

THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2009

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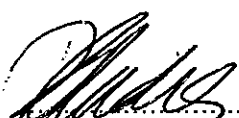
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THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2009

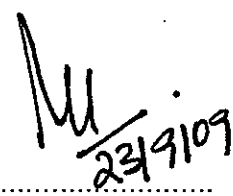
STATEMENT BY APPOINTED OFFICERS

In our opinion the accompanying Financial Statements give a true and fair view of the financial position of The University of the South Pacific as at 30 June 2009 and of the transactions for the half-year ended on that date.

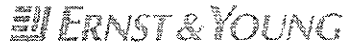
We are not aware of any circumstances which would render any particulars included in the Financial Statements misleading or inaccurate.


.....
Prof Rajesh Chandra
Vice-Chancellor


.....
Ms Fay Yee
Chair - Finance and
Investment Committee


.....
Munish Malik
Director of Finance

23 September 2009



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INDEPENDENT AUDIT REPORT

To the Council of the University of the South Pacific

Scope

We have audited the Financial Statements of the University of the South Pacific for the half year ended 30 June 2009 as set out on pages 4 to 23. The University Council is responsible for the preparation and presentation of the Financial Statements and the information they contain. We have conducted an independent audit of these Financial Statements in order to express an opinion on them to the members of the University Council.

Our audit has been conducted in accordance with the International Standards on Auditing to provide reasonable assurance as to whether the Financial Statements are free of material misstatement. Our procedures included examination on a test basis of evidence supporting the amounts and other disclosures in the Financial Statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects, the Financial Statements are presented fairly in accordance with International Financial Reporting Standards and the Royal Charter so as to present a view which is consistent with our understanding of the University's financial position, changes in equity, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

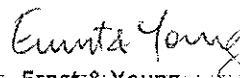
Qualification

The comparatives include the results, cash flows, changes in equity and financial position for the half year ended 30 June 2008 which have not been audited. We have not carried out normal audit procedures relating to the confirmation of certain assets and liabilities as at 30 June 2008 and the results for the six month period ended on that date. Accordingly, we cannot determine the effects of such adjustments, if any, as might have been determined to be necessary had these amounts been audited.

Qualified Audit Opinion

In our opinion, except for the effects, if any, of the matter detailed in the qualification paragraph above, the financial statements give a true and fair view of the financial position of the University as of 30 June 2009, and of the results of its operations, cash flows and changes in equity for the half year then ended in accordance with International Financial Reporting Standards and the Royal Charter.

Suva, Fiji
23 September 2009


Ernst & Young
Chartered Accountants

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2009**

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 not for 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 financial statements were authorised for issue by the University's Finance and Investments Committee on 23rd September 2009.

1. SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies is given in order to assist in understanding the amounts presented in the financial statements.

(a) Reporting Period

The financial statements are reported for the mid-financial year from 1 January to 30 June 2009.

(b) 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").

(c) 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.

(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 Balance Sheet, Statement of Income and Expenditure 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.

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2009

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* or *IAS 14*. 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 estate 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 fixed assets is therefore either their value when originally incorporated within the University's balance sheet, or historical cost if acquired at a later date.

Depreciation

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 3 years.
- (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 Income and Expenditure.

Impairment

Tangible fixed assets 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 the balance sheet date.

Deferred Capital Grants

Fixed assets 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 Income and Expenditure over the expected useful economic life of the related fixed assets. The exception to this is when the acquisition of a fixed asset is financed either through University's own funds or a loan or finance lease when no revenue is deferred to the Reserve.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2009**

Significant Accounting Policies (continued)

(h) Leased Assets

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

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

(j) Accounts Receivable

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.

For all other debts, specific provisions are made against debtors to cover debts where the recovery is considered doubtful and for all non-sovereign debts six months old or more.

The amounts required to fund the provision for doubtful debts are charged to expenditure in the period. 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:

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

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

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.

Cash and cash equivalents comprise cash on hand, deposits held with banks, deposits held at call with banks, other short-term deposits and bank overdrafts. Bank overdrafts are included as current liabilities on the balance sheet.

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2009

Significant Accounting Policies (continued)

(l) Employee Benefits

Provision is made in respect of the University's liability for annual leave and is calculated as the amount unpaid as at reporting date at current pay rates. Accrued leave is expected to be utilised in the following year.

(m) Foreign Currency Transactions

All foreign currency transactions during the year have been brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at balance date are translated at the exchange rate existing at that date.

Exchange differences on the University's assets and liabilities are charged to the Statement of Income and Expenditure in the financial period 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 recognised in the financial statements as follows:

- Government grants are recognised as revenue on due date;
- Sponsored Student tuition fees are recognised as revenue on due date;
- Revenue from major donors is recognised on due date; revenue from other donors is recognised on receipt;
- Revenue from trading operations is recognised on receipt;
- 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;
- Interest income is recognised on due date.

(p) Gifts & Donations

Gifts and donations from Governments and Aid Agencies are usually for specified purposes. These funds are separately identified in the accounting system, with expenditure recorded against each fund. Gifts which are applied to capital items are taken to the Deferred Revenue Reserve, at the lower of cost and valuation, and transferred to the Statement of Income and Expenditure as income over the life of the asset.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2009**

Significant Accounting Policies (continued)

(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 Income and Expenditure 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) *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.

(t) *Comparatives*

Where necessary, comparative information (unaudited) has been reclassified to achieve consistency in disclosure with current financial half-year amounts.

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 flow, 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 Investment Committee reviews and agrees 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.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2009**

Financial Risk Management Objectives and Policies (continued)

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.

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

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 for Financial Delegation;
- (ii) any legal or fiscal statutory restrictions; and
- (iii) the terms and covenants of borrowing.

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF INCOME AND EXPENDITURE
FOR THE HALF-YEAR ENDED 30 JUNE 2009**

	Notes	June 2009 <u>(Audited)</u>	June 2008 <u>(Unaudited)</u>
<u>INCOME</u>			
Government Grants	1	24,961,715	24,961,715
Student Tuition Fees	2	13,886,729	12,956,022
Aid and Donations	3	8,025,657	6,401,686
Trading Activities	4	7,056,508	8,013,407
Consultancy Income	4a	650,404	361,610
Other Income	5	2,900,742	4,006,533
Release of Deferred Revenue	6	1,872,209	6,001,417
Interest Income		389,233	30,922
TOTAL OPERATING INCOME		<u>59,743,197</u>	<u>62,733,312</u>
<u>EXPENDITURE</u>			
Staff Costs	7	26,828,984	29,925,757
Operating Costs	8	24,841,841	23,648,869
Depreciation	14	2,522,518	6,938,728
Provision for Doubtful & Bad Debt Expense		374,308	175,000
Foreign Currency (Gain)/Loss - Realised	12	(758,125)	
Foreign Currency (Gain)/Loss - Unrealise	12	(3,530,143)	250,000
Interest on Finance Lease		19,976	35,900
TOTAL OPERATING EXPENDITURE		<u>50,299,359</u>	<u>60,974,254</u>
SURPLUS FOR THE HALF-YEAR		<u>9,443,838</u>	<u>1,759,058</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
BALANCE SHEET
AS AT 30 JUNE 2009**

	Notes	June 2009 (Audited)	June 2008 (Unaudited)
CURRENT ASSETS			
Inventories	9	4,512,209	4,690,891
Accounts Receivable	10	12,016,644	15,595,147
Prepayments	11	768,565	782,429
Cash and Cash Equivalents	12	34,577,950	20,385,701
		<u>51,875,368</u>	<u>41,454,168</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment	14	127,645,397	134,553,116
		<u>127,645,397</u>	<u>134,553,116</u>
TOTAL ASSETS			
		<u>179,520,765</u>	<u>176,007,284</u>
CURRENT LIABILITIES			
Creditors and Accruals	16	(19,146,920)	(15,875,196)
Bank Overdraft	12	(773,444)	(4,378,720)
		<u>(19,920,364)</u>	<u>(20,253,916)</u>
NON-CURRENT LIABILITIES			
Creditors and Accruals	17	-	(272,745)
			<u>(272,745)</u>
TOTAL LIABILITIES			
		<u>(19,920,364)</u>	<u>(20,526,661)</u>
TOTAL ASSETS LESS LIABILITIES			
		<u>159,600,401</u>	<u>155,480,623</u>
Represented by:			
FUNDS AND RESERVES			
Statement of Income & Expenditure		37,732,332	24,622,583
Endowment Capital		4,860,381	4,860,381
Deferred Revenue Reserve		117,007,688	125,997,659
		<u>159,600,401</u>	<u>155,480,623</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2009

	Notes	June 2009 (Audited)	June 2009 (Audited)	June 2008 (Unaudited)	June 2008 (Unaudited)
Operating Activities					
Government Contributions		15,384,596		19,427,515	
Student Fees		13,475,339		14,473,317	
Aid & Donations		12,315,514		7,931,274	
Trading Activities		7,311,557		8,220,179	
Other Receipts		3,498,793		4,140,587	
Interest Received		389,233		30,922	
		<u>52,375,032</u>		<u>54,223,794</u>	
Salaries		(25,423,738)		(31,126,695)	
Other Expenses		(19,006,781)		(23,459,693)	
		<u>(44,430,519)</u>		<u>(54,586,388)</u>	
Cash From/(Used in) Operating Activities		7,944,513		(362,594)	
Net Cash flows from/(used in) Operating Activities	13		7,944,513		(362,594)
Investing Activities					
Purchase of Fixed Assets		(2,293,655)		(1,340,215)	
Net Cash flows used in Investing Activities			(2,293,655)		(1,340,215)
Financing Activities					
Payment of Finance Lease Liabilities		(141,902)		(124,822)	
Net Cash flow used in Financing Activities			(141,902)		(124,822)
Net Increase/(Decrease) in Cash & Cash Equivalents			<u>5,508,956</u>		<u>(1,827,632)</u>
Cash & Cash Equivalents at 1 January			28,295,550		17,834,612
Net Increase/(Decrease) in Cash & Cash Equivalents			<u>5,508,956</u>		<u>(1,827,632)</u>
Cash & Cash Equivalents at 30 June	12		<u>33,804,506</u>		<u>16,006,981</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF CHANGES IN FUNDS AND RESERVES
AS AT 30 JUNE 2009**

	June 2009 <u>(Audited)</u>	June 2008 <u>(Unaudited)</u>
INCOME & EXPENDITURE ACCOUNT	\$	\$
Balance at 1 January	28,288,494	22,863,525
Surplus for the Half-Year	9,443,838	1,759,058
Balance at 30 June	<u>37,732,332</u>	<u>24,622,583</u>
 ENDOWMENT CAPITAL		
Balance at 1 January	4,860,381	4,860,381
New Endowment Capital Received	-	-
Balance at 30 June	<u>4,860,381</u>	<u>4,860,381</u>
 Analysed as:		
Endowments - General	94,133	94,133
Endowments - Specific	4,766,248	4,766,248
Total Endowment Capital	<u>4,860,381</u>	<u>4,860,381</u>
 DEFERRED REVENUE RESERVE		
Balance at 1 January	118,777,305	131,888,864
Net Additions during the half-year	312,460	694,490
Releases during the half-year - Depreciation	(2,074,458)	(6,585,695)
Releases during the half-year - Disposals	(7,619)	-
Balance at 30 June	<u>117,007,688</u>	<u>125,997,659</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
Notes to the Financial Statements
For the half-year ended 30 June 2009

1 GOVERNMENT CONTRIBUTIONS	General Grant	Special Grant	June 2009 Total (Audited)	June 2008 Total (Unaudited)
	\$	\$	\$	\$
Cook Islands	141,450	39,107	180,556	180,556
Fiji	11,999,928	7,182,317	19,182,246	19,309,552
Kiribati	639,020	79,045	718,065	798,775
Marshall Islands	53,252	29,954	83,206	108,168
Nauru	36,611	14,977	51,588	86,534
Niue	16,641	29,954	46,595	54,084
Samoa	487,585	359,449	847,034	885,309
Solomon Islands	1,902,083	40,771	1,942,854	1,679,923
Tokelau	11,649		11,649	25,793
Tonga	524,196	50,755	574,952	594,921
Tuvalu	231,312	29,954	261,266	227,151
Vanuatu	597,417	464,288	1,061,704	1,010,949
	<u>16,641,144</u>	<u>8,320,571</u>	<u>24,961,715</u>	<u>24,961,715</u>

2 STUDENT TUITION FEES	June 2009 (Audited)	June 2008 (Unaudited)
	\$	\$
Regional Students	5,166,259	5,376,273
International Students	234,050	221,335
	<u>5,400,309</u>	<u>5,597,608</u>
Distance & Flexible Learning	3,731,362	3,812,085
	<u>9,131,671</u>	<u>9,409,693</u>
College of Foundation Studies	1,835,368	1,609,553
Masters of Business Administration	1,208,024	943,876
Others	1,711,666	992,900
	<u>13,886,729</u>	<u>12,956,022</u>

3 AID & DONATIONS	June 2009 (Audited)	June 2008 (Unaudited)
	\$	\$
Australian Aid	3,749,290	3,078,289
New Zealand Aid	1,416,078	1,477,752
European Union Aid	727,733	-
IAS & Other Institute Projects	838,939	1,124,462
Republic of Marshall Islands (RMI)	689,541	-
Others	604,076	721,183
	<u>8,025,657</u>	<u>6,401,686</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
Notes to the Financial Statements
For the half-year ended 30 June 2009

4 TRADING UNITS	June 2009 (Audited) \$	June 2009 (Audited) \$	June 2008 (Unaudited) \$	June 2008 (Unaudited) \$
Book Centre		4,443,498		5,851,643
<i>Catering Services</i>				
Laucala	463,537		372,108	
Alafua	-	463,537	6,253	378,361
<i>Residential Services</i>				
Laucala	1,219,404		1,224,117	
Emalus	514,796		301,949	
Alafua	65,501	1,799,701	117,371	1,643,437
Gym & Community Recreation Centre		143,435		138,006
ICT Park		113,588		-
Others		92,749		1,960
		<u>7,056,508</u>		<u>8,013,407</u>
4a CONSULTANCY INCOME		June 2009 (Audited) \$		June 2008 (Unaudited) \$
Professional Services Provided & Project Consultancies		319,853		183,932
Training & Teaching		106,799		59,461
Consultancy work with Tonga Police		65,412		-
Review of Dept of Co-operative		46,000		-
Dairy Farm Project		35,414		72,486
Others		76,926		45,731
		<u>650,404</u>		<u>361,610</u>
5 OTHER INCOME		June 2009 (Audited) \$		June 2008 (Unaudited) \$
Miscellaneous Student Activities		561,966		532,915
Course Material & Text Book Sales		1,244,937		1,131,424
Laboratory Income		291,279		238,073
Other Income		802,560		2,104,121
		<u>2,900,742</u>		<u>4,006,533</u>
6 RELEASE OF DEFERRED REVENUE	June 2009 (Audited) \$	June 2009 (Audited) \$	June 2008 (Unaudited) \$	June 2008 (Unaudited) \$
Depreciation Charge for the Year	2,522,517		6,938,728	
Less: Charge on items aquired through loans or finance leases	(186,217)		(186,217)	
through normal operating activities	(261,842)		(166,816)	
Release of Deferred Revenue - Depreciation		2,074,458		6,585,695
Fixed Asset Additions for the Year	(2,293,655)		(1,340,215)	
Less: items aquired through loans or finance leases				
or normal operating activities	2,091,406		755,937	
Increase in Deferred Revenue - Additions		(202,249)		(584,278)
Net Transfer		<u>1,872,209</u>		<u>6,001,417</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
Notes to the Financial Statements
For the half-year ended 30 June 2009

7 STAFF COSTS

	June 2009 (Audited)	June 2008 (Unaudited)
	\$	\$
Academic & Comparable staff	19,404,893	21,683,785
Intermediate & Junior staff	5,022,472	5,256,123
Permanent Hourly Paid staff	2,808,869	2,945,849
Accrual for Leave Entitlements	(407,250)	40,000
Total Staff Costs	26,828,984	29,925,757

Staff Numbers (Headcounts) by category as at 30 June:

Academic & Comparable staff	502	566
Intermediate & Junior staff	508	539
Permanent Hourly Paid staff	449	513
Total Staff Numbers	1,459	1,618

Annualized Taxable Emoluments for higher paid staff

	June 2009 (Audited)	June 2008 (Unaudited)
	Number	Number
\$100,000 - \$119,999	14	28
\$120,000 - \$139,999	11	18
\$140,000 - \$159,999	9	5
\$160,000 - \$179,999	3	5
\$180,000 - \$199,999	3	3
\$200,000 - \$219,999	-	-
\$220,000 - \$239,999	-	3
\$240,000 - \$259,999	1	-
\$260,000 - \$279,999	-	1
\$280,000 - \$299,999	-	-
> \$300,000	-	1
	41	64

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For the half-year ended 30 June 2009

8 OPERATING COSTS	June 2009 <u>(Audited)</u> \$	June 2008 <u>(Unaudited)</u> \$
Major Items of Expenditure		
Cost of Sales	4,727,746	5,867,671
Travel-Related Expenses	1,673,605	1,372,515
Student-Related Expenses	2,045,632	1,735,856
Grounds & Maintenance	1,060,881	1,762,561
Consultancy Expenses		
GMES Project	277,090	21,500
Other	832,024	946,724
Utilities	1,313,627	1,195,249
Telecommunications	1,789,322	1,023,844
PRIDE In-Country Expenses	1,012,308	484,730
Library Books	1,134,108	1,002,420
Staff Recruitment & Passages	601,117	899,028
Printing & Stationery	940,981	913,292
Insurance Premiums	638,961	659,670
Computer Software & Hardware	784,090	716,140
Workshop Expenses	961,540	410,758
Teaching Materials	622,136	353,581
Sub-Total	<u>20,415,168</u>	<u>19,365,539</u>
Other Items of Expenditure	4,276,978	4,168,050
Fees paid to auditors:		
External audit	18,030	9,752
Internal audit	110,810	74,319
Other services	1,355	-
Projects	-	11,709
Honorarium :		
Council	10,500	10,500
Finance & Investments Committee	3,000	3,000
Audit Committee	6,000	6,000
Total Operating Costs	<u><u>24,841,841</u></u>	<u><u>23,648,869</u></u>

9 INVENTORIES	Goods & Publications \$	Academic Gowns \$	Maintenance \$	Catering & Domestic \$	Total \$
Balance b/f at 1 January 2008	4,473,485	506,300	196,498	69,889	5,246,172
Additions	5,398,207	14,236	105,857	226,208	5,744,488
Expensed	(5,970,022)	-	(105,837)	(226,208)	(6,302,067)
Write down in value	2,298	-	-	-	2,298
Cost or Valuation at 30 June 2008	<u>3,903,968</u>	<u>520,536</u>	<u>196,498</u>	<u>69,889</u>	<u>4,690,891</u>
Balance b/f at 1 January 2009	4,135,919	490,436	159,781	17,277	4,803,413
Additions	4,312,327	21,909	67,375	186,401	4,588,012
Expensed	(4,615,212)	(24,567)	(69,080)	(159,920)	(4,868,779)
Write down in value	(10,437)	-	-	-	(10,437)
Cost or Valuation at 30 June 2009	<u>3,822,597</u>	<u>487,778</u>	<u>158,076</u>	<u>43,758</u>	<u>4,512,209</u>

	2009 <u>(Audited)</u> \$	2008 <u>(Unaudited)</u> \$
Analysis of Value of Inventories		
Total cost of Inventories	5,981,250	5,892,774
Less: Unrealised profit	(1,104,400)	(863,700)
Less: Provision for Obsolescence	(344,641)	(338,183)
Cost or Valuation at 30 June	<u>4,512,209</u>	<u>4,690,891</u>

	2009 <u>(Audited)</u> \$	2008 <u>(Unaudited)</u> \$
Analysis of Goods & Publications:		
Book Centre - Inventory	2,130,254	2,135,395
Book Centre - Goods in Transit	166,657	-
Regional Campuses - Books	721,330	823,156
Regional Campuses - Course Materials	285,268	372,561
Institute of Pacific Studies	675,775	701,335
Institute of Education	78,954	102,703
	<u>4,058,238</u>	<u>4,135,150</u>
Less: Provision for Obsolescence	(235,641)	(231,182)
Cost or Valuation at 30 June	<u>3,822,597</u>	<u>3,903,968</u>

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10 ACCOUNTS RECEIVABLE	Note	June 2009 (Audited) \$	June 2008 (Unaudited) \$
Government Contributions	10a	8,797,628	7,213,484
Trade	10b	568,703	573,518
Students	10c	3,391,147	4,176,658
Staff	10d	82,143	99,632
Other	10e	1,955,756	5,138,346
		<u>14,795,377</u>	<u>17,201,638</u>
Less: Provision for Doubtful Debts	10f	<u>(2,778,733)</u>	<u>(1,606,491)</u>
		<u>12,016,644</u>	<u>15,595,147</u>
10a Contributions due from Governments:		\$	\$
Cook Islands		196,391	138,353
Fiji		6,416,817	5,892,096
Marshall Islands		277,617	115,751
Nauru		367,732	339,853
Nlue		155,623	197,382
Solomon Islands		1,380,726	-
Tonga		2,722	530,049
		<u>8,797,628</u>	<u>7,213,484</u>
Ageing of Government Contributions due:			
Less than 1 Year Old		8,057,097	7,024,849
Between 1 & 2 Years Old		483,022	124,825
Between 2 & 3 Years Old		154,093	63,810
More than 3 Years Old		103,416	-
		<u>8,797,628</u>	<u>7,213,484</u>
Notes			
Any overpayments by member countries are classified as creditors			
10b Trade Debtors		\$	\$
Laucala Campus & Book Centre		550,968	332,975
Emalus Campus & Book Centre		17,735	240,543
		<u>568,703</u>	<u>573,518</u>
Less: Provision for Doubtful Debts		<u>(183,243)</u>	<u>(96,585)</u>
		<u>385,460</u>	<u>476,933</u>
Ageing of Trade Debtors due:			
Less than 1 Year Old		354,654	447,344
Between 1 & 2 Years Old		171,281	126,174
Between 2 & 3 Years Old		42,768	-
More than 3 Years Old		-	-
		<u>568,703</u>	<u>573,518</u>
10c Student Debtors		\$	\$
Laucala		1,223,822	1,573,181
Alafua		18,822	10,964
Emalus		1,028,189	1,011,356
Other Regional Campuses		1,120,314	1,581,157
		<u>3,391,147</u>	<u>4,176,658</u>
Less: Provision for Doubtful Debts		<u>(2,497,145)</u>	<u>(1,236,561)</u>
		<u>894,002</u>	<u>2,940,097</u>
Ageing of Student Debtors due:			
Less than 1 Year Old		635,758	1,397,510
Between 1 & 2 Years Old		2,009,400	1,919,592
Between 2 & 3 Years Old		359,104	365,040
More than 3 Years Old		386,885	494,516
		<u>3,391,147</u>	<u>4,176,658</u>

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	June 2009 (Audited)	June 2008 (Unaudited)
10d Staff Debtors	\$	\$
Laucala	95,711	98,345
Alafua	(11,718)	-
Emalus	150	1,287
	<u>82,143</u>	<u>99,632</u>
Less: Provision for Doubtful Debts	<u>(98,345)</u>	<u>(98,345)</u>
	<u>(16,202)</u>	<u>1,287</u>
Ageing of Staff Debtors due:		
Less than 1 Year Old	(16,390)	1,287
Between 1 & 2 Years Old	188	-
Between 2 & 3 Years Old	-	-
More than 3 Years Old	98,345	98,345
	<u>82,143</u>	<u>99,632</u>
10e Other Debtors	\$	\$
Aid Agencies	56,925	3,549,141
VAT Receivable	1,608,417	1,243,641
Interest Receivable	235,352	134,445
Other Debtors	55,062	211,119
	<u>1,955,756</u>	<u>5,138,346</u>
Ageing of Other Debtors due:		
Less than 1 Year Old	503,668	2,209,643
Between 1 & 2 Years Old	308,220	1,095,752
Between 2 & 3 Years Old	398,685	986,819
More than 3 Years Old	745,183	846,132
	<u>1,955,756</u>	<u>5,138,346</u>
10f Movement In Provision for Doubtful Debts		
Balance at 1 January	2,401,839	1,436,394
Debts written off in the year	-	(4,903)
Additional provision made in the year	376,894	175,000
	<u>2,778,733</u>	<u>1,606,491</u>
11 PREPAYMENTS	June 2009 (Audited)	June 2008 (Unaudited)
	\$	\$
Prepayments - Laucala	689,847	732,454
Prepayments - Alafua	6,089	7,482
Prepayments - Emalus	35,376	28,838
Prepayments - Book Centre	37,255	13,655
	<u>768,565</u>	<u>782,429</u>
12 CASH & CASH EQUIVALENTS	June 2009 (Audited)	June 2008 (Unaudited)
	\$	\$
Term Deposits	25,791,167	12,632,384
Current Accounts	8,762,461	7,729,953
Cash on hand & petty cash	24,322	23,364
	<u>34,577,950</u>	<u>20,385,701</u>
Bank Overdraft	<u>(773,444)</u>	<u>(4,378,720)</u>
	<u>33,804,506</u>	<u>16,006,981</u>
Where held:		
<i>In Fiji</i>		
Term Deposits	19,572,155	11,809,022
Current Accounts (net of bank overdrafts)	1,771,025	(7,398,941)
Cash on hand & petty cash	24,322	23,364
	<u>21,367,502</u>	<u>4,433,445</u>
<i>With Other Regional Banks</i>		
Term Deposits	1,144,734	387,415
Current Accounts (net of bank overdrafts)	3,703,235	4,271,755
	<u>4,847,969</u>	<u>4,659,170</u>
<i>In Other Overseas Accounts</i>		
Term Deposits	5,074,278	435,947
Current Accounts (net of bank overdrafts)	2,514,757	6,478,419
	<u>7,589,035</u>	<u>6,914,366</u>
Comprising:		
University Funds	24,741,805	8,638,199
Endowment Funds	9,062,701	7,368,782
	<u>33,804,506</u>	<u>16,006,981</u>

Realised foreign exchange gain on offshore funds transferred to Fiji after devaluation amounted to \$0.75m while the unrealised gain due to restating amounted to \$3.5m

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13 RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO STATEMENT OF INCOME & EXPENDITURE

	June 2009 (Audited) \$	June 2008 (Unaudited) \$
Surplus - Statement of Income & Expenditure	9,443,838	1,759,058
Adjustments to Income & Expenditure:		
Release of Deferred Revenue	(1,872,209)	(6,001,417)
Depreciation	2,522,518	6,938,728
Provision for Doubtful Debts	376,893	170,098
Write down in Value of Inventories	10,437	(2,298)
Provision for Employee Entitlement	(407,250)	40,000
I&E Cash Surplus/(Deficit)	10,074,227	2,904,169
Decrease in Inventories	280,766	557,579
(Increase) in Accounts Receivable	(7,576,552)	(2,797,310)
(Increase) in Prepayments	(81,450)	(532,141)
Increase/(Decrease) in Creditors	5,247,522	(494,891)
Net Cash from/(used in) Operating Activities	7,944,513	(362,594)

14 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	Property \$	Equipment & Furniture \$	Vehicles & Vessels \$	Work In Progress \$	Total \$
<i>Cost or Valuation</i>					
Deemed Gross Cost at 1 January 2009	139,164,322	8,517,473	1,649,035	809,184	150,140,014
Additions	-	1,343,529	316,146	744,193	2,403,868
Disposals	-	-	(215,735)	-	(215,735)
Transfers	-	-	-	-	-
Deemed Gross Cost at 30 June 2009	139,164,322	9,861,002	1,749,446	1,553,377	152,328,147
<i>Accumulated Depreciation</i>					
Accumulated Depreciation at 1 January 2009	16,526,075	4,957,854	884,419	-	22,368,348
Charge for the year	1,540,661	865,912	115,945	-	2,522,518
Adjustment on disposals	-	-	(208,116)	-	(208,116)
Accumulated Depreciation at 30 June 2009	18,066,736	5,823,766	792,248	-	24,682,750
Net Carrying Amount at 30 June 2009	121,097,586	4,037,236	957,198	1,553,377	127,645,397
Net Carrying Amount at 31 December 2008	122,638,247	3,559,619	764,616	809,184	127,771,666

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14 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under finance lease

The carrying amount of tangible fixed assets include an amount of \$236,457 (June 2008: \$496,671) in respect of assets held under finance lease reported under the equipment category relating to PABX equipment. The depreciation charge for the year was \$130,107 (June 2008: \$130,107).

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

Carrying Value of Work in Progress Projects at 30 June 2009	\$
ICT Building Project	1,153,400
Book Shop Carpark	59,900
Austra Learn Accommodation	81,532
N111 Lecture Theatre Renovations	106,308
U8 Lecture Theatre Renovations	106,302
Computer Lab Renovations	16,584
Tree Tops/Baristas/USPSA Renovation	4,500
Medical Centre Renovations	5,927
Ausaid Lecture Theatre Renovations	18,924
	<u>1,553,377</u>

Reconciliation of fixed assets to related accounts	\$
Carrying amount of property, plant and equipment at 30 June 2009	<u>127,645,397</u>

This is represented by:	\$
Deferred Revenue	117,007,688
Carrying amount of equipment acquired via finance leases: PABX telephone system	236,457
Carrying amount of properties acquired directly or through loans: Statham Street Campus	4,151,359
Services Complex	117,360
Residential Block	820,000
Carrying amount of assets acquired in 2007 funded from normal operating activities	1,132,566
Carrying amount of assets acquired in 2008 funded from normal operating activities	2,232,332
Carrying amount of assets acquired in 2009 funded from normal operating activities	1,947,635
	<u>127,645,397</u>

15 FINANCING FACILITIES

The University has access to overdraft facilities of \$4,075,654 (June 2008: \$4,063,784) with various banks across the region for which all conditions precedent have been met. As at 30 June 2009, \$773,444 (June 2008: \$4,378,720) 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 30 June 2009 is \$33,804,506 (June 2008: \$16,006,981) which includes endowment assets of \$9,062,701 (June 2008: \$7,368,782).

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16 CREDITORS & ACCRUALS	June 2009	June 2008
	(Audited)	(Unaudited)
	\$	\$
Trade Creditors	7,770,494	7,315,609
Student Creditors	73,741	57,871
Aid in Advance	4,160,391	-
Member Countries Contributions Received in Advance	1,466,366	1,723,097
Student Fees Received in Advance	114,432	49,890
Payroll Creditors	2,131,385	876,216
Accrual for Leave entitlement	2,775,384	3,093,634
Obligations under Finance Leases	250,285	273,076
Other Creditors & Accruals	404,442	2,485,803
	<u>19,146,920</u>	<u>15,875,196</u>
17 COMMITMENTS	June 2009	June 2008
	(Audited)	(Unaudited)
	\$	\$
(a) Finance lease commitments		
The commitment in respect of leased assets are as follows:		
Not later than one year	263,783	323,755
Later than one year and not later than two years	-	288,841
Later than two years and not later than five years	-	-
Minimum lease payments	263,783	612,596
Deduct future finance charges	(13,498)	(66,775)
Lease liability	<u>250,285</u>	<u>545,821</u>
Analysed as:		
Current liability	250,285	273,076
Non-current liability	-	272,745
	<u>250,285</u>	<u>545,821</u>
(b) Operating lease commitments		
The commitment in respect of leased assets are as follows:		
Expiring within one year	750,080	750,080
Expiring within more than one year but less than two years	750,080	750,080
Expiring within more than two years but less than five years	1,351,140	2,070,420
	<u>2,851,300</u>	<u>3,570,580</u>

The University has an operating lease with Fuji Xerox Fiji for the provision of managed multi function device services. Minimum monthly lease of \$59,940 for five years subject to adjustments based upon actual utilization.

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18 CONTINGENT ASSET & LIABILITIES

June 2009	June 2008
(Audited)	(Unaudited)
\$	\$

As at 30 June, 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	223,744
FIRCA - customs bond	331,645	-
Ministry of Primary Industries, Land & Water	8,963	-
VAT on grants received from Government	<u>39,802,087</u>	<u>39,802,087</u>
	<u>40,525,296</u>	<u>40,184,688</u>
Contingent Assets	<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 might be liable to pay VAT on contributions received from the Government of Fiji since 1992. There has been no further progress since July 2007, nor any formal assessment issued by FIRCA despite the University's last communication to FIRCA dated 29 June 2009 for closing the matter. Accordingly, no provision for liability has been made in the financial statements.

The University claims Government grants 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 grant 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 sheet 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 \$317,717,612.