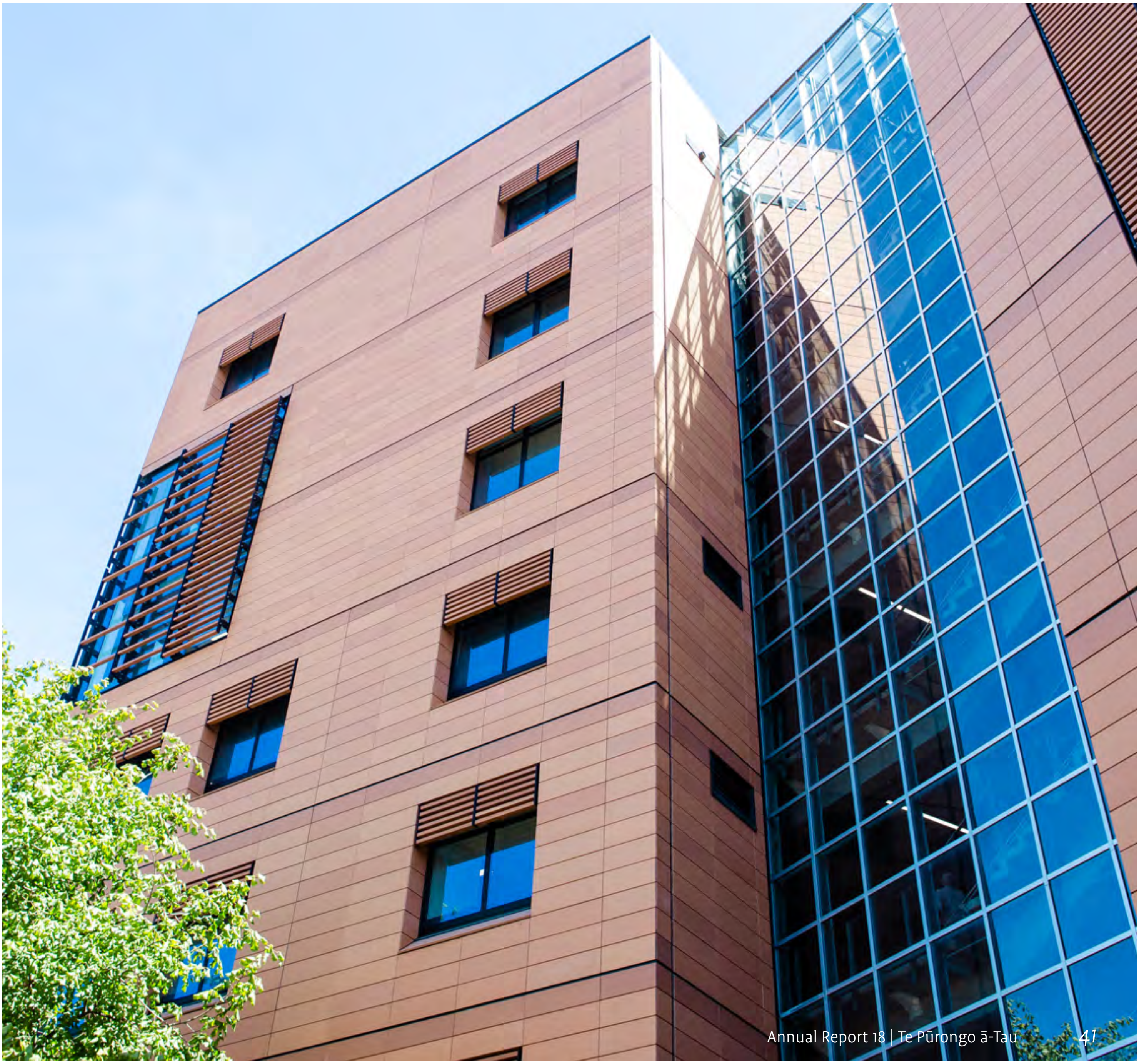
# 2018

# Annual Financial Statements | Ngā Tauākī Ahumoni ā-Tau



# Statement of Accounting Policies

*For the year ended 31 December 2018*

### *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 9.

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

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

The financial statements of the University are for the year ended 31 December 2018. The financial statements were authorised for issue by Council on 27 February 2019.

### *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).

#### *Budget figures*

The budget figures are approved by the Council prior to the beginning of the financial year and are for both the University and the group, there being negligible difference between the two due to the immaterial size of the subsidiaries. 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 or not early adopted*

Standards issued and not yet effective that may affect the University include PBE IPSAS 35 *Consolidated financial statements*. This standard is effective for periods commencing on or after 1 January 2019.

The University has determined that the provisions of PBE IPSAS 35 will entail the consolidation of new entities to the group: UC Foundation and numerous trusts and bequests.

The net assets of the combined new entities at 31 December 2017 was $153.324 million (latest audited financial statements) and the combined total comprehensive revenue and expense was $9.659 million with a corresponding impact on the University's consolidated financial results. However, the impact on the consolidation of the results of the new entities may differ significantly from this simple addition of their results to those of the current University group as certain categories of their income such as research sponsorship are treated differently in the University. These transactions will have to be reviewed as they occur to ensure consistent application of the University Group's accounting policies. As these transactions are also sporadic and variable in amount due to their relatively philanthropic nature, and can be significant, the University cannot reasonably predict the ongoing impact on the consolidated result of these new consolidated entities.

PBE IPSAS 35 will be adopted for the accounting period commencing 1 January 2019. The University is also intending to adopt PBE IPSAS 48: *Service Performance Reporting* for the period commencing 1 January 2019, which would normally only be effective from 1 January 2021. The University is still reviewing the potential impact of the early adoption of PBE IPSAS 48, but does not believe it to be significant.

***Other Standards***

Other standards issued but not yet effective are not considered to have a significant effect on the University's financial statements. The University does not intend to early adopt any other standard issued but not yet effective.

### *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 in nature.

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 from the commencement of the specified funding period, which is the same as the University's financial year.

The University had a guaranteed amount of SAC funding agreed with TEC for 2018. This was the last year for the SAC guaranteed funding for the University. In 2019 SAC Funding will be based on EFTS.

***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 from 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.

***Fees-free***

The University considers Fees-free tuition payments to be non-exchange in nature.

The University recognises Fees-free tuition payments from the Tertiary Education Commission on the same basis as for Domestic Student Tuition Fees and classifies Fees-free payments as part of Tuition fees from students.

***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; and
- specificity of the research brief or contract.

For an exchange research contract, revenue is recognised on a percentage completion basis. The percentage of completion is measured by reference to the actual research expenditure incurred as a proportion to total expenditure expected to be incurred.

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

Revenue for future periods is not recognised where the contract contains substantive termination provisions for failure to comply with the requirements of the contract. Conditions and termination provisions need to be substantive, which is assessed by considering factors such as contract monitoring mechanisms of the funder and the past practice of the funder. Judgement is often required in determining the timing of revenue recognition for contracts that span a balance date and multi-year research contracts.

***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 (see Critical Accounting Judgements, Estimates and Assumptions).

***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 17 and 18.

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 17 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Statement of Changes in Net Assets / Equity and in Note 19.

### Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is 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 — 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; and
- available-for-sale — at fair value through other comprehensive revenue and expense.

After initial recognition at fair value, other financial liabilities are measured at amortised cost using the effective interest rate method.

### 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 that are not part of an inseparable set 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 Artworks, 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.

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.

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 8.

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

### *Residential and commercial property, including the Ilam Homestead*

Independent and registered valuers undertake revaluations of the University's residential and commercial property every three years, unless there is a reason to suggest that values have changed materially in the intervening years, in which case a revaluation may be undertaken outside of the three-year cycle.

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 2017 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 and the 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 RJ Watt & Associates as at 30 November 2018. 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 30 November 2017. 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. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. For revalued assets, any impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

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

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

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

### *Depreciation of Property, Plant and Equipment*

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

Buildings Components:

| | |
|---|---|
| Structure | 1.25–3.3% |
| Building Services | 2.50–3.3% |
| Fittings and Fit-out | 4.00% |
| Furnishings (chattels) | 5.00% |
| Infrastructure Assets | 0.95%–33.3% |
| Other Plant and Equipment | 6.7%–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 licences 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, but include any onerous contracts.

## *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 which has vested in the employee (an entitlement has been established) has been measured at nominal value using remuneration rates current at reporting date. This provision is shown as a current liability.

Long service leave for all eligible staff is equal to the present value of the estimated future cash flows as a result of employee service, as calculated at balance date by an independent actuary. The portion 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 twelve 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 — student service levy capital reserve;
- cash flow hedge reserve;
- property revaluation reserves; and
- available-for-sale reserve.

### 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 the UCSA and the University. The 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.

### Available-for-sale Reserve

This reserve comprises the cumulative net change in the fair value of "available-for-sale" instruments.

## GOODS AND SERVICES TAX (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated GST inclusive. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

## TAXATION

The University and its subsidiaries are 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 for unremediated earthquake damage. Note 8 explains the rationale for this and the methodology used, and highlights risks that estimates of damage to buildings may be different from that reflected in these financial statements.

In a non-revaluation year, the University assesses whether there has been a material movement in the fair value of land and buildings since the last valuation performed as at 31 December 2016. This assessment includes the application of relevant cost indices, assessing market information and obtaining advice from the University's valuer who performed the most recent buildings valuation. The University concluded that there had not been a material movement in the fair value of land and buildings at 31 December 2018.

The next valuation will be 31 December 2019.

The significant assumptions in the 31 December 2016 valuation are as follows:

**(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, most notably:

- the replacement costs of individual buildings are adjusted where appropriate for optimisation due to over-design or surplus capacity; and
- 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 cost indications and a 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.

### *Recognition of Building Impairments*

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

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

Building impairments are discussed further in Note 8.

### *Reversionary Interest*

The University has a detailed contract with Campus Living Villages Limited (CLV), the operator of the residences the University has leased to it. This contract clearly delineates responsibilities and does not entail any substantive control of the operation or finances of the residences or for the residences built by CLV that will revert to the University in 2040.

Therefore, the University considers this arrangement does not constitute a Service Concession Arrangement within the terms of PBE IPSAS 32.

Instead, the University accounts for its interest in the residences built by CLV as a Reversionary Interest, where an amount is recognised representing the progressive recognition of the value of the CLV accommodation that will ultimately vest in the University.

The key assumptions in the calculation of this progressive recognition are:

- discount rate 5.29% (2017: 5.29%);
- independent valuation of property (last performed with the University's main valuation 31 December 2016); and
- application of appropriate index to determine depreciated replacement cost at vesting.

Any changes in these factors will affect any revenue recognised.

### *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 2018. They have based their 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 2018 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 1.72% 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 2018*

| | Notes | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|---|
| **OPERATING REVENUE** | | | | | | |
| Government Grant | | 133,771 | 133,176 | 133,771 | 133,176 | 134,346 |
| Performance Based Research Funding (PBRF) | | 30,172 | 28,790 | 30,172 | 28,790 | 30,133 |
| Student Tuition Fees Domestic Fee Paying | 1 | 73,417 | 67,915 | 73,417 | 67,915 | 73,120 |
| Student Tuition Fees Full Fee Paying | | 42,521 | 34,386 | 42,521 | 34,386 | 38,548 |
| Student Services Levy | | 9,588 | 8,697 | 9,588 | 8,697 | 9,394 |
| Other Student Related Fees | | 1,072 | 917 | 1,072 | 917 | 956 |
| Research Revenue | | 40,653 | 34,418 | 40,653 | 34,418 | 34,663 |
| Interest Revenue | | 10,540 | 11,809 | 10,540 | 11,809 | 8,730 |
| Other Revenue | 1 | 38,238 | 34,724 | 38,173 | 34,653 | 28,975 |
| **TOTAL OPERATING REVENUE** | 1 | 379,972 | 354,832 | 379,907 | 354,761 | 358,865 |
| **OPERATING EXPENDITURE** | | | | | | |
| Personnel Expenses | 2 | 184,907 | 179,192 | 184,907 | 179,192 | 178,532 |
| General / Operating Expenditure | 3 | 127,865 | 129,299 | 127,823 | 129,240 | 124,702 |
| Finance Charges | 4 | 4,461 | 4,441 | 4,461 | 4,441 | 4,366 |
| Depreciation and Amortisation | 8 | 53,177 | 47,215 | 53,177 | 47,215 | 59,152 |
| **TOTAL OPERATING EXPENDITURE** | | 370,410 | 360,147 | 370,368 | 360,088 | 366,752 |
| **SURPLUS/(DEFICIT)** | | **9,562** | **(5,315)** | **9,539** | **(5,327)** | **(7,887)** |
| **Other Comprehensive Revenue and Expense** | | | | | | |
| Movements in revaluation reserves relating to the Library (Permanent Collection) / Other Collections | 8 | 5,420 | 904 | 5,420 | 904 | – |
| Movements in revaluation reserves relating to Building Assets | 8 | (4,439) | (1,772) | (4,439) | (1,772) | – |
| Movements in revaluation reserves relating to Infrastructure Assets | 8 | – | (2,222) | – | (2,222) | – |
| Net Movements in revaluation reserves | 19 | 981 | (3,090) | 981 | (3,090) | – |
| Effective portion of changes in fair value of cash flow hedges | 19 | 751 | 927 | 751 | 927 | – |
| Adjustment to New Zealand Synchrotron Group Limited Valuation | 19 | – | (9) | – | (9) | – |
| **Total Other Comprehensive Revenue and Expense** | | 1,732 | (2,172) | 1,732 | (2,172) | – |
| **TOTAL COMPREHENSIVE REVENUE AND EXPENSE** | | 11,294 | (7,487) | 11,271 | (7,499) | (7,887) |

*Further details on the impact of the earthquake and the rebuilding of the University campus are included in the notes as indicated.*
*Significant variances to budget are explained in Note 27 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2018 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 2018*

| | Notes | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|---|
| **Balance at 1 January** | | **1,379,217** | **1,386,704** | **1,379,180** | **1,386,679** | **1,386,161** |
| ***Comprehensive revenue and expense*** | | | | | | |
| Surplus / (deficit) | **19** | 9,562 | (5,315) | 9,539 | (5,327) | (7,887) |
| Other comprehensive revenue and expense | **19** | 1,732 | (2,172) | 1,732 | (2,172) | – |
| ***Total comprehensive revenue and expense*** | | 11,294 | (7,487) | 11,271 | (7,499) | (7,887) |
| ***Non Comprehensive revenue items*** | | | | | | |
| Capital Contributions from the Crown | **19** | 50,000 | – | 50,000 | – | – |
| ***Total Non Comprehensive revenue items*** | | 50,000 | – | 50,000 | – | – |
| **Balance as at period end** | | **1,440,511** | **1,379,217** | **1,440,451** | **1,379,180** | **1,378,274** |

Significant variances to budget are explained in Note 27 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2018 BUDGET.
The accompanying policies and notes form an integral part of these financial statements.

# Statement of Financial Position

*As at 31 December 2018*

| | Notes | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | | |
| Cash and Cash Equivalents | 5 | 35,688 | 96,730 | 35,622 | 96,688 | – |
| Other Financial Assets / Short Term Deposits | 17 | 255,494 | 155,911 | 255,494 | 155,911 | 165,286 |
| Receivables | 6 | 26,569 | 23,920 | 26,569 | 23,920 | 7,906 |
| Prepayments | | 10,655 | 11,223 | 10,655 | 11,223 | 9,000 |
| Inventories | | 1,433 | 1,274 | 1,433 | 1,274 | 1,200 |
| Non Current Assets Held for Sale | 7 | 1,334 | 1,494 | 1,334 | 1,494 | – |
| **Total Current Assets** | | 331,173 | 290,552 | 331,107 | 290,510 | 183,392 |
| **LESS CURRENT LIABILITIES** | | | | | | |
| Revenue Received in Advance | 11 | 45,745 | 40,493 | 45,745 | 40,493 | 33,450 |
| Accounts Payable | 12 | 32,806 | 34,714 | 32,800 | 34,709 | 34,753 |
| Provisions | 13 | – | 490 | – | 490 | – |
| Derivative Financial Instrument Liabilities | 17 | 154 | 27 | 154 | 27 | – |
| Loans | 14 | 32 | 32 | 32 | 32 | 32 |
| Philanthropic Bond | 15 | 49,869 | 2,000 | 49,869 | 2,000 | 49,978 |
| Employee Entitlements | 16 | 10,621 | 13,909 | 10,621 | 13,909 | 9,450 |
| **Total Current Liabilities** | | 139,227 | 91,665 | 139,221 | 91,660 | 127,663 |
| **WORKING CAPITAL** | | **191,946** | **198,887** | **191,886** | **198,850** | **55,729** |
| **NON CURRENT ASSETS** | | | | | | |
| Property, Plant and Equipment | 8 | 1,225,350 | 1,135,949 | 1,225,350 | 1,135,949 | 785,434 |
| Intangible Assets | 8 | 9,606 | 10,994 | 9,606 | 10,994 | 8,047 |
| Capital Work–in–Progress | 8 | 43,328 | 112,873 | 43,328 | 112,873 | 560,440 |
| Investments | 9 | 46 | 46 | 46 | 46 | 56 |
| Derivative Financial Instrument Assets | 17 | 966 | 1,721 | 966 | 1,721 | 1,560 |
| Receivables | 10 | 2,301 | 2,151 | 2,301 | 2,151 | 2,291 |
| Other Non Current Assets | 10 | 19,785 | 19,024 | 19,785 | 19,024 | 19,785 |
| **Total Non Current Assets** | | 1,301,382 | 1,282,758 | 1,301,382 | 1,282,758 | 1,377,613 |

| | Notes | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|---|
| **NON CURRENT LIABILITIES** | | | | | | |
| Provisions | 13 | – | 423 | – | 423 | – |
| Loans | 14 | 768 | 800 | 768 | 800 | 768 |
| Derivative Financial Instrument Liabilities | 17 | 1,932 | 3,649 | 1,932 | 3,649 | 6,338 |
| Philanthropic Bond | 15 | – | 47,750 | – | 47,750 | – |
| Employee Entitlements | 16 | 30,450 | 29,304 | 30,450 | 29,304 | 28,300 |
| Revenue Received in Advance | 11 | 19,667 | 20,502 | 19,667 | 20,502 | 19,662 |
| **Total Non Current Liabilities** | | **52,817** | **102,428** | **52,817** | **102,428** | **55,068** |
| **NET ASSETS** | | **1,440,511** | **1,379,217** | **1,440,451** | **1,379,180** | **1,378,274** |
| **Represented by:** | | | | | | |
| General Equity | 19 | 1,159,754 | 1,102,602 | 1,159,694 | 1,102,565 | 1,099,191 |
| General Equity — Student Services Levy Capital Reserve | 19 | 10,320 | 7,911 | 10,320 | 7,911 | 5,788 |
| Revaluation Reserves | 19 | 271,442 | 270,460 | 271,442 | 270,460 | 273,295 |
| Cashflow Hedge Reserve | 19 | (1,032) | (1,783) | (1,032) | (1,783) | – |
| Available-for-Sale Reserve | 19 | 27 | 27 | 27 | 27 | – |
| **TOTAL EQUITY** | | **1,440,511** | **1,379,217** | **1,440,451** | **1,379,180** | **1,378,274** |

Significant variances to budget are explained in Note 27 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2018 BUDGET.
The accompanying policies and notes form an integral part of these financial statements.

# Statement of Cash Flows

*For the year ended 31 December 2018*

| | Notes | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | | |
| **Cash provided from:** | | | | | | |
| Government Grant | | 163,943 | 161,966 | 163,943 | 161,966 | 164,478 |
| Tuition Fees | | 120,149 | 107,008 | 120,149 | 107,008 | 111,668 |
| Other Revenue | | 80,167 | 81,255 | 80,096 | 81,180 | 73,989 |
| Agency Funds | | 3,670 | 4,074 | 3,670 | 4,074 | – |
| Interest Received | | 17,883 | 10,886 | 17,883 | 10,886 | 15,000 |
| Net GST Movement | | 388 | 2,914 | 388 | 2,914 | – |
| | | 386,200 | 368,103 | 386,129 | 368,028 | 365,135 |
| **Cash applied to:** | | | | | | |
| Personnel Expenses | | 184,797 | 179,048 | 184,797 | 179,048 | 178,532 |
| General / Operating Expenses | | 131,908 | 131,990 | 131,861 | 131,930 | 124,651 |
| Agency Funds | | 3,670 | 4,074 | 3,670 | 4,074 | – |
| Interest Paid | | 3,977 | 3,896 | 3,977 | 3,896 | 3,903 |
| | | 324,352 | 319,008 | 324,305 | 318,948 | 307,086 |
| **Net cash provided by Operating Activities** | **20** | **61,848** | **49,095** | **61,824** | **49,080** | **58,049** |
| **INVESTING ACTIVITIES** | | | | | | |
| **Cash provided from:** | | | | | | |
| Proceeds from disposal of Fixed Assets | | 866 | 91 | 866 | 91 | – |
| Proceeds from disposal of Investments | | – | 179,800 | – | 179,800 | – |
| Earthquake Insurance Receipts | | 4,003 | – | 4,003 | – | – |
| Maturity of deposits with terms greater than 3 months but less than 12 months | | 155,911 | 111,750 | 155,911 | 111,750 | – |
| | | 160,780 | 291,641 | 160,780 | 291,641 | – |
| **Cash applied to:** | | | | | | |
| Capital Expenditure | | 78,144 | 165,993 | 78,144 | 165,993 | 129,576 |
| Deposits with terms greater than 3 months but less than 12 months | | 255,494 | 155,911 | 255,494 | 155,911 | – |
| | | 333,638 | 321,904 | 333,638 | 321,904 | 129,576 |
| **Net cash used in Investing Activities** | | **(172,858)** | **(30,263)** | **(172,858)** | **(30,263)** | **(129,576)** |

| | Notes | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|---|
| **FINANCING ACTIVITIES** | | | | | | |
| **Cash provided from:** | | | | | | |
| Capital Contribution from the Crown | | 50,000 | – | 50,000 | – | – |
| | | 50,000 | – | 50,000 | – | – |
| **Cash applied to:** | | | | | | |
| Repayment of Loans | | 32 | 32 | 32 | 32 | 32 |
| | | 32 | 32 | 32 | 32 | 32 |
| **Net cash provided by Financing Activities** | | **49,968** | **(32)** | **49,968** | **(32)** | **(32)** |
| Net increase (decrease) in cash held | | (61,042) | 18,800 | (61,066) | 18,785 | (71,559) |
| Cash and Cash Equivalents on hand at beginning of period | | 96,730 | 77,930 | 96,688 | 77,903 | 71,559 |
| **Cash and Cash Equivalents on hand at end of period** | 5 | 35,688 | 96,730 | 35,622 | 96,688 | – |

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

Significant variances to budget are explained in Note 27 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2018 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 2018*

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **1 / Revenue** | | | | | |
| **Other Revenue** | | | | | |
| Donations / Koha | 22 | 334 | 22 | 334 | 86 |
| Donations from Trusts | 8,837 | 9,551 | 8,837 | 9,551 | 7,096 |
| Earthquake Insurance Receipts | 4,003 | – | 4,003 | – | – |
| Rentals | 3,111 | 3,808 | 3,111 | 3,808 | 3,559 |
| External Sales | 3,896 | 4,031 | 3,896 | 4,031 | 3,277 |
| Consultancy | 5,426 | 4,253 | 5,426 | 4,253 | 1,782 |
| Membership Fees | 659 | 680 | 659 | 680 | 852 |
| Reversionary Interest | 761 | 892 | 761 | 892 | 761 |
| Sundry Revenue | 11,523 | 11,175 | 11,458 | 11,104 | 11,562 |
| **TOTAL OTHER REVENUE** | 38,238 | 34,724 | 38,173 | 34,653 | 28,975 |
| Non exchange revenue included in total revenue | 278,348 | 265,058 | 278,348 | 265,058 | 269,689 |
| Fees–free Funded Students Tuition Fees — Domestic Fee Paying | 16,959 | – | 16,959 | – | – |

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **2 / Personnel Expenses** | | | | | |
| Academic Salaries | 86,231 | 81,460 | 86,231 | 81,460 | 83,946 |
| General Salaries | 83,499 | 82,434 | 83,499 | 82,434 | 81,884 |
| Superannuation Contributions | 7,709 | 7,345 | 7,709 | 7,345 | 7,485 |
| Councillors' Honoraria | 240 | 227 | 240 | 227 | 265 |
| Redundancy Costs | 1,002 | 1,755 | 1,002 | 1,755 | – |
| Movement in Actuarially Valued Employee Entitlements | 1,171 | 1,079 | 1,171 | 1,079 | – |
| Other Salary Related Expenditure | 5,055 | 4,892 | 5,055 | 4,892 | 4,952 |
| **TOTAL PERSONNEL EXPENSES** | 184,907 | 179,192 | 184,907 | 179,192 | 178,532 |

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **3 / General / Operating Expenditure — Disclosures** | | | | | |
| **General / Operating Expenditure includes the following:** | | | | | |
| Audit New Zealand — External Financial Statements Audit | 208 | 210 | 208 | 210 | 227 |
| Audit New Zealand — Other Assurance Work: Report to Bond Trustees and PBRF | 14 | 15 | 14 | 15 | – |
| Bad Debts Written Off | 105 | 58 | 105 | 58 | 4 |
| Demolition Costs | 2,787 | 3,812 | 2,787 | 3,812 | – |
| Equipment Rentals | 308 | 400 | 308 | 400 | 417 |
| Exchange Losses | 41 | 124 | 41 | 124 | – |
| Fair Value Movement in Interest Rate Swaps | (84) | (48) | (84) | (48) | – |
| Increase / (Decrease) in Provision for Doubtful Debts | (12) | 224 | (12) | 224 | – |
| Loss on Disposal of Property, Plant & Equipment | 618 | 630 | 618 | 630 | 635 |
| Property Rentals | 5,058 | 8,191 | 5,058 | 8,191 | 5,334 |
| Student Association Service Provision | 2,279 | 2,211 | 2,279 | 2,211 | 2,315 |

## 4 / Finance Charges

| | | | | | |
|---|---|---|---|---|---|
| Finance Charges — Interest | 4,461 | 4,441 | 4,461 | 4,441 | 4,366 |
| **TOTAL FINANCE CHARGES** | 4,461 | 4,441 | 4,461 | 4,441 | 4,366 |

## 5 / Cash and Cash Equivalents

| | | | | | |
|---|---|---|---|---|---|
| Cash at Bank | 31,817 | 9,397 | 31,751 | 9,355 | – |
| Call Deposits | 3,871 | 20,564 | 3,871 | 20,564 | – |
| Term Deposits with maturities less than 3 months at acquisition | – | 66,769 | – | 66,769 | – |
| **TOTAL CASH AND CASH EQUIVALENTS** | 35,688 | 96,730 | 35,622 | 96,688 | – |

The weighted average interest rate as at 31 December 2018 is 2.30% (31 December 2017 is 2.74%).

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

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **6 / Receivables** | | | | | |
| Receivables (gross) | 16,176 | 21,326 | 16,176 | 21,326 | 7,906 |
| UCSA Receivable | 10,772 | 2,985 | 10,772 | 2,985 | – |
| Less Provision for Doubtful Debts | (379) | (391) | (379) | (391) | – |
| **TOTAL RECEIVABLES** | 26,569 | 23,920 | 26,569 | 23,920 | 7,906 |
| Total Receivables comprise: | | | | | |
| Receivables from exchange transactions | 23,594 | 21,605 | 23,594 | 21,605 | 7,906 |
| Receivables from non exchange transactions | 2,975 | 2,315 | 2,975 | 2,315 | – |
| **TOTAL RECEIVABLES** | 26,569 | 23,920 | 26,569 | 23,920 | 7,906 |

**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 2017: 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 / Non-current Assets Held For Sale

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **Non Current Assets held for Sale include:** | | | | | |
| Land | 1,334 | 1,384 | 1,334 | 1,384 | – |
| Buildings | – | 110 | – | 110 | – |
| **TOTAL NON-CURRENT ASSETS HELD FOR SALE** | 1,334 | 1,494 | 1,334 | 1,494 | – |

The Non Current Assets Held for Sale are:
Christchurch Property — Negotiations are underway to transfer this parcel of land to Fire and Emergency New Zealand.

## 8 / Property, Plant and Equipment and Intangibles

| | COST / VALN DEC 16 ($000's) | ACCUM DEPN & AMORTISATION DEC 16 ($000's) | NET BOOK VALUE DEC 16 ($000's) | CURRENT YEAR ADDITIONS DEC 17 ($000's) | CURRENT YEAR DISPOSALS COST DEC 17 ($000's) | CURRENT YEAR DISPOSALS ACCUM DEPN DEC 17 ($000's) | CURRENT YEAR DEPN & AMORTISATION DEC 17 ($000's) | CURRENT YEAR REVALUATION/ MOVEMENTS DEC 17 ($000's) | CURRENT YEAR REVALUATION/ ACCUM DEPN DEC 17 ($000's) | CURRENT YEAR IMPAIRMENT MOVEMENTS DEC 17 ($000's) | CURRENT YEAR TRANSFER COST HELD FOR SALE DEC 17 ($000's) | COST / VALN DEC 17 ($000's) | ACCUM DEPN & AMORTISATION DEC 17 ($000's) | NET BOOK VALUE DEC 17 ($000's) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **UNIVERSITY & GROUP** | | | | | | | | | | | | | | |
| Land at Valuation | 108,270 | – | 108,270 | 425 | – | – | – | – | – | – | (1,384) | 107,311 | – | 107,311 |
| Buildings at Valuation | 617,848 | – | 617,848 | 269,782 | – | – | (26,455) | – | – | (1,772) | (110) | 885,666 | (26,373) | 859,293 |
| Infrastructure Assets | 46,461 | (3,895) | 42,566 | 3,671 | – | – | (2,318) | (8,435) | 6,213 | – | – | 41,697 | – | 41,697 |
| Plant & Equipment at Cost | 135,430 | (96,291) | 39,139 | 24,642 | (4,821) | 4,256 | (10,757) | – | – | – | – | 155,251 | (102,792) | 52,459 |
| Leased Equipment at Cost | 11,050 | (11,050) | – | | (11,050) | 11,050 | – | – | – | – | – | – | – | – |
| Library (Current Collection) at Cost | 96,642 | (78,045) | 18,597 | 3,839 | – | – | (3,682) | – | – | – | – | 100,481 | (81,727) | 18,754 |
| Library (Permanent Collection) / Other Collections at Valuation | 55,155 | – | 55,155 | 376 | – | – | – | 904 | – | – | – | 56,435 | – | 56,435 |
| **Property, plant & equipment** | **1,070,856** | **(189,281)** | **881,575** | **302,735** | **(15,871)** | **15,306** | **(43,212)** | **(7,531)** | **6,213** | **(1,772)** | **(1,494)** | **1,346,841** | **(210,892)** | **1,135,949** |
| **Intangible Assets – Software** | **24,767** | **(16,720)** | **8,047** | **6,950** | **(283)** | **283** | **(4,003)** | **–** | **–** | **–** | **–** | **31,434** | **(20,440)** | **10,994** |

| | COST / VALN DEC 17 ($000's) | ACCUM DEPN & AMORTISATION DEC 17 ($000's) | NET BOOK VALUE DEC 17 ($000's) | CURRENT YEAR ADDITIONS DEC 18 ($000's) | CURRENT YEAR DISPOSALS COST DEC 18 ($000's) | CURRENT YEAR DISPOSALS ACCUM DEPN DEC 18 ($000's) | CURRENT YEAR DEPN & AMORTISATION DEC 18 ($000's) | CURRENT YEAR REVALUATION/ MOVEMENTS DEC 18 ($000's) | CURRENT YEAR REVALUATION/ ACCUM DEPN DEC 18 ($000's) | CURRENT YEAR IMPAIRMENT MOVEMENTS DEC 18 ($000's) | CURRENT YEAR TRANSFER COST HELD FOR SALE DEC 18 ($000's) | COST / VALN DEC 18 ($000's) | ACCUM DEPN & AMORTISATION DEC 18 ($000's) | NET BOOK VALUE DEC 18 ($000's) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **UNIVERSITY & GROUP** | | | | | | | | | | | | | | |
| Land at Valuation | 107,311 | – | 107,311 | 518 | (455) | – | – | – | – | – | – | 107,374 | – | 107,374 |
| Buildings at Valuation | 885,666 | (26,373) | 859,293 | 118,255 | (397) | 313 | (31,939) | – | – | (4,439) | – | 999,085 | (58,000) | 941,086 |
| Infrastructure Assets | 41,697 | – | 41,697 | 5,430 | – | – | (2,375) | – | – | – | – | 47,127 | (2,375) | 44,752 |
| Plant & Equipment at Cost | 155,251 | (102,792) | 52,459 | 11,187 | (11,173) | 11,008 | (12,138) | – | – | – | – | 155,265 | (103,922) | 51,343 |
| Library (Current Collection) at Cost | 100,481 | (81,727) | 18,754 | 3,631 | – | – | (3,517) | – | – | – | – | 104,112 | (85,244) | 18,868 |
| Library (Permanent Collection) / Other Collections at Valuation | 56,435 | – | 56,435 | 72 | – | – | – | 5,420 | – | – | – | 61,927 | – | 61,927 |
| **Property, Plant & equipment** | **1,346,841** | **(210,892)** | **1,135,949** | **139,093** | **(12,025)** | **11,321** | **(49,969)** | **5,420** | **–** | **(4,439)** | **–** | **1,474,890** | **(249,541)** | **1,225,350** |
| **Intangible Assets – Software** | **31,434** | **(20,440)** | **10,994** | **1,837** | **(4,847)** | **4,830** | **(3,208)** | **–** | **–** | **–** | **–** | **28,424** | **(18,818)** | **9,606** |

There is no difference between "University" and "University and Group" balances. The 31 December 2018 Current Year Impairment Movements are made up of Cost $4.745 million and Accumulated Depreciation of $0.306 million (2017: Cost $1.854 million and Accumulated Depreciation $0.082 million).

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

**Capital Work-In-Progress**

The University continues to carry a significant amount of Capital Work-In-Progress. This balance has reduced in 2018 as some projects have been completed such as the Canterbury Engineering the Future (CETF) and stage one of the Rutherford Regional Science and Innovation Centre (RRSIC).

| Capital Work-In-Progress | *Dec 2018 $000's* | *Dec 2017 $000's* |
|---|---|---|
| Buildings | 34,136 | 111,501 |
| Plant and Equipment | 194 | 226 |
| Intangible Assets — Software | 8,998 | 1,146 |
| | 43,328 | 112,873 |

**Valuation of Land and Buildings**

The University has reviewed the carrying value before impairment of its land and buildings held at valuation. The University considers that there is no material difference between the fair value of land and buildings at 31 December 2018 and its carrying value. A revaluation of Land and Buildings was last performed at 31 December 2016, with an increase of $44.791 million.

**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 Artworks 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 were revalued at 31 December 2017 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 30 November 2017 by James Ede of Charles Ede Limited.

The Medal Collection was revalued at 30 November 2018 by R J Watt and Associates, independent valuers.

The Artworks Collection was revalued at 31 July 2016 by James Parkinson, Director of Valuations, Art + Object Limited, Auckland.

**Impairment**

The University's buildings received significant damage in the 2010 and 2011 Canterbury Earthquakes. The damage incurred has not been factored into the valuation, but a separate assessment of impairment has been performed, adjusting the carrying value of buildings that have yet to be remediated to reflect the estimated costs of repairing the buildings back to the state that existed prior to the earthquakes.

The University has accounted for impairments to all damaged buildings at a value equal to each building's estimated damage (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.

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

In preparing these financial statements, the University has reviewed the estimates of earthquake damage or other impairment as at 31 December 2018. In previous years, the University has used external Quantity Surveyors Inovo Projects Limited to provide the estimate of total building repairs. The University has reviewed inflation factors and actual costs of repair being incurred, and does not consider there to have been any significant increase in that estimate since that date. 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 is $84 million (2017: $113.2 million).

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 or other exogenous factors that may affect the actual cost of repair. The University has written down many of its remaining un-remediated 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.

| | *2018 ($000's)* | *2017 ($000's)* |
|---|---|---|
| Fair Value of buildings as at 1 January | 859,293 | 617,848 |
| Building Additions | 118,255 | 269,782 |
| Building Disposals | – | – |
| Building Transfer to Held for Sale | – | (110) |
| Depreciation | (31,939) | (26,455) |
| | 945,609 | 861,065 |
| Increase in valuation of buildings | – | – |
| Building write-offs | – | – |
| Building disposals | (84) | – |
| Decrease / (Increase) in impairment of buildings | (4,439) | (1,772) |
| Fair Value of buildings as at balance date | 941,086 | 859,293 |

The University continues to develop its remediation and wider capital asset management plans, which it anticipates will be completed in five to ten years.

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **9 / Investments** | | | | | |
| Investment Category | | | | | |
| *Investments at Fair Value through other Comprehensive Revenue and Expense – Non Current* | | | | | |
| Investment in New Zealand Synchrotron Group Limited | 46 | 46 | 46 | 46 | 56 |
| **TOTAL INVESTMENTS** | 46 | 46 | 46 | 46 | 56 |

**Investment in New Zealand Synchrotron Group Limited**

The New Zealand Synchrotron Group Limited is made up of 8 universities and currently 4 Crown Research Institutes. The University has a 9.48% shareholding (31 December 2017: 9.48%).

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.

The University also has equity investments of minimal or nil value as follows as at 31 December 2018:

| **Name** | |
|---|---|
| **Subsidiaries** | **Percentage Held** |
| Canterprise Limited | 100% |
| Entré Limited | 100% |
| UC International College Limited | 100% |
| **Other Investments** | |
| Flow Holdings Limited | 36% |
| 2.2G Limited | 33% |
| New Zealand Drylands Forests IP Limited | 25% |
| Stratified Concrete Technologies Limited | 15% |
| Unisaver Limited | 14% |
| Kiwi Innovation Network Limited | 8% |
| Tiro Medical Limited (formerly Tiro Life Sciences Limited) | 4% |
| Veritide Limited | 3% |

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **10 / Term Receivable and Other Non Current Assets** | | | | | |
| Campus Living Village — Term Receivable | 2,301 | 2,151 | 2,301 | 2,151 | 2,291 |
| **Other non current assets** | | | | | |
| Reversionary interest | 19,785 | 19,024 | 19,785 | 19,024 | 19,785 |

**Campus Living Village — Term Receivable**

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

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

The term receivable represents the present value of the amount still owing by CLV. This amount will increase over the term of the lease and a final payments will be made by CLV on maturity.

**Reversionary interest**

In line with the CLV lease agreement, additional buildings have been constructed at Campus Living's cost. Ownership of these buildings will vest with the University at the end of the lease.

The reversionary interest represents the value of the University's interest in these buildings which will generally increase over time, dependent on the discount rate used and the valuation of the buildings, and is valued on an estimated present value basis.

## 11 / Revenue Received in Advance

| | | | | | |
|---|---|---|---|---|---|
| **Current Revenue Received in Advance** | | | | | |
| Student Fees | 18,388 | 14,147 | 18,388 | 14,147 | 10,000 |
| Research Revenue | 19,910 | 17,940 | 19,910 | 17,940 | 15,662 |
| Future minimum operating lease revenue not later than one year | 868 | 868 | 868 | 868 | 868 |
| Other | 6,579 | 7,538 | 6,579 | 7,538 | 6,920 |
| | 45,745 | 40,493 | 45,745 | 40,493 | 33,450 |
| **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 (see Note 10) | 16,196 | 17,031 | 16,196 | 17,031 | 16,190 |
| | 19,667 | 20,502 | 19,667 | 20,502 | 19,662 |
| **TOTAL REVENUE RECEIVED IN ADVANCE** | 65,412 | 60,995 | 65,412 | 60,995 | 53,112 |

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|

## 12 / Accounts Payable

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **Payables under exchange transactions** | | | | | |
| Trade Payables | 6,724 | 6,357 | 6,719 | 6,352 | 5,000 |
| UCSA Payable | 7,783 | 7,288 | 7,783 | 7,288 | 7,500 |
| Other Payables | 15,217 | 17,563 | 15,216 | 17,563 | 20,827 |
| **Total Payables under exchange transactions** | 29,724 | 31,208 | 29,718 | 31,203 | 33,327 |
| **Payables under non-exchange transactions** | | | | | |
| Taxes payable (PAYE, GST) | 3,082 | 3,506 | 3,082 | 3,506 | 1,426 |
| **Total Payables under non-exchange transactions** | 3,082 | 3,506 | 3,082 | 3,506 | 1,426 |
| **TOTAL ACCOUNTS PAYABLE** | 32,806 | 34,714 | 32,800 | 34,709 | 34,753 |

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

## 13 / Provisions

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **Current Provision** | | | | | |
| Onerous Contracts | – | 490 | – | 490 | – |
| **Non current Provisions** | | | | | |
| Onerous Contracts | – | 423 | – | 423 | – |
| **TOTAL PROVISIONS** | – | 913 | – | 913 | – |

The University had a non-cancellable lease for student accommodation that was no longer required as a result of new accommodation being built closer to the campus and was not being used.

The lease did not expire until the end of 2019, and a provision was calculated using the future discounted lease payments. At the end of 2018, the landlord let the property to another tenant releasing the University from the onerous lease and the remainder of the provision has been released accordingly.

## 14 / Loans

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 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 | 768 | 800 | 768 | 800 | 768 |
| **TOTAL LOANS** | 800 | 832 | 800 | 832 | 800 |
| **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 | 640 | 672 | 640 | 672 | 640 |
| | 800 | 832 | 800 | 832 | 800 |

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 2018 (31 December 2017: $11 million).

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's)) |
|---|---|---|---|---|---|
| **15 / Philanthropic Bond** | | | | | |
| Philanthropic Bond — Current | 49,978 | 2,000 | 49,978 | 2,000 | 49,978 |
| Capitalised bond issue costs | (109) | – | (109) | – | – |
| | 49,869 | 2,000 | 49,869 | 2,000 | 49,978 |
| Philanthropic Bond — Long Term | – | 47,978 | – | 47,978 | – |
| Capitalised bond issue costs | – | (228) | – | (228) | – |
| | – | 47,750 | – | 47,750 | – |
| **TOTAL PHILANTHROPIC BOND** | 49,869 | 49,750 | 49,869 | 49,750 | 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 that gives the bond holder the ability to donate either the principal or interest or both throughout the 10-year period of the Bond.

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

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

On 29 November 2012 an amendment to the Philanthropic Bond Deed was made to limit the amount of donations, immediately payable to UC Foundation, within a rolling 12 month period at $2 million.

This portion of the Philanthropic Bond is regarded as a Current Liability and was 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 bond holders was affected.

The University currently intends to redeem the Bond at maturity on 15 December 2019. There are no plans for any new Bond to be issued to the market.

**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 (2017: 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 2018 year (2017: full compliance).

The fair value of the bonds as at 31 December 2018 was $51.2 million (31 December 2017: $52.0 million). The fair values of the bonds are determined by reference to the quoted market price on the NZDX at 31 December.

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **16 / Employee Entitlements** | | | | | |
| Sick Leave | 762 | 736 | 762 | 736 | 750 |
| Annual Leave | 7,490 | 7,152 | 7,490 | 7,152 | 6,500 |
| Long Service Leave | 1,673 | 1,688 | 1,673 | 1,688 | 1,750 |
| Retirement Leave | 30,952 | 29,818 | 30,952 | 29,818 | 28,750 |
| Payroll Accrual[1] | – | 3,104 | – | 3,104 | – |
| **Total** | 40,877 | 42,498 | 40,877 | 42,498 | 37,750 |
| Redundancy Provision[2] | 194 | 715 | 194 | 715 | – |
| **Total Employee Entitlements** | 41,071 | 43,213 | 41,071 | 43,213 | 37,750 |
| Made up of: | | | | | |
| Current | 10,621 | 13,909 | 10,621 | 13,909 | 9,450 |
| Non Current | 30,450 | 29,304 | 30,450 | 29,304 | 28,300 |
| **Total** | 41,071 | 43,213 | 41,071 | 43,213 | 37,750 |

[1]There is no payroll accrual at 31 December 2018. Due to the public holidays over year end, the payroll for the period ended 6 January 2019 was paid early on 31 December 2018. As a result, for the year end there is a prepayment of payroll expense. The prepayment is included in Prepayments in Current Assets.

**[2]Redundancy Provision — University & Group**

| | | |
|---|---|---|
| Redundancy Provision Opening Balance | 715 | 294 |
| Provision made | 194 | 715 |
| Amounts used | (715) | (294) |
| Redundancy Provision Closing Balance | 194 | 715 |

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

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **17/ Other Financial Assets and Liabilities** | | | | | |
| **Other Financial Assets / Term Deposits** | | | | | |
| Short-term deposits with maturities over three months but less than 12 months | 255,494 | 155,911 | 255,494 | 155,911 | 165,286 |

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 2018 is 3.19% per annum (31 December 2017 is 3.09% per annum).

Long-term deposits maturing over three months and remaining duration is more than 12 months from date of acquisition are all at fixed rates. The weighted average interest rate as at 31 December 2018 is 3.33% per annum (31 December 2017 is 3.96% per annum).

| | | | | | |
|---|---|---|---|---|---|
| **Other Financial Assets and Liabilities — Derivative Financial Instruments** | | | | | |
| **Derivative Financial Instrument Assets — Non Current** | | | | | |
| Interest Rate Swap Derivative | 966 | 1,721 | 966 | 1,721 | 1,560 |
| **Total Derivative Financial Instrument Assets** | 966 | 1,721 | 966 | 1,721 | 1,560 |
| **Derivative Financial Instrument Liabilities — Current** | | | | | |
| Forward Currency Exchange Contracts — Current | 154 | 27 | 154 | 27 | – |
| **Derivative Financial Instrument Liabilities — Non Current** | | | | | |
| Interest Rate Swap Derivative | 1,932 | 3,649 | 1,932 | 3,649 | 6,338 |
| **Total Derivative Financial Instrument Liabilities** | 2,086 | 3,676 | 2,086 | 3,676 | 6,338 |
| **Total Derivative Financial Instruments** | (1,120) | (1,955) | (1,120) | (1,955) | (4,778) |
| Analysis of Derivative Financial Instruments | | | | | |
| Net Settled Derivatives (Interest Rate Swaps) | (966) | (1,928) | (966) | (1,928) | (4,778) |
| Gross Settled Derivatives (Forward Exchange Contracts) | (154) | (27) | (154) | (27) | – |
| | (1,120) | (1,955) | (1,120) | (1,955) | (4,778) |

**Fair Value**

The fair values 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.

## 18 / 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

There is no significant equity investments price risk.

#### 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 2018, 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 $(154,172) (31 December 2017: $(26,846)).

#### Cash flow Interest Rate Risk

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

#### Fair Value Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Financial instruments which potentially subject the University to concentrations of interest rate risk consist principally of Cash and Cash Equivalents, Short and Long Term Deposits 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 5 and Note 17 provide an analysis in relation to these financial instruments.

#### Interest Rate Swap Contracts

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

Under an interest rate swap contract, the University agreed to exchange the difference between floating and fixed rate interest amounts calculated on an agreed notional principal amount. This was designated as a cash flow hedge. This contract enables the University to mitigate future cash flow exposures on the interest rate reset (which was set for 15 December 2014) of the issued fixed rate bond debt. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curve at reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at 31 December.

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

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

Both interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swap is the floating rate in New Zealand. The University settles 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 | 2018 % | 2017 % | 2018 (NZ$000's) | 2017 (NZ$000's) |
| Swap 1: | | | | |
| Less than one year | 5.95 | | 50,010 | |
| two to five years | | 5.95 | | 50,010 |
| Swap 2: | | | | |
| Less than one year | Floating | | 50,010 | |
| two to five years | | Floating | | 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:

| | *2018 University & Group Actuals ($000's)* | *2017 University & Group Actuals ($000's)* | *2018 University Actuals ($000's)* | *2017 University Actuals ($000's)* |
|---|---|---|---|---|
| **Surplus/Equity** | | | | |
| Surplus/Equity — increase (i) | 1,763 | 1,491 | 1,763 | 1,491 |
| Surplus/Equity — (decrease) (i) | (1,763) | (1,491) | (1,763) | (1,491) |

(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. 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 Financial Institutions are all rated A or greater.

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

### 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 5, 14, 15 and 17 respectively.

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

### Contractual maturity analysis of financial liabilities, excluding derivatives

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

The amounts disclosed are the contractual undiscounted cash flows.

| | *Carrying Amount ($000's)* | *Contractual cash flows ($000's)* | *Less than 1 year ($000's)* | *Between years 1–2 ($000's)* | *Between years 2–3 ($000's)* | *From year 3 ($000's)* |
|---|---|---|---|---|---|---|
| **University & Group December 2018** | | | | | | |
| Accounts Payable | 30,377 | 30,377 | 30,377 | – | – | – |
| Philanthropic Bond | 49,869 | 52,761 | 52,761 | – | – | – |
| Sonoda Gakuen Corporation of Japan Loan | 800 | 1,112 | 56 | 55 | 54 | 947 |
| **Total** | 81,046 | 84,250 | 83,194 | 55 | 54 | 947 |
| **University December 2018** | | | | | | |
| Accounts Payable | 30,371 | 30,371 | 30,371 | – | – | – |
| Philanthropic Bond | 49,869 | 52,761 | 52,761 | – | – | – |
| Sonoda Gakuen Corporation of Japan Loan | 800 | 1,112 | 56 | 55 | 54 | 947 |
| **Total** | 81,040 | 84,244 | 83,188 | 55 | 54 | 947 |
| **University & Group December 2017** | | | | | | |
| Accounts Payable | 31,725 | 31,725 | 31,725 | – | – | – |
| Sonoda Gakuen Corporation of Japan Loan | 832 | 1,169 | 57 | 56 | 55 | 1,001 |
| Philanthropic Bond | 49,750 | 55,782 | 2,886 | 52,896 | – | – |
| **Total** | 82,307 | 88,676 | 34,668 | 52,952 | 55 | 1,001 |
| **University December 2017** | | | | | | |
| Accounts Payable | 31,719 | 31,719 | 31,719 | – | – | – |
| Sonoda Gakuen Corporation of Japan Loan | 832 | 1,169 | 57 | 56 | 55 | 1,001 |
| Philanthropic Bond | 49,750 | 55,782 | 2,886 | 52,896 | – | – |
| **Total** | 82,301 | 88,670 | 34,662 | 52,952 | 55 | 1,001 |

***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 2018** | | | | | | |
| Net settled derivatives | 966 | 975 | 975 | – | – | – |
| **University & Group December 2017** | | | | | | |
| Net settled derivatives | 1,928 | 1,978 | 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 2018** | | | | | | |
| Cash and Cash Equivalents | 35,688 | 35,688 | 35,688 | – | – | – |
| Receivables | 26,569 | 26,569 | 26,569 | – | – | – |
| Other Financial Assets | 255,494 | 259,865 | 259,865 | – | – | – |
| Term Receivable | 2,301 | 7,000 | – | – | – | 7,000 |
| **Total** | 320,052 | 329,122 | 322,122 | – | – | 7,000 |
| **University December 2018** | | | | | | |
| Cash and Cash Equivalents | 35,622 | 35,622 | 35,622 | – | – | – |
| Receivables | 26,569 | 26,569 | 26,569 | – | – | – |
| Other Financial Assets | 255,494 | 259,865 | 259,865 | – | – | – |
| Term Receivable | 2,301 | 7,000 | – | – | – | 7,000 |
| **Total** | 319,986 | 329,056 | 322,056 | – | – | 7,000 |
| **University & Group December 2017** | | | | | | |
| Cash and Cash Equivalents | 96,730 | 96,730 | 96,730 | – | – | – |
| Receivables | 23,920 | 23,920 | 23,920 | – | – | – |
| Other Financial Assets | 155,911 | 168,433 | 168,433 | – | – | – |
| Term Receivable | 2,151 | 7,000 | – | – | – | 7,000 |
| **Total** | 278,712 | 296,083 | 289,083 | – | – | 7,000 |
| **University December 2017** | | | | | | |
| Cash and Cash Equivalents | 96,688 | 96,688 | 96,688 | – | – | – |
| Receivables | 23,920 | 23,920 | 23,920 | – | – | – |
| Other Financial Assets | 155,911 | 168,433 | 168,433 | – | – | – |
| Term Receivable | 2,151 | 7,000 | – | – | – | 7,000 |
| **Total** | 278,670 | 296,041 | 289,041 | – | – | 7,000 |

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) | 2018 University & Group Budget ($000's) |
|---|---|---|---|---|---|
| **19 / Equity** | | | | | |
| **General Equity** | | | | | |
| Balance as at 1 January | 1,102,602 | 1,092,540 | 1,102,565 | 1,092,515 | 1,107,078 |
| Net Surplus / (Deficit) for the year | 9,562 | (5,315) | 9,539 | (5,327) | (7,887) |
| Contributions from the Crown | 50,000 | – | 50,000 | – | – |
| Transfer (from) / to General Equity — Te Pourewa Settlement Reserve | – | 17,500 | – | 17,500 | – |
| Transfer (from) / to General Equity — Student Services Levy Capital Reserve | (2,409) | (2,123) | (2,409) | (2,123) | – |
| **Balance as at 31 December** | 1,159,754 | 1,102,602 | 1,159,694 | 1,102,565 | 1,099,191 |
| **General Equity — Student Services Levy Capital Reserve** | | | | | |
| Balance as at 1 January | 7,911 | 5,788 | 7,911 | 5,788 | 5,788 |
| Current year allocation of Levy | 2,409 | 2,123 | 2,409 | 2,123 | – |
| **Balance as at 31 December** | 10,320 | 7,911 | 10,320 | 7,911 | 5,788 |
| **Cash Flow Hedge Reserve** | | | | | |
| Balance as at 1 January | (1,783) | (2,710) | (1,783) | (2,710) | – |
| Fair Value Movement in Derivatives — Forward Foreign Exchange Contracts | (127) | 49 | (127) | 49 | – |
| Fair Value Movement in Derivatives — Interest Rate Swaps | 878 | 878 | 878 | 878 | – |
| **Balance as at 31 December** | (1,032) | (1,783) | (1,032) | (1,783) | – |
| **Available-for-Sale Reserve** | | | | | |
| Balance as at 1 January | 27 | 36 | 27 | 36 | – |
| Adjustment to New Zealand Synchrotron Group Limited valuation | – | (9) | – | (9) | – |
| **Balance as at 31 December** | 27 | 27 | 27 | 27 | – |
| **Revaluation Reserves** | | | | | |
| Balance as at 1 January | 270,461 | 273,550 | 270,461 | 273,550 | 273,295 |
| Revaluations and Impairment | 981 | (3,090) | 981 | (3,090) | – |
| **Balance as at 31 December** | 271,442 | 270,460 | 271,442 | 270,460 | 273,295 |
| **Revaluation Reserves consist of:** | | | | | |
| Buildings | 108,846 | 113,285 | 108,846 | 113,285 | 114,802 |
| Infrastructure Assets | 26,602 | 26,602 | 26,602 | 26,602 | 28,824 |
| Land | 83,168 | 83,167 | 83,168 | 83,167 | 83,167 |
| Library / Collections | 52,826 | 47,406 | 52,826 | 47,406 | 46,502 |
| **Balance as at 31 December** | 271,442 | 270,460 | 271,442 | 270,460 | 273,295 |

| | 2018 University & Group Actuals ($000's) | 2017 University & Group Actuals ($000's) | 2018 University Actuals ($000's) | 2017 University Actuals ($000's) |
|---|---|---|---|---|
| **20 / Reconciliation of Net Surplus with Net Cash from Operating Activities** | | | | |
| **OPERATING ACTIVITIES** | | | | |
| Net Surplus / (Deficit) | 9,562 | (5,315) | 9,539 | (5,327) |
| **Add (less) non-cash items:** | | | | |
| Depreciation and Amortisation | 53,177 | 47,215 | 53,177 | 47,215 |
| Donated Assets | – | (323) | – | (323) |
| Movement in Reversionary Interest | (761) | (892) | (761) | (892) |
| Movement in Long Term Revenue Owing | (150) | (141) | (150) | (141) |
| Movement in Total Employee Entitlements | (2,142) | 2,370 | (2,142) | 2,370 |
| Unrealised Foreign Exchange Variations | 74 | (107) | 74 | (107) |
| Net Movement in Fair Value of Interest Rate Swaps | (84) | (49) | (84) | (49) |
| Asset Impairments | – | 2,191 | – | 2,191 |
| **Add (less) movements in other working capital items:** | | | | |
| Accounts Payable | (1,910) | (2,932) | (1,909) | (2,931) |
| Provisions | (913) | 913 | (913) | 913 |
| Revenue in Advance | 5,252 | 7,835 | 5,252 | 7,835 |
| Accounts Receivable and Prepayments | (2,079) | (4,851) | (2,081) | (4,855) |
| Inventories | (159) | 50 | (159) | 50 |
| **Add (less) items classified as Investing / Financing Activities:** | | | | |
| Net Loss on Disposal included in Investing Activities | (604) | 8 | (604) | 8 |
| Earthquake Insurance Receipts | 4,003 | – | 4,003 | – |
| Movement in Lease Revenue in Advance | (835) | (832) | (835) | (832) |
| Movement in Library Serials Prepayment | (3,044) | (3,242) | (3,044) | (3,242) |
| Movement in Fixed Asset Related Payables / Accruals | 2,461 | 7,197 | 2,461 | 7,197 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 61,848 | 49,095 | 61,824 | 49,080 |

## 21 / 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 child care facilities. The lease is for 30 years at a peppercorn rent,
- The University made a loan in February 2017 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.

During 2017 the University entered into a Deed with UCSA recording the ownership and occupation of the new UCSA building, currently under construction, with a new ownership ratio of 51% : 49%, University : UCSA. Previously the University shared ownership of the UCSA building in the 65% : 35% ratio, University : UCSA.

The Deed provides for the sharing of the costs of demolition of the old UCSA buildings and construction of the new one between the University and UCSA using this new ratio. The Deed also specifies payment terms and the calculation of interest on insurance funds held by the University and payable to the UCSA, which are intended to be used as a contribution to the UCSA's share of costs when they fall due. The Deed specifies that the contribution can be made on a date agreed upon by the University and UCSA as part of the full payment due for the UCSA's share of costs, but no later than 6 months after the practical completion date of the UCSA building. The University has recognised a debtor in respect of the demolition and construction of the new UCSA building for the UCSA's share of costs to date.

Should the UCSA be unable to make full payment the building will remain in the beneficial ownership of the University until full payment is received. Interest on any outstanding balance during this period is to be for a fixed rate for five years of 3% above the official cash rate prevailing at 31 December 2019, to be reset at the conclusion of each 5 years.

| | | *2018 University Actuals ($000's)* | *2017 University Actuals ($000's)* |
|---|---|---|---|
| Revenue recognised for demolition and other operating costs of construction expensed | | – | 505 |
| Balance owing by UCSA 31 December | ELC loan | 350 | 350 |
| | New UCSA building | 10,772 | 3,985 |
| Balance owed to UCSA 31 December | Earthquake Insurance Proceeds and interest | 7,783 | 7,370 |

During the year to 31 December 2017 the University had no inter-group transactions with its subsidiaries:

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 2017: $nil).

### Senior Management

The compensation of Councillor Members and Senior Management, being the key management personnel of the University, is as follows:

| | *2018 University Actuals ($000's)* | *2017 University Actuals ($000's)* |
|---|---|---|
| **Council Members** — Council Fee | 240 | 227 |
| **Senior Management Team, including the Vice-Chancellor** — Remuneration | 4,456 | 4,851 |
| | *Number* | *Number* |
| **Council Members** — Full-time equivalent members[1] | 12 | 12 |
| **Senior Management Team, including the Vice-Chancellor** — Full-time equivalent members | 14 | 15 |

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

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

## 22 / 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.

| | *2018 University Actuals ($000's)* | *2017 University Actuals ($000's)* |
|---|---|---|
| **EARLY CHILDHOOD LEARNING CENTRE** | | |
| Statement of Comprehensive Revenue and Expenditure | | |
| **OPERATING REVENUE** | | |
| Government Grant — Child Funded Hours | 613 | 677 |
| Other Revenue | 406 | 440 |
| **TOTAL OPERATING REVENUE** | 1,019 | 1,117 |
| **OPERATING EXPENDITURE** | | |
| Personnel Expenses | 921 | 963 |
| Site & Property Costs | 110 | 107 |
| General / Operating Expenditure | 14 | 15 |
| Depreciation | 1 | 1 |
| **TOTAL OPERATING EXPENDITURE** | 1,046 | 1,086 |
| **NET SURPLUS / (DEFICIT) FOR THE YEAR AND TOTAL COMPREHENSIVE REVENUE** | (27) | 31 |

## 23 / 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 24 years.

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

| | *2018 University & Group Actuals ($000's)* | *2017 University& Group Actuals ($000's)* |
|---|---|---|
| **Capital Commitments** | | |
| Not later than one-year | 47,973 | 80,091 |
| Later than one year and not longer than five years | 793 | 6,500 |
| Total Capital Commitments[1] | 48,766 | 86,591 |

*1 Capital Commitments relate to buildings.*

| | | |
|---|---|---|
| **Non-cancellable Operating Lease Commitments as Lessee** | | |
| Not later than one year | 2,297 | 5,123 |
| Later than one year and not longer than five years | 4,566 | 5,415 |
| Later than five years | 4,514 | 2,729 |
| Total Non-cancellable Operating Lease Commitments | 11,377 | 13,267 |

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

The above lease commitments for 2017 include the onerous lease for student accommodation disclosed in Note 13 Provisions.

| | | |
|---|---|---|
| **Non-cancellable Operating Lease Commitments as Lessor** | | |
| Not later than one year | 804 | 1,262 |
| Later than one year and not longer than five years | 1,081 | 985 |
| Later than five years | 161 | 171 |
| Total Non-cancellable Operating Lease Commitments | 2,046 | 2,418 |

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

## 24 / Contingencies

**Earthquake and insurance related contingencies**

In 2017, the University had a contingent asset of up to $50 million, due from the Crown under a 2014 funding agreement dependent on the successful completion of the required plans and other dependencies. The full $50 million was received in September 2018.

The University has settled its claims on EQC for damage to its halls of residence.

**Construction**

In common with many large construction projects, the University and its remaining large project construction contractor 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. Both RRSIC (Stage 1) and CETF projects were successfully completed in 2018 and a final contract settlement has been agreed.

**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 also provided 4 Carnet Indemnities for $87,500, $37,000, $71,240 and $24,000 to the Wellington Regional Chamber of Commerce. The Carnet for $87,500 expires March 2020, the Carnet for $37,000 will expire in June 2020, the carnet for $71,240 will expire May 2021 and the carnet for $24,000 will expire June 2021.

The University has no other contingent liabilities or assets at 31 December 2018 (2017: $nil).

## 25 / 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 includes restrictions in relation to investment of surplus funds, 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 15) to assist with capital investment. The University intends to redeem this Bond on maturity on 15 December 2019. The University has yet to determine how the redemption will be financed.

## 26 / Events After Balance Date

There are no significant events after balance date (31 December 2017: payment received under the new "Fees Free" policy introduced by Government).

## 27 / Explanations of Major Variances Against the 2018 Budget

**Statement of Comprehensive Revenue and Expenses**

***Revenue***

Actual total revenue was above budget, with the University benefitting from increased full fee paying student numbers, but also with a substantial increase in research revenue with increased activity, additional interest revenue from cash on hand as capital projects experienced delays and the early receipt of the final $50 million Crown contribution under the 2014 Funding Agreement, and a payout from EQC on UC property damage from the earthquakes.

***Expenditure***

Overall, personnel costs have increased, reflecting the additional student numbers and increased research activity, together with increases in the actuarial valuation of Retirement Leave.

Other operating expenditure was kept within budget, and with significant savings in depreciation, due to the late delivery of significant building projects.

**Other Comprehensive Revenue and Expense**

The main variances are in the impairment of the University student Events Centre, to be replaced by a Sport and Recreation Centre, but with an increase in the valuation of the University's Medals collection, mostly due to the expected market value of the Ernest Rutherford Nobel Prize medal. Neither of these types of movement is budgeted for normally.

**Statement of Changes in Net Assets / Equity**

This comprises the total comprehensive revenue and expense and the Crown Capital contribution, discussed above.

**Statement of Financial Position**

***Current***

The University continues to maintain sufficient cash to meet its capital programme in 2019 and to repay its Philanthropic Bond. This is in excess of budget, which anticipated higher capital expenditure, and did not include the $50 million Crown contribution. Current liabilities are also in excess of budget, with higher student and research revenue in advance.

***Non-current***

Overall, non-current assets are less than budget due to delays in the capital programme, although significant projects have been capitalised from Capital Work-In-Progress as they came into use. There are no significant variances to budget in non-current liabilities.

**Statement of Cash Flows**

***Net cash provided by Operating Activities***

Increased cash from government grants, tuition fees from increases in student numbers, interest received on maturity of long term investments, and research revenue have been offset by increased operating expenditure, largely in personnel.

***Net cash used in Investing Activities***

This is significantly less than budget, with lower capital expenditure which did not include the move of longer term cash deposits to classification as current.

***Net Cash from Financing Activities***

This is over budget due to the early receipt of the $50 million Crown Capital contribution originally expected in 2019.