

FINANCIAL STATEMENTS

CONSOLIDATED TREND STATEMENT

	2006	2007	2008	2009	2010
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Financial performance					
Total revenue	266 112	289 397	300 991	310 150	329 577
Surplus for the year	9 371	16 728	9 541	12 803	18 528
Financial position					
Total current assets	67 734	76 663	63 851	61 501	62 246
Total non-current assets	521 900	565 560	621 893	637 355	659 068
Total assets	589 634	642 223	685 744	698 856	721 314
Total current liabilities	46 225	55 866	62 216	63 165	63 225
Total non-current liabilities	11 844	12 236	35 559	48 233	53 354
Total liabilities	58 069	68 102	97 775	111 398	116 579
Total community equity	531 565	574 121	587 969	587 458	604 735
Statistics					
Surplus to total revenue	3.52%	5.78%	3.17%	4.09%	5.62%
Surplus to total assets	1.59%	2.60%	1.39%	1.83%	2.57%
Current assets to current liabilities	146.53%	137.23%	102.63%	97.37%	98.45%
Assets to equity	110.92%	111.86%	116.63%	118.96%	119.28%
Liabilities to equity	10.92%	11.86%	16.63%	18.96%	19.28%

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 December 2010

	Note	Consolidated			University		
		31-Dec-10	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-10	31-Dec-09
		\$ 000	Budget \$ 000	\$ 000	\$ 000	Budget \$ 000	\$ 000
Operating revenue							
Government grants		143 915	144 378	140 106	141 097	141 685	137 343
Domestic tuition fees		70 953	68 887	65 817	69 857	67 663	64 647
International tuition fees		27 048	24 580	24 145	26 932	24 456	24 024
Research support		35 525	32 789	33 683	21 011	20 091	20 697
Commercial		21 546	17 787	20 682	9 630	11 094	11 289
Other student fees		19 513	19 771	15 797	21 742	21 547	17 522
Other revenue	2	10 917	14 090	9 841	7 655	8 355	5 636
Share of associates surplus / (deficit)	20	160	-	79	-	-	-
Total operating revenue		329 577	322 282	310 150	297 924	294 891	281 158
Operating expenditure							
People	3	178 680	175 779	171 644	164 103	164 360	158 527
Occupancy	4	23 823	20 450	24 634	21 410	19 957	21 683
Information technology	5	6 606	6 503	7 051	6 120	6 075	6 622
Operating	6	72 599	72 872	66 739	55 996	56 917	53 031
Interest expense		1 115	1 152	843	1 541	1 152	965
Depreciation and amortisation	7	30 772	30 391	29 019	30 454	30 279	28 851
Exchange rate fluctuations on cash held		298	-	505	293	-	508
Total operating expenditure		313 893	307 147	300 435	279 917	278 740	270 187
Surplus / (deficit) prior to non-operating revenue from controlled trusts		15 684	15 135	9 715	18 007	16 151	10 971
Non-operating revenue from controlled trusts							
Fair value movements of financial assets in controlled trusts		870	-	1 001	-	-	-
Interest earnings of controlled trusts		199	-	211	-	-	-
Other earnings by controlled trusts (donations and dividends)		1 775	-	1 876	-	-	-
Total non-operating revenue		2 844	-	3 088	-	-	-
Surplus / (deficit) for the year		18 528	15 135	12 803	18 007	16 151	10 971
Surplus attributed to							
Members of the parent		18 528	15 135	12 805	18 007	16 151	10 971
Minority interest		-	-	(2)	-	-	-
Total		18 528	15 135	12 803	18 007	16 151	10 971
Surplus includes total revenue, including non-operating revenue from controlled trusts		332 421	322 282	313 238	297 924	294 891	281 158

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2010

	Note	Consolidated			University		
		31-Dec-10	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-10	31-Dec-09
		\$ 000	Budget \$ 000	\$ 000	\$ 000	Budget \$ 000	\$ 000
Surplus / (deficit) for the year		18 528	15 135	12 803	18 007	16 151	10 971
Increase / (decrease) in revaluation reserve	15	(1 251)	-	(13 826)	(1 251)	-	(13 826)
Total comprehensive income / (loss) for the year		17 277	15 135	(1 023)	16 756	16 151	(2 855)
Total comprehensive income / (loss) attributed to							
Members of the parent		17 277	15 135	(1 021)	16 756	16 151	(2 855)
Minority interest		-	-	(2)	-	-	-

STATEMENT OF FINANCIAL POSITION as at 31 December 2010

	Note	Consolidated			University		
		31-Dec-10	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-10	31-Dec-09
		\$ 000	Budget \$ 000	\$ 000	\$ 000	Budget \$ 000	\$ 000
Current assets							
Cash and cash equivalents	10	30 306	17 964	31 572	16 297	3 200	18 016
Investments	11	14 883	13 356	14 071	398	408	408
Accounts receivable and accruals	12	8 705	6 761	7 570	6 525	3 500	3 602
Pre-paid expenses		7 245	9 441	6 943	6 933	7 500	6 643
Taxation receivable	8	3	-	6	-	-	-
Inventories		137	300	167	128	300	153
Other current assets	13	967	-	1 172	-	-	-
Total current assets		62 246	47 822	61 501	30 281	14 908	28 822
Non-current assets							
Property, plant and equipment	14	630 437	647 953	581 977	630 087	647 532	581 502
Intangibles	16	5 985	5 421	4 497	5 890	5 171	4 440
Construction in progress	17	21 135	17 325	49 532	21 147	17 325	49 494
Investments in subsidiaries	18	-	-	-	1 060	60	60
Investments in associates	20	1 511	1 209	1 349	541	541	541
Investment in joint ventures	24	-	-	-	250	250	250
Total non-current assets		659 068	671 908	637 355	658 975	670 879	636 287
Total assets		721 314	719 730	698 856	689 256	685 787	665 109
Current liabilities							
Accounts payable and accruals	21	24 408	29 695	26 486	20 621	27 000	24 274
Revenue in advance		18 248	14 271	16 618	9 935	7 600	7 537
Research grants unexpended		7 754	7 653	6 964	3 754	3 500	2 964
Related party borrowings		-	-	-	16 000	10 000	13 000
Provision for annual leave	22	9 789	10 610	10 067	9 663	10 500	9 955
Provision for sick leave	22	12	80	11	12	80	11
Provision for retiring and long service leave	22	2 869	3 000	2 813	2 869	3 000	2 813
Derivative financial liabilities	9	145	500	206	145	500	206
Total current liabilities		63 225	65 809	63 165	62 999	62 180	60 760
Non-current liabilities							
Provision for retiring and long service leave	22	11 354	11 500	11 233	11 369	11 500	11 217
Bank borrowings	26	42 000	39 828	37 000	42 000	39 823	37 000
Total non-current liabilities		53 354	51 328	48 233	53 369	51 323	48 217
Total liabilities		116 579	117 137	111 398	116 368	113 503	108 977
Total net assets		604 735	602 593	587 458	572 888	572 284	556 132
<i>Represented by</i>							
Community equity		294 725	292 592	276 196	262 878	261 022	244 870
Reserves	15	310 010	310 001	311 262	310 010	311 262	311 262
Minority interest		-	-	-	-	-	-
Community equity		604 735	602 593	587 458	572 888	572 284	556 132

STATEMENT OF MOVEMENTS IN EQUITY for the year ended 31 December 2010

	Consolidated			University				
	31-Dec-10	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-10	31-Dec-09		
		<i>Budget</i>			<i>Budget</i>			
Note	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000		
Surplus / (deficit) for the year	18 528	15 135	12 803	18 007	16 151	10 971		
Other comprehensive income/(loss) for the year	(1 251)	-	(13 826)	(1 251)	-	(13 826)		
Total comprehensive income / (loss) for the year	17 277	15 135	(1 023)	16 756	16 151	(2 855)		
Community equity at start of the year	587 458	587 458	587 969	556 132	556 133	558 475		
Contribution from Government to the University-administered MacDiarmid Institute	-	-	512	-	-	512		
Community equity at end of the year	604 735	602 593	587 458	572 888	572 284	556 132		
Community equity attributed to								
Equity holders of the parent	604 735	602 593	587 458	572 888	572 284	556 132		
Minority interest	-	-	-	-	-	-		
Community equity represented by								
	Consolidated			University				
	Accumulated Funds	Minority Interests	Asset Revaluation Reserve	Movement in Earnings from Controlled Trusts	Total	Accumulated Funds	Asset Revaluation Reserve	Total
Note	\$ 000	\$ 000	\$ 000		\$ 000	\$ 000	\$ 000	\$ 000
Balance as at 1 January 2009	262 880	2	325 087	-	587 969	233 388	325 087	558 475
Surplus / (deficit) for the year	12 805	(2)	-	-	12 803	10 971	-	10 971
Capital contribution	512	-	-	-	512	512	-	512
Movement in revaluation reserves	15	-	(13 826)	-	(13 826)	-	(13 826)	(13 826)
Balance as at 31 December 2009	276 197	-	311 261	-	587 458	244 871	311 261	556 132
Surplus / (deficit) for the year	18 528	-	-	-	18 528	18 007	-	18 007
Movement in revaluation reserves	15	-	(1 251)	-	(1 251)	-	(1 251)	(1 251)
Balance as at 31 December 2010	294 725	-	310 010	-	604 735	262 878	310 010	572 888

STATEMENT OF CASH FLOWS for the year ended 31 December 2010

	Note	Consolidated			University		
		31-Dec-10	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-10	31-Dec-09
			<i>Budget</i>			<i>Budget</i>	
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Operating activities							
<i>Cash was provided from</i>							
Government grants		144 857	122 389	140 348	141 907	120 344	137 790
Tuition fees and other income		184 196	196 963	174 440	155 422	174 369	148 958
Dividends/donations received by controlled trusts		2 374	-	2 817	-	-	-
Interest received		1 337	1 392	1 195	570	343	518
		332 764	320 744	318 800	297 899	295 056	287 266
<i>Cash was applied to</i>							
Employees		(178 973)	(175 779)	(172 660)	(164 184)	(164 360)	(159 520)
Suppliers		(103 735)	(96 019)	(99 960)	(86 383)	(79 314)	(84 207)
Interest paid		(1 115)	(1 152)	(843)	(1 541)	(1 152)	(965)
		(283 823)	(272 950)	(273 463)	(252 108)	(244 826)	(244 692)
Net cash flows from operating activities	27	48 941	47 794	45 337	45 791	50 230	42 574
Investing activities							
<i>Cash was provided from</i>							
Sales of property, plant and equipment		257	-	422	271	-	420
Sales of investments		1 693	854	330	10	-	85
		1 950	854	752	281	-	505
<i>Cash was applied to</i>							
Purchase of property, plant and equipment		(50 605)	(62 084)	(57 295)	(50 710)	(62 318)	(56 951)
Purchase of intangible assets		(4 156)	(3 000)	(2 796)	(4 081)	(2 551)	(2 734)
Purchase of investments		(2 396)	-	(2 297)	(1 000)	-	-
		(57 157)	(65 084)	(62 388)	(55 791)	(64 869)	(59 685)
Net cash flows from investing activities		(55 207)	(64 230)	(61 636)	(55 510)	(64 869)	(59 180)
Financing activities							
<i>Cash was provided from</i>							
Bank borrowings		30 000	2 828	39 600	30 000	2 823	39 600
Funds from Government for capital projects		-	-	512	-	-	512
Advance from intercompany		-	-	-	16 000	(3 000)	35 000
		30 000	2 828	40 112	46 000	(177)	75 112
<i>Cash was applied to</i>							
Repayment of bank borrowings		(25 000)	-	(27 600)	(25 000)	-	(27 600)
Repayment of intercompany advance		-	-	-	(13 000)	-	(22 000)
		(25 000)	-	(27 600)	(38 000)	-	(49 600)
Net cash flows from financing activities		5 000	2 828	12 512	8 000	(177)	25 512
Net cash flows for the year		(1 266)	(13 608)	(3 787)	(1 719)	(14 816)	8 906
Add cash at start of year		31 572	31 572	35 359	18 016	18 016	9 110
Cash at end of the year	10	30 306	17 964	31 572	16 297	3 200	18 016

STATEMENT OF COMMITMENTS AND CONTINGENCIES as at 31 December 2010

Commitments

Property, plant and equipment commitments

Detailed below are those projects for which firm commitments have been made at 31 December 2010. Commitments include planned maintenance costs and capital expenditure projects.

Contracted projects	Projected contract cost	Expended to date	Future commitment
	31-Dec-10	31-Dec-10	31-Dec-10
	\$ 000	\$ 000	\$ 000
Campus Hub	47 599	8 619	38 980
Student Union Building upgrade	4 000	1 607	2 393
Joan Stevens accommodation	1 747	808	939
Teaching and space review	472	411	61
Audio visual projects	419	170	249
Other minor capex projects	975	281	694
Total contracted projects	55 212	11 896	43 316

	Projected contract cost	Expended to date	Future commitment
	31-Dec-09	31-Dec-09	31-Dec-09
	\$ 000	\$ 000	\$ 000
Total contracted projects	51 744	40 936	10 808

Non-cancellable leases and other commitments—the Group as lessee

The Group has entered into commercial leases on certain land and buildings (remaining terms of between 5.5 to 77 years), and equipment (average term of three years) with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as follows:

	Land	Buildings	Equipment	Maintenance	Total	Total
	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-09
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Due not later than one year	162	5 553	54	5 202	10 971	9 755
Due between one and two years	162	5 665	46	3 951	9 824	5 637
Due between two and five years	485	16 923	24	4 032	21 464	12 168
Due later than five years	1 263	12 813	-	690	14 766	8 171
Total minimum lease payments	2 072	40 954	124	13 875	57 025	35 731

Contingencies

Liability: The University has entered into various arrangements with student accommodation providers whereby the University has guaranteed a minimum level of occupancy. An approximate charge of \$6,000 (2009: \$6,000) per bed per annum is payable upon falling below the guaranteed occupancy rate. The maximum contingent liability, should no students be placed in the contracted accommodation facilities, is \$6.8 million (2009: \$9.6 million) over the remaining term of the contracts, however as at 31 December 2010 there is no liability (31 December 2009: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

Note 1—Statement of Accounting Policies

THE REPORTING ENTITY

Victoria University of Wellington (the University) is a Tertiary Education Institution (TEI) domiciled in New Zealand, and is governed by the Crown Entities Act 2004 and the Education Act 1989.

The financial statements of the University and Consolidated Group (the Group) for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Victoria University of Wellington Council (the University Council) on 28 March 2011.

The University and the Group are designated as public benefit entities for financial reporting purposes.

The primary purpose of the University and Group is to provide tertiary education services. This includes the advancement of knowledge by teaching and research, offering courses leading to a wide range of degrees, diplomas and certificates. It also makes research available to the wider community for mutual benefit, and provides research and scholarship for the purpose of informing the teaching of courses. These aspects are covered fully in the Statement of Service Performance. The University has designated itself, and the Group, as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for the University and Group are presented for the year ended 31 December 2010. All group entities have a financial year to 31 December. Included in these financial statements are:

1. The University as the parent entity.
2. The Group comprising the University together with:

Subsidiary Companies;

- **Victoria Link Limited (VLL)**, a wholly-owned subsidiary of the University that was formed in April 1992. VLL is the University's commercial interface with the business and government sectors and manages intellectual property development and consulting on behalf of the University.
- **Te Puni Village (TPV)**, a wholly owned subsidiary of the University that was incorporated in December 2008. TPV provides accommodation for students of the University.
- **iPredict Limited (iPredict)**, a subsidiary of VLL that was incorporated in January 2008. iPredict operates a prediction market where people trade contracts or stocks on the likely outcome of a specific event. The University has a 75 percent direct interest in iPredict via its subsidiary VLL.
- **Predictions Clearing Limited (PCL)**, a wholly-owned subsidiary of iPredict that was incorporated in July 2008. PCL acts as a trust account for the holding of clients' funds while trading in the predictions market.
- **Wetox Limited**, a wholly-owned subsidiary of VLL that was incorporated in April 2010. Wetox's principal activity is the removal and disposal of organics from waste-water treatment processes.

Wholly-controlled and consolidated trusts;

- **Victoria University of Wellington Foundation (VUWF)**, a controlled and charitable trust that was incorporated in October 1990. VUWF raises funds from private parties for projects that promote academic excellence at the University.
- **Victoria University of Wellington Art Collection Funding Trust (VUWACFT)**, a controlled and charitable trust that was formed in December 2000. VUWACFT was established to provide funding for the acquisition, collection, care, management, exhibition and promotion of the University's art collection.
- **Research Trust Victoria University of Wellington (RTVUW)**, a controlled and charitable trust that was incorporated in September 2006. RTVUW was established to provide academic research that contributes to academic excellence.
- **VUW School of Government Trust (VUWSGT)**, a controlled and charitable trust that was incorporated in May 2007. VUWSGT was established to provide support to research, training and education in connection with public policy, public management, public administration and strategic studies.

Investments in the following associates;

- **NZ School of Music Limited (NZSM)**, a joint venture between Massey University and the University. NZSM was formed in January 2006 with each university holding a 50 percent share. All existing full music degrees previously offered by either university are now awarded jointly as NZSM branded qualifications.
- **Library Consortium of New Zealand Limited (LCoNZ)**, a collaborative venture formed in June 2004 between the libraries of AUT University, the University of Waikato, the University of Otago and the University. The University acquired 25 percent of the shareholding in LCoNZ upon incorporation.
- **Magritek Holdings Limited (Magritek)**, a collaboration formed in November 2004 between the University, Massey University and private shareholders. Magritek is a science and technology company creating innovative products in the field of Nuclear Magnetic Resonance (NMR). The University has a 24 percent direct interest in the company via its subsidiary VLL.
- **NZ Tertiary Education Consortium Limited (NZTEC)**, a limited liability company formed for the purpose of providing education services to the Sultanate of Oman's Ministry of Higher Education. The University acquired its 16.67 percent share in March 2006. All six shareholders hold equal shares and equal voting rights in the company. As all shareholders in this company hold equal shareholding rights, it has been deemed appropriate to treat this entity as an associate.

BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Education Act 1989. This includes the requirements to comply with generally accepted accounting practices in New Zealand (NZ GAAP). The financial statements comply with NZ IFRS, and other applicable financial reporting standards as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, buildings, infrastructure assets, investment property and certain financial instruments (including derivative instruments).

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the University and Group is New Zealand dollars.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

New standards effective or which have been early adopted

The University and Group have adopted the following revisions to accounting standards during the financial year which have only had a presentational or disclosure effect:

- NZ IFRS 3 *Business Combinations (Revised 2007)* and the amended NZ IAS 27 *Consolidated and Separate Financial Statements (Revised 2007)* are effective for reporting periods beginning on or after 1 July 2009 and must be applied prospectively from that date. The main changes the revised NZ IFRS 3 and amended NZ IAS 27 will make to existing requirements or practice are:
 - o Partial acquisitions—Non-controlling interests are measured either at their proportionate interest in the net identifiable assets (which is the original NZ IFRS 3 requirement) or at fair value.
 - o Step acquisitions—The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.
 - o Acquisition-related costs—Acquisition-related costs are generally recognised as expenses (rather than included in the cost of acquisition).
 - o Contingent consideration—Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other NZ IFRS, usually in the surplus or deficit (rather than by adjusting the cost of acquisition).

The University and Group have adopted the revised NZ IFRS 3 and amended NZ IAS 27 for the year ended 31 December 2010. These standards will apply for the initial recognition of any new business combinations that occur. There were no new business combinations in the year ended 31 December 2010.

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 Group are:

- 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

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 Group have not yet assessed the impact of the new standard and expect it will not be adopted early.

- NZ IAS 24 *Related Party Disclosures (Revised 2009)* replaces NZ IAS 24 *Related Party Disclosures (Issued 2004)* and is effective for reporting periods commencing on or after 1 January 2011. The revised standard:
 - o Removes the previous disclosure concessions applied by the Ministry for arms-length transactions between the Ministry 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 Ministry and entities controlled or significantly influenced by the Crown.
 - o Provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Minister of Accountability, the Ministry will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown.
 - o Clarifies that related party transactions include commitments with related parties.

The University and Group will adopt this new standard for the year ending 31 December 2011.

Significant accounting judgements and estimates

In applying the University and Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable, based on the most current set of circumstances available to management. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

- Valuation of land and building assets: management relies on the services of independent valuers to assess the carrying values of land and building assets.
- Valuation of retirement, long service and sick leave entitlements: management rely on the services of an independent actuary to assess the carrying value of these employee entitlements (refer Note 22).
- Bad debt provisioning: where receivables are outstanding beyond the normal trading terms, the likelihood of recovery is assessed by management.
- Impairment: asset impairment judgements will be made based on fair value as at balance date.
- Stage of completion of research projects as at balance date.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Annual Report includes separate financial statements for the University as an individual entity and the Group consisting of the University, its subsidiaries, joint ventures, controlled and consolidated trusts and associates.

Basis of consolidation

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

The Group financial statements comprise the financial statements of the University, its subsidiaries, controlled and consolidated trusts, joint ventures and investments in associates as at 31 December each year.

The joint venture is consolidated on a proportionate basis while the investments in associates are accounted for using the equity method.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the University and Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

The University's revenue consists of:

- **Bequests and other monies held in trust**
Bequests and donations received on trust for particular purposes are recorded as revenue on a cash received basis through the surplus within the Statement of Financial Performance. These monies are not available for funding the operations of the University.
- **Dividend**
Dividend revenue is recognised when the shareholders' right to receive the payment is established.
- **Externally funded research**
Externally funded research revenues are reflected in the Statement of Financial Position as research grants unexpended, where fulfilment of any contractual obligation is yet to occur. When the contractual obligation has been fulfilled, externally funded research revenue is transferred as research support through the surplus within the Statement of Financial Performance.
- **Fees and charges**
Student fees and charges are recognised as revenue in advance upon enrolment in the Statement of Financial Position. Revenue from rendering services is recognised only when the University has a right to be compensated, it is probable that compensation will be received and the amount of revenue and the stage of completion of a transaction can be reliably measured.
- **Government grants**
Government funding for students: is recognised as revenue in advance upon receipt in the Statement of Financial Position. Revenue from rendering services is recognised only when the University has a right to be compensated, and the amount of revenue and the stage of completion of a transaction can be reliably measured.
Contributions from the Crown: that are non-reciprocal in nature are recognised as other revenue through the surplus within the Statement of Financial Performance in the year in which the Group obtains control over them.
Research related funding: is accounted for on the same basis as externally funded research noted above.
- **Interest**
Interest revenue is recognised as it accrues using the effective interest method taking into account the interest rates applicable to the financial assets.
- **Other revenue**
This represents contributions from external organisations and miscellaneous income not derived from core operations. Other revenue is recognised when the commitment is fulfilled or there is no liability to refund the amount.
- **Sale of goods**
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.
- **Rendering of services**
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance date.
- **Rental income**
Rental income is recognised as it accrues over the period that the properties are leased to third parties.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Institute and group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

The University and Group recognise a lease as an operating lease where the risks and rewards of ownership do not transfer to the lessee. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with a maturity 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 value. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Foreign currency

Foreign currency transactions are translated into New Zealand dollars at the exchange rate prevailing at the date of the transaction. Amounts receivable and payable in foreign currency at balance date are translated at the rates of exchange ruling on the transaction date. Foreign currency balances have been translated into New Zealand dollars using the exchange rate at the close of business on balance date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses through the surplus or deficit within the Statement of Financial Performance.

Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. The two categories of accounts receivable are:

- Trade receivables which are, typically, due for settlement on the 20th of the following month.
- Tuition fee receivables which are due for settlement prior to a course commencing. However in some cases, domestic students may opt for an instalment plan whereby regular payments are made to ensure all fees are paid in full by the completion of that course.

Collectability of trade receivables and tuition fees is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. A provision is raised for any doubtful debts based on a review of all outstanding amounts as at the reporting date.

Inventories

Inventories are measured at the lower of historic cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition ready for sale.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Treatment for specific classes of property, plant and equipment:

- **Land, building structures, building services, building fit outs and infrastructure assets** are initially recognised at cost. Subsequent to this, land and buildings are carried at a re-valued amount, less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Revaluations are performed at least once every three years by an independent registered valuer. The valuations are revised based on advice from an independent registered valuer during the intervening years to reflect any material movements in values. For specialised buildings where there is a limited market, the method used by the valuers is the depreciated replacement cost method. For the remaining buildings the method of valuation is fair value. All movements in revaluation are taken direct to the revaluation reserve through the Statement of Comprehensive Income. Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position unless it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Income.

- **Leasehold improvements** are recorded at cost less accumulated depreciation and any accumulated impairment loss. Improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.

- **Works of art, classical antiquities, heritage musical instruments and the heritage collection** are recorded at cost and due to the nature of these heritage assets, no depreciation is charged.

- **Computing equipment, furniture and equipment, library collections in general use, musical equipment, marine vessels and vehicles** are recorded at cost less accumulated depreciation and any accumulated impairment loss.

- **Impairment**

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Impairment losses are recognised through the surplus within the Statement of Financial Performance.

- **Fair value**

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

- **Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Financial Performance in the year the item is derecognised.

- **Depreciation**

Depreciation of property, plant and equipment except for land, heritage collection, works of art, classical antiquities, heritage musical instruments and marae carvings, has been provided for on a straight-line (SL) basis, at depreciation rates calculated to allocate the assets' cost or the revalued amounts less estimated residual value, over their estimated useful lives. Major depreciation periods are:

Building structures	SL	3–76 years
Building services	SL	10–56 years
Building fit-out	SL	10–76 years
Infrastructure assets	SL	5–50 years
Leasehold improvements	SL	20–50 years
Computing equipment*	SL	3–5 years
Furniture and equipment*	SL	3–15 years
Library collections—general use	SL	10–20 years
Musical instruments	SL	5–13 years
Vehicles	SL	5 years
Marine vessels	SL	16 years

* Assets purchased solely for specific research projects may be depreciated over the life of the project.

- **Property in the name of the Crown**

Property in the name of the Crown and occupied by the University, for which the University has all the responsibilities of ownership (such as insurance and maintenance), and for which no rentals have been paid to the Crown, have been included as though they were assets of the University with effect from 1993. This is in accordance with the announced policy of Government, that these assets would be transferred into the name of the University.

Intangible assets

• **Software costs**

Information technology (IT) computer software represents the cost to the University and Group of major IT systems that have been purchased, developed and implemented. These are capitalised at cost. Amortisation for IT computer software is calculated using a straight-line basis and the amortisation periods are 3–5 years. This expense is taken to the Statement of Financial Performance through the depreciation and amortisation line item. Internally generated software is expensed as costs are incurred.

• **Development costs**

Development expenditure incurred on an individual project (for example, for a University teaching course) is carried forward when it is probable that expected future economic benefits will flow to the entity. It can only be recognised as an intangible asset where it meets certain criteria set out in NZ IAS 38:

- it is identifiable
- it is probable that the future economic benefits that are attributable to the asset will flow to the entity
- the cost of the asset can be measured reliably.

• **Impairment of capitalised intangibles**

All capitalised intangible assets are tested for impairment where an indicator of impairment exists, and in the case of intangible assets with indefinite lives, an annual review is performed. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Construction in progress

Construction in progress represents the cost of unoccupied and incomplete building projects and other major capital works projects at reporting date. It also includes the costs of major IT systems such as software, networks and audio visual projects that have not been implemented as at reporting date and are stated on the basis of expenditure incurred and gross progress claim certificates up to balance date. Contract retentions for capital works are recorded as accounts payable. Construction in progress is not depreciated. Costs cease to be capitalised when all the activities substantially necessary to bring an asset to the location and condition for its intended use are complete. All feasibility costs are expensed as incurred.

Investments in subsidiaries, associates and joint ventures

Subsidiaries and controlled and consolidated trusts

The University consolidates in the group financial statements all entities where the University has the power to govern the financial and operating policies so as to obtain benefits from the entities' activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the University controls another entity. This is generally evident by holding in excess of 50 percent of the voting rights. Subsidiaries are fully consolidated from the date on which control is obtained by the University and cease to be consolidated from the date on which control is transferred out of the University.

Associates

The University's associate investment is accounted in the group financial statements using the equity method. An associate is an entity over which the Institute has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the surplus or deficit of the associate after the date of acquisition. The Group's share of the surplus or deficit of the associate is recognised in the group surplus or deficit. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.

Joint ventures

Joint ventures are entities over whose activities the University and Group have joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are accounted for using the proportionate method.

Accounts payable

Accounts payable are recognised upon receipt of the goods or when the services have been performed and are measured at the agreed purchase contract price, net of applicable trade and other discounts, being the fair value of the transaction and then accounted for at amortised cost. Amounts owing are unsecured and are generally settled on 30-day terms.

Employee entitlements

Provisions are recognised when the University has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

With the exception of annual leave, all other entitlements are valued by an independent actuary on an annual basis, with the present obligation appearing on the Statement of Financial Position and movements in those provisions reflected in the Statement of Financial Performance.

Liabilities in respect of employee entitlements that are expected to be paid or settled within 12 months of balance date are accrued at nominal amounts calculated on the basis of current salary rates. Liabilities in respect of employee entitlements that are not expected to be paid or settled within that period are accrued at the present value of expected future payments using discounted rates as advised by the actuary.

- Annual leave for all staff has been accrued based on employment contract/agreement entitlements using current rates of pay. This provision is classified as a current liability.
- Sick leave has been accrued for a small group of ex Wellington College of Education employees. The liability is expected to be settled within 12 months of the reporting date and is recognised in respect of employees' services up to the reporting date. The provision is stated as a current liability. No accrual is made for other University employees because the University has a policy of unlimited sick leave for all permanent staff.
- Long service leave has been accrued for qualifying general staff. The liability is equal to the present value of the estimated future cash flows as a result of employee service provided at balance date as assessed by an independent actuary. This provision is stated as a current liability if it is vested and a non-current liability if it is not.
- Retiring leave for all eligible staff is equal to the present value of the estimated future cash flows as a result of employee service provided at balance date as assessed by an independent actuary. This provision is stated as a current liability if it is vested and a non-current liability if it is not.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver, the New Zealand Universities' Superannuation Scheme and other defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Bank borrowing and borrowing costs

All borrowings are in relation to specific large building projects. Bank borrowings are classified as non-current liabilities and recognised at amortised cost as the agreement (per the 'NZ Dollar Short Term Advances Facility Agreement') has a three-year term and repayments are not expected to be made within a 12-month period. Borrowing costs are expensed as incurred and reflected through the surplus within the Statement of Financial Performance.

Financial instruments

Financial instruments comprise investments in equity and debt securities ('other investments'), trade and other receivables, derivatives such as forward exchange contracts, cash and cash equivalents, borrowings, trade and other payables. These are classified in accordance with NZ IAS 39 as set out in Note 9 to the financial statements. Initial and subsequent measurement requirements for specific categories of financial instruments are outlined in these accounting policies.

All financial instruments are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

- **Loans and receivables and other financial liabilities**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale or designated at fair value through surplus or deficit within the Statement of Financial Performance. At initial recognition loans and receivables and other financial liabilities are measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition loans and receivables and other financial liabilities are recognised at amortised cost using the effective interest method. Loans and receivables are adjusted for impairment losses if impaired. Gains and losses are recognised through surplus within the Statement of Financial Performance when loans and receivables and other financial liabilities are derecognised or when loans and receivables are impaired.

- **Assets available for sale**

Available-for-sale investments are those non-derivative financial assets, principally equity instruments, which are designated as available for sale or are not classified as any of the three remaining categories of financial assets. These financial assets are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights exist. After initial recognition available-for-sale assets are measured at fair value with gains or losses being recognised as a separate component of other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is recognised in surplus or deficit in the Statement of Financial Performance.

- **Fair value through the surplus or deficit within the Statement of Financial Performance**

Fair value through surplus or deficit within the Statement of Financial Performance, financial assets comprise equity and debt securities held in managed portfolios. All purchases of securities are initially measured at fair value on trade date, when the related contractual rights or obligations exist, with transaction costs being recognised through surplus or deficit within the Statement of Financial Performance immediately. Subsequent to initial recognition, these financial assets are periodically revalued to the current fair value. Fair value movements are recognised through surplus or deficit within the Statement of Financial Performance.

The University and Group enter into derivative financial instruments such as foreign currency forward exchange contracts to manage foreign exchange risk on committed expenditure nominated in foreign currencies and interest rate swaps to manage interest rate risk on borrowings. Derivatives are initially recognised at fair value on the date a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are re-measured to their fair value at each reporting date with all movements in fair value recognised through surplus or deficit within the Statement of Financial Performance. Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative.

Budget

The budget is set prior to the beginning of each financial year and is a requirement of the Crown Entities Act 2004. The budget for 2010 was approved by the University Council on 26 April 2010.

Goods and Service Tax (GST)

The financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable (excluding accruals), which are stated as GST inclusive. Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from Inland Revenue Department (IRD). The net amount of GST recoverable from, or payable to, the IRD is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the IRD are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the IRD.

Taxation

The University and Group are exempt from the payment of income tax under section CW 55BA of the Income Tax Act 2007, with the exception of iPredict and PCL. For these entities, the consolidated entity adopts the taxes payable method.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the IRD based on the current period's taxable income. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The University and Group's financial instruments comprise investments in equity and debt securities (other investments), derivatives such as forward exchange contracts, cash and cash equivalents. It also has various other financial assets and liabilities such as short-term borrowings, accounts receivable and accounts payable, which arise directly from its operations.

The main purpose of these financial instruments is to provide investment returns and raise finance for the Group's operations.

The main risks arising from the University and Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The University Council reviews and agrees policies for managing each of these risks as summarised below. Compliance is monitored monthly and deviations from targets are reported to the Chief Financial Officer in the first instance.

Interest rate risk

No borrowing may be arranged until approval has been granted by the University Council and the Secretary of Education. The University received approval to arrange a revolving credit facility of up to \$55 million from the Secretary of Education on 26 September 2008. To minimise exposure to interest rate risk, the University utilises interest rate swaps.

Liquidity risk

Funding commitments are monitored to ensure that there are cash reserves (or other liquid assets), or secured committed financing arrangements to cover a minimum of 120 percent of the forecast peak funding requirements of the University at any point in time, for the next 12 months. Amendment of the funding targets may only be made with approval of the University Council.

Foreign exchange risk

The University and Group may not enter into any financing arrangement in any foreign currency unless approval is granted by the University Council and the Ministers of Education and Finance, where prescribed by the Crown Entities Act 2004.

Management of foreign currency exposures

Individual expenses/receipts with an equivalent spot value of up to \$NZ100,000 will be transacted at the spot rate on payment/receipt date. Foreign exchange risk for

this class of transaction will be monitored but will be left unhedged.

Individual expenses/receipts with an equivalent spot value of over \$100,000 are economically hedged within five working days of commitment being notified to the Chief Financial Officer, provided there is reasonable certainty over the amount and timing of the exposure, and the term of the latest payment/receipt does not exceed 12 months. Details of all hedging for foreign currency risk management are reported to the University Council at the first monthly meeting following the transaction. Hedge accounting will not be applied.

Forecast individual expenses/receipts with an equivalent spot value of over \$100,000 may be economically hedged, provided the term of the latest payment/receipt does not exceed 12 months, within the following parameters:

	Minimum cover	Maximum cover
0-6 months	0%	75%
6-12 months	0%	50%

The basis for forecast foreign currency exposures is in the University's annual budget. Projected foreign currency exposures beyond the current year are assumed to be per actual and budget for the prevailing year.

The University and Group seek to limit its exposure to foreign currency risk by communicating its preference to transact in New Zealand dollars wherever practicable, to both suppliers and customers.

Credit risk

The University and Group only transact with banks or financial institutions registered by the Reserve Bank of New Zealand that have been granted 'approved counterparty' status by the University Council.

Short-term deposits are only placed with the major New Zealand trading banks registered by the Reserve Bank of New Zealand.

Counterparty limits are set to manage the University and Group's financial exposure to any one counterparty. The University and Group's financial exposure to any one counterparty will not exceed 33 percent of total funds. Amendment of counterparty limits may only be made when approval has been granted by the University Council.

Investments in debt and equity instruments are managed with the assistance of external specialists applying investment diversification which is in line with the Group's investments policies.

The University also transacts with its students. These transactions do not create a significant credit risk as students have no concentration of credit because of the relative low value of individual student transactions.

The University and Group also transact with the Crown. These transactions do not create a significant credit risk.

Capital management policy

The Group manages its exposure to key financial risks, including interest rate and credit risk in accordance with its Treasury Statute. The objective of the Statute is to support the delivery of the Group's financial targets whilst protecting future financial security. The Group also operates within guidelines set by the Tertiary Education Commission.

Note 2—Other revenue

Other revenue includes:

	Consolidated		University	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Donations received	3 370	294	3 501	318
Interest received	1 197	1 198	579	490
Gain on sale of property, plant and equipment	96	106	95	104
Dividends from associates	143	13	37	41
Sponsorship and scholarships	2 413	3 688	91	104
Sundry income	3 698	4 542	3 352	4 579
Total other revenue	10 917	9 841	7 655	5 636

The interest amount is predominantly the income from cash which is surplus to immediate requirements and which has been invested on call or on short-term deposits. In the 2010 year interest rates have been between 2.50% and 5.00% (2009: 3.50% to 8.25%).

Donations received include funds provided by the Victoria University of Wellington Students' Association Trust for ongoing renovation of the Kelburn Campus of \$2.6m.

Note 3—People

People costs include:

	Consolidated		University	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	\$ 000	\$ 000	\$ 000	\$ 000
Salaries	165 960	159 939	151 633	147 928
Contractors	3 221	4 302	3 187	3 576
Changes in provisions—retiring leave and long service leave	267	923	291	879
ACC levies	835	803	781	764
Super—employer contribution	5 831	4 824	5 701	4 729
Other	2 566	853	2 510	651
	178 680	171 644	164 103	158 527

Note 4—Occupancy

Occupancy expenses include:

	Consolidated		University	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	\$ 000	\$ 000	\$ 000	\$ 000
Rental property leases	5 696	5 384	4 892	5 082
Utilities	3 841	3 876	3 520	3 551
Construction	1 746	1 985	1 746	1 984
General maintenance	7 295	7 686	5 955	6 010
Security	716	520	677	511
Cleaning	3 403	3 340	3 233	3 178
Rates	485	388	429	358
Other	641	1 455	958	1 009
	23 823	24 634	21 410	21 683

Note 5—Information technology

Information technology expenses include:

	Consolidated		University	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	\$ 000	\$ 000	\$ 000	\$ 000
Leased equipment	366	1 264	319	1 230
Annual licences	2 836	2 961	2 811	2 930
Internet charges	868	603	822	583
Telephone charges	1 144	1 144	997	1 015
Repairs and maintenance	612	330	549	260
Other	780	749	622	604
	6 606	7 051	6 120	6 622

Note 6—Operating

Operating expenses include:

	Consolidated		University	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	\$ 000	\$ 000	\$ 000	\$ 000
Audit fees: Ernst & Young	307	247	270	216
Internal audit and other fees to other providers	201	173	178	160
Losses / (gains) on disposal of property, plant and equipment	1 223	1 581	1 223	1 581
Bad debts written off	77	84	37	81
Increase / (decrease) to provision for doubtful debts	(22)	(192)	(27)	(192)
Professional and consultancy fees	7 628	8 502	2 351	2 486
Sponsorship and donations	419	187	369	159
Advertising	1 990	1 791	1 826	1 764
Catering and food	2 296	2 791	2 020	2 577
Grants and scholarships	22 240	19 712	23 801	20 952
Cost of goods sold	1 682	1 371	801	1 445
Insurance	2 001	1 883	1 894	1 800
Office costs	4 537	4 512	4 305	4 290
Travel and accommodation	9 335	8 207	3 967	3 961
Other course-related expenses	6 069	5 322	4 838	4 194
Other non-payroll—staff-related expenses	4 025	3 704	3 280	3 115
Other	8 591	6 864	4 863	4 442
	72 599	66 739	55 996	53 031

Note 7—Depreciation and amortisation

Depreciation

Note	Consolidated		University	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	\$ 000	\$ 000	\$ 000	\$ 000
Building structure and fit-outs	10 902	11 128	10 902	11 128
Infrastructure	858	798	858	797
Leasehold improvements	946	939	946	939
Computing equipment and networks	5 339	4 579	5 301	4 561
Furniture and equipment	6 710	5 953	6 545	5 849
Vehicles	215	219	137	179
Collections in use*	3 267	2 652	3 267	2 652
Total depreciation	14 28 237	26 268	27 956	26 105
Amortisation				
Intangibles—computer software	16 2 535	2 751	2 498	2 746
Total depreciation and amortisation	30 772	29 019	30 454	28 851

* Refer to Accounting Policies in relation to reduction in depreciation charge for 2009.

Note 8—Income tax

A reconciliation of income tax expense applicable to accounting profit before income tax at a statutory income tax rate to income tax expense at the effective income tax rate for the years ended 31 December 2010 and 2009 as follows:

	Consolidated		University	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	\$ 000	\$ 000	\$ 000	\$ 000
Accounting profit before tax	18 528	12 803	18 007	10 971
At statutory income tax rate of 30% (2009: 30%)	5 558	3 841	5 402	3 291
Income and expenditure exempt for income tax purposes	(5 563)	(3 969)	(5 402)	(3 291)
Tax losses not recognised	5	128	-	-
Taxation to pay	-	-	-	-
Effective income tax rate	-	-	-	-

The Group has New Zealand tax losses available to carry forward of \$956,306 which has a tax effect of \$286,892 subject to shareholder continuity being maintained as required by New Zealand tax legislation (2009: \$956,306 and tax effect \$286,892).

The Group has no unrecognised deductible temporary differences (tax effect of \$Nil); (2009: \$Nil and tax effect of \$Nil).

Deferred tax assets arising from losses of \$286,892 (2009: \$286,892) and temporary differences of \$Nil (2009: \$Nil) are not recognised due to it not being probable that future taxable profits in the subsidiary will be derived.

	Consolidated		University	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	\$ 000	\$ 000	\$ 000	\$ 000
Imputation Credit Account				
Balance at beginning of the year	6	3	-	-
Interest withholding tax 30% receivable	2	3	-	-
Balance at end of the year	8	6	-	-

Note 9—Financial instruments

Exposure to interest rate, foreign exchange and credit risks arise in the normal course of the University's business. To manage and limit the effects of the financial risks, the Council has approved policies, guidelines and authorised the use of various financial instruments. The University does enter into or trade financial instruments, including derivative financial instruments for risk management purposes (not for speculative purposes). The University's approach to managing financial instruments and associated risks are in accordance with the Treasury Statute approved by Council (viewable at <http://www.policy.vuw.ac.nz>).

The Group's principal financial instruments comprise the following:

		Assets at fair value through the surplus or deficit	Loans and receivables	Assets available for sale	Liabilities at fair value through the surplus or deficit	Other liabilities at amortised cost
	Note	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Consolidated: 2010						
Cash and cash equivalents	10	-	30 306	-	-	-
Investments	11	14 331	306	246	-	-
Accounts receivable	12	-	8 705	-	-	-
Other current assets	13	-	967	-	-	-
Accounts payable excluding employee entitlements	21	-	-	-	-	(22 578)
Bank borrowings	26	-	-	-	-	(42 000)
Derivatives		-	-	-	(145)	-
Consolidated: 2009						
Cash and cash equivalents	10	-	31 572	-	-	-
Investments	11	13 519	306	246	-	-
Accounts receivable	12	-	7 570	-	-	-
Other current assets	13	-	1 172	-	-	-
Accounts payable excluding employee entitlements	21	-	-	-	-	(22 818)
Bank borrowings	26	-	-	-	-	(37 000)
Derivatives		-	-	-	(206)	-
University: 2010						
Cash and cash equivalents	10	-	16 297	-	-	-
Investments	11	-	152	246	-	-
Accounts receivable	12	-	6 525	-	-	-
Accounts payable excluding employee entitlements	21	-	-	-	-	(18 881)
Related party borrowings		-	-	-	-	(16 000)
Bank borrowings	26	-	-	-	-	(42 000)
Derivatives		-	-	-	(145)	-
University: 2009						
Cash and cash equivalents	10	-	18 016	-	-	-
Investments	11	-	162	246	-	-
Accounts receivable	12	-	3 602	-	-	-
Accounts payable excluding employee entitlements	21	-	-	-	-	(20 442)
Related party borrowings		-	-	-	-	(13 000)
Bank borrowings	26	-	-	-	-	(37 000)
Derivatives		-	-	-	(206)	-

All financial liabilities are expected to be repaid in 0 to 6 months, except for derivatives and long-term bank borrowings which are expected to be repaid over the terms of the agreements involved. No financial assets are held for trading.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk and credit risk.

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in the Statement of Accounting Policies.

a) Foreign currency risk

The Group has transactional currency exposures arising from sales and purchases by the operating entity in currencies other than the functional currency. The University regularly monitors its exposure to overseas currency fluctuations. Wherever possible the University transacts in the functional currency including the setting of fees for international students. The University purchases library items and scientific equipment from overseas, giving rise to an exposure to currency

fluctuations, but in the case of ordering major items of equipment (over \$100,000) policy requires the University to mitigate risk by purchasing forward currency contracts where the committed payment date is known and is within 12 months of order date. The contracts must be in the same currency as the underlying item. This exposure is not considered to be significant. Hedge accounting is not applied.

At balance date, there were no significant exposures to foreign currency risk from balances recorded in the accounts payable ledger.

The notional or principal contract amounts of foreign exchange instruments outstanding at balance date are:

	Consolidated		University	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Forward foreign exchange contracts (notional value)	1 707	1 295	1 707	1 295
Fair value of forward foreign exchange contracts	(145)	(37)	(145)	(37)

The sensitivity to foreign exchange movement is considered to be immaterial.

b) Interest rate risk

The Group exposure to market interest rates relates primarily to the Group's investment in short-term deposits (refer to Note 1). The Group is also exposed to fluctuations in interest rates in relation to its bank borrowings.

The following sensitivity analysis is based on the interest rate risk exposure in existence at balance date:

	Higher/(lower) Consolidated		Higher/(lower) University	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Deposits				
+1% increase in interest rates	207	230	103	117
-1% increase in interest rates	(207)	(230)	(103)	(117)
Bank borrowings unbacked*				
+1% increase in interest rates	(300)	(250)	(300)	(250)
-1% increase in interest rates	300	250	300	250
Bank borrowings backed with interest rate swaps*				
+1% increase in interest rates	120	120	120	120
-1% increase in interest rates	(120)	(120)	(120)	(120)
Interest rate swaps*				
+1% increase in interest rates	(120)	(120)	(120)	(120)
-1% increase in interest rates	120	120	120	120

* To minimise the interest rate risk on borrowings, the University has entered into interest rate swaps and forward rate agreements. As at 31 December 2010, \$12 million of the total borrowings (2009: \$12 million) was covered by interest rate swaps as outlined in Note 26.

c) Credit risk

Credit risk is the risk of the failure of a debtor or counterparty to honour its contractual obligation. Financial assets, which potentially subject the Group to concentration of credit risk, consist of cash, cash equivalents, accounts receivables, investments and forward exchange contracts. In the case of cash and cash equivalents, the risk is managed by placing limited funds with only major New Zealand trading banks to ensure no concentration of credit risk for terms no longer than 91-day periods. Investments are placed with institutions which have high credit ratings and by limiting the amount that can be invested in any one institution. There is no concentration of credit risk in receivables due to its relatively low value at any given time. The total credit risk associated with financial assets is the fair value of the financial instrument.

d) Fair value of financial assets and liabilities

The following assumptions have been used to estimate the fair value of each class of financial instrument.

Bank deposits, receivables and payables: the carrying amounts of these balances are equivalent to their fair value because of their short maturity.

Derivative financial instruments: forward exchange contracts and interest rate swaps are marked to market using quoted market prices.

Independently managed fund investments (refer Note 11): the fair value of these investments is based on either quoted prices in an active market (level 1) or valued using a valuation technique where the majority of inputs are quoted in an active market (level 2) as advised by independent investment managers at balance date.

Loans to and from subsidiary companies: the fair value of the loan is based on current market interest rates for a loan of similar terms and maturity.

For the financial assets and liabilities listed above, the carrying values approximate to the fair values as disclosed in the balance sheet.

e) Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves, borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Note 10—Cash and cash equivalents

From time to time during the year, cash that was surplus to immediate requirements was invested at call or on short-term deposit. Short-term deposits involved investing for periods of up to three months during 2010. If required, these short-term deposits can be converted to cash overnight. The carrying amounts of cash and cash equivalents represent fair values.

Refer to Note 2 in respect of interest rates attributed to these investments.

	Consolidated		University	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Cash at bank	9 633	8 542	6 012	6 331
At call	11 945	21 030	10 285	11 685
On short-term deposit	8 728	2 000	-	-
Total short-term deposits	20 673	23 030	10 285	11 685
	30 306	31 572	16 297	18 016
Comprising:				
Funds held by controlled trusts*	2 901	3 067	-	-
Funds held from bequests and donations (refer Note 25)	3 466	3 505	3 466	3 505
Funds available for University general use	23 939	25 000	12 831	14 511
	30 306	31 572	16 297	18 016

* Restrictions have been placed on the use of these funds by the donors and they will be used for specified purposes. Until the University fulfils the donor's request, the funds are held in Trust.

Note 11—Investments

	Consolidated		University	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Federated Superannuation Systems for Universities:				
FSSU advances (loans and receivables)	152	162	152	162
Shares and convertible notes (available for sale)	7	7	7	7
Investment in companies:				
New Zealand Synchrotron Group Limited (available for sale)	239	239	239	239
Loans to staff	154	144	-	-
Loans to subsidiaries	-	-	-	-
Other investments:				
Investments held by controlled trusts (at fair values through surplus or deficit through the Statement of Financial Performance)	14 331	13 519	-	-
	14 883	14 071	398	408

Federated Superannuation Systems for Universities

Since 1979 the University has been a trustee (in conjunction with the University of Auckland) in a registered superannuation scheme called Federated Superannuation Systems for Universities (FSSU) that does not form part of the Group. The underlying basis of this scheme is life insurance policies on the lives of the members of the scheme. As many of these policies were with UK resident insurers they are subject to the Foreign Investment Fund (FIF) tax regime that came into effect on 1 April 1993. The trustees are liable for the FIF tax in the first instance and have put arrangements in place to recover the tax advances when proceeds become available on maturity in accordance with the Trust Deed. To cover such payments, the universities advance funds to FSSU to settle the commitments until the life policies mature or until a member retires with interest charged at the Fringe Benefit Tax rate. Interest is accrued on these advances at market rates.

New Zealand Synchrotron Group Limited

The University acquired 9.04% shareholding in New Zealand Synchrotron Group Limited (NZSGL) in February 2007 at a cost of \$92,638 and an additional call in October 2008 at a cost of \$146,145. NZSGL has a 31 December balance date. NZSGL manages the collective investment in the Australian Synchrotron Company which promotes and advances knowledge in the field of synchrotron science.

Staff loans

Loans granted to the value of \$125,000 to enable selected staff members to purchase shares in an associate company. Loans are interest bearing and are payable on demand. Loans are unsecured.

Other investments

Other investments held by controlled trusts include investment in shares, managed funds, government stock and other fixed interest securities of various New Zealand and offshore entities. The Australian equities and fixed interest securities are instruments quoted on an active market. The international managed funds are valued using a valuation technique where the majority of inputs are quoted in an active market. All other investments are recognised at fair value through the surplus within the Statement of Financial Performance. By investing in these various entities, concentration of credit risk is minimised whilst maximising return in a manner consistent with the Group's investment policies.

	Consolidated	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Investments quoted in an active market (level 1):		
Equity instruments	137	143
Fixed interest instruments	960	864
Investments valued using a valuation technique where the majority of inputs are quoted in an active market (level 2):		
Equity instruments	3 177	2 623
Fixed interest instruments	7 190	7 354
Managed funds	2 867	2 535
	14 331	13 519

Note 12—Accounts receivable

	Consolidated		University	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Student and commercial	8 350	7 686	5 363	3 626
Less: provision for doubtful debts (a)	(197)	(219)	(192)	(219)
	8 153	7 467	5 171	3 407
Related party receivables (c)				
Victoria University of Wellington Foundation	-	-	120	27
Victoria Link Limited	-	-	209	65
New Zealand School of Music Limited	552	103	552	103
Research Trust of Victoria University of Wellington	-	-	473	-
	552	103	1 354	195
Total accounts receivables	8 705	7 570	6 525	3 602

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. Due to the large number of debtors, this assessment is based on past collection history and historical write-off of bad debts. The provision made is predominantly against student debt and covers all debts over 91 days.

(a) Movements in the provision for doubtful debts

	Consolidated \$ 000	University \$ 000
Balance as at 1 January 2009	411	411
Reversal of provision	(192)	(192)
Amounts written off	-	-
Balance as at 31 December 2009	219	219
Reversal of provision	(22)	(27)
Amounts written off	-	-
Balance as at 31 December 2010	197	192

This provision provides coverage of all collectable student accounts receivable greater than 90 days as at 31 December 2010 and other specifically identified key items.

(b) Ageing of non-related party receivables net of bad debt provisioning

	Consolidated		University	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Current	6 680	3 763	3 109	1 387
1 to 30 days	1 349	2 082	950	1 427
31 to 60 days	541	780	396	365
61 to 90 days	689	213	182	160
> 91 days	1 004	629	160	68
	<u>10 263</u>	<u>7 467</u>	<u>4 796</u>	<u>3 407</u>

All debts past the 20th of the month following from the creation date are considered to be past due. Accounts receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is minimised.

(c) Related party receivables

For terms and conditions of related party receivables refer to Note 23.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of the receivable. No collateral is held as security.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties

Note 13—Other current assets

	Consolidated		University	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Research—work in progress	967	1 172	-	-
Total other current assets	<u>967</u>	<u>1 172</u>	<u>-</u>	<u>-</u>

Note 14—Property, plant and equipment

	Land	Building structure and fit-outs	Infrastructure	Leasehold improvements	Computing equipment & networks
Cost or valuation	Valuation/Cost \$ 000	Valuation/Cost \$ 000	Valuation/Cost \$ 000	Cost \$ 000	Cost \$ 000
University					
As at 1 January 2009	108 771	466 753	8 387	11 059	26 039
Additions	-	58 509	2 115	28	6 037
Disposals	-	-	-	(42)	(6 888)
Valuation movement	(19 804)	(15 710)	(1 766)	-	-
Reclassifications	-	(547)	547	-	-
Balance as at 31 December 2009	88 967	509 005	9 283	11 045	25 188
Additions	-	53 120	2 763	28	5 542
Disposals	-	(1 069)	-	-	(2 926)
Balance as at 31 December 2010	88 967	561 056	12 046	11 073	27 804
Consolidated					
As at 1 January 2009	108 771	353 703	8 387	11 059	26 133
Additions	-	58 509	2 115	28	6 041
Disposals	-	-	-	(42)	(6 888)
Valuation movement	(19 804)	(15 710)	(1 766)	-	-
Reclassifications	-	(547)	547	-	-
Balance as at 31 December 2009	88 967	395 955	9 283	11 045	25 286
Additions	-	53 120	2 763	28	5 652
Disposals	-	(1 069)	-	-	(2 921)
Valuation movement	-	-	-	-	-
Reclassifications	-	-	-	-	-
Balance as at 31 December 2010	88 967	448 006	12 046	11 073	28 017
Depreciation and impairment					
University					
As at 1 January 2009	-	11 664	755	3 375	15 361
Depreciation for the year (Note 7)	-	11 128	797	939	4 561
Disposals	-	-	-	(19)	(6 883)
Valuation movement	-	(21 956)	(1 497)	-	-
Reclassifications	-	(14)	14	-	-
Transfer charge to NZSM	-	-	-	-	2
Balance as at 31 December 2009	-	822	69	4 295	13 041
Depreciation for the year (Note 7)	-	10 902	859	945	5 301
Disposals	-	147	-	-	(2 914)
Valuation movement	-	1 251	-	-	-
Reclassifications	-	-	-	-	-
Transfer charge to NZSM	-	-	-	-	-
Balance as at 31 December 2010	-	13 122	928	5 240	15 428
Consolidated					
As at 1 January 2009	-	11 663	755	3 375	15 427
Depreciation for the year (Note 7)	-	11 128	798	939	4 579
Disposals	-	1	-	(19)	(6 883)
Valuation movement	-	(21 956)	(1 497)	-	-
Reclassifications	-	(14)	14	-	-
Transfer charge to NZSM	-	-	-	-	5
Balance as at 31 December 2009	-	822	70	4 295	13 128
Depreciation for the year (Note 7)	-	10 902	858	946	5 339
Disposals	-	147	-	-	(2 883)
Valuation movement	-	1 251	-	-	-
Reclassifications	-	-	-	-	-
Transfer charge to NZSM	-	-	-	-	-
Balance as at 31 December 2010	-	13 122	928	5 241	15 584

	Furniture & equipment	Vehicles	Collections in use	Heritage collections	Total
Cost or valuation	Cost	Cost	Cost	Cost	Valuation/Cost
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
University					
As at 1 January 2009	49 936	1 454	45 535	11 160	729 094
Additions	10 014	25	8 565	113	85 406
Disposals	(4 328)	(497)	(10 740)	-	(22 495)
Valuation movement	-	-	-	-	(37 280)
Reclassifications	-	-	-	-	-
Balance as at 31 December 2009	55 622	982	43 360	11 273	754 725
Additions	10 116	258	7 170	58	79 055
Disposals	(3 505)	(282)	-	-	(7 782)
Balance as at 31 December 2010	62 233	958	50 530	11 331	825 998
Consolidated					
As at 1 January 2009	50 221	1 465	45 535	11 160	616 434
Additions	10 215	26	8 565	113	85 612
Disposals	(4 328)	(117)	(10 740)	-	(22 115)
Valuation movement	-	-	-	-	(37 280)
Reclassifications	-	-	-	-	-
Balance as at 31 December 2009	56 108	1 374	43 360	11 273	642 651
Additions	10 146	258	7 170	58	79 195
Disposals	(3 501)	(490)	-	-	(7 981)
Valuation movement	-	-	-	-	-
Reclassifications	-	-	-	-	-
Balance as at 31 December 2010	62 753	1 142	50 530	11 331	713 865
Depreciation and impairment					
University					
As at 1 January 2009	22 578	867	24 918	-	79 518
Depreciation for the year (Note 7)	5 849	179	2 652	-	26 105
Disposals	(4 079)	(318)	(10 739)	-	(22 038)
Valuation movement	-	-	-	-	(23 453)
Reclassifications	-	-	-	-	-
Transfer charge to NZSM	35	-	-	-	37
Balance as at 31 December 2009	24 383	728	16 831	-	60 169
Depreciation for the year (Note 7)	6 545	137	3 267	-	27 956
Disposals	(3 477)	(275)	-	-	(6 519)
Valuation movement	-	-	-	-	1 251
Reclassifications	-	-	-	-	-
Transfer charge to NZSM	-	-	-	-	-
Balance as at 31 December 2010	27 451	590	20 098	-	82 857
Consolidated					
As at 1 January 2009	22 654	868	24 918	-	79 660
Depreciation for the year (Note 7)	5 953	219	2 652	-	26 268
Disposals	(4 090)	(111)	(10 739)	-	(21 841)
Valuation movement	-	-	-	-	(23 453)
Reclassifications	-	-	-	-	-
Transfer charge to NZSM	35	-	-	-	40
Balance as at 31 December 2009	24 552	976	16 831	-	60 674
Depreciation for the year (Note 7)	6 710	215	3 267	-	28 237
Disposals	(3 515)	(483)	-	-	(6 734)
Valuation movement	-	-	-	-	1 251
Reclassifications	-	-	-	-	-
Transfer charge to NZSM	-	-	-	-	-
Balance as at 31 December 2010	27 747	708	20 098	-	83 428

	Land	Building structure and fit-outs	Infrastructure	Leasehold improvements	Computing equipment & networks
	Valuation	Valuation	Valuation	Cost	Cost
		\$ 000	\$ 000	\$ 000	\$ 000
Carrying amounts					
University					
Cost as at 1 January 2009	108 771	466 753	8 387	11 059	26 039
Accumulated depreciation as at 1 January 2009	-	(11 664)	(755)	(3 375)	(15 361)
Carrying amounts as at 1 January 2009	108 771	455 089	7 632	7 684	10 678
Cost as at 31 December 2009	88 967	509 005	9 283	11 045	25 188
Accumulated depreciation as at 31 December 2009	-	(822)	(69)	(4 295)	(13 041)
At 31 December 2009	88 967	508 183	9 214	6 750	12 147
Cost as at 31 December 2010	88 967	561 056	12 046	11 073	27 804
Accumulated depreciation as at 31 December 2010	-	(13 122)	(928)	(5 240)	(15 428)
Carrying amounts as at 31 December 2010	88 967	547 934	11 118	5 833	12 376
Consolidated					
Cost as at 1 January 2009	108 771	353 703	8 387	11 059	26 133
Accumulated depreciation as at 1 January 2009	-	(11 663)	(755)	(3 375)	(15 427)
Carrying amounts as at 1 January 2009	108 771	342 040	7 632	7 684	10 706
Cost as at 31 December 2009	88 967	395 955	9 283	11 045	25 286
Accumulated depreciation as at 31 December 2009	-	(822)	(70)	(4 295)	(13 128)
At 31 December 2009	88 967	395 133	9 213	6 750	12 158
Cost as at 31 December 2010	88 967	448 006	12 046	11 073	28 017
Accumulated depreciation as at 31 December 2010	-	(13 122)	(928)	(5 241)	(15 584)
Carrying amounts as at 31 December 2010	88 967	434 884	11 118	5 832	12 433
	Furniture & equipment	Vehicles	Collections in use	Heritage collections	Total
	Cost	Cost	Cost	Cost	Valuation/Cost
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Carrying amounts					
University					
Cost as at 1 January 2009	49 936	1 454	45 535	11 160	729 094
Accumulated depreciation as at 1 January 2009	(22 578)	(867)	(24 918)	-	(79 518)
Carrying amounts as at 1 January 2009	27 358	587	20 617	11 160	649 576
Cost as at 31 December 2009	55 622	982	43 360	11 273	754 725
Accumulated depreciation as at 31 December 2009	(24 383)	(728)	(16 831)	-	(60 169)
At 31 December 2009	31 239	254	26 529	11 273	694 556
Cost as at 31 December 2010	62 233	958	50 530	11 331	825 998
Accumulated depreciation as at 31 December 2010	(27 451)	(590)	(20 098)	-	(82 857)
Carrying amounts as at 31 December 2010	34 782	368	30 432	11 331	743 141
Consolidated					
Cost as at 1 January 2009	50 221	1 465	45 535	11 160	616 434
Accumulated depreciation as at 1 January 2009	(22 654)	(868)	(24 918)	-	(79 660)
Carrying amounts as at 1 January 2009	27 567	597	20 617	11 160	536 774
Cost as at 31 December 2009	56 108	1 374	43 360	11 273	642 651
Accumulated depreciation as at 31 December 2009	(24 552)	(976)	(16 831)	-	(60 674)
At 31 December 2009	31 556	398	26 529	11 273	581 977
Cost as at 31 December 2010	62 753	1 142	50 530	11 331	713 865
Accumulated depreciation as at 31 December 2010	(27 747)	(708)	(20 098)	-	(83 428)
Carrying amounts as at 31 December 2010	35 006	434	30 432	11 331	630 437

Note 15—Asset revaluation reserve

	Land	Building structure and fit-outs	Infrastructure	Total
	Valuation	Valuation	Valuation	Valuation
	\$ 000	\$ 000	\$ 000	\$ 000
Parent				
Opening balance as at 1 January 2009	98 057	218 302	8 728	325 087
Valuation movement	(19 804)	6 246	(268)	(13 826)
Balance as at 31 December 2009	78 253	224 548	8 460	311 261
Valuation movement	-	(1 251)	-	(1 251)
Balance as at 31 December 2010	78 253	223 297	8 460	310 010

Land, buildings and infrastructure assets were independently valued as at 30 November 2009 by Mr CW Nyberg and Mr MJ Bevin, registered valuers with Darroch Limited and members of the New Zealand Institute of Valuers.

Land

The valuation of land occupied by non-residential buildings (ie. the campuses) takes into account various aspects including zoning, title implications, alternate uses, subdivision and development potential. Whereas the valuation of land occupied by residential properties uses a market approach, which is the estimated price for the land should an exchange occur between a willing buyer and willing seller in an arm's length transaction.

Buildings

Non-residential buildings are for the purposes of the valuation deemed to be specialised assets. Specialised assets are valued using the optimised depreciated replacement cost, which is based on the replacement construction costs which is intended to reflect current materials and technology that provide the same level of utility as present assets. Residential buildings are valued based on the market value, which is the estimated price for the land should an exchange occur between a willing buyer and willing seller in an arm's length transaction. As part of the revaluation process, the independent valuer provided the Group with an estimation of useful lives.

Infrastructure

Infrastructure assets include retaining walls, roading, paving, water supply, sewerage/drainage systems, gas systems, underground cabling and electricity systems. The valuation placed on the infrastructure assets was based on their optimised depreciated replacement cost. As part of the revaluation process, the independent valuer provides the Group with an estimation of useful lives.

General

Under the Education Act 1989, the University is required to obtain prior consent of the Ministry of Education to dispose of or sell assets where the value of those assets exceeds an amount determined by the Minister of Education. There were no such disposals made in 2010 (2009: \$Nil).

The carrying amounts of all property, plant and equipment are reviewed on an ongoing basis. Any impairment in value is recognised immediately.

Note 16—Intangible assets

IT software	Consolidated	University
	\$ 000	\$ 000
Balance as at 1 January 2009	16 671	16 671
Additions	2 837	2 775
Disposals	(9 861)	(9 861)
Balance as at 31 December 2009	9 647	9 585
Additions	4 019	3 948
Disposals	(776)	(776)
Reclassifications	-	-
Balance as at 31 December 2010	12 890	12 757
Accumulated amortisation and impairment		
Balance as at 1 January 2009	10 069	10 069
Amortisation for the year	2 751	2 746
Disposals	(7 670)	(7 670)
Balance as at 31 December 2009	5 150	5 145
Amortisation for the year	2 531	2 498
Disposals	(776)	(776)
Balance as at 31 December 2010	6 905	6 867
Carrying amounts		
Cost as at 1 January 2009	16 671	16 671
Accumulated amortisation as at 1 January 2009	(10 069)	(10 069)
Carrying amounts as at 1 January 2009	6 602	6 602
Cost as at 31 December 2009	9 647	9 585
Accumulated amortisation as at 31 December 2009	(5 150)	(5 145)
Carrying amounts as at 31 December 2009	4 497	4 440
Cost as at 31 December 2010	12 890	12 757
Accumulated amortisation as at 31 December 2010	(6 905)	(6 867)
Carrying amounts as at 31 December 2010	5 985	5 890

Note 17—Construction in progress

	Consolidated		University	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Boyd-Wilson Field upgrade	18	225	18	225
Campus development	10 236	1 662	10 236	1 662
Campus-wide utilities upgrade	3 735	1 060	3 735	1 060
Alan MacDiarmid Building	-	37 227	-	37 227
IT equipment and infrastructure projects	2 232	2 341	2 232	2 341
Marine laboratory Island Bay	-	80	-	80
Security card system upgrade	-	189	-	189
Student accommodation	913	526	913	526
Joan Stevens Hall building	952	-	952	-
Minor projects	1 629	3 724	1 642	3 687
Other projects	1 420	2 498	1 419	2 497
Total construction in progress	21 135	49 532	21 147	49 494

Note 18—Investments in subsidiaries

Investments in subsidiaries	Consolidated		University	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	\$ 000	\$ 000	\$ 000	\$ 000
Victoria Link Limited	-	-	1 060	60
Te Puni Village Limited	-	-	-	-
Wetox Limited	-	-	-	-
iPredict Limited	-	-	-	-
Predictions Clearing Limited	-	-	-	-
Total investments in subsidiaries	-	-	1 060	60

Name	Country of incorporation	% Equity interest	
		31-Dec-10	31-Dec-09
Victoria Link Limited	New Zealand	100	100
Te Puni Village Limited	New Zealand	100	100
Wetox Limited	New Zealand	100	100
iPredict Limited	New Zealand	75	75
Predictions Clearing Limited	New Zealand	75	75

Note 19—Investments in controlled trusts

Investments in controlled trusts (Balances included in community equity)	University	
	31-Dec-10	31-Dec-09
	\$ 000	\$ 000
Victoria University of Wellington Foundation	15 544	14 807
Research Trust of Victoria University of Wellington	11 006	11 097
Victoria University of Wellington Art Collection Funding Trust	1 403	1 397
VUW School of Government Trust	541	533
Total investments in controlled trusts	28 494	27 834

Name	Country of incorporation	% Equity interest	
		31-Dec-10	31-Dec-09
Victoria University of Wellington Foundation	New Zealand	100	100
Victoria University of Wellington Art Collection Funding Trust	New Zealand	100	100
Research Trust Victoria University of Wellington	New Zealand	100	100
VUW School of Government Trust	New Zealand	100	100

Note 20—Investments in associates

(a) Investments in associates	Consolidated		University	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	\$ 000	\$ 000	\$ 000	\$ 000
Share of associate's surplus / (deficit)	159	79	-	-
Share of associate's retained earnings	340	283	-	-
Cost of investment in associate	1 012	987	541	541
Share of gain from change in investment	-	-	-	-
Total investments in associates	1 511	1 349	541	541

Name	Country of incorporation	% Equity interest	
		31-Dec-10	31-Dec-09
Library Consortium of New Zealand Limited	New Zealand	25	25
Magritek Holdings Limited (via Victoria Link Limited)	New Zealand	24	24
NZ Tertiary Education Consortium Limited*	New Zealand	17	17

* The University acquired a 16.66% shareholding in New Zealand Tertiary Education Consortium Limited (NZTEC). NZTEC is still treated as an associate within the Group as the Group has a strong representation on the board of NZTEC.

All associates have a 31 December balance date.

(b) Extract from the associates' financial statements	31-Dec-10	31-Dec-09
	\$ 000	\$ 000
Revenue	3 248	5 289
Net profit	388	49
Current assets	5 059	5 747
Non-current assets	619	519
Total assets	5 678	6 266
Current liabilities	657	504
Non-current liabilities	0	-
Total liabilities	657	504
Net assets / equity	5 021	5 762

Note 21—Accounts payable and accruals

	Consolidated		University	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	\$ 000	\$ 000	\$ 000	\$ 000
Accounts payable	8 215	5 297	6 528	5 114
Contract retentions	404	1 103	404	1 103
Deposits held on behalf of students	1 954	1 871	1 954	1 871
Employee entitlements	1 830	3 668	1 740	3 554
Goods and Services Tax	(1 306)	206	(1 621)	(110)
Other accruals	13 311	14 341	11 616	12 464
Total accounts payable and accruals	24 408	26 486	20 621	24 274

(a) Fair value

Due to the short-term nature of these payables (ie. payable on demand) their carrying value is assumed to approximate their fair value.

(b) Financial guarantees or collateral given

The Group has not given financial guarantees or collateral as security to any third party for any outstanding amount owing at balance date.

(c) Related party payables

For amount, terms and conditions of related party payables refer to Note 23.

Note 22—Provisions for annual leave, sick leave, retiring and long service leave

	Consolidated		University	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000	31-Dec-10 \$ 000	31-Dec-09 \$ 000
(a)				
Annual leave				
Balance at start of year	10 067	11 720	9 955	11 667
Leave taken	(10 414)	(11 937)	(10 280)	(11 804)
Increase in leave provision	10 136	10 284	9 988	10 092
Balance at end of the year	9 789	10 067	9 663	9 955
Sick leave				
Balance at start of year	11	45	11	45
Leave taken	(14)	(18)	(14)	(18)
Increase in leave provision	15	(16)	15	(16)
Balance at end of the year	12	11	12	11
(b)				
Retiring leave				
Balance at start of year	13 399	12 785	13 400	12 784
Leave taken	(987)	(1 095)	(956)	(1 095)
Increase in leave provision	1 165	1 709	1 134	1 711
Balance at end of the year	13 577	13 399	13 578	13 400
Long service leave				
Balance at start of year	647	539	630	517
Leave taken	(60)	(86)	(60)	(86)
Increase in leave provision	59	194	90	199
Balance at end of the year	646	647	660	630
	14 223	14 046	14 238	14 030

The retiring, long service and sick leave was independently assessed as at 31 December 2010 by Mr G Lee, an actuary with Aon Consulting New Zealand Limited and a fellow of the New Zealand Society of Actuaries.

An actuarial valuation involves the projection, on a year-by-year basis, of the long service leave and retirement leave benefit payment, based on accrued services, in respect of current employees. These benefit payments are estimated in respect of their incidence according to assumed rates of death, disablement, resignation and retirement allowing for assumed rates of salary progression. Of these assumptions the discount, salary progression and resignation rates are the most important. The projected cash flow is then discounted back to valuation date at the valuation discounted rates.

Discount rates range from 3.56% for the first projected year increasing to 5.74% in 10 years and beyond (2009: 4.34% to 6.11%).

Salary projection allows for a 1.80% increase in year 1 and 2, 2.00% increase per year thereafter (2009: 1.00% to 2.50%).

Resignation rates vary with age and the length of service and are reflective of the experience of company superannuation schemes of New Zealand.

Note 23—Related party disclosure

a) Key management personnel

Key management personnel represent Council members and staff in key strategic positions (including senior management reporting directly to the Vice-Chancellor).

Short-term benefits relate to meeting attendance fees, honoraria paid and salaries to Council members and key management personnel that include salaries paid to Council members who are also staff members of the University (including the Vice-Chancellor and four other staff members on Council).

Post-employment benefits relate to the movement in cost of long-term benefits (accruing to members on Council and key management personnel).

	Consolidated and University	
	31-Dec-10	31-Dec-09
	\$ 000	\$ 000
Short-term benefits	4 098	4 234
Post-employment benefits	28	28
Other long-term benefits	-	-
Termination benefits	-	-
	<hr/> 4 126	<hr/> 4 262

Directors' fees paid to Directors of Victoria Link Limited totalled \$21,000 (2009: \$21,000).

Directors' fees paid to Directors of Wetox Limited totalled \$7,875 (2009: \$Nil).

For details of the nature and the amount of each major element of emoluments of each Councillor of the University refer to the Council activity note at the end of this report.

b) Related party transactions

	Purchases	Sales	Net receivables	Net payables	Funding
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
From the University to VLL					
31-Dec-10	315	2 263	209	69	-
31-Dec-09	531	3 408	65	-	-
From the University to RTVUW					
31-Dec-10	-	33 894	473	-	(16 000)
31-Dec-09	-	33 497	-	278	(13 000)
From the University to Magritek Holdings Limited					
31-Dec-10	106	1	16	-	-
31-Dec-09	36	50	4	-	-
From the University to Library Consortium of New Zealand					
Operating Grant					
31-Dec-10	111	-	-	329	-
31-Dec-09	351	-	-	297	-
From the University to VUWF					
31-Dec-10	-	-	120	-	-
31-Dec-09	-	-	27	-	-
From VUWF to the University					
Specific projects					
31-Dec-10	-	-	-	-	980
31-Dec-09	-	-	-	-	1 012
From Victoria University of Wellington to Te Puni Village Limited					
31-Dec-10	237	2 100	-	-	-
31-Dec-09	6	1 672	-	6	-
From VLL to Magritek Holdings Limited					
31-Dec-10	-	-	-	-	-
31-Dec-09	-	35	-	-	-
From VLL to iPredict					
31-Dec-10	-	135	558	-	-
31-Dec-09	-	523	523	-	-
From RTVUW to Magritek Holdings Limited					
31-Dec-10	160	-	-	-	-
31-Dec-09	192	-	-	-	-

No related party debts have been written off or forgiven during the period.

Terms and conditions of transactions with related parties

	31-Dec-10	31-Dec-10	31-Dec-09	31-Dec-09
	Purchases	Sales	Purchases	Sales
	\$ 000	\$ 000	\$ 000	\$ 000
Victoria University of Wellington				
David Bibby is a board member of the Malaghan Institute of Medical Research. During the year the transactions between each are as follows:	292	413	263	57
Charles Daugherty is a trustee of the Karori Sanctuary Trust. During the year the transactions between each are as follows:	2	-	2	1
Patricia McKelvey is the Chair of The Correspondence School Board of Trustees. During the year the transactions between each are as follows:	4	6	-	-
Ian McKinnon is the Deputy Mayor/Councillor for the Wellington City Council. During the year the transactions between each are as follows:	936	4	1 323	6
Graeme Mitchell is a director of Barnardos New Zealand. During the year the transactions between each are as follows:	4	-	-	-
Graeme Mitchell is an independent member of the Audit and Risk Committee for the Ministry of Justice. During the year the transactions between each are as follows:	2	19	-	-
James Ogden was a director of Datam Limited until 30 April 2010. During the year the transactions between each are as follows:	125	-	181	1
James Ogden was a director of New Zealand Post Limited until 30 April 2010. During the year the transactions between each are as follows:	-	3	320	-
James Ogden was a director of Kiwibank Limited until 30 April 2010. During the year the transactions between each are as follows:	-	-	-	16
James Ogden is Chair of the Audit Committee of the Ministry of Social Development. During the year the transactions between each are as follows:	35	164	31	112
Jock Phillips is the General Manager Reference for the Ministry of Culture and Heritage. During the year the transactions between each are as follows:	3	3	-	-
Brenda Pilott is the Vice President of the Institute of Public Administration New Zealand. During the year the transactions between each are as follows:	5	4	-	-
Neil Quigley is a trustee of Education New Zealand Trust. During the year the transactions between each are as follows:	33	89	46	128
Neil Quigley is a board member of the New Zealand Qualifications Authority. During the year the transactions between each are as follows:	3	9	-	-
Neil Quigley is the Chair of the New Zealand Tertiary Education Consortium. During the year the transactions between each are as follows:	-	9	-	41
Neil Quigley is the Chair of Wellington College. During the year the transactions between each are as follows:	19	-	17	1
Victoria Link Limited				
David Bibby is a board member of the Malaghan Institute of Medical Research (MIMR). During the year the transactions between each are as follows:	-	1 425	-	1 413
Neil Quigley is the Chair of Wellington College. During the year the transactions between each are as follows:	1	1	1	1
Neil Quigley is the Chair of the New Zealand Tertiary Education Consortium. During the year the transactions between each are as follows:	-	73	-	99
The Research Trust of Victoria University of Wellington				
David Bibby is a board member of the Malaghan Institute of Medical Research (MIMR). During the year the transactions between each are as follows:	64	9 573	33	8
Charles Daugherty is a trustee of the Karori Sanctuary Trust. During the year the transactions between each are as follows:	5	-	-	-
Ian McKinnon is the Deputy Mayor/Councillor for the Wellington City Council. During the year the transactions between each are as follows:	1	18	-	-
Graeme Mitchell is an independent member of the Audit and Risk Committee for the Ministry of Justice. During the year the transactions between each are as follows:	-	44	-	-
James Ogden is Chair of the Audit Committee of the Ministry of Social Development. During the year the transactions between each are as follows:	-	469	-	-
Neil Quigley is a trustee of Education New Zealand Trust. During the year the transactions between each are as follows:	2	414	2	-
Neil Quigley is a board member of the New Zealand Qualifications Authority. During the year the transactions between each are as follows:	-	670	-	-

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at balance date are unsecured, interest free and settlement occurs in cash.

Allowance for impairment loss on trade receivables

For the year ended 31 December 2010, the Group has not made any allowance for impairment loss relating to amounts owed by related parties as the payment history has been excellent (2009: \$Nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

Note 24—Joint ventures

Name	Country of incorporation	% Equity interest	
		31-Dec-10	31-Dec-09
New Zealand School of Music Limited	New Zealand	50	50

i) Joint venture details

	Consolidated and University	
	31-Dec-10	31-Dec-09
	\$ 000	\$ 000
Financial performance		
Revenue	4 057	3 941
Expenses	(3 609)	(3 714)
Net contribution to group operations	448	227
Financial position		
Current assets	2 378	1 973
Non-current assets	279	325
	2 657	2 298
Current liabilities	879	1 098
Net assets employed in the joint venture	1 778	1 200

ii) Commitment relating to the joint venture

	Consolidated and University	
	31-Dec-10	31-Dec-09
	\$ 000	\$ 000
Share of capital commitments	-	-

The University acquired 50% shareholding in New Zealand School of Music Limited (NZSM) on 1 January 2006 at a cost of \$250,000. NZSM has a 31 December balance date. NZSM provides educational products to students majoring in music. The Group's share of assets and liabilities employed in the jointly controlled operation are included in the consolidated Statement of Financial Position, in accordance with the Statement of Accounting Policies.

Note 25—Bequests and other monies held in Trust

	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Bequests and donations		
Capital at start of the year	2 458	2 534
Add Further bequests and donations received during year	-	-
Less Bequests and donations transferred to VUW Foundation	-	(91)
Add Income capitalised in accordance with the rules	15	15
Capital at end of the year	<u>2 473</u>	<u>2 458</u>
Bequests and donations		
Income not capitalised at start of the year	1 053	1 101
Add Income received during the year	-	-
Less Payments of awards, prizes, scholarships etc.	(111)	(134)
Add Income not capitalised in accordance with the rules	57	86
Income not capitalised at end of the year	<u>999</u>	<u>1 053</u>
At the end of the year, assets were held as follows:		
Short-term deposits	3 435	3 435
Interest received (to be allocated at year end)	-	-
Bank	31	70
Note 10	<u>3 466</u>	<u>3 505</u>
Shares and convertible notes	6	6
Receivables	-	-
Total Trust assets at end of the year	<u>3 472</u>	<u>3 511</u>

The University holds funds in respect of 107 bequests and donations. In the case of 104 of these bequests and donations, the rules provide for the awarding of a prize, scholarship or other award to students in specific areas of study within the University. Scholarship information is available at www.victoria.ac.nz/scholarships

The conditions for the remaining three bequests provide for the holding of public lectures in particular subjects, the upkeep of a Museum of Geology and for other particular forms of expenditure for the furtherance of teaching and research by the University community.

While details vary significantly, the rules normally provide for the payment of prizes, scholarships etc. to be made from income. For each bequest and donation there are rules that determine whether or not unspent income is to be capitalised in whole, in part or not at all. In addition the University receives money for payment of sponsored awards, prizes or scholarships; the winners of these awards are normally selected by competition.

Due to the level of control exercised by the University, bequests and donations received on trust for particular purposes and administered by the University are included in the consolidated financial statements.

Note 26—Borrowings

The University has an unsecured borrowing facility with The National Bank of New Zealand with a maximum limit of \$55,000,000. As at 31 December 2010 \$42,000,000 (2009: \$37,000,000) of this facility had been drawn down. Interest rates on borrowings are reset for a period not exceeding 180 days. The facility expires in 2012. The University's borrowing has been approved by the Minister of Education for the purposes of funding the University's long-term capital development programme. The University projects that these funds will continue to be required at 31 December 2011. Should short-term operational funds be available to diminish the level of borrowing during the period the University maintains the right to re-draw these funds as and when required. Because of the short-term nature of the interest rate re-set periods associated with the loan the fair value is considered to approximate the carrying value. During the financial year, there have been no defaults or breaches on the repayments of the loan. To minimise the interest rate risk, the University has entered into the following interest rate swaps:

	Amount \$000	Interest rate	Renegotiation
Borrowing: floating payable	6 000	3.86%	30-Mar-11
Interest rate swap—floating receivable	6 000	3.21%	30-Mar-11
Interest rate swap—fixed payable	6 000	3.62%	30-Jun-11
Effective interest rate:		4.27%	
Borrowing: floating payable	6 000	3.86%	30-Mar-11
Interest rate swap—floating receivable	6 000	3.21%	30-Mar-11
Interest rate swap—fixed payable	6 000	3.92%	30-Jun-12
Effective interest rate:		4.57%	

The Fair Value of Interest Rate Swaps at 31/12/10 was \$44,000 (2009: \$170,000).

Note 27—Reconciliation of surplus for the year with net cash flows from operating activities

	Consolidated		University	
	31-Dec-10 \$ 000	31-Dec-09 \$ 000	31-Dec-10 \$ 000	31-Dec-09 \$ 000
Surplus from the Statement of Financial Performance	18 528	12 803	18 007	10 971
Add / (less) changes in working capital items				
Decrease / (increase) in accounts receivable	(1 135)	233	(2 923)	1 045
Decrease / (increase) in inventories	30	192	25	206
Decrease / (increase) in pre-paid expenses	(302)	(260)	(290)	(138)
Decrease / (increase) in other assets	205	602	-	-
Increase / (decrease) in accounts payable	(2 078)	(3 158)	(3 653)	(3 068)
Increase / (decrease) in pre-paid revenue	1 630	4 812	2 398	3 313
Increase / (decrease) in research grants unexpended	790	747	790	747
Increase / (decrease) in annual leave provision	(278)	(1 653)	(292)	(1 712)
Increase / (decrease) in sick leave provision	1	(34)	1	(34)
Increase / (decrease) in retiring and long service leave provision	56	48	56	48
Net movements in working capital items	(1 081)	1 529	(3 888)	407
Add non-cash items				
Depreciation and amortisation	30 772	29 019	30 454	28 851
Unrealised investment losses	(401)	(272)	-	-
Unrealised derivative losses	(61)	187	(61)	187
Add / (less) movements in non-current assets and liabilities				
Net (gain) / loss on asset disposal	1 223	1 475	1 127	1 477
Net (surplus) / deficit of associate company	(160)	(79)	-	-
Interest payable accrual—included in accounts payable	-	-	-	-
Retiring and long service leave provision	121	674	152	681
Net movements in non-cash items	31 494	31 004	31 672	31 196
Net cash inflow from operating activities	48 941	45 337	45 791	42 574

Note 28—Events after balance date

No significant events occurred after balance date (2009: Nil).