



## 2010 FINANCIAL OVERVIEW

The University's financial outcome for 2010 was very positive and ahead of budget due to higher student income, a positive financial contribution towards building costs by the student association and strong cost-control focus.

The results reflect advancement made against the Strategic Plan and strong engagement with the student body.

The University is managing its funding and operating cost base to ensure there is continued capacity for planned strategic expenditure in core plant, equipment and facilities. The financial position of the University continues to be robust, providing strength and capacity for future years. The future financial environment looks challenging, with the Government signalling fiscal restraint; but the University is well positioned to meet this challenge.

The University group produced a net surplus of \$18.5 million for the year, which was \$5.7 million higher than the 2009 result. Included in the result is \$2.8 million non-operating revenue from the controlled trusts, mainly investment income and donations that are not part of the core teaching and research operations of the University.

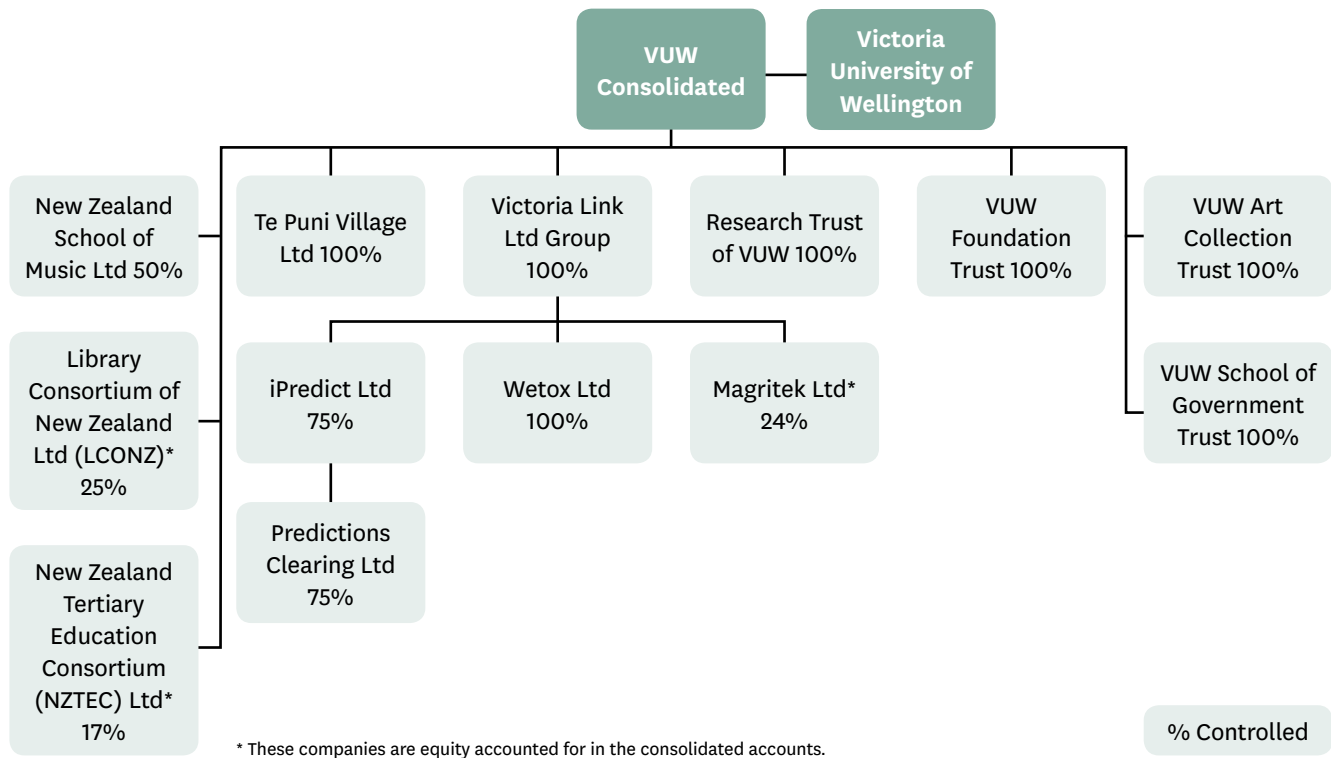
Excluding the non-operating income from controlled trusts, the group generated a positive operating surplus of \$15.7 million in 2010, compared with a budget of \$15.1 million and \$9.7 million in 2009. This result was achieved due to strong student demand, including a pleasing turnaround in international student revenue: up \$2.9 million over 2009 due to an increase in non-government-funded student EFTS, a strong cost-control focus applying across the University and a contribution towards building costs from the Victoria University Student Association Trust (VUWSAT).

The Trust contributed \$2.6 million to the capital cost of renovating the Student Union Building and the major upgrade of the Boyd-Wilson Field. Accounting standards require the contribution to be treated as income in the year the funds are spent. The VUWSAT contribution results from a long-term agreement with the University that started in 2009. This positive collaboration between the University and students for the provision of facilities will enhance the student experience at Victoria for many years to come.

The group operating surplus, prior to non-operating revenue from controlled trusts, of \$15.7 million includes the contribution from VUWSAT of \$2.6 million. This is not a normal recurring item and if this amount is deducted from the operating surplus, the balance of \$13.1 million represents a return of 4 percent on operating revenues. This falls well within the Fiscal Strategy range of 3.5 to 4.5 percent and comfortably above the Tertiary Education Commission minimum guideline of 3 percent. The Fiscal Strategy was approved by Council during 2010 to provide a basis on which financial planning, budgeting and performance monitoring is undertaken. It sets the overall targets for the financial operating performance of the University. These have been set to ensure the institution operates in a financially responsible manner, efficiently uses resources, provides for strategic expenditure and maintains the institution's long-term viability.

The University group consolidation includes a number of controlled entities—see diagram below, the most significant of which includes the Research Trust, the Victoria Link Group (the commercialisation arm of the University) and the University Foundation.

## Victoria University of Wellington Group Structure



The Research Trust recorded an operating deficit of \$0.09 million compared with a surplus of \$1.4 million in 2009. The Research Trust was established to generate research income and to manage and monitor expenditure on research projects. As these projects often span one or more years, the surplus or deficit generated by the Trust in any year is mainly driven by the balance between new research income received and expenditure completed on existing projects. External research income generated in 2010 was \$24.5 million, slightly in excess of 2009 (\$24.4 million). This was an extremely positive result in an environment where government funding for university research is limited and competition for the funding amongst the universities is intense.

The Victoria Link Group recorded a deficit of \$0.7 million, which was in line with budget and represents the net investment in commercialisation opportunities. The nature of these projects is such that returns are expected over the medium rather than short term.

The University continued to invest strongly in new and upgraded buildings and facilities, library resources and IT and scientific equipment, spending \$53 million in 2010, following another high year of capital expenditure in 2009 (\$60 million). Major projects included the completion of the Alan MacDiarmid Building to house flexible teaching space and laboratory space for Science and Engineering, the installation of new artificial turf and seating at Boyd-Wilson Field, equipment for the new Joan Stevens student accommodation facility, significant programmed maintenance for buildings and facilities and the commencement of the Student Union and Campus Hub projects.

Total assets for the University were \$721.3 million and were offset by total liabilities of \$116.6 million, which included \$42 million of bank borrowing. Current assets increased by \$0.7 million, whilst total current liabilities were virtually unchanged.

Net cash flows from operations of \$48.9 million were \$1.1 million above budget and \$3.6 million higher than 2009. These flows, together with a slight increase in bank debt, funded the capital expenditure for the year. The group has a flexible \$55 million facility with the National Bank which, together with strong intra-year University cash flows, provides cost-effective debt funding.

Wayne Morgan  
Chief Financial Officer

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### **Responsibilities of the Council**

The Council is responsible for preparing financial statements and a statement of service performance that:

- ⊕ comply with generally accepted accounting practice in New Zealand;
- ⊕ fairly reflect the university and group's financial position, financial performance and cash flows; and
- ⊕ fairly reflect the university and group's service performance achievements.

The Council is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

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

### **Responsibilities of the Auditor**

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

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out assignments in the areas of the provision of technical accounting advice and have provided tutoring services to the university which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the university or any of its subsidiaries.



Stuart Mutch  
Ernst & Young  
On behalf of the Auditor-General  
Wellington, New Zealand