



# Statement of Accounting Policies

For the year ended 31 December 2004

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:

### *Budget Figures*

The budget figures are those approved by the Council in May 2004 (refer Note 12).

The budget figures have been prepared in accordance with generally accepted accounting practice, and are consistent with the accounting policies adopted by the Council for the preparation of the financial statements.

### *Accounts Receivable*

Accounts receivables are stated at expected realisable value after providing for doubtful and uncollectable debts.

### *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 by aggregating like items of assets, liabilities, revenue, expenses and cash flows 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 valued 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 who is a Registered Valuer and has experience in valuing buildings of a specialized nature such as the University. This valuation meets 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 recognises four major components:
  - Structure
  - Building Services
  - Fittings and Fitout
  - Furnishings (chattels)

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

- Equipment, including furniture and motor vehicles, is valued at cost less accumulated depreciation. 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 less depreciation. The Library Permanent Collection is valued on a fair value basis as at 31 December 2004 by DTZ New Zealand Limited. The revaluation was undertaken by Basil J. Roberts, SNZPI. This includes the Macmillan Brown Collection which was transferred to the University prior to the revaluation being undertaken. Donated books have been included in the library valuation at 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. The total cost of a project is transferred to the relevant asset class on its completion and then 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%
  - Other Plant and Equipment 6.7% to 33.3%
  - Leased Equipment 20% to 50%

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

#### *Income*

- 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 on a percentage completion method, which is based on the proportion of costs incurred as a percentage of the total costs.

#### *Investments*

All investments, including those in subsidiaries, are stated at the lower of cost and net realisable value. Any write-downs are recognised in the Statement of Financial Performance.

#### *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*

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

#### **CHANGES IN ACCOUNTING POLICIES**

In previous years research income had been recognised when the money was received, or entitlement to receive money was established, except where fulfilment of any restrictions attached to such money was not probable. In 2004 research income is recognised on a percentage of completion method. This percentage completion is based on the proportion of costs incurred as a percentage of the total costs.

The change in treatment has resulted in a decrease to the Statement of Financial Performance for Research Income in 2004 of \$4.6 million. A corresponding increase has occurred in Funds Received in Advance in the Statement of Financial Position. There has been no effect on the Statement of Cashflows.

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 2004 (Council approved budget - May 2004)

	Notes	DEC-03 University & Group (\$000's)	DEC-03 University Actuals (\$000's)	DEC-04 University Budget (\$000's)	DEC-04 University Actual (\$000's)	DEC-04 University & Group (\$000's)
<b>OPERATING INCOME</b>						
Government Grant		80,018	80,018	82,535	81,482	81,482
<i>Student Tuition Fees</i>						
Student Tuition Fees Domestic Fee Paying		33,571	33,571	33,881	33,325	33,325
Student Tuition Fees Full Fee Paying		18,648	18,648	27,125	27,323	27,323
Student Tuition Fees Other		7,846	7,846	7,591	6,367	6,367
Contract EFTS Income		1,335	1,335	1,330	1,331	1,331
<b>Total Student Tuition Fees</b>		<b>61,400</b>	<b>61,400</b>	<b>69,927</b>	<b>68,346</b>	<b>68,346</b>
<i>Other Income</i>						
Other Student Related Fees		1,505	1,505	1,455	1,591	1,591
Student Accommodation		4,886	4,886	4,925	5,177	5,177
Research Income	14	11,609	11,385	15,475	10,462	10,774
Interest Income		1,366	1,328	1,599	2,252	2,304
Other Income	1	12,654	12,377	12,028	13,984	14,545
<b>Total Other Income</b>		<b>32,020</b>	<b>31,481</b>	<b>35,482</b>	<b>33,466</b>	<b>34,391</b>
<b>TOTAL OPERATING INCOME</b>		<b>173,438</b>	<b>172,899</b>	<b>187,944</b>	<b>183,294</b>	<b>184,219</b>
<b>OPERATING EXPENDITURE</b>						
Personnel Expenses	2	101,313	100,937	109,130	107,067	107,621
Site & Property Costs	3	7,442	7,422	7,661	6,895	6,915
General / Operating Expenditure	4	40,191	40,041	45,622	42,129	42,467
Depreciation	5b	21,129	21,125	20,892	21,117	21,121
<b>TOTAL OPERATING EXPENDITURE</b>		<b>170,075</b>	<b>169,525</b>	<b>183,305</b>	<b>177,208</b>	<b>178,124</b>
<b>NET SURPLUS</b>	8	<b>3,363</b>	<b>3,374</b>	<b>4,639</b>	<b>6,086</b>	<b>6,095</b>

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

# Statement of Movements in Equity

For the year ended 31 December 2004

	Notes	DEC-03 University & Group (\$000's)	DEC-03 University Actuals (\$000's)	DEC-04 University Budget (\$000's)	DEC-04 University Actuals (\$000's)	DEC-04 University & Group (\$000's)
<b>Balance as at 1 January</b>		345,535	345,818	356,929	356,929	357,122
Net Surplus / (Deficit)		3,363	3,374	4,639	6,086	6,095
Movements in revaluation reserves relating to asset valuations	<b>6b</b>	186	186	0	4,884	4,884
Net asset change ex lease arrangement		5,528	5,528	0	0	0
Capital Additions		487	0	0	0	0
Transfer of Funds From/(To) Trusts		2,069	2,069	0	0	0
Capital Adjustments		(46)	(46)	0	0	0
<b>Total Recognised Income and Expenditure for the year</b>		<b>11,587</b>	<b>11,111</b>	<b>4,639</b>	<b>10,970</b>	<b>10,979</b>
<b>Balance as at 31 December</b>		<b>357,122</b>	<b>356,929</b>	<b>361,568</b>	<b>367,899</b>	<b>368,101</b>

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

# Statement of Financial Position

As at 31 December 2004

	Notes	DEC-03 University & Group (\$000's)	DEC-03 University Actuals (\$000's)	DEC-04 University Budget (\$000's)	DEC-04 University Actuals (\$000's)	DEC-04 University & Group (\$000's)
<b>CURRENT ASSETS</b>						
Cash / Short Term Investments	7	9,251	8,330	14,472	12,910	13,963
Receivables	7	3,598	3,384	3,511	7,365	7,278
Prepayments	7	4,321	4,321	4,659	4,155	4,155
Inventories		1,718	1,718	1,600	1,756	1,756
<b>Total Current Assets</b>		<b>18,888</b>	<b>17,753</b>	<b>24,242</b>	<b>26,186</b>	<b>27,152</b>
<b>LESS CURRENT LIABILITIES</b>						
Funds Received in Advance	7	3,920	3,920	4,100	7,786	7,786
Accounts Payable	7	12,245	11,873	12,788	15,446	15,930
Loans Repayable Within 1 Year	9	2,033	2,033	2,071	2,127	2,127
Current Provisions - Employee Entitlements		4,273	4,201	4,256	4,394	4,414
<b>Total Current Liabilities</b>		<b>22,471</b>	<b>22,027</b>	<b>23,215</b>	<b>29,753</b>	<b>30,257</b>
<b>WORKING CAPITAL</b>		<b>(3,583)</b>	<b>(4,274)</b>	<b>1,027</b>	<b>(3,567)</b>	<b>(3,105)</b>
<b>NON CURRENT ASSETS</b>						
Land	5a	33,952	33,952	33,952	34,315	34,315
Buildings	5a	290,530	290,530	283,984	288,337	288,337
Plant & Equipment	5a	29,527	29,522	26,900	25,545	25,562
Leased Equipment	5a	1,226	1,226	871	974	974
Library	5a & 15	53,855	53,855	55,194	64,217	64,217
Capital Work-In-Progress	5a	2,754	2,754	9,636	6,812	6,812
Investments		247	750	750	750	473
<b>Total Non Current Assets</b>		<b>412,091</b>	<b>412,589</b>	<b>411,287</b>	<b>420,950</b>	<b>420,690</b>
<b>NON CURRENT LIABILITIES</b>						
Loans & Leases	9	35,902	35,902	33,831	33,747	33,747
Term Provisions - Employee Entitlements		15,484	15,484	16,915	15,737	15,737
<b>Total Non Current Liabilities</b>		<b>51,386</b>	<b>51,386</b>	<b>50,746</b>	<b>49,484</b>	<b>49,484</b>
<b>TOTAL NET ASSETS</b>		<b>357,122</b>	<b>356,929</b>	<b>361,568</b>	<b>367,899</b>	<b>368,101</b>
<b>REPRESENTED BY :</b>						
Community Equity	6a	293,845	293,652	298,291	307,668	307,870
Revaluation Reserves	6b	63,277	63,277	63,277	60,231	60,231
<b>TOTAL COMMUNITY EQUITY</b>		<b>357,122</b>	<b>356,929</b>	<b>361,568</b>	<b>367,899</b>	<b>368,101</b>

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

# Statement of Cash Flows

For the year ended 31 December 2004

	Notes	DEC-03 University & Group (\$000's)	DEC-03 University Actuals (\$000's)	DEC-04 University Budget (\$000's)	DEC-04 University Actuals (\$000's)	DEC-04 University & Group (\$000's)
<b>OPERATING ACTIVITIES</b>						
Cash provided from:						
Government Grant		79,952	79,952	82,535	79,983	79,983
Tuition Fees		59,633	59,633	69,760	67,238	67,238
Other Income		28,092	27,647	28,957	24,604	25,540
Agency Funds		5,970	5,970	0	5,047	5,047
Interest Received		1,362	1,328	1,599	2,168	2,220
Rental Income		4,886	4,886	4,925	5,177	5,177
		179,894	179,416	187,776	184,217	185,205
Cash applied to:						
Personnel Expenses		101,927	101,553	107,644	104,946	105,543
Site & Property Expenses		7,422	7,422	7,661	6,754	6,754
General / Operating Expenses		37,996	37,996	43,777	40,244	40,244
Agency Funds		5,970	5,970	0	5,047	5,047
Interest Paid		973	973	930	909	909
Net GST Movement		290	216	0	46	61
		154,579	154,130	160,012	157,946	158,558
<b>Net cash provided by Operating Activities</b>	<b>8</b>	<b>25,316</b>	<b>25,286</b>	<b>27,764</b>	<b>26,271</b>	<b>26,647</b>
<b>INVESTING ACTIVITIES</b>						
Cash provided from:						
Proceeds of disposal:						
Fixed Assets		95	95	0	2	2
		95	95	0	2	2
Cash applied to:						
Capital Expenditure		17,866	17,862	19,589	19,550	19,567
Development Costs		247	0	0	0	227
		18,113	17,862	19,589	19,550	19,794
<b>Net cash used in Investing Activities</b>		<b>(18,018)</b>	<b>(17,767)</b>	<b>(19,589)</b>	<b>(19,548)</b>	<b>(19,792)</b>
<b>FINANCING ACTIVITIES</b>						
Cash provided from:						
Capital Contributions		487	0	0	0	0
		487	0	0	0	0
Cash applied to:						
Repayment of Loans		485	485	2,033	2,143	2,143
		485	485	2,033	2,143	2,143
<b>Net cash provided by Financing Activities</b>		<b>2</b>	<b>(485)</b>	<b>(2,033)</b>	<b>(2,143)</b>	<b>(2,143)</b>
Net increase (decrease) in cash held		7,300	7,034	6,142	4,580	4,712
Cash on hand at beginning of period		1,951	1,296	8,330	8,330	9,251
<b>Cash on hand at end of period</b>	<b>7</b>	<b>9,251</b>	<b>8,330</b>	<b>14,472</b>	<b>12,910</b>	<b>13,963</b>
Represented by :						
Cash and Short Term Deposits		9,251	8,330	14,472	12,910	13,963
		<b>9,251</b>	<b>8,330</b>	<b>14,472</b>	<b>12,910</b>	<b>13,963</b>

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



# Statement of Commitments

As at 31 December 2004

	2003	2004
<i>Expenditure committed in:</i>		
<i>Capital Commitments</i>	<i>(\$000's)</i>	<i>(\$000's)</i>
Chemistry	160	1,324
South African Large Telescope (SALT)	201	43
Library Plaza	0	303
41 Creyke Road	345	0
Arts	278	0
Library Lifts	230	0
Science Landscape	185	0
Science	109	0
Other Projects (<\$100k)	275	264
JADE Student Management System	0	1,904
<b>Total</b>	<b>1,783</b>	<b>3,838</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.

## *Non-cancellable Operating Lease Commitments*

The University also has commitments on the lease of printing and photocopier equipment from various companies. \$244,712 is committed over the next 3 years (2003: \$450,159).

# Statement of Contingent Assets and Liabilities

As at 31 December 2004

*The University is vigorously defending a letter from the Inland Revenue Department regarding the treatment of PAYE on certain transactions. It is likely the end result of this process will not be known until 2006.*

# Notes to the Financial Accounts

For the year ended 31 December 2004

	DEC-03 University & Group (\$000's)	DEC-03 University Actuals (\$000's)	DEC-04 University Budget (\$000's)	DEC-04 University Actual (\$000's)	DEC-04 University & Group (\$000's)
<b>1 Other Income</b>					
Donations/Koha	678	678	190	239	239
Macmillan Brown Collection	0	0	0	3,900	3,900
Rentals	1,243	1,243	963	831	831
External Sales	4,902	4,902	3,899	3,987	3,987
Sundry Income	5,831	5,554	6,976	5,027	5,588
<b>TOTAL OTHER INCOME</b>	<b>12,654</b>	<b>12,377</b>	<b>12,028</b>	<b>13,984</b>	<b>14,545</b>
<b>2 Personnel Expenses</b>					
Teaching Personnel	50,910	50,910	54,719	51,901	51,901
Non Teaching Personnel	43,525	43,149	46,513	47,554	48,042
<b>Total Direct Personnel Costs</b>	<b>94,435</b>	<b>94,059</b>	<b>101,232</b>	<b>99,455</b>	<b>99,943</b>
Superannuation	3,491	3,491	3,758	3,419	3,419
Accident Compensation (ACC)	436	436	563	375	375
Councillors' Honoraria	58	58	80	63	63
Directors' Fees	30	0	0	0	66
Other Salary Related Expenditure	2,863	2,893	3,497	3,755	3,755
<b>Total Other Personnel Expenses</b>	<b>6,878</b>	<b>6,878</b>	<b>7,898</b>	<b>7,612</b>	<b>7,678</b>
<b>TOTAL PERSONNEL EXPENSES</b>	<b>101,313</b>	<b>100,937</b>	<b>109,130</b>	<b>107,067</b>	<b>107,621</b>
<b>3 Site &amp; Property Costs</b>					
Repairs & Maintenance to Property/Facilities	3,802	3,802	3,655	3,533	3,533
Electricity, Coal, Gas	2,666	2,666	2,776	2,291	2,291
Resources	579	579	612	600	600
Other Site and Property Costs	395	375	618	471	491
<b>TOTAL SITE &amp; PROPERTY COSTS</b>	<b>7,442</b>	<b>7,422</b>	<b>7,661</b>	<b>6,895</b>	<b>6,915</b>
<b>4 General / Operating Expenditure</b>					
Academic Expenses	434	434	392	443	443
Advertising	1,106	1,106	1,027	1,098	1,098
Auditors Remuneration-Financial Audit	148	136	85	95	103
Auditors Remuneration- Other Services	18	18	5	5	5
Bad Debts Written Off	84	84	50	49	49
Decrease in Provision for Doubtful Debts	0	0	0	(24)	(24)
Consultancy/Contractors	3,532	3,532	3,382	3,698	3,698
Direct Academic Costs	4,500	4,500	5,106	4,798	4,798
Interest Paid	973	973	930	934	934
Office Equipment	3,294	3,291	2,669	3,643	3,648
Photocopying, Postage, Printing and Stationery	4,586	4,586	4,715	4,476	4,476
Rental on Operating Leases	496	487	549	428	431
Scholarships & Prizes	5,604	5,604	6,882	6,147	6,147
Travel & Conference Costs	4,605	4,597	5,279	4,943	4,961
Other General/Operating Costs	10,811	10,693	14,551	11,396	11,700
<b>TOTAL GENERAL / OPERATING COSTS</b>	<b>40,191</b>	<b>40,041</b>	<b>45,622</b>	<b>42,129</b>	<b>42,467</b>

	Dec-03 NET BOOK VALUE (\$000's)	Dec-04 COST/VALN (\$000's)	ACCUM DEPN (\$000's)	Dec-04 NET BOOK VALUE (\$000's)
<b>5a Non Current Assets Excluding Investments</b>				
<b>UNIVERSITY</b>				
As at 31 December				
Land at Valuation	33,952	34,315	0	34,315
Buildings at Cost	24,205	29,397	(1,324)	28,073
Buildings at Valuation	266,325	272,383	(12,119)	260,264
Plant & Equipment at Cost	29,522	74,840	(49,295)	25,545
Leased Equipment at Cost	1,226	2,041	(1,067)	974
Library Collection at Cost	46,738	81,304	(32,550)	48,754
Library Collection at Valuation	7,117	15,463	0	15,463
Work-In-Progress at Cost	2,754	6,812	0	6,812
<b>TOTAL NON-CURRENT ASSETS excluding Investments</b>	<b>411,839</b>	<b>516,555</b>	<b>(96,355)</b>	<b>420,200</b>

<b>UNIVERSITY AND GROUP</b>				
As at 31 December				
Land at Valuation	33,952	34,315	0	34,315
Buildings at Cost	24,205	29,397	(1,324)	28,073
Buildings at Valuation	266,325	272,383	(12,119)	260,264
Plant & Equipment at Cost	29,527	74,905	(49,343)	25,562
Leased Equipment	1,226	2,041	(1,067)	974
Library Collection at Cost	46,738	81,304	(32,550)	48,754
Library Collection at Valuation	7,117	15,463	0	15,463
Work-In-Progress at Cost	2,754	6,812	0	6,812
<b>TOTAL NON-CURRENT ASSETS excluding Investments</b>	<b>411,844</b>	<b>516,620</b>	<b>(96,403)</b>	<b>420,217</b>

	DEC-03 University & Group (\$000's)	DEC-03 University Actuals (\$000's)	DEC-04 University Budget (\$000's)	DEC-04 University Actuals (\$000's)	DEC-04 University & Group (\$000's)
<b>5b Depreciation</b>					
Asset Category					
Buildings	6,360	6,360	6,546	6,519	6,519
Equipment	8,396	8,392	7,650	7,681	7,685
Equipment Write-offs	2,477	2,477	2,600	2,810	2,810
Leased Equipment	377	377	355	407	407
Library (Current Collection)	3,519	3,519	3,741	3,700	3,700
<b>Total Depreciation</b>	<b>21,129</b>	<b>21,125</b>	<b>20,892</b>	<b>21,117</b>	<b>21,121</b>

	DEC-03 University & Group (\$000's)	DEC-03 University Actuals (\$000's)	DEC-04 University Budget (\$000's)	DEC-04 University Actuals (\$000's)	DEC-04 University & Group (\$000's)
<b>6a Community Equity</b>					
<b>Balance as at 1 January</b>	282,204	282,487	293,652	293,652	293,845
Net Surplus	3,363	3,374	4,639	6,086	6,095
Capital Additions	487	0	0	0	0
Transfers to:					
Revaluation Reserves	0	0	0	(226)	(226)
Transfers from:					
Revaluation Reserves	240	240	0	8,156	8,156
University of Canterbury Trust Funds	2,069	2,069	0	0	0
Capital Adjustments	5,482	5,482	0	0	0
<b>Balance as at 31 December</b>	<b>293,845</b>	<b>293,652</b>	<b>298,291</b>	<b>307,668</b>	<b>307,870</b>
<b>6b Revaluation Reserves</b>					
<b>Balance as at 1 January</b>	63,331	63,331	63,277	63,277	63,277
Transfers to:					
Community Equity	(240)	(240)	0	(8,156)	(8,156)
Transfers from:					
Community Equity	0	0	0	226	226
Revaluation	186	186	0	4,884	4,884
<b>Balance as at 31 December</b>	<b>63,277</b>	<b>63,277</b>	<b>63,277</b>	<b>60,231</b>	<b>60,231</b>
<b>Being : Buildings</b>	27,021	27,021	27,021	27,021	27,021
Plant & Equipment	8,156	8,156	8,156	0	0
Land	21,209	21,209	21,209	21,209	21,209
Library	6,891	6,891	6,891	12,001	12,001
<b>Total</b>	<b>63,277</b>	<b>63,277</b>	<b>63,277</b>	<b>60,231</b>	<b>60,231</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 \$3,549,931.

### Fair Values

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

	DEC-03 Carrying Amount (\$000's)	DEC-03 Fair Value (\$000's)	DEC-04 Carrying Amount (\$000's)	DEC-04 Fair Value (\$000's)
Accounts Receivable and Prepayments	7,705	7,705	11,520	11,520
Bank and Short Term Deposits	8,330	8,330	12,910	12,910
Accounts Payable and Funds Received in Advance	15,793	15,793	23,232	23,232

The estimated fair values of the Group's financial instruments at 31 December 2003 and 2004 are as follows:

	DEC-03 Carrying Amount (\$000's)	DEC-03 Fair Value (\$000's)	DEC-04 Carrying Amount (\$000's)	DEC-04 Fair Value (\$000's)
Accounts Receivable and Prepayments	7,919	7,919	11,433	11,433
Bank and Short Term Deposits	9,251	9,251	13,963	13,963
Accounts Payable and Funds Received in Advance	16,165	16,165	23,716	23,716

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

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

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 number of debtors.

## 8 Reconciliation of Net Surplus with Net Cash From Operating Activities

	DEC-03 University & Group (\$000's)	DEC-03 University Actuals (\$000's)	DEC-04 University Budget (\$000's)	DEC-04 University Actuals (\$000's)	DEC-04 University & Group (\$000's)
<b>OPERATING ACTIVITIES</b>					
Net Surplus/(Deficit)	3,363	3,374	4,639	6,086	6,095
<b>Add (less) non-cash items:</b>					
Depreciation / Asset Write-offs	21,129	21,125	20,892	21,117	21,121
Donated Assets (including Macmillan Brown Collection)	(376)	(376)	0	(3,990)	(3,990)
Movement in Employee Entitlements (Non Current)	(207)	(207)	(532)	253	253
<b>Add (less) movements in other working capital items:</b>					
Accounts Payable	2,200	1,963	694	7,632	7,693
Accounts Receivable	(882)	(682)	(1,479)	(3,815)	(3,513)
Inventories	(81)	(81)	0	(38)	(38)
Miscellaneous adjustments	46	46	3,709	0	0
<b>Add (less) items classified as Investing / Financing Activities:</b>					
Movement in Accrued Capital Expenditure	0	0	0	(915)	(915)
Movement in Prepaid Capital Expenditure	124	124	(159)	(59)	(59)
<b>NET CASH PROVIDED BY</b>					
<b>OPERATING ACTIVITIES</b>	<b>25,316</b>	<b>25,286</b>	<b>27,764</b>	<b>26,271</b>	<b>26,647</b>
<b>9 Loans and Leases</b>					
<b>Non-current Loans and Leases</b>					
BNZ Term Loan	10,500	10,500	9,000	9,000	9,000
NZ Tertiary Education Trust	24,436	24,436	24,265	24,100	24,100
Finance Leases	966	966	566	647	647
<b>Total</b>	<b>35,902</b>	<b>35,902</b>	<b>33,831</b>	<b>33,747</b>	<b>33,747</b>
<b>Loans Repayable within 1 year</b>					
BNZ Term Loan	1,500	1,500	1,500	1,500	1,500
NZ Tertiary Education Trust	168	168	180	180	180
Finance Leases	365	365	391	447	447
Other	0	0	0	0	0
<b>Total</b>	<b>2,033</b>	<b>2,033</b>	<b>2,071</b>	<b>2,127</b>	<b>2,127</b>
<b>TOTAL LOANS AND LEASES</b>	<b>37,935</b>	<b>37,935</b>	<b>35,902</b>	<b>35,874</b>	<b>35,874</b>

The University restructured its loan facilities in 2004, and currently has a working capital multi-option facility on a seasonal basis for up to \$15m and a committed cash advance, fixed rate facility for up to \$12m.

The committed cash facility has a maturity date of 20 July 2007 and is fixed at an interest rate of 7.2%.

## 10 Canterprise Limited

Canterprise Limited is registered under the Companies Act 1993 and is a wholly owned subsidiary of the University of Canterbury. Canterprise 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 Councillors' Honoraria and Directors' Fees

Honoraria paid to members of the University Council to December 2003 and 2004 are as follows.

Two council members were also directors of Canterprise Limited during 2004 and 2003 and received the following:

<i>Council Member</i>	<i>DEC-03 Honoraria (\$'s)</i>	<i>DEC-04 Honoraria (\$'s)</i>	<i>DEC-03 Directors' Fees (\$'s)</i>	<i>DEC-04 Directors' Fees (\$'s)</i>
Dr P Austin	4,000	4,000	1,833	11,000
Dr SN Bagshaw	4,000	4,000	0	0
Dr CJ Burrows	4,000	4,000	0	0
Ms J Chirnside	0	2,000	0	0
Mr J Gilbert	4,000	4,000	0	0
Dr WR Holmes	4,000	4,000	0	0
Dr BR Mann	19,200	19,447	0	0
Mr P Martin	0	2,333	0	0
Ms D Matahaere-Atariki	0	4,000	0	0
Mr RG Neal	4,000	0	0	0
Mr JC Simpson	10,824	10,950	0	0
Sir A Tait	0	0	6,250	11,000
Ms CP Wilson	4,000	4,000	0	0
	<u>58,024</u>	<u>62,730</u>	<u>8,083</u>	<u>22,000</u>

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

## 12 Reconciliation of Approved Budget to Revised Budget

In May 2004, the budget was revised to adjust for changed EFTS numbers and other movements.

<i>Changes affecting the surplus were:</i>	<i>(in \$000's)</i>
Surplus per Approved Budget 2004:	4,688
Additional Research Income	1,000
Additional 'Other Income'	700
Additional Interest Income	630
Reduction in Departments' Budgets Due to 2003 Overspend	345
Adjustment to Campus Computer's Budget	320
Operational Component for Student Management System Project	(150)
Additional College Expenditure	(274)
Adjustment for Additional Depreciation and Asset Write-offs	(800)
Increased Contingency Fund	(900)
Adjustments to Continuing Education's Budget	(920)
<b>Net Budgeted Surplus reported in Financial Statements</b>	<u><u>4,639</u></u>

### 13 Related Party Transactions

<i>Intergroup</i>	<i>Dec-03</i> <i>(\$000's)</i>	<i>Dec-04</i> <i>(\$000's)</i>
During the financial period to 31 December Canterprise Ltd had the following inter-group transactions :		
Agency Sales collected from University of Canterbury	102	78
Agency Payments to University of Canterbury (net of commission paid to Canterprise)	4,016	4,570
Suppliers Costs paid to University of Canterbury	74	74
Receivable from University of Canterbury	25	1
Payable to University of Canterbury	25	28
Agency Creditors to University of Canterbury	682	899

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

During the year the University purchased \$259,190 of goods and services from Jade Direct NZ. This was in relation to the Student Management System. Until the end of November 2004, Council member John Simpson was the Company Secretary and Advisor to the CEO of Jade Software Corporation Limited. These goods and services were supplied on normal commercial terms.

During the year the University made payments of \$2,279 and \$714 to Chancellor Robin Mann and Councillor W Roy Holmes respectively. These payments were reimbursement for costs incurred.

During the year the University purchased \$8,558 of goods and services from Canterbury Development Corporation. Council member Dr Paddy Austin is a Director of Canterbury Development Corporation. These goods and services were supplied on normal commercial terms.

During the year the University purchased \$6,530 (2003: \$12,286) 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 \$7,664, and Canterprise Limited \$9,872 (2003: \$5,172), 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 \$907 (2003: \$636) of goods and services from Ngāi Tahu Development Corporation. Council member Donna Matahaere-Akariki has an interest in Ngāi Tahu Holdings Corporation, and associated companies. These goods and services were supplied on normal commercial terms.

### 14 Research Income Recognition Change in Accounting Policy

In previous years research income had been recognised when the money was received, or entitlement to receive the money was established, except where fulfillment of any restrictions attached to such money was not probable. In 2004 research income is recognised on a percentage of completion method, which is determined based on a proportion of costs incurred as a percentage of the total costs. There is currently no accounting standard that prescribes the treatment of such contracts, but the new treatment will be acceptable practice under the new International Financial Reporting Standards. The rationale for this change in treatment is that the spending of the research income will be easier to manage where the income can be recognised in the same period to the related expenditure.

The change in treatment has resulted in a decrease to the Statement of Financial Performance for Research Income in 2004 of \$4.6million. A corresponding increase has occurred in Funds Received in Advance in the Statement of Financial Position. There has been no effect on the Statement of Cashflows.

### 15 Macmillan Brown Library Collection

During 2004 the library collection held under Macmillan Brown, which was previously accounted for in the University Trusts, has been transferred to the University of Canterbury. The collection was transferred at cost and then subsequently revalued within the University accounts. The value of this collection as at 31 December 2004 is \$8.7million.