

# FINANCIAL STATEMENTS

# INCOME STATEMENT

For the year ended 31 December 2010

		University			Consolidated	
		2010 Actual \$000s	2010 Budget \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
	<i>Note</i>					
<b>REVENUE</b>						
Government operational funding	2	<b>138,709</b>	137,137	131,909	<b>138,709</b>	131,909
Student tuition fees	3	<b>112,849</b>	110,213	96,169	<b>112,849</b>	96,169
Research grants	4	<b>9,215</b>	10,624	8,366	<b>9,270</b>	8,371
Other income	5	<b>26,618</b>	24,664	23,678	<b>26,961</b>	24,343
<b>TOTAL REVENUE</b>		<b>287,391</b>	282,638	260,122	<b>287,789</b>	260,792
<b>EXPENSES</b>						
Personnel costs	6	<b>168,268</b>	167,928	161,372	<b>168,268</b>	161,372
Supplies and other costs	7	<b>64,906</b>	66,571	58,782	<b>65,150</b>	59,450
Depreciation, amortisation and impairment	8	<b>32,322</b>	29,886	28,064	<b>32,322</b>	28,064
<b>Total expenses before finance costs</b>		<b>265,496</b>	264,385	248,218	<b>265,740</b>	248,886
Operating surplus before finance costs		<b>21,895</b>	18,253	11,904	<b>22,049</b>	11,906
Finance costs	9	<b>3,548</b>	4,812	3,856	<b>3,548</b>	3,856
<b>Operating surplus</b>		<b>18,347</b>	13,441	8,048	<b>18,501</b>	8,050
Share of associate's surplus	14	-	-	-	<b>45</b>	21
Share of jointly-controlled entity's surplus/(deficit)	15	-	-	-	<b>2,266</b>	(145)
<b>NET SURPLUS</b>		<b>18,347</b>	13,441	8,048	<b>20,812</b>	7,926

The accompanying notes form part of these Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	University			Consolidated	
		2010 Actual \$000s	2010 Budget \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>NET SURPLUS</b>		<b>18,347</b>	13,441	8,048	<b>20,812</b>	7,926
<b>OTHER COMPREHENSIVE INCOME</b>						
Net gain/(loss) on available-for-sale financial assets	26	(4)	(24)	(24)	(4)	(24)
Net gain/(loss) on cash flow hedges	26	(371)	244	244	(371)	244
Net gain/(loss) on land and buildings revaluation	26	242	1,922	-	242	-
<b>Total other comprehensive income</b>		<b>(133)</b>	2,142	220	<b>(133)</b>	220
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>18,214</b>	15,583	8,268	<b>20,679</b>	8,146

The accompanying notes form part of these Financial Statements.

# BALANCE SHEET

As at 31 December 2010

	Note	University			Consolidated	
		2010 Actual \$000s	2010 Budget \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	10	3,706	80	817	4,662	1,870
Short-term investments		129	-	-	129	-
Trade and other receivables	11	23,474	5,688	7,553	23,550	7,584
Inventories		204	171	160	204	160
Prepayments		1,771	1,059	1,794	1,771	1,796
Derivative financial instruments	23	14	-	-	14	-
<b>Total current assets</b>		<b>29,298</b>	<b>6,998</b>	<b>10,324</b>	<b>30,330</b>	<b>11,410</b>
<b>NON-CURRENT ASSETS</b>						
Available-for-sale financial assets	12	157	185	161	157	161
Investment in subsidiaries	13	100	100	100	-	-
Investment in associate	14	417	417	417	535	508
Investment in jointly-controlled entity	15	18,300	18,845	10,800	20,421	10,655
Property, plant and equipment	16	464,525	462,617	461,822	464,525	461,822
Intangible assets	17	3,442	4,650	4,649	3,442	4,649
Derivative financial instruments	23	-	-	228	-	228
<b>Total non-current assets</b>		<b>486,941</b>	<b>486,814</b>	<b>478,177</b>	<b>489,080</b>	<b>478,023</b>
<b>TOTAL ASSETS</b>		<b>516,239</b>	<b>493,812</b>	<b>488,501</b>	<b>519,410</b>	<b>489,433</b>
<b>CURRENT LIABILITIES</b>						
Trade and other payables	18	26,185	14,115	21,064	26,156	21,261
Income in advance	19	42,778	17,552	24,532	42,778	24,532
Employee entitlements	20	13,565	7,348	11,496	13,565	11,496
Provisions	21	82	158	288	82	288
Finance lease borrowings	22	5,079	5,908	5,273	5,079	5,273
Derivative financial instruments	23	176	-	15	176	15
<b>Total current liabilities</b>		<b>87,865</b>	<b>45,081</b>	<b>62,668</b>	<b>87,836</b>	<b>62,865</b>
<b>NON-CURRENT LIABILITIES</b>						
Borrowings	24	33,550	55,300	48,700	33,550	48,700
Employee entitlements	20	2,214	1,736	2,046	2,214	2,046
Provisions	21	706	528	381	706	381
Finance lease borrowings	22	36,851	38,042	37,835	36,851	37,835
Derivative financial instruments	23	203	251	235	203	235
<b>Total Non-Current Liabilities</b>		<b>73,524</b>	<b>95,857</b>	<b>89,197</b>	<b>73,524</b>	<b>89,197</b>
<b>TOTAL LIABILITIES</b>		<b>161,389</b>	<b>140,938</b>	<b>151,865</b>	<b>161,360</b>	<b>152,062</b>
<b>EQUITY</b>						
General equity	25	237,841	234,262	219,494	241,041	220,229
Revaluation reserves	26	117,009	118,612	117,142	117,009	117,142
<b>Total equity</b>		<b>354,850</b>	<b>352,874</b>	<b>336,636</b>	<b>358,050</b>	<b>337,371</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>516,239</b>	<b>493,812</b>	<b>488,501</b>	<b>519,410</b>	<b>489,433</b>

The accompanying notes form part of these Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	University			Consolidated	
	2010 Actual \$000s	2010 Budget \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>TOTAL EQUITY AT THE BEGINNING OF THE YEAR</b>	<b>336,636</b>	337,291	328,841	<b>337,371</b>	329,698
Adjustment to prior year's opening equity (Note 39)	-	-	(473)	-	(473)
<b>COMPREHENSIVE INCOME</b>					
Net Surplus	<b>18,347</b>	13,441	8,048	<b>20,812</b>	7,926
Other Comprehensive Income	<b>(133)</b>	2,142	220	<b>(133)</b>	220
<b>Total Comprehensive income</b>	<b>18,214</b>	15,583	8,268	<b>20,679</b>	8,146
<b>TOTAL EQUITY AT THE END OF THE YEAR</b>	<b>354,850</b>	352,874	336,636	<b>358,050</b>	337,371

The accompanying notes form part of these Financial Statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Note	University			Consolidated	
		2010 Actual \$'000s	2010 Budget \$'000s	2009 Actual \$'000s	2010 Actual \$'000s	2009 Actual \$'000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from Government grants		140,072	130,922	130,787	140,072	130,787
Receipts from student tuition fees		112,162	109,522	98,453	112,162	98,453
Receipts from service-provided activities		24,270	27,979	25,604	24,270	25,604
Interest received		373	-	6	389	30
Dividend received		22	-	88	22	88
Receipts from other revenue		13,292	14,216	9,868	13,619	10,528
Payments to employees		(166,031)	(167,198)	(156,915)	(166,031)	(156,915)
Payments to suppliers		(63,201)	(67,302)	(56,014)	(63,618)	(56,679)
Interest paid		(3,548)	(5,008)	(3,856)	(3,548)	(3,856)
Net GST received/(paid) <sup>53</sup>		1,533	-	3,885	1,512	3,905
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	29	<b>58,944</b>	43,131	51,906	<b>58,849</b>	51,945
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment		50	-	64	50	64
Purchases of property, plant and equipment		(25,614)	(26,747)	(39,716)	(25,614)	(39,716)
Purchases of intangible assets		(1,430)	(2,203)	(752)	(1,430)	(752)
Placement of short-term investments		(129)	-	-	(129)	-
Acquisition of investments		(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(34,623)</b>	(36,450)	(47,904)	<b>(34,623)</b>	(47,904)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from/(repayment of) borrowings		(15,150)	(5,745)	2,500	(15,150)	2,500
Repayment of finance lease borrowings		(6,282)	(1,150)	(6,398)	(6,282)	(6,398)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(21,432)</b>	(6,895)	(3,898)	<b>(21,432)</b>	(3,898)
Net increase/(decrease) in cash and cash equivalents		2,889	(214)	104	2,794	143
Cash and cash equivalents at beginning of the year		817	294	713	1,868	1,727
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>3,706</b>	80	817	<b>4,662</b>	1,870

The accompanying notes form part of these Financial Statements.

53 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Financial Statements are set out below. The Financial Statements include separate Financial Statements for Auckland University of Technology (the University) as an individual entity and the consolidated entity consisting of the University, its subsidiaries, and interest in an associate and a jointly-controlled entity (the Group).

### (a) Basis of preparation

#### *Reporting entity*

Auckland University of Technology is a university under the Auckland University of Technology (Establishment) Order 1999 and is domiciled in New Zealand. The primary objective of the University is to provide tertiary education services for the benefit of the community rather than making a financial return. For the purposes of financial reporting, the University and its subsidiaries are considered to be public benefit entities.

The Financial Statements of the University and the Group are for the year ended 31 December 2010. The Financial Statements are authorised for issue by Auckland University of Technology Council on 28 March 2011.

#### *Statement of compliance*

The Financial Statements of the University and the Group have been prepared in accordance with the requirements of the Crown Entities Act 2004, as referred to in section 203 of the Education Act 1989.

The Financial Statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with *New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)* and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

New or revised Standards and Interpretations that have been approved but are not yet effective have not been adopted by the University and the Group for the reporting period ended 31 December 2010. The adoption of these Standards and Interpretations is not expected to have a material recognition or measurement impact on these Financial Statements.

#### *Measurement base*

The Financial Statements have been prepared on an accruals basis and are based on the historical cost convention as modified by the revaluation of certain assets and liabilities as identified in the summary of significant accounting policies. These include the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

#### *Functional and presentation currency*

The Financial Statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars, unless otherwise stated. The functional currency of the University and its subsidiaries is New Zealand dollars.

#### *Changes in accounting policies*

The accounting policies are consistent with those adopted in the previous year, except for the following:

##### *Borrowing costs*

During the financial year, the University and the Group changed its accounting policy for the treatment of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. In previous periods, the University and the Group had capitalised such costs as part of the cost of the asset until all substantial activities necessary to prepare the qualifying asset for its intended use were complete.

The University and the Group have now decided to expense the borrowing costs, rather than capitalise them, in accordance with the amendment to NZ IAS 23 Borrowing Costs (revised 2007) which permits public benefit entities to defer the application of NZ IAS 23 (revised 2007).

Management believes that the new policy is preferable because it results in a more transparent treatment of borrowing costs and is consistent with the industry practice of public benefit entities, making the University and the Group's Financial Statements more comparable.

The impact of the change of accounting policy has been retrospectively applied in accordance with NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The effect of this change is disclosed in Note 39.

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

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and are relevant to the University and the Group, are:

- NZ IAS 24 Related Party Disclosures (Revised 2009) replaces NZ IAS 24 Related Party Disclosures (Issued 2004) and will be applied for the first time in the University and the Group's 31 December 2011 financial statements. The revised standard:
  - i) Removes the previous disclosure concessions applied by the University for arms-length transactions between the University and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the University and entities controlled or significantly influenced by the Crown.
  - ii) Clarifies that related party transactions include commitments with related parties.
- 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 on the classification and measurement of financial assets 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 instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 31 December 2013. The University and the Group have not yet assessed the impact of the new standard and expects it will not be early adopted.

### **(b) Basis of consolidation**

The consolidated Financial Statements include the University and its subsidiaries, associate and joint venture interests.

#### *Subsidiaries*

Subsidiaries are all those entities over which the University has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the University. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between consolidated entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Investments in subsidiaries are carried at cost in the parent entity financial statements.

#### *Associates*

Associates are entities over which the University has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in material associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

#### *Joint Ventures*

The University has an interest in a joint venture which is a jointly-controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The University recognises its interest in the joint venture using the equity method of consolidation.

Under the equity method, the investment in the jointly-controlled entity is carried at cost in the parent entity financial statements. In the consolidated financial statements, the investment is initially recognised at cost and subsequently adjusted for changes in the University's share of net assets of the joint venture, less any impairment in the value of investment. The University's share of the results of the joint venture is recognised in the Income Statement.

The financial statements of the joint venture are prepared for the same reporting period as the University. Adjustments are made where necessary to bring the accounting policies in line with those of the University.

### **(c) Revenue recognition**

Revenue comprises the fair value of the sale of goods and services, net of Goods and Services Tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

**Government grants** are recognised as revenue on entitlement.

**Student tuition fees** are recognised as revenue on a course percentage of completion basis. The percentage of completion is measured by reference to the days of the course completed as a proportion of the total course days.

**Research grants** which will provide reciprocal benefits to the research funding provider are recognised based on the percentage of completion method. The stage of completion is measured by reference to total expenditure incurred to date compared with the funding provided. Liabilities are recognised in the Balance Sheet as a future obligation to complete the research in respect of the grants which are unearned at the balance date. Research grants which provide no reciprocal benefits to the research funding provider are recognised as income when the grants are received.

**Subsidies, donations and bequests** are recognised as income when the right to receive the fund or asset has been established.

**Revenue from the sale of goods** is recognised when the goods have been delivered and the significant risks and rewards of ownership have been transferred to the customer and can be measured reliably.

**Revenue from rendering a service** is recognised upon the delivery of the service.

**Interest income** is recognised on a time-proportion basis using the effective interest method.

**Dividend income** is recognised when the right to receive payment has been established.

#### **(d) Property, plant and equipment**

Each class of property, plant and equipment is valued at historical cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### *Land and buildings*

Crown-owned land and buildings that are used by the University are included as part of the University's property, plant and equipment. The University has sole and unrestricted use of these land and buildings and has assumed ownership of these assets by means of a lease from the Ministry of Education for a period of 99 years from 1 November 1994.

Following initial recognition at cost, all land and buildings, whether owned by the Crown or purchased and built out of the University's reserves are shown at fair value. Revaluation of land and buildings is carried out at least every three years by independent valuers to ensure that the carrying amount of these assets does not differ materially from its fair value at the balance date.

Any revaluation surplus arising on revaluation is credited to the asset revaluation reserve included in the equity section of the Balance Sheet. Decreases that offset previous increases of the same asset class are charged against the asset revaluation reserve directly in equity; all other decreases are charged to the Income Statement.

##### *Library collection*

The library collection is valued at historical cost less accumulated depreciation and, where applicable, any impairment losses.

##### *Work in progress*

Work in progress is valued on the basis of expenditure incurred up to balance date and is not depreciated. Financing costs have not been capitalised during the construction of assets. The total cost of a project is transferred to the relevant asset class on completion and then depreciated.

##### *Depreciation*

All property, plant and equipment other than land, works of art and work in progress are depreciated using the straight-line method (except for motor vehicles, which uses the diminishing value method) to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20 - 60 years
Library collection	5 - 10 years
Plant and equipment	10 - 20 years
Specialty electronics	6 years
Furniture and fittings	5 years
Leasehold improvements	5 years
Motor vehicles	5 years
Office equipment	5 years
Computers and electronic equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date. Any changes are accounted for prospectively as a change in accounting estimate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note (f)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

#### **(e) Intangible assets**

##### *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives, being three years.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of identifiable and unique software controlled by the University, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives, being three years.

##### *Programme development*

Costs incurred on development of new academic programmes are capitalised to the extent that such costs are expected to be recovered. Capital costs are amortised from the commencement of a particular programme on a straight-line basis over the period of their expected benefit, being three years.

##### *Intellectual property*

Intellectual property is valued at cost of acquisition and is amortised on a straight-line basis over the period of its expected benefits, being five years.

#### **(f) Impairment**

##### *Financial assets*

At each Balance Sheet date the University assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Income Statement.

##### *Non-financial assets*

Non-financial assets that have an indefinite useful life or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Non-financial assets that have a finite useful life are subject to amortisation or depreciation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Any impairment losses are recognised in the Income Statement.

#### **(g) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

#### **(h) Short-term investments**

Short-term deposits with financial institutions that have maturities of greater than three months, but less than one year are classified as short-term investments and are included within investing activities in the Statement of Cash Flows. Interest on short-term investments is recognised on an accruals basis over the life of the investment.

#### **(i) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off. A provision for impairment of receivables is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of receivables.

## (j) Inventories

Inventories available for resale are valued at the lower of cost and net realisable value, with adjustment for slow moving and obsolete inventories. Cost is determined on a first-in first-out basis. All consumables are charged directly to expenditure. No inventories are pledged as security for liabilities at the balance date.

## (k) Investments and other financial assets

The University classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. The University determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

### *Financial assets at fair value through profit or loss*

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the University.

The policy of the University is to designate a financial asset at fair value through profit and loss if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the Balance Sheet date. Derivatives that are not designated as hedges are categorised as financial assets held for trading.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the University provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the Balance Sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the Balance Sheet.

### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the University has the positive intention and ability to hold to maturity.

### *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the University intends to dispose of the investment within 12 months of the Balance Sheet date.

Purchases and sales of investments are recognised on trade-date, the date on which the University commits to purchase or sell the asset. All investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Income Statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the University has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value or at cost in cases where the fair value cannot be reliably measured. Loans and receivables and held-to maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the Income Statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale revaluation reserve.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the University establishes fair value by using appropriate valuation techniques. These include reference to the fair value of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstance. Where the fair value cannot be reliably determined the investments are measured at cost.

The University assesses at each Balance Sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

## **(l) Leases**

### *Finance leases*

Leases where the University assumes substantially all the risks and rewards of ownership are classified as finance leases, whether or not title is eventually transferred.

Finance leases are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor, net of finance charges, is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the finance lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in the Income Statement as finance costs.

Capitalised leased assets are depreciated over the estimated useful life of the asset or the lease term, whichever is shorter.

For a lease of land and buildings in which the minimum lease payments cannot be allocated reliably between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

### *Operating leases*

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

## **(m) Foreign currency translation**

Transactions in foreign currencies are translated to New Zealand dollars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. All foreign exchange differences arising on translation are recognised in the Income Statement.

## **(n) Derivative financial instruments and hedge accounting**

The University uses derivative financial instruments, such as interest rate swaps and forward foreign exchange contracts to hedge its interest rate risks and foreign currency risks respectively. In accordance with its treasury policy, the University does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of interest rate swaps and forward foreign exchange contracts are determined by reference to market values for similar instruments.

For the purposes of hedge accounting, all the University's hedging instruments are designated as cash flow hedges. A cash flow hedge is defined as that which mitigates the exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability, firm commitment, or highly probable forecast transaction, which could affect profit or loss. A cash flow hedge protects against the risk caused by variable prices, costs, rates or terms, which cause uncertainty in the future.

The University documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The University also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in Other Comprehensive Income within the Statement of Comprehensive Income and the ineffective portion is recognised immediately in the Income Statement.

The gain or loss accumulated in equity is recognised in the Income Statement when the hedged cash flows are settled.

Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the Income Statement.

#### **(o) Goods and Services Tax (GST)**

Auckland University of Technology is a registered 'person' as defined by the Goods and Services Act 1985. The Financial Statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable, which are stated GST inclusive. When GST is not recoverable on input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department at balance date is included as part of the accounts receivable or accounts payable in the Balance Sheet.

The net GST paid to, or received from, the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

#### **(p) Taxation**

The University and its subsidiaries are exempt from the payment of income tax as they are treated by the Inland Revenue Department as charitable organisations for the purposes of the Income Tax Act. Accordingly, no provision for income tax has been made.

#### **(q) Budget figures**

The budget figures are those approved by the Auckland University of Technology Council before the beginning of each financial year. They have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Auckland University of Technology Council for the preparation of the Financial Statements.

#### **(r) Creditors and other payables**

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

#### **(s) Employee Entitlements**

Employee entitlements to salaries and wages, annual leave, sick leave, long service leave, retirement leave and other similar benefits are recognised in the Income Statement when they accrue to employees. Employee entitlements to be settled within twelve months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported as the present value of the estimated future cash outflows.

##### *Annual leave*

Liabilities for annual leave are measured at the amount of unused entitlement accumulated at balance date at relevant current rates of pay.

##### *Sick leave*

Liabilities for sick leave are measured at the amounts of unused entitlement accumulated at balance date that the University anticipates employees will use in future periods.

##### *Long service leave and retirement leave*

Liability for long service leave and retirement leave are calculated on an actuarial basis and are based on: likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and the present value of the estimated future cash flows. A discount rate of 5.82% and an inflation factor of 3.00% were used. The discount rate is based on the weighted average of Government interest rates for bond with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

## *Superannuation Schemes*

### *Defined contribution schemes*

Obligations for contributions to KiwiSaver and two of the National Provident Fund (NPF) Superannuation schemes, namely the Lump Sum National scheme and Pension National scheme, are accounted for as defined contribution schemes and are recognised as an expense in the Income Statement as incurred.

### *Defined benefit schemes*

The University belongs to the Government Superannuation Fund (GSF) scheme, which is a defined benefit scheme managed by the Government Superannuation Fund Authority. The University has no underwriting responsibilities, as any shortfall is met by the Government. As such, the GSF scheme is accounted for as a defined contribution scheme.

## **(t) Interest-bearing borrowings**

Interest-bearing borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains or losses are recognised in the Income Statement when the liabilities are derecognised as well as through the amortisation process.

## **(u) Borrowing costs**

The University and the Group have 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 are recognised as an expense in the period in which they are incurred.

## **(v) Provisions**

Provisions are recognised when the University has a present legal or constructive obligation as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation, and when the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised in the Income Statement.

## **(w) 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 funds*

General funds comprise "General Equity" and "Suspensory Loans from the Crown" with equity conversion features.

### *Revaluation reserves*

Revaluation reserves comprise "Asset Revaluation Reserve" - which relates to the revaluation of land and buildings to fair value; "Available-for-sale Revaluation Reserve" - which relates to the revaluation of marketable equity securities to fair value; and "Cash Flow Hedge Reserve" - which relates to the gain or loss on the hedging instrument that is determined to be an effective cash flow hedge and the change in the fair value of the hedging instrument through Other Comprehensive Income.

## **(x) Critical accounting estimates and assumptions**

In preparing these Financial Statements, the University and the Group have 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 or 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:

### *Revaluation of land and buildings*

Note 16 provides information about the estimates and assumptions exercised in the measurement of revalued land and buildings. The University relies on the services of independent valuers to assess the carrying values of land and buildings.

### *Long service leave and retirement leave*

Note 20 provides an analysis of the exposure in relation to estimates and uncertainties surrounding long service leave and retirement leave liabilities. Assumptions made include discount rates, salary inflation and the number of staff that will reach the point of entitlement.

### *Reinstatement provision*

Note 21 represents the University's estimated liability to reinstate leased buildings to their original state at the expiry of the lease term.

### *Depreciation and amortisation*

At each balance sheet date, the University reviews the useful lives and residual values of its property, plant and equipment, and intangible assets. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment, and intangible assets requires the University to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the University, and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value will impact on the depreciable or amortisable amount of an asset, therefore impacting on the depreciation or amortisation expense recognised in the Income Statements, and carrying amount of the asset in the Balance Sheet. The carrying amounts of property, plant and equipment are disclosed in Note 16 and intangible assets in Note 17.

### *Changes to accounting estimates on depreciation charges*

The University and the Group have revised the estimated useful lives of certain Library collections with effect from 1 January 2010. Based on the information gained from operations, management believes that certain Library collections, such as electronic resources and print serials, will only have estimated useful lives of five years for depreciation purposes. The original estimated useful lives were ten years.

The revisions were accounted for prospectively as a change in accounting estimates and, as a result, the depreciation charges for the financial year ended 31 December 2010 have been increased by \$1.94 million.

## **(y) Critical judgements in applying accounting policies**

The University has made the following critical judgements in applying accounting policies for the year ended 31 December 2010:

### *Crown-owned land and buildings*

Property in the legal name of the Crown that is occupied by the University is recognised as an asset in the Balance Sheet. The University considers it has assumed all the normal risks and rewards of ownership of this property despite legal ownership not being transferred. Accordingly it would be misleading to exclude these assets from the Financial Statements. The University has secured the use of the property by means of a lease from the Ministry of Education for a period of 99 years from 1 November 1994.

### *Suspensory loans with equity conversion features*

The University received various suspensory loans from the Crown in 2008, whereby the loans convert to equity when the conversion conditions of the loan agreement are satisfied. As the University is committed to meeting the equity conversion conditions, it considers the suspensory loans are in substance equity contributions from the Crown and therefore recognises the amounts received directly in the Statement of Changes in Equity. Further information about the suspensory loans is disclosed in Note 37.

### *Research Leave*

Academic staff are entitled to research leave in certain circumstances. The substance of this leave is that it is leave from teaching duties to undertake research activity with staff continuing to earn their salary and other employee entitlements. The University is of the view that research leave is not the type of leave contemplated in NZ IAS 19 Employee Benefits. Accordingly, a liability has not been recognised for such leave.

## NOTE 2: GOVERNMENT OPERATIONAL FUNDING

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Student Achievement Component (SAC)	103,725	96,994	103,725	96,994
Tertiary Education Organisational Capability (TEOC)	12,618	11,466	12,618	11,466
Performance-Based Research Funding (PBRF) – Note (A)	7,145	6,774	7,145	6,774
Tripartite funding – salaries	6,963	7,331	6,963	7,331
Priorities for Focus	1,581	1,962	1,581	1,962
Encouraging and Supporting Innovation (ESI)	1,335	1,431	1,335	1,431
Mangere Refugee Centre	1,530	1,456	1,530	1,456
Tertiary students with disabilities	432	412	432	412
Māori and Pacific Peoples	657	618	657	618
TOPS/ETSA	761	990	761	990
Early childhood education – Note (B)	430	428	430	428
Other Government funding (excl. research contracts)	1,532	2,047	1,532	2,047
<b>TOTAL GOVERNMENT OPERATIONAL FUNDING</b>	<b>138,709</b>	<b>131,909</b>	<b>138,709</b>	<b>131,909</b>

There are no unfulfilled conditions nor other contingencies attached to government grants recognised as income.

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>Note (A): PBRF Income</b>				
Provisional PBRF funding received	7,386	6,662	7,386	6,662
Prior year PBRF final wash-up	(241)	112	(241)	112
<b>Total PBRF income</b>	<b>7,145</b>	<b>6,774</b>	<b>7,145</b>	<b>6,774</b>
<b>Note (B): Early Childhood Education</b>				
<b>INCOME</b>				
Early childhood education bulk funding	419	409	419	409
Support grant for provisionally-registered teachers	11	19	11	19
<b>Total early childhood education funding received</b>	<b>430</b>	<b>428</b>	<b>430</b>	<b>428</b>
Other income*	190	217	190	217
<b>Total income</b>	<b>620</b>	<b>645</b>	<b>620</b>	<b>645</b>
<b>EXPENDITURE</b>				
Operating expenses	(694)	(652)	(694)	(652)
Support grant expenses	(9)	(23)	(9)	(23)
<b>Total expenditure</b>	<b>(703)</b>	<b>(675)</b>	<b>(703)</b>	<b>(675)</b>
<b>NET DEFICIT</b>	<b>(83)</b>	<b>(30)</b>	<b>(83)</b>	<b>(30)</b>
Value of support grants received	11	19	11	19
Amount spent on supporting provisionally-registered teachers	9	23	9	23
Support grants were applied to:				
Teaching resources and equipment	1	7	1	7
Training, coaching and support	8	16	8	16
<b>TOTAL</b>	<b>9</b>	<b>23</b>	<b>9</b>	<b>23</b>
Number of support grants received	37	50	37	50

\* Other income represents early childhood education fees received from parents, which have been reflected as part of the trading income in Note 5.

**NOTE 3: STUDENT TUITION FEES**

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Domestic fees	67,758	57,494	67,758	57,494
International fees	45,091	38,675	45,091	38,675
<b>TOTAL STUDENT TUITION FEES</b>	<b>112,849</b>	<b>96,169</b>	<b>112,849</b>	<b>96,169</b>

**NOTE 4: RESEARCH GRANTS**

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Research grants received	11,139	10,567	11,194	10,572
Research grants carried forward	(1,924)	(2,201)	(1,924)	(2,201)
<b>TOTAL RESEARCH GRANTS</b>	<b>9,215</b>	<b>8,366</b>	<b>9,270</b>	<b>8,371</b>

Research grants carried forward represent the incomplete portion of research grants received as at year end.

**NOTE 5: OTHER INCOME**

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Trading income	12,835	12,375	12,835	12,375
Accommodation income	4,376	4,284	4,376	4,284
Interest income	373	6	388	31
Income from available-for-sale financial assets	4	55	4	55
Income from investment in associate	18	33	-	-
Donation received	29	72	29	72
Gain on disposal of property, plant & equipment	-	2	-	2
Gain on derivative financial instruments	14	-	14	-
Other operating income	8,969	6,851	9,315	7,524
<b>TOTAL OTHER INCOME</b>	<b>26,618</b>	<b>23,678</b>	<b>26,961</b>	<b>24,343</b>

## NOTE 6: PERSONNEL COSTS

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>Academic:</b>				
Salaries and wages	95,177	90,110	95,177	90,110
Defined contribution plan employer contributions	466	373	466	373
Employee entitlements	796	1,257	796	1,257
Other staff-related costs	4,927	6,511	4,927	6,511
	<b>101,366</b>	98,251	<b>101,366</b>	98,251
<b>Administration:</b>				
Salaries and wages	62,317	58,100	62,317	58,100
Defined contribution plan employer contributions	305	239	305	239
Employee entitlements	459	1,032	459	1,032
Other staff-related costs	3,821	3,750	3,821	3,750
	<b>66,902</b>	63,121	<b>66,902</b>	63,121
<b>TOTAL PERSONNEL COSTS</b>	<b>168,268</b>	161,372	<b>168,268</b>	161,372

Employer contributions to defined contribution plans include contributions to KiwiSaver, the National Provident Fund Superannuation schemes and the Government Superannuation Fund scheme.

## NOTE 7: SUPPLIES AND OTHER COSTS

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Consumables / faculty costs	23,264	18,800	23,264	18,800
Occupancy / property costs	9,851	8,790	9,851	8,790
Operating lease costs – buildings	8,087	8,394	8,087	8,394
Operating lease costs – equipment	942	1,154	942	1,154
Administration expenses	7,859	7,558	7,859	7,563
Fees to principal auditor:				
Financial statements audit (Note A)	149	144	158	149
Performance-Based Research Fund audit	8	8	8	8
Provision for bad debts:				
Change in provision for doubtful debts	560	113	560	113
Bad debts written off	445	229	445	229
Council fees (Note 28)	110	110	110	110
Loss on disposal of property, plant and equipment	17	-	17	-
Loss on foreign currency translation	54	107	54	107
Loss on derivative financial instruments	-	15	-	15
Other operating costs	13,560	13,360	13,795	14,018
<b>TOTAL SUPPLIES AND OTHER COSTS</b>	<b>64,906</b>	58,782	<b>65,150</b>	59,450

Note (A) – Includes audit fees of \$9,040 (2009: \$7,950) for Auckland University of Technology Foundation paid on behalf by Auckland University of Technology.

**NOTE 8: DEPRECIATION, AMORTISATION AND IMPAIRMENT**

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Depreciation (Note 16)	26,913	24,626	26,913	24,626
Amortisation (Note 17)	2,568	1,522	2,568	1,522
Impairment (Note 16 & 17)	2,841	1,916	2,841	1,916
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>	<b>32,322</b>	<b>28,064</b>	<b>32,322</b>	<b>28,064</b>

**NOTE 9: FINANCE COSTS**

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Interest on borrowings	1,072	1,068	1,072	1,068
Finance charges on finance leases	2,476	2,788	2,476	2,788
<b>TOTAL FINANCE COSTS</b>	<b>3,548</b>	<b>3,856</b>	<b>3,548</b>	<b>3,856</b>

**NOTE 10: CASH AND CASH EQUIVALENTS**

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Cash-at-bank and in hand	2,995	804	3,951	938
Short-term bank deposits	711	13	711	932
<b>TOTAL CASH AND CASH EQUIVALENTS AS PER THE STATEMENT OF CASH FLOWS</b>	<b>3,706</b>	<b>817</b>	<b>4,662</b>	<b>1,870</b>

Short-term bank deposits are made for varying periods of time, from one day to three months depending on immediate cash requirements, and earn interest at the respective short-term deposit rates. The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

The total value of cash and cash equivalents that can only be used for a specified purpose as outlined in the relevant trust deeds is \$956,000 (2009: \$827,000).

The weighted average effective interest rate for cash and cash equivalents was 3.20% (2009: 3.08%).

## NOTE 11: TRADE AND OTHER RECEIVABLES

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Trade debtors	3,275	2,319	3,351	2,319
Less provision for impairment of trade debtors	(601)	(525)	(601)	(525)
	<b>2,674</b>	1,794	<b>2,750</b>	1,794
Student debtors	19,957	3,139	19,957	3,139
Less provision for impairment of student debtors	(745)	(261)	(745)	(261)
	<b>19,212</b>	2,878	<b>19,212</b>	2,878
Related parties (Note 27)	11	416	6	416
Accrued revenue	1,141	908	1,141	925
Tertiary Education Commission	-	1,122	-	1,122
Other debtors	436	435	441	449
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>23,474</b>	7,553	<b>23,550</b>	7,584

Trade debtors and student debtors are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of trade and other receivables approximates their fair value.

Movements in the provision for impairment of trade debtors and student debtors are as follows:

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>Trade debtors:</b>				
Opening provisions	525	287	525	287
Additional provisions made during the year	311	361	311	361
Release of provisions during the year	-	(82)	-	(82)
Amount of provisions utilised during the year	(235)	(41)	(235)	(41)
<b>Closing provisions for impairment of trade debtors</b>	<b>601</b>	525	<b>601</b>	525
<b>Student debtors:</b>				
Opening provisions	261	386	261	386
Additional provisions made during the year	694	187	694	187
Release of provisions during the year	-	(124)	-	(124)
Amount of provisions utilised during the year	(210)	(188)	(210)	(188)
<b>Closing provisions for impairment of student debtors</b>	<b>745</b>	261	<b>745</b>	261

**NOTE 11: TRADE AND OTHER RECEIVABLES (continued)**

The ageing profile of trade debtors and student debtors at the reporting date is as follows:

	University			Consolidated		
	Gross \$000s	Impairment \$000s	Net \$000s	Gross \$000s	Impairment \$000s	Net \$000s
<b>Trade debtors:</b>						
<b>2010</b> – Under 30 days	2,052	-	2,052	2,128	-	2,128
31 – 60 days	408	-	408	408	-	408
61 – 90 days	257	(43)	214	257	(43)	214
Over 90 days	558	(558)	-	558	(558)	-
<b>Total trade debtors</b>	<b>3,275</b>	<b>(601)</b>	<b>2,674</b>	<b>3,351</b>	<b>(601)</b>	<b>2,750</b>
<b>2009</b> – Under 30 days	1,223	-	1,223	1,223	-	1,223
31 – 60 days	583	(176)	407	583	(176)	407
61 – 90 days	268	(140)	128	268	(140)	128
Over 90 days	245	(209)	36	245	(209)	36
<b>Total trade debtors</b>	<b>2,319</b>	<b>(525)</b>	<b>1,794</b>	<b>2,319</b>	<b>(525)</b>	<b>1,794</b>
<b>Student debtors:</b>						
<b>2010</b> – Under 30 days	18,419	-	18,419	18,419	-	18,419
31 – 60 days	102	-	102	102	-	102
61 – 90 days	117	-	117	117	-	117
Over 90 days	1,319	(745)	574	1,319	(745)	574
<b>Total student debtors</b>	<b>19,957</b>	<b>(745)</b>	<b>19,212</b>	<b>19,957</b>	<b>(745)</b>	<b>19,212</b>
<b>2009</b> – Under 30 days	1,718	-	1,718	1,718	-	1,718
31 – 60 days	225	-	225	225	-	225
61 – 90 days	44	-	44	44	-	44
Over 90 days	1,152	(261)	891	1,152	(261)	891
<b>Total student debtors</b>	<b>3,139</b>	<b>(261)</b>	<b>2,878</b>	<b>3,139</b>	<b>(261)</b>	<b>2,878</b>

## NOTE 12: AVAILABLE-FOR-SALE FINANCIAL ASSETS

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>Listed securities (at fair value):</b>				
Independent News & Media Plc	4	8	4	8
	<b>4</b>	<b>8</b>	<b>4</b>	<b>8</b>
<b>Unlisted securities (at cost, less impairment):</b>				
New Zealand Vice-Chancellors' Committee	100	100	100	100
Polytechnics International New Zealand Limited	33	33	33	33
New Zealand Tertiary Education Consortium Limited	20	20	20	20
	<b>153</b>	<b>153</b>	<b>153</b>	<b>153</b>
<b>TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>157</b>	<b>161</b>	<b>157</b>	<b>161</b>

### Listed securities

The fair values of listed securities are determined by reference to published current bid price quotations in an active market.

### Unlisted securities

Unlisted securities are carried at cost less any impairment, as the fair value of unlisted securities cannot be reliably determined using a standardised valuation technique as well as there being no active market for such securities.

## NOTE 13: INVESTMENT IN SUBSIDIARIES

Name of entity	Country of incorporation	Nature of business	Ownership interest	
			2010	2009
Auckland University of Technology Foundation	New Zealand	Promote academic excellence at Auckland University of Technology by charitable means.	100%	100%
AUT Enterprises Limited	New Zealand	Commercialisation of research and provision of consulting services.	100%	100%

	University	
	2010 Actual \$000s	2009 Actual \$000s
<b>Investment in subsidiaries:</b>		
Auckland University of Technology Foundation	-	-
AUT Enterprises Limited	100	100
<b>TOTAL INVESTMENT IN SUBSIDIARIES</b>	<b>100</b>	<b>100</b>

## NOTE 14: INVESTMENT IN ASSOCIATE

Investments in associate is accounted for in the Financial Statements using the equity method of accounting. Information relating to the associate is set out below:

Name of entity	Country of incorporation	Nature of business	Ownership interest	
			2010	2009
LCo New Zealand Limited	New Zealand	Provides library solutions to members of the Consortium.	20%	20%

### LCo NEW ZEALAND LIMITED

LCo New Zealand Limited is an unlisted company which has the same reporting date as Auckland University of Technology. There is no published price quotation to determine the fair value of this investment.

The investment in the associate is carried at cost in Auckland University of Technology's Balance Sheet.

	University	
	2010 Actual \$000s	2009 Actual \$000s
<b>Investment in associate:</b>		
LCo New Zealand Limited	417	417
<b>TOTAL INVESTMENT IN ASSOCIATE</b>	<b>417</b>	<b>417</b>

There were no impairment losses relating to the investment in the associate and no capital commitments nor other commitments relating to the associate.

Auckland University of Technology's share of the result of the LCo New Zealand Limited is as follows:

	Consolidated	
	2010 Actual \$000s	2009 Actual \$000s
<b>Share of associate's balance sheet:</b>		
Assets	586	741
Liabilities	(51)	(233)
<b>Net assets</b>	<b>535</b>	<b>508</b>
<b>Share of associate's revenue and profit:</b>		
Revenue	289	283
Net surplus	45	21
<b>Movement in carrying amount of Investment in associate:</b>		
Balance at the beginning of the year	508	520
Share of associate's net surplus	45	21
Dividend received	(18)	(33)
<b>Carrying amount at the end of the year</b>	<b>535</b>	<b>508</b>

## NOTE 15: INVESTMENT IN JOINTLY-CONTROLLED ENTITY

Auckland University of Technology has a 50% interest in AUT/Millennium Ownership Trust, a jointly-controlled entity established by Auckland University of Technology and The North Shore Bays Community Fitness Centre Trust, to promote community fitness and well-being and to support elite sport.

AUT/Millennium Ownership Trust has the same reporting date as Auckland University of Technology.

The investment in the jointly-controlled entity is carried at cost in Auckland University of Technology's Balance Sheet.

	<b>University</b>	
	<b>2010 Actual \$000s</b>	2009 Actual \$000s
<b>Investment in jointly-controlled entity:</b>		
AUT/Millennium Ownership Trust	<b>18,300</b>	10,800
<b>TOTAL INVESTMENT IN JOINTLY-CONTROLLED ENTITY</b>	<b>18,300</b>	10,800

	<b>Consolidated</b>	
	<b>2010 Actual \$000s</b>	2009 Actual \$000s
<b>Share of jointly-controlled entity's balance sheet:</b>		
Assets	<b>20,169</b>	14,285
Liabilities	<b>(91)</b>	(244)
<b>Net assets</b>	<b>20,078</b>	14,041
<b>Share of jointly-controlled entity's revenue and profit:</b>		
Revenue	<b>821</b>	32
Net surplus/(deficit)	<b>2,266</b>	(145)
<b>Movement in carrying amount of Investment in jointly-controlled entity:</b>		
Balance at the beginning of the year	<b>10,655</b>	-
Capital contribution – cash	<b>7,500</b>	7,500
Non-cash capital contribution – land	<b>-</b>	3,300
Share of jointly-controlled entity's net surplus/(deficit)	<b>2,266</b>	(145)
<b>Carrying amount at the end of the year</b>	<b>20,421</b>	10,655

## NOTE 16: PROPERTY, PLANT AND EQUIPMENT

### Revaluation of land and buildings

In 2010, a full revaluation of land and buildings has been completed as required every three years by AUT Accounting Policy (Note 1(d)). The revaluation of land and buildings was performed by Seagars and Partners, Registered Valuers, at 31 December 2010 to a fair value of \$379,261,000 using the depreciated replacement cost method. Details of the revaluation movements are as follows:

	Net Book Value (before Revaluation \$000s	Revaluation Increment/ (decrement) \$000s	Accumulated Depreciation Eliminated \$000s	Net Revaluation Movements \$000s	Net Book Value (after Revaluation) \$000s
<b>UNIVERSITY/CONSOLIDATED</b>					
AUT-owned land	25,736	(6,438)	-	(6,438)	19,298
AUT-owned land (Manukau Campus)	29,190	(1,168)	-	(1,168)	28,022
	<u>54,926</u>	<u>(7,606)</u>	<u>-</u>	<u>(7,606)</u>	<u>47,320</u>
AUT-owned buildings	220,348	(15,364)	(21,783)	6,419	226,767
AUT-owned buildings (Manukau Campus)	17,772	(1,443)	(683)	(760)	17,012
	<u>238,120</u>	<u>(16,807)</u>	<u>(22,466)</u>	<u>5,659</u>	<u>243,779</u>
Crown-owned land	34,925	4,277	-	4,277	39,202
Crown-owned buildings	51,048	(6,192)	(4,104)	(2,088)	48,960
<b>TOTAL</b>	<u>379,019</u>	<u>(26,328)</u>	<u>(26,570)</u>	<u>242</u>	<u>379,261</u>

### Non-cash transactions

During the year, the University acquired \$5.1 million of computers and electronic equipment under a finance lease (2009: \$3.2 million).

**NOTE 16: PROPERTY, PLANT AND EQUIPMENT (continued)**

2010 – University/Consolidated	Cost/Revaluation			Accumulated Depreciation and Impairment Losses			Net Book Value	
	Balance at 1,Jan 2010 \$000s	Additions/ (reclassification) \$000s	Revaluation increment/ (decrement) \$000s	Disposals \$000s	Balance at 1,Jan 2010 \$000s	Depreciation eliminated on revaluation \$000s	Impairment losses \$000s	Balance at 31,Dec 2010 \$000s
<b>AUT-owned assets:</b>								
Land	25,736	-	(6,438)	-	-	-	-	19,298
Land – Manukau Campus	29,190	-	(1,168)	-	-	-	-	28,022
Buildings	237,558	4,610	(15,364)	(37)	14,861	6,922	(21,783)	226,767
Buildings – Manukau Campus	6,805	11,650	(1,443)	-	180	503	(683)	17,012
Library collection	44,073	4,799	-	-	22,545	5,660	-	20,667
Computers and electronic equipment	15,234	2,539	-	(1,072)	12,389	1,865	(1,007)	28,205
Furniture and fittings	12,533	1,082	-	(53)	10,393	1,044	(49)	13,255
Leasehold improvements	11,592	1,627	-	-	10,458	879	-	11,337
Motor vehicles	604	41	-	-	335	61	-	396
Office equipment	4,796	105	-	(7)	4,274	283	(8)	4,561
Plant and equipment	17,032	4,978	-	(577)	10,204	1,271	(567)	11,422
Specialty electronics	1,835	-	-	(16)	1,059	307	(17)	1,349
Works of art	309	-	-	-	-	-	-	309
WIP – buildings	4,593	5,680	-	-	816	-	(816)	1,507
WIP – Manukau Campus buildings	9,849	(9,596)	-	-	-	-	-	253
WIP – others	2,576	(1,901)	-	-	-	-	-	675
<b>TOTAL AUT-OWNED ASSETS</b>	<b>424,315</b>	<b>25,614</b>	<b>(24,413)</b>	<b>(1,762)</b>	<b>87,514</b>	<b>18,795</b>	<b>(24,930)</b>	<b>336,801</b>
								<b>340,329</b>
<b>Crown-owned land and buildings:</b>								
Land	34,925	-	4,277	-	-	-	-	39,202
Buildings	55,152	-	(6,192)	-	2,736	1,368	(4,104)	48,960
<b>TOTAL CROWN-OWNED LAND &amp; BUILDINGS</b>	<b>90,077</b>	<b>-</b>	<b>(1,915)</b>	<b>-</b>	<b>2,736</b>	<b>1,368</b>	<b>(4,104)</b>	<b>88,162</b>
<b>Assets under finance leases:</b>								
Computers and electronic equipment	18,456	5,104	-	(3,160)	12,238	4,745	(3,160)	13,823
Buildings	43,242	-	-	-	11,780	2,005	-	29,457
<b>TOTAL ASSETS UNDER FINANCE LEASES</b>	<b>61,698</b>	<b>5,104</b>	<b>-</b>	<b>(3,160)</b>	<b>24,018</b>	<b>6,750</b>	<b>(3,160)</b>	<b>36,034</b>
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>576,090</b>	<b>30,718</b>	<b>(26,328)</b>	<b>(4,922)</b>	<b>114,268</b>	<b>26,913</b>	<b>(32,194)</b>	<b>461,822</b>
								<b>464,525</b>

**NOTE 16: PROPERTY, PLANT AND EQUIPMENT (continued)**

2009 – University/Consolidated	Cost/Revaluation			Accumulated Depreciation and Impairment Losses			Net Book Value	
	Balance at 1,Jan 2009 \$000s	Additions/ (reclassification) \$000s	Revaluation increment/ (decrement) \$000s	Disposals \$000s	Balance at 1,Jan 2009 \$000s	Disposals/ Impairment losses \$000s	Balance at 31,Dec 2009 \$000s	Balance at 1,Jan 2009 \$000s
<b>AUT-owned assets:</b>								
Land	26,050	2,970	-	(3,284)	-	-	-	26,050
Land – Manukau Campus	29,190	-	-	-	-	-	-	29,190
Buildings	212,673	24,885	-	-	6,802	8,048	14,861	205,871
Buildings – Manukau Campus	-	6,805	-	-	-	180	180	-
Library collection	39,244	4,829	-	-	19,168	3,377	22,545	20,076
Computers and electronic equipment	12,416	2,925	-	(107)	11,246	1,218	12,389	1,170
Furniture and fittings	11,517	1,085	-	(69)	9,196	1,217	10,393	2,321
Leasehold improvements	11,327	265	-	-	10,011	447	10,458	1,316
Motor vehicles	587	17	-	-	270	65	335	317
Office equipment	4,692	122	-	(18)	3,919	368	4,274	773
Plant and equipment	14,634	2,588	-	(190)	9,354	1,026	10,204	5,280
Specialty electronics	1,414	421	-	-	769	290	1,059	645
Works of art	309	-	-	-	-	-	-	309
WIP – buildings	8,468	(3,875)	-	-	-	-	816	8,468
WIP – Manukau Campus buildings	13,326	(3,477)	-	-	-	-	-	13,326
WIP – others	2,420	156	-	-	-	-	-	2,420
<b>TOTAL AUT-OWNED ASSETS</b>	<b>388,267</b>	<b>39,716</b>	<b>-</b>	<b>(3,668)</b>	<b>70,735</b>	<b>16,236</b>	<b>87,514</b>	<b>317,532</b>
<b>Crown-owned land and buildings:</b>								
Land	34,925	-	-	-	-	-	-	34,925
Buildings	55,152	-	-	-	1,368	1,368	2,736	53,784
<b>TOTAL CROWN-OWNED LAND &amp; BUILDINGS</b>	<b>90,077</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,368</b>	<b>1,368</b>	<b>2,736</b>	<b>88,709</b>
<b>Assets under finance leases:</b>								
Computers and electronic equipment	20,491	3,253	-	(5,288)	12,508	5,018	12,238	7,983
Buildings	43,242	-	-	-	9,776	2,004	11,780	33,466
<b>TOTAL ASSETS UNDER FINANCE LEASES</b>	<b>63,733</b>	<b>3,253</b>	<b>-</b>	<b>(5,288)</b>	<b>22,284</b>	<b>7,022</b>	<b>24,018</b>	<b>41,449</b>
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>542,077</b>	<b>42,969</b>	<b>-</b>	<b>(8,956)</b>	<b>94,387</b>	<b>24,626</b>	<b>114,268</b>	<b>447,690</b>

## NOTE 17: INTANGIBLE ASSETS

### 2010 – University/Consolidated

	Cost/Revaluation			Accumulated Amortisation and Impairment Losses			Net Book Value		
	Balance at 1 Jan 2010 \$000s	Additions/ (reclassification) \$000s	Revaluation increment/ (decrement) \$000s	Disposals/ revaluation adjustments \$000s	Balance at 31 Dec 2010 \$000s	Balance at 1 Jan 2010 \$000s	Impairment losses \$000s	Disposals/ revaluation adjustments \$000s	Balance at 31 Dec 2010 \$000s
<b>Intangible assets:</b>									
Intellectual property	50	-	-	-	50	-	-	-	-
Software	11,370	1,818	-	(40)	13,148	2,040	133	(41)	11,151
Programme development	2,948	91	-	-	3,039	528	487	-	3,039
WIP – software	1,283	337	-	-	1,620	-	175	-	1,75
WIP – programme development	816	(816)	-	-	-	-	-	(725)	91
<b>TOTAL INTANGIBLE ASSETS</b>	<b>16,467</b>	<b>1,430</b>	<b>-</b>	<b>(40)</b>	<b>17,857</b>	<b>2,568</b>	<b>795</b>	<b>(766)</b>	<b>14,415</b>

### 2009 – University/Consolidated

	Cost/Revaluation			Accumulated Amortisation and Impairment Losses			Net Book Value		
	Balance at 1 Jan 2009 \$000s	Additions/ (reclassification) \$000s	Revaluation increment/ (decrement) \$000s	Disposals/ revaluation adjustments \$000s	Balance at 31 Dec 2009 \$000s	Balance at 1 Jan 2009 \$000s	Impairment losses \$000s	Disposals/ revaluation adjustments \$000s	Balance at 31 Dec 2009 \$000s
<b>Intangible assets:</b>									
Intellectual property	50	-	-	-	50	-	-	-	-
Software	9,433	1,937	-	-	11,370	1,369	130	-	9,019
Programme development	2,007	941	-	-	2,948	153	212	-	2,024
WIP – software	2,189	(906)	-	-	1,283	-	-	-	-
WIP – programme development	2,036	(1,220)	-	-	816	-	725	-	725
<b>TOTAL INTANGIBLE ASSETS</b>	<b>15,715</b>	<b>752</b>	<b>-</b>	<b>-</b>	<b>16,467</b>	<b>1,522</b>	<b>1,067</b>	<b>-</b>	<b>11,818</b>

**NOTE 18: TRADE AND OTHER PAYABLES**

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Trade creditors	3,168	2,139	3,168	2,139
Creditors accruals	12,448	9,568	12,567	9,773
Sundry creditors	3,392	2,425	3,349	2,522
GST payable	4,937	3,404	4,940	3,419
Withholding tax payable	1,668	3,408	1,668	3,408
Related party (Note 27)	331	120	223	-
Tertiary Education Commission	241	-	241	-
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>26,185</b>	<b>21,064</b>	<b>26,156</b>	<b>21,261</b>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

**NOTE 19: INCOME IN ADVANCE**

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Students fees in advance	31,314	15,667	31,314	15,667
Trust funds	2	18	2	18
Research funding received in advance	8,657	5,466	8,657	5,466
Other income in advance	2,805	3,381	2,805	3,381
<b>TOTAL INCOME IN ADVANCE</b>	<b>42,778</b>	<b>24,532</b>	<b>42,778</b>	<b>24,532</b>

## NOTE 20: EMPLOYEE ENTITLEMENTS

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Annual leave	9,184	8,076	9,184	8,076
Accrued salary payments	1,806	1,141	1,806	1,141
Sick leave	440	462	440	462
Other employee entitlements	2,135	1,817	2,135	1,817
<b>Total employee entitlements – current</b>	<b>13,565</b>	<b>11,496</b>	<b>13,565</b>	<b>11,496</b>
Long service leave	757	672	757	672
Retirement leave	1,457	1,374	1,457	1,374
<b>Total employee entitlements – non-current</b>	<b>2,214</b>	<b>2,046</b>	<b>2,214</b>	<b>2,046</b>
<b>TOTAL EMPLOYEE ENTITLEMENTS</b>	<b>15,779</b>	<b>13,542</b>	<b>15,779</b>	<b>13,542</b>

The present value of the long service leave and retirement leave obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate of 5.82% and the salary inflation factor of 3.0%. Any changes in these assumptions will impact on the carrying amount of the liability.

In determining the appropriate discount rate, the University considered the interest rates on New Zealand government bonds with terms to maturity similar to those of the estimated future cash outflows. The inflation factor has been based on the expected long-term increase in remuneration for employees.

## NOTE 21: PROVISIONS

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>Reinstatement provision for leased buildings:</b>				
Opening balance	669	686	669	686
Provision made during the year	119	58	119	58
Provision used during the year	-	(75)	-	(75)
<b>CLOSING BALANCE</b>	<b>788</b>	<b>669</b>	<b>788</b>	<b>669</b>
Comprising:				
Current	82	288	82	288
Non-current	706	381	706	381
<b>TOTAL PROVISIONS</b>	<b>788</b>	<b>669</b>	<b>788</b>	<b>669</b>

The reinstatement provision represents the University's estimated liability to reinstate leased buildings to their original state at the expiry of the lease term. The provision is calculated on the net present value of the estimated liability at lease expiry.

## NOTE 22: FINANCE LEASES BORROWINGS

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Not later than one year	7,324	7,764	7,324	7,764
Later than one year and not later than five years	17,977	17,513	17,977	17,513
Later than five years	36,641	40,388	36,641	40,388
<b>Total minimum finance leases payments</b>	<b>61,942</b>	<b>65,665</b>	<b>61,942</b>	<b>65,665</b>
Future finance charges	(20,012)	(22,557)	(20,012)	(22,557)
<b>Total present value of minimum finance leases payments</b>	<b>41,930</b>	<b>43,108</b>	<b>41,930</b>	<b>43,108</b>
<b>Present value of minimum finance leases:</b>				
Not later than one year	5,079	5,273	5,079	5,273
Later than one year and not later than five years	9,989	9,055	9,989	9,055
Later than five years	26,862	28,780	26,862	28,780
<b>Total minimum finance leases borrowings</b>	<b>41,930</b>	<b>43,108</b>	<b>41,930</b>	<b>43,108</b>
Comprising:				
Current	5,079	5,273	5,079	5,273
Non-current	36,851	37,835	36,851	37,835
<b>TOTAL PRESENT VALUE OF MINIMUM FINANCE LEASES BORROWINGS</b>	<b>41,930</b>	<b>43,108</b>	<b>41,930</b>	<b>43,108</b>

Auckland University of Technology has entered into finance leases for various properties, computers and electronic equipment. The net carrying amount of the leased items within each class of property, plant and equipment is shown in Note 16.

The finance leases can be renewed at Auckland University of Technology's option, with rents set by reference to current market rates for items of equivalent age and condition. Auckland University of Technology does have the option to purchase the asset at the end of the lease term. There are no restrictions placed on Auckland University of Technology by any of the finance leasing arrangements.

Auckland University of Technology leases approximately 18,332 square metres (2009: 18,332 square metres) of accommodation properties in Auckland to provide residential accommodation for students.

Auckland University of Technology leases 6,411 computers and electronic equipment for teaching, research and administrative purposes (2009: 6,378 computers and electronic equipment).

## NOTE 23: DERIVATIVE FINANCIAL INSTRUMENTS

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>Current asset portion</b>				
Forward Foreign Exchange Contract – Non-hedges	14	-	14	-
<b>Non-current asset portion</b>				
Interest rate swap – Cash flow hedges	-	228	-	228
<b>TOTAL DERIVATIVE FINANCIAL INSTRUMENT ASSETS</b>	<b>14</b>	<b>228</b>	<b>14</b>	<b>228</b>
<b>Current liability portion</b>				
Interest rate swap – Cash flow hedges	(176)	-	(176)	-
Forward Foreign Exchange Contract – Non-hedges	-	(15)	-	(15)
<b>Non-current liability portion</b>				
Interest rate swap – Cash flow hedges	(203)	(235)	(203)	(235)
<b>TOTAL DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES</b>	<b>(379)</b>	<b>(250)</b>	<b>(379)</b>	<b>(250)</b>

### Fair value

#### *Interest rate swaps*

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

#### *Forward foreign exchange contracts*

The fair values of forward foreign exchange contracts have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from instrument prices.

The fair values of interest rate swaps have been determined using a discounted cash flows valuation technique based on quoted market prices.

### Notional principal amount

#### *Interest rate swaps*

The notional principal amounts of interest rate swap contracts as at 31 December 2010 totalled \$19.0 million (2009: \$19.0 million). At 31 December 2010, the fixed interest rates of interest rate swaps vary from 4.46% to 6.98% (2009: 4.46% to 6.98%).

#### *Forward foreign exchange contracts*

The notional principal amounts of forward foreign exchange contracts in New Zealand dollars totalled \$0.41 million (2009: \$1.27 million). The foreign currency principal amounts were Australian dollars \$0.33 million (2009: United States dollars \$0.9 million).

## NOTE 24: BORROWINGS

Auckland University of Technology has a multi-facility agreement (and the accompanying negative pledge deed) with the ANZ National Bank Limited. The facility is for \$70 million (2009: \$70 million) expiring 3 January 2012. At 31 December 2010, \$33.55 million (2009: \$48.7 million) had been drawn down on this facility.

Auckland University of Technology uses the facility as a flexible finance facility, seeking to minimise debt as cash flows permit. The weighted average interest rate on the outstanding loan for the year was 4.28% (2009: 3.12%).

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>Opening balance</b>	<b>48,700</b>	46,200	<b>48,700</b>	46,200
Net borrowings/(repayments)	(15,150)	2,500	(15,150)	2,500
<b>CLOSING BALANCE</b>	<b>33,550</b>	48,700	<b>33,550</b>	48,700

### Fair value

The carrying amounts of borrowings repayable within one year approximate their fair value, as the impact of discounting is not significant.

## NOTE 25: GENERAL EQUITY

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>Equity:</b>				
Balance at the beginning of the year	149,161	123,925	149,896	124,782
Adjustment to prior year's opening equity (Note 39)	-	(473)	-	(473)
Net surplus for the year	18,347	8,048	20,812	7,926
Transfers from suspensory loans	20,333	16,667	20,333	16,667
Transfers from assets revaluation reserve	-	994	-	994
<b>Balance at the end of the year</b>	<b>187,841</b>	149,161	<b>191,041</b>	149,896
<b>Suspensory Loans:</b>				
Balance at the beginning of the year	70,333	87,000	70,333	87,000
Convert to equity (Note 37)	(20,333)	(16,667)	(20,333)	(16,667)
<b>Balance at the end of the year</b>	<b>50,000</b>	70,333	<b>50,000</b>	70,333
<b>TOTAL GENERAL EQUITY</b>	<b>237,841</b>	219,494	<b>241,041</b>	220,229

In 2010, Auckland University of Technology received two equity conversion confirmation notices as detailed in Note 37 reflecting the commitment and delivery of the key performance measures required by the Crown to the ongoing treatment of suspensory loans as equity.

## NOTE 26: REVALUATION RESERVES

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>Assets revaluation reserve:</b>				
Balance at the beginning of the year	117,182	118,176	117,182	118,176
Transfer to general equity on disposal of land	-	(994)	-	(994)
Changes due to revaluation of:				
Crown-owned land	4,277	-	4,277	-
Crown-owned buildings	(2,088)	-	(2,088)	-
AUT-owned land	(7,606)	-	(7,606)	-
AUT-owned buildings	5,659	-	5,659	-
<b>Balance at the end of the year</b>	<b>117,424</b>	<b>117,182</b>	<b>117,424</b>	<b>117,182</b>
<b>Available-for-sale revaluation reserve:</b>				
Balance at the beginning of the year	(33)	(9)	(33)	(9)
Net fair value gains/(losses) in the year	(4)	(24)	(4)	(24)
<b>Balance at the end of the year</b>	<b>(37)</b>	<b>(33)</b>	<b>(37)</b>	<b>(33)</b>
<b>Cash flow hedge reserve:</b>				
Balance at the beginning of the year	(7)	(251)	(7)	(251)
Net fair value gains/(losses) in the year	(371)	244	(371)	244
<b>Balance at the end of the year</b>	<b>(378)</b>	<b>(7)</b>	<b>(378)</b>	<b>(7)</b>
<b>TOTAL REVALUATION RESERVES</b>	<b>117,009</b>	<b>117,142</b>	<b>117,009</b>	<b>117,142</b>

## NOTE 27: RELATED PARTY TRANSACTIONS

### Crown/Government

The government influences the role of Auckland University of Technology as well as being a major source of revenue. Auckland University of Technology enters into transactions with government departments and Crown agencies. These are separately disclosed elsewhere in the Financial Statements.

### Subsidiaries, Associate and Jointly-controlled Entity

Auckland University of Technology is the ultimate parent of the group. The group contains the subsidiaries, associate and jointly-controlled entity as disclosed in the Financial Statements. During the year, the following transactions were carried out with related parties:

	2010 Actual \$000s	2009 Actual \$000s
<b>SUBSIDIARY COMPANIES</b>		
<b>Auckland University of Technology Foundation</b>		
Donation received on behalf	1	1
Grants and scholarships received on behalf	20	39
Grants and scholarships received from subsidiary	5	35
Creditor payment on behalf	1	13
Accounts receivable	5	-
Accounts payable	-	5
<b>AUT Enterprises Limited</b>		
Operating revenue received on behalf	70	225
Development Fund paid to Subsidiary	188	-
Operating expenses paid on behalf	185	105
Management services provided to Subsidiary	80	-
Accounts payable	108	115
<b>ASSOCIATE COMPANY</b>		
<b>LCo New Zealand Limited</b>		
Purchase of services	311	524
Accounts payable	223	-
<b>JOINTLY-CONTROLLED ENTITY</b>		
<b>AUT/Millennium Ownership Trust</b>		
Capital contribution – cash	7,500	7,500
Non-cash capital contribution – land	-	3,300
Operating expenses paid on behalf	10	-
Accounts receivable	6	416

All related party transactions are on market terms and conditions.

## NOTE 27: RELATED PARTY TRANSACTIONS (continued)

### Key management personnel

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Salaries and other short-term employee entitlements	3,762	3,384	3,762	3,384
Post-employment entitlements	-	31	-	31
Termination benefits	-	64	-	64
<b>TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION</b>	<b>3,762</b>	<b>3,479</b>	<b>3,762</b>	<b>3,479</b>

Key management personnel include the Chancellor, Vice-Chancellor, Members of Council, and other senior management personnel reporting directly to the Vice-Chancellor.

There are close family members of key management personnel employed by the University. The terms and conditions of those arrangements are no more favourable than the University would have adopted if there were no such relationship.

The Vice-Chancellor is a Trustee of AUT/Millennium Ownership Trust (a jointly-controlled entity of the University). His fees in relation to this position are paid directly to the University.

### Councillors

During the year, the following Councillors were members of organisations that have entered into transactions with Auckland University of Technology as part of its normal operations.

	Purchases actual \$000s	Sales actual \$000s	Accounts payable actual \$000s	Accounts receivable actual \$000s
<b>2010</b>				
<b>P Dunphy</b>				
New Zealand Post (Director)	277	16	22	-
Accident Compensation Corporation (Director)	802	75	-	9
<b>L Henry</b>				
Cranleigh Merchant Bank (Chairman)	10	-	-	-
Trans Tasman Business Circle (Deputy Chairman)	43	-	-	-
Medtech Limited (Director)	14	-	-	-
<b>N Glavish</b>				
Health & Disability Commission (Chairman)	1	-	-	-
Auckland District Health Board (General Manager)	1,073	60	-	-
<b>J Maasland</b>				
APN News & Media (Director)	9	-	2	-
<b>J Martin</b>				
Minter Ellison Rudd Watts (Consultant)	122	-	-	-
<b>2009</b>				
<b>P Dunphy</b>				
New Zealand Post (Director)	409	14	3	-
Accident Compensation Corporation (Board Member)	717	578	-	47
<b>L Henry</b>				
Medtech Limited (Director)	6	-	-	-
<b>J Maasland</b>				
APN News & Media (Director)	13	-	-	-
<b>J Martin</b>				
Minter Ellison Rudd Watts (Partner)	24	-	-	-

All transactions were made on normal commercial terms and conditions. Outstanding balances at year-end are unsecured and interest free. No provision has been required, nor any expense recognised for impairment of accounts receivable from related parties (2009: \$nil).

## NOTE 28: COUNCILLORS' FEES

The following fees were earned by members of Auckland University of Technology Council during the year.

Council Member	2010 Actual \$000s	2009 Actual \$000s
U Aiono	7	5
P Alley	1	-
A Cocker	5	6
D Craig	-	4
F Davies	7	6
A D'Cruz	-	7
H Duncan	6	6
P Dunphy	2	4
N Glavish	1	2
L Henry*	8	5
J Hill	7	6
P Kingi	5	3
J Law	-	3
J Maasland	3	3
J Martin	7	5
V Ng Lam	7	6
J O'Hara	3	5
P Phillips	6	4
P Reeves	25	25
D Schofield	6	-
J Schofield	4	5
<b>TOTAL COUNCILLORS' FEES</b>	<b>110</b>	<b>110</b>

\* L Henry is a Trustee of AUT/Millennium Ownership Trust (a jointly-controlled entity of the University) and received fees of \$10,000 (2009: \$8,661) in relation to that position.

## NOTE 29: RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Net surplus from operations	18,347	8,048	20,812	7,926
<b>Adjustments for items not involving cash</b>				
Depreciation, amortisation and impairment	32,322	28,064	32,322	28,064
Increase/(decrease) in employee entitlements – term portion	168	310	168	310
Increase/(decrease) in reinstatement provision	119	(17)	119	(17)
(Gain)/loss on foreign currency translation	54	107	54	107
(Gain)/loss on derivative financial instruments – non-hedged	(14)	15	(14)	15
Share of associate's net surplus	-	-	(45)	(21)
Share of jointly-controlled entity's net (surplus)/deficit	-	-	(2,266)	145
<b>Total items not involving cash</b>	<b>32,649</b>	<b>28,479</b>	<b>30,338</b>	<b>28,603</b>
<b>Movements in working capital</b>				
(Increase)/decrease in trade and other receivables	(15,921)	(1,865)	(15,946)	(2,114)
(Increase)/decrease in prepayments	23	(735)	23	(737)
(Increase)/decrease in inventories	(44)	11	(44)	11
Increase/(decrease) in trade and other payables	5,121	6,949	4,879	7,204
Increase/(decrease) in income in advance	18,246	6,980	18,246	6,980
Increase/(decrease) in current employee entitlements	2,069	4,148	2,069	4,148
<b>Total movements in working capital</b>	<b>9,494</b>	<b>15,488</b>	<b>9,227</b>	<b>15,492</b>
Increase/(decrease) in capital accruals	(1,563)	(107)	(1,545)	(74)
(Gain)/loss on disposal of property, plant and equipment	17	(2)	17	(2)
<b>Add/(less) items classified as investing activities</b>	<b>(1,546)</b>	<b>(109)</b>	<b>(1,528)</b>	<b>(76)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>58,944</b>	<b>51,906</b>	<b>58,849</b>	<b>51,945</b>

## NOTE 30: CAPITAL COMMITMENTS

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment (Note A)	75,541	2,168	75,541	2,168
Balance of committed capital contribution to AUT/Millennium Ownership Trust	-	7,500	-	7,500
<b>TOTAL CAPITAL COMMITMENTS</b>	<b>75,541</b>	<b>9,668</b>	<b>75,541</b>	<b>9,668</b>

Note (A) – In November 2010, the University entered into a Construction Contract for \$74.5 million with Fletcher Construction Company Limited as part of the construction of a 20,000 square metre Precinct on the City Campus.

### NOTE 31: OPERATING LEASES COMMITMENTS – AS LESSEE

Commitments for future aggregate minimum lease payments, in relation to non-cancellable operating leases contracted at the reporting date but not recognised as liabilities are as follows:

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Not later than one year	5,911	6,555	5,911	6,555
Later than one year and not later than five years	15,603	18,584	15,603	18,584
Later than five years	1,167	2,839	1,167	2,839
<b>TOTAL NON-CANCELLABLE OPERATING LEASES</b>	<b>22,681</b>	<b>27,978</b>	<b>22,681</b>	<b>27,978</b>

Auckland University of Technology leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. Auckland University of Technology does have the option to purchase the asset at the end of the lease term.

Auckland University of Technology leases 26,431 square metres (2009: 27,064 square metres) of office space in Auckland for teaching, research, and administrative purposes. The majority of these leases can be renewed at Auckland University of Technology's option, with rents set by reference to current market rates for items of equivalent age and condition.

### NOTE 32: FINANCIAL INSTRUMENT

#### Financial instrument categories

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

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>FINANCIAL ASSETS</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	3,706	817	4,662	1,870
Short-term investments	129	-	129	-
Trade and other receivables	23,474	7,553	23,550	7,584
Investments carried at cost	153	153	153	153
<b>TOTAL LOANS AND RECEIVABLES</b>	<b>27,462</b>	<b>8,523</b>	<b>28,494</b>	<b>9,607</b>
<b>Fair value through other comprehensive income</b>				
Listed securities	4	8	4	8
<b>Derivatives designated as cash flow hedges</b>				
Interest rate swap	-	228	-	228
<b>Derivatives not designated as hedges</b>				
Forward foreign exchange contracts	14	-	14	-
<b>FINANCIAL LIABILITIES</b>				
<b>Derivatives designated as cash flow hedges</b>				
Interest rate swap	379	235	379	235
<b>Derivatives not designated as hedges</b>				
Forward foreign exchange contracts	-	15	-	15
<b>Financial liabilities measured at amortised costs</b>				
Trade and other payables	26,185	21,064	26,156	21,261
Borrowings	33,550	48,700	33,550	48,700
<b>TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COSTS</b>	<b>59,735</b>	<b>69,764</b>	<b>59,706</b>	<b>69,961</b>

## NOTE 32: FINANCIAL INSTRUMENT (continued)

### Fair value hierarchy disclosures

For those instruments recognised at fair value on the Balance Sheet, fair values are determined according to the following hierarchy:

1. Quoted market price – Financial instruments with quoted prices for identical instruments in active markets.
2. Valuation technique 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.
3. 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 Balance Sheet:

	Total \$000s	Valuation Technique		
		Quoted market price \$000s	Observable inputs \$000s	Significant non-observable input \$000s
<b>University 2010</b>				
<b>Financial assets</b>				
Interest rate swap – cash flow hedges	-	-	-	-
Forward foreign exchange contracts – non-hedged	14	-	14	-
Listed securities	4	4	-	-
<b>Financial liabilities</b>				
Interest rate swap – cash flow hedges	379	-	379	-
Forward foreign exchange contracts – non-hedged	-	-	-	-
<b>Consolidated 2010</b>				
<b>Financial assets</b>				
Interest rate swap – cash flow hedges	-	-	-	-
Forward foreign exchange contracts – non-hedged	14	-	14	-
Listed securities	4	4	-	-
<b>Financial liabilities</b>				
Interest rate swap – cash flow hedges	379	-	379	-
Forward foreign exchange contracts – non-hedged	-	-	-	-
<b>University 2009</b>				
<b>Financial assets</b>				
Interest rate swap – cash flow hedges	228	-	228	-
Forward foreign exchange contracts – non-hedged	-	-	-	-
Listed securities	8	8	-	-
<b>Financial liabilities</b>				
Interest rate swap – cash flow hedges	235	-	235	-
Forward foreign exchange contracts – non-hedged	15	-	15	-
<b>Consolidated 2009</b>				
<b>Financial assets</b>				
Interest rate swap – cash flow hedges	228	-	228	-
Forward foreign exchange contracts – non-hedged	-	-	-	-
Listed securities	8	8	-	-
<b>Financial liabilities</b>				
Interest rate swap – cash flow hedges	235	-	235	-
Forward foreign exchange contracts – non-hedged	15	-	15	-

## NOTE 33: FINANCIAL INSTRUMENT RISKS

Auckland University of Technology's activities expose it to a variety of financial risks including market risk (interest rate risk, currency risk and price risk), credit risk and liquidity risk. The University's Treasury Management Policy and overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the University. The University uses derivative financial instruments such as interest rate swaps and forward foreign exchange contracts to hedge certain risk exposures.

Financial risk management is carried out under the Treasury Management Policy approved by the Council of the University. The Council provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Council-approved Treasury Management Policy does not allow any transactions that are speculative in nature to be entered into.

### Market risk

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the University's financial instruments will fluctuate due to changes in market interest rates. Auckland University of Technology is exposed to interest rate risk from its interest-earning financial assets and interest-bearing liabilities.

Auckland University of Technology is risk averse and seeks to minimise exposure arising from its treasury activities. It does not undertake unnecessary investment or borrowing activity, nor is it speculative in the activity it undertakes.

Auckland University of Technology manages its interest rate risk on borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings at floating rates and swapping them into fixed rates that are generally lower than those available if Auckland University of Technology borrowed at fixed rates directly. Under the interest rate swaps, Auckland University of Technology agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Auckland University of Technology has transactional currency exposures. Such exposure arises from the purchase of goods and services in currencies other than the local currency.

It is the University's Treasury Management Policy to manage foreign currency risks arising from contractual commitments and liabilities that are above specified amounts by entering into forward foreign exchange contracts or supplier guaranteed New Zealand Dollar purchase price contracts to hedge the foreign currency risk exposure.

#### *Price risk*

Auckland University of Technology is exposed to equity securities price risk. This arises from investments held by the University and classified in the Balance Sheet either as available-for-sale financial assets or at fair value through profit or loss.

The University does not manage the price risk arising from investments in equity securities. The price risk for the equity securities is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

## NOTE 33: FINANCIAL INSTRUMENT RISKS (continued)

### Credit risk

Credit risk is the risk that a third party will default on its obligations to the University, thereby causing the University to incur a loss. The University's Treasury Management Policy limits the amount of credit exposure to any one financial institution or organisation. The University only invests funds with entities that have a Standard and Poor's credit rating of at least 'A-2' for short-term and 'A' for long-term investments.

The University has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

The maximum credit exposure for each class of financial instrument is as follows:

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
Cash and cash equivalents	3,706	817	4,662	1,870
Short-term investments	129	-	129	-
Trade and other receivables	23,474	7,553	23,550	7,584
<b>TOTAL CREDIT RISK</b>	<b>27,309</b>	<b>8,370</b>	<b>28,341</b>	<b>9,454</b>

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

	University		Consolidated	
	2010 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2009 Actual \$000s
<b>COUNTERPARTIES WITH CREDIT RATINGS</b>				
<b>Cash and cash equivalents:</b>				
AA	3,706	817	4,662	1,870
<b>Total cash and cash equivalents</b>	<b>3,706</b>	<b>817</b>	<b>4,662</b>	<b>1,870</b>
<b>Short-term investments:</b>				
AA	129	-	129	-
<b>Total short-term investments</b>	<b>129</b>	<b>-</b>	<b>129</b>	<b>-</b>
<b>Derivative financial instrument assets:</b>				
AA	14	228	14	228
<b>Total derivative financial instrument assets</b>	<b>14</b>	<b>228</b>	<b>14</b>	<b>228</b>

Trade and other receivables mainly arise from the University's operating functions, therefore there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings. The University is not exposed to any material concentrations of credit risk. Trade and other receivable balances are monitored on an ongoing basis to ensure that the exposure to bad debts is not significant.

## NOTE 33: FINANCIAL INSTRUMENT RISKS (continued)

### Liquidity risk

#### Management of 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 and the availability of funding through an adequate amount of unutilised committed credit facilities.

The University manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. To provide flexibility in the management of the University's liquidity, the University has established a multi-facility agreement (and the accompanying negative pledge deed) with the ANZ National Bank Limited (for details refer to Note 24).

#### Contractual maturity analysis of financial liabilities

The table below analyses the University's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt is based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying Amount \$000s	Contractual Cash flows \$000s	Less than 1 year \$000s	1-5 years \$000s	More than 5 years \$000s
<b>UNIVERSITY 2010</b>					
Trade and other payables	26,185	26,185	26,185	-	-
Net settled derivative liabilities	379	379	176	203	-
Finance leases	41,930	61,942	7,324	17,977	36,641
Borrowings	33,550	34,982	1,422	33,560	-
<b>TOTAL</b>	<b>102,044</b>	<b>123,488</b>	<b>35,107</b>	<b>51,740</b>	<b>36,641</b>
<b>CONSOLIDATED 2010</b>					
Trade and other payables	26,156	26,156	26,156	-	-
Net settled derivative liabilities	379	379	176	203	-
Finance leases	41,930	61,942	7,324	17,977	36,641
Borrowings	33,550	34,982	1,422	33,560	-
<b>TOTAL</b>	<b>102,015</b>	<b>123,459</b>	<b>35,078</b>	<b>51,740</b>	<b>36,641</b>
<b>UNIVERSITY 2009</b>					
Trade and other payables	21,064	21,064	21,064	-	-
Net settled derivative liabilities	250	250	15	235	-
Finance leases	43,108	65,665	7,764	17,513	40,388
Borrowings	48,700	51,731	1,524	50,207	-
<b>TOTAL</b>	<b>113,122</b>	<b>138,710</b>	<b>30,367</b>	<b>67,955</b>	<b>40,388</b>
<b>CONSOLIDATED 2009</b>					
Trade and other payables	21,261	21,261	21,261	-	-
Net settled derivative liabilities	250	250	15	235	-
Finance leases	43,108	65,665	7,764	17,513	40,388
Borrowings	48,700	51,731	1,524	50,207	-
<b>TOTAL</b>	<b>113,319</b>	<b>138,907</b>	<b>30,564</b>	<b>67,955</b>	<b>40,388</b>

**NOTE 33: FINANCIAL INSTRUMENT RISKS (continued)***Contractual maturity analysis of financial assets*

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

	Carrying Amount \$000s	Contractual Cash flows \$000s	Less than 1 year \$000s	1-5 years \$000s	More than 5 years \$000s
<b>UNIVERSITY 2010</b>					
Cash and cash equivalents	3,706	3,706	3,706	-	-
Short-term investments	129	129	129	-	-
Trade and other receivables	23,474	23,474	23,474	-	-
Net settled derivative assets	14	14	14	-	-
<b>TOTAL</b>	<b>27,323</b>	<b>27,323</b>	<b>27,323</b>	<b>-</b>	<b>-</b>
<b>CONSOLIDATED 2010</b>					
Cash and cash equivalents	4,662	4,662	4,662	-	-
Short-term investments	129	129	129	-	-
Trade and other receivables	23,550	23,550	23,550	-	-
Net settled derivative assets	14	14	14	-	-
<b>TOTAL</b>	<b>28,355</b>	<b>28,355</b>	<b>28,355</b>	<b>-</b>	<b>-</b>
<b>UNIVERSITY 2009</b>					
Cash and cash equivalents	817	817	817	-	-
Short-term investments	-	-	-	-	-
Trade and other receivables	7,553	7,553	7,553	-	-
Net settled derivative assets	228	228	-	228	-
<b>TOTAL</b>	<b>8,598</b>	<b>8,598</b>	<b>8,370</b>	<b>228</b>	<b>-</b>
<b>CONSOLIDATED 2009</b>					
Cash and cash equivalents	1,870	1,870	1,870	-	-
Short-term investments	-	-	-	-	-
Trade and other receivables	7,584	7,584	7,584	-	-
Net settled derivative assets	228	228	-	228	-
<b>TOTAL</b>	<b>9,682</b>	<b>9,682</b>	<b>9,454</b>	<b>228</b>	<b>-</b>

## NOTE 33: FINANCIAL INSTRUMENT RISKS (continued)

### Sensitivity analysis

The tables below illustrate the potential profit and loss and equity (excluding retained surplus) impact for reasonably possible market movements in interest rates, with all other variables held constant, based on the University's financial instrument exposures at balance date.

	University				Consolidated			
	+100 bps		-100 bps		+100 bps		-100 bps	
	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s
<b>2010</b>								
<b>INTEREST RATE RISK</b>								
<b>Financial assets</b>								
Cash and cash equivalents	37	-	(37)	-	47	-	(47)	-
Short-term investments	1	-	(1)	-	1	-	(1)	-
Interest rate swaps	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>								
Interest rate swaps	-	47	-	(47)	-	47	-	(47)
Borrowings	(146)	-	146	-	(146)	-	146	-
<b>Total sensitivity to interest rate risk</b>	<b>(108)</b>	<b>47</b>	<b>108</b>	<b>(47)</b>	<b>(98)</b>	<b>47</b>	<b>98</b>	<b>(47)</b>

	University				Consolidated			
	+10%		-10%		+10%		-10%	
	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s
<b>2010</b>								
<b>CURRENCY RISK</b>								
<b>Financial assets</b>								
Cash and cash equivalents	(169)	-	611	-	(169)	-	611	-
Forward foreign exchange contracts	(39)	-	46	-	(39)	-	46	-
<b>Financial liabilities</b>								
Trade and other payables	-	-	-	-	-	-	-	-
Forward foreign exchange contracts	-	-	-	-	-	-	-	-
<b>Total sensitivity to currency risk</b>	<b>(208)</b>	<b>-</b>	<b>657</b>	<b>-</b>	<b>(208)</b>	<b>-</b>	<b>657</b>	<b>-</b>
<b>EQUITY PRICE RISK</b>								
<b>Other financial assets</b>								
Listed securities	-	1	-	(1)	-	1	-	(1)
<b>Total sensitivity to equity price risk</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>(1)</b>

**NOTE 33: FINANCIAL INSTRUMENT RISKS (continued)**

	University				Consolidated			
	+100 bps		-100 bps		+100 bps		-100 bps	
	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s
<b>2009</b>								
<b>INTEREST RATE RISK</b>								
<b>Financial assets</b>								
Cash and cash equivalents	8	-	(8)	-	19	-	(19)	-
Short-term investments	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>								
Interest rate swaps	-	12	-	(12)	-	12	-	(12)
Borrowings	(437)	-	437	-	(437)	-	437	-
<b>Total sensitivity to interest rate risk</b>	<b>(429)</b>	<b>12</b>	<b>429</b>	<b>(12)</b>	<b>(418)</b>	<b>12</b>	<b>418</b>	<b>(12)</b>

	University				Consolidated			
	+10%		-10%		+10%		-10%	
	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s	Profit \$000s	Other equity \$000s
<b>2009</b>								
<b>CURRENCY RISK</b>								
<b>Financial assets</b>								
Cash and cash equivalents	(16)	-	66	-	(16)	-	66	-
Forward foreign exchange contracts	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>								
Trade and other payables	24	-	(30)	-	24	-	(30)	-
Forward foreign exchange contracts	(114)	-	142	-	(114)	-	142	-
<b>Total sensitivity to currency risk</b>	<b>(106)</b>	<b>-</b>	<b>178</b>	<b>-</b>	<b>(106)</b>	<b>-</b>	<b>178</b>	<b>-</b>
<b>EQUITY PRICE RISK</b>								
<b>Other financial assets</b>								
Listed securities	-	1	-	(1)	-	1	-	(1)
<b>Total sensitivity to equity price risk</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>(1)</b>

#### **NOTE 34: CAPITAL MANAGEMENT**

The University's capital is its equity, which comprises retained surpluses and reserves. Equity is represented by net assets. The University manages its revenue, expenses, assets, liabilities, and general financial dealings prudently. The University's equity is largely managed as a by-product of managing income, expenses, assets and liabilities.

The objective of managing the University's equity is to ensure the University effectively achieves the goals and objectives for which it has been established, while remaining a going concern.

#### **NOTE 35: SEGMENTAL INFORMATION**

Auckland University of Technology operates predominantly in one industry, tertiary education, and in one geographical area, Auckland, New Zealand.

#### **NOTE 36: EXCEPTIONAL RISKS OF OPERATING**

There are a number of factors that could adversely affect Auckland University of Technology's operating surplus. Most notably, International student revenue could be affected by a significant change to New Zealand's or a foreign government's immigration or visitors' permits policy. 16% (2009: 15%) of total revenue is derived from International student fees.

#### **NOTE 37: CONTINGENCIES**

##### **Contingent assets**

The University and the Group have no contingent assets.

## NOTE 37: CONTINGENCIES (continued)

### Contingent liabilities

#### *Suspensory Loans from Crown*

In 2008, the University received three suspensory loans from the Crown to the value of \$50 million, \$25 million and \$12 million. These loans were recognised as contingent liabilities. These suspensory loans have been recognised as the Crown's equity injection within general equity until the option to convert expires at 30 November 2013, 30 June 2010 and 30 June 2014 respectively. In the event of the University not achieving the required performance targets or objectives set under the terms and conditions of the suspensory loan agreements, the loans are repayable to the Crown.

During the financial year, \$20.33 million (2009: \$16.67 million) has been converted to equity following the University meeting the conversion conditions noted below. The balances of suspensory loans that are still subject to achieving the required performance targets or objectives are as follows:

	University		Consolidated	
	2010 Actual \$'000s	2009 Actual \$'000s	2010 Actual \$'000s	2009 Actual \$'000s
<b>\$50 million Suspensory Loan</b>				
Balance at the beginning of the year	50,000	50,000	50,000	50,000
Convert to equity	-	-	-	-
<b>Balance at the end of the year</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>
<b>\$25 million Suspensory Loan</b>				
Balance at the beginning of the year	8,333	25,000	8,333	25,000
Convert to equity (see note below)	(8,333)	(16,667)	(8,333)	(16,667)
<b>Balance at the end of the year</b>	<b>-</b>	<b>8,333</b>	<b>-</b>	<b>8,333</b>
<b>\$12 million Suspensory Loan</b>				
Balance at the beginning of the year	12,000	12,000	12,000	12,000
Convert to equity (see note below)	(12,000)	-	(12,000)	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>12,000</b>	<b>-</b>	<b>12,000</b>
<b>TOTAL SUSPENSORY LOANS</b>	<b>50,000</b>	<b>70,333</b>	<b>50,000</b>	<b>70,333</b>

#### *\$25 million Suspensory Loan*

During the financial year, the University received the Equity Conversion Confirmation Notice dated 8 April 2010 from the Crown. This confirmed that the University had met the conversion condition 6.1.2 under the suspensory loan agreement and the suspensory loan amount of \$8.33 million had been converted into equity from that date.

In 2009, the University received the earlier Equity Conversion Confirmation Notices from the Crown as follows:

- Equity Conversion Confirmation Notice dated 30 June 2009, confirmed that the University had met the conversion conditions 6.1.1 under the suspensory loan agreement and the suspensory loan amount of \$8.33 million had been converted into equity from that date.
- Equity Conversion Confirmation Notice dated 21 July 2009, confirmed that the University had met the conversion conditions 6.1.3 under the suspensory loan agreement and the suspensory loan amount of \$8.33 million had been converted into equity from that date.

#### *\$12 million Suspensory Loan*

During the financial year, the University received the Equity Conversion Confirmation Notice dated 16 July 2010 from the Crown. This confirmed that the University had met the conversion conditions 9.4.1 and 9.4.2 under the suspensory loan agreement and the suspensory loan amount of \$12 million had been converted into equity from that date.

#### *\$50 million Suspensory Loan*

The University is committed to meeting the remaining performance targets or objectives of the suspensory loan and considers it unlikely any part of the loan will be required to be repaid.

## NOTE 38: EXPLANATION OF VARIANCES AGAINST BUDGET

Explanations for major variances against budget information are as follows:

### Income Statement

#### *Government operational funding*

Government operational funding was \$1.6 million ahead of budget. This comprised \$0.6 million additional tri-partite funding, \$0.6 million additional Priorities for Focus funding and \$0.4 million additional training contracts than budgeted.

#### *Student tuition fees*

Student tuition fees were \$2.6 million ahead of budget, due mainly to the enrolment of 193 additional International students.

#### *Research grants*

Net research grants for the year were \$9.2 million which was \$1.4 million below the budgeted \$10.6 million. Actual research grants received during the year were \$11.1 million which was \$0.6 million above budget. Of the grants received, \$1.9 million was deferred, being the research uncompleted at year-end.

#### *Personnel costs*

Actual personnel costs at \$168.3 million were within 0.2% of budget \$167.9 million.

#### *Depreciation, amortisation and impairment*

Depreciation was \$2.3 million ahead of budget primarily due to increased Library depreciation (\$1.9 million). The depreciation rate on electronic databases was increased to 20% from 10%.

#### *Finance costs*

Savings in interest costs of \$1.3 million were driven by reduced cost of funds and improved cash-flows.

### Balance Sheet

#### *Trade debtors and other receivables*

Trade debtors and other receivables were \$17.8 million above budget. This was mainly due to a \$17 million increase in student debtors, with students being invoiced early for the 2011 enrolment year.

#### *Property, plant and equipment*

Property, plant and equipment (PPE) was \$1.9 million above budget. This was mainly due to an increase in audio visual and other non-computer electronic equipment being purchased instead of leased.

#### *Intangible assets*

Intangible assets were \$1.2 million below budget. \$0.7 million of programme development capitalised costs were impaired in 2010.

#### *Trade and other payables*

Trade and other payables were \$12 million above budget but only \$5 million higher than 2009. The significant increase on 2009 was in creditors and accruals.

#### *Income in advance*

Income in advance was \$25 million above budget but only \$18 million higher than 2009. This significant increase was \$17 million in student fees paid in advance for tuition in 2011 (refer "Trade debtors and other receivables" above).

#### *Employee entitlements*

Employee entitlements were \$6.7 million above budget but only \$2 million above the 2009 actual total. The increase on 2009 mainly comprised \$1.1 million additional annual leave and \$0.7 million salary accrual.

#### *Bank borrowings*

Bank borrowings were \$22 million below the budget of \$55.3 million at year end. This reflects higher cash receipts from student numbers, improved collection of 2010 student debt, higher than budget surpluses, and lower than expected capital expenditure.

#### *Finance lease borrowings*

Finance lease borrowings were \$2.1 million less than the budget of \$44 million. Due to the requirement set by the Secretary of Education that the capitalised value of leased computer and electronic equipment should not exceed \$8.4 million at any time, a higher proportion of new equipment was purchased than in previous years (refer "Property, plant and equipment" above).

### Statement of Cash Flows

The explanation for "Bank borrowings" above explains the Cash Flow variances.

## NOTE 39: CHANGES IN ACCOUNTING POLICIES

The adjusted comparative financial statements, reflecting the retrospective application of the new accounting policy as relates to borrowing costs are as follows:

### INCOME STATEMENT (EXTRACTS) FOR THE YEAR ENDED 31 DECEMBER 2009

	University		
	Balance as reported under previous policy \$000s	Effect of accounting policy change \$000s	Adjusted balance under new policy \$000s
Total Revenue	260,122	-	260,122
Total expenses before finance costs	(248,218)	-	(248,218)
<b>Operating surplus before finance costs</b>	11,904	-	11,904
Finance costs	(3,674)	(182)	(3,856)
<b>Operating surplus</b>	8,230	(182)	8,048
<b>NET SURPLUS</b>	8,230	(182)	8,048

### CONSOLIDATED INCOME STATEMENT (EXTRACTS) FOR THE YEAR ENDED 31 DECEMBER 2009

	Consolidated		
	Balance as reported under previous policy \$000s	Effect of accounting policy change \$000s	Adjusted balance under new policy \$000s
Total Revenue	260,792	-	260,792
Total expenses before finance costs	(248,886)	-	(248,886)
<b>Operating surplus before finance costs</b>	11,906	-	11,906
Finance costs	(3,674)	(182)	(3,856)
<b>Operating surplus</b>	8,232	(182)	8,050
Share of associate's surplus	21	-	21
Share of jointly-controlled entity's deficit	(145)	-	(145)
<b>NET SURPLUS</b>	8,108	(182)	7,926

## NOTE 39: CHANGES IN ACCOUNTING POLICIES (continued)

### BALANCE SHEET (EXTRACTS) AS AT 31 DECEMBER 2009

	<b>University</b>		
	Balance as reported under previous policy \$000s	Effect of accounting policy change \$000s	Adjusted balance under new policy \$000s
Total current assets	10,324	-	10,324
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment (Note A)	462,004	(182)	461,822
<b>Total non-current assets</b>	478,359	(182)	478,177
<b>TOTAL ASSETS</b>	488,683	(182)	488,501
Total current liabilities	62,668	-	62,668
Total non-current liabilities	89,197	-	89,197
<b>TOTAL LIABILITIES</b>	151,865	-	151,865
<b>EQUITY</b>			
Retained surplus (Note A)	219,676	(182)	219,494
<b>Total equity</b>	336,818	(182)	336,636
<b>TOTAL LIABILITIES AND EQUITY</b>	488,683	(182)	488,501

### CONSOLIDATED BALANCE SHEET (EXTRACTS) AS AT 31 DECEMBER 2009

	<b>Consolidated</b>		
	Balance as reported under previous policy \$000s	Effect of accounting policy change \$000s	Adjusted balance under new policy \$000s
Total current assets	11,410	-	11,410
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment (Note A)	462,004	(182)	461,822
<b>Total non-current assets</b>	478,205	(182)	478,023
<b>TOTAL ASSETS</b>	489,615	(182)	489,433
Total current liabilities	62,865	-	62,865
Total non-current liabilities	89,197	-	89,197
<b>TOTAL LIABILITIES</b>	152,062	-	152,062
<b>EQUITY</b>			
Retained surplus (Note A)	220,441	(182)	220,229
<b>Total equity</b>	337,553	(182)	337,371
<b>TOTAL LIABILITIES AND EQUITY</b>	489,615	(182)	489,433

Note (A) – The balance of the Property, Plant and Equipment, and Retained Surplus as reported under previous policy have been revised to reflect the adjustments to the opening equity in respect of \$473,000 borrowing costs capitalised in prior years.

**NOTE 40: EVENTS AFTER THE REPORTING PERIOD**

On 21 February 2011, AUT Council approved the University to enter into a sale and purchase agreement to acquire a parcel of land located at 15-19 Apollo Drive, Rosedale, North Shore, of approximately 13,005 m<sup>2</sup>, being a subdivision of Lot 1 DP163177 as contained in Certificate of Title NA98B/732 for \$4.55 million. Settlement will likely occur in April 2011, with funds being provided from the ANZ line of credit.

**NOTE 41: COMPARATIVE FIGURES**

Certain comparative figures in the prior year have been reclassified to conform with this year's presentation. As reflected in Note 39, the effect of accounting policy changes has also resulted in changes to 2009 comparative figures.