



# Statement of Accounting Policies

For the year ended 31 December 2005

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 2005 (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 CB Richard Ellis Limited as at 31 December 2005. The valuation was undertaken by Chris C. Barraclough, BCom FNZPI.
- Buildings have been valued at depreciated replacement cost as at 31 December 2005, on a component basis by CB Richard Ellis Limited. The valuation was undertaken by Chris C. Barraclough, BCom FNZPI who is a Registered Valuer and has experience in valuing buildings of a specialised 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, unless there is reason to suggest that values have changed considerably in the intervening years, in which case a revaluation may be undertaken outside of the five yearly cycle, as was the case in 2005.

- 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. 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%

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

As at 1 January 2005 the rate of depreciation for computers and servers was changed. These had previously been depreciated on a straight line basis over a three year period. However this did not reflect the real value in use and following analysis this was subsequently changed to four years and six years respectively. The impact of this change is a reduction in depreciation expense of \$999,500.

#### *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.
- The University has entered into a thirty five year lease of its student accommodation facilities. Lease rental has been received in advance in 2005 and will be released as income equally over the period of the lease.

#### *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**

There have been no 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 2005  
(Council Approved Budget May 2005)

	Notes	DEC-05 University & Group (\$000's)	DEC-04 University & Group (\$000's)	DEC-05 University Actuals (\$000's)	DEC-05 University Budget (\$000's)	DEC-04 University Actuals (\$000's)
<b>OPERATING INCOME</b>						
Government Grant		82,716	81,482	82,716	83,768	81,482
Performance-Based Research Funding (PBRF)		4,683	1,904	4,683	4,609	1,904
Student Tuition Fees Domestic Fee Paying		34,590	33,325	34,590	35,648	33,325
Student Tuition Fees Full Fee Paying		30,427	27,323	30,427	30,887	27,323
Student Tuition Fees Other		6,000	7,698	6,000	7,569	7,698
Other Student Related Fees		1,765	1,591	1,765	1,590	1,591
Student Accommodation		5,476	5,177	5,476	5,399	5,177
Research Income		14,740	8,870	14,470	14,011	8,558
Interest Income		3,295	2,304	3,245	2,933	2,252
Other Income	1	13,998	16,041	13,791	11,235	15,480
<b>TOTAL OPERATING INCOME</b>		<b>197,690</b>	<b>185,715</b>	<b>197,163</b>	<b>197,649</b>	<b>184,790</b>
<b>OPERATING EXPENDITURE</b>						
Personnel Expenses	2	118,321	108,365	117,578	116,225	107,811
Site & Property Costs	3	7,286	6,915	7,266	6,788	6,895
General / Operating Expenditure	4	45,521	43,219	45,243	48,979	42,881
Depreciation	5c	17,873	21,121	17,867	18,988	21,117
<b>TOTAL OPERATING EXPENDITURE</b>		<b>189,001</b>	<b>179,620</b>	<b>187,954</b>	<b>190,980</b>	<b>178,704</b>
<b>NET SURPLUS</b>	8	<b>8,689</b>	<b>6,095</b>	<b>9,209</b>	<b>6,669</b>	<b>6,086</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 2005

	Notes	DEC-05 University & Group (\$000's)	DEC-04 University & Group (\$000's)	DEC-05 University Actuals (\$000's)	DEC-05 University Budget (\$000's)	DEC-04 University Actuals (\$000's)
<b>Balance as at 1 January</b>		368,101	357,122	367,899	367,899	356,929
Net Surplus / (Deficit)		8,689	6,095	9,209	6,669	6,086
Movements in revaluation reserves relating to asset valuations	<b>6b</b>	131,312	4,884	131,312	0	4,884
Capital Issued		50	0	0	0	0
Total Recognised Income and Expenditure for the year		140,051	10,979	140,521	6,669	10,970
<b>Balance as at 31 December</b>		<b>508,152</b>	<b>368,101</b>	<b>508,420</b>	<b>374,568</b>	<b>367,899</b>

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

# Statement of Financial Position

As at 31 December 2005

	Notes	DEC-05 University & Group (\$000's)	DEC-04 University & Group (\$000's)	DEC-05 University Actuals (\$000's)	DEC-05 University Budget (\$000's)	DEC-04 University Actuals (\$000's)
<b>CURRENT ASSETS</b>						
Cash / Short Term Investments	7	25,775	13,963	25,265	19,156	12,910
Receivables	7	8,435	7,278	8,630	7,807	7,365
Prepayments	7	3,954	4,155	3,954	4,404	4,155
Inventories		2,071	1,756	2,071	1,755	1,756
<b>Total Current Assets</b>		<b>40,235</b>	<b>27,152</b>	<b>39,920</b>	<b>33,122</b>	<b>26,186</b>
<b>LESS CURRENT LIABILITIES</b>						
Funds Received in Advance	7	9,952	7,786	9,952	8,249	7,786
Accounts Payable	7	16,461	15,930	16,157	15,909	15,446
Loans Repayable Within 1 Year	9	2,561	2,127	2,561	2,131	2,127
Current Provisions - Employee Entitlements	10	5,215	4,414	5,178	4,526	4,394
<b>Total Current Liabilities</b>		<b>34,189</b>	<b>30,257</b>	<b>33,848</b>	<b>30,815</b>	<b>29,753</b>
<b>WORKING CAPITAL</b>		<b>6,046</b>	<b>(3,105)</b>	<b>6,072</b>	<b>2,307</b>	<b>(3,567)</b>
<b>NON CURRENT ASSETS</b>						
Land	5a	48,574	34,315	48,574	34,315	34,315
Buildings	5a	405,614	288,337	405,614	286,743	288,337
Plant & Equipment	5a	26,693	25,562	26,680	24,192	25,545
Leased Equipment	5a	731	974	731	599	974
Library	5a	66,343	64,217	66,343	65,483	64,217
Capital Work-In-Progress	5a	3,770	6,812	3,770	8,004	6,812
Investments	5b	1,634	473	1,889	750	750
<b>Total Non Current Assets</b>		<b>553,359</b>	<b>420,690</b>	<b>553,601</b>	<b>420,086</b>	<b>420,950</b>
<b>NON CURRENT LIABILITIES</b>						
Loans & Leases	9	7,276	33,747	7,276	31,616	33,747
Term Provisions - Employee Entitlements	10	16,777	15,737	16,777	16,209	15,737
Term - Funds Received in Advance	7	27,200	0	27,200	0	0
<b>Total Non Current Liabilities</b>		<b>51,253</b>	<b>49,484</b>	<b>51,253</b>	<b>47,825</b>	<b>49,484</b>
<b>TOTAL NET ASSETS</b>		<b>508,152</b>	<b>368,101</b>	<b>508,420</b>	<b>374,568</b>	<b>367,899</b>
<b>REPRESENTED BY :</b>						
Community Equity	6a	316,609	307,870	316,877	314,337	307,668
Revaluation Reserves	6b	191,543	60,231	191,543	60,231	60,231
<b>TOTAL COMMUNITY EQUITY</b>		<b>508,152</b>	<b>368,101</b>	<b>508,420</b>	<b>374,568</b>	<b>367,899</b>

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

# Statement of Cash Flows

For the year ended 31 December 2005

	Notes	DEC-05 University & Group (\$000's)	DEC-04 University & Group (\$000's)	DEC-05 University Actuals (\$000's)	DEC-05 University Budget (\$000's)	DEC-04 University Actuals (\$000's)
<b>OPERATING ACTIVITIES</b>						
Cash provided from:						
Government Grant		82,310	79,983	82,310	83,768	79,983
Tuition Fees		70,871	67,238	70,871	74,105	67,238
Other Income		63,931	25,540	63,265	30,131	24,604
Agency Funds		4,370	5,047	4,370	0	5,047
Interest Received		3,109	2,220	3,059	2,933	2,168
Rental Income		5,476	5,177	5,476	5,399	5,177
		230,067	185,205	229,351	196,336	184,217
Cash applied to:						
Personnel Expenses		114,363	105,543	113,620	113,871	104,946
Site & Property Expenses		7,267	6,754	7,247	6,788	6,754
General / Operating Expenses		47,823	40,244	47,322	46,197	40,244
Agency Funds		4,370	5,047	4,370	0	5,047
Interest Paid		935	909	935	890	909
Net GST Movement		(895)	61	(927)	0	46
		173,863	158,558	172,567	167,746	157,946
<b>Net cash provided by Operating Activities</b>	<b>8</b>	<b>56,204</b>	<b>26,647</b>	<b>56,784</b>	<b>28,590</b>	<b>26,271</b>
<b>INVESTING ACTIVITIES</b>						
Cash provided from:						
Proceeds of disposal:						
Fixed Assets		40	2	40	0	2
		40	2	40	0	2
Cash applied to:						
Capital Expenditure		18,000	19,567	17,998	20,213	19,550
Development Costs		0	227	0	0	0
Miscellaneous		11	0	0	0	0
		18,011	19,794	17,998	20,213	19,550
<b>Net cash used in Investing Activities</b>		<b>(17,971)</b>	<b>(19,792)</b>	<b>(17,958)</b>	<b>(20,213)</b>	<b>(19,548)</b>
<b>FINANCING ACTIVITIES</b>						
Cash provided from:						
Capital Contributions		50	0	0	0	0
		50	0	0	0	0
Cash applied to:						
Repayment of Loans		26,471	2,143	26,471	2,131	2,143
		26,471	2,143	26,471	2,131	2,143
<b>Net cash used in Financing Activities</b>		<b>(26,421)</b>	<b>(2,143)</b>	<b>(26,471)</b>	<b>(2,131)</b>	<b>(2,143)</b>
Net increase (decrease) in cash held		11,812	4,712	12,355	6,246	4,580
Cash on hand at beginning of period		13,963	9,251	12,910	12,910	8,330
<b>Cash on hand at end of period</b>	<b>7</b>	<b>25,775</b>	<b>13,963</b>	<b>25,265</b>	<b>19,156</b>	<b>12,910</b>
Represented by :						
Cash and Short Term Deposits		25,775	13,963	25,265	19,156	12,910
		25,775	13,963	25,265	19,156	12,910

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



# Statement of Commitments

As at 31 December 2005

<i>Capital Commitments</i>	2005 (\$000's)	2004 (\$000's)
JADE Student Management System	912	1,904
Scanning Electron Microscope	566	0
Law Computer Laboratory	103	0
South African Large Telescope (SALT)	80	43
Library Plaza	23	303
Other Projects (<\$100k)	75	264
Chemistry	0	1,324
<b>Total</b>	<b>1,759</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. \$62,816 is committed over the next 2 years (2004: \$244,712).

# Statement of Contingent Assets and Liabilities

As at 31 December 2005

The University has no contingent liabilities as at 31 December 2005.

# Notes to the Financial Accounts

For the year ended 31 December 2005

	DEC-05 University & Group (\$000's)	DEC-04 University & Group (\$000's)	DEC-05 University Actuals (\$000's)	DEC-05 University Budget (\$000's)	DEC-04 University Actuals (\$000's)
<b>1 Other Income</b>					
Donations / Koha	190	239	190	32	239
Macmillan Brown Collection	0	3,900	0	0	3,900
Rentals	1,061	831	1,061	1,034	831
External Sales	4,352	3,987	4,352	3,235	3,987
Sundry Income	8,395	7,084	8,188	6,934	6,523
<b>TOTAL OTHER INCOME</b>	<b>13,998</b>	<b>16,041</b>	<b>13,791</b>	<b>11,235</b>	<b>15,480</b>
<b>2 Personnel Expenses</b>					
Teaching Personnel	54,243	51,901	54,243	54,558	51,901
Non Teaching Personnel	53,867	48,786	53,204	52,551	48,298
<b>Total Direct Personnel Costs</b>	<b>108,110</b>	<b>100,687</b>	<b>107,447</b>	<b>107,109</b>	<b>100,199</b>
Superannuation	3,656	3,419	3,656	3,872	3,419
Accident Compensation (ACC)	408	375	408	380	375
Councillors' Honoraria	62	63	62	80	63
Directors' Fees	80	66	0	0	0
Other Salary Related Expenditure	6,005	3,755	6,005	4,784	3,755
<b>Total Other Personnel Expenses</b>	<b>10,211</b>	<b>7,678</b>	<b>10,131</b>	<b>9,116</b>	<b>7,612</b>
<b>TOTAL PERSONNEL EXPENSES</b>	<b>118,321</b>	<b>108,365</b>	<b>117,578</b>	<b>116,225</b>	<b>107,811</b>
<b>3 Site &amp; Property Costs</b>					
Repairs & Maintenance to Property/Facilities	2,756	3,533	2,756	2,747	3,533
Electricity, Coal, Gas	3,408	2,291	3,388	2,818	2,291
Resources	618	600	618	595	600
Other Site and Property Costs	504	491	504	628	471
<b>TOTAL SITE &amp; PROPERTY COSTS</b>	<b>7,286</b>	<b>6,915</b>	<b>7,266</b>	<b>6,788</b>	<b>6,895</b>
<b>4 General / Operating Expenditure</b>					
Academic Expenses	332	443	332	377	443
Advertising	1,143	1,098	1,143	1,221	1,098
Auditors Remuneration- Financial Audit	137	103	124	100	95
Auditors Remuneration- Other Services	0	5	0	0	5
Bad Debts Written Off	71	49	71	75	49
Increase / (Decrease) in Provision for Doubtful Debts	80	(24)	80	0	(24)
Consultancy / Contractors	4,528	3,698	4,528	5,070	3,698
Direct Academic Costs	4,925	4,798	4,925	5,710	4,798
Interest Paid	935	934	935	890	934
Office Equipment	3,397	3,648	3,392	3,085	3,643
Photocopying, Postage, Printing and Stationery	4,931	4,476	4,931	5,678	4,476
Rental on Operating Leases	518	431	518	580	428
Scholarships & Prizes	7,913	6,147	7,913	6,949	6,147
Travel & Conference Costs	5,518	4,961	5,500	5,336	4,943
Other General / Operating Costs	11,093	12,452	10,851	13,908	12,148
<b>TOTAL GENERAL / OPERATING COSTS</b>	<b>45,521</b>	<b>43,219</b>	<b>45,243</b>	<b>48,979</b>	<b>42,881</b>

	DEC-05 COST/VALN (\$000's)	DEC-05 ACCUM DEPN (\$000's)	DEC-05 NET BOOK VALUE (\$000's)	DEC-04 NET BOOK VALUE (\$000's)
<b>5a Non Current Assets</b>				
UNIVERSITY				
Land at Valuation	48,574	0	48,574	34,315
Buildings at Cost	0	0	0	28,073
Buildings at Valuation	405,614	0	405,614	260,264
Plant & Equipment at Cost	81,992	55,312	26,680	25,545
Leased Equipment at Cost	2,265	1,534	731	974
Library / Other Collections at Cost	87,221	36,341	50,880	48,754
Library / Other Collections at Valuation	15,463	0	15,463	15,463
Work-In-Progress at Cost	3,770	0	3,770	6,812
<b>TOTAL NON-CURRENT ASSETS excluding Investments</b>	<b>644,899</b>	<b>93,187</b>	<b>551,712</b>	<b>420,200</b>
UNIVERSITY AND GROUP				
Land at Valuation	48,574	0	48,574	34,315
Buildings at Cost	0	0	0	28,073
Buildings at Valuation	405,614	0	405,614	260,264
Plant & Equipment at Cost	82,015	55,322	26,693	25,562
Leased Equipment at Cost	2,265	1,534	731	974
Library / Other Collections at Cost	87,221	36,341	50,880	48,754
Library / Other Collections at Valuation	15,463	0	15,463	15,463
Work-In-Progress at Cost	3,770	0	3,770	6,812
<b>TOTAL NON-CURRENT ASSETS excluding Investments</b>	<b>644,922</b>	<b>93,197</b>	<b>551,725</b>	<b>420,217</b>

	DEC-05 University & Group (\$000's)	DEC-04 University & Group (\$000's)	DEC-05 University Actuals (\$000's)	DEC-05 University Budget (\$000's)	DEC-04 University Actuals (\$000's)
<b>5b Investments</b>					
<i>Investment Category</i>					
Investment in Canterprise Limited	495	473	750	750	750
Investment in South African Large Telescope (SALT)	1,139	0	1,139	0	0
<b>Total Investments</b>	<b>1,634</b>	<b>473</b>	<b>1,889</b>	<b>750</b>	<b>750</b>

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.

The South African Large Telescope Foundation is a collaboration of various universities and research organisations, to design, construct and operate a ten metre telescope for the advancement of science and the promotion of astronomy and astrophysics. Share capital was obtained over five years as per an agreed payment schedule.

	DEC-05 University & Group (\$000's)	DEC-04 University & Group (\$000's)	DEC-05 University Actuals (\$000's)	DEC-05 University Budget (\$000's)	DEC-04 University Actuals (\$000's)
<b>5c Depreciation</b>					
<i>Asset Category</i>					
Buildings	6,765	6,519	6,765	6,717	6,519
Equipment	6,825	7,685	6,819	8,036	7,681
Equipment Write-offs	0	2,810	0	0	2,810
Leased Equipment	467	407	467	375	407
Library (Current Collection)	3,816	3,700	3,816	3,860	3,700
<b>Total Depreciation</b>	<b>17,873</b>	<b>21,121</b>	<b>17,867</b>	<b>18,988</b>	<b>21,117</b>

	DEC-05 University & Group (\$000's)	DEC-04 University & Group (\$000's)	DEC-05 University Actuals (\$000's)	DEC-05 University Budget (\$000's)	DEC-04 University Actuals (\$000's)
<b>6a Community Equity</b>					
Balance as at 1 January	307,868	293,843	307,668	307,668	293,652
Net Surplus	8,689	6,095	9,209	6,669	6,086
Capital Additions	50	0	0	0	0
Transfers to:					
Revaluation Reserves	0	(226)	0	0	(226)
Transfers from:					
Revaluation Reserves	0	8,156	0	0	8,156
<b>Balance as at 31 December</b>	<b>316,607</b>	<b>307,868</b>	<b>316,877</b>	<b>314,337</b>	<b>307,668</b>

<b>6b Revaluation Reserves</b>					
Balance as at 1 January	60,231	63,277	60,231	60,231	63,277
Transfers to:					
Community Equity	0	(8,156)	0	0	(8,156)
Transfers from:					
Community Equity	0	226	0	0	226
Revaluation	131,312	4,884	131,312	0	4,884
<b>Balance as at 31 December</b>	<b>191,543</b>	<b>60,231</b>	<b>191,543</b>	<b>60,231</b>	<b>60,231</b>
<b>Being : Buildings</b>	<b>144,299</b>	<b>27,021</b>	<b>144,299</b>	<b>27,021</b>	<b>27,021</b>
Land	35,243	21,209	35,243	21,209	21,209
Library	12,001	12,001	12,001	12,001	12,001
<b>Total</b>	<b>191,543</b>	<b>60,231</b>	<b>191,543</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 \$5,738,815.

### Fair Values

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

	DEC-05 Fair Value (\$000's)	DEC-05 Carrying Amount (\$000's)	DEC-04 Fair Value (\$000's)	DEC-04 Carrying Amount (\$000's)
Accounts Receivable and Prepayments	12,584	12,584	11,520	11,520
Cash / Short Term Investments	25,265	25,265	12,910	12,910
Accounts Payable and Funds Received in Advance	53,309	53,309	23,232	23,232

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

	DEC-05 Fair Value (\$000's)	DEC-05 Carrying Amount (\$000's)	DEC-04 Fair Value (\$000's)	DEC-04 Carrying Amount (\$000's)
Accounts Receivable and Prepayments	12,389	12,389	11,433	11,433
Cash / Short Term Investments	25,775	25,775	13,963	13,963
Accounts Payable and Funds Received in Advance	53,613	53,613	23,716	23,716

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

#### Accounts Receivable, Cash / Short Term Investments, 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.

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

	DEC-05 University & Group (\$000's)	DEC-04 University & Group (\$000's)	DEC-05 University Actuals (\$000's)	DEC-05 University Budget (\$000's)	DEC-04 University Actuals (\$000's)
<b>OPERATING ACTIVITIES</b>					
Net Surplus / (Deficit)	8,689	6,095	9,209	6,669	6,086
<b>Add (less) non-cash items:</b>					
Depreciation / Asset Write-offs	17,873	21,121	17,867	18,988	21,117
Donated Assets (including Macmillan Brown Collection)	(121)	(3,990)	(121)	0	(3,990)
Adjustment to Loan	(176)	0	(176)	0	0
Movement in Employee Entitlements (Non Current)	1,040	253	1,040	472	253
<b>Add (less) movements in other working capital items:</b>					
Accounts Payable	1,786	3,827	1,929	501	3,766
Revenue in Advance	29,366	3,866	29,366	563	3,866
Accounts Receivable	(987)	(3,513)	(1,064)	(691)	(3,815)
Inventories	(315)	(38)	(315)	1	(38)
<b>Add (less) items classified as Investing / Financing Activities:</b>					
Movement in Accrued Capital Expenditure	(992)	(915)	(992)	2,132	(915)
Movement in Prepaid Capital Expenditure	41	(59)	41	(45)	(59)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>56,204</b>	<b>26,647</b>	<b>56,784</b>	<b>28,590</b>	<b>26,271</b>

## 9 Loans and Leases

### Non-current Loans and Leases

BNZ Term Loan	7,000	9,000	7,000	7,500	9,000
NZ Tertiary Education Trust	0	24,100	0	23,900	24,100
Finance Leases	276	647	276	216	647
<b>Total</b>	<b>7,276</b>	<b>33,747</b>	<b>7,276</b>	<b>31,616</b>	<b>33,747</b>
<b>Loans Payable within 1 year</b>					
BNZ Term Loan	2,000	1,500	2,000	1,500	1,500
NZ Tertiary Education Trust	0	180	0	180	180
Finance Leases	561	447	561	451	447
<b>Total</b>	<b>2,561</b>	<b>2,127</b>	<b>2,561</b>	<b>2,131</b>	<b>2,127</b>
<b>TOTAL LOANS AND LEASES</b>	<b>9,837</b>	<b>35,874</b>	<b>9,837</b>	<b>33,747</b>	<b>35,874</b>

The University 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 Employee Entitlements

	DEC-05 University & Group (\$000's)	DEC-04 University & Group (\$000's)	DEC-05 University Actuals (\$000's)	DEC-05 University Budget (\$000's)	DEC-04 University Actuals (\$000's)
Annual Leave	4,214	3,435	4,177	4,078	3,415
Long Service Leave	426	445	426	448	445
Retirement Leave	17,352	16,271	17,352	16,209	16,271
<b>Total</b>	<b>21,992</b>	<b>20,151</b>	<b>21,955</b>	<b>20,735</b>	<b>20,131</b>
Made up of:					
Current	5,215	4,414	5,178	4,526	4,394
Non Current	16,777	15,737	16,777	16,209	15,737
<b>Total</b>	<b>21,992</b>	<b>20,151</b>	<b>21,955</b>	<b>20,735</b>	<b>20,131</b>

## 11 Councillors' Honoraria and Directors' Fees

Honoraria and other benefits paid to members of University Council to December 2004 and 2005 are as follows:

Two council members were also directors of Canterprise Limited during 2005 and 2004 and received the following directors' fees:

Council Member	DEC-05 Honoraria (in \$'s)	DEC-04 Honoraria (in \$'s)	DEC-05 Directors' Fees (in \$'s)	DEC-04 Directors' Fees (in \$'s)
Dr P Austin	4,000	4,000	13,500	11,000
Dr SN Bagshaw	0	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
Mr G Hampton	4,000	0	0	0
Dr WR Holmes	0	4,000	0	0
Mr T McIntyre	4,000	0	0	0
Dr BR Mann	19,447	19,447	0	0
Mr P Martin	0	2,333	0	0
Ms D Matahaere-Atariki	4,000	4,000	0	0
Mrs W Ritchie	4,000	0	0	0
Mr JC Simpson	10,950	10,950	0	0
Sir A Tait	0	0	13,500	11,000
Ms CP Wilson	4,000	4,000	0	0
	<b>62,397</b>	<b>62,730</b>	<b>27,000</b>	<b>22,000</b>

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

## 12 Reconciliation of Approved Budget to Revised Budget

In May 2005, the budget was revised from the approved budget to adjust for changed student numbers and other movements.

Changes affecting the surplus were:	(\$000's)
Surplus per Approved Budget 2005	7,225
Reduction in Personnel Expenses	1,983
Reduction in General / Operating Expenditure	647
Additional Interest Income	555
Additional Research Income	432
Additional 'Other Income'	258
Reduction in Depreciation	125
Reduction in Government Grant / Tuition Fees Income	(3,703)
Increase in Site & Property Costs	(853)
Revised 2005 Budgeted Net Surplus	<u>6,669</u>

## 13 Related Party Transactions

<i>Intergroup</i>	<i>Dec-05</i> <i>(\$000's)</i>	<i>Dec-04</i> <i>(\$000's)</i>
During the financial period to 31 December Canterprise Limited had the following inter-group transactions :		
Agency Sales collected from University of Canterbury	20	78
Agency Payments to University of Canterbury (net of commission paid to Canterprise)	4,640	4,570
Receivable from University of Canterbury	91	75
Payable to University of Canterbury	920	927

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

Bruce Irvine, a partner in the accounting firm Deloitte, is a director of Canterprise Limited. During the year, Deloitte provided accounting and consulting services amounting to \$60,952 (2004: \$29,788) to Canterprise Limited. The amount still owing as at 31 December 2005 was \$12,369. These services were provided on normal commercial terms.

John Walley, a director of Nano Cluster Devices Limited, is the Chairman of Canterprise Limited. During the year Canterprise Limited made sales to Nano Cluster Devices Limited, in the respect of academic services, of \$95,314. The amount still owing to Canterprise Limited as at 31 December 2005 was \$18,990. These services were supplied on normal commercial terms.

Jane Huria, a director of Ngai Tahu Holdings Corporation, and Donna Matahaere-Akariki, who also has an interest in the Ngai Tahu Holdings Corporation and Ngai Tahu Development Corporation subsidiaries, are members of the University Council Audit and Risk Committee and University Council respectively. During 2005 Canterprise Limited sold \$70,000 of goods and services to Ngai Tahu Development Corporation. These goods and services were supplied and provided on normal commercial terms. The University made nil purchases in 2005 (2004: \$907) of goods and services from Ngai Tahu Development Corporation.

Canterprise Limited director, Bruce Irvine, is also a director of SYFT Limited. During the year, Canterprise Limited made sales of \$65,764 to SYFT Limited. The amount still owing to Canterprise Limited as at 31 December 2005 was \$5,692. These goods and services were provided on normal commercial terms.

Dr Paddy Austin, Chair of the Canterbury Museum, is a University Council member. During the year the University made payments totalling \$21,500 to the Canterbury Museum for a subcontractor and museum tour fees. These services were supplied on normal commercial terms.

The University has a 33.3% interest in HIT Lab NZ, which is an unincorporated joint venture. During 2005 the University purchased \$15,167 (2004: \$7,664), and Canterprise Limited \$569 (2004: \$9,872), of goods and services from HIT Lab NZ. These goods and services were supplied on normal commercial terms.

Robin Mann, a member of the Executive Board of the Canterbury Manufacturers' Association, is the University Chancellor. During 2005 the University purchased \$240 of goods and services from the Canterbury Manufacturers' Association. These goods and services were supplied on normal commercial terms.

During the year the University made payments of \$3,169 (2004: \$2,279) to Chancellor Robin Mann. These payments were reimbursements for costs incurred.



#### 14 Impact of the Adoption of International Financial Reporting Standards

The Director of Finance and financial accounting staff fully considered the implications of moving to a New Zealand Equivalent International Financial Reporting Standard (NZ IFRS) accounting platform.

Comparative work was initiated in January 2004 and consisted of an overview appraisal of the similarities and differences between current accounting standards and NZ IFRS in relation to the reporting characteristics of the University of Canterbury.

This work formed the basis for more detailed activity that took place throughout 2005. Led by consultants Ernst and Young, a University sector wide working party was created. This group facilitated sector discussion regarding NZ IFRS transition issues. Technical expertise was utilised allowing the University of Canterbury to focus its transition planning in an effective coordinated manner.

The working party requested technical opinions from the Office of the Auditor General in relation to the most relevant standards.

Throughout this period of analysis an assessment was made to gain assurance that processes and accounting capabilities were of sufficient quality to meet the information needs demanded for NZ IFRS compliance. Where additional disclosures were needed, consultation with the relevant departments has taken place to ensure that there was effective communication and collaboration.

From September 2005, the Council of the University of Canterbury has been provided with a monthly status report by the Director of Finance. This has focused on the timetable for transition, and facilitated discussion on areas where senior management approval has been needed.

Each financial reporting standard was examined in the context of the University of Canterbury's financial statements and the following list details the standards where new treatments are required or different disclosure is needed:

- NZ IFRS 1 : First Time Adoption of NZ Equivalents to International Financial Reporting Standard: Impact on accounting for Property, Plant and Equipment.
- NZ IAS 17 : Leases
- NZ IAS 18 : Revenue Recognition
- NZ IAS 19 : Employee Benefits
- NZ IAS 24 : Related Party Disclosures
- NZ IAS 36 : Impairment
- NZ IAS 39 : Financial Instruments

The University considers it has taken appropriate steps to position itself for the transition to New Zealand equivalents to International Financial Reporting Standards. The first set of fully compliant financial statements will be prepared as at 31 December 2007.

As per requirements, full prior year comparisons will be given with a reconciliation between the statutory retained earnings as at 2005 and the opening balance sheet figure for NZ IFRS purposes as at 1 January 2006.