2016

Annual Financial Accounts

Ngā Tauākī Ahumoni Ā-Tau

Statement of Accounting Policies

For the year ended 31 December 2016

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 and its subsidiaries are shown in Note 8.

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 2016. The financial statements were authorised for issue by Council on 1 March 2017.

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.

Presentation currency and rounding

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

Budget figures

The budget figures are approved by the Council prior to the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

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

Standards issued and not yet effective that may affect the University include PBE IPSAS 34 *Separate financial statements* and PBE IPSAS 35 *Consolidated financial statements*.

These standards are effective for periods on or after 1 January 2019. The University has not yet evaluated the impact of these new standards on its financial statements.

SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

The group financial statements are prepared by 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'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.

For the time being, the University has a guaranteed amount of SAC funding agreed with TEC.

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 University'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

The University considers other grants received to be non-exchange in nature.

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 in nature.

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 of completion basis. The percentage of completion is measured by reference to the actual research expenditure incurred as a proportion of 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. In these financial statements, the main impact of this settlement is on the comparative Statement of Cash Flows, which records the receipt of the final payments from the insurers in January 2015.

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 15 and 16.

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 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 16 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 17.

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 has the following non-derivative financial assets:

- Cash and cash equivalents
- Receivables
- Deposits
- Investments — Government Bonds
- Investments — privately held company shares

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 has the following non-derivative financial liabilities:

- Accounts payable
- Sonoda Gakuen Corporation of Japan loan
- Philanthropic Bond

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
- 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.

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.

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 2016. 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 2016, 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 7.

Additions to Land and Buildings subsequent to the date of valuation are recorded at cost. Where a Land and Buildings are 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 as at 31 December 2016.

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 as at 31 December 2016.

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 2016 by Jones Lang Lasalle Limited. The valuation was carried out in accordance with the University's valuation guidelines. Assets have been valued at market value where appropriate or at depreciated replacement cost where an active market does not exist.

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 9 August 2016 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 New Zealand 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.

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 Collection 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.

INTANGIBLE ASSETS

Software acquisition and development

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

Amortisation of Software

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

The useful lives of the University's software range from 3–10 years.

LEASES

Finance Leases

The University has no finance leases.

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 35 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 and sick leave.

Annual leave that 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 that 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 12 months and future years. The liability balance is split into a current and non-current portion.

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
- 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 previously 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.

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 as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

TAXATION

The University is exempt from the payment of income tax under section CW55BA (Tertiary education institutions and subsidiaries) of the Income Tax Act 2007. Accordingly, there is no provision for income tax.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these financial statements the University has made judgements on the application of accounting policies and made estimates and assumptions concerning the future. The 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 that 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 2016 for unremediated earthquake damage. Note 7 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, there are a number of significant assumptions.

- The depreciated replacement cost comprises construction cost plus any other costs directly attributable to bringing the item to working condition for its intended use. Construction costs are determined by a review of the latest costs indications and review of relevant market data (if any).
- 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.

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 at 31 December 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
- 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 7.

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 assumptions used in calculating this revenue are: the independent valuation of the property; the application of the current Capital Goods Price Index as an inflationary factor in determining depreciated replacement cost at vesting; and the discount rate of 5.29% (December 2015: 5.79%), which is derived from published 10-year bond rates with an additional risk premium added. Any changes in these factors will impact on the revenue recognised. Further discussion is in Note 9.

Long Service, Retirement Leave and Sick Leave

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 2016. It has based its valuation on the model recommended by Treasury for the reporting purposes of Crown Entities.

The estimates and uncertainties surrounding these valuations by Eriksen & Associates Limited at 31 December 2016 include an estimation of salary growth rate of 2.5%, resignation rates (as per Government Superannuation Fund), retirement rates (as per Government Superannuation Fund), and discounting rates based on the yields on Government Bonds ranging from 1.94% to 4.75% (consistent with all entities that form part of the Crown's annual reporting).

Statement of Comprehensive Revenue and Expense

For the year ended 31 December 2016

	Notes	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
OPERATING REVENUE						
Government Grant		132,665	130,812	132,665	130,812	133,256
Performance Based Research Funding (PBRF)		28,792	27,656	28,792	27,656	27,463
Student Tuition Fees Domestic Fee Paying		64,884	61,428	64,884	61,428	64,472
Student Tuition Fees Full Fee Paying		27,636	21,482	27,636	21,482	25,723
Student Services Levy		8,376	7,888	8,376	7,888	8,453
Other Student Related Fees		707	701	707	701	952
Research Revenue		30,983	27,433	30,983	27,433	26,959
Interest Revenue		16,968	19,799	16,968	19,799	12,060
Other Revenue	1	26,267	33,076	26,271	33,016	23,877
Insurance reimbursements and settlements		–	160	–	160	–
Increase in revaluation of buildings	7	–	558	–	558	–
TOTAL OPERATING REVENUE		**337,278**	**330,993**	**337,282**	**330,933**	**323,215**
OPERATING EXPENDITURE						
Personnel Expenses	2	173,950	171,384	173,950	171,384	174,700
General / Operating Expenditure	3	116,171	107,854	116,104	107,837	110,678
Finance Charges	4	4,406	4,360	4,406	4,360	3,736
Depreciation and Amortisation	7	44,588	43,982	44,588	43,982	47,757
(Decrease) / Increase in impairment of buildings	7	–	(118)	–	(118)	–
TOTAL OPERATING EXPENDITURE		**339,115**	**327,462**	**339,048**	**327,445**	**336,871**
SURPLUS/(DEFICIT)		**(1,837)**	**3,531**	**(1,766)**	**3,488**	**(13,656)**
Other Comprehensive Revenue and Expense						
Movements in revaluation reserves relating to the Library (Permanent Collection) / Other Collections	7	9,599	–	9,599	–	–
Movements in revaluation reserves relating to Building Assets	7	44,791	70,266	44,791	70,266	–
Movements in revaluation reserves relating to land	7	7,205	(4,910)	7,205	(4,910)	–
Net Movements in revaluation reserves	17	61,595	65,356	61,595	65,356	–
Effective portion of changes in fair value of cash flow hedges	17	933	619	933	619	–
Adjustment to New Zealand Synchrotron Group Limited Valuation	17	4	24	4	24	–
Adjustment to New Zealand South African Large Telescope (SALT) Limited Valuation	17	24	(57)	24	(57)	–
Total Other Comprehensive Revenue and Expense		**62,556**	**65,942**	**62,556**	**65,942**	**–**
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		**60,719**	**69,473**	**60,790**	**69,430**	**(13,656)**

Further details on the impact of the earthquakes and the rebuilding of the University campus are included in the notes as indicated.

Significant variances to budget are explained in Note 25 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2016 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 2016

	Notes	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
Balance at 1 January		**1,310,985**	**1,164,512**	**1,310,889**	**1,164,459**	**1,253,545**
Comprehensive revenue and expense						
Surplus / (deficit)	17	(1,837)	3,531	(1,766)	3,488	(13,656)
Other comprehensive revenue and expense	17	62,556	65,942	62,556	65,942	–
Total comprehensive revenue and expense		60,719	69,473	60,790	69,430	(13,656)
Non Comprehensive revenue items						
Capital Contributions from the Crown	17	15,000	77,000	15,000	77,000	–
Total Non Comprehensive revenue items		15,000	77,000	15,000	77,000	–
Balance as at period end		**1,386,704**	**1,310,985**	**1,386,679**	**1,310,889**	**1,239,889**

Significant variances to budget are explained in Note 25 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2016 BUDGET.
The accompanying policies and notes form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2016

	Notes	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
CURRENT ASSETS						
Cash and Cash Equivalents	5	77,930	41,202	77,903	41,178	26,701
Other Financial Assets / Short Term Deposits	15	111,750	202,000	111,750	202,000	8,000
Investments	8	82,608	–	82,608	–	7,380
Receivables	6	21,213	24,180	21,209	24,180	29,000
Prepayments		9,079	9,589	9,079	9,589	8,500
Inventories		1,324	1,329	1,324	1,329	1,200
Total Current Assets		**303,904**	**278,300**	**303,873**	**278,276**	**80,781**
LESS CURRENT LIABILITIES						
Revenue Received in Advance	10	32,658	27,233	32,658	27,233	37,503
Accounts Payable	11	40,681	27,298	40,675	27,370	24,000
Derivative Financial Instrument Liabilities	15	76	121	76	121	–
Loans	12	32	32	32	32	32
Philanthropic Bond	13	2,000	2,000	2,000	2,000	2,000
Employee Entitlements	14	9,662	8,956	9,662	8,956	8,950
Total Current Liabilities		**85,109**	**65,640**	**85,103**	**65,712**	**72,485**
WORKING CAPITAL		**218,795**	**212,660**	**218,770**	**212,564**	**8,296**
NON CURRENT ASSETS						
Property, Plant and Equipment	7	881,575	801,254	881,575	801,254	701,926
Intangible Assets	7	8,047	9,427	8,047	9,427	9,427
Capital Work-in-progress	7	261,695	131,590	261,695	131,590	419,184
Investments	8	52,747	107,402	52,747	107,402	102,459
Derivative Financial Instrument Assets	15	1,850	1,604	1,850	1,604	–
Other Financial Assets / Long Term Deposits	15	44,500	129,500	44,500	129,500	93,120
Receivables	9	2,010	1,879	2,010	1,879	21,363
Other Non Current Assets	9	18,132	17,827	18,132	17,827	14,228
Total Non Current Assets		**1,270,556**	**1,200,483**	**1,270,556**	**1,200,483**	**1,361,707**

Significant variances to budget are explained in Note 25 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2016 BUDGET.
The accompanying policies and notes form an integral part of these financial statements.

	Notes	*2016 University & Group Actuals ($000's)*	*2015 University & Group Actuals ($000's)*	*2016 University Actuals ($000's)*	*2015 University Actuals ($000's)*	*2016 University & Group Budget ($000's)*
NON CURRENT LIABILITIES						
Loans	**12**	832	864	832	864	864
Derivative Financial Instrument Liabilities	**15**	4,704	5,320	4,704	5,320	–
Philanthropic Bond	**13**	47,631	47,512	47,631	47,512	47,978
Employee Entitlements	**14**	28,146	26,297	28,146	26,297	26,400
Revenue Received in Advance	**10**	21,334	22,165	21,334	22,165	54,872
Total Non Current Liabilities		**102,647**	**102,158**	**102,647**	**102,158**	**130,114**
NET ASSETS		**1,386,704**	**1,310,985**	**1,386,679**	**1,310,889**	**1,239,889**
Represented by:						
General Equity	**17**	1,092,540	1,074,180	1,092,515	1,074,084	1,065,002
General Equity — Te Pourewa Settlement Reserve	**17**	17,500	17,500	17,500	17,500	17,500
General Equity — Student Services Levy Capital Reserve	**17**	5,788	10,671	5,788	10,671	10,787
Revaluation Reserves	**17**	273,550	212,269	273,550	212,269	146,600
Cash Flow Hedge Reserve	**17**	(2,710)	(3,643)	(2,710)	(3,643)	–
Available-for-sale Reserve	**17**	36	8	36	8	–
TOTAL EQUITY		**1,386,704**	**1,310,985**	**1,386,679**	**1,310,889**	**1,239,889**

Significant variances to budget are explained in Note 25 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2016 BUDGET.
The accompanying policies and notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
OPERATING ACTIVITIES						
Cash provided from:						
Government Grant		161,457	158,468	161,457	158,468	160,520
Tuition Fees		92,451	86,518	92,451	86,518	90,195
Other Revenue		70,558	52,845	70,491	52,781	51,180
Agency Funds		5,413	5,044	5,413	5,044	–
Interest Received		23,524	9,879	23,524	9,879	19,591
Earthquake Insurance Receipts — Business Interruption		–	22,689	–	22,689	–
		353,403	**335,443**	**353,336**	**335,379**	**321,486**
Cash applied to:						
Personnel Expenses		170,761	168,010	170,761	168,010	174,700
General / Operating Expenses		107,214	101,797	107,150	101,731	110,678
Agency Funds		5,413	5,044	5,413	5,044	–
Interest Paid		3,925	3,646	3,925	3,646	3,736
Net GST Movement		1,339	5,612	1,339	5,612	2,008
		288,652	**284,109**	**288,588**	**284,043**	**291,122**
Net cash provided by Operating Activities	18	**64,751**	**51,334**	**64,748**	**51,336**	**30,364**
INVESTING ACTIVITIES						
Cash provided from:						
Proceeds from disposal of Fixed Assets		109	16,764	109	16,764	–
Earthquake insurance receipts		–	246,493	–	246,493	–
Maturity of deposits with terms greater than 3 months but less than 12 months		202,000	66,846	202,000	66,846	321,026
		202,109	**330,103**	**202,109**	**330,103**	**321,026**
Cash applied to:						
Capital Expenditure		186,354	117,173	186,354	117,173	274,635
Deposits with terms greater than 3 months but less than 12 months		26,750	202,000	26,750	202,000	–
Deposits with terms greater than 12 months		–	90,000	–	90,000	–
Purchase of Investments		31,996	106,786	31,996	106,786	277,026
		245,100	**515,959**	**245,100**	**515,959**	**551,661**
Net cash used in Investing Activities		**(42,991)**	**(185,856)**	**(42,991)**	**(185,856)**	**(230,635)**

Significant variances to budget are explained in Note 25 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2016 BUDGET.
The accompanying policies and notes form an integral part of these financial statements.

	Notes	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
FINANCING ACTIVITIES						
Cash provided from:						
Capital Contribution from the Crown		15,000	85,000	15,000	85,000	–
		15,000	**85,000**	**15,000**	**85,000**	**–**
Cash applied to:						
Repayment of Loans		32	32	32	32	32
Capital Contribution — Repayment under Funding Agreement		–	8,000	–	8,000	–
		32	**8,032**	**32**	**8,032**	**32**
Net cash provided by Financing Activities		**14,968**	**76,968**	**14,968**	**76,968**	**(32)**
Net increase (decrease) in cash held		36,728	(57,554)	36,725	(57,552)	(200,303)
Cash and Cash Equivalents on hand at beginning of period		41,202	98,756	41,178	98,730	227,004
Cash and Cash Equivalents on hand at end of period	5	77,930	41,202	77,903	41,178	26,701

The GST (net) component of operating activities reflects the net GST paid and received with Inland Revenue. 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 25 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2016 BUDGET.

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

Notes to the Financial Statements

For the year ended 31 December 2016

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
1 / Revenue					
Other Revenue					
Donations / Koha	129	82	129	82	42
Donations from Trusts	4,153	4,561	4,153	4,561	3,650
Rentals	3,843	3,911	3,843	3,911	3,775
External Sales	3,121	3,597	3,121	3,597	2,752
Consultancy	4,102	3,606	4,102	3,606	2,974
Membership Fees	645	636	645	636	703
Reversionary Interest	305	7,965	305	7,965	1,728
Sundry Revenue	9,969	8,718	9,973	8,658	8,253
TOTAL OTHER REVENUE	**26,267**	**33,076**	**26,271**	**33,016**	**23,877**
Non exchange revenue included in total revenue	**257,839**	**248,062**	**257,839**	**248,062**	**246,154**

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
2 / Personnel Expenses					
Academic Salaries	77,264	76,059	77,264	76,059	78,385
General Salaries*	81,940	80,379	81,940	80,379	83,607
Superannuation Contributions	6,964	6,807	6,964	6,807	7,024
Councillors' Fees	230	170	230	170	265
Redundancy Costs	1,301	1,289	1,301	1,289	–
Movement in Actuarially Valued Employee Entitlements	1,944	2,829	1,944	2,829	–
Other Salary Related Expenditure	4,307	3,851	4,307	3,851	5,419
TOTAL PERSONNEL EXPENSES	**173,950**	**171,384**	**173,950**	**171,384**	**174,700**
*The General staff classification includes Education Plus staff.	3,624	3,912	3,624	3,912	4,342

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
3 / General / Operating Expenditure — Disclosures					
General / Operating Expenditure includes the following:					
Audit New Zealand — External Financial Statements Audit	218	210	218	210	227
Audit New Zealand — External Financial Statements Audit Subsidiaries	–	7	–	7	–
Audit New Zealand – Other Assurance Work: Report to Bond Trustees and PBRF	15	14	15	14	–
Asset Impairment	1,998	42	1,998	42	–
Bad Debts Written Off	71	58	71	58	7
Building Write Offs	167	5,042	167	5,042	–
Demolition Costs	1,499	1,464	1,499	1,464	–
Equipment Rentals	341	323	341	323	638
Exchange Losses	159	597	159	597	–
Fair Value Movement in Interest Rate Swaps	125	125	25	125	–
Increase / (Decrease) in Provision for Doubtful Debts	(81)	157	(81)	157	–
Loss on Disposal of Property, Plant & Equipment	871	2,962	871	2,962	10
Property Rentals	7,720	5,034	7,720	5,034	7,602
Student Association Service Provision	2,099	2,010	2,099	2,010	2,120
UCSA: Building Insurance Contribution	6,254	–	6,254	–	–

4 / Finance Charges

Finance Charges — Interest Paid	4,406	4,360	4,406	4,360	3,736
TOTAL FINANCE CHARGES	**4,406**	**4,360**	**4,406**	**4,360**	**3,736**

5 / Cash and Cash Equivalents

Cash at Bank	4,169	2,230	4,142	2,206	26,701
Call Deposits	27,021	17,635	27,021	17,635	–
Term Deposits with maturities less than 3 months at acquisition	46,740	21,337	46,740	21,337	–
TOTAL CASH AND CASH EQUIVALENTS	**77,930**	**41,202**	**77,903**	**41,178**	**26,701**

The weighted average interest rate as at 31 December 2016 is 2.45% (31 December 2015 is 3.14%).

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

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
6 / Receivables					
Receivables (gross)	21,380	24,428	21,376	24,428	29,000
Less Provision for Doubtful Debts	(167)	(248)	(167)	(248)	–
TOTAL RECEIVABLES	**21,213**	**24,180**	**21,209**	**24,180**	**29,000**
Total Receivables comprise:					
Receivables from exchange transactions	16,887	21,970	16,883	21,970	29,000
Receivables from non exchange transactions	4,326	2,210	4,326	2,210	–
TOTAL RECEIVABLES	**21,213**	**24,180**	**21,209**	**24,180**	**29,000**

Fair Value
Receivables are generally short-term and non-interest bearing. 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 2015: greater than 91 days past due). The majority of receivables are not past due.

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.

7 / Property, Plant and Equipment and Intangibles

	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**

	COST / VALN DEC 15 ($000's)	ACCUM DEPN & AMORTISATION DEC 15 ($000's)	NET BOOK VALUE DEC 15 ($000's)	CURRENT YEAR ADDITIONS DEC 16 ($000's)	CURRENT YEAR DISPOSALS COST DEC 16 ($000's)	CURRENT YEAR DISPOSALS ACCUM DEPN DEC 16 ($000's)	CURRENT YEAR DEPN & AMORTISATION DEC 16 ($000's)	CURRENT YEAR REVALUATION/ MOVEMENTS DEC 16 ($000's)	CURRENT YEAR REVALUATION/ ACCUM DEPN DEC 16 ($000's)	CURRENT YEAR IMPAIRMENT MOVEMENTS DEC 16 ($000's)	COST / VALN DEC 16 ($000's)	ACCUM DEPN & AMORTISATION DEC 16 ($000's)	NET BOOK VALUE DEC 16 ($000's)
UNIVERSITY & GROUP													
Land at Valuation	101,065	–	101,065	–	–	–	–	8,085	–	(880)	108,270	–	108,270
Buildings at Valuation	559,037	–	559,037	39,615	(838)	671	(25,428)	9,092	24,757	10,942	617,848	–	617,848
Infrastructure Assets	41,158	(1,710)	39,448	5,303	–	–	(2,185)	–	–	–	46,461	(3,895)	42,566
Plant & Equipment at Cost	126,545	(89,505)	37,040	12,675	(3,790)	3,159	(9,945)	–	–	–	135,430	(96,291)	39,139
Leased Equipment at Cost	11,050	(11,050)	–	–	–	–	–	–	–	–	11,050	(11,050)	–
Library (Current Collection) at Cost	93,339	(74,258)	19,081	3,303	–	–	(3,787)	–	–	–	96,642	(78,045)	18,597
Library (Permanent Collection) / Other Collections at Valuation	45,583	–	45,583	180	(207)	–	–	9,599	–	–	55,155	–	55,155
Property, plant & equipment	**977,777**	**(176,523)**	**801,254**	**61,076**	**(4,835)**	**3,830**	**(41,345)**	**26,776**	**24,757**	**10,062**	**1,070,856**	**(189,281)**	**881,575**
Intangible Assets – Software	**24,173**	**(14,746)**	**9,427**	**1,893**	**(1,299)**	**1,270**	**(3,244)**	**–**	**–**	**–**	**24,767**	**(16,720)**	**8,047**

There is no difference between "University" and "University and Group" balances

7 / 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 reduce in 2017 as projects come to an end and completed buildings are capitalised.

Capital Work in Progress	*Dec 2016 $000's*	*Dec 2015 $000's*
Buildings	259,804	128,129
Plant and Equipment	112	62
Intangible Assets — Software	1,779	3,399
	261,695	131,590

Revaluation Movement

The building revaluation at 31 December 2016 was an increase of $44.791 million (31 December 2015; $70.942 million).

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 2016 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 2016 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 July 2016 by James Parkinson, Director of Valuations, Art + Object Limited, Auckland.

Building Revaluation Reserve

The University has been obtaining annual revaluations of its land and buildings since 2011 because of the serious impact of the earthquakes on the building stock and the consequential financial impact that exhausted all revaluation reserves and caused all impairment and revaluation movements to be reflected in the University's operating result. The University is now in a position where previous impairments have been restored by remediation work and subsequent revaluations. Accordingly, the University is now able to reflect revaluation increases in its revaluation reserves, and is reviewing whether annual revaluations will be needed in the future.

The damage incurred from the earthquakes was not factored into this valuation. Accordingly, as in previous years, the University adjusted the carrying value of buildings that have yet to be remediated as at 31 December 2016 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.

Impairment estimates

The impairment of buildings at 31 December 2016 was a decrease of $10.942 million (2015: $1.957 million decrease).

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

The extensive damage to the University's buildings is being made good, and actual costs being incurred indicate the original estimates were well-founded. However, the incorporation of the impairment estimates into the University's financial statements has proved to be complex both in deriving estimates and in doing the calculations and assessment on an individual building basis across some 140 buildings. The decrease in the overall impairment estimate this year shows the University continues to refine and reassess the costs involved. However, for unremediated buildings, and for the totality of the building stock, the risk remains that the final cost to the University will be in excess of estimate, although the University considers that any further increase in damage assessment will continue to demonstrate a similar pattern to that already experienced. The total impairment recognised in the financial statements was $113 million (2015: $154 million).

The University has employed Inovo Projects Limited to provide the estimate of total repairs, which is set at $497.6 million at 31 December 2016 (31 December 2015: $511.2 million), and continues to improve the quality and accuracy of the information available to support its estimates. The estimate of damage remains subject to considerable potential variability and consequently the cost of repair estimated in these financial statements could change. Additionally, while these estimates have been updated for inflation there is no allowance in these estimates for future inflation. 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.

	Dec 2016 $000's	*Dec 2015 $000's*
Fair Value of buildings as at 1 January	559,037	492,806
Building Additions	39,615	45,779
Depreciation	(25,428)	(26,236)
	573,224	512,349
Increase in valuation of buildings	33,849	68,986
Building write-offs	(167)	(5,041)
Building disposals	–	(19,214)
Decrease / (Increase) in impairment of buildings	10,942	1,957
Fair Value of buildings as at balance date	**617,848**	**559,037**

Of the overall impairment estimate of $497.6 million, $205 million (31 December 2015: $218 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 completed in five to 10 years.

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
8 / Investments					
Investment Category					
Investments at Amortised Cost – Current					
New Zealand Government Bonds	82,608	–	82,608	–	7,380
Total Investments – Current	82,608	–	82,608	–	7,380
Investments at Fair Value through other Comprehensive Revenue and Expense – Non Current					
Investment in South African Large Telescope (SALT)	–	702	–	702	790
Investment in New Zealand Synchrotron Group Limited	55	51	55	51	20
	55	753	55	753	810
Investments at Amortised Cost – Non Current					
New Zealand Government Bonds	52,692	106,649	52,692	106,649	101,649
Total Investments – Non Current	**52,747**	**107,402**	**52,747**	**107,402**	**102,459**
TOTAL INVESTMENTS	**135,355**	**107,402**	**135,355**	**107,402**	**109,839**

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 10-metre telescope for the advancement of science and the promotion of astronomy and astrophysics. The University had a 3.1% shareholding in the South African Large Telescope Foundation, but has recently surrendered its shareholding to SALT, and the investment value, representing the University's share of the SALT company equity, has been written off.

Investment in New Zealand Synchrotron Group Limited

The New Zealand Synchrotron Group Limited is made up of eight universities and currently four Crown Research Institutes. The University has a 9.48% shareholding (31 December 2015; 10.12%).

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.

There is no material difference between carrying value and fair value.

The University also has equity investments of minimal or nil value as follows as at 31 December 2016:

Name **Subsidiaries**	**Percentage Held**
Canterprise Limited	100%
Entré Limited	100%
UC International College Limited	100%
Other Investments	
Te Tapuae O Rehua Limited	17%
Stratified Concrete Technologies Limited	15%
Unisaver Limited	14%
Veritide Limited	8%
Kiwi Innovation Network Limited	8%
Tiro Medical Limited (formerly Tiro Life Sciences Limited)	8%

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
9 / Term Receivable and Other Non Current Assets					
Campus Living Villages — Term Receivable	2,010	1,879	2,010	1,879	21,363
Other non current assets					
Reversionary interest	18,132	17,827	18,132	17,827	14,228

Campus Living Villages — Term Receivable

In December 2005 the University entered into a 35-year arrangement to lease the student accommodation facilities to Campus Living Villages (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 10).

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 payment will be made by CLV on maturity.

The University has reviewed the various accounting standards that might apply to the arrangement with CLV, including PBE IPSAS 32 Service Concession Arrangements. The University has no direct control over or management responsibility for CLV's operations and finances on the University site, including pricing, or responsibility for building maintenance. Accordingly, the University does not believe it is correct to treat this transaction as a service concession arrangement, and has adopted a reversionary interest model, as outlined below.

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, dependent on the discount rate used and the valuation of the buildings, and is valued on a present value basis.

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
10 / Revenue Received in Advance					
Current Revenue Received in Advance					
Student Fees	9,349	9,236	9,349	9,236	6,167
Research Revenue	14,315	13,403	14,315	13,403	23,337
Future minimum operating lease revenue not later than one year	868	868	868	868	868
Other	8,126	3,726	8,126	3,726	7,131
	32,658	**27,233**	**32,658**	**27,233**	**37,503**
Non Current 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	17,863	18,694	17,863	18,694	51,400
	21,334	**22,165**	**21,334**	**22,165**	**54,872**
TOTAL REVENUE RECEIVED IN ADVANCE	**53,992**	**49,398**	**53,992**	**49,398**	**92,375**

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
11 / Accounts Payable					
Payables under exchange transactions					
Trade Payables	5,136	3,989	5,136	3,989	3,470
UCSA Payable	6,944	23	6,944	23	–
Other Payables	26,451	20,741	26,445	20,813	18,360
Total Payables under exchange transactions	**38,531**	**24,753**	**38,525**	**24,825**	**21,830**
Payables under non-exchange transactions					
Taxes payable (PAYE and rates)	2,150	2,545	2,150	2,545	2,170
Total Payables under non-exchange transactions	**2,150**	**2,545**	**2,150**	**2,545**	**2,170**
TOTAL ACCOUNTS PAYABLE	**40,681**	**27,298**	**40,675**	**27,370**	**24,000**

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.

12 / Loans

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
Current Loans					
Sonoda Gakuen Corporation of Japan Loan	32	32	32	32	32
Non Current Loans					
Sonoda Gakuen Corporation of Japan Loan	832	864	832	864	864
TOTAL LOANS	**864**	**896**	**864**	**896**	**896**
Analysis of Loan					
Analysis of Loan Liabilities					
Within one year	32	32	32	32	32
One to five years	128	128	128	128	128
Greater than five years	704	736	704	736	736
	864	**896**	**864**	**896**	**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 approximates their fair value.

The University operates a purchasing card facility and had a credit limit of $11 million as at 31 December 2016 (31 December 2015: $11 million).

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
13 / 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	(347)	(466)	(347)	(466)	–
	47,631	**47,512**	**47,631**	**47,512**	**47,978**
TOTAL PHILANTHROPIC BOND	**49,631**	**49,512**	**49,631**	**49,512**	**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 five years to be reset for a further five years at a 1.75% margin over the then prevailing five-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 five-years in line with the original offer terms.

The Bond is a philanthropic bond which gives the bondholder 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 bondholder 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 trust 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.

On 30 November 2016, the University registered a further amended Trust Deed with the Financial Markets Authority, reflecting solely the consequential changes required following the introduction of the Financial Markets Conduct Act 2013. None of the previous amendments or rights of the bondholders was affected.

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 (2015: 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 2016 year (2015: full compliance).

The fair value of the bonds as at 31 December 2016 was $52.5 million (31 December 2015: $53.0 million). The fair values of the bonds are determined by reference to the quoted market price on the NZDX at 31 December.

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
14 / Employee Entitlements					
Sick Leave	765	722	765	722	750
Annual Leave	6,414	5,851	6,414	5,851	6,500
Long Service Leave	1,720	1,702	1,720	1,702	1,970
Retirement Leave	28,615	26,661	28,615	26,661	26,130
Total	37,514	34,936	37,514	34,936	35,350
Redundancy Provision[1]	294	317	294	317	–
Total Employee Entitlements	**37,808**	**35,253**	**37,808**	**35,253**	**35,350**
Made up of:					
Current	9,662	8,956	9,662	8,956	8,950
Non Current	28,146	26,297	28,146	26,297	26,400
Total	**37,808**	**35,253**	**37,808**	**35,253**	**35,350**

[1]Redundancy Provision — University & Group

Redundancy Provision Opening Balance	317	167
Provision made	294	317
Amounts used	(317)	(167)
Redundancy Provision Closing Balance	**294**	**317**

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

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
15/ Other Financial Assets and Liabilities					
Other Financial Assets / Term Deposits					
Short-term deposits with maturities over three months but less than 12-months	111,750	202,000	111,750	202,000	8,000
Other Financial Assets / Long-Term Deposits					
Long-term deposits with maturities greater than 12-months	44,500	129,500	44,500	129,500	93,120

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 2016 is 3.18% per annum (31 December 2015: 4.70% per annum).

Long-term deposits maturing over 3-months and with remaining duration more than 12-months from date of acquisition are all at fixed rates. The weighted average interest rate as at 31 December 2016 is 4.18% per annum (31 December 2015: 4.18% per annum).

Other Financial Assets and Liabilities — Derivative Financial Instruments					
Derivative Financial Instrument Assets — Non Current					
Interest Rate Swap Derivative	1,850	1,604	1,850	1,604	–
Total Derivative Financial Instrument Assets	**1,850**	**1,604**	**1,850**	**1,604**	–
Derivative Financial Instrument Liabilities — Current					
Forward Currency Exchange Contracts — Current	76	121	76	121	–
Derivative Financial Instrument Liabilities — Non Current					
Forward Currency Exchange Contracts — Non Current	–	10	–	10	–
Interest Rate Swap Derivative	4,704	5,310	4,704	5,310	–
Total Derivative Financial Instrument Liabilities	**4,780**	**5,441**	**4,780**	**5,441**	**–**
Total Derivative Financial Instruments	**(2,930)**	**(3,837)**	**(2,930)**	**(3,837)**	**–**
Analysis of Derivative Financial Instruments	(2,854)	(3,706)	(2,854)	(3,706)	–
Net Settled Derivatives (Interest Rate Swaps)	(76)	(131)	(76)	(131)	–
Gross Settled Derivatives (Forward Exchange Contracts)	**(2,930)**	**(3,837)**	**(2,930)**	**(3,837)**	**–**

Fair Value

The fair value of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

The fair values of forward exchange contracts have been determined using a discounted cash flow valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from forward foreign exchange contract prices.

16 / Financial Instruments

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.

Derivative financial instruments (both current and non-current) are valued with valuation techniques using observable inputs.

Investments have been valued with valuation techniques with significant non-observable inputs.

RISK MANAGEMENT

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 2016, 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 $(75,983) (31 December 2015: $(130,996)).

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 that potentially subject the University to concentrations of interest rate risk consist principally of Cash and Cash Equivalents, Short and Long Term Deposits and Loans.

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 12 and Note 13 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 were $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 five-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	2016 %	2015 %	2016 (NZ$000's)	2015 (NZ$000's)
Swap 1:				
2 to 5 years	5.95	5.95	50,010	50,010
Swap 2:				
2 to 5 years	Floating	Floating	50,010	50,010

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.

	2016 University & Group Actuals ($000's)	*2015 University & Group Actuals ($000's)*	*2016 University Actuals ($000's)*	*2015 University Actuals ($000's)*
Surplus/Equity				
Surplus/Equity — increase (i)	1,586	2,082	1,586	2,082
Surplus/Equity — (decrease) (i)	(1,586)	(2,082)	(1,586)	(2,082)

(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.

The University invests in line with the requirements of the Education Act 1989, and its Treasury Management Framework only permits investment grade counterparties of Standard & Poor's rating A+ or greater. All investments in New Zealand Government Bonds and New Zealand Financial Institutions are rated A+ or greater.

The University's 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.

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 12, 13 and 15 respectively.

Liquidity ratio measurement analysis and forecasting are 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 2016						
Accounts Payable	40,681	40,681	40,681	–	–	–
Sonoda Gakuen Corporation of Japan Loan	864	1,227	58	57	56	1,056
Philanthropic Bond	49,631	58,636	2,886	2,886	52,864	–
Total	**91,176**	**100,544**	**43,625**	**2,943**	**52,920**	**1,056**
University December 2016						
Accounts Payable	40,675	40,675	40,675	–	–	–
Sonoda Gakuen Corporation of Japan Loan	864	1,227	58	57	56	1,056
Philanthropic Bond	49,631	58,636	2,886	2,886	52,864	–
Total	**91,170**	**100,538**	**43,619**	**2,943**	**52,920**	**1,056**
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	64,439	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**	**93,095**	**30,315**	**2,944**	**2,943**	**56,893**

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 2016						
Net settled derivatives	2,854	2,967	989	989	989	–
University & Group December 2015						
Net settled derivatives	3,706	3,956	989	989	989	989

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 2016						
Cash and Cash Equivalents	77,930	77,930	77,930	–	–	–
Receivables	21,213	21,213	21,213	–	–	–
Other Financial Assets	156,250	168,690	117,234	51,456	–	–
Government Bonds	135,355	141,260	88,253	2,500	50,507	–
Term Receivable	2,010	7,000	–	–	–	7,000
Total	**392,758**	**416,093**	**304,630**	**53,956**	**50,507**	**7,000**
University December 2016						
Cash and Cash Equivalents	77,903	77,903	77,903	–	–	–
Receivables	21,209	21,209	21,209	–	–	–
Other Financial Assets	156,250	168,690	117,234	51,456	–	–
Government Bonds	135,355	141,260	88,253	2,500	50,507	–
Term Receivable	2,010	7,000	–	–	–	7,000
Total	**392,727**	**416,062**	**304,599**	**53,956**	**50,507**	**7,000**
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**

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
17 / Equity					
General Equity					
Balance as at 1 January	1,074,180	996,152	1,074,084	996,099	1,078,658
Net Surplus / (Deficit) for the year	(1,837)	3,531	(1,766)	3,488	(13,656)
Contributions from the Crown[1]	15,000	85,000	15,000	85,000	–
Contributions from the Crown – Repayment under Funding Agreement[1]	–	(8,000)	–	(8,000)	–
Transfer (from) / to General Equity – Student Services Levy Capital Reserve	4,883	(2,503)	4,883	(2,503)	–
Transfer from revaluation reserve on retirement of assets	314	–	314	–	–
Balance as at 31 December	**1,092,540**	**1,074,180**	**1,092,515**	**1,074,084**	**1,065,002**
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	10,671	8,168	10,671	8,168	10,787
Current year allocation of Levy	1,698	1,962	1,698	1,962	–
Insurance Settlement – UCSA Building	–	254	–	254	–
Insurance Settlement – UCSA Building – Transfer to General Equity	(6,581)		(6,581)		
Interest on Insurance Settlement	–	327	–	327	–
Current year usage	–	(40)	–	(40)	–
Balance as at 31 December	**5,788**	**10,671**	**5,788**	**10,671**	**10,787**
Cash Flow Hedge Reserve					
Balance as at 1 January	(3,643)	(4,262)	(3,643)	(4,262)	–
Fair Value Movement in Derivatives – Forward Foreign Exchange Contracts	55	(259)	55	(259)	–
Fair Value Movement in Derivatives – Interest Rate Swaps	878	878	878	878	–
Balance as at 31 December	**(2,710)**	**(3,643)**	**(2,710)**	**(3,643)**	**–**
Available-for-sale Reserve					
Balance as at 1 January	8	41	8	41	–
Adjustment to South African Large Telescope (SALT)	–	(57)	–	(57)	–
Adjustment to New Zealand Synchrotron Group Limited valuation	4	24	4	24	–
Write-off Fair Value through Other Comprehensive Income Reserve to Net Surplus / (Deficit) (SALT)	24	–	24	–	
Balance as at 31 December	**36**	**8**	**36**	**8**	**–**
Revaluation Reserves					
Balance as at 1 January	212,269	146,913	212,269	146,913	146,600
Transfer Between Equity and Revaluation Reserves	(314)	–	(314)	–	–
Revaluations and Impairment	61,595	65,356	61,595	65,356	–
Balance as at 31 December	**273,550**	**212,269**	**273,550**	**212,269**	**146,600**

1 *Further details on the Crown Contributions are contained in note 22.*

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)	2016 University & Group Budget ($000's)
17 / Equity (continued)					
Revaluation Reserves consist of:					
Buildings	115,057	70,266	115,057	70,266	–
Infrastructure Assets	28,824	28,824	28,824	28,824	28,824
Land	83,167	76,275	83,167	76,275	80,873
Library / Collections	46,502	36,904	46,502	36,904	36,903
Balance as at 31 December	**273,550**	**212,269**	**273,550**	**212,269**	**146,600**

	2016 University & Group Actuals ($000's)	2015 University & Group Actuals ($000's)	2016 University Actuals ($000's)	2015 University Actuals ($000's)
18 / Reconciliation of Net Surplus with Net Cash from Operating Activities				
OPERATING ACTIVITIES				
Net Surplus / (Deficit)	(1,837)	3,531	(1,766)	3,488
Add (less) non-cash items:				
Depreciation and Amortisation	44,588	43,982	44,588	43,982
Donated Assets	(125)	74	(125)	74
Movement in Reversionary Interest	(305)	(7,965)	(305)	(7,965)
Movement in Long Term Revenue Owing	(131)	(123)	(131)	(123)
Movement in Total Employee Entitlements	2,555	2,725	2,555	2,725
Unrealised Foreign Exchange Variations	522	493	522	493
Amortise Premiums on Government Stock Investments	3,104	–	3,104	–
Net Movement in Fair Value of Interest Rate Swaps	26	(125)	26	(125)
Asset Impairments	3,737	–	3,737	–
Increase in revaluation of Buildings	–	(676)	–	(676)
Add (less) movements in other working capital items:				
Accounts Payable	13,383	1,180	13,305	1,228
Revenue in Advance	5,425	3,011	5,425	3,011
Accounts Receivable and Prepayments	3,477	251,320	3,481	251,317
Inventories	5	(190)	5	(190)
Add (less) items classified as Investing / Financing Activities:				
Net Loss on Disposal included in Investing Activities	19	7,561	19	7,561
Movement in Lease Revenue in Advance	(831)	(830)	(831)	(830)
Movement in Library Serials Prepayment	(2,797)	(2,461)	(2,797)	(2,461)
Movement in Fixed Asset Related Payables / Accruals	(6,064)	(3,680)	(6,064)	(3,680)
Insurance Receipts related to PPE	–	(246,493)	–	(246,493)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**64,751**	**51,334**	**64,748**	**51,336**

19 / Related Party Transactions

Transactions with related parties

The University transacts with other Government owned or related entities independently and on an arms' 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 arms' length basis, except for the following.

- Commencing 1 August 2016, the University has leased property to the UCSA on the Dovedale Campus for the provision of childcare facilities. The lease is for 30 years at a peppercorn rent
- The University has also extended a facility of $350,000 to the UCSA to assist in funding the necessary refurbishment required to the leased property. The loan is interest free and is repayable in 30 equal annual instalments

The UCSA had not drawn any amount on this facility at 31 December 2016 but has subsequently done so.

- Commencing in 2015, the University has leased property to Bishop Julius Hall. The lease is for 34 years and 360 days at a peppercorn rent.

Transactions cover a variety of services including funding and grants for education and research services and purchases of electricity, postage, travel and tax.

During the year the University entered into an arrangement with the UCSA for the demolition of the existing UCSA building and the construction of the new one, including the financing of the project. This arrangement included a commitment to apply the global insurance settlement funding as it applies to the old UCSA building in partially settling the amount receivable from the UCSA. This crystallises a liability in the University's financial reporting for the year ended 31 December 2016 for this amount, whereas previously the size and incidence of the new UCSA building was uncertain and funding in this way uncommitted. As a result, the reserve has been reduced by the amount of the insurance proceeds and related interest.

During the year to 31 December 2016 the University had the following inter-group transactions with Canterprise and its Subsidiaries.

	2016 University Actuals ($000's)	*2015 University Actuals ($000's)*
Payable to Canterprise Limited	–	75

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 arms' 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 2015: $nil).

Senior Management

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

	2016 University Actuals ($000's)	*2015 University Actuals ($000's)*
Council Members — Council Fee	230	170
Senior Management Team, including the Vice-Chancellor — Remuneration	4,065	3,989
	Number	*Number*
Council Members — Full-time equivalent members[1]	12	12
Senior Management Team, including the Vice-Chancellor — Full-time equivalent members	14	14

Senior Management comprises the Vice-Chancellor, Deputy Vice-Chancellors, Assistant Vice-Chancellor (Māori), Registrar and Assistant Vice-Chancellor, Executive Director / Chief Financial Officer, Pro-Vice-Chancellors for the colleges and the Directors and Executive Directors of the Service Areas.

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.*

20 / 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.

	2016 University Actuals ($000's)	2015 University Actuals ($000's)
EARLY CHILDHOOD LEARNING CENTRE		
Statement of Comprehensive Revenue and Expense		
OPERATING REVENUE		
Government Grant – Child Funded Hours	643	693
Other Revenue	411	432
TOTAL OPERATING REVENUE	**1,054**	**1,125**
OPERATING EXPENDITURE		
Personnel Expenses	987	967
Site & Property Costs	91	60
General / Operating Expenditure	8	25
Depreciation	1	1
TOTAL OPERATING EXPENDITURE	**1,087**	**1,053**
NET SURPLUS / (DEFICIT) FOR THE YEAR AND TOTAL COMPREHENSIVE REVENUE AND EXPENSE	**(33)**	**72**

21 / 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.

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.

	2016 University & Group Actuals ($000's)	*2015 University & Group Actuals ($000's)*
Capital Commitments		
Not later than one-year	73,391	177,266
Later than one-year and not longer than five-years	3,341	22,761
TOTAL CAPITAL COMMITMENTS[1]	**76,732**	**200,027**
Non-cancellable Operating Lease Commitments as Lessee		
Not later than one-year	7,916	7,401
Later than one-year and not longer than five-years	7,314	12,487
Later than five-years	3,553	1,444
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	**18,783**	**21,332**
The University has rights of renewal of varying periods in some of its leases.		
Non-cancellable Operating Lease Commitments as Lessor		
Not later than one-year	1,452	822
Later than one-year and not longer than five-years	2,714	1,407
Later than five-years	313	317
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	**4,479**	**2,546**

The University entered into a 35-year lease arrangement with Campus Living Villages for the University's student accommodation in 2005 and the prepaid lease amounts related to this arrangement have been excluded from the above commitments.

No contingent rents have been recognised in revenue during the year.

1 *Capital Commitments relate to buildings.*

22 / 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 Rutherford Regional Science and Innovation Centre (RRSIC) and the Canterbury Engineering the Future (CETF) project. The University has received $210 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 EFTS numbers not exceeding the forecasts made by the University in its business cases to the Government and meeting certain construction milestones.

As a result, the University has a contingent asset of up to $50 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 this may result in no requirement to share the insurance receipts at all. Accordingly, the University is unable to quantify any amount that might become payable.

The University is also exploring the potential for further claims on Earthquake Comission for damage to its halls of residence. These are continuing and the University is unable to quantify any contingent asset relating to these potential claims.

Construction

In common with many large construction projects, the University and its large project construction contractors are involved in regular review of contract variations due *inter alia* to developments in working conditions, design changes and finalisation of provisional sums in the original contract. These discussions are often complex and technical and do not always result in a financial outcome. Accordingly, the University is unable to estimate any amount payable in relation to current variations or other risk sharing arrangements under review.

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 $3,500 to the New Zealand Automobile Association for a vehicle trailer. This bond is held by the University's bankers, ANZ and will expire in September 2020.

The University has also provided two Carnet Indemnities for $46,000 and $15,013 to the Wellington Regional Chamber of Commerce for the export of a Formula 1 car to Australia for testing. The Carnet for $46,000 will expire in June 2017 and the Carnet for $15,013 will expire in April 2019.

The University has no other contingent liabilities or assets at 31 December 2016 (2015: $nil).

23 / 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, which include 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 13) 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 the University's own resources, coupled with careful management of its capital programme, deferring investments to future years where operationally possible without damaging the potential for recovery.

24 / Events After Balance Date

There have been no significant events after balance date (31 December 2015: minor additional damage following the 14 February 2016 earthquake).

25 / Explanations of Major Variances Against the 2016 Budget

Statement of Comprehensive Revenue and Expenses

Revenue

The University has increased tuition fee revenue over budget due to better than predicted EFTS being achieved, particularly in full-fee paying students. Research revenue benefitted from the winning of additional external research contracts, and a higher than anticipated share of the PBRF pool. Investment revenue increased over budget due to a reduced capital programme than budgeted, leaving additional funds to be invested. Improvements in consultancy revenue against budget were offset by movements in the reversionary interest calculation. There were no other significant negative revenue variances against budget.

Expenditure

Overall, personnel costs were slightly under budget, but with offsetting savings in salary costs against actuarial increases in long-term staff benefits. In general/operating expenditure, delays in completing certain phases in the new building projects led to deferral of significant decanting costs to 2017, but where there have been additional costs recognised for the demolition of existing buildings such as the UCSA, and further building impairment write-offs. General/operating expenditure also includes a charge of $6.25 million for the University's contribution from its insurance settlement to the UCSA for the construction of the new UCSA facility. Finally, depreciation is significantly less than budget due to delays in completion and capitalisation of building projects.

Other Comprehensive Revenue and Expense

The main movements are the net increase in land and building and permanent collection valuations, with changes in the University's cash flow hedges. None of these is budgeted for as being difficult to predict with any accuracy as they depend on market-driven data only available at the time of preparing these financial statements.

Statement of Changes in Net Assets / Equity

Other than total comprehensive revenue and expense as explained above, the University has received the $15 million capital contribution from the Crown which was not budgeted for in 2016.

Statement of Financial Position

Current

The University continues to maintain significant current cash and Government Stock holdings to meet its capital investment programme in the next 12 months. This is in excess of budget where a significantly higher level of capital and related operating expenditure had been anticipated in the budget. Similarly, current liabilities include additional capital items due at 31 December 2016 as construction delays are made good. Both these factors have a consequential impact on working capital, which is in excess of budget.

Non-current

Overall, in non-current assets, capital assets are less than budgeted, due to delays in building projects, but with approximately $100 million of investments being classified as current that were budgeted to be non-current. Non-current liabilities are less than budgeted due to the budget being prepared to include higher revenue in advance balances based on an interpretation of the transition to PBE IPSAS that was later revised for the 31 December 2015 financial statements.

Equity

The main variance is the increase in revaluation reserves, which are not budgeted for, as explained above.

Statement of Cash Flows

Net cash provided by Operating Activities

This is over twice the budgeted amount, which anticipated lower EFTS-related revenue and higher operating expenditure, as noted above.

Net cash used in Investing Activities

This is significantly less than budget, reflecting the reductions in capital spend against budget noted earlier, and with a different investment profile consequential to having additional cash to invest as a result.

Net cash provided by Financing Activities

The University received the $15 million capital contribution from the Crown which was not budgeted for in 2016.