

Vice-Chancellor's Half Yearly Result Report

Overview

These financial statements show continued steady financial performance as the University overcomes its post-earthquake challenges, invests in new and exciting facilities, and engages in the competitive commercial environment of student recruitment from home and abroad.

Against a background of continuous construction activity, the University of Canterbury is working on a growth strategy to meet its commitment to the Crown in the wider partnership to rebuild Christchurch. The strategy is not simply about property reconstruction or growth in student numbers, but the development of a graduate profile that offers its students high quality qualifications that celebrate participation in New Zealand's bicultural environment, prepares graduates for employment, fosters community engagement, and develops global awareness.

Students and staff alike continue to meet this testing environment with great professionalism and resilience, participating in an innovative and inspirational learning environment, with relevant research excellence remaining a key priority for academic staff.

Unaudited financial results

The University's \$10.1 million surplus represents the result of operations to 30 June 2016, which is not representative of the full year where the full cycle of earnings is annual. The majority of earnings are made in the first half of the financial year. The current forecast for the 31 December 2016 Annual Report is for a deficit of \$9.4 million, compared with a 31 December 2016 budgeted deficit of \$13.7 million.

For the six months to 30 June 2016, the University recognised revenue of \$175.8 million (30 June 2015: \$172.4 million). By the year end, the University is projecting to have increased its Equivalent Full Time Student (EFTS) numbers over 2015 in both domestic and full fee paying "new to UC" students, and in student numbers overall. The University continues to work hard to develop pathways into the University for domestic and international students alike.

Operating expenditure was \$165.7 million in the same period (30 June 2015: \$161.2 million), where the current period includes further write-off of assets, including the unforeseen closure of the Kaikoura field station that is at risk of landslip and rockfall.

At 30 June 2016, there are no other significant changes in the University's estimates of impairment damage to its property, or valuation increases, which have caused substantial variation in previously reported results. The continuing uncertainties in relation to the cost of the earthquake damage repairs is explained in note 8 to the financial statements.

Net assets have increased by \$9.3 million (0.7%) since 31 December 2015, largely due to the operating result. UC continues to invest significant sums in its Science and Engineering facilities, with the new building for Electrical and Computing Engineering coming on line in the period, together with the opening of the purpose-built Structural Engineering Laboratory. Cash spend on capital expenditure was \$79.3 million in the six months to 30 June 2016 (30 June 2015: \$46.7 million).

The University is preparing for further capital investment and has \$302.1 million of cash in deposits maturing in less than one year to meet operating and capital expenditure requirements in the next 12 months (30 June 2015: \$225.3 million). Total cash holdings at 30 June 2016 (defined as current and term deposits and government stock) are \$468.9 million (30 June 2015: \$476.5 million; 31 December 2015: \$479.3 million).

The University has not breached any of its philanthropic bond covenants in the six-month period ended 30 June 2016 and is not forecasting to be in breach of any of its covenants.

Operational review

Our unaudited financial results show that the University is returning to a normal and sustainable level of financial performance. The University is budgeting for a \$13.7 million “business as usual” deficit for the year ending 31 December 2016, although it is now forecasting a deficit of \$9.4 million, and as can be seen in these financial results the University continues to be affected by unforeseen costs such as asset write downs.

The University monitors its operations for earnings potential and cost savings, balancing the need to maintain top class teaching and research with economic use of resources. The increase of student numbers is a key feature of University plans – with some success in 2016 - which includes both recruitment and retention initiatives.

By the year end, the University is projecting to have increased its Full Fee Equivalent Full Time Students (EFTS) to within reach of its 2010 levels, and to show an overall increase in total EFTS, the first time since 2010. The University continues to work hard to develop pathways into the University for domestic and international students alike.

The relationship with UC International College is maturing, and has proved to be a valuable conduit for foreign, full fee paying students into the University, complementing the University’s own international recruitment efforts. Joint operations activity has worked well to make the students part of the University right from the start, even before taking up a full degree course, with academic, technical, and pastoral support.

The University has recorded some significant non-financial milestones during the first six months of the 2016 year. Work on the University’s major construction projects continues: the Rutherford Science and Innovation Centre is approximately 40% complete, while the Canterbury Engineering the Future project (a highly complex staged rebuild of the several connected parts of the College of Engineering facility) is approximately 65% of the way through, with two parts (including the Structural Engineering Laboratory) now open for business, and the Core expected to open before the end of the financial year.

Finally, work has begun on the extensive remediation and in-depth refurbishment of what was the previous Commerce building to house the College of Education, Health and Human Development, the UC Centre for Entrepreneurship, and the UC Executive Development Programmes. The expectation is for this to be completed by late 2017. The repurposed building will be named Rehua – a Māori name associated with leadership and the navigational star also known as Antares in the constellation of Scorpio.

UC continues to focus on giving students the opportunity to take part in work integrated learning and community engagement as part of their study. Around 3,500 students participate in relevant work experience, including internships, each year. In addition to gaining a quality, internationally-recognised qualification, UC graduates increasingly have the experience employers are looking for. Our unique Co-curricular Record formally recognises the activities students complete in addition to their academic study.

UC also punches above its weight in postgraduate achievement and research excellence with record numbers of doctoral candidates and thousands of postgraduates enrolled by mid-year. UC has over 1,000 students enrolled in its PhD programmes for the fourth year running, having first surpassed the milestone in 2013. A further academic highlight this year, was the awarding of the rare honour by the University of the title Canterbury Distinguished Professor to Emeritus Professor Roy Kerr , who also received the prestigious Crafoord Prize in Sweden in May.

These achievements demonstrate the outstanding commitment and resolve of the University's staff and students who continue to strive for excellence in challenging financial times. The University also would like to acknowledge the continuing support and assistance from the Crown through the Minister of Tertiary Education and the Tertiary Education Commission. The continued support in line with the Crown Funding Agreement signed in 2014 will be necessary to ensure that the University completes its recovery and transformation.

By the end of 2017 a significant part of the construction activity currently on site will be behind us and staff and students will be returning to a less disrupted existence, with permanent world-class facilities.

ENDS

**Vice-Chancellor
Dr Rod Carr
26 August 2016**