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**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2007

**THE UNIVERSITY OF THE SOUTH PACIFIC  
STATEMENT BY APPOINTED OFFICERS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**THE UNIVERSITY OF THE SOUTH PACIFIC  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

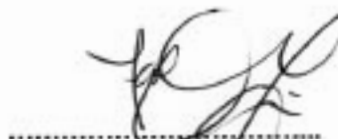
**STATEMENT BY APPOINTED OFFICERS**

In our opinion the accompanying Financial Statements give a true and fair view of the financial position of The University of the South Pacific as at 31 December 2007, and of the transactions for the year ended on that date.

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



Dr Esther Williams  
Acting Vice Chancellor



Ms Fay Yee  
Chair – Finance &  
Investments Committee



Mr Kevin Davis  
Director of Finance

# AUDITOR'S REPORT



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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 year ended 31 December 2007 as set out on pages 48 to 64. 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.

### Audit Opinion

In our opinion,

- a) proper books of account have been kept by the University, so far as it appears from our examination of those books, and
- b) the accompanying Financial Statements which have been prepared in accordance with International Financial Reporting Standards:
  - i) are in agreement with the books of account; and
  - ii) to the best of our information and according to the explanations given to us give a true and fair view of the state of affairs of the University as at 31 December 2007 and of the results, changes in equity and cashflows of the University for the year then ended.

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Suva, Fiji  
 28 April 2008

*Ernst & Young*  
 Ernst & Young  
 Chartered Accountants

■ Partners: Francis Chung, Steven Pickering, Sikeli Tuinamuana

A Member Practice of Ernst & Young Global

# 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 28th April 2008.

## 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) 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").

The adoption of International Financial Reporting Standards in the financial statements is expected to result in additional disclosures and amendments to the presentation of the financial statements. Where income, expenditure, assets or liabilities have been reclassified in the financial statements for the year ended 31 December 2007, the comparative figures for the financial year ended 31 December 2006 have also been restated.

### (b) Basis of preparation

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

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

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

### (c) 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, Income and Expenditure Account and Cash Flow Statement are prepared on a consolidated basis including all the funds of the University.

Clarendon Investments Limited and USP Solutions Limited, wholly owned subsidiaries of the University, have not been consolidated

in the financial statements, as subsequent to 31 December 2006, the Directors of the subsidiary companies resolved to voluntarily liquidate the companies.

### (d) 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.

### (e) 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.

### (f) Property, Plant and Equipment

#### Fair Value or revaluation as deemed cost

As a first time adopter of IFRS, the University elects to adopt the "deemed cost" approach in measuring property, plant and equipment. As at 1 January 2006, all items of property, plant and equipment are deemed to be measured at fair value.

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 66.6 years i.e. 1.5% 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.

The depreciation applicable to the valuation component of non-current assets is offset by a transfer from the Deferred Revenue Reserve to the Income & Expenditure Account. Freehold land is not depreciated.

### 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 Income and Expenditure Account 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 a loan or finance lease when no revenue is deferred to the Reserve.

### (g) Leased Assets

The University leases some property under operating leases. The rentals are charged as an expense on a straight line basis 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 and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or 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 income and expenditure account over the life of the lease.

### (h) 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.

### (i) 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. In addition, general provision is made to cover unidentified and latent risks inherent in the overall granting of credit.

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.

### (j) 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 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 other banks, deposits held at call with banks, other short-term deposits and bank overdraft. Bank overdrafts are included as current liabilities on the balance sheet.

### (k) 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 by the following year.

### (l) 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 Income & Expenditure Account in the financial period in which they arise.

### (m) Income Tax

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

### (n) 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 (Australian Aid, New Zealand Aid, the European Union, the Republic of the Marshall Islands and the Samoa South Pacific Games Organisation) 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 be raised to a third party; the revenue associated with these invoices is recognised on due date;
- Interest income is recognised on due date.

### (o) Gifts & Donations

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

### (p) Endowment Funds

The University has established Endowment Funds for specific purposes. The capital amount of such funds is maintained at its original 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 income & expenditure account only when no longer required for the purpose for which the fund was originally established.

### (q) Commitment Accounting

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

### (r) Superannuation Funds

The University participates in a number of defined contribution superannuation schemes. These schemes were established to provide benefits to employees and their dependents on retirement, disability, death, retrenchment or withdrawal from service. The principal types of benefits are pension benefits and lump-sum benefits.

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.

## 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 overdraft, which in practice, is to be used for contingency purposes only.

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

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

### Foreign Currency Risk

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

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 risk of changes in market interest rates relate primarily to the investment of surplus cash into 'at call' or short term deposits as well as through finance lease and utilisation of overdraft.

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 overdraft 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 will ensure that its borrowing, private financing and partnership arrangements are negotiated, structures, 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;
- (iii) the terms and covenants of borrowing.



# INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007	2006
		\$	\$
<b>INCOME</b>			
Government Grants	1	49,923,430	47,097,575
Student Tuition Fees	2	23,979,442	25,668,294
Aid and Donations	3	24,332,504	20,399,932
Trading Activities	4	18,085,011	19,161,026
Other Income	5	10,636,179	12,228,374
Release of Deferred Revenue	6	2,030,666	1,860,401
Interest Income		973,419	1,240,132
<b>TOTAL OPERATING INCOME</b>		<b>129,960,651</b>	<b>127,655,734</b>
<b>EXPENDITURE</b>			
Staff Costs	7	64,721,881	64,373,251
Operating Costs	8	60,347,462	61,471,961
Depreciation		4,238,067	4,596,626
Provision for Doubtful Debt Expense		500,849	-
Write down in Value of Inventories		225,769	320,199
Write down in Value of Fixed Assets	14	1,026,809	-
Write down in Value of Investments	15	300,100	-
Net Foreign Currency (Gain)/Loss		857,899	144,477
Interest Payable on Finance Lease		63,307	90,382
<b>TOTAL OPERATING EXPENDITURE</b>		<b>132,282,143</b>	<b>130,996,896</b>
<b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>		<b>(2,321,492)</b>	<b>(3,341,162)</b>
Loss on Loan - USPSL			(700,000)
Loss on discontinued operations - CIL			(1,099,639)
<b>SURPLUS / (DEFICIT) FOR YEAR</b>		<b>(2,321,492)</b>	<b>(5,140,801)</b>

The accompanying notes form an integral part of this statement.

# BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007	2006
		\$	\$
<b>CURRENT ASSETS</b>			
Inventories	9	5,246,172	4,733,680
Accounts Receivable	10	12,967,934	10,138,935
Prepayments	11	250,288	903,612
Cash and Cash Equivalents	12	21,294,304	28,214,911
		<b>39,758,698</b>	<b>43,991,138</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	14	140,041,417	143,386,447
Investments	15	-	300,100
		<b>140,041,417</b>	<b>143,686,547</b>
<b>TOTAL ASSETS</b>		<b>179,800,115</b>	<b>187,677,685</b>
<b>CURRENT LIABILITIES</b>			
Creditors and Accruals	17	(16,314,309)	(23,052,141)
Bank Overdraft	16	(3,459,692)	(142,419)
		<b>(19,774,001)</b>	<b>(23,194,560)</b>
<b>NON-CURRENT LIABILITIES</b>			
Creditors and Accruals	18	(413,345)	(516,185)
		<b>(413,345)</b>	<b>(516,185)</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>159,612,769</b>	<b>163,966,940</b>
<b>Represented by:</b>			
<b>FUNDS AND RESERVES</b>			
Income & Expenditure Account		20,745,788	23,067,280
Endowment Capital		4,860,381	4,860,381
Deferred Revenue Reserve		134,006,600	136,039,279
		<b>159,612,769</b>	<b>163,966,940</b>

The accompanying notes form an integral part of this statement.

# CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

		2007	2007	2006	2006
	Note	\$	\$	\$	\$
<b>Cashflows from Operating Activities</b>					
Government Contributions		49,571,849		46,045,050	
Student Fees		25,673,845		24,526,061	
Aid & Donations		20,213,913		19,066,905	
Trading Activities		17,922,491		19,408,445	
Other Receipts		10,215,726		11,562,838	
		<u>123,597,824</u>		<u>120,609,299</u>	
Salaries		(64,377,221)		(64,949,871)	
Other Expenses		(68,193,388)		(63,278,592)	
		<u>(132,570,609)</u>		<u>(128,228,463)</u>	
<b>Cash Used in Operating Activities</b>		<b>(8,972,785)</b>		<b>(7,619,164)</b>	
Interest Paid		<u>(63,307)</u>		<u>(90,382)</u>	
Net Cash from Operating Activities	13		(9,036,092)		(7,709,546)
<b>Cashflows from Investing Activities</b>					
Purchase of Fixed Assets		(1,863,021)		(3,430,422)	
Sale of Fixed Assets		71,798		73,094	
Interest Received		<u>930,514</u>		<u>1,530,102</u>	
Net Cash used in Investing Activities			(860,709)		(1,827,226)
<b>Cashflows from Financing Activities</b>					
Payment of Finance Lease Liabilities		<u>(341,079)</u>		<u>(247,768)</u>	
Net Cash used in Financing Activities			(341,079)		(247,768)
<b>Net Decrease in Cash &amp; Cash Equivalents</b>			<b>(10,237,880)</b>		<b>(9,784,540)</b>
	Note				
Cash & Cash Equivalents at Start of Period			28,072,492		37,857,032
Net Decrease in Cash & Cash Equivalents			(10,237,880)		(9,784,540)
<b>Cash &amp; Cash Equivalents at End of Period</b>	12		<b>17,834,612</b>		<b>28,072,492</b>

The accompanying notes form an integral part of this statement.



# STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2007

	2007	2006
	\$	\$
<b>INCOME &amp; EXPENDITURE ACCOUNT</b>		
Balance at 1 January	23,067,280	28,208,081
Surplus/(Deficit) for the Year	(2,321,492)	(5,140,801)
<b>Balance at 31 December</b>	<b>20,745,788</b>	<b>23,067,280</b>
<b>ENDOWMENT CAPITAL</b>		
Balance at 1 January	4,860,381	4,860,381
New Endowment Capital Received	-	-
<b>Balance at 31 December</b>	<b>4,860,381</b>	<b>4,860,381</b>
Analysed as:		
Endowments - General	94,133	94,133
Endowments - Specific	4,766,248	4,766,248
<b>Total Endowment Capital</b>	<b>4,860,381</b>	<b>4,860,381</b>
<b>DEFERRED REVENUE RESERVE</b>		
Balance at 1 January	136,039,279	140,599,043
Additions during the year	1,863,021	2,403,614
Releases during the year - Depreciation	(3,893,687)	(4,264,015)
Releases during the year - Disposals	(2,013)	(2,699,363)
<b>Balance at 31 December</b>	<b>134,006,600</b>	<b>136,039,279</b>

The accompanying notes form an integral part of this statement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1 Government Contributions	General	Special	2007	2006
	Grant	Grant	Total	Total
	\$	\$	\$	\$
Cook Islands	286,228	69,893	356,121	372,071
Fiji	24,555,671	14,091,720	38,647,391	36,473,928
Kiribati	1,534,313	161,419	1,695,732	1,682,954
Marshall Islands	119,816	89,862	209,678	196,239
Nauru	103,175	43,267	146,442	95,765
Niue	49,924	51,588	101,512	128,735
Samoa	1,281,368	880,316	2,161,684	2,259,114
Solomon Islands	2,962,124	94,855	3,056,979	2,558,968
Tokelau	29,954	29,954	59,908	51,808
Tonga	1,028,423	178,060	1,206,483	1,053,417
Tuvalu	369,433	56,580	426,013	398,760
Vanuatu	961,858	893,629	1,855,487	1,825,816
	<b>33,282,287</b>	<b>16,641,143</b>	<b>49,923,430</b>	<b>47,097,575</b>

2 Student Tuition Fees	2007	2006
	\$	\$
Regional Students	11,240,344	11,565,828
International Students	338,555	384,240
	<b>11,578,899</b>	<b>11,950,068</b>
Distance & Flexible Learning	6,834,352	6,532,013
	<b>18,413,251</b>	<b>18,482,081</b>
College of Foundation Studies	2,368,444	3,866,495
Masters of Business Administration	1,603,917	1,075,861
Others	1,593,830	2,243,857
	<b>23,979,442</b>	<b>25,668,294</b>

3 Aid & Donations	2007	2006
	\$	\$
Australian Aid	8,949,243	5,557,757
New Zealand Aid	6,785,621	6,504,606
European Union Aid	4,667,581	4,053,964
IAS & Other Institute Projects	1,650,211	1,887,772
Republic of Marshall Islands	1,187,917	467,481
Others	1,091,931	1,928,352
	<b>24,332,504</b>	<b>20,399,932</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4 Trading Units	2007	2007	2006	2006
	\$	\$	\$	\$
Book Centre		10,927,548		10,901,785
Catering Services				
Laucala	3,152,804		3,620,935	
Alafua	<u>255,421</u>	3,408,225	<u>285,291</u>	3,906,226
Residential Services				
Laucala	1,973,071		2,593,472	
Emalus	728,981		932,807	
Alafua	<u>186,577</u>	2,888,629	<u>227,280</u>	3,753,559
Gym & Community Recreation Centre		526,923		342,112
Others		333,686		257,344
		<b>18,085,011</b>		<b>19,161,026</b>

5 Other Income	2007	2006
	\$	\$
Miscellaneous Student Activities	1,554,964	1,745,446
Course Material Sales	2,456,551	1,904,415
Department Trading	1,778,983	1,784,845
Consultancy Income	1,143,126	771,648
Laboratory Income	593,734	584,462
Other Income	3,108,821	5,437,558
	<b>10,636,179</b>	<b>12,228,374</b>

6 Release of Deferred Revenue	2007	2007	2006	2006
	\$	\$	\$	\$
Depreciation Charge for the Year	4,238,067		4,596,627	
Less: Charge on items acquired through loans or finance leases	<u>(344,379)</u>		<u>(332,612)</u>	
Release of Deferred Revenue - Depreciation		3,893,688		4,264,015
Fixed Asset Additions for the Year	(1,921,860)		(2,403,614)	
Less: Items acquired through loans or finance leases	<u>58,838</u>		<u>-</u>	
Increase in Deferred Revenue - Additions		(1,863,022)		(2,403,614)
<b>Net Transfer</b>		<b>2,030,666</b>		<b>1,860,401</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

7 Staff Costs	2007	2006
	\$	\$
Academic & Comparable staff	46,400,440	45,602,188
Intermediate & Junior staff	10,871,331	11,411,959
Permanent Hourly Paid staff	7,105,448	7,935,724
Accrual for Leave Entitlements	344,662	(576,620)
<b>Total Staff Costs</b>	<b>64,721,881</b>	<b>64,373,251</b>

Staff Numbers by category as at 31 December:

Academic & Comparable staff	533	588
Intermediate & Junior staff (excl. regional staff other than Alafua & Emalus)	467	510
Permanent Hourly Paid staff (excl. regional staff other than Alafua & Emalus)	369	469
<b>Total Staff Numbers</b>	<b>1,369</b>	<b>1,567</b>

**Compensation of key management personnel:**

	2007			2006	
	(To 30-Apr-07)	(From 1-May-07)			
	Former VC	Acting VC	Others	Former VC	Others
	\$000	\$000	\$000	\$000	\$000
Short-term employee benefits	136	206	2,142	275	2,482
Post-employment pension	10	21	195	27	214
Termination benefits	89	-	-	-	-
<b>Total compensation paid</b>	<b>235</b>	<b>227</b>	<b>2,337</b>	<b>302</b>	<b>2,696</b>

Taxable Emoluments for higher paid staff	2007	2006
	Number	Number
\$100,000 - \$119,999	28	25
\$120,000 - \$139,999	12	15
\$140,000 - \$159,999	8	6
\$160,000 - \$179,999	6	-
\$180,000 - \$199,999	1	1
\$200,000 - \$219,999	-	6
\$220,000 - \$239,999	3	3
\$240,000 - \$259,999	3	1
\$260,000 - \$279,999	-	1
\$280,000 - \$299,999	-	-
>\$300,000	1	1
	<b>62</b>	<b>59</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

8 OPERATING COSTS	2007	2006			
	\$	\$			
Items of Expenditure totalling more than \$1m					
Cost of Sales	9,930,911	10,950,597			
Travel-Related Expenses	4,206,489	5,696,748			
Student-Related Expenses	4,132,626	2,588,701			
Grounds & Maintenance	3,627,374	3,294,814			
Consultancy Expenses	2,963,139	3,147,539			
Non-Capitalisable Equipment	2,923,842	3,915,271			
Utilities	2,905,348	2,887,738			
Telecommunications	2,699,337	3,038,101			
PRIDE In-Country Expenses	2,039,346	167,502			
Library Books	1,991,652	2,194,412			
Staff Recruitment & Passages	1,936,796	2,279,564			
Printing & Stationery	1,726,223	1,794,818			
Insurance Premiums	1,612,404	1,451,515			
Computer Software & Hardware	1,362,224	955,413			
Workshop Expenses	1,041,223	1,660,446			
Teaching Materials	1,038,421	1,025,062			
<b>Sub-Total</b>	<b>46,137,355</b>	<b>47,048,241</b>			
Other Items of Expenditure	13,848,536	14,007,031			
Fees paid to auditors:					
External audit	29,060	35,584			
Internal audit	167,713	270,268			
Other services	23,381	17,030			
Projects	50,455	72,807			
Honorarium (Chair; V Chair - Council)	21,000	21,000			
Bad Debts written off	69,962	-			
<b>Total Operating Costs</b>	<b>60,347,462</b>	<b>61,471,961</b>			
9 INVENTORIES	Goods & Publications	Academic Gowns	Maintenance	Catering & Domestic	Total
	\$	\$	\$	\$	\$
Balance b/f at 1 January 2006	5,111,988	470,602	255,449	64,208	5,902,247
Additions	9,071,563	521,642	393,402	2,108,372	12,094,979
Expensed	(9,900,056)	(528,503)	(423,025)	(2,091,763)	(12,943,347)
Write down in value	(300,199)		(20,000)		(320,199)
<b>Cost or Valuation at 31 December 2006</b>	<b>3,983,296</b>	<b>463,741</b>	<b>205,826</b>	<b>80,817</b>	<b>4,733,680</b>
Balance b/f at 1 January 2007	3,983,296	463,741	205,826	80,817	4,733,680
Additions	8,718,828	547,626	434,864	1,631,301	11,332,619
Expensed	(7,907,852)	(505,067)	(444,192)	(1,642,229)	(10,499,340)
Write down in value	(320,787)				(320,787)
<b>Cost or Valuation at 31 December 2007</b>	<b>4,473,485</b>	<b>506,300</b>	<b>196,498</b>	<b>69,889</b>	<b>5,246,172</b>
Analysis of Value of Inventories	2007	2006			
	\$	\$			
Total cost of inventories	6,450,352	5,712,091			
Less: Unrealised profit	(863,700)	(644,000)			
Less: Provision for obsolescence	(340,480)	(334,411)			
<b>Cost or Valuation at 31 December</b>	<b>5,246,172</b>	<b>4,733,680</b>			
Analysis of Goods & Publications:	2007	2006			
	\$	\$			
Book Centre - Inventory	2,151,983	1,971,281			
Book Centre - Goods in Transit	555,345	605,351			
Regional Campuses - Books	823,039	569,596			
Regional Campuses - Course Materials	372,561	230,361			
Institute of Pacific Studies	701,335	731,318			
Institute of Education	102,703	102,800			
	<b>4,706,966</b>	<b>4,210,707</b>			
Less: Provision for Obsolescence	(233,481)	(227,411)			
	<b>4,473,485</b>	<b>3,983,296</b>			

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

<b>10 ACCOUNTS RECEIVABLE</b>	<b>Note</b>	<b>2007</b>	<b>2006</b>
		\$	\$
Government Contributions	10a	1,442,796	1,091,215
Trade	10b	727,678	673,029
Students	10c	5,693,844	7,280,717
Staff	10d	99,250	112,932
Other	10e	6,440,759	2,330,036
		<b>14,404,327</b>	<b>11,487,929</b>
Less: Provision for Doubtful Debts	10f	(1,436,393)	(1,348,994)
		<b>12,967,934</b>	<b>10,138,935</b>

<b>10a Contributions due from Governments:</b>		\$	\$
Cook Islands		56,098	-
Fiji		759,772	309,120
Kiribati		-	-
Marshall Islands		201,201	131,966
Nauru		249,263	188,655
Niue		176,462	214,894
Samoa		-	-
Solomon Islands		-	246,580
Tokelau		-	-
Tonga		-	-
Tuvalu		-	-
Vanuatu		-	-
		<b>1,442,796</b>	<b>1,091,215</b>

#### Ageing of Government Contributions due:

Less than 1 Year Old	1,177,345	832,816
Between 1 & 2 Years Old	246,730	185,290
Between 2 & 3 Years Old	18,721	73,109
More than 3 Years Old	-	-
	<b>1,442,796</b>	<b>1,091,215</b>

#### Notes

The Accounts Receivable figure for 2006 has been re-stated to take into account the over-charging of member countries in that year. Any overpayments by member countries are classified as creditors

<b>10b Trade Debtors</b>		\$	\$
Laucala Campus & Book Centre		530,416	542,658
Emalus Campus & Book Centre		197,262	130,371
		<b>727,678</b>	<b>673,029</b>
Less: Provision for Doubtful Debts		(96,586)	(204,457)
		<b>631,092</b>	<b>468,572</b>

#### Ageing of Trade Debtors due:

Less than 1 Year Old	687,214	446,464
Between 1 & 2 Years Old	40,464	226,565
Between 2 & 3 Years Old	-	-
More than 3 Years Old	-	-
	<b>727,678</b>	<b>673,029</b>

<b>10c Student Debtors</b>		\$	\$
Laucala		2,281,491	3,186,849
Alafua		62,184	154,236
Emalus		1,769,012	1,911,924
Other Regional Campuses		1,581,157	2,027,708
		<b>5,693,844</b>	<b>7,280,717</b>
Less: Provision for Doubtful Debts		(1,241,463)	(1,133,933)
		<b>4,452,381</b>	<b>6,146,784</b>

#### Ageing of Student Debtors due:

Less than 1 Year Old	1,974,103	3,984,711
Between 1 & 2 Years Old	2,231,153	1,904,227
Between 2 & 3 Years Old	901,850	731,177
More than 3 Years Old	586,738	660,602
	<b>5,693,844</b>	<b>7,280,717</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

<b>10d Staff Debtors</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Laucala	98,344	88,774
Alafua	-	19,962
Emalus	906	4,196
	<b>99,250</b>	<b>112,932</b>
Less: Provision for Doubtful Debts	(98,344)	(10,604)
	<b>906</b>	<b>102,328</b>

#### Ageing of Staff Debtors due:

Less than 1 Year Old	906	87,970
Between 1 & 2 Years Old	98,344	5,000
Between 2 & 3 Years Old	-	-
More than 3 Years Old	-	19,962
	<b>99,250</b>	<b>112,932</b>

<b>10e Other Debtors</b>	<b>\$</b>	<b>\$</b>
Aid Agencies	5,078,729	1,460,987
VAT Receivable	1,115,965	717,279
Interest Receivable	134,445	91,540
Other Debtors	111,620	60,230
	<b>6,440,759</b>	<b>2,330,036</b>

#### Ageing of Other Debtors due:

Less than 1 Year Old	4,957,264	1,895,446
Between 1 & 2 Years Old	867,416	370,130
Between 2 & 3 Years Old	614,201	35,000
More than 3 Years Old	1,878	29,460
	<b>6,440,759</b>	<b>2,330,036</b>

#### 10f Movement in Provision for Doubtful Debts

Balance at 1 January	1,348,994	1,489,650
Debts written off in the year	(413,450)	(140,656)
Additional provision made in the year	500,849	-
	<b>1,436,393</b>	<b>1,348,994</b>

<b>11 PREPAYMENTS</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Prepayments - Laucala	193,654	790,479
Prepayments - Alafua	28,837	33,427
Prepayments - Emalus	7,482	36,737
Prepayments - Book Centre	20,315	42,969
	<b>250,288</b>	<b>903,612</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

<b>12 CASH &amp; CASH EQUIVALENTS</b>	<b>2007</b>	<b>2006</b>
	\$	\$
Term Deposits	12,377,533	17,793,644
Current Accounts	8,894,740	10,399,606
Cash on hand & petty cash	22,031	21,661
	<b>21,294,304</b>	<b>28,214,911</b>
Bank Overdraft	(3,459,692)	(142,419)
	<b>17,834,612</b>	<b>28,072,492</b>
<b>Where held:</b>		
<i>In Fiji</i>		
Term Deposits	11,808,134	14,408,046
Current Accounts (net of bank overdrafts)	589,772	5,372,090
Cash on hand & petty cash	22,031	21,661
	<b>12,419,937</b>	<b>19,801,797</b>
<i>With Other Regional Banks</i>		
Term Deposits	133,451	2,215,584
Current Accounts (net of bank overdrafts)	2,699,688	2,951,620
	<b>2,833,139</b>	<b>5,167,204</b>
<i>In Other Overseas Accounts</i>		
Term Deposits	435,948	1,170,014
Current Accounts (net of bank overdrafts)	2,145,588	1,933,477
	<b>2,581,536</b>	<b>3,103,491</b>
<b>Comprising of:</b>		
University Funds	11,449,009	21,837,472
Endowment Funds - General	206,146	195,087
Endowment Funds - Specific	6,179,457	6,039,933
	<b>17,834,612</b>	<b>28,072,492</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

13 RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO INCOME & EXPENDITURE ACCOUNT	2007 \$	2006 \$
Surplus/(Deficit) - Income & Expenditure Account	(2,321,492)	(5,140,801)
Adjustments to Income & Expenditure:		
Release of Deferred Revenue	(2,030,666)	(1,860,401)
Interest Income	(973,419)	(1,240,132)
Proceeds from Sale of Fixed Assets	(71,798)	(73,094)
Depreciation	4,238,067	4,596,626
Provision for Doubtful Debts	500,849	-
Write down in Value of Inventories	225,769	320,199
Write down in Value of Fixed Assets	1,026,809	-
Write down in Value of Investments	300,100	-
Net Foreign Currency Gain/Loss	857,899	144,477
Loss on Loan - USPSL	-	700,000
Loss on Discontinued Operations - CIL	-	1,099,639
Operating Surplus/(Deficit)	1,752,118	(1,453,487)
(Increase)/Decrease in Inventories	(738,261)	848,368
(Increase)/Decrease in Accounts Receivable	(3,239,315)	(3,872,808)
(Increase)/Decrease in Prepayments	653,324	86,889
Increase/(Decrease) in Long-Term Creditors	(102,840)	(495,536)
Increase/(Decrease) in Short-Term Creditors	(7,702,197)	(3,070,740)
Less: Movement in Finance Lease Creditors	341,079	247,768
Net Cash Used in Operating Activities	(9,036,092)	(7,709,546)

14 PROPERTY, PLANT AND EQUIPMENT					
Description	Property \$	Equipment & Furniture \$	Vehicles & Vessels \$	Work In Progress \$	Total \$
<b>Cost or Valuation</b>					
Deemed Gross Cost at 1 January 2007	137,701,779	7,620,745	1,034,664	1,625,885	<b>147,983,073</b>
Additions	592,502	755,869	204,916	368,572	<b>1,921,859</b>
Disposals	-	-	(71,798)	(1,026,809)	<b>(1,098,607)</b>
Transfers	194,464	-	-	(194,464)	-
<b>Deemed Gross Cost at 31 December 2007</b>	<b>138,488,745</b>	<b>8,376,614</b>	<b>1,167,782</b>	<b>773,184</b>	<b>148,806,325</b>
<b>Accumulated Depreciation</b>					
Deemed Accumulated Depreciation at 1 January 2007	2,289,215	2,244,841	62,570	-	<b>4,596,626</b>
Charge for the year	2,289,215	1,776,429	172,423	-	<b>4,238,067</b>
Adjustment on disposals	-	-	(69,785)	-	<b>(69,785)</b>
<b>Deemed Accumulated Depreciation at 31 Dec.2007</b>	<b>4,578,430</b>	<b>4,021,270</b>	<b>165,208</b>	<b>-</b>	<b>8,764,908</b>
<b>Deemed Cost at 31 December 2007</b>	<b>133,910,315</b>	<b>4,355,344</b>	<b>1,002,574</b>	<b>773,184</b>	<b>140,041,417</b>
<b>Deemed Cost at 31 December 2006</b>	<b>135,412,564</b>	<b>5,375,904</b>	<b>972,094</b>	<b>1,625,885</b>	<b>143,386,447</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

## 14 PROPERTY, PLANT AND EQUIPMENT (continued)

### Assets under finance lease

The carrying amount of tangible fixed assets include an amount of \$626,777 (2006: \$828,154) in respect of assets held under finance lease reported under the equipment category relating to PABX equipment. The depreciation charge for the year was \$260,215 (2006: \$248,446).

### 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.

At 31 December 2006 work in progress included \$1,026,809 that the University had incurred in costs on a project to construct new student dormitories. This project was suspended in late November 2006 and had not re-commenced by 31 December 2007. Therefore the carrying value of the work in progress for this project was written down at the end of the year.

### Carrying Value of Work in Progress Projects at 31 December 2007

\$

Refurbishment - Admin Building	335,251
Emalus Campus - Staff Office	292,825
Emalus Campus - ITS Complex Expansion	101,278
MBA Renovations - Statham Campus	43,830

**773,184**

### Reconciliation of fixed assets to related accounts

\$

Carrying amount of property plant and equipment at 31 December 2007 **140,041,417**

This is represented by:

\$

Deferred Revenue 134,006,600

Carrying amount of equipment acquired via finance leases: PABX telephone system 626,777

Carrying amount of properties acquired directly or through loans:

Statham Street Campus	4,319,160
Services Complex	146,880
Residential Block	942,000
	<b>140,041,417</b>

## 15 INVESTMENTS

2007

2006

\$

\$

Clarendon Investments Limited	-	100
USP Solutions Limited	-	300,000
	<b>-</b>	<b>300,100</b>

In 2006, the University owned 100% of the issued share capital of Clarendon Investments Limited, a company incorporated in Fiji in 2001. On the 23rd January 2007, the shareholders of the company passed a special resolution agreeing that the company be placed under voluntary liquidation.

In 2006, the University owned 100% of the issued share capital of USP Solutions Limited. On the 6th of February 2007, the shareholders of the company passed a special resolution agreeing that the company be placed under voluntary liquidation.

## 16 FINANCING FACILITIES

The University has access to overdraft facilities of \$5,925,000 (2006: \$5.925m) with various banks across the region for which all conditions precedent have been met. As at 31 December 2007, \$3,459,692 (2006: \$142,419) was utilised.

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents as at 31 December 2007 is \$21,294,304 (2006: \$28,214,911) which includes endowment assets of \$6,385,603 (2006: \$6,235,020).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

17 CREDITORS & ACCRUALS	2007	2006
	\$	\$
Trade Creditors	9,080,844	9,277,140
Student Creditors	155,963	63,287
Aid in Advance	-	4,744,396
Overpayments by Member Countries	1,486,609	624,125
Student Fees Received in Advance	49,781	19,687
Payroll Creditors	2,117,155	5,026,389
Accrual for Leave entitlement	3,053,632	2,708,972
Obligations under Finance Leases	257,298	247,769
Other Creditors & Accruals	113,027	340,376
	<b>16,314,309</b>	<b>23,052,141</b>

18 COMMITMENTS	2007	2006
	\$	\$
<b>(a) Finance lease commitments</b>		
The commitment in respect of leased assets are as follows:		
Not later than one year	323,755	288,423
Later than one year and not later than two years	323,752	288,423
Later than two years and not later than five years	126,963	312,460
Minimum lease payments	774,470	889,306
Deduct future finance charges	(103,827)	(125,352)
<b>Lease liability</b>	<b>670,643</b>	<b>763,954</b>
Analysed as:		
Current liability	257,298	247,769
Non-current liability	413,345	516,185
	<b>670,643</b>	<b>763,954</b>
<b>(b) Operating lease commitments</b>		
The commitment in respect of leased assets are as follows:		
Expiring within one year	-	61,507
Expiring within more than one year but less than two years	-	9,075
Expiring within more than two years but less than five years	-	-
	<b>-</b>	<b>70,582</b>

In 2006 the University rented properties for staff housing on three year leases which were cancellable with one month's notice.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

19 TRANSACTIONS WITH RELATED PARTY	2007 \$	2006 \$
<b>Clarendon Investments Limited</b>		
Sales made to the University	-	21,479
Debt forgiven by the University	-	1,099,639
<b>USP Solutions Limited</b>		
Purchase of assets	-	44,500
Payroll and management services recharged	-	325,255
Sales made to the University	-	346,800
<b>Stepstone Pacific Limited</b>		
Sales made to the University - ITS management contract	-	150,000
Advances received from the University	-	187,500
Repayments made for advances received	-	(137,500)
Write off of outstanding advance	(50,000)	-

All transactions between the University and related entities were on an arm's length basis.

20 CONTINGENT ASSET & LIABILITIES	2007 \$	2006 \$
As at 31 December, 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
VAT on grants received from Government	39,802,087	35,573,613
	<b>40,184,688</b>	<b>35,956,214</b>
Contingent Assets	<b>39,802,087</b>	<b>35,573,613</b>

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. 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 shortfall 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.

## 21 INSURANCE

The University has taken cover for combined material damage and business interruption at a replacement value of \$308,567,612.