



# Statement of Accounting Policies

For the year ended 31 December 2003

The University of Canterbury Group consists of the University of Canterbury and its subsidiary, Canterprise Limited (100% owned). Both the Group and the University's financial results are disclosed.

These Financial Statements have been prepared in accordance with Section 41 of the Public Finance Act 1989 and Section 203 of the Education Act 1989.

## MEASUREMENT BASE

The general policies adopted in the preparation of these financial statements are the measurement and reporting of financial performance and position on an historical cost basis, adjusted by the revaluation of certain assets.

## ACCOUNTING POLICIES

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

### *Accounts Receivable*

- Accounts receivable are recorded at expected realisable value.
- Where a debt is considered unrecoverable it is written off.

### *Employee Entitlements*

- Provision is made in respect of the University's liability for annual leave, long service leave, retirement leave and study leave.
- Annual leave and long service leave are calculated on an actual entitlement basis at current rates of pay.
- Retirement leave has been recognised on an actuarial basis.
- Study leave for academic staff is accrued once it has been approved.

### *Consolidated Financial Statements*

- The consolidated financial statements include the University of Canterbury and its subsidiary.
- The subsidiary is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenue and expenses on a line-by-line basis.
- All significant inter-entity transactions are eliminated on consolidation.

### *Financial Instruments*

- Income and expenditure relating to all financial instruments are recognised in the Statement of Financial Performance.
- All financial instruments are recognised in the Statement of Financial Position.

### *Fixed Assets and Depreciation*

- Land has been valued at fair value by DTZ New Zealand Limited as at 31 December 2002. The valuation was undertaken by Chris C. Barraclough, BCom FNZPI.
- Buildings have been revalued at depreciated replacement cost as at 31 December 2002 on a component basis by DTZ New Zealand Limited. The valuation was undertaken by Chris C. Barraclough, BCom FNZPI. Chris C. Barraclough is a Registered Valuer and has experience in valuing buildings of a specialized nature such as the University. This valuation has been performed to meet the requirements of FRS 3 -Accounting for Property, Plant and Equipment, and the valuation standard New Zealand Property Institute Valuation Standard 3 – Valuations for Financial Statements. The valuation has been prepared on a component basis recognising four major components:
  - Structure
  - Building Services
  - Fittings and Fitout
  - Furnishings (chattels)

Independent registered valuers undertake revaluations of Land and Buildings every 5 years.

- Equipment, including furniture and motor vehicles, was redefined and revalued in order to determine the 'deemed cost' in September 1992. The equipment is recorded at the 'deemed cost' less accumulated depreciation. The basis of valuation was current existing use as determined by Edward Rushton NZ Ltd in accordance with NZIV asset valuation standards. The University does not intend to pursue a revaluation policy in future years. Additions are recorded at cost less accumulated depreciation.
- The Library Current Collection is valued at historical cost. The Library Permanent Collection is valued on a fair value basis as at 31 December 2001 by DTZ New Zealand Limited. The valuation was undertaken by Basil J. Roberts, SNZPI. Donated books have been included in the library valuation at what the University considers to be fair value. The Library Permanent Collection is revalued every 3 years by an independent registered valuer.
- Capital work-in-progress is valued on the basis of expenditure incurred and certified gross Progress Claim Certificates up to balance date. Work-in-progress is not depreciated.
- Additions to all assets subsequent to the date of valuation are recorded at cost.
- Depreciation has been provided on a straight-line basis after allowing for irreducible minimums at the following rates:

• Building Components	
• Structure	1.25%
• Building Services	2.5%
• Fittings and Fitout	4%
• Furnishings (chattels)	5%
• Computer equipment at cost	33.33%
• Software and computer development	10% to 20%
• Furniture and Equipment at cost	6.7% to 20%
• Motor Vehicles at cost & valuation	20%

Irreducible minimums have been applied to the following assets:

• Building Components	
• Structure	40%
• Fitout and Fittings	30%

- The Library Current Collection has been depreciated at 6% or 15% on a diminishing value basis. The Library Permanently Retained Collection is not depreciated.
- Depreciation on all equipment and furniture stated at valuation has been calculated using estimated remaining useful life.

#### *Foreign Currencies*

- Foreign currency transactions throughout the year have been translated to New Zealand currency at the ruling rates of exchange at date of payment.
- Realised exchange gains or losses are accounted for in the Statement of Financial Performance.

#### *Goods and Services Tax*

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 then it is recognised as part of the related asset or expense.

#### *Income*

- The government grant is recognised as income on entitlement.
- Student tuition fees are recognised as income over the 12 month period.
- Research grants are recognised as income when the money is received, or entitlement to receive money is established, except where fulfilment of any restrictions attached to such money is not probable.

#### *Investments*

- Fixed interest investments are stated at face value adjusted for discount or premium on purchase, and the discount or premium is amortised over the life of the investment.
- All other investments are stated at cost.
- Foreign investments have been translated to New Zealand currency at the ruling rates of exchange at balance date where material.

#### *Inventories*

- Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

#### *Leases*

- Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating result in equal instalments over the lease term.
- Leases, which effectively transfer substantially all the risks and benefits of ownership of the leased item, are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the Statement of Financial Position. The leased assets are depreciated over the period of expected benefit from the asset's use on a straight line basis.

#### *Taxation*

- Universities are exempt from the payment of income tax as they are not-for-profit organisations. Accordingly there is no provision for income tax.

### **CHANGES IN ACCOUNTING POLICIES**

#### *Library*

From 1 January 2003 the Library Depreciation rate on Engineering items has been changed from 15% diminishing value to 6% diminishing value to more accurately reflect the decline in value. The impact of this, in dollar terms, is a reduction in depreciation expense of approximately \$500,000.

There have been no other changes in accounting policies since the date of the last audited financial statements. The policies have been applied on a basis consistent with prior years.

# Statement of Financial Performance

For the year ended 31 December 2003 (Council approved budget - May 2003)

	Note	DEC-02 University & Group (\$000's)	DEC-03 University Budget (\$000's)	DEC-03 University Actuals (\$000's)	DEC-03 University & Group (\$000's)
<b>OPERATING INCOME</b>					
Government Grant		76,044	80,554	80,018	80,018
<i>Student Tuition Fees</i>					
Student Tuition Fees Domestic Fee Paying		33,442	33,564	33,571	33,571
Student Tuition Fees Full Fee Paying		12,558	18,819	18,648	18,648
Student Tuition Fees Other		6,407	7,373	7,846	7,846
<b>Total Student Tuition Fees</b>		<b>52,407</b>	<b>59,756</b>	<b>60,065</b>	<b>60,065</b>
<i>Other Income</i>					
Other Student Related Fees		1,466	1,421	1,505	1,505
Student Accommodation		4,648	4,903	4,886	4,886
Research Income		10,509	12,041	11,385	11,609
Interest Income		977	960	1,328	1,366
Other Income	1	12,621	10,733	13,712	13,990
<b>Total Other Income</b>		<b>30,221</b>	<b>30,058</b>	<b>32,816</b>	<b>33,356</b>
<b>TOTAL OPERATING INCOME</b>		<b>158,672</b>	<b>170,368</b>	<b>172,899</b>	<b>173,439</b>
<b>OPERATING EXPENDITURE</b>					
Personnel Expenses	2	96,344	100,539	100,937	101,313
Site & Property Costs	3	5,882	7,028	7,422	7,442
General / Operating Expenditure	4	36,569	40,657	40,041	40,191
Depreciation	5b	18,427	19,424	21,125	21,129
<b>TOTAL OPERATING EXPENDITURE</b>		<b>157,222</b>	<b>167,648</b>	<b>169,525</b>	<b>170,075</b>
<b>NET SURPLUS</b>	8	<b>1,450</b>	<b>2,720</b>	<b>3,374</b>	<b>3,363</b>

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

For Notes see pages 48-56.

# Statement of Movements in Equity

For the year ended 31 December 2003

	Note	DEC-02 University & Group (\$000's)	DEC-03 University Budget (\$000's)	DEC-03 University Actuals (\$000's)	DEC-03 University & Group (\$000's)
<b>Balance as at 1 January</b>		325,583	345,818	345,818	345,535
Net Surplus / (Deficit)		1,450	2,720	3,374	3,363
Movements in revaluation reserves relating to asset valuations	6	21,260	0	186	186
Net asset change ex lease arrangement		(7,682)	0	5,528	5,528
Capital Additions		4,952	0	0	487
Transfer of Funds From Trusts	14	0	0	2,069	2,069
Capital Adjustments		(28)	0	(46)	(46)
<b>Total Recognised Income and Expenditure for the year</b>		19,952	2,720	11,111	11,587
<b>Balance as at 31 December</b>		<b>345,535</b>	<b>348,538</b>	<b>356,929</b>	<b>357,122</b>

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

# Statement of Financial Position

As at 31 December 2003

	Note	DEC-02 University & Group (\$000's)	DEC-03 University Budget (\$000's)	DEC-03 University Actuals (\$000's)	DEC-03 University & Group (\$000's)
<b>CURRENT ASSETS</b>					
Cash /Short Term Investments	7	1,951	9,478	8,330	9,251
Receivables	7	2,799	2,032	3,384	3,598
Prepayments	7	4,334	4,500	4,321	4,321
Inventories		1,637	1,600	1,718	1,718
<b>Total Current Assets</b>		<b>10,721</b>	<b>17,610</b>	<b>17,753</b>	<b>18,888</b>
<b>LESS CURRENT LIABILITIES</b>					
Funds Received in Advance	7	4,217	4,100	3,920	3,920
Accounts Payable	7	12,319	14,150	11,873	12,245
Loans Repayable Within 1 Year	9	602	490	2,033	2,033
Current Provisions - Employee Entitlements		3,740	3,500	4,201	4,273
<b>Total Current Liabilities</b>		<b>20,878</b>	<b>22,240</b>	<b>22,027</b>	<b>22,471</b>
<b>WORKING CAPITAL</b>		<b>(10,157)</b>	<b>(4,630)</b>	<b>(4,274)</b>	<b>(3,583)</b>
<b>NON CURRENT ASSETS</b>					
Land	5a	33,952	33,952	33,952	33,952
Buildings	5a	289,306	288,322	290,530	290,530
Plant & Equipment	5a	32,893	30,579	29,522	29,527
Leased Equipment	5a	0	0	1,226	1,226
Library	5a	51,834	53,830	53,855	53,855
Capital Work-In-Progress	5a	5,190	5,332	2,754	2,754
Investments		0	750	750	247
<b>Total Non Current Assets</b>		<b>413,175</b>	<b>412,765</b>	<b>412,589</b>	<b>412,091</b>
<b>NON CURRENT LIABILITIES</b>					
Loans & Leases	9	41,792	43,214	35,902	35,902
Term Provisions - Employee Entitlements		15,691	16,383	15,484	15,484
<b>Total Non Current Liabilities</b>		<b>57,483</b>	<b>59,597</b>	<b>51,386</b>	<b>51,386</b>
<b>TOTAL NET ASSETS</b>		<b>345,535</b>	<b>348,538</b>	<b>356,929</b>	<b>357,122</b>
<b>REPRESENTED BY :</b>					
Community Equity		282,204	285,207	293,652	293,845
Revaluation Reserves	6	63,331	63,331	63,277	63,277
<b>TOTAL COMMUNITY EQUITY</b>		<b>345,535</b>	<b>348,538</b>	<b>356,929</b>	<b>357,122</b>

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

# Statement of Cash Flows

For the year ended 31 December 2003

	Note	DEC-02 University & Group (\$000's)	DEC-03 University Budget (\$000's)	DEC-03 University Actuals (\$000's)	DEC-03 University & Group (\$000's)
<b>OPERATING ACTIVITIES</b>					
<i>Cash provided from:</i>					
Government Grant		76,044	80,554	79,952	79,952
Tuition Fees		46,883	60,556	59,633	59,633
Other Income		30,341	23,907	27,647	28,092
Agency Funds		7,022	0	5,970	5,970
Interest Received		975	960	1,328	1,362
Rental Income		4,648	4,903	4,886	4,886
		165,913	170,880	179,416	179,894
<i>Cash applied to:</i>					
Personnel Expenses		96,516	100,045	101,553	101,927
Site & Property Expenses		5,854	7,028	7,422	7,422
General / Operating Expenses		35,238	34,545	37,996	37,996
Agency Funds		7,022	0	5,970	5,970
Interest Paid		840	850	973	973
Net GST Movement		590	2,000	216	290
		146,060	144,468	154,130	154,579
<b>Net cash provided by Operating Activities</b>	<b>8</b>	<b>19,853</b>	<b>26,412</b>	<b>25,286</b>	<b>25,316</b>
<b>INVESTING ACTIVITIES</b>					
<i>Cash provided from:</i>					
Proceeds of disposal Fixed Assets		153	19	95	95
		153	19	95	95
<i>Cash applied to:</i>					
Capital Expenditure		17,105	18,249	17,862	17,866
Development Costs		0	0	0	247
		17,105	18,249	17,862	18,113
<b>Net cash used in Investing Activities</b>		<b>(16,952)</b>	<b>(18,230)</b>	<b>(17,767)</b>	<b>(18,018)</b>

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



	Note	DEC-02 University & Group (\$000's)	DEC-03 University Budget (\$000's)	DEC-03 University Actuals (\$000's)	DEC-03 University & Group (\$000's)
<b>FINANCING ACTIVITIES</b>					
<i>Cash provided from:</i>					
Capital Contributions		4,959	0	0	487
		4,959	0	0	487
<i>Cash applied to:</i>					
Repayment of Loans		0	0	485	485
		0	0	485	485
<b>Net cash provided by Financing Activities</b>		<b>4,959</b>	<b>0</b>	<b>(485)</b>	<b>2</b>
Net increase in cash held		7,860	8,182	7,034	7,300
Cash on hand at beginning of period		(5,909)	1,296	1,296	1,951
<b>Cash on hand at end of period</b>	<b>7 &amp; 9</b>	<b>1,951</b>	<b>9,478</b>	<b>8,330</b>	<b>9,251</b>
<i>Represented by :</i>					
Cash and Short Term Deposits		1,951	9,478	8,330	9,251

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

# Statement of Commitments

As at 31 December 2003

<b>Expenditure committed in: Capital Commitments</b>	<b>2003 (\$000's)</b>	<b>2004 (\$000's)</b>
Chemistry Building	1,034	160
Psychology Building Addition	120	0
41 Creyke Road	0	345
SALT	444	201
Arts	0	278
Library Lifts	0	230
Science Landscape	0	185
Science Building	0	109
Science Precinct Cooling	1,208	0
Other Projects (<\$100k)	320	275
<b>Total</b>	<b>3,126</b>	<b>1,783</b>

It is expected that these commitments will have been discharged in full by the following year.

Capital commitments listed above represent contractual commitments and estimated project completion costs.

## **Operating Commitments**

The University also has commitments on the lease of printing and photocopier equipment from various companies. \$450,159 is committed over the next 4 years (2002: \$547,353).

# Statement of Contingent Assets and Liabilities

*As at 31 December 2003*

The University is vigorously defending a Notice of Proposed Adjustment from the Inland Revenue Department regarding the treatment of GST on certain transactions. It is likely the end result of this process will not be known until 2005.

# Notes to the Financial Accounts

For the year ended 31 December 2003

	<b>DEC-02 University &amp; Group (\$000's)</b>	<b>DEC-03 University Budget (\$000's)</b>	<b>DEC-03 University Actuals (\$000's)</b>	<b>DEC-03 University &amp; Group (\$000's)</b>
<b>1 Other Income</b>				
Donations/Bequests/Koha	426	164	678	678
Rentals	1,500	933	1,243	1,243
External Sales	4,190	4,269	4,902	4,902
Sundry Income	6,505	5,367	6,889	7,167
<b>TOTAL OTHER INCOME</b>	<b>12,621</b>	<b>10,733</b>	<b>13,712</b>	<b>13,990</b>

## 2a Personnel Expenses

Teaching Personnel	47,966	50,164	50,910	50,910
Non Teaching Personnel	40,436	42,381	43,149	43,525
Total Direct Personnel Costs	88,402	92,544	94,059	94,435
Superannuation	3,669	3,749	3,491	3,491
Accident Compensation (ACC)	562	601	436	436
Other Salary Related Expenditure	3,711	3,643	2,951	2,951
Total Other Personnel Expenses	7,942	7,993	6,878	6,878
<b>TOTAL PERSONNEL EXPENSES</b>	<b>96,344</b>	<b>100,537</b>	<b>100,937</b>	<b>101,313</b>

## 2b Employee Remuneration in Excess of \$100,000

<b>Salary Band (\$000,s)</b>	<b>2002 FTE</b>	<b>2003 FTE</b>
240-260	1.0	
220-240		1.0
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140-160		1.7
120-140	5.0	8.5
100-120	22.1	33.8

	<b>DEC-02 University &amp; Group (\$000's)</b>	<b>DEC-03 University Budget (\$000's)</b>	<b>DEC-03 University Actuals (\$000's)</b>	<b>DEC-03 University &amp; Group (\$000's)</b>
<b>3 Site &amp; Property Costs</b>				
Repairs & Maintenance to Property/Facilities	2,254	3,232	3,802	3,802
Electricity, Coal, Gas	2,227	2,504	2,666	2,666
Resources	626	652	579	579
Other Site and Property Costs	775	640	375	395
<b>TOTAL SITE &amp; PROPERTY COSTS</b>	<b>5,882</b>	<b>7,028</b>	<b>7,422</b>	<b>7,442</b>

	<b>DEC-02 University &amp; Group (\$000's)</b>	<b>DEC-03 University Budget (\$000's)</b>	<b>DEC-03 University Actuals (\$000's)</b>	<b>DEC-03 University &amp; Group (\$000's)</b>
<b>4 General / Operating Expenditure</b>				
Academic Expenses	379	430	434	434
Advertising	948	991	1,106	1,106
Auditors Remuneration-Financial Audit	85	134	136	148
Auditors Remuneration- Other Services	55	0	18	18
Bad Debts Written Off	27	14	84	84
Consultancy/Contractors	4,206	2,702	3,532	3,532
Direct Academic Costs	4,171	4,465	4,500	4,500
Interest Paid	840	850	973	973
Office Equipment	3,158	2,791	3,291	3,294
Photocopying, Postage, Printing and Stationery	4,291	4,442	4,586	4,586
Rental on Operating Leases	775	901	487	496
Scholarships & Prizes	4,967	5,994	5,604	5,604
Travel & Conference Costs	4,694	4,785	4,597	4,605
Other General/Operating Costs	7,973	12,158	10,693	10,811
<b>TOTAL GENERAL / OPERATING COSTS</b>	<b>36,569</b>	<b>40,657</b>	<b>40,041</b>	<b>40,191</b>

	<b>Dec-02 NET BOOK VALUE (\$000's)</b>	<b>Dec-03 COST/VALN (\$000's)</b>	<b>ACCUM DEPN (\$000's)</b>	<b>Dec-03 NET BOOK VALUE (\$000's)</b>
<b>5a Non Current Assets Excluding Investments</b>				
<b>UNIVERSITY</b>				
Land at Valuation	33,952	33,952	0	33,952
Buildings at Cost	16,922	25,070	(865)	24,205
Buildings at Valuation	272,384	271,819	(5,495)	266,325
Plant & Equipment at Cost	32,888	107,493	(77,971)	29,522
Leased Equipment at Cost	0	1,886	(660)	1,226
Library Collection at Cost	44,717	75,588	(28,850)	46,738
Library Collection at Valuation	7,117	7,117	0	7,117
Work-In-Progress at Cost	5,190	2,754	0	2,754
<b>TOTAL NON-CURRENT ASSETS excluding Investments</b>	<b>413,170</b>	<b>525,679</b>	<b>(113,841)</b>	<b>411,839</b>

	<b>Dec-02 NET BOOK VALUE (\$000's)</b>	<b>Dec-03 COST/VALN (\$000's)</b>	<b>ACCUM DEPN (\$000's)</b>	<b>Dec-03 NET BOOK VALUE (\$000's)</b>
<b>UNIVERSITY AND GROUP</b>				
Land at Valuation	33,952	33,952	0	33,952
Buildings at Cost	16,922	25,070	(865)	24,205
Buildings at Valuation	272,384	271,819	(5,495)	266,325
Plant & Equipment at Cost	32,893	107,537	(78,010)	29,527
Leased Equipment	0	1,886	(660)	1,226
Library Collection at Cost	44,717	75,588	(28,850)	46,738
Library Collection at Valuation	7,117	7,117	0	7,117
Work-In-Progress at Cost	5,190	2,754	0	2,754
<b>TOTAL NON-CURRENT ASSETS excluding Investments</b>	<b>413,175</b>	<b>525,723</b>	<b>(113,880)</b>	<b>411,844</b>

	<b>DEC-02 University &amp; Group (\$000's)</b>	<b>DEC-03 University Budget (\$000's)</b>	<b>DEC-03 University Actuals (\$000's)</b>	<b>DEC-03 University &amp; Group (\$000's)</b>
<b>5b Depreciation</b>				
<i>Asset Category</i>				
Buildings	5,771	6,174	6,360	6,360
Equipment	8,569	8,837	8,392	8,396
Equipment Write-offs	274	600	2,477	2,477
Leased Equipment	0	0	377	377
Library (Current Collection)	3,812	3,812	3,519	3,519
<b>Total Depreciation</b>	<b>18,427</b>	<b>19,424</b>	<b>21,125</b>	<b>21,129</b>

	<b>DEC-02 University &amp; Group (\$000's)</b>	<b>DEC-03 University Budget (\$000's)</b>	<b>DEC-03 University Actuals (\$000's)</b>	<b>DEC-03 University &amp; Group (\$000's)</b>
<b>6 Revaluation Reserves</b>				
Balance as at 1 January	42,071	63,331	63,331	63,331
Revaluation	21,260	0	186	186
Disposals Revaluation	0	0	(240)	(240)
<b>Balance as at 31 December</b>	<b>63,331</b>	<b>63,331</b>	<b>63,277</b>	<b>63,277</b>
<b>Being :</b> Buildings	26,609	26,609	27,021	27,021
Plant & Equipment	8,396	8,396	8,156	8,156
Land	21,209	21,209	21,209	21,209
Library	7,117	7,117	6,891	6,891
<b>Total</b>	<b>63,331</b>	<b>63,331</b>	<b>63,277</b>	<b>63,277</b>

## 7 Financial Instruments

Financial instruments in the form of fixed interest investments are subject to the risk that market values may change subsequent to their acquisition.

The University has entered into a number of forward exchange contracts that have a face value, at balance date, of \$920,510.

### Fair Values

The estimated fair values of the University's financial instruments are as follows:

	<b>DEC-02 Carrying Amount (\$000's)</b>	<b>DEC-02 Fair Value (\$000's)</b>	<b>DEC-03 Carrying Amount (\$000's)</b>	<b>DEC-03 Fair Value (\$000's)</b>
Accounts Receivable and Prepayments	7,036	7,036	7,705	7,705
Bank and Short Term Deposits	1,296	1,296	8,330	8,330
Accounts Payable and Funds Received in Advance	16,288	16,288	15,793	15,793

The estimated fair values of the Group's financial instruments at 31 December 2002 and December 2003 are as follows:

	<b>DEC-02 Carrying Amount (\$000's)</b>	<b>DEC-02 Fair Value (\$000's)</b>	<b>DEC-03 Carrying Amount (\$000's)</b>	<b>DEC-03 Fair Value (\$000's)</b>
Accounts Receivable and Prepayments	7,133	7,133	7,919	7,919
Bank and Short Term Deposits	1,951	1,951	9,251	9,251
Accounts Payable and Funds Received in Advance	16,536	16,536	16,165	16,165

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Accounts Receivable, Cash/Short Term Investments and Accounts Payable**

The carrying amounts of these balances are equivalent to their fair value.

**Concentration of Credit Risk**

Financial instruments which potentially subject the University to concentrations of credit risk consist principally of cash and short-term investments, accounts receivable, and fixed interest investments.

Cash and short-term investments are placed with high-credit-quality financial institutions and the amount of credit exposure to any one financial institution is limited. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of debtors.



	<b>DEC-02 University &amp; Group (\$000's)</b>	<b>DEC-03 University Budget (\$000's)</b>	<b>DEC-03 University Actuals (\$000's)</b>	<b>DEC-03 University &amp; Group (\$000's)</b>
<b>8 Reconciliation of Net Surplus with Net Cash From Operating Activities</b>				
<b>OPERATING ACTIVITIES</b>				
Net Surplus/Deficit	1,450	2,720	3,374	3,363
<b>Add (less) non-cash items:</b>				
Depreciation	18,427	19,424	21,125	21,129
Donated Assets	(197)	0	(376)	(376)
Foreign Exchange Realised Gains/Losses	130	0	(86)	(86)
NZTET1 Lease Revenue	(333)	0	0	0
Recognition of Revenue Received in Advance	(224)	0	(112)	(112)
<b>Add (less) movements in other working capital items:</b>				
Accounts Payable	1,597	769	308	470
Accounts Receivable	472	(582)	(682)	(796)
Inventories	(95)	0	(81)	(81)
Miscellaneous adjustments	(43)	5,006	46	46
<b>Other:</b>				
Transfer of Funds No Longer Considered Trusts	0	0	2,069	2,069
Net GST	(566)	(2,000)	(216)	(227)
Movement in Employee Entitlements (Non Current)	(117)	575	(207)	(207)
Movement in Library Prepayments	(648)	500	124	124
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>19,853</b>	<b>26,412</b>	<b>25,286</b>	<b>25,316</b>

	<b>DEC-02 University &amp; Group (\$000's)</b>	<b>DEC-03 University Budget (\$000's)</b>	<b>DEC-03 University Actuals (\$000's)</b>	<b>DEC-03 University &amp; Group (\$000's)</b>
<b>9 Loans and Leases</b>				
<b>Non-current Loans and Leases</b>				
BNZ Term Loan	12,000	12,000	10,500	10,500
NZ Tertiary Education Trust	29,781	29,631	24,436	24,436
Finance Leases	11	1,583	966	966
<b>Total</b>	<b>41,792</b>	<b>43,214</b>	<b>35,902</b>	<b>35,902</b>
<b>Loans Repayable within 1 year</b>				
BNZ Term Loan	0	0	1,500	1,500
NZ Tertiary Education Trust	490	490	168	168
Finance Leases	0	0	365	365
Other	112	0	0	0
<b>Total</b>	<b>602</b>	<b>490</b>	<b>2,033</b>	<b>2,033</b>
<b>TOTAL LOANS AND LEASES</b>	<b>42,394</b>	<b>43,704</b>	<b>37,935</b>	<b>37,935</b>

The University restructured its loan facilities in 2001. The University has a working capital multi option facility on a seasonal basis for up to \$30m and a committed cash advance, fixed rate facility for up to \$13.5m.

The committed cash facility has a maturity date of 17 December 2004 and is fixed at an interest rate of 6.7%.

#### **10 Canterrise Limited**

Canterrise Limited is registered under the Companies Act 1993 and is a wholly owned subsidiary of the University of Canterbury.

Canterrise Limited is the commercial arm of the University and manages commercial activities relating to the sale of research, services and technology to external clients.

## 11 Councillor's Honoraria and Other Benefits

Honoraria and other benefits paid to members of University Council, and its committees, to December 2003 (Full Year 2002: \$73,925) are as follows:

<b>Council Member</b>	<b>Honoraria (\$'s)</b>	<b>Other Benefits (\$'s)</b>
Dr P Austin	5,833	0
Dr SN Bagshaw	4,000	0
Dr CJ Burrows	4,000	0
Mr J Gilbert	4,000	0
Dr WR Holmes	4,000	0
Ms J Huria	1,000	0
Dr BR Mann	19,200	0
Mr RG Neal	4,000	0
Mr JC Simpson	10,824	0
Sir A Tait	6,250	0
Ms CP Wilson	4,000	0
	67,107	0

No honoraria were paid to staff representatives on Council or its committees.

Sir A Tait declined remuneration as a Councillor, the \$6,250 relates to fees as a Director of Canterprise Limited.

Dr P Austin's \$5,833 includes \$1,833 that was received in her capacity as a Director of Canterprise Limited.

## 12 Reconciliation of Approved Budget to Revised Budget

In May 2003, the budget was revised from the approved budget to adjust for changed EFTS numbers and other movements.

<b>Changes affecting the surplus were:</b>	<b>(\$000's)</b>
Surplus per Approved Budget 2003:	2,278
Increase in EFTS Revenue	1,476
Reduction in Depreciation Expenses	897
Adjustment for Increased Government Subsidy	434
Reduction in Departments Budgets Due to 2002 Overspend	408
Research Committee Adjustments	135
Restructuring Costs	(2,442)
Increased Insurance Costs	(255)
New Initiative Funds	(153)
Adjustment to Teaching and Learning Committee	(30)
Additional Departmental Expenditure	(28)
Net Surplus reported in Financial Statements	2,720

### 13 Related Party Transactions

	<b>Dec-02</b> <b>(\$000's)</b>	<b>Dec-03</b> <b>(\$000's)</b>
<i>During the financial period to 31 December Canterprise Ltd had the following inter-group transactions :</i>		
Agency Sales collected from University of Canterbury	103	102
Agency Payments to University of Canterbury (net of commission paid to Canterprise)	3,106	4,016
Suppliers Costs paid to University of Canterbury	46	74
Receivable from University of Canterbury	16	25
Payable to University of Canterbury	0	25
Agency Creditors to University of Canterbury	494	682

During the year Canterprise Limited facilitated the purchase of research services from Land and Water Studies (International) Limited, a company which is owned and directed by Professor R W Kirk, a Canterprise Director and Acting Vice Chancellor of University of Canterbury until March 2003. These services cost \$42,803 (2002 - \$48,972) excluding GST and were supplied on normal commercial terms.

During the year the University made a contribution of \$20,000 excluding GST, and reimbursed costs of \$40 excluding GST, to Canterbury Development Corporation. Council member Dr Paddy Austin is a Director of Canterbury Development Corporation.

During the year the University purchased \$12,286 excluding GST (2002: \$29,161) of goods and services from Tait Communications. Council member Sir Angus Tait is the Managing Director of Tait Communications. These goods and services were supplied on normal commercial terms.

During the year the University purchased \$2,127, and Canterprise Limited \$5,172, excluding GST of goods and services from Hit Lab NZ Limited. The University has a 33.3% shareholding in this company. These goods and services were supplied on normal commercial terms.

During the year the University purchased \$636 of goods and services from Ngāi Tahu Seafood Products Ltd. The Council Audit and Risk Committee member Jane Huria is a Director of Ngāi Tahu Holdings Corporation, and associated companies. These goods and services were supplied on normal commercial terms.

### 14 Transfer of Funds From Trusts

During 2003 a review was undertaken of the trusts to determine their legal status. A number of trusts were identified that could no longer be considered trusts. These funds were transferred from the Trust accounts to the University of Canterbury accounts.



# Statement of Accounting Policies

University of Canterbury Trust Funds. For the year ended 31 December 2003

The University of Canterbury was established as a University under the University of Canterbury Act 1961 and in terms of that Act is declared to be the same institution as the institution of that name existing immediately before the commencement of that Act under the University of Canterbury Act 1933 (as amended by the University of Canterbury Act 1957), which institution was originally established under the name of the Canterbury College under the Canterbury College Ordinance 1873.

The University administers these funds as trustee and is bound by the requirements of the individual trusts. The funds are not available for general university operating expenditure and for this reason are accounted for separately.

These Financial Statements have been prepared in accordance with Section 41 of the Public Finance Act 1989.

## GENERAL ACCOUNTING POLICIES

The general policies adopted in the preparation of these financial statements are the measurement and reporting of financial performance and position on a historical cost basis adjusted by the revaluation of certain assets.

## PARTICULAR ACCOUNTING POLICIES

The following are the particular accounting policies which have a material effect on the measurement of financial performance and the financial position:-

### ACCOUNTS RECEIVABLE

- accounts receivable are recorded at expected realisable value;
- where a debt is considered unrecoverable it is written off.

### FINANCIAL INSTRUMENTS

Income and expenditure relating to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments are recognised in the Statement of Financial Position.

### FIXED ASSETS AND DEPRECIATION

- the value of the interest in the Endowment Lands is limited to the value of the "Land exclusive of Improvements"(LEI) and is stated at net current value as determined by Valuation New Zealand in accordance with NZIV asset valuation standards in 1996 & 1997. The Endowment Lands are disclosed at a 31 December 2000 valuation.
- equipment is stated at cost less accumulated depreciation.
- the Macmillan Brown Library is regarded as a permanent collection. It is revalued periodically by the University's Librarian (latest revaluation - 1996). Additions since revaluation are capitalised at cost.
- depreciation has been provided on a straight-line basis at the following rates:

Buildings - concrete	1.00%
Buildings - wooden	2.00%
Computer equipment at cost	33.33%
Furniture and Equipment at cost	10% to 20%
Library permanent collection	Not depreciated

Depreciation on all equipment and furniture stated at valuation has been calculated using estimated remaining useful life.

**INVESTMENTS**

- fixed interest investments are stated at face value adjusted for discount or premium on purchase, and the discount or premium is amortised over the life of the investment.
- share investments are stated at the lower of cost and market value determined on a portfolio basis.
- all other investments are stated at cost.
- foreign investments have been translated to New Zealand currency at the ruling rates of exchange at balance date.

**FOREIGN CURRENCIES**

- foreign currency transactions throughout the year have been translated to New Zealand currency at the ruling rates of exchange at date of payment;
- realised and unrealised exchange gains or losses are accounted for in the Statement of Financial Performance.

**GOODS AND SERVICES TAX**

All amounts are stated net of the Goods and Services Tax with the exception of Accounts Receivable and Accounts Payable.

**CHANGES IN ACCOUNTING POLICIES**

There have been no changes in accounting policies.

# Statement of Financial Performance

University of Canterbury Trust Funds. For the year ended 31 December 2003

	Note	31-DEC-02 (\$000's)	31-DEC-03 (\$000's)
<b>INCOME</b>			
Sundry Income	1	1,804	1,101
Investment income	2	(3,529)	8,667
<b>TOTAL INCOME</b>		<b>(1,725)</b>	<b>9,768</b>
<b>EXPENDITURE</b>			
Personnel	3	313	314
Property	4	7	7
General	5	8,547	4,021
Depreciation		0	5
<b>TOTAL EXPENDITURE</b>		<b>8,867</b>	<b>4,347</b>
<b>NET SURPLUS / (DEFICIT)</b>		<b>(10,592)</b>	<b>5,421</b>

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



# Statement of Movements in Equity

University of Canterbury Trust Funds. For the year ended 31 December 2003

	<b>Note</b>	<b>31-DEC-02 (\$000's)</b>	<b>31-DEC-03 (\$000's)</b>
Balance as at 1 January		82,782	72,462
Net Surplus / (Deficit)		(10,592)	5,421
Transfer of Funds No Longer Considered Trusts	12	0	(2,069)
Total Recognised Income & Expenditure		(10,592)	3,352
Capital Contributions		272	5
Balance as at 31 December 2003		72,462	75,819

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

# Statement of Financial Position

University of Canterbury Trust Funds. As at 31 December 2003

	Note	31-DEC-02 (\$000's)	31-DEC-03 (\$000's)
<b>CURRENT ASSETS</b>			
Bank		3,643	6,815
Short-term deposits		9,488	0
Inter-Entity Balance		82	(301)
Accounts Receivable		14	1
<b>TOTAL CURRENT ASSETS</b>		<b>13,227</b>	<b>6,515</b>
<b>LESS:CURRENT LIABILITIES</b>			
Accounts Payable		407	809
<b>TOTAL CURRENT LIABILITIES</b>		<b>407</b>	<b>809</b>
<b>Net Current Assets</b>		<b>12,820</b>	<b>5,706</b>
<b>NON-CURRENT ASSETS</b>			
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>			
Freehold Land at valuation		4,064	4,064
Forests		230	230
Buildings		7	7
Equipment at cost		83	87
Less: Accumulated depreciation		(60)	(70)
Library		3,833	3,871
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>		<b>8,157</b>	<b>8,189</b>
<b>INVESTMENTS</b>	<b>7</b>	<b>51,485</b>	<b>61,924</b>
<b>Total Non-Current Assets</b>		<b>59,642</b>	<b>70,113</b>
<b>TOTAL NET ASSETS</b>		<b>72,462</b>	<b>75,819</b>
<b>REPRESENTED BY:</b>			
Community Equity	<b>8</b>	68,202	71,559
Revaluation Reserves	<b>9</b>	4,260	4,260
	<b>10</b>	<b>72,462</b>	<b>75,819</b>

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

# Statement of Cash Flows

University of Canterbury Trust Funds. For the year ended 31 December 2003

	Note	31-DEC-02 (\$000's)	31-DEC-03 (\$000's)
<b>OPERATING ACTIVITIES</b>			
<i>Cash provided from:</i>			
Dividends		1,848	2,035
Interest		1,351	1,770
Rent		117	121
Sundry		1,809	1,103
		5,125	5,029
<i>Cash applied to:</i>			
Personnel Expenses		313	314
Property costs		7	7
General Expenses		4,128	3,602
		4,448	3,923
Net cash provided by Operating Activities	6	677	1,106
<b>INVESTING ACTIVITIES</b>			
<i>Cash provided from:</i>			
Proceeds of Disposal:			
Fixed Interest Investments		299	7,580
Shares		14,285	7,905
		14,584	15,485
<i>Cash applied to:</i>			
Capital Expenditure		15	26
Fixed Interest Investments		1,848	7,525
Shares purchased		6,477	14,138
		8,340	21,689
Net cash (used in) / from Investing Activities		6,244	(6,204)
<b>FINANCING ACTIVITIES</b>			
<i>Cash provided from:</i>			
Capital contributions		272	0
<i>Cash applied to:</i>			
Movement in Inter-Entity Balance		(1,091)	383
Transfer to University of Canterbury		0	(2,066)
Net cash (used in) / from Financing Activities		1,363	(1,683)
Net (decrease)/increase in cash held		8,284	(6,781)
Cash on hand at beginning of period		4,128	13,131
Net (loss)/gain on exchange		719	465
Cash on hand at end of period		13,131	6,815

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

# Notes to the Financial Statements

University of Canterbury Trust Funds. For the year ended 31 December 2003

	31-DEC-02 (\$000's)	31-DEC-03 (\$000's)
<b>1 Sundry Income</b>		
Other External Income	58	51
Overhead Recovery External	16	1
Sundry Other	1,730	1,049
	1,804	1,101
<b>2 Investment Income</b>		
Dividends	1,848	2,035
Exchange variations	719	465
Gain / (loss) on disposal	(7,564)	(1,276)
Unrealised gain on equities	0	5,552
Interest	1,351	1,770
Rent	117	121
	(3,529)	8,667
<b>3 Personnel Expenses</b>		
SALARIES & WAGES		
General	307	310
	307	310
RELATED EXPENSES		
ACC	2	2
Superannuation	2	2
Other	2	0
	6	4
	313	314
<b>4 Property Expenses</b>		
Resources	0	1
Rent	1	1
Telecommunications	6	5
	7	7
<b>5 General Expenses</b>		
Administrative	32	0
Advertising	21	6
Auditor's Remuneration		
- Audit	3	3
- Other Services	9	0
Bad Debts	2	5
Conferences	11	4
Consultancy/Contractors	409	233
Investment Advice	292	25
Legal Expenses	17	1
Office Equipment	15	2
Postages	3	6
Printing	60	82
Scholarships & Prizes	1,140	2,006
Stationery	11	8
Sundry	689	865
Travel	706	775
Unrealised loss on equities	5,127	0
	8,547	4,021

	<b>31-Dec-02</b> <b>(\$000's)</b>	<b>31-Dec-03</b> <b>(\$000's)</b>
<b>6 Reconciliation of Net Surplus/(Deficit) with Net Cash provided by Operating Activities</b>		
Net Surplus / (Deficit)	(10,592)	5,421
<i>Add(less) non-cash items:</i>		
Depreciation	0	5
Exchange Variation	(719)	(465)
Donated Library Books	0	11
<i>Add(less) movements in other working capital items:</i>		
Accounts Payable	(707)	402
Accounts Receivable	1,094	396
<i>Add(less) items classified as investing activities</i>		
Gain on Sale of Investments	7,565	1,271
Unrealised loss/(gain) on equities	5,127	(5,552)
<i>Add(less) items classified as financing activities</i>		
Movement in Inter-Entity Balance	(1,091)	(383)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>677</b>	<b>1,106</b>

## 7 Investments

Fixed Interest	26,862	26,908
Shares(See Note 7.1)	24,623	35,016
	<u>51,485</u>	<u>61,924</u>
<i>Note 7.1</i>		
<i>Shares at cost:</i>		
Balance at 1 January	45,123	24,623
Purchases	6,477	14,138
Disposals	(21,850)	(9,297)
Adjustment to Net Realisable Value	(5,127)	5,552
Balance at 31 December	<u>24,623</u>	<u>35,016</u>

### Market Value of Investments

Fixed Interest	27,999	27,297
Shares	24,623	35,016
Cash	13,131	6,815
<b>Total estimated market value</b>	<b>65,753</b>	<b>69,128</b>

	<b>31-Dec-02</b> <b>(\$000's)</b>	<b>31-Dec-03</b> <b>(\$000's)</b>
<b>8 Community Equity</b>		
Balance at beginning of period	78,522	68,202
Net surplus / (Deficit)	(10,592)	5,421
Capital contributions	272	5
Transfer of funds no longer considered trusts	0	(2,069)
Balance at end of period	<u>68,202</u>	<u>71,559</u>
<b>9 Revaluation Reserves</b>		
Balance at 1 January	4,260	4,260
Balance at 31 December	<u>4,260</u>	<u>4,260</u>
<b>10 Major Trusts</b>		
Centre for Advanced Engineering	1,627	1,397
Endowment Trust	13,622	14,233
Erskine Trust	32,457	32,642
General Trusts	15,529	17,503
Lord Rutherford Memorial Scholarship	1,585	1,666
Macmillan Brown Library	3,761	4,340
Mason Trust	918	950
Ethel R. Overton Scholarship	907	917
Roper Scholarship	1,113	1,168
Sims Empire Scholarship	943	1,003
	<u>72,462</u>	<u>75,819</u>

## 11 Trust Funds - Financial Instruments

The Trust Funds may have various financial instruments with off balance sheet risk. This risk may take the form of both interest rate and currency risk. Through the investing activities of the Trust Funds there is an exposure to credit risk in the event of non-performance by a counterparty.

### FAIR VALUES

The estimated fair values of the Trust Funds' financial instruments at 31 December 2002 and 2003 are as follows:

	<b>2002</b>	<b>Fair</b>	<b>2003</b>	<b>Fair</b>
	<b>Carrying</b>	<b>Value</b>	<b>Carrying</b>	<b>Value</b>
	<b>Amount</b>	<b>(\$000's)</b>	<b>Amount</b>	<b>(\$000's)</b>
	<b>(\$000's)</b>	<b>(\$000's)</b>	<b>(\$000's)</b>	<b>(\$000's)</b>
Recognised financial instruments				
Fixed Interest Investments				
New Zealand	15,543	16,499	10,315	10,851
International	11,319	11,500	16,592	16,446
Receivables	96	96	(300)	(300)
Bank	3,643	3,793	6,815	7,009
Short-term deposits	9,488	9,488	0	0
Accounts Payable	411	411	809	809

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

#### **Fixed Interest Investments**

The fair value is estimated based on current market interest rates available for investments of similar maturities.

#### **Accounts Receivable, Bank, Short Term Deposits, Accounts Payable, & Bank Overdraft**

The carrying amounts of these balances are equivalent to their fair value.

#### **Foreign currency forward exchange contracts**

The fair value is estimated based on current market rates.

### CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Trust Funds potentially to concentrations of credit risk consist principally of cash and short-term investments, accounts receivable and fixed interest investments.

Cash and short-term investments are placed with high-credit-quality financial institutions and the amount of credit exposure to any one financial institution is limited.

Concentrations of credit risk with respect to accounts receivable are limited due to the number of debtors.

### FOREIGN EXCHANGE

The Trust Funds are exposed to currency risk when investments are denominated in a foreign currency. Risk management activities are undertaken by the Investment Managers to operate within guidelines provided by the Trustees. The mandate for the manager of the balanced portfolio requires international bonds to be fully hedged into NZD. The mandate for the manager of the overseas equities fund requires up to 50% hedging.

The notional contract amounts of forward foreign exchange transactions outstanding at balance date are as follows:

	<b>2002</b> <b>(\$000's)</b>	<b>2003</b> <b>(\$000's)</b>
Forward foreign exchange contracts	2,670	0

The maximum credit risk for the forward exchange contracts approximates the notional contract amount. There are no forward foreign exchange contracts outstanding as at 31 December 2003. (2002 - between 17 April 2003 and 22 August 2003).

**Foreign exchange fair values**

The estimated fair values of the Trust Funds' financial assets and liabilities relating to foreign exchange are as follows:

	<b>Dec-02</b> <b>Carrying</b> <b>Value</b> <b>(\$000's)</b>	<b>Dec-02</b> <b>Fair</b> <b>Value</b> <b>(\$000's)</b>	<b>Dec-03</b> <b>Carrying</b> <b>Value</b> <b>(\$000's)</b>	<b>Dec-03</b> <b>Fair</b> <b>Value</b> <b>(\$000's)</b>
Forward foreign exchange contracts	0	(191)	0	0

**12 Transfer of Funds**

During 2003 a review was undertaken of the trusts to determine their legal status. A number of trusts were identified that could no longer be considered trusts. These funds have been transferred to the University of Canterbury accounts.