University of the Sunshine Coast
Statement of Financial Performance
For the year ended 31 December 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Revenue from Ordinary Activities					
Commonwealth Government financial assistance					
Commonwealth Government grants	2	18,952	17,351	18,952	17,351
Higher Education Contribution Scheme					
Student contributions		1,217	1,065	1,217	1,065
Commonwealth payments	2	9,444	10,741	9,444	10,741
State Government financial assistance	3	227	2,207	103	2,207
Fees and charges	4	8,215	5,200	8,054	5,121
Investment income	5	159	313	154	312
Royalties, trademarks and licences	6	5	12	5	12
Consultancy and contract research	7	679	632	677	631
Other revenue	8	2,491	2,543	2,463	2,540
Total revenue from ordinary activities		**41,389**	40,064	**41,069**	39,980
Expenses from ordinary activities					
Employee benefits and on costs	9	25,126	21,886	24,913	21,698
Depreciation and amortisation	10	4,373	3,550	4,364	3,544
Repairs and maintenance	11	2,193	1,862	2,178	1,862
Borrowing costs	12	400	250	400	250
Bad and doubtful debts	13	36	58	36	58
Other expenses	14	10,358	6,976	10,314	7,098
Total expenses from ordinary activities		**42,486**	34,582	**42,205**	34,510
Operating Result from ordinary activities		(1,097)	5,482	(1,136)	5,470
Net increase in asset revaluation reserve		3,086	1,328	3,086	1,328
Adjustment resulting from change in accounting policy required by a change in an accounting standard		(1,005)	-	(1,005)	-
Total changes in equity attributable to the parent entity other than those resulting from transactions with owners as owners		**984**	6,810	**945**	6,798

The above statements of financial performance should be read in conjunction with the accompanying notes

University of the Sunshine Coast
Statement of Financial Position
For the year ended 31 December 2004

		Consolidated		Parent Entity	
	Notes	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Current assets					
Cash assets	16	305	401	127	306
Receivables	17	400	910	493	995
Other financial assets	18	1,862	6,364	1,862	6,364
Total current assets		**2,567**	7,675	**2,482**	7,665
Non-current assets					
Receivables	17	_	_	11	26
Property, plant and equipment	19	73,360	66,451	73,309	66,377
Intangible assets	20	_	1,005	_	1,005
Total non-current assets		**73,360**	67,456	**73,320**	67,408
Total assets		**75,927**	75,131	**75,802**	75,073
Current liabilities					
Payables	21	776	749	749	744
Interest bearing liabilities	22	856	801	856	801
Provisions	23	1,419	1,203	1,405	1,198
Other	24	1,118	819	1,118	816
Total current liabilities		**4,169**	3,572	**4,128**	3,559
Non-current liabilities					
Interest bearing liabilities	22	5,347	6,196	5,347	6,196
Provisions	23	1,199	1,135	1,196	1,132
Total non-current liabilities		**6,546**	7,331	**6,543**	7,328
Total liabilities		**10,715**	10,903	**10,671**	10,887
Net assets		**65,212**	64,228	**65,131**	64,186
Equity					
Reserves	25	12,093	9,007	12,093	9,007
Retained surplus	25	53,119	55,221	53,038	55,179
Total equity		**65,212**	64,228	**65,131**	64,186

The above statements of financial position should be read in conjunction with the accompanying notes

University of the Sunshine Coast
Statement of Cash Flows
For the year ended 31 December 2004

		Consolidated		Parent Entity	
	Notes	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Cash flows from operating activities					
Commonwealth Government					
Teaching and learning	34.1	15,417	16,330	15,417	16,330
HECS and other loan programmes	34.2	9,813	10,906	9,813	10,906
Scholarships	34.3	274	49	274	49
DEST research	34.4	687	583	687	583
ARC grant - Linkages	34.5	116	108	116	108
Other DEST	34.1	2,000	-	2,000	-
Other Commonwealth		89	97	89	97
State Government		527	2,207	103	2,207
HECS - Student payments		1,217	1,065	1,217	1,065
Donations and bequests		237	673	237	673
Interest received		161	313	154	312
Receipts from students fees and other customers		8,850	5,117	8,680	5,117
Other		2,757	2,334	2,757	2,246
Payments to employees		(24,900)	(20,801)	(24,417)	(20,623)
Payments to suppliers		(13,187)	(9,907)	(13,153)	(10,140)
Net cash inflow from operating activities	33	**4,058**	9,074	**3,974**	8,930
Cash flows from investing activities					
Payments for property, plant and equipment		(8,180)	(12,286)	(8,179)	(12,220)
Proceeds from sale of property, plant and equipment	15	119	169	119	166
Net cash outflow from investing activities		**(8,061)**	(12,117)	**(8,060)**	(12,054)
Cash flows from financing activities					
Proceeds from borrowings		-	3,000	-	3,000
Repayment of borrowings		(793)	(431)	(793)	(431)
Net cash inflow (outflow) by financing activities		**(793)**	2,569	**(793)**	2,569
Net increase (decrease) in cash held		(4,796)	(474)	(4,879)	(555)
Cash at beginning of the year		6,306	6,780	6,211	6,766
Cash at the end of the year	16	**1,510**	**6,306**	**1,332**	6,211

The above statements of cash flows should be read in conjunction with the accompanying notes

University of the Sunshine Coast
Notes to the Financial Statements
For the year ended 31 December 2004

1 Summary of Significant Accounting Policies

The significant accounting policies, which have been adopted in the preparation of these financial statements, are:

(a) Basis of Accounting

The financial statements are a general purpose financial report that have been prepared in accordance with the Financial Management Standard issued under Section 46L of the *Financial Administration and Audit Act 1977*, the accounting concepts, standards and disclosure requirements of the Australian accounting bodies, and the requirements of law.

The format of the financial statements is consistent with the requirements of the *Financial Statement Guidelines for Australian Higher Education Providers for the 2004 Reporting Period* issued by the Department of Education, Science and Training (DEST).

The financial statements have been prepared on a going concern basis (see note 1(r)) and on the basis of historical cost and do not take into account changing money values or, except where stated, current valuations of non-current assets. All amounts in the financial statements are shown rounded to the nearest thousand dollars.

(b) Financial Effects of Changes to Commonwealth Payment Arrangements for 2005 Grant Year

Background

Payment to universities in respect of programmes under the *Higher Education Funding Act 1988* (HEFA) are made on the second and last Thursdays of each month. In the recent past, the first payment in respect of a grant year (equalling 8% of the total recurrent funding for that year) has been made at the end of December of the previous year.

Funding for most programs under HEFA ends on 31 December 2004 while most new programs under the *Higher Education Support Act 2003* (HESA) commence on 1 January 2005. Continuing the current practice of making the first payment in December 2004 for the 2005 grant year would mean that Commonwealth payments would be made in respect of programs that are yet to commence and that those payments are treated by majority of universities as revenue for 2004. This has considerable accountability implications for the Australian Government Department of Education, Science and Training (DEST) in administering and accounting for the program payments.

Higher Education Providers (HEPs) (even those within the same state) do not treat early payment uniformly and the payment is treated in at least three different ways—as revenue when it is received, as an advance (a liability) and part as revenue and the other as liability. Such varied treatment creates a lack of transparency and distorts both the Commonwealth funding and the HEPs' financial year results.

DEST has announced changes to payment arrangements whereby all recurrent payments in respect of a grant year will be made in that year. For the 2005 grant year, the first payment will be made in January 2005 instead of December 2004.

The changes to payment arrangements will mean, that from the 2005 reporting period, the financial statements of all higher education providers will accurately reflect the Commonwealth financial assistance in respect of a grant year.

Financial Effects for 2004

Changes to payment arrangements will mean that those HEPs that reported the whole or part of the 8% first payment in respect of the 2004 grant year as revenue in 2003 will have the effect of understating the Commonwealth funding for the 2004 grant year in their 2004 Statement of Financial Performance.

To identify the impact of the changed treatment on the operating result, grants provided for 2004 activities but recognised as 2003 revenue should be adjusted by incorporating the amount received in December 2003 as revenue for the 2004 reporting period. The effect of this is shown below.

University of the Sunshine Coast
Notes to the Financial Statements
For the year ended 31 December 2004

1 Summary of Significant Accounting Policies (Continued)

	$'000
2004 Revenue from Operating Activities (per Statement of Financial Performance)*	41,069
Add Grants received in 2003 for 2004 Activities:	
Commonwealth Government financial assistance	1,103
HECS – Commonwealth payments	822
DEST Research	59
Total Restated 2004 Revenue from Operating Activities	43,053
Restated 2004 Operating Result	848
Reported 2004 Operating Result	(1,136)
Financial Effect on 2004 Operating Result	**1,984**

The Commonwealth will use the restated figures in all DEST publications, including the Finance 2004 publication, to ensure consistent treatment across all HEPs.

*Includes $2 million advance from the Commonwealth (refer note 34.1)

Financial Report Disclosures

(c) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the year ending 31 December 2005.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained surplus as at 1 January 2004.

Timeframe for Adoption

The University of the Sunshine Coast anticipates the quantification of the impacts, conversion of systems and policies and where appropriate training of personnel will be completed by 31 October 2005.

Quantification

The University of the Sunshine Coast anticipates the quantification of the impacts of adopting AEIFRS, including adjustment of opening retained earnings as at 1 January 2005 and restatement of the comparative period, will be completed on preparation of the University of the Sunshine Coast's first AEIFRS compliant financial report for the year ended 31 December 2005.

At the reporting date 31 December 2004, the potential financial impacts are uncertain as the proposed policies have not yet been applied to the first complete set of AEIFRSs financial statements. These proposed policies may need to be adjusted to reflect any changes in financial reporting requirements arising from new or revised standards or interpretations, or changes to the University of the Sunshine Coast's circumstances or operations when preparing the first AEIFRS compliant financial statements for the year ended 31 December 2005.

Not for Profit Statement

On application of the requirements set out under AEIFRS, the University of the Sunshine Coast has determined that it is a not-for-profit entity as its principle objective in not the generation of profit but to provide education. As the University of the Sunshine Coast is determined to be a not-for-profit entity there are significant exemptions available in the accounting treatment under AEIFRS. These include impacts on the significant accounting policies of revenue recognition, treatment of assets and assessment of impairment. The exemptions available may result in the University of the Sunshine Coast maintaining the current recognition and measurement policies for revenue, valuation of assets and assessment of impairment.

1 Summary of Significant Accounting Policies (Continued)

Major Changes Identified to Date

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following (references to new AASB standards below are to the Australian equivalents to IFRS issued in July 2004):

(i) Intangible Assets

Under the new AASB 138 Intangible Assets, intangibles are only permitted to be measured at valuation where there is an active market for the intangible. Paragraph 8 defines an active market as a market in which all the following conditions exist:

(a) the items traded in the market are homogeneous;

(b) willing buyers and sellers can normally be found at any time; and

(c) prices are available to the public.

Paragraph 75 of AASB 138 recognition requirements for intangible assets called for the re-evaluation of the University of the Sunshine Coast's existing intangible assets. Prior year's intangible assets consisted entirely of computer software, which had been partly amortised in accordance with previous accounting Standards.

The requirement of Paragraph 21 of AASB 138 to interrogate the composition of and evaluate the probable expected future economic benefit from the computer software has led to the decision to write back to retained earnings the balance of intangible assets and provision for amortisation.

(ii) Impairment of Assets

Under the new AASB 136 Impairment of Assets non-current assets will be subject to assessment for impairment. Impairment must be measured for non-current assets with indications of impairment and for intangible assets not yet available for use. Impairment is measured by comparing the assets' fair value less costs to sell and its value in use. The greater of these two measurements must not exceed the assets' carrying value. 'Value in use' is determined as either:

(a) net present value of net cash inflows (for-profit assets);or

(b) depreciated replacement cost (all other assets).

Reliable estimation of the future financial effects of this change in accounting policy is not possible as the conditions and requirements under which impairment will be assessed are yet to be determined.

(d) Principles of Consolidation

The consolidated accounts incorporate the assets and liabilities of one controlled entity, the Innovation Centre Sunshine Coast Pty Ltd, which was formed on 26 October 2000.

The accounts of the Innovation Centre Sunshine Coast Pty Ltd are prepared for the same reporting period as the University of the Sunshine Coast, using consistent accounting policies, except for asset recognition thresholds for property, plant and equipment.

(e) Revenue

In compliance with the Statement of Accounting Concepts (SAC) 4, amounts of financial assistance (grants) are generally recognised as revenue upon receipt or upon notification that such an amount has been secured. This is so, irrespective of whether conditions are attached. Amounts of financial assistance which are not acquitted (refer Note 34) are required to be returned to DEST.

Revenue from fees and charges are recognised when assessed. Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of service is recognised upon the delivery of the service to customers in accordance with governing contracts. Interest revenue is

University of the Sunshine Coast
Notes to the Financial Statements
For the year ended 31 December 2004

1 Summary of Significant Accounting Policies (Continued)

recognised on an accrual basis. Dividend revenue is recognised when received. Donations and bequests are recognised when received by the University of the Sunshine Coast.

(f) Basis of Valuation of Non-current Assets

Comprehensive independent revaluations of Property, Plant and Equipment are performed every 3 years. Where there are material movements in these assets in the intervening years, indexation is applied calculated upon an appropriate basis. From 1 July 2001, Property, Plant and Equipment are measured using fair value principles in accordance with AASB1041, Revaluation of Non-Current Assets. At 31 December 2002, an asset valuation was completed by International Valuation Consultants.

In respect of buildings and infrastructure, the asset recognition threshold is $5,000. In respect of plant and equipment, with the exception of desktop computers, the asset recognition threshold is $2,000. The valuation prepared for buildings is on a market value basis and not a depreciated replacement cost basis as required by the new accounting standard AASB 5, Non-Current Assets held for Sale and Discontinued Operations.

During 2005 the University of the Sunshine Coast will undertake the revaluation of non-current assets to conform to the requirements of AEIFRS, these valuations will be reflected in the Financial Statements as at 31 December 2005.

Library Collection

The University of the Sunshine Coast's library collection is recorded at "fair value" for items classified as Heritage and Unique and "cost" for items classified as Monographs and Serials. In respect of the Library Collection the asset recognition threshold is $1.

Art Collection

The University of the Sunshine Coast's art collection is valued at management valuation, with the exception of donations to the collection, which have been independently valued by registered art valuers. In respect of the art collection the asset recognition threshold is $1.

(g) Depreciation of Property, Plant and Equipment and Amortisation

Items of property, plant and equipment, other than land, library collection and art collection, are depreciated over their estimated useful lives to the entity, using the straight line method.

Assets are depreciated from the month of acquisition or, in respect of work in progress, from the time the asset is complete and ready to use.

The following table indicates typical expected useful lives of property, plant and equipment and the applicable depreciation and amortisation rates:

Item	Useful Life (years)	Depreciation Rate (%)
Buildings	40	2.5
Computer Equipment	3	33
Infrastructure	20	5
Laboratory Equipment	7.5	13
Library		
Monographs	7	14.25
Serials	3	33.25
Motor Vehicles	5	20
Other Plant and Equipment	10	10
Intangibles	10	10

1 Summary of Significant Accounting Policies (Continued)

(h) Employee Entitlements

Employee entitlements have been calculated in accordance with Accounting Standard AASB 1028 "Employee Benefits".

The liability for salaries, and provision for recreation leave have been measured as the amounts which the University of the Sunshine Coast has a legal obligation to pay, in respect to employees' services up to balance date. They have been calculated using current salary rates and include related on-costs.

The provision for long service leave has been measured as the present value of expected future payments to be made by the University of the Sunshine Coast resulting from services provided by employees up to balance date. Consideration has been given to future increases in salary levels and an estimate of the probability that employees will qualify for long service leave. Related on-costs have been included in the provision. Liabilities for which a legal entitlement does not exist are discounted using interest rates on Australian government guaranteed securities with terms to maturity most closely matching the estimated future cash outflows.

Superannuation

The University of the Sunshine Coast contributes to the Defined Benefit Plan (DBP) under which employees, where applicable, are entitled to defined benefits for retirement, disability, or death.

In general the University of the Sunshine Coast contributes to the DBP at a maximum rate of 17% per employee. However, a lesser amount of 10% is contributed for employees on salary levels 1-3 who have made an employee option to contribute at 3.5%.

The last actuarial investigation was completed on 16 May 2003 and conducted as at 31 December 2002. The investigation was conducted by Mr Grant Harslett (FIA, FIAA) and Mr Matthew Burgess (FIAA) of Towers Perrin.

Defined Benefit Plan (DBP) disclosures related to University of the Sunshine Coast:

	30 June 2004	30 June 2003
	$'000	$'000
Vested benefits attributable:	12,584	10,990
Accrued benefits applicable:	10,825	9,183
Estimated market value of assets:	12,183	9,684
Difference between market value of assets and accrued benefits	1,359	501

The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution), which members were entitled to receive had their fund membership been voluntarily terminated as at the reporting date.

The accrued benefits have been calculated as the present value of expected future benefit payments to the relevant members which arise from membership of UniSuper up to the reporting date, determined using the actuary's current expectations of earnings of UniSuper's assets, future inflation, salary levels and other relevant assumptions.

The University of the Sunshine Coast will not be recognising the potential asset or obligation under the Unisuper plan, as the information is not available from the multi-employer fund.

(i) Payables

Trade creditors represent liabilities for goods and services received prior to the end of the financial year and which remain unpaid. The amounts are paid within the agreed trading terms.

University of the Sunshine Coast
Notes to the Financial Statements
For the year ended 31 December 2004

1 Summary of Significant Accounting Policies (Continued)

(j) Borrowings

Loans payable are carried at cost with interest expense recognised as it accrues.

(k) Cash Assets

For the purposes of the statement of cash flows, cash includes cash at bank, cash on hand and investments held by the Queensland Treasury Corporation. Investments are valued at acquisition cost. Interest revenues are recognised as they accrue. The effective interest rate as at 31 December 2004 was 5.53% (2003 5.53%).

The effective interest rate on the University of the Sunshine Coast's operating account as at 31 December 2004 was 3.30% (2003 3.90%).

(l) Leased Assets

Leases of plant and equipment that effectively transfer from the lessor to the lessee substantially all the risks and benefits of ownership are classified as finance leases and treated as per the provisions of AASB1008 "Leases". Other leases are classified as operating leases.Minimum lease payments made under operating leases are charged as an expense in equal instalments over the accounting periods covered by the lease term.Where a non-current asset is acquired by means of a finance lease, the asset is recognised at an amount equal to the present value of the minimum lease payments. The liability is recognised at the same amount. Lease payments are allocated between the principal component and the interest expense.

(m) Goods and Services Tax

The University of the Sunshine Coast, whilst being subject to payment of the Goods & Services Tax, has claimed from the Australian Tax Office the appropriate tax credits.

(n) Income Tax

The University of the Sunshine Coast is an exempt organisation under Section 50-5 of the *Income Tax Assessment Act 1997*.

(o) Financial Instruments

The financial instruments of the University of the Sunshine Coast consist of cash at bank and on hand, managed funds, receivables, unlisted shares, payables, financial leases and loans. Details of the accounting policies, terms and conditions and exposure to interest risk are detailed in note 26 of these financial statements.

(p) Credit Risk Exposures

The University of the Sunshine Coast's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

At the end of the reporting period the University of the Sunshine Coast did not have any significant exposure to any individual debtor.

(q) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation for the current year due to DEST requirements.

(r) Going Concern

The financial statements have been prepared on a going concern basis. Despite the operating loss from ordinary activities and the deficiency in current assets compared to current liabilities, there are reasonable grounds to believe that the University can pay its debts as and when they fall due. Factors to support this belief include: the decision to expend funds in 2004 to prepare for growth, a significant increase in Commonwealth funding in 2005 and Capital Development Pool funds due in early 2005 for the earlier construction of the ICT Building which was completed in March 2004.