

THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Table of Contents	Page
Statement by appointed officers	2
Independent auditor's report	3 - 5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in funds and reserves	8
Statement of cash flows	9
Notes to the financial statements	10 - 54

THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 and of its financial performance, its changes in funds and reserves and its cash flows for the year then ended.

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



.....
Professor Pal Ahluwalia
Vice Chancellor & President



.....
Mrs. Saoleitiiti Maeva
Natacha Betham-Vaai
Chair – Finance and
Resource Committee



.....
Kolinio Boila
Executive Director Finance



Independent Auditors' Report

To the Council of the University of the South Pacific

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the University of the South Pacific ("the University"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in funds and reserves and cash flows for the year ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 32.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the University as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the University in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and the ethical requirements that are relevant to our audit of the financial statements in Fiji and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – comparative information

We draw attention to Note 26(c) to the financial statements, which indicates that the comparative information presented as at and for the year ended 31 December 2020 was restated. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.



- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

KPMG
Chartered accountants

Suva, Fiji
3 May 2023

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 \$	2021 \$
Revenue and income			
Government contributions	4	11,835,709	10,914,447
Student tuition fees	5	74,155,889	85,179,917
Development assistance	6	46,049,847	43,049,072
Commercial income	7(a)	10,758,838	11,587,548
Consultancy income	7(b)	2,542,935	1,493,539
Other income	8	8,253,173	8,731,968
Deferred income - donated assets	9	3,925,422	3,749,420
Interest income		779,512	684,611
Total revenue and income		<u>158,301,325</u>	<u>165,390,522</u>
Expenses			
Staff costs	10	71,925,089	72,805,064
Operating expenses	11	59,407,289	53,520,602
Interest expense		955,189	856,563
Depreciation and amortisation	17,18,19(a)	13,806,911	13,795,123
Impairment loss on trade and other receivables	3(i)	5,454,450	11,655,668
(Impairment reversal) / write down of inventories	12	(292,479)	297,512
Unrealised exchange loss		1,309,923	789,905
Realised exchange loss		277,850	146,428
Total expenses		<u>152,844,222</u>	<u>153,866,865</u>
Surplus for the year		5,457,103	11,523,657
Other comprehensive income			
Item that will be reclassified subsequently to profit or loss:			
Foreign currency translation reserve		(1,412,989)	(433,567)
Total comprehensive income for the year		<u>4,044,114</u>	<u>11,090,090</u>

The accompanying notes from pages 10 to 54 form an integral part of these financial statements.

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Notes	2022 \$	2021 (Restated)* \$	2020 (Restated)* \$
Current assets				
Cash and cash equivalents	15	110,391,127	93,063,452	84,176,658
Investment in financial assets	15	23,473,627	22,501,222	20,962,212
Trade and other receivables	13	8,697,914	25,101,335	11,841,903
Inventories	12	2,920,272	2,661,793	2,460,477
Prepayments	14	3,168,717	2,229,934	2,299,909
		<u>148,651,657</u>	<u>145,557,736</u>	<u>121,741,159</u>
Non-current assets				
Property, plant and equipment	17	234,740,114	231,339,805	235,878,678
Right-of-use assets	19(a)	3,511,466	2,587,957	3,286,042
Intangible assets	18	450,318	532,659	827,376
		<u>238,701,898</u>	<u>234,460,421</u>	<u>239,992,096</u>
Total assets		<u>387,353,555</u>	<u>380,018,157</u>	<u>361,733,255</u>
Current liabilities				
Creditors and accruals*	22	22,156,546	19,674,237	17,937,412
Development assistance (projects) unexpended	23	36,589,717	41,907,779	35,046,970
Lease liabilities	19(b)	1,231,841	1,073,102	1,371,736
Provisions	24	2,322,586	3,865,144	3,777,402
Deferred income	25	3,925,422	3,749,420	3,806,798
Borrowings	21	683,468	582,719	560,883
		<u>66,909,580</u>	<u>70,852,401</u>	<u>62,501,201</u>
Non-current liabilities				
Provisions	24	3,709,028	1,236,325	863,862
Deferred income	25	88,135,781	89,009,255	91,181,611
Lease liabilities	19(b)	2,478,486	1,684,753	2,074,334
Borrowings	21	20,708,738	15,912,388	14,866,874
		<u>115,032,033</u>	<u>107,842,721</u>	<u>108,986,681</u>
Total liabilities		<u>181,941,613</u>	<u>178,695,122</u>	<u>171,487,882</u>
Net assets		<u>205,411,942</u>	<u>201,323,035</u>	<u>190,245,373</u>
Represented by:				
Funds and reserves				
Other contributed equity	26(a)	26,944,762	26,944,762	26,944,762
Endowment capital	15(c)	5,815,444	5,770,651	5,783,078
Retained earnings*		180,781,751	175,324,648	163,800,991
Foreign currency translation reserve	26(b)	(8,130,015)	(6,717,026)	(6,283,458)
		<u>205,411,942</u>	<u>201,323,035</u>	<u>190,245,373</u>

The accompanying notes from pages 10 to 54 form an integral part of these financial statements.

*Refer note 26(c).

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	\$	(Restated)*
		\$
Retained earnings		
Balance at beginning of the year as previously reported	175,324,648	167,535,921
Prior period adjustment*	-	(3,734,930)
Balance as at 1 January as restated	175,324,648	163,800,991
Surplus for the year	5,457,103	11,523,657
Balance at end of year	<u>180,781,751</u>	<u>175,324,648</u>
Endowment capital		
Balance at beginning of year	5,770,651	5,783,078
Foreign exchange gain/(loss) for the year	44,793	(12,427)
Balance at end of year	<u>5,815,444</u>	<u>5,770,651</u>
Analysed as:		
Endowments – general	94,133	94,133
Endowments – specific	5,721,311	5,676,518
Total endowment capital	<u>5,815,444</u>	<u>5,770,651</u>
Other contributed equity	-	-
Balance at beginning and end of year	<u>26,944,762</u>	<u>26,944,762</u>
Foreign currency translation reserve		
Balance at beginning of year	(6,717,026)	(6,283,459)
Other comprehensive income	(1,412,989)	(433,567)
Balance at end of year	<u>(8,130,015)</u>	<u>(6,717,026)</u>

The accompanying notes from pages 10 to 54 form an integral part of these financial statements.

*Refer note 26(c).

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 \$	2021 \$
Operating activities			
Development assistance	30	50,134,402	43,365,894
Government contributions		14,416,218	4,077,733
Interest received		779,512	684,611
Student tuition fees		69,338,623	72,921,181
Trading activities		11,115,171	10,627,595
Other receipts		11,530,248	12,867,695
Staff expenses	30	(70,991,033)	(71,908,362)
Other operating expenses	30	(55,063,120)	(50,928,313)
Interest paid		(702,583)	(532,673)
Net cash provided by operating activities	16	<u>30,557,438</u>	<u>21,175,361</u>
Investing activities			
Payment for property plant and equipment – General		(8,520,366)	(7,195,341)
Payment for property plant and equipment – Projects		(1,640,374)	(1,519,686)
Receipt from short term deposits		-	219,555
(Investment in) short term deposits		(972,405)	(1,758,565)
Net cash used in investing activities		<u>(11,133,145)</u>	<u>(10,254,037)</u>
Financing activities			
Principal repayments of borrowings		(616,137)	(561,060)
Repayment of principal lease liabilities		(1,480,482)	(1,473,470)
Net cash used in financing activities		<u>(2,096,619)</u>	<u>(2,034,530)</u>
Net increase in cash and cash equivalents		17,327,675	8,886,794
Cash and cash equivalents at beginning of year		93,063,452	84,176,658
Cash and cash equivalents at end of year		<u>110,391,127</u>	<u>93,063,452</u>

The accompanying notes from pages 10 to 54 form an integral part of these financial statements.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. REPORTING ENTITY

The University of the South Pacific was established by Royal Charter of the University in 1970. It is a non-profit educational institution providing higher education to member regional countries, with its main operations domiciled in Fiji. The registered office is at Laucala Bay Campus, Suva, Fiji.

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

These financial statements were authorised for issue by the Finance and Resource Committee on 3 May 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting period

The financial statements are reported for the twelve months from 1 January to 31 December 2022.

(b) Basis of measurement

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

The concepts of accrual method and going concern basis of accounting are applied. The Finance and Resources Committee and officers of the University are of the opinion 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.

The University have not early adopted any standards, interpretations or amendments that have been issued that are not yet effective.

(c) Functional and presentation currency

The financial statements are presented in Fiji dollars which is the University's functional currency and rounded to the nearest dollar. Foreign currency amounts in respect of all overseas regional campuses of the University have been converted to Fiji dollars based on note 2(j).

(d) Statement of compliance

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

(e) New standards adopted by the University

There are no new or amended standards or interpretations that have been released and not yet adopted that are expected to have a significant impact on the University.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Basis of consolidation

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

(g) Use of estimates and judgments

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

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

- Note 2(j)(iii) – impairment of financial assets at amortised cost
- Note 2(q) – impairment of non-financial assets

(h) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The University recognises revenue when it transfers control over a product or service to a customer. Revenue is presented net of value added tax, rebates and discounts.

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

Revenue type	Nature, timing of satisfaction of performance obligations and significant payment terms (if any)
Government contributions	<p>The University treats operating grants received from government contributions as revenue in the year of receipt or when entitlement to the grant is established. Government grants in respect of capital expenditure are recognised initially as deferred revenue when there is reasonable assurance that it will be received and the University will comply with the conditions associated with the grant. It is then recognised in profit or loss as income on a systematic basis over the useful life of the acquired asset.</p> <p>Revenue is measured at the transaction prices (government grants) agreed under the government grants agreements.</p>
Student tuition fees	<p>This consists of tuition fees for various courses offered by the University. The fees are dependent on the type of the courses and the level of study. The University recognises student tuition fees as income over the course of a semester during which tuition services are provided.</p> <p>Revenue is measured at the transaction prices as per University fees manual. Payment term is 30 days.</p>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue recognition (continued)

Development assistance	Development assistance received for recurrent funding is recognised on the due date while development assistance received with specific end purposes is recognised as revenue when the conditions attached to the assistance have been met and performance obligation is satisfied. Until those conditions are met, receipt of development assistance funds in advance is accounted for as deferred revenue and recognised as a liability. Revenue is measured at the transaction prices (donor grants) agreed under the development assistance agreements.
Commercial activities	Commercial activities represents revenue from book centre, computer shop, residential rentals, fitness centre, bar and ITC car park rentals. Revenue from commercial operations is recognised at the point of sale for goods, or as the service is performed. Services provided relate to student accommodation and is recognised over the period of the Semester as time passes. An invoice is raised once the sale is completed or services rendered. Revenue is measured at the transaction prices as per the invoice. Payment term is 30 days.
Consultancy	Consultancy revenue is recognised as the output activity specified in the agreement is met. Consultancy services represent revenue earned from provision of professional services and project consultancy by summarised professionals for other organisations. Revenue is measured at the transaction prices agreed under the consultancy agreement. Payment term is 30 days.
Other income	Other income represents income earned from lab hires, reprint of transcripts, reprint of ID cards and other similar services. Other income is recognised on receipt except where a department of the University has arranged for a University invoice to be raised to a third party; the revenue associated with these invoices is recognised when the goods/services have been provided. Revenue is measured at the transaction prices as per University fees manual. Payment term is 30 days.
Rental income	Rental income from operating leases is recognised as the services (rentals) are provided on a straight line basis over the lease term when they fall due and represents income earned from renting out the various properties held by the University, and is stated net of value added tax. Revenue is measured at the transaction price agreed under the lease agreement. Payment term is 30 days.
Interest income	Interest income represents interest income earned on the term deposits based on the maturity and the interest rate and is recognised as income as it is accrued.

Liabilities also includes fees received in advance for tuition fees to be applied upon next enrolment or overpayments of tuition fees to be refunded.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign currency transactions

All foreign currency transactions during the period have been translated to Fijian currency using the exchange rate in effect at the dates of the transactions. Foreign currency monetary assets and liabilities in foreign currencies at balance date are translated at the exchange rate existing at that date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss in the financial period in which they arise.

Regional campuses

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

(j) Financial Instruments

Financial assets

(i) Classification

The university classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through profit or loss or through OCI), and
- those to be measured at amortised cost.

The classification depends on the University's business model for managing the financial statements and the contractual terms of the cash flows. The University's financial assets measured at amortised cost consist of cash and cash equivalents, investment financial assets and trade and other receivables.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are summarised on trade-date – the date on which the University commits to purchase or sell the asset. Financial assets are summarised when the rights to receive cash flows from them have expired or where they have been transferred and the University has also transferred substantially all risks and rewards of ownership.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

(ii) Recognition and measurement (continued)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses. Interest income, gains/(losses) arising from derecognition, foreign exchange gains/(losses) and impairment losses are summarised in profit or loss.

(iii) Impairment of financial assets

The University recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The University measures loss allowances at an amount equal to lifetime ECL, except for cash and cash equivalents and investment financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured as 12-month ECL.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the University considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the University's historical experience and informed credit assessment and including forward-looking information.

The University assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The University considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the University in full, without recourse by the University to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The University considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The University considers this to be B3 or higher per rating agency Moody's or BBB- or higher per rating agency Standard & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the University is exposed to credit risk.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

(iii) Impairment of financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the University expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

ECLs are discounted at the effective interest rate of the financial asset.

At balance date, the University assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- the borrower is unlikely to pay its credit obligations to the University in full, without recourse by the University to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Loss allowances for ECL for financial assets measured at amortised cost are presented in the statement of financial position as a deduction from the gross carrying amount of the assets. The related impairment provision (reversal of impairment provision) is presented in a separate line item in the profit or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the University determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the University's procedures for recovery of amounts due.

Financial liabilities

(i) Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised costs, except for:

- Financial liabilities arising from the transfer of financial assets which did not qualify for de-recognition, whereby a financial liability is summarised for the consideration received for the transfer. In subsequent periods, the university summarised any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

Financial liabilities (continued)

(ii) De-recognition

Financial liabilities are summarised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired). The University also summarises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is summarised at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is summarised in profit or loss.

(k) Statement of cash flows

The following are the definitions of the terms used in the statement of cash flows:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held with banks, deposits held at call with banks, other short-term deposits with original terms of three months or less and are subject to an insignificant risk of change in value, and bank overdrafts.

(i) Operating activities

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

(ii) Investing activities

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

(iii) Financing activities

Financing activities are those that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash and cash equivalents.

(l) Short term deposits

Term deposits with fixed or determinable payments and fixed maturities of more than three months up to twelve months are classified short term deposits. After initial measurement, these assets are measured at amortised cost. Interest earned from these assets is recognised on an accrual basis.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment losses. Refer to note 2(k)(iii) for accounting policy in relation to impairment.

(n) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis of valuation. Only inventories which are purchased and controlled centrally have been reported within the financial statements. Consumables purchased by the University for Departmental Use and held under the control of individual departments have been expensed in profit or loss at the time of purchase.

(o) Property, plant and equipment

The policy of the University is not to revalue its property, plant and equipment. In view of the specialised nature and wide geographical distribution of much of the University's property and equipment, it is considered that the costs of any revaluation to reflect current values would outweigh the benefits to the users of these financial statements.

Items of property, plant and equipment, costing \$2,000 or more are recognised as assets except for computers and air conditioners which are capitalised if valued at \$1,000 or more. Items of property, plant and equipment costing less than \$2,000 and computers and air conditioners less than \$1,000 are expensed directly to profit or loss.

(i) Depreciation

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

- Used Motor vehicles and vessels 5 years.
- New Motor Vehicles 10 years
- Buildings 50 years.
- Equipment, furniture and fittings 10 years.
- Freehold land is not depreciated.

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

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Property, plant and equipment (continued)

(ii) Deferred income

Property, plant and equipment acquired with the aid of specific grants are capitalised and depreciated in accordance with the above policy, with the related grant being credited to deferred income as a liability and released to profit or loss over the expected useful economic life of the related property, plant and equipment.

(p) Intangible assets

IT software

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

- Computer software 5 years

(q) Impairment of non-financial assets

The carrying amounts of the University's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

(r) Trade creditors and accruals

Liabilities for trade payables and other amounts are carried at amortised cost (inclusive of VAT/GST where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the University. The University's repayment term in respect of its creditors is 30 days.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits

(i) Short term benefits

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

(ii) Superannuation benefits

The University contributes to a number of defined contribution superannuation schemes. Contributions are made by employees and by the University as a percentage of salary or specified amounts as required by relevant agreements. The cost to the University is charged as an expense to profit or loss. The University's obligation is limited to these contributions.

(iii) Termination benefits

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

(t) Leases

As a lessee

The University recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the University's incremental borrowing rate. Generally, the University uses its incremental borrowing rate as the discount rate.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Leases (continued)

- variable lease payment that are based on an index or a rate
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The University does not have leases which contain the amounts expected to be payable by the lessee under residual value guarantees.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the University's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities. Cash payments for the interest portion are presented as cash flows from operating activities, consistent with presentation of other interest payments. Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented as cash flows from operating activities.

Critical judgements in determining rates for discounting future lease payments

Management applied judgment in selecting an appropriate rate to discount the remaining future lease payments when determining lease liabilities under IFRS 16.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the University's incremental borrowing rate as at 31 December 2021. The incremental borrowing rate is the rate of interest that the University would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

As a lessor

When the University acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the University makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; If not, then it is an operating lease.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Leases (continued)

As a lessor (continued)

As part of this assessment, the University considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the University applies IFRS 15 to allocate the consideration in the contract.

Lease income from operating leases where the University is a lessor is recognised in rental income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

(u) Borrowings

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

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

(v) Endowment funds

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

(w) Income tax

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

(x) Value Added Tax (VAT)/Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated VAT/GST, unless VAT/GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of acquisition of the asset or part of the expense.

Receivables and payables are stated inclusive of the amount of VAT/GST, receivable or payable. The net amount of VAT/GST recoverable from, or payable to, the Tax Authority is included in other receivables or payables in the statement of financial position.

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

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Comparative amounts

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

3. FINANCIAL RISK MANAGEMENT

The University has exposure to the following risks:

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

The overarching policies and objectives of the University's treasury management activities are defined as being the "management and control of its cash flows, banking, and investment transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

The Finance and Investments Committee reviews and approves policies for managing each of these risks, which are summarised below.

(i) Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of these assets, as disclosed in the statement of financial position and notes to the financial statements.

Movement in the allowance for impairment losses on trade and other receivables is summarised as follows:

	\$
Beginning balance as at 1 January 2021	21,361,468
Impairment loss	11,655,668
Write-offs	(733,046)
Balance as at year ended 31 December 2021	<u>32,284,090</u>
Impairment loss	5,454,450
Write-offs	-
Balance at year end 31 December 2022	<u>37,738,540</u>

While cash and cash equivalents and held-to-maturity financial assets are also subject to impairment requirements of IFRS 9, any impairment loss is deemed immaterial.

The University applies the IFRS 9 simplified approach to measure expected credit losses for receivables.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

To measure the expected credit losses, receivables have been grouped based on shared risk characteristics and the days past due. The University uses the 'net flow rate' model based on the probability of receivables following the movement of cash outstanding from payment status of current through all delinquency buckets until write off. Loss rates are based on historical credit losses experienced within this year. These rates are then adjusted to reflect current and forward- looking information based on macroeconomic factors and the University's internal evaluation of receivables over their expected lives.

Trade receivables in relation to contributions due from governments have been assessed individually, and any impairment loss is deemed immaterial due to short term nature and historical lack of default from respective governments.

The following table provides analysis about the exposure to credit risk and expected credit losses for trade and other receivables except contributions due from governments:

	31 December 2022			31 December 2021		
	Expected weighted average loss rate	Gross carrying amount	Loss allowance	Expected weighted average loss rate	Gross carrying amount	Loss allowance
		\$	\$		\$	\$
a. Trade debtors						
1 to 90 days	14%	2,186,379	300,247	15%	2,679,458	397,148
91 to 180 days	100%	202,137	202,136	100%	798,062	798,062
181 to 365 days	100%	297,144	297,144	100%	428,952	428,953
More than 365 days	100%	1,858,816	1,858,816	100%	994,337	994,337
Total		4,544,476	2,658,343		4,900,809	2,618,500

THE UNIVERSITY OF THE SOUTH PACIFIC
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

	31 December 2022			31 December 2021		
	Expected weighted average loss rate	Gross carrying amount	Loss allowance	Expected weighted average loss rate	Gross carrying amount	Loss allowance
		\$	\$		\$	\$
b. Student debtors						
Collective Assessment						
1 to 90 days	30%	4,058,550	1,205,604	23%	2,546,477	577,633
91 to 180 days	100%	5,567,219	5,567,220	91%	7,313,176	6,644,817
181 to 365 days	100%	5,357,007	5,357,003	100%	5,046,812	5,046,811
More than 365 days	100%	15,258,693	15,258,693	100%	9,272,281	9,272,279
		<u>30,241,469</u>	<u>27,388,520</u>		<u>24,178,746</u>	<u>21,541,540</u>
Individual Assessment						
Add Government Sponsored		3,992,043	-		4,974,446	-
Less unidentified deposits		(6,146,954)	-		(3,800,240)	-
Total		<u>28,086,558</u>	<u>27,388,520</u>		<u>25,352,952</u>	<u>21,541,540</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 FOR THE HALF YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

	31 December 2022			31 December 2021		
	Expected weighted average loss rate	Gross carrying amount	Loss allowance	Expected weighted average loss rate	Gross carrying amount	Loss allowance
		\$	\$		\$	\$
c. Staff debtors						
1 to 90 days	0%	9,183	-	95%	55,134	52,271
91 to 180 days	50%	575	288	50%	468	234
181 to 365 days	100%	744	744	100%	1,834	1,834
More than 365 days	100%	20,512	20,510	100%	11,180	11,180
Total		31,014	21,542		68,616	65,519

THE UNIVERSITY OF THE SOUTH PACIFIC
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

	31 December 2022			31 December 2021		
	Expected weighted average loss rate	Gross carrying amount	Loss allowance	Expected weighted average loss rate	Gross carrying amount	Loss allowance
		\$	\$		\$	\$
d.VAT/GST receivable						
1 to 90 days	-	3,432	-	-	5,926	-
91 to 180 days	50%	30,100	15,050	50%	8,598	4,298
181 to 365 days	100%	26,712	26,712	100%	15,944	15,944
More than 365 days	100%	3,763,310	3,763,310	100%	3,732,842	3,732,842
Total		3,823,554	3,805,072		3,763,310	3,753,084

THE UNIVERSITY OF THE SOUTH PACIFIC
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 FOR THE HALF YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

	31 December 2022			31 December 2021		
	Expected weighted average loss rate	Gross carrying amount	Loss allowance	Expected weighted average loss rate	Gross carrying amount	Loss allowance
		\$	\$		\$	\$
e. Other debtors						
1 to 90 days	15%	2,175,751	327,188	26%	2,184,596	575,552
91 to 180 days	100%	253,429	253,428	97%	626,220	605,642
181 to 365 days	100%	1,025,519	1,025,519	100%	1,043,523	1,043,523
More than 365 days	100%	2,258,928	2,258,928	100%	2,080,730	2,080,730
Individual Assessment						
1 to 90 days					10,546,934	-
Total		5,713,627	3,865,063		16,482,003	4,305,447

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL RISK MANAGEMENT (continued)

(ii) *Liquidity Risk*

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

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

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

The table below summarises the maturity profile of the university's financial liabilities based on contractual undiscounted payments (principal plus any future interest payments).

31 December 2022	Carrying Amount \$	1 to 3 months \$	3 to 12 months \$	1 to 5 years \$	> 5 years \$	Total \$
Creditors and accruals	22,156,546	7,442,813	14,713,733	-	-	22,156,546
Borrowings	21,392,206	100,962	606,927	10,376,316	14,293,899	25,378,104
Lease Liabilities	3,710,328	339,142	1,017,427	2,644,778	666,993	4,671,340

31 December 2021	Carrying Amount (Restated)* \$	1 to 3 months (Restated)* \$	3 to 12 months \$	1 to 5 years \$	> 5 years \$	Total (Restated)* \$
Creditors and accruals *	19,674,237	7,343,723	12,330,514	-	-	19,674,237
Borrowings	16,495,108	95,571	509,623	5,689,767	12,983,842	19,278,803
Lease Liabilities	2,757,855	303,132	909,395	1,676,391	689,462	3,578,380

*Refer Note 26(c)

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. FINANCIAL RISK MANAGEMENT (continued)

(iii) Market risk

Foreign currency risk

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

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

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

Increase / (decrease) in foreign exchange rates		Effect on surplus(\$)				
		AUD	NZD	USD	JPY	TOP
31-Dec-22	10%	4,914,315	887,157	448,005	279,811	1,519
	-10%	(4,914,317)	(887,155)	(448,007)	(279,810)	(1,519)
31-Dec-21	10%	3,521,399	1,564,736	427,197	112,299	1,494
	-10%	(3,521,399)	(1,564,736)	(427,197)	(112,299)	(1,494)

Interest Rate risk

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

The University's exposure to the changes in market interest rates relates primarily to the investment of surplus cash into a call or held-to-maturity financial assets as well as through utilization of bank overdrafts and borrowings.

Investment financial assets 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. All the borrowings of the University are at fixed rates of interest but are exposed to re-pricing due to fair value movements.

Long-term investments are not feasible due to the nature of operations within the University, therefore, avoiding the risk of a cash flow mismatch or a liquidity shortfall.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. FINANCIAL RISK MANAGEMENT (continued)

(iii) Market risk (continued)

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 Resources Committee (FRC) must be obtained.

In raising capital finance, those with delegated authority will take account of:

- (i) the University's powers and rules and, in particular the University's Charter, Statutes, Regulations and Scheme of Financial Delegations;
- (ii) any legal or fiscal statutory restrictions; and
- (iii) the terms and covenants of borrowing

The following table demonstrates the sensitivity analysis to a reasonably possible change in the interest rates on the University's surplus, with all other variables held constant:

	Increase/(Decrease) in interest rates	Effect on Surplus	
		31 December 2022 \$	31 December 2021 \$
Financial Assets	1%	52,580	36,468
Term deposits	-1%	(52,580)	(36,468)
Financial Liabilities	1%	3,814	3,492
Borrowings	-1%	(3,814)	(3,492)

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

4. GOVERNMENT CONTRIBUTIONS

	2022	2021
	\$	\$
Cook Islands	161,544	147,779
Fiji	-	-
Kiribati	1,424,991	1,132,658
Marshall Islands	302,772	268,455
Nauru	164,339	123,492
Niue	64,392	60,776
Samoa	1,299,820	1,407,511
Solomon Islands	3,122,333	3,068,272
Tokelau	34,651	42,030
Tonga	1,508,755	1,382,780
Tuvalu	428,250	420,226
Vanuatu	3,323,862	2,860,468
	11,835,709	10,914,447

GOVERNMENT CONTRIBUTIONS BY CATEGORY	2022		2021	
	Student Grant \$	Campus Grant \$	Student Grant \$	Campus Grant \$
Cook Islands	48,187	113,357	67,689	80,090
Fiji	-	-	-	-
Kiribati	1,207,288	217,703	970,175	162,483
Marshall Islands	51,750	251,022	47,888	220,567
Nauru	43,838	120,501	51,590	71,902
Niue	16,443	47,949	11,903	48,873
Samoa	474,213	825,607	537,268	870,243
Solomon Islands	2,445,426	676,907	2,664,751	403,521
Tokelau	34,651	-	42,030	-
Tonga	1,132,507	376,248	1,103,360	279,420
Tuvalu	344,977	83,273	368,283	51,943
Vanuatu	1,961,476	1,362,386	1,670,888	1,189,580
	7,760,756	4,074,953	7,535,825	3,378,622

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

5. STUDENT TUITION FEES

	2022	2021
	\$	\$
Regional students	59,808,398	67,339,160
International students	1,444,905	1,360,871
	<u>61,253,303</u>	<u>68,700,031</u>
Pacific TAFE	10,581,249	13,791,797
Republic of Marshall Islands (RMI)	285,755	282,718
Master of Business Administration	1,626,107	1,985,273
Others	409,475	420,098
	<u>74,155,889</u>	<u>85,179,917</u>

5(a) STUDENT TUITION FEES BY SPONSORS

Private students	33,999,168	38,027,356
Private sponsored	5,932,317	4,556,040
Government sponsored	33,867,368	42,110,559
USP sponsored	357,036	485,962
	<u>74,155,889</u>	<u>85,179,917</u>

6. DEVELOPMENT ASSISTANCE

Learning and Teaching Support	30,204,548	32,570,638
Project Funding Support	12,259,344	8,447,196
Research Income	3,585,955	2,031,238
	<u>46,049,847</u>	<u>43,049,072</u>

6(a) DEVELOPMENT ASSISTANCE SOURCES

Australia	25,029,952	24,556,637
New Zealand	9,736,451	11,501,105
European Union	5,115,472	2,700,601
Japan	1,561,952	708,128
Other partners	4,606,020	3,582,601
	<u>46,049,847</u>	<u>43,049,072</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

7(a) COMMERCIAL INCOME

	2022	2021
	\$	\$
Book centre and computer shop	4,582,027	6,060,617
Residential/Housing rental Income		
- <i>Laucala</i>	4,396,439	3,963,183
- <i>Emalus</i>	188,927	310,047
- <i>Alafua</i>	337,756	440,062
	<u>9,505,149</u>	<u>10,773,909</u>
Gymnasium and Community Recreation Centre	805,240	548,960
Rental Income	405,759	252,955
Others	42,690	11,724
	<u>10,758,838</u>	<u>11,587,548</u>

7(b) CONSULTANCY INCOME

Professional services and project consultancies	1,979,398	1,187,488
Training and teaching	163,331	203,058
Others	400,206	102,993
	<u>2,542,935</u>	<u>1,493,539</u>

8. OTHER INCOME

Administration cost recovery	527,898	1,120,728
Course material and text book sales	195,697	954,105
Faculty and support units' income	1,397,067	1,273,507
ITS domain name registration	138,255	160,749
Laboratory income	1,331,656	983,339
Miscellaneous student activities	1,037,481	1,266,109
Other income	1,540,478	1,912,768
Publication sales	377,434	418,093
Remeasurement gain on ADB loan	1,707,207	498,586
Insurance proceeds	-	143,984
	<u>8,253,173</u>	<u>8,731,968</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

9. RELEASE OF DEFERRED INCOME

	2022	2021
	\$	\$
Depreciation and amortisation charge for the year	13,806,911	13,795,123
Less: charge on items acquired through normal operating activities	(9,881,489)	(10,045,703)
Release of deferred revenue liability – depreciation	<u>3,925,422</u>	<u>3,749,420</u>

10. PERSONNEL COSTS

Academic and professional staff	48,007,660	48,676,348
Intermediate and junior staff	22,301,877	20,957,270
Provision for annual leave entitlement	(1,542,558)	87,742
Senior management	<u>3,158,110</u>	<u>3,083,704</u>
	<u>71,925,089</u>	<u>72,805,064</u>

Staff numbers (including part-time staff) by category

Academic and professional	627	685
Intermediate and junior staff	814	866
Senior management	<u>10</u>	<u>11</u>
	<u>1,451</u>	<u>1,562</u>

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

\$100,000 - \$119,999	54	54
\$120,000 - \$139,999	26	27
\$140,000 - \$159,999	12	13
\$160,000 - \$179,999	12	13
\$180,000 - \$199,999	6	3
\$200,000 - \$219,999	1	1
\$220,000 - \$239,999	1	1
\$240,000 - \$259,999	3	5
\$260,000 - \$279,999	3	2
\$280,000 - \$299,999	0	0
Above \$300,000	<u>3</u>	<u>3</u>
	<u>121</u>	<u>122</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. OPERATING EXPENSES

	2022	2021
	\$	\$
Cost of sales	4,940,736	5,568,783
Travel and related expenses – University related	985,845	439,630
Travel and related expenses – Projects related	1,491,462	573,163
Student – research related expenses	7,480,825	5,688,078
Student – support related expenses	2,096,721	1,280,618
Grounds and maintenance	7,477,628	5,476,340
Consultancy expenses	3,979,679	4,131,008
Utilities	3,994,499	3,986,473
Telecommunications	4,440,132	4,397,328
Library books	2,422,312	1,711,588
Staff recruitment and passages	567,058	625,842
Printing and stationery	399,415	836,281
Insurance premiums	3,177,236	3,233,637
Computer software and hardware	2,962,414	4,307,525
Workshop expenses	628,447	243,769
Advertising	810,547	866,426
Hospitality / expenditure on meetings	673,810	222,444
Teaching materials	1,513,517	1,107,893
Medical premiums	2,490,157	2,282,442
Rent expense – low value and short term leases	1,522,042	916,193
Equipment purchase	861,215	1,235,430
Other items of expenses	3,799,737	3,679,252
Freight and courier charges	358,969	330,391
Sub-total	59,074,403	49,461,282
<u>Fees paid to auditors:</u>		
External audit - audit of financial statements	80,000	79,000
- audit of projects	105,000	68,354
Internal audit - audit	26,647	119,963
<u>Honorarium:</u>		
Council	53,671	40,914
Audit and Risk Committee	33,199	32,900
Finance and Resource Committee	34,369	38,937
Total operating expenses	59,407,289	53,520,602

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

12. INVENTORIES

	Goods and Publication \$	Academic Gowns \$	Catering and Domestic \$	Total \$
Balance at 1 January 2021	1,399,881	1,057,328	3,268	2,460,477
Purchases	2,587,434	187,292	4,512	2,779,238
Cost of sales / expensed	(2,175,279)	(104,619)	(512)	(2,280,410)
Impairment charge	(297,486)	2,307	(2,333)	(297,512)
Balance as at 31 December 2021	1,514,550	1,142,308	4,935	2,661,793
Purchases	2,342,622	211,650	4,360	2,558,632
Cost of sales / expensed	(2,445,873)	(139,489)	(7,270)	(2,592,632)
Impairment reversal	280,996	9,465	2,018	292,479
Balance as at 31 December 2022	1,692,295	1,223,934	4,043	2,920,272

Analysis of value of inventories

	2022 \$	2021 \$
Total cost of inventories	3,506,866	3,540,867
Less: provision for obsolescence	(586,594)	(879,074)
Cost or valuation at year end	2,920,272	2,661,793

Analysis of goods and publications:

Book centre – inventory	724,057	809,977
Convenient store - Laucala	58,944	48,512
Book centre - goods in transit	173,024	17,723
ITS goods	193	193
Regional campuses – books	392,199	473,363
Regional campuses - course materials	780,024	929,458
Institute of Education	88,495	55,885
Institute of Research Extension & Training Agriculture	40,815	25,892
	2,257,751	2,361,003
Less: provision for obsolescence	(565,456)	(846,453)
Cost or valuation at year end	1,692,295	1,514,550

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

13. TRADE AND OTHER RECEIVABLES	Notes	2022	2021
		\$	\$
Government contributions	13(a)	4,237,225	6,817,735
Trade debtors	13(b)	4,544,476	4,900,809
Student debtors	13(c)	28,086,558	25,352,952
Staff debtors	13(d)	31,014	68,616
VAT / GST receivable	13(e)	3,823,554	3,763,310
Other debtors	13(f)	5,713,627	16,482,003
		<u>46,436,454</u>	<u>57,385,425</u>
Less: allowance for impairment losses	3(i)	<u>(37,738,540)</u>	<u>(32,284,090)</u>
		<u>8,697,914</u>	<u>25,101,335</u>
13(a) Contribution due from governments:			
Tuvalu		-	28,288
Solomon Islands		-	2,301,204
Tonga		-	345,695
Marshall Islands		-	134,228
Kiribati		-	1,132,658
Vanuatu		4,038,979	2,860,468
Niue		79,586	15,194
Nauru		118,660	-
		<u>4,237,225</u>	<u>6,817,735</u>

Overpayments by member countries are classified as payables, refer note (22).

13(b) Trade Debtors			
Alafua campus		73,043	86,748
Emalus campus and book centre		87,893	173,759
Tonga campus (IOE)		87,881	91,828
Laucala campus:			
- Commercial		138,396	128,912
- Consultancies, Lab Analysis & Venue Hire		4,157,263	4,419,562
		<u>4,544,476</u>	<u>4,900,809</u>
Less: allowance for impairment losses	3(i)	<u>(2,658,343)</u>	<u>(2,618,500)</u>
		<u>1,886,133</u>	<u>2,282,309</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

13(c) Student Debtors	Notes	2022	2021
		\$	\$
Alafua		2,195,217	1,802,017
Emalus		4,472,436	2,984,419
Laucala		15,691,369	15,334,979
Other regional campuses		11,874,490	9,031,777
Less unidentified credits		<u>(6,146,954)</u>	<u>(3,800,240)</u>
		28,086,558	25,352,952
Less: allowance for impairment losses	3(i)	(27,388,520)	(20,808,382)
Write off student debts		-	(733,158)
		<u>698,038</u>	<u>3,811,412</u>
 13(d) Staff debtors			
Regional campuses		<u>31,014</u>	<u>68,616</u>
		31,014	68,616
Less: allowance for impairment losses	3(i)	<u>(21,542)</u>	<u>(65,519)</u>
		<u>9,472</u>	<u>3,097</u>
 13(e) VAT/GST receivable			
Alafua book centre		950,507	890,264
Laucala book centre		2,873,047	2,873,046
		<u>3,823,554</u>	<u>3,763,310</u>
Less: allowance for impairment losses	3(i)	<u>(3,805,072)</u>	<u>(3,753,084)</u>
		<u>18,482</u>	<u>10,226</u>
 13(f) Other debtors			
Development assistance partners (projects)		4,311,066	4,568,215
Development assistance recurrent		-	10,546,935
Interest receivable		254,630	189,142
Other debtors (Bonds and Security Deposits)		1,147,931	1,177,711
		<u>5,713,627</u>	<u>16,482,003</u>
Less: allowance for impairment losses	3(i)	<u>(3,865,063)</u>	<u>(4,305,447)</u>
		<u>1,848,564</u>	<u>12,176,556</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

14. PREPAYMENTS	2022	2021
	\$	\$
Laucala campus	3,141,669	2,108,396
Laucala book centre	27,048	27,544
Emalus campus	-	91,810
Solomon Islands	-	2,184
	<u>3,168,717</u>	<u>2,229,934</u>

Prepayments relates to payments done in advance (usually annually) for services to be provided later, such as staff medical insurance, building insurance and software licenses.

15. CASH AND CASH EQUIVALENTS AND INVESTMENT FINANCIAL ASSETS

Cash and cash equivalents

- Current accounts	64,226,634	49,994,638
- Short term deposits (term deposits 3 months or less)	46,119,382	43,020,647
- Cash on hand and petty cash	45,111	48,167

	<u>110,391,127</u>	<u>93,063,452</u>
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Investment in financial assets (term deposits between 3 to 12 months)

	23,473,627	22,501,222
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	<u>133,864,754</u>	<u>115,564,674</u>
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15(a) Where held:

In Fiji	33,839,687	33,447,737
With other regional banks	59,711,226	52,540,147
In other overseas accounts	40,313,841	29,576,790

	<u>133,864,754</u>	<u>115,564,674</u>
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15(b) The following term deposits are denominated in the following currencies but stated in Fijian dollars:

Fijian dollars	4,284,931	9,250,617
Australian dollars	49,143,160	35,213,994
New Zealand dollars	8,871,566	15,647,364
United States Dollars	4,480,060	4,271,969
Japanese yen	2,798,103	1,122,987
Tonga Pa'anga	15,189	14,938
	<u>69,593,009</u>	<u>65,521,869</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

15(c) Comprising:	2022	2021
	\$	\$
University fund	91,459,593	67,886,244
Development assistance (projects) unexpended	36,589,717	41,907,779
Endowment funds	5,815,444	5,770,651
	<u>133,864,754</u>	<u>115,564,674</u>

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

16. Reconciliation of net cash from operating activities to the statement of profit or loss and other comprehensive income

	2022	2021
	\$	\$
Surplus for the year	6,385,764	11,523,657
<u>Adjustments to income and expenditure:</u>		
Release of deferred revenue	(3,925,422)	(3,749,420)
Depreciation and amortisation	13,806,911	13,795,123
Impairment on trade and other receivables	5,454,450	11,655,668
Provision for leave entitlement	(1,542,558)	87,742
(Impairment reversal) / write down of inventories	(292,479)	297,512
Net cash from operating activities before changes in assets and liabilities	<u>19,886,666</u>	<u>33,610,282</u>
Change in inventories	34,000	96,196
Change in accounts receivable	10,948,975	(21,609,019)
Change in prepayments	(938,783)	69,975
Change in development assistance (projects)	(5,318,062)	6,860,809
Change in creditors	7,357,631	2,580,685
Change in foreign currency translation reserve	(1,412,989)	(433,567)
Net cash provided by operating activities	<u>30,557,438</u>	<u>21,175,361</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Property	Equipment and Furniture	Vehicles and Vessels	Work in Progress	Total
<i>Cost</i>	\$	\$	\$	\$	\$
Deemed cost at 1 January 2021	262,517,953	83,134,721	4,043,225	16,644,527	366,340,426
Additions	288,906	2,274,275	8,034	6,119,786	8,691,001
Disposals	-	(77,563)	(47,800)	-	(125,363)
Transfers between asset classes	1,791,115	6,612,098	-	(9,404,451)	(1,001,238)
Deemed cost at 31 December 2021	264,597,974	91,943,531	4,003,459	13,359,862	373,904,826
Additions	1,954,404	6,060,057	-	8,179,532	16,193,993
Disposals	-	(2,090)	-	-	(2,090)
Transfers between asset classes	1,085,938	2,953,202	-	(4,624,324)	(585,184)
Deemed cost at 31 December 2022	267,638,316	100,954,700	4,003,459	16,915,070	389,511,545
Accumulated depreciation					
Accumulated depreciation at 1 January 2021	67,376,421	60,097,162	2,988,165	-	130,461,748
Depreciation charge for the year	5,521,227	6,471,012	203,753	-	12,195,992
Disposals	-	(44,919)	(47,800)	-	(92,719)
Accumulated depreciation at 31 December 2021	72,897,648	66,523,255	3,144,118	-	142,565,021
Depreciation charge for the year	5,583,228	6,495,939	129,333	-	12,208,500
Disposals	-	(2,090)	-	-	(2,090)
Accumulated depreciation at 31 December 2022	78,480,876	73,017,104	3,273,451	-	154,771,431
Net carrying amount at 1 January 2021	195,141,532	23,037,559	1,055,060	16,644,527	235,878,678
Net carrying amount at 31 December 2021	191,700,326	25,420,276	859,341	13,359,862	231,339,805
Net carrying amount at 31 December 2022	189,157,440	27,937,596	730,008	16,915,070	234,740,114

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Work in progress

Work in progress relates to costs for property-related projects where the project has not been completed. The costs will be transferred into respective asset class once all major items of expenditure, other than the payment of retention monies, have been incurred and the asset is put into service.

Carrying amount of work in progress projects	2022	2021
	\$	\$
Continuing from prior years		
Improve campus infrastructure and developments	850,859	3,410,609
IT equipment installation	107,296	1,068,164
Lab equipment installation	83,691	299,887
Solomon Islands Campus	15,873,224	8,581,202
	16,915,070	13,359,862

	2022	2021
	\$	\$
Reconciliation of fixed assets to related accounts		
Carrying amount of property, plant and equipment	234,740,114	231,339,805
<u>Funded by:</u>		
Development assistance	92,061,201	92,758,675
Other contributed equity	26,944,762	26,944,762
Carrying amount of properties acquired directly or through loans:		
Statham street campus	3,270,409	3,270,409
Services complex	72,000	72,000
Residential block	568,000	568,000
Student Accommodation (11 th Hall)	6,783,348	6,969,124
Kiribati Campus	7,088,290	7,267,463
Solomon Islands Campus - WIP	15,873,224	8,581,202
Carrying amount of assets funded from operating activities	82,078,880	84,908,170
	234,740,114	231,339,805

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

18. INTANGIBLE ASSETS

	\$
Cost	
Deemed cost at 1 January 2021	3,447,207
Additions	24,025
Disposals	
Deemed cost at 31 December 2021	<u>3,471,232</u>
Additions – transfer from work in progress	255,267
Deemed cost at 31 December 2022	<u>3,726,499</u>
Amortisation and impairment	
Accumulated amortisation at 1 January 2021	2,619,831
Amortisation	318,742
Disposals	-
Accumulated amortisation at 31 December 2021	<u>2,938,573</u>
Amortisation	337,608
Accumulated amortisation at 31 December 2022	<u>3,276,181</u>
Net carrying amount at 1 January 2021	<u>827,376</u>
Net carrying amount at 31 December 2021	<u>532,659</u>
Net carrying amount at 31 December 2022	<u>450,318</u>

19. LEASES

The University leases land and building for its operations and the term of each land and building lease is between five to ninety-nine years. The University also leases photocopiers and printers with lease terms of up to five years.

Information about leases for which the University is a lessee is presented below.

(a) Right-of-use assets

The statement of financial position shows the following amounts relating to right-of-use assets:

	Land \$	Building \$	Equipment \$	Total \$
As at 1 January 2021	210,707	2,410,789	664,546	3,286,042
Additions		582,304		582,304
Depreciation charge for the year	(3,493)	(1,110,598)	(166,298)	(1,280,389)
As at 31 December 2021	<u>207,214</u>	<u>1,882,495</u>	<u>498,248</u>	<u>2,587,957</u>
Additions	-	2,182,727	1,585	2,184,312
Depreciation charge for the year	(3,491)	(1,090,936)	(166,376)	(1,260,803)
Balance as at 31 December 2022	<u>203,723</u>	<u>2,974,286</u>	<u>333,457</u>	<u>3,511,466</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. LEASES (continued)

(b) Lease Liabilities

Lease liabilities included in the statement of financial position as of period ended consist of:

	2022	2021
	\$	\$
Current	1,231,841	1,073,102
Non-current	2,478,486	1,684,753
Total lease liabilities	<u>3,710,327</u>	<u>2,757,855</u>

The statement of comprehensive income shows the following amounts relating to leases

	2022	2021
	\$	\$
Depreciation charge of right-of-use assets	1,260,803	1,280,389
Interest expense (included in interest expense)	248,641	202,951
Expense relating to short-term leases (included in operating costs)	<u>1,522,042</u>	<u>916,193</u>

The statement of cash flows shows the following amount relating to leases:

	2022	2021
	\$	\$
Repayment of principal lease liabilities	<u>1,480,482</u>	<u>1,473,470</u>

Maturity analysis – contractual undiscounted cash flows

	2022	2021
	\$	\$
Not later than one year	1,356,569	1,212,527
Later than one year but not later than five years	2,647,778	1,676,391
Later than five years	666,993	689,462
Total undiscounted lease commitments	<u>4,671,340</u>	<u>3,578,380</u>

20. FINANCING FACILITIES

The University has access to overdraft facilities of \$5,000,000 (December 2021: \$5,000,000) with various banks across the region for which all conditions precedent has been met. As at 31 December 2022: nil (December 2021: nil) was utilised.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents as at 31 December 2022 is \$110,391,127 (December 2021: \$93,063,452). Investment financial assets as at 31 December 2022 is \$23,473,627 (December 2021: \$22,501,222).

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

21. BORROWINGS

	Note	2022 \$	2021 \$
Fiji National Provident Fund Loan (FNPF)		3,722,687	4,094,411
Asian Development Bank Loan (ADB)	21(i)	17,669,519	12,400,696
		21,392,206	16,495,107
Disclosed in the statement of financial position as follows:			
Current		683,468	582,719
Non-current		20,708,738	15,912,388
		21,392,206	16,495,107

21(i) Asian Development Bank Loan

Balance as at 1 January as previously reported	12,400,696	12,464,689
Prior period changes in carrying amount	-	(1,483,036)
Balance as at 1 January as restated	12,400,696	10,981,653
Proceeds from loans and borrowings	6,769,682	1,620,425
Repayment of borrowings	(244,412)	(209,367)
The effect of changes in foreign exchange rates	47,979	182,681
The effect of interest expense of discounting	(1,707,207)	(498,586)
Interest expense	485,829	414,478
Interest paid	(83,048)	(90,588)
Balance at 31 December	17,669,519	12,400,696
Balance as at 31 December	20,631,677	14,058,428
The effect of interest expense of discounting	(2,962,158)	(1,657,732)
	17,669,519	12,400,696

The borrowings from ADB have been remeasured at fair value on initial recognition, being the present value of the expected future cash flows, discounted using market interest rate of 3.3% (December 2021: 3.3%) per annum. The difference between the revaluation balance and the nominal value of the amount payable has been credited to other income (Refer to Note 8). Subsequently, the loan has been measured at amortised cost using the effective interest rate method over the term of the loan.

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

21. BORROWINGS (continued)

21(a) Fiji National Provident Fund Loan	2022	2021
	\$	\$
Balance as at 1 January	4,094,411	4,446,104
Repayment of borrowings	(371,724)	(351,692)
Interest expense	214,376	234,408
Interest paid	(214,376)	(234,408)
Balance at 31 December	<u>3,722,687</u>	<u>4,094,411</u>

The University entered into a loan agreement of \$7.0m with FNPF to construct the 11th Hall for student accommodation at the Laucala Campus. The loan is to be repaid within 15 years of the first drawdown with the interest rate being fixed at 3.5% for 5 years and increased to 5.5% effective from 31 March 2019. The interest rate at each of the remaining 5-year intervals will be 0.5% less than the 5-year Fiji Infrastructure Bond rate applicable at that time. The University is in compliance with loan covenants. Furthermore, the following is held as securities under this loan agreement:

1. First Registered Mortgage and Variation on Mortgage on Crown Lease Number 13441, Lot 2 on S.1483, Muanivatu (pt of) Suva.
2. Insurance cover over the property described under paragraph 1 above, with the Lender's interest noted thereon.

21(b) Asian Development Bank Loan

The University entered into a loan agreement with ADB of SDR 2,336,000 to construct the Kiribati Campus. The loan is to be paid off between December 2020 and May 2046 with the applicable interest rate being 1% during the grace period which expired on 1 December 2020 and 1.5% thereafter. In satisfaction of the conditions to effectiveness of this loan agreement, Republic of Kiribati entered into sovereign guarantee agreement with ADB to guarantee the performance of the University's obligations. As of 31 December 2022, SDR 2,076,215 (December 2021: SDR 2,157,105) had been utilised.

The University entered into another loan agreement with ADB of SDR 10,973,000 to construct the Solomon Islands Campus. The loan is to be paid off between December 2024 and June 2048 with the applicable interest rate being 1% during the grace period due to expire on 1 December 2024 and 1.5% thereafter. As of 31 December 2022, SDR 4,785,301 (December 2021: SDR 1,945,784) had been utilised.

The University is in compliance with loan covenants.

22. CREDITORS AND ACCRUALS	2022	2021
	\$	Restated*
		\$
Other creditors and accruals*	7,775,781	6,740,933
Research funds	6,564,275	6,473,194
Payroll creditors	2,748,365	2,744,456
Student creditors	289,772	528,206
Student fees received in advance	3,185,306	2,683,816
Trade creditors	1,593,047	503,632
	<u>22,156,546</u>	<u>19,674,237</u>

*Refer to note 26(c).

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

23. DEVELOPMENT ASSISTANCE (PROJECTS) UNEXPENDED	2022	2021
	\$	\$
Development Assistance	29,598,866	35,671,345
Research Income	6,990,851	6,236,434
	36,589,717	41,907,779

23(a) DEVELOPMENT ASSISTANCE (PROJECTS) SOURCES	2022	2021
	\$	\$
Australia	8,542,649	8,295,831
NZ	4,601,345	7,058,744
EU	3,313,739	8,479,489
Japan	6,148,998	4,821,960
Others	13,982,986	13,251,755
	36,589,717	41,907,779

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

24. PROVISIONS

Current

Provision for annual leave

Balance at beginning of year	3,865,144	3,777,402
Movement during the year	(1,542,558)	87,742
Balance at end of year	2,322,586	3,865,144

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

Non-current

Provision for severance allowance

Balance at beginning of year	1,236,325	863,862
Additional provision during the year	2,472,703	372,463
Balance at end of year	3,709,028	1,236,325

25. DEFERRED INCOME – DONATED ASSETS

Balance at beginning of year	92,758,675	94,988,409
Additions during the year	3,227,950	1,519,686
Release during the year – depreciation	(3,925,422)	(3,749,420)
Balance at end of year	92,061,203	92,758,675

(i) Disclosed in the statement of financial position as follows:

Current	3,925,422	3,749,420
Non-current	88,135,781	89,009,255
	92,061,203	92,758,675

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

26. CAPITAL AND RESERVES

(a) Other contributed equity

The amount reflects the cost of assets donated by member countries in its capacity as the owners of the University.

(b) Foreign currency translation reserve

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

(c) Prior period restatement

There was one (1) prior period adjustment recorded with details as follows:

1. Inter-department accounts for book centre was showing as a negative liability (that is, receivable) which had been accumulated over the years. However, given that these are inter-department accounts, these amounts should eliminate upon consolidation of the book centre's general ledger into USP's Banner System and does not represent a receivable from USP's consolidated perspective. As such, creditors and accruals has increased and retained earnings decreased as at 31 December 2020 and 31 December 2021.

The following table summarises the impacts of these prior period adjustments:

	Previously reported \$	Prior period adjustments \$	Restated \$
<u>31 December 2021</u>			
Statement of financial position (extract)			
Other creditors and accruals	3,006,003	3,734,930	6,740,933
Creditors and accruals	15,939,307	3,734,930	19,674,237
Total current liabilities	67,117,471	3,734,930	70,852,401
Total Liabilities	174,960,192	3,734,930	178,695,122
Net assets	205,057,965	(3,734,930)	201,323,035
Retained earnings	179,059,578	(3,734,930)	175,324,648
Total funds and reserves	205,057,965	(3,734,930)	201,323,035
<u>31 December 2020</u>			
Statement of financial position (extract)			
Other creditors and accruals	3,040,304	3,734,930	6,775,234
Creditors and accruals	14,202,482	3,734,930	17,937,412
Total current liabilities	58,766,271	3,734,930	62,501,201
Total Liabilities	167,752,952	3,734,930	171,487,882
Net assets	193,980,303	(3,734,930)	190,245,373
Retained earnings	167,535,921	(3,734,930)	163,800,991
Total funds and reserves	193,980,303	(3,734,930)	190,245,373

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

26. CAPITAL AND RESERVES (continued)

(a) Prior period restatement (continued)

The restatement does not affect Statement of Cashflows for the year ended 31 December 2021. The impact on revenue/expense for the comparative financial year of 31 December 2021 was not considered material, and so no restatement of the statement of comprehensive income has been made.

27. COMMITMENTS

In addition to the amounts reported in the financial statements, the University has capital commitments of \$7,468,830 as at 31 December 2022 (31 December 2021: \$7,862,548) for various projects not yet started and asset purchases for which the items had not been received or paid for. This balance has not been recognised as a liability at balance date.

28. CONTINGENT ASSETS AND LIABILITIES

	2022	2021
	\$	\$
<u>Contingent liabilities</u>		
Fiji Electricity Authority - guarantees given	158,857	158,857
FRCA - customs bond - guarantees given	31,000	31,000
Government Tender Board	16,598	16,598
Ministry of Infrastructure and Transport - guarantees given	743,963	743,963
Ministry of Fisheries and Forest - guarantees given	151,956	151,956
VAT on contributions received from Fijian government (1992 - 2007)	39,802,087	39,802,087
	40,904,461	40,904,461
<u>Contingent assets</u>		
VAT on Fijian government contributions (1992 - 2007)	39,802,087	39,802,087
Insurance claim for Communication Building Fire (b)	8,339,732	8,339,732
	48,141,819	48,141,819

- (a) The Fiji Revenue Customs Services (FRCS) advised in a letter dated June 2007 that the University may be liable to pay VAT on contributions received from the Government of Fiji since 1992. The University had made an effort in 2009 to close the matter with FRCS, but no reply or any formal assessment has been issued by FRCS since the University's last communication dated 20 October 2009. Accordingly, no provision for liability has been made in the financial statements.

The University claims Government contributions on a VAT exclusive basis. In the event that the tax liability is considered probable, the University would make a claim for the short fall in payment of contributions and recognise a receivable amount to the value of the potential tax liability.

- (b) The Communication buildings that was destroyed by fire in November 2018 was insured for \$20m however, on a letter dated 2 September, 2020 to the University by QBE Insurance (Fiji) Limited, they had confirmed the costs of repairs as calculated by Quantec quantity surveyors to be \$8,339,732 which may change depending on the market at the time of agreement. The University however has not yet agreed to this amount. To date \$2m has been received by the University as part of the business interruption clause and was recognized as insurance proceeds income accordingly.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

28. CONTINGENT ASSETS AND LIABILITIES (continued)

Legal claim contingency

There are various legal claims and trade disputes pending against the University as at balance date. The University considers these claims, arising in the normal course of business, to be immaterial and mostly spurious except for cases of defamation that may still continue due to the leak of special BDO audit report in the social media. No amounts have been provided in relation to any of these matters as the University or the solicitors at this stage are unable to estimate related costs or settlement value (if applicable).

29. RELATED PARTIES

The University is controlled by 12 member countries comprising Fiji, Tuvalu, Tonga, Solomon Islands, Samoa, Republic of Marshall Islands, Nauru, Niue, Cook Islands, Vanuatu, Kiribati and Tokelau. Details of grant received, grant receivable and grant received in advance during the period is tabulated.

	2022	2021
	\$	\$
Government contribution income	11,835,709	10,914,447
Government contribution receivable	4,237,225	6,817,735
Government contribution in advance	-	-

Key management personnel disclosures

(a) Names of responsible persons and senior management team

The following were responsible persons and the senior management team of the University during the period and as at the date of this report.

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

(i) University Council Members

Hon. Dr. Hilda C. Heine, Pro-Chancellor & Chair of Council
 Professor Pat Walsh, Deputy Pro-Chancellor & Deputy Chair of Council and Government Representative, New Zealand
 Professor Pal Ahluwalia, Vice-Chancellor & President
 Hon Vaine Mokoroa, Minister for Education, Cook Islands
 Hon. Wilbur Heine, Minister for Education, Sports & Training, Marshall Islands
 Hon. Richard Hyde-Menke,, President & Minister for Education, Nauru
 Hon. Sauni Tongatule, Minister for Education, Niue
 Hon. Kelihiano Kalolo, Minister for Education, Tokelau
 Hon. Lanelle Tanangada, Minister for Education & Human Resources Development, Solomon Islands

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

29. RELATED PARTIES (continued)

Key management personnel disclosures (continued)

(i) University Council Members (continued)

Hon. Alexander Teabo, Minister for Education, Kiribati
Hon. Bruno Leingkone, Minister for Education & Training, Vanuatu
Hon. Timi Melei, Minister for Education Youth and Sports, Tuvalu
Hon. Siasosi 'Ofa Ki Vahafolau Sovaleni, Prime Minister and Minister for Education & Training, Tonga
Hon. Seu'ula Ioane, Minister for Education, Sports & Culture, Samoa
Mrs. Saoleitiiti Maeva Natacha Betham-Vaai, Chair of the Finance & Resources Committee and Chief Executive Officer, Ministry of Finance, Samoa
Hon. Aseri Radrodoro, Minister for Education, Heritage & Arts, Fiji
Mr. Timoci Bure, Acting Permanent Secretary for Education, Fiji
Mr Shiri Gounder, Permanent Secretary for Economy, Fiji
Ms Fay Yee, Government Representative, Fiji
Professor Caroline McMillen, Government Representative and Acting Chair of the Audit & Risk Committee, Australia
Mr Henry Puna, Secretary General, Pacific Islands Forum Secretariat
Professor Elisabeth Holland, Senate Representative
Professor Sushil Kumar, Senate Representative
Ms. Rosalia Fatiaki, USP Staff Rep
Ms. Tarisi Vacala, USP Staff Rep
Mr. Mani Mate, USPSA, Student Rep
Mr. Lepani Naqarase, USPSA, Student Rep
Dr. Tarcisus Kabutaulaka, Solomon Islands, Co-opted member
Ms Aloma-Johansson, Kingdom of Tonga, Co-opted member
Mr Semi Tukana, Fiji, Co-opted member

(ii) Senior management team

Professor Pal Ahluwalia, Vice-Chancellor and President
Dr. Giulio Paunga, Deputy Vice-Chancellor (Regional Campuses, Estates & Infrastructure)
Professor Jito Vanualailai, Acting Deputy Vice-Chancellor (Education)
Mr. Kolinio Boila, Executive Director Finance
Dr. Nacaneili Rika, Acting Head of School of Accounting, Finance & Economics (SAFE)
Professor Gurmeet Singh, Head of School of Business and Management (SBM)
Professor Maurizio Cirrincione, Head of School of Information Technology, Engineering, Mathematics & Physics (STEMP)
Professor Surendra Prasad, Head of School of Agriculture, Geography, Environment, Ocean & Natural Sciences (SAGEONS)
Associate Professor Sandra Tarte, Acting Head of School of Law and Social Sciences (SoLaSS)
Professor Sudesh Mishra, Head of School of Pacific Arts, Communication and Education (SPACE)
Mr. Jone Maritino Nemani, Executive Director, People and Workforce Strategy – last day 24th October 2022
Walter Fraser, Chief Operating Officer –effective 01 January 2023
Janusz Jankowski, Deputy Vice-Chancellor (Research and International) – effective 01 January 2023

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

29. RELATED PARTIES (continued)

Key management personnel disclosures (continued)

(b) Remuneration of Council Members and Senior Management Team

	2022	2021
Annual remuneration of Council members		
\$10,000 - \$19,999	3	3
\$20,000 - \$29,999	1	1
Annual remuneration of Senior management team		
\$160,000 - \$179,999	1	1
\$180,000 - \$199,999	1	-
\$200,000 - \$219,999	1	2
\$220,000 - \$239,999	1	1
\$240,000 - \$259,999	2	3
\$260,000 - \$279,999	2	1
Above \$300,000	3	3
	<u>11</u>	<u>11</u>

Council members paid by the University are in the form of honorarium only.

The above number of Senior Management Team includes those that have either joined or left the University (or Senior Management Team) during the year and their expected total annual remuneration for the respective period exceeds \$100,000.

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

(c) Key management personnel compensation

	2022	2021
	\$	\$
Short term employee benefits	3,026,586	2,970,918
Post-retirement benefits – superannuation	131,524	112,786
	<u>3,158,110</u>	<u>3,083,704</u>

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022**

30. BREAKDOWN OF RECURRENT AND PROJECT ACTIVITIES

31 December 2022

	Recurrent	Project	Total
Development assistance	40,718,215	9,416,187	50,134,402
Staff expenses	(67,080,951)	(3,910,082)	(70,991,033)
Other operating expenses	(45,724,300)	(9,338,820)	(55,063,120)
	<u>(72,087,036)</u>	<u>(3,832,715)</u>	<u>(75,919,751)</u>

31 December 2021

	Recurrent	Project	Total
Development assistance	27,424,106	15,941,788	43,365,894
Staff expenses	(67,871,284)	(4,037,078)	(71,908,362)
Other operating expenses	(43,127,643)	(7,800,670)	(50,928,313)
	<u>(83,574,821)</u>	<u>4,104,040</u>	<u>(79,470,781)</u>

31. IMPACT OF EXTERNAL EVENTUALITIES

The World Health Organisation declared a pandemic in relation to the Novel Coronavirus (COVID-19) on 11 March 2020. This outbreak caused unprecedented social disruption, and global economic and financial markets volatility.

For the University, the COVID 19 pandemic affected the three main sources of funding from 2021 which continued into 2022. The University will have to make rationale strategic and operational decisions in order to protect its short-term viability and remain solvent.

Fiji Government reduced its grant contributions due to the impact of COVID 19 and is currently withholding its grant of \$11.5m for 2020, \$25.7m for 2021 and \$23.0m for 2022 due to the introduction of new conditions. The total shortfall in grant at 31 December 2022 was \$96.7m, when compared to the approved Fiji Government grant budgeted to the grant approved by the University grant Committee (UGC). The \$96.7m includes the \$60.2m grant payment currently withheld. With the change in Fiji Government, they have released the first \$10m which has improved the cash flow position after balance date.

Management has carried out cash flow forecasts for the current financial year and have stress tested the same using different scenarios, including a severe or worst-case scenario. As part of their assessment, they have also considered the cash reserves, unutilised credit facilities as well as interest rate relief provided by the lenders.

The financial results for the year indicate that the financial position remains strong and there is a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the University continues to adopt the going concern basis in preparing the financial statements.

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

32. EVENTS SUBSEQUENT TO PERIOD END

On 15th February 2023, the Fiji Government gave a grant of \$10,000,000 to the University being from February to July 2023 with assurance of releasing additional funds as part of their 2023/24 budget, effective from August 2023.

Furthermore, the Emalus Campus and USP Centres in Vanuatu were closed from 7th March to 13th March 2023 because of Tropical Cyclones Kevin and Judy. At this early stage of the assessment, it appears the campus has escaped major damage and was re-opened on 14th March, 2023. Power and water were restored within a few days of the disaster and only one building is reported to have sustained major structural damage. The remainder of facilities sustained minor structural damage, with all building services appearing to be safe and subsequently operational.

Apart from the above, there has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the University, the results of those operations or the state of affairs of the University in subsequent periods.