Annual Financial Statements

Statement of Accounting Policies

For the year ended 31 December 2015

REPORTING ENTITY

The University of Canterbury group is domiciled and operates in New Zealand and consists primarily of the University of Canterbury and its subsidiaries Canterprise Limited and Entré Limited (together "the University"). Full details of the University are shown in Note 9.

The relevant legislation governing the University's operations includes the Crown Entities Act 2004, the Education Act 1989, and the Financial Markets Conduct Act 2013.

The University is a Tertiary Education Institution. The primary objective of the University is to provide education services for the benefit of the community, rather than make a financial return. The University has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

The financial statements of the University are for the year ended 31 December 2015. The financial statements were authorised for issue by Council on 24 February 2016.

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, the Education Act 1989, and the Financial Markets Conduct Act 2013, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared on a going concern basis and in accordance with Tier 1 PBE accounting standards, which have been applied consistently throughout the period.

These financial statements comply with PBE accounting standards.

These financial statements are the first full year financial statements presented in accordance with the new PBE accounting standards. The material adjustments arising on transition to the new PBE accounting standards are explained in Note 26.

Presentation currency and rounding

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

Changes in accounting policies

These accounting policies have been consistently applied in the periods covered by these financial statements

Standards issued and not yet effective and not early adopted

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The University has applied these standards in preparing the 31 December 2015 financial statements.

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The University will apply these updated standards in preparing the 31 December 2016 financial statements and it expects there will be minimal or no change in applying these updated accounting standards.

SIGNIFICANT ACCOUNTING POLICIES

The following are the particular accounting policies that have a material effect on the measurement or 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, revenue, expenses, and cash flows on a line-by-line basis. All significant intra-group balances, transactions, revenue, and expenses are eliminated on consolidation.

REVENUE

Revenue recognition

The University recognises revenue from individual categories of transactions as follows:

Government grants

Student Achievement Component (SAC) funding

SAC funding is the University's main source of operational funding from the Tertiary Education Commission (TEC). The University considers SAC funding to be non-exchange.

The University has a guaranteed amount of SAC funding agreed with TEC. The University's SAC funding is specifically identified by the TEC as being for a funding period as required by section 159YA of the Education Act 1989. The University recognises its SAC funding at the commencement of the specified funding period, which is the same as the University's financial year.

Performance-Based Research Fund (PBRF)

The University considers PBRF funding to be non-exchange in nature. PBRF funding is specifically identified by the TEC as being for a funding period as required by section 159YA of the Education Act 1989. The University recognises its confirmed allocation of PBRF funding at the commencement of the specified funding period, which is the same as the Institute's financial year. PBRF revenue is measured based on the University's funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance when received and recognised as revenue when the conditions of the grant are satisfied.

Tuition fees

Domestic student tuition fees are subsidised by government funding and are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course.

International student tuition fees are accounted for as exchange transactions and recognised as revenue on a course percentage of completion basis. The percentage of completion is measured by reference to the days of the course completed as a proportion of the total course days.

Research revenue

The University exercises its judgement in determining whether funding received under a research contract is received in an exchange or non-exchange transaction. In determining whether a research contract is exchange or non-exchange, the University considers factors such as the following:

- Whether the funder has substantive rights to the research output. This is a persuasive indicator of exchange or non-exchange.
- How the research funds were obtained. For example, whether through a commercial tender process for specified work or from applying to a more general research funding pool.
- Nature of the funder.
- Specificity of the research brief or contract.

For an exchange research contract, revenue is recognised on a percentage completion basis.

The percentage of completion is measured by reference to the actual research expenditure incurred as a proportion to total expenditure expected to be incurred.

For a non-exchange research contract, the total funding receivable under the contract is recognised as revenue immediately, unless there are substantive conditions in the contract. If there are substantive conditions, revenue is recognised when the conditions are satisfied. A condition could include the requirement to complete research to the satisfaction of the funder to retain funding or return unspent funds.

Revenue for future periods is not recognised where the contract contains substantive termination provisions for failure to comply with the requirements of the contract. Conditions and termination provisions need to be substantive, which is assessed by considering factors such as contract monitoring mechanisms of the funder and the past practice of the funder.

Judgement is often required in determining the timing of revenue recognition for contracts that span a balance date and multi-year research contracts.

Insurance reimbursements

Up until 31 December 2013, insurance reimbursements were recognised as revenue when the claimable expenditure was incurred. This expenditure was verified by the Marsh Risk Consulting forensic accounting team prior to submission to the insurer. At the end of 2014, the University negotiated a final settlement with its insurers. As a result the full amount of the final settlement (less revenue recognised to 31 December 2013) was recognised as revenue in the 31 December 2014 surplus.

Interest

Interest revenue is recognised on a time proportion basis that takes into account the effective yield on the related asset.

Other revenue

Other revenue includes revenue from the sales of goods and services, which is recognised when the product is sold to the customer, or the service provided.

Other revenue also includes Reversionary Interest revenue to reflect the Campus Living Villages building assets, which will become University assets in 2040. The interest is calculated using the latest building valuation and a discounted cash flow methodology.

Donations

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 is recognised as revenue.

Donations of assets are recorded at fair value on receipt and recognised as revenue.

FINANCIAL INSTRUMENTS

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 University 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 Net Assets / Equity and in Note 18.

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 revenue and expense 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 other revenue or general expenditure line items, as appropriate.

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 recycled into the surplus or deficit over the remainder of the hedge maturity period. 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.

Other Financial Assets and Liabilities

Classification and initial recognition

All financial assets and financial liabilities are initially recognised at fair value. The University determines the classification of its financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date.

Financial assets

The University classifies its financial assets into the following four categories: financial assets at fair value through the surplus or deficit; loans and receivables; held to maturity investments; and available-for-sale. The classification depends on the purpose for which the financial assets were acquired.

Loans and receivables include term deposits with maturities greater than three months, classified as current where the remaining duration is less than 12 months, or non-current where the remaining duration is more than 12 months. Held to maturity investments are non-derivative financial assets where the University has the positive intention and ability to hold them to maturity. Available-for-sale assets include investments. There are currently no other financial assets measured at fair value through surplus or deficit.

Financial liabilities

The University classifies its other financial liabilities into trade and other payables, and bonds.

Subsequent measurement

After initial recognition at fair value, other financial assets are measured as follows:

- fair value through surplus or deficit – at fair value
- loans and receivables – at amortised cost using the effective interest rate method
- held to maturity investments – at amortised cost using the effective interest rate method, and
- available-for-sale – at fair value through other comprehensive revenue and expense.

After initial recognition at fair value, other financial liabilities are measured at amortised cost.

Further details of other financial assets and liabilities are included in Notes 9, 10 and 16.

Cash and Cash Equivalents

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

Trade and other receivables

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

All receivables are reviewed for recoverability. 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 first-In, first-out (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 through non-exchange transactions they are measured at fair value, 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 are written off.

PROPERTY, PLANT AND EQUIPMENT

Initial recognition and subsequent measurement

All assets are initially recorded at cost. 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.

Where an item of property, plant and equipment is acquired through a non-exchange transaction at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Subsequent to acquisition, all items of property, plant and equipment are depreciated over their useful life except for land, artworks, medals, the Logie Collection and the Library Permanent Collection which are not depreciated. Land, buildings, infrastructure, the Library Permanent Collection, and Artwork, Medals and the Logie Collection are subject to periodic revaluation.

Any gains or losses on disposal of property, plant and equipment are determined by comparing the proceeds, if any, with the carrying amount of the asset. Gains and losses on disposal are included in the surplus or deficit. When revalued assets are disposed of, the amounts included in the asset revaluation reserves in respect of those assets are transferred to General Equity.

Land

Independent registered valuers undertake revaluations of Land every three years in conjunction with that of buildings. As buildings are currently being revalued outside of the three year cycle, land is also being valued at the same time.

Land has been valued at fair value by CB Richard Ellis Limited as at 31 December 2015. 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. The fair value of land is normally determined from market based evidence and a discounted cash flow basis, with no optimisation process applied.

Where there is no sales based market evidence, the valuation is based on a discounted hypothetical development less allowances for legal impediments.

Buildings

Independent registered valuers undertake revaluations of 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.

Buildings, with the exception of residential and commercial property, including the Ilam Homestead (see below), have been valued on a component basis by CB Richard Ellis Limited at depreciated replacement cost as at 31 December 2015, except where there exists a contestable market 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 for any 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 Buildings 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 8.

Additions to Land and Buildings subsequent to the date of valuation are recorded at cost. Where a Land and Building asset is acquired through a non-exchange transaction at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Residential and commercial property, including the Ilam Homestead

Independent and registered valuers undertake revaluations of the University's residential and commercial property every three years, unless there is a 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.

Residential and commercial property is valued at market value, taking into account recent market activity, and was revalued by CB Richard Ellis Limited at 31 December 2015.

The University has valued its Ilam Homestead property on a market value basis, as the nature of its use is changing to incorporate more commercial activity. The Ilam Homestead property was valued by CB Richard Ellis Limited at 31 December 2015.

Infrastructure Assets

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.

Infrastructure Assets were valued by AECOM as at 31 December 2014 at depreciated replacement cost.

Additions to Infrastructure Assets subsequent to the date of valuation are recorded at cost. Where an Infrastructure asset is acquired through a non-exchange transaction at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Library

The Current Collection of books and serials is valued at historical cost less depreciation.

The Permanent Collection of heritage collections including Macmillan Brown, Māori and Pacific, rare books, archives, architectural drawings, photographs and art of rare books is revalued every three years by an independent registered valuer.

The Permanent Collection was valued on a fair value basis as at 31 December 2013 by Jones Lang Lasalle Limited. The valuation was carried out in accordance with the University's valuation guidelines. Non-specialised assets have been valued at market value and specialised assets have been valued on a depreciated replacement cost basis.

Donated books are treated as a non-exchange transaction on acquisition, and have been included at estimated market value.

Additions to Library Assets subsequent to the date of valuation are recorded at cost.

Artworks/Medals/Logie Collection

The collections are revalued by independent valuers on the following cycle:

- artworks are revalued on a three yearly cycle
- medals are revalued on a five yearly cycle
- the Logie Collection is revalued on a five yearly cycle.

Artwork fair value was determined by reference to market values for comparable works and the size and condition of the piece. They were revalued as at 31 May 2014 by James Parkinson of Art + Object Limited.

Medals were valued at fair value by R. J Watt & Associates as at 18 December 2013. 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 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 over 30 years of commercial experience in Classical and Pre-Classical antiquities.

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, including any retention amounts. 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.

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.

ACCOUNTING FOR REVALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

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

The results of any revaluation 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 in revaluation that offsets 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 AND INTANGIBLE ASSETS

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 recognised first 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, Medals and Logie Collections are depreciated using the straight-line 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	1.25–3.3%
Building Services	2.50–3.3%
Fittings and Fit-out	4.00%
Furnishings (chattels)	5.00%
Infrastructure Assets	0.95%–33.3%
Other Plant and Equipment	6.7% to 33.3%
Leased Equipment	33.3%
Current Collection (Library)	10.00%

Artworks, Medals, Logie and the Permanent collections are not depreciated because they have indefinite or sufficiently long useful lives that any depreciation is considered negligible.

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 range from 3–10 years.

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.

The finance charge is included in the surplus or deficit over the lease period so as to produce a constant periodic rate of interest.

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 Limited. The majority of the lease rental was received in advance in 2005, and is being recognised as revenue, apportioned equally over the period of the lease.

The present value of the term receivable for the remaining interim and terminal lease payment from this transaction is reflected in non-current assets. The revenue received in advance is shown in current and non-current liabilities.

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.

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, which 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.

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 Limited, as at 31 December 2015. They have based their valuation on the model recommended by Treasury for the 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 or 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

Borrowing costs 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 equity
- general equity — Te Pourewa Settlement Reserve
- general equity — student service levy capital reserve
- cash flow hedge reserve
- property revaluation reserves, and
- available-for-sale reserve.

General equity — Te Pourewa Settlement Reserve

This reserve has been created to acknowledge the University's undertakings to its insurers on receipt of the Te Pourewa insurance settlement of $17.5 million. Principally, the University undertakes to replace the work space provided to the College of Education, Health and Human Development by the demolished Te Pourewa building. The University has begun the refurbishment of the New Education Building on the Ilam Campus, which is planned to be available for occupation by the College of Education, Health and Human Development in 2017. The reserve will be released back into general equity once this building has been completed.

General equity — student service levy capital reserve

This reserve records the annual allocation of funding of capital items from the student services levy, which is shown as a transfer from general equity. As capital items are purchased, the corresponding balance is deducted from this reserve and transferred back to general equity.

The University is in receipt of insurance proceeds for the repair of the UCSA building on campus, which is jointly owned by UCSA and the University. UCSA has the majority holding. The University will be managing any earthquake remediation work, but has credited $6.255 million to this reserve, being the estimated amount of insurance receipts allocated to the UCSA majority ownership.

While the University continues to hold these insurance proceeds, it is crediting the reserve with interest revenue earned on those funds at the University's average long term interest rates, calculated monthly.

This will be released back to General Equity as the UCSA building is repaired.

Cash flow hedge reserve

This reserve relates to the movements of fair value of all foreign exchange forward contracts and interest rate swaps, where they qualify as hedge instruments.

Property revaluation reserves

These reserves relate to the revaluation of building, land, infrastructure, library and collections to fair value. The Building Revaluation Reserve was reduced to nil in previous years due to significant impairment in 2011 as a result of Earthquake damage. Cumulative repairs and revaluations have resulted in the reinstatement of the Building Revaluation Reserves in 2015.

Available-for-sale reserve

This reserve comprises the cumulative net change in the fair value of available-for-sale 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 due from Inland Revenue as at 31 December 2015 is included in Accounts Receivable.

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. As in previous years, the University adjusted the valuation to allow for the decrease in value in the buildings asset as at 31 December 2015 for unremediated earthquake damage, Note 8 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.

(a) **Land**

The land valuation includes an allowance to reflect the possible legal impediments to achieving the fair market value of the land's highest and best use, incorporating assumptions as to the realisation period for the disposal of property sections and the number of sub-divisible sections, which has a direct impact on overall returns and the valuation.

(b) **Buildings at Depreciated Replacement Cost**

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 with reference to building cost indices and/or market data if available.

The valuation excludes any capitalisation of borrowing costs that may have been incurred in the construction or acquisition of a component asset.

Adjustments have been made as appropriate to fairly reflect remaining lives by reference to physical condition and capital expenditure.

(c) **Residential Properties at market values**

The valuation of residential property owned by the University is based on market value. Market value is the estimated amount the property would sell for on the date of valuation, between a willing buyer and willing seller in an arm's length transaction, acting knowledgeably, prudently and without compulsion.

The market value methodology for residential properties takes into account recent sales of comparable properties.

(d) **Buildings at market value – Ilam Homestead**

The valuation of the Ilam Homestead is based on market value and is predicated on a standard commercial lease arrangement for a property of this type.

(e) **Campus Living Villages**

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, that is, the leased assets are valued at depreciated replacement cost.

(f) **Dovedale Campus**

In 2014, the valuation merged the interests of the Crown and the University in respect of the Dovedale campus. In 2015, the Crown completed the transfer of ownership of this land to the University.

Reversionary interest

A reversionary interest amount is recognised representing the progressive recognition of the value of the Campus Living accommodation which will vest in the University in 2040. The key assumption used in calculating this revenue is the discount rate at 5.79% (December 2014: 6.33%). Any changes in this rate will impact on the revenue recognised.

Long Service, Retirement Leave 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 based on the yields on Government Bonds (consistent with all entities that form part of the Crown's annual reporting).

Recognition of Buildings Impairments

The University has estimated the extent of damage to its buildings through the use of independent Quantity Surveyors, Inovo Projects Limited. These estimates are based on the following:

- each building has been separately considered
- historical data and experience gathered over the last three years of remediation work
- no allowance has been made for cost escalation
- allowances are included for professional fees, contractor's costs and contingencies where appropriate, using industry rates, and
- certain buildings have detailed information and reports while others have very limited information and where the estimates have been developed using the best information available for each building.

Building impairments are discussed further in Note 8.

Statement of Comprehensive Revenue and Expense

For the year ended 31 December 2015

	Notes	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
OPERATING REVENUE						
Government Grant		130,812	128,209	130,812	128,209	130,494
Performance Based Research Funding (PBRF)		27,656	25,763	27,656	25,763	25,832
Student Tuition Fees Domestic Fee Paying		61,428	59,673	61,428	59,673	62,971
Student Tuition Fees Full Fee Paying		21,482	18,521	21,482	18,521	18,780
Student Services Levy		7,888	7,728	7,888	7,728	8,024
Other Student Related Fees		701	1,202	701	1,202	861
Research Revenue		27,433	26,666	27,433	26,666	21,566
Interest Revenue		19,799	6,103	19,799	6,103	6,100
Other Revenue	1	33,076	24,533	33,016	24,248	20,846
Insurance reimbursements and settlements	1	160	370,306	160	370,306	39,075
Increase in revaluation of Buildings	8	558	73,388	558	73,388	–
TOTAL OPERATING REVENUE		**330,993**	**742,092**	**330,933**	**741,807**	**334,549**
OPERATING EXPENDITURE						
Personnel Expenses	2	171,384	167,790	171,384	167,790	170,682
General / Operating Expenditure	3	107,854	89,992	107,837	89,687	89,932
Finance Charges	4	4,360	3,814	4,360	3,814	3,736
Depreciation and Amortisation	8	43,982	40,429	43,982	40,429	40,613
(Decrease) / Increase in impairment of Buildings	8	(118)	6,790	(118)	6,790	–
TOTAL OPERATING EXPENDITURE		**327,462**	**308,815**	**327,445**	**308,510**	**304,963**
SURPLUS/(DEFICIT)		**3,531**	**433,277**	**3,488**	**433,297**	**29,586**
Other Comprehensive Revenue and Expense						
Movements in revaluation reserves relating to the Art Collection	8	–	434	–	434	–
Movements in revaluation reserves relating to Infrastructure Assets	8	–	12,808	–	12,808	–
Movements in revaluation reserves relating to Building Assets	8	70,266	–	70,266	–	–
Movements in revaluation reserves relating to Land	8	(4,910)	16,450	(4,910)	16,450	–
Net Movements in revaluation reserves	18	65,356	29,692	65,356	29,692	–
Effective portion of changes in fair value of cash flow hedges	18	619	(2,703)	619	(2,703)	–
Adjustment to New Zealand Synchrotron Group Limited Valuation	18	24	8	24	8	–
Adjustment to New Zealand South African Large Telescope (SALT) Limited Valuation	18	(57)	33	(57)	33	–
Other Comprehensive Revenue and Expense		65,942	27,030	65,942	27,030	–
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		**69,473**	**460,307**	**69,430**	**460,327**	**29,586**

Further details on the impact of the earthquake and the rebuilding of the University campus are included in the notes as indicated. Significant variances to budget are explained in Note 28 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2015 BUDGET. The accompanying policies and notes form an integral part of these financial statements.

Statement of Changes in Net Assets / Equity

For the year ended 31 December 2015

	Notes	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
Balance at 1 January		1,164,512	604,205	1,164,459	604,132	799,932
Comprehensive revenue and expense						
Surplus / (deficit)	18	3,531	433,277	3,488	433,297	29,586
Other comprehensive revenue and expense	18	65,942	27,030	65,942	27,030	–
Total comprehensive revenue and expense		69,473	460,307	69,430	460,327	29,586
Non Comprehensive revenue Items						
Capital Contributions from the Crown	18	77,000	100,000	77,000	100,000	100,000
Total Non Comprehensive revenue Items		77,000	100,000	77,000	100,000	100,000
Balance as at period end		1,310,985	1,164,512	1,310,889	1,164,459	929,518

Significant variances to budget are explained in Note 28 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2015 BUDGET
The accompanying policies and notes form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2015

	Notes	*2015 University & Group Actuals ($000's)*	*2014 University & Group Actuals ($000's)*	*2015 University Actuals ($000's)*	*2014 University Actuals ($000's)*	*2015 University Budget ($000's)*
CURRENT ASSETS						
Cash and Cash Equivalents	5	41,202	98,756	41,178	98,730	114,455
Other Financial Assets / Short Term Deposits	16	202,000	66,846	202,000	66,846	–
Receivables	6	24,180	276,851	24,180	276,847	8,250
Prepayments		9,589	8,239	9,589	8,239	9,000
Derivative Financial Instrument Assets	16	–	150	–	150	–
Inventories	7	1,329	1,139	1,329	1,139	1,391
Total Current Assets		278,300	451,981	278,276	451,951	133,096
LESS CURRENT LIABILITIES						
Revenue Received in Advance	11	27,233	24,222	27,233	24,222	23,900
Accounts Payable	12	27,298	26,118	27,370	26,141	25,528
Derivative Financial Instrument Liabilities	16	121	–	121	–	–
Loans	13	32	32	32	32	32
Philanthropic Bond	14	2,000	2,000	2,000	2,000	2,000
Employee Entitlements	15	8,956	8,968	8,956	8,968	10,700
Total Current Liabilities		65,640	61,340	65,712	61,363	62,160
WORKING CAPITAL		**212,660**	**390,641**	**212,564**	**390,588**	**70,936**
NON CURRENT ASSETS						
Property, Plant and Equipment	8	801,254	736,964	801,254	736,964	926,226
Intangible Assets	8	9,427	8,206	9,427	8,206	–
Capital Work-in-Progress	8	131,590	76,134	131,590	76,133	–
Investments	9	107,402	786	107,402	786	745
Derivative Financial Instrument Assets	16	1,604	33	1,604	33	–
Other Financial Assets / Long Term Deposits	16	129,500	39,500	129,500	39,500	17,500
Receivables	10	1,879	1,756	1,879	1,756	1,878
Other Non Current Assets	10	17,827	9,862	17,827	9,862	7,664
Total Non Current Assets		1,200,483	873,241	1,200,483	873,241	954,013

Significant variances to budget are explained in Note 28 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2015 BUDGET.
The accompanying policies and notes form an integral part of these financial statements.

	Notes	*2015 University & Group Actuals ($000's)*	*2014 University & Group Actuals ($000's)*	*2015 University Actuals ($000's)*	*2014 University Actuals ($000's)*	*2015 University Budget ($000's)*
NON CURRENT LIABILITIES						
Loans	**13**	864	896	864	896	864
Derivative Financial Instrument Liabilities	**16**	5,320	4,515	5,320	4,515	–
Philanthropic Bond	**14**	47,512	47,392	47,512	47,392	47,978
Employee Entitlements	**15**	26,297	23,572	26,297	23,572	24,499
Revenue Received in Advance	**11**	22,165	22,995	22,165	22,995	22,090
Total Non Current Liabilities		102,158	99,370	102,158	99,370	95,431
NET ASSETS		**1,310,985**	**1,164,512**	**1,310,889**	**1,164,459**	**929,518**
Represented by:						
General Equity	**18**	1,074,180	996,152	1,074,084	996,099	794,370
General Equity — Te Pourewa Settlement Reserve	**18**	17,500	17,500	17,500	17,500	17,500
General Equity — Student Services Levy Capital Reserve	**18**	10,671	8,168	10,671	8,168	–
Revaluation Reserves	**18**	212,269	146,913	212,269	146,913	117,648
Cashflow Hedge Reserve	**18**	(3,643)	(4,262)	(3,643)	(4,262)	–
Available-For-Sale Reserve	**18**	8	41	8	41	–
TOTAL EQUITY		**1,310,985**	**1,164,512**	**1,310,889**	**1,164,459**	**929,518**

Significant variances to budget are explained in Note 28 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2015 BUDGET.
The accompanying policies and notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
OPERATING ACTIVITIES						
Cash provided from:						
Government Grant		158,468	153,972	158,468	153,972	156,326
Tuition Fees		86,518	78,612	86,518	78,612	81,751
Other Revenue		52,845	57,845	52,781	57,892	50,919
Agency Funds		5,044	4,818	5,044	4,818	–
Interest Received		9,879	4,585	9,879	4,585	6,200
Earthquake Insurance Receipts — Business Interruption		22,689	–	22,689	–	–
		335,443	**299,832**	**335,379**	**299,879**	**295,196**
Cash applied to:						
Personnel Expenses		168,010	166,263	168,010	166,263	170,683
General / Operating Expenses		101,797	91,020	101,731	90,699	86,916
Agency Funds		5,044	4,818	5,044	4,818	–
Interest Paid		3,646	3,727	3,646	3,727	3,617
Net GST Movement		5,612	(4,134)	5,612	(4,134)	(1,500)
		284,109	261,694	284,043	261,373	259,716
Net cash provided by Operating Activities	19	**51,334**	**38,138**	**51,336**	**38,506**	**35,480**
INVESTING ACTIVITIES						
Cash provided from:						
Proceeds from disposal of Fixed Assets		16,764	3,485	16,764	3,485	–
Proceeds from disposal of Investments		–	329	–	–	–
Earthquake insurance receipts		246,493	105,578	246,493	105,578	39,075
Maturity of deposits with terms greater than 3 months but less than 12 months		66,846	5,299	66,846	5,299	22,000
		330,103	114,691	330,103	114,362	61,075
Cash applied to:						
Capital Expenditure		117,173	129,843	117,173	129,843	224,366
Deposits with terms greater than 3 months but less than 12 months		202,000	66,846	202,000	66,846	–
Deposits with terms greater than 12 Months		90,000	22,000	90,000	22,000	–
Purchase of Investments		106,786	–	106,786	–	–
		515,959	218,689	515,959	218,689	224,366
Net cash used in Investing Activities		**(185,856)**	**(103,998)**	**(185,856)**	**(104,327)**	**(163,291)**

	Notes	*2015 University & Group Actuals ($000's)*	*2014 University & Group Actuals ($000's)*	*2015 University Actuals ($000's)*	*2014 University Actuals ($000's)*	*2015 University Budget ($000's)*
FINANCING ACTIVITIES						
Cash provided from:						
Capital Contribution from the Crown		85,000	100,000	85,000	100,000	100,000
		85,000	**100,000**	**85,000**	**100,000**	**100,000**
Cash applied to:						
Repayment of Loans		32	1,032	32	1,032	32
Capital Contribution — Repayment under Funding Agreement		8,000	–	8,000	–	–
		8,032	**1,032**	**8,032**	**1,032**	**32**
Net cash provided by Financing Activities		**76,968**	**98,968**	**76,968**	**98,968**	**99,968**
Net increase (decrease) in cash held		(57,554)	33,108	(57,552)	33,147	(27,843)
Cash and Cash Equivalents on hand at beginning of period		98,756	65,648	98,730	65,583	142,298
Cash and Cash Equivalents on hand at end of period	5	41,202	98,756	41,178	98,730	114,455

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 28 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2015 BUDGET.

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

Notes to the Financial Accounts

For the year ended 31 December 2015

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
1 / Revenue					
Other Revenue					
Donations / Koha	82	62	82	62	100
Donations from Trusts	4,561	2,467	4,561	2,467	3,298
Rentals	3,911	3,380	3,911	3,380	4,360
External Sales	3,597	2,781	3,597	2,781	2,890
Consultancy	3,606	3,391	3,606	3,391	2,812
Membership Fees	636	635	636	635	737
Reversionary Interest	7,965	4,784	7,965	4,784	377
Dividends Received	–	–	–	261	–
Sundry Revenue	8,718	7,033	8,658	6,487	6,272
TOTAL OTHER REVENUE	33,076	24,533	33,016	24,248	20,846

In December 2014 a final global settlement was agreed with the University's insurers. The final settlement was $550 million.

Insurance Claims Paid:					
Global settlement	–	550,000	–	550,000	–
Reimbursements recognised	160	179,694	160	179,694	39,075
Insurance reimbursements and settlements included in Revenue	**160**	**370,306**	**160**	**370,306**	**39,075**
Non exchange revenue included in total revenue	**248,062**	**240,775**	**248,062**	**240,775**	**234,857**

2 / Personnel Expenses					
Academic Salaries	76,059	76,399	76,059	76,399	78,443
General Salaries*	80,379	78,132	80,379	78,132	79,572
Superannuation Contributions	6,807	6,722	6,807	6,722	6,942
Councillors' Honoraria	170	83	170	83	100
Redundancy Costs	1,289	1,133	1,289	1,133	1,750
Movement in Actuarially Valued Employee Entitlements	2,829	1,076	2,829	1,076	–
Special Leave Provision Used	–	(29)	–	(29)	–
Special Leave Provision Released	–	(721)	–	(721)	–
Other Salary Related Expenditure	3,851	4,995	3,851	4,995	3,875
TOTAL PERSONNEL EXPENSES	171,384	167,790	171,384	167,790	170,682
*The General staff classification includes Education Plus staff.	3,912	4,028	3,912	4,028	3,935

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
3 / General / Operating Expenditure — Disclosures					
General / Operating Expenditure includes the following:					
Audit New Zealand — External Financial Statements Audit	210	195	210	195	227
Audit New Zealand — External Financial Statements Audit — additional fees for earthquake related issues	–	21	–	21	–
Audit New Zealand — External Financial Statements Audit Subsidiaries	7	9	7	9	–
Audit New Zealand — Other Assurance Work: Report to Bond Trustees, PBRF and Overhead Recovery Rate Certification	14	22	14	22	–
Bad Debts Written Off	58	53	58	53	9
Building Write Offs	5,042	118	5,042	118	–
Demolition Costs	1,464	819	1,464	819	–
Equipment Rentals	323	161	323	161	223
Exchange Losses	597	52	597	52	–
Fair Value Movement in Interest Rate Swaps	125	70	125	70	–
Increase / (Decrease) in Provision for Doubtful Debts	157	(410)	157	(410)	35
Loss on Disposal of Property, Plant & Equipment	2,962	500	2,962	500	20
Property Rentals	5,034	1,515	5,034	1,515	2,673
Software Asset Impairment	42	3,162	42	3,162	–
Student Association Service Provision	2,010	1,928	2,010	1,928	2,077

4 / Finance Charges

Finance Charges — Interest Paid	4,360	3,790	4,360	3,790	3,736
Finance Charges — Interest on Finance Leases	–	24	–	24	–
TOTAL FINANCE CHARGES	4,360	3,814	4,360	3,814	3,736

5 / Cash and Cash Equivalents

Cash at Bank	2,230	8,405	2,206	8,379	114,455
Call Deposits	17,635	29,911	17,635	29,911	–
Term Deposits with maturities less than 3 month at acquisition	21,337	60,440	21,337	60,440	–
TOTAL CASH AND CASH EQUIVALENTS	41,202	98,756	41,178	98,730	114,455

The weighted average interest rate as at 31 December 2015 is 3.14% (31 December 2014 is 4.12%).

The carrying amount of cash at bank, call deposits and term deposits with maturities less than three months at acquisition approximates their fair value.

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
6 / Receivables					
Receivables (gross)	24,428	276,943	24,428	276,939	8,500
Less Provision for Doubtful Debts	(248)	(92)	(248)	(92)	(250)
TOTAL RECEIVABLES	24,180	276,851	24,180	276,847	8,250
Total Receivables comprise:					
Receivables from exchange transactions[1]	21,970	275,539	21,970	275,535	8,250
Receivables from non exchange transactions	2,210	1,312	2,210	1,312	–
TOTAL RECEIVABLES	24,180	276,851	24,180	276,847	8,250

[1] Receivables from exchange transactions include Insurance Receivable of $nil (31 December 2014: $269 million).

Insurance receivables are in respect of a small number of insurance companies which represent a concentration of credit risk. These receivables were paid in full subsequent to 31 December 2014.

A summary of the impact of the insurance settlement is set out in Note 1.

Fair Value
Rare generally short-term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

Impairment
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. The provision for doubtful debts represents receivables assessed as irrecoverable aged greater than 91 days past due (31 December 2014: greater than 91 days past due). The majority of receivables are current.

Credit Risk
There is no concentration of credit risk with respect to Receivables as the balances are made up of a large number of customers. In 2014 there was a concentration of receivables due from a small group of insurers. This balance was subsequently received.

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
7 / Inventories					
Held for distribution	1,142	985	1,142	985	1,391
Commercial inventory	187	154	187	154	–
Total Inventory	1,329	1,139	1,329	1,139	1,391

No inventories are pledged as security for liabilities.

8 / Property, Plant and Equipment and Intangibles

	COST / VALN DEC 13 ($000's)	ACCUM DEPN & AMORTISATION DEC 13 ($000's)	NET BOOK VALUE DEC 13 ($000's)	CURRENT YEAR ADDITIONS DEC 14 ($000's)	CURRENT YEAR DISPOSALS COST DEC 14 ($000's)	CURRENT YEAR DISPOSALS ACCUM DEPN DEC 14 ($000's)	CURRENT YEAR DEPN & AMORTISATION DEC 14 ($000's)	CURRENT YEAR REVALUATION/ MOVEMENTS DEC 14 ($000's)	CURRENT YEAR REVALUATION/ ACCUM DEPN DEC 14 ($000's)	CURRENT YEAR IMPAIRMENT MOVEMENTS DEC 14 ($000's)	COST / VALN DEC 14 ($000's)	ACCUM DEPN & AMORTISATION DEC 14 ($000's)	NET BOOK VALUE DEC 14 ($000's)
UNIVERSITY & GROUP													
Land at Valuation	89,290	–	89,290	–	–	–	–	16,450	–	–	105,740	–	105,740
Buildings at Valuation	337,341	–	337,341	111,907	(3,350)	451	(22,432)	53,698	21,981	(6,790)	492,806	–	492,806
Infrastructure Assets	24,428	(1,920)	22,508	806	(413)	32	(1,079)	9,842	2,966	–	34,663	–	34,663
Plant & Equipment at Cost	113,209	(78,641)	34,568	12,883	(5,437)	5,203	(8,810)	–	–	–	120,655	(82,248)	38,407
Leased Equipment at Cost	11,050	(9,817)	1,233	–	–	–	(1,233)	–	–	–	11,050	(11,050)	–
Library (Current Collection) at Cost	86,907	(65,546)	21,361	3,136	–	–	(4,651)	–	–	–	90,042	(70,197)	19,845
Library (Permanent Collection) / Other Collections at Valuation	45,008	–	45,008	62	–	–	–	434	–	–	45,503	–	45,503
Property, plant & equipment	**707,233**	**(155,924)**	**551,309**	**128,794**	**(9,200)**	**5,686**	**(38,205)**	**80,424**	**24,947**	**(6,790)**	**900,459**	**(163,495)**	**736,964**
Intangible Assets – Software	**18,794**	**(15,077)**	**3,717**	**9,985**	**(257)**	**148**	**(2,224)**	**–**	**–**	**(3,162)**	**25,359**	**(17,153)**	**8,206**

	COST / VALN DEC 14 ($000's)	ACCUM DEPN & AMORTISATION DEC 14 ($000's)	NET BOOK VALUE DEC 14 ($000's)	CURRENT YEAR ADDITIONS DEC 15 ($000's)	CURRENT YEAR DISPOSALS COST DEC 15 ($000's)	CURRENT YEAR DISPOSALS ACCUM DEPN DEC 15 ($000's)	CURRENT YEAR DEPN & AMORTISATION DEC 15 ($000's)	CURRENT YEAR REVALUATION/ MOVEMENTS DEC 15 ($000's)	CURRENT YEAR REVALUATION/ ACCUM DEPN DEC 15 ($000's)	CURRENT YEAR IMPAIRMENT MOVEMENTS DEC 15 ($000's)	COST / VALN DEC 15 ($000's)	ACCUM DEPN & AMORTISATION DEC 15 ($000's)	NET BOOK VALUE DEC 15 ($000's)
UNIVERSITY & GROUP													
Land at Valuation	105,740	–	105,740	560	(325)	–	–	(4,910)	–	–	101,065	–	101,065
Buildings at Valuation	492,806	–	492,806	45,779	(25,065)	809	(26,236)	43,558	25,428	1,957	559,037	–	559,037
Infrastructure Assets	34,663	–	34,663	6,495	–	–	(1,710)	–	–	–	41,158	(1,710)	39,448
Plant & Equipment at Cost	120,655	(82,248)	38,407	8,517	(2,627)	2,607	(9,864)	–	–	–	126,545	(89,505)	37,040
Leased Equipment at Cost	11,050	(11,050)	–	–	–	–	–	–	–	–	11,050	(11,050)	–
Library (Current Collection) at Cost	90,042	(70,197)	19,845	3,297	–	–	(4,061)	–	–	–	93,339	(74,258)	19,081
Library (Permanent Collection) / Other Collections at Valuation	45,503	–	45,503	80	–	–	–	–	–	–	45,583	–	45,583
Property, plant & equipment	**900,459**	**(163,495)**	**736,964**	**64,728**	**(28,017)**	**3,416**	**(41,871)**	**38,648**	**25,428**	**1,957**	**977,777**	**(176,523)**	**801,254**
Intangible Assets – Software	**25,359**	**(17,153)**	**8,206**	**3,333**	**(4,519)**	**4,518**	**(2,111)**	**–**	**–**	**–**	**24,173**	**(14,746)**	**9,427**

There is no difference between 'University' and 'University and Group' balances.

8 / Property, Plant and Equipment and Intangibles (continued)

Capital Work In Progress

The University continues to carry a significant amount of Capital Work In Progress. This balance has increased in recent years as the University has followed a programme of significant building repairs following the earthquakes and, latterly, new building projects that take some time to complete. The University expects this balance to continue to be significant for the next few years as the building projects for Regional Science and Innovation Centre (RSIC), Canterbury Engineering the Future (CETF), and the New Education Building (NEB) are pursued.

Capital Work in Progress	*Dec 2015 $000's*	*Dec 2014 $000's*
Buildings	128,129	73,635
Plant and Equipment	62	30
Intangible Assets — Software	3,399	2,468
	131,590	76,133

Revaluation Movement

The building revaluation at 31 December 2015 was an increase of $70.942 million (31 December 2014; $75.679 million reduced for contract works insurance for 2012 and 2013 of $2,291 million. The net movement was $73.388 million). The revaluation movement is split $0.676 million in operating reserves ($0.558 million revaluation and $0.118 million decrease in impairment and $70.266 million in the revaluation reserves). All impairment previously charged has now been overtaken by subsequent revaluations and remediation work.

Crown Land

The Crown transferred the land at Dovedale Campus, Solway Avenue, Christchurch to the University in August 2015. Previously, the Crown had legal title to the land and a portion of the buildings. However, the University had 'in substance' ownership of the land and buildings and reported these assets as if owned by the University. The University had a 99 year lease of these land and buildings at a peppercorn rent, subject to the rights of renewal being exercised.

Restrictions and Security

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.

Revaluations

Included in the Library (Permanent Collection) / Other Collections at Valuation line item are the University's Art Work Collections, Medal Collection and Logie Collection.

Land and Buildings, including residential and commercial property and the Ilam Homestead were revalued at 31 December 2015 by Chris Barraclough, Registered Valuer of CBRE, Christchurch.

Infrastructure Assets at Valuation have been established as a separate category within Property, Plant and Equipment, and revalued at 31 December 2014 by AECOM New Zealand Limited.

The Library Permanent Collection, included in the Library (Permanent Collections) / Other Collections at Valuation category, was revalued at 31 December 2013 by Basil J Roberts, registered Plant and Machinery Valuer of Jones Lang LaSalle Limited.

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

The Medal Collection was revalued at 18 December 2013 by R J Watt and Associates, independent valuers.

The Art Collection was revalued at 31 May 2014 by James Parkinson, Director of Valuations, Art + Object Limited, Auckland.

Buildings Revaluation Reserve

Due to the rapidly moving construction environment in Canterbury, as in previous years the University engaged CBRE to provide a full valuation at 31 December 2015. The University is now in a position where previous impairments have been replenished by remediation work and subsequent revaluations. Accordingly, the University is now able to reflect revaluation increases in its revaluation reserves.

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 2015 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.

The University has accounted for impairments to all damaged buildings at a value equal to each building's estimated damage per Inovo Projects Limited (unless the estimated damage repair cost is more than Net Book Value (NBV), in which case the building is impaired to $nil), adjusting also for remediation work completed.

Earthquake Impairment

The impairment of buildings at 31 December 2015 was a decrease of $1.957 million. The impairment of buildings at 31 December 2014 was net impairment of $6.790 million.

There has been no appreciable damage to land recorded to date.

The main effect of the earthquake has been the extensive damage to the University's buildings. The consequential impairment recorded in the University's financial statements has proved to be complex given the level of estimation, particularly in the structural investigation of the affected buildings. As more information has become available and work has been carried out, these estimates have been refined and increased. The risk remains that the final cost to the University will be in excess of estimates, sometimes significantly so.

The University has employed Inovo Projects Limited to provide the estimate of total repairs, which is set at $511.2 million at 31 December 2015 (31 December 2014: $511.0 million).

The University continues to work to improve the quality and accuracy of the information available, but there remain important inherent uncertainties in the estimates, and they include several key assumptions:

- the degree of cracking across the large surface area 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 can expose a greater degree of damage than first thought.

The estimate of damage remains subject to considerable potential variability and consequently the cost of repair estimated in these financial statements could increase. Additionally, there is no allowance in these estimates for inflation, whereas forecast increases in construction costs in the Canterbury region are expected by Government and local business organisations to be significant.

The inherent uncertainty in the damage estimates is reflected in the assessed amounts, although estimates have stabilised for now. The University has written down many of its buildings to $nil, and as a consequence any increase in assessed remediation cost for those buildings has minimal effect — there can be no further reduction in NBV.

There has been no significant increase in the damage assessment as at 31 December 2015 (31 December 2014: increase of $28 million), and as a consequence the University has only recorded a small decrease in impairment of $1.957 million (31 December 2014: increase $6.790 million), reflecting the growing maturity of the estimates and the existing allocation of the impairment to buildings already with $nil NBV, and the exclusion from the impairment calculation of those buildings now remediated. The University considers that, on this basis, any further increase in damage assessment will continue to demonstrate a similar pattern. While building impairment to date is estimated at $511.2 million (31 December 2014: $511.0 million), only $275.0 million (31 December 2014: $277 million) has been shown as an impairment cost, for the reasons outlined. As the remediation programme progresses and assessments become more accurate, the University also considers that the effect of any increase in the remediation assessment will attenuate.

	Dec 2015 $000's	*Dec 2014 $000's*
Fair Value of buildings as at 1 January	492,806	337,341
Building Additions	45,779	111,907
Depreciation	(26,236)	(22,432)
	512,349	426,816
Increase in valuation of buildings	68,986	75,679
Building write offs	(5,042)	(117)
Building disposals	(19,214)	(2,782)
Decrease / (Increase) in impairment of buildings	1,957	(6,790)
Fair Value of buildings as at balance date	559,036	492,806

Of the overall impairment estimate of $511.2 million, $218.0 million relates to buildings that are yet to be remediated.
The University continues to develop its remediation and wider capital asset management plans, which it anticipates will be complete in five to 10 years.

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
9 / Investments					
Investment Category					
Investments at Fair Value through other Comprehensive Revenue and Expense					
Investment in South African Large Telescope (SALT)	702	758	702	758	725
Investment in New Zealand Synchrotron Group Limited	51	28	51	28	20
Investments at Amortised Cost					
Government Bonds	106,649	–	106,649	–	–
TOTAL INVESTMENTS	107,402	786	107,402	786	745

Investment in South African Large Telescope (SALT)

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 University has a 3.1% shareholding in the South African Large Telescope Foundation.

Investment in New Zealand Synchrotron Group Limited

The New Zealand Synchrotron Group Limited is made up of 7 universities and currently 4 Crown Research Institutes. The University has a 10.12% shareholding.

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

Government Bonds

The government bonds classified as held to maturity investments have been revalued at amortised cost using the effective interest rate method. The effective interest rate amortisation is included in finance revenue.

The University also has equity investments of minimal or nil value as follows:

Name	**Percentage Held**
Canterprise Limited	100%
Entrē Limited	100%
UC International College Limited	100%
Geospatial Research Centre (NZ) Limited	30%
Te Tapuae O Rehua Limited	17%
Stratified Concrete Technologies Limited	15%
Veritide Limited	8%
Kiwi Innovation Network Limited	8%
Tiro Life Sciences	8%
WQI Limited	2%

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)

10 / Term Receivable and Other Non Current Assets

Campus Living Villages — Term Receivable	1,879	1,756	1,879	1,756	1,878
Other non current assets					
Reversionary interest	17,827	9,862	17,827	9,862	7,664

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 is being 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 and a final payments will be made by CLV on maturity.

Reversionary interest

In line with the CLV lease agreement additional buildings have been constructed at Campus Living's cost. Ownership of these buildings will vest with 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 / Revenue Received in Advance

Current Revenue Received in Advance					
Student Fees	9,236	5,649	9,236	5,649	7,200
Research Revenue	13,403	14,767	13,403	14,767	13,119
Future minimum operating lease revenue not later than one year	868	868	868	868	868
Other	3,726	2,938	3,726	2,938	2,713
	27,233	24,222	27,233	24,222	23,900
Term Revenue Received in Advance					
Future minimum operating lease revenue:					
Later than one year and not later than five years	3,471	3,471	3,471	3,471	3,472
Later than five years	18,694	19,524	18,694	19,524	18,618
	22,165	22,995	22,165	22,995	22,090
TOTAL REVENUE RECEIVED IN ADVANCE	49,398	47,217	49,398	47,217	45,990

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
12 / Accounts Payable					
Payables under exchange transactions					
Trade Payables	3,989	3,428	3,989	3,428	10,000
Other Payables	20,764	15,170	20,836	15,890	13,358
Total Payables under exchange transactions	24,753	18,598	24,825	19,318	23,358
Payables under non-exchange transactions					
Taxes payable (GST, PAYE, and rates)	2,545	7,520	2,545	6,823	2,170
Total Payables under non-exchange transactions	2,545	7,520	2,545	6,823	2,170
TOTAL ACCOUNTS PAYABLE	27,298	26,118	27,370	26,141	25,528

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

13 / Loans					
Current Loans					
Sonoda Gakuen Corporation of Japan Loan	32	32	32	32	32
Non current Loans					
Sonoda Gakuen Corporation of Japan Loan	864	896	864	896	864
TOTAL LOANS	896	928	896	928	896
Analysis of Loan					
Analysis of Loan Liabilities					
Within one year	32	32	32	32	32
One – five years	128	128	128	128	128
Greater than five years	736	768	736	768	736
	896	928	896	928	896

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.

The University operates a purchasing card facility and had a credit limit of $11 million as at 31 December 2015 (31 December 2014: $11 million).

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
14 / Philanthropic Bond					
Philanthropic Bond — Current	2,000	2,000	2,000	2,000	2,000
Philanthropic Bond — Long Term	47,978	47,978	47,978	47,978	47,978
Capitalised bond issue costs	(466)	(586)	(466)	(586)	–
	47,512	47,392	47,512	47,392	47,978
TOTAL PHILANTHROPIC BOND	49,512	49,392	49,512	49,392	49,978

In 2009, the University launched a $50 million, 10 year, fixed rate, unsubordinated, unsecured Bond at an interest rate of 7.25% per annum fixed for 5 years to be 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.

On 15 December 2014 the interest rate was reset at 5.77% for the next 5 years in line with the original offer terms.

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, but donations of interest are revocable by the bond holder interest period to interest period. All donations of principal are required to be given to the Philanthropic Bond Trust.

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

On 29 November 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 at $2 million.

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.

There was no breach of the covenants in the year (2014: no breach).

Ministry of Education (MOE) Borrowing Consent

The borrowing consent from the Secretary for Education requires appointment of an independent advisor as soon as practicable after the University Council forms the view that it will be required to have outstanding borrowings of more than $65 million; and for the provision of Financial Planning and Resourcing Committee and Council papers; limits on use of assets as security; and provision of capital asset management planning and capital expenditure reporting. There are no financial covenants.

The MOE consent requirements were fully complied with for the 2015 year (2014: full compliance).

Fair value

The fair value of the bonds as at 31 December 2015 was $53.0 million (31 December 2014: $50.9 million). The fair values of the bonds are determined by reference to the quoted market price on the NZDX at 31 December.

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
15 / Employee Entitlements					
Sick Leave	722	717	722	717	750
Annual Leave	5,851	6,105	5,851	6,105	7,700
Long Service Leave	1,702	1,505	1,702	1,505	1,950
Retirement Leave	26,661	24,046	26,661	24,046	24,799
Total	34,936	32,373	34,936	32,373	35,199
Redundancy Provision[1]	317	167	317	167	–
Total Employee Entitlements	35,253	32,540	35,253	32,540	35,199
Made up of:					
Current	8,956	8,968	8,956	8,968	10,700
Non Current	26,297	23,572	26,297	23,572	24,499
Total	35,253	32,540	35,253	32,540	35,199

[1]**Redundancy Provision — University & Group**		
Redundancy Provision Opening Balance	167	433
Provision made	317	167
Amounts used	(167)	(433)
Redundancy Provision Closing Balance	317	167

The Redundancy Provision was created for confirmed redundancies at year end.

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
16 / Other Financial Assets and Liabilities					
Other Financial Assets / Term Deposits					
Short term deposits with maturities over 3 months but less than 12 months	202,000	66,846	202,000	66,846	–
Other Financial Assets / Long Term Deposits					
Long term deposits with maturities greater than 12 months	129,500	39,500	129,500	39,500	17,500
Derivative Financial Instrument Assets — Current					
Forward Currency Exchange Contracts — Current	–	150	–	150	–
Derivative Financial Instrument Assets — Non Current					
Interest Rate Swap Derivative	1,604	33	1,604	33	–
Derivative Financial Instrument Liabilities — Current					
Forward Currency Exchange Contracts - Current	121	–	121	–	–
Derivative Financial Instrument Liabilities — Non Current					
Forward Currency Exchange Contracts — Non Current	10	22	10	22	–
Interest Rate Swap Derivative	5,310	4,493	5,310	4,493	–
	5,320	4,515	5,320	4,515	–

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)

17 / Financial Instruments

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

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
FINANCIAL ASSETS					
Loans and Receivables					
Cash and Cash Equivalents	41,202	98,756	41,178	98,730	114,455
Receivables	24,180	276,851	24,180	276,847	8,250
Other Financial Assets — Deposits	331,500	106,346	331,500	106,346	17,500
Term — Receivable	1,879	1,756	1,879	1,756	1,879
Total Loans and Receivables	**398,761**	**483,709**	**398,737**	**483,679**	**142,084**
Held to Maturity					
Investments	106,649	–	106,649	–	–
Total Held to Maturity	**106,649**	**–**	**106,649**	**–**	**–**
Fair value through Surplus / (Deficit)					
Interest Rate Swap Derivative	1,604	33	1,604	33	–
Total Fair value through Surplus / (Deficit)	**1,604**	**33**	**1,604**	**33**	–
Fair value through Other Comprehensive Revenue and Expense					
Forward Currency Exchange Contracts — Current & Term	–	150	–	150	–
Investments	753	786	753	786	745
Total Fair value through Other Comprehensive Revenue and Expense	**753**	**936**	**753**	**936**	**745**
FINANCIAL ASSETS					
Financial Liabilities at amortised cost					
Accounts payable	27,298	26,118	27,370	26,141	25,528
Sonoda Gakuen Corporation of Japan Loan	896	928	896	928	896
Philanthropic Bond	49,512	49,392	49,512	49,392	49,978
Total Financial Liabilities at Amortised Cost	**77,706**	**76,438**	**77,778**	**76,461**	**76,402**
Fair value through Surplus / (Deficit)					
Interest Rate Swap Derivative	5,310	4,493	5,310	4,493	–
Total Fair value through Surplus / (Deficit)	**5,310**	**4,493**	**5,310**	**4,493**	**–**
Fair value through Other Comprehensive Revenue and Expense					
Forward Currency Exchange Contracts — Current & Term	131	22	131	22	–
Total Fair value through Other Comprehensive Revenue and Expense	**131**	**22**	**131**	**22**	**–**

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 2015 is 4.70% per annum (31 December 2014 is 4.88% per annum).

Long term deposits maturing over three months and remaining duration is more than 12 months from date of acquisition are all at fixed rates. The weighted average interest rate as at 31 December 2015 is 4.18% per annum (31 December 2014 is 5.50% per annum).

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 2015 — University & Group				
Financial Assets				
Investments	753	–	–	753
Derivative Financial Instruments — Non Current	1,604	–	1,604	–
Financial Liabilities				
Derivative Financial Instruments — Current	(121)	–	(121)	–
Derivative Financial Instruments — Non Current	(5,320)	–	(5,320)	–
TOTAL	**(3,084)**	–	**(3,837)**	**753**
31 December 2014 — University & Group				
Financial Assets				
Investments	786	–	–	786
Derivative Financial Instruments — Current	150	–	150	–
Derivative Financial Instruments — Non Current	33	–	33	–
Financial Liabilities				
Derivative Financial Instruments — Current	–	–	–	–
Derivative Financial Instruments — Non Current	(4,515)	–	(4,515)	–
TOTAL	**(3,546)**	–	(4,332)	**786**

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

The University's sensitivity to foreign currency has decreased during the current year as a result of foreign currency forward contracts taken to reduce exposure to currency fluctuations. The University's exposure remains immaterial for these financial statements.

Forward Foreign Currency Exchange Contracts

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

As at 31 December 2015, the aggregate amount of unrealised gains/(losses) under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on these anticipated future transactions is ($130,996) (31 December 2014: $128,259).

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 deposits 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, Short and Long Term Deposits, 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 these financial instruments.

Interest Rate Swap Contracts

The University uses interest rate swaps to reduce its exposure to cash flow interest rate risk resulting from resetting the fixed interest rates on bond borrowings.

Under an interest rate swap contract, the University agreed to exchange the difference between floating and fixed rate interest amounts calculated on an agreed notional principal amount. This was designated as a cash flow hedge. This contract enables the University to mitigate future cash flow exposures on the interest rate reset (which was set for 15 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 curve 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.

On 15 December 2014 the Philanthropic Bond Interest rate was reset at 5.77% and the hedging relationship between the original swap and the bond was de-designated. At the time the accumulated losses on this hedge relationship held in reserves was $4,390,000. In accordance with NZ PBE IPSAS 29 Financial Instruments: Recognition and Measurement, this balance will be recycled through the surplus and deficit from the hedge reserve on a straight-line basis over the remaining 5 years of the bond.

A second interest rate swap contract was entered into at the same time as the Philanthropic Bond interest rate reset, effectively locking in the interest payable by the University over the remaining term of the Philanthropic Bond.

Both interest rate swaps 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 rate on a net basis.

The interest payments on the bond are made half yearly and the interest payments on the interest rate swaps are made quarterly. The Bond rate is 5.77% but with the swap arrangement, the University's effective interest rate is 7.77%.

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

Interest Rate Swaps

Swap 1 Outstanding pay fixed receive floating contract

Swap 2 Outstanding pay floating receive fixed contract

	Average contracted fixed interest rate		Notional Principal Amount	
University & Group	2015 %	2014 %	2015 (NZ$000's)	2014 (NZ$000's)
Swap 1:				
Less than 1 year	5.95	5.95	–	–
1 to 2 years	5.95	5.95	–	–
2 to 5 years	5.95	5.95	50,010	50, 010
5 years+	n/a	–	n/a	–
Swap 2:				
Less than 1 year	Floating	–	–	–
1 to 2 years	Floating	–	–	–
2 to 5 years	Floating	–	50,010	50, 010
5 years+	N/A	–	–	–

Interest Rate Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative 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.

As at 31 December, if interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the following would occur:

	2015 University & Group Actuals ($000's)	*2014 University & Group Actuals ($000's)*	*2015 University Actuals ($000's)*	*2014 University Actuals ($000's)*
Surplus/Equity				
Surplus/Equity — increase (i)	2,082	689	2,082	632
Surplus/Equity — (decrease) (i)	(2,082)	(689)	(2,082)	(632)

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

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 and the University also invests in Government bonds. 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 was significant exposure to a small group of insurance companies at 31 December 2014, but they have all paid in full.

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, Government bonds 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.

	2015 University & Group Actuals ($000's)	*2014 University & Group Actuals ($000's)*	*2015 University Actuals ($000's)*	*2014 University Actuals ($000's)*	*2015 University Budget ($000's)*
Counterparties with Credit ratings					
Cash and Cash Equivalents, Short and Term Deposits:					
AA	–	–	–	–	–
AA-	345,702	205,102	345,678	205,076	114,455
A+	27,000	–	27,000	–	–
Total Cash and Cash Equivalents, Short and Term Deposits	**372,702**	**205,102**	**372,678**	**205,076**	**114,455**
Government Bonds					
AA	106,649	–	106,649	–	–
Derivative Financial Instrument Assets					
AA-	1,604	33	1,604	33	–
Other Receivables					
Insurance Companies:					
A+	–	141,237	–	141,237	–
A	–	45,734	–	45,734	–
AA-	–	82,052	–	82,052	–
	–	269,023	–	269,023	–
Total Cash and Cash Equivalents, Short and Term Deposits Government Bonds, Derivatives and Other Receivables	453,955	474,158	453,931	474,132	114,455
Counterparties without Credit Ratings					
Existing counterparty with no defaults in the past	24,180	7,828	24,180	7,824	8,250
Total counterparties without Credit ratings	24,180	7,828	24,180	7,824	8,250

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 financial instruments 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)*	*Between years 1–2 ($000's)*	*Between years 2–3 ($000's)*	*From year 3 ($000's)*
University & Group December 2015						
Accounts Payable	27,298	27,298	27,298	–	–	–
Sonoda Gakuen Corporation of Japan Loan	896	1,286	59	58	57	1,112
Philanthropic Bond	49,512	64,438	2,886	2,886	2,886	55,781
Total	**77,706**	**93,023**	**30,243**	**2,944**	**2,943**	**56,893**
University December 2015						
Accounts Payable	27,370	27,370	27,370	–	–	–
Sonoda Gakuen Corporation of Japan Loan	896	1,286	59	58	57	1,112
Philanthropic Bond	49,512	64,439	2,886	2,886	2,886	55,781
Total	**77,778**	**93,096**	**30,315**	**2,944**	**2,943**	**56,893**
University & Group December 2014						
Accounts Payable	26,118	26,118	26,118	–	–	–
Sonoda Gakuen Corporation of Japan Loan	928	1,346	60	59	58	1,169
Philanthropic Bond	49,392	64,438	2,886	2,886	2,886	55,781
Total	**76,438**	**91,902**	**29,064**	**2,945**	**2,944**	**56,950**
University December 2014						
Accounts Payable	26,141	26,141	26,141	–	–	–
Sonoda Gakuen Corporation of Japan Loan	928	1,346	60	59	58	1,169
Philanthropic Bond	49,392	64,439	2,886	2,886	2,886	55,781
Total	**76,461**	**91,926**	**29,087**	**2,945**	**2,944**	**56,950**

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)*	*Between years 1–2 ($000's)*	*Between years 2–3 ($000's)*	*From year 3 ($000's)*
University & Group December 2015						
Net settled derivatives	3,706	3,956	989	989	989	989
University & Group December 2014						
Net settled derivatives	4,460	4,941	986	989	989	1,977

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)*	*Between years 1–2 ($000's)*	*Between years 2–3 ($000's)*	*From year 3 ($000's)*
University & Group December 2015						
Cash and Cash Equivalents	41,202	41,202	41,202	–	–	–
Receivables	24,180	24,180	24,180	–	–	–
Other Financial Assets	331,500	357,710	216,165	90,089	51,456	–
Government Bonds	106,649	116,625	5,500	58,000	2,500	50,625
Term Receivable	1,879	7,000	–	–	–	7,000
Total	505,410	546,717	287,047	148,089	53,956	57,625
University December 2015						
Cash and Cash Equivalents	41,178	41,178	41,178	–	–	–
Receivables	24,180	24,180	24,180	–	–	–
Other Financial Assets	331,500	357,710	216,165	90,089	51,456	–
Government Bonds	106,649	116,625	5,500	58,000	2,500	50,625
Term Receivable	1,879	7,000	–	–	–	7,000
Total	505,386	546,693	287,023	148,089	53,956	57,625
University & Group December 2014						
Cash and Cash Equivalents	98,756	98,756	98,756	–	–	–
Receivables	276,851	276,847	276,847	–	–	–
Other Financial Assets	106,346	106,346	66,846	39,500	–	–
Term Receivable	1,756	7,000	–	–	–	7,000
Total	483,709	488,949	442,449	39,500	–	7,000
University December 2014						
Cash and Cash Equivalents	98,730	98,730	98,730	–	–	–
Receivables	276,847	276,847	276,847	–	–	–
Other Financial Assets	106,346	106,346	66,846	39,500	–	–
Term Receivable	1,756	7,000	–	–	–	7,000
Total	483,679	488,923	442,423	39,500	–	7,000

	2015 University & Group Actuals ($000's)	2014 University & Group Actuals ($000's)	2015 University Actuals ($000's)	2014 University Actuals ($000's)	2015 University Budget ($000's)
18 / Equity					
General Equity					
Balance as at 1 January	996,152	470,494	996,099	470,420	662,016
Net Surplus / (Deficit) for the year	3,531	433,277	3,488	433,297	29,586
Contributions from the Crown[1]	85,000	100,000	85,000	100,000	100,000
Contributions from the Crown – Repayment under Funding Agreement[1]	(8,000)	–	(8,000)	–	–
Transfer (from) / to General Equity – Te Pourewa Settlement Reserve	–	–	–	–	–
Transfer (from) / to General Equity – Student Services Levy Capital Reserve	(2,503)	(7,618)	(2,503)	(7,618)	2,768
Transfer from revaluation reserve on retirement of assets	–	–	–	–	
Balance as at 31 December	1,074,180	996,152	1,074,084	996,099	794,370
[1] Further details on the Crown Contributions are contained in note 23.					
General Equity – Te Pourewa Settlement Reserve					
Balance as at 1 January	17,500	17,500	17,500	17,500	17,500
Transfer from General Equity	–	–	–	–	
Balance as at 31 December	17,500	17,500	17,500	17,500	17,500
General Equity – Student Services Levy Capital Reserve					
Balance as at 1 January	8,168	550	8,168	550	–
Current year allocation of Levy	1,962	1,718	1,962	1,718	–
Insurance Settlement – UCSA Building	254	6,000	254	6,000	–
Interest on Insurance Settlement	327	–	327	–	–
Current year usage	(40)	(100)	(40)	(100)	–
Balance as at 31 December	10,671	8,168	10,671	8,168	–
Cashflow Hedge Reserve					
Balance as at 1 January	(4,262)	(1,560)	(4,262)	(1,560)	–
Fair Value Movement in Derivatives – Forward Foreign Exchange Contracts	(259)	135	(259)	135	–
Fair Value Movement in Derivatives – Interest Rate Swaps	878	(2,837)	878	(2,837)	–
Balance as at 31 December	(3,643)	(4,262)	(3,643)	(4,262)	–
Available-For-Sale Reserve:					
Balance as at 1 January	41	–	41	–	–
Adjustment to South African Large Telescope (SALT)	(57)	33	(57)	33	–
Adjustment to New Zealand Synchrotron Group Limited valuation	24	8	24	8	–
Balance as at 31 December	8	41	8	41	–
Revaluation Reserves					
Balance as at 1 January	146,913	117,221	146,913	117,221	117,648
Revaluations and Impairment	65,356	29,692	65,356	29,692	–
Balance as at 31 December	212,269	146,913	212,269	146,913	117,648
Revaluation Reserves consists of:					
Buildings	70,266	–	70,266	–	–
Infrastructure Assets	28,824	28,824	28,824	28,824	16,016
Land	76,275	81,185	76,275	81,185	64,735
Library / Collections	36,904	36,904	36,904	36,904	36,897
Balance as at 31 December	212,269	146,913	212,269	146,913	117,648

	2015 University & Group Actuals ($000's)	*2014 University & Group Actuals ($000's)*	*2015 University Actuals ($000's)*	*2014 University Actuals ($000's)*
19 / Reconciliation of Net Surplus with Net Cash from Operating Activities				
OPERATING ACTIVITIES				
Net Surplus / (Deficit)	3,531	433,277	3,488	433,297
Add (less) non-cash items:				
Depreciation and Amortisation	43,982	40,429	43,982	40,429
Donated Assets	74	56	74	56
Movement in Reversionary Interest	(7,965)	(4,784)	(7,965)	(4,784)
Movement in Long Term Revenue Owing	(123)	(115)	(123)	(115)
Movement in Total Employee Entitlements	2,725	929	2,725	929
Unrealised Foreign Exchange Variations	493	(30)	493	(30)
Net Movement In Fair Value of Interest Rate Swaps	(125)	–	(125)	–
Impairment in Software Asset	–	3,162	–	3,162
Increase in Revaluation of Buildings	(676)	(73,388)	(676)	(73,388)
Increase in Impairment of Buildings	–	6,790	–	6,790
Add (less) movements in other working capital items:				
Accounts Payable	1,180	(5,588)	1,229	(5,573)
Revenue in Advance	3,011	1,525	3,011	1,525
Accounts Receivable and Prepayments	251,320	(261,290)	251,317	(261,286)
Inventories	(190)	252	(190)	252
Add (less) items classified as Investing / Financing Activities:				
Net Loss on Disposal included in Investing Activities	7,561	(651)	7,561	(322)
Movement in Lease Revenue in Advance	(830)	(830)	(830)	(830)
Movement in Library Serials Prepayment	(2,461)	(2,254)	(2,461)	(2,254)
Movement in Fixed Asset Related Payables / Accruals	(3,680)	6,226	(3,680)	6,226
Insurance Receipts related to PPE	(246,493)	(105,578)	(246,493)	(105,578)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**51,334**	**38,138**	**51,336**	**38,506**

20 / Related Party Transactions

Transactions with related parties

The University transacts with other Government owned or related entities independently and on an arm's length basis. Transactions cover a variety of services including funding and grants for education and research services and purchases of electricity, postage, travel and tax.

The University Council and Senior Management Team may be directors or officers of other companies or organisations with whom the University may transact. Such transactions are all carried out independently on an arm's length basis.

During the year to 31 December 2015 the University had the following inter-group transactions with Canterprise and its Subsidiaries:

	2015 University Actuals ($000's)	*2014 University Actuals ($000's)*
Payable to Canterprise Limited	75	25
Payments to University of Canterbury from Canterprise Limited	–	90
Payments to University of Canterbury from Entre Limited	–	2
Dividend Received from Canterprise	–	261

In addition to the above transactions that Canterprise Limited had with the University, Canterprise had a number of small transactions with its subsidiaries. All transactions were conducted on an arm's length basis.

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

Transactions with Key Management Personnel

Rod Carr was a director of Canterprise Limited and UC International College Limited during the period. Directors' Fees paid were $nil (December 2014: $nil).

Senior Management

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

	2015 University Actuals ($000's)	*2014 University Actuals ($000's)*
Council Members — Council Honoraria	170	83
Senior Management Team, including the Vice-Chancellor — Remuneration	3,989	3,994
	Number	*Number*
Council Members — Full-time equivalent members[1]	12	17
Senior Management Team, including the Vice-Chancellor — Full-time equivalent members	14	14

[1] Due to the difficulty in determining the full-time equivalent for Council Members, the full-time equivalent figure is taken as the number of Council Members.

Senior Management comprises the Vice-Chancellor, Deputy Vice-Chancellors, Assistant Vice-Chancellor (Maori), Registrar and Assistant Vice-Chancellor, Chief Financial Officer, Pro-Vice-Chancellors for the Colleges and the Directors of the Service Areas.

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.

	2015 University Actuals ($000's)	*2014 University Actuals ($000's)*
Early Childhood Learning Centre		
Statement of Comprehensive Revenue and Expense		
OPERATING REVENUE		
Government Grant – Child Funded Hours	693	686
Other Revenue	432	423
TOTAL OPERATING REVENUE	**1,125**	**1,109**
OPERATING EXPENDITURE		
Personnel Expenses	967	1,002
Site & Property Costs	60	59
General / Operating Expenditure	25	21
Depreciation	1	1
TOTAL OPERATING EXPENDITURE	1,053	1,083
NET SURPLUS / (DEFICIT) FOR THE YEAR AND TOTAL COMPREHENSIVE REVENUE AND EXPENSE	**72**	**26**

22 / Commitments

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. Further details of the University's wider construction intentions are included in Note 24.

Non-cancellable Operating Lease Commitments

The University leases property in the normal course of business.

These leases are predominantly for premises which have remaining non-cancellable leasing periods ranging from six months to 26 years.

The leases have varying terms and renewal rights. There are no restrictions placed on the University by any of its leasing arrangements.

	2015 University Actuals ($000's)	*2014 University Actuals ($000's)*
Capital Commitments		
Not later than one year	177,266	55,764
Later than one year and not longer than five years	22,761	59,744
TOTAL CAPITAL COMMITMENTS[1]	**200,027**	**115,508**

[1] Capital Commitments relate to buildings.

	2015 University Actuals ($000's)	*2014 University Actuals ($000's)*
Non-cancellable Operating Lease Commitments as Lessee		
Not later than one year	7,401	2,113
Later than one year and not longer than five years	12,487	6,022
Later than five years	1,444	1,430
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	**21,332**	**9,565**

The University has rights of renewal of varying periods in some of its leases.

	2015 University Actuals ($000's)	*2014 University Actuals ($000's)*
Non-cancellable Operating Lease Commitments as Lessor		
Not later than one year	1,690	1,955
Later than one year and not longer than five years	4,878	4,824
Later than five years	13,929	15,163
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	**20,497**	**21,942**

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 revenue during the year.

23 / Contingencies

Earthquake and insurance related contingencies

The University entered into a funding agreement with the Crown in September 2014, which commits the Crown to funding UC up to $260 million for the construction of the Regional Science and Innovation Centre (RSIC) and the Canterbury Engineering the Future (CETF) project. The University has received $195 million so far under this agreement, and has repaid $8 million in line with the terms of the funding agreement. There are a number of conditions in the funding agreement that may either delay receipt or result in the University receiving less than the remaining amount in full, including the satisfactory completion of implementation plans for Stage Two of the RSIC, review of the University's capital expenditure programme, and the maintenance of EFTS numbers within the forecasts made by the University in its business cases to the Government.

As a result, the University has a contingent asset of up to $65 million, dependent on the successful completion of the required plans and other dependencies.

The University is exposed to potential sharing of its insurance settlement with other claimants. Negotiations continue, and involve allocation of receipts to damage in specified buildings, and to claim recovery costs. In certain cases there may be no requirement to share the insurance receipts at all. Accordingly, the University is unable to quantify any amount that might become payable. The contingent liability in respect of the Crown's share of insurance proceeds reported in the 31 December 2014 financial statements has now been settled, as noted above. The University is also exploring the potential for further claims on EQC for damage to its halls of residence. This is at a very early stage, and the University is unable to quantify any contingent asset relating to these potential claims.

Other contingencies

The University has provided a bond of $30,000 to the NZX to secure amounts payable under the NZX Listing Rules for Debt-only Issuers Listed on the NZX Main Board. This bond is held by the University's bankers, ANZ.

The University has provided a bond of $15,455 to the New Zealand Automobile Association for a vehicle trailer. This bond is held by the University's bankers, ANZ and will expire November 2019.

The University has also provided 3 Carnet Indemnities for $42,000, $46,000 and $57,000 to the Wellington Regional Chamber of Commerce for the export of a Formula 1 car to Australia for testing. The Carnet for $42,000 will expire in May 2016, the Carnet for $46,000 will expire in June 2017 and the Carnet for $57,000 will expire in June 2018.

The University has no other contingent liabilities or assets at 31 December 2015 (2014: $nil).

24 / Capital Management

The University's capital is its equity, which comprises general funds, and property revaluations and fair value adjustments through comprehensive revenue reserves. Equity is represented by net assets.

The University is subject to the financial management and accountability provisions of the Education Act 1989. This 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 $50 million, 10 year, fixed rate, unsubordinated, unsecured Bond (refer Note 14) to assist with capital investment.

In 2014, the University entered into a funding agreement with the Crown to provide a capital contribution of up to $260 million as part of the University's $357 million investment in new facilities for its Science and Engineering colleges.

The balance of funding will be drawn in part from insurance settlements, and in part from its own resources, coupled with careful management of its capital programme, deferring investments to future years where operationally possible without damaging the potential for recovery.

Having settled its insurance claim, the University has prioritised its capital and operational programmes for the short to medium term, with the goal of optimising the use of the insurance funds supplemented by the University's operating cash flow surpluses.

25 / Events After Balance Date

Following the earthquake event of 14 February 2016, the University closed the campus and performed reviews of individual indicator buildings. Those reviews revealed only minor additional damage had been incurred and the campus was reopened. Further structural investigation will be carried out, but the University does not consider the effect of the latest earthquake to have been significant.

There have been no other significant events after the balance date (2014: received the balance of the insurance settlement, $269,023,000).

26 / Adjustments Arising On Transfers to PBE Accounting Standards

The University's financial statements for 31 December 2015 are the first full year financial statements prepared in accordance with PBE IPSAS. The University has applied PBE FRS 46 "First time adoption of PBE Standards by entities previously applying NZ IFRS" in preparing those financial statements. The University's transition date is 1 January 2014 and it has prepared its opening PBE IPSAS Statement of Financial Position at that date.

The University has made adjustments to its disclosures throughout these financial statements to reflect the requirements of the new standards. In particular, for the first time, the University discloses separately the total revenue from non-exchange revenue transactions (note 1) and receivables from non-exchange transactions (note 6). In making these disclosures, the University notes that there is limited guidance in the new PBE accounting standards on determining whether a transaction is exchange or non-exchange in nature. Accordingly, it can sometimes be difficult to determine the appropriate standard to apply in accounting for some revenue streams. The University will continue to refine its approach in this area as the Tertiary Sector responds to the new standards and guidance develops.

The other major change in disclosure is for the presentation of related party transactions (note 20). In these financial statements, the University has only disclosed transactions with entities which it controls, together with a description of transactions with Government or related entities. Transactions with entities with which Council members and Senior Managers of the University are involved in a management or ownership capacity were disclosed previously, but this is not now required unless the transactions are at other than arm's length.

The transition to PBE IPSAS has resulted in the presentation and disclosure changes outlined above. There were no recognition or measurement changes.

27 / Interim Financial Statements

The University published unaudited interim six monthly financial statements to 30 June 2015 on 26 August 2015. These interim statements were the first prepared in accordance with PBE IPSAS. The University applied PBE FRS 46 "First time adoption of PBE Standards by entities previously applying NZ IFRS" in preparing those financial statements. In the financial statements to 31 December 2015, there have been some changes to disclosed Research Grant Receivables and related Revenue in Advance to reflect developed practice in the Tertiary Sector. There was no impact on the reported surplus for the six months ended 30 June 2015.

28 / Explanations Of Major Variances Against The 2015 Budget

Statement of Comprehensive Revenue and Expense

Performance Based Research Funding (PBRF) — revenue is $1.8 millions higher than budget, mostly due to the increase in the total funding pool.

Student Tuition Fees Domestic Fee Paying — fees are $1.5 millions lower than budget, with student numbers (EFTS) 1.1% lower than the budget anticipated.

Student Tuition Fees Full Fee Paying — fees are $2.7 millions higher than budget, with student numbers (EFTS) 13.9% higher than the budget anticipated.

Research Revenue — this is $5.9 millions higher as a result of a number of large contracts that were not in place at the time the budget was set.

Interest Revenue — higher cash balances have resulted in higher interest against budget of $13.7 millions. This is the result of the timing of receipt of the final insurance settlement at the end of January.

Other Revenue — the main variance to budget is the increase in reversionary interest of $7.6 millions, which is based on discount rates and price indices at balance date and which are difficult to budget.

Insurance reimbursements and settlements — revenue is $39.1 millions unfavourable due to the full insurance settlement in late 2014. The 2015 budget had been set at the estimated level of remediation spend for the year.

General / Operating Expenditure — this category is $17.8 millions unfavourable overall. There are three individual items that have materially impacted this category. Rental costs have increased and the University has experienced a loss on sale of assets (including building write offs) and increased contractor costs for decanting and demolitions.

Depreciation and Amortisation — costs are $3.4 millions higher than budget due to the increased depreciation on buildings as a result of the 2014 end of year revaluation exercise increasing the overall buildings' values by $66.6 millions, hence increasing the value to be depreciated.

Other Comprehensive Revenue and Expense

Movements in revaluation reserves relating to Buildings Assets — the value of the buildings increased by a net of $70.3 millions in the 2015 building revaluation exercise. Revaluations are not budgeted for given the uncertainty around predicting the movements.

Movements in revaluation reserves relating to Land — the Land assets were revalued as at the end of 2015. The valuation decreased $4.9 millions based on recent sales analysis.

Statement of Changes in Net Assets / Equity

Capital Contributions from the Crown — the $23.0 millions unfavourable variance represents $8.0 millions paid by the University to the Crown, based on insurance proceeds, and a further $15.0 millions that was budgeted to be received in 2015 that is now expected to be received in 2016, in line with the revised Funding Agreement.

Statement of Financial Position

Cash and Other Financial Assets / Short Term Deposits — a favourable balance against budget by $128.7 millions. However, including the balance in Long Term Deposits of $129.5 millions, this favourable variance increases to $240.7 millions. This variance is the result of receiving the full settlement of the insurance funds, not budgeted for.

Receivables — the $15.9 millions favourable balance is mainly due to accrued interest where long term deposits pay interest only at maturity.

Revenue Received in Advance — the favourable variance of $3.3 millions reflects the additional student fees received in advance for courses new to the University in 2015 of $2.0 millions as well as research revenue received but not yet earned of $1.3 millions.

Accounts Payable — The $1.8 millions higher balance than budget reflects the accrual of money owed to contractors for earthquake remediation and other construction work completed.

Current Provisions / Employee Entitlements — a $1.7 millions lower balance is due to the higher use of annual leave in 2015 than anticipated.

Property, Plant and Equipment / Intangible Assets / Capital work-in-progress — the favourable variance of $16.0 millions against budget is due to the 2015 budget being prepared in advance of the 2014 year end, therefore the impairment and revaluations impacts were not included in the budget. Likewise the 2015 impairment and revaluation movements are unbudgeted and significant. In addition, the University instigated a post insurance settlement review upon receiving the insurance settlement delaying capital works until the review was complete.

Investments — the $106.7 millions is the investment in Government bonds, not budgeted for.

Derivative Financial Instrument Assets — the favourable variance is the fair value movement of the interest rate swaps, not normally budgeted for.

Other Financial Assets / Long Term Deposits — the $112 millions favourable variance against budget is due to the investment of funds long term to maximise interest revenue returns in line with treasury policy. These were not known at the time of setting the budget.

Other Non Current Assets — these are $10.2 millions higher than budget due to the increased value for the reversionary interest in the Campus Living leased assets. The increase is due to the movement in discount rate and the increase in value of the underlying assets.

Derivative Financial Instrument Liabilities — the unfavourable variance is the fair value movement of interest rates swaps, not normally budgeted for.

Term Provisions — Employee Entitlements — the actuarially valued employee entitlements increased in value during 2015 resulting in unfavourable variance to budget of $1.8 millions.

General Equity — Student Services Levy Capital Reserve — the $10.7 millions variance is the allocation of insurance funds received as part the final insurance settlement that relate to the UCSA building.

Revaluation Reserves — see Movements in Revaluation Reserves under Other Comprehensive Revenue and Expense above. These movements are not budgeted for due to the difficulty in predicting any changes so far in advance of the valuation process.

NZDX Waivers

The University of Canterbury (UC) 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 UC'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;
   - UC make an announcement, as soon as it is known, and in any event within 60 days of each of UC's financial year ends, disclosing the date on which UC's annual report and UC's preliminary announcement are expected to be released to the market, and
   - not later than 60 days after the end of each of UC's financial years, UC provide to the market a certificate from the Chancellor or the Vice Chancellor, and the Chief Financial Officer of UC, that all relevant financial information required to be disclosed to the market, pursuant to NZDX listing Rule 10.1.1, has been provided.