

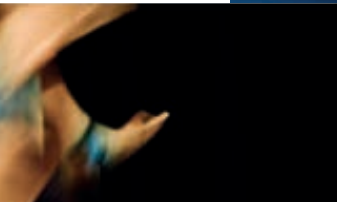
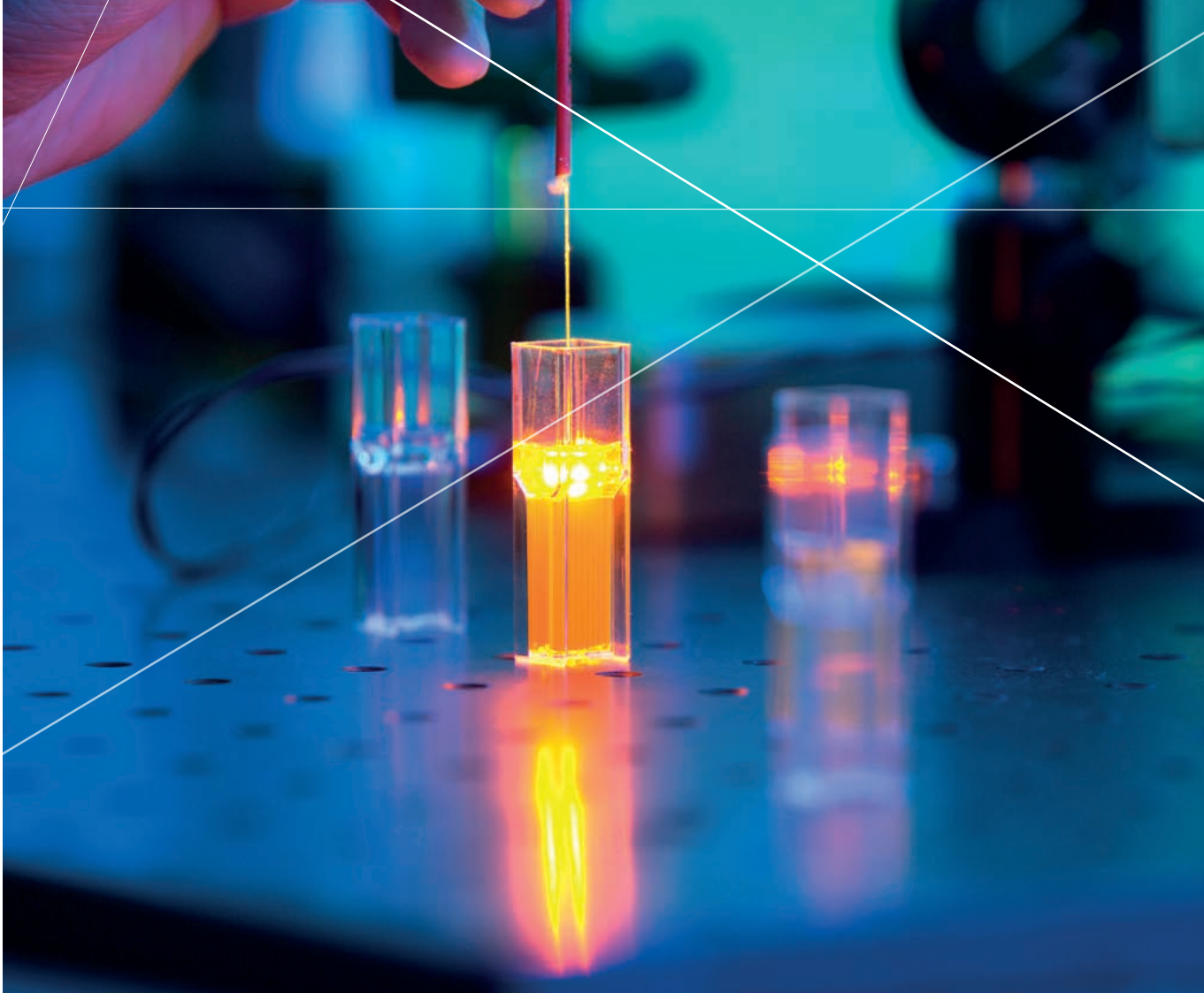


THE UNIVERSITY OF  
**AUCKLAND**  
Te Whare Wānanga o Tāmaki Makaurau  
NEW ZEALAND

# 20 16

**Annual Report**  
our commitment to innovation and excellence





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# CHANCELLOR'S REVIEW

**Research universities such as the University of Auckland make a unique contribution to their communities, their cities and their countries because only they both create new knowledge and provide education at the highest levels. This means that their graduates are equipped with the ability to solve problems and create new opportunities, and that their staff are continually exposed to (mostly) young, enquiring minds and the leaders of the future. It is thus in the national interest that research universities be supported to excel both in teaching and in research.**

Like other New Zealand universities, the University of Auckland operates on quite modest funding levels. For example, our income per student is only about 70 percent of that of equivalent universities (the Group of Eight) in Australia. However, we use our resources very efficiently and have outstanding staff and students who perform to a very high level. In 2016, as in previous years, the performance of our staff and students was recognised through a number of significant honours and awards:

- Associate Professors Tracey McIntosh (Social Sciences) and Martin East (Curriculum and Pedagogy) won National Tertiary Teaching Excellence Awards, making this the 13th time University of Auckland staff have won such awards since the scheme was established 14 years ago.

- Emeritus Professor Michael Corballis (Psychology) was awarded the Rutherford Medal for his foundational research on the nature and evolution of the human mind, including cerebral asymmetries, handedness, mental imagery, language, and mental time travel. This medal is the highest honour awarded by the Royal Society of New Zealand and acknowledges a lifetime of significant scholarly research.

- Associate Professor Iain Anderson (Auckland Bioengineering Institute and Engineering Science) received the Pickering Medal for the development and commercialisation of applications for artificial muscle technology.

- Professor Merryn Tawhai (Auckland Bioengineering Institute) won the MacDiarmid Medal for her research in computational physiology of the respiratory system, having pioneered development of anatomically detailed models that span cell-to-organ function and provided new understanding of lung physiology and disease.

- Associate Professor Stéphane Coen (Physics) was awarded the Hector Medal for his outstanding contributions in understanding, generating, and manipulating temporal cavity solitons, and in identifying their role in microresonator Kerr frequency combs.

- Professor Wendy Nelson (Biological Sciences and NIWA) received the Hutton Medal for her

significant contributions to understanding the diversity, biology and evolution of marine macroalgae.

- Distinguished Professor Viviane Robinson (Learning, Development and Professional Practice) was awarded the Mason Durie Medal for her contribution to educational research through identifying the differential impact of types of school leadership practice on the achievement of learners, which has materially changed national and international educational policy and practice.

- Professor Stuart McNaughton (Curriculum and Pedagogy) was awarded the Dame Joan Metge Medal for his contributions to building research capacity in educational sciences, advancing literacy and language development, and for his evidence-based impact on educational policy both nationally and internationally.

- Emeritus Professor Alastair Scott (Statistics) received the Jones Medal for a career in statistics spanning over 50 years, where he contributed through path-breaking research in survey sampling and biostatistics and through service to the wider statistical profession in academia, government and society.

- Distinguished Professor Jane Harding (Liggins Institute) was awarded the Health Research Council's Beaven Medal for her ground-



## We use our resources very efficiently and have outstanding staff and students who perform to a very high level

breaking research into treating babies with low blood sugar levels.

- Ten of our leading researchers were among 19 academics elected as Fellows of the Royal Society of New Zealand, recognising their academic excellence and leadership.
- Our students have likewise been successful in a wide variety of endeavours, the highlight perhaps being Eliza McCartney's bronze medal for pole vault at the Rio Olympics.

The challenge for the University Council and management is to help create the environment and resources that will sustain and support further outstanding academic and personal achievements of this kind. To that end, in 2016 we launched the new University campaign "For All Our Futures" with the aim of raising \$300 million to support student scholarships, academic positions and our research and teaching activities. This will be the largest campaign of its kind by any organisation in New Zealand but we must succeed in generating this kind of support

if we are to ensure that the University can achieve its potential in contributing to New Zealand and to the international community. Although the basic operation of the University can be run from traditional revenue sources, philanthropy allows our staff and students to achieve ambitious undertakings that would not otherwise be possible. As Chancellor, I am grateful to the more than 4,000 donors who have already contributed to the campaign and to the many more we hope will join us in the future.

A key role for the Council is assessing, approving and monitoring business cases for major capital expenditure to ensure that the University is able to provide a campus environment of genuinely international quality. During 2016, we opened the magnificent new Science Building 302, and the 264-bed Carlaw Park Stage II student accommodation. We also made good progress on a number of other projects, including preparation for the new Engineering Building 405, and the sale of the Tāmaki Campus was completed (although

parts of it will be leased back for several years while we complete replacement facilities on the City/Grafton/Newmarket Campuses). Our ability to advance the capital programme in the way we wish has been limited somewhat by the need to address seismic and asbestos issues, but these simply must be dealt with if we are to provide a safe and healthy environment for all members of the University community.

Finally, I wish to acknowledge the contributions of my predecessor, Dr Ian Parton. His association with the University spans more than 50 years as a student, graduate, engineering professional, senior alumnus, Council member and Chancellor. We are grateful for the leadership that he has provided to the University as Chancellor during these recent, and very successful, years.

Scott St John  
Chancellor

# VICE- CHANCELLOR'S REPORT



**The 2016 year was one in which the University of Auckland continued to perform very well in what is a highly constrained environment. That performance was due in no small part to the tremendous efforts of our staff, our students and our many supporters.**

Overall, revenue (unrestricted) was up on the previous year by \$20.4 million. The operating surplus, at 4 per cent, was also well ahead of budget (3 per cent), reflecting good control of costs together with some non-cash gains on sale revenues.

Total domestic Equivalent Full Time Students (EFTS) were 28,855, which was down on both the 2016 target (29,787) and the 2015 actual (29,340) EFTS. This reflected national demographic shifts, changes in course preferences, lower-than-targeted student retention rates and a very competitive market. However, we still met the number of EFTS funded by the Tertiary Education Commission (TEC) and therefore suffered only a reduction in the number of unfunded EFTS (enrolled places in excess of those which the TEC has agreed to fund). The ongoing decline in EFTS in Arts, and Education and Social Work (part of a national trend), is of particular concern. The reduced number of students seeking to enrol in programmes offered by those faculties has clearly had a detrimental effect on budgets, staffing positions and morale.

However, faculty leaders have responded well to this situation and we are hopeful that we will see a recovery over time. For that reason, and because we are committed to the comprehensive nature of the University, we will again "buffer" both faculties in 2017, providing a higher level of budget than would be justified by student numbers alone, in order to give them time to recover EFTS through the creation of new programmes and attraction of additional students into existing programmes.

The proportion of high-achieving domestic students (grade point average greater than or equal to 5) entering the University increased again in 2016 (as it has done in every year since we limited entry to all programmes) to 58 per cent, up from 55 per cent in 2015. There was a small but pleasing increase on 2015 in our proportions of both Māori and Pacific students. International student enrolments were a little ahead of budget (4,018 versus 4,013 EFTS) and 141 EFTS up on the previous year's performance. This continues the trend of recent years in which international enrolments have increased even as domestic enrolments have declined.

Across the whole student body, the rate of satisfaction with the overall University experience, both academic and extra-curricular, was an impressive 95 per cent. The high quality of our academic offerings is reflected in the fact that, in the QS subject

rankings, we ranked first in New Zealand in 35 of the 38 subjects we teach.

Completions of both taught masters (791 versus 763) and research masters (845 versus 749) were ahead of budget while doctorates were below budget (365 versus 396). The improvement in research masters completions is mainly a consequence of increased enrolments in a limited range of professional masters degrees; elsewhere there is an increasing trend for students in some disciplines to proceed directly to the doctoral programme from an honours degree.

Research and contract revenues of \$243 million were generated in 2016. Overall, the picture remains one of a constrained environment for commercial/private good research but enhanced performance in research funded through the public sector. Although our research and contract revenues exceed those of other New Zealand universities by a very significant margin, their rate of growth has slowed in recent years. For that reason, we are currently undertaking a review to look at how we can better support our researchers to generate external research funding in an environment that is highly competitive and characterised by very low success rates relative to those in comparable university systems overseas. Nevertheless, the fact that the University of Auckland was ranked top in Australasia by the 2016 Reuters ranking of Asia's most innovative universities reflects our ability

The greatest threat to high-performing institutions such as the University of Auckland will come not from unforeseen disruption but from the lost opportunities imposed on us by a highly regulated and financially constrained public policy environment.

to engage with industry. The challenge is to get New Zealand industry to engage with research on the scale that might be seen in other developed countries.

In the highly constrained environment in which we operate, with two thirds of our revenues controlled by government and little real increase in those revenues, other sources of support such as philanthropy become of critical importance. The University's "For All Our Futures" Campaign was launched in New Zealand and internationally in late 2016. It has two targets – to actively engage at least half of our nearly 200,000 alumni and to raise \$300 million in support for the University's teaching and research activities. The campaign seeks to focus our attention on the major questions of relevance to New Zealand and the world that a comprehensive research university such as ours can help to answer. As the Chancellor has noted, we have already had support from more than 4,000 donors. Some of these have been major donors such as Julian Robertson and the Aotearoa Foundation (\$6.8 million) and the Li Ka Shing Foundation (\$5 million) but the average gift has been about \$100, which reflects the breadth of support that we are achieving.

The strong financial discipline that exists around the University, and our ability to accurately model future revenues and costs give the University Council the confidence to

undertake major investment in our campus infrastructure. The opening during 2016 of the new Science Tower on the corner of Symonds and Wellesley Streets, an investment of over \$200 million, has allowed us to co-locate the Schools of Environment and Psychology with most of the other schools in the Faculty of Science. In a change to recent plans, Council approved, as part of the 2016 Long Term Academic and Capital Plan, an in-principle proposal to construct a new "gateway" building across Symonds Street from the new Science Tower. This is necessitated in part by asbestos issues in the existing Thomas Building. The proposed new building will house, among other things, the School of Biological Sciences and place it close to the balance of the Science Faculty. We also made a start on work required for the demolition of part of the existing Engineering building on the City Campus, and its replacement with a new building to be completed in 2019/20 at a cost in excess of \$250 million.

Given our objective of attracting students of high academic potential from throughout New Zealand and around the world, we have also continued to invest heavily in student accommodation. The 264-bed apartment-style Carlaw Park stage II development was opened this year and the new block of 343 studio apartments in upper Symonds Street was opened ahead of semester 1, 2017.

Both of these are successful public-private partnerships. Work has also commenced on the demolition of Grafton Hall, which is a seismic risk, and its replacement with a new low-rise facility.

Perhaps the most disappointing event during 2016 was the outcome of the Productivity Commission's investigation into "New Models of Tertiary Education". This was an exercise into which many of us in the tertiary sector put a considerable effort, but to little avail. The Commission's report was characterised by a lack of understanding of the way in which universities have evolved, even in recent years. In seeking to discover models that no-one else had foreseen, and that would disrupt existing models, the Commission missed a fundamental point: the greatest threat to New Zealand's universities, and certainly to high-performing institutions such as the University of Auckland, will come not from unforeseen disruption but from the lost opportunities imposed on us by a highly regulated and financially constrained public policy environment.

Stuart McCutcheon  
Vice-Chancellor

# Key facts and figures

Full-Time Equivalent staff (FTE)	2014	2015	2016
Academic	2,154	2,183	2,209
Professional	2,789	2,892	3,041
<b>Total</b>	<b>4,943</b>	<b>5,075</b>	<b>5,250</b>

Students	2014	2015	2016
EFTS	33,468	33,489	33,118

Gender (students)	2014	2015	2016
Male	18,118	18,067	17,959
Female	23,835	24,033	23,907
<b>Total</b>	<b>41,953</b>	<b>42,100</b>	<b>41,866</b>

#### Note

- Head count of formal students only.

Workload (students)	2014	2015	2016
Full Time	26,891	26,899	26,478
Part Time	15,062	15,201	15,388
<b>Total</b>	<b>41,953</b>	<b>42,100</b>	<b>41,866</b>

Ethnicity (students)	2014	2015	2016
European	17,372	16,771	16,095
Māori	2,932	3,183	3,183
Pacific	3,531	3,582	3,609
Asian	15,769	16,219	16,683
MELAA	1,327	1,349	1,389
Other	1,022	996	907
<b>Total</b>	<b>41,953</b>	<b>42,100</b>	<b>41,866</b>

#### Note

- MELAA - Middle Eastern, Latin American, African.



Age group (students)	2014	2015	2016
18 or less	2,141	2,032	2,042
19 - 20	11,665	11,649	11,566
21 - 23	13,179	13,576	13,645
24 - 29	7,211	7,402	7,363
30 - 39	4,090	4,031	4,028
40+	3,667	3,410	3,222
<b>Total</b>	<b>41,953</b>	<b>42,100</b>	<b>41,866</b>

Student enrolment by qualification (EFTS)	2014	2015	2016
Doctor of Philosophy	1,808	1,915	1,949
Other doctoral degree	84	82	82
Master Degree	2,079	2,095	2,262
Bachelor Honours	790	865	838
Postgraduate/ Certificate Diploma	2,120	2,046	2,061
Bachelor Degree	25,132	24,972	24,511
Undegraduate Diploma	255	203	184
Certificate	1,180	1,293	1,216
<b>Total</b>	<b>33,448</b>	<b>33,472</b>	<b>33,103</b>

**Note**

- EFTS from formal qualifications only are included.

Completions by qualification	2014	2015	2016
Doctor of Philosophy	367	350	338
Other doctoral degree	24	27	27
Master Degree	1,297	1,551	1,511
Bachelor Honours	553	647	682
Postgraduate/ Certificate Diploma	2,309	2,154	2,476
Bachelor Degree	5,749	5,260	5,634
Undegraduate Diploma	202	167	131
Certificate	453	469	492
<b>Total</b>	<b>10,954</b>	<b>10,625</b>	<b>11,291</b>

**Note**

The completion of a conjoint degree is counted as one qualification.

Programme enrolments (students)	2014	2015	2016
Arts	8,178	7,667	7,327
Auckland Bioengineering Institute	79	89	87
Business and Economics	7,173	7,225	7,248
Creative Arts and Industries	1,878	1,835	1,838
Education and Social Work	3,741	3,554	3,327
Engineering	4,106	4,298	4,328
Law	1,789	1,790	1,854
Liggins Institute	42	42	46
Medical and Health Sciences	5,769	5,971	6,360
Science	8,517	8,905	8,943
University Programmes	2,588	2,826	2,584
<b>Total</b>	<b>43,860</b>	<b>44,202</b>	<b>43,939</b>

**Note**

- Conjoint degrees, PhD and other doctorate enrolments are reported with their sponsoring faculty. For example, a student enrolled in BA/BSc will be distributed between Science and Arts at a ratio of 50/50.
- Students enrolled in more than one qualification during the year are counted in each qualification.
- University Programmes includes Inter-faculty offerings as well as University Certificates and the Tertiary Foundation Certificate.
- Adult and community education enrolments are not included.

Undergraduate enrolment (EFTS)	2014	2015	2016
Arts	4,928	4,767	4,526
Business and Economics	4,875	4,798	4,895
Creative Arts and Industries	1,228	1,205	1,135
Education and Social Work	1,803	1,845	1,630
Engineering	2,218	2,286	2,288
Law	1,235	1,250	1,270
Medical and Health Sciences	2,911	2,993	3,020
Science	6,317	6,233	6,112
University Programmes	423	377	374
<b>Total</b>	<b>25,937</b>	<b>25,754</b>	<b>25,250</b>

**-Note**

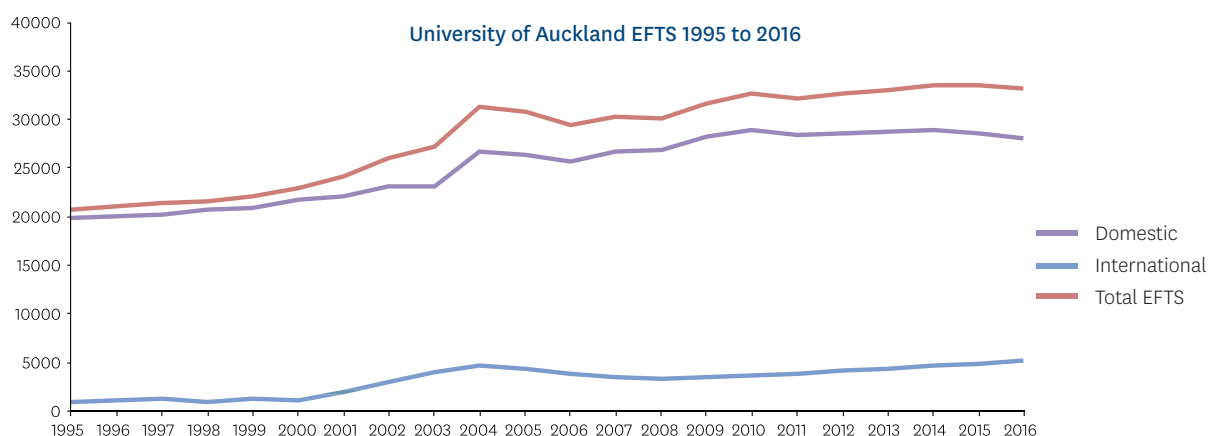
- University programmes include Tertiary Foundation Certificate and University of Auckland at Manukau enrolments
- Only formal enrolments are included; adult and community education enrolments are excluded

Postgraduate enrolment (EFTS)	2014	2015	2016
Arts	762	756	718
Auckland Bioengineering Institute	70	81	81
Business and Economics	800	832	836
Creative Arts and Industries	485	476	527
Education and Social Work	1,173	1,170	1,131
Engineering	1,159	1,237	1,249
Law	146	123	155
Liggins Institute	34	33	36
Medical and Health Sciences	1,435	1,495	1,567
Science	1,437	1,514	1,552
University Programmes	11	0	0
<b>Total</b>	<b>7,511</b>	<b>7,717</b>	<b>7,851</b>

Qualifications awarded (by faculty)	2014	2015	2016
Arts	2,305	2,082	2,064
Auckland Bioengineering Institute	15	12	7
Business and Economics	2,041	2,010	1,965
Creative Arts and Industries	521	451	615
Education and Social Work	1,371	1,230	1,165
Engineering	916	978	947
Law	438	367	381
Medical and Health Sciences	1,837	1,868	2,260
Science	2,026	2,049	2,349
University Programmes	193	199	209
<b>Total</b>	<b>11,663</b>	<b>11,246</b>	<b>11,962</b>

Note: The award of conjoint degrees is recognised in each awarding faculty.

International students (students)	2014	2015	2016
China	2,397	2,740	3,021
United States	525	563	558
Malaysia	425	433	485
India	301	291	319
Korea, Republic of	361	296	248
Indonesia	125	132	145
Hong Kong	130	130	143
Iran (Islamic Republic Of)	120	133	133
Japan	151	123	126
United Kingdom	106	118	121
Vietnam	98	94	98
Germany	90	81	82
Thailand	68	74	73
Taiwan	76	77	67
Canada	71	62	66
Singapore	70	75	64
France	57	59	53
Norway	44	54	52
Philippines	44	39	48
Saudi Arabia	43	44	39
Pakistan	42	37	39
Oman	34	36	38
Sri Lanka	28	30	36
Russian Federation	47	43	32
Others	575	587	597
<b>Total</b>	<b>6,028</b>	<b>6,351</b>	<b>6,683</b>



# University governance

The University of Auckland was founded in 1883 as a constituent college of the University of New Zealand. Under the University of Auckland Act 1961 the college became an autonomous university. The University is currently administered under the 1961 Act and the Education Act 1989 and its amendments.

## University autonomy and academic freedom

The Education Act 1989 gives statutory protection to the institutional autonomy of the University and the academic freedom of its staff and students. The Act also binds the Council, the Vice-Chancellor, Ministers and agencies of the Crown to act in all respects so as to preserve and enhance University autonomy and academic freedom.

## University leadership: the Council

The University's governing body is the Council, which comprises: elected staff and students; a member appointed to advise on Māori issues; a member appointed from the alumni; Council appointees; and Ministerial appointees. The Vice-Chancellor is also a member of Council. Council is chaired by the Chancellor, who is a lay member of Council. Under the Education Act 1989, Council has the following functions:

- Appoint a chief executive
- Carry out long-term planning for the University
- Adopt the Investment Plan
- Ensure that the institution is managed in accordance with the Investment Plan

- Determine the policies of the institution in relation to the carrying out of the Investment Plan and, subject to the State Sector Act 1988, the management of its affairs. (Note, from January 2016 the constitution of Council changed as a result of the Education Amendment Act 2015).

## The University's statutory role

In carrying out its functions, and particularly when considering the University's Investment Plan, Council is guided by the statutory characteristics of universities, which are defined in the Education Act 1989:

- They [universities] are primarily concerned with more advanced learning, the principal aim being to develop intellectual independence
- Their research and teaching are closely interdependent and most of their teaching is done by people who are active in advancing knowledge
- They meet international standards of research and teaching
- They are a repository of knowledge and expertise
- They accept a role as critic and conscience of society.

A university, according to the Act, is characterised by a wide diversity of teaching and research, especially at a higher level, that maintains, advances, disseminates and assists the application of knowledge, develops intellectual independence and promotes community learning.

## Responsibilities of Council

Council is required, when performing its functions, to fulfil various duties. These include:

- Striving to ensure that the University attains the highest standards of excellence in education, training and research
- Acknowledging the principles of the Treaty of Waitangi
- Encouraging the greatest possible participation of the communities served by the University, especially by under-represented groups
- Ensuring that the University does not discriminate unfairly against any person
- Ensuring proper standards of integrity, conduct and concern for the public interest and the well-being of students
- Ensuring that systems are in place for the responsible use of resources.

## The Vice-Chancellor

The Education Act 1989 entrusts the Chief Executive Officer (Vice-Chancellor) with the management of the academic and administrative matters of the University. The Vice-Chancellor is the employer of all staff. The Vice-Chancellor is supported by a Senior Leadership Team comprising:

- The Deputy Vice-Chancellors (Academic), (Research), (Strategic Engagement) and (Operations)
- The Pro Vice-Chancellors (Equity) and (Māori)
- The Deans
- The Directors of Human Resources, Planning, Finance, Property Services, ITS and the University Librarian
- The Chief Executive of Auckland UniServices Limited
- The Chair of the University Budget Committee.



## 2016 Council

**From top left:** Elected by academic staff: Associate Professor Alex Sims; elected by professional staff: Catherine Dunphy; appointed by relevant Minister: Michael Daniell, Andrew Ferrier, Peter Kiely, Sir Ralph Norris.

**From bottom left:** Ex officio: Professor Stuart McCutcheon; elected by students: Will Matthews; appointed by Council: appointed to advise on Māori issues, Associate Professor Amokura Kawharu; alumnus, Dr Ian Parton; to provide skills specified by Council Jan Dawson, Scott St John.

## The Senate

On academic matters, Council is bound to consult the Senate, which the Vice-Chancellor chairs. This body includes all the professors, and representatives of sub-professorial and professional staff and of students. The Senate takes advice from the Education and Research Committees and from a number of other committees. Council has delegated to Senate the following responsibilities and functions:

- Making recommendations or reports to Council
- Furthering and coordinating the work of faculties and departments, the General Library and University Press
- Encouraging scholarship and research
- Appointing standing committees as required
- Delegating authority to its committees.

As a delegate of Council, the Senate operates as a committee of Council.

## The faculties

Each faculty is headed by a Dean who is responsible for management of the teaching, research and the administrative activities of that particular faculty. Each faculty has established its own structure of associate and assistant deans, and committees. Deans have primary financial responsibility for their faculties. Every year, faculties are required to prepare an annual plan and an annual report that provides detail of planned activities and achievements. Faculties develop strategic plans in alignment with the University Strategic Plan, to ensure that specific faculty-focused endeavours will push the University, collectively, towards its targets.

## Governance documents

### The Charter

The Charter is a high-level governance document which incorporates the mission, purpose, values and character of the University of Auckland. The Charter is no longer required by the Education Act. The University Council, however, determined that the Charter is of benefit as a guiding document to the University and has endorsed its retention. The Charter mission and values have been incorporated in the Strategic Plan.

### The Strategic Plan 2013-2020

The Strategic Plan is the key document in the University's cycle of planning, delivery and accountability. The Strategic Plan articulates the University's vision and strategic direction for the period of the Plan. The objectives contained within the Plan form the basis for

annual planning and resource allocation as faculties, large scale research institutes and service divisions consider how they can best use resources to maximise progress towards the higher performance and international standing sought by the University.

The University's annual performance is measured against the Plan objectives and progress each year is reported in the Annual Report's Statement of Service Performance.

### Capital Plan and Financial Projections

The Long-Term Academic and Capital Plan sets out the investment required to maintain and enhance the University's infrastructure and resources over a ten-year period. The property capital expenditure programme is reviewed by senior management with specific project approvals sought from Council. Faculty capital requirements are established subject to an annual Asset Management Plan. The Information Technology spending programme is established subject to the IT Strategic Plan, and the Library Committee oversees the University Library's capital expenditure allocation.

A projection of the University's financial performance and position over ten years is prepared periodically. Projections of operating income and expenditure are combined with the capital requirements determined in the Capital Plan to establish an overall projection of the University's financial position and financing requirements over a ten-year period.

## Council committees

### Audit and Risk Committee

Risk management and internal audit activities are overseen by the Audit and Risk Committee.

The principal task of the Audit and Risk Committee is to ensure that all financial statements released to the public, stakeholders, lenders or any regulatory body comply with accounting standards, and are true and fair. The committee reviews the effectiveness of internal controls and risk mitigators in the University and the way in which they are applied.

The committee also oversees the relationship with the University's external auditors. Ernst & Young is appointed by the Office of the Auditor-General for a three-year term. The Audit and Risk Committee receives regular reports on any matters that arise in connection with the performance of the external audit, including the adequacy of internal controls and the truth and fairness of the financial reports.

Health and Safety and internal audits are an integral aspect of the University's risk

management framework. Certain internal audit services are contracted in from PricewaterhouseCoopers for a three-year term.

### Capital Expenditure Committee

The Capital Expenditure Committee is responsible for considering all capital expenditure proposals over \$2.5 million, with a particular focus on the contribution each proposal would make to achievement of Strategic Plan objectives, and the financial sustainability of each proposal.

### Equity Leadership Committee

The Equity Leadership Committee, chaired by the Pro Vice-Chancellor (Equity), provides strategic equity leadership and advises Council, via Senate, and the Vice-Chancellor on fulfilling statutory and compliance obligations, including under the State Sector Act 1988 and the Education Act 1989. Committee membership comprises a range of senior academic and professional staff, student representatives and representatives of the Equity Community of Interest.

The Equity Leadership Committee, Equity Office and Equity Community of Interest contribute to the University of Auckland being a safe, inclusive and equitable place to study and work. Equity leadership enhances the University's reputation and helps attract, retain and support talented people to succeed and contribute to New Zealand's social and economic wellbeing.

### Finance Committee

The purpose of the Finance Committee is to monitor the finances of the University so as to satisfy Council that they are managed in a way that:

- Maintains solvency at all times
- Minimises the risk of external intervention in the affairs of the University
- Promotes achievement of the University's annual budget, mission and strategic objectives.

The Finance Committee supports the Council in carrying out its duty under s.181(e) of the Education Act 1989 to "ensure that the institution operates in a financially responsible manner that ensures the efficient use of resources and maintains the institution's long-term viability".

The committee is responsible for reporting and recommending to Council matters concerning:

- Approval of major financial decisions
- Financial policy and regulatory matters
- Financial strategy and planning
- The financial position and performance of the University
- Any other matter that Council or the Vice-

Chancellor may refer to the committee.

### Rūnanga

The Rūnanga is a committee of Senate and Council, constituted as a Committee of Council and chaired by the Pro Vice-Chancellor (Māori).

The Rūnanga has five primary roles:

- To advise Council on the appropriateness of relevant sections of the Charter, Strategic Plan and Council policies in terms of the University's aspirations to partner with Māori and support Māori development
- To advise Council on the progress and achievements of the University towards its strategic objectives for Māori
- To advise management on operational matters relevant to the delivery on strategic objectives for Māori
- To consider and advise appropriate Senate committees, and through them Council, on academic matters that have direct relevance to Māori curriculum content, delivery and research
- To provide to Council and senior management other advice as may be requested from time to time.

The Rūnanga reports to Council through Senate.

### Ethical standards

The University of Auckland maintains high ethical standards for research and teaching involving animals and humans. The following three committees report directly to Council:

#### Animal Ethics Committee

The Animal Ethics Committee ensures that the protocols for use of animals in research and teaching are of the highest ethical standard in accordance with legislative requirements. The committee reviews proposals and undertakes ongoing monitoring of the use of animals in accordance with the University's Code of Ethical Conduct, approved by the Ministry of Primary Industries under the Animal Welfare Act.

#### Biological Safety Committee

The Biological Safety Committee assesses applications for the use of genetically modified organisms in the University in accordance with the delegation by Environmental Protection Authority (EPA) in order to identify all potential risks to people including researchers and the community, and the environment. Applications are determined in accordance

with the Hazardous Substances and New Organisms (HSNO) Act and any relevant supporting protocols issued by EPA. In addition, the Biological Safety Committee monitors ongoing work within the University and makes recommendations on containment issues as appropriate. The committee has a system for consultation with Māori.

#### Human Participants Ethics Committee

The Human Participants Ethics Committee reviews proposed research and teaching projects that involve human subjects, other than projects that require approval from a New Zealand Health and Disability Ethics Committee, to ensure compliance with the highest ethical standards. In addition, this committee provides advice and assistance to Council and the University community with respect to ethical standards and issues involving human subjects.

#### Other committees reporting to Council:

[Discipline](#)

[Student Appeals](#)

[University Honours](#)

[Vice-Chancellor's Review](#)

**Bankers:** Bank of New Zealand, ANZ Bank, Commonwealth Bank of Australia

**Auditors:** Ernst & Young – on behalf of the Office of the Auditor-General

**Valuers:** Darroch Limited  
ART + OBJECT

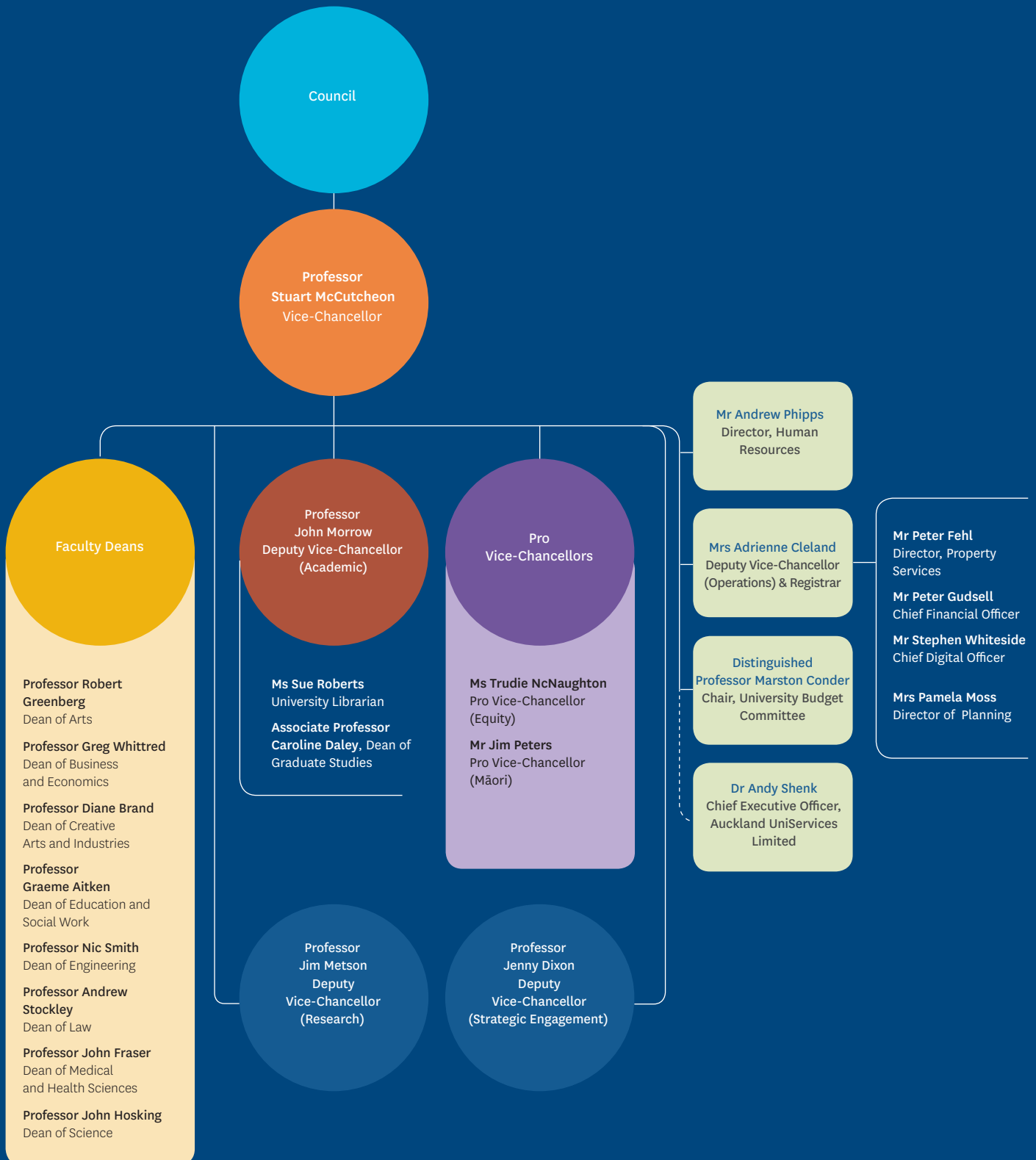
## Health and Safety

The University Health, Safety and Welfare Committee, chaired by the Vice-Chancellor, is a forum of nominated and elected management and staff representatives that enables staff, unions and students to communicate to management issues of interest and concern related to health and safety, and to encourage staff participation in the ongoing maintenance and improvement of a safe and healthy environment. The committee reports to the Audit & Risk Committee.

## Business details

# UNIVERSITY MANAGEMENT STRUCTURE

as at 31 December 2016







A hand holding a tablet against a cosmic background. The background is a vibrant, multi-colored nebula or galaxy with shades of purple, blue, and orange, filled with numerous bright stars. A white rectangular area is positioned in the upper right, and a yellow geometric line structure is overlaid on the scene. The text '02' is prominently displayed in the white area, and 'TEACHING AND LEARNING\_' is written in white across the lower part of the image.

02

TEACHING  
AND  
LEARNING\_



# THE INNOVATION CULTURE

In 2016 the University's operating environment has continued to be marked by rapid change and the impacts of globalisation. In this context, confronting and responding to uncertainty is an institutional imperative. For any university aspiring to world-class status, 'innovation' – a term that can be found in mission statements and organisational strategies of universities globally – is the new 'excellence'. There is increasing external and internal pressure for universities everywhere to 'innovate' in all facets of their core business so as to maximise their contribution to their nation's society and economy within a competitive and rapidly evolving world.

Innovation is most obviously apparent in our research, since it necessarily involves the discovery of new knowledge and its application to the economic, social, cultural and environmental needs of society. Our leadership in discovery was recognised in 2016 through the University's ranking as the most innovative university in Australasia (in the Reuters Top 75: Asia's Most Innovative Universities rankings). Other indicators of innovation include our high level of research commercialisation activity, the high number of patents granted relative to the other universities or the Crown Research Institute sector, the number of University of Auckland researchers who are recipients of Royal Society of New Zealand Research Awards and the high proportion of our subjects (85 percent) ranked first in New Zealand by the QS World University Rankings.

Innovation is also, however, a key feature of the University's approach to teaching and learning. Well-founded teaching innovation – as opposed to the unreflective adoption of the latest technological or pedagogical fad – enhances student learning and assists our graduates in equipping themselves as well as possible to enjoy fulfilling careers in which they make significant on-going contributions to the quality of material and cultural life of

all New Zealanders. The capacity to identify and harness new learning technologies and pedagogies – in ways that sustain the most cherished aspects of our core values and distinct identity as New Zealand's leading higher education institution – lies at the heart of the innovation process.

The University's distinctive approach to educational innovation is perhaps best illustrated by the way it has transformed its teaching delivery model. While this transformation has occurred over time (accelerating in the last decade), in 2016 we dramatically increased our capacity to offer mixed modes of delivery by investing in a state-of-the-art learning management system (Canvas) that provides our academic staff with a wide range of new and exciting ways to experiment with blended and online learning approaches. The implementation of Canvas has taken place against a backdrop of investment to modernise the classrooms and laboratories in which the majority of formal learning takes place. As with the adoption of new electronic tools such as Canvas, the University's building programme has been carefully planned to meet the future needs of students and has drawn on the experience of leading international universities.

The University's distinctive approach to educational innovation is perhaps best illustrated by the way it has transformed its teaching delivery model

The overwhelming majority (approximately 85 percent) of our undergraduate students are under the age of 24 and are attending university at a formative stage in their intellectual and social development. Our students, like those of other highly-ranked international universities with which we compete for enrolments, benefit from the presence of expert teachers modelling intellectual curiosity, critical thinking and other attributes that we strive to foster in our graduates. Providing these students with opportunities to develop intellectual abilities within the social frame of a classroom environment, and with access to the latest learning resources, stands them in good stead when they graduate and equips them to contribute to the outside world. Innovation must retain the benefits of an on-campus, face-to-face education while harnessing the opportunities for flexible, student-directed learning experiences opened up by learning technologies and new pedagogies. The challenges we face are not merely those of 'responding' to technological changes but of seeing if and how technologies can be integrated effectively with the social and educational context of student learning in a research-led university.

Thus while pursuing its mission as a primarily campus-based centre of learning and research, the University is nonetheless actively exploring the opportunities presented by

online education and alternative delivery models in order to provide educational opportunities for distinctive constituencies of learners. For example, the University has expanded its Massive Open Online Course (MOOC) offerings to provide global access to University of Auckland staff expertise in popular curriculum areas (e.g. introductory data analysis, academic integrity, and logical and critical thinking). We have repurposed our "Logical and Critical Thinking" MOOC for University of Auckland students and now offer this course in both an enhanced face-to-face mode and online mode. This initiative provides flexible access options for students and also

that experienced learners are best placed to respond to online teaching because they can build on the skills and capacity for self-directed learning acquired during undergraduate study and are highly motivated to face the significant challenges of this mode of delivery. The University now offers a range of niche postgraduate courses in an online intensive mode to cater to the professional needs of more experienced learners who find themselves balancing study, family and professional life.

Online learning may also, however, play a valuable role at an earlier stage in the education of students by enhancing their

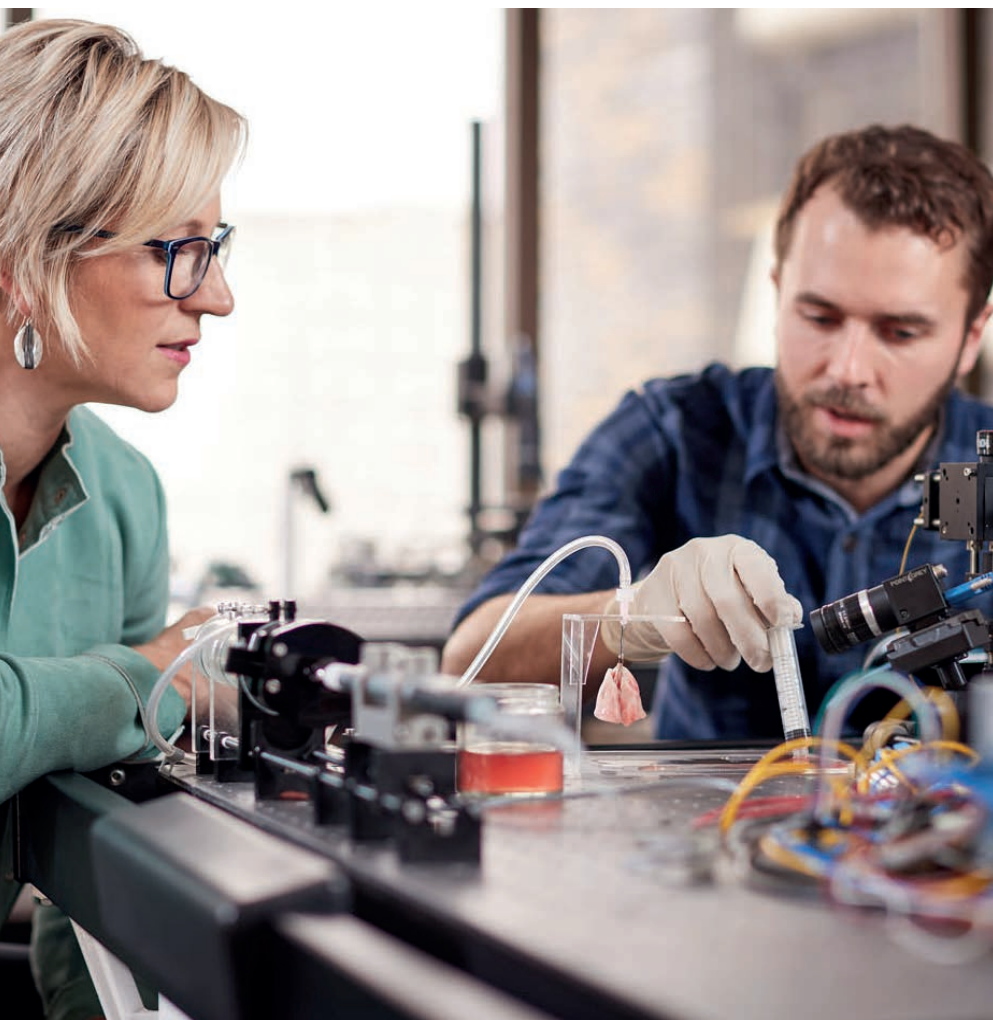
## The University is looking for ways to deliver new types of learning experiences that prepare our students to face the challenges of working ... in an uncertain world.

helps advance our understanding of how students learn in each of these modes.

In addition to providing an option within a framework of on-campus learning, online delivery also has the potential to meet the needs of two quite distinctive sets of off-campus learners. It has long been established

opportunities to prepare for successful participation in university studies. To this end, the University has embarked on a significant e-learning innovation to develop our Science, Technology, Engineering and Mathematics (STEM) Online School, a joint initiative between the Faculties of Education and Social Work, Engineering and Science. This programme seeks to increase the number of secondary school students successfully completing NCEA studies in STEM subjects through the provision of online training support to students, teachers and schools – particularly in the schools that find it difficult to recruit and retain experienced teachers for those subjects.

Our innovations in teaching and learning extend beyond integrating new educational technology into pedagogy. The University is looking for ways to deliver new types of learning experiences that prepare our students to face the challenges of working and contributing to an uncertain world in which they are likely to change careers more than five times. In addition to developing extra-curricular employment-related programmes (e.g. Velocity, the University's entrepreneurship development programme), the University is revising curricula across programmes to incorporate active and experiential learning experiences in contexts that simulate the collaborative approach to project management and problem-solving that is common in the work place. The emphasis of these experiences is on problem-solving,





critical thinking and skills development rather than the direct transmission of facts and information. They are designed to enhance students' learning experience within lecture contexts and to extend opportunities for engagement beyond the classroom. Some of these developments utilise electronic learning technologies (lecture capture systems, interactive feedback software, self-testing and peer review software) and some are supported by flexible learning spaces and enhanced staffing levels, in which the University has made a significant investment.

This raft of innovations reaffirms our vision of the University as a site for equipping New Zealanders with a broad, critical liberal education for the benefit of society, rather than solely for preparing individuals for immediate employment and addressing industry skill shortages. In the best universities, a strong foundation in the Arts and Sciences is incorporated in the educational model. In 2016 we have begun a concerted analysis of the structure and content of our Bachelor of Science and Bachelor of Arts degrees – two of our largest degrees that provide the foundations of a liberal education. Changes to the structure of these degrees and to the programmes within them will ensure that we can continue to deliver the comprehensive range of arts and sciences subjects that is expected of a highly-ranked research-led university. It will also enable students to access interdisciplinary programmes and conjoint undergraduate degrees that provide enhanced career and postgraduate study outcomes. This commitment ensures we maintain the viability of highly-ranked humanities and social sciences subjects that continue to make significant contributions to

our overall rankings and to the attractiveness of the University to high-quality domestic and international students.

To supplement our broad-based, traditional degrees, we have introduced a range of new specialisations which both respond directly to international developments in various fields of academic study and provide additional, highly-focused, opportunities for our students to acquire professional skills in an accelerated timeframe. For example, in the last year, after winning the government's tender for the Auckland ICT Graduate School (with the University of Waikato), we introduced the Postgraduate Certificate in Information Technology and the Master of Information Technology to meet public demand for ICT professionals who possess the right mix of technological skills and business awareness. These programmes serve as pathways to cross-train graduates from other disciplines for a career in information technology in 12-18 months. Other examples of socially-responsive specialisations introduced recently include software engineering and mechatronics, as well as postgraduate specialisations in medical and health sciences and in commercialisation of intellectual property, and undergraduate programmes in biomedical sciences, and environmental and evolutionary sciences.

The University's innovative approach is also manifest in the way it continues to look for new opportunities to promote holistic learning and discovery at the boundaries between disciplines. By increasing opportunities for our students and staff to discover and develop innovative solutions at the intersections of very divergent fields, the University is responding to new and emerging national and global needs. A significant development is the move

by the Faculty of Creative Arts and Industries to introduce a new discipline in contemporary design and creative thinking. This will create exciting opportunities for interdisciplinary learning related to design, including social design, digital design, mechatronics/robotics, entrepreneurship and creative leadership. It will be explored in collaboration with the Faculties of Business and Economics, Engineering and Arts.

The University is innovative in its approach to understanding our students' learning needs at various stages of their learning journey. We are currently developing analytic tools to help teachers and academic leaders understand learner behaviour and engagement so as to personalise intervention and support for our students. The University is deeply engaged in this growing field of research and practice in Higher Education – known as Learning Analytics – and is actively exploring the potential of tools that provide teachers with data that can inform how they might enhance the design of courses and learning activities to improve student learning outcomes.

The University of Auckland has thus systematically modernised its teaching delivery model in response to new challenges and opportunities in our external environment and will continue to do so as the educational landscape evolves. Effective innovation cannot simply be imposed from above or stimulated by regulatory or government controls. Rather it is an incremental and highly contextual process that involves evaluating new opportunities and understanding how they can be converted and adapted in ways that produce tangible educational benefits for our students and graduates. Nor is effective innovation an overnight, quick or cheap fix to the resource challenges faced by institutions. It takes time, effort and extensive dialogue among staff to understand how to respond to opportunities in ways that preserve our core academic values, identity and contribution as New Zealand's premier research university. The range and depth of the University's sustained commitment to well-grounded, resource-efficient innovation reflects our role as critical thought leaders in educational change and belies claims of ingrained academic conservatism.

**TOP:** *PhD Research Innovation and Commercialisation Course, delivered by the Centre for Innovation and Entrepreneurship.*

**LEFT:** *Auckland Bioengineering Institute PhD candidate Sam Richardson demonstrates his experimental setup for optical measurement of lung micromechanics, as part of Professor Merryn Tawhai's and Professor Poul Nielsen's Marsden project.*



## FACULTIES, INSTITUTES, UNISERVICES

### Arts

In facing the challenges of its first key objective, to build a positive school and faculty culture, the faculty has placed a high priority on preparing for the co-location of disciplines to create cohesive school cultures for its three large schools. This is in line with the University's comprehensive project that will see each school's disciplinary areas co-located in the same building by early 2017.

The faculty has also begun a review of school governance roles and structures that should reduce administrative burdens, streamline practices across schools and help establish a more cohesive school and faculty culture.

In addition, the faculty and Property Services have received approval to refurbish Levels 3 and 4 of the Human Sciences Building to create a more open and welcoming space for informal study and student services.

This has been a very successful year for building the faculty's research capabilities, beginning with the establishment of the New Zealand Institute for Pacific Research in March and ending with approval for the creation of the faculty-led Public Policy Institute. The faculty has continued performing strongly in the QS World Rankings, with the University of Auckland ranked as New Zealand's leading institution for 10 of 11 recognised Arts subjects, and among the top 50 worldwide in Archaeology (20th), Development Studies (26th), English Language and Literature (31st), Anthropology (49th), and

Social Policy and Administration (49th).

In readiness for the forthcoming Performance-Based Research Fund (PBRF) quality evaluation, the faculty committed funds to release academic staff on the cusp of A and B grades from other commitments to strengthen their Evidence Portfolios. It also established new School PBRF Adviser roles to ensure staff have access to senior colleagues to advise them through the exercise.

With regard to advancing its engagement strategies with external audiences – especially prospective students, parents, and alumni – the faculty has made strong efforts this year to redress the continued decline in its current undergraduate enrolments. In April, an informed, comprehensive review of the Bachelor of Arts degree commenced. Aiming at more defined career outcomes and an enhanced student experience, the degree will be more appealing to students, parents and employers. The faculty has continued in its efforts to support teaching and learning initiatives that encourage innovative teaching practices, enhance interdisciplinary teaching and/or develop core transferable skills that improve transition-to-career opportunities for Arts students. A new Associate Dean (Teaching and Learning) role was established in November to lead many of the initiatives aiming to improve student experience. The faculty

expects most changes to be implemented in 2018. A new major, Communication, has already been implemented to meet an area of known demand, with first enrolments expected in 2017.

### Business & Economics

At undergraduate level the economics major has been restructured, creating a second "applied" pathway designed to add to the attractiveness of the programme. With the advice and support of the school's Advisory Board we have commenced a design thinking project to explore the implications of digital disruption for our accounting major, by far the largest programme within the BCom. The First Year Experience project was rolled-out in 2016 and has already shown a positive impact. The anticipated modest decline in domestic EFTS of new undergraduate students was more than offset by strong growth in international enrolments; overall undergraduate EFTS were two percent above budget.

At postgraduate level, the national collaborative Māori masters programme has successfully passed through required approvals, but delays in obtaining those have pushed the launch of this programme out to 2018. Within the Graduate School of Management, enrolments in our Postgraduate Diploma/ Master of Business Administration programmes

remained relatively stable and in line with budget. Postgraduate enrolments remained strong and show a substantial improvement in student diversity, while the enrolment of more international students than expected meant we exceeded our revenue targets. A new CFO executive education journey programme has also been successfully launched.

Research enrolments were 27 EFTS under budget, which will be a focus of attention in 2017. The continuing decline in 7R (honours and research masters) EFTS has resulted in the creation of a new 180-point specialist masters portfolio focused on international enrolments. This will launch in 2017.

Times Higher Education introduced a new set of "subject rankings" to complement its university rankings. The University of Auckland ranks 165<sup>th</sup> in the overall ranking. In Business and Economics, the University is ranked at 80 in the world. While the absolute scales differ, our ranking relative to (particularly) our Australasian peers remained almost identical with those achieved under the QS ranking system. Both placed the school comfortably in the top 15–17 schools in Asia.

External research income for the year is up 87 percent at \$1.7 million and the school secured new external research grants of \$4.86 million. In the last two years, we have been the only business school in New Zealand to win elite Marsden grants (one in 2015 and two in 2016). About 33 percent of our success this year in new external research grants is in National Science Challenges or pan-university centres of excellence: well ahead of our 20 percent target for cross-faculty funding.

## Creative Arts and Industries

In 2016, the faculty launched a rebranding exercise which included a change of name from the "National Institute of Creative Arts and Industries" to the "Faculty of Creative Arts and Industries" (CAI). This change is part of an overall marketing plan for the period 2017–2019. It emphasises CAI's integral role in the University, whilst enabling a renewed focus on the identity and activities of its constituent schools and programmes.

In alignment with these changes, CAI undertook a number of major initiatives in 2016. They included measures designed to: enhance the student experience, with particular focus on Māori and Pacific and international students; build a collegial workplace culture; develop

teaching programmes that meet market and employer needs; improve overall research performance; and prepare for PBRF 2018.

The Critical Edge programme was introduced for postgraduate students, resulting in improved engagement of students with academic colleagues, new models of supervision, and greater participation in postgraduate culture through social events and dedicated workshops.

The faculty consulted with Māori and Pacific students and recent graduates to devise ways of improving the student experience. Strategies were developed for building relationships with Pacific communities, and staff are being encouraged and assisted to learn te reo Māori. A marketing plan to enhance international recruitment has been completed. Supplementary admission processes have been streamlined, and now e-portfolio submissions have taken the place of paper-based applications and student auditions.

Preparations for PBRF 2018 are well under way. Priority has been given to support for new and emerging academic staff to produce high quality research outputs, and for developing cross-disciplinary research clusters that can target external research income. CAI has been a contributor to National Science Challenge 11 (Building Better Homes, Towns and Cities) Strategic Research Area 4 (Shaping Places: Future Neighbourhoods), with \$2.5 million of research contracts now in place.

A significant new faculty project secured staff agreement to promote a professional workplace culture founded on respect, collaboration and team-building. This has enhanced the capability and effectiveness of professional and executive teams.

Six new combined degrees have attracted a high level of enrolments, and a new BMUS/LLB conjoint has been developed for 2017. The School of Architecture was ranked 44 in the QS rankings, and gained full five-year accreditation for the MArch(Prof) and the six new combined degrees. In 2017, the Long Term Academic Plan will deliver additional programmes in Music and Architecture, and a business case is being prepared for establishing a new CAI School of Design.

CAI staff, students and alumni have been prominent in gaining public awards. Elam graduate Shannon Te Ao received the 2016 Walters Prize; the shortlist included Joyce Campbell and Lisa Reihana. Associate

Professor Peter Robinson was made an Artist Laureate.

Finally it was with great sadness that we mourned the passing of our dear colleague, architect Adjunct Professor Rewi Thompson, in October. Haere, haere, haere atu ra.

## Education and Social Work

With a ranking of 23 for education in the 2016 QS international rankings, the faculty consolidated its reputation as New Zealand's leading university for education. Individual excellence was recognised through a National Tertiary Teaching Excellence Award, two University teaching excellence awards, and a Fellowship and two medals for research leadership awarded by the Royal Society of New Zealand.

The faculty's progress in integrating digital innovation into teaching and learning was boosted through the establishment of eight Scholarship of Digital Teaching and Learning Circles. These communities of practice, each comprising four to nine staff, were designed to foster interest, confidence and competence in the research-informed and pedagogically sound use of digital technology in tertiary teaching, in a way that is sustainable, replicable and beneficial for student experience. One indicator of a growing confidence and wider culture change in the uptake of digital pedagogies is the increase in the online submission and marking of assignments, with close to half the submissions now online.

As part of redeveloping the faculty's initial teacher education programmes, external advisory groups for each sector were reactivated, and there has been renewed engagement with primary stakeholders at Tai Tokerau and Manukau Institute of Technology. A new Bachelor of Sport, Health and Physical Education has been promoted strongly and is receiving high levels of interest. For the first time, Social Work partnered with the Faculty of Medical and Health Sciences to give social work students an opportunity to experience the five-week Rural Health Inter-professional Immersion Programme.

Throughout 2016 the faculty has undertaken extensive documentation and consultation processes to establish the key research themes that will underpin future research emphases. This balanced prioritising of research concentrations from the top down, with feedback from the bottom up, enables staff to



fully input into creating the emerging themes.

The Senior Leadership Team devoted sustained time in faculty and marae settings to developing a Te Tiriti o Waitangi responsiveness plan that will shape the faculty's interpretation and implementation of its obligations. A new programme of professional development for staff in te reo and tikanga, and Te Tiriti, has been received positively and will be expanded in 2017.

A key focus for professional staff has been to establish a strong service culture underpinned by continuous improvement strategies. The wider team has facilitated change and innovation to deliver on faculty- and centrally-led initiatives as exemplified in: the implementation of Canvas, Talis reading lists and the Summative Evaluation Tool; the high level of engagement with the Service Essentials programme, and the Web Improvement Programme. Significant changes have been achieved in student services to enhance the applicants' experience and improve conversion. Innovations have included a revitalised undergraduate recruitment presentation; the embedding of processes to meet obligations under the Vulnerable Children Act; the practice of working in partnership with academic leaders to deliver a fresh, more robust, approach to selection interviews; and the introduction of conditional offers prior to interview. A new approach to timetabling has improved awareness and engagement, meaning fewer changes were required after publication.

## Engineering

Against the background of constant and significant change, 2016 was a successful year for Engineering. We continued to pursue

our two main strategic goals, focusing on maximising our research impact and delivering an excellent student experience.

Engineering continues to be an attractive option to our students. In 2015 we saw a significant jump in International postgraduate applications, while 2016 saw the rate of International taught postgraduate applications increase again. We have utilised a new software tool to assist in visibility and to help with processing and turnaround times, allowing us to better monitor the workflow between the Student Centre and departments. Since 2015 the Student Centre and departments have increased international postgraduate taught admissions by 9.3 percent, processing a 14.1 percent growth in offers against a backdrop of a 27.4 percent growth in programme applicants.

In the teaching and learning space, a Teaching Transformation Group has been formed to lead transformative change within the faculty to create a student-centred active learning environment. The group has already identified and initiated two major projects: a curriculum reform project (using the Department of Chemical and Materials Engineering as a pilot) and a Teaching Development Unit. Simultaneously, an initiative in semester two was launched to enhance academic support for Māori and Pacific students admitted under the Māori and Pacific Targeted Entry Scheme. Senior teaching staff attended and tutored students in all the Tuākana tutorials. This initiative assisted the student experience by increasing staff/ student engagement and breaking down perceived barriers between teaching staff and students.

The Student Engagement Team, associate deans and course coordinators have worked

closely together to facilitate early warning of academically at-risk students and to provide appropriate support. Further targeted support was provided for all students admitted under Undergraduate Targeted Admission Schemes.

The development stage of the 405 Building programme has been completed. In addition, the faculty has been planning for staff and student relocation into the identified decant spaces, and the close-down planning work for the old B403-404 building. Briefings for the Innovation Laboratory, enhanced library space, student services in 402 and the requirements of 401 are progressing to plan.

In the research space, planning for the 2018 PBRF quality evaluation is going well. Faculty staff, particularly the early career cohort, have performed extremely well in the competitive external research round, and have been acknowledged domestically and internationally for their excellent contributions.

## Law

2016 was a very successful year for the Faculty of Law. Staff and students won all four Legal Foundation awards for the best New Zealand legal writing. Professor Craig Elliffe won the JF Northey Prize for the best law book published in New Zealand and Professor Susan Watson won the Sir Ian Barker Award for the best law article. Professor Jane Kelsey and Dr Arie Rosen won prestigious Marsden Awards, and Associate Professor Claire Charters was one of four people appointed by the President of the United Nations General Assembly to advise on ways to increase Indigenous Peoples' participation in UN affairs.

Auckland law students were ranked second in the world in the International Chamber of Commerce Commercial Mediation Competition and third in the world in the Vis International Commercial Arbitration Mooting Competition, both of which are significant achievements, given the hundreds of teams that compete in these events. Auckland won the Australia New Zealand Air Law Moot for the second year running and again won the New Zealand Law Students' Mooting Competition. This is the ninth time in the last ten years that Auckland law students have won the national mooting.

The faculty established two new research centres, the New Zealand Centre for ICT Law and the New Zealand Centre for Law and Business, both of which have already



# The Faculty of Law is the only New Zealand law school to be ranked among the top 50 law schools in the world. It was ranked the 32nd best law school in the 2016 QS World University Rankings for Law.

established strong links with the legal profession.

As part of the University's new philanthropic campaign, "For All Our Futures", the Auckland Law School is seeking to raise \$10 million over the next five years. Several of the Law School's alumni and friends have already given substantial support to help launch the new campaign. This includes a \$2 million donation from John Mayo, which is the largest gift ever received by the Auckland Law School and which will enable a chair in health law and policy to be established.

Alumni support over the last five years has enabled the Law School to establish new academic prizes and scholarships, to support students facing hardship, and to attract and fund top LLM students. It has helped the Law School establish a new legal writing programme, bring leading scholars from other law schools to Auckland, develop greater links with Asia, and provide more student opportunities through a much-expanded moot and competitions programme.

The Faculty of Law is the only New Zealand Law School to be ranked among the top 50 law schools in the world. It was ranked the 32nd best law school in the 2016 QS World University Rankings for Law.

Auckland has higher entry standards for its degrees than any other New Zealand Law school, offers the largest range of undergraduate courses, and has the most extensive postgraduate programme. It is supported by the staff and resources of the Davis Law Library, New Zealand's leading legal research library.

## Medical and Health Sciences

Significant progress has been made by the faculty on priority objectives. Advances include a major restructuring of the Bachelor of Health Sciences and the Bachelor of Pharmacy, and the launch of the first 180-point taught masters in the School of Population Health. A new Part II BOptom course has been developed. A Master of Nursing Practice and Master of

Health Practice have been developed, along with a postgraduate suite of programmes in Biomedical Science. Postgraduate research EFTS have exceeded budget and forecast, with year-on-year increases in new doctoral students and new Māori and Pacific doctoral students. A streamlined process has been implemented, with a decrease achieved in PhD submission to completion time and mean completion time. The Māori and Pacific Admission Scheme cohort has continued to grow, with high levels of completion: 96.3 percent for Māori and 90.6 percent for Pacific.

International applications and enrolments have increased, notably for PhD study; an inaugural 180-point Master of Health Leadership is now offered with a faculty-funded scholarship available in 2017; and the School of Nursing achieved 32nd in QS rankings.

Research income has grown at approximately two percent per annum in a difficult, capped market, with international funding the biggest challenge. Excellent results were achieved from the Health Research Council's 2015/16 round - the most successful year ever - with increased national market share. The 2016 Marsden round also had excellent results, with seven awards; and one MBIE award was achieved. The timetable for the PBRF quality evaluation 2018 has been confirmed, a Faculty PBRF Coordinator has been appointed and the current Associate Dean (Research) has assumed responsibilities of Associate Dean (PBRF).

Significant progress has been made on gathering and analysing occupancy data for the relocation of Tāmaki staff and facilities to the Grafton campus. A new site at Waitakere Hospital is operational, and discussions are taking place with Waikato District Health Board on space in their new education centre.

Considerable progress has been made with external stakeholders: the Auckland Academic Health Alliance (AAHA) has attracted significant investment associated with the development of an Integrated Cancer Centre; there has been ongoing development of the Auckland Regional

Tissue Bank; and the AAHA early phase clinical trials unit has been established.

Staff objectives have been advanced through working with retiring staff on succession planning; encouraging staff to engage in leadership programmes to ensure succession and identification of future leaders; and supporting a staff wellness programme. Faculty safety committees are being reformed within a new, overarching committee structure.

Commitment to Equity objectives has been shown through continuing success in admitting and enrolling Māori and Pacific students, and an increased percentage of Māori and Pacific undergraduates. Pacific development has been partly achieved, with increased grant submissions and publications. A rainbow FMHS inaugural meeting has been held to improve visibility of LGBTI students and staff.

## Science

The faculty has contributed strongly this year to scientific and educational excellence and to societal and economic impact.

During 2016, the excellent work of faculty members was recognised through many prestigious national and international awards. These included the Royal Society of New Zealand's Rutherford Medal (Michael Corballis), Hector Medal (Stephane Coen), Hutton Medal (Wendy Nelson), Jones Medal (Alastair Scott), Hamilton Prize (Miro Erkintalo), and Hatherton Award (Jason Busby), as well as Fellowships of the Royal Society of New Zealand awarded to Donna Rose Addis, Kathleen Campbell, Rod Dunbar and Hinke Osinga. Other national awards included the Marsden Medal (Margaret Brimble), Baldwin's and BNZ Supreme Research Commercialisation awards (Cather Simpson), Zonta New Zealand's 50 Women of Achievement Award (Nicola Gavey) and NZIC Chemical Science Prize (Christian Hartinger). International awards included a L'Oreal-Unesco

Women in Science Fellowship (Erin Leitao), Society of Biological Inorganic Chemistry Early Career Award (Christian Hartinger) and Bragg Medal (Ted Baker). Seventeen Marsden fund grants were awarded to lead Principal Investigators within the faculty, by far the faculty's most successful Marsden round. Our research quality was further endorsed in the QS rankings, with two of our disciplines in the world's top 50 and six in the top 100.

Our two hosted Centres of Research Excellence, Te Pūnaha Matatini and the Maurice Wilkins Centre, continue to thrive, delivering excellent science and significant translational outcomes; the former through significant consultancy activities, including to government, and the latter through two industrial spinouts and a growing relationship with Chinese partners. The faculty's contributions to other CoREs, most notably Brain Research New Zealand, the Dodd-Walls Centre and the MacDiarmid Institute, and National Science Challenges have been substantial. From this strong research base, the faculty has evolved a set of research-informed teaching programmes attracting close to 8000 EFTS to study with us in 2016, with over 2000 students graduating, including almost 400 postgraduates. These graduates continue to have a major economic and social impact on the nation as they move into their post-study careers. Curriculum renewal and novel teaching delivery approaches have been a strong focus for many of our academic units, typically following departmental and school reviews. Notably, this year the Auckland ICT Graduate School, with its novel teaching delivery approach and strong industrial collaboration, has grown successfully

from its establishment in 2015, in partnership with Waikato University.

Building on these achievements, the faculty has laid foundations for continued success through developing a ten-year academic plan, focusing on a more differentiated undergraduate degree structure, clearer and more effective pathways to successful study and a new research plan focusing on developing research themes and platforms.

This report would be incomplete without noting the positive impact of the new Science Centre building. This magnificent building has been occupied progressively over the year and is a major unifying focal point for the faculty.

### **Auckland Bioengineering Institute**

The Medical Technologies Centre of Research Excellence (MedTech CoRE), hosted by the Auckland Bioengineering Institute (ABI), launched its first major outreach event at Silo Park in October/November 2016 in collaboration with The Testpod (a not for profit organisation dedicated to establishing a science centre in Auckland). This nine-day event featured interactive exhibits, talks and networking opportunities to showcase New Zealand's medical technology research and industry. The launch was well-attended, with representatives from research and commercial organisations affiliated with the CoRE. Our doctoral training programme, launched in 2016, has increased the breadth of graduate training and improved the connections between our graduates and their future employers. We will also participate in a new doctoral training collaboration with the University of Stuttgart.

The long-term goal is to establish a four-year PhD that includes aspects of training and internship.

The ABI has been awarded a prestigious Fondation Leducq Transatlantic Network of Excellence Program Grant for an investigation of heart-imaging technologies led by Professor Bruce Smaill. This award enables us to leverage for additional funding from the Health Research Council, and Marsden (New Zealand), and National Institutes of Health (US). Associate Professor Mark Sagar's Laboratory for Animate Technologies continues to generate considerable commercial interest from a wide variety of international and/or industrial partners, which recently led to the establishment of his new company "Soul Machines". The company attracted US\$7.5 million in its initial financing round, from Hong Kong-based venture capital firm Horizons Ventures.

We are on track for meeting our 2016 target of 82 EFTS for high-quality graduate students. Success with CoREs has provided a large number of graduate student scholarships, as about 11 percent of the total EFTS are funded by the MedTech CoRE and the Riddet CoRE (which focuses on food structures and digestive physiology). As in previous years, the ABI has offered two masters scholarships plus fees waivers to students who met scholarship Grade Points Average requirements. We will continue to increase our numbers of international students through linkages with our international partners in the US and the UK.

ABI has been included in the University's recently-proposed capital plan for a new building to be located adjacent to Engineering and CAI. Once completed, this will become a longer-term home for the ABI (co-located with the School of Biological Sciences and the new design programme being developed by CAI).

ABI has been awarded two HRC grants, a National Heart Foundation Fellowship, three United States' sub-awards, two National Science Challenge projects, one Riddet CoRE and a few non-overheaded grants. There are still risks in securing longer-term fully-costed public good research funding, but strategies are in place to improve our ability to attract funding from those areas. Julian Robertson's Aotearoa Foundation has recently granted the ABI \$3 million to fund three four-year fellowships over approximately six years. However, philanthropy and international funding do not provide sufficient overheads to cover the University Infrastructure Cost Charge that they attract. Distinguished Professor Peter Hunter has signed



a one-year contract with Merino NZ. We have plans to substantially increase our engagement with other commercial entities under the CoRE.

## Liggins Institute

During 2016, the Institute has focused on increasing numbers of high quality postgraduate students from both New Zealand and the world, and on consolidating its research portfolio under its four new themes: Healthy Mothers, Healthy Babies; Nutrition for Life-long Health; Determinants of a Healthy Life; and Research to Reality.

Our postgraduate students comprise 50 percent international students and one-third health professionals from a variety of clinical backgrounds. International advertising and a focus on increasing scholarships, in which philanthropic support has played a key role, have contributed to increasing student numbers.

We have established a national network in Maternal and Perinatal clinical trials, the ON-TRACK network, which has representatives from all the country's District Health Boards, and we are developing a research hub to support this network. The appointment of Dr Martin Kussmann as Professor of Systems Biology in Nutrition and Health is building capability in high throughput 'omics capability supported by increased technological capability. Professor Kussmann is also Chief Scientist of the High Value Nutrition National Science Challenge, which is building upon its establishment phase with a new leadership team. We also host A Better Start, another National Science Challenge, which rolled out its first tranche of research investment in 2016.

Our research portfolio continues to grow with a Health Research Council programme grant awarded to a multidisciplinary team from across the Institute investigating nutrition in babies born moderately-late preterm, led by the Institute Director Professor Frank Bloomfield, and a Marsden grant in collaboration with the University of Otago. Substantial philanthropic support has enabled the LENSscience programme to move to the next phase. This embeds our science within the national curriculum to support behaviour change in future generations, part of our Research to Reality theme.

Our staff and students continue to receive national and international awards and accolades, with Distinguished Professor Jane Harding being awarded the 2016 Beaven Medal for Translational Research by the HRC, Distinguished Professor Peter Gluckman being awarded the Sir Peter Blake Medal and the American Association for the Advancement



of Science Award for Science Diplomacy, and students scooping 50 percent of the presentation awards at a major perinatal conference in Townsville (including one PhD student picking up three awards).

Our research has featured in print, broadcast and online media with several in-depth features discussing the health implications of our research into the early life origins of life-long health for both current and future generations.

## Auckland UniServices Limited

Auckland UniServices Limited is the commercial research, knowledge transfer and custom education company of the University of Auckland – dedicated to connecting the University's capabilities to business and investors, government and the community.

UniServices attracts substantial revenues for the University and, at the same time, delivers the institution significant financial and non-financial dividends. Despite challenges in a number of domestic and international sectors, UniServices has continued to be effective at linking research and education strengths of the University to companies, students and commercial partners here and abroad. We have focused on improving the quality of our business and our internal profitability.


In 2016 UniServices launched the University of Auckland Inventors Fund to increase the investment support we can provide to the world-class intellectual property being generated by both the faculty members and students of the University. We established a wholly-owned foreign entity in China to generate superior growth in our international research portfolio, created a substantial new research partnership in digital health, launched

a record number of spin-out companies and nurtured the most valuable Series A investment that UniServices and the University have ever enjoyed for one of our spin-out companies (Soul Machines).

UniServices has been an avid supporter of the University's Innovation and Entrepreneurship agenda and was instrumental in securing the University of Auckland the ranking of most innovative University in Australasia in 2016, a real achievement that we plan to build on in the future.

Key initiatives underlying UniServices' performance in 2016 include establishment of a permanent business development and relationship management team in Wellington to broaden engagement with new ministries and agencies of the Crown; seed investments in people and exploratory projects that helped expand the scope of some of our largest, most successful research programmes; continuous improvement of our processes and services to ensure we are working on the most important projects; company-wide engagement on identity, purpose and values, cultural competency, health, safety and wellbeing as well as our employee value proposition; and investment in new capital equipment and new software tools to provide the best possible working environment for our people.



A person in a blue shirt is working on a computer. In the foreground, there is a LEGO Mindstorms robot with a blue battery pack and green gears. The background is a blurred office setting.

03

STATEMENT  
OF SERVICE  
PERFORMANCE

# Statement of service performance

## Accomplished and well-supported staff

Leading universities are defined primarily by their ability to attract and foster the best students and the most accomplished teachers, researchers and administrators. The University of Auckland aims to recruit and retain a high quality and diverse body of academic and professional staff, who are passionate about their work and enthusiastic about their contribution to the University's objectives. We seek to provide staff with an environment that develops and rewards talent, is flexible to their needs, and fosters high levels of engagement. Staff are encouraged to provide leadership in their professional capacities outside the University, extending benefits to the wider communities, nationally and internationally.

## Objective 1

A work environment characterised by a commitment to clear expectations, development of potential, inclusiveness, high achievement and rewarding performance.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
Student : academic staff ratio (EFTS : AFTE)	18.7	18.2	18.5	18.2
Academic : professional staff ratio (AFTE : Professional Staff FTE)	1.5	1.6	1.5	1.5
Peer Review publications per AFTE	3.6	4.1	3.8	4.0
Citations per AFTE	96.7	117.1	105.0	132.5
Number of prestigious awards held by academic and professional staff	239	267	≥ 300	296
Proportion of Maori staff in academic positions (%)	5.5	5.9	6.0	6.1
Proportion of Pacific staff in academic positions (%)	2.4	2.4	3.2	2.4
Proportion of Maori staff in professional positions (%)	6.4	6.2	7.0	6.7
Proportion of Pacific staff in professional positions (%)	5.3	5.3	5.8	6.1

- The student-to-academic-staff ratio in 2016 remained at the same level as in 2015.** The increased proportion of postgraduate students and the internal shifts toward increased proportions of Engineering and Science teaching also contribute to the lower than targeted ratio.
- The implementation of policies to improve Māori and Pacific staff recruitment, promotion, reward, and retention have contributed to improvements in the overall numbers and proportions of Māori and Pacific staff.** Māori academic and professional staff numbers and their proportions have improved with Māori academic staff proportions exceeding both the 2016 targets and the 2015 numbers. The numbers of Pacific academic and professional staff have increased, with the proportion of Pacific professional staff improving relative to both 2015 and targets for 2016. The proportion of academic staff who are Pacific remained unchanged from 2015 and below 2016 targets.
- The quality of teaching at the University was recognised through success in the National Tertiary Teaching Excellence Awards 2016:** Associate Professor Tracey McIntosh (Social Sciences) won an award for sustained excellence in teaching in a kaupapa Māori context, and Associate Professor Martin East (Curriculum & Pedagogy) won a sustained excellence in teaching award. Staff of the University have been recognised for their teaching excellence in 13 of the 14 years in which the awards have been made.
- The number and percentage of women in senior academic and professional positions has increased again in 2016.** 52% (189 FTE) of senior professional staff positions are now held by women. 31% (193 FTE) of senior academic staff are women, a small increase relative to the 30% in 2015.
- The significant contributions made by current and former University staff to the leadership of community and professional bodies were recognised through awards and prizes including:**
  - Companion of the New Zealand Order of Merit: Dr Thomas Miller (Honorary Academic, Medicine) for services to medical research; Professor Lesley McCowan (Obstetrics and Gynaecology), for services to health
  - Members of the New Zealand Order of Merit (MNZM): Mr John Taylor (Alumni Relations and Development) for services to education
  - Officers of the New Zealand Order of Merit (ONZM): Professor David Gauld (Mathematics) for services to mathematics; Mr Roger France (former University Chancellor) for services to business; Professor Wei Gao (Chemical & Materials Engineering) for services to science and engineering; Dr Patrick Kelly (Medicine) for services to children's health; Emeritus Professor Bryan Kelly for services to colorectal surgery.

## Objective 2

An outstanding staff experience where success is celebrated and high levels of engagement achieved.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
Proportion of staff positive about staff engagement in staff surveys	74	79	79	79

The University acknowledges the achievements and successes of its staff including through bestowing awards such as:

### Teaching Excellence Awards

- Sustained Excellence in Teaching: Associate Professor Andrew Wearn (Clinical Skills Centre); Dr Duncan McGillivray (Chemical Sciences)
- Early Career Excellence in Teaching: Dr Kelsey Deane (Counselling, Human Services and Social Work); Dr Thomas Gregory (Social Sciences)
- Innovation in Teaching: Drs Michael Rehm and Olga Filippova (Property)
- Leadership in Teaching: Dr Ngaire Hoben (Learning, Development and Professional Practice)

**Early Career Research Excellence awards, which recognise and promote excellence and research leadership potential among the University's emerging researchers:** Dr Kimberley Mellor (Medical Sciences); Dr Miro Erkiñtalo (Physics); Dr Rose Martin (Dance Studies); Dr Kirsten Locke (Critical Studies in Education); Dr June-Chiew Han (ABI); Dr Alice Chang-Richards (Civil and Environmental Engineering).

**Research Excellence Awards which recognise the University's most exceptional and outstanding research achievements:** a team from the Auckland Bioengineering Institute (Associate Professor Leo Cheng, Associate Professor Gregory O'Grady, Dr Peng Du, Dr Niranchan Paskaranandavadivel, Dr Tim Angeli, Dr Shameer Sathar); Professor Peter Watts (Law); Professor Gillian Brock (Humanities);

Associate Professor Quentin Atkinson and Professor Russell Gray (Psychology).

### The Vice-Chancellor's Excellence Awards: Customer/Stakeholder Experience:

- the MAPAS Team; Leadership: Penny Collins; Enabling People: Dr Lynette Read; Community Engagement: Ian Sayer; Delivering Results: Tom Donaldson; Health, Safety and Wellbeing: HazTRAC Subject Matter Experts; Environmental Sustainability: Andrew Stoakes and Jez Vere-Critchler.

### Staff from around the University were recognised for their contributions nationally and internationally:

- Professor Paul Rishworth QC (Law) was made a Member of the Order of the British Empire (MBE) in the Overseas List of the British New Year Honours for his legal services as Attorney-General of the Pitcairn Islands, an office which he held from 2007 to 2015; Professor Lawrence Zhang (Curriculum and Pedagogy) was honoured for his achievement in the field of TESOL with selection into the TESOL International Association's '50 at 50' – identifying 50 scholars in the field of TESOL worldwide who have made significant contributions to the profession within the past 50 years; Associate Professor Claire Charters (Law) was one of two people appointed by the President of the United Nations General Assembly to advise on ways to increase Indigenous Peoples' participation in UN affairs; Dr Kēpa Morgan (Civil and Environmental Engineering) received the

IPENZ Funkert Award for Sustainability and Clean Technology for creating and applying his internationally-recognised framework for integrating indigenous values into sustainability arrangements; Professor Rosalind Archer (Engineering Science) was named as the inaugural Energy Engineer of the Year at the Deloitte Energy Excellence Awards; Dr Michelle Dickinson (Chemical & Materials Engineering) was recognised for her work in promoting science and engineering with the Innovation and Science award at the 2016 Fairfax Media and Westpac Women of Influence awards; Professor Merryn Gott (Nursing) was named NEXT magazine's 2016 Woman of the Year in the health and science category; Associate Professor Peter Robinson (Fine Arts) received a 2016 Laureate Award from the New Zealand Arts Foundation; Kia Eke Panuku's Nyree King (Education) broke a world record and brought home four gold medals at the World Waka Ama Championships; Mr Geoff Whitcher (Centre for Innovation and Entrepreneurship) won a Rhodes Trust Inspirational Educator award, one of 18 people globally to receive the inaugural award; Debra Lampshire (Nursing) won the "Making a Difference" and Supreme awards at the Attitude awards for her huge contribution to mental health awareness; Distinguished Professor Sir Peter Gluckman, the Prime Minister's Chief Science Advisor, was awarded the Blake Medal, the premium award for leadership achievement in New Zealand from the Sir Peter Blake Trust; Microbiologist Dr Siouxsie Wiles (Molecular Medicine & Pathology) won a Blake Leader Award, for outstanding leadership in mid-career.

## Objective 3

An environment in which distributed leadership is developed and valued.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
Proportion of staff positive about leadership in staff surveys	56	59	59	59

### Senior management appointments that were taken up during 2016 were:

- Deputy Vice-Chancellor Research: Professor Jim Metson
- Director, Libraries and Learning Services: Sue Roberts

### Other senior appointments included:

- Chief Financial Officer: Mr Peter Gudsell from December 2016

**Nineteen associate professors were promoted to professor in 2016, seven of these were women.** Other staff were appointed to professorial positions or promoted outside the promotions round.

## Able students, successful graduates and alumni

The capabilities of our graduates, enhanced through their university experience, provide our largest impact on society. A high-quality teaching and learning environment, combined with extracurricular opportunities, helps to ensure that our qualifications are of international standing, and that our graduates are independent and critical thinkers with mastery of a body of knowledge and professional skills, and a broad world view.

### Objective 4

Attract a diverse student body of the highest possible academic potential.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
Proportion of school leavers entering with a GPE greater than or equal to 5	52.2	55.3	56.0	58.0
% Maori undergraduate students (Domestic EFTS)	8.2	9.0	8.9	9.0
% Pacific students undergraduate (Domestic EFTS)	11.2	11.8	11.5	12.0
% Maori postgraduate students (Domestic EFTS)	5.8	6.4	7.3	6.5
% Pacific postgraduate students (Domestic EFTS)	5.6	5.5	7.5	6.2

- **The quality of the student intake, as measured by the percentage of school leavers with a grade point entry score (GPE) of five or better rose to 58%, exceeding the target for 2016 by 2%.** Over the last ten years the percentage of school leavers with a GPE of 5 or better has risen by 25 percentage points from 33% 2006 to 58% in 2016. The change reflects the increased proportion of our students admitted to STEM programmes which have high entry standards.
- **Although the proportion of domestic EFTS generated by Māori students improved and reached 8.4% overall in 2016, the number of EFTS decreased slightly to 2,431 EFTS.** This was fractionally lower than the 2,469 EFTS generated by Māori in 2015. Postgraduate EFTS increased but undergraduate EFTS reduced, mirroring the overall pattern of enrolment. The number of Māori commencing a doctorate continued to rise with 27 commencing in 2016.
- **The proportion of Pacific students at undergraduate level exceeded targets for 2016 and the 2015 proportion to reach 12%.** The total number of EFTS generated by Pacific students increased by 20 to reach 3,077 EFTS in 2016. The number and proportion of Pacific students enrolled at postgraduate level increased in 2016. Seventeen Pacific students commenced a doctorate in 2016 up from only 8 in 2015.

### Objective 5

A student body growing at 1% per annum with increased proportions of international, postgraduate taught and postgraduate research students.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
% Total EFTS (Domestic residency)	86.2	85.3	85.4	84.5
% Total EFTS (International residency)	13.8	14.7	14.6	15.5

- **Total EFTS of 33,118 were achieved. This is a decrease relative to the 2015 total of 370 EFTS (1.1%).** Although overall EFTS were lower in 2016, full fee International EFTS increased by 3.6% relative to 2015, to reach 4,018 EFTS. 28,855 domestic-funded EFTS were achieved in 2016, a decrease of 1.8% (529 EFTS) relative to 2015. Although the funded EFTS were below the budget target, the increased proportions of enrolment in high cost areas resulted in the University achieving 100% of its funded allocation.
- **The proportion of postgraduate enrolments increased marginally in 2016 rising to 24% (23% in 2015).** Total postgraduate EFTS grew by 135 EFTS (1.7%). Growth occurred in both domestic and International postgraduate enrolments, with domestic research postgraduate EFTS increasing by 54 (2% growth). Doctoral enrolments reached 2,031 EFTS in 2016, a marginal increase on 2015. Research masters EFTS increased by close to 5% in 2016, relative to 2015, reaching 807 EFTS.
- **New doctoral enrolments increased by 8% in 2016 with 615 new candidates enrolled.** Although International candidates comprised the majority of the growth (66%), the numbers of local new candidates also grew. In 2016, close to 50% of the new candidates were New Zealand residents, with the numbers of International candidates being slightly higher.
- **The University's graduate student scholarships make an important contribution to supporting and attracting students to the graduate programme.** In 2016, 660 domestic and international doctoral students received funding from the University of Auckland Doctoral Scholarships and other centrally-funded bursaries and awards; a further 54 students received payments from external sources administered via the University and 33 of these were international students. In 2016, 26% of the University of Auckland Doctoral Scholarships awarded were taken up by international students. In all, doctoral students received over \$20.5 million worth of funding and support in 2016.



## Objective 6

A substantial increase in annual completions of taught masters, research masters and doctorates.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
Taught masters completions (Numbers)	641	896	763	791
Research masters completions (Numbers)	737	725	749	845
Doctorate completions (Numbers)	388	373	396	365

- The number of doctoral completions declined marginally again in 2016 with 365 doctoral degrees completed.** This is a reduction of only 8 relative to 2015 but nearly 8% below target. The number of completions has doubled over the last ten years with over 3,000 doctoral candidates graduating from the University during that time.
- Research masters completions increased significantly in 2016 to exceed both the target and the 2015 completions.**
- Taught masters completions have exceeded targets for 2016 but have fallen below 2015 numbers.** The University has continued to achieve enrolment growth in transition masters programmes that allow students to move from generic undergraduate programmes to employment-focused masters, and has expanded the range of these programmes across the University. Several of the new programmes enrolled initial intakes in 2016, and are expected to contribute to increased completions in 2017.
- The overall number of qualifications awarded to Māori and Pacific students increased in 2016.** 815 Māori were awarded degrees or diplomas, including 15 awarded doctorates; a 10% increase from 2015. 818 Pacific students were awarded degrees or diplomas of which 11 were awarded doctorates; a 10% increase from 2015.
- The quality of graduates from the University's doctoral programme was recognised through grants and awards, including the annual Vice-Chancellor's Prizes for Best Doctoral Theses at the University of Auckland, received by:** Sarah Bristow (Medicine); Matthew Hammond (Psychology); Rupert Storey (Engineering Science); Dylan Taylor (Social Sciences); Ankita Umopathy (Optometry and Vision Sciences).
- The new Information and Communications Technology Graduate School (ICT Graduate School) was officially launched in 2016.** The University of Auckland is leading the school, with Professor Gill Dobbie (Computer Science) as the Director, in collaboration the University of Waikato. Its programmes will be offered in Auckland and in Hamilton. The School has significant interaction with industry and businesses in the ICT sector, including providing guest presenters and workshop facilitators and helping connect students with industry through networking and internships.

## Objective 7

A high-quality learning environment that maximises the opportunity for all our students to succeed and provides them with an inclusive, intellectually challenging and transformative educational experience.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
% Successful course completions - overall domestic (excl theses)	89	88	88	88
% of students expressing satisfaction with overall programme quality	94	95	≥ 90	97
Proportion of courses with an evaluation score of 80% or more	69	63	≥ 70	63
Degrees accredited by professional associations/accreditation bodies	46	52	≥ 45	52

- The overall percentage of successful course completions remained the same as those in 2015 and met the target of 88%.** The retention rate for commencing domestic undergraduate students re-enrolling in 2016 was 86% (for international students it was 92%). Activities focussed on improving the retention rate were established following a review of the issues at the Senior Leadership Planning Meeting in November.
- The course completion rate for Māori students remained at 2015 levels reaching 85%, which was fractionally below the target for 2016.**
- Course completion rates achieved by Pacific students declined fractionally in 2016 to 74% from 75% in 2015 and below the target of 76%.** On-going issues with pass rates achieved by new students is a contributor to the decline and will be a focus in the retention activities scheduled for 2017.
- University of Auckland students were successful in gaining prestigious international scholarships.** Tessa Morgan was awarded a Woolf Fisher Scholarship; Bree Huntley was awarded a William Georgetti Scholarship; Andrew McIndoe received the Frank Knox Memorial Scholarship and the Freyberg Scholarship; Annalise Higgins was awarded a Gates Cambridge Scholarship; Ben Dowdle was the first New Zealander to be awarded a Schwarzman Scholarship.
- The University moved to the Canvas learning management system in 2016. The system was piloted during the 2016 Summer School and moved to full use across all courses from the first Semester.** The tool allows teachers to readily incorporate other learning technologies that enhance their teaching and the students' experience. It provides flexibility for staff and students and has been welcomed by students and staff as providing a significant improvement in the learning environment.

- **Accreditations:** the Dieticians Board accredited the University's Master of Health Science in Nutrition and Dietetics Programme; the Institution of Professional Engineers NZ Inc re-accredited the Bachelor of Engineering and Bachelor of Engineering (Honours) programmes; the Pharmacy Council of New Zealand extended accreditation for the Bachelor of Pharmacy and the Postgraduate Certificate in Clinical Pharmacy (Prescribing).
- **Eight regular Academic Unit & Disciplinary Area Reviews were conducted by external panels in 2016:** School of Biological Sciences; School of Law; School of Architecture & Planning; Department of Information Systems & Operations Management; Department of Computer Science; Disciplinary Area of History; Psychological Studies in Education & Social Work; Disciplinary Area of Art History.
- **Action areas identified by Review Committees addressed aspects such as curriculum redesign, cross-disciplinary engagement, teaching innovation, diversification of assessment,**

**postgraduate student experience, research strategy and alternative funding streams.**

- **The Committee on University Academic Programmes has approved the introduction of a number of new specialisations and subjects, and the introduction of the following qualifications:**
  - Bachelor of Sport, Health and Physical Education
  - Bachelor of Engineering (Honours)/Bachelor of Music
  - Bachelor of Music/Bachelor of Laws
  - Bachelor of Music/Bachelor of Laws (Honours)
  - Master of Biomedical Science, suite of associated postgraduate qualifications
  - Master of Conflict and Terrorism Studies and associated postgraduate diploma
  - Master of Māori and Indigenous Business and suite of associated postgraduate qualifications
  - Master of Marine Studies
  - Master of Nursing Practice
  - Master of Social and Community Leadership

and associated postgraduate certificate

- Postgraduate Diplomas in Public Policy, Indigenous Studies and Information Technology
- Foundation Studies Certificate
- **Graduating Year Reviews were completed and approved for the following qualifications and specialisations:**
  - Certificate in Academic Preparation
  - Postgraduate Diploma in Teaching (Secondary Field-based)
  - Master/Postgraduate Diploma and Postgraduate Certificate in Clinical Pharmacy
  - Master of Urban Planning
  - Master of Social Work (Professional)
  - Master of Philosophy
  - Data science for the Master of Professional Studies
  - Food process engineering for the Master of Engineering

## Objective 8

A distinctive, high-quality extracurricular experience that maximises the value to our alumni of their university experience.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
% of students expressing satisfaction with overall university experience	94	95	≥ 90	95

- **The annual Learning and Teaching Survey responses are an important source of student views and provide insights into many aspects of student experience at the University.** They are used widely to understand service and support needs as well as the delivery of courses and academic programmes across the University.
- **In the University's Teaching and Learning Survey, 40% of second and higher year undergraduates and 47% of coursework postgraduate students had undertaken a work placement, internship or other practical experience during their studies. Of the first year undergraduates surveyed, 16% had already undertaken a work placement, internship or other practical experience.**
- **The University has 123 formal exchange agreements with partner universities in 26 countries.** In 2016, 281 Auckland students took the opportunity to study for at least one semester overseas, and were represented at 79 of our international partners in 20 countries. New exchange partnerships were confirmed with a number of institutions including partner institutions in the United States of America, the United Kingdom, China and the Netherlands. The top destinations chosen by exchange students were the United States of America, the United Kingdom and Canada. The Netherlands, Korea, Sweden and Japan were also popular choices.
- **The NZ Universities Blues Awards recognise students' commitment to sporting, cultural and leadership excellence as well as their studies.** A total of 152 awards were bestowed on University of Auckland students in 2016. Major awards included: Sportsman of the Year, Riley Phillips Harris (Karate, Taekwondo); Sportswoman of the Year, Tia Tuiburelevu (Karate); Māori Sportsperson of the Year, Joshua Hawkins (Hurdles); Most Meritorious (Sport), Eliza McCartney (Pole vault); Most Meritorious (Arts), the New Zealand Youth Choir; Most Outstanding Contribution (Service and Leadership), Simon Elliot.
- **Seven University of Auckland students represented New Zealand at the Olympics:** Eliza McCartney (pole vault bronze medallist); Theresa Fitzpatrick (rugby sevens silver medallist); Dylan Schmidt (trampoline finalist); Katie Duncan (football); Pippa Hayward and Stacey Michelsen (hockey); and Sione Molia (rugby sevens). Eliza McCartney also won the Emerging Talent award at the Halberg Awards for her significant achievements in pole vault.
- **Student teams participated successfully in national and international competitions.** The University of Auckland team won the televised quiz show University Challenge which was filmed in the Clock Tower. A team of six students won the European International Submarine's Race overall trophy plus the trophies for most reliable sub and best non-propeller powered sub with their human-propelled submarine, Taniwha. The University of Auckland team earned silver for second place at the 2016 International Commercial Mediation Competition in Paris. The University of Auckland Waka Ama paddlers won gold in the Queen Lili'uokalani race in Hawaii, the world's largest outrigger canoe race, and also won a gold medal in the mixed four-person canoe sprint relay.
- **Over 30 University of Auckland students received a scholarship for exchange and study programmes in Asian nations in the two rounds of the Prime Minister's Scholarships to Asia.**

- **University of Auckland students were recognised at a national level for excellence in the Creative Arts:** Solomon Mortimer won the inaugural New Zealand Photo Book of the Year Award (Self Published) with his work entitled *F.16 G3 20/25/30*; Hugo Lindsay won the 2016 Molly Morpeth Canaday Award with his work entitled *Swipe or Tilt*; Jodie Salmond won the Simon Devitt Prize for Photography with her work *When I'm night driving*; Hannah Valentine was awarded the 2016 Iris Fisher Scholarship in recognition of her 'intriguing' art practice; Benson Wilson was awarded a Patricia Pratt Scholarship in Musical

Performance towards the Guildhall Masters in Opera Studies at the Guildhall School of Music and Drama in London; Matilda Fraser was a finalist in the Sony World Photography Awards Student Focus programme with her image Castle Hill (Kura Tawhiti); Chow Qin Yi won the Gwangmyeong Concept Design Competition run by Weta Workshop - the international art competition finds the top conceptual designers from New Zealand and Korea and brings them together; Tessa Forde was awarded a Royal Institute of British Architecture Dissertation Medal Commendation for her final-year thesis project 'The House that Politics Built: Parliament Aotearoa'.

- **The New Zealand Association of Graduate Employers awarded the University the "Best Careers Service" category at their annual industry awards, along with the University of Canterbury.**

## High-quality research that benefits society

Research-intensive universities play a key role in creating and disseminating knowledge that has positive social, cultural, economic and environmental impact. As a comprehensive university we recognise the intrinsic value of knowledge and of diverse intellectual traditions. We are committed to research excellence across all our disciplines, and to the dissemination of high-quality research with various forms of impact: informing research-led education; contributing to building bodies of knowledge in different disciplines; addressing the world's major challenges; assisting in policy formulation; enriching the cultural life and wellbeing of our communities; and promoting commercial innovation.

## Objective 9

A growing output of excellent research across all our disciplines.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
Number of peer-reviewed research and creative outputs	6,079	6,899	6,480	6,790
Public good research income (New Zealand and International) (\$m)	112.99	133.01	143.94	143.12
Private good research income (New Zealand and international) (\$m)	121.66	119.91	125.31	106.98

- **Royal Society of New Zealand Fellowships and other medals and awards were made to the following staff in 2016:**

Professor Michael Corballis (Psychology), the Rutherford Medal; Associate Professor Iain Anderson (Bioengineering) the Pickering Medal; Professor Merryn Tawhai (Auckland Bioengineering Institute) the MacDiarmid Medal; Associate Professor Stéphane Coen (Physics) the Hector Medal; Professor Wendy Nelson FRSNZ (Biological Sciences) the Hutton Medal; Distinguished Professor Viviane Robinson (Learning, Development and Professional Practice) the Mason Durie Medal; Professor Stuart McNaughton (Curriculum and Pedagogy) the Dame Joan Metge Medal; Emeritus Professor Alastair Scott FRSNZ (Statistics) the Jones Medal. Professor Donna Rose Addis (Psychology), Professor Rod Dunbar (Biological Sciences), Professor Hinke Osinga (Mathematics), Professor Rosalind Hursthouse (Humanities), Professor Lynnette Ferguson (Medical Sciences), Professor Stephen May (Te Puna Wānanga), Professor Peter Shepherd (Medical Sciences), Professor Cris Shore (Social Sciences), Professor Annie Goldson (Social Sciences), and Professor

Kathleen Campbell (Environment) were elected Fellows.

- **The Health Research Council of New Zealand awarded the Beaven Medal to Distinguished Professor Jane Harding FRSNZ (Liggins Institute) for her team's groundbreaking programme of research into low blood sugar levels in newborns.**
- **Rutherford Discovery Fellowships for top early and mid-career scientists were awarded to three science and medical researchers from the University.**
- **Distinguished Professor Margaret Brimble received the Marsden Medal at the New Zealand Association of Scientists Awards in 2016 for a lifetime of outstanding achievement, including break-through work in drug discovery and promotion of science both within the science community and to the wider public.**
- **Medical researchers at the University were awarded four of the five Sir Charles Hercus health research fellowships in 2016.** They are: Dr Ghader Bashiri (Biological Sciences); Assistant Professor Brya Matthews (Medicine);

Associate Professor Melody Smith (Nursing); Dr Christopher Walker (Biological Sciences).

- **Researchers from across the University received \$20.6 million from the Marsden Fund in 2016, for 38 research projects addressing issues ranging from methods of forecasting New Zealand's property market, to improving understanding of internal communication within proteins.**
- **The Health Research Council is the principal government agency responsible for funding health research in New Zealand.** A total of \$37 million was awarded to staff for research programmes and projects over the next three to five years. Three major research programmes were awarded to: Professor Frank Bloomfield for 'Feeding pre-term babies for life-long health'; Professor Michael Dragunov for 'Vascular and inflammatory mediators of neurodegeneration'; and Professor Rodney Jackson for 'Vascular risk informatics using epidemiology and the web 2020'. The other funded research covers topics such as cancer, early childhood ear infections, smoking cessation treatment, dementia, and mechanisms of diabetic cardiomyopathy.

- The University had limited success in the MBIE Endeavour funding round, with two proposals funded for multi-year projects totalling \$5.1 million. The projects include the development of new earthquake resilient technology and medical devices aimed at reducing infection.
- University of Auckland researchers were awarded research grants and scholarships from a number of organisations including public and private companies, and philanthropic agencies. These included the NZ Breast Cancer Foundation, the Auckland Medical Research Foundation and the Heart Foundation. These grants make an important contribution to improving outcomes for society.

## Objective 10

Dissemination of high-quality research that has the greatest possible impact on and value for New Zealand and the world.

### Measures

- The 2016 Celebrating Research Excellence event included the presentation of the Vice-Chancellor's Commercialisation Medals to Professor Iain Anderson (Auckland Bioengineering Institute) and Associate Professor Nikki Turner (General Practice and Primary Health Care).
- The University hosts or co-hosts five Centres of Research Excellence (CoREs): The Maurice Wilkins Centre; Brain Research New Zealand/ Rangahau Roro Aotearoa; Medical Technologies; Te Pūnaha Matatini; and Ngā Pae o te Māramatanga – New Zealand's Indigenous Centre of Research Excellence. The University also contributes to four further CoREs.
- The National Science Challenges continue to have an important role in tackling New Zealand's biggest science-based challenges. The University hosts two of the Challenges and is a collaborator in all but one Challenge. A number of research groups across the University obtained funding in 2016 from the Challenges to address the significant issues articulated in each Challenge's research strategy.
- Auckland UniServices Limited announced the opening of the University of Auckland Innovation Institute China in Hangzhou.
- The Institute will be a world-class centre for research and innovation and the cornerstone for both the University's and and UniServices' position in China.
- Distinguished Professor Richard Faull (Medical Sciences) and Dr Ilva Rupenthal (Medicine) were presented with the one-off Health Research Council of New Zealand (HRC) award for outstanding contributions to health research. The awards were made as part of HRC's 25th anniversary celebrations.
- Dr Erin Leitao, a chemistry researcher investigating new inorganic polymers that could one day produce novel materials, was named the 2016 L'Oréal-UNESCO For Women In Science New Zealand Fellow.
- Associate Professor Cather Simpson's (Chemical Sciences) spin-out company Engender Technologies won the Agtech category at Microsoft's World Cup Tech Challenge. This was the first win in the World Cup Technology Challenge by an Australasian company. Associate Professor Simpson has won a number of awards for her innovative work, and for overall excellence in all core areas of research commercialisation.
- Technologies to deliver better health care and treatment for New Zealanders are the focus of a new multi-million dollar research partnership involving Orion Health, government, the health sector and the University of Auckland, which was launched in 2016. The Precision Driven Health research partnership is worth more than \$37.8 million and includes the Ministry of Business, Innovation and Employment (MBIE), health software leader Orion Health, Waitemata District Health Board, the University and Auckland UniServices Ltd.
- Artificial Intelligence spin-out company Soul Machines was launched after it attracted US \$7.5 million in its initial financing round from Hong Kong-based venture capital firm Horizons Ventures, making it the University's biggest Series A fund raising deal to date. The company is developing a completely new user interface between humans and their machines, based on technology created by Dr Mark Sagar and his team at the Auckland Bioengineering Institute.

## Treaty of Waitangi /Te Tiriti o Waitangi partnerships for mutual benefit

The University of Auckland has a strong history of developing partnerships with Māori that acknowledge the principles of The Treaty of Waitangi /Te Tiriti o Waitangi. We will maintain and strengthen our core of excellent Māori staff, provide programmes that attract Māori students and recognise their aspirations, and encourage teaching, learning and research that contributes to Māori intellectual and cultural advancement.

## Objective 11

Partnerships in which the University and Māori work together to achieve their shared aspirations.

- The Office of the Pro Vice-Chancellor (Māori) works in partnership with others both within the University and in other institutions on projects to further the position of Māori, sponsoring or participating in a number of community initiatives that allow the University to actively engage with local iwi and hapu.
- The University is a partner in the Atlantic Fellows for Social Equity programme which is led by the University of Melbourne and was launched in 2016. The fellowship is

dedicated to supporting mid-career leaders in Indigenous and non-Indigenous communities over the next two decades. Atlantic Fellows will be selected from a diverse range of backgrounds, such as business, academia, public service and industry, and chosen on the basis of their experience, impact and established commitment to social equity ideals, especially those focused on Indigenous communities.

- **The James Henare Māori Research Centre's work in 2016 included foundation analysis by the Te Hiku grouping of the Land and Water study; an application to the**

**Ageing Well Science Challenge, and the enhancement of relationships with Chile.**

- **The Faculty of Engineering announced a partnership with the Federation of Māori Authorities to foster closer ties between leading engineering researchers and Māori enterprises.** The partnership is a valuable opportunity to work more closely with Māori business and enterprise.
- **Approval for a suite of postgraduate Māori and Indigenous Business programmes culminating in the Masters of Māori and Indigenous Business was obtained**

**through the New Zealand Vice-Chancellors Committee.** The qualifications will be offered jointly by six of the New Zealand Universities and will equip Māori and those involved in Māori and Indigenous business for senior leadership roles. Graduates will contribute to the burgeoning Māori economy and be able to stimulate local, national and international business growth.

## Strong partnerships with key organisations and communities

The University interacts with and serves many diverse communities locally, nationally and internationally, which contribute to and draw upon our research, teaching and ideas. Our ongoing relationships with employers, business, schools, other teaching and research institutions, government, councils, and regional and community groups play an important part in the achievement of the University's mission and goals. The University benefits from the political, intellectual and financial support of our many alumni and friends.

## Objective 12

Strong relationships with key partners which have a positive impact on both parties.

- **The Auckland community took the opportunity to engage with internationally-renowned researchers and their research.** Public events included lectures by visiting fellows, inaugural professorial lectures, and the Winter Lecture series entitled "Whales and us: The past, present and future". The 2016 Robb Lectures were delivered by Professor Stuart Firestein and were based on the topic "Science and Uncertainty".
- **The Distinguished Alumni Awards Dinner and Bright Lights panel discussion event showcased the exceptional contribution that the winners have made to their respective fields and to the wider community.** The awardees were: architect David Mitchell; Governor of the Reserve Bank of New Zealand, Graeme Wheeler; MIT Professor of Aeronautics and Astronautics, Karen Willcox; international commercial arbitrator David AR Williams QC; and the Young Alumna of the Year, doctor and social justice campaigner Divya Dhar.
- **The Graduation Gala Concerto Competition was held at Auckland's Town Hall. Anna Cooper took the top prize with her 'elegant and enchanting' rendition of Reinecke's Flute**

Concerto in D major. Lauren Bennet (Violin) and Siyu Sun (Piano) were placed second and third.

- **Alumni and donor-focused events took place locally and internationally and included celebration dinners, receptions, reunions and lectures.**
- **A key priority for 2016 was the launch of the University of Auckland Campaign "For All Our Futures". The Campaign was successfully launched in September 2016 at a major event in Auckland, followed by launches in San Francisco, New York, Boston, London and Hong Kong, and locally in Hamilton.** A comprehensive communications programme took the Campaign messages to wider alumni audiences and the general public.
- **The annual Golden Graduates Luncheon and the Chancellor's Dinner both attracted an enthusiastic attendance in 2016.**
- **Honorary doctorates were bestowed on engineering sector leader Richard Aitken, internationally-successful entrepreneur Charles Bidwill, scientist**

**and environmentalist George Mason, and esteemed photographer Marti Friedlander (a few weeks before her death), in recognition of their major contributions both to the University and to the wider community.**

- **New Zealand Red Cross - Rīpeka Whero Aotearoa recognised the Equity Office – Te Ara Tautika for its work supporting students from refugee backgrounds.** The award was presented for "going above and beyond in their support of Pathways To Employment (P2E) clients starting full-time study at the University of Auckland".

## A sustainable, autonomous university

The success of research-intensive universities is determined by their degree of autonomy, the quality of their people, and their ability to resource and support their activities. The University's commitment to excellence extends to all of its financial, investment, government and management practices, helping to build capacity and to ensure the long-term sustainability of the institution for the benefit of Auckland and New Zealand.

### Objective 13

A growing and increasingly diversified revenue base to support our activities.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
Total revenue (\$m) See note below.	1,013	1,072	1,102	1,093
Total revenue \$ / EFTS See note below.	30,263	32,016	32,327	32,991
Total revenue per academic staff FTE (\$)	468,609	491,151	510,815	494,607

- Unrestricted University revenue has grown by 1.9% from 2015 to 2016.** Increased revenue is associated with a number of factors, including increased International student enrolments and associated fees; improvements in the enrolment processes allowed students to enrol rapidly. This contributed to better than anticipated cash flow and improved financial performance.
- Monthly and semestral reviews of financial performance against budget and forecast were undertaken at various levels of the University organisation structure.** Explanations for variances were sought and, where appropriate, approved.
- Note: Revenue figures are based on the unrestricted Group Revenue. The 2015 figures are restated Group Revenue.**

### Objective 14

Deliver 1.5% of operating revenue from endowment income and current-use philanthropic gifts to provide broad and flexible support for future University initiatives.

- Endowment income and current use philanthropic gifts continue to be used to support a range of University activities including scholarships, professorial research chairs and specific research projects.**
- Building and maintaining strong relationships with philanthropic partners continues to deliver impact for the University and the communities it serves.**
- Excellent results were achieved in 2016 for the University of Auckland Campaign "For All Our Futures", with donations for a single year exceeding \$50 million for the first time in the University's history.** The campaign recognised a number of gifts of \$5 million or more, including from George Mason for marine science, from the Li Ka Shing Foundation for innovation and entrepreneurship, from the Aotearoa Foundation for research at the Centre for Brain Research and the Auckland Bioengineering Institute, and from the estate of John Turnbull for engineering.
- The 2016 Chancellor's Dinner recognised an unprecedented level of generosity to the University with a record 35 new members being inducted to the Chancellor's Circle including five new members into the \$5 million plus Sir Maurice O'Rorke Society.**

### Objective 15

An infrastructure of the highest quality possible to support our teaching, learning, research, and community engagement.

- The new Science building opened in mid-July, and ground floor student spaces have been heavily populated since opening.** Staff also appreciate the innovative design.
- The University's Campus re-development planning continued in 2016 as scheduled.** Council approved the business case for the new Engineering Building allowing the design phase to proceed to the next stage. A significant amount of further planning work was undertaken including for a new recreation centre, student hub and retail activity. Architectus was selected to provide a masterplan. Designs for further student accommodation in Whittaker Place were advanced with strong support for the design from the Council Urban Design Panel. Preliminary design was completed for Grafton Hall.
- The sale of Tāmaki campus to Tāmaki Village Ltd was settled in early July. Work is underway on reviewing options for the progressive moves into the City from Tāmaki.**
- University buildings received recognition in 2016:** The Civil Structures Hall (Newmarket), home to one of Australasia's largest earthquake testing facilities, was named Supreme Award winner at the New Zealand Commercial Project Awards; the Property Services team and engineering firms BECA and BTL achieved an Arthur Mead merit award from IPENZ for the environmental and sustainability features they incorporated into the Newmarket Campus Engineering Innovation Centre.
- A new Student Portal, MyAucklandUni, launched in February and had positive feedback from students.** The University's new web homepage went live in May.
- After wide consultation via the University's Research Committee, the University has adopted Open Access Guidelines.** Open access is increasingly seen internationally as best practice, in research, particularly for publicly funded work and is often a requirement of such funding.
- The University implemented a new online course and teaching evaluation system, the Summative Evaluation Tool, using eXplorance Blue software.**

## Objective 16

Sustainable practices to make more efficient use of resources and enhance our environmental performance.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
Energy consumption (KWh/m <sup>2</sup> GFA)	157	166	165	160
Wastewater (m <sup>3</sup> / m <sup>2</sup> GFA)	0.7	0.7	0.7	0.7
Paper (A4 reams / EFTS)	2.3	3.1	2.9	3.5
Solid waste to landfills (m <sup>3</sup> / EFTS)	0.4	0.5	0.5	0.6
CO2 emissions (t CO2-e / EFTS)	0.8	0.8	0.8	1.0

- **The University has invested significant effort in refining its measurement of the environmental performance measures and monitoring performance to achieve improvements.** The improvement in energy consumption in spite of the increasing sophistication and energy dependency of new buildings is an example of the outcomes anticipated.
- **Ongoing enhancements to the University's data centres have resulted in significant**

**energy savings.** The most recent innovation is a customised "cold-aisle" containment system in the OGGB data centre. This enables cooling to be directed at the servers, rather than the whole room in which they are housed. This initiative is expected to save around 200,000 kWh of energy as well as \$100,000 per year, and was awarded the inaugural VC's Award for Excellence in Environmental Sustainability.

- **Students in University accommodation again signed up for the 'green your room' challenge, making the most of the opportunity to live in a more sustainable way.** The challenge included making efforts to turn off lights and taps, turn heaters off or down, close blinds to keep the heat in, take the stairs and shut down computer screens, with 43 percent of residents in student accommodation taking part, up from 25 percent last year. They also volunteered for community initiatives like tree planting and clean-ups.

## Objective 17

A safe and healthy environment.

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
Numbers of injuries	488	684	≤ 750	569
Rating in self-assurance review	Tertiary	Tertiary	Tertiary	Tertiary

- **Following the approval of the Health and Safety Policy applying to all staff and students, a Health and Safety risk framework and a number of tools to support managers in meeting their Health and Safety obligations have been developed and distributed.** A holistic approach to wellbeing has been established which includes both

individual and team wellbeing, with a focus on the importance of leaders supporting health, safety and wellbeing in the workplace.

- **The University implemented a new inventory management system, SciQuest ERM.** This means the exact location and amount of every chemical and biological item at the University

is known and emergency services can be advised, with confidence, when required, such as if there is a fire.

## Objective 18

High quality governance and management practices consistent with the mission and values of the University of Auckland

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
Operating surplus as a % of revenue	4.4	6.2	3.0	4.2
Operating cash receipts as a % of operating cash payments	122.2	123.0	119.6	123.3
Revenue achieved as a % of Budget	101.2	N/A	N/A	N/A

- **University management reported quarterly to the Audit Committee on key risk management issues.**
- **The Council approved the 2017 Budget and noted the University and Faculty Key Performance Indicators that measure progress toward the Strategic Plan objectives.** Progress toward the annual targets for eleven key indicators was reported to Council at each meeting. Progress toward faculty and Large Scale Research Institute annual targets was reviewed by the Vice-Chancellor as part of Deans' and Directors' annual reports and through the Semestral Review Process.
- **The composition of Council was changed to align with the provisions of the Education Amendment Act 2015, involving a reduction of member numbers from 18 to 12 while maintaining an appropriate balance of membership to reflect the contributions of all the University's major stakeholder groups.**
- **Faculties, service divisions and LSRI's submitted progress and end-of-year reports against their 2016 Annual Plans.** 2017 Annual Plans were submitted and discussed at the Senior Leadership Team Planning Meeting in November. Compliance with University financial management policies, including treasury and transactional policies, was monitored on an on-going basis.
- **Budget targets and revenue as a percentage of budget are not available for the Group including the Foundation for 2015 and 2016.**

## A public university of global standing

To continue to realise our aspiration to be a leading public university of global standing, we will maintain and build strong partnerships with leading universities who share our commitment to excellence in research-led education. These relationships will help us to advance and measure our performance in an international context, and ensure that we are an integral part of the international community of leading public universities.

## Objective 19

A network of peer institutions that will inform and support our overall mission and enable continuous improvement through partnership and benchmarking

Performance indicators	2014 Actual	2015 Actual	2016 Target	2016 Actual
Rankings in the Times Higher Education	175	172	≤ 155	165
QS Rankings	92	82	80	81

- **The University of Auckland retained its position as the top New Zealand university in the three main world university ranking systems.** It was the only New Zealand university among the top 100 universities in the QS World University Rankings, attaining a ranking of 81. In the QS individual subject rankings, the University was in the top 50 world-wide for fifteen of the thirty-eight subjects in which we were ranked, with Archaeology (20), Education (23), Development Studies (26), Psychology (29), English Language and Literature (31), Law (32), Nursing (32), and Accounting and Finance (34) ranking particularly well.
- **In the Times Higher Education World University Rankings, the University of Auckland ranked 165th in the world.**
- **In 2016, the University ranked in the 150-200 band in the Shanghai Jiao-Tong World Ranking of Universities.**
- **In the inaugural Reuters Top 75: Asia's most Innovative Universities rankings, the University was placed top in Australasia, at 27th.**
- **The University participated in the QS Employability Ranking and was ranked in the 51-60 group, and in the Times Higher Education Global University Employability Ranking it achieved a position of 140.**
- **The University's international relationships allow access to international forums and networks that provide staff with opportunities for development and collaboration.** The University is an active member and participant in the Worldwide Universities Network, Universitas 21, the Association of Pacific Rim Universities, and also in the Australian Group of Eight working groups and committees. A range of academic and professional staff enjoyed the benefits of the University's membership of these groups, through research collaborations and grants.
- **Participation in the Annual Meetings of the networks and contributing to the policy agendas and decisions of those groups is key to maintaining and enhancing our international reputation, leading to further collaborative and research opportunities.** The Deputy Vice-Chancellor (Strategic Engagement) Professor Jenny Dixon was elected to chair the U21 Senior Leaders Group in 2016.



# Statement of the cost of outputs

The University's Mission and Values establishes three broad classes of output that result from its activities. The outputs are research-informed teaching, learning and scholarship; fundamental and commercial applications of research and creative works; and contributions to its local, national and international communities.

	Consolidated			
	2014 Actual \$000	2015 Actual \$000	2016 Budget \$000	2016 Actual \$000
Teaching and learning	637,651	664,596	699,633	701,998
Research	288,835	296,847	322,174	301,622
Community Service	41,744	45,323	47,184	40,157
<b>Total cost of outputs</b>	<b>968,230</b>	<b>1,006,766</b>	<b>1,068,991</b>	<b>1,043,777</b>

## Compulsory student service fees

	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000
	Advocacy and legal advice	Careers information advice and guidance	Counselling and pastoral care	Employment information	Financial support and advice	Health services and Disability services	Media	Childcare services	Clubs and societies	Sports, recreation cultural activities	Other	Total
Compulsory Student service fees											20,668	20,668
Other			30			1,746		5,329				7,105
Total revenue	-	-	30	-	-	1,746	-	5,329	-	-	20,668	27,774
Expenses	1,140	2,026	3,734	99	30	4,323	77	5,505	1,414	9,426		27,774
Total expenses	1,140	2,026	3,734	99	30	4,323	77	5,505	1,414	9,426	-	27,774
Surplus/(deficit)	(1,140)	(2,026)	(3,704)	(99)	(30)	(2,577)	(77)	(175)	(1,414)	(9,426)	20,668	0

The Compulsory Student Services Fee (CSSF) was set at \$754.80 per full-time student in 2016. The administration of the CSSF is integrated within the University's normal operations. All income and expenditure associated with the provision of student services is separately identifiable in the University's accounting system.

### Advocacy and Legal advice

Advocacy support is provided to students by student organisations, including AUSA and PGSA. AUSA offers all students access to a free and confidential advocacy service, which is independent from the University. The Advocacy team provides professional advice on any issue, whether academic, financial or of a more personal nature. It offers advice about student rights and University procedures.

### Career information and support

Career Development and Employment Services (CDES) assists current students and alumni for up to three years after graduation with all aspects of career development. The support provided enables students and graduates to develop the capabilities to successfully self-manage and navigate their world of work, life and learning. This includes online information and resources, and a range of tailored workshops and individual appointments. CDES provides opportunities for students to engage with employers through large expos, career events, employer presentations and a job board. Career development consultants have special responsibilities including being the lead consultant for specific faculties as well as for Māori, Pacific, international and postgraduate students.

### Counselling services & pastoral care

Counsellors are available for one-on-one and group appointments to help students overcome barriers to academic progress arising from personal circumstances. A range of staff are also available to provide pastoral care including chaplains, resident assistants in halls of residence and faculty-based staff. The University's Student Proctor is available to address disputes between students and concerns about student behaviour.

### Employment information

Part-time employment opportunities for current students are promoted on campus in a variety of ways. There is also a job board on the CDES website which is accessible to all students and alumni up to three years after graduation.

### Health services

University Health Services provides primary health care services to students to help prevent and overcome personal difficulties relating to their physical and mental wellbeing. Primary health care services are delivered by GPs and nurses. Disability Services provides a range of support to students with physical and mental disabilities.

### Media

The University supports the production and dissemination of information by students to students including web-site hosting, print-based media and online communities for students across the University.

### Childcare services

Childcare facilities are available to parents across all campuses.

### Clubs and societies

The University of Auckland supports clubs and societies through the provision of administrative support, grants, facilities and equipment.

### Sports, recreation and cultural activities

The University provides sport and recreation facilities and services to students. The University Recreation Centre offers gym and fitness equipment, fitness classes and sports facilities such as a sports hall and squash courts. The sport and recreation department delivers student sporting tournaments, events, wellness programmes and supports sports club activities. The University also provides a range of cultural activities on campus.



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BUSINESS


A woman in a white top and pearl necklace is looking at a tablet. The image is overlaid with a blue gradient and geometric lines. A large white box with a yellow border contains the number '04'.

04

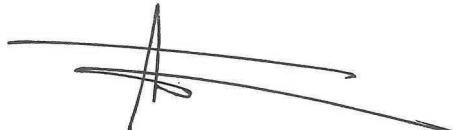
FINANCIAL  
STATEMENTS\_

## Statement of responsibility

- The Council and management of the University of Auckland accept responsibility for the preparation of the Financial Statements and the judgments used in them.
- The Council and management of the University of Auckland accept responsibility for establishing and maintaining a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
- In the opinion of the Council and management of the University of Auckland, the Financial Statements for the year ended 31 December 2016 fairly reflect the financial position and operations of the University of Auckland.
- The Council of the University of Auckland has reviewed these Financial Statements at its meeting of 6 March 2017 and formally adopted these Financial Statements for issue on 15 March 2017.



Scott St John  
CHANCELLOR



Professor Stuart McCutcheon  
VICE-CHANCELLOR



Mrs Adrienne Cleland  
DEPUTY VICE-CHANCELLOR  
(OPERATIONS) AND REGISTRAR

# Statement of comprehensive revenue and expenses

For the year ended 31 December 2016

	Note	Consolidated					
		2016 Unrestricted \$'000	2016 Restricted \$'000	2016 Total \$'000	2015 Unrestricted \$'000	2015 Restricted \$'000	2015 Total \$'000
<b>Operating revenue</b>							
Government grants	2	418,589	-	418,589	416,432	-	416,432
Tuition fees		286,356	-	286,356	275,720	-	275,720
Research and contracts	3	243,353	-	243,353	246,223	-	246,223
Service income		105,000	-	105,000	100,056	-	100,056
Donations and legacies		5,428	29,601	35,029	1,441	23,198	24,639
Interest received		1,128	6,462	7,590	5,268	3,032	8,300
Other revenue		13,858	-	13,858	9,208	1,378	10,586
Other gains/(losses)	4	5,248	7,040	12,288	56	5,676	5,732
Transfer of funds from restricted to unrestricted	5	13,627	(13,627)	-	17,778	(17,778)	-
<b>Total operating revenue</b>		<b>1,092,587</b>	<b>29,476</b>	<b>1,122,063</b>	<b>1,072,182</b>	<b>15,506</b>	<b>1,087,688</b>
<b>Operating expenses</b>							
People costs	6	603,869	-	603,869	600,629	-	600,629
Operating costs	7	319,879	-	319,879	281,733	-	281,733
Finance costs		139	-	139	141	-	141
Depreciation and amortisation	10,11	122,897	-	122,897	123,283	-	123,283
<b>Total operating expenses</b>		<b>1,046,784</b>	<b>-</b>	<b>1,046,784</b>	<b>1,005,786</b>	<b>-</b>	<b>1,005,786</b>
Net surplus before tax		45,803	29,476	75,279	66,396	15,506	81,902
Income tax expense		(32)	-	(32)	389	-	389
<b>Net surplus after tax</b>		<b>45,835</b>	<b>29,476</b>	<b>75,311</b>	<b>66,007</b>	<b>15,506</b>	<b>81,513</b>
<b>Other comprehensive revenue and expenses</b>							
Gain/(loss) on asset revaluation reserve	18	824,871	-	824,871	115,759	-	115,759
Gain/(loss) on cash flow hedges taken to equity	18	383	-	383	(631)	-	(631)
Gain/(loss) in foreign currency translation reserve	18	(58)	-	(58)	(331)	-	(331)
Gain/(loss) on available for sale reserve	18	11,044	-	11,044	-	-	-
Gain/(loss) in statutory reserves	18	-	-	-	94	-	94
<b>Total comprehensive revenue and expenses</b>		<b>882,075</b>	<b>29,476</b>	<b>911,551</b>	<b>180,898</b>	<b>15,506</b>	<b>196,404</b>
<b>Net surplus is attributable to:</b>							
Members of the parent entity		882,075	29,476	911,551	180,898	15,506	196,404

The accompanying Notes to the Financial Statements on pages 52 to 86 form part of and should be read in conjunction with these financial statements.

# Statement of comprehensive revenue and expenses (continued)

For the year ended 31 December 2016

	Note	University		
		Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>Operating revenue</b>				
Government grants	2	418,589	422,637	416,432
Tuition fees		286,356	288,562	275,720
Research and contracts	3	143,121	144,534	133,014
Service income		137,984	125,844	123,866
Donations and legacies		11,845	8,974	13,505
Interest received		5,103	4,580	5,159
Other revenue		12,280	7,656	11,395
Other gains/(losses)	4	5,082	(14,408)	(862)
<b>Total operating revenue</b>		<b>1,020,360</b>	<b>988,379</b>	<b>978,229</b>
<b>Operating expenses</b>				
People costs	6	546,784	550,040	528,220
Operating costs	7	299,699	291,622	269,729
Finance costs		2,712	1,880	2,448
Depreciation and amortisation	10,11	121,667	111,908	121,690
<b>Total operating expenses</b>		<b>970,862</b>	<b>955,450</b>	<b>922,087</b>
Net surplus before tax		49,498	32,929	56,142
Income tax expense		-	-	-
<b>Net surplus after tax</b>		<b>49,498</b>	<b>32,929</b>	<b>56,142</b>
<b>Other comprehensive revenue and expenses</b>				
Gain/(loss) on asset revaluation reserve	18	824,871	-	115,679
Gain/(loss) on cash flow hedges taken to equity	18	284	-	(602)
Gain/(loss) in foreign currency translation reserve	18	-	-	-
Gain/(loss) on available for sale	18	-	-	-
Gain/(loss) in statutory reserves	18	-	-	-
<b>Total comprehensive revenue and expenses</b>		<b>874,653</b>	<b>32,929</b>	<b>171,219</b>
<b>Net surplus is attributable to:</b>				
Members of the parent entity		874,653	32,929	171,219

The accompanying Notes to the Financial Statements on pages 52 to 86 form part of and should be read in conjunction with these financial statements.

# Statement of financial position

As at 31 December 2016

	Note	Consolidated		University		
		Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>Current assets</b>						
Cash and cash equivalents		53,642	28,134	42,942	30,165	17,549
Short term bank deposits		111,946	38,046	79,626	-	8,973
Receivables	9	51,338	48,265	59,553	33,657	59,397
Research work in progress		10,455	11,653	9,143	6,758	8,395
Derivative financial instruments	22	195	-	29	410	-
Inventories		1,750	1,788	1,750	1,466	1,692
Prepayments and other current assets		22,068	22,866	22,560	10,840	22,861
<b>Total current assets</b>		<b>251,394</b>	<b>150,752</b>	<b>215,603</b>	<b>83,296</b>	<b>118,867</b>
<b>Non-current assets</b>						
Investment in controlled entities	20(a)	-	-	20,283	27,753	1,000
Property, plant and equipment	10	2,791,926	2,035,521	2,787,694	1,901,929	2,030,778
Intangible assets	11	23,297	14,530	23,072	25,102	14,309
Other financial assets	22(a)	177,299	140,682	9,499	-	25,213
<b>Total non-current assets</b>		<b>2,992,522</b>	<b>2,190,733</b>	<b>2,840,548</b>	<b>1,954,784</b>	<b>2,071,300</b>
<b>Total assets</b>		<b>3,243,916</b>	<b>2,341,485</b>	<b>3,056,151</b>	<b>2,038,080</b>	<b>2,190,167</b>
<b>Current liabilities</b>						
Payables	12	125,019	121,394	116,849	121,156	113,452
Deferred revenue	13	142,425	117,263	114,907	90,964	91,096
Income tax payable		(32)	389	-	-	-
Loans and borrowings	15	622	620	64,622	47,617	62,620
Employee entitlements	14	49,305	46,347	45,611	46,241	42,974
Derivative financial instruments	22	-	188	-	-	259
<b>Total current liabilities</b>		<b>317,339</b>	<b>286,201</b>	<b>341,989</b>	<b>305,978</b>	<b>310,401</b>
<b>Non-current liabilities</b>						
Employee entitlements	14	49,820	48,085	49,784	51,433	48,048
Deferred revenue	13	1,250	1,250	1,250	-	1,250
Loans and borrowings	15	2,299	44,292	2,299	2,228	44,292
<b>Total non-current liabilities</b>		<b>53,369</b>	<b>93,627</b>	<b>53,333</b>	<b>53,661</b>	<b>93,590</b>
<b>Total liabilities</b>		<b>370,708</b>	<b>379,828</b>	<b>395,322</b>	<b>359,639</b>	<b>403,991</b>
<b>Net assets</b>		<b>2,873,208</b>	<b>1,961,657</b>	<b>2,660,829</b>	<b>1,678,441</b>	<b>1,786,176</b>
<b>Equity</b>						
General equity	18	1,248,346	1,168,165	1,219,084	1,141,843	1,138,196
Reserves	18	1,414,148	610,893	1,401,730	497,337	609,560
Restricted and special funds	19	210,714	182,599	40,015	39,261	38,420
<b>Total equity</b>		<b>2,873,208</b>	<b>1,961,657</b>	<b>2,660,829</b>	<b>1,678,441</b>	<b>1,786,176</b>
<b>Net assets</b>						
Restricted		192,815	163,339	22,117	19,161	19,161
Unrestricted		2,680,393	1,798,318	2,638,712	1,659,280	1,767,015
<b>Total net assets</b>		<b>2,873,208</b>	<b>1,961,657</b>	<b>2,660,829</b>	<b>1,678,441</b>	<b>1,786,176</b>

The accompanying Notes to the Financial Statements on pages 52 to 86 form part of and should be read in conjunction with these financial statements.

# Statement of cash flows

For the year ended 31 December 2016

	Note	Consolidated		University		
		Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>Cash flows from operating activities</b>						
Government Grants		418,650	412,031	418,650	421,441	412,031
Tuition fees		290,840	278,301	290,840	293,728	278,301
Other operating receipts		415,972	394,853	319,035	293,988	293,021
Goods and services tax (net)		3,886	(4,233)	3,429	(830)	(3,886)
Payments to employees		(536,682)	(527,728)	(496,138)	(481,413)	(473,520)
Other operating payments		(379,368)	(353,365)	(343,026)	(346,604)	(324,963)
Net cash provided by operating activities	8	213,298	199,859	192,790	180,310	180,984
<b>Cash flows from investing activities</b>						
Interest received		7,997	8,490	3,950	4,626	4,820
Proceeds of loan from controlled entities		-	-	2,000	-	15,000
Proceeds from disposal of financial assets		12,785	39,326	-	-	13,144
Acquisition of property, plant and equipment and work in progress		(58,850)	(235,011)	(57,215)	-	(233,477)
Borrowing costs capitalised		(237)	(76)	(237)	(5,164)	(76)
Acquisition of financial assets		(107,037)	(35,020)	(65,897)	(169,176)	-
Investment in controlled entities		-	-	(5,051)	-	-
Net cash provided by/(used in) investing activities		(145,342)	(222,291)	(122,450)	(169,714)	(200,589)
<b>Cash flows from financing activities</b>						
Proceeds from borrowings		20,000	118,000	20,000	-	118,000
Interest paid		-	-	(2,573)	(1,880)	(2,234)
Repayment of borrowings		(62,130)	(80,630)	(62,130)	(630)	(80,630)
Net cash provided by/(used in) financing activities		(42,130)	37,370	(44,703)	(2,510)	35,136
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>25,826</b>	<b>14,938</b>	<b>25,637</b>	<b>8,086</b>	<b>15,531</b>
Cash and cash equivalents at the beginning of the financial year		28,134	13,307	17,549	22,079	2,158
Effects of exchange rate changes on cash and cash equivalents		(318)	(111)	(244)	-	(140)
<b>Cash and cash equivalents at the end of the financial year</b>		<b>53,642</b>	<b>28,134</b>	<b>42,942</b>	<b>30,165</b>	<b>17,549</b>
<b>Reconciliation of cash and cash equivalents</b>						
Current accounts at bank		45,935	19,012	40,597	30,165	16,177
Foreign currency current accounts at bank		7,707	9,122	2,345	-	1,372
<b>Total cash and cash equivalents</b>		<b>53,642</b>	<b>28,134</b>	<b>42,942</b>	<b>30,165</b>	<b>17,549</b>

The accompanying Notes to the Financial Statements on pages 52 to 86 form part of and should be read in conjunction with these financial statements.



# Statement of cash flows (continued)

For the year ended 31 December 2016

Cash flows are classified into three sources:

## Operating activities

- The principal revenue producing activities of the Group generally result from the transactions and other events that are integral to the determination of the net surplus. Operating activities include all transactions and other events that are not investing or financing activities.

## Investing activities

- Those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments include securities not falling within the definition of cash and cash equivalents.

## Financing activities

- Those activities that result in changes to the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash and cash equivalents.

Interest paid is classified as a financing cash flow and interest and dividends received are classified as investing cash flows.

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments and other short-term, highly liquid investments with original maturities of 90 days or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are stated net of outstanding bank overdrafts when the bank has full right of set-off against accounts which are in funds. Bank overdrafts, for which the bank has no right of set-off, are shown within current liabilities in the statement of financial position.

The carrying value of cash at bank, call deposits, and term deposits with maturities less than three months approximates their fair value.

# Statement of changes in equity

For the year ended 31 December 2016

	Note	Asset revaluation reserve \$'000	Hedging and statutory reserves \$'000	Foreign currency translation reserve \$'000	General equity \$'000	Restricted and special funds \$'000	Available for sale reserve \$'000	Total equity \$'000
<b>Consolidated</b>								
Balance as at 1 January 2016		611,321	(94)	(334)	1,168,165	182,599	-	1,961,657
Net surplus for the year		-	-	-	75,311	-	-	75,311
Other comprehensive revenue and expenses for the year	18	824,871	383	(58)	-	-	11,044	836,240
Transfer revaluation reserve on disposed assets	18	(32,985)	-	-	32,985	-	-	-
Transfer surplus to restricted and special funds	19	-	-	-	(28,115)	28,115	-	-
<b>Balance as at 31 December 2016</b>		<b>1,403,207</b>	<b>289</b>	<b>(392)</b>	<b>1,248,346</b>	<b>210,714</b>	<b>11,044</b>	<b>2,873,208</b>
Equity								
Unrestricted		1,403,207	289	(392)	1,248,346	17,899	11,044	2,680,393
Restricted		-	-	-	-	192,815	-	192,815
<b>Total equity</b>		<b>1,403,207</b>	<b>289</b>	<b>(392)</b>	<b>1,248,346</b>	<b>210,714</b>	<b>11,044</b>	<b>2,873,208</b>
Balance as at 1 January 2015								
Balance as at 1 January 2015		497,011	443	(3)	1,091,036	36,250	-	1,624,737
Adjustment on adoption of PBE IPSAS 34-38	23	-	-	-	1,178	129,227	-	130,405
Prior period error adjustment	23	-	-	-	10,111	-	-	10,111
Restated balance as at 1 January 2015		497,011	443	(3)	1,102,325	165,477	-	1,765,253
Net surplus for the year		-	-	-	81,513	-	-	81,513
Other comprehensive revenue and expenses for the year	18	115,759	(537)	(331)	-	-	-	114,891
Transfer revaluation reserve on disposed assets	18	(1,449)	-	-	1,449	-	-	-
Transfer surplus to restricted and special funds	19	-	-	-	(17,122)	17,122	-	-
<b>Balance as at 31 December 2015</b>		<b>611,321</b>	<b>(94)</b>	<b>(334)</b>	<b>1,168,165</b>	<b>182,599</b>	<b>-</b>	<b>1,961,657</b>
Equity								
Unrestricted		611,321	(94)	(334)	1,168,165	19,260	-	1,798,318
Restricted		-	-	-	-	163,339	-	163,339
<b>Total equity</b>		<b>611,321</b>	<b>(94)</b>	<b>(334)</b>	<b>1,168,165</b>	<b>182,599</b>	<b>-</b>	<b>1,961,657</b>

The accompanying Notes to the Financial Statements on pages 52 to 86 form part of and should be read in conjunction with these financial statements.

# Statements of changes in equity (continued)

For the year ended 31 December 2016

University	Note	Asset revaluation reserve \$'000	Hedging and statutory reserves \$'000	Foreign currency translation reserve \$'000	General equity \$'000	Restricted and special funds \$'000	Available for sale reserve \$'000	Total equity \$'000
Balance as at 1 January 2016		609,819	(259)	-	1,138,196	38,420	-	1,786,176
Net surplus for the year		-	-	-	49,498	-	-	49,498
Other comprehensive revenue and expenses for the year	18	824,871	284	-	-	-	-	825,155
Transfer revaluation reserve on disposed assets	18	(32,985)	-	-	32,985	-	-	-
Transfer surplus to restricted and special funds	19	-	-	-	(1,595)	1,595	-	-
<b>Balance as at 31 December 2016</b>		<b>1,401,705</b>	<b>25</b>	<b>-</b>	<b>1,219,084</b>	<b>40,015</b>	<b>-</b>	<b>2,660,829</b>
Balance as at 1 January 2015		495,589	343	-	1,060,369	36,250	-	1,592,551
Prior period error adjustment	23	-	-	-	22,406	-	-	22,406
Restated balance as at 1 January 2015		495,589	343	-	1,082,775	36,250	-	1,614,957
Net surplus for the year		-	-	-	56,142	-	-	56,142
Other comprehensive revenue and expenses for the year	18	115,679	(602)	-	-	-	-	115,077
Transfer revaluation reserve on disposed assets	18	(1,449)	-	-	1,449	-	-	-
Transfer surplus to restricted and special funds	19	-	-	-	(2,170)	2,170	-	-
<b>Balance as at 31 December 2015</b>		<b>609,819</b>	<b>(259)</b>	<b>-</b>	<b>1,138,196</b>	<b>38,420</b>	<b>-</b>	<b>1,786,176</b>

The accompanying Notes to the Financial Statements on pages 52 to 86 form part of and should be read in conjunction with these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2016

## 1 Statement of accounting policies

### 1.1 Reporting entity

The financial statements of The University of Auckland, the ultimate Parent, and its controlled entities (together the Group) for the year ended 31 December 2016 were authorised for issue by the Council on 15 March 2017.

The Group consists of The University of Auckland, Auckland University Services Limited (AUL) and the University of Auckland Foundation (the Foundation). AUL operates in Hong Kong and China and has a branch in the Kingdom of Saudi Arabia.

The University of Auckland (University) was established by the University of Auckland Act 1961. The principal activities of the University and AUL are the provision of teaching and research services. The principal activities of the Foundation are raising and stewardship of funds for charitable purposes and advancement of education and health care, assistance of students to pursue courses of study at the University and the general advancement of the University.

The central office of the University's management is located at the Clock Tower, 22 Princes St, Auckland, New Zealand.

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 and Section 203 of the Education Act 1989, which include the requirement to comply with generally accepted accounting practice in New Zealand.

The University and Group are designated as public benefit entities (PBE) for financial reporting purposes.

### 1.2 Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

GST is excluded from the financial statements except for Trade Receivables and Trade Payables which are stated inclusive of GST. The balance of GST payable to the Inland Revenue Department is included in Trade Payables.

The net GST paid to, or received from, including the GST relating to investing and financing activities, is classified as a net

operating cash flow in the statement of cash flows.

### Statement of compliance

These financial statements comply with PBE Standards.

### Historical cost convention

These financial statements have been prepared under the historical cost convention except the following assets and liabilities are stated at their fair value: derivative financial instruments, assets held as available for sale, financial instruments which are designated at fair value through surplus or deficit, land and buildings, library special collections and works of art.

Works of art, library special collections and land and buildings are revalued every three years (unless there is evidence that suggests it should be done sooner in order to carry the assets at fair value) and are stated at revalued amount less impairment, if any, and subsequent accumulated depreciation on buildings.

### 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.

### Budget figures

The budget figures presented are for the University (the Parent) which form part of the Group (excluding the Foundation) budget figures that were approved by Council before the beginning of the 2016 financial year. The budget figures have been prepared using the same accounting policies as those used in the preparation of these financial statements. The budget figures have not been audited.

### Standards issued and not yet effective and not early adopted

The External Reporting Board issued PBE IFRS 9: Financial Instruments (PBE IFRS 9) on 12 January 2017 that PBEs will need to apply from 1 January 2021. The University and its controlled entities will adopt PBE IFRS 9 for its December 2021 year end. The impact of the adoption of this accounting standard is not known at this stage.

### Critical accounting estimates

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the estimations and assumptions that management has made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognised in these financial statements:

- The estimated useful lives of Property, Plant and Equipment and Intangible Assets.
- Whether the fair value of Property, Plant and Equipment has been impaired during the year.
- The fair value estimation of Property, Plant and Equipment. Land, buildings, library special collections and works of art at the University are revalued at least every three years or when there is a material change between the fair value and the carrying value of the assets.
- The rate of future salary increases and the discount rate used to present value future cash flows, which are used to calculate the employee entitlements liabilities.
- The selection of the categories for reporting of Financial Assets and Liabilities within the financial statements.
- The discount rate used to present value future cash flows of non-interest bearing loans.
- The designation of certain assets as fair value through surplus or deficit where the group of financial assets is managed and its performance evaluated on a fair value basis in accordance with the University's Treasury Management Policy and the Foundation's Statement of Investment Policy and Objectives (SIPO).
- The value of work in progress and expensing of any expenditure that will

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 1 Statement of accounting policies (continued)

not contribute to the long term value of the asset being constructed.

- The classification of revenue as exchange or non-exchange in nature, and the accounting consequences related to each revenue class, in particular whether the assessment of a return obligation exists in non-exchange transactions.
- The fair value estimation of assets held as available for sale. The primary source of fair value for these assets is the arms length sale of equity in those investments to third parties involving transfer of cash and cash equivalents. When available, fair value is determined using other valuation techniques (discounting cash flows, earnings multiple, net assets). Management also takes into consideration other qualitative information in determination of fair value.

### Critical accounting judgments

Management has exercised the following critical judgments in applying accounting policies for the year ended 31 December 2016:

#### *Consolidation of the Foundation*

The Group financial statements include the Foundation as a controlled entity in 2016. Management has made a judgment that under PBE IPSAS 35: Consolidated Financial Statements (PBE IPSAS 35) the University has control over the Foundation for financial reporting purposes and it has as such been consolidated. The effect and considerations are disclosed in note 1.3 and note 23.

#### *Held-to-maturity investments*

The Group follows the PBE IPSAS 29 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances explained in PBE IPSAS 29, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. Furthermore, the entity would not be able to classify any financial assets as held-to maturity for the following two annual reporting periods.

### *Classification of investments as financial instruments*

AUL hold a number of equity investments in entities. In the absence of contradictory evidence, a holding of between 20% and 50% of equity indicates significant influence and the investment is treated as an associate, accounted for under the equity method. For certain entities that AUL holds over 20% of the shareholding, management has assessed that AUL does not have significant influence or control over the entities due to Shareholders' Agreements, Terms Sheets and other key documentation. As AUL does not have significant influence over these entities, the investments are accounted for as financial instruments.

### **Change in accounting estimate**

During 2016 the University undertook a review of properties. The result of this review was that depreciation was accelerated on buildings that were identified as unable to be used or marked for demolition or closure. The effect of this is that these buildings will result in a nil net book value as at the date they became unused or the date of planned demolition or closure.

An additional \$20.45 million of depreciation expense in relation to these buildings was recognised in 2016.

### **Change in accounting policy**

The Group has chosen to early adopt the following standards, with all having a date of initial application of 1 January 2016.

- PBE IPSAS 34: Separate Financial Statements
- PBE IPSAS 35: Consolidated Financial Statements
- PBE IPSAS 36: Investments in Associates and Joint Ventures
- PBE IPSAS 37: Joint Arrangements
- PBE IPSAS 38: Disclosure of Interests in Other Entities

These standards supersede the following standards that were previously applied by the Group:

- PBE IPSAS 6: Consolidated and Separate Financial Statements
- PBE IPSAS 7: Investments in Associates
- PBE IPSAS 8: Investments in joint Ventures

The nature and effects of the changes are explained below.

#### *PBE IPSAS 34: Separate Financial Statements ('PBE IPSAS 34')*

PBE IPSAS 34 prescribes the financial reporting requirements for the presentation and preparation of separate financial statements regarding investments in other entities. The adoption of this standard has minimal impact on the accounting policies of the Group.

#### *PBE IPSAS 35: Consolidated Financial Statements ('PBE IPSAS 35')*

PBE IPSAS 35 prescribes the financial reporting requirements for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It introduces a new control model that defines an entity as having control over another entity when it is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity.

As a result of PBE IPSAS 35, the University changed its accounting policy for determining whether it has control over an entity. Accordingly, the University reassessed that it now has control over the Foundation for financial reporting purposes. This results in the consolidation of the Foundation for the first time.

In accordance with the transitional provisions of PBE IPSAS 35 the Group is required to adjust retrospectively the annual period immediately preceding 1 January 2016, being the date of initial application. The comparative figures in the Group's financial statements for the year ending 31 December 2015 have been amended accordingly. A full reconciliation of changes to comparatives are shown in note 23.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 1 Statement of accounting policies (continued)

### *PBE IPSAS 37: Joint Arrangements ('PBE IPSAS 37')*

PBE IPSAS 37 defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved and to account for those rights and obligations in accordance with that type of joint arrangement. As a result of adopting PBE IPSAS 37, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure and legal form of the arrangement, the contractual terms of the arrangement and other facts and circumstances.

The Group has re-evaluated its involvement in its only joint arrangements and has reclassified the investments from jointly controlled entities to joint ventures. Notwithstanding the reclassification, the investments continue to be recognised by applying the equity method.

### *PBE IPSAS 36: Investments in Associates and Joint Ventures ('PBE IPSAS 36')*

PBE IPSAS 36 prescribes the financial reporting requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Group has continued to recognise its investments in joint ventures using the equity method. There has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

### *PBE IPSAS 38: Disclosure of Interests in Other Entities ('PBE IPSAS 38')*

PBE IPSAS 38 prescribes the financial reporting requirements for disclosing information about an entity's interests in controlled entities, unconsolidated controlled entities, joint arrangements, associates, and structured entities that are not consolidated. The main changes in disclosures resulting from the application of PBE IPSAS 38 that are relevant to the Group are as follows:

- Requirement to disclose the methodology used to determine the existence of a relationship of control, joint control or significant influence with related entities.
- In relation to controlled entities, the requirement to make disclosure to allow an understanding of the composition of the economic unit and an evaluation of the risks associated with the interest in controlled entities.
- In relation to associates and joint arrangements, the requirement to have disclosures to allow an evaluation of the nature, risks and financial effects of the interest in associates and joint arrangements.

### *Restrictions on net assets*

Management views the Group's core operating activities as excluding receipts of donor-restricted revenues and gains from contributions and investment income. In order to clearly identify the Group's core operating activities, the Group has voluntarily elected to classify its consolidated net assets as either restricted or unrestricted. Assets are classified as restricted when they are subject to donor-imposed restrictions that prevent the Group from using them either permanently, or temporarily until certain restrictions are met. Assets are classified as unrestricted when they are not subject to any donor-imposed restrictions. The movement in consolidated net unrestricted assets relates to the Group's core operating activities and as such provides more relevant and reliable information.

The voluntary adoption of this policy changes the presentation of the face of the consolidated financial statements as below:

### *Statement of comprehensive revenue and expenses*

- Revenue and expenses are now classified as movements in either unrestricted or restricted net assets. The total amount of each revenue and expenses line item remains the same.
- A new line item 'Transfer of funds from restricted to unrestricted' is introduced, which represents the expiration of donor-imposed restrictions.

### *Statement of financial position and statement of changes in equity*

- Net assets are split into unrestricted and restricted

### **1.3 Basis of consolidation**

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the University of Auckland and its controlled entities. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Any accounting policies of controlled entities that differ from those of the University are adjusted for where material.

In preparing the consolidated financial statements, all material intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

### **Controlled entities**

Controlled entities are those entities over which the Parent has power, exposure, or rights, to variable benefits from its involvement with these entities, and the ability to use its power over these entities to affect the nature or amount of the benefits from its involvement with these entities.

On acquisition, the assets, liabilities and contingent liabilities of a controlled entity are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the difference is credited to the surplus or deficit in the statement of comprehensive revenue and expenses. Investment in controlled entities is recognised at cost on initial recognition, and at cost less accumulated impairment (if any) subsequent to initial recognition.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 1 Statement of accounting policies (continued)

### Associates

Associates are entities over which the Group has significant influence but not control and that are neither controlled entities nor joint ventures, generally evidenced by holdings of between 20% and 50% of voting rights. Associates are accounted for using the equity method, and then judgment is used to determine if there are no material differences between cost and equity accounting given they are primarily non-trading or start-up.

### Joint arrangements

Joint arrangements are arrangements where two or more parties share control.

If the parties have rights to the net assets of the arrangement this is classified as a joint venture. An interest in a joint venture is accounted for using the equity method.

### Investments

Investments are all entities over which the Group does not have significant influence, joint control, or control and that are neither a controlled entity nor an interest in a joint venture or associate, generally but not always evidenced by holdings of less than 20% of the voting rights.

Where the fair value of investments cannot be reliably measured, they are held on the statement of financial position at \$1. These investments relate to start-up and non-trading entities with limited financial information available and primarily where the intellectual property requires significant additional work to prove the commercial and/or technical viability.

All other investments are recognised in accordance with the 'Financial Assets' accounting policy.

### Methodology used to determine nature of relationship with related entities

An entity controls another entity if it has all of the following:

- (a) Power over the other entity;
- (b) Exposure, or rights, to variable benefits from its involvement with the other entity; and

- (c) The ability to use its power over the entity to affect the nature or amount of the benefits from its involvement with the other entity.

#### *Auckland Uniservices Limited (AUL)*

The University holds 100% of the shares in AUL and as a result has power over AUL, rights to variable benefits from AUL, and the power to affect the nature and amount of those benefits. AUL is accounted for as a controlled entity and consolidated into the Group.

#### *University of Auckland Foundation (the Foundation)*

The Foundation is a charitable entity and the majority of the trustees are independently appointed. The factors that led management to conclude that the University has control over the Foundation for financial reporting purposes and as such to consolidate the Foundation as part of the Group are as below:

#### *Power*

The University does not have the power to appoint the majority of the board of Trustees. However, the board's decision making powers are limited by the University's involvement in fundraising activities, which are for University specific purposes. The University also funds a significant part of the Foundation's operations and provides key assets and management personnel to the Foundation.

#### *Exposure or rights to variable benefits*

The University is exposed to or has rights to financial and non-financial benefits as a result of its involvement with the Foundation.

The University is the beneficiary of the majority of the Foundation's assets, as donations to the Foundation are specified for this purpose. The activities of the Foundation are congruent with the University's objectives and support the University in achieving its objectives such that the University also receives non-financial benefits from the activities of the Foundation.

*The ability to use its power over the entity to affect the nature or amount of the benefits from its involvement with the other entity.*

The majority of donations received by the Foundation are for University specific purposes, which are as a result of fundraising activities driven and funded by the University.

Even though the University does not control the investing activities of the Foundation, under the Trustees Act, the Trustees are required to act in the best interests of all present and future beneficiaries. As the majority of donations are for University-specific purposes, in making investment decisions, the independent board of trustees is acting in the best interests of, or on behalf of and for the benefit of, the University; that is, there is minimal conflict between the objectives of the University and the duties of the Trustees of the Foundation.

### 1.4 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to New Zealand dollars at the foreign exchange rate ruling at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated to New Zealand dollars at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Foreign exchange gains and losses resulting from settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate ruling at balance date are recognised in the surplus or deficit in the statement of comprehensive revenue and expenses, except where cash flow hedge accounting is used and the resulting fair value movements on the forward exchange contracts are deferred in the hedging reserve.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 1 Statement of accounting policies (continued)

### 1.5 Significant accounting policies

Significant accounting policies which are pervasive throughout the financial statements or where there is no dedicated note disclosure are set out below. Other significant accounting policies which are specific to certain transactions or balances are disclosed within the particular note to which they relate.

The accounting policies set out in the financial statements and the accompanying notes have been applied consistently to all periods presented in these consolidated financial statements.

#### Revenue recognition

##### *Tuition fees*

Domestic student tuition fees are subsidised by government funding and are considered non-exchange. Revenue is recognised at the amount received when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course. Prior to the course withdrawal date domestic student tuition fees are treated as deferred revenue.

International student tuition fees are accounted for as exchange transactions. Revenue is recognised at the amount received over the length of the course when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course. Prior to the course withdrawal date international student tuition fees are treated as revenue in advance.

##### *Service income*

Service income is recognised as revenue throughout the period of the service delivery where the transaction is classified as exchange in nature. Where the transaction is classified as non-exchange in nature and where there are in substance conditions to return the funds to the funder if performance stipulations are not met, service income is recognised as revenue at the time that the conditions are met. For non-exchange transactions where there are no in substance obligations to return the funds service income is recognised as revenue at the point the Group has an enforceable claim to resources.

##### *Donations and legacies*

Unrestricted donations are recognised as revenue at the point the Group has an enforceable claim to resources. Where the Group receives a donation with conditions, a liability is recognised. Once the condition is met, the donation is recognised as revenue. Donated assets are recognised at fair value. Donations are considered non-exchange revenue.

##### *Revenue received while acting as an agent*

Where the Group collects money from contracts as an agent for a third party, the Group only recognises the commission received from the collections as revenue and is considered exchange revenue.

##### *Sale of goods*

Revenue from the sale of goods is considered exchange revenue and is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer.

##### *Dividend and interest revenue*

Dividend revenue from investments is considered exchange and is recognised when the shareholders' rights to receive payment have been established. Interest revenue is considered exchange and is recognised on a time proportionate basis using the effective interest rate method.

The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is used to calculate the amortised cost of a financial asset and to allocate interest income over the relevant period.

##### **Restrictions on net assets**

The Group's net assets are classified as either unrestricted or restricted.

##### *Unrestricted net assets*

Unrestricted net assets are not subject to any donor-imposed restrictions. These assets consist primarily of the University's assets with the most significant category being property, plant & equipment.

##### *Restricted net assets*

Net assets are considered restricted when they are subject to donor-imposed restrictions, that prevent the assets from being used for general or administrative purposes by the Group. The restrictions may be temporary or permanent. Temporarily restricted net assets have donor-imposed restrictions that will expire after the University performs certain actions (e.g. spends money on research in a particular field) or after a certain amount of time. Permanently restricted net assets are subject to donor imposed restrictions that they be invested to provide a permanent source of income to the University. The investment income from these endowments is usually subject to temporary restrictions. The majority of these restricted assets are in the Foundation.

Revenues from sources other than donations are generally reported as increases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by donor stipulations. Expenses are generally reported as decreases in unrestricted net assets, even if they are financed from restricted sources.

Expenses cause any restrictions related to them to expire. Expirations of temporary restrictions on net assets are reported as reclassifications from restricted to unrestricted net assets and appear as "Transfer of funds from restricted to unrestricted" in the statement of comprehensive revenue and expense. The aggregate carrying amount of unrestricted and restricted net assets is presented on the face of the statement of financial position and statement of changes in equity. The statement of cash flows is unaffected.

##### **Inventories**

Inventories are valued at the lower of cost and net realisable value. The weighted average method is used to determine cost. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.



# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 1 Statement of accounting policies (continued)

### Prepayments

Prepayments are originally recognised at cost and are evenly recognised as expense over the expected period of the benefit.

### Impairment

#### *Impairment of financial assets*

Financial assets other than those at fair value through surplus or deficit are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been adversely impacted.

Objective evidence of impairment could include:

- Significant financial difficulty, or a downgrade in credit rating of the issuer or counter party; or
- Default or delinquency in interest or principal payments; or
- It becomes probable that the borrower will enter bankruptcy or financial re-organisation.

Receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes past experience of collecting amounts due, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observed changes in economic conditions that correlate with default on receivables.

The carrying amount of trade receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit in the statement of comprehensive revenue and expenses.

#### *Impairment of property, plant, and equipment and intangible assets*

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use are not subject to amortisation and are tested annually for impairment.

Property, plant, and equipment subsequently measured at cost are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

#### *Value in use for non-cash-generating assets*

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

#### *Value in use for cash-generating assets*

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

### Income tax

The University and its controlled entities are exempt from the payment of income tax in New Zealand as they are treated as charitable organisations by the Inland Revenue Department.

Income tax payable by the Group relates to net profits derived from UniServices operating in Hong Kong and China and the branch in the Kingdom of Saudi Arabia being taxed at the applicable rates under the laws of those countries.

Current tax liabilities for the current period are measured at the amount expected to be paid to the taxation authorities of that country based on the current period's taxable income of the branch.

Deferred income tax is provided on all temporary differences, if any, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 2 Government grants

Student Achievement Component (SAC) funding is the University's main source of operational funding from the Tertiary Education Commission (TEC). The University considers SAC funding to be non-exchange and recognises SAC funding as revenue when the course withdrawal date has passed, based on the number of eligible students enrolled in the course at that date and the value of the course. Prior to the course withdrawal date SAC funding is treated as deferred revenue.

The University considers Performance-Based Research Fund (PBRF) funding to be non-exchange in nature. PBRF funding is specifically identified by the TEC as being for a funding period as required by section 159YA of the Education Act 1989. The University recognises its confirmed allocation of PBRF funding at the commencement of the specified funding period, which is the same as the University's financial year. PBRF revenue is measured based on the University's funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as deferred revenue when received and recognised as revenue when the conditions of the grant are satisfied.

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
Student component funding	320,000	316,005	320,000	316,005
Clinical Training Agency grants	3,813	4,413	3,813	4,413
Other Government grants	5,562	10,598	5,562	10,598
Performance Based Research Funding	89,214	85,416	89,214	85,416
<b>Total Government grants</b>	<b>418,589</b>	<b>416,432</b>	<b>418,589</b>	<b>416,432</b>

## 3 Research and contracts revenue

The University and Group exercises judgment in determining whether funding received under a research contract is received in an exchange or non-exchange transaction. In determining whether a research contract is exchange or non-exchange, the Group considers factors such as the following:

- Whether the funder has substantive rights to the research output. This is a persuasive indicator of exchange or non-exchange.
- How the research funds were obtained. For example, whether through a commercial tender process for specified work or from applying to a more general research funding pool.
- Nature of the funder
- Specificity of the research brief or contract.

For an exchange research contract, revenue is recognised on a percentage completion basis. The percentage of completion is measured by reference to the actual research expenditure incurred as a proportion to total expenditure expected to be incurred.

For a non-exchange research contract, the total funding receivable under the contract is recognised as revenue immediately when the funds become receivable, unless there are substantive conditions in the contract. If there are substantive conditions, a research contract obligation is initially recognised and revenue is subsequently recognised when the conditions are satisfied. A condition could include the requirement to complete research to the satisfaction of the funder to retain funding or return unspent funds. Revenue for future periods is not recognised where the contract contains substantive termination provisions for failure to comply with the requirements of the contract. Conditions and termination provisions need to be substantive, which is assessed by considering factors such as contract monitoring mechanisms of the funder and the past practice of the funder.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 3 Research and contracts revenue (continued)

Judgment is often required in determining the timing of revenue recognition for contracts that span a balance date and multi-year research contracts.

Research contract obligations are identified in note 13.

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
External research income	150,872	152,821	123,063	121,044
Other research and contract income	92,481	93,402	20,058	11,970
<b>Total research and contracts revenue</b>	<b>243,353</b>	<b>246,223</b>	<b>143,121</b>	<b>133,014</b>

## 4 Other gains/(losses)

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
<b>Non-financial instruments</b>				
Gain/(loss) on sale of property, plant and equipment	5,508	(1,461)	5,546	(1,460)
Foreign exchange gains (net)	(812)	890	(464)	140
<b>Financial instruments</b>				
Gain/(loss) on fair value of financial assets	7,592	6,303	-	458
<b>Total other gains/(losses)</b>	<b>12,288</b>	<b>5,732</b>	<b>5,082</b>	<b>(862)</b>

Gains/(losses) on financial assets comprise realised and unrealised gains/(losses) in the fair value of assets held in managed funds.

## 5 Transfer of funds from restricted to unrestricted

The transfer of funds from restricted to unrestricted represents external restrictions on funds being extinguished due to the restrictions being met (generally expenditure on specified activities). The transfer is shown by major categories of restrictions on funds expiring below.

	Consolidated	
	Actual 2016 \$'000	Actual 2015 \$'000
Research	6,744	6,702
Donations	5,575	10,667
Other	1,308	409
<b>Total transfer of funds from restricted to unrestricted</b>	<b>13,627</b>	<b>17,778</b>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 6 People costs

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
Academic salaries	279,002	277,920	269,804	262,817
Professional salaries	234,503	235,388	203,289	195,726
Defined contribution expense	20,231	18,985	19,441	18,985
Contracts for service	42,423	42,222	26,551	23,632
Other people costs	27,710	26,114	27,699	27,060
<b>Total people costs</b>	<b>603,869</b>	<b>600,629</b>	<b>546,784</b>	<b>528,220</b>

The Group and the University have termination benefits of \$1.8 million included in total people costs in the current year (2015: \$0.64 million).

## 7 Operating costs

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
Operating costs includes the following specific expenses:				
Consumable supplies	24,648	23,827	19,638	18,086
Repairs and maintenance	45,303	40,599	44,304	39,836
Operating leases				
Properties	16,307	15,212	14,169	12,961
Equipment	5,731	5,532	5,716	5,517
Motor vehicles	927	840	281	231
<b>Total operating lease costs</b>	<b>22,965</b>	<b>21,584</b>	<b>20,166</b>	<b>18,709</b>
Auditor remuneration				
Audit fees to EY for audit of financial statements - current year	441	364	289	280
Audit fees to EY for audit of financial statements - prior year	25	2	25	-
Audit fees to Grant Thornton for audit of Foundation's financial statements	37	28	-	-
Taxation services paid to EY	-	10	-	-
Taxation services paid to other audit firms	-	26	-	-
Other services paid to EY - benchmarking/survey reports	-	9	-	-
<b>Total auditors' remuneration</b>	<b>503</b>	<b>439</b>	<b>314</b>	<b>280</b>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 8 Reconciliation of operating surplus and net cash flow from operating activities

	Consolidated		University		
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
Net surplus for the year	75,311	81,513	49,498	32,929	56,142
<b>Add/(less) non-cash items:</b>					
Depreciation and amortisation	122,897	123,283	121,667	111,908	121,690
Donated assets	(199)	(433)	(1,072)	-	(1,825)
Foreign exchange fluctuations	318	111	244	-	139
Other non-cash items	477	(5,003)	(3,278)	(1,250)	(5,125)
Unrealised gain on investments	(6,677)	(5,376)	-	-	-
<b>Total non-cash items</b>	<b>116,816</b>	<b>112,582</b>	<b>117,561</b>	<b>110,658</b>	<b>114,879</b>
<b>Add/(less) items classified as investing or financing activities</b>					
Interest income	(7,590)	(8,300)	(5,103)	(4,580)	(5,159)
(Gain)/loss on disposal of property, plant, and equipment	(5,508)	1,461	(5,546)	14,408	1,460
Movements relating to capital expenditure	2,109	2,050	2,747	5,884	2,162
Finance costs	139	141	2,712	1,880	2,448
(Increase)/Decrease in deferred revenue	-	5,125	-	-	5,125
<b>Total items classified as investing or financing activities</b>	<b>(10,850)</b>	<b>477</b>	<b>(5,190)</b>	<b>17,592</b>	<b>6,036</b>
<b>Add/(less) changes in net assets and liabilities:</b>					
Decrease/(Increase) in receivables	(3,072)	617	(155)	758	(1,400)
Decrease/(Increase) in prepayments and other current assets	798	(7,414)	301	4,341	(7,409)
Decrease/(Increase) in inventories	38	-	(58)	(85)	(250)
Decrease/(Increase) in research work in progress	1,198	(1,842)	(748)	1,695	(978)
Increase/(Decrease) in payables and provisions	3,204	(4,516)	3,397	250	(4,758)
Increase/(Decrease) in deferred revenue	25,162	11,908	23,811	6,162	12,671
Increase/(Decrease) in employee entitlements	4,693	6,534	4,373	6,010	6,051
<b>Net movement in working capital items</b>	<b>32,021</b>	<b>5,287</b>	<b>30,921</b>	<b>19,131</b>	<b>3,927</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>213,298</b>	<b>199,859</b>	<b>192,790</b>	<b>180,310</b>	<b>180,984</b>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 9 Receivables

Receivables are recognised initially at fair value, and subsequently at amortised cost less impairment. Due to the short term nature of receivables they are not discounted.

	Note	Consolidated		University	
		Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
Trade receivables		52,245	49,246	32,016	31,713
Provision for receivables impairment		(907)	(981)	(821)	(800)
<b>Net receivables</b>		<b>51,338</b>	<b>48,265</b>	<b>31,195</b>	<b>30,913</b>
Related company receivables		-	-	28,358	28,484
<b>Total receivables</b>		<b>51,338</b>	<b>48,265</b>	<b>59,553</b>	<b>59,397</b>

The ageing profile of trade receivables at year end is as follows:

	2016			2015		
	Gross \$'000	Impairment \$'000	Net \$'000	Gross \$'000	Impairment \$'000	Net \$'000
<b>Consolidated</b>						
Current	36,163	-	36,163	35,144	-	35,144
Past due 31-60 days	7,610	-	7,610	6,041	-	6,041
Past due 61-90 days	1,479	-	1,479	2,051	(3)	2,048
Past due > 90 days	6,993	(907)	6,086	6,010	(978)	5,032
<b>Total</b>	<b>52,245</b>	<b>(907)</b>	<b>51,338</b>	<b>49,246</b>	<b>(981)</b>	<b>48,265</b>
<b>University</b>						
Current	53,210	-	53,210	52,877	-	52,877
Past due 31-60 days	2,066	-	2,066	1,160	-	1,160
Past due 61-90 days	722	-	722	1,045	(3)	1,042
Past due > 90 days	4,376	(821)	3,555	5,115	(797)	4,318
<b>Total</b>	<b>60,374</b>	<b>(821)</b>	<b>59,553</b>	<b>60,197</b>	<b>(800)</b>	<b>59,397</b>

All receivables greater than 30 days in age are considered to be past due.

Receivables past due but not considered impaired are \$15,175k (2015: \$13,120k) for the Group, and \$6,343k (2015: \$6,520k) for the University.

Payment terms on receivables past due but not considered impaired have not been re-negotiated. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

The Group holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

Movements in the provision for receivables impairment are as follows:

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
Balance at beginning of financial year	981	1,618	800	660
Additional provisions made during the year	632	290	632	290
Provisions reversed during the year	(204)	(343)	(160)	(126)
Receivables written-off during the period	(502)	(584)	(451)	(24)
<b>Balance at the end of the financial year</b>	<b>907</b>	<b>981</b>	<b>821</b>	<b>800</b>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost, with the exception of donated assets, which are initially recorded at fair value.

University land in crown title with a value of \$393.2 million (2015: \$283.4 million) is included in property, plant and equipment. The University has unobstructed control of this land and derives substantial tangible benefits from its use. The University has sole and unrestricted use of buildings located on Crown land and has assumed ownership of these buildings. Although legal title has not been transferred, the University has assumed all the normal risks and rewards of ownership.

Library collections held as at 31 December 1991 was valued internally, based on the estimated volume of the collection and weighted average cost as at that date. This valuation is taken as deemed cost. The library collections are made up of two distinct asset classes (i.e. the general library collection, and library special collections which includes a range of historical and rare books). Except for library special collections all subsequent acquisitions are recorded at cost less accumulated depreciation and impairment, if any. At balance date the library collection is carried at deemed cost less accumulated depreciation and impairment, if any. Library special collections are carried at assessed market value. All permanent withdrawals from the collection are recorded at average cost less accumulated depreciation and impairment, if any.

Plant and Equipment are carried at cost less accumulated depreciation and impairment, if any.

Leasehold Improvements are carried at cost less accumulated depreciation and impairment, if any.

Assets under construction are carried at cost comprising expenditure incurred and certified Gross Progress Claim Certificates up to balance date less impairment, if any. Capital work in progress is not depreciated.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the statement of comprehensive revenue and expenses.

Land and Buildings, Library Special Collections and Works of Art are revalued to fair value at least every three years by an independent valuer. Fair value for land is determined on its highest and best use taking into consideration restrictions over the use of the land and the likelihood of re-zoning. For buildings which are specialised in nature, fair value reflects the depreciated replacement cost, and for non-specialised buildings, works of art and library special collections, fair value reflects the assessed market value.

Any revaluation increase is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrement for the same asset class previously recognised as an expense in the statement of comprehensive revenue and expenses, in which case the increase is credited to surplus or deficit to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings or works of art is charged as an expense in the statement of comprehensive revenue and expenses to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset class.

Depreciation on revalued buildings is charged as expenses to the statement of comprehensive revenue and expenses. On a sale or retirement of a revalued property, the revaluation surplus attributable remaining in the property's revaluation reserve is transferred directly to general equity. No transfer is made from the revaluation reserve to general equity except when an asset is derecognised.

All items of property, plant and equipment other than freehold land, works of art, library special collections and work in progress are depreciated using the straight-line method at rates that will write off the cost or revalued amount of assets less their residual values, over their estimated remaining useful life.

The depreciation rates used for each class of assets are:

Buildings	1 - 10%
Library collection - serials	100%
- other	33%
Plant and equipment	5 - 50%
Leasehold improvements	9 - 21%

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 10 Property, plant and equipment (continued)

	Consolidated							Total
	Land	Buildings	Leasehold improvements	Plant and equipment	Works of art	Library collections	Capital work in progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Gross carrying amount</b>								
Cost	-	-	29,899	397,962	-	299,252	105,730	832,843
Valuation	434,510	1,145,130	-	-	18,662	8,043	-	1,606,345
<b>Balance as at 1 January 2015</b>	<b>434,510</b>	<b>1,145,130</b>	<b>29,899</b>	<b>397,962</b>	<b>18,662</b>	<b>307,295</b>	<b>105,730</b>	<b>2,439,188</b>
Additions	40,993	34,303	30	23,122	313	13,677	111,481	223,919
Disposals	-	(1,205)	(153)	(4,082)	(1)	(247)	-	(5,688)
Transfers	-	42,899	10	9,757	-	-	(52,666)	-
Transfers to held for sale	-	-	-	-	-	-	-	-
Net revaluation increments	115,759	-	-	-	-	-	-	115,759
<b>Balance as at 1 January 2016</b>	<b>591,262</b>	<b>1,221,127</b>	<b>29,786</b>	<b>426,759</b>	<b>18,974</b>	<b>320,725</b>	<b>164,545</b>	<b>2,773,178</b>
Additions	9,043	237	1,958	22,972	200	16,392	72,646	123,448
Disposals	(45,147)	(35,207)	(297)	(8,321)	-	(5,583)	-	(94,555)
Transfers	-	172,399	-	12,995	-	-	(185,394)	-
Transfers to held for sale	-	-	-	-	-	-	-	-
Net revaluation increments	369,093	311,746	-	-	-	-	-	680,839
<b>Balance as at 31 December 2016</b>	<b>924,251</b>	<b>1,670,302</b>	<b>31,447</b>	<b>454,405</b>	<b>19,174</b>	<b>331,534</b>	<b>51,797</b>	<b>3,482,910</b>
<b>Accumulated depreciation</b>								
Cost	-	-	22,479	291,834	-	266,298	-	580,611
Valuation	-	50,558	-	-	-	-	-	50,558
<b>Balance as at 1 January 2015</b>	<b>-</b>	<b>50,558</b>	<b>22,479</b>	<b>291,834</b>	<b>-</b>	<b>266,298</b>	<b>-</b>	<b>631,169</b>
Disposals	-	(154)	(153)	(4,021)	-	(2,480)	-	(6,808)
Depreciation expense	-	50,088	1,314	30,629	-	31,265	-	113,296
Transfers to held for sale	-	-	-	-	-	-	-	-
Net revaluation increments	-	-	-	-	-	-	-	-
<b>Balance as at 1 January 2016</b>	<b>-</b>	<b>100,492</b>	<b>23,640</b>	<b>318,442</b>	<b>-</b>	<b>295,083</b>	<b>-</b>	<b>737,657</b>
Disposals	-	(3,739)	(257)	(8,199)	-	(5,587)	-	(17,782)
Depreciation expense	-	71,755	1,495	31,572	-	10,319	-	115,141
Transfers to held for sale	-	-	-	-	-	-	-	-
Net revaluation increments	-	(144,032)	-	-	-	-	-	(144,032)
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>24,476</b>	<b>24,878</b>	<b>341,815</b>	<b>-</b>	<b>299,815</b>	<b>-</b>	<b>690,984</b>
<b>Net book value</b>								
<b>As at 1 January 2015</b>	<b>434,510</b>	<b>1,094,572</b>	<b>7,420</b>	<b>106,128</b>	<b>18,662</b>	<b>40,997</b>	<b>105,730</b>	<b>1,808,019</b>
<b>As at 31 December 2015</b>	<b>591,262</b>	<b>1,120,635</b>	<b>6,146</b>	<b>108,317</b>	<b>18,974</b>	<b>25,642</b>	<b>164,545</b>	<b>2,035,521</b>
<b>As at 31 December 2016</b>	<b>924,251</b>	<b>1,645,826</b>	<b>6,569</b>	<b>112,590</b>	<b>19,174</b>	<b>31,719</b>	<b>51,797</b>	<b>2,791,926</b>



# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 10 Property, plant and equipment (continued)

	University							Total
	Land	Buildings	Leasehold improvements	Plant and equipment	Works of art	Library collections	Capital work in progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Gross carrying amount</b>								
Cost	-	-	26,725	387,787	-	299,252	105,730	819,494
Valuation	433,060	1,144,888	-	-	18,662	8,043	-	1,604,653
<b>Balance as at 1 January 2015</b>	<b>433,060</b>	<b>1,144,888</b>	<b>26,725</b>	<b>387,787</b>	<b>18,662</b>	<b>307,295</b>	<b>105,730</b>	<b>2,424,147</b>
Additions	40,993	34,303	-	23,042	313	13,677	111,438	223,766
Disposals	-	(1,205)	(153)	(3,961)	(1)	(247)	-	(5,567)
Transfers	-	42,899	10	9,757	-	-	(52,666)	-
Transfers to held for sale	-	-	-	-	-	-	-	-
Net revaluation increments	115,679	-	-	-	-	-	-	115,679
<b>Balance as at 1 January 2016</b>	<b>589,732</b>	<b>1,220,885</b>	<b>26,582</b>	<b>416,625</b>	<b>18,974</b>	<b>320,725</b>	<b>164,502</b>	<b>2,758,025</b>
Additions	9,043	237	1,958	22,516	200	16,392	72,416	122,762
Disposals	(45,147)	(35,207)	(92)	(8,161)	-	(5,583)	-	(94,190)
Transfers	-	172,399	-	12,995	-	-	(185,394)	-
Transfers to held for sale	-	-	-	-	-	-	-	-
Net revaluation increments	369,093	311,746	-	-	-	-	-	680,839
<b>Balance as at 31 December 2016</b>	<b>922,721</b>	<b>1,670,060</b>	<b>28,448</b>	<b>443,975</b>	<b>19,174</b>	<b>331,534</b>	<b>51,524</b>	<b>3,467,436</b>
<b>Accumulated depreciation</b>								
Cost	-	-	20,371	284,731	-	266,298	-	571,400
Valuation	-	50,469	-	-	-	-	-	50,469
<b>Balance as at 1 January 2015</b>	<b>-</b>	<b>50,469</b>	<b>20,371</b>	<b>284,731</b>	<b>-</b>	<b>266,298</b>	<b>-</b>	<b>621,869</b>
Disposals	-	(155)	(153)	(3,903)	-	(2,480)	-	(6,691)
Depreciation expense	-	50,070	901	29,833	-	31,265	-	112,069
Transfers to held for sale	-	-	-	-	-	-	-	-
Net revaluation increments	-	-	-	-	-	-	-	-
<b>Balance as at 1 January 2016</b>	<b>-</b>	<b>100,384</b>	<b>21,119</b>	<b>310,661</b>	<b>-</b>	<b>295,083</b>	<b>-</b>	<b>727,247</b>
Disposals	-	(3,739)	(91)	(8,040)	-	(5,587)	-	(17,457)
Depreciation expense	-	71,736	1,084	30,845	-	10,319	-	113,984
Transfers to held for sale	-	-	-	-	-	-	-	-
Net revaluation increments	-	(144,032)	-	-	-	-	-	(144,032)
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>24,349</b>	<b>22,112</b>	<b>333,466</b>	<b>-</b>	<b>299,815</b>	<b>-</b>	<b>679,742</b>
<b>Net book value</b>								
<b>As at 1 January 2015</b>	<b>433,060</b>	<b>1,094,419</b>	<b>6,354</b>	<b>103,056</b>	<b>18,662</b>	<b>40,997</b>	<b>105,730</b>	<b>1,802,278</b>
<b>As at 31 December 2015</b>	<b>589,732</b>	<b>1,120,501</b>	<b>5,463</b>	<b>105,964</b>	<b>18,974</b>	<b>25,642</b>	<b>164,502</b>	<b>2,030,778</b>
<b>As at 31 December 2016</b>	<b>922,721</b>	<b>1,645,711</b>	<b>6,336</b>	<b>110,509</b>	<b>19,174</b>	<b>31,719</b>	<b>51,524</b>	<b>2,787,694</b>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 10 Property, plant and equipment (continued)

### Valuation

Fair value 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.

#### *Land and buildings*

The Group engage Darroch Limited, an accredited independent valuer that uses the International Valuation Standards Committee, and International Valuation Standards as a reference, to determine the fair value of its land and buildings.

The revaluation surplus for buildings for 2016 was \$455 million which was recognised in the revaluation reserve in 2016.

The revaluation surplus for land for 2016 was \$369 million (2015: \$115m) was recognised in the revaluation reserve in 2016.

For land and buildings that are not specialised in nature, fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Group, and to market based yields for comparable properties.

Where buildings are specialised in nature, their value is determined on an optimised depreciated replacement cost basis, as limited market data is available for buildings designed for educational delivery purposes.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement cost is based on a modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- For the Groups earthquake-prone buildings that are expected to be strengthened, the estimated earthquake-strengthening costs have been deducted off the depreciated replacement cost.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

The most recent valuation of land and buildings was effective 31 December 2016.

#### *Library special collections*

Library special collections held by the University are independently valued by Rowan Gibbs of Smith's Bookshop Limited. The valuation basis is assessed at market value. Guidance for the valuation is taken from the New Zealand Government Treasury Valuation Guidance for Cultural and Heritage Assets (November 2002), and that valuation is designed to be consistent with the methodology and outcome of other comparable major heritage collections with established valuations held elsewhere in New Zealand, in particular those of the Alexander Turnbull Library, the Auckland City Libraries, Dunedin Public Library, and the University of Otago Hocken Collections.

Values are based on prices realised at auction for copies in similar condition and on prices asked by reputable dealers for similar copies, catalogues prices of rare books still available for sale, or in the absence of any current or recent sale records a 'best estimate' value is assigned, based on the valuer's experience in the book trade, taking into account the scarcity of the book and likely demand for it, and market prices for similar items.

The most recent valuation of Library special collections was effective 31 December 2014.

### Works of art

Works of art held by the University are independently valued by ART+OBJECT. The valuation basis is assessed at market value. Guidance for the valuation is taken from the New Zealand Government Treasury Valuation Guidance for Cultural and Heritage Assets (November 2002), Te Papa National Services Valuing Collections Resource Guide and the New Zealand Property Institute Trans-Tasman and International Valuation Standards.

Fair value is determined by where an active market exists for the same or similar asset the market prices are deemed to be fair value, or where there is no active market fair value is determined by other market based evidence adjudged by the valuer as active and knowledgeable participants in the market.

The most recent valuation of Works of art was effective 31 December 2014.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 11 Intangible assets

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits and service potential, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Capital work in progress is not amortised (until it is reclassified to software), whereas completed/purchased software has a finite life and is amortised on a straight line basis. Amortisation expenses are included in the depreciation and amortisation expense line in the statement of comprehensive revenue and expenses.

Computer software that is not integral to the operation of hardware is capitalised as an intangible asset on the basis of costs incurred to acquire and bring to use the specific software.

The straight line amortisation rates used are:

Software 20 - 33%

	Consolidated			University		
	Software	Capital work in progress	Total	Software	Capital work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>						
Balance as at 1 January 2015	81,277	3,293	84,570	79,426	3,293	82,719
Additions	1,542	6,339	7,881	1,316	6,339	7,655
Disposals	(1,278)	-	(1,278)	(1,278)	-	(1,278)
Transfers	5,335	(5,335)	-	5,335	(5,335)	-
<b>Balance as at 1 January 2016</b>	<b>86,876</b>	<b>4,297</b>	<b>91,173</b>	<b>84,799</b>	<b>4,297</b>	<b>89,096</b>
Additions	1,413	15,110	16,523	1,336	15,110	16,446
Disposals	(1,084)	-	(1,084)	(1,084)	-	(1,084)
Transfers	11,723	(11,723)	-	11,723	(11,723)	-
<b>Balance as at 31 December 2016</b>	<b>98,928</b>	<b>7,684</b>	<b>106,612</b>	<b>96,774</b>	<b>7,684</b>	<b>104,458</b>
<b>Accumulated amortisation and impairment</b>						
Balance as at 1 January 2015	67,483	-	67,483	65,994	-	65,994
Disposals	(827)	-	(827)	(828)	-	(828)
Amortisation expense	9,987	-	9,987	9,621	-	9,621
<b>Balance as at 1 January 2016</b>	<b>76,643</b>	<b>-</b>	<b>76,643</b>	<b>74,787</b>	<b>-</b>	<b>74,787</b>
Disposals	(1,084)	-	(1,084)	(1,084)	-	(1,084)
Amortisation expense	7,756	-	7,756	7,683	-	7,683
<b>Balance as at 31 December 2016</b>	<b>83,315</b>	<b>-</b>	<b>83,315</b>	<b>81,386</b>	<b>-</b>	<b>81,386</b>
<b>Net book value</b>						
<b>As at 1 January 2015</b>	<b>13,794</b>	<b>3,293</b>	<b>17,087</b>	<b>13,432</b>	<b>3,293</b>	<b>16,725</b>
<b>As at 31 December 2015</b>	<b>10,233</b>	<b>4,297</b>	<b>14,530</b>	<b>10,012</b>	<b>4,297</b>	<b>14,309</b>
<b>As at 31 December 2016</b>	<b>15,613</b>	<b>7,684</b>	<b>23,297</b>	<b>15,388</b>	<b>7,684</b>	<b>23,072</b>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 12 Payables

Payables are recognised at fair value on initial recognition.

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. They are carried at amortised cost, are non-interest bearing and due to their short term nature they are not discounted.

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
Trade payables	125,019	121,394	115,298	112,794
Related company payables	-	-	1,551	658
<b>Total payables</b>	<b>125,019</b>	<b>121,394</b>	<b>116,849</b>	<b>113,452</b>

## 13 Deferred Revenue

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
<b>Current liabilities</b>				
Deferred revenue *	57,556	50,447	57,556	50,447
Research contracts obligations	84,869	66,816	57,351	40,649
<b>Deferred revenue - current</b>	<b>142,425</b>	<b>117,263</b>	<b>114,907</b>	<b>91,096</b>
<b>Non-current liabilities</b>				
Deferred revenue *	1,250	1,250	1,250	1,250
<b>Deferred revenue - non-current</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>

This note should be read in conjunction with note 3.

\* This balance also includes revenue received in advance. As at 31 December 2016, the Group had \$2.63m of Partnerships for Excellence funding classified as current liabilities (2015: \$2.63m) and \$1.25m classified as non current liabilities (2015: \$1.25m).

The Partnerships for Excellence funding from the Crown is in the form of suspensory loans. The loans are to be forgiven when key milestones have been achieved. The income is to be recognised when the milestones have been met and the loans are forgiven. During the year the University did not have any loans being forgiven (2015: \$5.13 million). The revenue is included in Government Grants in the statement of comprehensive revenue and expenses.

If certain key contractual milestones are not met, up to \$3.88 million is repayable on 30 June 2018.

## 14 Employee entitlements

Provision is made for the University's liability for professional and academic staff annual leave, long service leave, retirement gratuities and sick leave when it is probable that settlement will be required and the liabilities are capable of being measured reliably.

- Annual leave is calculated on an actual entitlement basis at the rates expected to apply at time of settlement.
- Sick leave, long service leave and retirement gratuities have been calculated on an actuarial basis which estimates the present value of amounts payable in respect of existing employees based on assumed rates of sickness, death, disablement, resignation, retirement and salary progression.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 14 Employee entitlements (continued)

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
<b>Current liabilities</b>				
Accumulated annual leave	32,185	30,421	28,491	27,048
Retirement allowance	16,699	15,482	16,699	15,482
Long service leave	421	444	421	444
<b>Total employee entitlements - current</b>	<b>49,305</b>	<b>46,347</b>	<b>45,611</b>	<b>42,974</b>
<b>Non-current liabilities</b>				
Sick leave	2,006	1,438	1,970	1,401
Retirement allowance	45,427	44,361	45,427	44,361
Long service leave	2,387	2,286	2,387	2,286
<b>Total employee entitlements - non-current</b>	<b>49,820</b>	<b>48,085</b>	<b>49,784</b>	<b>48,048</b>

## 15 Loans and borrowings

Borrowings are initially recognised at their fair value less directly attributable transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loan.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
<b>Current liabilities</b>				
Non-interest bearing loan	622	620	622	620
Interest bearing loan from controlled entity	-	-	64,000	62,000
<b>Total loans and borrowings - current</b>	<b>622</b>	<b>620</b>	<b>64,622</b>	<b>62,620</b>
<b>Non-current liabilities</b>				
Non-interest bearing loan	2,299	2,792	2,299	2,792
Interest bearing loan facility	-	41,500	-	41,500
<b>Total loans and borrowings - non-current</b>	<b>2,299</b>	<b>44,292</b>	<b>2,299</b>	<b>44,292</b>

### Non-interest bearing loan

On 30 June 2011 the University acquired a winery, which included property, plant and equipment, from the K & J Goldwater Family Trust. Consideration for the acquisition was made in three parts being a cash payment, a gift by way of reduction in the purchase price and an interest free loan with a term of 10 years. The non-interest bearing loans above represent the value of the current and non-current portions of this loan measured at amortised cost with an average effective interest rate of 3% (2015: 3.5%).

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 15 Loans and borrowings (continued)

### Interest bearing loan from controlled entity

The loan from controlled entity represents advances by Auckland UniServices Limited to the University. The loan is on demand and the University pays a rate of interest equivalent to an investment portfolio of 10% on call, 70% 1 year and 20% 5 years as at August 2015 (2015: 12.5% on call, 67.5% 1 year and 20.0% 5 years as at August 2014).

### Borrowing costs capitalised

Borrowing costs of \$237k were capitalised during 2016 (2015: \$76k).

### Fair values

The carrying amount of current and non-current loans and borrowings approximate their fair value. The fair value has been calculated by discounting the expected future cash flows at prevailing market interest rates ranging from 2.5% to 3.3% (2015: 3.3% to 3.7%).

### Assets pledged as security

All loans and borrowings are unsecured so there are no assets pledged as security.

### Defaults and breaches

During the current and prior years there were no defaults or breaches on any of the loans or borrowings.

### Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in note 22.

## 16 Operating leases and capital commitments

### Operating leases as lessee

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as expense on a straight-line basis over the lease term.

### Operating lease commitments

The Group lease various offices, premises, motor vehicles and equipment under cancellable operating leases. The leases have various terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
<b>Commitments for non-cancellable operating leases are payable as follows:</b>				
<b>Non-cancellable operating leases</b>				
Not later than one year	34,053	26,509	32,386	24,806
Later than one year and not later than five years	96,061	55,743	93,500	53,953
Later than five years	129,023	116,020	128,460	116,020
<b>Total operating lease commitments</b>	<b>259,137</b>	<b>198,272</b>	<b>254,346</b>	<b>194,779</b>
<b>Operating lease commitments by type</b>				
Properties	250,958	190,715	246,312	187,335
Motor vehicles	312	364	196	315
Equipment	7,868	7,193	7,839	7,129
<b>Total operating lease commitments by type</b>	<b>259,138</b>	<b>198,272</b>	<b>254,347</b>	<b>194,779</b>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 16 Operating leases and capital commitments (continued)

### Operating leases as lessor

Where the Group are the lessor, assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

### Operating lease receivables

Operating leases relate to property held by the Group that is leased to external parties to provide additional services to students. The properties are not investment properties because they are held by the University, as a public-benefit entity, for strategic purposes or to meet its service delivery objectives where rental revenue derived is incidental to the purpose of holding the property. The lease terms range from 1 to 21 years. All operating lease contracts contain market review clauses in the event the entity exercises its option to renew. There is no option to purchase the property at the expiry of the lease period.

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
Not later than one year	2,564	3,170	3,681	4,717
Later than one year and not later than five years	5,044	5,464	7,898	5,855
Later than five years	1,224	2,202	1,961	2,202
<b>Total non-cancellable operating leases</b>	<b>8,832</b>	<b>10,836</b>	<b>13,540</b>	<b>12,774</b>

### Capital commitments

Capital expenditures contracted for at reporting date but not recognised as liabilities are as follows:

	Consolidated/ University	
	Actual 2016 \$'000	Actual 2015 \$'000
Property Services projects	27,686	39,158
Other capital expenditure	1,997	942
<b>Total capital commitments</b>	<b>29,683</b>	<b>40,100</b>

## 17 Contingencies

As at 31 December 2016 the Group had no contingent liabilities or assets (2015: Nil).

## 18 General equity and reserves

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
<b>General Equity</b>				
Balance at beginning of financial year	1,168,165	1,102,325	1,138,196	1,082,775
Surplus/(deficit) for the year	75,311	81,513	49,498	56,142
Transferred in from revaluation reserve	32,985	1,449	32,985	1,449
Less net (surplus)/deficit transferred (to)/from restricted and special funds	(28,115)	(17,122)	(1,595)	(2,170)
<b>Balance at end of financial year</b>	<b>1,248,346</b>	<b>1,168,165</b>	<b>1,219,084</b>	<b>1,138,196</b>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 18 General equity and reserves (continued)

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
<b>Reserves</b>				
Land and buildings	1,385,737	593,851	1,384,235	592,349
Works of art and special library collections	17,470	17,470	17,470	17,470
Cash flow hedge reserve	195	(188)	25	(259)
Foreign currency translation reserve	(392)	(334)	-	-
Statutory reserve - international entities	94	94	-	-
Available-for-sale investments revaluation reserve	11,044	-	-	-
<b>Total reserves</b>	<b>1,414,148</b>	<b>610,893</b>	<b>1,401,730</b>	<b>609,560</b>
<b>Land and buildings</b>				
Balance at beginning of financial year	593,851	479,541	592,349	478,119
Transferred to general equity	(32,985)	(1,449)	(32,985)	(1,449)
Revaluation increments/(decrements)	824,871	115,759	824,871	115,679
<b>Balance at end of financial year</b>	<b>1,385,737</b>	<b>593,851</b>	<b>1,384,235</b>	<b>592,349</b>
<b>Works of art and special library collections</b>				
Balance at beginning of financial year	17,470	17,470	17,470	17,470
Revaluation increments/(decrements)	-	-	-	-
<b>Balance at end of financial year</b>	<b>17,470</b>	<b>17,470</b>	<b>17,470</b>	<b>17,470</b>

Land, buildings, works of art and library special collections are revalued to fair value every three years, as determined by an independent valuer. The latest revaluations for land was carried out in 2016, revaluations for library special collections and works of art were carried out in 2014, and the latest revaluation for buildings was 2016.

The asset revaluation reserve arises on the revaluation of land and buildings and works of art and special library collections. Where a revalued land or building or work of art or an item from the special library collections is sold or disposed of, the portion of the asset revaluation reserve which relates to that asset is transferred directly to general equity.

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
<b>Foreign currency translation reserve</b>				
Balance at beginning of financial year	(334)	(3)	-	-
Currency translation gains/(losses)	(58)	(331)	-	-
<b>Balance at end of financial year</b>	<b>(392)</b>	<b>(334)</b>	<b>-</b>	<b>-</b>
<b>Cash flow hedge reserve</b>				
Balance at beginning of financial year	(188)	443	(259)	343
Gain/(loss) recognised	383	(1,569)	284	(1,928)
Transfers to initial carrying amount of hedged item	-	938	-	1,326
<b>Balance at end of financial year</b>	<b>195</b>	<b>(188)</b>	<b>25</b>	<b>(259)</b>

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges in relation to forward exchange contracts. The cumulative deferred gain or loss on the hedge is recognised in the surplus or deficit when the hedged transaction impacts the statement of comprehensive revenue and expenses, or is included as a basis adjustment to the non-financial hedged item, as per University's hedging policy.



# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 18 General equity and reserves (continued)

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
<b>Available-for-sale investments revaluation reserve</b>				
Balance at beginning of financial year	-	-	-	-
Net revaluation gains/(losses)	11,044	-	-	-
Reclassification to surplus or deficit on disposal	-	-	-	-
<b>Balance at end of financial year</b>	<b>11,044</b>	-	-	-

The available-for-sale investments revaluation reserve is used to recognise changes in the fair value and exchange difference arising on translation, such as equities, of investments classified as available for sale financial assets.

## 19 Restricted and special funds

The University has established Special Funds for specific purposes. Special purpose funds are not classified as restricted in the statement of financial position, as they are not subject to donor-imposed restrictions. They do however have internal restrictions on their use and as such are disclosed separately from general equity. The balance of a special purpose fund is transferred to general equity when it is no longer required for a specific purpose.

Restricted purpose funds are subject to donor-imposed restrictions that prevent the Group from using those funds until certain restrictions are met. Funds are classified as restricted if externally imposed restrictions prevent the assets from being used for general or administrative purposes by the Group. Restricted purpose funds are recognised in the unrestricted statement of comprehensive revenue and expenses at the time restrictions have been extinguished.

Restricted purpose funds consist of endowments and donations.

	2016 Special purpose funds \$'000	2016 Restricted purpose funds \$'000	2016 Total \$'000	2015 Special purpose funds \$'000	2015 Restricted purpose funds \$'000	2015 Total \$'000
<b>Consolidated</b>						
Balance at beginning of financial year	19,260	163,339	182,599	17,644	147,833	165,477
Income	1,607	43,103	44,710	3,842	33,284	37,126
Less funds released from restrictions	2,968	13,627	16,595	2,226	17,778	20,004
Net surplus (deficit)	(1,361)	29,476	28,115	1,616	15,506	17,122
<b>Balance at end of financial year</b>	<b>17,899</b>	<b>192,815</b>	<b>210,714</b>	<b>19,260</b>	<b>163,339</b>	<b>182,599</b>
<b>University</b>						
Balance at beginning of financial year	19,259	19,161	38,420	17,640	18,610	36,250
Income	1,606	4,256	5,862	3,844	1,378	5,222
Less funds released from restrictions	2,967	1,300	4,267	2,225	827	3,052
Net surplus (deficit)	(1,361)	2,956	1,595	1,619	551	2,170
<b>Balance at end of financial year</b>	<b>17,898</b>	<b>22,117</b>	<b>40,015</b>	<b>19,259</b>	<b>19,161</b>	<b>38,420</b>

The income and expenditure items presented above are included in the surplus and deficit in the statement of comprehensive revenue and expenses and are presented above for information purposes.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 20 Investments

### 20(a) Investment in controlled entities

The consolidated financial statements include the financial statements of The University of Auckland, the ultimate parent of the Group, and its controlled entities being Auckland UniServices Limited, and The University of Auckland Foundation.

The University's interest in controlled entities is measured at cost.

Investment in controlled entities of \$1 million (2015: \$1 million) relates to shares held in Auckland UniServices Limited, which represents a 100% interest in the Company (2015: 100%). The principal activity of Auckland UniServices Limited is research and consultancy, it is incorporated in New Zealand, and it has a 31 December balance date.

Auckland UniServices Limited has a 100% interest in three subsidiaries Active Mobile Security Limited (AMSL) (2015: 100%), Auckland UniServices (HK) Limited (AUHK) (2015: 100%) and The University of Auckland (Hangzhou) Innovation Institute Co. Limited (UOAll) (2015: 0%). Of these subsidiaries, only AUHK traded during the year. AUHK began trading in 2013 and is consolidated in these financial statements. UOAll was registered in China on 7 November 2015 and AMSL was deregistered on 19 January 2016. The value of each shareholding is \$1.00 (2015: \$1.00).

The University's investment in the Foundation is initially recognised at cost (nil). During 2016 the University transferred funds (previously held as restricted purpose funds by the University) to the Foundation. The funds consisted of cash, externally managed equity, bond and cash portfolios. The transfer occurred on 28th and 30th December 2016, at the value of \$19.3m and is recognised as an increase in the University's investment in the Foundation.

The Foundation holds net assets of \$180m (2015: \$137m). Of these \$1.4m (2015: \$1.3m) are available to the University for general expenditure and \$178.6m (2015: \$135.2m) are restricted to the University until they meet the specific restrictions imposed by the donor when the funds were gifted. The Foundation's trustees must approve applications from the University for funding prior to funds being transferred.

### 20(b) Other investments

Auckland UniServices Limited has acquired shares in the following entities: Airquality Limited, APIMatic Ltd, Cirrus Materials Science Ltd, CoDaTherapeutics (NZ) Ltd, Corra Life Sciences Inc., Double Helix Analysis Ltd, Energia Potior Ltd, Engender Technologies Ltd, Fastec Ltd, Formus Labs Ltd, Mohio International Inc., Objective Acuity Ltd, Obodies Ltd, PowerbyProxi Ltd, SapVax LLC, Soul Machines Ltd, Southern Photonics Ltd, Stretchsense Ltd, TiFiber Inc., Tinnitus Tunes Ltd, Upside Biotechnologies Ltd, and VSPARS Ltd.

These entities are neither controlled entities nor associates and are treated as investments under the financial assets policy.

## 21 Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the University would have adopted in dealing with the party at arm's length in the same circumstances.

The University transacts with other Government owned or related entities independently and on an arm's length basis. Transactions cover a variety of services, including funding and grants for education and research services and purchases of postage, travel and tax. Therefore, transactions with Government owned and related entities are not disclosed as related party transactions when they are consistent with the normal operating arrangements with TEIs and undertaken on the normal terms and conditions for such transactions.

The University Council and Senior Leadership Team may be directors or officers of other companies or organisations with whom the University may transact. Such transactions are carried out independently on an arm's length basis.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 21 Related party transactions (continued)

### Auckland UniServices Limited

The University pays some of the salaries of Auckland UniServices Limited's administrative staff and other administration costs which it recharges to the company. The University also charges Auckland UniServices Limited for costs incurred by departments and student scholarship costs against the company's projects and for rental on premises subleased from the University.

Auckland UniServices Limited pays some salary costs and sundry expenses on behalf of the University and recharges these to the University.

These transactions are consistent with the normal operating relationship between the University and Auckland UniServices Limited, and are carried out on an arm's length basis.

### University of Auckland Foundation

The University pays some of the salaries of the Foundation. The University also pays administrative and associated services expenses for the Foundation, to enable the Foundation to operate, and this is treated as a donation. The University intends to continue to provide this support in the future. In 2016 the University donated \$309k (2015: 229k) to the Foundation.

The Foundation pays grants and donations to the University on non arms length terms, for nil consideration. In 2016 the Foundation paid \$13.1m of grants and donations to the University (2015: \$13.6m). At 31 December 2016 \$4.2m was receivable from the Foundation by the University (2015: \$3.9m).

### Key management personnel compensation

	Consolidated/ University	
	Actual 2016 \$'000	Actual 2015 \$'000
Council members*	438	650
Senior Leadership Team	8,119	7,886
<b>Total key management personnel compensation</b>	<b>8,557</b>	<b>8,536</b>
<b>Full-time equivalent members**</b>		
Council members*	4	6
Senior Leadership Team	23.93	23.6
<b>Total full-time equivalent personnel</b>	<b>27.93</b>	<b>29.6</b>

The Senior Leadership Team comprises the Vice-Chancellor, Deputy Vice-Chancellors, Pro Vice-Chancellors, Deans and Directors of the major service divisions.

\* Excludes the Vice-Chancellor and Deputy Vice-Chancellor (Academic), who are members of Council, but also included in the Senior Leadership Team. Council members are not paid for their services to Council. Council members who are also employed by the University in other roles were paid \$438k (2015: \$650k) in their capacity as employees.

\*\* Due to the difficulty in determining the full-time equivalent for Council Members, the full-time equivalent figure is taken as the total number of Council Members.

## 22 Financial instruments

The University and Group's activities expose it to a variety of financial risks (market risk, liquidity risk, credit risk and other price risk). The University and Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group is able to use derivative financial instruments such as interest rate swaps and forward foreign exchange contracts to hedge certain risk exposures.

The University's treasury management is carried out under the Treasury Management Policy, which is approved by the Council. The policy does not allow any transactions that are speculative in nature to be entered into.

The Foundation's treasury management is carried out in accordance with its Strategic Asset Allocation policy, which consists of two diversified portfolios, the Current Use Investment Pool (CUIP) and the Endowment Investment Pool (EIP). The CUIP is utilised for funds required in the short term and includes highly liquid assets such as bank term deposits. The EIP is utilised for funds required for long term growth and income assets.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

The risks associated with the Foundation's investments are managed through the Statement of Investment Policy and Objectives (SIPO).

## 22 Financial instruments (continued)

### (a) Financial instrument categories

#### **Derivative Financial Instruments**

The Group enters into foreign currency forward exchange contracts to manage foreign exchange risk on committed expenditure, highly probable forecast transactions denominated in foreign currencies and long term investments. These are either designated as cash flow hedges or fair value hedges at inception.

#### *Cash flow hedge*

A cash flow hedge is a hedge designated to limit the risks associated with the change in cash flows of a recognised asset, liability or a highly probable forecast transaction that could affect surplus or deficit.

All 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 .

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion or any derivative which is not designated as a hedge instrument, is recognised immediately in the surplus or deficit in the statement of comprehensive revenue and expenses.

Amounts deferred in equity are recycled into the surplus or deficit in the periods when the hedged item is recognised in the statement of comprehensive revenue and expenses. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any cumulative gains or losses deferred in equity at that time remains in equity until the forecast transaction occurs.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the statement of comprehensive revenue and expenses.

#### *Fair value hedge*

A fair value hedge is a hedge to limit the risks associated with changes in fair value of a recognised asset or liability or an unrecognised firm commitment that could affect surplus or deficit. A gain or loss from re-measuring the derivative at fair value is recognised immediately in surplus or deficit.

The gain or loss on the hedged item is recognised as an increase/decrease in the carrying value of that item and immediately in surplus or deficit.

#### **Financial assets/liabilities**

The Group holds financial assets/liabilities in the following specified categories:

- financial assets at fair value through surplus or deficit;
- loans and receivables;
- financial liabilities measured at amortised cost;
- held-to-maturity investments; and
- available for sale financial assets.

The classification depends on the purpose of the financial asset or liability and is determined at the time of initial recognition.

The carrying value is equivalent to the fair value for all financial assets and liabilities.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 22 Financial instruments (continued)

### (a) Financial instrument categories (continued)

#### *Financial assets at fair value through surplus or deficit*

The Group holds investments which have been designated as financial assets at fair value through surplus or deficit. These assets are held in managed funds (except for convertible notes) and are stated at fair value. Fair value is determined in the manner described in note 22(b). Any resultant gain or loss is recognised in the surplus or deficit in the statement of comprehensive revenue and expenses and incorporates any dividend or interest earned on the financial asset.

The policy of the Group is to designate an asset as a financial asset at fair value through surplus or deficit if the asset is subject to frequent changes in fair value and the performance of the asset is evaluated by management on a fair value basis in accordance with investment policies.

The Group holds a number of hybrid financial instruments, containing embedded derivatives. All hybrid financial instruments are classified as at fair value through surplus or deficit and thus the derivative is not separated from the host contract.

#### *Loans and receivables*

Loans and receivables include trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

#### *Financial liabilities measured at amortised cost*

Financial assets measured at amortised cost include trade payables to loans and borrowings. After initial recognition, these liabilities are subsequently measured at amortised cost using the effective interest rate method.

#### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. They are measured initially at fair value, and subsequently carried at amortised cost less impairment losses.

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

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity or financial assets at fair value through surplus and deficit. They are initially measured at fair value and subsequent changes to fair value are taken through other comprehensive revenue and expenses. On derecognition any cumulative gain or loss is recycled to the surplus or deficit.

The carrying value is equivalent to the fair value for all financial assets and liabilities.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 22 Financial instruments (continued)

### (a) Financial instrument categories (continued)

	Consolidated		University	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Financial Assets</b>				
<b>Derivatives that are hedge accounted</b>				
Derivative financial instrument assets	195	-	29	-
<b>Total derivatives that are hedge accounted</b>	<b>195</b>	<b>-</b>	<b>29</b>	<b>-</b>
<b>At fair value through surplus and deficit</b>				
New Zealand fixed interests*	33,487	27,094	-	9,582
International fixed interests*	8,201	7,618	-	-
Australasian equities*	25,247	20,787	-	3,899
International equities*	45,666	41,117	-	5,635
Emerging markets*	8,757	7,027	-	-
Absolute return fund*	11,571	6,718	-	-
University's share of investments held by Uniservices *	-	-	3,278	-
Convertible notes	150	-	-	-
<b>Total at fair value through surplus and deficit</b>	<b>133,079</b>	<b>110,361</b>	<b>3,278</b>	<b>19,116</b>
<b>Held-to-maturity</b>				
Short term bank deposits	32,321	29,073	-	-
Long term bank deposits*	31,353	27,975	6,000	6,000
Entrepreneurial challenge investments*	1,315	2,211	-	-
<b>Total held-to-maturity</b>	<b>64,989</b>	<b>59,259</b>	<b>6,000</b>	<b>6,000</b>
<b>Loans and receivables</b>				
Cash and cash equivalents	53,642	28,134	42,942	17,549
Short term bank deposits	79,625	8,973	79,626	8,973
Receivables	51,337	48,265	59,553	59,397
Advances to third parties *	258	135	221	97
<b>Total loans and receivables</b>	<b>184,862</b>	<b>85,507</b>	<b>182,342</b>	<b>86,016</b>
<b>Available-for-sale financial assets</b>				
Shares*	11,444	-	-	-
<b>Total available-for-sale financial assets</b>	<b>11,444</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>				
<b>Derivatives that are hedge accounted</b>				
Derivative financial instrument liabilities	-	188	-	259
<b>Total derivatives that are hedge accounted</b>	<b>-</b>	<b>188</b>	<b>-</b>	<b>259</b>
<b>Financial liabilities at amortised cost</b>				
Payables	125,019	121,394	116,849	113,452
Borrowings:				
- non-interest bearing loan	2,921	3,412	2,921	3,412
- loan facility (revolving credit)	-	41,500	-	41,500
- loan from controlled entity	-	-	64,000	62,000
<b>Total financial liabilities at amortised cost</b>	<b>127,940</b>	<b>166,306</b>	<b>183,770</b>	<b>220,364</b>

\* These assets are classified as other financial assets in the statement of financial position.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 22 Financial instruments (continued)

### (b) Fair values of financial assets and liabilities

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

Fair value in relation to investments held in managed funds is based on the Net Asset Value (NAV) unit/share price excluding adjustments for buy/sell spreads.

The primary source of fair value for available for sale assets is the arms length sale of equity in those investments to third parties involving transfer of cash and cash equivalents. If the transaction involves only existing shareholders, this will not normally result in a change in fair value. When available, fair value is determined using other valuation techniques (discounting cash flows, earnings multiple, net assets). Management also takes into consideration other qualitative information in determination of fair value.

Due to the age, stage and nature of these investments involving mainly pre-seed/seed funding and where the associated intellectual property often has unproven commercial or technical viability, actual performance may differ from management's estimate.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	(Level 1) Quoted market price	(Level 2) Observable inputs	(Level 3) Significant non- observable inputs	Total
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated 2016</b>				
<b>Financial assets</b>				
New Zealand fixed interest	-	33,487	-	33,487
International fixed interest	-	8,201	-	8,201
Australasian equities	24,650	-	597	25,247
International equities	45,666	-	-	45,666
Emerging markets	5,956	2,801	-	8,757
Absolute return funds	-	11,572	-	11,572
Convertible notes	-	-	150	150
Available for sale assets	-	-	11,444	11,444
Derivative financial instruments - foreign exchange contracts	-	195	-	195
<b>Total financial assets</b>	<b>76,272</b>	<b>56,256</b>	<b>12,191</b>	<b>144,719</b>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 22 Financial instruments (continued)

### (b) Fair values of financial assets and liabilities (continued)

	(Level 1) Quoted market price	(Level 2) Observable inputs	(Level 3) Significant non- observable inputs	Total
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated 2015</b>				
<b>Financial assets</b>				
New Zealand fixed interest	-	27,094	-	27,094
International fixed interest	-	7,618	-	7,618
Australasian equities	20,787	-	-	20,787
International equities	41,117	-	-	41,117
Emerging markets	4,396	2,631	-	7,027
Absolute return funds	-	6,718	-	6,718
<b>Total financial assets</b>	<b>66,300</b>	<b>44,061</b>	<b>-</b>	<b>110,361</b>
<b>Financial liabilities</b>				
Derivative financial instruments - foreign exchange contracts	-	188	-	188
<b>Total financial liabilities</b>	<b>-</b>	<b>188</b>	<b>-</b>	<b>188</b>

	(Level 1) Quoted market price	(Level 2) Observable inputs	(Level 3) Significant non- observable inputs	Total
	\$'000	\$'000	\$'000	\$'000
<b>University 2016</b>				
<b>Financial assets</b>				
University's share of investments held by Uniservices	-	-	3,278	3,278
Derivative financial instruments - foreign exchange contracts	-	29	-	29
<b>Total financial assets</b>	<b>-</b>	<b>29</b>	<b>3,278</b>	<b>3,307</b>
<b>University 2015</b>				
<b>Financial assets</b>				
New Zealand fixed interest	-	9,582	-	9,582
International equities	5,635	-	-	5,635
Australasian equities	3,899	-	-	3,899
<b>Total financial assets</b>	<b>9,534</b>	<b>9,582</b>	<b>-</b>	<b>19,116</b>
<b>Financial liabilities</b>				
Derivative financial instruments - foreign exchange contracts	-	259	-	259
<b>Total financial liabilities</b>	<b>-</b>	<b>259</b>	<b>-</b>	<b>259</b>

There were no transfers between the different levels of the fair value hierarchy.



# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 22 Financial instruments (continued)

### Valuation techniques with significant non-observable inputs (level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

	Australasian equities \$'000	Convertible notes \$'000	Shares \$'000	Total \$'000
<b>Consolidated 2016</b>				
Balance at 1 January 2016	-	-	-	-
Purchases	875	150	400	1,425
Distributions received	(180)	-	-	(180)
Gains or losses recognised in surplus or deficit	(98)	-	-	(98)
Gains and losses recognised in other comprehensive revenue and expense	-	-	11,044	11,044
<b>Balance at 31 December 2016</b>	<b>597</b>	<b>150</b>	<b>11,444</b>	<b>12,191</b>

	University's share of investments held by Uniservices \$'000	Total \$'000
<b>University 2016</b>		
Balance at 1 January 2016	-	-
Purchases	-	-
Distributions received	-	-
Gains and losses recognised in surplus or deficit	3,278	3,278
Gains and losses recognised in other comprehensive revenue and expenses	-	-
<b>Balance at 31 December 2016</b>	<b>3,278</b>	<b>3,278</b>

Changing a valuation assumption to a reasonable possible alternative assumption would not significantly change fair value.

### (c) Financial instrument risks

#### Market risk

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group holds a diversified portfolio of international fixed interest and equities investments through managed funds in the Foundation's Endowment Investment Pool (EIP). These investments are denominated in foreign currencies and accordingly are exposed to currency risk. The risk is managed through forward contracts and the total exposure to foreign currencies is restricted to 30% of the portfolio's asset value. The University has exposure to currency risk from off shore transactions with suppliers. This exposure is mitigated through the use of financial instruments which are utilised in accordance with the University's Treasury Management Policy.

The University also holds foreign cash balances at year end. The resulting currency risk is mitigated as the balances are used in the payment of foreign supplier invoices.

The derivatives are marked-to-market at the end of the reporting period. This has resulted in a gain of \$195k (2015: loss of \$188k). A shift in the NZD of +/- 10% would result in an equivalent change in the 2016 value of \$1,572k (2015: \$641k).

Auckland UniServices Limited have transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the New Zealand dollar.

Approximately 14% (2015: 12%) of Auckland UniServices Limited and Group revenues are denominated in foreign currencies, whilst 7% (2015: 11%) of costs are denominated in foreign currencies.

##### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Group to cash flow interest rate risk. The Group does not

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

currently hold any interest rate swaps.

## 22 Financial instruments (continued)

### (c) Financial instrument risks

#### Market risk (continued)

##### *Interest rate risk*

Interest rate risk is managed in accordance with the Treasury Policy for the University and the SIPO for the Foundation. The University and Foundation apply maximum limits to approved counterparties to mitigate concentration of interest rate risk. There were no breaches of the Treasury Policy or SIPO for the 12 months to 31 December 2016.

#### Credit risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing it to incur a loss. Due to the timing of its cash inflows and outflows, University surplus cash is invested in accordance with the Public Finance Act 1989, which gives rise to credit risk. The Foundation invests various funds for investment returns, which gives rise to credit risk.

The University's investment policy limits the amount of credit exposure to any one financial institution or organisation to no more than 20% of total operating investments held. The University invests funds only with entities that have a Standard and Poor's credit rating of at least A+ for long-term investments. The Foundation manages credit risk with all cash and term deposits held by New Zealand registered banks, with credit ratings of Standard and Poor's A, Moody A2 or Fitch A or greater.

New Zealand and International fixed interest securities are managed by fund managers who adopt risk management procedures aimed at limiting credit risk exposure. Their portfolios are monitored for compliance with the individual mandate requirements of each investment class.

The Group hold no collateral or credit enhancements for financial instruments that give rise to credit risk.

There is no concentration of credit risk in Trade Receivables due to the relatively low value of individual amounts due.

#### Other price risk

Other price risk is the risk that the fair value or future cash flows of financial assets will fluctuate because of changes in market prices (other than those arising from currency or interest rate risk). The majority of instruments materially exposed to this risk are in the Foundation. The Foundation's investment policies acknowledge that the market prices of financial assets will fluctuate. Risk is minimised by ensuring that investment activities are undertaken in accordance with established mandated limits and the investments strategies set out in the Foundation's SIPO.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of credit facilities, and the ability to close out market positions. The University aims to maintain flexibility in funding by keeping uncommitted credit lines available. The Foundation liquidity requirements are evaluated on an on-going basis including through managing the cash flows of the operating activities and the duration of term deposits.

In meeting its liquidity requirements, the University maintains a target level of operating investments that must mature within one month, and no more than 12 months. The University manages its borrowings in accordance with its funding and financial policies incorporated in the Treasury Management Policy.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 22 Financial instruments (continued)

### (c) Financial instrument risks (continued)

The University has a maximum amount that can be drawn down against its uncommitted borrowing facility of \$150 million (2015: committed borrowing facility of \$300 million). The University has complied with all banking covenants under this facility. The University's maturity analysis is presented below.

	2016 Mature within 1 year \$'000	2016 Mature within 1-5 years \$'000	2016 Total \$'000	2015 Mature within 1 year \$'000	2015 Mature within 1-5 years \$'000	2015 Total \$'000
<b>Consolidated</b>						
Payables	125,019	-	125,019	121,394	-	121,394
Cash and cash equivalents	53,642	-	53,642	28,134	-	28,134
Bank term deposits	111,946	31,353	143,299	38,046	27,975	66,021
<b>Total financial instruments</b>	<b>290,607</b>	<b>31,353</b>	<b>321,960</b>	<b>187,574</b>	<b>27,975</b>	<b>215,549</b>
<b>University</b>						
Payables	116,849	-	116,849	113,452	-	113,452
Loan from controlled entities	(64,000)	-	(64,000)	(62,000)	-	(62,000)
Cash and cash equivalents	42,942	-	42,942	17,549	-	17,549
Bank term deposits	79,626	6,000	85,626	8,973	6,000	14,973
<b>Total financial instruments</b>	<b>175,417</b>	<b>6,000</b>	<b>181,417</b>	<b>77,974</b>	<b>6,000</b>	<b>83,974</b>

### Sensitivity analysis

	Consolidated		University	
	Actual 2016 \$'000	Actual 2015 \$'000	Actual 2016 \$'000	Actual 2015 \$'000
Value at Risk	(1.6) %	(3.76) %	0.74%	(1.89) %
Assets available	306,145	182,237	114,528	36,063
Estimated impact on assets available	(4,891)	(6,853)	851	(680)

### Value at Risk (VaR) analysis

The VaR analysis is a tool used to measure the market risk exposure of an investment portfolio. The VaR of a portfolio estimates the potential loss of a portfolio's net asset value over a given holding period at a specified confidence level. The VaR analysis is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recording offsetting asset class exposures and correlations between asset classes. The one year 95% VaR number reflects that there is a 5% probability over a one year period that the portfolio will perform in line or worse than the stated VaR. The VaR analysis is a forward-looking Monte Carlo simulation that incorporates assumptions for each asset class in the Group and the University' portfolio.

### Analysis Assumptions

This VaR analysis is based on underlying asset class assumptions. The relative portfolio weighting was calculated from the Group and the University's underlying asset class exposure as at 31 December 2016. In cases where cash assets were held within an investment sector these assets were treated as likely to be invested in that asset class and included as exposure to that asset class.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 22 Financial instruments (continued)

### (c) Financial instrument risks (continued)

#### Limitations

The VaR analysis should be interpreted in light of the limitations of the methodologies used. These limitations include the following:

- The asset class assumptions used reflect behaviour in equilibrium market conditions and therefore may not capture the risk of possible extreme adverse market movements.
- VaR using a 95% confidence level does not reflect the extent of potential losses beyond that percentile. These limitations and the nature of the VaR analysis mean that the fund can neither guarantee that losses will not exceed the VaR amounts indicated nor that the losses in excess of the VaR amounts will not occur more frequently than is stipulated by the model.

## 23 Restatement of comparative figures

The University has identified a prior period error in its financial statements relating to the Head of Department (HOD) receivable from Uniservices which has never been previously recognised in the University. This error has resulted in an understatement of current assets and operating revenue in the prior year financial statements. This has been corrected by restating the affected financial statement line items in the University as at 31 December 2015. The adjustments are shown in the table below:

Notes	Actual 2015			
	As previously reported	Reclassification adjustments to previously reported balances	Prior period error adjustments	As restated
	\$'000	\$'000	\$'000	\$'000
<b>University</b>				
<b>Operating revenue</b>				
Service income	126,155	-	(2,289)	123,866
Other revenue	12,103	(708)	-	11,395
Other gains/(losses)	-	(862)	-	(862)
<b>Impact on operating revenue</b>	<b>138,258</b>	<b>(1,570)</b>	<b>(2,289)</b>	<b>134,399</b>
<b>Operating expenses</b>				
Operating costs	271,299	(1,570)	-	269,729
<b>Impact on operating expenses</b>	<b>271,299</b>	<b>(1,570)</b>	<b>-</b>	<b>269,729</b>
<b>Current assets</b>				
Receivables	9	39,280	-	59,397
<b>Impact on current assets</b>	<b>39,280</b>	<b>-</b>	<b>20,117</b>	<b>59,397</b>
<b>Equity</b>				
General equity	18	1,118,079	-	1,138,196
<b>Impact on equity</b>	<b>1,118,079</b>	<b>-</b>	<b>20,117</b>	<b>1,138,196</b>

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 23 Restatement of comparative figures (continued)

The Group has restated opening balances as at 1 January 2015 and adjusted its comparatives at 31 December 2015, on adoption of PBE IPSAS 35 and the identification of a prior period error relating to HOD accounts. The adjustments are shown in the table below:

	Notes	Actual 2015				As restated \$'000
		As previously reported	Reclassification adjustments to previously reported balances	Prior period error adjustments	PBE IPSAS 35 transition adjustments	
		\$'000	\$'000		\$'000	
<b>Consolidated Statement of Comprehensive Revenue and Expenses</b>						
<b>Operating revenue</b>						
Government grants	2	416,432	-	-	-	416,432
Tuition fees		275,720	-	-	-	275,720
Research and contracts	3	252,925	-	-	(6,702)	246,223
Service income		100,056	-	-	-	100,056
Donations and legacies		12,109	-	-	12,530	24,639
Interest received		5,272	-	-	3,028	8,300
Other revenue		12,110	(1,514)	-	(10)	10,586
Other gains/(losses)	4	-	56	-	5,676	5,732
<b>Total operating revenue</b>		<b>1,074,624</b>	<b>(1,458)</b>	<b>-</b>	<b>14,522</b>	<b>1,087,688</b>
<b>Operating expenses</b>						
People costs	6	600,629	-	-	-	600,629
Operating costs	7	282,712	(1,458)	112	367	281,733
Finance costs		141	-	-	-	141
Depreciation and amortisation	10,11	123,283	-	-	-	123,283
<b>Total operating expenses</b>		<b>1,006,765</b>	<b>(1,458)</b>	<b>112</b>	<b>367</b>	<b>1,005,786</b>
Net surplus/(deficit) before tax		67,859	-	(112)	14,155	81,902
Income tax expense		389	-	-	-	389
<b>Net surplus/(deficit) after tax</b>		<b>67,470</b>	<b>-</b>	<b>(112)</b>	<b>14,155</b>	<b>81,513</b>

### Reclassification of comparative item

Certain comparative line items have been reclassified in order to align with the presentation of new line items in the current year arising from the consolidation of the Foundation:

- loss on sale of property, plant and equipment has been reclassified from operating costs to other gains/(losses)
- net gains on foreign exchange has been reclassified from other revenue to other gains/(losses)

# Notes to the Financial Statements (continued)

For the year ended 31 December 2016

## 23 Restatement of comparative figures (continued)

	Notes	Actual 2015				As restated \$'000
		As previously reported \$'000	Reclassification adjustments to previously reported balances \$'000	Prior period adjustments \$'000	PBE IPSAS 35 transition adjustments \$'000	
<b>Consolidated Statement of Financial Position</b>						
<b>Current assets</b>						
Cash and cash equivalents		24,068	-	-	4,066	28,134
Short term bank deposits		8,973	-	-	29,073	38,046
Receivables	9	50,550	-	-	(2,285)	48,265
Research work in progress		13,263	-	-	(1,610)	11,653
Inventories		1,788	-	-	-	1,788
Prepayments and other current assets		22,859	-	-	7	22,866
<b>Total current assets</b>		<b>121,501</b>	<b>-</b>	<b>-</b>	<b>29,251</b>	<b>150,752</b>
<b>Non-current assets</b>						
Property, plant and equipment	10	2,035,521	-	-	-	2,035,521
Intangible assets	11	14,530	-	-	-	14,530
Other financial assets		25,252	-	-	115,430	140,682
<b>Total non-current assets</b>		<b>2,075,303</b>	<b>-</b>	<b>-</b>	<b>115,430</b>	<b>2,190,733</b>
<b>Total assets</b>		<b>2,196,804</b>	<b>-</b>	<b>-</b>	<b>144,681</b>	<b>2,341,485</b>
<b>Current Liabilities</b>						
Payables	12	131,272	-	(9,999)	121	121,394
Revenue in advance	13	117,263	-	-	-	117,263
Income tax payable		389	-	-	-	389
Loans and borrowings	15	620	-	-	-	620
Employee entitlements	14	46,347	-	-	-	46,347
Derivative financial instruments	22	188	-	-	-	188
<b>Total current liabilities</b>		<b>296,079</b>	<b>-</b>	<b>(9,999)</b>	<b>121</b>	<b>286,201</b>
<b>Non-current liabilities</b>						
Employee entitlements	14	48,085	-	-	-	48,085
Revenue in advance	13	1,250	-	-	-	1,250
Loans and borrowings	15	44,292	-	-	-	44,292
<b>Total non-current liabilities</b>		<b>93,627</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93,627</b>
<b>Total liabilities</b>		<b>389,706</b>	<b>-</b>	<b>(9,999)</b>	<b>121</b>	<b>379,828</b>
<b>Net assets</b>		<b>1,807,098</b>	<b>-</b>	<b>9,999</b>	<b>144,560</b>	<b>1,961,657</b>
<b>Equity</b>						
General equity	18	1,157,785	-	9,999	381	1,168,165
Reserves	18	610,893	-	-	-	610,893
Restricted and special funds	19	38,420	-	-	144,179	182,599
<b>Total equity</b>		<b>1,807,098</b>	<b>-</b>	<b>9,999</b>	<b>144,560</b>	<b>1,961,657</b>

**INDEPENDENT AUDITOR'S REPORT**

**TO THE READERS OF THE UNIVERSITY OF AUCKLAND AND GROUP'S  
FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE  
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Auditor-General is the auditor of the University of Auckland (the University) and group. The Auditor-General has appointed me, Susan Jones, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and statement of service performance of the University and group on his behalf.

**Opinion**

We have audited:

- the financial statements of the University and group on pages 45 to 86, that comprise the statement of comprehensive revenue and expenses, statement of financial position as at 31 December 2016, statement of cash flows and statement of changes in equity for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the University and group on pages 30 to 40.

**In our opinion:**

- the financial statements of the University and group on pages 45 to 86:
  - present fairly, in all material respects:
    - its financial position as at 31 December 2016; and
    - its financial performance and cash flows for the year then ended;
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the statement of service performance of the University and group on pages 30 to 40 presents fairly, in all material respects, the University and group's service performance achievements measured against the proposed outcomes described in the investment plan for the year ended 31 December 2016.

Our audit was completed on 15 March 2017. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

**Capital contributions from the Crown**

Without modifying our opinion, we considered the recognition, presentation and disclosure of revenue in advance in the statement of financial position and note 13 on page 68. In our view, the substance of the transaction relating to Partnership for Excellence funding is equity in nature given that the Crown has an in-substance ownership interest in the University and has appropriated the funds as a capital contribution in order to increase the capability of the University.

**Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of the Council for the financial statements and the statement of service performance**

The Council is responsible on behalf of the University and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Council is also responsible on behalf of the University and group for preparing a statement of service performance that is fairly presented.

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

In preparing the financial statements and the statement of service performance, the Council is responsible on behalf of the University and group for assessing the University and group's ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Council intends to liquidate the University and group or to cease operations, or has no realistic alternative but to do so.

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

### **Responsibilities of the auditor for the audit of the financial statements and the statement of service performance**

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and statement of service performance.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We evaluate the appropriateness of the reported performance information within the University and group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University and group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.



### Other information

The Council is responsible for the other information. The other information comprises the information included on pages 1 to 28, 41 and 90 to 91, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Independence

We are independent of the University and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, Ernst & Young Saudi Arabia provided tax compliance services to the branch of the University's subsidiary, and Ernst & Young Hong Kong audited the financial statements of Auckland Uniservices (HK) Limited. We have also carried out an engagement where we provided remuneration benchmarking services for the group. These engagements are compatible with those independence requirements, and other than the audit and these engagements, we have no relationship with or interests in the University or any of its subsidiaries.



Susan Jones  
Ernst & Young  
On behalf of the Auditor-General  
Auckland, New Zealand

# Statement of resources

## Buildings

	2014	2015	2016
Gross area of University buildings (m <sup>2</sup> )	574,468	593,960	621,452

## Land

The University is responsible for a total land area of 158.9ha. This includes 20.3ha on the City Campus, 5.2ha at the Newmarket Campus, 4.6ha at Grafton Campus, 9.7ha at Epsom Campus, 1.5ha at Whangarei, 14.2ha at Waiheke and 103.3ha at Leigh Marine Research Laboratory and various bush reserves.

## Library and Learning Services

	2014	2015	2016
<b>Collections</b>			
Printed books & theses	1,733,492	1,757,981	1,739,246
Printed serials (volumes)	401,005	400,161	395,188
<b>Total printed volumes</b>	<b>2,134,497</b>	<b>2,158,142</b>	<b>2,134,434</b>
Electronic books	748,849	914,129	1,071,839
Print serial titles	4,507	4,359	4,198
Electronic serial holdings	118,662	113,833	98,529
<b>Services</b>			
Loans - total	626,536	536,770	454,931
Library web page sessions	6,346,143	7,502,046	8,159,898
Libraries and Learning Services teaching sessions	2,530	2,642	2,162
Attendance at teaching sessions	36,390	33,411	29,718
Number of Libraries / Information Commons	15	15	13
General Library average open hours per week	90	90	90
Information Commons average open hours per week	113	113	113
Study spaces	3,555	3,557	3,605
Study / training spaces with computers	1,175	1,170	1,112
Laptops for loan	160	160	155
<b>Total number of study spaces</b>	<b>4,730</b>	<b>4,727</b>	<b>4,717</b>

† Audiovisual Library and Kate Edger Short Loan closed

\* Transition to new Library Management System changed serial holdings management

# Glossary

Acronym	Expanded meaning
ABI	Auckland Bioengineering Institute
ARWU	Academic Ranking of World Universities
APRU	Association of Pacific Rim Universities
AQS	Average Quality Score
CDES	Career Development and Employment Services
CSSF	Compulsory Student Services Fee
CTACP	Certificate in Academic Preparation
CoRE	Centre of Research Excellence
CRI	Crown Research Institute
DELNA	Diagnostic English Language Needs Assessment
DHB	District Health Board
EFTS	Equivalent Full-Time Students
EPA	Environmental Protection Authority
ERI	External Research Income
FMHS	Faculty of Medical and Health Science
FTE	Full-Time Equivalent
GPE	Grade Point Equivalent
HSNO	Hazardous Substances and New Organisms
HRC	Health Research Council
ICT	Information and Communications Technology
KPI	Key Performance Indicator
LSRI	Large Scale Research Institute
MBIE	Ministry of Business, Innovation and Employment
NIH	National Institutes of Health
NIWA	National Institute of Water and Atmospheric Research
OGGB	Owen G. Glenn Building
PBRF	Performance-Based Research Fund
PfX	Partnerships for Excellence
QS	Quacquarelli Symonds
SSC	Staff Service Centre
TEC	Tertiary Education Commission
TKA	Te Kāhui Amokura
THE	Times Higher Education Supplement
UTAS	Undergraduate Targeted Admission Scheme
U21	Universitas 21
WUN	Worldwide Universities Network

