2012

UNIVERSITY OF CANTERBURY
Te Whare Wānanga o Waitaha
CHRISTCHURCH NEW ZEALAND

Annual Report.

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Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF UNIVERSITY OF CANTERBURY AND GROUP'S FINANCIAL STATEMENTS AND NON FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2012

The Auditor General is the auditor of University of Canterbury (the University) and group. The Auditor General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non financial performance information of the University and group on her behalf.

We have audited:

- the financial statements of the University and group on pages 28 to 75, that comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the non financial performance information of the University and group that comprises the statement of service performance and the report about outcomes on pages 16 to 26.

Opinion

Financial statements and non-financial performance information

In our opinion:

- the financial statements of the University and group on pages 28 to 75:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the University and group's:
    - financial position as at 31 December 2012; and
    - financial performance and cash flows for the year ended on that date;
- the non financial performance information of the University and group on pages 16 to 26 gives a true and fair view of the University and group's service performance achievements and outcomes measured against the performance targets adopted in the investment plan for the year ended 31 December 2012.

Emphasis of Matter – effects of the Canterbury earthquakes

Without modifying our opinion, we draw your attention to note 25 to the financial statements which discusses the financial effects of the 2010 and 2011 Canterbury earthquakes and in particular:

- the impairment estimates for buildings damaged in the earthquakes, the significance of the estimates and the inherent uncertainties in the information on which the estimates have been based; and
- the validity of the going concern basis on which the financial statements have been prepared and the factors the Council considered in respect of this matter.

We consider the disclosures to be adequate.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the University and group as far as appears from an examination of those records.

Our audit was completed on 27 February 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University and group's preparation of the financial statements and non financial performance information that gives a true and fair view of the matters to which they relate. We consider internal control 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 and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the financial statements and non financial performance information; and
- the overall presentation of the financial statements and non financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non financial performance information.

In accordance with the Financial Reporting Act 1993 we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the University and group's financial position, financial performance and cash flows.

The Council is also responsible for preparing non financial performance information that gives a true and fair view of the University and group's service performance achievements and outcomes.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and non financial performance information that are free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the financial statements and non financial performance information, whether in printed or electronic form.

The Council's responsibilities arise from the Education Act 1989, the Crown Entities Act 2004 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit, we have carried out other assurance engagements in providing an auditor's report to the University's philanthropic bond trustees and a report on the University's Performance-Based Research Fund external research income. These engagements are compatible with those independent requirements.

Other than the audit and these engagements, we have no relationship with or interests in the University or any of its subsidiaries.

Scott Tobin
Audit New Zealand
On behalf of the Auditor General
Christchurch, New Zealand

2012 at a Glance

	2009	2010	2011	2012
Students enrolled (Headcount)[1]	18 557	18 783	16 444	15 798
Equivalent Full-time Students (EFTS)[1]	15 359	15 494	13 604	13 171
Full-time Equivalent Academic Staff (FTE)[2]	769	784	735	690
Staff : Student ratio	1 : 20.0	1 : 19.8	1 : 18.5	1 : 19.1
Equivalent Full-time Students EFTS				
EFTS by level of study[3]				
Non and sub degree	558	426	270	230
Undergraduate	12 861	12 950	11 261	10 796
Postgraduate	1 940	2 118	2 073	2 145
Total EFTS	**15 359**	**15 494**	**13 604**	**13 171**
EFTS by Fee Type				
Domestic Fee Paying	13 991	14 227	12 667	12 334
International Full Fee Paying	1 368	1 267	937	837
UC Total EFTS	**15 359**	**15 494**	**13 604**	**13 171**
Net EFTS included above but not required to be returned to the Ministry of Education[4]	-265	-179	74	79
PBRF funding received	$25.3m	$25.48m	$28.41m	$26.28m
Operating				
(All amounts net of GST)	**In $ 000**	**In $ 000**	**In $ 000**	**In $ 000**
Government grant	$115 009	$117 236	$119 566	$125 237[7]
Tuition fees	$86 809	$90 406	$79 302	$78 739
Research funding[5]	$50 310	$49 820	$55 407	$53 612
Cost per EFTStudent	$17.5	$18.4	$20.8	$24.3
Capital expenditure[6]	$45 445	$37 612	$89 892	$71 362
Financial position				
Non-current assets	$747 167	$757 210	$641 935	$596 402
Net current assets	$58 815	$60 795	$46 536	$29 324

1 *Excludes enrolments in non-assessed courses.*
2 *Includes staff in teaching support roles.*
3 *Level of Study is based on the level associated with the course enrolled in.*
4 *Non assessed EFTS are required to be returned to the Ministry of Education but not typically included in UC total EFTS reports. There is also a small number of other EFTS not required to be returned but typically reported in UC total EFTS.*
5 *All figures include PBRF funding received.*
6 *Capital Expenditure is taken from the Statement of Cash Flows and is the actual cash amount spent.*
7 *$4.7M of the increase in Government grant from 2011 to 2012 is attributable to a reclassification of the Tripartite component of Government grant that was previously classified as Other Income.*

Chancellor's Welcome

Welcome to the 2012 Annual Report of the University of Canterbury.

If 2011 was one of the most challenging years ever faced in the history of our University, 2012 was the year in which tangible progress was made on the long journey to recovery. Efforts over the last 12 months of students, staff, alumni, donors, friends and stakeholders have resulted in the University being in a stronger position now than when the year began. The challenges of response and recovery have proved different in focus, and no less daunting one set from the other. But recovery gives hope and a sense that we are engaged in shaping our own future.

The earthquakes of 2010 and 2011 generated significant uncertainty for the University of Canterbury. At such times messages of support, backed by tangible actions, boost confidence. In the case of the University help came initially from the other seven universities as they endorsed a sector-wide response to our situation. Subsequently, University management have worked closely and effectively with the Tertiary Education Commission (TEC) to develop a plan for the longer term recovery of the University. This plan, called UC Futures, has been widely discussed with representatives from many sectors of the community and it is heartening to have so much support from so many people. The outcome was the December 2012 Cabinet commitment to UC's future as an internationally recognised university, and agreement in principle for Government support for a series of initiatives that will enable the institution to progress along the path to recovery. Without engagement and support from the Government, we would face a much more challenging, possibly insurmountable task. On behalf of the University I should like to extend my thanks, and those of Council, to all who have assisted in the development and promotion of the UC Futures plan.

UC Futures consists of two parts. The first is a greater emphasis on our students and the learning experiences we offer at UC. In addition to traditional learning, the University is promoting four areas of non-traditional learning:

- Workplace learning through internships, work placements and undergraduate research in a workplace environment;
- Service learning that draws on students' experiences in the community to facilitate the learning process;
- International learning through experience at overseas partner institutions;
- Cultural learning through understanding the importance of Māori and indigenous cultures in the modern world.

The vision is to develop a university that isn't just a place you come to when you want a degree. We see a university that is a learning environment well connected with local and international communities. UC graduates will, over time, have more opportunities during their degree to build competencies supporting their future employment, gaining international experience, developing cultural competency and facilitating community engagement.

The second part of UC Futures comprises some exciting capital investments in facilities that will enhance the learning experience for students in the pure and applied sciences. The details of these developments are being worked through with the TEC and government ministries, and the requisite business cases will be presented in 2013.

2012 saw some major developments on the Ilam campus that have enhanced the fabric of campus life for students, in particular the UCSA Events Centre, the Undercroft and the Shilling Club. These areas have been well patronised and, as the Campus Master Plan is implemented, it is expected that they will become more central to the UC experience. The response from students to these new facilities has been very positive and is further evidence of our plan to become a more student-focused organisation.

These developments were part of a major works programme, some of which took place over the summer recess. Projects included accelerating the James Hight remediation to its conclusion; the relocation of the Law Library into the Central Library in time for the first semester 2013; initiating remediation of the Registry, Law School and History buildings and the deconstruction of Te Pourewa on the Dovedale campus. Over 500 trades-people worked on site over the summer. I should like to acknowledge the positive efforts of staff and students to cope with the disruption, and to thank all those involved for their collaboration, flexibility and the enormous work which went into expediting these projects.

2012 also saw a number of remediated spaces back online – the Engineering and Physical Sciences Library, the Student Services Centre, the hydrology tower and Wheki on the Dovedale campus. We are anticipating the return to use of the Ilam Homestead, the James Hight Library and the Central Lecture Theatre block in the first half of 2013.

The efforts of our students over the 2012 academic year reflect the determined attitude that will mark the earthquake cohort as being a very special group of people who will go on to make a special difference in their chosen fields. They have overcome significant personal challenges, coped with disruptions to study and have graduated in numbers in line with 2009. Under all the circumstances, it was both humbling and an enormous satisfaction to preside over the ceremonies at the end of 2012 which saw the largest number of graduates in the history of the University. Ceremonies in April and December saw some 2657 (1234 in April, 1423 in December) students present themselves for graduation in Christchurch, and a further 113 in Rotorua. This is a truly remarkable achievement.

The success of students depends substantially on the support received from University staff, be they academic or professional, and I believe UC staff have much to be proud of as they reflect on 2012. Students have completed courses and programmes of study, and departments and Colleges have continued to function in less than ideal conditions. The research output of staff has been maintained, even though staff members have been in temporary accommodation or have moved offices during the year — in some cases, several times.

In 2012, the University extended its efforts to engage with a wide range of stakeholders, with a particular focus on supporting the Christchurch recovery. The University has publicly endorsed the central city plan and continues to engage with the Canterbury District Health Board, University of Otago and the Canterbury Earthquake Recovery Authority (CERA) on opportunities to contribute to the new health precinct as part of the central district revitalisation. UC is keen to participate through re-locating relevant research and selected clinical programmes that service patient needs. In parallel, UC is exploring with CERA and the Ministry of Business, Innovation and Employment what contributions it could usefully make to the innovation precinct, including student placements and internship programmes.

After a long-standing engagement and number of activities within departments and areas of work around the University, UC and Ngāi Tahu seized the moment in 2012 to develop a more in-depth relationship. This will be a significant area of growth in coming years as the University works in partnership to advance the aim of being a vibrant contributor to indigenous knowledge economies, and support research and initiatives through the Ngāi Tahu Research Centre, the Assistant Vice-Chancellor (Māori) and other schools across the University. Enhancing the support of educational outcomes and opportunities for Māori students remains a core focus of our efforts and the UC adoption of a Strategy for Māori Development provides clarity to its direction and success.

The University also concluded an agreement with Navitas that will result in the first joint venture — UC International College — between a major international education provider and a New Zealand university. Navitas provide first year instruction to foreign students using proven methods to prepare them for full participation in the latter years of their tertiary education. Through these and other measures, we expect that we will increase the number of international students ultimately to make up between 10 and 15 per cent of our student population. This will enhance the experience of local students as they engage with people from a wider range of cultures. Already over half the UC academic staff members have come to Christchurch from institutions outside New Zealand.

The University Council has been very active over the year with 10 meetings of Council and 8 workshops. Given the nature and particularly the timing of a number of Council decisions required during the year, the Executive Committee has been busy on the Council's behalf. The following committees also met:

Audit and Risk Committee	6
Finance, Planning and Resources Committee	11
Vice-Chancellor Employment Committee	2
Ad Hoc Honorary Doctorate Committee	1
Council Appeals Committee	4

There were a number of changes to Council during the year. Erin Jackson and Hamish Drake were elected as student representatives for a one year term. During November, academic staff representative Professor Euan Mason resigned from Council. A Court of Convocation election was held and the successful candidates were Jo Appleyard and Warren Poh.

I should like to thank Council members for their hard work over the year, for their review of our Statement of Strategic Intent in the aftermath of the worst that nature threw at us and for their contribution to, and overwhelming support for UC Futures. I look forward to working with the Council, staff, Government, Ngāi Tahu and other key stakeholders in the coming year as the University continues along the path to recovery. It is a principal achievement of 2012 that that path is now so firmly and clearly set for us.

Dr John Wood
Chancellor

27 February 2013

L. J. Wood

Vice-Chancellor's Report

The University of Canterbury has faced significant challenges over the past couple of years and I have been impressed at how our community has risen to meet them. It will be clear in my report that we are not out of the woods yet, but I would like to take this opportunity to acknowledge the dedication and hard work of our people during 2012. The resilience of our staff and persistence of our students will be hallmarks of UC's response to an extraordinary period in our history.

UC Futures

In 2012, the University embarked on the UC Futures project, which led to the development of a business case for government support to help us recover from the financial impact of the 2010 and 2011 earthquakes. The UC Futures project provided a useful focal point for staff and students across the University to work together to define what the University of Canterbury stands for, the type of institution it wants to be, and how it might realise its vision albeit focused largely on capital needs. The process has shown that the University is an institution that has the confidence to back itself, saying to Government that we have been here for nearly 140 years and we refuse to be defined by the tragic events of the past two years. We will recover and, with targeted support, be stronger and better than ever. We want to define ourselves not by the number of teachers, accountants, lawyers, scientists or engineers we graduate but by the type of learning which occurs and the experiences our graduates share, whatever their discipline.

The case for support is based on UC's post-earthquake strategy to transform itself through closer partnerships with Ngāi Tahu, the business sector, secondary schools, partner institutions, other tertiary education providers and Crown Research Institutes. We are committed to supporting the recovery of Christchurch and Government support will help us do that even more effectively.

UC's contribution to recovery, growth and prosperity

A critical driver for government support is the economic value the University brings as the second largest employer in Christchurch, contributing $1.5 billion (directly and indirectly) annually to the Canterbury economy. It has more than 1900 full time equivalent staff (in excess of 4000 individuals are paid each year by UC). Between now and 2023 — the year of UC's 150th anniversary — more than 30,000 students will graduate and the University will contribute up to $15 billion to our region's economy. We believe that a strong university goes hand in hand with a robust, cohesive and growing economy and community.

After considering the UC business case the Government confirmed in November its agreement in principle, subject to a more detailed business case which will determine the level of support to be provided, to help the University address the financial impacts of the earthquakes by providing capital support to advance its science and engineering capabilities.

We appreciate the Government's understanding of the University's situation and its recognition of the need for support, and we warmly welcome the confirmation of support. We are now working with the Government to determine the optimum level and options. This will need to be treated with some urgency to ensure that the University remains financially viable in the medium to long-term. On behalf of the University I would like to thank the wide range of individuals and organisations that put their names to UC's case for support.

However, we know that support from the Government is not the only answer and it is only fair that we do some of the heavy lifting ourselves. We have constrained our spending and must continue to look for savings. Voluntary and compulsory redundancies, and natural attrition, have seen some reduction in staff numbers this year. The University has taken a wide range of measures to control expenditure, including reducing staff numbers by 83 FTEs (full time equivalent staff). Similar reductions are likely to be needed over the next couple of years. We continue to look at ways to reduce our overheads in site and property costs to preserve resources in order to maintain staff levels. This means less space in total, more flexible spaces and higher utilisation of space will be needed.

Use of resources

The University is facing a complex financial situation as a result of the 2010 and 2011 Christchurch earthquakes. On the positive side, first year student numbers were 14 per cent or 383 EFTS (equivalent full time students) above budget and total operating revenue increased by $2.5 million from 2011, $17.5 million higher than budgeted.

Total operating expenditure has increased by $36.4 million. Excluding the one-off library adjustment of $20.0 million, this increase is $16.4 million of which $4.4 million was an increase in scholarships offered, $3.2 million increase in actuarially valued employee entitlements, $2.7 million increase in insurance premium, and a $2.5 million increase in cost of procuring library publications due to the change of treatment of electronic serials being treated as operating expenditure rather than a capital purchase.

Excluding insurance premium increases and a one-off adjustment for the library, operating expenditure was close to budget. There has been a decrease in the operating result before the impact of the earthquakes from $7.3 million surplus in 2011 to a deficit of $26.6 million in 2012. This is after allowing $20.0 million for the adverse impact on the 2012 statement of comprehensive income arising from changes to the accounting treatment of library materials. We have also seen a decrease in the operating result after the impact of the earthquakes from a $28.8 million surplus in 2011 to a deficit of $66.6 million in 2012.

The estimated damage reports, provided to us by Rawlinsons, have seen an increase in the assessed value of costs to remediate damage to campus buildings, from $120 million in 2011 to $390 million in 2012. This is largely due to more information being available to make this assessment based on engineering reports, invasive testing and detailed inspections after strip out. By April 2013, the University expects to be in a better position to estimate damage as 40 of the largest structures on campus will have full engineering reports available.

The University's working capital has decreased by $16.5 million in the last year and the net operating cashflow, excluding earthquake related flows, has decreased by $6.2 million from $43.2 million to $37.0 million.

After allowing for operating results, building and other asset revaluations and impairments and recognition of insurance proceeds, the total equity of the University has dropped by $62.6 million year on year.

Our staff

While 2011 was the year everyone, literally, rolled up their sleeves to get us back in business, 2012 has seen us not only delivering teaching and research against a backdrop of uncertainty and change but has also had us all thinking hard about the type of institution we need to be if we are to be sustainable in the post-earthquake environment.

2012 has been a busy and challenging year for staff and I wish to acknowledge their hard work, dedication and persistence in helping get the University on track — all while a number of staff have had to cope with continuing earthquake-related issues at home. To recognise this, in 2011 the University made provision to allow staff up to 15 days of earthquake leave, to be taken by 31 December 2013. In 2012, 398 staff took advantage of this provision, taking 1906 earthquake leave days.

I would also like to thank senior staff for their support throughout 2012, particularly those who took on additional responsibilities — among them Professor Jarg Pettinga (Acting Deputy Vice-Chancellor); Professor Adrian Sawyer and Associate Professor Richard Scragg (Acting Pro-Vice-Chancellor, Business and Economics).

There have also been a number of changes to the Senior Management Team during the year — Keith Longden has been appointed Chief Financial Officer; Dr Sonia Mazey is the new Pro-Vice-Chancellor of the College of Business and Law; Alex Hanlon joined UC as Director of Learning Resources; and Lynn McClelland has been appointed Director of Student Services and Communications.

We also saw the departure of Dr Nello Angerilli, who came to the University in 2010 to take up the role of Pro-Vice-Chancellor (Student Services and International). During his time at UC, Dr Angerilli worked tirelessly to advance our student recruitment and retention activities. He was also a key player in developing the University's partnership with global education provider Navitas.

Our students and their learning

In April, UC's Student Volunteer Army was presented with the Royal New Zealand RSA's Anzac of the Year Award 2012 in recognition of its significant contribution to the Christchurch community following the earthquakes of 2010 and 2011. It was the first time the award, which recognises the efforts of New Zealanders who exemplify the Anzac qualities of comradeship, compassion, courage and commitment, had been given to non-military personnel or to more than one person.

For the third consecutive year, a student from UC — physics and maths student James Bonifacio — has been awarded a Rhodes Scholarship, evidence of our ability to attract, retain and educate truly world-class scholars. Engineering student Samuel Corbett-Davies won the Institute of Electrical and Electronics Engineers Innovation (IEEE) award for his work on a grape vine cutting robot.

We have worked hard to attract students back to the University with our Liaison staff visiting 204 individual schools in 2012. The enrolment period for 2013 opened on 2 October and, so far, applications to enrol (ATEs) from first-year domestic students are similar to last year, while applications to enrol from first-year international students are showing some

Dr Rod Carr

improvement on last year. ATEs for domestic returning students are below that of 2012, which was expected due to the impact of the earthquakes on our student pipeline. ATEs for international returning students are similar to 2012. Applications to our halls of residence are nearly 30 per cent higher than the same time last year.

Despite challenging times, the University of Canterbury continued to improve its educational performance and remained above the university sector average. UC was ranked second in New Zealand for course completion and progression to higher levels of study. More than 4400 certificates, diplomas and degrees were awarded throughout 2012 — a number comparable to 2009.

How others see UC

UC has maintained its ranking among the top three per cent of the world's universities, and third ranked among New Zealand's eight universities, according to the latest annual QS World University Rankings. Overall, UC is

Continued on following page

ranked 221st in the world and, as an employer, UC is ranked 151st in the world. The University has a QS 5 star rating.

Internationally, the University is consolidating its partnership programmes, with approximately 100 partnership agreements in place with high calibre institutions worldwide. In October, I headed a six-day mission to Indonesia, which resulted in partnership agreements with eight public and private universities located in six cities on the islands of Java and Sulawesi. The University is also encouraging students, through its exchange programme, to undertake study abroad visits at a partner university as part of their degree programme; approximately 100 students participated in such programmes in 2012. A new international studies initiative is currently in development.

The University is also supportive of the Study Christchurch initiatives, which include a student hub in the central district. Thanks to a financial contribution from Education New Zealand, the University is working with other education providers under the "Christchurch Educated" brand to attract international students to Christchurch as a quality study destination.

Our research and teaching

In July, UC submitted 678 portfolios to the Tertiary Education Commission as part of the Performance-Based Research Fund (PBRF) Research Assessment exercise. The submission of portfolios represents the culmination of a tremendous amount of work so my thanks go to our academic staff and the PBRF team which advised and supported them. PBRF funding is very significant for the University. We received $26.2 million from this source in 2012. TEC panels are reviewing the portfolios and we expect the results of the assessment will be available in March 2013.

The earthquakes generated a significant number of research opportunities across all disciplines. In early 2012 we had more than 200 earthquake-related research projects under way or planned, not just in geosciences and engineering as one might predict but many in social science, education and business looking at how the earthquakes had impacted on human activity in our city. We also established six new PhD scholarships for earthquake-related research.

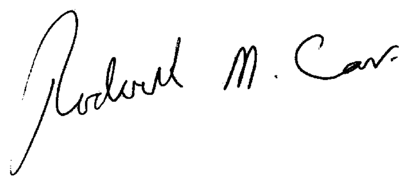
UC's commitment to promoting the best of our teaching and research initiatives continued throughout 2012 with more than 400 media releases issued and an inaugural series of "What if" lectures, which attracted several thousand attendees.

It is always pleasing to follow the successes of our staff and students. UC researchers received almost $11 million in funding for trailblazing energy, infrastructure, hearing, diabetes and nanotechnology research from the Ministry of Business, Innovation and Employment. Dr Martin Allen (Electrical and Computer Engineering) and Dr Clemency Montelle (Mathematics and Statistics) were awarded Rutherford Discovery Fellowship grants, each worth $800,000, to pursue concentrated research in their fields of expertise. Five University of Canterbury researchers were awarded Marsden Fund grants to research projects as diverse as the history of forensic psychology and the conversion of carbon dioxide into methanol. In December, Emeritus Professor Roy Kerr became the first New Zealander to be awarded the Einstein Medal by the Albert Einstein Society in Switzerland for his 1963 discovery of a solution to Einstein's gravitational field equations. Law professor, Philip Joseph, received the 2012 UC Research Medal while the UC Innovation Medal was awarded to computer scientist Professor Tim Bell for his creative work in developing new materials and methods for teaching computer science.

Our teaching talent was recognised nationally at the annual Tertiary Teaching Excellence Awards with senior teaching fellow Stephen Hickson (Economics and Finance) one of 10 lecturers nationwide to receive an award.

The year ahead

2013 will bring new challenges. However, I believe the experiences gained in 2012 and the foundations we have created in the wake of the 2010 and 2011 earthquakes will drive the University of Canterbury forward to become a learning institution that is much better and stronger than ever before. The opportunities that current and prospective staff and students have to shape the city of Christchurch, New Zealand's second largest city, in the near term will attract, excite and reward those prepared to make a difference.



Dr Rod Carr
Vice-Chancellor
27 February 2013

University Statement of Strategic Intent

We have a vision of
People prepared to make a difference
– tangata tū, tangata ora.

Our mission is to
contribute to society through knowledge
in chosen areas of endeavour
by promoting a world-class
learning environment
known for attracting people
with the greatest potential to make a difference.

We seek to be known as a
university where knowledge is
created, critiqued, disseminated and protected
and where research, teaching and learning
take place in ways that are inspirational and innovative.

Looking towards 2023,
the 150th anniversary of our founding,
the primary components of our strategy are to
Challenge, Concentrate and Connect.

Adopted by UC Council 30 September 2009 and reviewed 2012.

Council Membership 2012

The composition of the University Council in 2012 was:

Council Members	First Appointed	Current Term Appointed	Current Term Ending
Four Persons Appointed by the Minister			
Ms Catherine Drayton	2009	2009	05/2013
Mr Kiki Maoate	2009	2009	05/2013
Ms Sue McCormack	2009	2009	05/2013
Ms Wendy Ritchie	2005	2009	03/2013
Vice-Chancellor			
Dr Rod Carr	2009	2009	02/2014
Three Members of the Academic Staff			
Professor Simon Kemp	2011	2011	12/2014
Associate Professor Euan Mason (resigned October 2012)	2009	2009	12/2012
Dr Andy Pratt	2011	2011	12/2014
One Member of the General Staff			
Mr Michael R Shurety	2003	2011	12/2014
Two Students			
Mr Hamish Drake	2012	2012	12/2012
Ms Erin Jackson	2012	2012	12/2012
One Member Appointed in Consultation with the Employers' Federation			
Mr Tony Sewell	2010	2010	12/2014
One Member Appointed in Consultation with the NZ Council of Trade Unions			
Mr David Ivory	2009	2009	12/2014
One Member Appointed Following Consultation with Ngāi Tahu			
Ms Sacha McMeeking	2008	2010	07/2014
Two Members Appointed by the Council			
His Honour Judge Colin Doherty	2005	2005	12/2013
Mr Peter Ballantyne	2012	2012	12/2014
Four Graduates Elected by the Court of Convocation			
Mr Trevor McIntyre	2005	2005	12/2012
Dr Duncan Webb	2011	2011	12/2014
Mr Rex Williams	2006	2006	12/2012
Dr L John Wood	2008	2011	12/2014

UC Council 2012

(Back row, from left) Michael Shurety, Dr Duncan Webb, Dr Andy Pratt, Jeff Field, Professor Simon Kemp, Sue McCormack, Rex Williams and Catherine Drayton.
(Front row, from left) Professor Ian Town, Peter Ballantyne, Trevor McIntyre, Dr John Wood, Dr Rod Carr, Wendy Ritchie and Erin Jackson.
Absent: Judge Colin Doherty, Sacha McMeeking, Kiki Maoate, Hamish Drake, Tony Sewell and David Ivory.

Governance Statement

This statement is an overview of the University's main governance policies, practices and processes followed by the Council.

Compliance with NZX best practice code and other guidelines

The NZX Listing Rules require issuers to disclose in their annual report whether and to what extent their governance principles materially differ from the NZX Corporate Governance Best Practice Code. There are no significant differences from NZX Corporate Governance Best Practice Code other than to reflect that the University is governed by the Education Act 1989 (Education Act). Further details are provided below.

The following section summarises the key governance and compliance policies and procedures in place.

Code of Conduct

The University expects Council Members to maintain high ethical standards that are consistent with its core values, business objectives and legal and policy obligations.

A Register of Interests is maintained for all Council Members and is published in all meeting agendas. Conflicts of interest are a standing item on the agenda of all meetings. A member of the Council or of a committee of the Council who has an interest in a matter being considered or about to be considered by the Council or the committee is required under the Education Act to, as soon as possible after the relevant facts have come to the Council Member's knowledge, disclose the nature of the interest at a meeting of the Council or committee.

A formal Code of Conduct has been adopted by the Council. The Code sets the ethical standards expected of Council Members and deals specifically with receipt and use of information, receipt and use of assets and property, delegated authorities, compliance with applicable laws, regulations, rules and policies and a general obligation to act honestly and in the best interest of the University.

Role of the Council

The Council is the governing body of the University. It is responsible for the governance of the University, and its powers are set out in the Education Act. Its powers include the oversight of the University's policy, degree, financial and capital matters.

The Council is comprised of:

(a) Four members appointed by the Minister of Education;

(b) The Vice-Chancellor of the University;

(c) One permanent member of the academic staff of the University elected by the permanent members of that staff;

(d) Two academic staff members of the Academic Board of the University elected by the academic staff members of that Board;

(e) One permanent member of the general staff of the University elected by the permanent members of that staff;

(f) Two members who are or have been students of the University appointed by the Executive of the University of Canterbury Students' Association Incorporated;

(g) One member appointed by the Council after consultation with the central organisation of employers within the meaning of the Labour Relations Act 1987;

(h) One member appointed by the Council after consultation with the central organisation of workers within the meaning of the Labour Relations Act 1987;

(i) One member appointed by the Council, following consultation with Te Runanga o Ngāi Tahu;

(j) Two members co-opted by the Council; and

(k) Four graduates, not currently employed as permanent members of the University staff, elected by the Court of Convocation of the University.

The term of office of members of the Council, vacation of office, disclosure of members' interest and casual vacancies are covered in sections 173–176 of the Education Act 1989. Subject to section 173, the maximum term for any member, other than the Vice-Chancellor, shall be three consecutive four-year terms.

Council Members (other than the Vice-Chancellor) are paid fees at such rates (not exceeding the maximum rates fixed by the Minister in accordance with the fees framework determined by the Government from time to time) as the Council determines.

Delegation of authority

The Council delegates its authority where appropriate to the Vice-Chancellor for the day-to-day affairs of the University. Formal policies and procedures exist that detail the delegated authorities and parameters that the Vice-Chancellor and in turn, his direct reports, are able to operate within.

Continuous disclosure obligations

Continuous disclosure obligations of NZX require all issuers to advise the market about any material events and developments as soon as they become aware of them. The University complies with these obligations on an ongoing basis.

Operation of the Council

The Council meets regularly (usually monthly) for meetings. Key executives attend Council meetings by invitation. For each meeting, the Vice-Chancellor prepares a report to the Council that includes a summary of the Council's activities, together with financial reports and operational updates. In addition, the Council receives regular briefings on key strategic issues from management.

The University offers the usual Council Member's induction for newly appointed Council Members. All Council Members have advice from the Tertiary Education Commission on the governance role they fulfil and are provided with a detailed handbook of University policies, procedures and protocols. The Council Secretary, the University Registrar, is available for advice at any time.

Vice-Chancellor

The Council is responsible for the evaluation of the Vice-Chancellor against his key performance objectives and is responsible for the setting of these objectives on a periodic basis and ensuring that they are appropriate measurable targets.

Independence of Council Members

It has been determined by the Council that all Council Members are independent except for Dr Rod Carr, Professor Simon Kemp, Associate Professor Euan Mason, Dr Andy Pratt and Mr Michael Shurety.

Council committees

The following standing committees have been established to assist in the execution of the Council's responsibilities. Each of these committees has a charter outlining its responsibilities and objectives.

Finance, Planning and Resources Committee

This committee meets monthly and as at the end of the financial year comprised Ms Wendy Ritchie (Chair), Dr John Wood, Mr Trevor McIntyre, Dr Rod Carr, Ms Erin Jackson, Mr Tony Sewell and Dr Duncan Webb.

The Finance, Planning and Resources Committee is responsible for reporting and recommending to Council on financial planning, budgeting and monitoring of expenditure and financial performance matters. The committee will also recommend and report to Council on capital planning, major capital projects and post-project case evaluation including recommendations for the establishment of capital planning, expenditure and monitoring protocols.

The Chair of the Audit and Risk Committee, Deputy Vice-Chancellor, Chief Financial Officer and Registrar (Secretary) are also in attendance.

Audit and Risk Committee

The Audit and Risk Committee at the end of the financial year comprised Mr Peter Ballantyne (Chair), Dr John Wood, Mr Trevor McIntyre, Ms Sue McCormack and Ms Catherine Drayton.

The Audit and Risk Committee is responsible for monitoring the ongoing effectiveness of risk management activities. The committee monitors trends in the University's risk profile and considers how it manages or mitigates key risk exposures. It implements risk management through its business processes of planning, budgeting, investment and project analysis, and operations management.

The committee also monitors and oversees the quality of financial reporting and financial management. In order to achieve this the committee considers accounting and audit issues and makes recommendations to the Council as required, and monitors the role, responsibility and performance of the internal and external auditors.

The function of the Audit and Risk Committee is to assist the Council in carrying out its responsibilities under the Education Act 1989, Crown Entities Act 2004 and the Financial Reporting Act 1993 on matters relating to the University's accounting practices, policies and controls relevant to the financial position and to liaise with internal and external auditors on behalf of the Council.

The Chair of the Finance Planning and Resources Committee, Vice-Chancellor, Deputy Vice-Chancellor, UCSA President, Chief Financial Officer and Registrar (Secretary) are in attendance at Committee meetings as are the internal and external auditors.

Vice-Chancellor Employment Committee

The Vice-Chancellor Employment Committee at the end of the financial year comprised Mr Trevor McIntyre (Chair), Ms Sue McCormack, Mr Rex Williams and Dr John Wood.

The primary purpose of the committee is to review the Vice-Chancellor's remuneration package and performance. These reviews form the basis of recommendations to the Council for which concurrence is then sought from the State Services Commissioner.

Elections and appointments

Election to Council committees and nomination to external bodies are governed by well documented electoral processes and are made at Council meetings after open nomination processes.

Audit governance and independence

The work of the external auditor is limited to audit and related work only. The University is committed to auditor independence. In addition, the lead internal audit partner must rotate after a maximum of five years.

Reporting and disclosure

Annual and Six Monthly Reports in accordance with the requirements of the Education Act 1989, Crown Entities Act 2004, the Financial Reporting Act 1993 and the NZX Listing Rules are communicated on a periodic basis to all bondholders. The Annual Report is audited.

The University website provides regular updates to bondholders. The Annual Report is available online at our website www.canterbury.ac.nz.

Bondholder relations

The Council's policy is to ensure that bondholders are informed of all major and strategic developments affecting the University's state of affairs. The University releases all material information to the NZX under its continuous disclosure requirements.

Statutory Information *Bondholder Statistics*

NZDX debt securities distribution as at 31 December 2012

7.25% PHILANTHROPIC BONDS

Range	No. of Bondholders	Percentage of Bondholders	Number of securities held	Percentage of securities held
1 – 5,000	1	0.11%	1,000	0.00%
5,001 – 10,000	79	8.96%	395,000	0.79%
10,001 – 100,000	756	85.71%	20,692,000	41.38%
100,001 – over	46	5.22%	28,922,000	57.83%
	882	100.00%	50,010,000	100.00%

NZDX Waivers

The NZDX listing rules require issuers to disclose in their annual report a summary of all waivers granted and published, and also those that it has relied upon, by the NZX within the 12 months preceding the date two months before the date of the publication of the annual report. The waiver on page 76 was granted in the reporting period.

Statement of Responsibility

In terms of Section 155 of the Crown Entities Act 2004 we hereby certify that:

- We have been responsible for the preparation of these financial statements and statement of service performance and for the judgements used therein; and
- We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
- We are of the opinion that these financial statements and statement of service performance fairly reflect the financial position and operations of the University and group for the year ended 31 December 2012.

L. J. Wood

Chancellor

Roderick M. Carr

Vice-Chancellor
27 February 2013

Statement of Service Performance

Report Summary

The vision of the University is people prepared to make a difference. The mission of the University is to contribute to society through knowledge in chosen areas of endeavour by promoting a world-class learning environment known for attracting people with the greatest potential to make a difference. We seek to be known as a university where knowledge is created, critiqued, disseminated and protected and where research, teaching and learning take place in ways that are inspirational and innovative. The primary components of our strategy are Challenge, Concentrate and Connect.

The disruptions experienced in 2011 resulted in a significant number of students deciding to study in other centres or withdrawing from tertiary study. The smaller 2011 cohort will have an impact on total enrolment until 2015. Reduced student numbers have a direct impact on the income of the University and the surplus required for reinvestment. The University released an additional $6 million to fund additional scholarships to bolster student enrolments in 2012.

The University is actively seeking to generate revenue through innovations such as the International College and the expansion of earthquake-related research. Navitas (an Australian-based education provider) will run the International College on the Ilam campus and will use its global network to promote the University of Canterbury to international students. Over 200 earthquake-related research projects have commenced, covering disciplines from arts to applied sciences. A range of central and local government agencies, Crown Research Institutes and industry partners are involved in the support of these projects. This activity contributed to a record $27.3 million in research income.

During 2012, the Government announced, in principle, support for the UC Futures plan. This plan comprises capital funding and the implementation of educational opportunities that will better equip graduates as they take their place in society. Cultural competence and confidence, service learning, work based learning and international opportunities will give graduates a broader perspective on their world, better preparing them to make a difference. Input from the University's stakeholders, including Ngāi Tahu, industry and community representatives, staff and students shaped the final plan.

The University's focus is on four priority objectives:

1. Aligning provision with the Tertiary Education Strategy (TES) priorities of improving participation by underrepresented groups, obtaining stronger financial return and making the best use of the assets of the institution;
2. Challenge – Improving the educational performance of priority learning groups;
3. Concentrate – Enhancing the quality and impact of research outputs;
4. Connect – Maintaining strong, collaborative and mutually beneficial relationships with stakeholders.

Improving educational outcomes for all students will assist in the recovery of student numbers. Enhancing the research outcomes generated by the University will assist in the development of knowledge and inform decision-making in an increasingly complex world. Connection with our stakeholders (including Government) will ensure that the expectations and needs of our community are recognised and responded to. University of Canterbury graduates will move into the wider community prepared and equipped to make a difference.

This document should be read in the context of strategic targets and key performance indicators in UC Investment Plan 2011–2013 submitted to the Tertiary Education Commission (TEC) in September 2010.

Priority Objective 1

Aligning Provision with the Tertiary Education Strategy Priorities

Priority Learner Group participation		Actual	Actual	Actual	Investment
Impact	Input commitments[1]	2010	2011	2012	Plan Target
Increased participation by priority learner groups	Māori enrolments	6.4%	6.4%	6.8%	7.0%
	Pacific enrolments	2.1%	1.8%	1.9%	3.0%
	Under-25 enrolments	73.3%	75.1%	74.6%	75.0%

Māori and Pacific pathways		Actual	Actual	Actual	Investment
Impact	Input commitments	2010	2011	2012	Plan Target
Enhanced Māori and Pacific pathways into tertiary study	First-year Māori enrolments as a proportion of first-year domestic enrolments[2]	6.7%	6.0%	7.4%	7.0%
	First-year Pacific enrolments as a proportion of first-year domestic enrolments[3]	2.0%	2.0%	2.4%	2.0%

Sub-degree provision		Actual	Actual	Actual	Investment
Impact	Input commitments	2010	2011	2012	Plan Target
Reduced sub-degree provision	Sub-degree enrolments as a proportion of all enrolments	1.6%	1.4%	1.2%	1.3%

International (Full Fee) Participation		Actual	Actual	Actual	Investment
Impact	Input commitments[4]	2010	2011	2012	Plan Target
Increased and more diversified international (full fee) participation	International enrolments	8.2%	6.9%	6.4%	9%
	Concentration ratio (C3)[5]	52.3%	53.9%	58.5%	48%

International students did not arrive or left soon after the 2011 earthquake, which has resulted in fewer EFTS.

1 *Percentage of SAC funded enrolments*
2 *At the 2006 Census, 7.3% of the Canterbury Region population identified as Māori (c.f., New Zealand 14.6%). It should be noted the 2011 census has been delayed until 2013.*
3 *At the 2006 Census, 2.3% of the Canterbury Region population identified as Pacific (c.f., New Zealand 6.9%). It should be noted the 2011 census has been delayed until 2013.*
4 *Percentage of total EFTS enrolments*
5 *The C3 Concentration Ratio is a measure of the proportion of the University's international (full fee) student body contributed by the three largest source countries. Reducing the ratio mitigates the risk of over-exposure to a few source countries. In the period 2009–2012 the three largest contributing countries were the United States of America, China and Malaysia.*

Pathways		Actual	Actual	Actual	Investment
Impact	Input commitments	2010	2011	2012	Plan Target
Enhanced pathways into university study	Number of active articulation agreements related to credit transfer within NZ	3	3	3	7
	Number of students transferring with credit from other Tertiary Education Organisations	383	309	351	450

More students are transferring from other institutions than in 2011 as a result of increased confidence, due to the seismic stability of the past year. Fewer students than originally anticipated in the Investment Plan, have transferred from other institutions as a result of the earthquakes.

Scholarship Support – Freshers[6]		Actual	Actual	Actual	Investment
Impact	Input commitments	2010	2011	2012	Plan Target
Enhanced scholarship support for beginning students	Undergraduate scholarships for fresher students	111 $531,300	119 $475,200	1380 $2,818,814	250 $963,750
	Targeted scholarships for under-represented freshers	17 $81,500	17 $85,000	17 $86,956	14 $70,000

Additional scholarships have been made available to encourage students with university entrance to study in Christchurch.

The Tertiary Education Strategy has four main priorities relevant to universities:

- Increase the number of Māori, Pacific and young people (aged under 25) achieving qualifications at higher levels
- Increase the number of young people moving successfully from school into tertiary education
- Improve the educational and financial performance of providers
- Strengthen research outcomes

The importance of the relationship with Ngāi Tahu has been reaffirmed through a number of developments through 2012. The Kaiwhakahaire met with the Chancellor and Council to review the relationship. Rautaki Whakawhanake Kaupapa Māori, the UC Strategy for Māori Development, was presented to Council with the support of Ngāi Tahu. The strategy promotes the institutional relationship with Ngāi Tahu, the development of research programmes focusing on indigenous development primarily under the aegis of the Ngāi Tahu Research Centre, recruitment of Māori students and staff members, and input to the Campus Master Plan.

2012 saw the expansion of the Homework academy pilot programme to five low decile secondary schools in Christchurch. This programme was developed in response to the post-earthquake privation of secondary students whose homes were damaged or lacked appropriate study spaces. The funding was provided by the American New Zealand Association Inc. The initial pilot, Te Ru Tauwera, resulted in 72 students participating and favourable feedback from students and families. This initiative will be refined and expanded in the future to provide a pathway to university for students who have no family history of tertiary study or are of Māori or Pacific descent.

The University placed significant effort and resources into attracting and informing students about the opportunities for further education. These efforts included a nationwide marketing campaign

6 The figures are based on centrally funded scholarships paid and do not include College/departmental awards. Freshers are incoming first year students.

via television including the challenging "what if?" campaign. This was supported locally by the "What if Wednesday" community lectures and local advertising. 2012 recruitment initiatives included the offering of additional scholarships to first year students who achieved strong NCEA results. These students were eligible for scholarships of up to $3000 per student. The number of scholarships awarded and the associated investment resulted in the significant increase in the number and expenditure shown above.

As the entire region was affected by the 2011 earthquakes, a regional response to falling student numbers was developed. The three major tertiary institutions—University of Canterbury, Lincoln University and Christchurch Polytechnic Institute of Technology—worked together in the Canterbury Tertiary Alliance (CTA). The main achievements were to formally define the pathways for students to transition between the institutions to "trade up" their qualifications and to market the services internationally under the "Christchurch Educated" banner. This initiative is a joint venture between the CTA and Education New Zealand to promote the educational opportunities in Christchurch to prospective students in a number of key international markets. This initiative is expected to support the recovery of international student numbers studying at the University.

The UC Futures programme outlines changes that differentiate the University of Canterbury's offering from other institutions. These changes include a renewed focus on:

1. Degree programmes that produce graduates that are more work-ready and employable;
2. Generating increased numbers of graduates in disciplines such as engineering and science that are more innovative and capable of contributing to this country's competitiveness and economic growth;
3. Being a part of system-wide improvements to the education sector in Canterbury, sharing infrastructure with schools and other Tertiary Education Institutions, and working with schools to create programmes that improve numbers of students choosing to undertake tertiary studies in areas such as science and engineering;
4. Creating programmes and an environment that encourage more Māori and Pacfic students to start and successfully complete tertiary study;
5. Co-location and collaboration arrangements with Crown Research Institutes, Canterbury Tertiary Education Institutes and industry to grow the quality and quantity of knowledge transferred to regional and national industry;
6. Working across the education sector in Christchurch to promote the city as a desirable education destination.

The number of international students is important to the University as this enables our students to glean an understanding of other cultures through engagement with classmates from other countries and cultures. Once an international student has decided to study overseas, they have many options. One of the major factors in the decision of where to study is the ranking of the institution. The University of Canterbury was ranked 221st in the world, which is in the top 3%[7]. Given the disruption of 2011 this was a significant achievement. The University is the only New Zealand institution to achieve five stars in the QS STARS ranking that reflects the relative quality of the University.

At the end of 2012 an agreement was reached with Navitas to open an international college in Christchurch. This college will offer University of Canterbury 100-level course content in a teaching intensive environment. On successful completion of the year, the students will be eligible for direct entry into 200-level courses at the University. Navitas are a recognised international education provider teaching over 55,000 students each year with university campuses in the United States, United Kingdom, Australia, Canada and Singapore[8]. The partnership with Navitas is expected to assist the University of Canterbury to rebuild the international student population to 2009 levels in the medium term.

In an effort to engage students under 25 years old, the University prioritised the development of the Student Events Centre and the redevelopment of the James Hight Undercroft. The Student Events Centre provides function facilities for up to 1400 students and has become a focal point for the student social experience. The University has also worked closely with NZ Police and its local community to manage antisocial behaviour. The community leaders complimented the University Council on the progress that had been made. The James Hight Undercroft development has seen a previously underutilised space below the library refurbished to a welcoming study hall and social space complete with food court.

The Tertiary Education Strategy requires the University to focus on the efficient use of its assets. To this end, a central timetabling tool was implemented for semester 1 in 2012. This resulted in better use of teaching space. As the campus is remediated and redeveloped, the space usage is being reviewed and further efficiencies in use of space are anticipated. Over the next two years the University is redesigning the student processes (including enrolment, academic progression and graduation) to reduce time and complexity for both students and staff. Central to this project will be the implementation of a new student management system which will be completed in 2015.

7 QS World University Rankings 2012
8 http://www.navitas.com/about_navitas.html

Challenge

Priority Objective 2: Challenge

Improving the educational performance of priority learning groups

Successful Course completion[9]		Actual	Actual	Actual	Investment
Impact	**Output commitments**	**2010**	**2011[10]**	**2012[11]**	**Plan Target**
Increased successful course completions by priority learner groups	Māori completion rates	75.5%	83.0%	80.0%	78%
	Pacific completion rates	62.0%	73.0%	69.0%	64%
	<25 completion rates	84.8%	88.0%	86.0%	84%
	All SAC eligible students	**85.0%**	**86.5%**	**86.0%**	**84%**
	NZ university median	*84%*	*86%*		

The percentage calculations for both Māori and Pacific students are derived from small numbers of students. The metric is very sensitive to relatively minor movements in numbers of students enrolling.

Qualification completion[12]		Actual	Actual	Actual	Investment
Impact	**Output commitments**	**2010**	**2011**	**2012**	**Plan Target**
Increased qualification completions by priority learners	Māori completion rates	45.3%	68.0%	2012 Rates Not Available Until mid 2013	67%
	Pacific completion rates	51.5%	59.0%		44%
	<25 completion rates	62.4%	70.0%		65%
	All SAC eligible students	**66.3%**	**76.0%**		**72%**
	NZ university median	*69%*	*76%*		

The percentage calculations for both Māori and Pacific students are derived from small numbers of students. The metric is very sensitive to relatively minor movements in numbers of students enrolling.

Retention[13]		Actual	Actual	Actual	Investment
Impact	**Output commitments**	**2010**	**2011**	**2012**	**Plan Target**
Increased retention of priority learner groups	Māori retention rates	76.6%	71.0%	2012 Rates Not Available Until mid 2013	80%
	Pacific retention rates	73.0%	64.0%		74%
	<25 retention rates	86.3%	84.0%		89%
	All SAC eligible students	**84%**	**81%**		**85%**
	NZ university median	*82%*	*81%*		

Retention rates in 2011 reduced as students left Christchurch in the aftermath of the February event.

9 Successful Course Completion: SAC eligible successful course completion EFTS, as a proportion of the total SAC eligible EFTS delivered.
10 These figures have been updated from the provisional figures provided in the 2011 Annual Report. There is no significant difference between the above reported results for 2011 and those previously reported.
11 These figures are provisional and may be subject to further adjustment.
12 Qualification Completion: Qualifications completed by SAC eligible students, weighted by the EFTS value of the qualification, as a proportion of total SAC eligible EFTS enrolled in qualifications. This calculation provides a favorable outcome when the number of students falls and unfavourable when the number of students increases.
13 Student Retention: The proportion of SAC eligible students in a year who either re-enrol in the next year or complete a qualification.

Student Engagement		Actual	Actual	Actual	Investment
Impact	Output commitments	2010	2011	2012	Plan Target
Improved student engagement (AUSSE)	Active learning	33%	Involvement suspended	Involvement suspended	35%
	Student staff interactions	18%	Involvement suspended	Involvement suspended	21%
	Supportive learning environment	55%	Involvement suspended	Involvement suspended	56%

Scholarship Support – Continuing Students[14]		Actual	Actual	Actual	Investment
Impact	Input commitments	2010	2011	2012	Plan Target
Enhanced scholarship support for undergraduate continuing students	Scholarships for undergraduate continuing students	28 $40,366	35 $55,200	130 $673,935	130 $390,000

The University offered additional scholarships to returning students. These scholarships assisted in retaining existing students and assisting exchange students (both inbound and outbound) to take up the opportunities available. The plan (prepared in 2009) did not contemplate the University offering scholarships for exchange students.

The University continued to meet the targets for the achievement of students despite the unprecedented level of disruption faced by this cohort of students with 2657 students graduating in person in 2012. This is a tribute to the tenacity of both students and staff. Additional funding of scholarships was introduced to provide a further incentive for students to complete their studies at UC.

The primary challenge for UC in 2012 was to improve the academic performance of students as reflected in the course and qualification completion measures, and also the retention of students who may otherwise have not achieved to their potential. In 2012, the position of Student Success Manager was created to oversee and develop programmes that would improve retention and engagement of students, and lead to improved academic success. Various strategies have been developed to identify “at risk” students. Once identified, the students are encouraged to attend meetings with staff members to identify barriers to learning. The meeting provides an opportunity for the student to then be referred to existing support services such as the Health Centre (medical and counselling), disability support, Learning Skills Centre or student advisors. The student’s performance is monitored to ensure that the interventions are effective. It is more cost effective to retain existing students than it is to recruit new students, therefore initiatives to assist students to succeed will positively contribute to the recovery of student numbers in total, and the retention and course completion measures.

The implementation of Rautaki Whakawhanake Kaupapa Māori, the UC Strategy for Māori Development, is expected to have a positive impact on the recruitment, retention and success of Māori students. The strategy was adopted in November 2012, after an extensive consultation process.

Up to 2010, the University participated in the Australasian Survey of Student Engagement (AUSSE). It was expected that this would be an annual event to reflect the level of engagement with the student body. The disruption of 2011 precluded this activity. During 2012, students were frequently surveyed by both the UCSA and University (for both institutional and academic purposes) to the point that survey fatigue had started to emerge. As a result, it was decided to defer re-entry to the ASSE survey until at least 2013.

14 The figures are based on centrally funded scholarships paid and do not include College/departmental awards or summer research scholarships. Expenditure on summer scholarships has been reclassified to research scholarships.

Students were regularly asked to provide feedback on their courses and teachers through the course surveys and teaching surveys. This information is used to assist academic staff in evaluating the content of the courses and the teaching methods employed.

Information provided by the UCSA about student priorities supported the business cases for developments such as the James Hight Undercroft, and provided a useful perspective as marketing campaigns were developed. The University and UCSA jointly administer the funding derived from the Student Services Levy and contract various providers to deliver services ranging from student advocacy to sports and welfare to entertainment.

The University of Canterbury did participate in the international Student Barometer Survey which gave insight into the satisfaction of our international students. The International Student Barometer surveyed over 200,000 students in 16 countries around the world, including the USA, UK, Australia and Canada, to receive feedback on the quality of their experience at the university where they studied. When compared with the other countries, the average scores for UC were consistently higher than the overall average in all four categories: arrival, learning, living and support. UC scored the best in New Zealand in several categories including campus environment, registration process and language support. The outcome underpins our expectation that the number of international students will recover to previous levels.

The University offered additional scholarships to returning students. These scholarships assisted in retaining existing students and assisting exchange students (both inbound and outbound) to take up the opportunities available. The plan (prepared in 2009) did not contemplate the University offering scholarships for exchange students.

Priority Objective 3: Concentrate

Enhancing the quality and impact of research outputs

Research Outputs		Actual 2010	Actual 2011[15]	Actual 2012[16]	Investment Plan Target
Impact	**Output commitments**				
Increased research degree completions and external research income	Number of research degree completions	317	315	270	385
	External research income	$24.3m	$27.0m	$27.3m	$27.2m

Postgraduate enrolments		Actual 2010	Actual 2011	Actual 2012	Investment Plan Target
Impact	**Input commitments**				
Increased postgraduate enrolments as a % of total EFTS	Postgraduate taught EFTS	6.9%	7.3%	8.0%	7.5%
	Postgraduate research EFTS	7.1%	8.1%	8.6%	8.5%
	Total postgraduate EFTS	**14.0%**	**15.4%**	**16.6%**	**16.0%**

The percentage calculations for both postgraduate students are derived from relatively small numbers of students. The metric is very sensitive to relatively minor movements in the total number of students enrolling.

Māori and Pacific Research Students		Actual 2010	Actual 2011	Actual 2012	Investment Plan Target
Impact	**Input commitments**				
Increased postgraduate enrolments on the part of key priority learner groups	Māori postgraduate research students as a proportion of total Māori EFTS	3.3%	4.2%	4.0%	4.6%
	Pacific postgraduate research students as a proportion of total Pacific EFTS	5.4%	5.9%	5.5%	5.7%

Work integrated learning		Actual 2010	Actual 2011	Actual 2012	Investment Plan Target
Impact	**Output commitments**				
Improved work integrated learning (AUSSE)	Work integrated learning	37%	Involvement suspended	Involvement suspended	39%

Approximately one third of all University of Canterbury students are involved in some form of work integrated learning in the course of their study. Under the UC Futures project it is planned that this proportion will increase in the coming years.

15 *These figures have been updated from the provisional figures provided in the 2011 Annual Report. There is no significant difference between the above reported results for 2011 and those previously reported.*
16 *A number of research programmes were disrupted due to seismic activity resulting in extensions of time for students completing research degrees. The quantum of the completions may be subject to minor change.*

Scholarship Support – Research Students[17]		Actual 2010	Actual 2011	Actual 2012	Investment Plan Target
Impact	**Output commitments**				
Enhanced scholarship support for research students	Research scholarships awarded by the University	319 $5.3m	546 $6.2m	492 $7.1	403 $6.3m

The increased cost of scholarships resulted from extensions to research programmes granted as a result of earthquakes in 2011.

Research income for the year was a record $27.3 million. The smaller number of research degree completions achieved this year was anticipated. The disruptions of 2011 significantly affected postgraduate students who were in the early stages of their research. Students were offered extensions to their submission dates and these were generally accepted. This has lead to an increase in scholarship expenditure. It is expected that the uptake of targeted scholarships will increase when Rautaki Whakawhanake Kaupapa Māori, the UC Strategy for Māori Development, is fully implemented.

University of Canterbury researchers continued to be recognised for their achievements during the year. Of particular note, Emeritus Professor Roy Kerr became the first New Zealander to be awarded the Einstein Medal by the Albert Einstein Society in Switzerland. Professor Kerr earned the award for his 1963 discovery of a solution to Einstein's gravitational field equations.

The following University researchers were awarded Marsden Grants: Dr Heather Wolffram (Criminal minds: A history of forensic psychology, 1850–1950), Dr Donald Derrick (Saving energy vs. making yourself understood during speech production), Dr Maarten McKubre-Jordans (Non-classical foundations of mathematics), Dr Aaron Marshall (Electrocatalytic conversion of carbon dioxide to methanol), and Professors Mike Steel and Charles Semple (Genetic jigsaws with missing pieces: Mathematical challenges for piecing together evolution from patchy taxon coverage).

In conjunction with commercial partners, University of Canterbury researchers are working on developments to enhance the quality of life in New Zealand. At industry level, The Electric Power Engineering Centre (EPECentre) has a $6 million project looking at renewable energy and smart grids. This will contribute to a future NZ with greater renewable generation and improved energy security through development of a smarter, efficient, cost-effective and robust electricity generation system. The bid, led by the EPECentre[18] and the Electrical and Computer Engineering Department of the University of Canterbury, includes the University of Auckland and the Centre for Sustainability at the University of Otago. Industry partners include Transpower, Orion, Unison, Vector, Mighty River Power, Mercury Energy, the Electricity Engineers Association, and Fisher and Paykel.

At an individual level, in collaboration with Canterbury Scientific Limited, Dr Renwick Dobson has been awarded $1.1 million for the development of new blood tests for detecting people who have a high risk of developing secondary complications to diabetes. By 2020, one in 22 pakeha and one in six Māori and Pacific Island adults are predicted to have diabetes, in line with a worldwide epidemic. This is a major public health issue and a significant economic burden that could be substantially reduced if those most at risk of developing diabetic complications could be identified early and treated appropriately. The research aims to benefit a range of New Zealanders. The diabetes epidemic also secures a growing local and international market for Canterbury Scientific Limited (CSL), a highly successful emerging NZ company, to provide biomarkers to diagnostic companies and clinicians, building their product base and revenue streams.

The University has also been able to leverage the earthquake experience to attract additional funding for research across a wide range of disciplines, from psychology to engineering. There are now more than 200 research projects being undertaken in conjunction with central and local government agencies, Crown Research Institutes and industry partners.[19] Much of this research activity is informing decisions relating to the rebuild of Christchurch and the economic recovery of the region. This close relationship with the community provides opportunities for students (particularly postgraduate) to work with external agencies and to appreciate the challenges and pressures of various workplaces. Under the UC Futures programme, these opportunities will also be progressively offered to undergraduate students.

17 *With the change of KPI format, 2010 figures were restated in line with the 2011 calculations. The figures are based on centrally funded, paid scholarships and do not include College/departmental awards.*

18 *The EPECentre is a joint venture between the University of Canterbury and the electric power industry.*

19 *For the full description of the research activity, see the University of Canterbury* Research Report.

Priority Objective 4: Connect

Maintaining strong, collaborative and mutually beneficial relationships with stakeholders

Connect

Engagement with Māori		Actual 2010	Actual 2011	Actual 2012	Investment Plan Target
Impact	**Input commitments**				
Enhanced engagement with Māori	Regular discussions with mana whenua, tangata whenua and other Māori groups	Achieved	Achieved	Achieved	Achieved

Engagement with Pacific Communities		Actual 2010	Actual 2011	Actual 2012	Investment Plan Target
Impact	**Input commitments**				
Enhanced engagement with Pacific communities	Regular meetings of the Pacific Peoples' Advisory Group	Achieved	Not Achieved	Achieved	Achieved

Staff engagement and satisfaction		Actual 2010	Actual 2011	Actual 2012	Investment Plan Target
Impact	**Output commitments**				
Feedback from staff surveys	Passion Index/engagement	73%	Not measured	Not measured	74%
	Progress Index/satisfaction	53%	Not measured	Not measured	54%

Relationship with Alumni and Supporters		Actual 2010	Actual 2011	Actual 2012	Investment Plan Target
Impact	**Input commitments**				
Strengthened relationships with alumni and supporters	Total income through UC Foundation	$4.7m	$4.5m	$4.9m	$4.5m
	Number of alumni and proportion with current addresses	111,019 46%	115,090 47%	118,030 47%	114,900 50%

International Engagement		Actual 2010	Actual 2011	Actual 2012	Investment Plan Target
Impact	**Input commitments**				
Enhanced international networks[20]	Visiting Fellowships awarded	70	58	69	76
	Take-up of Outgoing awards	26	25	16	22

The number outgoing awards was less than planned as a numbers of staff members' personal circumstances precluded being overseas for an extended period.

20 Visiting fellowships comprise Erskine Fellowships, Oxford Fellowships, Cambridge Fellowships and Canterbury Visiting Fellowships. These enable distinguished overseas scholars to visit the University. Outgoing awards comprise Oxford awards, Cambridge awards and Erskine awards. These enable University of Canterbury staff to visit overseas institutions.

In 2012, the University made significant advancements in its engagement with external stakeholders.

This was driven, in part, by the UC Futures project to secure government support to aid UC's recovery from the financial implications of the 2010 and 2011 earthquakes.

The University engaged with and received broad-based endorsement from Ngāi Tahu and a wide range of educational, business and community leaders who shared our view that a strong university goes hand-in-hand with a robust, cohesive and growing economy and community.

The University has also provided a number of support measures for staff who have faced disruption at home and in the workplace. Courses have been provided to assist in the development of personal resilience, the employee assistance programme has provided assistance to a number of staff members who needed additional support, and the provision of earthquake leave of up to three weeks has enabled staff to be available to meet with insurers and the Earthquake Commission during working hours. The staff survey was not undertaken this year as the results were deemed unlikely to provide data that was comparable to previous survey results.

We are committed to supporting the recovery of Christchurch through closer partnerships with the business sector, secondary schools, Ngāi Tahu, partner institutions, other tertiary education providers and Crown Research Institutes.

Our relationship with Ngāi Tahu has evolved significantly since the development of the Investment Plan. The collaboration with Ngāi Tahu spans the University from meetings at governance level to research (through the Ngāi Tahu Research Centre) and teaching through the implementation of Rautaki Whakawhanake Kaupapa Māori, the UC Strategy for Māori Development, which includes in its aims that all staff and graduates will have cultural competence and confidence to contribute to Māori and indigenous knowledge economies. Our engagement with Pacific peoples has not evolved to the same level of sophistication. Meetings are held with the community. We expect to see the relationship mature and broaden in a similar manner to the relationship with Ngāi Tahu.

A new, medium term (2013-2015) stakeholder engagement strategy has been developed to ensure a consistent and coordinated approach to stakeholder relations. A key component of our strategy is to advance the University's connectedness with the local community, particularly businesses and schools.

Another important component of our plan for the future is a commitment to engage in Christchurch's new central city health precinct, reflecting our vision of a university that isn't just a place students come to when they want a degree, but a university that is a learning environment well connected with its communities.

Other significant activities in 2012 included the introduction of a new, free, weekly public lectures series known as the What If Wednesday series. The series consisted of 24 lectures, with an overall attendance figure of 2,400 people. The 2013 series will consist of 39 lectures.

The University was a supporter of the inaugural Seismics and the City conference, which saw public and private organisations share their learning from the February 2011 earthquake. UC was also a strategic partner in the inaugural Icefest festival which attracted 97,000 visitors and enabled UC to share its scientific expertise with the wider community.

Enhanced engagement with our alumni contributed to the University achieving record levels of philanthropic support. This level of support would not have been achieved without current contact details for alumni. The maintenance and development of our alumni database will be critical to maintaining the level of philanthropic support.

An affinity telephone fundraising campaign saw just over 4,000 alumni contacted with 1,260 pledging, between them, just under $300,000 to the University. The telephone campaign was part of the 2012 Annual Appeal, which was a component of the University's overall fundraising activities which raised $6 million.

The University would like to take this opportunity to thank all its stakeholders for their support in 2012. There is still work to be done and we look forward to continuing to work with our stakeholders on building a learning environment that is well connected with our local, national and international communities.

Annual Financial Statements

Statement of Accounting Policies

For the year ended 31 December 2012

REPORTING ENTITY

The University of Canterbury Group is domiciled in New Zealand and consists of the University of Canterbury and its subsidiary, Canterprise Limited (100% owned) and Canterprise's former subsidiaries. Canterprise Limited is incorporated in New Zealand. The subsidiaries of Canterprise Limited were transferred to the University of Canterbury as at 21 December 2012 to be treated as investments. The subsidiaries transferred were: Canterprise Nominees Limited, Canterprise Trustees (No 2) Limited, Canterprise Trustees Arcactive Limited and Entre Limited. The transferred subsidiaries are all in the process of being wound up. Both the Group and the University's financial results are disclosed.

The University is a Tertiary Education Institution governed by the Education Act 1989.

The primary objective of the University of Canterbury is to provide education and, as such, has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the University of Canterbury and group are for the year ended 31 December 2012. The financial statements were authorised for issue by Council on 27 February 2013.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

We draw attention to the prior period error and the change in accounting for subscriptions to periodicals set out in Note 24 and Note 27 to the financial statements, and to the change in accounting estimate in respect of the depreciation of books in the current collection per "Change in Accounting Estimate" below.

BASIS OF PREPARATION

Statement of compliance

The financial statements of the University have been prepared in accordance with the requirements of the Crown Entities Act 2004, Financial Reporting Act 1993 and the Education Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

These financial statements have been prepared under the going concern assumption. This is discussed further in Note 25.

Measurement base

The financial statements have been prepared on an historical cost basis, adjusted by the revaluation of certain assets and derivatives.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

Changes in accounting policies

There have been no changes in accounting policies, except for the change in accounting for subscriptions to periodicals, as set out in Note 24.

Standards, amendments and interpretations issued that are not yet effective and have not been adopted early

As the External Reporting Board is consulting on a new accounting standards framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2012 will not be applicable to public benefit entities. This means that the financial reporting requirements for public benefit entities are expected to be effectively frozen in the short term. Accordingly, no disclosure has been made about new or amended NZ IFRS.

SIGNIFICANT ACCOUNTING POLICIES

The following are the particular accounting policies that have a material effect on the measurement of financial performance and the financial position.

Basis of Consolidation

The purchase method is used to prepare the group financial statements, which involves adding together like items of assets, liabilities, equity, income, expenses, and cash flows on a line-by-line basis. All significant intra-group balances, transactions, income, and expenses are eliminated on consolidation.

Subsidiaries

The University consolidates in the group financial statements all entities where the University has the capacity to control the financing and operating policies of an entity so as to obtain benefits from the activities of the entity. This power exists where the University controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the University or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Investments in subsidiaries are carried at cost, less impairment, in the University's parent entity financial statements.

Associates

The University's associate investment is accounted in the group financial statements using the equity method. An associate is an entity over which the Institute has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition.

The group's share of the surplus or deficit of the associate is recognised in the group surplus or deficit. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.

If the share of deficits of an associate equals or exceeds an interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the group transacts with an associate, surplus or deficits are eliminated to the extent of the group's interest in the relevant associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

Investments in associates are carried at fair value in the University's parent entity financial statements.

Revenue

- Government grants are recognised as revenue on entitlement.
- Student tuition fees are primarily recognised as revenue over the twelve month period.
- Research grants are recognised as revenue on a percentage completion method, which is based on the proportion of costs incurred as a percentage of the total costs. Research grant revenue not expended is shown in the Statement of Financial Position as 'Funds Received in Advance'. Research grants that are milestone specific are treated as revenue as milestones are achieved.
- Insurance proceeds are recognised as revenue when the claimable expenditure is incurred. This expenditure is verified by the Marsh Risk Consulting forensic accounting team prior to submission to the insurer. Rejection rates to date have been insignificant.
- Donations of money are recognised immediately as revenue unless a condition is attached. If a condition is attached it would be recognised as a liability until the condition is met at which time it would be recognised as revenue.
- Donations of assets are recorded at fair value on receipt and recognised as revenue.
- Reversionary interest income is recognised to reflect the Campus Living building assets, which will become University assets in 2040. The interest is calculated using the latest building valuation and a discounted cashflow methodology.

Derivative Financial Instruments

The University enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in notes 16 and 17.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the surplus or deficit immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the surplus or deficit depends on the nature of the hedge relationship. The University designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge Accounting

The University designates certain hedging instruments, which may include derivatives, embedded derivatives and non-derivatives in respect of foreign currency exchange risk and interest rate risk as cash flow hedges. Hedges of foreign currency exchange risk on firm commitments, forecast transactions, and hedges of interest rate risk on future interest payments, are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the University documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Note 17 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of changes in equity.

Cash flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated as a separate component of equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the surplus or deficit, and is included in the other income or general expenditure line items.

Amounts recognised in the hedging reserve are reclassified from equity to the surplus or deficit (as a reclassification adjustment) in the periods when the hedged item is recognised in the surplus or deficit, in the same line as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the hedging reserve are reclassified from equity and included in the initial measurement of the cost of the asset or liability (as a reclassification adjustment).

Hedge accounting is discontinued when the University revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the surplus or deficit. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in the hedging reserve is recognised immediately in the surplus or deficit.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks and other short-term highly liquid cash investments with original maturities of three months or less from date of acquisition.

Trade and Other Receivables

Receivables are initially measured at fair value and then adjusted for amounts not considered recoverable.

All receivables that are 180 days past due date are considered unrecoverable unless there is a clear agreement for repayment. Receivables over $1,000 that are 90-180 days overdue are also assessed for recoverability based on the type of debtor, relationship to the University, communications with the debtor and predicted chances of recovery and costs associated with recovery.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential. Loss of service potential is assessed by physical inspection when stocktakes occur.

Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Any obsolete inventories have been written off.

Other Financial Assets & Liabilities

- The University classifies its financial assets into the following three categories: financial assets at fair value through the surplus or deficit; loans and receivables; and financial assets at fair value through Other Comprehensive Income. The classification depends on the purpose for which the investments were acquired. The University determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.
- All financial assets and financial liabilities are initially recognised at fair value.
- Further details of other financial assets and liabilities are included in Note 16.

Property Plant and Equipment

Land and Buildings

- Land has been valued at fair value by CB Richard Ellis Limited as at 31 December 2012. The fair value of land is determined by reference to its highest and best use vacant and then adjustments are made for possible legal impediments to achieving the fair market value of the land highest and best use. The fair value of land is normally determined from market based evidence, and a discounted cash flow basis and there is no optimisation process applied. As there is no sales based market evidence the valuation is based on a discounted hypothetical development less allowances for legal impediments.
- Buildings, on a component basis, have been valued by CB Richard Ellis Limited at depreciated replacement cost as at 31 December 2012 except where there exists a contestable market and in which case a comparative sales or discounted cash flow approach is used. The valuation makes no adjustment for any contingent costs, associated with strengthening, for those buildings that have a seismic rating of less than 67% of the New Building Standard or impairment.
- The depreciated replacement cost methodology is based on the current gross replacement cost of buildings less allowances for physical deterioration, and optimisation for obsolescence and relative surplus capacity. The Building Valuation completed by CB Richard Ellis Limited has been modified by the University to allow for the impact of the Canterbury earthquakes. This is explained in Note 25.
- Independent registered valuers undertake revaluations of Land and Buildings every three years, unless there is reason to suggest that values have changed materially in the intervening years, in which case a revaluation may be undertaken outside of the three year cycle, which is currently the case.
- Additions to Land and Buildings subsequent to the date of valuation are recorded at cost. Where a Land and Building asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.
- Any gains or losses on a disposal of Land or Buildings are determined by comparing the proceeds, if any, with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When re-valued assets are disposed of, the amounts included in the asset revaluation reserves in respect of those assets are transferred to General Equity.

Infrastructure Assets

- Infrastructure Assets have been valued by AECOM as at 1 December 2011 at depreciated replacement cost.
- Independent registered valuers undertake revaluations of Infrastructure Assets every three years, unless there is reason to suggest that values have changed materially in the intervening years, in which case a revaluation may be undertaken outside of the three year cycle.
- Additions to Infrastructure Assets subsequent to the date of valuation are recorded at cost. Where an Infrastructure asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.
- Any gains or losses on a disposal of Infrastructure Assets are determined by comparing the proceeds, if any, with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When re-valued assets are disposed of, the amounts included in the asset revaluation reserves in respect of those assets are transferred to General Equity.

Library

- The Current Collection is valued at historical cost less depreciation.
- The Permanent Collection is valued on a fair value basis as at 31 December 2010 by Jones Lang Lasalle Limited. The valuation was carried out in accordance with The Treasury valuation guidelines. Non-specialised assets have been valued at market value and specialised assets have been valued on a depreciated replacement cost basis. The Permanent Collection is revalued every three years by an independent registered valuer.
- Donated books have been included at estimated market value.
- Additions to Library Assets subsequent to the date of valuation are recorded at cost.
- Any gains or losses on the disposal of Library Assets are determined by comparing the proceeds, if any, with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When re-valued assets are disposed of, the amounts included in the asset revaluation reserves in respect of those assets are transferred to General Equity.

Artworks/Medals/Logie Collection

- Artworks are initially recorded at cost and then revalued on a three yearly cycle. They were valued at fair value by Independent Art Valuations Ltd as at 31 December 2010. Fair value was determined by reference to market values for comparable works and the size and condition of the piece.

- Donated artworks have been included at fair value and will be subject to the three yearly revaluation cycle.
- Medals are initially recorded at cost and then revalued on a five yearly cycle. They were valued at fair value by R. J Watt & Associates as at 18 December 2008. Fair value was determined by reference to the NZ market and, where appropriate, the global market adjusted for the condition of the medal, rarity and any premium associated with the recipient. The latter particularly applies to the Lord Rutherford medal collection.
- The Logie Collection is revalued on a five yearly cycle. It has been valued at the replacement cost by James Ede, Director of Charles Ede Limited in London, at the valuation date of 25 September 2012. James Ede has 30 years of commercial experience in Classical and Pre-Classical antiquities.
- Medals, Artworks and the Logie Collection valuations are carried out by independent valuers.
- Additions to Artworks subsequent to the date of valuation are recorded at cost. Where an Artwork is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.
- Any gains or losses on the disposal of Artworks, Medals and the Logie Collection items are determined by comparing the proceeds, if any, with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When re-valued assets are disposed of, the amounts included in the asset revaluation reserves in respect of those assets are transferred to General Equity.

Plant and Equipment

- Assets including plant, equipment, motor vehicles and furniture are recorded at cost less accumulated depreciation. Assets with a cost value lower than $2,500 are expensed on acquisition, with the exception of computers and data projectors, which are capitalised regardless of cost.
- Additions to Plant and Equipment assets are recorded at cost. Where Plant and Equipment is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.
- Gains and losses on disposals of Plant and Equipment are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

Capital Work-in-Progress

Capital work-in-progress is valued on the basis of expenditure incurred and certified gross Progress Claim Certificates up to balance date. Work-in-progress is not depreciated. The total cost of a project is transferred to the relevant asset class on completion and then depreciated accordingly.

Course development and website costs

Course development costs are not capitalised. Any costs involved in the development of new courses are expensed in the year incurred. Website development costs are normally expensed unless the development has resulted in new functionality in which case the cost is capitalised.

Intangible Assets

Software acquisition and development

- Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation of Software

- The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.
- The useful lives of the University's software ranges from 3–10 years.

Accounting for Revaluations of Property Plant and Equipment

The University accounts for revaluations on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Impairment of Property Plant and Equipment

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets any impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, any impairment loss is recognised in the surplus or deficit.

The reversal of any impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus or deficit.

Depreciation of Property Plant and Equipment

All items of property, plant and equipment other than Land, the Permanent Collection, and the Artworks Collection are depreciated using the straight-line (SL) method, at rates that will write off the cost of assets less their residual values, over their estimated remaining useful lives. Depreciation rates used are as follows:

• Buildings Components	
– Structure	1.25–2% SL
– Building Services	2.50–6.70% SL
– Fittings and Fit-out	4.00% SL
– Furnishings (chattels)	5.00% SL
• Infrastructure Assets	0.95%–33.3% SL
• Other Plant and Equipment	6.7% to 33.3% SL
• Leased Equipment	33.3% SL
• Current Collection (Library)	10.00% SL

- Medal, Artwork and the Permanent collections are not depreciated because they are maintained such that they have indefinite or sufficiently long useful lives that any depreciation is considered negligible.

Refer to "Change in Accounting Estimate" below for the change in depreciation rates this year in relation to the Current Collection (Library).

Leases

Finance Leases

- Leases which effectively transfer substantially all the risks and benefits of ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the Statement of Financial Position. The leased assets are depreciated over the period of expected benefit from the asset's use on a straight line basis.

Operating Leases

- Leases that do not transfer the risks and rewards incidental to ownership are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.
- The University has entered into a thirty-five year lease of its student accommodation facilities with Campus Living Villages Ltd. Lease rental was received in advance in 2005 and will be recognised as income equally over the period of the lease.
- The present value of Term - Revenue Owing from this transaction is reflected as a separate Non Current Asset and corresponding Non Current Liability.

Provisions

Provisions are required for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event that makes it probable that expenditure will be required to settle the obligation. Provisions are only recognised when a reliable estimate can be made as to the amount of the obligation. Provisions are not made for future operating losses.

Employee Entitlements

Provision is made in respect of the University's liability for annual leave, long service leave, retirement leave, sick leave and earthquake related leave.

- Annual leave which has vested in the employee (an entitlement has been established) has been measured at nominal value using remuneration rates current at reporting date. This provision is shown as a Current Liability.
- Long Service leave for all eligible staff is equal to the present value of the estimated future cash flows as a result of employee service, as calculated at balance date by an independent actuary. The portion which has already vested in the employee (an entitlement has been established) is presented as a Current Liability using remuneration rates current at reporting date. The balance is shown as a Non Current Liability.
- Retirement leave for all eligible staff is equal to the present value of the estimated future cash flows as a result of employee service, as calculated at balance date by an independent actuary. This provision is shown as a Non Current Liability, except for the estimated amount attributable to retirees for the following financial period – this is shown as a Current Liability.
- Sick leave for all eligible staff is calculated at balance date by an independent actuary and is an actuarial function of the extent to which absences are expected to be greater than sick leave entitlements earned over the next twelve months and future years. The liability balance is split into a current and non-current portion.
- Earthquake related leave is based on all continuing employees being eligible for a maximum of 15 days from 1 August 2011, to be used before 31 December 2013. The provision allowed for assumes that the number of days taken will be dependent on estimated earthquake damage zones of employees residence and the value of this provision has been measured using remuneration rates current at reporting date. This provision is shown as a Current Liability.
- The present value of long service, retirement and sick leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The key assumptions used in calculating this liability include the discount rate and the salary growth factor. Any changes in these assumptions will impact on the carrying amount of the liability. The valuation was carried out by an independent actuary, Eriksen & Associates Ltd, as at 31 December 2012 and they have based their valuation on the model recommended by Treasury for reporting purposes of Crown Entities.

Superannuation

Defined Benefit Plan

- The University is party to the Government Superannuation Fund (GSF) but has no underwriting responsibilities as any shortfall is met by the Government. Insufficient information is available to use defined benefit accounting as it is not possible to determine from the terms of the scheme the extent to which the surplus / deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Defined Contribution Plan

- Any superannuation defined contributions are undertaken and reflected as normal operating expenses and are included within both the surplus or deficit and Statement of Financial Position as appropriate.

Foreign Currencies

- Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the exchange rates prevailing at the dates 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 surplus or deficit.

Borrowings

- Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.
- Borrowings are classified as current liabilities unless the University has an unconditional right to defer settlement of liability for at least 12 months after balance date or if the borrowings are expected to be settled within 12 months of the balance date.

Borrowing Costs

The University has elected to defer the adoption of the revised NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with the transitional provisions of NZ IAS 23 that are applicable to public benefit entities. Consequently, all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in the period in which they are incurred.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components. The components of equity are:

- General funds;
- Cash flow hedge reserves;
- Property revaluation reserves; and
- Fair value through other comprehensive income reserves.

Cash flow hedge reserves

This reserve relates to the movements of fair value of all foreign exchange forward contracts and interest rate swaps.

Property revaluation reserves

This reserve relates to the revaluation of building, land, library and collections to fair value. The Building Revaluation Reserve is currently $nil due to significant impairment in 2011 as a result of earthquake damage.

Fair value through other comprehensive income reserves

This reserve comprises the cumulative net change in the fair value of "fair value through other comprehensive income" instruments.

Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables which are stated GST inclusive. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense. GST owing to the Inland Revenue Department as at 31 December 2012 is included in Accounts Payable.

Taxation

The University is exempt from the payment of income tax as it is treated by the Inland Revenue Department as a charitable organisation. Accordingly, there is no provision for income tax.

Critical Accounting Estimates and Assumptions

In preparing these financial statements the University has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Land and Buildings Valuations

- The valuation from CB Richard Ellis Limited assumes that there were no physical consequences of the Canterbury earthquakes that had a detrimental effect on the value of the land and buildings. It also assumes there are no rectification costs which are not covered by insurance and hence no extraordinary costs that will warrant deductions from the valuation. The University has adjusted the valuation to allow for the decrease in value in the buildings asset as at 31 December 2012 for unremediated earthquake damage. Note 25 explains the rationale for this and the methodology used, and highlights risks that estimates of damage to buildings may be different from that reflected in these financial statements.
- In performing depreciated replacement cost valuations with respect to buildings, estimates are made when determining the remaining useful lives over which the asset will be depreciated. If useful lives do not reflect the actual consumption of the benefits of the asset, then the University could be over or under estimating the annual depreciation charge recognised as an expense in the surplus or deficit. The cost element is determined by indexing to building cost indexes.
- A key assumption of the land valuation was that an allowance was made to reflect the possible legal impediments to achieving the fair market value of the land's highest and best use. The assumption used was a 10% reduction in market value.
- The valuation excludes any capitalization for any borrowing costs that may have been incurred in the construction or acquisition of a component asset.
- The valuation excludes any optimization adjustment in respect of obsolescence or surplus capacity. However, adjustments have been made as appropriate to fairly reflect remaining lives by reference to physical condition and capital expenditure.
- The valuation of land and improvements that are leased to Campus Living ignores the lease impediment and treats the valuation in the same fashion as the balance of the University Campus assets.
- The valuation merges the interests of the Crown and the University in respect of the Dovedale campus.

Reversionary Interest

A reversionary interest is recognised representing the progressive recognition of the value of the Campus Living accommodation which reverts to University ownership in 2040. The key assumption used in calculating this revenue is the discount rate at 5.77% (December 2011: 6.21%). Any changes in this rate will impact on the revenue recognised.

Long Service, Retirement and Sick Leave

The estimates and uncertainties surrounding these valuations include an estimation of salary growth rate of 3.0%, resignation rates (as per Government Superannuation Fund), retirement rates (as per Government Superannuation Fund) and discounting rates (as per those adopted by Treasury for reporting purposes of Crown Entities – 2.44% to 6.00%).

Earthquake Leave

Assumptions have been made around earthquake leave pertaining to the number of employees in each zone and the number of earthquake leave days an employee is likely to use in each of those zones. Had the original calculation assumed that all staff would use the full 15 days the total provision would have been $7.786 million. The value of this provision in the accounts sits at $3.724 million. The assumptions used apply the full 15 days for the assumed percentage of employees in the red zone; 10 days for the assumed percentage of employees in the orange zone; and 5 days for the assumed percentage of employees in the green zone. These percentages are then applied against remuneration rates, current at reporting date, for continuing employees. The provision is then reduced to take into account days used to 31 December 2012.

Recognition of Insurance Recoveries

Insurance Recoveries have been recognised based on costs incurred to date in respect of both the Business Interruption and Material Damage claims. At this stage no insurance recoveries have been recognised for any loss of income with respect to the Business Interruption claim given the uncertainty surrounding this area and negotiations with the insurers are ongoing. The University uses the forensic accounting and claims services of Marsh Risk Consulting to verify all claimed items prior to submission to the insurers. As a result, the University is confident that any expenditure incurred (less insurance excess) will be successfully claimable from the insurers.

The University is in the early stages of the remediation programme, and negotiations with the insurers are also ongoing in this respect. During the year, estimates in repair costs have risen significantly and further earthquake damage continues to be revealed. Given the degree of variation in the Rawlinsons building damage estimates to date ($120 million at 31 December 2011 to $390 million at 31 December 2012) and ongoing discussions with insurers over business interruption insurance, it is the University's view that there is insufficient certainty to recognise any future insurance claims as revenue in 2012. This differs from our position at the last reporting date of 30 June 2012 where we were of the view that the estimated damage was certain enough to meet the "reliably measured" recognition criteria and had recognised insurance recoveries to that level. See Note 25 and Note 27 for more details.

Change in Accounting Estimate

The University of Canterbury has historically depreciated its Library Current Collection on a diminishing value basis, varying from 6% DV to 15% DV across seven distinct categories. The change in the depreciation rates arising from the review to a 10 year straight line method has increased the depreciation expense in the current year by $2.221 million. The impact of the change in 2013 is estimated to be an increase in the annual depreciation expense of $2.304 million.

As at 1 July 2012, the University has determined that more reliable and relevant information will be provided by adopting a Straight Line depreciation method over a 10 year period, applied across the entire Current Collection. This more accurately reflects the useful life of a modern University Library asset held across both written and electronic media, and where texts are increasingly of a multi-disciplinary nature.

During the year, the University also reviewed its Current Collection of Library books and determined that usage of books after 10 years was negligible, and so that books older than 10 years had no value in use. This has resulted in an impairment charge of $17.818 million.

Interim Financial Statements

The University published unaudited financial statements for the 6 months to 30 June 2012. Certain estimates in those statements have been revised as part of the preparation of the audited financial statements to 31 December 2012. See Note 27 for further details.

Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
OPERATING INCOME						
Government Grant		125,237	119,566	125,237	119,566	116,771
Performance Based Research Funding (PBRF)		26,284	28,409	26,284	28,409	27,016
Student Tuition Fees Domestic Fee Paying		59,580	58,809	59,580	58,809	54,961
Student Tuition Fees Full Fee Paying		18,568	19,403	18,568	19,403	17,186
Student Tuition Fees Other		591	1,090	591	1,090	1,105
Student Services Levy		7,369	8,352	7,369	8,352	7,820
Other Student Related Fees		756	719	756	719	828
Research Income		27,328	26,998	27,328	26,998	22,802
Interest Income		4,498	5,183	4,497	5,183	3,105
Other Income	1	23,031	22,187	22,174	21,907	24,167
TOTAL OPERATING INCOME		**293,242**	**290,716**	**292,384**	**290,436**	**275,761**
OPERATING EXPENDITURE						
Personnel Expenses	2	175,351	172,119	175,351	172,119	169,562
Site & Property Costs		10,359	8,988	10,359	8,988	12,562
General / Operating Expenditure	3	76,717	66,939	76,330	66,579	74,576
Finance Charges	4	4,054	4,030	4,054	4,030	3,933
Depreciation, Amortisation and Impairment	8, 25	53,320	31,295	53,320	31,295	32,567
TOTAL OPERATING EXPENDITURE		**319,801**	**283,371**	**319,414**	**283,011**	**293,200**
Results from operating activities before the direct costs & insurance proceeds as a result of the earthquakes		(26,559)	7,345	(27,030)	7,425	(17,439)
Effect of Canterbury earthquakes						
Additional Costs	25	(7,613)	(22,453)	(7,613)	(22,453)	–
Insurance proceeds to date	25	41,023	56,646	41,023	56,646	6,098
Write off in Excess of Revaluation Reserve due to impairment of Buildings	25	(107,707)	(10,147)	(107,707)	(10,147)	–
Writeback of Revaluation Reserve	25	34,256	–	34,256	–	–
Assets written off/derecognised	25	–	(2,550)	–	(2,550)	–
Total Effect of Canterbury Earthquakes		(40,041)	21,496	(40,041)	21,496	6,098
Net surplus/(deficit) from operating activities after the impact of the earthquakes		(66,600)	28,841	(67,071)	28,921	(11,342)

The accompanying policies and notes form an integral part of these financial statements.

	Notes	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
Other Comprehensive Income						
Movements in revaluation reserves relating to Building Asset valuations	25	–	(73,669)	–	(73,669)	–
Movements in revaluation reserves relating to Library Permanent Collection	8	2,592	–	2,592	–	–
Movements in revaluation reserves relating to Land valuations	8	3,325	–	3,325	–	–
Impairment due to Canterbury Earthquakes	25	–	(83,402)	–	(83,402)	–
Movement in revaluation reserves for Infrastructure Asset valuations		–	13,352	–	13,352	–
Net Movements in revaluation reserves		5,917	(143,719)	5,917	(143,719)	–
Arcactive Limited accounted for as Associate	18	–	404	–	–	–
Effective portion of changes in fair value of cash flow hedges	18	(1,753)	(2,351)	(1,753)	(2,351)	–
Adjustment to New Zealand Synchrotron Group Limited valuation	18	(124)	(116)	(124)	(116)	–
Adjustment to South African Large Telescope (SALT) valuation	18	(51)	–	(51)	–	–
Total Other Comprehensive Income		3,989	(145,782)	3,989	(146,186)	–
TOTAL COMPREHENSIVE INCOME		**(62,611)**	**(116,941)**	**(63,082)**	**(117,265)**	**(11,342)**

Significant variances to budget are explained in Note 26 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2012 BUDGET.

Statement of Changes in Equity

For the year ended 31 December 2012

	Notes	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
Opening Balance 1 January		584,711	719,477	584,875	719,964	–
Prior Period Error – Writedown of Library Assets	24	–	(17,825)	–	(17,825)	–
Balance at 1 January		584,711	701,652	584,875	702,140	774,985
Comprehensive income						
Surplus/(deficit) – as restated	18	(66,600)	28,841	(67,071)	28,921	(11,342)
Other comprehensive income	18	3,989	(145,782)	3,989	(146,186)	–
Total comprehensive income		(62,611)	(116,941)	(63,082)	(117,265)	(11,342)
Balance as at period end		522,100	584,711	521,793	584,875	763,644

Significant variances to budget are explained in Note 26 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2012 BUDGET.
The accompanying policies and notes form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2012

	Notes	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
CURRENT ASSETS						
Cash and Cash Equivalents	5	17,688	38,572	17,629	38,506	49,813
Other Financial Assets / Short Term Deposits	16	57,665	28,000	57,665	28,000	–
Receivables	6	8,779	22,628	8,779	22,627	7,900
Prepayments		6,832	12,262	6,832	12,262	6,481
Inventories	7	1,437	1,644	1,437	1,644	1,648
Total Current Assets		92,401	103,106	92,342	103,039	65,842
LESS CURRENT LIABILITIES						
Funds Received in Advance	11	22,307	21,117	22,307	21,117	18,568
Accounts Payable	12	21,199	16,518	21,895	16,522	20,203
Current Loans & Leases	13	2,032	2,311	2,032	2,311	2,032
Philanthropic Bond	14	2,000	–	2,000	–	2,000
Current Provisions – Employee Entitlements	15	14,784	16,552	14,784	16,552	11,875
Total Current Liabilities		62,322	56,498	63,018	56,503	54,678
WORKING CAPITAL		**30,080**	**46,608**	**29,324**	**46,536**	**11,164**
NON CURRENT ASSETS						
Land	8	100,085	96,760	100,085	96,760	96,760
Buildings	8, 25	286,937	343,064	286,937	343,064	550,322
Infrastructure Assets	8	22,393	22,918	22,393	22,918	–
Plant & Equipment	8, 25	35,244	34,717	35,241	34,716	39,588
Leased Equipment	8	3,700	6,285	3,700	6,285	3,700
Library	8, 25	66,928	87,010	66,928	87,010	108,907
Intangible Assets	8	5,548	5,765	5,548	5,765	–
Capital Work-In-Progress	8	65,783	37,975	65,783	37,975	41,189
Investments	9	1,060	1,448	1,510	1,684	1,501
Term – Receivable	10	1,533	1,433	1,533	1,433	1,533
Other Non Current Assets	10	6,743	4,325	6,743	4,325	4,040
Total Non Current Assets		595,954	641,700	596,402	641,935	847,540

The accompanying policies and notes form an integral part of these financial statements.

	Notes	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
NON CURRENT LIABILITIES						
Loans & Leases	**13**	1,960	4,069	1,960	4,069	1,960
Other Financial Liabilities	**16**	4,785	3,032	4,785	3,032	–
Philanthropic Bond	**14**	47,186	49,067	47,186	49,067	47,790
Term Provisions – Employee Entitlements	**15**	25,350	21,947	25,350	21,947	20,792
Term – Funds Received in Advance	**11**	24,653	25,482	24,653	25,482	24,518
Total Non Current Liabilities		103,934	103,597	103,934	103,597	95,060
TOTAL NET ASSETS		**522,100**	**584,711**	**521,792**	**584,875**	**763,644**
REPRESENTED BY :						
General Equity	**18**	401,126	467,726	400,818	467,890	472,903
Revaluation Reserves	**18, 25**	126,752	120,835	126,752	120,835	290,741
Cashflow Hedge Reserve	**18**	(4,785)	(3,032)	(4,785)	(3,032)	–
Fair Value Through Other Comprehensive Income Reserve	**18**	(993)	(818)	(993)	(818)	–
TOTAL EQUITY		**522,100**	**584,711**	**521,792**	**584,875**	**763,644**

Significant variances to budget are explained in Note 26 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2012 BUDGET.
The accompanying policies and notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
OPERATING ACTIVITIES						
Cash provided from:						
Government Grant		151,521	147,975	151,521	147,975	143,787
Tuition Fees		78,591	78,722	78,591	78,722	75,280
Other Income		58,473	58,454	58,198	58,181	55,916
Agency Funds		3,627	3,555	3,627	3,555	–
Interest Received		4,110	5,948	4,110	5,948	3,105
Insurance Proceeds from Earthquake		14,913	12,504	14,913	12,504	6,098
		311,234	307,158	310,959	306,884	284,186
Cash applied to:						
Personnel Expenses		173,110	164,422	173,110	164,421	168,604
Site & Property Expenses		10,401	9,027	10,401	9,027	12,562
General / Operating Expenses		69,832	68,687	69,549	68,413	71,385
Agency Funds		3,627	3,555	3,627	3,555	–
Interest Paid		3,935	4,154	3,935	4,154	3,934
Net GST Movement		(1,548)	1,565	(1,549)	1,566	–
Earthquake Expenses		7,613	22,453	7,613	22,453	–
		266,970	273,862	266,686	273,589	256,485
Net cash provided by Operating Activities	19	**44,264**	**33,296**	**44,273**	**33,296**	**27,701**
INVESTING ACTIVITIES						
Cash provided from:						
Proceeds from disposal of Fixed Assets		76	24	74	26	–
Earthquake Insurance Proceeds		37,809	33,030	37,809	33,030	–
Maturity of Deposits with terms greater than 3 months but less than 12 months		28,000	115,469	28,000	115,469	–
		65,885	148,523	65,883	148,525	–
Cash applied to:						
Capital Expenditure		71,362	89,892	71,362	89,892	38,473
Deposits with terms greater than 3 months but less than 12 months		57,665	90,010	57,665	90,010	–
		129,027	179,902	129,027	179,902	38,473
Net cash used in Investing Activities		**(63,142)**	**(31,379)**	**(63,144)**	**(31,377)**	**(38,473)**

The accompanying policies and notes form an integral part of these financial statements.

	Notes	*2012 University & Group Actuals ($000's)*	*2011 University & Group Actuals ($000's)*	*2012 University Actuals ($000's)*	*2011 University Actuals ($000's)*	*2012 University Budget ($000's)*
FINANCING ACTIVITIES						
Cash applied to:						
Repayment of Loans		2,109	917	2,109	917	2,753
Net cash provided by Financing Activities		**(2,109)**	**(917)**	**(2,109)**	**(917)**	**(2,753)**
Net increase (decrease) in cash held		(20,987)	1,000	(20,980)	1,002	(13,525)
Cash and Cash Equivalents on hand at beginning of period		38,572	37,608	38,506	37,540	63,338
Effects of exchange rate changes on the balance of cash held in foreign currencies		102	(36)	102	(36)	–
Cash and Cash Equivalents on hand at end of period		17,688	38,572	17,629	38,506	49,813
Represented by:						
Cash and Cash Equivalents		17,688	38,572	17,629	38,506	49,813
		17,688	38,572	17,629	38,506	49,813

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Significant variances to budget are explained in Note 26 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2012 BUDGET.

The accompanying policies and notes form an integral part of these financial statements.

Statement of Commitments

As at 31 December 2012

Capital Commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have not been paid for or not recognised as a liability at balance date. Capital commitments listed below represent contractual commitments.

Non-cancellable Operating Lease Commitments

The University leases property in the normal course of business. These leases are predominantly for premises which have non-cancellable leasing periods ranging from six months to 33 years. The leases have varying terms and renewal rights. There are no restrictions placed on the University by any of its leasing arrangements.

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)
Capital Commitments				
Not later than one year	25,889	12,014	25,889	12,014
Two to five years	5,021	200	5,021	200
Total Capital Commitments[1]	30,910	12,214	30,910	12,214

1 Total Capital Commitments include James Hight Window Replacement $4.5M, Registry and Law Building Betterment of $6.6M and $7.9M respectively and Undercroft – Stage 3, $2.9M.

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)
Non-cancellable Operating Lease Commitments as Lessee				
Not later than one year	136	329	136	329
Two to five years	75	108	75	108
Later than five years	192	176	192	176
Total Non-cancellable Operating Lease Commitments	403	613	403	613
Non-cancellable Operating Lease Commitments as Lessor				
Not later than one year	868	868	868	868
Two to five years	3,470	3,470	3,470	3,470
Later than five years	21,183	22,011	21,183	22,011
Total Non-cancellable Operating Lease Commitments	25,521	26,349	25,521	26,349

The University entered into a 35 year lease arrangement with Campus Living Village for the University's student accommodation in 2005. No contingent rents have been recognised in the statement of Comprehensive Income during the year.

Statement of Contingencies

As at 31 December 2012

The University has a contingent asset for future insurance recoveries in relation to the Canterbury earthquake. See note 25.

As at 31 December 2012 the University has estimated the damage to buildings as a result of the earthquakes at $390M. This estimate was prepared by Rawlinsons who act as the quantity surveyors for the insurers' loss adjusters Cunningham Lindsey. This is the estimated cost of the damage to buildings only and does not reflect any cost that may be required to make buildings code compliant in order to get consent for remediation work or any costs for strengthening buildings to make them lower risk. The estimated cost of damage to buildings is based on reinstatement at 34% of the building code. Neither does this estimate commit either the University nor the insurer in any negotiations regarding the insurance claim. The University has recognised as income an amount corresponding to the value of all expenditure to date on remediating this damage and payments for certain items under its business interruption insurance policies. The University has a contingent asset for any future insurance claims. These claims can only be made when there is a corresponding expenditure incurred in repairing the damage or acceptance and quantification of business interruption claims. In the University's view there is insufficient certainty to recognise any future insurance claims as revenue in 2012. Any claims are reliant on insurers' acceptance of expenditure yet to be incurred.

While the damage has been estimated to be $390M, as work progresses and more information becomes available it is possible that more damage could be identified. Any damage identified relating to the September 2010, February 2011 or June 2011 earthquakes will be claimable on the University's insurance policy. However, the claim will be limited by the cap on the insured value of certain buildings and the overall cap of $550M on the policy as a whole. Under the insurance policy, in place from 1 December 2011, the University is responsible for excesses on any events, which range from $10M to $20M, dependent on who the reinsurer is. No claims have been made in 2012 under this policy.

The University has no other contingent liabilities or assets at 31 December 2012 (2011 $nil).

Notes to the Financial Statements

For the year ended 31 December 2012

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
1 / Other Income					
Donations / Koha	372	296	372	296	30
Donations from Trusts	3,861	1,425	3,861	1,425	1,603
Rentals	2,706	1,931	2,706	1,931	2,252
External Sales	2,756	2,879	2,756	2,879	3,605
Consultancy	4,075	3,086	4,075	3,086	2,610
Membership Fees	1,174	1,030	1,174	1,030	1,635
Reversionary Interest	2,418	1,481	2,418	1,481	250
Sundry Income	5,669	10,059	4,812	9,779	12,182
TOTAL OTHER INCOME	**23,031**	**22,187**	**22,174**	**21,907**	**24,167**
2 / Personnel Expenses					
Academic Salaries[1]	79,708	79,482	79,708	79,482	79,343
General Salaries	80,718	77,980	80,718	77,980	77,049
Superannuation Contributions	6,627	6,505	6,627	6,505	6,562
Councillors' Honoraria	72	99	72	99	140
Redundancy Costs	2,881	1,902	2,881	1,902	750
Actuarially Valued Employee Entitlements	3,420	957	3,420	957	–
Other Salary Related Expenditure	1,925	5,194	1,925	5,194	5,718
TOTAL PERSONNEL EXPENSES	**175,351**	**172,119**	**175,351**	**172,119**	**169,562**
The General Salaries classification includes Education Plus staff	**3,327**	**3,509**	**3,327**	**3,509**	**1,242**

1 There were staffing reductions in both the academic and general categories from 2011 to 2012. However, the staffing reductions were greater in the academic staffing area than they were in the general staffing area where the salary increase, committed to by the University from earlier negotiations, is greater than the staffing savings made.

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
3 / General / Operating Expenditure					
Audit New Zealand – External Financial Audit	220	237	220	237	400
Audit New Zealand – Other Non Audit Work including Report to Bond Trustees	2	29	2	29	–
Bad Debts Written Off	185	329	185	329	1
Promotional Activities, Compensation Grants and Refunds	1,134	742	1,134	742	1,215
Direct Academic Costs	8,003	7,002	8,003	7,002	7,029
Equipment Rentals	906	428	906	428	858
Exchange Losses	278	104	278	104	–
Insurance	5,965	3,310	5,965	3,310	6,225
Increase / (Decrease) in Provision for Doubtful Debts	(16)	88	(16)	88	31
Loss on Disposal of Property, Plant & Equipment	2,189	425	2,189	425	–
Student Association Service Provision	2,312	1,895	2,312	1,895	2,000
Write–down/(up) of Inventories	206	(130)	206	(130)	–
Travel and Conference Costs	7,395	7,772	7,395	7,772	7,593
Scholarships & Prizes	19,014	14,663	19,014	14,663	21,020
Publications/Electronic Data purchased	2,975	3,789	2,975	3,789	438
Other General/Operating Costs	25,949	26,256	25,562	25,896	27,766
TOTAL GENERAL / OPERATING EXPENDITURE	**76,717**	**66,939**	**76,330**	**66,579**	**74,576**
4 / Finance Charges					
Finance Charges – Interest Paid	3,768	3,746	3,768	3,746	3,655
Finance Charges – Interest on Finance Leases	286	284	286	284	278
TOTAL FINANCE CHARGES	4,054	4,030	4,054	4,030	3,933
5 / Cash and Cash Equivalents					
Cash at bank and in hand	17,688	4,472	17,629	4,406	49,813
Short term deposits maturing three months or less from date of acquisition	–	34,100	–	34,100	–
TOTAL CASH AND CASH EQUIVALENTS	**17,688**	**38,572**	**17,629**	**38,506**	**49,813**

Short term deposits maturing three months or less from date of acquisition are all at fixed rates.
The weighted average rate secured as at 31 December 2012 is 3.69% (31 December 2011 is 3.83%).
The carrying amount approximates the fair value.

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
6 / Receivables					
Trade Receivables	6,396	6,915	6,396	6,915	5,900
Provision for Doubtful Debts	(226)	(242)	(226)	(242)	-
Current Insurance Receivable	–	11,153	–	11,153	-
Other Receivables	2,609	4,802	2,609	4,801	2,000
TOTAL RECEIVABLES	**8,779**	**22,628**	**8,779**	**22,627**	**7,900**

At 31 December 2012 the University had received $0.619M in advance from its insurers – refer to Note 11.
The carrying value of Trade Receivables and Other Receivables approximates their fair value.
There is no concentration of credit risk with respect to Trade Receivables as the balances are made up of a large number of customers.
As at 31 December 2012 and 2011, overdue receivables have been assessed for impairment and appropriate provisions applied as detailed below:

	Dec 2012 Actuals ($000's)			*Dec 2011 Actuals ($000's)*		
	Gross	Impairment	Net	Gross	Impairment	Net
University						
Not past due	4,018	–	4,018	3,774	–	3,774
1–30 Days Past Due	936	–	936	1,236	–	1,236
31–60 Days Past Due	384	–	384	560	–	560
61–90 Days Past Due	334	–	334	388	–	388
Greater than 91 Days Past Due	723	(226)	497	956	(242)	715
	6,396	(226)	6,170	6,915	(242)	6,673

	Dec 2012 Actuals ($000's)			*Dec 2011 Actuals ($000's)*		
	Gross	Impairment	Net	Gross	Impairment	Net
University & Group						
Not past due	4,018	–	4,018	3,774	–	3,774
1–30 Days Past Due	936	–	936	1,236	–	1,236
31–60 Days Past Due	384	–	384	560	–	560
61–90 Days Past Due	334	–	334	388	–	388
Greater than 91 Days Past Due	723	(226)	497	956	(242)	715
	6,396	(226)	6,170	6,915	(242)	6,673

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
7 / Inventories					
Held for distribution					
Materials and consumables	1,179	1,404	1,179	1,404	1,648
Commercial inventory					
Canterbury University Press	249	224	249	224	–
Other	9	16	9	16	–
Total Inventory	1,437	1,644	1,437	1,644	1,648

The write-down of inventories held for distribution or consumption amounted to $nil as at 31 December 2012 ($nil as at 31 December 2011).
The write-down of commercial inventories amounted to $nil as at 31 December 2012 ($nil as at 31 December 2011).
No inventories are pledged as security for liabilities.

8 / Property Plant and Equipment and Intangibles

	COST / VALN DEC 10 ($000's)	ACCUM DEPN & AMORTISATION DEC 10 ($000's)	NET BOOK VALUE DEC 10 ($000's)	CURRENT YEAR ADDITIONS DEC 11 ($000's)	CURRENT YEAR DISPOSALS COST DEC 11 ($000's)	CURRENT YEAR DISPOSALS ACCUM DEPN DEC 11 ($000's)	CURRENT YEAR DEPN & AMORTISATION DEC 11 ($000's)	CURRENT YEAR REVALUATION/ MOVEMENTS DEC 11 ($000's)	CURRENT YEAR REVALUATION/ ACCUM DEPN DEC 11 ($000's)	CURRENT YEAR IMPAIRMENT MOVEMENTS DEC 11 ($000's)	COST /VALN DEC 11 ($000's)	ACCUM DEPN & AMORTISATION DEC 11 ($000's)	NET BOOK VALUE DEC 11 ($000's)
UNIVERSITY & GROUP													
Land at Valuation	96,760	–	96,760	–	–	–	–	–	–	–	96,760	–	96,760
Buildings at Valuation	494,930	–	494,930	33,316	(2,550)	–	(15,414)	(80,115)	6,449	(93,550)	352,031	(8,965)	343,064
Infrastructure Assets	7,918	–	7,918	1,900	–	–	(383)	13,166	317		22,984	(66)	22,918
Plant & Equipment at Cost	105,290	(72,286)	33,004	10,125	(4,585)	4,660	(8,489)	–	–	–	110,830	(76,115)	34,716
Leased Equipment at Cost	3,655	(3,263)	392	7,400	–	–	(1,507)	–	–	–	11,055	(4,770)	6,285
Library / Other Collections at Cost – As Restated	98,148	(52,535)	45,614	4,714	–	–	(3,701)	–	–	–	102,862	(56,236)	46,627
Library / Other Collections at Valuation	40,271	–	40,271	112	–	–	–	–	–	–	40,383	–	40,383
Intangible Assets – Software	13,235	(9,085)	4,150	4,126	(566)	(144)	(1,801)	–	–	–	16,795	(11,030)	5,765
TOTAL UNIVERSITY PROPERTY PLANT & EQUIPMENT AND INTANGIBLES	860,207	(137,169)	723,039	61,693	(7,701)	4,516	(31,295)	(66,949)	6,766	(93,550)	753,700	(157,182)	596,518

	COST / VALN DEC 11 ($000's)	ACCUM DEPN & AMORTISATION DEC 11 ($000's)	NET BOOK VALUE DEC 11 ($000's)	CURRENT YEAR ADDITIONS DEC 12($000's)	CURRENT YEAR DISPOSALS COST DEC 12 ($000's)	CURRENT YEAR DISPOSALS ACCUM DEPN DEC 12 ($000's)	CURRENT YEAR DEPN & AMORTISATION DEC 12 ($000's)	CURRENT YEAR REVALUATION/ MOVEMENTS DEC 12 ($000's)	CURRENT YEAR REVALUATION/ ACCUM DEPN DEC 12 ($000's)	CURRENT YEAR IMPAIRMENT MOVEMENTS DEC 12 ($000's)	COST /VALN DEC 12 ($000's)	ACCUM DEPN & AMORTISATION DEC 12($000's)	NET BOOK VALUE DEC 12 ($000's)
UNIVERSITY & GROUP													
Land at Valuation	96,760	–	96,760	–	–	–	–	3,325	–	–	100,085	–	100,085
Buildings at Valuation	352,031	(8,965)	343,064	32,150	–	–	(14,825)	10,464	23,790	(107,707)	286,937	–	286,937
Infrastructure Assets	22,984	(66)	22,918	368	–	–	(894)	–	–	–	23,352	(959)	22,393
Plant & Equipment at Cost	110,830	(76,115)	34,716	9,107	(9,759)	9,590	(8,409)	–	–	–	110,178	(74,934)	35,241
Leased Equipment at Cost	11,055	(4,770)	6,285	–	–	–	(2,585)	–	–	–	11,055	(7,355)	3,700
Library / Other Collections at Cost	102,862	(56,236)	46,627	3,645	(4,108)	2,031	(6,784)	–	–	(17,818)	84,581	(60,989)	23,593
Library / Other Collections at Valuation	40,383	–	40,383	361	–	–	–	2,591	–	–	43,335	–	43,335
Intangible Assets – Software	16,795	(11,030)	5,765	1,809	(20)	–	(2,006)	–	–	–	18,584	(13,036)	5,548
TOTAL UNIVERSITY PROPERTY PLANT & EQUIPMENT AND INTANGIBLES	753,700	(157,180)	596,518	47,440	(13,887)	11,620	(35,502)	16,380	23,790	(125,525)	678,107	(157,273)	520,832

8 / Property Plant and Equipment and Intangibles (continued)

As a result of the merger with the Christchurch College of Education, the University occupies land and buildings at Solway Ave, Christchurch. The Crown has legal title of the land and a portion of the buildings. However, the University has "in substance" ownership of the land and buildings and reports these assets as if owned by the University.

The University has a 99 year lease of this land and these buildings at a peppercorn rent, subject to the rights of renewal being exercised.

The total amount of Property Plant and Equipment in the course of construction is $65,783,026 (2011: $37,975,000).

There are no restrictions over the title of the University's Property Plant and Equipment or Intangibles, nor are any pledged as security for liabilities. See the accounting policies for further critical accounting assumptions regarding Land and Buildings.

Included in the "Library/Other Collections at Cost" line item are the University's Medal Collection and Logie Collection.

The Logie Collection was revalued 25 September 2012 by James Ede of Charles Ede Limited.

The Medal Collection was revalued 18 December 2008 by R J Watt and Associates, independent valuers.

Land and Buildings were revalued at 31 December 2012 by Chris Barraclough, Registered Valuer of CBRE, Christchurch.

Infrastructure Assets at Valuation have been established as a separate category within Plant, Property and Equipment, and revalued by AECOM New Zealand Limited as at 1 December 2011.

The Library Permanent Collection, included in the Library/Other Collections at Valuation category, was revalued at 30 December 2010 by Basil J Roberts, registered Plant and Machinery Valuer of Jones Lang LaSalle Limited.

9 / Investments

	2012 University & Group Actuals ($000's)	*2011 University & Group Actuals ($000's)*	*2012 University Actuals ($000's)*	*2011 University Actuals ($000's)*	*2012 University Budget ($000's)*
Investment Category					
Investments at Cost, less any Impairment					
Investment in Canterprise Limited	–	–	450	450	150
Investment in Arcactive Limited	–	214	–	–	–
Investments at Fair Value through other Comprehensive Income					
Investment in South African Large Telescope (SALT)	918	968	918	968	968
Investment in New Zealand Synchrotron Group Limited	143	266	143	266	383
TOTAL INVESTMENTS	**1,060**	**1,448**	**1,510**	**1,684**	**1,501**

Canterprise Limited is registered under the Companies Act 1993 and is a wholly owned subsidiary of the University of Canterbury. Canterprise Limited is a non-trading entity which owns the University's residual interest in intellectual property.

The South African Large Telescope Foundation is a collaboration of various universities and research organisations to design, construct and operate a ten metre telescope for the advancement of science and the promotion of astronomy and astrophysics.

The New Zealand Synchrotron Group Limited is made up of seven universities and currently four Crown Research Institutes.

The New Zealand Synchrotron Group Limited invests as a shareholder in Australian Synchrotron Holding Company and, in return, receives access rights to usage of the Synchrotron Instrument.

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
10 / Term Receivable and Other Non Current Assets					
Campus Living Village – Term Receivable	1,533	1,433	1,533	1,433	1,533
	1,533	1,433	1,533	1,433	1,533
Other non current assets					
Reversionary interest	6,743	4,325	6,743	4,325	4,040
	6,743	4,325	6,743	4,325	4,040

Campus Living Village – Term Receivable

In December 2005, the University entered into a 35 year arrangement to lease the student accommodation facilities to Campus Living Village (CLV) for $35 million.

A portion of revenue was received in advance ($28 million) for the current facilities and will be spread over the term of the lease on a straight line basis (note 11).

The term receivable represents the present value of the amount still owing by CLV. This amount will increase over the term of the lease until payments are made by CLV.

Reversionary interest

In line with the CLV lease agreement, additional buildings have been constructed at Campus Living's cost. Ownership of these buildings will revert to the University at the end of the lease. The reversionary interest represents the value of the University's interest in these buildings which will generally increase over time, dependant on the discount rate used and the valuation of the buildings, and is valued on a present value basis.

11 / Funds Received in Advance

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
Current Funds Received in Advance					
Student Fees	5,400	6,316	5,400	6,316	8,000
Insurance Receipts	619	–	619	–	–
Research Income	13,265	11,155	13,265	11,155	8,480
Future minimum operating lease revenue not later than one year	868	868	868	868	868
Other	2,155	2,778	2,155	2,778	1,220
	22,307	21,117	22,307	21,117	18,568
Term – Funds Received in Advance					
Future minimum operating lease revenue:					
Later than one year and not later than five years	3,470	3,082	3,470	3,082	3,472
Later than five years	21,183	22,400	21,183	22,400	21,046
	24,653	25,482	24,653	25,482	24,518
TOTAL FUNDS RECEIVED IN ADVANCE	**46,960**	**46,599**	**46,960**	**46,599**	**43,086**

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)

12 / Accounts Payable

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
Trade Payables	3,908	3,826	3,908	3,826	6,000
Other Payables	17,291	12,692	17,987	12,696	14,203
TOTAL ACCOUNTS PAYABLE	**21,199**	**16,518**	**21,895**	**16,522**	**20,203**

Trade Payables and Other Payables are non-interest bearing and are normally settled on 30-day terms, therefore their carrying value approximates their fair value.

13 / Loans and Leases

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
Current Loans and Leases					
Sonoda Gakuen Corporation of Japan Loan	32	32	32	32	32
Finance Leases	2,000	2,279	2,000	2,279	2,000
	2,032	2,311	2,032	2,311	2,032
Non current Loans and Leases					
Sonoda Gakuen Corporation of Japan Loan	960	992	960	992	960
Finance Leases	1,000	3,077	1,000	3,077	1,000
	1,960	4,069	1,960	4,069	1,960
TOTAL LOANS AND LEASES	**3,992**	**6,380**	**3,992**	**6,380**	**3,992**

The University operates a purchasing card facility and had a credit limit of $11 million as at 31 December 2012 ($11 million 31 December 2011).

Sonoda Gakuen Corporation of Japan advanced $1.6 million in March 1992 to assist with the funding of the construction of the Sonoda Christchurch Campus. The loan is for a term of 50 years at an interest rate of 3% per annum.

The carrying amount for loans and leases approximates their fair value.

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
ANALYSIS OF LOAN AND LEASE LIABILITIES					
Analysis of Loan Liabilities					
Within one year	32	32	32	32	32
One – five years	128	128	128	128	128
Greater than five years	832	864	832	864	832
	992	1,024	992	1,024	992
ANALYSIS OF FINANCE LEASE LIABILITIES					
Total minimum lease payments that are payable					
Within one year	2,147	2,642	2,147	2,642	1,873
One – five years	1,025	3,172	1,025	3,172	1,405
Total minimum lease payments	3,172	5,814	3,172	5,814	3,278
Future finance charges	(172)	(458)	(172)	(458)	(278)
Present value of minimum lease payments	3,000	5,356	3,000	5,356	3,000
Present value of minimum lease payments that are payable					
Within one year	2,000	2,279	2,000	2,279	2,000
One – five years	1,000	3,077	1,000	3,077	1,000
Total	3,000	5,356	3,000	5,356	3,000

The University has entered into finance leases for various items of equipment.

The finance leases can be renewed at the University's option but given the type of equipment leased it is more likely a new lease would be entered into for different equipment.

The finance lease for the NeSI High Performance Computer is lease to own.

There are no restrictions placed on the University by any of the finance leasing arrangements.

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
14 / Philanthropic Bond					
Philanthropic Bond – Current	2,000	–	2,000	–	2,000
Philanthropic Bond – Long Term	48,010	50,010	48,010	50,010	48,010
Capitalised bond issue costs	(824)	(943)	(824)	(943)	(220)
	49,186	49,067	49,186	49,067	49,790

In 2009, the University successfully launched a $50 million, 10 year, fixed rate, unsubordinated, unsecured Bond at an interest rate of 7.25% per annum fixed for 5 years, reset for a further 5 years at a 1.75% margin over the then prevailing 5 year swap rate. The issue was fully subscribed at an issue price of $1 per Bond with a maturity date of 15 December 2019. The Bond is a philanthropic bond which gives the bond holder the ability to donate either the principal or interest or both throughout the 10 year period of the bond.

Principal donated will be irrevocable, however, donations of interest are revocable by the bond holder, interest period to interest period.

The donations received by the Philanthropic Bond Trust must be used for advancing and promoting the University's capital works programme.

During 2012, an amendment to the Bond Deed was made to limit the amount of donations, immediately payable to UC Foundation, within a rolling 12 month period to $2M. This portion of the Bond is regarded as a Current Liability and disclosed separately on the face of the Statement of Financial Position.

Capitalised bond issue costs

Expenses incurred in the issue of the 10 year Fixed Rate Unsubordinated Unsecured Philanthropic Bond were capitalised and are being amortised over the period of the bond.

Bond Covenants

The Bond trust deed requires the University to ensure that the following financial covenant ratios are achieved during the year:

- Secured debt will not exceed 5% of the aggregate of debt plus equity
- Debt will not exceed 25% of the aggregate of debt plus equity

MOE Borrowing Covenants

A letter was received from the MOE on 29 October 2012 stating that the covenants (noted below) will be waived from 1 December 2012 through to 1 January 2014.

The covenants will be replaced by a single covenant that UC maintains a minimum cash level of $25M at the end of every month. As at 31 December 2012, Cash & Equivalents and Financial Assets / Term Deposits are $75.3M compared to the covenant of $25M.

The Ministry of Education (MOE) has waived the following covenants from 1 December 2012:

- Surplus to total operating income to be not less than 3% (measured over a financial year);
- Net debt to be no more than 1.8 times net cash from operating activities (measured over a financial year);
- A minimum free cash balance should be maintained equivalent to no less than 1.5 months annual net cash costs (measured at month end);
- The ratio of operating cash receipts to operating cash payments should be 111% or more (measured over a financial year);
- The ratio of net surplus before interest to net interest should be no less than 3.0 (measured over a financial year).

All Bond covenants and related MOE borrowing covenants were complied with for the 2012 year.

Fair value of the bonds as at 31 December 2012 was $51.0 million (31 December 2011: $50.0 million).

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
15 / Employee Entitlements					
Sick Leave	824	788	824	788	790
Annual Leave	7,492	8,858	7,492	8,858	9,068
Long Service Leave	1,577	1,527	1,577	1,527	1,599
Earthquake Leave[1]	3,724	4,014	3,724	4,014	–
Retirement Leave	25,428	22,209	25,428	22,209	21,210
Total	39,044	37,395	39,044	37,395	32,667
Redundancy Provision[2]	1,090	1,104	1,090	1,104	–
Total Employee Entitlements	40,134	38,499	40,134	38,499	32,667
Made up of:					
Current	14,784	16,552	14,784	16,552	11,875
Non Current	25,350	21,947	25,350	21,947	20,792
Total	40,134	38,499	40,134	38,499	32,667

[1]Earthquake Leave

Earthquake Leave Opening Balance	4,014	–
Provision made	–	4,099
Amounts used	290	85
Earthquake Leave Closing Balance	3,724	4,014

The Earthquake Leave provision has been created to support staff post-earthquake, to attend to personal earthquake-related matters such as dealing with EQC, Insurance Companies and other external agencies.

[2]Redundancy Provision

Redundancy Provision Opening Balance	1,104	–
Provision made	1,125	1,104
Amounts used	1,139	–
Redundancy Provision Closing Balance	1,090	1,104

The Redundancy Provision was created for the voluntary redundancy process undertaken late in 2011 and is the estimated cost for redundancy payments arising from this. All of this provision was used during 2012.

A new Provision was required for additional redundancies as a result of the change proposal decisions made during 2012 and a further voluntary redundancy process undertaken during the year. The closing balance is the estimated cost for confirmed redundancies at year end.

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)

16 / Other Financial Assets and Liabilities

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
Other Financial Assets/Term Deposits					
Short term deposits with maturities over 3 months but less than 12 months from date of acquisition	57,665	28,000	57,665	28,000	–
Long term deposits with maturities greater than 12 months from date of acquisition	–	–	–	–	–
	57,665	28,000	57,665	28,000	–
Other Financial Liabilities					
Derivative Financial Instrument Liabilities					
Foreign Currency Derivative	–	–	–	–	–
Interest Rate Swap Derivative	4,785	3,032	4,785	3,032	–
	4,785	3,032	4,785	3,032	–

17 / Financial Instruments

The accounting policies for financial instruments have been applied to the line items below:

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
FINANCIAL ASSETS					
Loans and Receivables					
Cash and Cash Equivalents	17,688	38,572	17,629	38,506	49,813
Receivables	8,779	22,628	8,779	22,627	7,900
Other Financial Assets / Short Term Deposits	57,665	28,000	57,665	28,000	–
Term Receivable	1,533	1,433	1,533	1,433	1,534
Total Loans and Receivables	85,666	90,633	85,606	90,566	59,247
Fair value through other Comprehensive Income					
Investments	1,060	1,448	1,510	1,684	1,501
Total fair value through other Comprehensive Income	1,060	1,448	1,510	1,684	1,501
FINANCIAL LIABILITIES					
Financial Liabilities at amortised cost					
Accounts payable	21,199	16,518	21,895	16,522	20,203
Sonoda Gakuen Corporation of Japan Loan	992	1,024	992	1,024	992
Philanthropic Bond	49,186	49,067	49,186	49,067	49,790
Total Financial Liabilities at Amortised Cost	71,377	66,609	72,073	66,613	70,985
Fair value through other Comprehensive Income					
Foreign Currency Derivative	–	–	–	–	–
Interest Rate Swap Derivative	4,785	3,032	4,785	3,032	–
Total fair value through other Comprehensive Income	**4,785**	**3,032**	**4,785**	**3,032**	**–**

The carrying amount of both short and long-term deposits approximates their fair value.

Short term deposits maturing over three months but less than 12 months from date of acquisition are all at fixed rates. The weighted average rate secured as at 31 December 2012 is 4.23% per annum (31 December 2011 is 4.41% per annum).

As at 31 December 2012 and 31 December 2011 there are no long-term deposits with maturities greater than 12 months from date of acquisition.

The University has a series of policies to manage the risks associated with financial instruments in line with statutory and Council guidelines. The University is risk averse and seeks to minimise exposure from its treasury activities.

FAIR VALUE HIERARCHY DISCLOSURES

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price – financial instruments with quoted prices for identical instruments in active markets.
- Valuation techniques using observable inputs – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value on the statement of financial position:

	Total ($000's)	*Quoted market price (000's)*	*Observable inputs (000's)*	*Significant non–observable inputs (000's)*
31 December 2012 – University & Group				
Financial Assets				
Investments	1,060	–	–	1,060
Financial Liabilities				
Derivative Financial Instruments	(4,785)	–	(4,785)	–
TOTAL	(3,725)	–	(4,785)	1,060
31 December 2011 – University & Group				
Financial Assets				
Investments	1,684	–	–	1,684
Financial Liabilities				
Derivative Financial Instruments	(3,032)	–	(3,032)	–
TOTAL	(1,348)	–	(3,032)	1,684

Price Risk

The equity investments that are held by the University are reflected within the financial statements either at cost, less impairment, or at fair value. It is deemed that there is limited price risk since at balance date no events had occurred to counter the view that their fair values were significantly different to their respective capitalisation figures.

Foreign Exchange Risk

For exposure to foreign currency movements refer to the table below. This shows the effect of a 10% increase or decrease in exchange rates.

	2012 University & Group NZD($000's)	2011 University & Group NZD($000's)	2012 University NZD($000's)	2011 University NZD($000's)
Currency impact USD				
Profit or loss – strengthening in NZ$ (i)	(83)	(5)	(83)	(5)
Profit or loss – weakening in NZ$ (i)	102	6	102	6
Equity – strengthening in NZ$ (ii)	–	–	–	–
Equity – weakening in NZ$ (ii)	–	–	–	–
Currency impact EUR				
Profit or loss – strengthening in NZ$ (iii)	(0)	(76)	(0)	(76)
Profit or loss – weakening in NZ$ (iii)	0	92	0	92
Equity – strengthening in NZ$ (iv)	–	–	–	–
Equity – weakening in NZ$ (iv)	–	–	–	–
Currency impact AUD				
Profit or loss – strengthening in NZ$ (v)	(4)	(5)	(4)	(5)
Profit or loss – weakening in NZ$ (v)	5	6	5	6
Equity – strengthening in NZ$ (vi)	–	–	–	–
Equity – weakening in NZ$ (vi)	–	–	–	–

(i) This is attributable to the exposure outstanding on USD bank balances at year end.

(ii) This is principally as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

(iii) This is attributable to the exposure to outstanding EUR bank balances at year end.

(iv) This is principally as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

(v) This is attributable to the exposure to outstanding AUD bank balances at year end.

(vi) This is principally as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

The University's sensitivity to foreign currency has decreased during the current year due to a decrease in foreign currency account balances and a decrease in foreign currency forward contracts.

Forward Foreign Currency Exchange Contracts

It is the policy of the University to enter into forward foreign currency exchange contracts to cover specific foreign currency payments.

As at 31 December 2012, the aggregate amount of unrealised gains under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on these anticipated future transactions is $nil (31 December 2011 $nil).

Cash flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Cash and Cash equivalents and short term investments issued at variable interest rates create exposure to cash flow interest rate risk.

Fair Value Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Financial instruments which potentially subject the University to concentrations of interest rate risk consist principally of Cash and Cash Equivalents, Loans and Leases. Although overall interest rate risk has been reduced due to the utilisation of fixed interest rates for both borrowing and investment in deposits, this does expose the University to a degree of "fair value interest rate risk" should market conditions move significantly in an adverse direction.

Note 13 and Note 14 provide an analysis in relation to borrowing.

Interest Rate Swap Contracts

Under an interest rate swap contract, the University agrees to exchange the difference between floating and fixed rate interest amounts calculated on an agreed notional principal amount. This contract enables the University to mitigate future cash flow exposures on the interest rate reset (December 2014) of the issued fixed rate bond debt. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at 31 December.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 31 December.

Cash flow hedges

Outstanding pay fixed receive floating contracts

	Average contracted fixed interest rate		Notional principal amount		Fair value of hedge	
University & Group	2012 %	2011 %	2012 NZD ($000's)	2011 NZD ($000's)	2012 NZD ($000's)	2011 NZD ($000's)
Less than 1 year	–	–	–	–	–	–
1 to 2 years	–	–	–	–	–	–
2 to 5 years	–	–	–	–	(4,785)	(3,032)
5 years+	5.95	5.95	50,000	50,000	–	–
			50,000	50,000	(4,785)	(3,032)

The interest rate swap will settle on a quarterly basis from December 2014. The floating rate on the interest rate swap is the floating rate in New Zealand. The University will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts that exchange floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges. The University uses these swaps to reduce its exposure to cash flow interest rate risk resulting from resetting the fixed interest rates on bond borrowings. The interest rate swaps and the interest payments on the bond occur simultaneously and the amount deferred in equity is recognised in the net surplus or deficit over the period that the reset fixed rate interest payments on debt impact surplus or deficit.

Interest Rate Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at 31 December.

For floating rate liabilities and assets, the analysis is prepared assuming the exposure outstanding at 31 December was outstanding for the whole year.

For interest rate swap contracts the analysis is prepared assuming that the interest rate swap contracts are revalued to fair value at 31 December, and that the 31 December contracts were in place for the whole year.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

At 31 December if interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the University's surplus/equity and other equity reserves would be impacted as per the table below:

	2012 University & Group Actuals ($000's)	*2011 University & Group Actuals ($000's)*	*2012 University Actuals NZD($000's)*	*2011 University Actuals NZD($000's)*
Surplus/Equity				
Surplus/Equity – increase (i)	551	644	551	644
Surplus/Equity – (decrease) (i)	(551)	(644)	(551)	(644)
Other Equity Reserves				
Other Equity Reserves – increase (ii)	1,176	1,115	1,176	1,115
Other Equity Reserves – (decrease) (ii)	(1,229)	(1,176)	(1,229)	(1,176)

(i) This is mainly attributable to the University's exposure to interest rates on its cash deposits.

(ii) This is as a result of the University's exposure to interest rates on interest rate swaps designated as cash flow hedges.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss.

The University is subject to an element of credit risk principally within Receivables, Cash and Cash equivalents and Term deposits.

To mitigate risk, the University's treasury management framework is adhered to.

Cash, Cash equivalents and Term deposits are diversified through placements with a number of different New Zealand financial institutions. Credit exposure is further reduced by monitoring individual weightings.

Due to the large number of individual trade debtors, the concentration of credit risk with respect to Trade Receivables is greatly reduced. There is some exposure to a small group of insurance companies but they have sound credit ratings.

The University exposure to credit risk is reflected by the carrying amount in the statement of financial position for cash and cash equivalents, receivables, term deposits, and forward foreign exchange contract assets.

Credit Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates.

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
Counterparties with Credit ratings					
Cash at Bank and term deposits:					
AA	–	–	–	–	–
AA– (ANZ, BNZ, Westpac, ASB)	75,353	66,572	75,294	66,506	49,813
A+ Kiwibank	–	–	–	–	–
Other Receivables					
Insurance Companies:					
A+	–	6,413	–	6,413	–
A	–	1,394	–	1,394	–
A–	–	1,896	–	1,896	–
AA–	–	1,450	–	1,450	–
	–	11,153	–	11,153	–
Total Cash At Bank And Term Deposits and Other Receivables	75,353	77,725	75,294	77,659	49,813
Counterparties without Credit ratings					
Existing counterparty with no defaults in the past	8,779	11,474	8,779	11,474	17,896
Total counterparties without Credit ratings	8,779	11,474	8,779	11,474	17,896

Liquidity Risk

Liquidity risk is the risk that the University will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The maturity profiles of the University's interest bearing borrowings and investments are disclosed in Notes 13, 14 and 16 respectively.

Liquidity ratio measurement analysis and forecasting is undertaken in order that liquidity risk is reduced.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the period remaining to the contractual maturity date as at 31 December. Future interest payments on floating rate debt are based on the floating rate applicable to the instruments at 31 December.

The amounts disclosed are the contractual undiscounted cash flows.

	Carrying Amount ($000's)	*Contractual cash flows ($000's)*	*Less than 1 year ($000's)*	*1–2 years ($000's)*	*2–3 years ($000's)*	*More than 3 years ($000's)*
University & Group December 2012						
Accounts Payable	21,199	21,199	21,199	–	–	–
Sonoda Gakuen Corporation of Japan Loan	992	1,469	62	61	60	1,286
Philanthropic Bond	50,010	71,764	3,626	3,626	3,626	60,887
Total	**72,200**	**94,432**	**24,886**	**3,687**	**3,686**	**62,173**
University December 2012						
Accounts Payable	21,895	21,895	21,895	–	–	–
Sonoda Gakuen Corporation of Japan Loan	992	1,469	62	61	60	1,286
Philanthropic Bond	50,010	71,764	3,626	3,626	3,626	60,887
Total	**72,896**	**95,128**	**25,582**	**3,687**	**3,686**	**62,173**
University & Group December 2011						
Accounts Payable	16,518	16,518	16,518	–	–	–
Sonoda Gakuen Corporation of Japan Loan	1,024	1,532	63	62	61	1,346
Philanthropic Bond	50,010	79,016	3,626	3,626	3,626	68,139
Total	**67,552**	**97,066**	**20,207**	**3,688**	**3,687**	**69,485**
University December 2011						
Accounts Payable	16,522	16,523	16,523	–	–	–
Sonoda Gakuen Corporation of Japan Loan	1,024	1,532	63	62	61	1,346
Philanthropic Bond	50,010	79,016	3,626	3,626	3,626	68,139
Total	**67,556**	**97,071**	**20,212**	**3,688**	**3,687**	**69,485**

Contractual maturity analysis of derivative financial liabilities

The table below analyses derivative financial liabilities into those that are settled net and those that will be settled on a gross basis into their relevant maturity groupings based on their remaining period from 31 December to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Liability Carrying Amount ($000's)	*Contractual cash flows ($000's)*	*Less than 1 year ($000's)*	*1–2 years ($000's)*	*2–3 years ($000's)*	*More than 3 years ($000's)*
University & Group December 2012						
Net settled derivatives	4,785	5,506	–	–	1,456	4,050
University & Group December 2011						
Net settled derivatives	3,032	3,673	–	–	–	3,673

Contractual maturity analysis of financial assets

The table below analyses financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	Carrying Amount ($000's)	*Contractual cash flows ($000's)*	*Less than 1 year ($000's)*	*1–2 years ($000's)*	*2–3 years ($000's)*	*More than 3 years ($000's)*
University December 2012						
Cash and Cash Equivalents	17,629	17,629	17,629	–	–	–
Receivables	8,779	8,779	8,779	–	–	–
Other Financial Assets / Short Term Deposits	57,665	57,665	57,665	–	–	–
Term Receivable	1,533	7,000	–	–	–	7,000
Total	85,606	91,073	84,073	–	–	7,000
University & Group December 2012						
Cash and Cash Equivalents	17,688	17,688	17,688	–	–	–
Receivables	8,779	9,320	9,320	–	–	–
Other Financial Assets / Short Term Deposits	57,665	57,665	57,665	–	–	–
Term Receivable	1,533	7,000	–	–	–	7,000
Total	85,665	91,673	84,673	–	–	7,000

	Carrying Amount ($000's)	Contractual cash flows ($000's)	Less than 1 year ($000's)	1–2 years ($000's)	2–3 years ($000's)	More than 3 years ($000's)
University December 2011						
Cash and Cash Equivalents	38,506	38,723	38,723	–	–	–
Receivables	22,627	22,627	22,627	–	–	–
Other Financial Assets	28,000	28,510	28,510	–	–	–
Term Receivable	1,433	7,000	–	–	–	7,000
Total	90,566	96,860	89,860	–	–	7,000
University & Group December 2011						
Cash and Cash Equivalents	38,572	38,789	38,789	–	–	–
Receivables	22,628	22,628	22,628	–	–	–
Other Financial Assets	28,000	28,510	28,510	–	–	–
Term Receivable	1,433	7,000	–	–	–	7,000
Total	90,633	96,927	89,927	–	–	7,000

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
18 / Equity					
General Equity					
Balance as at 1 January – As restated refer Note 24	467,726	438,481	467,890	438,969	484,245
Fair Value through Other Comprehensive Income Reserve	–	–	–	–	–
Effect of Arcactive Limited changing from a Subsidiary to an Associate	–	404	–	–	–
Net Surplus / (Deficit) for the year	(66,600)	28,842	(67,071)	28,921	(11,342)
Balance as at period end	401,126	467,726	400,818	467,890	472,903
Cashflow Hedge Reserve					
Balance as at 1 January	(3,032)	(681)	(3,032)	(681)	–
Fair Value Movement in Derivatives	(1,753)	(2,351)	(1,753)	(2,351)	–
Balance as at period end	(4,785)	(3,032)	(4,785)	(3,032)	–
Fair Value through Other Comprehensive Income Reserve:					
Balance as at 1 January	(818)	(702)	(818)	(702)	–
Adjustment to South African Large Telescope (SALT)	(51)	–	(51)	–	–
Adjustment to New Zealand Synchrotron Group Limited valuation	(124)	(116)	(124)	(116)	–
Balance as at period end	(993)	(818)	(993)	(818)	–
Revaluation Reserves					
Balance as at 1 January	120,835	264,553	120,835	264,553	290,741
Revaluations and Impairment	5,917	(143,718)	5,917	(143,718)	–
Balance as at period end	126,752	120,835	126,752	120,835	290,741
Revaluation Reserves consists of:					
Buildings	–	–	–	–	185,914
Infrastructure Assets	16,016	16,016	16,016	16,016	–
Land	75,530	72,205	75,530	72,205	72,205
Library / Collections	35,205	32,613	35,205	32,613	32,622
Total	126,752	120,835	126,752	120,835	290,741

	2012 University & Group Actuals ($000's)	2011 University & Group Actuals ($000's)	2012 University Actuals ($000's)	2011 University Actuals ($000's)	2012 University Budget ($000's)
19 / Reconciliation of Net Surplus with Net Cash from Operating Activities					
OPERATING ACTIVITIES					
Net Surplus / (Deficit)	(66,600)	28,841	(67,071)	28,921	(11,342)
Add (less) non-cash items:					
Depreciation, Amortisation and Impairment	53,320	31,295	53,320	31,295	32,567
Share of Loss of Associate	112	190	–	–	–
Donated Assets	270	–	270	–	–
Movement in Reversionary Interest	(2,418)	(1,481)	(2,418)	(1,481)	(968)
Movement in Long Term Revenue Owing	(100)	(94)	(100)	(94)	(98)
Movement in Total Employee Entitlements	1,635	7,853	1,635	7,853	1,013
Unrealised Foreign Exchange Variations	102	17	102	17	–
Assets Written Off/Derecognised	–	2,550	–	2,550	–
Revaluation Reserve Movement – Offset impairment previously recognised	(34,256)	–	(34,256)	–	–
Impariment of Buildings in Excess of Revaluation Reserve	107,707	10,147	107,707	10,147	–
Add (less) movements in other working capital items:					
Accounts Payable	6,933	(2,776)	6,942	(2,660)	2,246
Revenue in Advance	(642)	695	(642)	695	(736)
Accounts Receivable and Prepayments	19,278	(13,554)	19,278	(13,562)	1,181
Inventories	207	(131)	207	(131)	(42)
Add (less) items classified as Investing / Financing Activities:					
Net Loss on Disposal included in Investing Activities	2,203	423	2,203	425	–
Movement in Lease Revenue in Advance	(829)	(828)	(829)	(828)	98
Movement in Library Serials Prepayment	(2,697)	3,179	(2,697)	3,179	3,782
Movement in Fixed Asset Related Payables / Accruals	(1,742)	–	(1,742)	–	–
Movement in Insurance Proceeds related to PPE	(37,809)	(33,030)	(37,809)	(33,030)	–
Writedown of Investment in South African Large Telescope and New Zealand Synchrotron Group	175	–	175	–	–
Gain on Sale of Associate – Arcactive	(583)	–	–	–	–
NET CASH PROVIDED BY OPERATING ACTIVITIES	**44,264**	**33,296**	**44,273**	**33,296**	**27,701**

20 / Related Party Transactions

Significant transactions with government-related entities

The government is a major source of revenue.

The University has received funding and grants from the Tertiary Education Commission totalling $145.4M (2011 $144.9M) to provide education and research services for the year ended 31 December 2012. The University has also received research funding from the Crown and related entities of $16.1M (2011 $16.9M).

The University also leases, at a peppercorn rate, Land and Buildings at Solway Ave, Christchurch, legally owned by the Crown.

Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, the University is required to pay various taxes (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes is based on the standard terms and conditions that apply to all tax and levy payers.

The University is exempt from paying income tax.

The University purchases goods and services from entities related to the Crown and it also provides services to entities related to the Crown of $10.3M (2011 $9.8M). The purchase of goods and services to government-related entities for the year ended 31 December 2012 have all been conducted on an arm's length basis. The purchases included electricity from Meridian Energy Limited, air travel from Air New Zealand, Audit Fees to Audit New Zealand and postal services from New Zealand Post.

The Provision of services to government-related entities mainly related to the provision of educational courses.

Transactions with Key Management Personnel

There were two University Council members who were also Directors of Canterprise Limited during 2012. Directors' Fees paid were $nil (December 2011: $nil).

Senior Management

The compensation of Councillors and senior management, being the key management personnel of the University, is as follows:

	2012 University Actuals ($000's)	*2011 University Actuals ($000's)*
Short Term Employment Benefits	4,268	4,355
Termination Benefits	180	–
Post Employment Benefits	–	–
	4,448	4,355

The following transactions occurred between the University and the interested parties during the 12 months to December 2012. All goods and services supplied by these companies/organisations were on normal commercial terms in the ordinary course of business.

Dr Rod Carr, University Vice-Chancellor, and Professor Ian Town, University Deputy Vice-Chancellor, are Directors of Te Tapuae o Rehua Limited. During the period, the University made payments to Te Tapuae o Rehua Limited of $115,581 (December 2011 $44,977).

Dr Rod Carr and Tony Sewell are Board Members of the Canterbury Employers Chamber of Commerce. The University paid $7,423 (December 2011: $ 13,545) to the Canterbury Employers Chamber of Commerce during the period.

Dr Rod Carr was a Trustee for the Christchurch Earthquake Appeal Trust. The University received $25,000 during the period (December 2011 $50,000).

Professor Ian Town is a Director of the NZ Brain Research Institute. During the period the University paid the NZ Brain Research Institute $57,728 (December 2011: $126,417). The University received $12,994 (December 2011: $20,434) from NZ Brain Research Institute during the period.

Dr John Wood, University Chancellor and Rex Williams, University Council Member, are Board Members of the University of Canterbury Foundation. During the period the Foundation donated $1,527,407 (December 2011: $1,425,034) to the University. During 2011, Dr Rod Carr, University Vice-Chancellor, was also a Board Member of the University of Canterbury Foundation.

Rex Williams is a Commissioner for Environment Canterbury. During the period the University paid Environment Canterbury $18,989 (December 2011 $4,018).

Trevor McIntyre, University Pro-Chancellor, is on the Trades Innovation Institute Advisory Board of CPIT (Christchurch Polytechnic Institute of Technology). During the period the University paid CPIT $65,573 for resources (December 2011: $153,220).

Erin Jackson, University of Canterbury Students' Association President, is a Board Member of the University Bookshop. During the period the University purchased $31,534 (December 2011: $15,781) of goods from the University Bookshop. The University received $28,533 from the University Bookshop during 2012 (December 2011: $27,580) and has a balance of $4,458 (December 2011: $5,036) for accounts receivable from the University Bookshop at year end.

The University also made payments to University of Canterbury Students' Association during the period of $1,794,344 (December 2011 $1,877,144).

Sue McCormack, University Council Member, is a Director of Mortlock McCormack Law Limited and during the period the University paid $1,308 (December 2011 $4,120) to Mortlock McCormack Law Limited.

Catherine Drayton, University Council Member, was a Director of Meridian Energy Limited until 1 May 2012. During the period the University paid Meridian Energy Limited $4,594,731 (December 2011: $3,874,756) for the supply of electricity.

Catherine Drayton is a Director of Ngāi Tahu Holdings Corporation Limited and during the year the University received $52,706 (December 2011: $202,265) from Te Runanga o Ngāi Tahu.

Catherine Drayton is a Director of Christchurch International Airport Limited and during the year the University paid Christchurch Airport $949 (2011 nil).

Catherine Drayton also became the Chair for the Canterbury Earthquake Recovery Authority (CERA) Audit and Risk Committee during 2012. The University received $13,330 (December 2011: $nil) from CERA during the 12 months to 31 December 2012.

Peter Ballantyne, University Council Member, is a Board Member of Canterbury District Health Board (CDHB). During the period the University paid CDHB $76,151 (December 2011: $84,193).

Tony Sewell, University Council Member, is a Director of Proseed NZ Ltd. During the period the University paid Proseed NZ Ltd $18,000 (December 2011: $19,500).

Professor Jan Evans-Freeman, Senior Management Team Member, and Pro Vice-Chancellor Engineering, is a Director of Industrial Research Limited (IRL). The University paid IRL $23,087 (December 2011: $44,305). The University received $568,249 from IRL during 2012 (December 2011: $332,657) and has a balance of $353,861 (December 2011: $4,693) accounts receivable from IRL at period end.

From 1 November 2012, Professor Jan Evans-Freeman is also a Director of Transpower New Zealand Limited. The University invoiced Transpower New Zealand Limited $47,628 (December 2011: $1,800) during 2012 and has an accounts receivable balance of $11,500 at year end (December 2011: $nil) from Transpower New Zealand Limited.

Professor Jan Evans-Freeman, is a Board Member of Structural Timber Innovation Company (STIC). During the period the University has paid $94,298 to STIC (December 2011: $50,260).

Professor Steve Weaver, Senior Management Team Member and Assistant Vice-Chancellor (Research), is a Director of the Institute of Geological & Nuclear Sciences Limited. The University paid $32,864 (December 2011: $31,296) to GNS Science Limited during the period. The University received $2,217,939 from GNS during 2012 (December 2011: $1,806,848) and has a balance of $361,430 for accounts receivable from GNS Science at 31 December 2012 (December 2011: $164,398).

Professor Steve Weaver and Mr Teariki Maoate, University Council Member, were on the Executive Committee and the Assessment Committee, respectively, for the Canterbury Medical Research Foundation during the period. The University paid $117,143 (December 2011: $35,065) to the Foundation during the year.

Related Party Transactions	*2012 University Actuals ($000's)*	*2011 University Actuals ($000's)*
During the year to 31 December 2012 the University had the following inter–group transactions with Canterprise and its Subsidiaries:		
Payable to Canterprise Limited	10	–
Payable to Trustees Arcactive Limited	684	–
Donation Provided to Canterprise from University of Canterbury	–	90
Payments from the University of Canterbury	5	8
Payments to University of Canterbury	97	–
Payable to University of Canterbury	–	10

In addition to the above transactions that Canterprise Limited had with the University, Canterprise had a number of transactions with its subsidiaries. These were all conducted on an arms length basis.

Note all related party transaction figures are stated exclusive of GST.

21 / Early Childhood Education

The purpose of this note is to meet the disclosure requirements of the Ministry of Education for operators of funded childcare facilities. The University operates three childcare facilities - the Early Childhood Learning Centre, Te Ao Tamariki and the Sheila Walker Unit.

	2012 University Actuals ($000's)	*2011 University Actuals ($000's)*
Early Childhood Learning Centre		
Statement of Financial Performance		
OPERATING INCOME		
Government Grant – Child Funded Hours	458	426
Government Grant – Support Grant	–	3
Other Income	270	243
TOTAL OPERATING INCOME	728	672
OPERATING EXPENDITURE		
Personnel Expenses	557	546
Site & Property Costs	54	48
General / Operating Expenditure	17	16
Depreciation	1	1
TOTAL OPERATING EXPENDITURE	629	611
NET SURPLUS / (DEFICIT) FOR THE YEAR	**99**	**61**

The support grants were mainly utilised for staff development, and equipment and maintenance resources.

Te Ao Tamariki		
Statement of Financial Performance		
OPERATING INCOME		
Government Grant – Child Funded Hours	378	408
Government Grant – Support Grant	–	5
Other Income	220	212
TOTAL OPERATING INCOME	598	625
OPERATING EXPENDITURE		
Personnel Expenses	505	580
Site & Property Costs	61	57
General / Operating Expenditure	17	13
TOTAL OPERATING EXPENDITURE	583	650
NET SURPLUS / (DEFICIT) FOR THE YEAR	15	(26)

The support grants were mainly utilised for staff development, and equipment and maintenance resources.

	2012 University Actuals ($000's)	2011 University Actuals ($000's)
The Sheila Walker Unit		
Statement of Financial Performance		
OPERATING INCOME		
Government Grant – Child Funded Hours	176	181
Government Grant – Support Grant	–	2
Other Income	139	139
TOTAL OPERATING INCOME	315	322
OPERATING EXPENDITURE		
Personnel Expenses	378	363
Site & Property Costs	4	2
General / Operating Expenditure	4	4
Depreciation	–	–
TOTAL OPERATING EXPENDITURE	386	369
NET SURPLUS / (DEFICIT) FOR THE YEAR	(71)	(47)

The support grants were mainly utilised for staff development, equipment and maintenance resources.

22 / Capital Management

The University's capital is its equity, which comprises general funds, and property revaluations and fair value through comprehensive income reserves. Equity is represented by net assets. The University is subject to the financial management and accountability provisions of the Education Act 1989, which includes restrictions in relation to: disposing of assets or interests in assets, ability to mortgage or otherwise charge assets or interests in assets, granting leases of land or buildings or parts of buildings, and borrowing.

The University manages its revenue, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community.

The University's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities investments and general financial dealings.

The objective of managing the University's equity is to ensure that it effectively and efficiently achieves the goals and objectives for which the University was established, while remaining financially viable.

In 2009, the University issued a $50M, 10 year, fixed rate, unsubordinated, unsecured Bond (refer Note 14) to assist with capital investment.

The Government has confirmed its agreement in principle on 28 November 2012, subject to a more detailed business case which will determine the level of support to be provided, to help the University address the financial impacts of the 2010 and 2011 earthquakes by providing capital support to advance its science and engineering capabilities. Refer to Note 25 for more detail.

23 / Events After Balance Date

There have been no significant events after the balance date.

24 / Prior Period Error – Write Down Of Library Assets

A review of the Library Current Collection has identified a number of annual, renewable electronic based subscriptions for which on-going perpetual access is not always guaranteed.

The volume and value of these items has grown rapidly in recent years. These items form a significant and important part of the University's Library and the intent of the University is to continue to renew the key subscriptions on an annual basis. However, to ensure continual access to this information there is often an additional renewal / access fee payable, on an annual basis, albeit a fraction of the original cost.

If this fee is not paid then access to the data is withdrawn.

Given there is no guaranteed access beyond the twelve month subscription period, the useful life is considered to span only this period. As such capitalisation and depreciation of the items in accordance with NZ IAS 16 is incorrect and these items should be considered to be of a non-capital nature, with the full cost charged to operating expense over the period the University has access. Historically, these items were capitalised and depreciated as part of the Library asset. This is a change in accounting policy that is required to be accounted for as a prior period error.

The total amount of the required adjustment to correct this accounting treatment is $19.9m, which is reflected in an adjustment to prior year balances. This adjustment comprises capitalised costs of $26.4m less depreciation charged of $6.5M.

The line items in the 2011 Financial Statements that are affected by this restatement are:

	University & Group			*University*		
Statement of Comprehensive Income	*2011 Previous Actuals ($000's)*	*Library Writedown Adjustment Actuals ($000's)*	*2011 Restated Actuals ($000's)*	*2011 Previous Actuals ($000's)*	*Library Writedown Adjustment Actuals ($000's)*	*2011 Restated Actuals ($000's)*
OPERATING INCOME						
TOTAL OPERATING INCOME	290,716	–	290,716	290,436	–	290,436
OPERATING EXPENDITURE						
Personnel Expenses	172,119	–	172,119	172,119	–	172,119
Site & Property Costs	8,988	–	8,988	8,988	–	8,988
General / Operating Expenditure	63,560	3,379	66,939	63,200	3,379	66,579
Finance Charges	4,030	–	4,030	4,030	–	4,030
Depreciation and Amortisation	32,552	(1,257)	31,295	32,552	(1,257)	31,295
TOTAL OPERATING EXPENDITURE	281,249	2,122	283,371	280,889	2,122	283,011
Results from operating activities before the direct costs & insurance proceeds as a result of the earthquakes	9,467	(2,122)	7,345	9,547	(2,122)	7,425
Effect of Canterbury earthquakes						
Additional Costs	(22,453)	–	(22,453)	(22,453)	–	(22,453)
Insurance proceeds to date	56,646	–	56,646	56,646	–	56,646
Write off in Excess of Revaluation Reserve due to impairment of Buildings	(10,147)	–	(10,147)	(10,147)	–	(10,147)
Assets written off/derecognised	(2,550)	–	(2,550)	(2,550)	–	(2,550)
Net surplus from operating activities after the impact of the earthquakes	30,963	(2,122)	28,841	31,043	(2,122)	28,921

	University & Group			University		
	2011 Previous Actuals ($000's)	*Library Writedown Adjustment Actuals ($000's)*	*2011 Restated Actuals ($000's)*	*2011 Previous Actuals ($000's)*	*Library Writedown Adjustment Actuals ($000's)*	*2011 Restated Actuals ($000's)*
Other Comprehensive Income						
Net Movements in revaluation reserves	(143,719)	–	(143,719)	(143,719)	–	(143,719)
Arcactive Limited accounted for as an Associate	404	–	404	–	–	–
Effective portion of changes in fair value of cash flow hedges	(2,351)	–	(2,351)	(2,351)	–	(2,351)
Adjustment to New Zealand Synchrotron Group Limited valuation	(116)	–	(116)	(116)	–	(116)
Adjustment to South African Large Telescope (SALT) valuation	–	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME	(114,819)	(2,122)	(116,941)	(115,143)	(2,122)	(117,265)

Statement of Changes in Equity

BALANCE AT 1 JANUARY	719,476	(17,825)	701,652	719,963	(17,825)	702,139
COMPREHENSIVE INCOME						
Surplus / (deficit)	30,963	(2,122)	28,841	31,043	(2,122)	28,921
Other comprehensive income	(145,782)	–	(145,782)	(146,186)	–	(146,186)
TOTAL COMPREHENSIVE INCOME	(114,819)	(2,122)	(116,941)	(115,143)	(2,122)	(117,265)
BALANCE AS AT PERIOD END	604,657	(19,947)	584,711	604,820	(19,947)	584,874

	University & Group			*University*		
	2011 Previous Actuals ($000's)	*Library Writedown Adjustment Actuals ($000's)*	*2011 Restated Actuals ($000's)*	*2011 Previous Actuals ($000's)*	*Library Writedown Adjustment Actuals ($000's)*	*2011 Restated Actuals ($000's)*
Statement of Financial Position						
CURRENT ASSETS						
TOTAL CURRENT ASSETS	103,106	–	103,106	103,039	–	103,039
LESS CURRENT LIABILITIES						
TOTAL CURRENT LIABILITIES	56,498	–	56,498	56,503	–	56,503
WORKING CAPITAL	46,608	–	46,608	46,536	–	46,536
NON CURRENT ASSETS						
Land	96,760	–	96,760	96,760	–	96,760
Buildings	343,064	–	343,064	343,064	–	343,064
Infrastructure Assets	22,918	–	22,918	22,918	–	22,918
Plant & Equipment	34,717	–	34,717	34,716	–	34,716
Leased Equipment	6,285	–	6,285	6,285	–	6,285
Library	106,956	(19,947)	87,010	106,956	(19,947)	87,010
Intangible Assets	5,765	–	5,765	5,765	–	5,765
Capital Work-In-Progress	37,975	–	37,975	37,975	–	37,975
Investments	1,448	–	1,448	1,684	–	1,684
Term – Receivable	1,433	–	1,433	1,433	–	1,433
Other Non Current Assets	4,325	–	4,325	4,325	–	4,325
TOTAL NON CURRENT ASSETS	661,646	(19,947)	641,700	661,881	(19,947)	641,935
NON CURRENT LIABILITIES						
Total Non Current Liabilities	103,597	–	103,597	103,597	–	103,597
TOTAL NET ASSETS	604,657	(19,947)	584,711	604,820	(19,947)	584,875
REPRESENTED BY :						
General Equity	487,672	(19,947)	467,726	487,836	(19,947)	467,890
Revaluation Reserves	120,835	–	120,835	120,835	–	120,835
Cashflow Hedge Reserve	(3,032)	–	(3,032)	(3,032)	–	(3,032)
Fair Value Through Other Comprehensive Income Reserve	(818)	–	(818)	(818)	–	(818)
TOTAL EQUITY	604,657	(19,947)	584,711	604,820	(19,947)	584,875

25 / Effects Of The Canterbury Earthquakes

The Event

A 7.1 magnitude earthquake hit the University in September 2010, followed by 6.3 magnitude aftershocks in February and June 2011, and a magnitude 6.0 aftershock in December 2011. These events, and other aftershocks prior to balance sheet date, have caused damage to many of the University's buildings and assets and caused a reduction in the number of enrolled students and tuition revenue.

Nature of Assets Affected

Land

The UC site has not been specifically assessed for land damage as in general there is no real evidence to support such investigation. The structural engineers who have been on site since September 2010 have identified certain areas that have required further investigation by Geotech engineers and this has been completed. These areas are mostly around the Avon river from the UCSA building down to the recreation centre.

Buildings

Of the 12 buildings closed after the February quake 2011, two have been demolished, one is currently being demolished and six are expected to remain closed for up to two years. All other University buildings were cleared for use in accordance with the procedures of the Civil Defence Emergency Management Act 2002, in conjunction with Christchurch City Council.

Estimated Costs to Repair Damage

The University has had structural engineers on-site since the initial earthquake on 4 September 2010. Some buildings have had major structural damage resulting from the September 2010 and February 2011 earthquakes. The University has been given an estimate of $390 million by Rawlinson's, who are engaged by the University's insurers, of the damage caused by the September 2010 - December 2011 quakes (estimate of damage as at 31 December 2011 was $120 million). The estimate of damage is based on reinstatement at 34% of the building code.

As repair work starts, additional damage is being discovered or the extent of the original assessment found to be in need of revision. As a result, the cost of repair estimated in these financial statements could increase.

The next revision in estimates, based on a number of different engineering reports to be provided to Rawlinsons, will commence in April 2013. Rawlinsons will then complete a new estimate of damage, by which time a detailed structural review of the University's top 40 buildings is also expected to be available.

Due to the inherent nature of damage estimates we have applied the following sensitivity analysis to the estimated building impairment which gives the following adjusted Net Surplus/(Deficit):

	Reported ($000's)	*Impairment + 10% ($000's)*	*Impairment – 10% ($000's)*
Net Surplus / (Deficit)	(67,071)	(88,518)	(45,624)

Valuation of Buildings

Due to the rapidly moving valuation environment in Canterbury, the University engaged CBRE to undertake a valuation as at 31 December 2012 outside of the normal 3 year cycle.

As the damage incurred from the earthquakes was not factored into this valuation the University adjusted the carrying value of buildings as at 31 December 2012 to reflect the estimated cost of repairing the buildings back to the state that existed prior to the earthquakes. This impairment does not reflect the full cost of making buildings compliant with the new building code and does not reflect likely costs recoverable under insurance.

The University has accounted for impairments to all damaged buildings at a value equal to each building's estimated damage per Rawlinsons (unless damage is more than NBV in which case the building is impaired to $nil) less remediation work completed.

The change in the fair value of buildings during the year was:	*December* 2012	*June* 2012	*December* 2011
Fair Value of buildings as at 1 January	343,064	343,064	494,930
Building Additions	32,150	11,192	33,316
Building Disposals (Mushroom and Siemon)	–	–	(2,550)
Depreciation, Amortisation and Adjustments	(14,825)	(6,615)	(15,414)
Movements in revaluation reserves relating to Building Asset valuations	360,389	347,641	510,282
Less Impairment due to earthquakes (against revaluation reserve)	34,256	–	(73,669)
Write off in Excess of Revaluation Reserve due to impairment of Buildings	–	–	(83,402)
Fair Value of buildings as at balance date	(107,707)	(56,721)	(10,147)
Total	286,937	290,920	343,064

As all building revaluation reserves were depleted in 2011, the increase in impairment of $107.707 million has been recognised as part of the net loss for 2012, offset at 31 December 2012 by a revaluation of $34.256 million.

Expenditure to 31 December 2012 of $50.614 million (31 December 2011 of $18.114 million) relating to the costs of remediating the damage caused by the earthquake is treated as work in progress until repairs on each building have been completed, at which time these costs will be capitalised. Refer Note 8 Property Plant and Equipment. Expenditure which results in an increase in service potential has been capitalised.

Insurance

Insurance proceeds of $41.023 million (31 December 2011 $56.646 million) have been recognised on the basis of expenditure to date, excluding GST. An additional $2.917 million was recognised in 2010 bringing the total recognised to date to $100.586 million.

This is considered the most reliable estimate of revenue, but does not reflect the total value of the University's insurance claim. There is potential for significantly more material damage and business interruption claims but the University is at early stage of the negotiations with its insurers and a substantial proportion of the work remains to be done. Any additional recovery could not be reliably estimated.

Consideration was given to recognising revenue based on the estimates of damage by the insurers quantity surveyor, however the variability in the quantification of this amount does not provide sufficient certainty for revenue to be recognised on this basis.

Reasons for this variability are: the degree of cracking across the approximate 200,000m^2 of concrete structures across campus; the availability of detailed engineering reports and the degree these are informed by invasive testing; and the changing quantification of damage estimates when the remediation and strip out work is commenced which often exposes a greater degree of damage than first thought. Insurers are aware that submitted claims are interim claims only. The University has been receiving progress payments from insurers on a regular basis, based on our actual spend to date.

These payments are made on a "non-specific basis" meaning that payment does not constitute acceptance by the insurer of a specific claim.

At the University's most recent reporting date, 30 June 2012, insurance proceeds recognised were accounted for using the estimated building damage as provided by Rawlinsons, as this was considered to be reasonably certain given the extensive suite of engineers reports completed compared to the previous reporting period of 31 December 2011.

However, given the significant movement of the estimated damage at 30 June 2012 of $227.8M to 31 December 2012 of $390M it has been agreed that these damage estimates from Rawlinsons can no longer be relied upon to meet the "reliably measured" test for recognising insurance proceeds. As a result, the University has reverted back to the recognition method used in the 2011 financial statements.

The University uses the forensic accounting and claims services of Marsh Risk Consulting to verify all claimed items prior to submission to the insurers. As a result, the University is confident that any expenditure to date in relation to material damage and business interruption (less insurance excess) will be successfully claimable from the insurers. The University continues to work closely and constructively with its insurers.

Insurance recoveries are disclosed separately as income in the Statement of Comprehensive Income and included in receivables or income in advance, depending on the timing of the expenditure, in the Statement of Financial Position.

Additional Costs as per Statement of Comprehensive Income	2012 University Actuals ($000's)	2011 University Actuals ($000's)
Additional Costs		
Consultancy and Outsourcing	(876)	(1,300)
Commerce Building and Te Pourewa Remediation Costs Write Off	(2,588)	–
Direct Academic Costs	(8)	(567)
Earthquake Leave Provision	(290)	(4,014)
Equipment Rentals	(32)	(780)
Insurance	(703)	(357)
Promotional Activity	(2)	(6,787)
Repairs and Maintenance	(198)	(1,876)
Scholarships & Prizes	(1,423)	(2,847)
Travel and Conference Costs	12	(719)
Other	(1,505)	(3,206)
Additional Costs	(7,613)	(22,453)

Going Concern

The Canterbury earthquakes have had a significant negative effect on the University's financial position and performance. Council has considered whether the University, in its present financial position and looking to the future, can still prepare financial statements on a going concern basis. Council have sought independent legal and technical financial advice in determining their position in signing off the 2013 budget and the 2012 statutory reporting.

Council's considerations have included:

The future funding of the University, taking into account its fallen student roll and the additional costs of betterment improvements to buildings being undertaken while the remediation work is being done. Student numbers for 2012 were still 13% below the domestic EFTS level of 2010 and 34% below in international/full fee EFTS. The reduction in student numbers has significantly reduced the University's profitability and cash flows from operations.

Material damage insurance proceeds are tied to actual costs incurred for repairs meaning that there is no "windfall" involved with proceeds from insurers. The University's business interruption insurance only covered the downturn in student numbers for 2 years post earthquake events, whereas it is expected that the reduction in student numbers, and therefore tuition revenue, will extend for a much longer period. Government has not compensated the University for this loss in revenue. The business interruption claim is not settled.

The University has taken action in 2011 and 2012, and in the 2013 budget process to minimise costs and maximise revenues wherever possible. This has included:

1. successive staff number decreases in 2011 and 2012 of 96 FTE and 83 FTE respectively;
2. negotiating 0% pay increases for all staff in 2013;
3. increase expenditure on scholarships and marketing to attract students;
4. some numbers of course closures in Arts and Commerce faculties;
5. a range of other financial measures introduced during 2012 to restrict expenditure.

In addition to initiatives already in place, the University continues to review its operations for opportunities for further financial efficiency. However, the University's cash flow forecasts reveal that, in the current circumstances and on a business as usual basis, it will run out of cash without further borrowing by late 2014. Council is aware that this situation will need to be addressed before signing off the 2013 Annual Report next year.

In September 2012, the University submitted a business case to the government, UC Futures, which identified the need for a substantial cash injection to ensure the medium and long term viability of the University in its current form. Cameron Partners and Northington Partners have validated this financial need.

The Cabinet's response to this business case expressed their commitment to working with the University and also its future as an internationally recognised university specialising in engineering, science and initial teacher education.

The Minister of Tertiary Education confirmed that Cabinet has agreed in principle, and subject to Cabinet's approval of project business cases, to support University proposals to rebuild or replace the University's science and engineering facilities, and to transfer the Dovedale campus into University ownership.

The government confirmed that the student achievement component (SAC) would be guaranteed at pre-earthquake funding levels for 2013.

The government's signalled commitment to the University through these decisions and announcements has been a significant factor in supporting the Council's assessment of going concern. However, the response from the government does not fully address the University's operational cash flow needs.

In the current environment banks may be reluctant to advance funds to the University, awaiting firm government support. The bondholders and Trustee are also looking for evidence to ensure security for their investment.

Altering the capital programme, such as by prolonging the rebuild, or delaying or cancelling capital spending, or substantially reducing operations are alternatives to managing this issue that are within the University's control. However, these options present risks to the University's reputation and ability to attract and retain students and staff which may also impact overall financial viability. The University has limited recourse to assets not needed to deliver its research and teaching and has no entitlement or obligation to settle its insurance claim for cash.

The University is in continuing dialogue with the government over possible financial assistance to address this cash flow issue.

The Council is committed to, and confident it will find, an appropriate resolution to the forecast 2014 cash flow issue.

After considering the above factors the Council has concluded that the going concern assumption is the valid basis for the preparation of the 2012 financial statements.

26 / Explanations Of Major Variances Against The 2012 Budget

Statement of Comprehensive Income

Government Grant

Income is $8.5m higher due to $4.7m Tripartite Income included here but budgeted within the Other Income line and Ministry of Education contracts agreed after the 2012 budget was finalised and relating to teacher development in both the English and Māori mediums. The additional income is largely offset by higher personnel and operating expenses associated with the contracts with the net impact being an addition of approximately $0.9m to contribution.

Performance Based Research Funding (PBRF)

Income is $0.7m lower than budget due to a small drop in PBRF competitiveness resulting in reduced funding. External Research Income is down from 8.03% of the pool in 2011 to 7.35% in 2012 and Research Degree Completion is down from 12.69% to 11.72%. This reflects a drop in PhD completions in 2009 and 2010.

Student Tuition Fees Domestic Fee Paying

Fees are $4.6m higher, with student numbers (EFTS) 10.5% better than anticipated in the post-quake business plan, 2.6% lower than 2011.

Student Tuition Fees Full Fee Paying

Fees are $1.4m higher, with student numbers (EFTS) 9.8% better than anticipated in the post-quake business plan, 10.7% lower than 2011.

Other Student Related Fees including other tuition fees and Student Services Levy

Income is $1.0m lower than planned and results from a combination of factors including lower number of international students attending the English Language course and lower Student Levy volumes.

Research Income

Research income is $4.5m higher as a result of additional grants won above those expected. The increase is largely offset by the additional costs associated with this extra research.

Interest Income

Extra interest, $1.4m has been earned from higher than expected cash balances, relating to the timing of capital and operational expense, coupled with interest rates approximately 0.5% higher than expected.

Other Income

Income is $1.1m lower than planned due to $4.7m Tripartite income (see Government Grants), partly offset by higher Consultancy income (short term non research work undertaken by Academics) and the recognition of additional reversionary interest revenue arising from the revaluation of 'Campus Living' accommodation of $2.2m.

Personnel Expenses

Costs are $5.8m higher, the main variances being $2.1m additional costs associated with extra Ministry of Education Contracts (see comment under Government Grants above), $1.8m staff redundancy costs and $1.0m net movement in the employee entitlements (including retirement leave, long service leave, sick leave and annual leave).

Site & Property Expenses

Costs are $2.2m lower. $1.4m of this variance relates to electricity expenses where costs were lower due partly to a number of University buildings not being operational in 2012.

General / Operating Expenditure

Costs are $2.1m higher due primarily to a further $2.1m that has been written off the Library Current Collection as part of the CONZUL Store project that is aimed at rationalising Library material held collectively across the New Zealand university population. The first stage of this project, largely completed in 2012, concerns the write-off and disposal of any print serials also held in an electronic format.

Depreciation, Amortisation and Impairment

Costs are $20.8m higher, including $17.8m impairment of the Library Current Collection and also reflects the removal of the residual values previously applied to two of the buildings components resulting in higher annual depreciation. This has been partly offset by the reduction in buildings value as a result of significant impairment. $2.2m of the variance relates to the review of the depreciation methodology for the Library Current Collection.

Effects of Canterbury Earthquake

The full year budget for Net Earthquake Insurance Proceeds is the figure that has been estimated as claimable for the reduction in the 2012 Tuition Income as a result of the earthquake. It does not include other operational and capital expenditure resulting from the earthquake as these could not be budgeted for accurately.

Write-off in Excess of Revaluation Reserve due to impairment

The $107.7m write-off represents the further reduction in the building values caused by the Canterbury earthquakes, from revised damage estimates in 2012 (refer note 25), after the revaluation reserve for the buildings asset class has been reduced to zero. This is partly offset by a $34.2m write back arising from the revaluation of Buildings.

Statement of Changes in Equity

See comments under the Statement of Comprehensive Income

Statement of Financial Position

Cash and Other Financial Assets / Term Deposits

A favourable variance of $25.5m has arisen mainly due to the receipt of insurance monies and the timing of capital expenditure payments.

Funds Received In Advance

A $3.7m higher balance relates primarily to Income received in advance and relating to Research Grants.

Current Provisions – Employee Entitlements

A $2.9m higher balance is due to a $3.7m provision for earthquake-related leave for which there is no budget, together with an additional redundancy provision of $1.1m, partly offset by $1.6m lower annual leave.

Buildings, Infrastructure, Capital Work-In-Progress and Revaluation Reserves

Buildings and Infrastructure are $241.0m adverse to budget but should also be viewed in conjunction with Capital Work-In-Progress making the full variance $216.4m.

$228.0m of this is impairment related to earthquake events. In addition to this we have removed the residual values on building components which has resulted in a reduction of the asset class.

Library

After a full review of the Current Collection it has been established that this asset has been overvalued by $19.9m due to the inclusion of electronic serials and periodicals for which perpetual access is not held. In addition, an impairment review identified a further $17.8m of assets to be written off. The first phase of the CONZUL Store project has identified a further $2.1m of library assets to be written off.

Other Financial Liabilities

The $4.8m adverse variance relates to an Interest Rate Swap Derivative that is not budgeted for.

Term Provisions – Employee Entitlements

The $4.6m adverse variance relates principally to movements in the actuarially valued employee entitlements.

27 / Interim Financial Statements

The University published unaudited interim 6 monthly financial statements to 30 June 2012 on 29 August 2012. These interim financial statements included estimates in relation to the change in accounting for subscriptions to electronic periodicals, and in relation to insurance recovery revenue. The audited result for the year ended 31 December 2012 shows the following changes to these estimates:

Write off of library collection $19.320 million – this was shown as expense for the 6 months ended 30 June 2012. On review this amount was required to be treated as a prior period error involving the adjustment of the relevant comparatives for the year ended 31 December 2012. Refer to Note 24 for more detail.

Insurance proceeds to date $89.976 million – this was based on the University's estimate of likely insurance proceeds receivable from its insurers, based on assessed impairment estimates available at the time. Subsequently the University has revised its approach to recognise insurance proceeds based on claimable expenses incurred.

NZDX Waivers

The University of Canterbury ("UOC") has in the 12 month period preceding the date two months before publication of the annual report relied upon the following waivers from the NZDX Listing Rules ("Rules"):

i. A waiver from Rule 10.5.1 (which was granted on 2 November 2009 prior to its initial listing), being the requirement to deliver to NZX, and to make available to each Quoted Security Holder, an annual report within three months of financial year end. The waiver was granted on the condition that the annual report is delivered by the later of: a) Three months after financial year end, and b) the earlier of the time of presentation of the annual report to Parliament, or five weeks after the annual report is received by the responsible minister pursuant to section 220(1) of the Education Act 1989.

ii. A waiver from Rule 10.4.1(a) (which was granted on 21 September 2010), being the requirement to provide a preliminary announcement to the market not later than 60 days after the end of its financial year-end. The waiver was granted on condition that:

   - the annual report is delivered at the earlier of the time of presentation of the annual report to Parliament; the time at which UOC's annual report ceases to be confidential; or five weeks after the annual report is received by the responsible minister pursuant to section 220(1) of the Education Act 1989.
   - that UOC make an announcement, as soon as it is known, and in any event within 60 days of each of UOC's financial year ends, disclosing the date on which UOC's annual report and UOC's preliminary announcement are expected to be released to the market;
   - that, not later than 60 days after the end of each of UOC's financial years, UOC provide to the market a certificate from the Chancellor or the Vice Chancellor; and the Chief Financial Officer of UOC, that all relevant financial information required to be disclosed to the market, pursuant to NZDX Listing Rule 10.1.1, has been provided.

Compulsory Student Services Fees

Compulsory Student Services Fees

Compulsory Student Services Fees *For the period ended 31 December 2012*		*2012 University Actuals ($000's)*	*2012 University Budget ($000's)*
Compulsory Student Services Fees Collected		7,369	7,820
Services Funded by the Compulsory Student Services Fees			
1.	Advocacy and legal advice	1,499	1,539
2.	Careers information, advice and guidance	393	496
3.	Counselling services and pastoral care	793	805
4.	Health services	979	1,116
5.	Media	423	447
6a.	Sports, recreation and cultural activities	2,217	1,968
6b.	Capital Allocation – sports, recreation and cultural activities	1,065	1,449
Surplus/(Deficit)		–	–

Categories of Compulsory Student Services Fees

1.	Advocacy and Legal Advice:	Advocating on behalf of individual students and groups of students, and providing independent support to resolve problems. This includes advocacy and legal advice relating to accommodation.
2.	Careers information, advice and guidance:	Supporting students' transition into post-study employment.
3.	Counselling services and pastoral care:	Providing non-academic counselling and pastoral care, such as chaplains.
4.	Health services:	Providing health care and related welfare services.
5.	Media:	Supporting the production and dissemination of information by students to students, including newspapers, radio, television and internet-based media.
6a/6b.	Sports, recreation and cultural activities:	Providing sports, recreation and cultural activities for students.

Equity & Diversity

Equity & Diversity

In line with the Human Rights Act (1993), the University considers it to be axiomatic that there should be equality of opportunity in employment and education for all of its staff and students, irrespective of background. Thus it is accepted that age, gender, ethnicity or disability should not disadvantage or hinder appointment, professional development, promotion, advancement or successful study.

Formal oversight of equity and diversity rests with the Assistant Vice-Chancellor (Māori) and the Directors of Student Services and Communications, and Human Resources who jointly hold the Equity and Diversity portfolio within the Senior Management Team. In fulfilling these responsibilities, they are advised in policymaking and operational matters by members of the Equity and Diversity Advisory Committee (EDAC) and the Human Resources team. Colleges and Service Units also have their own Equity and Diversity Committees. Equity and diversity issues underpin the core business of the University and hence are considered to be of concern to every member of the University community. The overall aim of Equity and Diversity is to make the University a place where equity is an integral part of the culture and in which diversity is celebrated.

In December 2012, the University of Canterbury Council endorsed Rautaki Whakawhanake Kaupapa Māori – Māori for Strategy Development. This is the inaugural strategy of its type for the University and targets key aspects of equity and diversity. This is built on work over recent years of the University which has focused on ensuring equity in the recruitment, selection and promotion of staff. The success of this initiative was most clearly represented in the increase in the number of women holding senior academic posts[1] in the University[2]. In 2012, women comprised 26.7% (22.4% in 2010) of senior academic staff. This represented the most significant percentage increase of any university in the period 2010 to 2012. Women occupy major leadership positions at the University including the Directors of Student Services and Communications, Learning Resources, and in three of the five academic colleges.

During 2012, the EDAC provided input into policies and decisions affecting a wide spectrum of University activities including:

- The implementation of the centralised timetabling system
- The development of the 2014 academic term dates
- Changes to the on campus childcare facilities available to students and staff
- The initiation of an accessibility review to ensure that all remediation and betterment projects undertaken by the University accommodate those with disabilities
- A review of the staff composition to ensure that progress continues to be made towards gender, ethnicity and disability balance
- Production of student equity reports

In 2012, the financial situation of the University has become progressively clearer. In this context, there is a pressure to ensure that the University applies its scarce resources to maximise the benefit. To that end, the EDAC has recommended that a strategic review of its function and structure is implemented to ensure that it remains fit for purpose and contributes to the realisation of our strategic intent. This review will conclude in 2013.

1 *Professors and Associate Professors*
2 *New Zealand Census of Women's Participation, Human Rights Commission, pp137–139.*

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