

THE UNIVERSITY OF THE SOUTH PACIFIC
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2023

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THE UNIVERSITY OF THE SOUTH PACIFIC

FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2023

STATEMENT BY APPOINTED OFFICERS

In our opinion the accompanying Financial Statements give a true and fair view of the financial position of The University of the South Pacific as at 30 June 2023 and of its financial performance, its changes in funds and reserves and its cash flows for the period 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 Auditor's 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 University of the South Pacific ("the University"), which comprise the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in funds and reserves and statement of cash flows for the half year then 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 30 June 2023, and of its financial performance and its cash flows for the half year then ended in accordance with International Financial Reporting Standards (IFRS).

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' 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.

Other information

Management and Those Charged with Governance are responsible for the other information. The other information comprises the information included in the Statement by Appointed Officers but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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

Management and Those Charged with Governance are 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.

Auditors' 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 International Standards on Auditing (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.



Auditors' responsibilities for the audit of the Financial Statements

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
24 November 2023

**THE UNIVERSITY OF THE SOUTH PACIFIC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2023**

	Notes	Half Year Ended 30 June 2023 \$	Half Year Ended 30 June 2022 \$
Revenue and income			
Government contributions	4	15,992,114	5,917,856
Student tuition fees	5	34,428,165	41,171,328
Development assistance	6	24,901,994	22,650,082
Commercial income	7(a)	6,299,317	5,810,671
Consultancy income	7(b)	581,097	648,056
Other income	8	5,788,259	3,544,295
Deferred income - donated assets	9	1,972,979	1,986,238
Interest income		454,508	214,783
Reversal of impairment loss on trade and other receivable	3(i)	1,091,578	-
Total revenue and income		91,510,011	81,943,309
Expenses			
Personal costs	10	37,371,730	36,979,709
Operating expenses	11	33,232,539	26,029,480
Interest expense		529,699	414,639
Depreciation and amortisation	17,18,19(a)	7,016,348	7,091,571
Impairment loss on trade and other receivables	3(i)	-	4,342,501
Write down / (impairment reversal) of inventories	12	344,693	(338,636)
Unrealised exchange loss		-	706,511
Realised exchange loss		774,565	263,530
Loss on disposal of property, plant and equipment		531	-
Total expenses		79,270,105	75,489,305
Surplus for the half year		12,239,906	6,454,004
Other comprehensive income			
Item that will be reclassified subsequently to profit or loss:			
Foreign currency translation reserve		532,013	314,514
Total comprehensive income for the half year		12,771,919	6,768,518

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 30 JUNE 2023

	Notes	30 June 2023 \$	31 December 2022 \$
Current assets			
Cash and cash equivalents	15	123,823,686	110,391,127
Investment in financial assets	15	24,715,977	23,473,627
Trade and other receivables	13	20,033,602	8,697,914
Inventories	12	1,612,678	2,920,272
Prepayments	14	5,261,161	3,168,717
		<u>175,447,104</u>	<u>148,651,657</u>
Non-current assets			
Property, plant and equipment	17	234,985,476	234,740,114
Right-of-use assets	19(a)	3,150,044	3,511,466
Intangible assets	18	317,433	450,318
		<u>238,452,953</u>	<u>238,701,898</u>
Total assets		<u>413,900,057</u>	<u>387,353,555</u>
Current liabilities			
Creditors and accruals	22	35,673,069	22,156,546
Development assistance (projects) unexpended	23	36,161,803	36,589,717
Lease liabilities	19(b)	1,215,029	1,231,841
Provisions	24	3,285,625	2,322,586
Deferred income – donated assets	25	3,945,959	3,925,422
Borrowings	21	703,234	683,468
		<u>80,984,719</u>	<u>66,909,580</u>
Non-current liabilities			
Provisions	24	2,723,315	3,709,028
Deferred income – donated assets	25	86,700,370	88,135,781
Lease liabilities	19(b)	2,109,168	2,478,486
Borrowings	21	23,155,738	20,708,738
		<u>114,688,591</u>	<u>115,032,033</u>
Total liabilities		<u>195,673,310</u>	<u>181,941,613</u>
Net assets		<u>218,226,747</u>	<u>205,411,942</u>
Represented by:			
Funds and reserves			
Other contributed equity	26(a)	26,944,762	26,944,762
Endowment capital	15(c)	5,858,330	5,815,444
Retained earnings		193,021,657	180,781,751
Foreign currency translation reserve	26(b)	(7,598,002)	(8,130,015)
		<u>218,226,747</u>	<u>205,411,942</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 CHANGES IN FUNDS AND RESERVES
FOR THE HALF YEAR ENDED 30 JUNE 2023**

	30 June 2023	31 December 2022
	\$	\$
Retained earnings		
Balance at beginning of the year	180,781,751	175,324,648
Surplus for the period (January – June)	12,239,906	6,454,004
Deficit for the period (July – December)	-	(996,901)
Balance at end of year	<u>193,021,657</u>	<u>180,781,751</u>
Endowment capital		
Balance at beginning of year	5,815,444	5,770,651
Foreign exchange gain for the period (January – June)	42,886	125,096
Foreign exchange loss for the period (July – December)	-	(80,303)
Balance at end of year	<u>5,858,330</u>	<u>5,815,444</u>
Analysed as:		
Endowments – general	94,133	94,133
Endowments – specific	5,764,197	5,721,311
Total endowment capital	<u>5,858,330</u>	<u>5,815,444</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	(8,130,015)	(6,717,026)
Other comprehensive income / (loss) (January – June)	532,013	314,514
Other comprehensive income / (loss) (July – December)	-	(1,727,503)
Balance at end of year	<u>(7,598,002)</u>	<u>(8,130,015)</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 CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2023**

		Half Year Ended 30 June 2023	Half Year Ended 30 June 2022
	Notes	\$	\$
Operating activities			
Development assistance	30	34,704,465	29,775,678
Government contributions		11,690,090	7,743,962
Interest received		454,510	214,783
Student tuition fees		37,026,257	27,475,738
Trading activities		3,671,249	5,955,090
Other receipts		763,975	1,380,227
Staff expenses	30	(37,279,289)	(35,189,775)
Other operating expenses	30	(18,529,176)	(27,346,748)
Interest paid		(409,185)	(240,641)
Net cash provided by operating activities	16	<u>32,092,896</u>	<u>9,768,314</u>
Investing activities			
Payment for property plant and equipment – General		(2,372,891)	(3,673,499)
Payment for property plant and equipment – Projects		(558,105)	(848,068)
Receipt from short term deposits		-	83,153
(Investment in) short term deposits		(1,242,350)	-
Net cash used in investing activities		<u>(4,173,346)</u>	<u>(4,438,414)</u>
Financing activities			
Principal repayments of borrowings		(339,308)	(288,935)
Repayment of principal lease liabilities	19(b)	(900,688)	(747,273)
Net cash used in financing activities		<u>(1,239,996)</u>	<u>(1,036,208)</u>
Net increase in cash and cash equivalents		26,679,554	4,293,692
Cash and cash equivalents at beginning of period		97,357,146	93,063,452
Cash and cash equivalents at end of period	15	<u>124,036,700</u>	<u>97,357,144</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 HALF YEAR ENDED 30 JUNE 2023**

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 24 November 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 statement of profit and loss is reported for the 6 months period ended 30 June 2022 and 30 June 2023, while the statement of financial position is reported as at 30 June 2023 and 31 December 2023.

(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)(i).

(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 HALF YEAR ENDED 30 JUNE 2023**

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): Financial assets – 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 HALF YEAR ENDED 30 JUNE 2023**

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 HALF YEAR ENDED 30 JUNE 2023**

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 HALF YEAR ENDED 30 JUNE 2023**

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 HALF YEAR ENDED 30 JUNE 2023**

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 HALF YEAR ENDED 30 JUNE 2023**

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 HALF YEAR ENDED 30 JUNE 2023**

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 HALF YEAR ENDED 30 JUNE 2023**

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 HALF YEAR ENDED 30 JUNE 2023**

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 HALF YEAR ENDED 30 JUNE 2023**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) *Leases (continued)*

As a lessee (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 30 June 2023. 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 HALF YEAR ENDED 30 JUNE 2023**

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 HALF YEAR ENDED 30 JUNE 2023**

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 2022	32,284,090
Impairment loss	4,342,501
Balance at half year ended 30 June 2022	<u>36,626,591</u>
Impairment loss	1,111,949
Balance at half year ended 31 December 2022	<u>37,738,540</u>
Reversal of impairment loss	(1,091,578)
Balance at half year ended 30 June 2023	<u>36,646,962</u>

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 HALF YEAR ENDED 30 JUNE 2023**

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:

	30 June 2023			31 December 2022		
	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	16%	5,726,589	892,850	14%	2,186,379	300,246
91 to 180 days	100%	179,106	179,106	100%	202,137	202,137
181 to 365 days	100%	156,401	156,401	100%	297,144	297,144
More than 365 days	100%	1,110,448	1,110,448	100%	1,858,816	1,858,816
Total		7,172,544	2,338,805		4,544,476	2,658,343

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

	30 June 2023			31 December 2022		
	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	31%	2,196,314	671,801	30%	4,058,550	1,205,601
91 to 180 days	100%	4,071,939	4,071,939	100%	5,567,219	5,567,219
181 to 365 days	100%	3,731,677	3,731,677	100%	5,357,007	5,357,007
More than 365 days	100%	17,857,802	17,857,802	100%	15,258,693	15,258,693
		<u>27,857,732</u>	<u>26,333,219</u>		<u>30,241,469</u>	<u>27,388,520</u>
Individual Assessment						
Add Government Sponsored		3,339,935	-		3,992,043	-
Less unidentified deposits		(609,313)	-		(6,146,954)	-
Total		<u>30,588,354</u>	<u>26,333,219</u>		<u>28,086,558</u>	<u>27,388,520</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

	30 June 2023			31 December 2022		
	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%	19,326	-	0%	9,183	-
91 to 180 days	50%	2,112	1,056	50%	575	286
181 to 365 days	100%	11,788	11,788	100%	744	744
More than 365 days	100%	17,691	17,691	100%	20,512	20,512
Total		50,917	30,535		31,014	21,542

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

	30 June 2023			31 December 2022		
	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	-
91 to 180 days	-	-	-	50%	30,100	15,050
181 to 365 days	-	-	-	100%	26,712	26,712
More than 365 days	100%	3,699,824	3,699,824	100%	3,763,310	3,763,310
Total		3,699,824	3,699,824		3,823,554	3,805,072

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

	30 June 2023			31 December 2022		
	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	17%	2,772,308	467,441	15%	2,175,751	327,188
91 to 180 days	100%	691,294	691,294	100%	253,429	253,428
181 to 365 days	100%	865,247	865,247	100%	1,025,519	1,025,519
More than 365 days	100%	2,220,597	2,220,597	100%	2,258,928	2,258,928
Individual Assessment						
1 to 90 days						
Total		6,549,446	4,244,579		5,713,627	3,865,063

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023**

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).

Period ended 30 June 2023	Carrying Amount \$	1 to 3 months \$	3 to 12 months \$	1 to 5 years \$	> 5 years \$	Total \$
Creditors and accruals	35,673,069	22,485,602	13,187,467	-	-	35,673,069
Borrowings	23,858,972	104,227	623,210	10,915,755	13,141,812	24,785,004
Lease liabilities	3,324,197	477,320	1,431,962	1,600,242	842,208	4,351,732

Period ended 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	3,710,327	339,142	1,017,427	2,647,778	666,993	4,671,340

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023**

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), Tonga Pa'anga (TOP) 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	
30-Jun-23	10%	4,080,206	1,259,932	456,651	181,546	1,572
	-10%	(4,080,206)	(1,259,931)	(456,650)	(181,545)	(1,573)
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)

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 HALF YEAR ENDED 30 JUNE 2023**

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	
		30 June 2023 \$	31 December 2022 \$
Financial Assets	1%	143,038	52,580
Term deposits	-1%	(143,038)	(52,580)
Financial Liabilities	1%	3,885	3,814
Borrowings	-1%	(3,885)	(3,814)

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023**

4. GOVERNMENT CONTRIBUTIONS

	Half Year Ended June 2023 \$	Half Year Ended June 2022 \$
Cook Islands	68,553	80,772
Fiji	10,000,000	-
Kiribati	799,483	712,496
Marshall Islands	154,535	151,386
Nauru	77,725	82,170
Niue	29,394	32,195
Samoa	608,371	649,910
Solomon Islands	1,403,220	1,561,167
Tokelau	11,677	17,326
Tonga	794,300	754,378
Tuvalu	209,735	214,125
Vanuatu	1,835,121	1,661,931
	15,992,114	5,917,856

GOVERNMENT CONTRIBUTIONS BY CATEGORY	Half Year Ended June 2023		Half Year Ended June 2022	
	Student Grant \$	Campus Grant \$	Student Grant \$	Campus Grant \$
Cook Islands	11,874	56,679	24,093	56,679
Fiji	3,700,182	6,299,818	-	-
Kiribati	690,631	108,852	603,644	108,852
Marshall Islands	29,024	125,511	25,875	125,511
Nauru	17,474	60,251	21,919	60,251
Niue	5,420	23,974	8,221	23,974
Samoa	195,567	412,804	237,107	412,803
Solomon Islands	1,064,766	338,454	1,222,713	338,454
Tokelau	11,677	-	17,326	-
Tonga	606,176	188,124	566,254	188,124
Tuvalu	168,098	41,637	172,489	41,636
Vanuatu	1,153,928	681,193	980,738	681,193
	7,654,817	8,337,297	3,880,379	2,037,477

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

5. STUDENT TUITION FEES	Half Year Ended June 2023 \$	Half Year Ended June 2022 \$
Regional students	28,100,483	33,519,228
International students	574,865	710,521
	28,675,348	34,229,749
Pacific TAFE	4,624,061	5,623,371
Republic of Marshall Islands (RMI)	125,548	158,091
Master of Business Administration	844,123	1,080,233
Others	159,085	79,884
	34,428,165	41,171,328
5(a) STUDENT TUITION FEES BY SPONSORS		
Private students	10,522,184	19,905,398
Private sponsored	1,705,840	3,303,860
Government sponsored	21,000,239	17,560,026
USP sponsored	1,199,902	402,044
	34,428,165	41,171,328
6. DEVELOPMENT ASSISTANCE		
Learning and Teaching Support	17,575,041	14,928,591
Project Funding Support	4,517,455	5,995,575
Research Income	2,809,498	1,725,916
	24,901,994	22,650,082
6(a) DEVELOPMENT ASSISTANCE SOURCES		
Australia	11,080,296	12,151,801
New Zealand	5,688,970	4,417,894
European Union	1,334,120	2,630,077
Japan	4,483,668	754,503
Other partners	2,314,940	2,695,807
	24,901,994	22,650,082

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

7(a) COMMERCIAL INCOME	Half Year Ended June 2023 \$	Half Year Ended June 2022 \$
Book centre and computer shop	2,994,826	2,387,575
Residential/Housing rental Income		
- <i>Laucala</i>	2,410,395	2,483,956
- <i>Emalus</i>	95,994	165,524
- <i>Alafua</i>	235,105	156,919
	<u>5,736,320</u>	<u>5,193,974</u>
Gymnasium and Community Recreation Centre	436,359	409,018
Rental Income	104,161	187,442
Others	22,477	20,237
	<u>6,299,317</u>	<u>5,810,671</u>
7(b) CONSULTANCY INCOME		
Professional services and project consultancies	542,722	475,388
Training and teaching	31,995	86,390
Others	6,380	86,278
	<u>581,097</u>	<u>648,056</u>
8. OTHER INCOME		
Administration cost recovery	137,584	245,553
Course material and text book sales	48,707	47,956
Faculty and support units' income	983,370	599,486
ITS domain name registration	67,095	77,307
Laboratory income	856,185	548,871
Miscellaneous student activities	582,141	432,825
Other income	1,415,370	884,632
Fair value movement in ADB loan	1,576,942	539,704
Publication sales	118,371	167,961
Insurance proceeds	2,494	-
	<u>5,788,259</u>	<u>3,544,295</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

9. DEFERRED INCOME – DONATED ASSETS	Half Year Ended June 2023 \$	Half Year Ended June 2022 \$
Depreciation and amortisation charge for the period	7,016,347	7,091,571
Less: charge on items acquired through normal operating activities	(5,043,368)	(5,105,333)
Release of deferred revenue liability – depreciation	1,972,979	1,986,238
10. PERSONNEL COSTS		
Academic and professional staff	24,501,831	23,485,351
Intermediate and junior staff	10,838,568	9,991,630
Provision for annual leave entitlement	480,135	1,909,221
Senior management	1,551,196	1,593,507
	37,371,730	36,979,709
Staff numbers (including part-time staff) by category		
Academic and professional	603	865
Intermediate and junior staff	827	860
Senior management	10	11
	1,440	1,736
Annualised taxable emoluments for staff paid \$100,000 or more		
\$100,000 - \$119,999	66	68
\$120,000 - \$139,999	31	32
\$140,000 - \$159,999	20	26
\$160,000 - \$179,999	21	9
\$180,000 - \$199,999	3	4
\$200,000 - \$219,999	1	3
\$220,000 - \$239,999	4	2
\$240,000 - \$259,999	1	4
\$260,000 - \$279,999	1	2
\$280,000 - \$299,999	3	1
Above \$300,000	2	2
	153	153

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

11. OPERATING EXPENSES	Half Year Ended June 2023 \$	Half Year Ended June 2022 \$
Cost of sales	2,055,872	1,576,007
Travel and related expenses – University related	1,397,978	303,884
Travel and related expenses – Projects related	1,306,279	540,638
Student – research related expenses	3,144,740	2,949,082
Student – support related expenses	1,876,912	658,057
Grounds and maintenance	3,509,383	3,797,099
Consultancy expenses	1,606,363	1,864,957
Utilities	2,241,452	1,863,560
Telecommunications	2,448,818	2,210,422
Library books	921,012	1,229,447
Staff recruitment and passages	226,423	267,543
Printing and stationery	670,314	292,604
Insurance premiums	1,979,858	1,516,047
Computer software and hardware	1,405,432	1,413,451
Workshop expenses	462,407	308,021
Advertising	527,354	355,978
Hospitality / expenditure on meetings	392,587	340,133
Teaching materials	1,132,229	542,926
Medical premiums	1,477,879	1,177,195
Rent expense – low value and short term leases	709,876	559,217
Equipment purchase	305,384	515,744
Other items of expenses	1,896,442	1,482,265
Freight and courier charges	304,023	149,985
Academic gown written-off	1,097,997	-
Sub-total	33,097,014	25,914,262
<u>Fees paid to auditors:</u>		
External audit - audit of financial statements	40,000	40,000
- audit of projects	25,937	7,327
Internal audit - audit	-	52,500
<u>Honorarium:</u>		
Council	35,541	10,078
Audit and Risk Committee	14,228	-
Finance and Resource Committee	19,819	5,313
Total operating expenses	33,232,539	26,029,480

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

12. INVENTORIES

	Goods and Publication \$	Academic Gowns \$	Catering and Domestic \$	Total \$
Balance at 1 January 2022	1,514,550	1,142,308	4,935	2,661,793
Purchases	1,191,581	211,650	8,179	1,411,410
Cost of sales / expensed	(1,505,074)	(86,610)	(7,270)	(1,598,954)
Reversal of impairment charge	326,329	12,374	(67)	338,636
Cost or valuation as at 30 June 2022	1,527,386	1,279,722	5,777	2,812,885
Purchases	1,151,041		(3,819)	1,147,222
Cost of sales / expensed	(940,799)	(52,879)		(993,678)
Impairment charge	(45,333)	(2,909)	2,085	(46,157)
Cost or valuation as at 31 December 2022	1,692,295	1,223,934	4,043	2,920,272
Purchases	1,191,580	64,000	2,975	1,258,555
Cost of sales / expensed	(929,164)	(189,937)	(4,358)	(1,123,459)
Impairment charge	(344,693)	-	-	(344,693)
Write-off*	-	(1,097,997)*	-	(1,097,997)*
Cost or valuation as at 30 June 2023	1,610,018	-	2,660	1,612,678

* During the audit period, the University changed its accounting policy with regard to academic gowns and accordingly, gowns was written-off during the period.

Analysis of value of inventories	June 2023 \$	December 2022 \$
Total cost of inventories	3,613,535	3,506,866
Less: provision for obsolescence	(931,287)	(586,594)
Cost or valuation at year end	1,612,678	2,920,272

Analysis of goods and publications:

Book centre – inventory	812,883	724,057
Convenient store - Laucala	51,218	58,944
Book centre - goods in transit	68,570	173,024
ITS goods	193	193
Regional campuses – books	399,558	392,199
Regional campuses - course materials	1,063,310	780,024
Institute of Education	87,296	88,495
Institute of Research Extension & Training Agriculture	37,140	40,815
	2,520,168	2,257,751
Less: provision for obsolescence	(910,150)	(565,456)
Cost or valuation at year end	1,610,018	1,692,295

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

13. TRADE AND OTHER RECEIVABLES	Notes	June 2023	December 2022
		\$	\$
Government contributions	13(a)	8,619,479	4,237,225
Trade debtors	13(b)	7,172,544	4,544,476
Student debtors	13(c)	30,588,354	28,086,558
Staff debtors	13(d)	50,917	31,014
VAT / GST receivable	13(e)	3,699,824	3,823,554
Other debtors	13(f)	6,549,446	5,713,627
		<u>56,680,564</u>	<u>46,436,454</u>
Less: allowance for impairment losses	3(i)	<u>(36,646,962)</u>	<u>(37,738,540)</u>
		<u>20,033,602</u>	<u>8,697,914</u>
13(a) Government Contributions:			
Kiribati		799,483	-
Tonga		397,150	-
Marshall		77,268	-
Solomon Islands		1,403,221	-
Vanuatu		5,874,100	4,038,979
Niue		29,395	79,586
Nauru		38,862	118,660
		<u>8,619,479</u>	<u>4,237,225</u>

Overpayments by member countries are classified as payables, refer note (22). Contributions from Fiji were on hold from August 2020 to December 2022 with outstanding grant of \$96.2m as determined by the funding formula agreed with all member countries. This was not recorded as income and receivable as the conditions imposed by the Fiji Government were not met as at 31 December 2022. With the change in Fiji Government, they have released \$10m relating to 2023 academic year therefore total still outstanding (which remains unrecorded) as at 30 June 2023 is \$102.9m.

13(b) Trade Debtors			
Alafua campus		61,671	73,043
Emalus campus and book centre		93,963	87,893
Tonga campus (IOE)		92,121	87,881
Laucala campus:			
- Commercial		101,717	138,396
- Consultancies, Lab Analysis & Venue Hire		6,823,072	4,157,263
		<u>7,172,544</u>	<u>4,544,476</u>
Less: allowance for impairment losses	3(i)	<u>(2,338,805)</u>	<u>(2,658,343)</u>
		<u>4,833,739</u>	<u>1,886,133</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

13(c) Student Debtors	Notes	June 2023 \$	December 2022 \$
Alafua		2,162,180	2,195,217
Emalus		3,783,678	4,472,436
Laucala		13,937,354	15,691,369
Other regional campuses		11,314,455	11,874,490
Less unidentified credits		<u>(609,313)</u>	<u>(6,146,954)</u>
		30,588,354	28,086,558
Less: allowance for impairment losses	3(i)	<u>(26,333,219)</u>	<u>(27,388,520)</u>
		4,255,135	698,038
13(d) Staff debtors			
Regional campuses		<u>50,917</u>	<u>31,014</u>
		50,917	31,014
Less: allowance for impairment losses	3(i)	<u>(30,535)</u>	<u>(21,542)</u>
		20,382	9,472
13(e) VAT/GST receivable			
Alafua book centre		999,466	950,507
Laucala book centre		<u>2,700,358</u>	<u>2,873,047</u>
		3,699,824	3,823,554
Less: allowance for impairment losses	3(i)	<u>(3,699,824)</u>	<u>(3,805,072)</u>
		-	18,482
13(f) Other debtors			
Development assistance partners (projects)		4,822,609	4,311,066
Interest receivable		307,793	254,630
Other debtors (Bonds and Security Deposits)		<u>1,419,044</u>	<u>1,147,931</u>
		6,549,446	5,713,627
Less: allowance for impairment losses	3(i)	<u>(4,244,579)</u>	<u>(3,865,063)</u>
		2,304,867	1,848,564

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

14. PREPAYMENTS	June 2023 \$	December 2022 \$
Laucala campus	5,212,257	3,141,669
Laucala book centre	25,977	27,048
Other regional campus	22,927	-
	<u>5,261,161</u>	<u>3,168,717</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	81,669,953	64,226,634
- Short term deposits (term deposits 3 months or less)	42,319,668	46,119,382
- Cash on hand and petty cash	47,079	45,111
	<u>124,036,700</u>	<u>110,391,127</u>
- Provision for impairment debt securities	(213,014) *	-
	<u>123,823,686</u>	<u>110,391,127</u>

Investment in financial assets (term deposits between 3 to 12 months)

	24,715,977	23,473,627
	<u>148,539,663</u>	<u>133,864,754</u>

* Included as part of other items of expenses in Note 11.

15(a) Where held:

In Fiji	30,976,256	33,839,687
With other regional banks	61,000,252	59,711,226
In other overseas accounts	56,563,155	40,313,841
	<u>148,539,663</u>	<u>133,864,754</u>

15(b) The following term deposits are denominated in the following currencies but stated in Fijian dollars:

Fijian dollars	7,236,577	4,284,931
Australian dollars	40,802,061	49,143,160
New Zealand dollars	12,599,324	8,871,566
United States Dollars	4,353,487	4,480,060
Japanese yen	1,815,456	2,798,103
Tonga Pa'anga	15,726	15,189
	<u>66,822,631</u>	<u>69,593,009</u>

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

17. CASH AND CASH EQUIVALENTS (continued)

15(c) Comprising:	June 2023 \$	December 2022 \$
University fund	106,519,530	91,459,593
Development assistance (projects) unexpended	36,161,803	36,589,717
Endowment funds	5,858,330	5,815,444
	148,539,663	133,864,754

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

	Half Year Ended June 2023 \$	Half Year Ended June 2022 \$
Surplus for the period	12,239,906	6,454,004
<u>Adjustments to income and expenditure:</u>		
Release of deferred revenue	(1,972,979)	(1,986,238)
Depreciation and amortisation	7,016,347	7,091,571
Impairment on trade and other receivables	(1,091,576)	4,342,501
Provision for leave entitlement	963,039	1,909,221
Write down / (impairment reversal) of inventories	344,693	(338,636)
Net cash from operating activities before changes in assets and liabilities	17,499,430	17,472,423
Change in inventories	31,614	187,543
Change in accounts receivable	(10,244,112)	(3,581,075)
Change in prepayments	(2,092,444)	(3,658,312)
Change in development assistance (projects)	(427,914)	(3,934,233)
Change in creditors	26,794,308	2,967,454
Change in foreign currency translation reserve	532,013	314,514
Net cash provided by operating activities	32,092,895	9,768,314

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

17. PROPERTY, PLANT AND EQUIPMENT

	Property	Equipment and Furniture	Vehicles and Vessels	Work in Progress	Total
Cost	\$	\$	\$	\$	\$
Deemed cost at 1 January 2022	264,597,974	91,943,531	4,003,459	13,359,862	373,904,826
Additions	1,365,175	2,529,141	-	1,749,002	5,643,318
Disposals	-	-	-	-	-
Transfers between asset classes	1,085,938	2,887,794	-	(4,558,887)	(585,155)
Deemed cost at 30 June 2022	267,049,087	97,360,466	4,003,459	10,549,977	378,962,989
Additions	589,229	3,530,916	-	6,430,530	10,550,675
Disposals	-	(2,090)	-	-	(2,090)
Transfers between asset classes	-	65,408	-	(65,437)	(29)
Deemed cost at 31 December 2022	267,638,316	100,954,700	4,003,459	16,915,070	389,511,545
Additions	111,985	1,877,226	99,851	4,398,825	6,487,887
Disposals	-	(3,540)	-	-	(3,540)
Transfers between asset classes	-	208,769	-	(324,952)	(116,183)
Deemed cost at 30 June 2023	267,750,301	103,037,155	4,103,310	20,988,943	395,879,709
Accumulated depreciation					
Accumulated depreciation at 1 January 2022	72,897,648	66,523,255	3,144,118	-	142,565,021
Depreciation charge for the half year	2,789,350	3,391,928	66,680	-	6,247,958
Disposals	-	-	-	-	-
Accumulated depreciation at 30 June 2022	75,686,998	69,915,183	3,210,798	-	148,812,979

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Property	Equipment and Furniture	Vehicles and Vessels	Work in Progress	Total
	\$	\$	\$	\$	\$
<i>Accumulated depreciation (continued)</i>					
Accumulated depreciation at 30 June 2022	75,686,998	69,915,183	3,210,798	-	148,812,979
Depreciation charge for the half year	2,793,878	3,104,011	62,653	-	5,960,542
Disposals	-	(2,090)	-	-	(2,090)
Accumulated depreciation at 31 December 2022	78,480,876	73,017,104	3,273,451	-	154,771,431
Depreciation charge for the half year	2,798,514	3,264,806	62,491	-	6,125,811
Disposals	-	(3,009)	-	-	(3,009)
Accumulated depreciation at 30 June 2023	81,279,390	76,278,901	3,335,942	-	160,894,233
Net carrying amount at 1 January 2022	<u>191,700,326</u>	<u>25,420,276</u>	<u>859,341</u>	<u>13,359,862</u>	<u>231,339,805</u>
Net carrying amount at 30 June 2022	<u>191,362,089</u>	<u>27,445,283</u>	<u>792,661</u>	<u>10,549,977</u>	<u>230,150,010</u>
Net carrying amount at 31 December 2022	<u>189,157,440</u>	<u>27,937,596</u>	<u>730,008</u>	<u>16,915,070</u>	<u>234,740,114</u>
Net carrying amount at 30 June 2023	186,470,911	26,758,254	767,368	20,988,943	234,985,476

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.

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Carrying amount of work in progress projects	June 2023	December 2022
	\$	\$
Continuing from prior years		
Improve campus infrastructure and developments	990,778	850,859
IT equipment installation	44,245	107,296
Lab equipment installation	7,592	83,691
Solomon Islands Campus	19,946,325	15,873,224
	20,988,940	16,915,070
Reconciliation of fixed assets to related accounts		
Carrying amount of property, plant and equipment	234,985,476	234,740,114
<u>Funded by:</u>		
Development assistance	90,646,329	92,061,201
Other contributed equity	26,944,762	26,944,762
Carrying amount of properties acquired directly or through loans:		
Statham street campus	3,396,259	3,270,409
Services complex	78,482	72,000
Residential block	604,000	568,000
Student Accommodation (11 th Hall)	6,693,722	6,783,348
Kiribati Campus	6,998,703	7,088,290
Solomon Islands Campus - WIP	19,946,325	15,873,224
Carrying amount of assets funded from operating activities	79,676,894	82,078,880
	234,985,476	234,740,114

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

18. INTANGIBLE ASSETS

Cost	\$
Deemed cost at 1 January 2022 and 30 June 2022	3,726,499
Additions	-
Deemed cost at 31 December 2022	3,726,499
Additions	-
Deemed cost at 30 June 2023	3,726,499
 Amortisation and impairment	
Accumulated amortisation at 1 January 2022	2,938,573
Amortisation	203,782
Accumulated amortisation at 30 June 2022	3,142,355
Amortisation	133,826
Accumulated amortisation at 31 December 2022	3,276,181
Amortisation	132,885
Accumulated amortisation at 30 June 2023	3,409,066
 Net carrying amount at 1 January 2022	532,659
Net carrying amount at 30 June 2022	584,144
Net carrying amount at 31 December 2022	450,318
Net carrying amount at 30 June 2023	317,433

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
	\$	\$	\$	\$
Balance as at 1 January 2022	207,215	1,882,495	498,248	2,587,957
Additions	-	441,167	-	441,167
Depreciation charge for the half year	(1746)	(554,936)	(83,149)	(639,831)
Balance as at 30 June 2022	205,469	1,768,726	415,099	2,389,293
Additions	-	1,741,560	1,586	1,743,146
Depreciation charge for the half year	(1,746)	(536,000)	(83,228)	(620,974)
Balance as at 1 January 2023	203,723	2,974,286	333,457	3,511,466
Additions	39,681	347,032	9,518	396,231
Depreciation charge for the half year	(3,149)	(670,884)	(83,619)	(757,652)
Balance as at 30 June 2023	240,255	2,650,434	259,355	3,150,044

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023**

19. LEASES (continued)

(b) Lease Liabilities

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

	June 2023	December 2022
	\$	\$
Current	1,215,029	1,231,841
Non-current	2,109,168	2,478,486
Total lease liabilities	<u>3,324,197</u>	<u>3,710,327</u>

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

	Half Year Ended June 2023	Half Year Ended June 2022
	\$	\$
Depreciation charge of right-of-use assets	757,652	639,831
Interest expense (included in interest expense)	118,328	83,599
Expense relating to short-term leases (included in operating costs)	<u>709,876</u>	<u>559,217</u>

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

	Half Year Ended June 2023	Half Year Ended June 2022
	\$	\$
Repayment of principal lease liabilities	<u>900,688</u>	<u>747,273</u>

Maturity analysis – contractual undiscounted cash flows

	June 2023	December 2022
	\$	\$
Not later than one year	1,909,282	1,356,569
Later than one year but not later than five years	1,600,242	2,647,778
Later than five years	842,208	666,993
Total undiscounted lease commitments	<u>4,351,732</u>	<u>4,671,340</u>

20. FINANCING FACILITIES

The University has access to overdraft facilities of \$5,000,000 (December 2022: \$5,000,000) with various banks across the region for which all conditions precedent has been met. As at 30 June 2023: nil (December 2022: 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 (net of provision for impairment loss) as at 30 June 2023 is \$123,823,686 (December 2022: \$110,391,127). Investment financial assets as at 30 June 2023 is \$24,715,977 (December 2022: \$23,473,627).

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

21. BORROWINGS

	Note	June 2023 \$	December 2022 \$
Fiji National Provident Fund Loan (FNPF)	21(ii)	3,527,744	3,722,687
Asian Development Bank Loan (ADB)	21(i)	20,331,228	17,669,519
		23,858,972	21,392,206
Disclosed in the statement of financial position as follows:			
Current		703,234	683,468
Non-current		23,155,738	20,708,738
		23,858,972	21,392,206

21(i) Asian Development Bank Loan

Balance as at 1 January as previously reported	17,669,519	12,400,696
Proceeds from loans and borrowings	3,556,891	6,769,682
Repayment of borrowings	(144,364)	(244,412)
The effect of changes in foreign exchange rates	562,265	47,979
The effect of interest expense of discounting	(1,576,943)	(1,707,207)
Interest expense	312,169	485,829
Interest paid	(48,309)	(83,048)
Balance at 30 June / 31 December	20,331,228	17,669,519
Balance as at 30 June / 31 December	24,606,468	20,631,677
The effect of interest expense of discounting	(4,275,240)	(2,962,158)
	20,331,228	17,669,519

On 19 June 2012, 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 30 June 2023, SDR 2,029,161 (December 2022: SDR 2,076,215) had been utilised.

On 3 November 2016, 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 30 June 2023, SDR 5,975,117 (December 2022: SDR 4,785,301) had been utilised. The University is in compliance with loan covenants.

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

21. BORROWINGS (continued)

21(i) Asian Development Bank Loan (continued)

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 2022: 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.

21(ii) Fiji National Provident Fund Loan	June 2023	December 2022
	\$	\$
Balance as at 1 January	3,722,687	4,094,411
Repayment of borrowings	(194,944)	(371,724)
Interest expense	97,023	214,376
Interest paid	(97,022)	(214,376)
Balance at 30 June / 31 December	3,527,744	3,722,687

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. However upon USP's request, on 8 May 2023, FNPF decreased the interest rate from 5.5% to 5.25% per annum fixed for 2 years from 1 May 2023. FNPF further approved amendment to Clause 6.2 to allow for rates to be reset at 2 year intervals instead of 5 year intervals. The revised interest rates will be valid until 30 April 2025. 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.

22. CREDITORS AND ACCRUALS

	June 2023	December 2022
	\$	\$
Development assistance received in advance	10,167,030	-
Member countries contributions received in advance	80,230	-
Other creditors and accruals	5,233,998	7,775,781
Research funds	6,286,268	6,564,275
Payroll creditors	2,863,482	2,748,365
Student creditors	331,842	289,772
Student fees received in advance	3,632,483	3,185,306
Trade creditors	7,077,736	1,593,047
	35,673,069	22,156,546

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

	June 2023 \$	December 2022 \$
23. DEVELOPMENT ASSISTANCE (PROJECTS) UNEXPENDED		
Development Assistance	27,259,106	29,598,866
Research Income	8,902,697	6,990,851
	36,161,803	36,589,717
23(a) DEVELOPMENT ASSISTANCE (PROJECTS) SOURCES		
Australia	8,559,740	8,542,649
NZ	4,518,329	4,601,345
EU	6,117,143	3,313,739
Japan	2,366,545	6,148,998
Others	14,600,046	13,982,986
	36,161,803	36,589,717
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		
<i>Current</i>		
<u>Provision for annual leave and severance allowance</u>		
Balance at beginning of year	2,322,586	3,865,144
Movement during the year	963,039	(1,542,558)
Balance at end of year	3,285,625	2,322,586
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.		
<i>Non-current</i>		
<u>Provision for severance allowance</u>		
Balance at beginning of year	3,709,028	1,236,325
Additional provision during the year	(985,713)	2,472,703
Balance at end of year	2,723,315	3,709,028
25. DEFERRED INCOME – DONATED ASSETS		
Balance at beginning of year	92,061,203	92,758,675
Additions during the year	558,105	3,227,950
Release during the year – depreciation (January – June)	(1,972,979)	(1,986,238)
Release during the year – depreciation (July – December)	-	(1,939,184)
Balance at end of year	90,646,329	92,061,203
(i) Disclosed in the statement of financial position as follows:		
Current	3,945,959	3,925,422
Non-current	86,700,370	88,135,781
	90,646,329	92,061,203

THE UNIVERSITY OF THE SOUTH PACIFIC

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023**

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

27. COMMITMENTS

In addition to the amounts reported in the financial statements, the University has capital commitments of \$8,434,201 as at 30 June 2023 (31 December 2022: \$7,468,830) 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

	June 2023	December 2022
	\$	\$
<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) (a)	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 HALF YEAR ENDED 30 JUNE 2023**

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.

	Half Year Ended June 2023	Half Year Ended June 2022
	\$	\$
Government contribution income	15,992,114	5,917,855
Government contribution receivable	8,619,478	5,072,399
Government contribution in advance	<u>80,230</u>	<u>80,772</u>

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. Lionel Aingimea, Special Envoy to USP, Nauru
 Hon. Sonya Talagi, Minister of Social Services responsible for Education, Niue
 Hon. Elehi 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 HALF YEAR ENDED 30 JUNE 2023**

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. Siaosi '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 Radrodro, Minister for Education, 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 Steven Ratuva, Government Representative, Fiji
Professor Caroline McMillen, Government Representative and Interim 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. Lepani Naqarase, USPSA, Student Rep
Mr. Ishmael Aitorea, USPSA, Student Rep
Dr. Tarcisius Kabutaulaka, Solomon Islands, 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 and Vice-President (Regional Campuses and Global Engagement)
Professor Jito Vanualailai, Deputy Vice-Chancellor and Vice-President (Education)
Mr. Walter Fraser, Chief Operating Officer – effective 01 January 2023
Dr. Nacanieli 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)
Dr. Matthew Hayward, Acting Head of School of Pacific Arts, Communication and Education (SPACE) – effective 21 February 2023

THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023

29. RELATED PARTIES (continued)

Key management personnel disclosures (continued)

(b) Remuneration of Council Members and Senior Management Team

	Half Year Ended June 2023	Half Year Ended June 2022
Annual remuneration of Council members		
\$10,000 - \$19,999	3	3
\$20,000 - \$29,999	1	1
Annual remuneration of Senior management team		
\$140,000 - \$159,999	1	2
\$160,000 - \$179,999	2	1
\$200,000 - \$219,999	-	1
\$220,000 - \$239,999	2	1
\$240,000 - \$259,999	1	2
\$260,000 - \$279,999	-	1
\$280,000 - \$299,000	0	1
Above \$300,000	4	2
	10	11

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

	Half Year Ended June 2023	Half Year Ended June 2022
	\$	\$
Short term employee benefits	1,485,764	1,527,028
Post-retirement benefits – superannuation	65,432	66,479
	1,551,196	1,593,507

**THE UNIVERSITY OF THE SOUTH PACIFIC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE HALF YEAR ENDED 30 JUNE 2023**

30. BREAKDOWN OF RECURRENT AND PROJECT ACTIVITIES

30 June 2023

	Recurrent	Project	Total
Development assistance	27,742,070	6,962,395	34,704,465
Staff expenses	(35,355,020)	(1,924,269)	(37,279,289)
Other operating expenses	(12,839,544)	(5,689,632)	(18,529,176)
	<u>(20,452,494)</u>	<u>(651,506)</u>	<u>(21,104,000)</u>

30 June 2022

	Recurrent	Project	Total
Development assistance	25,442,259	4,333,419	29,775,678
Staff expenses	(33,099,872)	(2,089,903)	(35,189,775)
Other operating expenses	(21,812,082)	(5,534,666)	(27,346,748)
	<u>(29,469,695)</u>	<u>(3,291,150)</u>	<u>(32,760,845)</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 2020 to 2023, and may continue to affect the next few years. The biggest impact is the huge drop in fees from dip in enrolment. The University will have to make rationale strategic and operational decisions in order to protect its short-term viability and remain solvent.

The change in the Fiji government has restored the normal grant to the University effective from August 2023 while it has also agreed to pay the grant arrears in instalments, in which the first \$10m was received during the reporting period.

Furthermore, the Emalus campus and USP centres in Vanuatu were closed from 7th March to 13th March 2023 because of Tropical Cyclone Kevin and Judy. The campus had escaped major damage and was re-opened on 14th March 2023.

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 half 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 30 JUNE 2023**

32. EVENTS SUBSEQUENT TO PERIOD END

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.