Annual Report.

UNIVERSITY OF CANTERBURY
Te Whare Wānanga o Waitaha
CHRISTCHURCH NEW ZEALAND

2013

2013
2013

Directory 2013

Chancellor
Dr L John Wood, MA(Hons)(Cant), MA(Hons)(Oxon), Litt.D (honoris causa)(Cant), Amb(Retd), QSO

Pro-Chancellor
Sue McCormack, BA, LLB(Cant)

Vice-Chancellor
Dr Rod Carr, BCom(Hons), LLB(Hons)(Otago); MBA(Columbia); MA, PhD(Wharton School, U.Penn)

Deputy Vice-Chancellor
Professor Ian Town, MBChB(Otago), DM(Soton) (until September)

University Registrar
Jeff Field, JP, MA(Cant), DipJ, DipTColl(ChCh.TColl), DipTchg(DeptEd), APR, MFINZ

Assistant Vice-Chancellor (Academic)
Deputy Vice-Chancellor (Academic) (from September)
Dr Hamish Cochrane, BSc, MSc(Hons), PhD(Cant), DipTchg(CCE)

Assistant Vice-Chancellor (Māori)
Darryn Russell, MIndS(Otago)

Assistant Vice-Chancellor (Research)
Deputy Vice-Chancellor (Research) (from September)
Professor Steve Weaver, BSc(Hons)(Birm), PhD(Lond), DSc(Birm), FNZIC, FGS, FRSNZ

Pro-Vice-Chancellor (Arts)
Professor Ed Adelson, BMus(Eastman), MMus(Yale), ASTA (until March)
Professor Jonathan Le Cocq, BMus(Hons)(ULGC), BA(Hons)(Warwick), DPhil(Oxon), LGSM (from September)

Pro-Vice-Chancellor (Business and Law)
Professor Sonia Mazey, BA(Hons)(Leicester), MA(Oxon), DPhil(Oxon)

Pro-Vice-Chancellor (Education)
Professor Niki Davis, BSc(Hons)(Edin), PhD(QUB), RSA Cert Pre-Voc Ed (Acting, 2013)

Pro-Vice-Chancellor (Engineering)
Professor Jan Evans-Freeman, BSc(Hons), PhD(Manc), FInstP, FIPENZ, MInstD

Pro-Vice-Chancellor (Science)
Professor Wendy Lawson, BSc(Hons)(Manc), PhD(Camb) (Acting, 2013)

Pro-Vice-Chancellor (UC Futures)
Professor Paul Fleming, BEd(Belf), MSc(Leeds Met), PhD(Ulster), FRIPH, FHEA, MIHPE

Chief Financial Officer
Keith Longden, BCom(Cant), CA

Director of Student Services and Communications
Lynn McClelland, MA(Hons)(VUW)

Director of Human Resources
Paul O'Flaherty, MBA(Otago), MHRINZ, MInstD

Director of Learning Resources
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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF UNIVERSITY OF CANTERBURY AND GROUP'S FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

The Auditor-General is the auditor of University of Canterbury (the University) and group. The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of the University and group on her behalf.

We have audited:

- the financial statements of the University and group on pages 32 to 78, that comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the University and group in the statement of service performance on pages 16 to 29.

Opinion

Financial statements and non-financial performance information

In our opinion:

- the financial statements of the University and group on pages 32 to 78:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the University and group's:
    - financial position as at 31 December 2013; and
    - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the University and group on pages 16 to 29 gives a true and fair view of the University and group's service performance achievements measured against the performance targets adopted in the investment plan for the year ended 31 December 2013.

Effects of the Canterbury earthquakes

Without modifying our opinion, we draw your attention to note 24 to the financial statements which discusses the financial effects of the 2010 and 2011 Canterbury earthquakes and in particular the impairment estimates for buildings damaged in the earthquakes, the significance of the estimates and the inherent uncertainties in the information on which the estimates have been based.

We consider the disclosures to be adequate.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the University and group as far as appears from an examination of those records.

Our audit was completed on 26 February 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University and group's preparation of the financial statements and non-financial performance information that gives a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the University and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

In accordance with the Financial Reporting Act 1993 we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the University and group's financial position, financial performance and cash flows.

The Council is also responsible for preparing non-financial performance information that gives a true and fair view of the University and group's service performance achievements measured against the performance targets adopted in the investment plan.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

The Council's responsibilities arise from the Education Act 1989, the Crown Entities Act 2004 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit, we have carried out other assurance engagements in providing an auditor's report to the University's philanthropic bond trustees and a report on the University's Performance-Based Research Fund external research income. These engagements are compatible with those independent requirements.

Other than the audit and these engagements, we have no relationship with or interests in the University or any of its subsidiaries.

Scott Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

2013 at a Glance

	2010	2011	2012	2013
Students enrolled (Headcount)[1]	18 783	16 444	15 798	14 872
Equivalent Full-time Students (EFTS)[1]	15 494	13 604	13 171	12 180
Full-time Equivalent Academic Staff (FTE)[2]	833	817	773	740
Staff : Student ratio	1:18.6	1:16.7	1:17.0	1:16.5
Equivalent Full-time Students EFTS				
EFTS by level of study[3]				
Non and sub-degree	426	270	230	183
Undergraduate	12 950	11 261	10 796	9 936
Postgraduate	2 118	2 073	2 145	2 061
Total EFTS	**15 494**	**13 604**	**13 171**	**12 180**
EFTS by Fee Type				
Domestic Fee Paying	14 228	12 667	12 334	11 381
International Full Fee Paying	1 267	937	837	799
UC Total EFTS[4]	**15 494**	**13 604**	**13 171**	**12 180**
PBRF funding received	$25.48m	$28.41m	$26.28m	$24.57m
Operating				
(All amounts net of GST)	**In $ 000**	**In $ 000**	**In $ 000**	**In $ 000**
Government grant	$117 236	$119 566	$125 237[8]	$126 996
Tuition fees	$90 406	$79 302	$78 739	$75 849
Research funding[5]	$49 820	$55 407	$53 612	$50 848
Cost per EFTStudent[6]	$18.4	$20.8	$24.3	$24.9
Capital expenditure[7]	$37 612	$89 892	$71 362	$90 545
Financial position				
Non-current assets	$757 210	$641 935	$596 402	$671 409
Net current assets	$60 795	$46 536	$29 324	$28 944

1 *Excludes enrolments in community education courses.*
2 *UC has moved to reporting annualised FTEs as its default FTE statistic. Historical FTEs have also been recalculated to match the new definition.*
3 *Level of Study is based on the level associated with the course enrolled in.*
4 *Reconciliation with Ministry of Education (SDR) numbers: EFTS from Community Education classes are required to be returned to the Ministry of Education but not typically included in UC's total EFTS. There is also a small number of other EFTS not required to be returned but typically reported in UC's total EFTS. In addition to this, the MoE return may include changes made after the Annual Financial Accounts Year End cut off dates.*

MoE SDR Reconciliation	*2010*	*2011*	*2012*	*2013*
Balance of EFTS returned to Ministry of Education	*179*	*(74)*	*(79)*	*(95)*

5 *All figures include PBRF funding received.*
6 *Cost per EFTS is based on total operating costs less building impairment and revaluation amounts for the Homestead.*
7 *Capital Expenditure is taken from the Statement of Cash Flows and is the actual cash amount spent.*
8 *$4.7M of the increase in Government grant from 2011 to 2012 is attributable to a reclassification of the Tripartite component of Government grant that was previously classified as Other Income.*

Chancellor's Welcome

2013 has been a year of significant progress for our University.

The immediate emphasis, as throughout the recovery, remains on the restoration of student numbers, the repair and upgrading of damaged infrastructure, and an early return to financial viability. During 2013, however, we were also able to turn our attention seriously to pursuing the opportunities for transformational change presented by the 2010/2011 earthquakes, seeking to accelerate progress towards the strategic objectives we had collectively set for the University of Canterbury before the intervention of nature. In their aftermath and after much soul-searching, these objectives were unanimously confirmed as the path we all wished our institution to follow. The University engaged and worked closely with key stakeholders throughout the year to set in place a number of the planned initiatives underpinning the proposed transformation.

The most significant event was the announcement by the Prime Minister, during his visit to the Ilam campus in October, of a major Government contribution to the capital investment required for the UC Futures programme. The investment of up to $260 million for the development of a Regional Science and Innovation Centre and the refurbishment of our engineering facilities as Canterbury Engineering the Future, is a significant vote of confidence in our University, this city and the region. I should like to thank the Tertiary Education Commission expressly for the quality of its engagement and support for the University during a complex and challenging planning and decision-making process. We have also received huge support from many other quarters, including our students, staff, alumni and the community. This is what has sustained us thus far and, in 2014, will move us forward at a faster pace towards our goals for UC.

The programme to remediate our damaged buildings continues to accelerate. This year a number of projects were concluded, including the James Hight Library, the Ilam Homestead and the Central Lecture Theatres. The remediation of the Law and History buildings, and the Registry commenced in earnest and will be completed in 2014. I should like to acknowledge the positive efforts of staff and students to cope with the inevitable disruption, and to thank all those involved for their cooperation, flexibility and good humour during this time.

UC Futures is not, of course, just or even principally about buildings. University of Canterbury graduates have long been renowned as people prepared to make a difference. Our international reputation attracts young people from around the world. This year we have seen the first overseas students enrolled at the UC International College. The College is operated in conjunction with Navitas, a multinational provider of tertiary education. The College offers UC teaching material taught using Navitas methods and enables successful students to enrol at the University of Canterbury.

International education is a priority for the university sector. Our graduates will be employed in a world that is evolving at a faster rate than ever before. The roles they will undertake are yet to be formulated. The world is dominated by change. The University's responsibility is to prepare our students for that world. To ensure that, we have introduced a greater emphasis on workplace learning, so that our graduates will hit the ground running. They will be provided with opportunities to become involved in their communities, obtain first-hand insights into how communities function, and be encouraged to stay involved. UC students will have opportunities to understand global perspectives through international exchange programmes, and by mixing with students of diverse ethnic and national backgrounds. Our relationship with Ngāi Tahu will assist students to undertake cultural learning through understanding the importance of Māori and indigenous cultures in the modern multicultural world. These four pillars of the UC experience will come to characterise all our students, underpinning the world-class teaching, learning and research environment we maintain, and providing the critical point of differentiation for those who employ our graduates.

2013 sees a last major group of the earthquake cohort of students complete their studies. These resilient young women and men had a choice and chose to stick with us. They have had opportunities for learning, caring for others and personal growth not available to any other of our cohorts down UC's long history. Starting from lectures in tents and thousands of daily aftershocks, the University has delivered to them full academic years of teaching and learning, and they have successfully completed their studies. In our 2013 graduation ceremonies I presented 3,589 students with their degrees. We wish them all well as they join the worldwide community of University of Canterbury graduates, numbering well in excess of 100,000. They will be a UC legend for life.

This year has been noteworthy for our academic staff members recognised for their research efforts. Professors Mark Billinghurst and Charles Semple have been awarded Fellowships of the Royal Society of New Zealand. Professor Geoff Chase has been recognised as the inaugural Distinguished Professor for Teaching and Research. His work in metabolic, pulmonary and cardiovascular research has been applied in intensive care units in New Zealand and overseas. The University Council awarded Research Medals to Professors Dave Kelly and Angus Macfarlane for their respective contributions to research, and the Teaching Medal to Professor Eric Pawson. The Innovation Medal was awarded to Professor Andy Buchanan, Professor Stefano Pampanin and Dr Alessandro Palermo for their pioneering UC research which has lifted engineered timber buildings into serious contention for the Christchurch rebuild. This system is the result of many years' work, and creative and innovative thinking, culminating in its successful application by the team involved.

In 2012, Rautaki Whakawhanake Kaupapa Māori (UC's Māori Development Strategy) was launched, endorsed by and in conjunction with Ngāi Tahu. In 2013, the first steps to implement this vision were taken with the advancement of the Ngāi Tahu Research Centre, repositioning the Māori Development

Team as a key resource to recruit and retain Māori students across the University, and the implementation of the Principles of Knowledge course. Emphasis has also been placed on creating a framework and a capacity for staff to lead and support Māori development across campus.

The relationship with the Pasifika community has involved consultation to develop the Pasifika Strategy, which has now been released for feedback. With the support of the Australia New Zealand Association of New York, international sponsors and local businesses, the University has continued to expand the UC Me XL Pasifika Outreach programme. We are now seeing that students who access our various support programmes are significantly more likely to complete their degrees. In 2013, it was a great pleasure to see the graduation of a record number of Pasifika students.

In September, the Council hosted celebrations marking the 50th anniversary of the awarding of the first honorary doctorate by the University of Canterbury. More than 60 honorary graduates attended celebrations during which they were able to view the University treasures collection, tour the city and visit Sir Miles Warren's award-winning Ohinetahi gardens. The Council awarded three honorary doctorates. The recipients were leading New Zealand artist Bill Culbert (Doctor of Fine Arts), Supreme Court Judge Sir William Young (Doctor of Laws) and former Tongan prime minister Dr Feleti Sevele (Lord Sevele of Vailahi) (Doctor of Letters).

The University Council and its committees have been especially active during 2013 with a number of challenging issues to grapple with and decisions to make. The Council itself met 11 times — and held 11 Council workshops and, in between Council meetings given the University's circumstances and the frequent need for urgent and timely decisions, the Executive Committee was frequently called upon to act.

Committees met as follows:

Audit and Risk Committee	6
Finance, Planning and Resources Committee	11
Vice-Chancellor Employment Committee	7
Ad Hoc Honorary Doctorate Committee	1
Appeals Committee	2

There were a number of changes to Council membership during the year. Erin Jackson was appointed to a one-year term as student representative. Council welcomed Tony Hall and Bruce Gemmell as Ministerial appointees, replacing Wendy Ritchie and Kiki Maoate, and inaugurating the cross-linkage of membership between the Canterbury and Lincoln University Councils, with Bruce Gemmell common to both, the Lincoln Pro-Chancellor appointed to the UC Council, and I as UC Chancellor appointed to the Lincoln University Council. It is early days but the new arrangements seem to be working well, to the mutual advantage of both universities. I should like to thank Wendy Ritchie and Kiki Maoate for their valued services to Council, in Wendy's case in particular, over many years and in a number of capacities.

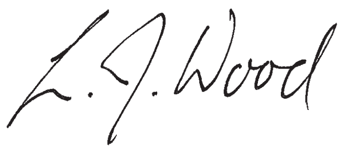
I should like to thank personally and on behalf of the University all members of Council for their hard work and collegial approach to issues at such a testing time for our institution. The University has dealt with a number of major issues over the course of the year. These issues included Council:

- Reaching agreement on a new constitution, with the advice and guidance of our former Chancellor Dr Robin Mann. This outcome awaits Ministerial action.
- Reappointing Dr Rod Carr as Vice-Chancellor for a further five-year term. The intensive process was led by the Vice-Chancellor Employment Committee under the able chairing of the Pro-Chancellor Sue McCormack.
- Being continuously and closely engaged in the preparation of our successful UC Futures business case to government and was fully in support of it.

Dr John Wood

- Approving the accounts for the preceding year and adopting the budget for 2014.
- Supporting efforts to negotiate a new relationship agreement with the Arts Centre Trust.
- Approving a memorandum of understanding between the University and the University Foundation.

I began by remarking that 2013 was a year of significant progress, one in which we moved beyond the preoccupations and priorities of recovery, to lay the foundations of transformational change to our great University over the years to come. In thanking them all once again for their part in what we have achieved so far, I look forward to working with Council, University management, students, staff, the government and other key stakeholders, and especially Ngāi Tahu, as we ramp up momentum towards the goals we have set ourselves for the year ahead.



Dr John Wood
Chancellor

Vice-Chancellor's Report

The University of Canterbury, like the rest of post-quake Christchurch, is undergoing an exciting and significant transformation that will build on UC's strengths and global reputation as a world-class learning environment.

A significant and welcome boost was the Government's October announcement that it will support UC by investing up to $260 million in our institution. This was a major milestone for the University, and its staff and students, and allows us to look to the future with confidence.

On behalf of the University community, I want to thank the Government for its substantial commitment, which will enable us to create a modern tertiary institution that continues to support research intensive tertiary education, and the recovery of Christchurch and the wider Canterbury region.

UC Futures

The Government's investment was in response to our UC Futures business case. This outlined how UC could most directly contribute to transforming the Canterbury region – by developing an innovative, inspiring and engaging modern learning and research environment.

The business case was a team effort and I want to acknowledge all those involved in developing and advocating for this project. The Government, quite rightly, demanded a compelling case for support. This took significant effort, all while staff continued to teach and inspire our students and carry out high-quality research. I am proud of what the UC community has achieved together and commend everyone involved for their commitment in helping the University reach this vital objective.

The Government's investment was announced on campus by the Prime Minister, the Right Honourable John Key. It is focused on three key elements: a five-year commitment to the Student Achievement Component funded by the Tertiary Education Commission, providing "whole of institution" support; capital investment of up to $250 million in new and upgraded learning and research facilities in science and engineering; and an immediate $10 million investment to support detailed planning for those projects. These developments will see the learning environment and facilities in the College of Engineering expanded and modernised, and the creation of a Regional Science and Innovation Centre that will position the University as an international science centre of excellence.

We are now looking forward to a period of significant development and growth. We will maximise the Government's investment through prudent financial management. The University is forecasting a return to surpluses from 2017 and independent financial advice has provided reassurance that the proposed support will be sufficient to ensure the University can meet its obligations as they fall due.

Our students and their learning

The Government's investment is not just to respond to UC's current financial position or built environment. It also acknowledges UC's strengths in science and engineering, and recognises our commitment to producing outstanding graduates in each discipline, be it arts, business and law, education, science or engineering.

Part of this commitment involves adherence to a graduate profile that ensures students have relevant work experience before they graduate. We want all our graduates, whatever path they choose, to have the skills, knowledge, experience and confidence to be leaders in their professional lives, role models in their local communities, global thinking, bi-culturally aware citizens, wherever in the world their careers might take them.

We are establishing new connections and enhancing existing ones, including our relationship with Ngāi Tahu, to create exciting learning opportunities for all our students. Beyond libraries, lecture theatres and laboratories, engagement with the community, time in the workplace and overseas experiences will ensure our graduates are better prepared to contribute than ever.

UC's Navigator Initiative responds to employers' needs for graduate attributes beyond academic achievement, and to students' desire for more work integrated learning opportunities as part of their tertiary study.

Student innovation is encouraged and supported through UC Innovators, a new initiative fostering an "entrepreneurial ecosystem" where ideas can flourish, and success is nurtured and celebrated. Through the UC Innovators' "Hatchery" students are supported to develop new ventures, both profit and not-for-profit.

The UC Careers Kit is an ambitious employability initiative providing detailed information on UC's 72 undergraduate major subjects and their career pathways.

These pathways expanded in 2013, with the approval of eight new programmes of study – the Master of Business Management, the Postgraduate Diploma in Business, Master of Professional Accounting, Master of Speech and Language Pathology, Master of Applied Finance and Economics, Graduate Certificate in Sport Coaching, Bachelor of Criminal Justice and the Certificate in Languages.

Also in 2013, the School of Law was aligned with the College of Business and Economics to create the College of Business and Law, while the University Council decided to adopt a recovery and sustainability plan for the College of Arts. This plan guarantees a minimum establishment of 104 full time equivalent academic staff roles until 2017 and has provided certainty and stability for both staff and students. It will allow the College to maintain 25 majors and teach more than 200 courses in coming years. UC is not just about science and engineering – of the six humanities disciplines ranked by the international university ranking research company QS in their 2013 rankings by subject, four – history, geography, philosophy and linguistics – are in the top 100 in the world. Education, law, accounting and finance, and psychology also rank in the top 100.

Increasing international student numbers is vital to UC's recovery. The UC International College (UCIC), officially launched in October in partnership with Navitas Ltd, recruits and prepares international students for degree study at UC. This initiative should triple the number of international students attending UC within 10 years.

A domestic student recruitment initiative was UC Explorer, an exclusive opportunity for more than 180 Year 13 high school students from around New Zealand to experience first-hand all that UC, Christchurch and the Canterbury region has to offer. A wide range of events and outreach during the year enabled us to connect with talented high school students considering tertiary study opportunities at UC.

Our resources

Though UC still has some major challenges ahead, 2013 has shown tangible progress towards recovery.

We delivered more than 1200 courses in more than 70 programmes of study to more than 13,000 individual students. We enrolled a record number of PhD students, and we appear to be attracting increasing enrolments from domestic students living outside Canterbury. In 2013, the University awarded 3954 qualifications to 3589 people.

We will have reinstated nearly 50,000 square metres of building space by mid-2014 and will remediate 80 per cent of campus building space over the next five to seven years.

The University also released concepts for the development of the campus perimeter. These developments require external funding to go ahead, but their potential is exciting, including a UC Research and Industry Zone, sports and recreation facilities and an archives facility.

The University has met all requirements for the full conversion of a $9.7 million suspensory loan to establish NZi3, the National ICT Innovation Institute, which was entered into in 2006. This was fully accounted for in accordance with accounting standards in previous years.

This progress has been achieved against a background of constrained and reducing resources, dislocation of work places and uncertainty as to the extent and timing of Government support. While our financial situation remains complex and we must live within our means, we are successfully managing our earthquake recovery.

The University's consolidated audited annual result for 2013 was a $76.3 million surplus with a net $79.3 million attributable to earthquake recovery impacts and the campus rebuild. The result compares to the 2012 consolidated deficit of $66.6 million. The difference reflects significant adjustments made to account for insurance reimbursements received, further impairments and revaluations of assets (especially buildings), and all consequential effects of both the earthquakes and of the remediation work, and the University's wider rebuilding plans.

The University's consolidated "business as usual" result from its teaching and academic activities was a deficit of $3.0 million. This compares to the budgeted deficit of $10.2 million and a 2012 comparable deficit of $6.2 million. The University still has work to do to return to sustainable operating surpluses, but it is clear significant progress has been made in reducing and containing operating costs.

The University continues to put considerable effort into increasing student numbers, though the "pipeline" effect of lower student numbers in previous years continues to have an impact.

The University's working capital has remained at the same level as last year but the net operating cash flow has decreased by $19.4 million, from $44.3 million to $24.9 million.

Capital expenditure was $90.5 million. This included $64.2 million of earthquake-related capital expenditure.

After allowing for operating results, building and other asset revaluations and impairments and recognition of insurance proceeds, the total consolidated equity of the University has increased by $82.1 million year on year to $604.2 million.

Net tangible assets per security ($1,000 face value) as at 31 December 2013 were $11,024 compared to 31 December 2012 net tangible assets per security of $10,304.

While the auditors have issued an unmodified opinion, they have drawn attention to one issue of note, involving the estimates of building damage and cost of reinstatement, due to the scale of work programmed and some remaining uncertainty of final costs.

Dr Rod Carr

The University has operated within the philanthropic bond covenants and has met the covenant regime set in 2012 by the Ministry of Education. The Ministry has confirmed there is no intention to withdraw the consent for existing borrowing.

The University has adopted an operating budget for 2014 that includes an expected deficit before the impact of insurance proceeds, revaluations and impairment provisions of $10.5 million. Given Crown support as committed, the University is confident that it can absorb the loss as it rebuilds student numbers and associated tuition revenue.

Our staff

The 2013 year was busy for our staff, and I would like to acknowledge their hard work and dedication in getting the University to where it is today after three years of significant challenges.

I would also like to acknowledge senior staff who took on extra responsibilities.

Continued on following page

Professor Wendy Lawson became Acting Pro-Vice-Chancellor (Science); Professor Steve Weaver (Deputy Vice-Chancellor, Research), Dr Hamish Cochrane (Deputy Vice-Chancellor, Academic) and Human Resources Director Paul O'Flaherty took on elements of the Deputy Vice-Chancellor's portfolio; and Professor Niki Davis took on the role of Acting Pro-Vice-Chancellor (Education) for 2013.

There were a number of changes to the Senior Management Team. Professor Jonathan Le Cocq was appointed Pro-Vice-Chancellor (Arts) in September after acting in the role from March; Lynn McClelland was appointed Director of Student Services and Communications after acting in the role since 2012; and Keith Longden was appointed Chief Financial Officer.

We farewelled two senior staff members — Deputy Vice-Chancellor Professor Ian Town, who joined the University in April 2005, and Professor Ed Adelson, who was Pro-Vice-Chancellor (Arts). Both worked tirelessly to advance the University's interests and played important roles post-earthquake, leading many aspects of our recovery and renewal.

Our successes

The success of our staff and students is always pleasing, and 2013 has seen a number of significant highlights we are proud of.

For the fourth consecutive year, a student from the University was awarded a prestigious Rhodes Scholarship to the University of Oxford. The scholarship was awarded to engineering student Hamish Tomlinson, who has been studying insulin therapy at Christchurch Hospital under the supervision of UC's Distinguished Professor Geoff Chase and Dr Geoff Rodgers.

A team of mechanical engineering students won the Inspired Engineering Award in the international university racing car competition in Melbourne in December. The team designed and built their own racing car that clocked 0 to 100km/h in less than four seconds, and was one of only two cars chosen to be driven by a professional driver for a test session.

These successes, just a few of which our students achieved in 2013, confirm our ability to attract, retain and educate world-class scholars.

Our staff have also received acclaim and recognition. Eleven University researchers received more than $5.5 million in Marsden Grant funding in 2013 for projects ranging from a study of how listeners comprehend distorted speech, an investigation into the severe ground motions of the Christchurch earthquakes, and research using x-ray free-electron lasers to image fibrous biological macromolecules.

Dr Daniel Stouffer (Biological Sciences) and Dr Brendan Bradley (Civil and Natural Resources Engineering) were awarded Rutherford Discovery Fellowships, each worth $800,000, to pursue concentrated research in their fields. Nine of 40 fellowships have been awarded to UC academics since they were established in 2010. Researchers in UC's School of Biological Sciences have now won four of these fellowships, the highest concentration of this award in any tertiary department in the country.

Professor Dave Kelly (Biological Sciences) and Professor Andy Buchanan (Civil and Natural Resources Engineering) were recognised by the Royal Society of New Zealand. Professor Kelly received the Hutton Medal for his research into plant ecology and Professor Buchanan won the RJ Scott Medal for his world-leading work in developing design techniques for large-scale timber buildings.

Teaching excellence at UC was acknowledged when Dr Rua Murray (Mathematics and Statistics) was awarded a national Tertiary Teaching Excellence Award, one of 10 teachers nationwide to receive such recognition from Ako Aotearoa, the National Centre for Tertiary Teaching Excellence. Dr Murray is the ninth UC teacher to be awarded a national teaching award since they were established in 2001.

How others see us

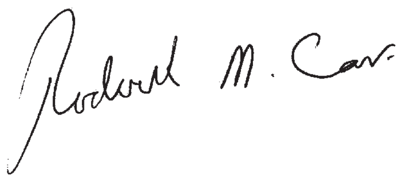
The University has retained its position in the top three per cent of the world's universities and we remain the only tertiary institution in New Zealand to have a five-star rating from the international university ranking research company QS. In 2013, QS also ranked UC 21st in the world in civil and structural engineering — one of the highest ranked programmes offered in New Zealand.

In the national Performance Based Research Fund assessment, UC earned the highest average amount of funding per eligible academic staff member for the next five year funding period and was ranked as first or second in New Zealand in 10 of 17 disciplines on which it was assessed. UC retained its place among the top universities in New Zealand for student course and programme completion rates, and progression to higher levels of study.

These achievements demonstrate the outstanding commitment and resolve of UC's staff and students who continue to strive for excellence.

The year ahead

Christchurch is transforming itself into one of the world's most modern and sustainable cities and our institution — through staff and students — is playing a significant role in the city's rebuild. We are using the opportunities created by remediation and rebuilding to create a modern campus for teaching and research, and are continually looking to improve the student experience. We still have some way to go before we are "out of the woods". However, we are on track and superbly positioned for the next phase of development.



Dr Rod Carr
Vice-Chancellor

University Statement of Strategic Intent

We have a vision of
People prepared to make a difference
– tangata tū, tangata ora.

Our mission is to
contribute to society through knowledge
in chosen areas of endeavour
by promoting a world-class
learning environment
known for attracting people
with the greatest potential to make a difference.

We seek to be known as a
university where knowledge is
created, critiqued, disseminated and protected
and where research, teaching and learning
take place in ways that are inspirational and innovative.

Looking towards 2023,
the 150th anniversary of our founding,
the primary components of our strategy are to
Challenge, Concentrate and Connect.

Adopted by Council on 30 September 2009 and reviewed in 2012

Council Membership 2013

The composition of the University Council in 2013 was:

Council Members	**First Appointed**	**Current Term Appointed**	**Current Term Ending**
Four Persons Appointed by the Minister			
Ms Catherine Drayton	2009	2013	05/2016
Mr Bruce Gemmell	2013	2013	05/2016
Mr Tony Hall	2013	2013	05/2016
Ms Sue McCormack	2009	2013	05/2016
Mr Kiki Maoate	2009	2009	05/2013
Ms Wendy Ritchie	2005	2009	03/2013
Vice-Chancellor			
Dr Rod Carr	2009	2013	02/2019
Two Members of the Academic Staff			
Professor Simon Kemp	2011	2011	12/2014
Dr Andy Pratt	2011	2011	12/2014
One Member of the General Staff			
Mr Michael Shurety	2003	2011	12/2014
One Student/Former Student			
Ms Erin Jackson	2012	2013	12/2013
One Member Appointed in Consultation with the Employers' Federation			
Mr Tony Sewell (resigned 4/2013)	2010	2010	12/2014
One Member Appointed in Consultation with the NZ Council of Trade Unions			
Mr David Ivory	2009	2009	12/2014
One Member Appointed Following Consultation with Ngāi Tahu			
Ms Sacha McMeeking	2008	2010	07/2014
Two Members Appointed by the Council			
His Honour Judge Colin Doherty	2005	2005	12/2013
Mr Peter Ballantyne	2012	2012	12/2014
Four Graduates Elected by the Court of Convocation			
Ms Joanne Appleyard	2013	2013	12/2016
Mr Warren Poh	2013	2013	12/2016
Dr Duncan Webb	2011	2011	12/2014
Dr L John Wood	2008	2011	12/2014

UC Council 2013

Back row, from left: Michael Shurety, Sacha McMeeking, David Ivory, Bruce Gemmell, Jeff Field (University Registrar), Dr Andy Pratt, Dr Duncan Webb, Joanne Appleyard and Judge Colin Doherty.
Front row, from left: Professor Simon Kemp, Catherine Drayton, Dr Rod Carr, Dr John Wood, Sue McCormack, Peter Ballantyne and Erin Jackson.
Absent: Warren Poh and Tony Hall.

Governance Statement

This statement is an overview of the University's main governance policies, practices and processes followed by the Council.

Compliance with NZX best practice code and other guidelines

The NZX Listing Rules require issuers to disclose in their annual report whether and to what extent their governance principles materially differ from the NZX Corporate Governance Best Practice Code. There are no significant differences from NZX Corporate Governance Best Practice Code other than to reflect that the University is governed by the Education Act 1989 (Education Act). Further details are provided below.

The following section summarises the key governance and compliance policies and procedures in place.

Code of Conduct

The University expects Council Members to maintain high ethical standards that are consistent with its core values, business objectives and legal and policy obligations.

A Register of Interests is maintained for all Council members and is published in all meeting agendas. Conflicts of interest are a standing item on the agenda of all meetings. A member of the Council or of a committee of the Council who has an interest in a matter being considered or about to be considered by the Council or the committee is required under the Education Act 1989 to, as soon as possible after the relevant facts have come to the Council Member's knowledge, disclose the nature of the interest at a meeting of the Council or committee.

A formal Code of Conduct has been adopted by the Council. The Code sets the ethical standards expected of Council Members and deals specifically with receipt and use of information, receipt and use of assets and property, delegated authorities, compliance with applicable laws, regulations, rules and policies and a general obligation to act honestly and in the best interest of the University.

Role of the Council

The Council is the governing body of the University. It is responsible for the governance of the University, and its powers are set out in the Education Act 1989. Its powers include the oversight of the University's policy, degree, financial and capital matters.

The Council is comprised of:

(a) Four members appointed by the Minister of Education;

(b The Vice-Chancellor of the University;

(c) One permanent member of the academic staff of the University elected by the permanent members of that staff;

(d) Two academic staff members of the Academic Board of the University elected by the academic staff members of that Board;

(e) One permanent member of the general staff of the University elected by the permanent members of that staff;

(f) Two members who are or have been students of the University appointed by the Executive of the University of Canterbury Students' Association Incorporated;

(g) One member appointed by the Council after consultation with the central organisation of employers within the meaning of the Labour Relations Act 1987;

(h) One member appointed by the Council after consultation with the central organisation of workers within the meaning of the Labour Relations Act 1987;

(i) One member appointed by the Council, following consultation with Te Runanga o Ngāi Tahu;

(j) Two members co-opted by the Council; and

(k) Four graduates, not currently employed as permanent members of the University staff, elected by the Court of Convocation of the University.

The term of office of members of the Council, vacation of office, disclosure of members' interest and casual vacancies are covered in sections 173–176 of the Education Act 1990. Subject to section 173, the maximum term for any member, other than the Vice-Chancellor, shall be three consecutive four-year terms.

Council Members (other than the Vice-Chancellor) are paid fees at such rates (not exceeding the maximum rates fixed by the Minister in accordance with the fees framework determined by the Government from time to time) as the Council determines.

Delegation of authority

The Council delegates its authority where appropriate to the Vice-Chancellor for the day-to-day affairs of the University and in specific cases to the Academic Board. Formal policies and procedures exist that detail the delegated authorities and parameters that the Vice-Chancellor and, in turn, his direct reports are able to operate within.

Continuous disclosure obligations

Continuous disclosure obligations of NZX require all issuers to advise the market about any material events and developments as soon as they become aware of them. The University complies with these obligations on an ongoing basis.

Operation of the Council

The Council meets regularly (usually monthly) for meetings. Key executives attend Council meetings by invitation. For each meeting, the Vice-Chancellor prepares a report to the Council that includes a summary of the Council's activities, together with financial reports and operational updates. In addition, the Council receives regular briefings on key strategic issues from management.

The University offers the usual Council Member's induction for newly appointed Council Members. All Council Members have advice from the Tertiary Education Commission on the governance role they fulfil and are provided with a detailed handbook of University policies, procedures and protocols. The Council Secretary, the University Registrar, is available for advice at any time.

Vice-Chancellor

The Council is responsible for the evaluation of the Vice-Chancellor against his key performance objectives and is responsible for the setting of these objectives on a periodic basis and ensuring that they are appropriate measurable targets.

Independence of Council Members

It has been determined by the Council that all Council Members are independent except for Dr Rod Carr, Professor Simon Kemp, Dr Andy Pratt and Mr Michael Shurety.

Council Committees

The following standing committees have been established to assist in the execution of the Council's responsibilities. Each of these committees has a charter outlining its responsibilities and objectives.

Finance, Planning and Resources Committee

This committee meets monthly and as at the end of the financial year comprised Ms Catherine Drayton (Chair), Dr John Wood, Ms Sue McCormack, Dr Rod Carr, Ms Erin Jackson, Mr Warren Poh and Dr Duncan Webb.

The Finance, Planning and Resources Committee is responsible for reporting and recommending to Council on financial planning, budgeting and monitoring of expenditure and financial performance matters. The committee will also recommend and report to Council on capital planning, major capital projects and post-project case evaluation including recommendations for the establishment of capital planning, expenditure and monitoring protocols.

The Chair of the Audit and Risk Committee, Deputy Vice-Chancellors, Chief Financial Officer and Registrar (Secretary) are also in attendance.

Audit and Risk Committee

The Audit and Risk Committee at the end of the financial year comprised Mr Peter Ballantyne (Chair), Dr John Wood, Ms Sue McCormack and Ms Catherine Drayton.

The Audit and Risk Committee is responsible for monitoring the ongoing effectiveness of risk management activities. The committee monitors trends in the University's risk profile and considers how it manages or mitigates key risk exposures. It implements risk management through its business processes of planning, budgeting, investment and project analysis, and operations management.

The committee also monitors and oversees the quality of financial reporting and financial management. In order to achieve this the committee considers accounting and audit issues and makes recommendations to the Council as required and monitors the role, responsibility and performance of the internal and external auditors.

The function of the Audit and Risk Committee is to assist the Council in carrying out its responsibilities under the Education Act 1989, Crown Entities Act 2004 and the Financial Reporting Act 1993 on matters relating to the University's accounting practices, policies and controls relevant to the financial position and to liaise with internal and external auditors on behalf of the Council.

The Chair of the Finance Planning and Resources Committee, Vice-Chancellor, Deputy Vice-Chancellors, UCSA President, Chief Financial Officer and Registrar (Secretary) are in attendance at Committee meetings, as are the internal and external auditors.

Vice-Chancellor Employment Committee

The Vice-Chancellor Employment Committee at the end of the financial year comprised Ms Sue McCormack (Chair), Dr John Wood and Mr Peter Ballantyne.

The primary purpose of the committee is to review the Vice-Chancellor's remuneration package and performance. These reviews form the basis of recommendations to the Council for which concurrence is then sought from the State Services Commissioner.

Elections and appointments

Election to Council committees and nomination to external bodies are governed by well documented electoral processes and are made at Council meetings after open nomination processes.

Audit governance and independence

The work of the external auditor is limited to audit and related work only. The University is committed to auditor independence. In addition, the lead internal audit partner must rotate after a maximum of five years.

Reporting and disclosure

Annual and Six Monthly Reports in accordance with the requirements of the Education Act 1989, Crown Entities Act 2004, the Financial Reporting Act 1993 and the NZX Listing Rules are communicated on a periodic basis to all bondholders. The Annual Report is audited.

The University website provides regular updates to bondholders. The Annual Report is available online at our website www.canterbury.ac.nz.

Bondholder relations

The Council's policy is to ensure that bondholders are informed of all major and strategic developments affecting the University's state of affairs. The University releases all material information to the NZX under its continuous disclosure requirements.

Statutory Information *Bondholder Statistics*

NZDX debt securities distribution as at 31 December 2013

7.25% PHILANTHROPIC BONDS

Range	No. of Bondholders	Percentage of Bondholders	Number of securities held	Percentage of securities held
1 – 5,000	81	8.97%	401,000	0.80%
5,001 – 10,000	205	22.70%	1,998,000	4.00%
10,001 – 100,000	570	63.13%	19,103,000	38.20%
100,001 – over	47	5.20%	28,508,000	57.00%
	903	100.00%	50,010,000	100.00%

NZDX Waivers

The NZDX listing rules require issuers to disclose in their annual report a summary of all waivers granted and published by the NZX within the 12 months preceding the date two months before the date of the publication of the annual report.

Statement of Responsibility

In terms of Section 155 of the Crown Entities Act 2004 we hereby certify that:

- We have been responsible for the preparation of these financial statements and statement of service performance and for the judgements used therein; and
- We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
- We are of the opinion that these financial statements and statement of service performance fairly reflect the financial position and operations of the University and group for the year ended 31 December 2013.

Chancellor

Vice-Chancellor
26 February 2014

Statement of Service Performance

Report Summary

The vision of the University is "People Prepared to Make a Difference". The mission of the University is to contribute to society through knowledge in chosen areas of endeavour by promoting a world-class learning environment known for attracting people with the greatest potential to make a difference. We seek to be known as a university where knowledge is created, critiqued, disseminated and protected and where research, teaching and learning take place in ways that are inspirational and innovative. The primary components of our strategy are Challenge, Concentrate and Connect.

The relationship between the University's activities and the wider goals is shown in table 1.

Through achieving the University's mission we will contribute to the wider societal objectives of economic development, social and community development and environmental enhancement. It has been widely recognised that an educated community will enjoy a longer and more comfortable life than one which does not have access to education. The educated community are likely to have the opportunity to pursue interests and past-times that add to the perceived quality of life. University graduates bring critical thinking to bear on problems and issues. They will develop innovative solutions which contribute to the social and economic development of the wider community. Measurement of progress towards these broader societal goals and, in particular, the proportion that can be attributed to this institution is not an exact science. Accordingly, a variety of surrogate measures used reassure stakeholders that resources are deployed in a manner that supports the achievement of the University's vision and mission and, by implication, the wider societal goals.

The environment in which the University of Canterbury exists is dominated by the impact of the 2010 and 2011 earthquakes. The University is engaged in a remediation programme that will continue for a decade. Critical to the on-going development of the campus has been the Government commitment of up to $260 million to the development of the Regional Science and Innovation Centre and redevelopment of the College of Engineering facilities. Whilst the redevelopment of the physical infrastructure is an element of the recovery, the rebuilding of student numbers will be critical to the University returning to sustainable financial health. The University lost 22% of its students between the 2010 enrolment levels and 2013. At the end of December 2013, there were 12,180 Equivalent Full Time Students (EFTS) enrolled which was ahead of the forecast position.

There are major initiatives at varying stages of development to increase the numbers of domestic and international students. The short-term domestic initiatives have included running an introductory programme called "UC Explorer", which allowed prospective students selected from a range of schools to come to Canterbury to experience life as a student for a weekend. Our investment in scholarships was maintained for the 2013 year. Student surveys show that the scholarship programme was a factor in their decision to study in Christchurch. Our summer research scholarships have been reconfigured with support from industry partners to allow promising students to gain experience in a research environment, and to gain insight into the relationship between research and the wider application of that knowledge.

At the time of the earthquakes, many international students elected to leave Christchurch due to personal safety concerns, family pressure and uncertainty about their programme of study. The levels of enrolment of international students have been well below 2010. The impact of the students who elected to study elsewhere in 2011 will be felt until the end of the 2014 academic year. An International Growth Strategy that details how international students will be attracted to study at the University has been developed and is being implemented.

Table 1

Outcomes for New Zealand
Sustainable development

Economic Development	Social and Community Development	Environmental Enhancement

Contribute to society through knowledge in chosen areas of endeavour
University of Canterbury Outcomes

Impacts
"People prepared to make a difference"

Value added to society

Educated and skilled workforce	People with critical thinking skills

Outputs that contribute to the Tertiary Education Strategy

Contribution to society

Student Achievement	Research Outputs

A university where research, teaching and learning take place in ways that are inspirational and innovative

University of Canterbury Processes

Deliver high quality, relevant courses and qualifications, and support students	Engage with stakeholders	Carry out high quality research

Promoting a world-class learning environment known for attracting people with the greatest potential to make a difference

Students	Funding	Infrastructure	Staff

University of Canterbury Inputs

University of Canterbury Strategy

Challenge	Concentrate	Connect	
Increase participation and improve educational performance of priority learner groups, through enhancing pathway arrangements Increase international numbers	Enhance the quality and impact of research outputs Increase and diversify external research income Increase research degree completions New research institutes Achieve critical mass in research Increase postgraduate numbers	Māori Pacific Industry and Business Government	Implement international strategy Connect more effectively with alumni Other stakeholders

Raise Standards	Increase Focus	Engage Stakeholders

University of Canterbury Tactics

As a result of experiences gained in the aftermath of the earthquakes and the significant impact of the Student Volunteer Army on the initial recovery of many affected homeowners, the University has been challenged to reconsider its teaching paradigms. The graduate profile has been revised to now include a much wider range of skills and experiences that students will have the opportunity to access when studying at the University. Over time, the goal is to generate graduates that are:

a) more work ready through relevant work experience and engagement with the community;

b) more innovative and entrepreneurial;

c) better prepared for the global workplace;

d) capable of contributing in a bi-cultural New Zealand and multi-cultural society.

Such opportunities are not currently available elsewhere in the country. We expect that students will be inspired and challenged to engage with opportunities to learn in very different ways. The unique offering provides a point of difference that will distinguish the University among the New Zealand universities.

The University's focus is on four priority objectives:

1 Aligning provision with the Tertiary Education Strategy (TES) priorities of improving participation by underrepresented groups, obtaining stronger financial return and making the best use of the assets of the institution;

2 Challenge — Improving the educational performance of priority learning groups;

3 Concentrate — Enhancing the quality and impact of research outputs;

4 Connect — Maintaining strong, collaborative and mutually beneficial relationships with stakeholders.

Improving educational outcomes for all students will assist in the recovery of student numbers. Enhancing the research outcomes generated by the University will assist in the development of knowledge and inform decision-making in an increasingly complex world. Connection with our stakeholders (including Government) will ensure that the expectations and needs of our community are recognised and responded to. University of Canterbury graduates will move into the wider community prepared and equipped to make a difference.

Priority Objective 1

Aligning Provision with the Tertiary Education Strategy Priorities

Priority Learner Group participation		Actual	Actual	Actual	Target
Impact	**Input commitments**	**2011**	**2012**	**2013**	**2013**
Increased participation by priority learner groups	Māori enrolments	6.4%	6.8%	7.0%	6.8%
	Pacific enrolments	1.8%	1.9%	2.1%	2.1%
	Under-25 enrolments	75.1%	74.6%	76.4%	75.3%

The desired mix of students was achieved in 2013.

Māori and Pacific pathways		Actual	Actual	Actual	Target
Impact	**Input commitments**	**2011**	**2012**	**2013**	**2013**
Enhanced Māori and Pacific pathways into tertiary study	First-year Māori enrolments as a proportion of first-year domestic enrolments	6.0%	7.4%	7.2%	7.5%
	First-year Pacific enrolments as a proportion of first-year domestic enrolments	2.0%	2.4%	2.8%	2.4%

The evaluation of recruitment of students from Māori and Pasifika backgrounds has resulted in an evolutionary process. Changes are made to the recruitment programme each year in order to ensure that Māori and Pasifika students are more appropriately engaged.

Sub-degree provision		Actual	Actual	Actual	Target
Impact	**Input commitments**	**2011**	**2012**	**2013**	**2013**
Targeted sub-degree provision (EFTS)	Sub-degree enrolments as a proportion of all enrolments	1.4%	1.2%	1.2%	1.0%
Enrolments in sub-degree courses	Māori enrolments (Sub-degree EFTS)	8.6%	12.2%	10.0%	12.0%
	Pacific enrolments (Sub-degree EFTS)	6.8%	7.8%	6.1%	8.0%
	Under-25 enrolments (Sub-degree EFTS)	72.4%	76.1%	83.5%	79.0%

Provision of sub-degree qualifications is one of a number of pathways that students can enter into University study. This pathway will be of particular importance for Māori and Pasifika students who are more likely to be second chance learners.

International (Full Fee) Participation		Actual	Actual	Actual	Target
Impact	Input commitments	2011	2012	2013	2013
Increased and more diversified international (full fee) participation	Full Fee enrolments (as a percentage of total enrolments)	6.9%	6.4%	6.6%	7.0%
	Concentration ratio (C3)[1]	53.9%	58.9%	58.7%	57.0%

Growing the number of international students is a key element of the recovery plan. Providing students with opportunities to engage and understand other cultures, be they indigenous or international, will enable them to succeed as global citizens of the 21st century.

The Tertiary Education Strategy 2011–2013 has four main priorities relevant to universities:

- Increase the number of Māori, Pacific and young people (aged under 25) achieving qualifications at higher levels
- Increase the number of young people moving successfully from school into tertiary education
- Improve the educational and financial performance of providers
- Strengthen research outcomes

Māori Students

In 2012, Rautaki Whakawhanake Kaupapa Māori (UC Māori Development Strategy) was launched in conjunction with and endorsed by Ngāi Tahu. As an integral part of this strategy, the Māori Development Team has been repositioned to focus on the recruitment of students who have the academic potential and the drive to succeed in tertiary education. The recruitment process will involve a personal interview and a subsequent discussion with the wider whanau to ensure that the student and their whanau are aware of and accept their responsibilities in undertaking or supporting a student undertaking tertiary study.

Pasifika Students

The UC Pacific Strategy is currently being developed in consultation with the various communities. There are several initiatives aimed at attracting Pacific students from targeted scholarships and dedicated liaison staff working with University-ready students through targeted secondary schools to the UC Me XL outreach programme. This programme is provided with support from the Australian and New Zealand Association based in New York. The programme was initially developed in the post-earthquake environment where students lacked appropriate study facilities. Sessions were run at the schools by University staff and postgraduate students to provide insight to tertiary study for students who have no family connection to university study. The programme has now evolved to an after school and holiday programme to support students studying NCEA levels 1–3. There are now 12 secondary schools participating in the UC Me XL programme.

International Students

Whilst the proportion of international students enrolled is important to the financial sustainability of the University, their presence enables our students to glean an understanding of other cultures through engagement with classmates from other countries and cultures. Once an international student has decided to study overseas, they have many options. One of the major factors in the decision of where to study is the ranking of the institution. The University of Canterbury was ranked 238th in the world, which is in the top 3%. Given the disruption of 2011, this was a significant achievement. The University is the only New Zealand institution to achieve five stars in the QS STARS ranking that reflects the relative quality of the institution.

1 *The C3 Concentration Ratio is a measure of the proportion of the University's international (full fee) student body contributed by the three largest source countries. Reducing the ratio mitigates the risk of over-exposure to a few source countries. In the period 2011 – 2013, the three largest contributing countries were the United States of America, China and Malaysia.*

The International Growth Strategy details how international students will be attracted to study in Christchurch. This strategy has been developed with extensive input from Education New Zealand and focusses on growth in five main areas:

a. The new Navitas-run University of Canterbury International College (UCIC). This new pathway college brings students to the University who would not normally meet UC's entry requirements and provides a first year programme structured so that, on completion, students are able to gain direct entry to UC's second year courses. UCIC was launched in September 2013 and, as at December 2013, has more than 100 applications for the February 2014 intake.

b. Developing the University's agent network, particularly in China, Malaysia, India, Indonesia and the United States.

c. Working with local Christchurch high schools to develop partnerships that attract more international students to secondary study on the basis that it provides preparation for tertiary study and guaranteed entry where academic requirements are met.

d. Developing a small number of close partnerships with second tier universities in China, Indonesia and India with a view to offering 2+2 type articulation agreements, where students do their first two years of undergraduate study at the overseas institution, then complete their degree and a postgraduate degree at the University.

e. Strengthening the University's mix of courses and programmes to better support the expectations of the international market.

Undergraduate Students

In order to be successful, the University must rebuild domestic student enrolments to at least the pre-earthquake levels. The University's goal is to generate graduates that are:

- more work ready through relevant work experience and engagement with the community;
- more innovative and entrepreneurial;
- better prepared for the global workplace; and
- capable of contributing in a bi-cultural New Zealand and multi-cultural society.

Several initiatives have been implemented to support these objectives. In most cases, they involve discrete pilot projects that will inform the development of a more formal strategy in 2014. The initiatives that are currently being piloted are all cross-cutting programmes that will be integrated into the main undergraduate and postgraduate degree programmes. Most of these support more than one of the four graduate profile objectives listed above.

Work integrated learning — providing all students with the opportunity for gaining relevant work experience at some point during their degree studies. This experience is likely to be gained from some combination of internships, volunteer work and/or project work done with or for industry. The objective will be to have all graduates able to enter the workforce with at least one referee able to speak to their skills and competencies and some experience demonstrating relevant work skills to potential employers.

Currently some 38% of graduates (mainly in vocational subjects such as Engineering and Teaching) already have relevant work experience as a graduating requirement. The strategies for providing work integrated learning experience will necessarily include roles focused on developing generic transferrable competencies and skills at undergraduate level for a large proportion of students.

Co-curricular transcript — All students have the opportunity to have their non-academic experience and competencies independently validated and documented in a co-curricular transcript that can be shared with employers. A co-curricular transcript would record such things as membership of clubs and societies, including leadership roles assumed in them. It would include volunteering experience and part-time/holiday work experience. The transcripts would include an assessment of a range of skills and competencies (team work, can-do attitude, work ethic, etc) based on interviews with employers and supervisors.

UC Innovators — provided students with opportunities to learn how to test the commercial viability of their ideas and to get them to market. Opportunities were provided to link students' ideas with industry and venture capital. In December 2013, 25 students were enrolled in the UC Innovators Summer Scholarship Programme with financial support from community and industry partners.

Internationalisation Agenda — provided opportunities for students to do a semester's study abroad to gain experience of working and living in different cultures. The network of more than 100 exchange partnerships is already in place with overseas universities. More than 200 UC students currently go on exchange each year.

Opportunities were created for the mixing and mingling of cultures within the University by curriculum and study programmes that brought domestic and international students together more often to showcase international cultural and business perspectives.

Bi-cultural competence — working with Ngāi Tahu to mainstream Māori knowledge and experience across all University programmes. Working with Ngāi Tahu on programmes for iwi aimed at encouraging more young Māori into university and improving progression and success rates. UC has a memorandum of understanding with Ngāi Tahu and is in on-going discussions. In 2013, a Māori Strategy was developed in consultation with Ngāi Tahu and adopted by the University Council. The University has allocated additional resources to support curriculum development, including creating an enhanced understanding of indigenous knowledge across a range of courses and programmes.

University success planning — High school students considering university studies and other students starting university study were provided with a tool that indicates the sort of careers open to them and the sort of academic and non-academic experiences (clubs and societies, volunteering, paid work, etc) that will best position them for the career areas they are interested in. This tool guided students to think about options around work integrated learning, developing strong co-curricular transcripts and developing both vocational and non-vocational skills, competencies and experiences, including across areas such as innovation, entrepreneurship, international experience and bi-cultural competence.

More than 80 Study to Career guides have been developed and have been distributed as a free resource for New Zealand high schools.

Priority Objective 2: Challenge

Improving the educational performance of priority learning groups

Successful Course completion Impact	Output commitments	Actual 2011	Actual 2012[2]	Actual 2013[3]	Target 2013
Increased successful course completions by priority learner groups	Māori completion rates	83%	81%	80%	84%
	Pacific completion rates	73%	69%	70%	73%
	<25 completion rates	88%	87%	87%	88%
	All SAC eligible students	**88%**	**87%**	**87%**	**88%**
	NZ university median	*86%*	*86%*		

Course completion rates have exceeded sector medians. Completion rates for Māori and Pasifika students have not met the targeted levels. The numbers of Māori and Pasifika students are comparatively small and therefore small movements materially impact performance .

Qualification completion Impact	Output commitments	Actual 2011	Actual 2012[4]	Actual 2013[5]	Target 2013
Increased qualification completions by priority learners	Māori completion rates	68%	81%	67%	65%
	Pacific completion rates	59%	75%	58%	52%
	<25 completion rates	70%	77%	74%	76%
	All SAC eligible students	**76%**	**85%**	**86%**	**76%**
	NZ university median	*76%*	*79%*		

Qualification completion rates have exceeded expectations and significantly exceeded the sector medians. Percentage completion figures were forecast to reduce in the light of a declining number of students enrolled. The academic progression of a number of students was adversely impacted by factors related to the earthquakes, such as housing and employment. The number of Māori and Pasifika students is comparatively small and therefore small movements materially impact performance.

Retention Impact	Output commitments	Actual 2011	Actual 2012[6]	Actual 2013[7]	Target 2013
Increased retention of priority learner groups	Māori retention rates	71%	83%	81%	74%
	Pacific retention rates	64%	78%	77%	65%
	<25 retention rates	84%	89%	88%	84%
	All SAC eligible students	**81%**	**87%**	**86%**	**84%**
	NZ university median	*81%*	*81%*		

Retention rates have exceeded expectations and significantly exceeded the sector medians.

2 2012 results previously reported have been updated and may differ from those previously reported.
3 Interim result to 28 January 2014.
4 2012 results previously reported have been updated and may differ from those previously reported.
5 Interim result to 28 January 2014.
6 2012 results previously reported have been updated and may differ from those previously reported.
7 Interim result to 28 January 2014.

Student Engagement		Actual 2013[8]	Target 2013
Impact	Output commitments		
Improved student engagement (AUSSE)[9]	Active learning	35%	35%
	Student staff interactions	21%	20%
	Supportive learning environment	55%	56%
Student engagement survey results were in line with expectations.			

The measures described above are prepared by the University using the TEC methodology. TEC reports annually to the sector well after our reporting timeframe. The 2013 figures for qualification completion and student retention are the best estimates currently available[10] and have an expected margin of error of two percentage points.

The 2012 figures show a positive trend when compared to the 2011 results. It should be remembered that the students whose results are reflected here are those who bore the brunt of the earthquake impacts. This makes the positive trends in qualification completion and retention all the more noteworthy.

Course completion data for priority groups is the subject of on-going monitoring. Whilst the numbers of students are small, it is important that the institution understands the causes for non-completion and implements strategies to manage the trend. At an institutional level, UC continues to deliver above the sector median course completions.

The University Council continues to support and encourage teaching excellence through the award of the Teaching Medal. Professor Eric Pawson was awarded the medal in recognition of his outstanding leadership at both the institutional level in teaching management and nationally in Quality Assurance. Professor Pawson enjoys the respect and support of his peers within the Department of Geography at the University, the local Canterbury community, and in the national and international context of his research and teaching.

Student engagement is a significant element of the University's strategy to increase student enrolments. The Australasian Survey of Student Engagement (AUSSE) is the primary tool used to measure student engagement. The responses from a random sample of students are compared with benchmarking groups defined by the participating institutions. "Student engagement is an idea focused on students and their interactions with their institution." The University of Canterbury exceeded the benchmarks for the amount of time students spent on campus (indicating a higher level of satisfaction with the physical environment), careers advice available to students, opportunities and facilities provided by the University to socialise and exercise, and a larger number of final year experience opportunities such as final year projects and exhibitions. Initiatives developed under the UC Futures programme will enhance areas such as workplace experience, community learning and internationalisation. Implementation of the planned changes is expected to result in higher levels of student engagement.

8 The survey undertaken in 2012 was reported in 2013.
9 Australasian Survey of Student Engagement
10 February 2014

Priority Objective 3: Concentrate

Enhancing the quality and impact of research outputs

Research Outputs		Actual 2011	Actual 2012	Actual 2013	Target 2013
Impact	**Output commitments**				
Increased research degree completions and external research income	Number of research degree completions	311	270	443	335
	External research income	$27.0m	$27.5m	$26.3m	$28.0m

The over delivery in 2013 and the shortfall in 2012 represents the impact of events in 2010 and 2011. A significant proportion of the postgraduate research was disrupted and resulted in extensions being granted. During the year, a number of research contracts ended and were not immediately replaced with new contracts.

Quality Assured Research Publications		Actual 2011	Actual 2012	Actual 2013	Target 2013
Impact	**Output commitments**				
Increasing Knowledge	Number of quality assured research publications	3534	3485	3000[11]	4100

The number of academic staff has reduced over the past two years resulting in a reduced aggregate number of publications being forecast.

Postgraduate enrolments		Actual 2011	Actual 2012	Actual 2013	Target 2013
Impact	**Input commitments**				
Increased postgraduate enrolments as a % of total EFTS	Postgraduate taught EFTS	7.3%	8.0%	7.9%	8.0%
	Postgraduate research EFTS	8.1%	8.6%	9.4%	8.7%
	Total postgraduate EFTS	**15.4%**	**16.6%**	**17.3%**	**16.7%**

The number of postgraduate enrolments has not reduced at the same rate as undergraduate, which is reflective of the teaching and research offered at the University of Canterbury.

Māori and Pacific Research Students		Actual 2011	Actual 2012	Actual 2013	Target 2013
Impact	**Input commitments**				
Increased postgraduate enrolments on the part of key priority learner groups	Māori postgraduate research students as a proportion of total Māori EFTS	4.1%	3.9%	4.3%	4.2%
	Pacific postgraduate research students as a proportion of total Pacific EFTS	5.9%	5.5%	6.6%	5.6%

The population of Māori and Pacific students is small so minor movements in enrolment have disproportionate impact on the performance metrics.

11 *Estimate based on extrapolation of interim reporting as at 21 January 2014.*

Concentrate

Work integrated learning		Actual[12] 2013	Target 2013
Impact	**Output commitments**		
Improved work integrated learning (AUSSE)[13]	Work integrated learning	38%	38%

The target proportion of students participating in work integrated learning was met. The target levels will be revised as the UC Futures programme initiatives are fully developed.

The number of research degree completions is likely to exceed the target for 2013 based on current trends. The research revenue excluding Performance Based Research Funding continues to exceed budget with a favourable variance of $1.2m.

The quality assured publications completed by academic staff members in 2013, is estimated to reach 3000. Since the target was set, the number of staff members has reduced which has resulted in a reduction in the number of papers published. This situation is further exacerbated by the fact that a number of those academic staff members, who have completed papers, have faced challenges such as departments being relocated to allow building remediation or their homes being remediated or a combination of both. The level of output is a reflection of the commitment of the academic staff to their disciplines.

Despite the reduction in the total number of students enrolling, the proportion of postgraduate students increased. 2013 saw the largest number of doctoral students enrolled in the 140 years of the University of Canterbury. The proportion of postgraduate students from priority groups is also increasing beyond expectations.

The quality of the research undertaken at the University of Canterbury has been recognised in various ways over the past year. Among the many of successes enjoyed there are two that are worthy of particular note. The University secured the highest level of Performance Based Research Funding[14] per eligible academic staff member of any university in New Zealand in the six yearly “quality evaluation” of all education institution based researchers in New Zealand. There were nine departments ranked in the top 100 in the world in their respective disciplines by the international QS University Ranking by Subject[15].

The University has elected to invest in a number of initiatives across a number of disciplines to foster on-going excellence in research. Increased investment has been made in the Ngāi Tahu Research Centre and CEISMIC, the digital repository of earthquake materials. In conjunction with external partners, the University has established the UC Quake Centre and the Centre for Risk, Resilience and Renewal (UCR3). The Quake Centre has been established in response to the Canterbury earthquakes, to deliver tomorrow’s earthquake engineering solutions today, for Christchurch, New Zealand and the world. UCR3 aims to improve understanding of risk, resilience and renewal, and to apply this to the development of improved strategies for risk reduction, development of resilience and implementation of post-disaster renewal.

A number of University of Canterbury researchers were recognised externally for their efforts in 2013. Emeritus Professor Roy Kerr was the first New Zealander to be awarded the prestigious Einstein Medal by the Albert Einstein Society in Switzerland. Professor Kerr developed a specific solution to Einstein’s field equations which described a structure now termed a Kerr black hole. The discovery was so remarkable as to compare favourably with the discovery in physics of a new elementary particle. Professors Mark Billinghurst (HIT Lab NZ) and Charles Semple (Mathematics & Statistics) were awarded Fellowships of the Royal Society of New Zealand. The RSNZ Hutton Medal for Plant Science was awarded to Professor Dave Kelly (Biological Sciences) and the RSNZ R.J. Scott Medal for Engineering Science & Technologies was awarded to Professor Andy Buchanan (Civil and Natural Resources Engineering). Dr Daniel Stouffer (Biological Sciences) and Dr Brendon Bradley (Civil and Natural Resources Engineering) were awarded Rutherford Discovery Fellowships.

The University Council awarded Innovation Medals to Professor Andy Buchanan, Professor Stefano Pampanin and Dr Alessandro Palermo (Civil and Natural Resources Engineering). Their pioneering UC research has lifted engineered timber buildings into serious contention for the Christchurch rebuild. This work is a further reflection of the practical contribution which the University is making to the rebuild of Christchurch. Research Medals were awarded to Professor Dave Kelly in recognition of his world leading research in plant ecology and plant-animal interactions, and to Professor Angus Macfarlane (Teacher Education) in recognition of his outstanding contribution to Māori research and education.

Internally, the University continued to foster excellence through the inaugural Distinguished Professor Award to Professor Geoff Chase (Mechanical Engineering) recognising his research work, which includes metabolic, pulmonary and cardiovascular research applied in intensive care units in New Zealand and overseas. He is a leader of an international research consortium, funded by the European Union and the Royal Society of New Zealand, which is undertaking research to apply engineering technology and innovation in collaboration with clinicians to improve healthcare.

12 The survey undertaken in 2012 was reported in 2013
13 Australasian Survey of Student Engagement
14 Performance Based Research Funding is funding provided to the tertiary education institutions to ensure that excellent research in the tertiary education sector is encouraged and rewarded.
15 History, Linguistics, Philosophy, Civil and Structural Engineering, Psychology, Geography, Accounting and Finance, Education and Law.

Priority Objective 4: Connect

Maintaining strong, collaborative and mutually beneficial relationships with stakeholders

Engagement with Māori		Actual 2011	Actual 2012	Actual 2013	Target 2013
Impact	**Input commitments**				
Enhanced engagement with Māori	Regular discussions with mana whenua, tangata whenua and other Māori groups (two meetings annually of a UC-TRONT Governance Group and 3 meetings per year of the AVC Māori Advisory Group)	Achieved	Achieved	Achieved	Achieved

The evolving nature of the relationship with Ngāi Tahu is such that this measure will be superseded in the near future.

Engagement with Pacific Communities		Actual 2011	Actual 2012	Actual 2013	Target 2013
Impact	**Input commitments**				
Enhanced engagement with Pacific communities	Regular meetings of the Pacific Peoples' Advisory Group (two meetings per year)	Not Achieved	Achieved	Not Achieved	Achieved

The Pacific People's Advisory Group did not meet in 2013. However, there has been an extensive consultation process feeding into the creation of the Pacific Development Strategy. Once the Pacific Development strategy is endorsed by the various stakeholders, new measures are expected to be adopted. These will provide a better indication of the relationship with the Pasifika communities.

Engagement with Industry		Actual 2011	Actual 2012	Actual 2013	Target 2013
Impact	**Input commitments**				
Building strong relationships with industry	Number of participants on industry advisory boards	145	145	145	150

Participation by industry in the teaching and research activities will change significantly with the changes to the graduate profile described above. A much closer relationship is envisaged which will fundamentally change the way in which the University and industry engage.

Staff engagement and satisfaction		Actual 2010[16]	Actual 2013	Target 2013
Impact	**Output commitments**			
Feedback from staff surveys	Passion Index/engagement	73%	72%	74%
	Progress Index/satisfaction	53%	45%	54%

The passion index measures the level of engagement of staff with the mission of the University. Whilst the commitment to the institution has been maintained there is a level of frustration with the on-going state of flux. This has resulted in a fall in the level of satisfaction with the rate of progress toward the ideals espoused in the Statement of Strategic Intent. It is expected that this measure will recover in later years as tangible progress is made.

16 *Staff surveys were not taken in 2011 or 2012.*

Connect

Relationship with Alumni and Supporters		Actual 2011	Actual 2012	Actual 2013	Target 2013
Impact	**Input commitments**				
Strengthened relationships with alumni and supporters	Income through UC Foundation to UC	$4.5m	$3.8m	$2.9m	$6.0m
	Number of alumni (thousands) and proportion with current addresses (electronic or physical)	115 47%	118 47%	118 47%	N/A 47%

The funding received from the UC Foundation expected for 2013 included a substantial contribution to the undergraduate scholarship costs. This contribution was not required as the scholarships were funded from alternate sources.

International Engagement		Actual 2011	Actual 2012	Actual 2013	Target 2013
Impact	**Input commitments**				
Enhanced international connection	Visiting Fellowships awarded	58	69	72	68
	Take-up of Outgoing awards	25	16	29	18

International connections exceeded expectations, reflecting the return to more normal levels of engagement with international collaborators.

The University is now focused on cementing the relationship with Ngāi Tahu through the implementation of Rautaki Whakawhanake Kaupapa Māori (UC Māori Development Strategy). This strategy focuses on six key areas: Strategic Relationships, Student recruitment and retention (as noted above), Research, Quality programmes for both Māori and non-Māori students, staff development and an appropriate physical environment. When successfully implemented, this strategy will see more Māori students completing degree level study and above, and non-Māori students will understand the foundations of cultural competence and confidence. Our staff will be engaged in research and supported to contribute Māori and indigenous knowledge economies. These elements will be underpinned by the special relationship with Ngāi Tūāhuriri and Te Rūnanga o Ngāi Tahu.

The draft Pacific Development plan has been carefully developed with input from the Pacific communities. Through the process of consultation the University response to the aspirations of the communities has been developed. The consultation process is expected to be completed by mid-2014.

The UC Futures programme has provided a broad platform for engagement with a wide range of stakeholders. The relationship with industry has strengthened appreciably as the University has sought to define its role in the Christchurch recovery. The University of Canterbury's role in the recovery of the region is multifaceted:

- a provider of skilled labour;
- a source of solutions to problems through research expertise; and
- a generator of economic activity.

The graduates of the University now need a greater range of skills to make a difference in the post-quake world. The University has developed a community learning programme in which students apply an academic framework to experience they have gained volunteering in the community. Students are also exposed to the workplace through a range of internships and work experience requirements in disciplines as diverse as engineering, education and law.

The value of experience gained working with people from other cultures is also recognised as we seek to increase the number of international students studying in Christchurch. Increased opportunities are also being developed to allow students to study abroad for a semester. These experiences will allow students to develop an understanding of the significance of cultural confidence and competence.

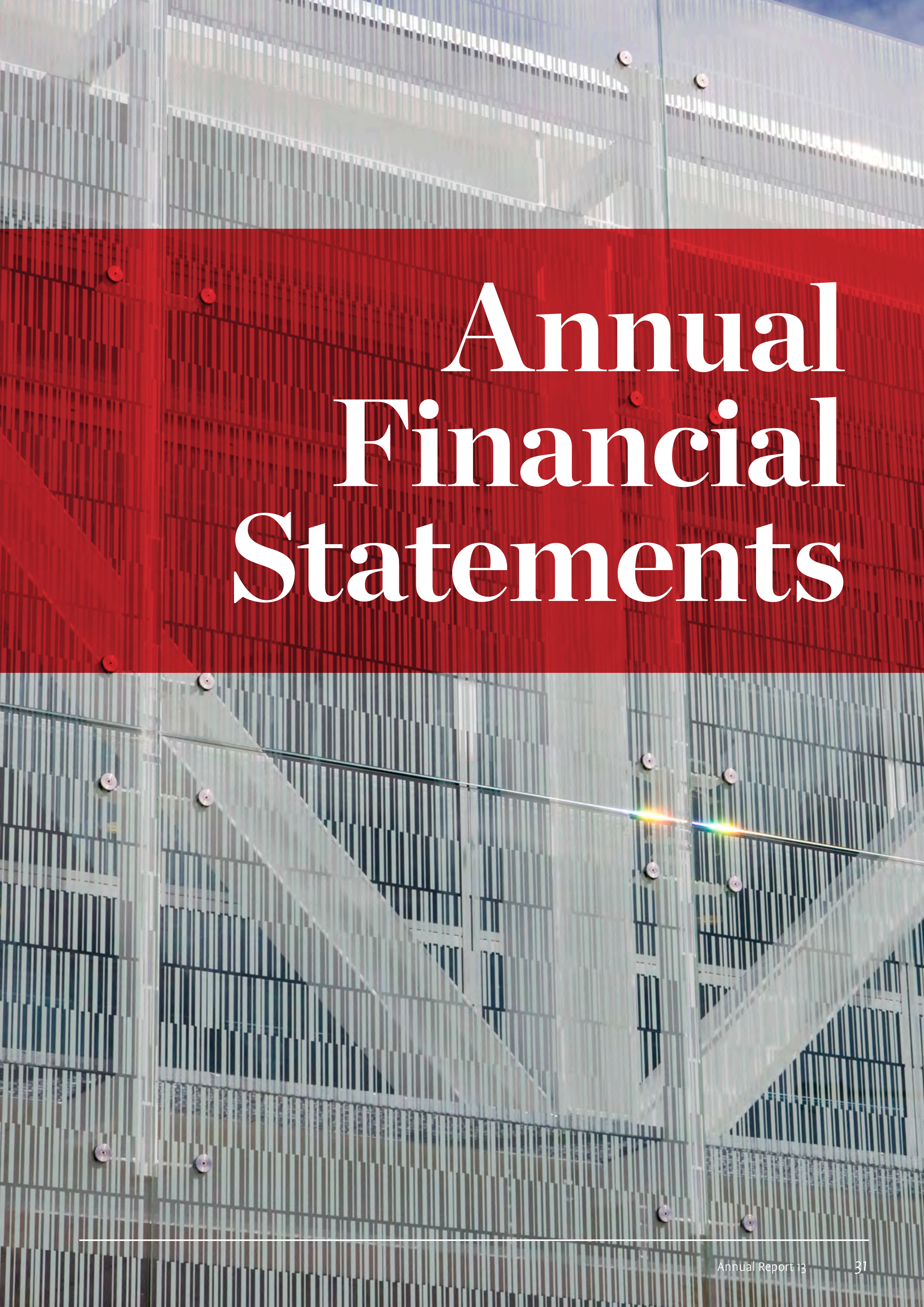
The University attracts thousands of students, staff and visitors to Christchurch every year. As a result, the contribution to the economic activity of the city is in excess of $1.5 billion per annum. This figure does not include the hundreds of millions of dollars that will be spent in the capital development (announced by Government in 2013) and the on-going remediation, funded by insurance and the University.

The engagement with industry has also recently resulted in the implementation of eight new academic programmes[17]. These qualifications have been developed to meet specific industry skills shortfalls and to offer a differentiated product in an increasingly competitive world education market.

The strength of a teaching institution is dependent on the skills and motivation of its academic staff. The academic staff attitudes and values are reflected by the support staff. The students quickly absorb the culture of the institution. Over the past three years the staff members of this University have demonstrated a level of enthusiasm, determination and resilience that exceeded expectations. Some departments will be in temporary accommodation for over three years, others have had to move annually to areas that were initially not ideal and yet the level of commitment to the institution has remained remarkably high. The ability to implement positive change has been reduced and this has seen the progress index decline. As a result of the Government support announcement and the completion of some remediation projects, staff members are now able to see tangible progress to the strategic intent of the University.

Alumni are an increasingly valuable resource to the University. Support from alumni has ranged from letters of endorsement for the UC Futures project to contributions for scholarship funds and the funding of the homework academies by the American New Zealand Association (ANZA). The University has a current relationship with 47% of its living alumni. With the use of social media and an on-going recruitment programme it is expected that this number will increase over time.

17 *These programmes are Bachelor of Criminal Justice, Master of Business Management, Postgraduate Diploma in Business, Master of Professional Accounting, Master of Speech Language Pathology, Master of Applied Finance and Economics, Graduate Certificate in Sport Coaching, Certificate in Language*



Annual Financial Statements

Statement of Accounting Policies

For the year ended 31 December 2013

REPORTING ENTITY

The University of Canterbury group (the UC group) is domiciled in New Zealand and consists primarily of the University of Canterbury (UC) and its main operating subsidiary Canterprise Limited (100% owned). Full details of the UC group are shown in note 9.

The University is a Tertiary Education Institution governed by the Crown Entities Act 2004 and the Education Act 1989.

The primary objective of the UC group is to provide education services for the benefit of the community, rather than make a financial return. Accordingly, the UC group has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS (PBE)).

These financial statements of the UC group are for the year ended 31 December 2013. The financial statements were authorised for issue by Council on 26 February 2014.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

We draw attention to the accounting policy on the creation of the Te Pourewa settlement reserve as part of General Equity.

BASIS OF PREPARATION

Statement of compliance

The financial statements of the UC group have been prepared in accordance with the requirements of the Crown Entities Act 2004, Financial Reporting Act 1993 and the Education Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

These financial statements have been prepared under the going concern assumption. This is discussed further in Note 25.

Measurement base

The financial statements have been prepared on an historical cost basis, adjusted by the revaluation of certain assets and derivatives.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

Changes in accounting policies

There have been no changes in accounting policies in 2013.

Standards, amendments and interpretations issued that are not yet effective and have not been adopted early

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39.

The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 31 December 2015. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

New Accounting Standards framework

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, UC group is classified as a Tier 1 reporting entity and it will be required to apply full public sector Public Benefit Entity Accounting Standards (PAS).

The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means UC group will transition to the new standards in preparing its 31 December 2015 financial statements. The UC group has not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Consolidation

The purchase method is used to prepare the group financial statements, which involves adding together like items of assets, liabilities, equity, income, expenses, and cash flows on a line-by-line basis. All significant intra-group balances, transactions, income and expenses are eliminated on consolidation.

Subsidiaries

UC consolidates in the group financial statements all entities where it has the capacity to control the financing and operating policies of an entity so as to obtain benefits from the activities of the entity. This power exists where UC controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by UC or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Investments in subsidiaries are carried at cost, less impairment, in UC's parent entity financial statements.

Revenue

Government grants are recognised as revenue on entitlement.

Student tuition fees are primarily recognised as revenue over the 12 month period of the financial year.

Research grants are recognised as revenue on a percentage of completion calculation, 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.

Insurance reimbursements are recognised as revenue when the claimable expenditure is incurred. This expenditure is verified by the Marsh Risk Consulting forensic accounting team prior to submission to the insurer. Rejection rates to date have been insignificant. Further details on insurance receipts is included in Note 24.

Donations of money are recognised immediately as revenue unless a condition is attached. If a condition is attached it would be recognised as a liability until the condition is met, at which time it is recognised as revenue.

Donations of assets are recorded at fair value on receipt and recognised as revenue.

Reversionary interest income is recognised to reflect the Campus Living building assets, which will become UC group assets in 2040. The interest is calculated using the latest building valuation and a discounted cash flow methodology.

Revenue from sales of goods and services is recognised when the product is sold to the customer, or the service provided.

Derivative Financial Instruments

UC group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Notes 16 and 17.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into, and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the surplus or deficit immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the surplus or deficit depends on the nature of the hedge relationship. UC group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge Accounting

UC group designates certain hedging instruments, which may include derivatives, embedded derivatives and non-derivatives in respect of foreign currency exchange risk and interest rate risk, as cash flow hedges. Hedges of foreign currency exchange risk on firm commitments, forecast transactions, and hedges of interest rate risk on future interest payments, are accounted for as cash flow hedges.

At the inception of the hedge relationship, UC group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the UC group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Note 17 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Statement of Changes in Equity and in Note 18.

Cash flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated as a separate component of equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the surplus or deficit, and is included in the other income or general expenditure line items.

Amounts recognised in the hedging reserve are reclassified from equity to the surplus or deficit (as a reclassification adjustment) in the periods when the hedged item is recognised in the surplus or deficit, in the same line as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the hedging reserve are reclassified from equity and included in the initial measurement of the cost of the asset or liability (as a reclassification adjustment).

Hedge accounting is discontinued when the UC group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the surplus or deficit. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in the hedging reserve is recognised immediately in the surplus or deficit.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid cash investments with original maturities of three months or less from date of acquisition.

Trade and Other Receivables

Receivables are initially measured at fair value and then adjusted for amounts not considered recoverable.

All receivables are reviewed for recoverability. Receivables that are 180 days past due date are considered unrecoverable unless there is a clear agreement for repayment. Receivables over $1,000 that are 90–180 days overdue are also assessed for recoverability based on the type of debtor, relationship to the UC group, communications with the debtor and predicted chances of recovery and costs associated with recovery.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential. Loss of service potential is assessed by physical inspection when stocktakes occur.

Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Any obsolete inventories have been written off.

Other Financial Assets and Liabilities

The UC group classifies its financial assets into the following three categories: financial assets at fair value through the surplus or deficit; loans and receivables; and financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. The UC group determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Other financial assets include term deposits with maturities greater than three months, classified as current where the remaining duration is less than 12 months, or non-current where the remaining duration is more than 12 months.

All financial assets and financial liabilities are initially recognised at fair value.

Further details of other financial assets and liabilities are included in Note 16.

Property Plant and Equipment

Land and Buildings

Land has been valued at fair value by CB Richard Ellis Limited as at 31 December 2013. The fair value of land is determined by reference to its highest and best use vacant, and then adjustments are made for possible legal impediments to achieving the fair market value. The fair value of land is normally determined from market based evidence and a discounted cash flow basis, with no optimisation process applied. As there is no sales based market evidence, the valuation is based on a discounted hypothetical development less allowances for legal impediments.

Buildings, on a component basis, have been valued by CB Richard Ellis Limited at depreciated replacement cost as at 31 December 2013, except where there exists a contestable market in which case a comparative sales or discounted cash flow approach is used. The valuation makes no adjustment for any contingent costs, associated with strengthening, for those buildings that have a seismic rating of less than 67% of the New Building Standard, or for any impairment.

The depreciated replacement cost methodology is based on the current gross replacement cost of buildings less allowances for physical deterioration, and optimisation for obsolescence and relative surplus capacity. The Buildings Valuation completed by CB Richard Ellis Limited has been modified by the University to allow for the impact of the Canterbury earthquakes. This is explained in Note 24.

Independent registered valuers undertake revaluations of Land and Buildings every three years, unless there is reason to suggest that values have changed materially in the intervening years, in which case a revaluation may be undertaken outside of the three year cycle, which is currently the case.

At 30 June 2013, UC group valued its Ilam Homestead property on a market value basis (previously depreciated replacement cost), as the nature of its use is changing to incorporate more commercial activity. The impact of this change is shown on the face of the Statement of Comprehensive Income. CB Richard Ellis Limited have confirmed that the valuation at 30 June 2013 remains valid for inclusion in the 31 December 2013 financial statements.

Additions to Land and Buildings subsequent to the date of valuation are recorded at cost. Where a Land and Building asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Any gains or losses on disposal of Land or Buildings are determined by comparing the proceeds, if any, with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When re-valued assets are disposed of, the amounts included in the asset revaluation reserves in respect of those assets are transferred to General Equity.

Infrastructure Assets

Infrastructure Assets have been valued by AECOM as at 1 December 2011 at depreciated replacement cost.

Independent registered valuers undertake revaluations of Infrastructure Assets every three years, unless there is reason to suggest that values have changed materially in the intervening years, in which case a revaluation may be undertaken outside of the three year cycle.

Additions to Infrastructure Assets subsequent to the date of valuation are recorded at cost. Where an Infrastructure Asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Any gains or losses on a disposal of Infrastructure Assets are determined by comparing the proceeds, if any, with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When re-valued assets are disposed of, the amounts included in the asset revaluation reserves in respect of those assets are transferred to General Equity.

Library

The Current Collection is valued at historical cost less depreciation.

The Permanent Collection was valued on a fair value basis as at 31 December 2013 by Jones Lang Lasalle Limited. The valuation was carried out in accordance with the University's Treasury valuation guidelines. Non-specialised assets have been valued at market value and specialised assets have been valued on a depreciated replacement cost basis. The Permanent Collection is revalued every three years by an independent registered valuer.

Donated books have been included at estimated market value.

Additions to Library Assets subsequent to the date of valuation are recorded at cost.

Any gains or losses on the disposal of Library Assets are determined by comparing the proceeds, if any, with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When re-valued assets are disposed of, the amounts included in the asset revaluation reserves in respect of those assets are transferred to General Equity.

Artworks/Medals/Logie Collection

Initial recognition of items in these collections is at cost. Where an item is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition. The collections are then revalued on the following cycle:

- Artworks are revalued on a three yearly cycle
- Medals are revalued on a five yearly cycle
- The Logie Collection is revalued on a five yearly cycle

Artwork fair value was determined by reference to market values for comparable works and the size and condition of the piece. They were not revalued at 31 December 2013. The specialised nature of these assets and the volume of artworks involved has meant that the valuation was unable to be completed before the finalisation of these financial statements. The last valuation performed was as at 31 December 2010. The carrying value of Artworks in these financial statements is $3.8 million, and indicative work on the major items in the collection does not indicate any significant movement since the previous valuation. The valuation will be completed in 2014 and included in the next year's results. All movements will flow through the revaluation reserves and will not affect the operating result.

Medals were valued at fair value by R. J Watt & Associates as at 18 December 2013. Fair value was determined by reference to the NZ market and, where appropriate, the global market adjusted for the condition of the medal, rarity and any premium associated with the recipient. The latter particularly applies to the Lord Rutherford medal collection.

The Logie Collection has been valued at the replacement cost by James Ede, Director of Charles Ede Limited in London, at the valuation date of 25 September 2012. James Ede has 30 years of commercial experience in Classical and Pre-Classical antiquities.

Medals, Artworks and the Logie Collection valuations are carried out by independent valuers.

Any gains or losses on the disposal of items in the Artworks collection, Medals collection, and the Logie Collection are determined by comparing the proceeds, if any, with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are disposed of, the amounts included in the asset revaluation reserves in respect of those assets are transferred to General Equity.

Plant and Equipment

Assets including plant, equipment, motor vehicles and furniture are recorded at cost less accumulated depreciation. 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.

Additions to Plant and Equipment assets are recorded at cost. Where Plant and Equipment is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Gains and losses on disposals of Plant and Equipment are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

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.

Course development and website costs

Course development costs are not capitalised. Any costs involved in the development of new courses are expensed in the year incurred. Website development costs are normally expensed unless the development has resulted in new functionality, in which case the cost is capitalised.

Intangible Assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation of Software

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives of the UC group's software ranges from 3–10 years.

Accounting for Revaluations of Property Plant and Equipment

The UC group accounts for revaluations on a class of asset basis.

The results of any revaluation are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Impairment of Property Plant and Equipment

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, any impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

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

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

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

Depreciation of Property Plant and Equipment

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

Buildings Components:

Structure	1.25–2%
Building Services	2.50–6.70%
Fittings and Fit-out	4.00%
Furnishings (chattels)	5.00%
Infrastructure Assets	0.95%–33.3%
Other Plant and Equipment	6.7% to 33.3%

Leased Equipment	33.3%
Current Collection (Library)	10.00%

Artworks, Medals, Logie and the Permanent collections are not depreciated because they are maintained such that they have indefinite or sufficiently long useful lives that any depreciation is considered negligible.

Refer to "Change in Accounting Estimate" below for the change in depreciation rates in relation to the Current Collection (Library).

Leases

Finance 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 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 finance charge is included in the surplus or deficit over the lease period so as to produce a constant periodic rate of interest.

Operating Leases

Leases that do not transfer the risks and rewards incidental to ownership are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

The UC group has entered into a 35 year lease of its student accommodation facilities with Campus Living Villages Limited. The majority of the lease rental was received in advance in 2005, and is being recognised as income, apportioned equally over the period of the lease.

The present value of the term receivable for the remaining interim and terminal lease payment from this transaction is reflected in non-current assets. The income received in advance is shown in current and non-current liabilities.

Provisions

Provisions are required for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event that makes it probable that expenditure will be required to settle the obligation. Provisions are only recognised when a reliable estimate can be made as to the amount of the obligation. Provisions are not made for future operating losses.

Employee Entitlements

Provision is made in respect of the UC group's liability for annual leave, long service leave, retirement leave, sick leave and earthquake related leave.

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

Long Service leave for all eligible staff is equal to the present value of the estimated future cash flows as a result of employee service, as calculated at balance date by an independent actuary. The portion which has already vested in the employee (an entitlement has been established) is presented as a current liability using remuneration rates current at reporting date. The balance is shown as a non-current liability.

The retirement gratuity for all eligible staff is equal to the present value of the estimated future cash flows as a result of employee service, as calculated at balance date by an independent actuary. This provision is shown as a non-current liability, except for the estimated amount attributable to retirees for the following financial period — this is shown as a current liability.

Sick leave for all eligible staff is calculated at balance date by an independent actuary and is an actuarial function of the extent to which absences are expected to be greater than sick leave entitlements earned over the next 12 months and future years. The liability balance is split into a current and non-current portion.

Earthquake related leave is based on all continuing employees being eligible for a maximum of 15 days, from 1 August 2011, to be used before 31 December 2013. The provision allowed for assumes that the number of days taken will be dependent on estimated earthquake damage zones of an employee's residence. The value of this provision has been measured using remuneration rates current at reporting date.

This provision is shown as having terminated as at 31 December 2013.

Prior to 31 December 2013, the UC group announced that while the earthquake related leave benefit had been terminated, employees could still apply for discretionary leave where they were required to attend to earthquake related matters up to 31 December 2014. While remaining discretionary, UC group considers that there is sufficient probability that such leave will be applied for and granted that a new provision for this leave, based on previous earthquake leave taken, has been included in these financial statements. The calculation was performed by management with reference to published data of progress on earthquake damage repairs to residential property and to leave taken to date by UC staff relating to earthquake residential property damage.

The present value of long service, retirement and sick leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The key assumptions used in calculating this liability include the discount rate and the salary growth factor. Any changes in these assumptions will impact on the carrying amount of the liability. The valuation was carried out by an independent actuary, Eriksen & Associates Limited, as at 31 December 2013. They have based their valuation on the model recommended by Treasury for the reporting purposes of Crown Entities.

Superannuation

Defined Benefit Plan

The UC group is party to the Government Superannuation Fund (GSF) but has no underwriting responsibilities as any shortfall is met by the Government.

Insufficient information is available to use defined benefit accounting as it is not possible to determine from the terms of the scheme the extent to which the surplus or deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Defined Contribution Plan

Any superannuation defined contributions are undertaken and reflected as normal operating expenses and are included within both the surplus or deficit and Statement of Financial Position as appropriate.

Foreign Currencies

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the UC group has an unconditional right to defer settlement of liability for at least 12 months after balance date or if the borrowings are expected to be settled within 12 months of the balance date.

Borrowing Costs

The UC group has elected to defer the adoption of the revised NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with the transitional provisions of NZ IAS 23 that are applicable to public benefit entities.

Consequently, all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in the period in which they are incurred.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components. The components of equity are:

- general equity;
- general equity – Te Pourewa settlement reserve;
- general equity – student service levy capital reserve;
- cash flow hedge reserves;
- property revaluation reserves; and
- fair value through other comprehensive income reserves

General equity – Te Pourewa settlement reserve

This reserve has been created to acknowledge the University's undertakings to its insurers on receipt of the advance insurance settlement of $17.5 million. Principally, the University undertakes to replace the work space provided by the demolished Te Pourewa building as a new building or as part of a larger new building on another site owned by the University, yet to be determined. The reserve will be released back into general equity once this undertaking has been met.

General Equity – student service levy capital reserve

This reserve records the annual allocation of funding of capital items from the student services levy, which is shown as a transfer from general equity. As capital items are purchased, the corresponding balance is deducted from this reserve and transferred back to general equity.

Cash flow hedge reserves

These reserves relate to the movements of fair value of all foreign exchange forward contracts and interest rate swaps.

Property revaluation reserves

These reserves relate to the revaluation of building, land, library and collections to fair value. The Building Revaluation Reserve is currently nil due to significant impairment in 2011 as a result of earthquake damage.

Fair value through other comprehensive income reserves

These reserves comprises the cumulative net change in the fair value of "fair value through other comprehensive income" instruments.

Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated GST inclusive. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense. GST owing to the Inland Revenue Department as at 31 December 2013 is included in Accounts Payable.

Taxation

The UC group is exempt from the payment of income tax as it is treated by the Inland Revenue Department as a charitable organisation. Accordingly, there is no provision for income tax.

Critical Accounting Estimates and Assumptions

In preparing these financial statements the UC group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Land and Buildings Valuations

The valuation from CB Richard Ellis Limited assumes that there were no physical consequences of the Canterbury earthquakes that had a detrimental effect on the value of the land and buildings. It also assumes there are no rectification costs which are not covered by insurance and hence no extraordinary costs that will warrant deductions from the valuation. UC has adjusted the valuation to allow for the decrease in value in the buildings asset as at 31 December 2013 for unremediated earthquake damage. Note 24 explains the rationale for this and the methodology used, and highlights risks that estimates of damage to buildings may be different from that reflected in these financial statements.

(a) **Land**

A key assumption of the land valuation was that an allowance was made to reflect the possible legal impediments to achieving the fair market value of the land's highest and best use. The assumption used was an extended realisation period for the disposal of property sections, yielding lower overall returns and resulting in a lower valuation than as at 31 December 2012.

(b) **Buildings at Depreciated Replacement Cost**

In performing depreciated replacement cost valuations with respect to buildings, estimates are made when determining the remaining useful lives over which the asset will be depreciated.

If useful lives do not reflect the actual consumption of the benefits of the asset, then the UC group could be over or underestimating the annual depreciation charge recognised as an expense in the surplus or deficit. The cost element is determined by indexing to building cost indices.

The valuation excludes any capitalisation for any borrowing costs that may have been incurred in the construction or acquisition of a component asset.

Adjustments have been made as appropriate to fairly reflect remaining lives by reference to physical condition and capital expenditure.

(c) **Residential Properties at Market Values**

The valuation of residential property owned by the UC group is based on market value. Market value is the estimated amount the property would sell for on the date of valuation, between a willing buyer and willing seller in an arm's length transaction, acting knowledgeably, prudently and without compulsion.

The market value methodology for residential properties takes into account recent sales of comparable properties.

(d) **Buildings at Market Value – Ilam Homestead**

The valuation of the Ilam Homestead is based on market value and is predicated on a standard commercial lease arrangement for a property of this type.

(e) **Campus Living Villages**

The valuation of land and improvements that are leased to Campus Living ignores the lease impediment and treats the valuation in the same fashion as the balance of the UC campus assets.

(f) **Dovedale Campus**

The valuation merges the interests of the Crown and UC in respect of the Dovedale campus. The Government has indicated that ownership of this land is likely to be transferred to the University as part of the present Tertiary Education Commission (TEC) and Minsitry of education (MOE) asset transfer policy process.

Reversionary Interest

A reversionary interest amount is recognised representing the progressive recognition of the value of the Campus Living accommodation which reverts to UC ownership in 2040. The key assumption used in calculating this revenue is the discount rate at 7.0% (December 2012: 5.8%). Any changes in this rate will impact on the revenue recognised.

Long Service, Retirement Gratuity and Sick Leave

The estimates and uncertainties surrounding these valuations include an estimation of salary growth rate of 3.0%, resignation rates (as per Government Superannuation Fund), retirement rates (as per Government Superannuation Fund), and discounting rates based on the yields on Government Bonds (consistent with all entities that form part of the Crown's annual reporting).

Earthquake Leave and other leave provisions

Up until 31 December 2013, UC included a provision for earthquake leave. This provision was based on assumptions around earthquake leave pertaining to the number of employees in each zone and the number of earthquake leave days an employee is likely to use in each of those zones. The assumptions used apply:

- the full 15 days for the assumed percentage of employees in the red zone;
- 10 days for the assumed percentage of employees in the orange zone; and
- 5 days for the assumed percentage of employees in the green zone.

These percentages are then applied against remuneration rates, current at reporting date, for continuing employees. The provision was then reduced to take into account days used to 31 December 2013.

This leave provision expired at 31 December 2013, and the remaining balance has been written back to surplus.

UC has advised employees that discretionary leave to enable them to address earthquake-related matters can still be applied for through the normal processes up until 31 December 2014. UC considers this to be a tangible enough offer to recognise a reliably estimated provision of $750,000 in respect of this leave. The amount has been calculated based on:

- the amount of earthquake leave taken to date;
- the current stage of residential rebuild and repair in Christchurch, as advised by CERA; and
- discounted by 25% to reflect the likelihood that some work will still remain to be completed by the end of 2014.

Recognition of Insurance Reimbursements

Insurance Reimbursements have been recognised based on costs incurred to date in respect of both the Business Interruption and Material Damage claims. At this stage, no insurance reimbursements have been recognised for any loss of income with respect to the Business Interruption claim given the uncertainty surrounding this area and negotiations with the insurers are ongoing.

UC uses the forensic accounting and claims services of Marsh Risk Consulting to verify all claimed items prior to submission to the insurers, as a result the UC group is confident that any expenditure incurred (less insurance excess) will be successfully claimable from the insurers.

UC is in the early stages of the remediation programme, and negotiations with the insurers are also ongoing in this respect. During the year, estimates in repair costs have risen significantly, and further earthquake damage continues to be revealed. The UC group position in respect of the damage estimates is discussed more fully in Note 24, but UC's view is that there is insufficient evidence to recognise any potential future insurance reimbursements as revenue due to the inherent uncertainties in the estimation, together with unresolved negotiations with insurers over Business Interruption insurance.

Recognition of Impairments

UC has estimated the extent of damage to its buildings through the use of independent Quantity Surveyors, Davis Ogilvie and Partners Limited (2012: Rawlinsons). These estimates are based on the following:

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

Impairment is discussed further in Note 24.

Change in Accounting Estimate

Current collection depreciation method

UC has historically depreciated its Library Current Collection on a diminishing value basis, varying from 6% to 15% across seven distinct categories.

As at 1 July 2012, UC determined that more reliable and relevant information will be provided by adopting a straight line depreciation method over a 10 year period, applied across the entire Current Collection. This more accurately reflects the useful life of a modern university library asset held across both written and electronic media, and where texts are increasingly of a multi-disciplinary nature.

This causes a slight variance when comparing amortization between the 2013 and 2012 years.

Current collection impairment

Subsequent to 30 June 2012, UC completed an analysis of its library stock that revealed usage of books after 10 years was negligible, and so that books older than 10 years had no value in use. Accordingly, the 31 December 2012 result included an impairment charge of $17.8 million relating to the Current Collection of Library books.

There is no such charge for the year ended 31 December 2013.

Statement of Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
OPERATING INCOME						
Government Grant		126,996	125,237	126,996	125,237	125,645
Performance Based Research Funding (PBRF)		24,566	26,284	24,566	26,284	26,502
Student Tuition Fees Domestic Fee Paying		57,478	59,580	57,478	59,580	60,859
Student Tuition Fees Full Fee Paying		18,371	19,159	18,371	19,159	20,150
Student Services Levy		7,611	7,369	7,611	7,369	8,290
Other Student Related Fees		734	756	734	756	841
Research Income		26,282	27,328	26,282	27,328	25,092
Interest Income		4,338	4,498	4,338	4,497	2,220
Other Income	1	15,113	23,031	15,521	22,174	15,784
Insurance Reimbursements	24	78,887	41,023	78,887	41,023	–
Increase in Revaluation of Buildings	8,24	65,229	34,256	65,229	34,256	–
TOTAL OPERATING INCOME		**425,605**	**368,521**	**426,013**	**367,663**	**285,383**
OPERATING EXPENDITURE						
Personnel Expenses	2	159,185	175,293	159,185	175,293	168,971
Site & Property Costs		10,076	10,567	10,076	10,567	10,894
General / Operating Expenditure	3	92,571	84,180	92,746	83,793	75,919
Finance Charges	4	3,913	4,054	3,913	4,054	3,802
Depreciation, Amortisation and Impairment	8	36,947	53,320	36,946	53,320	35,996
Increase in Impairment of Buildings	8,24	42,920	107,707	42,920	107,707	–
Ilam Homestead Revaluation Loss	26	3,666	–	3,666	–	–
TOTAL OPERATING EXPENDITURE		**349,278**	**435,121**	**349,452**	**434,734**	**295,582**
SURPLUS/(DEFICIT)		**76,328**	**(66,600)**	**76,562**	**(67,071)**	**(10,199)**
Other Comprehensive Income						
Movements in revaluation reserves relating to Library Permanent Collections	8	2,354	2,592	2,354	2,592	–
Movements in revaluation reserves relating to Land valuations	8	(10,795)	3,325	(10,795)	3,325	–
Net Movements in revaluation reserves	18	(8,441)	5,917	(8,441)	5,917	–
Effective portion of changes in fair value of cash flow hedges	18	3,225	(1,753)	3,225	(1,753)	–
Adjustments to Fair Value through Other Comprehensive Income Reserve to Net Surplus / (Deficit)	18	993	(175)	993	(175)	–
Total Other Comprehensive Income		(4,223)	3,989	(4,223)	3,989	–
TOTAL COMPREHENSIVE INCOME		**72,105**	**(62,611)**	**72,339**	**(63,082)**	**(10,199)**

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

The surplus/(deficit) can be analysed as follows:	Notes	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
Deficit from primary operations	**27**	(2,969)	(6,230)	(2,735)	(6,701)	(10,199)
Library impairment and change in depreciation rates	**27**	–	(20,039)	–	(20,039)	–
Campus rebuild costs, Science Lecture Theatre, Commerce and Te Pourewa demolition and write offs	**3**	(19,730)	–	(19,730)	–	–
Ilam Homestead Revaluation Loss	**26**	(3,666)	–	(3,666)	–	–
Insurance Reimbursements	**24**	78,887	41,023	78,887	41,023	–
Increase in Revaluation of Buildings	**8,24**	65,229	34,256	65,229	34,256	–
Increase in Impairment of Buildings	**8,24**	(42,920)	(107,707)	(42,920)	(107,707)	–
Leave provision adjustments	**15**	2,638	(290)	2,638	(290)	–
Increased costs of working	**24**	(1,142)	(7,613)	(1,142)	(7,613)	–
SURPLUS/(DEFICIT)		76,328	(66,600)	76,562	(67,071)	(10,199)

Further details on the impact of the earthquake and the rebuilding of the UC campus are included in the notes as indicated.

Statement of Changes in Equity

For the year ended 31 December 2013

	Notes	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
Balance at 1 January		522,100	584,711	521,793	584,875	593,039
Comprehensive income						
Surplus/(deficit)	**18**	76,328	(66,600)	76,562	(67,071)	(10,199)
Other comprehensive income	**18**	(4,223)	3,989	(4,223)	3,989	–
Total comprehensive income		72,105	(62,611)	72,339	(63,082)	(10,199)
Non Comprehensive income Items						
Contributions from the Crown	**18,25**	10,000	–	10,000	–	–
Total Non Comprehensive income Items		10,000	–	10,000	–	–
Balance as at period end		604,205	522,100	604,132	521,793	582,840

Significant variances to budget are explained in Note 26 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2013 BUDGET
The accompanying policies and notes form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2013

	Notes	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
CURRENT ASSETS						
Cash and Cash Equivalents	5	65,648	17,688	65,583	17,629	36,643
Other Financial Assets / Short Term Deposits	16	5,299	57,665	5,299	57,665	–
Receivables	6	15,313	8,779	15,313	8,779	32,393
Prepayments		8,487	6,832	8,487	6,832	10,256
Inventories	7	1,391	1,437	1,391	1,437	1,466
Total Current Assets		96,138	92,401	96,073	92,342	80,758
LESS CURRENT LIABILITIES						
Funds Received in Advance	11	22,697	22,307	22,697	22,307	18,971
Accounts Payable	12	31,709	21,198	31,715	21,895	14,564
Current Loans & Leases	13	1,032	2,032	1,032	2,032	1,032
Philanthropic Bond	14	2,000	2,000	2,000	2,000	2,000
Current Provisions - Employee Entitlements	15	9,685	14,784	9,685	14,784	11,549
Total Current Liabilities		67,123	62,321	67,129	63,018	48,116
WORKING CAPITAL		**29,015**	**30,080**	**28,944**	**29,324**	**32,642**
NON CURRENT ASSETS						
Property, Plant and Equipment	8	551,310	515,287	551,308	515,284	630,676
Intangible Assets	8	3,717	5,548	3,717	5,548	–
Capital Work-in-Progress		91,420	65,783	91,420	65,783	–
Investments	9	745	1,060	745	1,510	1,501
Other Financial Assets / Long Term Deposits	16	17,500	–	17,500	–	–
Term – Receivable	10	1,641	1,533	1,641	1,533	14,687
Other Non Current Assets	10	5,078	6,743	5,078	6,743	4,337
Total Non Current Assets		671,411	595,954	671,409	596,402	651,201
NON CURRENT LIABILITIES						
Loans & Leases	13	928	1,960	928	1,960	928
Other Financial Liabilities	16	1,552	4,785	1,552	4,785	3,032
Philanthropic Bond	14	47,273	47,186	47,273	47,186	48,010
Term Provisions - Employee Entitlements	15	22,643	25,350	22,643	25,350	25,382
Term – Funds Received in Advance	11	23,825	24,653	23,825	24,653	23,651
Total Non Current Liabilities		96,221	103,934	96,221	103,934	101,003

Significant variances to budget are explained in Note 26 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2013 BUDGET
The accompanying policies and notes form an integral part of these financial statements.

	Notes	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
NET ASSETS		**604,205**	**522,100**	**604,132**	**521,792**	**582,840**
Represented by:						
General Equity	18	470,494	401,376	470,421	401,068	462,137
General Equity – Te Pourewa Settlement Reserve	18	17,500	–	17,500	–	–
General Equity – Student Services Levy Capital Reserve	18	550	(250)	550	(250)	–
Revaluation Reserves	18,24	117,221	126,752	117,221	126,752	123,735
Cashflow Hedge Reserve	18	(1,560)	(4,785)	(1,560)	(4,785)	(3,032)
Fair Value Through Other Comprehensive Income Reserve	18	–	(993)	–	(993)	–
TOTAL EQUITY		**604,205**	**522,100**	**604,132**	**521,792**	**582,840**

Significant variances to budget are explained in Note 26 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2013 BUDGET
The accompanying policies and notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
OPERATING ACTIVITIES						
Cash provided from:						
Government Grant		151,562	151,521	151,562	151,521	152,296
Tuition Fees		76,869	78,591	76,869	78,590	82,447
Other Income		51,563	58,473	51,286	58,198	52,123
Agency Funds		4,227	3,627	4,227	3,627	–
Interest Received		4,461	4,110	4,461	4,110	2,220
Earthquake Insurance Receipts		–	14,913	–	14,913	–
		288,682	311,235	288,405	310,959	289,086
Cash applied to:						
Personnel Expenses		166,427	173,052	166,427	173,052	168,129
Site & Property Expenses		9,837	10,609	9,837	10,609	10,894
General / Operating Expenses		77,764	77,295	77,492	77,012	84,151
Agency Funds		4,227	3,627	4,227	3,627	–
Interest Paid		3,794	3,935	3,794	3,935	3,960
Net GST Movement		1,720	(1,548)	1,721	(1,549)	(2,000)
		263,769	266,970	263,498	266,686	265,134
Net cash provided by Operating Activities	19	**24,912**	**44,265**	**24,906**	**44,273**	**23,952**
INVESTING ACTIVITIES						
Cash provided from:						
Proceeds from disposal of Fixed Assets		34	76	34	74	–
Earthquake Insurance Receipts		70,737	37,809	70,737	37,809	–
Maturity of Deposits with terms greater than 3 months but less than 12 months		57,665	28,000	57,665	28,000	–
		128,436	65,885	128,436	65,883	–
Cash applied to:						
Capital Expenditure		90,545	71,362	90,545	71,362	45,624
Deposits with terms greater than 3 months but less than 12 months		5,299	57,665	5,299	57,665	–
Deposits with terms greater than 12 months		17,500	–	17,500	–	–
		113,344	129,027	113,344	129,027	45,624
Net cash used in Investing Activities		**15,092**	**(63,142)**	**15,092**	**(63,144)**	**(45,624)**

	Notes	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
FINANCING ACTIVITIES						
Cash provided from:						
Capital Contribution from the Crown		10,000	–	10,000	–	–
		10,000	**–**	**10,000**	**–**	**–**
Cash applied to:						
Repayment of Loans		2,064	2,109	2,064	2,109	1,532
		2,064	**2,109**	**2,064**	**2,109**	**1,532**
Net cash provided by Financing Activities		**7,936**	**(2,109)**	**7,936**	**(2,109)**	**(1,532)**
Net increase (decrease) in cash held		47,940	(20,987)	47,934	(20,980)	(23,204)
Cash and Cash Equivalents on hand at beginning of period		17,688	38,572	17,629	38,506	59,847
Effects of exchange rate changes on the balance of cash held in foreign currencies		20	102	20	102	–
Cash and Cash Equivalents on hand at end of period		65,648	17,688	65,583	17,629	36,643
Represented by:						
Cash and Cash Equivalents		65,648	17,688	65,583	17,629	36,643
		65,648	**17,688**	**65,583**	**17,629**	**36,643**

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

Significant variances to budget are explained in Note 26 EXPLANATIONS OF MAJOR VARIANCES AGAINST THE 2013 BUDGET

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

Statement of Commitments

As at 31 December 2013

Capital Commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have been contracted for but not incurred at balance date. Capital commitments listed below represent contractual commitments.

Non-cancellable Operating Lease Commitments

The University leases property in the normal course of business. These leases are predominantly for premises which have non-cancellable leasing periods ranging from six months to 33 years. The leases have varying terms and renewal rights. There are no restrictions placed on the University by any of its leasing arrangements.

	2013 University & Group Actuals ($000's)	*2012 University & Group Actuals ($000's)*	*2013 University Actuals ($000's)*	*2012 University Actuals ($000's)*
Capital Commitments				
Not later than one year	6,579	25,889	6,579	25,889
Two to five years	120	5,021	120	5,021
Total Capital Commitments	6,699	30,910	6,699	30,910
Non-cancellable Operating Lease Commitments as Lessee				
Not later than one year	583	136	583	136
Two to five years	2,273	75	2,273	75
Later than five years	1,003	192	1,003	192
Total Non-cancellable Operating Lease Commitments	3,859	403	3,859	403
Non-cancellable Operating Lease Commitments as Lessor				
Not later than one year	1,618	868	1,618	868
Two to five years	4,763	3,470	4,763	3,470
Later than five years	19,263	21,183	19,263	21,183
Total Non-cancellable Operating Lease Commitments	25,644	25,521	25,644	25,521

The University entered into a 35 year lease arrangement with Campus Living Villages for the University's student accomodation in 2005. No contingent rents have been recognised in revenue during the year.

Statement of Contingencies

As at 31 December 2013

Earthquake and insurance related contingencies

As at 31 December 2013, UC has estimated the damage to buildings as a result of the earthquakes at $483 million (31 December 2012: $390 million). This estimate was prepared by Davis Ogilvie on behalf of UC (2012: prepared by Rawlinsons, who act as the quantity surveyors for the insurers' loss adjusters Cunningham Lindsey). This is the estimated cost of the damage to buildings only and does not reflect any cost that may be required to make buildings code compliant in order to get consent for remediation work or any costs for strengthening buildings to make them lower risk. The estimated cost of damage to buildings is based on reinstatement at 34% of the New Building Standard (NBS). This estimate commits neither UC nor the insurer in any negotiations regarding the insurance claim.

While the damage has been estimated to be $483 million, as work progresses and more information becomes available it is possible that more damage could be identified. Any damage identified relating to the September 2010, February 2011 or June 2011 earthquakes will be claimable on the University's insurance policy. However, the claim will be limited by the cap on the insured value of certain buildings and the overall cap of $550 million per event on the policy as a whole. Under the insurance policy in place from 1 December 2011, the University is responsible for excesses on any events, which range from $10 million to $20 million, dependent on who the reinsurer is. No claims have been made in 2013 under this policy.

UC has recognised as income an amount corresponding to the value of all expenditure to date on remediating this damage and payments for certain items under its business interruption insurance policies.

UC has a contingent asset for any future insurance claims in relation to the Canterbury earthquakes. These claims can only be made when there is a corresponding expenditure incurred in repairing the damage or acceptance and quantification of business interruption claims. In UC's view there is insufficient certainty to recognise any future insurance claims as revenue in 2013. Any claims are reliant on insurers acceptance of expenditure yet to be incurred.

There continues to be uncertainty as to whether the Christchurch City Council (CCC) as the territorial authority can require earthquake prone buildings to be strengthened to more than 34% of the NBS. The significance for UC is that the difference between 34% and 67% of NBS is estimated at approximately $15.8 million, of which a significant amount could be the insurers' responsibility. The original High Court ruling in favour of the Insurance Council indicated this was not within CCC's powers. A subsequent appeal in August 2013 led by UC received a similar ruling. A request for leave to appeal to the Supreme Court is being prepared.

This is a complex area of law and there is no certainty as to the timing of future judgements, any detailed rulings or any consequential financial effect. UC has no clear information on which to make an assessment as to whether there is any contingent asset or liability in respect of these court proceedings.

Other contingencies

UC has provided a bond of $30,000 to the NZX to secure amounts payable under the NZX Listing Rules for Debt-only Issuers Listed on the NZX Main Board. This bond is held by UC's bankers, ANZ.

UC has also provided a Carnet Indemnity for $42,000 to the Wellington Regional Chamber of Commerce for the export of a Formula 1 car to Australia for testing. This will expire in May 2014.

UC has no other contingent liabilities or assets at 31 December 2013 (2012 $nil).

Notes to the Financial Statements

For the year ended 31 December 2013

	2013 University & Group Actuals ($000's)	*2012 University & Group Actuals ($000's)*	*2013 University Actuals ($000's)*	*2012 University Actuals ($000's)*	*2013 University Budget ($000's)*
1 / Other Income					
Donations / Koha	135	372	135	372	20
Donations from Trusts	2,641	3,861	2,641	3,861	1,454
Rentals	2,747	2,706	2,747	2,706	2,863
External Sales	2,793	2,756	2,793	2,756	3,157
Consultancy	3,419	4,075	3,419	4,075	2,830
Membership Fees	718	1,174	718	1,174	854
Reversionary Interest	(1,665)	2,418	(1,665)	2,418	314
Dividends Received	–	–	684	–	–
Sundry Income	4,325	5,669	4,049	4,812	4,292
TOTAL OTHER INCOME	**15,113**	**23,031**	**15,521**	**22,174**	**15,784**
2 / Personnel Expenses					
Academic Salaries	77,635	79,766	77,635	79,766	79,080
General Salaries*	76,158	80,889	76,158	80,889	75,998
Superannuation Contributions	6,606	6,627	6,606	6,627	6,658
Councillors' Honoraria	75	72	75	72	140
Redundancy Costs	1,778	2,881	1,778	2,881	1,750
Actuarially Valued Employee Entitlements	(2,792)	3,420	(2,792)	3,420	–
Earthquake Leave Provision Used	(336)	(290)	(336)	(290)	–
Earthquake Leave Provision Released	(3,388)	–	(3,388)	–	–
Special Leave Provision	750	–	750	–	–
Other Salary Related Expenditure	2,699	1,928	2,699	1,928	5,345
TOTAL PERSONNEL EXPENSES	**159,185**	**175,293**	**159,185**	**175,293**	**168,971**
*The General Salaries classification includes Education Plus staff	**3,967**	**3,327**	**3,967**	**3,327**	**3,490**

		2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
3 / General / Operating Expenditure						
Audit New Zealand – External Financial Audit		189	186	189	186	204
Audit New Zealand – External Financial Audit Earthquake Related Issues		70	12	70	12	–
Audit New Zealand – External Financial Audit Subsidiaries		16	13	16	13	–
Audit New Zealand – Other Non Audit Work: Report to Bond Trustees and PBRF Certification		11	11	11	11	–
Bad Debts Written Off		73	185	73	185	5
Promotional Activities, Compensation Grants and Refunds		1,171	1,136	1,171	1,136	1,451
Direct Academic Costs		7,072	8,011	7,072	8,011	7,623
Equipment Rentals		240	1,066	240	1,066	323
Exchange Losses		51	278	51	278	–
Insurance		3,512	6,667	3,512	6,667	3,309
Increase / (Decrease) in Provision for Doubtful Debts		276	(16)	276	(16)	34
Loss on Disposal of Property, Plant & Equipment		676	2,189	676	2,189	–
Demolition Costs		5,542	–	5,542	–	–
Building Write offs		14,188	–	14,188	–	–
Student Association Service Provision		2,065	2,312	2,065	2,312	2,089
Movement in Inventories		47	206	47	206	–
Travel and Conference Costs		6,845	7,395	6,845	7,395	7,623
Scholarships & Prizes		20,620	20,437	20,620	20,437	19,799
Publications/Electronic Data purchased		3,256	2,975	3,256	2,975	3,134
Other General/Operating Costs		26,651	31,117	26,826	30,730	30,325
TOTAL GENERAL / OPERATING EXPENDITURE		**92,571**	**84,180**	**92,746**	**83,793**	**75,919**
4 / Finance Charges						
Finance Charges – Interest Paid		3,766	3,768	3,766	3,768	3,655
Finance Charges – Interest on Finance Leases	13	147	286	147	286	147
TOTAL FINANCE CHARGES		3,913	4,054	3,913	4,054	3,802
5 / Cash and Cash Equivalents						
Cash at bank and in hand		65,648	17,688	65,583	17,629	36,643
TOTAL CASH AND CASH EQUIVALENTS		**65,648**	**17,688**	**65,583**	**17,629**	**36,643**

The weighted average interest rate as at 31 December 2013 is 3.71% (31 December 2012 is 3.69%).
The carrying amount approximates the fair value.

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
6 / Receivables					
Trade Receivables	5,919	6,396	5,919	6,396	5,707
Provision for Doubtful Debts	(502)	(226)	(502)	(226)	(100)
Other Receivables	9,896	2,609	9,896	2,609	26,786
TOTAL RECEIVABLES	**15,313**	**8,779**	**15,313**	**8,779**	**32,393**

The carrying value of Trade Receivables and Other Receivables approximates their fair value.
There is no concentration of credit risk with respect to Trade Receivables as the balances are made up of a large number of customers.

As at 31 December 2013 and 2012, overdue receivables have been assessed for impairment and appropriate provisions applied as detailed below:

	Dec 2013 Actuals ($000's)			*Dec 2012 Actuals ($000's)*		
	Gross	Impairment	Net	Gross	Impairment	Net
University						
Not past due	3,620	–	3,620	4,018	–	4,018
1–30 Days Past Due	1,436	–	1,436	936	–	936
31–60 Days Past Due	155	–	155	384	–	384
61–90 Days Past Due	61	–	61	334	–	334
Greater than 91 Days Past Due	647	(502)	145	723	(226)	497
	5,919	(502)	5,417	6,396	(226)	6,170

	Dec 2013 Actuals ($000's)			*Dec 2012 Actuals ($000's)*		
	Gross	Impairment	Net	Gross	Impairment	Net
University & Group						
Not past due	3,620	–	3,620	4,018	–	4,018
1–30 Days Past Due	1,436	–	1,436	936	–	936
31–60 Days Past Due	155	–	155	384	–	384
61–90 Days Past Due	61	–	61	334	–	334
Greater than 91 Days Past Due	647	(502)	145	723	(226)	497
	5,919	(502)	5,417	6,396	(226)	6,170

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
7 / Inventories					
Held for distribution					
Materials and consumables	1,155	1,179	1,155	1,179	1,466
Commercial inventory					
Canterbury University Press	227	249	227	249	–
Other	9	9	9	9	–
Total Inventory	1,391	1,437	1,391	1,437	1,466

The write-down of inventories held for distribution or consumption amounted to $nil as at 31 December 2013 ($nil as at 31 December 2012).
No inventories are pledged as security for liabilities.

8 / Property Plant and Equipment and Intangibles

	COST / VALN DEC 11 ($000's)	ACCUM DEPN & AMORTISATION DEC 11 ($000's)	NET BOOK VALUE DEC 11 ($000's)	CURRENT YEAR ADDITIONS DEC 12 ($000's)	CURRENT YEAR DISPOSALS COST DEC 12 ($000's)	CURRENT YEAR DISPOSALS ACCUM DEPN DEC 12 ($000's)	CURRENT YEAR DEPN & AMORTISATION DEC 12 ($000's)	CURRENT YEAR REVALUATION MOVEMENTS DEC 12 ($000's)	CURRENT YEAR REVALUATION ACCUM DEPN DEC 12($000's)	CURRENT YEAR IMPAIRMENT MOVEMENTS DEC 12 ($000's)	COST / VALN DEC 12 ($000's)	ACCUM DEPN & AMORTISATION DEC 12 ($000's)	NET BOOK VALUE DEC 12 ($000's)
UNIVERSITY & GROUP													
Land at Valuation	96,760	–	96,760	–	–	–	–	3,325	–	–	100,085	–	100,085
Buildings at Valuation	352,031	(8,965)	343,064	32,150	–	–	(14,825)	10,464	23,790	(107,707)	286,937	–	286,937
Infrastructure Assets	22,984	(66)	22,918	368	–	–	(894)	–	–	–	23,352	(959)	22,393
Plant & Equipment at Cost	110,830	(76,115)	34,716	9,107	(9,759)	9,590	(8,409)	–	–	–	110,178	(74,934)	35,241
Leased Equipment at Cost	11,055	(4,770)	6,285	–	–	–	(2,585)	–	–	–	11,055	(7,355)	3,700
Library (Current Collection) at Cost	102,862	(56,236)	46,627	3,645	(4,108)	2,031	(6,784)	–	–	(17,818)	84,581	(60,989)	23,593
Library (Permanent Collection) / Other Collections at Valuation	40,383	–	40,383	361	–	–	–	2,591	–	–	43,335	–	43,335
Intangible Assets – Software	16,795	(11,030)	5,765	1,809	(20)	–	(2,006)	–	–	–	18,584	(13,036)	5,548
TOTAL UNIVERSITY PROPERTY PLANT & EQUIPMENT AND INTANGIBLES	**753,700**	**(157,182)**	**596,518**	**47,440**	**(13,887)**	**11,621**	**(35,502)**	**16,380**	**23,790**	**(125,525)**	**678,107**	**(157,273)**	**520,832**

	COST / VALN DEC 12 ($000's)	ACCUM DEPN & AMORTISATION DEC 12 ($000's)	NET BOOK VALUE DEC 12 ($000's)	CURRENT YEAR ADDITIONS DEC 13 ($000's)	CURRENT YEAR DISPOSALS COST DEC 13 ($000's)	CURRENT YEAR DISPOSALS ACCUM DEPN DEC 13 ($000's)	CURRENT YEAR DEPN & AMORTISATION DEC 13 ($000's)	CURRENT YEAR REVALUATION MOVEMENTS DEC 13 ($000's)	CURRENT YEAR REVALUATION ACCUM DEPN DEC 13 ($000's)	CURRENT YEAR IMPAIRMENT MOVEMENTS DEC 13 ($000's)	COST / VALN DEC 13 ($000's)	ACCUM DEPN & AMORTISATION DEC 13 ($000's)	NET BOOK VALUE DEC 13 ($000's)
UNIVERSITY & GROUP													
Land at Valuation	100,085	–	100,085	–	–	–	–	(10,795)	–	–	89,290	–	89,290
Buildings at Valuation	286,937	–	286,937	59,878	(14,721)	535	(17,596)	48,168	17,061	(42,920)	337,341	–	337,341
Infrastructure Assets	23,352	(959)	22,393	1,077	–	–	(961)	–	–	–	24,429	(1,920)	22,509
Plant & Equipment at Cost	110,178	(74,934)	35,241	7,576	(4,544)	4,508	(8,215)	–	–	–	113,210	(78,641)	34,569
Leased Equipment at Cost	11,055	(7,355)	3,700	–	(5)	5	(2,467)	–	–	–	11,050	(9,817)	1,233
Library (Current Collection) at Cost	84,581	(60,989)	23,593	3,437	(1,111)	1,111	(5,667)	–	–	–	86,907	(65,546)	21,361
Library (Permanent Collection) / Other Collections at Valuation	43,335	–	43,335	45	(726)	–	–	2,354	–	–	45,008	–	45,008
Intangible Assets – Software	18,584	(13,036)	5,548	210	–	–	(2,041)	–	–	–	18,794	(15,077)	3,717
TOTAL UNIVERSITY PROPERTY PLANT & EQUIPMENT AND INTANGIBLES	**678,107**	**(157,273)**	**520,832**	**72,222**	**(21,107)**	**6,159**	**(36,947)**	**39,727**	**17,061**	**(42,920)**	**726,028**	**(171,001)**	**555,027**

8 / Property Plant and Equipment and Intangibles (continued)

As a result of the merger with the Christchurch College of Education, the University occupies land and buildings at Solway Ave, Christchurch. The Crown has legal title of the land and a portion of the buildings. However, the University has 'in substance' ownership of the land and buildings and reports these assets as if owned by the University.

The University has a 99 year lease of this land and buildings at a peppercorn rent, subject to the rights of renewal being exercised.

There are no restrictions over the title of the University's Property Plant and Equipment or Intangibles, nor are any pledged as security for liabilities. See the accounting policies for further critical accounting assumptions regarding Land and Buildings.

Included in the "Library/Other Collections at Valuation" line item are the University's Art Work Collections, Medal Collection and Logie Collection.

The Logie Collection was revalued 25 September 2012 by James Ede of Charles Ede Limited.

The Medal Collection was revalued 18 December 2013 by R J Watt and Associates, independent valuers.

The Art Collection was revalued 31 December 2010 by Neil Roberts, independent valuer.

The Library Permanent Collection, included in the Library/Other Collections at Valuation category, was revalued at 30 December 2013 by Basil J Roberts, registered Plant and Machinery Valuer of Jones Lang LaSalle Limited.

Land and Buildings were revalued at 31 December 2013 by Chris Barraclough, Registered Valuer of CBRE, Christchurch.

Infrastructure Assets at Valuation have been established as a separate category within Plant, Property and Equipment, and revalued by AECOM New Zealand Limited as at 1 December 2011.

9 / Investments

	2013 University & Group Actuals ($000's)	*2012 University & Group Actuals ($000's)*	*2013 University Actuals ($000's)*	*2012 University Actuals ($000's)*	*2013 University Budget ($000's)*
Investment Category					
Investments at Cost, less any Impairment					
Investment in Canterprise Limited	–	–	–	450	150
Investments at Fair Value through other Comprehensive Income					
Investment in South African Large Telescope (SALT)	725	918	725	918	968
Investment in New Zealand Synchrotron Group Limited	20	142	20	142	383
TOTAL INVESTMENTS	**745**	**1,060**	**745**	**1,510**	**1,501**

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

Canterprise Limited is a non trading entity which owns the University's residual interest in intellectual property.

During the year, the University's investment in Canterprise Limited was written down to $nil.

The South African Large Telescope Foundation is a collaboration of various universities and research organisations, to design, construct and operate a 10 metre telescope for the advancement of science and the promotion of astronomy and astrophysics.

The New Zealand Synchrotron Group Limited is made up of seven universities and currently four Crown Research Institutes.

The New Zealand Synchrotron Group Limited invests as a shareholder in Australian Synchrotron Holding Company, and in return receives access rights to usage of the Synchrotron Instrument.

The University also has investments of minimal or nil value as follows:

Name	Percentage Held
Canterprise Nominees Limited	100%
Canterprise Trustees (No.2)	100%
Canterprise Trustees Arcactive Limited	100%
Entre Limited	100%
UC International College Limited	100%
Geospatial Research Centre (NZ) Limited	30%
Kiwi Innovation Network Limited	11%
Powerhouse Ventures Limited	13%
Stratified Concrete Technologies Limited	15%
Structural Timber Innovation Company Limited	7%
Te Tapuae O Rehua Limited	17%
WQI Limited	3%

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)

10 / Term Receivable and Other Non Current Assets

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
Insurance – Term Receivable	–	–	–	–	13,000
Campus Living Villages – Term Receivable	1,641	1,533	1,641	1,533	1,687
	1,641	1,533	1,641	1,533	14,687
Other non current assets					
Reversionary interest	5,078	6,743	5,078	6,743	4,337
	5,078	6,743	5,078	6,743	4,337

Campus Living Villages – Term Receivable

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

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

The term receivable represents the present value of the amount still owing by CLV. This amount will increase over the term of the lease until payments are made by CLV.

Reversionary Interest

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

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

The increase in the discount rate in 2013, which is based on the 10 year government bond yield, has resulted in the reduction of the reversionary interest in the buildings for the year.

11 / Funds Received in Advance

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
Current Funds Received in Advance					
Student Fees	5,425	5,400	5,425	5,400	6,839
Insurance Receipts	–	619	–	619	–
Research Income	14,175	13,265	14,175	13,265	9,858
Future minimum operating lease revenue not later than one year	868	868	868	868	868
Other	2,229	2,155	2,229	2,155	1,406
	22,697	22,307	22,697	22,307	18,971
Term – Funds Received in Advance					
Future minimum operating lease revenue:					
Later than one year and not later than five years	3,471	3,470	3,471	3,470	3,472
Later than five years	20,354	21,183	20,354	21,183	20,179
	23,825	24,653	23,825	24,653	23,651
TOTAL FUNDS RECEIVED IN ADVANCE	**46,522**	**46,960**	**46,522**	**46,960**	**42,622**

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
12 / Accounts Payable					
Trade Payables	13,931	3,908	13,931	3,908	5,763
Other Payables	17,778	17,291	17,784	17,987	8,801
TOTAL ACCOUNTS PAYABLE	**31,709**	**21,199**	**31,715**	**21,895**	**14,564**

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

13 / Loans and Leases

Current Loans and Leases					
Sonoda Gakuen Corporation of Japan Loan	32	32	32	32	32
Finance Leases	1,000	2,000	1,000	2,000	1,000
	1,032	2,032	1,032	2,032	1,032
Non current Loans and Leases					
Sonoda Gakuen Corporation of Japan Loan	928	960	928	960	928
Finance Leases	–	1,000	–	1,000	–
	928	1,960	928	1,960	928
TOTAL LOANS AND LEASES	**1,960**	**3,992**	**1,960**	**3,992**	**1,960**

The University operates a purchasing card facility and had a credit limit of $11 million as at 31 December 2013 (31 December 2012: $11 million).

Sonoda Gakuen Corporation of Japan advanced $1.6 million in March 1992 to assist with the funding of the construction of the Sonoda Christchurch Campus.

The loan is for a term of 50 years at an interest rate of 3% per annum.

The carrying amount for loans and leases approximates their fair value.

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
ANALYSIS OF LOAN AND LEASE LIABILITIES					
Analysis of Loan Liabilities					
Within one year	32	32	32	32	32
One – five years	128	128	128	128	128
Greater than five years	800	832	800	832	800
	960	992	960	992	960
ANALYSIS OF FINANCE LEASE LIABILITIES					
Total minimum lease payments that are payable					
Within one year	1,025	2,147	1,025	2,147	1,024
One – five years	–	1,025	–	1,025	–
Total minimum lease payments	1,025	3,172	1,025	3,172	1,024
Future finance charges	(25)	(172)	(25)	(172)	(24)
Present value of minimum lease payments	1,000	3,000	1,000	3,000	1,000
Present value of minimum lease payments that are payable					
Within one year	1,000	2,000	1,000	2,000	1,000
One – five years	–	1,000	–	1,000	–
Total	1,000	3,000	1,000	3,000	1,000

The University has entered into finance leases for various items of equipment.

The finance leases can be renewed at the University's option but given the type of equipment leased it is more likely a new lease would be entered into for different equipment.

The finance lease for the NeSI High Performance Computer is lease to own.

There are no restrictions placed on the University by any of the finance leasing arrangements.

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
14 / Philanthropic Bond					
Philanthropic Bond – Current	2,000	2,000	2,000	2,000	2,000
Philanthropic Bond – Long Term	47,978	48,010	47,978	48,010	48,010
Capitalised bond issue costs	(705)	(824)	(705)	(824)	–
	47,273	47,186	47,273	47,186	48,010
	49,273	49,186	49,273	49,186	50,010

In 2009, the University successfully launched a $50 million, 10 year, fixed rate, unsubordinated, unsecured Bond at an interest rate of 7.25% per annum fixed for five years, reset for a further five years at a 1.75% margin over the then prevailing five year swap rate. The issue was fully subscribed at an issue price of $1 per Bond with a maturity date of 15 December 2019.

The Bond is a philanthropic bond which gives the bond holder the ability to donate either the principal or interest or both throughout the 10 year period of the bond.

Principal donated will be irrevocable, but donations of interest are revocable by the bond holder interest period to interest period.

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

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

This portion of the Bond is regarded as a Current Liability and disclosed separately on the face of the Statement of Financial Position.

Capitalised bond issue costs

Expenses incurred in the issue of the 10 year Fixed Rate Unsubordinated Unsecured Philanthropic Bond were capitalised and are being amortised over the period of the bond.

Bond Covenants

The Bond trust deed requires the University to ensure that the following financial covenant ratios are achieved during the year:

- Secured debt will not exceed 5% of the aggregate of debt plus equity
- Debt will not exceed 25% of the aggregate of debt plus equity

Ministry of Education Borrowing Covenants

A letter was received from the Ministry of Education on 2 December 2013 stating that the existing interim covenants will be extended to 1 January 2015.

The covenants require that UC maintains a minimum cash level of $25 million at the end of every month, and provides TEC with all papers from Council, Audit and Risk Committee and Finance, Planning and Resourcing Committee meetings.

All Bond covenants and related MOE borrowing covenants were complied with for the 2013 year.

Fair value of the bonds as at 31 December 2013 was $50.9 million (31 December 2012: $51.0 million). The fair values of the bonds are determined by reference to the quoted market price on the NZDX at 31 December.

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
15 / Employee Entitlements					
Sick Leave	671	824	671	824	802
Annual Leave	5,977	7,492	5,977	7,492	8,863
Long Service Leave	1,414	1,577	1,414	1,577	1,561
Earthquake Leave[1]	–	3,724	–	3,724	–
Special Leave	750	–	750	–	–
Retirement Leave	23,083	25,427	23,083	25,427	25,705
Total	31,895	39,044	31,895	39,044	36,931
Redundancy Provision[2]	433	1,090	433	1,090	–
Total Employee Entitlements	32,328	40,134	32,328	40,134	36,931
Made up of:					
Current	9,685	14,784	9,685	14,784	11,549
Non Current	22,643	25,350	22,643	25,350	25,382
Total	32,328	40,134	32,328	40,134	36,931

[1]Earthquake Leave – University & Group

Earthquake Leave Opening Balance	3,724	4,014
Provision made	–	–
Amounts used	(336)	(290)
Provision released	(3,388)	–
Earthquake Leave Closing Balance	–	3,724

The Earthquake Leave provision was created to support staff post-earthquake, to attend to personal earthquake-related matters such as dealing with EQC, insurance companies and other external agencies.

[2]Redundancy Provision – University & Group

Redundancy Provision Opening Balance	1,090	1,104
Provision made	433	1,125
Amounts used	(1,090)	(1,139)
Redundancy Provision Closing Balance	433	1,090

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

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)

16 / Other Financial Assets and Liabilities

Other Financial Assets/Term Deposits					
Short-term deposits with maturities over 3 months but less than 12 months from date of acquisition	5,299	57,665	5,299	57,665	–
Long-term deposits with maturities greater than 12 months from date of inception	17,500	–	17,500	–	–
	22,799	57,665	22,799	57,665	–
Other Financial Liabilities					
Derivative Financial Instrument Liabilities					
Foreign Currency Derivative	–	–	–	–	–
Interest Rate Swap Derivative	1,552	4,785	1,552	4,785	3,032
	1,552	4,785	1,552	4,785	3,032

17 / Financial Instruments

The accounting policies for financial instruments have been applied to the line items below:

FINANCIAL ASSETS					
Loans and Receivables					
Cash and Cash Equivalents	65,648	17,688	65,583	17,629	36,643
Receivables	15,313	8,779	15,313	8,779	32,393
Other Financial Assets	22,799	57,665	22,799	57,665	–
Term Receivable	1,641	1,533	1,641	1,533	14,687
Total Loans and Receivables	105,401	85,665	105,336	85,606	83,723
Fair value through other Comprehensive Income					
Investments	745	1,060	745	1,510	1,501
Total fair value through other Comprehensive Income	745	1,060	745	1,510	1,501
FINANCIAL LIABILITIES					
Financial Liabilities at amortised cost					
Accounts payable	31,709	21,199	31,715	21,895	14,564
Sonoda Gakuen Corporation of Japan Loan	960	992	960	992	960
Philanthropic Bond	49,273	49,186	49,273	49,186	50,010
Total Financial Liabilities at Amortised Cost	81,942	71,377	81,948	72,073	65,534
Fair value through other Comprehensive Income					
Foreign Currency Derivative	7	–	7	–	–
Interest Rate Swap Derivative	1,553	4,785	1,553	4,785	3,032
Total fair value through other Comprehensive Income	**1,560**	**4,785**	**1,560**	**4,785**	**3,032**

The carrying amount of both short and long-term deposits approximates their fair value.

Short-term deposits maturing over three months but less than 12 months from date of acquisition are all at fixed rates. The weighted average rate secured as at 31 December 2013 is 3.85% per annum (31 December 2012 is 4.23% per annum).

Long-term deposits maturing over three months and remaining duration is more than 12 months from date of acquisition are all at fixed rates. The weighted average interest rate as at 31 December 2013 is 4.49%. There were no long-term deposits with maturities greater than 12 months from date of acquisition at 31 December 2012.

The University has a series of policies to manage the risks associated with financial instruments in line with statutory and Council guidelines. The University is risk averse and seeks to minimise exposure from its treasury activities.

FAIR VALUE HIERARCHY DISCLOSURES

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price — financial instruments with quoted prices for identical instruments in active markets.
- Valuation techniques using observable inputs — financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs — financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value on the statement of financial position:

	Total ($000's)	*Quoted market price ($000's)*	*Observable inputs ($000's)*	*Significant non–observable inputs ($000's)*
31 December 2013 – University & Group				
Financial Assets				
Investments	745	–	–	745
Financial Liabilities				
Derivative Financial Instruments	(1,560)	–	(1,560)	–
TOTAL	(815)	–	(1,560)	745
31 December 2012 – University & Group				
Financial Assets				
Investments	1,060	–	–	1,060
Financial Liabilities				
Derivative Financial Instruments	(4,785)	–	(4,785)	–
TOTAL	(3,725)	–	(4,785)	1,060

Price Risk

The equity investments that are held by the University are reflected within the financial statements either at cost, less impairment, or at fair value. It is deemed that there is limited price risk since, at balance date, no events had occurred to counter the view that their fair values were significantly different to their respective capitalisation figures.

Foreign Exchange Risk

For exposure to foreign currency movements refer to the table below. This shows the effect of a 10% increase or decrease in exchange rates.

	2013 University & Group Actuals (NZ$000's)	*2012 University & Group Actuals (NZ$000's)*	*2013 University Actuals (NZ$000's)*	*2012 University Actuals (NZ$000's)*
Currency impact USD				
Surplus or deficit — strengthening in NZ$ (i)	(1)	(83)	(1)	(83)
Surplus or deficit — weakening in NZ$ (i)	1	102	1	102
Equity — strengthening in NZ$ (ii)	(223)	–	(223)	–
Equity — weakening in NZ$ (ii)	272	–	272	–
Currency impact EUR				
Surplus or deficit — strengthening in NZ$ (iii)	(49)	–	(49)	–
Surplus or deficit — weakening in NZ$ (iii)	59	–	59	–
Equity — strengthening in NZ$ (iv)	(36)	–	(36)	–
Equity — weakening in NZ$ (iv)	44	–	44	–
Currency impact AUD				
Surplus or deficit — strengthening in NZ$ (v)	(4)	(4)	(4)	(4)
Surplus or deficit — weakening in NZ$ (v)	5	5	5	5

(i) This is attributable to the exposure outstanding on USD bank balances at year end.

(ii) This is principally as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

(iii) This is attributable to the exposure to outstanding EUR bank balances at year end.

(iv) This is principally as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

(v) This is attributable to the exposure to outstanding AUD bank balances at year end.

The University's sensitivity to foreign currency has decreased during the current year due to a decrease in foreign currency account balances and a decrease in foreign currency forward contracts.

Forward Foreign Currency Exchange Contracts

It is the policy of the University to enter into forward foreign currency exchange contracts to cover specific foreign currency payments.

As at 31 December 2013, the aggregate amount of unrealised gains under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on these anticipated future transactions is $7,136 (31 December 2012: $nil).

Cash flow Interest Rate Risk

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

Fair Value Interest Rate Risk

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

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

Although overall interest rate risk has been reduced due to the utilisation of fixed interest rates for both borrowing and investment in deposits, this does expose the University to a degree of "fair value interest rate risk" should market conditions move significantly in an adverse direction.

Note 13 and Note 14 provide an analysis in relation to these financial instruments.

Interest Rate Swap Contracts

Under an interest rate swap contract, the University agrees to exchange the difference between floating and fixed rate interest amounts calculated on an agreed notional principal amount. This contract enables the University to mitigate future cash flow exposures on the interest rate reset (December 2014) of the issued fixed rate bond debt.

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at 31 December.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 31 December.

Cash flow hedges

Outstanding pay fixed receive floating contracts

	Average contracted fixed interest rate		Notional principal amount		Fair value of hedge	
University & Group	2013 %	2012 %	2013 NZD ($000's)	2012 NZD ($000's)	2013 NZD ($000's)	2012 NZD ($000's)
Less than 1 year	–	–	–	–	–	–
1 to 2 years	–	–	–	–	–	–
2 to 5 years	–	–	–	–	–	–
5 years+	5.95	5.95	50,000	50,000	(1,552)	(4,785)
			50,000	50,000	(1,552)	(4,785)

The interest rate swap will settle on a quarterly basis from December 2014. The floating rate on the interest rate swap is the floating rate in New Zealand.

The University will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts that exchange floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges.

The University uses these swaps to reduce its exposure to cash flow interest rate risk resulting from resetting the fixed interest rates on bond borrowings. The interest payments on the bond are made half yearly and the interest payments on the interest rate swaps are made quarterly. All amounts deferred in equity are recognised in the net surplus or deficit over the period that the reset fixed interest payments on debt impact surplus or deficit.

Interest Rate Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at 31 December.

For floating rate liabilities and assets, the analysis is prepared assuming the exposure outstanding at 31 December was outstanding for the whole year.

For interest rate swap contracts the analysis is prepared assuming that the interest rate swap contracts are revalued to fair value at 31 December, and that the 31 December contracts were in place for the whole year.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

At 31 December, if interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the following would occur:

	2013 University & Group Actuals (NZ$000's)	*2012 University & Group Actuals (NZ$000's)*	*2013 University Actuals (NZ$000's)*	*2012 University Actuals (NZ$000's)*
Surplus/Equity				
Surplus/Equity — increase (i)	632	551	632	551
Surplus/Equity — (decrease) (i)	(632)	(551)	(632)	(551)
Other Equity Reserves				
Other Equity Reserves — increase (ii)	1,083	1,176	1,083	1,176
Other Equity Reserves — (decrease) (ii)	(1,121)	(1,229)	(1,121)	(1,229)

(i) This is mainly attributable to the University's exposure to interest rates on its cash deposits.

(ii) This is as a result of the University's exposure to interest rates on interest rate swaps designated as cash flow hedges.

Credit Risk

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

The University is subject to an element of credit risk principally within Receivables, Cash and Cash Equivalents and Term deposits.

To mitigate risk, the University's treasury management framework is adhered to. Cash, Cash Equivalents and Term deposits are diversified through placements with a number of different New Zealand financial institutions. Credit exposure is further reduced by monitoring individual weightings.

Due to the large number of individual trade debtors, the concentration of credit risk with respect to Trade Receivables is greatly reduced. There is some exposure to a small group of insurance companies but they have sound credit ratings.

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

Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates.

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
Counterparties with Credit ratings					
Cash at Bank and term deposits:					
AA	–	–	–	–	–
AA– (ANZ, BNZ, Westpac, ASB)	88,447	75,353	88,382	75,294	36,643
A+ Kiwibank	–	–	–	–	–
Total Cash At Bank And Term Deposits and Other Receivables	88,447	75,353	88,382	75,294	36,643
Counterparties without Credit Ratings					
Existing counterparty with no defaults in the past	15,313	8,779	15,313	8,779	32,393
Total Counterparties without Credit Ratings	15,313	8,779	15,313	8,779	32,393

Liquidity Risk

Liquidity risk is the risk that the University will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The maturity profiles of the University's interest bearing financial instruments and investments are disclosed in Notes 13, 14 and 16 respectively.

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

Contractual maturity analysis of financial liabilities, excluding derivatives

The table opposite analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the period remaining to the contractual maturity date as at 31 December.

Future interest payments on floating rate debt are based on the floating rate applicable to the instruments at 31 December.

The amounts disclosed are the contractual undiscounted cash flows.

	Carrying Amount ($000's)	Contractual cash flows ($000's)	Less than 1 year ($000's)	1–2 years ($000's)	2–3 years ($000's)	More than 3 years ($000's)
University & Group December 2013						
Accounts Payable	31,709	31,709	31,709	–	–	–
Sonoda Gakuen Corporation of Japan Loan	960	1,407	61	60	59	1,227
Philanthropic Bond	49,273	68,139	3,626	3,626	3,626	57,261
Total	**81,942**	**101,255**	**35,395**	**3,686**	**3,685**	**58,488**
University December 2013						
Accounts Payable	31,715	31,715	31,715	–	–	–
Sonoda Gakuen Corporation of Japan Loan	960	1,407	61	60	59	1,227
Philanthropic Bond	49,273	68,139	3,626	3,626	3,626	57,261
Total	**81,948**	**101,261**	**35,401**	**3,686**	**3,685**	**58,488**
University December 2012						
Accounts Payable	21,199	21,199	21,199	–	–	–
Sonoda Gakuen Corporation of Japan Loan	992	1,469	62	61	60	1,286
Philanthropic Bond	50,010	71,764	3,626	3,626	3,626	60,887
Total	**72,201**	**94,432**	**24,886**	**3,687**	**3,686**	**62,173**
University December 2012						
Accounts Payable	21,895	21,895	21,895	–	–	–
Sonoda Gakuen Corporation of Japan Loan	992	1,469	62	61	60	1,286
Philanthropic Bond	50,010	71,764	3,626	3,626	3,626	60,887
Total	**72,897**	**95,128**	**25,582**	**3,687**	**3,686**	**62,173**

Contractual maturity analysis of derivative financial liabilities

The table below analyses derivative financial liabilities into those that are settled net and those that will be settled on a gross basis into their relevant maturity groupings based on their remaining period from 31 December to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Liability Carrying Amount ($000's)	*Contractual cash flows ($000's)*	*Less than 1 year ($000's)*	*1–2 years ($000's)*	*2–3 years ($000's)*	*More than 3 years ($000's)*
University & Group December 2013						
Net settled derivatives	1,552	1,848	–	852	509	487
University & Group December 2012						
Net settled derivatives	4,785	5,506	–	–	1,456	4,050

Contractual maturity analysis of financial assets

The table below analyses financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	Carrying Amount ($000's)	*Contractual cash flows ($000's)*	*Less than 1 year ($000's)*	*1–2 years ($000's)*	*2–3 years ($000's)*	*More than 3 years ($000's)*
University & Group December 2013						
Cash and Cash Equivalents	65,648	65,648	65,648	–	–	–
Receivables	15,313	15,313	15,313	–	–	–
Other Financial Assets	22,799	22,799	5,299	17,500	–	–
Term Receivable	1,641	7,000	–	–	–	7,000
Total	105,401	110,760	86,260	17,500	–	7,000
University December 2013						
Cash and Cash Equivalents	65,583	65,583	65,583	–	–	–
Receivables	15,313	15,313	15,313	–	–	–
Other Financial Assets	22,799	22,799	5,299	17,500	–	–
Term Receivable	1,641	7,000	–	–	–	7,000
Total	105,336	110,695	86,195	17,500	–	7,000

	Carrying Amount ($000's)	*Contractual cash flows ($000's)*	*Less than 1 year ($000's)*	*1–2 years ($000's)*	*2–3 years ($000's)*	*More than 3 years ($000's)*
University & Group December 2012						
Cash and Cash Equivalents	17,688	17,688	17,688	–	–	–
Receivables	8,779	8,779	8,779	–	–	–
Other Financial Assets / Short-Term Deposits	57,665	57,665	57,665	–	–	–
Term Receivable	1,533	7,000	–	–	–	7,000
Total	85,665	91,132	84,132	–	–	7,000
University December 2012						
Cash and Cash Equivalents	17,629	17,629	17,629	–	–	–
Receivables	8,779	8,779	8,779	–	–	–
Other Financial Assets / Short-Term Deposits	57,665	57,665	57,665	–	–	–
Term Receivable	1,533	7,000	–	–	–	7,000
Total	85,606	91,073	84,073	–	–	7,000

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
18 / Equity					
General Equity					
Balance as at 1 January	401,376	467,726	401,068	467,889	472,336
Net Surplus / (Deficit) for the year	76,328	(66,600)	76,562	(67,071)	(10,199)
Contributions from the Crown	10,000	–	10,000	–	–
Transfer (from) / to General Equity — Te Pourewa Settlement Reserve	(17,500)	–	(17,500)	–	–
Transfer (from) / to General Equity — Student Services Levy Capital Reserve	(800)	250	(800)	250	–
Transfer from revaluation reserve on retirement of assets	1,090	–	1,090	–	–
Balance as at 31 December	470,494	401,376	470,421	401,068	462,137
General Equity — Te Pourewa Settlement Reserve					
Balance as at 1 January	–	–	–	–	–
Transfer from General Equity	17,500	–	17,500	–	–
Balance as at 31 December	17,500	–	17,500	–	–
General Equity — Student Services Levy Capital Reserve					
Balance as at 1 January	(250)	1,472	(250)	1,472	–
Current year allocation of Levy	2,239	1,449	2,239	1,449	–
Current year usage	(1,439)	(3,171)	(1,439)	(3,171)	–
Balance as at 31 December	550	(250)	550	(250)	–
Cashflow Hedge Reserve					
Balance as at 1 January	(4,785)	(3,032)	(4,785)	(3,032)	(3,032)
Fair Value Movement in Derivatives	3,225	(1,753)	3,225	(1,753)	–
Balance as at 31 December	(1,560)	(4,785)	(1,560)	(4,785)	(3,032)
Fair Value through Other Comprehensive Income Reserve:					
Balance as at 1 January	(993)	(818)	(993)	(818)	–
Adjustment to South African Large Telescope (SALT)	(192)	(51)	(192)	(51)	–
Adjustment to New Zealand Synchrotron Group Limited valuation	(123)	(124)	(123)	(124)	–
Write-off Fair Value through Other Comprehensive Income Reserve to Net Surplus / (Deficit)	1,308	–	1,308	–	–
Balance as at 31 December	–	(993)	–	(993)	–
Revaluation Reserves					
Balance as at 1 January	126,752	120,835	126,752	120,835	123,735
Transfers to General Equity on Library/Collections	(1,090)	–	(1,090)	–	–
Revaluations and Impairment	(8,441)	5,917	(8,441)	5,917	–
Balance as at 31 December	117,221	126,752	117,221	126,752	123,735
Revaluation Reserves consists of:					
Buildings	–	–	–	–	–
Infrastructure Assets	16,016	16,016	16,016	16,016	16,016
Land	64,735	75,531	64,735	75,531	72,206
Library / Collections	36,470	35,205	36,470	35,205	35,513
Total	117,221	126,752	117,221	126,752	123,735

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)

19 / Reconciliation of Net Surplus with Net Cash from Operating Activities

	2013 University & Group Actuals ($000's)	2012 University & Group Actuals ($000's)	2013 University Actuals ($000's)	2012 University Actuals ($000's)	2013 University Budget ($000's)
OPERATING ACTIVITIES					
Net Surplus / (Deficit)	76,328	(66,600)	76,562	(67,071)	(10,199)
Add (less) non-cash items:					
Depreciation, Amortisation and Impairment	36,947	53,320	36,946	53,320	35,996
Share of Loss of Associate	–	112	–	–	–
Donated Assets	47	270	47	270	–
Dividend Received from Arcactive Trustees Limited	–	–	(684)	–	–
Movement in Reversionary Interest	1,665	(2,418)	1,665	(2,418)	(297)
Movement in Long Term Revenue Owing	(108)	(100)	(108)	(100)	(1,153)
Movement in Total Employee Entitlements	(7,806)	1,635	(7,806)	1,635	4,264
Unrealised Foreign Exchange Variations	20	102	20	102	–
Increase in Revaluation of Buildings	(65,229)	(34,256)	(65,229)	(34,256)	–
Increase in Impairment of Buildings	42,920	107,707	42,920	107,707	–
Ilam Homestead Revaluation Loss	3,666	–	3,666	–	–
Add (less) movements in other working capital items:					
Accounts Payable	9,546	6,933	9,553	6,942	(5,050)
Revenue in Advance	390	(642)	390	(642)	402
Accounts Receivable and Prepayments	(8,177)	19,278	(8,189)	19,278	1,343
Inventories	46	207	46	207	(182)
Add (less) items classified as Investing / Financing Activities:					
Net Loss on Disposal included in Investing Activities	14,862	2,203	14,862	2,203	–
Movement in Lease Revenue in Advance	(828)	(829)	(828)	(829)	(867)
Movement in Library Serials Prepayment	(1,980)	(2,697)	(1,980)	(2,697)	(306)
Movement in Fixed Asset Related Payables / Accruals	(8,000)	(1,742)	(8,000)	(1,742)	–
Insurance Receipts related to PPE	(70,737)	(37,809)	(70,737)	(37,809)	–
Write down investment in Canterprise Limited	–	–	450	–	–
Philanthropic Bond Principal Donations	32	–	32	–	–
Adjustments to Fair Value through Other Comprehensive Income Reserve to Net Surplus / (Deficit)	1,308	175	1,308	175	–
Gain on Sale of Associate - Arcactive Limited	–	(583)	–	–	–
NET CASH PROVIDED BY OPERATING ACTIVITIES	**24,912**	**44,264**	**24,906**	**44,273**	**23,952**

20 / Related Party Transactions

Significant transactions with government-related entities

The Government is a major source of revenue. In 2013, the Government announced a funding envelope of up to $260 million for certain construction projects on the University Campus to be paid over the next five years. In the year to 31 December 2013, UC received $10 million as a capital contribution. See Note 25.

UC has received funding and grants from the Tertiary Education Commission totalling $144.2 million (2012 $145.4 million) to provide education and research services for the year ended 31 December 2013.

UC has also received research funding from the Crown and related entities of $15.9 million (2012 $16.1 million).

UC also leases, at a peppercorn rate, Land and Buildings at Solway Ave, Christchurch, legally owned by the Crown.

Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, the University is required to pay various taxes (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes is based on the standard terms and conditions that apply to all tax and levy payers.

The University is exempt from paying income tax.

The University purchases goods and services from entities related to the Crown and it also provides services to entities related to the Crown of $10.1 million (2012 $10.3 million).

The purchase of goods and services to government-related entities for the year ended 31 December 2013 have all been conducted on an arm's length basis. The purchases included electricity from Meridian Energy Limited, air travel from Air New Zealand, Audit Fees to Audit New Zealand and postal services from New Zealand Post.

The provision of services to government-related entities mainly related to the provision of educational courses.

Transactions with Key Management Personnel

There were two University Council members who were also Directors of Canterprise Limited during 2013. Directors' Fees paid were $nil (December 2012: $nil).

Senior Management

The compensation of Councillors and senior management, being the key management personnel of the University, is as follows:

	2013 University Actuals ($000's)	*2012 University Actuals ($000's)*
Short-Term Employment Benefits	4,442	4,268
Termination Benefits	–	180
Post Employment Benefits	–	–
	4,442	4,448

The following transactions occurred between the University and the interested parties during the 12 months to December 2013. All goods and services supplied by these companies/organisations were on normal commercial terms in the ordinary course of business.

Dr Rod Carr, University Vice-Chancellor, is a Board Member of the Canterbury Employers Chamber of Commerce. The University paid $15,185 (December 2012: $7,423) to the Canterbury Employers Chamber of Commerce during the period.

Dr Rod Carr, was a Trustee for the Christchurch Earthquake Appeal Trust. The University received $nil during the period (December 2012: $25,000).

Dr Rod Carr is also a member of Universities New Zealand, Vice Chancellors' Committee. During the year the University paid Universities New Zealand $281,342 (December 2012: $157,565).

Dr Rod Carr is a Director of Te Tapuae o Rehua Limited. During the year, the University made payments to Te Tapuae o Rehua Limited of $75,696 (December 2012: $115,581). The University also received $2,633,995 (December 2012: $3,962,823) from Te Tapuae o Rehua during the year. The University has a balance of $1,007,481 (December 2012: $1,139,305l) for accounts receivable at year end.

Professor Ian Town resigned from his role as Deputy Vice-Chancellor during the year. While employed by the University, Professor Ian Town was also a Director of the NZ Brain Research Institute. During the year the University paid the NZ Brain Research Institute $101,727 (December 2012: $57,728). The University received $nil (December 2012: $12,994) from NZ Brain Research Institute.

Professor Ian Town was also a member of the Christ's College Board of Governors. During the year the University paid $1,500 (December 2012: $1,500) to Christ's College.

Dr John Wood, University Chancellor, and Dr Rod Carr are Board Members of the University of Canterbury Foundation. During the period the Foundation donated $1,995,393 (December 2012: $1,527,407) to the University. At year end the University has a balance of $1,487,753 (December 2012: $nil) for accounts payable to the University of Canterbury Foundation. The 2013 year end balance is the result of funds paid into the University's bank account in error by a third party at year end. The balance was paid to the University of Canterbury Foundation at the earliest opportunity in 2014.

Dr John Wood, Chancellor, Bruce Gemmell and Tony Hall, University Council Members, are all Lincoln University Council Members. During the year the University paid $82,248 (December 2012: $115,660) to Lincoln University.

Dr John Wood is also a Member of the Canterbury Museum Trust Board. During the year the University paid $609 (December 2012: $1,620) to the Canterbury Museum.

Erin Jackson, University Council Member, is a Board Member of the University Bookshop. During the year the University purchased $24,283 (December 2012: $31,534) of goods from the University Bookshop. The University has a balance of $1,652 (December 2012: $nil) for accounts payable at year end. The University received $31,619 (December 2012: $28,533) from the University Bookshop during 2013 and has a balance of $933 (December 2012: $4,458) for accounts receivable from the University Bookshop at year end.

Erin Jackson was President of the University of Canterbury Students' Association during the year. The University made payments to University of Canterbury Students Association during the year of $2,089,010 (December 2012: $1,794,344). The University has a balance of $1,175 (December 2012: $nil) for accounts payable to the University of Canterbury Students Association at year end.

Erin Jackson is also a Trustee for the Volunteer Army Foundation. During the year the University paid $1,000 (December 2012: $5,000) to the Volunteer Army Foundation.

Sue McCormack, University Council Member, is a Director of Mortlock McCormack Law Limited and during the year the University paid $5,043 (December 2012: $1,308) to Mortlock McCormack Law Limited.

Catherine Drayton, University Council Member, was a Director of Meridian Energy Limited until 1 May 2012. During the year, the University paid Meridian Energy Limited $3,989,760 (31 December 2012: $4,594,731) for the supply of electricity.

Catherine Drayton is a Director of Ngāi Tahu Holdings Corporation Limited and during the year the University paid $34,091 (December 2012: $nil) to Te Runanga o Ngāi Tahu. The University has a balance of $4,504 (December 2012: $nil) for accounts payable at year end. During the year the University received $178,491 (December 2012: $52,706) from Te Runanga o Ngāi Tahu and has a balance of $15,638 (December 2012: $nil) for accounts receivable from Te Runanga o Ngāi Tahu.

Catherine Drayton is a Director of Christchurch International Airport Limited and during the year the University paid Christchurch Airport $36,461 (December 2012: $26,453).

Catherine Drayton also became the Chair for the Canterbury Earthquake Recovery Authority (CERA) Audit and Risk Committee during 2012. The University received $26,562 from CERA during the year (December 2012: $13,330).

During the year Catherine Drayton joined the Board of the New Zealand Institute of Chartered Accountants (NZICA) as a Non Executive Director. The University made payments to NZICA of $20,234 (December 2012: $21,400) during the year.

Catherine Drayton also became a Director of BECA Group Limited during 2013. The University made payments of $781,468 (December 2012: $937,518) to Beca Group Limited and its subsidiaries during the year.

Peter Ballantyne, University Council Member, was a Board Member of Canterbury District Health Board (CDHB) until 8 December 2013. During the period the University paid CDHB $43,997 (December 2012: $76,151). The University has a balance of $148 (December 2012: $460) for accounts payable at year end to CDHB.

Dr Duncan Webb, University Council Member during 2013, is also a Partner in Lane Neave, Lawyers. During the year the University paid $76,370 to Lane Neave. The University has a balance of $9,016 for accounts payable at year end.

Tony Hall, University Council Member, is a Director of Core Education Limited. During the year the University paid $90 (December 2012: $78) to Core Education Limited.

David Ivory, University Council Member, has a management contract with St Thomas of Canterbury College. During the year the University paid $1,325 (December 2012: $525) to St Thomas of Canterbury College.

Professor Jan Evans-Freeman, Senior Management Team Member and Pro Vice-Chancellor Engineering, was a Director of Industrial Research Limited (IRL) now known as Callaghan Innovation, until 31 January 2013. The University paid Callaghan Innovation $92,310 (December 2012: $23,087) during the year. The University received $717,860 during 2013 (December 2012: $568,249) and has a balance of $348,772 (December 2012: $56,358) for accounts receivable from Callaghan Innovation at year end.

Professor Jan Evans-Freeman is also a Director of Transpower New Zealand Limited. The University invoiced Transpower New Zealand Limited $72,025 during 2013 (December 2012: $47,628) and has an accounts receivable balance of $57,500 (December 2012: $11,500) at year end from Transpower New Zealand Limited.

Professor Jan Evans-Freeman was a Board Member of Structural Timber Innovation Company (STIC) until 30 June 2013. During the period the University has paid $46,872 to STIC (December 2012: $94,298).

Professor Steve Weaver, Senior Management Team Member and Deputy Vice-Chancellor, Research, is a Director of the Institute of Geological & Nuclear Sciences Limited (GNS). The University paid $59,269 (December 2012: $32,684) to GNS during the period. The University received $2,180,687 from GNS during 2013 (December 2012: $2,217,939) and has a balance of $nil for accounts receivable from GNS at 31 December 2013 (December 2012: $361,430).

Professor Steve Weaver was on the Executive Committee of the Canterbury Medical Research Foundation during the year. The University paid $90,100 (December 2012: $117,143) to the Foundation.

Paul O'Flaherty, Senior Management Team Member, is a member of the Burnside High School Board of Trustees. During the year the University paid $4,883 (December 2012: $4,424) to Burnside High School.

Warren Poh, University Council Member, is an employee of Hawkins Contruction Limited. During the year the University paid $72,517,104 (December 2012: $34,629,213) to Hawkins Construction Limited. The University has a balance of $9,149,883 (December 2012: $nil) for accounts payable at year end.

Additional related party disclosures

Bruce Gemmell, University Council Member, is a partner with Ernst & Young, who are currently providing technical support to the Ministry of Education in reviewing the business cases proposals to the Government by the University.

Mr Gemmell is not involved in any of the technical support being provided by Ernst & Young and his potential conflict of interest in this area has been declared to Council.

Dr Duncan Webb, University Council Member, is assisting the University in presenting its case in seeking leave to appeal to the Supreme Court in the matter discussed in the Statement of Contingencies through his association with Lane Neave. This potential conflict of interest has been declared to Council.

Related Party Transactions	2013 University Actuals ($000's)	2012 University Actuals ($000's)
During the year to 31 December 2013 the University had the following inter-group transactions with its subsidiaries:		
Payable to Canterprise Limited	9	10
Payable to Trustees Arcactive Limited	–	684
Payments from the University of Canterbury to Canterprise Limited	–	5
Payments to University of Canterbury from Canterprise Limited	90	90
Payments to University of Canterbury from Entre Limited	–	7
Dividend Received from Trustees Arcactive Limited	684	–

In addition to the above transactions that Canterprise Limited had with the University, Canterprise had a number of transactions with its subsidiaries in 2012 before ownership was transferred to the University.

These were all conducted on an arms length basis.

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

21 / Early Childhood Education

The purpose of this note is to meet the disclosure requirements of the Ministry of Education for operators of funded childcare facilities. The University operates three childcare facilities — the Early Childhood Learning Centre, Te Ao Tamariki and the Sheila Walker Unit.

	2013 University Actuals ($000's)	2012 University Actuals ($000's)
Early Childhood Learning Centre		
Statement of Financial Performance		
OPERATING INCOME		
Government Grant — Child Funded Hours	674	458
Other Income	328	270
TOTAL OPERATING INCOME	**1,002**	**728**
OPERATING EXPENDITURE		
Personnel Expenses	570	557
Site & Property Costs	50	54
General / Operating Expenditure	15	17
Depreciation	1	1
TOTAL OPERATING EXPENDITURE	**636**	**629**
NET SURPLUS / (DEFICIT) FOR THE YEAR	**366**	**99**

The support grants were mainly utilised for staff development, and equipment and maintenance resources.

	2013 University Actuals ($000's)	2012 University Actuals ($000's)
Te Ao Tamariki		
Statement of Financial Performance		
OPERATING INCOME		
Government Grant – Child Funded Hours	184	378
Other Income	70	220
TOTAL OPERATING INCOME	**254**	**598**
OPERATING EXPENDITURE		
Personnel Expenses	338	505
Site & Property Costs	48	61
General / Operating Expenditure	6	17
TOTAL OPERATING EXPENDITURE	**392**	**583**
NET SURPLUS / (DEFICIT) FOR THE YEAR	(138)	15

The support grants were mainly utilised for staff development, and equipment and maintenance resources.

The Sheila Walker Unit		
Statement of Financial Performance		
OPERATING INCOME		
Government Grant – Child Funded Hours	–	176
Other Income	85	139
TOTAL OPERATING INCOME	85	315
OPERATING EXPENDITURE		
Personnel Expenses	371	378
Site & Property Costs	–	4
General / Operating Expenditure	–	4
TOTAL OPERATING EXPENDITURE	371	386
NET SURPLUS / (DEFICIT) FOR THE YEAR	(286)	(71)

The support grants were mainly utilised for staff development, equipment and maintenance resources.

22 / Capital Management

UC's capital is its equity, which comprises general funds, and property revaluations and fair value through comprehensive income reserves. Equity is represented by net assets.

UC is subject to the financial management and accountability provisions of the Education Act 1989, which includes restrictions in relation to: disposing of assets or interests in assets, ability to mortgage or otherwise charge assets or interests in assets, granting leases of land or buildings or parts of buildings, and borrowing.

UC manages its revenue, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community.

UC's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities investments and general financial dealings.

The objective of managing UC's equity is to ensure that it effectively and efficiently achieves the goals and objectives for which the University was established, while remaining financially viable.

In 2009, UC issued a $50 million, 10 year, fixed rate, unsubordinated, unsecured Bond (refer Note 14) to assist with capital investment.

As set out in Note 25, the Government announced a commitment to provide financial support of up to $260 million to assist UC in a $357 million investment in new facilities for its Science and Engineering colleges. The balance of funding will be drawn in part from insurance settlements, and in part from its own resources, coupled with careful management of its capital programme, deferring investment to future years wherever operationally possible without damaging the potential for recovery.

23 / Events After Balance Date

There have been no significant events after the balance date.

24 / Effects of the Canterbury Earthquakes

Challenge

Although occurring three years ago, the effects of the Canterbury earthquakes continue to present current significant challenges to UC's finances and operations. These challenges include the severe damage to buildings and other assets, with a consequential effect on enrolled student numbers and operational efficiency.

The decline in UC's student numbers has led to a corresponding reduction in operating revenue. UC's activities and its commitment to education and research are such that related expenditure cannot be similarly reduced to the same degree or at the same rate. The resulting net reduction in operating cash flow leaves less money for reinvestment in UC's teaching and research infrastructure.

UC is also managing unprecedented logistical challenges in decanting its staff from their work spaces while the buildings are remediated, storing their chattels and equipment, and then returning them to their original building or amalgamating their activities with complementary disciplines to get effective use of available space in the campus.

The overall effect is to rapidly reduce UC's financial resources, which without significant additional capital contribution or external revenues will be exhausted within two to three years. This continues to be a concern of Council and of management, where cash management indicators are reviewed monthly.

Concentrate

UC's response includes the massive remediation programme of strengthening and making safe the building stock, coupled with accelerated investment in improved building specifications to gain additional long-term benefits. The costs being incurred are equally large, being funded in part from UC's own cash resources and from the insurers, who continue to provide regular payments.

At the forefront of UC's management of these issues are close supervision of building costs and tight capital asset budgets and reporting; cash management strategies, including re-phasing of construction plans with concession to wider operational requirements; and review of existing academic and service operations for efficiencies and value for money.

Connect

UC Council and management have been working very closely with UC's Colleges and Service Units, its insurers, its construction teams, TEC and the Ministry of Education, and accessing both local input through CERA and wider national resources. The aim is to take positive forward steps in returning a fully operational and reinvigorated university to the network of tertiary education and research provision in New Zealand.

In particular, UC's response also includes the negotiation of the co-investment by the Government in new and improved teaching facilities for the colleges of Science and Engineering (this is further discussed in Note 25 below).

Nature of Assets Affected

Land

The UC site has not been specifically assessed for land damage, although certain areas (mostly around the Avon River from the UCSA building down to the recreation centre) have been the subject of further investigation by Geotech engineers, with no significant results. Geotech reviews are also being performed as part of any remediation project.

Buildings

Some buildings have had major structural damage resulting from the September 2010 and February 2011 earthquakes. Since then, UC has demolished three buildings and is demolishing a fourth, and has begun the process of remediation of its damaged buildings, with several now completed and reoccupied.

The first steps in the full operational restoration of the campus are being taken: UC was able to reopen the James Hight building and library in time for the 2013 academic year, the History and Law buildings are planned to be ready for reoccupation in early 2014, and the Registry is expected to be completed by the middle of 2014.

A structural review of the 40 most significant buildings was completed in May 2013, which indicated no significant additional remediation required for those buildings – although the costs of the remediation has been estimated as increasing significantly (see below). There remains a small number of buildings where further assessment is being made, and where the decision to remediate or to demolish and rebuild is yet to be made.

Estimated Costs to Repair Damage

UC has had structural engineers on site since the initial earthquake on 4 September 2010, and a significant extent of its property has been subject to detailed structural review and re-review.

The current estimate of the total cost to repair the damage, completed in December 2013, is $483 million (31 December 2012: $390 million). This estimate was based on engineering reports, structural reviews, and assessment of costs by qualified and experienced quantity surveyors who are working daily with the detail of the remediation programme. The 31 December 2012 estimate was provided by Rawlinsons, who were engaged by UC's insurers, while that for 31 December 2013 was prepared by Davis Ogilvie and Partners Limited, who were engaged by UC.

The difference in estimates represents the inherent uncertainty in making these assessments:

- the degree of cracking across the approximate 200,000m^2 of concrete structures across campus;
- the availability of detailed engineering reports and the degree these are informed by invasive testing; and
- the changing quantification of damage estimates when the remediation and strip out work is commenced, which can expose a greater degree of damage than first thought.

The estimate of damage is based on reinstatement to 34% of the building code and, as noted above, remains subject to considerable potential variability and, consequently, the cost of repair estimated in these financial statements could increase.

The inherent uncertainty in the damage estimates is manifested in the continued increases in the assessed amounts. UC has written down many of its buildings to $nil and, as a consequence, any increase in assessed remediation cost for those buildings has no effect — there can be no further reduction in Net Book Value (NBV). For 31 December 2013, the University increased its damage assessment by $93 million, but only recorded an increase in impairment of $43 million, reflecting the allocation of the increase in impairment to buildings already with $nil NBV, the reduction of existing buildings to $nil NBV, and the exclusion from the impairment calculation of those buldings now remediated. UC estimates, on this basis, that any further increase in damage assessment will demonstrate a similar pattern. Building impairment to date is estimated at $483 million, but only $270 million has been shown as an impairment cost, for the reasons outlined. On this basis, UC estimates that for every $100 million increase in remediation assessment, between 45% and 55% ($45 million and $55 million) will be required to be expensed. As the remediation programme progresses and assessments become more accurate, UC also considers that the effect of any increase in the remediation assessment will attenuate.

Valuation of Buildings

Due to the rapidly moving construction environment in Canterbury, UC engaged CBRE to undertake a valuation of its land and buildings as at 31 December 2013, outside of the normal three year cycle. Until the revaluation reserves have been replenished, UC expects to undertake annual revaluations as all movements will flow through the Surplus / Deficit, and are material to the financial result for the year.

As the damage incurred from the earthquakes was not factored into this valuation, UC adjusted the carrying value of buildings as at 31 December 2013 to reflect the estimated cost of repairing the buildings back to the state that existed prior to the earthquakes. This impairment does not reflect the full cost of making buildings compliant with the new building code and does not reflect likely costs recoverable under insurance.

UC has accounted for impairments to all damaged buildings at a value equal to each building's estimated damage per Davis Ogilvie and Partners Limited (unless the estimated damage repair cost is more than NBV in which case the building is impaired to $nil) less remediation work completed.

	December 2013 ($000's)	*December 2012 ($000's)*
Fair Value of buildings as at 1 January	286,937	343,064
Building Additions	59,878	32,150
Depreciation, Amortisation and Adjustments	(17,596)	(14,826)
	329,219	360,388
Increase in valuation of buildings	68,895	34,256
Ilam Homestead Revaluation Loss	(3,666)	–
Write off of Science Lecture Theatres and Commerce Building and Te Pourewa	(14,187)	–
Increase in impairment of buildings	(42,920)	(107,707)
Fair Value of buildings as at balance date	337,341	286,937

All building revaluation reserves were depleted in 2011. Accordingly, all further impairment of buildings in excess of the revaluation is included in the net surplus.

The further write down of the science lecture theatres is because they are being demolished to make way for the Regional Science and Innovation Centre as part of the co-investment of the Government in UC's reconfiguration plans. Council concluded that, on the basis of available structural assessments, the Commerce building is likely to be demolished and replaced as being uneconomic to repair.

Expenditure to 31 December 2013 of $60.2 million (31 December 2012: $50.6 million) relating to the costs of remediating the damage caused by the earthquake is included in work in progress. Once repairs on each building have been completed and the building is substantially complete and in use, these costs will be capitalised.

Expenditure which results in an increase in service potential has been capitalised.

Insurance reimbursements included in Revenue	*December 2013 ($000's)*	*December 2012 ($000's)*
Insurance reimbursements	78,887	41,023

Insurance reimbursements have been recognised in these financial statements on the basis of claimable expenditure incurred for the year. The total recognised to date since the first earthquake in September 2010 is $179.5 million.

The basis of insurance reimbursements recognition, on claimable expenses incurred, is considered the most reliable estimate of revenue, but does not reflect the total value of the UC's insurance claim. There is potential for significantly more material damage and business interruption claims.

UC remains in negotiation with its insurers, and a substantial proportion of the remediation work remains to be done. UC considers that any additional recovery cannot be reliably estimated.

The insurers are aware that submitted claims are interim claims only, and UC has been receiving progress payments from insurers on a regular basis, based on actual spend to date. These payments are made on a "non-specific basis", meaning that payment does not constitute acceptance by the insurers of a specific claim.

UC uses the forensic accounting and claims services of Marsh Risk Consulting to verify all claimed items prior to submission to the insurers. As a result, UC is confident that any expenditure to date in relation to material damage and business interruption (less insurance excess) will be successfully claimable from the insurers. UC continues to work closely and constructively with its insurers.

Additional Earthquake related costs included Operating Expenditure

As time passes, the differentiation between costs relating exclusively to the impact of the earthquakes and the additional costs relating to the re-engineering of the UC campus becomes blurred, although a fair estimate can be made of the continuing impact of the earthquakes on UC's finances.

The following is a summary of the increased costs of working included in Operating Expenditure under Personnel Expenses, Site & Property Expenses, and General/Operating Expenditure:

Additional Costs	2013 University Actuals ($000's)	2012 University Actuals ($000's)
Consultancy and Outsourcing	629	876
Commerce Building and Te Pourewa remediation write offs	–	2,588
Direct Academic Costs	3	8
Earthquake Provision Used	–	(290)
Equipment Rentals	17	32
Insurance	–	703
Promotional Activity	–	2
Repairs and Maintenance	24	198
Scholarships & Prizes	238	1,423
Travel and Conference Costs	–	(12)
Other	231	2,085
Total Additional Costs	1,142	7,613

25 / Going Concern

The issue

In recent years the University Council has had cause to review its going concern status when preparing its financial statements. This continues to be the case, but there has been significant improvement in the University's fortunes since 2012. While the consequences of the Canterbury earthquakes continue to present significant challenges to UC's financial position and performance, these are being methodically addressed and mitigated by Council and management actions.

The main matters that the University continues to address are:

- student numbers — UC experienced a further overall reduction in student numbers for the 2013 academic year, significantly in both domestic and full fee returning students, which was not anticipated, and substantially below pre-earthquake student numbers, although indicators are now of a recrudescence in numbers; and
- earthquake costs — the additional costs of working and lost revenue continue to add to UC's existing operating deficits, and with the costs of UC's co-investment in the remediation and rebuild of the campus, UC's cash reserves continue to require careful management even with the expected cash flows following on from the successful negotiation of significant Government financial support.

Action by Council and Government support

Since 2011, UC has pursued a programme of action to minimise costs (e.g. with staff reductions and minimal salary cost increases), to maximise revenues (e.g. increased marketing effort and scholarships to attract students), and to optimise its operations wherever possible (e.g. review of course offerings), and will continue to push in 2014 for cost savings in academic and service departments alike. The budget process for 2014 reflected continued focus on deficit management and UC is embarked on a path of recovery with a goal of breaking even in its core business by 31 December 2017. Council has budgeted for a small increase in student numbers for 2014, although the position will not be clear until mid-March 2014.

UC has also been working closely with TEC and the Government in developing individual business case proposals in respect of the two main projects of the Regional Science and Innovation Centre (RSIC) and Canterbury Engineering the Future (CETF), as well as for the Whole of Institution. These business cases were accepted by the Government at the end of October 2013, when the Prime Minister announced a funding package of up to $260 million in the form of capital contributions by the Crown to support UC in its rebuilding programme, tied to the development of RSIC and CETF, including an immediate payment to UC of $10 million. This gave substance to the indicated continuing Government support received by the Council in late 2012, and which includes the additional SAC guarantee up to 2017, while the University returns its student numbers to at least pre-earthquake levels.

The funding package is subject to further negotiation, and further reports, business case submissions and plans are required prior to further funding being provided. However, the acceptance of the plans submitted to Government, while still requiring careful cash flow and investment management to be maintained, has provided much-needed security and focus in the rebuild of the campus. As a result, Council's cash flow concerns as at 31 December 2012 have been alleviated.

Insurance

UC continues to maintain a positive and open relationship with its insurers, with a free exchange of information and robust negotiation.

The insurance position remains similar to prior years, which reflects the long-term engagement of the University with its insurers over the term of the rebuild, which could have several years to run:

- material damage insurance proceeds are tied to actual costs incurred for repairs, meaning that there is no "windfall" involved with proceeds from insurers;
- UC's business interruption insurance (BI) only covers the period for two years (loss of revenue) and three years (additional costs of working) post-earthquake. At the time of adopting these financial statements, both these periods are at an end, but the impact of the earthquakes on student numbers, for example, is being experienced over a much longer period as the "pipeline" effect works its way through the years;
- there has been no direct compensation to UC for any loss in student-related revenue, although the Government has extended the SAC guarantee to the end of 2017 (to be reviewed at the end of 2015); and
- the business interruption claim is not settled, and continues to be subject to extended negotiation because of the complexities involved.

Finance and capital management

In the current environment banks continue to be cautious in advancing funds to UC, although the support committed by the government has made UC's position stronger. The bondholders and Trustee are also looking for evidence to ensure security for their investment.

Altering the capital programme, such as by prolonging the rebuild, or delaying or cancelling capital spending, or substantially reducing operations are alternatives to managing this issue that are within UC's control. However, these options present risks to UC's reputation and ability to attract and retain students and staff, and maintain its full course programme offering, which may also in turn affect overall financial viability. UC has limited recourse to assets not needed to deliver its research and teaching and has no entitlement or obligation to settle its insurance claim for cash.

The timing of capital injections by the Crown into UC is critical, particularly in the later stages of RSIC and CETF. These are timed to be complete by the end of 2017/early 2018, but because of the intensity of capital costs in 2015 and 2016 cash flow management, and the availability of funds, will be crucial over the whole period of the build.

UC is a going concern

As noted above, there are many uncertainties and proposals in hand, and a lot of work to do around the engagement with Government and continued progress with the rebuild.

However, the Government support, together with the Council's own actions noted above, has created reasonable certainty of cash flows for the time being. The Council is able to conclude from this that the going concern assumption remains an appropriate basis for the preparation of UC's financial statements.

26 / Explanations of Major Variances against the 2013 Budget

Statement of Comprehensive Income

Government Grant — the $1.4m favourable variance against budget relates to additional income recognised for the Ministry of Education contracts for teacher development. This was due to a combination of 1) a portion of the 2012 contract income being brought to account in 2013 as a result of a delayed start and 2) the awarding of additional contract income over that which was budgeted for 2013.

Performance Based Research Funding (PBRF) — income is $1.9m lower than budget due to the updated Quality Evaluation assessment that resulted in a decrease due to a reduced number of staff eligible for assessment. This component accounts for 60% of the funding stream so has a significant impact.

Student Tuition Fees Domestic Fee Paying — fees are $3.4m lower than budget, with student numbers (EFTS) 5.3% lower than the budget anticipated, and 7.7% lower than those achieved in 2012.

Student Tuition Fees Full Fee Paying — fees are $1.8m lower than budget, with student numbers (EFTS) 9.2% lower than the budget anticipated, and 4.5% lower than those achieved in 2012.

Student Services Levy — income is $0.7m lower than budget due to lower student numbers as indicated in the above variance explanations.

Research income — this is $1.2m higher as a result of additional grants won above those expected. The increase is largely offset by the additional costs associated with this extra research.

Interest income — higher cash balances have resulted in higher interest against budget of $2.1m. The 2013 opening cash balance was $15.4m higher than had been budgeted for. That coupled with the timing of capital and operating spend has kept this balance higher all year. In addition to this, interest has been earned on the $17.5m insurance settlement proceeds for Te Pourewa, which do not form part of the cash balance given their extended maturity date.

Insurance Reimbursements — receipts are $78.9m favourable as the insurance recoveries are not included in the budget. The $78.9m recognised represents the agreed remediation spend for the year, along with the Te Pourewa insurance settlement funds.

Increase in Valuation of Buildings — the value of the buildings increased by a net of $65.2m in the 2013 building revaluation exercise (this includes the Homestead loss, discussed below). Due to previous write downs being debited against the reporting result future increases will be credited against the operating result to the same value of those write downs. Revaluations are not budgeted for given the uncertainty around predicting the movements that far out.

Personnel expenses — costs are $9.8m favourable, with $7.5m of this relating to movements in employee entitlements (the main variances being a $2.7m movement in the actuarially valued employee entitlements; the write off of the earthquake leave entitlement, as the entitlement period had lapsed, which has been replaced with a provision for special leave at a much lower value — net reduction of $2.7m; and the remaining balance representing the reduction in other leave entitlements through use). The balance of the variance results from savings in staff costs, predominantly academic, driven by lower student numbers than anticipated.

Site & Property Expenses — costs are $0.8m lower than budget. Successful negotiations of the buying group with Meridian led to a reduction in electricity costs of $1.3m.

This combined with lower coal costs due to lower consumption and lower Emissions Trading Scheme rates. External rental costs have been higher however, due to the cost of accommodating the College of Business and Law off site while the buildings were remediated.

General / Operating Expenditure — while this appears to be significantly over budget this is due to the write downs / write offs and demolition costs of several buildings that have not been budgeted for. These were \$19.7m. Excluding these one-offs, the actual spend would have been \$73.0m which is favourable to budget by \$2.9m. This favourable variance is across most expenditure types with the larger ones being Travel, Conference and Staff Development costs; Software; Telecommunications; Equipment and Maintenance. These large favourable variances were partially offset by unfavourable variances in Scholarships; and Outsourcing and Consultancy costs, mainly with respect to UC Futures business case work.

Depreciation, Amortisation and Impairment — costs are \$1.0m higher than budget due to the increased depreciation on buildings as a result of the 2012 end of year revaluation exercise increasing the overall buildings values by \$34.2m, hence increasing the value to be depreciated.

Increase in Impairment of Buildings — this movement is assessed for each reporting period. The complexities associated with this exercise prevent us from being able to budget with any reasonability.

Ilam Homestead Revaluation Loss — this property was revalued on a different basis to other UC buildings due to the intended future commercial use. As such, this revaluation movement has been presented separately in the accounts. The significant decrease in value is due to the earthquake remediation works taking this particular building to 100% of the NBS. However, from a market value point of view it does not value up to the amount spent.

Other Comprehensive Income

Movements in Revaluation Reserves Relating to Library Permanent Collections — the Library Permanent Collection was revalued at the end of 2013. Due to the difficulty in estimating any revaluation movements, particularly at the time the budget is set, no revaluation movements are factored into the budgeted results.

Movements in Revaluation Reserves Relating to Land Valuations — land was revalued at the end of 2013. Due to the difficulty in estimating any revaluation movements, particularly at the time the budget is set, no revaluation movements are factored into the budgeted results. The Land valuation reduced due to the increase in the selldown period used in the valuation methodology which reflects the volume of sections being released in the Christchurch region.

Statement of Financial Position

Cash and Other Financial Assets / Short-Term Deposits — a favourable variance of \$34.2m has arisen due in part to the higher than budgeted opening balance but has also been a factor of favourable variances in both the operating and capital spend. The high Accounts Payables balance also shows that the timing of payment is a contributing factor with some significant construction related invoices paid in January.

Receivables — the \$17.1m unfavourable balance is due to the budget being set based on a different methodology for accounting for the recognition of Insurance Recoveries, which had an original budget of \$24.0m. As at December, the Insurance Recoveries receivable was \$7.4m resulting in a difference of \$16.6m.

Prepayments — the \$1.7m unfavourable variance to budget relates to a lower than budgeted value for 'Other' prepayments, which are smaller sundry balances spread across UC. The main prepaid balances of Library items and the Insurance premium are close to budget.

Funds Received In Advance — a \$3.7m higher balance relates primarily to Income received in advance and relating to Research Grants.

Accounts Payable — the \$17.1m higher balance than budget reflects the level of construction related invoices payable at year end. Payments were owing for November and December work as at the end of the year.

Current Provisions — Employee Entitlements — the \$1.9m lower balance is due to the higher use of annual leave, than anticipated, as indicated under Personnel Expenses above but offset by a provision for 'special leave' for leave required resulting from earthquake-related activities which had not been budgeted for.

Property, Plant and Equipment; Intangible Assets; and Capital Work-in-progress — the favourable variance against budget is due to a number of factors. The increase in the buildings value as part of the end-of-year revaluation exercise of \$65.2m; unbudgeted earthquake remediation expenditure of \$64.2m; additional impairment taken to account in 2013, including the Ilam Homestead revaluation loss, of \$46.5m; the net impact of late 2012 entries not taken into account in the budget process around revaluations, impairments and Library collection write-downs of \$36.8m; other building write downs for Commerce, Science Lecture Theatres and Te Pourewa \$19.7m; other downwards movements resulting from 2013 revaluation exercises of \$8.4m; and the underspend against budget for the business as usual capital spend of \$3.7m.

Investments — the \$0.8m unfavourable variance against budget is made up of the \$0.5m write down of the remaining value in the Canterprise subsidiary and additional write downs in the investments in Synchrotron and South African Large Telescope (SALT).

*Other Financial Assets / Long-Term Deposit*s — the \$17.5m favourable variance against budget is due to the investment of the funds received in settlement for the Te Pourewa building. These were not known about at the time of setting the budget.

Term Receivable — the \$13.0m unfavourable variance against budget is due to the budget being set based on a different methodology for accounting for the recognition of Insurance Recoveries (also see Receivables). The \$13.0m represented the non current portion of the receivable factored into the budget.

Other Financial Liabilities — the \$1.5m favourable variance relates to the movement in the Interest Rate Swap Derivative as a result of increasing interest rates.

Term Provisions — Employee Entitlements — the \$2.7m favourable variance relates principally to movements in the actuarially valued employee entitlements due to an increase in the short to medium term discount rates, used in the calculation, and the reduction in staffing numbers.

Revaluation Reserves — see Movements in Revaluation Reserves under Other Comprehensive Income above. These movements are not budgeted for due to the difficulty in predicting any changes that far out from the valuation process.

27 / Presentation of Results

UC has taken the opportunity to further explain its operating results in a separate disclosure on the face of the Statement of Comprehensive Income. This supplementary disclosure is not intended to replace the reported surplus, but to provide context for the exceptional financial impact of the post-earthquake environment and UC's plans for the rebuilding of its campus. UC has separated out what it considers to be its base operating financial result, separately identifying the major costs relating both to the demolition and write-off of building stock and the specific income and expenditure clearly identifiable as being a direct effect of the earthquakes.

The comparative supplementary disclosure includes additional analysis relevant to the 2012 result in relation to additonal depreciation of $2.2 million following a change in depreciation rates for its library current collection, and $17.8 million in respect of obsolescence of its library current collection.

This year, UC has also separately disclosed reserves relating to the Te Pourewa insurance settlement and the student services levy capital reserve both as components of General Equity. This separate disclosure provides visibility to these important commitments by UC.

28 / Interim Financial Statements

UC published unaudited interim six monthly financial statements to 30 June 2013 on 28 August 2013. These interim financial statements included estimates in relation to the impairment of its buildings arising from the earthquakes.

At 30 June 2013, the indication was that there had been no change to the estimate of impairment of $390 million, which was calculated for the 31 December 2012 audited financial statements. Since then, a further reassessment of the damage to UC's buildings has been performed and the impairment estimate increased to $483 million. Further details of the revised assessment are provided in Note 24.

NZDX Waivers

The University of Canterbury ("UC") has in the 12 month period preceding the date two months before publication of the annual report relied upon the following waivers from the NZDX Listing Rules ("Rules"):

i. A waiver from Rule 10.4.1 (previously Rule 10.5.1) which was granted on 2 November 2009 prior to its initial listing, being the requirement to deliver to NZX, and to make available to each Quoted Security Holder, an annual report within three months of financial year end. The waiver was granted on the condition that the annual report is delivered by the later of: a) Three months after financial year end, and b) the earlier of the time of presentation of the annual report to Parliament, or five weeks after the annual report is received by the responsible minister pursuant to section 220(1) of the Education Act 1989.

ii. A waiver from Rule 10.3.1(a) (previously Rule 10.4.1(a)) which was granted on 21 September 2010, being the requirement to provide a preliminary announcement to the market not later than 60 days after the end of its financial year-end. The waiver was granted on condition that:

- the annual report is delivered at the earlier of the time of presentation of the annual report to Parliament; the time at which UC's annual report ceases to be confidential; or five weeks after the annual report is received by the responsible minister pursuant to section 220(1) of the Education Act 1989;
- that UC make an announcement, as soon as it is known, and in any event within 60 days of each of UC's financial year ends, disclosing the date on which UC's annual report and UC's preliminary announcement are expected to be released to the market; and
- that, not later than 60 days after the end of each of UC's financial years, UC provide to the market a certificate from the Chancellor or the Vice-Chancellor; and the Chief Financial Officer of UC, that all relevant financial information required to be disclosed to the market, pursuant to NZDX Listing Rule 10.1.1, has been provided.

Compulsory Student Services Fees

Compulsory Student Services Fees

The University of Canterbury consults with student representatives through the Joint Operations Advisory Board to make the following decisions related to Compulsory Student Services Fees:

(a) The maximum amount that students will be charged for student services;

(b) The types of services to be delivered;

(c) The procurement of these services; and

(d) The method for authorising expenditure on these services.

Students also have representation on the University Council which is responsible for the governance of the University, including oversight of the institution's policy, degree, financial and capital matters.

For 2013 the Compulsory Student Services Fees per Equivalent Full Time student was $699.00. These fees are separately accounted for in the University of Canterbury's accounting system.

In conjunction with the UC Students' Association, in 2011 and 2012 surveys of student preferences were carried out to inform the Joint Operations Advisory Board in its decision-making. These were followed in 2013 by a further student survey to help inform decision-making around the student space capital fund allocation. Details of Student Services Fees expenditure are provided to students in the Guide to Enrolment publication, on the Enrol at UC website, in student publication *Canta* and via campus poster campaigns.

UC Student Services Levy Allocations for 2013	*Actual ($000's)*	*Budget ($000's)*	*Variance ($000's)*
Compulsory Student Services Fees Collected	7,612	8,290	(678)
Services Funded by the Compulsory Student Services Fees			
1. Advocacy, legal and financial advice	560	574	(14)
2. Careers & employment information, advice & guidance	550	632	(82)
3. Counselling services and pastoral care	737	804	(66)
4. Health services	926	1,174	(248)
5. Media	274	274	
6. Sports, recreation & cultural activities; Clubs & societies	2,548	2,595	(46)
7. Balance to Student Space Capital Fund	2,239	2,239	
Total	**7,834**	**8,290**	**(456)**
Surplus/(Deficit)	**(222)**		**(222)**

From categories of student services outlined in Education (Compulsory Student Services Fees) Notice 2014:

- Cat. 1 above merges Advocacy and legal advice and Financial support;
- Cat. 2 above merges Careers information, advice and guidance and Employment information;
- Other allocation categories match;
- The balance not allocated is transferred to the Student Space Capital Reserve;
- No funding is provided for childcare services or accommodation services.

Student Space Capital Reserve for 2013	*Actual ($000's)*
Opening Balance 01 Jan 2013	***(250)***
Allocation from 2012 Levy budget	2,239
Events Wall and Floor	(241)
Business & Law Building	(599)
History Building	(599)
Reserve Closing Balance 31 Dec 2013	**550**

Amounts allocated in 2013 towards future year spending	*Actual ($000's)*	
Minor Capital Works	(50)	To be spent in 2014
Recreation Centre Development	(500)	Contribution to a future year project
Total Allocations	(550)	

The Student Space Capital Reserve has been fully allocated in 2013.

UC Student Services Levy Allocations for 2013 ($000's)

Actual expenditure of Student Services Levy by UC and UCSA Departments

	1. Advocacy & Financial	2. Careers & Employment	3. Counselling	4. Health services	5. Media	6. Sport, Cultural, Clubs	7. Capital	**8. Total**
1. UC Student Support: a team of seven staff develop and deliver a range of student-focused support services that facilitate the academic, social and cultural development of students from diverse backgrounds.	43	65	215	22		86		431
2. UC Disability Resource Services: Disability Resource Services deliver specialist advice and resources to disabled students. This funding is to cover the additional expenses for servicing temporary disabilities and international students. Almost all of their funding comes from TEC Equity Funding.				16				16
3. UC Health Centre Counselling: with a team of five counsellors they deal with all sorts of problems eg: loneliness, grief, anxiety, depression, stress, homesickness, relationship problems, gender worries. Most counselling is short to medium term.			303					303
4. UC Health Centre: with a team of 25 doctors, nurses and support staff the Health Centre provide high quality, responsive and cost effective services to its clients, to enable students to pursue their academic endeavours with minimal hindrance from medical and psychological problems, by providing affordable, accessible and comprehensive health services.				604				604
5. UC Rec Centre: with a team of 15 plus an array of fitness instructors they manage UC Recreation Centre membership, programmes and facilities to registered members.						948		948
6. UC Sport: with a team of three they deliver high quality sport, fitness, health and education opportunities that enable students and the wider UC community to be more effective in their study and work, and add value to their UC experience.						220		220
7. UC Careers, Internship and Employment: with a team of four they engage with students and graduates by providing quality career education informed through effective connections with employers and industry.		470						470
8. UC Māori Development: with a team of six they deliver integrated support programmes for Māori students, focusing on skill development, community connections and pathways to academic success. A significant portion of their funding comes from TEC Equity Funding.	83		68			100		250
9. UC Pacific Development: with a team of six they provide leadership in identifying and meeting Pacific educational aspirations, focusing on skill development, community connections and pathways to academic success. A significant portion of their funding comes from TEC Equity Funding.	45	15	151			91		302
10. UCSA Advocacy & Welfare: Provide advice, dispute resolution services, and welfare provision (free legal advice, budgeting help and a food bank); they also administer the Class Reps system.	389							389
11. UCSA Media & Comms: Handle UCSA's communication channels to inspire debate, make you laugh, cry, angry, informed, ambivalent, nonplussed or otherwise.					274			274
12. UCSA Activities & Events: Provide direct support to clubs, weekly student events and organise the big events of the year including Orientation, Grad Ball and the like.						917		917
13. UCSA Dental: provides access for basic dental care (check-up; x-ray; fillings; extractions) utilising the CDHB's Community Dental Clinic in Memorial Avenue for 20 hours/week.				284				284
14. UC Sport: In cooperation with UC Sport and Recreation Services for the provision of UC Sport activities.						185		185
15. Student Space Capital: The balance of the Student Services Levy transferred to the Student Space Capital Fund.							2,239	2,239
Total	**560**	**550**	**737**	**926**	**274**	**2,548**	**2,239**	**7,834**

Equity & Diversity

Equity & Diversity

The University of Canterbury, in line with the Human Rights Act (1993) and Education Act (1989), is committed to ensuring quality of opportunity in employment and education for all its staff and students, irrespective of background. Thus it is accepted that age, gender, ethnicity or disability should not disadvantage or hinder appointment, professional development, promotion, advancement or successful study.

The University recognises its responsibility to adopt procedures to ensure the absence of discrimination in relation to all facets of university life in accordance with prevailing community standards of best practice and relevant legislation.

Equity and diversity issues underpin the core business of the University and are therefore considered to be of concern to every member of the University community. The aim of the University's equity and diversity programmes is to foster a campus environment of inclusion, knowledge and understanding in which students and staff learn to value diversity and to respect individual differences that enrich the University community.

Formal oversight of equity and diversity rests with the Assistant Vice-Chancellor (Māori) and the Director of Student Services and Communications, and the Director of Human Resources who jointly hold the Equity and Diversity portfolio within the University's Senior Management Team. A Central Equity and Diversity Advisory Committee (CEDAC), under the facilitation of the Student Success Manager, meets bi-monthly and shares plans, initiatives and best practice, and leads educational initiatives across the UC community. Beginning in the 2014 academic year, the Team Leader for Disability Resource Services will serve as the Coordinator for Equity and Diversity programmes and assist in the implementation of university, college and service undertakings.

In 2013, the University recommitted to a strategic approach to equity and diversity and, in 2014, will undertake an inventory of existing and proposed programmes with a view to developing a more coherent UC-wide equity and diversity strategy. The University also sees this exercise as an opportunity to develop more student-focused strategies to support student success and retention, and to clarify the equity and diversity reporting framework.

Significant effort has been devoted in 2013 to developing the UC Māori Development Strategy and Rautaki Whakawhanake Kaupapa Māori. These reorganisation efforts reassert Māori developmental and student-centred strategies in supporting and empowering students while achieving personal and academic goals. In 2013, the UC Pacific Development Strategy contributed to an increase in University-wide activities and workshops incorporating the cultural perspective and considerations of Pacifika students. Pacifika students in 2013 were the recipients of a significant increase in the number of Emerging Leaders Scholarships.

As the University progresses its remediation and building projects, consideration is being given as to how to incorporate universal building design and improvement to support all students, staff and community members, including those with disabilities. Current and future building plans are continually considered for their impact on serviceability and accessibility.

During 2013, significant work undertaken by CEDAC included a summary report on the diversity of students at university and college levels. Factors including student gender, ethnicity, disability, age and citizenship were correlated with participation, pass and achievement rates. The results of this study directly inform equity and programming initiatives for the 2014 academic year.

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