accounts		
Carrying amount of property, plant and equipment at 31 December	212,514,318	208,373,868
 <u>This is represented by:</u>		
Deferred income	116,306,188	120,251,812
Other contributed equity	8,173,810	8,173,810
Carrying amount of properties acquired directly or through loans:		
Statham street campus	3,773,809	3,857,709
Services complex	97,920	102,240
Residential block	712,000	736,000
Student Accommodation	5,067,696	3,044,632
Kiribati campus	8,354,585	1,883,270
Solomon Islands Campus - WIP	130,461	
Lautoka Campus - WIP	12,535	118,196
Carrying amount of assets funded from operating activities	69,885,314	70,206,199
	212,514,318	208,373,868

17 INTANGIBLE ASSETS

Deemed cost at 1 January 2014	954,755
Additions	39,985
Deemed cost at 31 December 2014	994,740
Additions	1,296,157
Deemed cost at 31 December 2015	2,290,897
 Amortisation and impairment	
At 1 January 2014	566,670
Amortisation	146,829
Amortisation at 31 December 2014	713,499
Amortisation	181,604
Amortisation at 31 December 2015	895,103
 Net carrying amount at 1 January 2014	 388,085
Net carrying amount at 31 December 2014	281,241
Net carrying amount at 31 December 2015	1,395,794

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

18 FINANCING FACILITIES

The University has access to overdraft facilities of \$5,000,000 (December 2014: \$5,000,000) with various banks across the region for which all conditions precedent have been met. As at 31 December 2015: nil (December 2014: nil) was utilised.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents as at 31 December 2015 is \$30,704,625 (December 2014: \$28,716,237). Held-to-maturity financial assets as at 31 December 2015 is \$17,655,772 (December 2014: \$16,929,656).

19 BORROWINGS

	December 2015 \$	December 2014 \$
Fiji National Provident Fund Loan (FNPF)	2,937,217	3,051,780
Asian Development Bank Loan (ADB)	5,853,832	1,663,063
	8,791,049	4,714,843
Disclosed in the financial statements as follows:		
Current	170,515	-
Non-current	8,620,534	4,714,843
	8,791,049	4,714,843

19a Fiji National Provident Fund Loan

The University entered into a loan agreement of \$3.6m with FNPF to construct the 11th Hall for student accommodation at the Laucala Campus. The loan is to be repaid within 15 years of the first drawdown with the interest rate being fixed at 3.5% for 5 years. The interest rate at each of the next lot of 5 year intervals will be 0.5% less than the 5 year Fiji Infrastructure Bond rate applicable at that time.

19b Asian Development Bank Loan

The University entered into a loan agreement with ADB of SDR 2,336,000 to construct the Kiribati Campus. The loan is to be paid off between December 2020 and May 2046 with the applicable interest rate being 1% during the grace period and 1.5% thereafter.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

20 CREDITORS AND ACCRUALS	2015 \$	2014 \$
Member countries' contributions received in advance	1,523,263	1,556,820
Other creditors and accruals	2,314,336	3,364,165
Research funds	3,035,835	2,432,783
Payroll creditors	2,372,072	2,211,706
Student creditors	429,296	280,370
Student fees received in advance	1,066,978	797,120
Trade creditors	3,306,460	4,948,974
	14,048,240	15,591,938
20a DEVELOPMENT ASSISTANCE (PROJECTS) UNEXPENDED		
AusAID	9,360,437	10,594,543
NZ	267,962	117,994
EU	1,719,555	1,725,840
Japan	2,664,129	163,777
Others	9,578,960	8,447,646
	23,591,043	21,049,800

Development assistance (projects) funds are from development partners and are appropriated for a variety of purposes ranging from research, scholarship, community outreach and capital developments.

20b PROVISIONS

Current

<u>Provision for annual leave</u>	2015 \$	2014 \$
Balance at 1 January	5,498,349	5,049,645
Movement during the year	954,979	448,704
Balance at 31 December	6,453,328	5,498,349

Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
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20b PROVISIONS (Continued)	2015	2014
	\$	\$
<i>Non-current</i>		
<u>Provision for severance allowance</u>		
Balance at 1 January	877,577	894,307
Additional provision during the year	53,534	158,513
Paid during the year	-	(175,243)
Balance at 31 December	931,111	877,577
<u>Provision for gratuity</u>		
Balance at 1 January	-	323,557
Additional provision during the year	-	-
Paid during the year	-	(323,557)
Balance at 31 December	931,111	877,577
20c Deferred Income		
Balance at 1 January	120,251,812	121,616,441
Additions during the year	1,120,322	3,469,334
Release during the year – depreciation	(5,065,946)	(4,833,963)
Release during the year – disposals	-	-
Balance at year end	116,306,188	120,251,812
(i) Disclosed in the financial statements as follows:		
Current	5,065,946	4,833,963
Non-current	111,240,242	115,417,849
	116,306,188	120,251,812

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

21 Capital and Reserves

(a) Other contributed equity

The amount reflects the cost of assets donated by member countries in its capacity as the owners of the University. Contributions received during the period were NIL

(b) Foreign currency translation reserve

This reserve represents the resultant exchange gain/loss arising from the translation of all overseas campus balances on aggregation.

22 COMMITMENTS

22a Operating lease commitments	2015	2014
	\$	\$
The commitments in respect of leased assets are as follows:		
Not later than one year	933,110	933,110
Later than one year and not later than five years	2,078,121	3,011,231
Later than five years	-	-
	<u>3,011,231</u>	<u>3,944,341</u>

The University has an operating lease with Fuji Xerox Fiji for the provision of managed multi-function device services. The minimum monthly lease payments of \$77,759 for five years are subject to adjustments based on actual utilisation

22b Capital commitments

In addition to the amounts reported in the financial statements, the University has a capital commitment of \$6,251,123 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

23 CONTINGENT ASSETS AND LIABILITIES	2015	2014
	\$	\$
<u>Contingent liabilities</u>		
The University's contingent liabilities are estimated to be:		
Fiji Electricity Authority - guarantees given	158,857	158,857
FRCA - customs bond - guarantees given	30,000	30,000
VAT on contributions received from Fijian Government (1992 - 2007)	39,802,087	39,802,087
	<u>39,990,944</u>	<u>39,990,944</u>
<u>Contingent assets</u>		
VAT on Fijian Government contributions (1992 - 2007)	<u>39,802,087</u>	<u>39,802,087</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
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23 CONTINGENT ASSETS AND LIABILITIES (continued)

The Fiji Revenue Customs Authority (FRCA) 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 had made an effort in 2009 to close the matter with FRCA, but no reply or 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 value of the potential tax liability.

Legal claim contingency

There are various legal claims and trade disputes pending against the University as at 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.

24 RELATED PARTIES

The University is controlled by 12 member countries comprising Fiji, Tuvalu, Tonga, Solomon Islands, Samoa, Republic of Marshall Islands, Nauru, Niue, Cook Islands, Vanuatu, Kiribati and Tokelau. During the period the University received grants of \$49,515,848 (refer to note 3), amounts receivable amounted to \$2,566,044 (2014:\$143,905) and contributions received in advance amounted to \$1,523,263 (2014: \$1,556,820).

Key management personnel disclosures

(a) Names of responsible persons and senior management team

The following persons were responsible persons and senior management team of the University during the period.

All members of the University council were appointed or elected under the provisions of the University Charter. Council members include the University employees who may be ex-official members or elected staff members.

(i) University Council Members

Mrs Fekitamueloa 'Utoikamanu, Acting Pro-Chancellor & Chair of Council
Professor Rajesh Chandra, Vice-Chancellor & President
Hon. Henry Puna, Prime Minister and Minister for Education, Cook Islands
Hon. Dr Hilda C. Heine, Minister for Education, Marshall Islands
Hon. Charmaine Scotty, Minister for Education, Nauru
Hon. Pokotoa Sipeli, Minister for Education, Niue
Hon. Dr. Derek Sikua, Minister for Education, Solomon Islands
Hon. Fauoa Maani, Minister for Education, Tuvalu
Hon. Samiuela 'Akilisi Pohiva, Prime Minister and Minister for Education, Tonga
Hon. Bob Loughman, Minister for Education, Vanuatu
Hon. Maere Tekanene, Minister for Education, Kiribati
Hon. Saili Patea Peau, Minister for Education, Tokelau
Hon. Magele Mauiliu Magele, Minister for Education, Samoa

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
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24 RELATED PARTIES (continued)

Key management personnel disclosures (continued)

(i) University Council Members (continued)

Mr Iulai Lavea, Chief Executive Officer, Ministry of Finance, Samoa
 Hon. Dr Mahendra Reddy, Minister for Education, National Heritage, Culture & Arts, Fiji
 Ms Keleru Taloga, Acting Permanent Secretary for Education, National Heritage, Culture and Arts, Fiji
 Mr Filimone Waqabaca, Permanent Secretary for Finance, Fiji
 Ms Fay Yee, Fiji
 Mr Iowane Naiveli, Fiji
 Professor Janice Reid, Government of Australia
 Professor Ian Watson, Government of New Zealand
 Ms Cristelle Pratt, Deputy Secretary General, Pacific Island Forum Secretariat
 Professor Konai Helu Thaman, Senate rep
 Professor Arvind Patel, Senate rep
 Mr. Wilfred Luiramo, USPSA (student rep)
 Mr. Whitlam Saeni USPSA (student rep)
 Dr Govinda Lingam, Staff rep
 Mr Anare Tuitoga, Staff rep
 Dr Kabini Sanga
 Mr Rex Stephen Horoi
 Mr Gerald M. Zackios
 Mr Digby Bossley
 Ms Kate Vusoniwailala
 Ms Lorna A. Johansson

(ii) Senior management team

Professor Rajesh Chandra, Vice-Chancellor and President
 Dr Dilawar Grewal, Vice President Administration
 Dr Giulio Paunga, Vice President (Regional Campuses and Properties and Facilities)
 Professor Richard Coll, Deputy Vice-Chancellor (Learning and Teaching)
 Professor Derrick Armstrong, Deputy Vice-Chancellor (Research and International) – From May 2015
 Professor John Bythell, Deputy Vice-Chancellor (Research and International) – Until April 2015
 Dr Akanisi Kedrayate, Dean, Faculty of Arts, Law and Education
 Dr Anjeela Jokhan, Dean, Faculty of Science, Technology and Environment
 Professor Franco Gandolfi, Dean, Faculty of Business and Economics
 Kolinio Boila, Executive Director Finance

(b) Remuneration of Council Members and Senior Management Team

	2015	2014
Remuneration of Council members		
\$10,000 - \$19,999	3	3
\$20,000 - \$29,999	1	1

Refer to note 9 and 10 for details of council members and senior management team remuneration.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
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24 RELATED PARTIES (continued)

	2015	2014
Remuneration of Senior management team		
\$100,000 - \$119,999	-	-
\$120,000 - \$139,999	-	-
\$140,000 - \$159,999	-	1
\$160,000 - \$179,999	1	1
\$180,000 - \$199,999	1	1
\$200,000 - \$219,999	1	2
\$220,000 - \$239,999	1	-
\$240,000 - \$259,999	3	1
\$260,000 - \$279,000	-	-
\$280,000 - \$299,000	-	1
Above \$300,000	2	2
	<u>9</u>	<u>9</u>

The University is not aware of any material transactions that may have been conducted with Council members of the University. Transactions are at arm's length and on terms and conditions no more favorable than those which it is expected the University would have adopted for a normal employee, customer or supplier relationship.

(c) Key management personnel compensation

	2015	2014
	\$	\$
Short term employee benefits	2,284,836	2,688,996
Termination benefits	96,203	265,000
	<u>2,381,039</u>	<u>2,953,996</u>

25 EVENTS SUBSEQUENT TO YEAR END

Cyclone Winston struck Fiji on 20 February 2016 and caused some damages and disruptions to the University. The University was closed for one week to allow for restoration works at Laucala, Lautoka and Tonga campuses with estimated damage costs of \$780k. The Semester one dates were extended by a week with the reduction of the semester break to account for the changes.