

BORROWING POLICY

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1. Purpose

The purpose of this policy is to set out the high-level framework for the University's borrowing and management.

This policy document outlines the borrowing criteria and requirements for the operations of the Fiji National University ("FNU" or "the University"). It is developed for the purpose of the FNU management and its staff only.

2. Objective

The objective of a borrowing policy is to ensure that the University has sufficient funds to prudently carry out its short and long term activities.

3. Definitions

"University" means the Fiji National University

"FRC " Financial Resources Committee

"Vice-Chancellor" means the Vice-Chancellor of the university

"Council" means the council of the University.

"FNU Act" means the Fiji National University Act 2009.

4. Policy

4.1. The Vice-Chancellor is responsible for ensuring that all borrowing by the University complies with the FNU Act.

4.2. The University may borrow for two purposes:

4.2.1. General Purpose Debt: for working capital purposes and to enable the University to implement capital expenditure at an accelerated rate.

4.2.2. Specific Purpose Debt: to enable the University to construct, acquire or invest in an asset, the cash flows generated by which are expected to wholly or substantially service the associated debt.

4.3. In either case, the University will borrow only if the resulting capital expenditure or investment contributes materially to achievement of the University's strategic objectives.

4.4. In accordance with the FNU Act the University must obtain approval in writing from the FNU Council prior to entering into any borrowings. The University must ensure all legislated requirements are met, including compliance with any terms and conditions of the borrowings specified by the FNU Act.

4.5. Subject to the prior approval of the Financial Resources Committee (FRC) and FNU Council, the Vice-Chancellor has authority to enter into a borrowing facility or borrowing arrangement.

4.6. Strategies to minimise interest rate risk will be approved by the FRC and incorporated into any borrowing arrangements.

4.7. Subject to the prior approval of the FRC, the VC has authority to re-finance existing debt on existing or more favourable terms.

4.8. The maturity profile of all debt must be considered and agreed with the FRC prior to entering into borrowing arrangements.

4.9. The maximum amount of borrowing that the University can commit to will be limited to the range determined by the following metrics:

4.9.1. Debt/Total Revenue – 36%

4.9.2. Gearing: Debt/(Debt + Equity) – 15%

4.9.3. Debt Cover: Debt/Net Cash Flow – 3x



- 4.9.4. Leverage: Net Debt/Earnings Before Interest, Tax, Depreciation and Amortisation – 3x
- 4.10. Any borrowing above this range is subject to the prior approval of both the FRC and FNU Council.
- 4.11. The University may borrow from related party entities from time to time; any such borrowing must be under a formal borrowing and lending arrangement which must include the agreed borrowing amount, the term, and any related terms and conditions.

5. Roles and Responsibilities

- 5.1. The Vice-Chancellor must report to the Financial Resources Committee (FRC) six-monthly on all current borrowing arrangements (both undrawn and drawn down facilities).
- 5.2. The Director Finance has authority to approve drawdowns and repayments of debt from approved borrowing facilities or borrowing arrangements.
- 5.3. The Director Finance is responsible for the University's compliance with all borrowing terms and conditions.
- 5.4. The Director Finance is responsible for ensuring that, where practicable, the maturity dates of any drawdowns and bank facilities are spread in order to mitigate any pressure in re-funding any individual tranche of borrowing and to reduce exposure to adverse circumstances which might otherwise impact on the availability or price of such funding.
- 5.5. The Director Finance has authority to execute hedging contracts in accordance with interest rate risk management strategies approved by the FRC.

6. Related Policies

This policy should be read in conjunction with:

- Treasury Policy
- Scheme of Financial Delegation