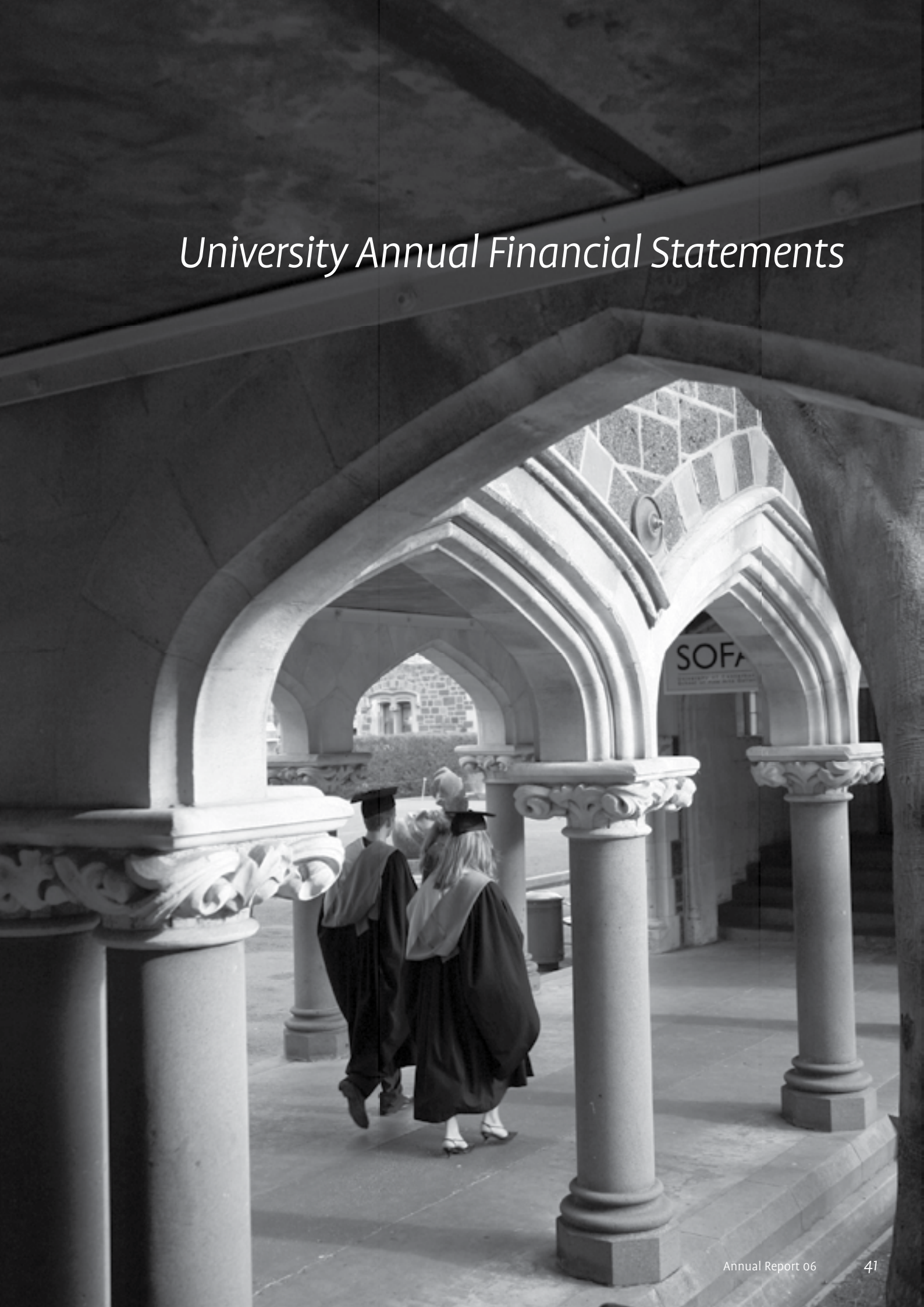


# *University Annual Financial Statements*



# Statement of Accounting Policies

For the year ended 31 December 2006

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 154 of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand, and Section 220 of the Education Act 1989.

## MEASUREMENT BASE

The financial statements have been prepared on a 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.

### Consolidated Financial Statements

The consolidated financial statements include the University of Canterbury and its subsidiary, Canterprise Limited.

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.

### Budget Figures

The budget figures are those approved by the Council before the beginning of the year.

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.

### Revenue

- Government grants are recognised as revenue on entitlement.
- Student tuition fees are primarily recognised as revenue over the 12 month period.
- Research grants are recognised as revenue on a percentage completion method, which is based on the proportion of costs incurred as a percentage of the total costs. Research grant revenue not expended is shown in the Statement of Financial Position as 'Funds Received in Advance'. Research grants that are milestone specific are treated as revenue as milestones are achieved.
- Donations of a monetary nature are recognised as revenue upon entitlement. Where an obligation is attached a liability is recognised. Once the obligation has been fulfilled the donation is recognised as revenue.
- Donations of assets are recorded at fair value and recognised as revenue.

### Financial Instruments

The University is party to financial instruments as part of its ordinary operations. These financial instruments include bank accounts, short term deposits, accounts receivable, prepayments, investments, accounts payable, forward exchange contracts and loans, all of which are recognised in the Statement of Financial Position. Revenue and expenses in relation to these instruments are recognised in the Statement of Financial Performance.

### Accounts Receivable

Accounts receivable are stated at expected realisable value after providing for amounts not considered recoverable.

### Inventories

Inventories have been valued at the lower of cost and net realisable value. Cost is determined on a weighted average method, or on a first-in first-out basis. Any obsolete inventories have been written off.

### 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.

### Fixed Assets

#### Land and Buildings

- Land has been valued at fair value by CB Richard Ellis Limited as at 31 December 2005.
- Buildings have been valued at depreciated replacement cost as at 31 December 2005, on a component basis by CB Richard Ellis Limited. 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.
- Independent registered valuers undertake revaluations of Land and Buildings every three 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 three yearly cycle.

#### Library

- The Current Collection is valued at historical cost less depreciation.
- The Permanent Collection is valued on a fair value basis as at 31 December 2004 by DTZ New Zealand Limited. The Permanent Collection is revalued every 3 years by an independent registered valuer.
- Donated books have been included at fair value.

#### Plant & Equipment

- Assets including plant, equipment, motor vehicles and furniture are recorded at cost. Assets with a cost value lower than \$2,500 are expensed on acquisition, with the exception of computers and data projectors, which are capitalised regardless of cost.

#### Capital Work-in-Progress

- Capital work-in-progress is valued on the basis of expenditure incurred and certified gross Progress Claim Certificates up to balance date. Work-in-progress is not depreciated. The total cost of a project is transferred to the relevant asset class on completion and then depreciated accordingly.
- Additions to all assets subsequent to the date of valuation are recorded at cost.

#### Depreciation

All items of property, plant and equipment other than Land and the Permanent Collection are depreciated using the straight-line method (except for the Current Collection for the Library which uses the diminishing value method), at rates that will write off the cost of assets less their residual values, over their estimated remaining useful lives. Depreciation rates used are as follows:

- Buildings Components
  - Structure 1.25% SL
  - Building Services 2.5% SL
  - Fittings and Fitout 4% SL
  - Furnishings (chattels) 5% SL
- Other Plant and Equipment 6.7% to 33.3% SL
- Leased Equipment 20% to 50% SL
- Current Collection (Library) 6% to 15% DV

#### Leases

- 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 and the present value of the minimum lease payments. The leased assets and corresponding net 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 was received in advance in 2005, and will be recognised as income equally over the period of the lease. The outstanding amount has been recognised as Term Lease Receivables and has been valued at net present value.

#### Employee Entitlements

Provision is made in respect of the University's liability for annual leave, long service leave, and retirement leave.

- Annual leave which has vested in the employee (an entitlement has been established) has been measured at nominal value using remuneration rates current at reporting date. This provision is shown as a Current Liability.
- Long Service leave, for all eligible staff, which has vested in the employee (an entitlement has been established) has been measured at nominal value using remuneration rates current at reporting date. This provision is shown as a Current Liability.

- Retirement leave for all eligible staff is equal to the net present value of the estimated future cash flows as a result of employee service, as calculated at balance date by an independent actuary. This provision is shown as a Non Current Liability, except for the amount attributable to known retirees for the following financial period – this is shown as a Current Liability.

#### 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.
- Any unrealised gains and losses on forward exchange contracts, entered into, are recognised in the Statement of Financial Performance.

#### Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated GST inclusive. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense. GST owing to the Inland Revenue Department as at 31 December 2006 is included in Accounts Payable.

#### Taxation

The University and its subsidiary are exempt from the payment of income tax as they are treated by the Inland Revenue Department as charitable organisations. Accordingly, there is no provision for income tax.

#### CHANGES IN ACCOUNTING POLICIES

Study Leave expenditure is now recognised as the expenditure is incurred rather than accruing for it in the period the employee has their application accepted.

The change in treatment has resulted in a reduction to General/ Operating Expenditure, in 2006 of \$550,000. A corresponding decrease has occurred in Accounts Payable 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 2006

(Council Approved Budget 2006)

	Notes	DEC-06 University & Group (\$000's)	DEC-05 University & Group (\$000's)	DEC-06 University Actuals (\$000's)	DEC-06 University Budget (\$000's)	DEC-05 University Actuals (\$000's)
<b>OPERATING INCOME</b>						
Government Grant		79,744	82,716	79,744	82,010	82,716
Performance-Based Research Funding (PBRF)		13,607	4,683	13,607	12,472	4,683
Student Tuition Fees Domestic Fee Paying		37,136	34,590	37,136	36,075	34,590
Student Tuition Fees Full Fee Paying		27,640	30,427	27,640	28,693	30,427
Student Tuition Fees Other		4,524	6,000	4,524	6,877	6,000
Other Student Related Fees		1,847	1,765	1,847	1,613	1,765
Research Income		17,876	14,740	17,698	15,268	14,470
Interest Income		4,316	3,295	4,271	4,002	3,245
Other Income	1	21,262	19,474	20,544	13,049	19,267
<b>TOTAL OPERATING INCOME</b>		<b>207,952</b>	<b>197,690</b>	<b>207,011</b>	<b>200,059</b>	<b>197,163</b>
<b>OPERATING EXPENDITURE</b>						
Personnel Expenses	2	125,121	118,321	124,476	120,695	117,578
Site & Property Costs		6,440	7,286	6,425	6,153	7,266
General / Operating Expenditure	3	45,563	45,521	45,532	45,516	45,243
Depreciation	4	22,415	17,873	22,406	17,952	17,867
<b>TOTAL OPERATING EXPENDITURE</b>		<b>199,539</b>	<b>189,001</b>	<b>198,839</b>	<b>190,316</b>	<b>187,954</b>
<b>NET SURPLUS BEFORE UNUSUAL ITEMS</b>		<b>8,413</b>	<b>8,689</b>	<b>8,172</b>	<b>9,743</b>	<b>9,209</b>
<b>UNUSUAL ITEMS</b>						
Crown Funding for Christchurch College of Education Merger	5	396	0	396	0	0
<b>NET SURPLUS FOR THE YEAR</b>		<b>8,809</b>	<b>8,689</b>	<b>8,568</b>	<b>9,743</b>	<b>9,209</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 2006

	Notes	DEC-06 University & Group (\$000's)	DEC-05 University & Group (\$000's)	DEC-06 University Actuals (\$000's)	DEC-06 University Budget (\$000's)	DEC-05 University Actuals (\$000's)
<b>Balance as at 1 January</b>		508,152	368,101	508,420	374,568	367,899
Net Surplus for the year		8,809	8,689	8,568	9,743	9,209
Movements in revaluation reserves relating to asset valuations	14	0	131,312	0	0	131,312
Crown Contributions	5, 14	560	0	560	0	0
Capital Issued / Repurchased	14	(9)	50	0	0	0
<b>Balance as at 31 December</b>		<b>517,512</b>	<b>508,152</b>	<b>517,548</b>	<b>384,311</b>	<b>508,420</b>

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

# Statement of Financial Position

As at 31 December 2006

	Notes	DEC-06 University & Group (\$000's)	DEC-05 University & Group (\$000's)	DEC-06 University Actuals (\$000's)	DEC-06 University Budget (\$000's)	DEC-05 University Actuals (\$000's)
<b>CURRENT ASSETS</b>						
Cash / Short Term Investments		41,681	25,775	41,078	35,092	25,265
Accounts Receivable	6	11,658	8,435	11,685	7,866	8,630
Prepayments		4,491	3,954	4,491	4,443	3,954
Inventories		1,709	2,071	1,709	1,755	2,071
<b>Total Current Assets</b>		<b>59,539</b>	<b>40,235</b>	<b>58,963</b>	<b>49,156</b>	<b>39,920</b>
<b>LESS CURRENT LIABILITIES</b>						
Funds Received in Advance	10	15,788	9,952	15,788	10,066	9,952
Accounts Payable	11	16,532	16,461	16,282	16,783	16,157
Loans Payable / Convertible Within 1 Year	12	6,930	2,561	6,930	1,947	2,561
Current Provisions - Employee Entitlements	13	5,460	5,215	5,392	4,927	5,178
<b>Total Current Liabilities</b>		<b>44,710</b>	<b>34,189</b>	<b>44,392</b>	<b>33,723</b>	<b>33,848</b>
<b>WORKING CAPITAL</b>		<b>14,829</b>	<b>6,046</b>	<b>14,571</b>	<b>15,433</b>	<b>6,072</b>
<b>NON CURRENT ASSETS</b>						
Land	7	48,574	48,574	48,574	34,315	48,574
Buildings	7	398,569	405,614	398,569	288,140	405,614
Plant & Equipment	7	30,914	26,693	30,885	26,351	26,680
Leased Equipment	7	1,450	731	1,450	211	731
Library	7	68,044	66,343	68,044	67,176	66,343
Capital Work-In-Progress	7	4,346	3,770	4,346	8,096	3,770
Investments	8	1,634	1,634	1,889	750	1,889
Term Lease Receivables	9	1,022	0	1,022	0	0
<b>Total Non Current Assets</b>		<b>554,554</b>	<b>553,359</b>	<b>554,779</b>	<b>425,039</b>	<b>553,601</b>
<b>NON CURRENT LIABILITIES</b>						
Loans & Leases	12	6,791	7,276	6,791	6,647	7,276
Term Provisions - Employee Entitlements	13	17,590	16,777	17,590	16,514	16,777
Term - Funds Received in Advance	10	27,490	27,200	27,421	33,000	27,200
<b>Total Non Current Liabilities</b>		<b>51,871</b>	<b>51,253</b>	<b>51,802</b>	<b>56,161</b>	<b>51,253</b>
<b>TOTAL NET ASSETS</b>		<b>517,512</b>	<b>508,152</b>	<b>517,548</b>	<b>384,311</b>	<b>508,420</b>
<b>REPRESENTED BY :</b>						
General Equity	14	326,031	316,609	326,067	324,080	316,877
Revaluation Reserves	14	191,481	191,543	191,481	60,231	191,543
<b>TOTAL EQUITY</b>		<b>517,512</b>	<b>508,152</b>	<b>517,548</b>	<b>384,311</b>	<b>508,420</b>

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

# Statement of Cash Flows

For the year ended 31 December 2006

Notes	DEC-06 University & Group (\$000's)	DEC-05 University & Group (\$000's)	DEC-06 University Actuals (\$000's)	DEC-06 University Budget (\$000's)	DEC-05 University Actuals (\$000's)
<b>OPERATING ACTIVITIES</b>					
<b>Cash provided from:</b>					
Government Grant	81,143	82,310	81,143	82,010	82,310
Tuition Fees	72,906	70,871	72,906	71,645	70,871
Other Income	51,841	69,407	50,227	74,763	68,741
Agency Funds	5,030	4,370	5,030	0	4,370
Interest Received	3,273	3,109	3,228	4,002	3,059
	214,193	230,067	212,534	232,420	229,351
<b>Cash applied to:</b>					
Personnel Expenses	121,352	114,363	120,708	119,062	113,620
Site & Property Expenses	6,222	7,267	6,207	6,153	7,247
General / Operating Expenses	49,015	47,823	48,154	42,589	47,322
Agency Funds	5,030	4,370	5,030	0	4,370
Interest Paid	717	935	717	795	935
Net GST Movement	425	(895)	414	0	(927)
	182,761	173,863	181,230	168,599	172,567
<b>Net cash provided by Operating Activities</b>	<b>15</b>	<b>31,432</b>	<b>56,204</b>	<b>31,304</b>	<b>63,821</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash provided from:</b>					
Proceeds of disposal:					
Fixed Assets	62	40	62	0	40
	62	40	62	0	40
<b>Cash applied to:</b>					
Capital Expenditure	19,360	18,000	19,333	22,916	17,998
Miscellaneous	0	11	0	0	0
	19,360	18,011	19,333	22,916	17,998
<b>Net cash used in Investing Activities</b>	<b>(19,298)</b>	<b>(17,971)</b>	<b>(19,272)</b>	<b>(22,916)</b>	<b>(17,958)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash provided from:</b>					
Loans	5,781	0	5,781	0	0
Capital Issued / Repurchased	(9)	50	0	0	0
	5,772	50	5,781	0	0
<b>Cash applied to:</b>					
Repayment of Loans	2,000	26,471	2,000	24,969	26,471
<b>Net cash used in Financing Activities</b>	<b>3,772</b>	<b>(26,421)</b>	<b>3,781</b>	<b>(24,969)</b>	<b>(26,471)</b>
Net increase (decrease) in cash held	15,906	11,812	15,813	15,936	12,355
Cash on hand at beginning of period	25,775	13,963	25,265	19,156	12,910
<b>Cash on hand at end of period</b>	<b>41,681</b>	<b>25,775</b>	<b>41,078</b>	<b>35,092</b>	<b>25,265</b>
Represented by :					
Cash / Short Term Investments	41,681	25,775	41,078	35,092	25,265
	41,681	25,775	41,078	35,092	25,265

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

# Statement of Commitments

As at 31 December 2006

<i>Capital Commitments</i>	2006 (\$000's)	2005 (\$000's)
Projects (<\$100k)	123	98
JADE Student Management System	0	912
Scanning Electron Microscope	0	566
Law Computer Laboratory	0	103
South African Large Telescope (SALT)	140	80
<b>Total</b>	<b>263</b>	<b>1,759</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. \$97,302 is committed over the next 4 years (2005: \$62,816).

# Statement of Contingent Assets and Liabilities

As at 31 December 2006

The University has no contingent assets or liabilities as at 31 December 2006 (2005: Nil).



# Notes to the Financial Accounts

For the year ended 31 December 2006

	DEC-06 University & Group (\$000's)	DEC-05 University & Group (\$000's)	DEC-06 University Actuals (\$000's)	DEC-06 University Budget (\$000's)	DEC-05 University Actuals (\$000's)
<b>1 OTHER INCOME</b>					
Donations/Koha	2,224	190	2,224	134	190
Donations from Trusts	1,353	715	1,353	889	715
Rentals	1,872	1,061	1,872	2,093	1,061
External Sales	4,644	4,352	4,644	3,438	4,352
Consultancy	2,195	1,885	1,978	1,731	1,885
Membership Fees	853	858	853	845	858
Sundry Income	8,125	4,937	7,624	3,919	4,730
<b>TOTAL OTHER INCOME</b>	<b>21,266</b>	<b>13,998</b>	<b>20,548</b>	<b>13,049</b>	<b>13,791</b>
<b>2 PERSONNEL EXPENSES</b>					
Academic Salaries	57,479	54,243	57,479	57,078	54,243
General Salaries	56,892	53,867	56,372	54,605	53,204
Councillors' Honoraria	69	62	69	80	62
Directors' Fees	71	80	0	0	0
Other Salary Related Expenditure	10,610	10,069	10,556	8,932	10,069
<b>TOTAL PERSONNEL EXPENSES</b>	<b>125,121</b>	<b>118,321</b>	<b>124,476</b>	<b>120,695</b>	<b>117,578</b>
<b>3 GENERAL / OPERATING EXPENDITURE</b>					
Auditors Remuneration - External Financial Audit	141	137	117	107	124
Auditors Remuneration - Other Services	22	0	22	20	0
Bad Debts Written Off	161	71	161	31	71
Increase / (Decrease) in Provision for Doubtful Debts	(89)	80	(89)	0	80
Interest Paid	643	825	643	645	825
Interest on Finance Leases	91	110	91	150	110
Loss on Disposal of Property, Plant & Equipment	757	38	757	0	38
Equipment Rentals	381	518	381	692	518
Scholarships & Prizes	8,554	7,913	8,554	7,323	7,913
Other General/Operating Costs	34,902	35,829	34,895	36,548	35,564
<b>TOTAL GENERAL / OPERATING EXPENDITURE</b>	<b>45,563</b>	<b>45,521</b>	<b>45,532</b>	<b>45,516</b>	<b>45,243</b>
<b>4 DEPRECIATION</b>					
Buildings	10,292	6,765	10,292	6,607	6,765
Equipment	7,444	6,825	7,435	7,138	6,819
Leased Equipment	765	467	765	386	467
Library	3,914	3,816	3,914	3,821	3,816
<b>TOTAL DEPRECIATION</b>	<b>22,415</b>	<b>17,873</b>	<b>22,406</b>	<b>17,952</b>	<b>17,867</b>
<b>5 UNUSUAL ITEMS</b>					

In 2006 the University received funding from the Crown to assist with additional costs as a result of the upcoming merger with the Christchurch College of Education, effective 1 January 2007. This funding is to be treated as a Suspensory Loan until such time as expenditure is incurred at which point the Suspensory Loan is converted to either a Crown contribution or Income. In 2006 the University recognised \$396,000 as income and \$560,000 as a Crown contribution.

	DEC-06 University & Group (\$000's)	DEC-05 University & Group (\$000's)	DEC-06 University Actuals (\$000's)	DEC-06 University Budget (\$000's)	DEC-05 University Actuals (\$000's)
<b>6 ACCOUNTS RECEIVABLE</b>					
Trade Receivables (less provision for Doubtful Debts)	5,613	3,207	5,640	1,936	3,402
Other Receivables	6,045	5,228	6,045	5,930	5,228
<b>TOTAL ACCOUNTS RECEIVABLE</b>	<b>11,658</b>	<b>8,435</b>	<b>11,685</b>	<b>7,866</b>	<b>8,630</b>

	DEC-06 COST/VALN (\$000's)	DEC-06 ACCUM DEPN (\$000's)	DEC-06 NET BOOK VALUE (\$000's)	DEC-05 NET BOOK VALUE (\$000's)
<b>7 NON CURRENT ASSETS</b>				
<b>UNIVERSITY</b>				
Land at Valuation	48,574	0	48,574	48,574
Buildings at Cost	3,557	51	3,506	0
Buildings at Valuation	405,301	10,238	395,063	405,614
Plant & Equipment at Cost	90,221	59,336	30,885	26,680
Leased Equipment at Cost	3,745	2,295	1,450	731
Library / Other Collections at Cost	92,862	40,281	52,581	50,880
Library / Other Collections at Valuation	15,463	0	15,463	15,463
Work-In-Progress at Cost	4,346	0	4,346	3,770
<b>TOTAL NON-CURRENT ASSETS excluding Investments &amp; Term Lease Receivables</b>	<b>664,069</b>	<b>112,201</b>	<b>551,868</b>	<b>551,712</b>
<b>UNIVERSITY AND GROUP</b>				
Land at Valuation	48,574	0	48,574	48,574
Buildings at Cost	3,557	51	3,506	0
Buildings at Valuation	405,301	10,238	395,063	405,614
Plant & Equipment at Cost	90,264	59,349	30,915	26,693
Leased Equipment at Cost	3,745	2,295	1,450	731
Library / Other Collections at Cost	92,862	40,281	52,581	50,880
Library / Other Collections at Valuation	15,463	0	15,463	15,463
Work-In-Progress at Cost	4,346	0	4,346	3,770
<b>TOTAL NON-CURRENT ASSETS excluding Investments &amp; Term Lease Receivables</b>	<b>664,112</b>	<b>112,214</b>	<b>551,898</b>	<b>551,725</b>

	DEC-06 University & Group (\$000's)	DEC-05 University & Group (\$000's)	DEC-06 University Actuals (\$000's)	DEC-06 University Budget (\$000's)	DEC-05 University Actuals (\$000's)
<b>8 INVESTMENTS</b>					
Investment Category					
Investment in Canterprise Limited	0	0	750	750	750
Capitalised Development Costs	495	495	0	0	0
Investment in South African Large Telescope (SALT)	1,139	1,139	1,139	0	1,139
<b>TOTAL INVESTMENTS</b>	<b>1,634</b>	<b>1,634</b>	<b>1,889</b>	<b>750</b>	<b>1,889</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 whose principal business is the management and commercialisation of the intellectual property of the University.

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.

#### 9 TERM LEASE RECEIVABLES

This represents the net present value of funds receivable in future years for the Campus Living lease. The net present value will increase over the remaining thirty four years.

	DEC-06 University & Group (\$000's)	DEC-05 University & Group (\$000's)	DEC-06 University Actuals (\$000's)	DEC-06 University Budget (\$000's)	DEC-05 University Actuals (\$000's)
<b>10 FUNDS RECEIVED IN ADVANCE</b>					
<b>Term - Funds Received in Advance</b>					
Operating Lease Revenue	27,490	27,200	27,421	33,000	27,200
	27,490	27,200	27,421	33,000	27,200
<b>Current Funds Received in Advance</b>					
Student Fees	7,492	3,087	7,492	2,349	3,087
Research Income	6,514	5,783	6,514	6,917	5,783
Operating Lease Revenue	800	800	800	800	800
Other	982	282	982	0	282
	15,788	9,952	15,788	10,066	9,952
<b>TOTAL FUNDS RECEIVED IN ADVANCE</b>	<b>43,278</b>	<b>37,152</b>	<b>43,209</b>	<b>43,066</b>	<b>37,152</b>
<b>11 ACCOUNTS PAYABLE</b>					
Trade Payables	4,577	5,270	4,345	5,000	4,966
Other Payables	11,955	11,191	11,937	11,783	11,191
<b>TOTAL ACCOUNTS PAYABLE</b>	<b>16,532</b>	<b>16,461</b>	<b>16,282</b>	<b>16,783</b>	<b>16,157</b>

	DEC-06 University & Group (\$000's)	DEC-05 University & Group (\$000's)	DEC-06 University Actuals (\$000's)	DEC-06 University Budget (\$000's)	DEC-05 University Actuals (\$000's)
<b>12 LOANS AND LEASES</b>					
<b>Non-current Loans and Leases</b>					
BNZ Term Loan	5,000	7,000	5,000	6,000	7,000
Finance Leases	791	276	791	647	276
Suspensory Loan	1,000	0	1,000	0	0
	6,791	7,276	6,791	6,647	7,276
<b>Loans Payable / Convertible Within 1 year</b>					
BNZ Term Loan	2,000	2,000	2,000	1,500	2,000
Finance Leases	709	561	709	447	561
Suspensory Loan	4,221	0	4,221	0	0
	6,930	2,561	6,930	1,947	2,561
<b>TOTAL LOANS AND LEASES</b>	13,721	9,837	13,721	8,594	9,837

The University currently has a working capital multi-option facility on a seasonal basis for up to \$15 million and a committed cash advance, fixed rate facility for up to \$9 million.

The committed cash facility has a maturity date of 31 July 2009 and is fixed at an interest rate of 7.2% until 20 July 2007.

The Suspensory Loan has been provided by the Crown and will convert to a Crown contribution or Income once certain conditions are met.

\$1 million of this Suspensory Loan has been received in relation to Partnerships for Excellence, the remaining amount relates to Crown contributions towards costs associated with the Christchurch College of Education merger, effective 1 January 2007. No interest is payable on this loan.

	DEC-06 University & Group (\$000's)	DEC-05 University & Group (\$000's)	DEC-06 University Actuals (\$000's)	DEC-06 University Budget (\$000's)	DEC-05 University Actuals (\$000's)
<b>13 EMPLOYEE ENTITLEMENTS</b>					
Annual Leave	4,209	4,214	4,141	4,477	4,177
Long Service Leave	480	426	480	450	426
Retirement Leave	18,361	17,352	18,361	16,514	17,352
<b>Total</b>	23,050	21,992	22,982	21,441	21,955
Made up of:					
Current	5,460	5,215	5,392	4,927	5,178
Non Current	17,590	16,777	17,590	16,514	16,777
<b>Total</b>	23,050	21,992	22,982	21,441	21,955

	DEC-06 University & Group (\$000's)	DEC-05 University & Group (\$000's)	DEC-06 University Actuals (\$000's)	DEC-06 University Budget (\$000's)	DEC-05 University Actuals (\$000's)
<b>14 EQUITY</b>					
<b>General Equity</b>					
Balance as at 1 January	316,607	307,868	316,877	314,337	307,668
Net Surplus for the year	8,809	8,689	8,568	9,743	9,209
Crown Contributions	560	0	560	0	0
Capital Issued / Repurchased	(9)	50	0	0	0
Transfers from Revaluation Reserves on disposal of revalued Buildings	62	0	62	0	0
<b>Balance as at 31 December</b>	<b>326,031</b>	<b>316,607</b>	<b>326,067</b>	<b>324,080</b>	<b>316,877</b>
<b>Revaluation Reserves</b>					
Balance as at 1 January	191,543	60,231	191,543	60,231	60,231
Transfers to General Equity on disposal of revalued Buildings	(62)	0	(62)	0	0
Revaluation	0	131,312	0	0	131,312
<b>Balance as at 31 December</b>	<b>191,481</b>	<b>191,543</b>	<b>191,481</b>	<b>60,231</b>	<b>191,543</b>
<b>Being : Buildings</b>	<b>144,237</b>	<b>144,299</b>	<b>144,237</b>	<b>27,021</b>	<b>144,299</b>
Land	35,243	35,243	35,243	21,209	35,243
Library	12,001	12,001	12,001	12,001	12,001
<b>Total</b>	<b>191,481</b>	<b>191,543</b>	<b>191,481</b>	<b>60,231</b>	<b>191,543</b>

#### 15 RECONCILIATION OF NET SURPLUS WITH NET CASH FROM OPERATING ACTIVITIES

<b>OPERATING ACTIVITIES</b>					
Net Surplus for the year	8,809	8,689	8,568	9,743	9,209
<b>Add (less) non-cash items:</b>					
Depreciation / Asset Write-offs	22,415	17,873	22,406	17,952	17,867
Donated Assets	(1,979)	(121)	(1,979)	0	(121)
Adjustment to Loan	0	(176)	0	0	(176)
Movement in Employee Entitlements (Non Current)	813	1,040	813	305	1,040
<b>Add (less) movements in other working capital items:</b>					
Accounts Payable	(1,437)	1,786	(696)	1,091	1,929
Revenue in Advance	5,905	1,366	5,836	7,617	1,366
Accounts Receivable	(3,042)	(987)	(3,592)	(98)	(1,064)
Inventories	362	(315)	362	0	(315)
<b>Add (less) items classified as Investing / Financing Activities:</b>					
Loss on Sale included in Investing Activities	724	38	724	0	38
Movement in Lease Revenue in Advance	(800)	28,000	(800)	27,200	28,000
Movement in Fixed Asset Related Payables / Accruals	(338)	(989)	(338)	11	(989)
<b>NET CASH PROVIDED BY</b>					
<b>OPERATING ACTIVITIES</b>	<b>31,432</b>	<b>56,204</b>	<b>31,304</b>	<b>63,821</b>	<b>56,784</b>

## 16 FINANCIAL INSTRUMENTS

The University is party to financial instrument arrangements as part of everyday operations.

### Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The University is exposed to currency risk due to import purchases. The main currencies affected are US Dollars, Great Britain Pounds, the Euro and Australian Dollars.

To minimise this risk the University enters into Forward Currency Exchange Contracts. These have a face value, at balance date, of \$4,529,674 (2005: \$5,738,815).

The unrealised loss on these forward exchange contracts at balance date was \$65,064, this has been reflected in the accounts.

### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial instruments which potentially subject the University to concentrations of credit risk consist principally of Cash and Short Term Investments, and Accounts Receivable. 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.

### Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Financial instruments which potentially subject the University to concentrations of interest rate risk consist principally of Cash and Short Term Investments, Loans and Leases.

This risk is minimal to the University as a result of utilising fixed interest rates.

The estimated fair value of each class of financial instrument is considered to be equivalent to the carrying value in the Statement of Financial Position.

## 17 COUNCILLORS' HONORARIA AND DIRECTORS' FEES

Honoraria and other benefits paid to members of University Council to December 2005 and 2006 are as follows.

Dr P Austin was also a director of Canterprise Limited during 2006 and 2005 and received the following.

Council Member	DEC-06 Honoraria (in \$'s)	DEC-05 Honoraria (in \$'s)	DEC-06 Directors' Fees (in \$'s)	DEC-05 Directors' Fees (in \$'s)
Dr P Austin	8,925	4,000	14,450	13,500
Dr CJ Burrows	3,315	4,000	0	0
Mr J Gilbert	3,315	4,000	0	0
Mr G Hampton	0	4,000	0	0
Mr T McIntyre	3,060	4,000	0	0
Dr BR Mann	19,447	19,447	0	0
Ms D Matahaere-Atariki	0	4,000	0	0
Mr W Poh	8,160	0	0	0
Mrs W Ritchie	2,040	4,000	0	0
Mr A Robb	2,295	0	0	0
Mr JC Simpson	10,980	10,950	0	0
Mr MR Shurety	2,550	0	0	0
Mr R Williams	3,570	0	0	0
Ms CP Wilson	1,785	4,000	0	0
	69,442	62,397	14,450	13,500

## 18 RELATED PARTY TRANSACTIONS

<i>Intergroup</i>	<i>Dec-06 (in \$000's)</i>	<i>Dec-05 (in \$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	24	20
Operating Grant from University of Canterbury	150	0
Agency Payments to University of Canterbury ( <i>net of commission paid to Canterprise</i> )	3,417	4,557
Suppliers Costs paid to University of Canterbury	59	83
Receivable from University of Canterbury	3	8
Payable to University of Canterbury	208	920

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

Mr B 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 \$42,704 (2005: \$60,952) to Canterprise Limited. The amount still owing as at 31 December 2006 was \$4,809. These services were provided on normal commercial terms.

Mr J Walley, a director of Nano Cluster Devices Limited, was the Chairman of Canterprise Limited until 26 June 2006. During the year Canterprise Limited made sales to Nano Cluster Devices Limited, in the respect of academic services, of \$15,896 (2005: \$76,324). The amount still owing to Canterprise Limited as at 31 December 2006 was \$4,800. These services were supplied on normal commercial terms.

Canterprise Limited director, Mr B Irvine, is also a director of SYFT Limited. During the year, Canterprise Limited made sales of \$43,018 (2005: \$65,764) to SYFT Limited. These goods and services were provided on normal commercial terms.

Dr P Austin, Chair of the Canterbury Museum, is a University Council member. During the year the University made payments totalling \$22,465 (2005: \$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 2006 the University purchased \$8,270 (2005: \$15,167) and Canterprise Limited \$3,713 (2005: \$569), of goods and services from HIT Lab NZ. The amount still owing to Canterprise Limited as at 31 December 2006 was \$3,319. Canterprise Limited also made sales to HIT Lab NZ during 2006 totalling \$37,464. The amount still receivable in respect of these sales as at 31 December 2006 was \$15,805. These goods and services were supplied on normal commercial terms.

Mr R Williams, a director and CEO of Holcim (New Zealand) Ltd, is a University Council member. During 2006 Canterprise Limited made sales to Holcim (New Zealand) Ltd, in the respect of academic services, of \$5,393. These goods and services were supplied on normal commercial terms.

Dr BR Mann, a member of the Executive Board of the Canterbury Manufacturers' Association, is the University Chancellor. During 2006 the University purchased \$725 (2005: \$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 \$1,529 (2005: \$3,169) to Chancellor Dr BR Mann. These payments were reimbursements for costs incurred.

## 19 POST BALANCE DATE EVENTS

On 1 January 2007 the University merged with the Christchurch College of Education. This will result in an increase to the net assets of the University as all assets and liabilities from the Christchurch College of Education are incorporated into the accounts.

## 20 IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Director of Finance and financial accounting staff have fully considered the implications of moving to a New Zealand Equivalents 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 and 2006. 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 co-ordinated 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.

The Council of the University of Canterbury has been provided with regular status reports 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 detailed between the statutory retained earnings as at 2005 and the opening balance sheet figure for NZ IFRS purposes as at 1 January 2006. The opening balance sheet was audited by Audit New Zealand during 2006 and was found to comply with NZ IFRS.