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Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for the University of the Sunshine Coast as an individual entity and the consolidated entity consisting of the University of the Sunshine Coast and its subsidiary, the Innovation Centre Sunshine Coast Pty Ltd. Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the requirements of the Department of Education, Science and Training (DEST) and other State/Australian Government legislative requirements including the *Financial Management Standard 1997* issued under Section 46L of the *Financial Administration and Audit Act 1977.*

Compliance with International Financial Reporting Standards (IFRSs)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Presentation and Disclosure and AASB 124 Related Party Disclosures.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first University of the Sunshine Coast financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of the University of the Sunshine Coast until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the University of the Sunshine Coast 2005 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2004 were restated to reflect these adjustments. The University of the Sunshine Coast has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 January 2005

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the University of the Sunshine Coast's equity and its net income are given in note 31.

Early adoption of standard

The University of the Sunshine Coast has elected to apply AASB 119 Employee Benefits (issued in December 2004) to the annual reporting period beginning 1 January 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The University of the Sunshine Coast also exercised early adoption of the Queensland Government's "Non-Current Asset Policies for the Queensland Public Sector" by changing the asset threshold of certain classes of assets from $2,000 to $5,000. A review of capitalised assets in accordance with the adoption of this policy resulted in $1.331 million being written off against Retained Surplus.

Note 1 Summary of significant accounting policies

Reporting Basis and Conventions

These financial statements have been prepared on an accruals basis under the historical cost convention, as modified by the revaluation of selected non-current assets, financial assets and liabilities at fair value.

Not for Profit Statement

On application of the requirements set out under AIFRS, the University of the Sunshine Coast has determined that it is a not-for-profit entity as its principal 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 AIFRS. 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.

(b) Financial effects of changes to Australian payment arrangements for 2005 grant year

Background

DEST made changes to payment arrangements in late 2004 so that all recurrent payments in respect of a grant year will be made in that year. The past practice of making the first payment in respect of a grant year at the end of December of the previous year was discontinued. For the 2005 grant year, the first payment was to be made in January 2005, however, $2 million was received in advance in December 2004.

Financial Effects for 2004

Changes to payment arrangements will mean that those Higher Education Providers (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 Australian Government funding for the 2004 grant year in their 2004 Statement of Financial Performance. The HEPs were required to identify in their 2004 financial statements, the impact of the changed treatment on their operating result by restating the Australian Government financial assistance for 2004 (by incorporating the amount received in December 2003 as revenue for the 2004 reporting period) and the total revenue from operating activities. The effect of this is shown below:

	$'000
2004 Revenue from Operating Activities (per Income Statement)	41,069
Add Grants received in 2003 for 2004 Activities:	
Australian 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 Australian Government has used 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 32.1)

Note 1 Summary of significant accounting policies

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of the University of the Sunshine Coast ("parent entity") as at 31 December 2005 and the results of the subsidiary for the year then ended. The University of the Sunshine Coast and its subsidiary together are referred to in this financial report as the consolidated entity.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the University's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the University of the Sunshine Coast's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the foreign currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Financial assistance is recognised as revenue when the University obtains control over the income. Control over the income would normally be obtained upon receipt.

Revenue from sale of good and services is recognised upon delivery of goods to customers.

Contract revenue is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for each contract.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(f) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 27(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(g) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets acquired, less, where applicable, any accumulated depreciation and impairment losses.

Note 1 Summary of significant accounting policies

Assets are valued at their fair value in accordance with the Queensland Treasury "Non-Current Asset Policies for the Queensland Public Sector". The asset recognition threshold is $5,000 for each class of asset.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The University has not identified any impaired assets.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. Debtors arising from student fees are recognised as amounts receivable as sanctions are applied to students who do not pay.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

(k) Prepayments

Payments for goods and services which are to be provided in future years are recognised as prepayments

(l) Investments and other financial assets

From 1 January 2004 to 31 December 2004 USC has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 January 2005. The University has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in unlisted securities, other than subsidiaries and associates, are brought to account at cost and dividend income is recognised in the income statement when receivable. Transaction costs are excluded from the carrying amounts

Adjustments on transition date: 1 January 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables, which are measured at amortised cost, fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve. At the date of transition (1 January 2005) changes to carrying amounts are taken to retained earnings or reserves

From 1 January 2005

The University classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Note 1 Summary of significant accounting policies

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the University provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the University's management has the positive intention and ability to hold to maturity.

(iii) Available-for-sale financial assets

The University has no recognised available- for-sale financial assets.

(m) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Where there are material movements in these assets in the intervening years, indexation is applied calculated upon an appropriate basis. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. All other property, plant and equipment, motor vehicles, leasehold improvements are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Library collections comprise monographs, periodicals and rare books. Monographs and periodicals are recorded at cost and depreciated over their estimated useful life. The Heritage and Cultural Collection are valued at their fair value in accordance with the Queensland Treasury's asset policy – "Non-Current Asset Policies for the Queensland Public Sector".The asset recognition threshold is $1.00.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University's the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Note 1 Summary of significant accounting policies

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where there are material movements in these assets in the intervening years, indexation is applied calculated upon an appropriate basis. At 31 December 2005, an asset valuation of all buildings and structures was completed by Aon Valuation Services.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When re-valued assets are sold, it is University policy to transfer the amounts included in other reserves in respect of those assets to retained earnings

Assets are valued at their fair value in accordance with the Queensland Treasury "Non-Current Asset Policies for the Queensland Public Sector". The asset recognition threshold is $5,000 for each class of asset. In respect of Art and the Heritage & Cultural collection of books the asset recognition value threshold is $1.00.

(n) Superannuation

The University of the Sunshine Coast (USC) contributes to the UniSuper Defined Benefit Plan (DBP) under which employees, where applicable, are entitled to defined benefits for retirement, disability, or death. The DBP is managed by UniSuper Limited (the "Trustee") who have advised the provision of information relating to superannuation entitlements will be driven by the new Australian accounting standards AASB 119 Employee Benefits.

In accordance with and within the provisions of AASB 119 USC has adopted the multi-employer provisions available under the new standard in preparation of these financial statements. The multi employer provisions allow employers with defined benefit obligations to report on a defined contribution basis, with some additional information also reported.

The Trustee has provided the following additional information required under the multi employer provisions of AASB 119 for UniSuper as at 30 June 2005.

(i) The UniSuper Defined Benefit Plan (DBP) is a defined benefit plan

(ii) Sufficient information is not available to account for the defined benefits by the DBP as a defined benefit plan. As set out under Paragraph 32(b) of AASB 119, the DBP exposes the participating employers to actuarial risks associated with the current and former employees of other participating employers, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to participating employers.

Note 1 Summary of significant accounting policies

(iii) As at 30 June 2005 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the DBP.

Historically surplus in the DBP has been used to improve members' benefits and has not affected the amount of participating employers' contributions.

As at 30 June 2005 the assets of the DBP in aggregate were estimated to be $230 million in excess of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any other factor other than leaving the service of the participating institution) and includes the value of CPI indexed pensions being provided by the DBP.

As at 30 June 2005 the assets of the DBP in aggregate were estimated to be $1,543 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensioners which arise from membership of UniSuper up to the reporting date.

(iv) The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits using the actuarial demographic assumptions outlined in their report dated 16 May 2003 on the actuarial investigation of the DBP as at 31 December 2002. The financial assumptions used were:

	Vested Benefits (p.a)	Accrued Benefits (p.a.)
Gross of tax investment return	7.0%	9.1%
Net of tax investment return	6.5%	8.6%
Consumer Price Index	2.5%	2.5%
Inflationary salary increases	3.5%	3.5%

(additional promotional salary increases are assumed to apply based on just past experience)

(v) Assets have been included at their net market value. i.e allowing for realisation costs.

(vi) Clause 34 of the UniSuper Trust Deed outlines the process UniSuper must undertake (including employer notifications and notice periods) in order to request additional contributions from employers if the UniSuper assets are considered by the Trustee insufficient to provide benefits payable under the Deed. At least four years notice that such a request may be made is required. If such a request was agreed to by employers then members must also contribute additional contributions equal to one-half of the rate at which their employer is prepared to contribute. If the employers do not agree to increase contributions the Trustee must reduce benefits on a fair and equitable basis. The Trustee notified employers during 2003 that such a request may be made in the future but it was considered unlikely at that time.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the University prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Refer also Note 19.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Note 1 Summary of significant accounting policies

(q) Borrowing costs

All borrowing costs are expensed in the period which they have been incurred.

(r) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

That part of the provision that is expected to be payable within 12 months of the reporting date is classified as a current provision and measured at its nominal amount.

Retirement benefit obligations

Contributions are made by the University to employee superannuation funds and are charged as expenses when incurred.

(s) Financial instrument transaction costs

All financial instrument costs are recognised as an expense in the period when they are incurred. The University has taken the exemption available under AASB1 to apply AASB 132 and AASB139 from 1 January 2005. The University has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB139. Under previous AGAAP transition costs were excluded from the amounts disclosed in the financial instruments. Under IFRS such costs are included in the carrying amounts. At the date of the transition to AASB132 and AASB139 the adjustment to carrying amounts for the University was immaterial.

(t) Rounding of amounts

Amounts in the financial report have been rounded to the nearest $1,000 or where that amount is $500 or less to zero.