

1 March 2017

### **University of Canterbury – Annual Report 31 December 2016**

The University's post-quake recovery is on track for a forecast return to a normal operating surplus in 2019. The University came through the Kaikoura earthquakes unscathed on its Christchurch campus, and 2016 has seen hard work across all parts of the University in pushing through its capital projects and continued focus on increasing student numbers.

The University's audited result for the year ended 31 December 2016 was a \$1.8 million deficit. This is after recording significant building demolition and write off costs as the University continues through its post-earthquake rebuild and renewal programme. These additional costs have been offset by additional interest, research and sundry revenue. The result compares to the 2015 surplus of \$3.5 million.

While recording a deficit, the University considers that this year's result more closely reflects normal operations. The budgeted operating deficit for 2016 was \$13.7 million.

The University still has work to do to return to sustainable operating surpluses, but it is clear significant progress has been made in maximising revenues and reducing and containing operating costs. The University has put considerable effort into increasing student numbers, with indication of continued improvements in 2017 enrolments to date.

The Crown continues to support the University through a contracted funding agreement to provide up to \$260 million in support of the building of the new Rutherford Regional Science and Innovation Centre (RRSIC), and the extensive refurbishment and partial rebuild of the College of Engineering under Canterbury Engineering the Future project. These projects are planned to be completed in 2017, as is the transfer of the College of Education, Health and Human Development from the Dovedale Campus to its new home in the Rehua building, where it will join the Centre for Entrepreneurship and the Executive Development Programme of the College and Business and Law. Meanwhile Stage 2 of the RRSIC project has commenced, with the demolition of the Von Haast building in 2017 and a new replacement building available in 2019.

Under the agreement with the Crown, the University has now received a net \$202 million in the form of capital contributions to the University's equity, with up to \$50 million available in addition if conditions are met in early 2019.

The Crown also continues to maintain the Student Achievement Component of its annual funding at pre-quake levels. Support has been confirmed for 2017 and the indication is that this will continue in 2018 on a reducing scale as student numbers return. The University continues to be grateful for the assistance it has received from the Crown and, through that support, its acknowledgement of the role the University plays in the city of Christchurch and the economy, as one of the region's largest employers.

The University's working capital is being maintained at a high level as substantial cash balances are held as current to meet the expected \$206.0 million capital expenditure budgeted for the year, of which over \$139.1 million is for the three main campus projects. The capital budget includes \$73.4 million of confirmed capital commitments disclosed in the financial statements as at 31 December 2016 (2015: \$200.0 million).

Cash spent on capital expenditure was \$186.4 million of which \$150.2 million was in relation to the new Engineering and Science precinct rebuilds.

After allowing for operating results, Crown equity contributions, building and other asset revaluations and impairments and recognition of insurance proceeds, the total consolidated equity of the University is just under \$1.4 billion as at 31 December 2016 (2015: \$1.3 billion).

Net tangible assets per security (\$1,000 face value) as at 31 December 2016 were \$27,568 (2015: net tangible assets per security of \$26,026).

In a new departure required by changes in auditing standards, the audit report contains specific reference to Key Audit Matters (KAM) addressed by the auditor in completing the audit. This is not an audit report qualification. The KAM notes the continuing significance of the impact of the Canterbury earthquakes on the value of buildings included in the financial statements, how the University is managing that impact, and the audit work completed,

The University has adopted a budget for 2017 that shows an operating deficit of \$9.1 million, which includes the continuing costs of moving staff and activities around the campus while refurbishment and new building is completed, and consequential short term rental costs.

The University continues to be confident that with Crown support already agreed it can absorb the loss as it rebuilds student numbers and associated tuition revenue.

The University continues to operate within the philanthropic bond covenants and within the borrowing consent from the Ministry of Education.

Payments to bondholders will not be affected.

END OF COMMENTARY : REQUIRED DISCLOSURES FOLLOW

Required disclosures

**UNIVERSITY OF CANTERBURY**

<b>Results for announcement to the market</b>	
Reporting Period	1 January 2016 to 31 December 2016
Previous Reporting Period	1 January 2016 to 30 June 2016

	<b>Amount (000s)</b>	<b>Percentage change</b>
Income from ordinary activities <sup>1</sup>	NZ\$ 337,278	1.9%
Surplus (deficit) from ordinary activities after tax <sup>1</sup>	NZ\$ (1,837)	-152.0%
Net surplus (deficit) <sup>1</sup>	NZ\$ (1,837)	-152.0%

<b>Interim/Final Dividend</b>	<b>Amount per security</b>	<b>Imputed amount per security</b>
It is not proposed to pay dividends.	Not applicable.	Not applicable
Record Date	Not applicable	Not applicable
Dividend payment date	Not applicable	Not applicable

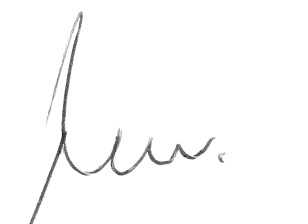
**Comment:** See above.

Contact

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SIGNED by

University of Canterbury | Te Whare Wānanga o Waitaha



Dr Rod Carr  
Vice-Chancellor | Tumu Whakarae



Keith Longden  
Executive Director/Chief Financial Officer | Kaihautū Ahumoni

<sup>1</sup> The calculations in this table include the effects of the Canterbury earthquakes, including insurance settlements.