

THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010

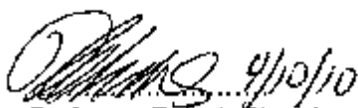
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FOR THE HALF YEAR ENDED 30 June 2010

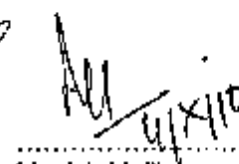
STATEMENT BY APPOINTED OFFICERS

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 2010 and of the transactions for the half year ended on that date.

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


.....
Professor Rajesh Chandra
Vice-Chancellor


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


.....
Munish Malik
Director of Finance

4 October 2010

INDEPENDENT AUDIT REPORT

To the Council of the University of the South Pacific

Scope

We have audited the accompanying financial statements of the University of the South Pacific, which comprise the statement of financial position as at 30 June 2010 and the statement of income and expenditure, statement of changes in equity and cash flow statement for the half year then ended, and a summary of significant accounting policies and other explanatory notes.

The University Council's Responsibility for the Financial Statements

The University Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the University's Royal Charter. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Audit Opinion

In our opinion:

- a) proper books of account have been kept by the University, so far as it appears from our examination of those books; and
- b) the accompanying Financial Statements which have been prepared in accordance with International Financial Reporting Standards:
 - i) are in agreement with the books of account; and
 - ii) to the best of our information and according to the explanations given to us give a true and fair view of the state of affairs of the University as at 30 June 2010 and of the results, cash flows and changes in equity of the University for the half year ended on that date.

Suva, Fiji
4 October 2010


Ernst & Young
Chartered Accountants

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2010**

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.

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 half year from 1 January to 30 June 2010.

(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 valuations 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 Statement of Financial Position, 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.

Significant Accounting Policies (continued)

(f) *Segmental Reporting*

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

(g) *Property, Plant and Equipment*

The policy of the University is not to revalue its property, plant and equipment. In view of the specialised nature and wide geographical distribution of much of the University's 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 5 years, effective from 1 July 2009.
- (v) Freehold land is not depreciated.

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

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 2010**

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;
- 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.

During the period, the University changed its accounting policy on the recognition of private student tuition fees. In prior years, private student tuition fees were recognised on receipt while sponsored student tuition fees were recognised when due. During the period, the University changed its policy to recognise all student tuition fees when due. The impact of this change in policy is an increase in surplus of \$1.92 million (net of provision) for the period.

(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.

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) *Trade Creditors and Accruals*

Liabilities for trade payable and other amounts are carried at cost (inclusive of VAT 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

(t) *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.

(u) *Comparatives*

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial 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 Investments 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.

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 2010**

	Notes	June 2010 \$	June 2009 \$
Income			
Government grants	1	24,462,500	24,961,715
Student tuition fees	2	17,406,882	14,576,270
Aid and donations	3	18,454,105	7,336,116
Trading activities	4	7,401,465	7,056,508
Consultancy income	4a	442,670	650,404
Other income	5	4,056,037	2,900,742
Release of deferred revenue	6	1,825,754	1,872,209
Interest income		1,004,646	389,233
Foreign currency gain		-	4,288,268
Total operating income		75,054,060	64,031,465
Expenditure			
Staff costs	7	33,091,208	26,828,984
Operating costs	8	29,283,660	24,841,841
General expenses - strategic plan		175,766	-
Depreciation	14	2,730,403	2,522,518
Provision for doubtful debts	10f	1,166,385	374,308
Provision for stock obsolescence		86,867	-
Net foreign currency loss		512,241	-
Interest on finance lease		2,224	19,976
Total operating expenditure		67,048,754	54,587,627
Surplus for the half year		8,005,305	9,443,838

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

	Notes	June 2010 \$	December 2009 \$	June 2009 \$
Current assets				
Inventories	9	3,922,112	4,748,803	4,512,209
Accounts receivable	10	27,323,817	7,595,861	12,016,644
Prepayments	11	1,105,296	451,962	768,565
Cash and cash equivalents	12	37,328,457	44,773,378	34,577,950
		<u>69,679,682</u>	<u>57,570,004</u>	<u>51,875,368</u>
Non-current assets				
Property, plant and equipment	14	168,677,048	126,803,711	127,645,397
		<u>168,677,048</u>	<u>126,803,711</u>	<u>127,645,397</u>
Total assets		<u>238,356,730</u>	<u>184,373,715</u>	<u>179,520,765</u>
Current liabilities				
Creditors and accruals	16	21,838,472	17,039,906	19,146,920
Bank overdraft	12	609,351	103,000	773,444
		<u>22,447,823</u>	<u>17,142,906</u>	<u>19,920,364</u>
Total liabilities		<u>22,447,823</u>	<u>17,142,906</u>	<u>19,920,364</u>
Net assets		<u>215,908,907</u>	<u>167,230,809</u>	<u>159,600,401</u>
Represented by:				
Funds and reserves				
Deferred revenue reserve		155,885,569	115,094,458	117,007,688
Endowment capital		7,045,009	7,163,327	4,860,381
Statement of income and expenditure		52,978,329	44,973,024	37,732,332
		<u>215,908,907</u>	<u>167,230,809</u>	<u>159,600,401</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

	Notes	June 2010 \$	June 2009 \$
Operating activities			
Aid and donations		15,066,882	12,315,514
Government contributions		11,388,013	15,384,596
Net interest received		1,038,869	389,233
Other receipts		2,968,193	3,498,793
Student fees		15,137,432	13,475,339
Trading activities		9,376,662	7,311,557
		<u>54,976,051</u>	<u>52,375,032</u>
Other expenses		(31,641,845)	(19,006,781)
Salaries		(29,198,922)	(25,423,738)
		<u>(60,840,767)</u>	<u>(44,430,519)</u>
Net cash flows (used in)/from operating activities	13a	(5,864,716)	7,944,513
Investing activities			
Purchase of fixed assets	13b	(1,986,875)	(2,293,655)
Net cash flows used in investing activities		(1,986,875)	(2,293,655)
Financing activities			
Payment of finance lease liabilities		(99,681)	(141,902)
Net cash flow used in financing activities		(99,681)	(141,902)
Net (decrease)/increase in cash and cash equivalents		(7,951,272)	5,508,956
Cash and cash equivalents at 1 January		44,670,378	28,295,550
Net (decrease)/increase in cash and cash equivalents		(7,951,272)	5,508,956
Cash and cash equivalents at 30 June	12	36,719,106	33,804,506

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

	June 2010	December 2009	June 2009
Income and expenditure account	\$	\$	\$
Balance at 1 January	44,973,024	28,288,494	28,288,494
Surplus for the period	8,005,305	16,684,530	9,443,838
Balance at period end	<u>52,978,329</u>	<u>44,973,024</u>	<u>37,732,332</u>
Endowment capital			
Balance at 1 January	7,163,327	4,860,381	4,860,381
Foreign exchange (loss)/gain for the period	(118,318)	2,302,946	-
Balance at period end	<u>7,045,009</u>	<u>7,163,327</u>	<u>4,860,381</u>
<u>Analysed as:</u>			
Endowments - general	94,133	94,133	94,133
Endowments - specific	6,950,876	7,069,194	4,766,248
Total endowment capital	<u>7,045,009</u>	<u>7,163,327</u>	<u>4,860,381</u>
Deferred revenue reserve			
Balance at 1 January	115,094,458	118,777,305	118,777,305
Net additions during the period	43,063,254	599,296	312,460
Release during the period - depreciation	(2,272,142)	(4,122,469)	(2,074,458)
Release during the period - disposals	-	(159,674)	(7,619)
Balance at period end	<u>155,885,569</u>	<u>115,094,458</u>	<u>117,007,688</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

1 GOVERNMENT CONTRIBUTIONS	General Grant	Special Grant	June 2010 Total	June 2009 Total
	\$	\$	\$	\$
Cook Islands	38,325	138,620	176,945	180,556
Fiji	7,038,671	11,759,930	18,798,601	19,182,246
Kiribati	77,464	626,240	703,704	718,065
Marshall Islands	29,355	52,187	81,542	83,206
Nauru	14,678	35,878	50,556	51,588
Niue	29,355	16,308	45,663	46,595
Samoa	352,260	477,834	830,094	847,034
Solomon Islands	39,956	1,864,041	1,903,997	1,942,854
Tokelau	-	11,436	11,436	11,649
Tonga	49,740	513,712	563,452	574,952
Tuvalu	29,355	226,685	256,040	261,266
Vanuatu	455,002	585,468	1,040,470	1,061,704
	8,154,161	16,308,339	24,462,500	24,961,715

2 STUDENT TUITION FEES	June 2010	June 2009
	\$	\$
Regional students	7,831,442	5,166,259
International students	223,855	234,050
	8,055,297	5,400,309
Distance and flexible learning	3,895,477	3,731,362
	11,950,774	9,131,671
College of foundation studies	1,790,292	1,835,368
Republic of Marshall Islands (RMI)	440,260	689,541
Master of Business Administration	1,315,953	1,208,024
Others	1,909,603	1,711,666
	17,406,882	14,576,270

3 AID AND DONATIONS	June 2010	June 2009
	\$	\$
Australian aid - Core Funding	3,513,191	1,415,522
- Project Funding	9,855,977	2,333,768
European union aid	-	727,733
IAS and other institute projects	1,533,718	838,939
New Zealand aid	2,307,828	1,416,078
Others	1,243,391	604,076
	18,454,105	7,336,116

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**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

4 TRADING UNITS	June 2010	June 2010	June 2009	June 2009
	\$	\$	\$	\$
Book Centre		5,285,272		4,443,498
Laucala catering services		-		463,537
<i>Residential services</i>				
Laucala	1,318,043		1,219,404	
Emalus	197,507		514,796	
Alafua	141,546		65,501	
		<u>1,657,096</u>		<u>1,799,701</u>
Gym and community recreation centre		174,562		143,435
ICT park		157,709		113,588
Others		126,826		92,749
		<u>7,401,465</u>		<u>7,056,508</u>
4a CONSULTANCY INCOME		June 2010	June 2009	
		\$	\$	
Consultancy work with Tonga police		11,614	65,412	
Dairy farms Fiji - blue prawns project		31,394	35,414	
Others		82,865	76,926	
Professional services provided		171,919	319,853	
Review of Dept of Co-operatives		-	46,000	
Training and teaching		144,877	106,799	
		<u>442,670</u>	<u>650,404</u>	
5 OTHER INCOME		June 2010	June 2009	
		\$	\$	
Administration cost recovery		216,156	230,781	
Course material and text book sales		1,671,629	1,244,937	
Faculty and support units income		26,397	43,256	
ITS domain name registration		76,420	76,355	
Laboratory income		487,099	291,279	
Miscellaneous student activities		995,368	561,966	
Other income		483,490	349,246	
Publication sales		33,652	41,435	
Rental income		65,826	61,487	
		<u>4,056,037</u>	<u>2,900,742</u>	

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

6 RELEASE OF DEFERRED REVENUE	June 2010	June 2009
	\$	\$
Depreciation charge for the year	2,730,403	2,522,517
Less: charge on items aquired		
through loans or finance leases	(144,808)	(186,217)
through normal operating activities	<u>(313,454)</u>	<u>(261,842)</u>
Release of deferred revenue - depreciation	2,272,141	2,074,458
Fixed asset additions for the year	(46,347,329)	(2,293,655)
Less: items aquired through loans		
or normal operating activities	3,284,075	2,091,406
Less: items aquired through donations		
ICT centre buildings	40,723,309	-
ICT centre equipment	1,888,702	-
Purchases for USPSA	<u>4,856</u>	<u>-</u>
Increase in deferred revenue - additions	(446,387)	(202,249)
NET TRANSFER	<u>1,825,754</u>	<u>1,872,209</u>
7 STAFF COSTS	June 2010	June 2009
	\$	\$
Academic and comparable staff	23,637,410	18,632,343
Intermediate and junior staff	5,382,397	5,022,472
Permanent hourly paid staff	2,892,935	2,808,869
Provision for leave entitlements	430,890	(407,250)
Senior management	747,576	772,550
Total staff costs	<u>33,091,208</u>	<u>26,828,984</u>
Staff numbers (headcounts) by category as at 30 June:		
Academic and comparable staff	568	493
Intermediate and iunior staff	515	508
Permanent hourly paid staff	409	449
Senior management	9	9
Total staff numbers	<u>1,501</u>	<u>1,459</u>
Annualized taxable emoluments for higher paid staff		
\$100,000 - \$119,999	26	14
\$120,000 - \$139,999	11	11
\$140,000 - \$159,999	13	9
\$160,000 - \$179,999	5	3
\$180,000 - \$199,999	1	3
\$200,000 - \$219,999	1	-
\$220,000 - \$259,999	<u>1</u>	<u>1</u>
	<u>58</u>	<u>41</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

4 TRADING UNITS	June 2010	June 2010	June 2009	June 2009
	\$	\$	\$	\$
Book Centre		5,285,272		4,443,498
Laucala catering services		-		463,537
<i>Residential services</i>				
Laucala	1,318,043		1,219,404	
Emalus	197,507		514,796	
Alafua	141,546		65,501	
		<u>1,657,096</u>		<u>1,799,701</u>
Gym and community recreation centre		174,562		143,435
ICT park		157,709		113,588
Others		126,826		92,749
		<u>7,401,465</u>		<u>7,056,508</u>
4a CONSULTANCY INCOME		June 2010	June 2009	
		\$	\$	
Consultancy work with Tonga police		11,614	65,412	
Dairy farms Fiji - blue prawns project		31,394	35,414	
Others		82,865	76,926	
Professional services provided		171,919	319,853	
Review of Dept of Co-operatives		-	46,000	
Training and teaching		144,877	106,799	
		<u>442,670</u>	<u>650,404</u>	
5 OTHER INCOME		June 2010	June 2009	
		\$	\$	
Administration cost recovery		216,156	230,781	
Course material and text book sales		1,671,629	1,244,937	
Faculty and support units income		26,397	43,256	
ITS domain name registration		76,420	76,355	
Laboratory income		487,099	291,279	
Miscellaneous student activities		995,368	561,966	
Other income		483,490	349,246	
Publication sales		33,652	41,435	
Rental income		65,826	61,487	
		<u>4,056,037</u>	<u>2,900,742</u>	

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

6 RELEASE OF DEFERRED REVENUE	June 2010	June 2009
	\$	\$
Depreciation charge for the year	2,730,403	2,522,517
Less: charge on items aquired		
through loans or finance leases	(144,808)	(186,217)
through normal operating activities	<u>(313,454)</u>	<u>(261,842)</u>
Release of deferred revenue - depreciation	2,272,141	2,074,458
Fixed asset additions for the year	(46,347,329)	(2,293,655)
Less: items aquired through loans		
or normal operating activities	3,284,075	2,091,406
Less: items aquired through donations		
ICT centre buildings	40,723,309	-
ICT centre equipment	1,888,702	-
Purchases for USPSA	<u>4,856</u>	<u>-</u>
Increase in deferred revenue - additions	(446,387)	(202,249)
NET TRANSFER	<u>1,825,754</u>	<u>1,872,209</u>
7 STAFF COSTS	June 2010	June 2009
	\$	\$
Academic and comparable staff	23,637,410	18,632,343
Intermediate and junior staff	5,382,397	5,022,472
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\$100,000 - \$119,999	26	14
\$120,000 - \$139,999	11	11
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\$160,000 - \$179,999	5	3
\$180,000 - \$199,999	1	3
\$200,000 - \$219,999	1	-
\$220,000 - \$259,999	<u>1</u>	<u>1</u>
	<u>58</u>	<u>41</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

8 OPERATING COSTS	June 2010	June 2009
	\$	\$
Cost of sales	4,818,082	4,727,746
Travel and related expenses	2,208,794	1,673,605
Student-related expenses	3,353,630	2,045,632
Grounds and maintenance	1,774,655	1,060,881
<u>Consultancy expenses</u>		
GMES project	93,452	277,090
Other	<u>1,012,510</u>	<u>832,024</u>
Total consultancy expenses	1,105,962	1,109,114
Utilities	1,604,853	1,313,627
Telecommunications	1,279,219	1,789,322
PRIDE in-country expenses	278,104	1,012,308
Library books	1,514,036	1,134,108
Staff recruitment and passages	588,369	601,117
Printing and stationery	1,068,322	940,981
Insurance premiums	793,654	638,961
Computer software and hardware	635,503	784,090
Workshop expenses	1,282,204	961,540
Advertising	1,002,714	396,463
Hospitality/expenditure on meetings	291,337	158,177
Teaching materials	748,098	622,136
Sub-total	<u>24,347,536</u>	<u>20,969,808</u>
Other items of expenditure	4,806,243	3,722,338
<u>Fees paid to auditors:</u>		
External audit	19,688	18,030
Internal audit	84,000	110,810
Other services	6,693	1,355
<u>Honorarium :</u>		
Council	10,500	10,500
Finance and investments committee	3,000	3,000
Audit committee	6,000	6,000
Total operating costs	<u><u>29,283,660</u></u>	<u><u>24,841,841</u></u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

	Goods & Publications	Academic Gowns	Maintenance	Catering & Domestic	Total
	\$	\$	\$	\$	\$
9 INVENTORIES					
Balance 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	3,822,597	487,778	158,076	43,758	4,512,209
Balance at 1 January 2010	4,057,848	513,763	151,006	26,186	4,748,803
Additions	5,290,601	71,604	59,099	367,117	5,788,421
Expensed	(5,992,837)	(74,512)	(69,535)	(391,361)	(6,528,245)
Write down in value	(78,411)	(8,456)	-	-	(86,867)
Cost or valuation at 30 June 2010	3,277,201	502,399	140,570	1,942	3,922,112

	June 2010	December 2009	June 2009
	\$	\$	\$
Analysis of value of inventories			
Total cost of Inventories	5,883,462	6,328,875	5,961,250
Less: unrealised profit	(1,165,927)	(871,517)	(1,104,400)
Less: provision for obsolescence	(795,423)	(708,555)	(344,641)
Cost or valuation at period end	3,922,112	4,748,803	4,512,209

	June 2010	December 2009	June 2009
	\$	\$	\$
Analysis of goods and publications:			
Book centre - inventory	1,500,631	1,759,151	2,130,254
Book centre - goods in transit	193,998	992,723	166,657
Regional campuses - books	1,023,444	300,701	721,330
Regional campuses - course materials	643,281	991,912	285,268
Institute of Pacific studies	611,237	617,477	675,775
Institute of education	80,084	84,491	78,954
	4,052,675	4,746,455	4,058,238
Less: provision for obsolescence	(775,474)	(688,607)	(235,641)
Cost or valuation at period end	3,277,201	4,057,848	3,822,597

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010

10 ACCOUNTS RECEIVABLE	Notes	June 2010	December 2009	June 2009
		\$	\$	\$
Government contributions	10a	16,180,070	1,975,240	8,797,628
Trade	10b	2,151,313	1,423,626	568,703
Students	10c	4,681,077	2,454,364	3,391,147
Staff	10d	224,670	118,453	82,143
Other	10e	7,337,275	3,708,381	1,955,756
		<u>30,574,406</u>	<u>9,680,064</u>	<u>14,795,377</u>
Less: provision for doubtful debts	10f	(3,250,588)	(2,084,203)	(2,778,733)
		<u>27,323,817</u>	<u>7,595,861</u>	<u>12,016,644</u>
10a Contributions due from governments:		\$	\$	\$
Cook Islands		160,015	-	196,391
Fiji		12,662,851	130,451	6,416,817
Kiribati		351,867	-	-
Marshall Islands		101,379	279,521	277,617
Nauru		136,390	398,552	367,732
Niue		32,824	189,353	155,623
Solomon Islands		2,037,772	907,067	1,380,726
Tonga		633,749	70,296	2,722
Tuvalu		63,223	-	-
		<u>16,180,070</u>	<u>1,975,240</u>	<u>8,797,628</u>
<u>Ageing of government contributions due:</u>				
Less than 1 year Old		16,149,911	1,351,998	8,057,097
Between 1 and 2 Years Old		30,159	365,730	483,022
Between 2 and 3 Years Old		-	154,095	154,093
More than 3 Years Old		-	103,417	103,416
		<u>16,180,070</u>	<u>1,975,240</u>	<u>8,797,628</u>

Note

Any overpayments by member countries are classified as creditors

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Notes	June 2010	December 2009	June 2009
10b Trade Debtors		\$	\$	\$
Laucala campus and book centre		2,132,191	1,165,833	550,968
Emalus campus and book centre		19,122	257,793	17,735
		<u>2,151,313</u>	<u>1,423,626</u>	<u>568,703</u>
Less: provision for doubtful debts		(317,615)	(99,154)	(183,243)
		<u>1,833,698</u>	<u>1,324,472</u>	<u>385,460</u>
<u>Ageing of trade debtors due:</u>				
Less than 1 year Old		2,042,456	1,336,120	354,654
Between 1 and 2 Years Old		42,173	79,483	171,281
Between 2 and 3 Years Old		66,684	6,755	42,768
More than 3 Years Old		-	1,268	-
		<u>2,151,313</u>	<u>1,423,626</u>	<u>568,703</u>
10c Student Debtors		\$	\$	\$
Laucala		1,845,923	1,127,540	1,223,822
Alafua		98,353	32,748	18,822
Emalus		1,259,874	49,476	1,028,189
Other regional campuses		1,476,927	1,244,600	1,120,314
		<u>4,681,077</u>	<u>2,454,364</u>	<u>3,391,147</u>
Less: provision for doubtful debts		(2,823,728)	(1,885,689)	(2,497,145)
		<u>1,857,349</u>	<u>568,675</u>	<u>894,002</u>
<u>Ageing of student debtors due:</u>				
Less than 1 year Old		3,156,115	1,131,142	635,758
Between 1 and 2 Years Old		416,978	237,800	2,009,400
Between 2 and 3 Years Old		389,430	386,012	359,104
More than 3 Years Old		718,554	699,410	386,885
		<u>4,681,077</u>	<u>2,454,364</u>	<u>3,391,147</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010

	June 2010	December 2009	June 2009
10d Staff debtors	\$	\$	\$
Laucala	220,064	114,585	93,711
Alafua	4,606	3,868	(11,718)
Emalus	-	-	150
	<u>224,670</u>	<u>118,453</u>	<u>82,143</u>
Less: provision for doubtful debts	(109,245)	(99,360)	(98,345)
	<u><u>115,425</u></u>	<u><u>19,093</u></u>	<u><u>(16,202)</u></u>
Ageing of staff debtors due:			
Less than 1 year Old	122,457	-	(16,390)
Between 1 and 2 Years Old	3,868	19,920	188
More than 2 Years Old	98,345	98,533	98,345
	<u>224,670</u>	<u>118,453</u>	<u>82,143</u>
10e Other debtors	\$	\$	\$
Aid agencies	2,307,828	3,424	56,925
Interest receivable	515,687	581,160	235,352
Other debtors	242,879	1,336,578	55,062
VAT receivable	4,270,881	1,787,219	1,608,417
	<u>7,337,275</u>	<u>3,708,381</u>	<u>1,955,756</u>
Ageing of other debtors due:			
Less than 1 year Old	5,670,232	2,033,652	503,668
Between 1 and 2 Years Old	488,058	540,495	308,220
Between 2 and 3 Years Old	440,010	398,685	398,685
More than 3 Years Old	738,975	735,549	745,183
	<u>7,337,275</u>	<u>3,708,381</u>	<u>1,955,756</u>
10f Movement in provision for doubtful debts			
Balance at 1 January	2,084,203	1,989,418	2,401,839
Additional provision made during the period	1,166,385	94,785	376,894
	<u>3,250,588</u>	<u>2,084,203</u>	<u>2,778,733</u>
11 PREPAYMENTS	June 2010	December 2009	June 2009
	\$	\$	\$
Laucala	846,640	357,359	689,847
Emalus	6,089	6,089	6,089
Alafua	-	49,248	35,376
Book centre	252,567	39,266	37,253
	<u>1,105,296</u>	<u>451,962</u>	<u>768,565</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010

June 2010 December 2009 June 2009

12 CASH AND CASH EQUIVALENTS

	\$	\$	\$
Term deposits	32,168,343	35,962,696	25,791,167
Current accounts	5,133,553	8,787,295	8,762,461
Cash on hand and petty cash	26,561	23,387	24,322
	<u>37,328,457</u>	<u>44,773,378</u>	<u>34,577,950</u>
Bank overdraft	(609,351)	(103,000)	(773,444)
	<u><u>36,719,106</u></u>	<u><u>44,670,378</u></u>	<u><u>33,804,506</u></u>

a) Where held:

In Fiji

Term deposits	30,530,918	34,414,860	19,572,155
Current accounts (net of bank overdrafts)	2,906,797	6,975,297	1,771,025
Cash on hand and petty cash	26,561	23,387	24,322
	<u>33,464,276</u>	<u>41,413,544</u>	<u>21,367,502</u>

With other regional banks

Term deposits	1,622,450	1,532,431	1,144,734
Current accounts (net of bank overdrafts)	750,323	863,619	3,703,235
	<u>2,372,773</u>	<u>2,396,050</u>	<u>4,847,969</u>

In other overseas accounts

Term deposits	14,975	15,404	5,074,278
Current accounts (net of bank overdrafts)	867,081	845,379	2,514,757
	<u>882,056</u>	<u>860,783</u>	<u>7,589,035</u>

b) Term deposits by country and currency (June 2010):

Held in Fiji:

	Currency	Local Amount \$	Rate	FJD \$
Fijian currency	FJD	23,209,266	1.0000	23,209,266
Overseas currency	AUD	4,401,045	0.6011	7,321,652
				<u>30,530,918</u>

Held in regional banks:

Solomons Islands	SBD	7,200,523	4.5625	1,578,197
Tuvalu	AUD	26,600	0.6011	44,253
				<u>1,622,450</u>

Held in overseas accounts:

England	GBP	5,029	0.3358	<u>14,975</u>
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c) Comprising:

	June 2010 \$	December 2009 \$	June 2009 \$
University funds	27,037,202	35,133,487	24,741,805
Endowment funds	9,681,904	9,536,891	9,062,701
	<u>36,719,106</u>	<u>44,670,378</u>	<u>33,804,506</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010

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

	June 2010	June 2009
	\$	\$
Surplus - statement of income and expenditure	8,005,305	9,443,838
<u>Adjustments to income and expenditure:</u>		
Release of deferred revenue	(1,825,754)	(1,872,209)
Depreciation	2,730,403	2,522,518
Provision for doubtful debts	1,166,385	376,893
Write down in value of inventories	86,867	10,437
Provision for leave entitlement	430,890	(407,250)
Income and expenditure cash surplus	<u>10,594,096</u>	<u>10,074,227</u>
Decrease in inventories	739,823	280,766
Increase in accounts receivable	(21,012,659)	(7,576,552)
Increase in prepayments	(653,334)	(81,450)
Increase in creditors	4,467,358	5,247,522
Net cash (used in)/from operating activities	<u>(5,864,716)</u>	<u>7,944,513</u>

13b During the year, the university received fixed assets of \$42.6m donated by the Japanese Government. This transaction has not been reflected in the Statement of Cash Flows.

14 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	Property \$	Equipment & Furniture \$	Vehicles & Vessels \$	Work In Progress \$	Total \$
Cost or Valuation					
Deemed cost at 1 January 2010	139,845,064	10,035,633	1,590,890	2,080,254	153,551,841
Additions	41,113,566	3,228,311	264,063	-	44,605,940
Disposals	-	(56,144)	(73,000)	-	(129,144)
Transfers	1,632,860	108,529	-	(1,741,389)	-
Deemed cost at 30 June 2010	<u>182,591,490</u>	<u>13,316,329</u>	<u>1,781,953</u>	<u>338,865</u>	<u>198,028,637</u>
Accumulated depreciation					
Accumulated depreciation at 1 January 2010	19,610,742	6,235,559	901,829	-	26,748,130
Charge for the year	1,625,118	944,576	160,709	-	2,730,403
Adjustment on disposals	-	(56,144)	(70,800)	-	(126,944)
Accumulated depreciation at 30 June 2010	<u>21,235,860</u>	<u>7,123,991</u>	<u>991,738</u>	<u>-</u>	<u>29,351,589</u>
Net carrying amount at 30 June 2010	<u>161,355,630</u>	<u>6,192,338</u>	<u>790,215</u>	<u>338,865</u>	<u>168,677,048</u>
Net carrying amount at 31 December 2009	<u>120,234,322</u>	<u>3,800,073</u>	<u>689,062</u>	<u>2,080,254</u>	<u>126,803,711</u>
Net carrying amount at 30 June 2009	<u>121,097,586</u>	<u>4,037,236</u>	<u>957,198</u>	<u>1,553,377</u>	<u>127,645,397</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under finance lease

The carrying amount of tangible fixed assets include an amount of \$17,650 (June 2009: \$236,457) in respect of assets held under finance lease reported under the equipment category relating to PABX equipment. The depreciation charge for the six months was \$88,700 (June 2009: \$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 been incurred.

Carrying value of work in progress projects at 30 June

	June 2010 \$	December 2009 \$	June 2009 \$
Ausaid lecture theater renovations	-	-	18,924
Austra learn accomodation	84,931	84,931	81,532
Book shop carpark	-	-	59,900
Computer lab renovations	-	-	16,584
ICT building project	-	934,936	1,153,400
Medical centre renovations	5,897	5,897	5,927
N111 lecture theater renovations	-	-	106,308
Student carpark	248,037	248,037	-
Tree Tops/Barista/USPSA renovations	-	285,622	4,500
U8 lecture theater renovations	-	-	106,302
FBE roof replacement	-	412,302	-
Regional Campuses - MYOB Implementation	-	108,529	-
	<u>338,865</u>	<u>2,080,254</u>	<u>1,553,377</u>

Reconciliation of fixed assets to related accounts

Carrying amount of property, plant and equipment at 30 June 2010

\$

168,677,048

This is represented by:

\$

Deferred revenue	155,885,569
Carrying amount of equipment acquired via finance leases: PABX telephone system	17,650
Carrying amount of properties acquired directly or through loans:	
Statham street campus	4,067,459
Services complex	113,040
Residential block	796,000
Carrying amount of assets funded from normal operating activities	7,797,330
	<u>168,677,048</u>

15 FINANCING FACILITIES

The University has access to overdraft facilities of \$4,088,059 (June 2009: \$4,075,654) with various banks across the region for which all conditions precedent have been met. As at 30 June 2010, \$609,351 (June 2009: \$773,444) 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 2010 is \$36,719,106 (June 2009: \$33,804,506) which includes endowment assets of \$9,681,904 (June 2009: \$9,062,701).

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

16 CREDITORS AND ACCRUALS	June 2010	December 2009	June 2009
	\$	\$	\$
Accrual for leave entitlement	3,206,273	2,775,384	2,775,384
Aid in advance	623,116	-	4,160,391
Member countries contributions received in advance	2,918,928	1,788,585	1,466,366
Obligations under finance leases	-	99,681	250,285
Other creditors and accruals	908,777	643,657	404,442
Payroll creditors	4,538,364	1,557,105	2,131,385
Student creditors	156,731	78,098	73,741
Student fees received in advance	196,927	173,353	114,432
Trade creditors	9,289,356	9,924,043	7,770,494
	21,838,472	17,039,906	19,146,920

17 COMMITMENTS	June 2010	December 2009	June 2009
	\$	\$	\$
(a) Finance lease commitments			
The commitment in respect of leased assets are as follows:			
Not later than one year	-	101,906	263,783
Deduct future finance charges	-	(2,225)	(13,498)
Lease liability	-	99,681	250,285
<u>Analysed as:</u>			
Current liability	-	99,681	250,285
	-	99,681	250,285
(b) Operating lease commitments			
The commitment in respect of leased assets are as follows:			
Expiring within one year	652,455	683,255	750,080
Expiring within more than one year but less than two years	652,455	683,255	750,080
Expiring within more than two years but less than five years	489,341	877,169	1,351,140
	1,794,251	2,243,679	2,851,300

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

18 CONTINGENT ASSETS AND LIABILITIES

	June 2010	December 2009	June 2009
<u>Contingent liabilities</u>	\$	\$	\$
As at 30 June, the University's contingent liabilities are estimated to be:			
Fiji electricity authority - guarantees given	158,857	158,857	158,857
EDF programme management unit - guarantees given	223,744	223,744	223,744
FIRCA - customs bond	331,645	331,645	331,645
Ministry of primary industries, land and water	8,963	8,963	8,963
VAT on grants received from government	39,802,087	39,802,087	39,802,087
	40,525,296	40,525,296	40,525,296

Contingent assets

VAT on government grant	39,802,087	39,802,087	39,802,087
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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. The University has made an effort in 2009 to close the matter with FIRCA, but no reply nor any formal assessment has been issued by FIRCA since the University's last communication dated 20 October 2009. Accordingly, no provision for liability has been made in the financial statements.

The University claims Government 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.