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THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008 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.


.....
Prof. Rajesh Chandra
Vice Chancellor


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


.....
Munish Malik
Director of Finance

27 April 2009

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 2008 as set out on pages 39 to 56. 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 2008 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
27 April 2009

Ernst & Young
Ernst & Young
Chartered Accountants

A member firm of Ernst & Young Global Limited

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 27th April 2009.

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Period

The financial statements are reported for the financial year from 1 January to 31 December 2008.

(b) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB").

(c) Basis of Preparation

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

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

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

(d) Basis of Consolidation

The format of the University's Annual Financial Statements is approved by the Finance and Investments Committee on behalf of Council.

The Balance Sheet, Statement of Income and Expenditure and Statement of Cash Flows are prepared on a consolidated basis including all the funds of the University.

(e) Principal Activities

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

(f) Segmental Reporting

The University's academic activities are regarded as a single segment of activity since they are undertaken by the same staff, using the same premises and financed substantially from the same income streams. None of the University's other, peripheral activities achieve the 10% threshold which would require separate reporting under IFRS 8 or IAS 14. As a regional institution, the University does not consider reporting of geographical segmentation below regional level to be appropriate and cash flows outside the region fall below the reporting threshold.

(g) Property, Plant and Equipment

The policy of the University is not to revalue its property, plant and equipment. In view of the specialised nature and wide geographical distribution of much of the University's estate and equipment, it is considered that the costs of any revaluation to reflect current values would outweigh the benefit to users of these financial statements. The value of its fixed assets is therefore either their value when originally incorporated within the University's balance sheet, or historical cost if acquired at a later date.

Depreciation

Property, plant and equipment acquired since 31 December 1993 are recorded at cost and depreciated over their estimated useful life:

- (i) Motor vehicles are written down on a straight line basis over 5 years.
- (ii) Buildings are written down on a straight line basis over 50 years i.e. 2% per annum. This change in policy became effective from 1 January 2008. However, the written down values and depreciation for all buildings purchased prior to 2008 have been adjusted accordingly in the 2008 accounts.
- (iii) Equipment, Furniture, Fittings and Vessels are written down on a straight line basis over 5 years.
- (iv) Computer equipment is written down on a straight line basis over 3 years.
- (v) Freehold land is not depreciated.

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

Impairment

Tangible fixed assets are inspected annually by a Board of Survey. If the inspection identifies that the carrying amount of the fixed asset is overstated, a provision is made for the impairment. No such provisions have been found necessary at the balance sheet date.

Deferred Capital Grants

Fixed assets acquired with the aid of specific grants are capitalised and depreciated in accordance with the above policy, with the related grant being credited to a Deferred Revenue Reserve and released to the Statement of Income and Expenditure over the expected useful economic life of the related fixed assets. The exception to this is when the acquisition of a fixed asset is financed either through University's own funds or a loan or finance lease when no revenue is deferred to the Reserve.

(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.

STATEMENT OF ACCOUNTING POLICIES

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.

(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 and
- Interest income is recognised on due date.

(p) Gifts & Donations

Gifts and donations from Governments and Aid Agencies are usually for specified purposes. These funds are separately identified in the accounting system, with expenditure recorded against each fund. Gifts

which are applied to capital items are taken to the Deferred Revenue Reserve, at the lower of cost and valuation, and transferred to the Statement of Income and Expenditure as income over the life of the asset.

(q) Endowment Funds

The University has established Endowment Funds for specific purposes. The capital amount of such funds is maintained at its original nominal value. The revenue generated through the investment of the capital is used in accordance with any conditions imposed by Council, deed, gift or by the terms of the endowments or bequests. Endowment funds are transferred to the Statement of Income and Expenditure only when no longer required for the purpose for which the fund was originally established.

(r) Commitment Accounting

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

(s) Superannuation Funds

The University contributes to a number of defined contribution superannuation schemes.

Contributions are made by employees and by the University as a percentage of salary or specified amounts as required by relevant agreements. The cost to the University is charged as an expense at the time it is incurred.

(t) Comparatives

Where necessary, comparative information 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 Investment Committee reviews and agrees policies for managing each of these risks, which are summarised below.

Liquidity Risk

The University's objective is to maintain a balance between continuity of funding to meet its day-to-day obligations, whilst minimising the utilisation of bank overdrafts, which in practice, are to be used for contingency purposes only.

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.

STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008	2007
		\$	\$
INCOME			
Government Grants	1	49,923,430	49,923,430
Student Tuition Fees	2	25,071,076	23,979,442
Aid and Donations	3	24,818,942	24,332,504
Trading Activities	4	13,392,018	18,085,011
Other Income	5	8,545,294	10,636,179
Release of Deferred Revenue	6	12,321,879	4,148,402
Interest Income		711,473	973,419
TOTAL OPERATING INCOME		134,784,112	132,078,387
EXPENDITURE			
Staff Costs	7	60,323,271	64,721,881
Operating Costs	8	52,530,555	60,347,462
Depreciation	14	13,877,455	4,238,067
Provision for Doubtful & Bad Debt Expense		1,026,665	500,849
Write down in Value of Inventories		234,424	225,769
Write down in Value of Fixed Assets		-	1,026,809
Write down in Value of Investments		-	300,100
Net Foreign Currency Loss		1,296,416	857,899
Interest on Finance Lease		70,356	63,307
TOTAL OPERATING EXPENDITURE		129,359,142	132,282,143
SURPLUS / (DEFICIT) FOR YEAR		5,424,970	(203,756)

The accompanying notes form an integral part of this statement

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	2008	2007
		\$	\$
CURRENT ASSETS			
Inventories	9	4,803,413	5,246,172
Accounts Receivable	10	4,816,986	12,967,934
Prepayments	11	687,115	250,288
Cash and Cash Equivalents	12	28,364,986	18,823,529
		38,672,500	37,287,923
NON-CURRENT ASSETS			
Property, Plant and Equipment	14	127,771,666	140,041,417
		127,771,666	140,041,417
TOTAL ASSETS		166,444,166	177,329,340
CURRENT LIABILITIES			
Creditors and Accruals	16	(14,348,869)	(16,314,309)
Bank Overdraft	12	(69,436)	(988,917)
		(14,418,305)	(17,303,226)
NON-CURRENT LIABILITIES			
Creditors and Accruals	17	(99,681)	(413,345)
		(99,681)	(413,345)
TOTAL LIABILITIES		(14,517,986)	(17,716,571)
TOTAL ASSETS LESS LIABILITIES		151,926,180	159,612,769
Represented by:			
FUNDS AND RESERVES			
Statement of Income & Expenditure		28,288,494	22,863,524
Endowment Capital		4,860,381	4,860,381
Deferred Revenue Reserve		118,777,305	131,888,864
		151,926,180	159,612,769

The accompanying notes form an integral part of this statement

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008	2008	2007	2007
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Government Contributions		52,125,473		50,434,333	
Student Fees		27,849,815		25,596,409	
Aid & Donations		29,768,205		15,970,366	
Trading Activities		13,068,879		17,642,604	
Other Receipts		8,326,835		10,483,768	
Interest Received		711,473		973,419	
		131,850,680		121,100,899	
Salaries		(61,992,537)		(67,286,455)	
Other Expenses		(56,651,009)		(62,045,645)	
		(118,643,546)		(129,332,100)	
Cash From/(Used in) Operating Activities		13,207,134		(8,231,201)	
Interest Paid		(70,356)		(63,307)	
Net Cash flows from/(used in) Operating Activities	13		13,136,778		(8,294,508)
INVESTING ACTIVITIES					
Purchase of Fixed Assets		(2,397,384)		(1,921,859)	
Sale of Fixed Assets		-		71,798	
Net Cash flows used in Investing Activities			(2,397,384)		(1,850,061)
FINANCING ACTIVITIES					
Payment of Finance Lease Liabilities		(278,456)		(93,311)	
Net Cash flow used in Financing Activities			(278,456)		(93,311)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS			10,460,938		(10,237,880)
Cash & Cash Equivalents at 1 January			17,834,612		28,072,492
Net Increase/(Decrease) in Cash & Cash Equivalents			10,460,938		(10,237,880)
Cash & Cash Equivalents at 31 December	12		28,295,550		17,834,612

The accompanying notes form an integral part of this statement

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2008

INCOME & EXPENDITURE ACCOUNT	2008	2007
	\$	\$
Balance at 1 January	22,863,524	23,067,280
Surplus/(Deficit) for the Year	5,424,970	(203,756)
Balance at 31 December	28,288,494	22,863,524
ENDOWMENT CAPITAL		
Balance at 1 January	4,860,381	4,860,381
New Endowment Capital Received	-	-
Balance at 31 December	4,860,381	4,860,381
Analysed as:		
Endowments - General	94,133	94,133
Endowments - Specific	4,766,248	4,766,248
Total Endowment Capital	4,860,381	4,860,381
DEFERRED REVENUE RESERVE		
Balance at 1 January	131,888,864	136,039,279
Net Additions/ (Disposals) during the year	849,511	(322,811)
Releases during the year - Depreciation	(13,171,390)	(3,825,591)
Releases during the year - Disposals	(789,680)	(2,013)
Balance at 31 December	118,777,305	131,888,864

The accompanying notes form an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

1	Government Contributions	General Grant	Special Grant	2008 Total	2007 Total
		\$	\$	\$	\$
	Cook Islands	286,227	74,885	361,112	356,121
	Fiji	24,282,757	14,336,346	38,619,103	38,647,391
	Kiribati	1,464,421	133,129	1,597,550	1,695,732
	Marshall Islands	126,473	89,862	216,335	209,678
	Nauru	123,144	49,924	173,068	146,442
	Niue	49,924	58,243	108,167	101,512
	Samoa	1,035,079	735,539	1,770,618	2,161,684
	Solomon Islands	3,281,633	78,213	3,359,846	3,056,979
	Tokelau	26,625	24,961	51,586	59,908
	Tonga	1,091,659	98,183	1,189,842	1,206,483
	Tuvalu	392,731	61,573	454,304	426,013
	Vanuatu	1,121,613	900,286	2,021,899	1,855,487
		33,282,286	16,641,144	49,923,430	49,923,430
2	Student Tuition Fees		2008		2007
			\$		\$
	Regional Students		11,041,486		11,240,344
	International Students		461,700		338,555
			11,503,186		11,578,899
	Distance & Flexible Learning		6,886,001		6,834,352
			18,389,187		18,413,251
	College of Foundation Studies		3,059,981		2,368,444
	Masters of Business Administration		1,712,504		1,603,917
	Others		1,909,404		1,593,830
			25,071,076		23,979,442
3	Aid & Donations		2008		2007
			\$		\$
	Australian Aid		8,329,651		8,949,243
	New Zealand Aid		4,066,094		6,785,621
	European Union Aid		7,116,482		4,667,581
	IAS & Other Institute Projects		2,858,016		1,650,211
	Republic of Marshall Islands (RMI)		21,613		1,187,917
	Others		2,427,086		1,091,931
			24,818,942		24,332,504

NOTES TO THE FINANCIAL STATEMENTS

4	Trading Units	2008	2008	2007	2007
		\$	\$	\$	\$
	Book Centre		8,569,603		10,927,548
	<i>Catering Services</i>				
	Laucala	877,280		3,152,804	
	Alafua	6,253	883,533	255,421	3,408,225
	<i>Residential Services</i>				
	Laucala	2,465,479		1,973,071	
	Emalus	551,373		728,981	
	Alafua	144,559	3,161,411	186,577	2,888,629
	Gym & Community Recreation Centre		244,842		526,924
	Others		532,629		333,685
			13,392,018		18,085,011
5	Other Income		2008		2007
			\$		\$
	Miscellaneous Student Activities		1,244,578		1,554,964
	Course Material & Text Book Sales		2,262,849		2,456,551
	Department Trading		1,716,553		1,778,983
	Consultancy Income		1,213,974		1,143,126
	Laboratory Income		547,203		593,734
	Other Income		1,560,137		3,108,821
			8,545,294		10,636,179
6	Release of Deferred Revenue	2008	2008	2007	2007
		\$	\$	\$	\$
	Depreciation Charge for the Year	13,877,455		4,238,067	
	Less: Charge on items acquired				
	through loans or finance leases	(372,434)		(344,379)	
	through normal operating activities	(333,631)		-	
	Release of Deferred Revenue - Depreciation		13,171,390		3,893,688
	Fixed Asset Additions for the Year	(2,361,384)		(1,921,860)	
	Less: Items acquired through loans				
	or finance leases	-		58,838	
	or normal operating activities	1,511,873		-	
	Increase in Deferred Revenue - Additions		(849,511)		(1,863,022)
	Adjustments				
	Reversal of Assets acquired through normal operating activities	-		2,185,833	
	Reversal of Depreciation Charge for assets acquired through normal operating activities	-		(68,097)	
					2,117,736
	Net Transfer		12,321,879		4,148,402

NOTES TO THE FINANCIAL STATEMENTS

7	Staff Costs			2008		2007	
				\$		\$	
	Academic & Comparable staff			42,438,660		46,400,440	
	Intermediate & Junior staff			10,949,065		10,871,331	
	Permanent Hourly Paid staff			6,806,546		7,105,448	
	Accrual for Leave Entitlements			129,000		344,662	
	Total Staff Costs			60,323,271		64,721,881	
	Staff Numbers by category as at 31 December:						
	Academic & Comparable staff			548		554	
	Intermediate & Junior staff			560		563	
	Permanent Hourly Paid staff			482		399	
	Total Staff Numbers			1,590		1,516	
Compensation of key management personnel:							
		2008			2007		
		(From July-08) VC \$000	(To June-08) Acting VC \$000	Others \$000	(To 30-Apr-07) Former VC \$000	(From 1-May-07) Acting VC \$000	Others \$000
	Short-term employee benefits	106	163	1,352	136	206	2,142
	Post-employment pension	11	16	123	10	21	195
	Termination benefits		-	-	89	-	-
	Total compensation paid	117	179	1,475	235	227	2,337
				2008		2007	
	Taxable Emoluments for higher paid staff			Number		Number	
	\$100,000 - \$119,999			26		28	
	\$120,000 - \$139,999			18		12	
	\$140,000 - \$159,999			5		8	
	\$160,000 - \$179,999			5		6	
	\$180,000 - \$199,999			1		1	
	\$200,000 - \$219,999			1		-	
	\$220,000 - \$239,999			-		3	
	\$240,000 - \$259,999			-		3	
	\$260,000 - \$279,999			-		-	
	\$280,000 - \$299,999			-		-	
	>\$300,000			-		1	
				56		62	

NOTES TO THE FINANCIAL STATEMENTS

8	OPERATING COSTS	2008	2007
		\$	\$
	Items of Expenditure totalling more than \$1m		
	Cost of Sales	6,159,574	9,930,911
	Travel-Related Expenses	2,942,429	4,206,489
	Student-Related Expenses	3,689,955	4,132,626
	Grounds & Maintenance	3,373,747	3,627,374
	Consultancy Expenses	2,528,079	2,963,139
	Non-Capitalisable Equipment	3,211,418	2,923,842
	Utilities	3,102,257	2,905,348
	Telecommunications	2,452,091	2,699,338
	PRIDE In-Country Expenses	4,227,494	2,039,346
	Library Books	1,696,810	1,991,652
	Staff Recruitment & Passages	1,817,342	1,936,796
	Printing & Stationery	1,964,182	1,726,223
	Insurance Premiums	1,312,040	1,612,404
	Computer Software & Hardware	1,196,358	1,362,224
	Workshop Expenses	1,261,436	1,041,223
	Teaching Materials	1,333,586	1,038,420
	Sub-Total	42,268,798	46,137,355
	Other Items of Expenditure	9,984,794	13,848,536
	Fees paid to auditors:		
	External audit	39,002	29,060
	Internal audit	141,256	167,713
	Other services	12,246	23,381
	Projects	45,459	50,455
	Honorarium	39,000	21,000
	Bad Debts written off	-	69,962
	Total Operating Costs	52,530,555	60,347,462

NOTES TO THE FINANCIAL STATEMENTS

	Goods & Publications	Academic Gowns	Maintenance	Catering & Domestic	Total	
9						
	INVENTORIES	\$	\$	\$	\$	
	Balance b/f at 1 January 2007	3,983,297	463,741	205,826	80,817	4,733,681
	Additions	8,718,828	547,626	434,864	1,631,301	11,332,619
	Expensed	(8,002,871)	(505,067)	(444,192)	(1,642,229)	(10,594,359)
	Write down in value	(225,769)	-	-	-	(225,769)
	Cost or Valuation at 31 December 2007	4,473,485	506,300	196,498	69,889	5,246,172
	Balance b/f at 1 January 2008	4,473,485	506,300	196,498	69,889	5,246,172
	Additions	7,758,973	64,439	165,614	558,078	8,547,104
	Expensed	(7,864,115)	(78,303)	(202,331)	(610,690)	(8,755,439)
	Write down in value	(232,424)	(2,000)	-	-	(234,424)
	Cost or Valuation at 31 December 2008	4,135,919	490,436	159,781	17,277	4,803,413
		2008		2007		
	Analysis of Value of Inventories	\$		\$		
	Total cost of inventories	6,242,016		6,450,353		
	Less: Unrealised profit	(1,104,400)		(863,700)		
	Less: Provision for obsolescence	(334,203)		(340,481)		
	Cost or Valuation at 31 December	4,803,413		5,246,172		
	Analysis of Goods & Publications:	\$		\$		
	Book Centre - Inventory	1,757,725		2,151,983		
	Book Centre - Goods in Transit	517,221		555,345		
	Regional Campuses - Books	810,405		823,039		
	Regional Campuses - Course Materials	460,271		372,561		
	Institute of Pacific Studies	707,433		701,335		
	Institute of Education	108,067		102,703		
		4,361,122		4,706,966		
	Less: Provision for Obsolescence	(225,203)		(233,481)		
		4,135,919		4,473,485		

NOTES TO THE FINANCIAL STATEMENTS

10	ACCOUNTS RECEIVABLE	Notes	2008	2007
			\$	\$
	Government Contributions	10a	1,299,690	1,442,796
	Trade	10b	797,620	727,678
	Students	10c	3,006,501	5,693,844
	Staff	10d	99,290	99,250
	Other	10e	2,015,724	6,440,759
			7,218,825	14,404,327
	Less: Provision for Doubtful Debts	10f	(2,401,839)	(1,436,393)
			4,816,986	12,967,934
10a	Contributions due from Governments:		\$	\$
	Cook Islands		35,320	56,098
	Fiji		34,948	759,772
	Marshall Islands		215,536	201,201
	Nauru		345,700	249,263
	Niue		197,970	176,462
	Solomon Islands		470,216	-
			1,299,690	1,442,796
	Ageing of Government Contributions due:			
	Less than 1 Year Old		932,429	1,177,345
	Between 1 & 2 Years Old		197,374	246,730
	Between 2 & 3 Years Old		123,952	18,721
	More than 3 Years Old		45,935	-
			1,299,690	1,442,796
	Notes			
	Any overpayments by member countries are classified as creditors			
10b	Trade Debtors		\$	\$
	Laucala Campus & Book Centre		651,949	530,416
	Emalus Campus & Book Centre		145,671	197,262
			797,620	727,678
	Less: Provision for Doubtful Debts		(148,606)	(96,586)
			649,014	631,092
	Ageing of Trade Debtors due:			
	Less than 1 Year Old		625,599	687,214
	Between 1 & 2 Years Old		172,021	40,464
	Between 2 & 3 Years Old		-	-
	More than 3 Years Old		-	-
			797,620	727,678

NOTES TO THE FINANCIAL STATEMENTS

		2008	2007
10c	Student Debtors	\$	\$
	Laucala	781,624	2,281,491
	Alafua	125,457	62,184
	Emalus	871,363	1,769,012
	Other Regional Campuses	1,228,057	1,581,157
		3,006,501	5,693,844
	Less: Provision for Doubtful Debts	(2,154,805)	(1,241,463)
		851,696	4,452,381
	Ageing of Student Debtors due:		
	Less than 1 Year Old	1,005,951	1,974,103
	Between 1 & 2 Years Old	1,381,809	2,231,153
	Between 2 & 3 Years Old	262,642	901,850
	More than 3 Years Old	356,099	586,738
		3,006,501	5,693,844
10d	Staff Debtors	\$	\$
	Laucala	98,769	98,344
	Alafua	3	-
	Emalus	518	906
		99,290	99,250
	Less: Provision for Doubtful Debts	(98,428)	(98,344)
		862	906
	Ageing of Staff Debtors due:		
	Less than 1 Year Old	946	906
	Between 1 & 2 Years Old	-	98,344
	Between 2 & 3 Years Old	98,344	-
	More than 3 Years Old	-	-
		99,290	99,250
10e	Other Debtors	\$	\$
	Aid Agencies	129,466	5,078,729
	VAT Receivable	1,421,774	1,115,965
	Interest Receivable	196,873	134,445
	Other Debtors	267,611	111,620
		2,015,724	6,440,759
	Ageing of Other Debtors due:		
	Less than 1 Year Old	777,763	4,957,264
	Between 1 & 2 Years Old	463,131	867,416
	Between 2 & 3 Years Old	417,150	614,201
	More than 3 Years Old	357,680	1,878
		2,015,724	6,440,759

NOTES TO THE FINANCIAL STATEMENTS

10f	Movement in Provision for Doubtful Debts	2008	2007
		\$	\$
	Balance at 1 January	1,436,393	1,348,994
	Debts written off in the year	(61,219)	(413,450)
	Additional provision made in the year	1,026,665	500,849
		2,401,839	1,436,393
11	PREPAYMENTS	2008	2007
		\$	\$
	Prepayments - Laucala	531,163	193,654
	Prepayments - Alafua	48,325	28,837
	Prepayments - Emalus	6,089	7,482
	Prepayments - Book Centre	101,538	20,315
		687,115	250,288
12	CASH & CASH EQUIVALENTS	2008	2007
		\$	\$
	Term Deposits	19,960,513	12,377,533
	Current Accounts	8,384,382	6,423,965
	Cash on hand & petty cash	20,091	22,031
		28,364,986	18,823,529
	Bank Overdraft	(69,436)	(988,917)
		28,295,550	17,834,612
	Where held:		
	<i>In Fiji</i>		
	Term Deposits	12,564,247	11,808,134
	Current Accounts (net of bank overdrafts)	1,311,297	589,772
	Cash on hand & petty cash	20,091	22,031
		13,895,635	12,419,937
	<i>With Other Regional Banks</i>		
	Term Deposits	1,066,643	133,451
	Current Accounts (net of bank overdrafts)	2,736,813	2,699,688
		3,803,456	2,833,139
	<i>In Other Overseas Accounts</i>		
	Term Deposits	6,329,623	435,948
	Current Accounts (net of bank overdrafts)	4,266,836	2,145,588
		10,596,459	2,581,536
	Comprising of:		
	University Funds	8,335,037	5,457,079
	Endowment Funds - General	12,781,243	5,009,638
	Endowment Funds - Specific	7,179,270	7,367,895
		28,295,550	17,834,612

NOTES TO THE FINANCIAL STATEMENTS

13	RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO STATEMENT OF INCOME & EXPENDITURE				2008	2007
					\$	\$
	Surplus/(Deficit) - Statement of Income & Expenditure				5,424,970	(203,756)
	Adjustments to Income & Expenditure:					
	Release of Deferred Revenue				(12,321,879)	(4,148,402)
	Gain on Disposal of Fixed Assets				-	(71,798)
	Depreciation				13,877,455	4,238,067
	Provision for Doubtful Debts				965,445	87,399
	Write down in Value of Inventories				234,424	225,770
	Write down in Value of Fixed Assets				-	1,026,809
	Write down in Value of Investments				-	300,100
	Provision for Employee Entitlement				129,000	344,662
	Operating Surplus/(Deficit)				8,309,415	1,798,851
	Decrease/(Increase) in Inventories				208,337	(738,262)
	Decrease/(Increase) in Accounts Receivable				7,185,502	(2,916,398)
	(Increase)/Decrease in Prepayments				(436,827)	653,324
	Decrease in Creditors				(2,129,649)	(7,092,023)
	Net Cash from/(used in) Operating Activities				13,136,778	(8,294,508)
14	PROPERTY, PLANT AND EQUIPMENT					
DESCRIPTION		Property	Equipment & Furniture	Vehicles & Vessels	Work In Progress	Total
		\$	\$	\$	\$	\$
Cost or Valuation						
	Deemed Gross Cost at 1 January 2008	138,488,745	8,376,614	1,167,782	773,184	148,806,325
	Additions	668,723	837,935	81,542	809,184	2,397,384
	Disposals	(766,330)	(697,076)	399,711	-	(1,063,695)
	Transfers	773,184	-	-	(773,184)	-
	Deemed Gross Cost at 31 December 2008	139,164,322	8,517,473	1,649,035	809,184	150,140,014
Accumulated Depreciation						
	Accumulated Depreciation at 1 January 2008	4,578,430	4,021,270	165,208	-	8,764,908
	Charge for the year	12,108,002	1,483,995	285,458	-	13,877,455
	Adjustment on disposals	(160,357)	(547,411)	433,753	-	(274,015)
	Accumulated Depreciation at 31 December 2008	16,526,075	4,957,854	884,419	-	22,368,348
	Net Carrying Amount at 31 December 2008	122,638,247	3,559,619	764,616	809,184	127,771,666
	Net Carrying Amount at 31 December 2007	133,910,315	4,355,344	1,002,574	773,184	140,041,417
Depreciation Expense					2008	2007
	Property				12,108,002	2,289,215
	Equipment & Furniture				1,483,995	1,776,429
	Motor Vehicles & Vessels				285,458	172,423
					13,877,455	4,238,067

NOTES TO THE FINANCIAL STATEMENTS

14	PROPERTY, PLANT AND EQUIPMENT (continued)	
	Assets under finance lease	
	The carrying amount of tangible fixed assets include an amount of \$366,564 (2007: \$626,777) 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 (2007: \$260,215).	
	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 31 December 2008	\$
	ICT Building Project	809,184
		809,184
	Reconciliation of fixed assets to related accounts	
	Carrying amount of property, plant and equipment at 31 December 2008	127,771,666
	This is represented by:	
	Deferred Revenue	118,777,305
	Carrying amount of equipment acquired via finance leases: PABX telephone system	366,564
	Carrying amount of properties acquired directly or through loans:	
	Statham Street Campus	4,193,309
	Services Complex	119,520
	Residential Block	832,000
	Carrying amount of assets acquired in 2007 funded from normal operating activities	1,202,649
	Carrying amount of assets acquired in 2008 funded from normal operating activities	2,280,319
		127,771,666
	Change in depreciation policy for buildings	
	The University changed the useful life of buildings and the impact of this change is as follows :	
	Prior Years	9,194,862
	Current Year	2,913,140
		12,108,002
15	FINANCING FACILITIES	
	The University has access to overdraft facilities of \$4,068,785 (2007: \$5,925,000) with various banks across the region for which all conditions precedent have been met. As at 31 December 2008, \$69,436 (2007: \$988,917) 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 2008 is \$28,364,986 (2007: \$18,823,529) which includes endowment assets of \$7,179,210 (2007: \$7,367,895).	

NOTES TO THE FINANCIAL STATEMENTS

16	CREDITORS & ACCRUALS	2008	2007
		\$	\$
	Trade Creditors	6,657,846	9,080,844
	Student Creditors	75,683	155,963
	Member Countries Contributions Received in Advance	3,545,546	1,486,609
	Student Fees Received in Advance	141,177	49,781
	Payroll Creditors	318,888	2,117,155
	Accrual for Leave entitlement	3,182,634	3,053,632
	Obligations under Finance Leases	292,505	257,298
	Other Creditors & Accruals	134,590	113,027
		14,348,869	16,314,309
17	COMMITMENTS	2008	2007
		\$	\$
(a)	Finance lease commitments		
	The commitment in respect of leased assets are as follows:		
	Not later than one year	323,752	323,755
	Later than one year and not later than two years	101,906	323,752
	Later than two years and not later than five years	-	126,963
	Minimum lease payments	425,657	774,470
	Deduct future finance charges	(33,471)	(103,827)
	Lease liability	392,186	670,643
	Analysed as:		
	Current liability	292,505	257,298
	Non-current liability	99,681	413,345
		392,186	670,643
(b)	Operating lease commitments		
	The commitment in respect of leased assets are as follows:		
	Expiring within one year	750,080	-
	Expiring within more than one year but less than two years	750,080	-
	Expiring within more than two years but less than five years	1,710,780	-
		3,210,940	-
	The University has an operating lease with Fuji Xerox Fiji for the provision of managed multi function device services. Minimum monthly lease of \$59,940 for five years.		

NOTES TO THE FINANCIAL STATEMENTS

18	TRANSACTIONS WITH RELATED PARTY	2008	2007
		\$	\$
	Stepstone Pacific Limited		
	Write off of outstanding advance	-	(50,000)
19	CONTINGENT ASSET & LIABILITIES	2008	2007
		\$	\$
	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	39,802,087
		40,184,688	40,184,688
	Contingent Assets	39,802,087	39,802,087
	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 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.		
20	INSURANCE		
	The University has taken cover for combined material damage and business interruption at a replacement value of \$317,717,612.		