



The University Group, which includes the University, University of Otago Holdings Limited and the Trusts, produced an operating surplus of \$32.1 million for the year. This was 1.5% higher than budget, but 13.7% less than the 2006 result.

The University's operating surplus for the year was \$26.4 million. This was \$2.9 million (12.4%) above the budget and \$9.7 million (58.3%) better than last year. The net costs of all the University's academic divisions were below budget for the year, due to good growth in income and lower-than-expected costs. Shortage of space for new staff and postgraduate students was cited by several academic departments as the reason they did not fully spend their operating budgets. The University has approved a number of building projects in a Critical Space Plan as a major initiative to resolve these issues.

The University's surplus represented a return of 5.5% on revenue of \$477.7 million and 2.5% on equity of \$1.043 billion. While the surplus was comfortably above the Tertiary Education Commission's guidelines of 3% and 1.2% respectively, it fell short of the University's own surplus target of a five-year moving average of at least 2% of equity. The average achieved from 2003 to 2007 was 1.5%, a not unexpected outcome given that the target was only increased to 2% in 2006 and it was expected to take some time to achieve.

The University Trusts provided an operating surplus of \$5.4 million for the year, which was \$3.5 million (39.5%) below budget. The latter part of 2007 was a difficult period for Trust investments, with a significant downturn in the value of local and global equities having a negative impact on Trust returns. The net return on investments for the year, including unrealised gains and losses, was 3.1%, compared with 13.1% in 2006. The average net return over the last 10 years has been 9.8%.

University of Otago Holdings Limited produced a surplus of \$0.4 million for the year, which was an improvement on the deficit of \$1.2 million last year and compares favourably with the budgeted deficit of \$0.7 million. The major contributor to this result was the sale of the New Zealand Centre for Reproductive Medicine Limited, in which University of Otago Holdings Limited had a 50% interest.

Total cash flow for the Group for the year was a surplus of \$9.7 million compared to a budgeted surplus of \$22.0 million. The decline from budget was due to greater cash outflows for investing activities (up \$30.5 million) partially offset by better than budgeted cash flows from operating activities (up \$17.4 million). The increase in cash inflows from operating activities, up from \$77.2 million in 2006 to \$103.6 million, was particularly pleasing.

The University continued to invest heavily in infrastructure and equipment, with \$70.6 million of cash provided for this purpose. This was \$8.2 million more than the investment made in 2006, with property purchases and building works accounting for most of the increase. Major projects included the purchase of a Dunedin hotel complex and its conversion into a postgraduate residential college (Abbey College), the construction of a new teaching, research and student services building for Health Sciences (the Hunter Centre), the completion of a new building on the University of Otago Wellington Campus and significant conversion work at the University of Otago College of Education site which was acquired as a result of the merger with the Dunedin College of Education.

Total assets for the group were \$1.371 billion, with the University accounting for \$1.158 billion of this. Group liabilities totalled \$115 million, leaving equity of \$1.256 billion.

Conclusion

The financial outcome for the year was better than expected, with both the University and the Group exceeding all of the financial guidelines provided by the Tertiary Education Commission.

The University produced an operating surplus above last year's and slightly ahead of budget, even after allowing for a large increase in depreciation. This flowed through into a strong cash performance for the year and created a solid financial position at year end.

This outcome was timely given the high value of projects on the University's Critical Space Plan; projects which are planned for completion between now and 2011. There is also a growing number of other building projects on the horizon. Major upgrades to several existing buildings and the construction of new space will be required if the quality of the student experience and the research capability of the University are to be enhanced. Higher operating surpluses will be an essential source of funding for these projects.

A J Patrick

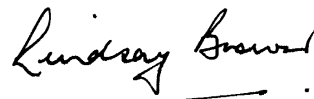
CHIEF OPERATING OFFICER



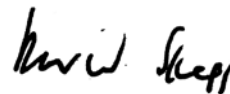
2007 FINANCIAL STATEMENTS

1. The Council and management of the University of Otago accept responsibility for the preparation of the annual financial statements and the statement of service performance and the judgements used in them;
2. The Council and management of the University of Otago accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. In the opinion of the Council and management of the University of Otago, the annual financial statements and the statement of service performance for the financial year ending 31 December 2007 fairly reflect the financial position and operations of the University of Otago.

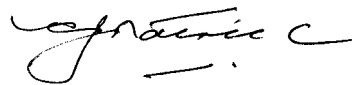
CHANCELLOR



VICE-CHANCELLOR



CHIEF OPERATING OFFICER



30 APRIL 2008

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2007

THE REPORTING ENTITY

The University of Otago was founded in 1869 by the Ordinance of the Otago Provincial Council and is New Zealand's oldest University. In 1874 the University of Otago became an affiliated college of the University of New Zealand, which was established by statute in 1870. However, in 1961 the University of New Zealand was disestablished and the University of Otago acquired its present legal status and was granted the power to confer degrees by the University of Otago Amendment Act 1961.

The financial statements presented here are for the reporting entity University of Otago (Parent), Group companies and controlled Trusts.

The group companies are:

- ~ University of Otago Holdings Limited. Holding company. 100% owned by the University.
- ~ Otago Innovation Limited. Company to hold and develop the commercial interests of the University. 100% owned by University of Otago Holdings Limited.
- ~ University of Otago Foundation Studies Limited. Operates the foundation year programme and an English language school. 100% owned by University of Otago Holdings Limited.
- ~ University of Otago Press Limited. Not trading. 100% owned by University of Otago Holdings Limited.
- ~ University Union Limited. Owner of the University Union building. 50% owned by University of Otago Holdings Limited.
- ~ New Zealand Centre for Reproductive Medicine Limited. No longer trading – business assets sold. 50% owned by University of Otago Holdings Limited.
- ~ Unihealth Limited. Not trading. 50% owned by University of Otago Holdings Limited.
- ~ LCo New Zealand Limited. Owns and operates a library system serving four Universities. 31% owned by University of Otago Holdings Limited.
- ~ Unipol Recreation Limited. Provides gymnasium and recreational services to University of Otago and Otago Polytechnic students and staff. 40% owned by University of Otago Holdings Limited.
- ~ BPAC NZ Limited. This company works with the School of Pharmacy to provide best-practice advocacy services to primary, secondary and tertiary health providers in the area of medication prescribing. 25% owned by University of Otago Holdings Limited.
- ~ Upstart Trustee Company Limited. 33% owned by University of Otago Holdings Limited.
- ~ Immune Solutions Limited. This company is working with the Department of Microbiology to develop oral vaccines for the treatment of tuberculosis in animals, particularly possums. 100% owned by Otago Innovation Limited.
- ~ Isotracer NZ Limited. No longer trading. 100% owned by Otago Innovation Limited.
- ~ Delta S Technology Limited. Developer of heat-pump technology for industrial uses. 44.7% owned by Otago Innovation Limited.
- ~ Photonic Innovation Limited. Developer of revolutionary laser technology. 50% owned by Otago Innovation Limited.
- ~ Medialab Limited. Provides technical consulting advice to the telecommunications industry. 50% owned by Otago Innovation Limited.

The controlled Trusts include the University of Otago Foundation Trust, the Hocken Trust and several other Trusts established for the benefit of the University of Otago. The University is the beneficiary of all the Trusts and in most cases acts as Trustee or appoints the Trustees.

The primary objective of the University and Group is to provide goods and services for the community for social benefit rather than make a financial return. Accordingly, the University has designated itself and the Group as public benefit entities for the purposes of New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS).

The financial statements of the University and Group are for the year ended 31 December 2007. The financial statements were authorised for issue by Council on 30 April 2008.

The University is organised into divisions.

There are four teaching and research divisions – Commerce, Health Sciences, Humanities, Sciences – and nine service divisions – Information Technology Services, Property Services, Financial Services, Marketing and Communications, Academic Services, Student Services, Human Resources, Research and Accommodation Services.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements are presented in accordance with Section 220 of the Education Act 1989, the Crown Entities Act 2004, and New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IAS 1 13(1)(d), 105 (a) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

This is the first set of financial statements prepared using NZ IFRS and comparatives for the year ended 31 December 2006 have been restated to NZ IFRS accordingly. Reconciliations of equity and net surplus/ (deficit) for the year ended 31 December 2006 under NZ IFRS to the balances reported in the 31 December 2006 financial statements are detailed in notes 24 and 25.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 January 2006 for the purposes of the transition to NZ IFRS.

The accounting principles followed by the Group are those recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis, with the exception that certain property plant and equipment have been revalued.

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 of Otago is New Zealand dollars.

The financial statements include:

- ~ Statement of Financial Performance,
- ~ Statement of Movements in Equity,
- ~ Balance Sheet,
- ~ Statement of Cash Flows, and
- ~ Statement of Commitments and Contingencies.

The financial statements include the operations of the University of Otago, its subsidiary and associate companies and its controlled Trusts. The subsidiary companies and trusts have been included in the consolidated accounts by line aggregation of assets, liabilities, revenues, expenses and cash flows. Associate companies have been consolidated on an equity accounting basis, which shows the share of the surpluses/ deficit in the University's statement of financial performance and the share of post-acquisition increases/ decreases in net assets in the University's Balance Sheet.

All significant inter-entity transactions have been eliminated on consolidation.

ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of financial performance and financial position, have been applied.

1. REVENUES

Government grants and student fees

Government grants and student fees are recognised as income on entitlement.

Research funds

Income received for research which will provide reciprocal benefits to the research funding provider is recognised in the Statement of Financial Performance as “externally-funded research” income when research expenditure is incurred. Those research funds which are not expended at year end are included in the Balance Sheet as “funds received in advance” to recognise the future obligation to complete the research. (Refer also to Note 13.)

Income for research which provides no reciprocal benefits to the research funding provider is recognised in the Statement of Financial Performance as “externally-funded research” income when received.

Pledged donations

Pledged donations are recognised in the Statement of Financial Performance as “Trust donations” when the pledge agreement is signed. When payments are made they are recorded against the asset. Pledged donations are recorded at their face value. (Refer Note 8 and Note 27.)

Other

Where physical assets are acquired for nil consideration the fair value of the asset received is recognised as revenue.

Dividends are recognised when the right to receive payment has been established.

2. BUDGETS

The budgets reported in these financial statements have been updated to reflect actual EFTS enrolments and funding at 31 March 2007, together with adjustments for any significant changes in revenue and costs that became evident after the original budget was prepared. This revised budget was approved by University Council on 10 July 2007. While this does not comply with the Crown Entities Act, as the University should report against its original budget, it is a more meaningful comparison for readers due to major funding changes awarded to the University between the adoption of the original budget and the revised budget.

	Actual	Budget Review	Original Budget
	(\$000)	(\$000)	(\$000)
Operating surplus	26,351	23,439	6,828

3. FOREIGN CURRENCIES

Transactions and balances in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction and balance date respectively. Foreign exchange gains and losses have been recognised in the Statement of Financial Performance.

4. TRADE AND OTHER RECEIVABLES

Accounts receivable are valued at estimated realisable value. Amounts not considered recoverable are written off in the period in which they are identified.

5. PROPERTY, PLANT AND EQUIPMENT

The University's land and buildings are revalued when there has been a significant movement in the market value or depreciated replacement cost. They were revalued on 31 December 2006 in accordance with NZ IAS 16 "property, plant and equipment" and the New Zealand Property Institute's Valuation Standard 3, "Valuations for Financial Reporting". The basis of valuation was as follows:

- ~ Land was valued at market value;
- ~ Specialised buildings and improvements were valued at depreciated replacement cost; and
- ~ Non-specialised buildings and improvements were valued at market value.

The valuation was completed by a registered valuer employed by the University and has been reviewed by an independent registered valuer (Chapman Consulting Otago Limited) and confirmed as appropriate for financial reporting purposes. (Refer also to Note 10.)

All Crown-owned land and buildings (if any) used by the University are included as part of the University's assets. Although legal title has not been transferred, the University has assumed all the normal risks and rewards of ownership.

Capital work in progress is valued at cost and is not depreciated.

Library books and periodicals, with the exception of rare books and special library collections, have been valued at cost less accumulated depreciation. Library electronic resources in the form of annual subscriptions are written off at the time of purchase.

Rare books and special library collections were valued as at 31 December 1994 by expert University Library staff, based on the net current value of items following the generally accepted methodology employed by the Alexander Turnbull Library. Any additions to the collection have been valued at cost. (Refer also to Note 19.)

The Hocken Library Collections were revalued at 1 January 2006 by an independent registered valuer (Peter Webb Galleries). The University is electing to adopt optional exemption section 13 (b) of NZ IFRS 1 and is recognising the revalued amounts as fair value, and using this as the deemed cost. Any additions since 1 January 2006 have been valued at cost. (Note 20.)

University artworks were valued at 1 January 2006 by an independent registered valuer (Peter Webb Galleries). The University is electing to adopt optional exemption section 13 (b) of NZ IFRS 1 and is recognising the valued amounts as fair value, and using this as the deemed cost. Any additions since 1 January 2006 have been valued at cost.

Plant, motor vehicles, equipment and furniture are recorded at cost less accumulated depreciation and impairment losses. Asset purchases of less than \$2,000 are expensed at cost on acquisition, with the exception of furniture and computers which are capitalised regardless of cost.

The useful life of each asset class and the depreciation rates used in the preparation of these statements are as follows:

Asset Class	Useful Life (Years)	Depreciation Rate
Buildings and Components		
Site improvements	50 to 100	1.0% to 2.0%
Structure including walls	40 to 250	0.4% to 2.5%
Roof	25 to 100	1.0% to 4.0%
Plumbing	40 to 60	1.7% to 2.5%
Lifts	40 to 50	2.0% to 2.5%
Heating and ventilation	30 to 60	1.7% to 3.3%
Fume cupboards	15	6.7%
Floor coverings and chattels	10 to 40	2.5% to 10.0%
Fit out	30 to 75	1.3% to 3.3%
Fire protection	50 to 60	1.7% to 2.0%
Electrical	40 to 50	2.0% to 2.5%
Data network	15	6.7%
Motor vehicles and trailers	3 to 10	10.0% to 33.3%
Furniture and fittings	5 to 10	10.0% to 20.0%
Plant and equipment	4 to 37	2.7% to 25.0%
Computers and photocopiers	4 to 10	10.0% to 25.0%
Library collections	3 to 10	10.0% to 33.3%

Depreciation of all assets, except for land, artworks, rare books and special library collections is provided for on a straight-line basis at rates that will write off their cost, less any residual value, over their estimated useful lives. Land, artworks, rare books and special library collections are not depreciated.

6. INTANGIBLE ASSETS

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the University of Otago are recognised as an intangible asset.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful economic life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Performance. (Note 11.)

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 to 25 years	4% to 33.3%.
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7. INVENTORY

Inventories have been valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis, or by the weighted average method. Obsolete inventories have been written off.

8. GOODS AND SERVICES TAX (GST)

The financial statements are prepared on a basis which excludes GST. Accounts receivable and accounts payable are GST inclusive. GST owing to the Inland Revenue Department as at 31 December 2007 is included in accounts payable.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

9. EMPLOYEE ENTITLEMENTS

Annual leave for academic and general staff has been accrued. In addition an accrual has been made for retirement gratuities and sick leave for both academic and general staff and long service leave for general staff. Retirement gratuities, long service and sick leave have been accrued on the following basis:

- Long service leave which has vested to the employee (an entitlement has been established) has been measured at nominal value using remuneration rates current at reporting date. This is included as a current liability.
- Retirement gratuities which have vested to the employee (an entitlement has been established) have been measured at nominal value using remuneration rates current at the time of entitlement. This is included as a current liability.
- Retirement gratuities and long service leave which have not yet vested in the employee (no entitlement has been established) have been measured using the present value measurement basis which discounts expected future cash outflows. This is treated as a non-current liability.
- Sick leave has been measured using the present value measurement basis which discounts expected future cash outflows. This is treated as a non-current liability.
- Employee entitlements relating to the sale of intellectual property have been valued using the value of the intellectual property at balance date as the basis for the entitlement.

10. FINANCE LEASES

Finance leases, which effectively transfer to the University of Otago and Group companies all the risks and benefits incidental to ownership of the leased item, are capitalised. The leased assets and corresponding lease liabilities are disclosed and the leased assets are depreciated over the period that benefits are received from their use.

11. OPERATING LEASES

An operating lease is a lease that does not transfer substantially all the risk and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

12. OTHER FINANCIAL ASSETS

The University classifies its other financial assets into the following four categories: financial assets at fair value through the Statement of Financial Performance, loans and receivables, held to maturity investments and available for sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at reporting date. Financial assets are initially measured at fair value plus transactions costs.

- Financial assets at fair value through the Statement of Financial Performance
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. These include investments in quoted shares. After initial recognition they are measured at fair values. Gains or losses on measurement are recognised in the Statement of Financial Performance.
- Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These include shareholders' advances, loans and short-term deposits. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses where the asset is impaired or derecognised are recognised in the Statement of Financial Performance.
- Held to maturity investments
These are assets with fixed or determinable payments and fixed maturities that the University has the positive intention and ability to hold to maturity. The University and Group have no investments in this category.

- Available for sale assets

These are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through the Statement of Financial Performance, loans and receivables or held to maturity investments. The University and Group have no assets in this category.

University investments in its subsidiaries are carried at cost. Investments in associate companies are valued at cost plus the share of retained profits.

13. ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The University uses derivative financial instruments to hedge exposure to foreign exchange risks arising from financing activities. The University does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value.

14. STATEMENT OF CASH FLOWS

“Cash and cash equivalents” includes cash-in-hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

“Operating activities” include cash received from all income sources and record the cash payments made for the supply of goods and services.

“Investing activities” are those activities relating to the acquisition and disposal of non-current assets.

“Financing activities” comprise activities that change the debt structure of the University.

15. TAXATION

The University, its subsidiaries and Trusts are exempt from the payment of income tax as they are treated by Inland Revenue Department as charitable organisations. Accordingly, no charge for income tax applies or has been provided for.

16. ACC PARTNERSHIP PROGRAMME

The University of Otago belongs to the ACC Partnership Programme whereby the University accepts the management and financial responsibility of work-related illnesses and accidents of employees. Under the ACC Partnership Programme, the University is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to accidents and illnesses occurring up to the Balance Sheet date for which the University has responsibility under the terms of the Partnership Programme.

The liability for claims reported prior to balance date has been determined by assuming that the future experience for each current claim is consistent with historical claim information since the commencement of the programme. The liability for injuries or illnesses that have occurred up to balance date, but not yet reported or not fully reported, has been determined by reference to historical information of the time it takes to report injury or illness.

The value of the liability is measured at the present value of the future payments for which the University has responsibility using a risk free discount rate. The value of the liability includes a risk margin that represents the inherent uncertainty of the present value of the expected future payments.

17. SUPERANNUATION SCHEMES

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of financial performance.

Defined-benefit schemes

The University belongs to the Government Superannuation Fund which is a Defined-Benefit Plan Contribution Scheme. The University has no underwriting responsibilities as any shortfall is met by the Government. As such, the scheme is accounted for as a defined contribution plan. Further information on this scheme is disclosed in Note 14.

18. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

19. CHANGES IN ACCOUNTING ESTIMATES

During the financial year the University reviewed its estimate of useful life for periodical publications. These have previously been estimated to have a 10-year useful life. The University now believes that a five-year useful life is a more appropriate estimate. The effect on the current year is to reduce the University's fixed assets by \$13.389 million and the University surplus by the same amount.

The future effect of this change is considered to be immaterial on the University.

20. TRANSITION TO NZ IFRS

The University's transition date is 1 January 2006. The University prepared its opening NZ IFRS Balance Sheet at that date. The reporting date of these financial statements is 31 December 2007. The University's NZ IFRS adoption date is 1 January 2006.

In preparing these financial statements in accordance with NZ IFRS 1, the University has applied the mandatory exceptions and certain optional exemptions from full retrospective application of NZ IFRS.

Exemptions from full retrospective application was elected by the University of Otago.

Standards or interpretations issued but not yet effective

NZ IFRS 8 – operating segments was approved by the Accounting Standards Review Board in December 2006 and is applicable for accounting periods beginning on or after 1 January 2009, although early adoption is encouraged. The standard requires additional disclosures about the Group's operating segments. However, the Group will adopt a Public Benefit Entity exemption on the standard. Consequently, it will not impact the financial statements.

NZ IAS 1 amends require certain additional disclosures including a statement of comprehensive income. This will result in revised disclosures.

There are no other standards or interpretations issued, but not yet effective that the University has not yet applied.

The University has elected to apply the following optional exemptions from full retrospective application:

- Fair value as deemed cost exemption

The University has elected to measure its art collection and the Hocken Library Collection at fair value as at 1 January 2006, and to use that fair value as the deemed cost at that date.

- Designation of financial assets and financial liabilities exemption

The University and Group have designated investments held by the University Trusts at fair value on transition to NZ IFRS.

CHANGES IN ACCOUNTING POLICIES

All accounting policies have been applied on a basis consistent with the previous year.

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated			University		
		This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
INCOME							
Government grants	1	219,401	218,156	174,292	218,522	217,292	173,448
Domestic tuition fees		71,613	71,677	65,963	71,164	71,287	65,658
International tuition fees		33,870	34,275	34,352	30,528	31,374	31,689
Investment income	2	13,556	16,600	17,971	6,685	5,573	5,052
Externally-funded research		72,974	70,038	67,509	72,649	69,808	67,202
Distributions from Trust funds					4,579	4,702	4,657
Consulting and commercial income		48,599	46,790	60,486	48,978	46,495	59,780
Sale of intellectual property		425	117	302	413	11	50
Trust donations		6,180	5,023	14,160			
Other income		24,335	19,226	2,187	24,208	20,730	2,127
Total income		490,953	481,902	437,222	477,726	467,272	409,663
EXPENDITURE							
Salaries – academic		146,404	151,504	131,413	144,059	149,158	129,094
Salaries – general		112,900	112,270	93,967	110,886	110,223	91,863
Staff-related costs		13,759	17,621	12,456	13,701	17,580	12,401
Consumables and general		79,461	65,332	73,202	76,778	63,648	70,986
Depreciation and amortisation	3	59,676	46,473	39,506	59,317	46,172	39,213
Occupancy costs		28,978	38,831	33,997	28,978	38,831	33,996
Scholarships		17,656	18,221	15,460	17,656	18,221	15,460
Total expenditure	3	458,834	450,252	400,001	451,375	443,833	393,013
Net surplus		32,119	31,650	37,221	26,351	23,439	16,650

THE STATEMENT OF ACCOUNTING POLICIES AND THE NOTES TO THE FINANCIAL STATEMENTS FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THIS STATEMENT.

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated			University		
		This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
Opening balance of equity		1,157,256	1,157,296	962,724	949,701	949,701	775,703
Net surplus for the period		32,119	31,650	37,221	26,351	23,439	16,650
Increase (decrease) in property revaluation reserve				148,543			148,543
Total recognised revenues and expenses for the period		32,119	31,650	185,764	26,351	23,439	165,193
Net assets arising from the merger with the Dunedin College of Education	4	56,806	57,163		56,806	57,163	
Capital contribution from Government to University of Otago Foundation Trust Leading Thinkers Initiative		9,691	9,691	7,605	9,691	9,691	7,605
Capital contribution from Government to University of Otago/ Dunedin College of Education merger costs				1,200			1,200
Minority interest				(37)			
Closing balance of equity		1,255,872	1,255,800	1,157,256	1,042,549	1,039,994	949,701

THE STATEMENT OF ACCOUNTING POLICIES AND THE NOTES TO THE FINANCIAL STATEMENTS FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THIS STATEMENT.

BALANCE SHEET
 AS AT 31 DECEMBER 2007

	Note	Consolidated			University		
		This Year \$'000	Budget \$'000	Last Year \$'000	This Year \$'000	Budget \$'000	Last Year \$'000
ASSETS							
Current assets							
Cash and cash equivalents	5	27,683	39,983	18,338	17,684	11,809	8,267
Other financial assets	6	54,235	36,312	27,000	62,463	51,460	29,546
Trade and other receivables and prepayments	7	36,199	33,647	31,379	32,072	31,224	26,721
Inventory		716	680	686	715	680	686
Total current assets		118,833	110,622	77,403	112,934	95,173	65,220
Non-current assets							
Trade and other receivables	8	6,715	11,150	6,726			
Investments in associates	9	4,002	4,824	4,421			
Other financial assets	6	102,960	91,412	92,350	11,976	10,234	11,542
Property, plant and equipment	10	1,126,274	1,153,309	1,069,930	1,021,158	1,048,307	964,709
Intangible assets – internally generated	11	1,341		1,546	1,341		1,546
Intangible assets – externally generated	11	11,050		8,964	11,050		8,964
Total non-current assets		1,252,342	1,260,695	1,183,937	1,045,525	1,058,541	986,761
Total assets		1,371,175	1,371,317	1,261,340	1,158,459	1,153,714	1,051,981
LIABILITIES							
Current liabilities							
Bank overdraft	5			369			369
Trade and other payables and accruals	12	31,841	29,727	28,028	33,722	29,131	27,606
Funds received in advance	13	31,098	27,998	24,817	30,048	27,049	23,615
Employee entitlements	14	30,424	33,931	27,961	30,200	33,751	27,781
Total current liabilities		93,363	91,656	81,175	93,970	89,931	79,371
Non-current liabilities							
Employee entitlements	14	21,690	23,539	22,409	21,690	23,539	22,409
Loans and leases	15	250	322	500	250	250	500
Total non-current liabilities		21,940	23,861	22,909	21,940	23,789	22,909
EQUITY							
General reserve	16	698,280	672,929	599,664	484,957	472,964	392,109
Property revaluation reserve	16	557,592	582,871	557,592	557,592	567,030	557,592
Total equity		1,255,872	1,255,800	1,157,256	1,042,549	1,039,994	949,701
Total liabilities and equity		1,371,175	1,371,317	1,261,340	1,158,459	1,153,714	1,051,981

THE STATEMENT OF ACCOUNTING POLICIES AND THE NOTES TO THE FINANCIAL STATEMENTS FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THIS STATEMENT.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated			University		
		This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
OPERATING ACTIVITIES							
Cash was provided from:							
Government grant		218,899	218,428	175,420	217,843	217,564	174,576
Revenue from fees		108,923	110,101	100,354	105,190	106,703	97,065
Revenue from services		151,206	136,133	142,793	150,400	137,388	137,697
Investment income		17,230	13,865	15,511	5,989	5,519	5,086
		496,258	478,527	434,078	479,422	467,174	414,424
Cash was applied to:							
Employees and suppliers		392,633	392,326	356,849	387,170	385,867	350,789
		392,633	392,326	356,849	387,170	385,867	350,789
Net cash flows from operating activities		103,625	86,201	77,229	92,252	81,307	63,635
INVESTING ACTIVITIES							
Cash was provided from:							
Investments		230	2,641	359	196	300	67
Investments– subsidiaries and associates		319			2,259		
Sale of property, plant and equipment		2		172			172
		551	2,641	531	2,455	300	239
Cash was applied to:							
Investments		40,130	10,151	22,303	30,691	21,092	9,507
Investments – subsidiaries and associates		1,320	1,351		1,320	1,351	
Property, plant and equipment acquired		70,726	72,248	62,768	70,624	72,168	62,401
		112,176	83,750	85,071	102,635	94,611	71,908
Net cash flows from investing activities		(111,625)	(81,109)	(84,540)	(100,180)	(94,311)	(71,669)
FINANCING ACTIVITIES							
Cash was provided from:							
Loans raised		9,700	9,686	9,555	9,700	9,691	9,555
College of Education merger	4	8,014	7,490		8,014	7,490	
Reduce current assets			12				
		17,714	17,188	9,555	17,714	17,181	9,555
Cash was applied to:							
Reduce liabilities			266	40		266	
			266	40		266	
Net cash flows from financing activities		17,714	16,922	9,515	17,714	16,915	9,555
Total cash flows		9,714	22,014	2,204	9,786	3,911	1,521
Opening balance		17,969	17,969	15,765	7,898	7,898	6,377
Closing balance		27,683	39,983	17,969	17,684	11,809	7,898
Represented by:							
Cash and cash equivalents	5	27,683	39,983	17,969	17,684	11,809	7,898
Total		27,683	39,983	17,969	17,684	11,809	7,898

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

THE STATEMENT OF ACCOUNTING POLICIES AND THE NOTES TO THE FINANCIAL STATEMENTS FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THIS STATEMENT.

RECONCILIATION OF THE NET SURPLUS FROM OPERATIONS WITH THE NET CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated			University		
	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
Net Surplus	32,119	31,650	37,221	26,351	23,439	16,650
Plus (less) non-cash items						
Non-cash consideration for intellectual property		(649)	56			
Adjustment to staff entitlements	(719)		2,560	(719)		2,560
Adjustment to investments	5,383		1,128			1,128
College of Education merger	(2,080)	653		(2,080)	653	
Increase (decrease) in realised capital gains	94		(4,193)	94		
Non-cash pledged donations	1,135	(855)	(2,571)			
Non-cash donation to Hocken Collections	(822)		(1,024)			
Share of associates surpluses	454	(296)				
Depreciation and property, plant and equipment written off	59,676	46,473	39,506	59,317	46,172	39,213
Loss on disposal of property, plant and equipment	909	(39)	107	909	(39)	107
Other non-cash items	(318)	(250)	(385)			
Total non-cash items	63,712	45,037	35,184	57,521	46,786	43,008
Plus (less) movements in other working capital items:						
Decrease (increase) in trade and other receivables	(6,076)	1,564	(1,687)	(5,457)	2,800	(1,938)
Decrease (increase) in prepayments	2,764	(431)		2,793	(433)	
Decrease (increase) in inventory	(29)	6	35	(29)	6	35
Increase (decrease) in trade and other payables	2,358	4,179	430	2,350	4,508	177
Increase (decrease) in employee entitlements	2,295	7,100		2,298	7,100	
Increase (decrease) in funds received in advance	6,482	(2,904)	6,046	6,425	(2,899)	5,703
Total movements in other working capital items	7,794	9,514	4,824	8,380	11,082	3,977
Net cash flows from operating activities	103,625	86,201	77,229	92,252	81,307	63,635

THE STATEMENT OF ACCOUNTING POLICIES AND THE NOTES TO THE FINANCIAL STATEMENTS FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THIS STATEMENT.

STATEMENT OF COMMITMENTS AND CONTINGENCIES
AS AT 31 DECEMBER 2007

	University and Consolidated	
	This Year \$000	Last Year \$000
COMMITMENTS		
As at 31 December 2007, \$12.651 million of capital works, equipment and software projects were committed for 2008:		
Capital works	11,855	8,919
Equipment and other	796	1,025
	12,651	9,944
Non-cancellable property operating leases:		
Not later than 1 year	1,989	2,457
Later than one year and not later than two years	1,300	1,485
Later than two years and not later than five years	2,410	1,953
Later than five years	2,710	476
	8,409	6,371
Total commitment	8,409	6,371
Total commitments	21,060	16,315

	University and Consolidated	
	This Year \$000	Last Year \$000
CONTINGENT LIABILITIES		
The University provided a guarantee to the Bank of New Zealand for a bond given by the bank to the Dunedin City Council, over the siting of some temporary buildings.		
	50	50
There were several personal grievance claims by employees against the University.		
		103
The University has a contingent liability with respect to the suspensory loan it has received from the Crown. This suspensory loan has been recognised as a crown contribution within equity on receipt. In the event of the University not achieving the required objectives, the loans are repayable to the Crown.		
The balance that is still subject to achieving required objectives for the Leading Thinkers loan is	25,000	15,309
The balance that is still subject to achieving required objectives for the College of Education merger loan is	1,200	1,200

There are no contingent assets.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Consolidated			University		
	This Year	Budget	Last Year	This Year	Budget	Last Year
	\$000	\$000	\$000	\$000	\$000	\$000
NOTE 1	GOVERNMENT GRANTS					
Vote Education	172,274	170,549	148,814	171,395	169,685	147,970
Vote Education – PBRF	45,380	45,422	22,832	45,380	45,422	22,832
Vote Health	1,747	2,185	2,646	1,747	2,185	2,646
Total Government grants	219,401	218,156	174,292	218,522	217,292	173,448

Vote Education includes funding received from Government by way of the operational bulk grant, which is based on equivalent full-time student (EFTS) numbers and the funding category values of these EFTS and specific purpose supplementary grants. Vote Education – PBRF is funding received from Government by way of the Performance-Based Research Fund. Vote Health is EFTS funding for postgraduate health education that is clinically based and is funded by the Ministry of Health, through the Clinical Training Agency.

NOTE 2	INVESTMENT INCOME					
Bank term deposits	8,185	6,923	5,892	7,225	5,573	5,052
<i>Loans and receivables</i>						
Interest from Government and public stock	889	679	705			
Interest from corporate bonds and notes	4,209	3,768	2,678			
Income from associate companies	129	199	240			
Dividends from New Zealand company equities	3,634	1,499	1,524			
Dividends from Australian company equities	633	510	409			
Realised gains on sale of equities	1,218	766	1,738			
<i>Fair value through profit and loss</i>						
Unrealised gains/(losses) on revaluations of investments	(3,029)	2,207	4,193	(290)		
Foreign exchange gains/(losses)	(2,312)	49	592	(250)		
Total investment income	13,556	16,600	17,971	6,685	5,573	5,052

	Consolidated			University		
	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
NOTE 3 REQUIRED DISCLOSURES						
Statement of Financial Performance						
Total expenditure includes:						
<i>Fees to Principal auditor</i>						
- Audit fees for Financial Statement audit	181	133	140	125	105	105
- Audit fees for NZ IFRS transition	36			16		
- Fees for other services*1	46	12	11	46	12	11
Fees paid to lay Council members (see below)	94	102	71	94	102	71
Interest expense	135		153	135		85
Bad debts written off	204	149	147	101	52	153
Directors' remuneration	71	72	72			
Depreciation (see Note 10)						
Depreciation – property, plant & equipment	44,777	44,882	39,506	44,418	44,581	37,914
Amortisation – intangible assets	1,509	1,591		1,509	1,591	1,299
Write down of property, plant & equipment	13,390			13,390		
Total depreciation, amortisation and write down	59,676	46,473	39,506	59,317	46,172	39,213
Loss on disposal of fixed assets	909	(39)	107	909	(39)	107
Lease payments	4,819	4,878	3,849	4,344	4,376	3,849

*1 Relates to the audit of the Vice-Chancellor's declaration on the Performance-Based Research Fund External Research Income and the audit of the University's compliance with the requirements of the United State's Department of Education in respect of the Federal Family Education Loan Programme.

The following fees were earned by members of the Council during the year:

Council Member	This Year \$	Last Year \$
B A Aitken		11,400
E O K Blaikie	2,110	
L J Brown	23,887	19,500
P W H Chin	3,070	2,805
P Y Y Chong		4,590
E W Ellison	4,540	3,825
K E Grant	8,060	
R L C Heal	4,605	
L P Isaacs	10,105	4,335
H M Z Lanham	4,285	
S J McLauchlan	8,570	4,335
J D Palmer	2,750	2,040
M J M Sidey	3,710	3,315
K A Smith	3,325	4,845
K M Smith	4,030	3,315
S Sutton		3,315
J F Ward	10,850	3,315
Total earned	93,897	70,935

Note: Council members who are also employees do not receive attendance fees.

The following Directors fees were earned by members of the Council who are directors of companies in the group:

Council Member	This Year	Last Year
	\$	\$
L Brown	24,000	20,000
S McLauchlan	6,000	6,000
Total earned	30,000	26,000

NOTE 4 MERGER WITH THE COLLEGE OF EDUCATION

The net assets arising from the merger with the Dunedin College of Education are regarded as a contribution on behalf of one of the University's existing equity participants. It is the University's view that the Crown is not the legal owner of the University.

On 31 December 2006 the Dunedin College of Education was disestablished by Order in Council pursuant to s164 of the Education Act 1989 and vested in the University of Otago. No consideration was paid by the University of Otago.

The merger had the following impact on the assets and liabilities of the University.

	As at 1.1.07
	\$000
Cash and cash equivalents	56
Other financial assets	7,960
Advances	1,850
Receivables	1,083
Inventories	27
Total current assets	10,976
Accounts payable	3,191
Total current liabilities	3,191
Working capital	7,785
Land and buildings	46,993
Vehicles	168
Furniture and equipment	542
Library and art collections	1,318
Total non-current assets	49,021
Net assets	56,806

	Consolidated			University		
	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
NOTE 5	CASH AND CASH EQUIVALENTS					
Cash at bank and in hand	1,464	2,545	5,649		253	
Bank overdraft			(369)			(369)
Bank on-call deposits	4,219	5,924	6,527	3,684	5,924	6,267
Short-term deposits maturing 3 months or less from date of acquisition	22,000	31,514	6,162	14,000	5,632	2,000
Total cash and cash equivalents	27,683	39,983	17,969	17,684	11,809	7,898
NOTE 6	OTHER FINANCIAL ASSETS					
	Current portion					
	<i>Loans and receivables</i>					
Short-term deposits with maturities of greater than 3 months from date of acquisition	42,000	28,368	21,644	32,000	21,368	11,000
Shareholder advances				1,490	1,120	1,120
Other loans	4,193	4,342	2,237	3,723	3,722	1,867
Loan from University to Foundation Trust				25,250	25,250	15,559
Corporate bonds and notes	8,042	3,602	3,119			
Total current portion	54,235	36,312	27,000	62,463	51,460	29,546
	Non-current portion					
	<i>Loans and receivables</i>					
Term deposit			7,000			
Shareholder advances				2,813	1,120	3,378
Other loans	2,259	868	1,351	2,828	3,308	2,859
Shares in subsidiary				5,755	4,936	4,435
Corporate bonds and notes	56,438	45,984	36,418			
	<i>Fair value through profit and loss</i>					
Shares in listed equities	44,263	44,560	47,581	580	870	870
Total non-current portion	102,960	91,412	92,350	11,976	10,234	11,542
Total other financial assets	157,195	127,724	119,350	74,439	61,694	41,088

The maturity profile for other investments is as follows:

	This Year	Consolidated	Last Year	This Year	University	Last Year
	\$000	Weighted avg effective interest rate	\$000	\$000	Weighted avg effective interest rate	\$000
3 months or less						
<i>Loans and receivables</i>						
Short-term deposits with maturities of greater than 3 months from date of acquisition (average maturity 232 days)	42,000	7.91%	21,644	32,000	8.08%	11,000
Shareholder advances				1,490	0.00%	1,120
Other loans	4,193	0.00%	2,237	3,723	0.00%	1,867
Loan from University to Foundation Trust				25,250	0.00%	15,559
3 to 12 months						
<i>Loans and receivables</i>						
Corporate bonds and notes	8,042	7.56%	3,119		0.00%	
Total current portion	54,235		27,000	62,463		29,546
1 to 5 years						
<i>Loans and receivables</i>						
Short-term deposits with maturities of greater than 3 months from date of acquisition			7,000			
Other loans	83	0.00%	81	83	0.00%	331
Corporate bonds and notes	47,554	7.24%	32,635		0.00%	
More than 5 years						
<i>Loans and receivables</i>						
Shareholder advances				2,813	0.00%	3,378
Other loans	2,176	0.00%	1,270	2,745	0.00%	2,528
Shares in subsidiary				5,755		4,435
Corporate bonds and notes	8,884	8.07%	3,783		0.00%	
Shares in listed companies – carried at fair value	44,263		47,581	580		870
Total term portion	102,960		92,350	11,976		11,542
Total loans and receivables	157,195		119,350	74,439		41,088

Investments

Investments held by the Trusts include New Zealand Government Securities, State-Owned Enterprises stock, local authority stock, bank bonds, commercial bonds and listed equities. The fair values of these investments are based on quoted market prices at balance date.

The Group owns 8,345,000 shares in BLIS Technologies Limited (BLIS). At 31 December 2007 the carrying amount was adjusted from the 31 December 2006 market price of \$0.07 per share to the market price at 31 December 2007 of \$0.076 per share, resulting in a write-up in fair value of \$50,000.

The Group owns 11,644,051 shares in Pacific Edge Biotechnology Limited. At 31 December 2007, 11,644,051 shares were adjusted from \$0.15 per share to the market value of \$0.10 per share, resulting in a decrease in fair value of \$582,202.

The Group owns 4,641,200 shares in listed company Syft Technologies Limited. At 31 December 2007 the carrying amount was adjusted from the 31 December 2006 market price of \$0.25 per share to the market price at 31 December 2007 of \$0.10 per share, resulting in a write-down in fair value of \$696,000.

The Group owns 1,805,760 shares in Antipodean Biological Inc, and has included this investment at \$1.400 million.

	Consolidated			University			
	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000	
NOTE 7	TRADE AND OTHER RECEIVABLES AND PREPAYMENTS						
	Trade debtors	20,574	20,699	16,915	17,183	20,291	13,360
	Other debtors	10,237	6,722	9,020	9,288	4,704	7,558
	Related parties				248	7	365
	Prepayments	5,388	6,226	5,444	5,353	6,222	5,438
	Total trade and other receivables and prepayments	36,199	33,647	31,379	32,072	31,224	26,721
	TRADE AND OTHER RECEIVABLES						
	Current	21,140		18,491	17,122		13,839
	2 to 3 months	6,442		5,800	6,368		5,800
	> 3 months	3,229		1,644	3,229		1,644
	Carrying amount	30,811		25,935	26,719		21,283

	Consolidated			University		
	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
NOTE 8	TRADE AND OTHER RECEIVABLES NON-CURRENT					
	6,715	11,150	6,726			

	Consolidated			University		
	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
NOTE 9 INVESTMENTS IN ASSOCIATES						
Unipol Recreation Limited						
Unlisted ordinary shares	767	767	627			
Share of increase (decrease) in the net assets	138	122	140			
Total investment	905	889	767			
Unihealth Limited						
Unlisted ordinary shares	3	3	3			
Share of increase (decrease) in the net assets			0			
Total investment	3	3	3			
University Union Limited						
Unlisted ordinary shares	1,737	1,737	1,737			
Share of increase (decrease) in the net assets	255	178	165			
Total investment	1,992	1,915	1,902			
New Zealand Centre for Reproductive Medicine Limited						
Unlisted ordinary shares	262	262	262			
Share of increase (decrease) in the net assets	48	818	650			
Total investment	310	1,080	912			
LCoNZ Limited						
Unlisted ordinary shares	647	647	647			
Share of increase (decrease) in the net assets	145	188	122			
Total investment	792	835	769			
BPAC NZ Limited						
Unlisted ordinary shares						
Share of increase (decrease) in the net assets		102	68			
Total investment		102	68			
Total investments in associates	4,002	4,824	4,421			

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

PARENT

	Land	Buildings	Computers	Furniture	Artworks	Library Books	Hocken Collections	Rare Books & Special Collections	Equipment	Total
Cost										
<i>Balance at 1 January 2006</i>										
Items at cost	551	42,716	59,863	11,979	9,280	69,353	289	9,027	119,609	322,667
Items at valuation	95,700	559,478								655,178
	96,251	602,194	59,863	11,979	9,280	69,353	289	9,027	119,609	977,407
Revaluations	45,933	102,610								148,543
Revaluations – write back accum. Depn		(30,477)								(30,477)
Additions	5,569	28,613	5,539	1,670		6,242	178	65	12,943	60,819
Disposals			(6,450)						(532)	(6,982)
Transfers between categories		791				(1,603)	1,594	9	(791)	
Impairment										
Balance at 31 December 2006	147,753	703,731	58,952	13,649	9,280	73,992	2,061	9,101	131,229	1,149,748
<i>Balance at 1 January 2007</i>										
Items at cost		18,864	58,952	13,649	9,280	73,992	2,061	9,101	131,229	317,128
Items at valuation	147,753	684,867								832,620
	147,753	703,731	58,952	13,649	9,280	73,992	2,061	9,101	131,229	1,149,748
Revaluations										
Revaluations – write back accum. Depn										
Additions	9,282	76,370	6,845	2,102	326	7,437	204	209	12,351	115,126
Disposals		(62)	(1,417)						(1,874)	(3,353)
Transfers between categories			(15)						4	(11)
Impairment										
Balance at 31 December 2007	157,035	780,039	64,365	15,751	9,606	81,429	2,265	9,310	141,710	1,261,510

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings	Computers	Furniture	Artworks	Library Books	Hocken Collections	Rare Books & Special Collections	Equipment	Total
Accumulated depreciation and impairment losses										
<i>Balance at 1 January 2006</i>		14,897	48,347	6,676		36,041			78,524	184,485
Revaluations						6,471			8,911	37,914
Depreciation		15,580	5,797	1,155						(30,477)
Revaluations – write back accum. Depn		(30,477)							(439)	(6,883)
Disposals			(6,444)							
Transfers between categories										
Impairment										
<i>Balance at 31 December 2006</i>			47,700	7,831		42,512			86,996	185,039
<i>Balance at 1 January 2007</i>			47,700	7,831		42,512			86,996	185,039
Depreciation		20,777	6,128	1,157		6,868			9,488	44,418
Revaluations – write back accum. Depn									(1,122)	(2,495)
Disposals		27	(1,400)							
Transfers between categories										
Loss on sale										
Impairment		1				13,389				13,390
<i>Balance at 31 December 2007</i>		20,805	52,428	8,988		62,769			95,362	240,352
Carrying amounts										
At 1 January 2006	96,251	587,297	11,516	5,303	9,280	33,312	289	9,027	41,085	793,360
At 31 December 2006 and 1 January 2007	147,753	703,731	11,252	5,818	9,280	31,480	2,061	9,101	44,233	964,709
At 31 December 2007	157,035	759,234	11,937	6,763	9,606	18,660	2,265	9,310	46,348	1,021,158

CONSOLIDATED

	Land	Buildings	Computers	Furniture	Artworks	Library Books	Hocken Collections	Rare Books & Special Collections	Equipment	Total
Cost										
<i>Balance at 1 January 2006</i>										
Items at cost	551	42,949	61,604	12,247	9,280	69,533	103,508	9,027	119,882	428,581
Items at valuation	95,700	559,478								655,178
	96,251	602,427	61,604	12,247	9,280	69,533	103,508	9,027	119,882	1,083,759
Revaluations	45,933	102,610								148,543
Revaluations – write back accum. Depn		(30,477)								(30,477)
Additions	5,569	28,613	5,900	1,673		6,246	1,024	65	12,943	62,033
Disposals			(6,450)						(532)	(6,982)
Transfers between categories		791				(1,603)	1,594	9	(791)	
Impairment										
Balance at 31 December 2006	147,753	703,964	61,054	13,920	9,280	74,176	106,126	9,101	131,502	1,256,876
<i>Balance at 1 January 2007</i>										
Items at cost		19,097	61,054	13,920	9,280	74,176	106,126	9,101	131,502	424,256
Items at valuation	147,753	684,867								832,620
	147,753	703,964	61,054	13,920	9,280	74,176	106,126	9,101	131,502	1,256,876
Revaluations										
Revaluations – write back accum. Depn										
Additions	9,282	76,370	6,947	2,102	326	7,437	1,026	209	12,351	116,050
Disposals		(62)	(2,722)						(1,874)	(4,658)
Transfers between categories			(15)						4	(11)
Impairment										
Balance at 31 December 2007	157,035	780,272	65,264	16,022	9,606	81,613	107,152	9,310	141,983	1,368,257

CONSOLIDATED (CONTINUED)

	Land	Buildings	Computers	Furniture	Artworks	Library Books	Hocken Collections	Rare Books & Special Collections	Equipment	Total
Accumulated depreciation and impairment losses										
<i>Balance at 1 January 2006</i>		14,970	49,269	6,930		36,208			78,719	186,096
Revaluations										
Depreciation		15,609	6,001	1,164		6,480			8,952	38,206
Revaluations – write back accum. Depn		(30,477)								(30,477)
Disposals			(6,443)						(436)	(6,879)
Transfers between categories										
Impairment										
Balance at 31 December 2006		102	48,827	8,094		42,688			87,235	186,946
<i>Balance at 1 January 2007</i>		103	48,827	8,094		42,688			87,235	186,947
Depreciation		20,801	6,419	1,161		6,873			9,523	44,777
Revaluations – write back accum. Depn										
Disposals		27	(2,030)						(1,126)	(3,129)
Transfers between categories										
Loss on sale										
Impairment		1				13,389				13,390
Balance at 31 December 2007		20,932	53,216	9,255		62,950			95,632	241,985
Carrying amounts										
At 1 January 2006	96,251	587,457	12,335	5,317	9,280	33,325	103,508	9,027	41,163	897,663
At 31 December 2006 and 1 January 2007	147,753	703,862	12,228	5,826	9,280	31,487	106,126	9,101	44,270	1,069,933
At 31 December 2007	157,035	759,341	12,051	6,766	9,606	18,662	107,152	9,310	46,352	1,126,275

Buildings at cost includes work in progress \$16.393 million (2006 \$18.864 million).

NOTE 11 INTANGIBLE ASSETS – PARENT

	Cost/ Valuation \$000	Accumulated Amortisation \$000	This Year Book Value \$000	Last Year Book Value \$000
COST				
Software – internally generated	2,040	699	1,341	1,546
Software – externally generated	12,939	5,279	11,050	8,964
Intangible assets at cost	14,979	5,978	12,391	10,510

	Opening Book Value \$000	Additions \$000	Amortisation \$000	Net Disposals \$000	Closing Book Value \$000
INTANGIBLE ASSET MOVEMENTS					
Software – internally generated	1,546		205		1,341
Software – externally generated	8,964	3,389	1,304		11,050
Total	10,510	3,389	1,509		12,391

	Cost/ Valuation \$000	Accumulated Amortisation \$000	This Year Book Value \$000	Last Year Book Value \$000
INTANGIBLE ASSETS – CONSOLIDATED				
COST				
Software - internally generated	2,040	699	1,341	1,546
Software - externally generated	12,939	5,279	11,050	8,964
Intangible assets at cost	14,979	5,978	12,391	10,510

	Opening Book Value \$000	Additions \$000	Amortisation \$000	Net Disposals \$000	Closing Book Value \$000
INTANGIBLE ASSET MOVEMENTS					
Software - internally-generated	1,546		205		1,341
Software - externally-generated	8,964	3,389	1,304		11,050
Total	10,510	3,389	1,509		12,391

	Consolidated			University		
	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
NOTE 12 ACCOUNTS PAYABLE AND ACCRUALS						
Trade creditors	8,127	6,439	6,859	7,467	6,036	6,012
Other creditors	14,171	13,650	9,850	13,231	10,886	10,275
Related parties			390	3,603	2,721	390
Accruals	9,543	9,638	10,929	9,421	9,488	10,929
Total accounts payable and accruals	31,841	29,727	28,028	33,722	29,131	27,606

	Consolidated			University		
	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
NOTE 13 FUNDS RECEIVED IN ADVANCE						
Research funding	24,421	22,343	17,947	24,421	22,343	17,947
Student fees	4,836	4,214	5,295	3,846	3,306	4,093
Other	1,841	1,441	1,575	1,781	1,400	1,575
Total funds received in advance	31,098	27,998	24,817	30,048	27,049	23,615

NOTE 14 EMPLOYEE ENTITLEMENTS

Current portion of employee entitlements:

	Consolidated			University		
	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
Annual leave	21,445		20,130	21,258		19,950
Long service leave	924		797	924		797
Retirement gratuities	6,952		6,016	6,952		6,016
Staff intellectual property entitlements	1,066		1,012	1,066		1,012
Other entitlements	37		6			6
Total current portion	30,424	33,931	27,961	30,200	33,751	27,781

Non-current portion of the employee entitlements:

Long service leave	747		702	747		702
Retirement gratuities	19,551		20,458	19,551		20,458
Sick leave	1,392		1,249	1,392		1,249
Total non-current portion	21,690	23,539	22,409	21,690	23,539	22,409

Calculation of sick leave, long service leave and retirement gratuities

An actuarial assessment of the accrued sick leave, long service leave and retirement gratuities of the University of Otago in respect of current employees was carried out as at 31 December 2007. A range of discount rates from 5.76% to 7.33% and a salary growth rate of 2.75% have been applied in the calculation of the non-current sick leave, long service leave and retirement gratuity entitlements. Discount rates are those assessed as the interest rates (before tax) attaching to Government Stock with terms to maturity that match, as closely as possible, the terms of the related liabilities. The salary growth rate is based on the projected long term annual rate of inflation.

Sick leave for University of Otago Holdings Limited Group has not been accrued as it is immaterial.

	Consolidated		University	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
Employer contributions to multi-employer defined-benefit plans	2,202	2,046	2,202	2,046

	Consolidated			University		
	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
NOTE 15 LOANS AND LEASES						
Non-current loans and leases	250	322	500	250	250	500
Total loans and leases	250	322	500	250	250	500

Funds have been advanced to the University from the Dunedin City Council which the University has then on-advanced to the University of Otago Foundation Trust to fund various projects. The loan is interest free and will be progressively forgiven if certain conditions are met.

Maturity analysis	This Year	Last Year
1-5 years	250	500
Total loans	250	500

The weighted average effective interest rate of all loans is 0%.

The carrying amount (fair value) of the above loans has been estimated to be the face value of the loans.

	Consolidated		Parent	
	Actual 2007 \$000	Actual 2006 \$000	Actual 2007 \$000	Actual 2006 \$000
NOTE 16 EQUITY				
General reserve				
<i>As at 1 January</i>	599,664	553,675	392,109	366,654
Surplus for year	32,119	37,221	26,351	16,650
Net assets arising from the merger with the Dunedin College of Education	56,806		56,806	
Minority interest		(37)		
Capital contribution from Government to University of Otago Foundation Trust Leading Thinkers Initiative	9,691	7,605	9,691	7,605
Capital contribution from Government to University of Otago/Dunedin College of Education merger		1,200		1,200
As at 31 December	698,280	599,664	484,957	392,109

	Consolidated		Parent	
	Actual 2007 \$000	Actual 2006 \$000	Actual 2007 \$000	Actual 2006 \$000
Property revaluation reserve				
<i>As at 1 January</i>	557,592	409,049	557,592	409,049
Revaluation		148,543		148,543
As at 31 December	557,592	557,592	557,592	557,592
Total equity	1,255,872	1,157,256	1,042,549	949,701

NOTE 17 FINANCIAL INSTRUMENTS

The Group is party to financial instrument arrangements as part of its everyday operations. The main risks arising from the University and Group's financial instruments are foreign exchange risk and credit risk.

To manage and limit the effects of those risks, the University Council has approved policy guidelines and authorised the use of various financial instruments. Compliance is monitored monthly and deviations from the target are reported to the foreign exchange committee. The financial instruments being utilised at balance date are outlined below.

The principal or contract amounts of derivative financial instruments outstanding at balance date are as follows:

	Group	University
	Fair Value \$000	Fair Value \$000
Forward foreign exchange contracts	8,789	8,789

Foreign exchange risk

The Group has transactional currency exposures arising from sales and purchases in currencies other than NZ dollars. The University regularly monitors its exposure to overseas currency fluctuations. Wherever possible, the University transacts in NZ dollars, including the setting of fees for international students. The University purchases library items and scientific equipment from overseas, giving rise to and exposure to currency fluctuations, but in the case of ordering major items of equipment (over \$50,000) policy requires the University to hedge the purchase when the committed payment date is known. Hedge accounting is not applied. The Group has a foreign exchange risk management committee which oversees this risk by applying the foreign exchange policy which is approved by Council.

At 31 December 2007, the University held the following amounts of foreign currency within its current and call deposit accounts.

	This Year \$000	Last Year \$000
Currency		
US dollars	783	35
Australian dollars	73	2
EURO	680	
Great British pounds	1	

In January, the majority of the above funds were used to pay overseas creditors.

Sensitivity analysis

At 31 December 2007, if the NZ dollar had weakened/strengthened by 5% against the US dollar, Australian dollar, Euro or GB pound, with all other variables held constant, the surplus/deficit for the year would have been \$110,694 (2006: \$2,463) higher/lower. This movement is attributable to the foreign exchange gains on translation of foreign denominated bank accounts held.

At 31 December 2007, if the NZ dollar had weakened/strengthened by 5% against the Australian dollar, with all other variables held constant, the surplus/deficit for the year would have been \$820,396 (2006: \$726,942) higher/lower. The movement is attributable to the foreign exchange gains on translation of foreign equities held in the Group.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss.

In the normal course of business, credit risk arises from debtors, deposits with banks and derivative financial instruments assets.

Trade receivables constitute a minimal concentration of credit risk due to the large number of customers included in the Group's customer base.

The Group consults with professional investment advisors and has an investment policy which is regularly reviewed. The Group places its investments with institutions that have a high credit rating. It also reduces its exposure to risk by limiting the amount that can be invested in any one institution. The Group believes that this policy reduces the risk of any loss which could arise from its investment activities.

Short-term deposits are only placed with the main New Zealand trading banks approved under the investment policy. Not more than one third of all cash deposits can be held with any one approved bank.

Sensitivity analysis

At 31 December 2007, if interest rates on investments had fluctuated by plus or minus 0.5%, the surplus for the year would have been \$900,130 (2006: \$649,050) higher/lower. This movement is attributable to interest-earning deposits held.

Interest rate risk

The Group has minimal exposure to interest rate risk from loans.

The loan from the Dunedin City Council is repayable upon demand. Interest is only payable if requested within 10 days at the end of each quarter. This has not been requested and is not expected to be requested in the future.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The University and Group is exposed to equity security prices on its equity investment. This price risk arised due to market movements in listed securities. The University holds listed equity instruments which are publicly traded and included in the NZX50 equity index. If the NZX50 index at 31 December 2007 had fluctuated by plus or minus 5% and equity instruments moved proportionately, the effect would have been to increase/decrease the fair value by \$2,038,267.

NOTE 18 CHANGES IN ACCOUNTING ESTIMATES

During the financial year the University reviewed its estimate of useful life for periodical publications. These have previously been estimated to have a 10-year useful life. The University now believes that a five-year useful life is a more appropriate estimate. The effect on the current year is to reduce the University's fixed assets by \$13.389 million and the University surplus by the same amount.

The future effect of this change is considered to be immaterial on the University.

NOTE 19 RARE BOOKS AND SPECIAL LIBRARY COLLECTIONS

The University holds a number of gifted collections of books, manuscripts and artworks within the Central, Medical and Dental Libraries. The collections were valued at 31 December 1994, based on net current value, by expert University staff following the generally-accepted methodology employed by the Alexander Turnbull Library. The total valuation of the Rare Books and Special Collections is \$9.310 million (2006 \$9.101 million). Additions at cost in 2007 were \$0.209 million (2006 \$0.074 million) (see Note 10).

NOTE 20 HOCKEN COLLECTIONS

	This Year \$000	Last Year \$000
Opening balance	106,126	103,508
Donated Hocken additions	1,026	1,024
Transfers from University general collection		1,594
	107,152	106,126
being:		
Assets held in Trust	104,887	104,065
Assets owned by the University	2,265	2,061
	107,152	106,126

The University holds in trust a national archival collection of books and artworks known as the Hocken Collections. Items included in the collections are acquired by gift, bequest and purchase. Items are also accepted on deposit where ownership is retained by the depositor.

In addition to the items held in trust, items purchased by the University are housed at the Hocken Library. In prior years these assets have been accounted for as part of the University's library collections. However, in 2006 these were reclassified as Hocken Collections assets.

In 2006 the Hocken Collections was valued by Peter Webb Galleries Limited and, as a result, the book value of the assets was increased by \$16.130 million (comprising assets held in trust \$15.841 million and University-owned items \$289,000).

The University has included the valuation of the owned and deposited items in the total above as it believes that the Hocken Library is in-substance the owner of all items in the collection. The total collections includes deposited items valued at \$23.399 million (2006 \$23.167 million).

NOTE 21 COSTING OF OUTPUTS

Definitions

The University's outputs as defined by University Council are:

- ~ Teaching, Learning and Assessment
- ~ Research (includes Postgraduate Teaching)
- ~ Community Service

Teaching is defined as the transfer of knowledge (to students), learning is the acquisition of knowledge (by students), and assessment the means by which this acquisition is tested. A key characteristic of University teaching is the fact that it is delivered by staff active in research, and it is thus directly informed by research and scholarship. This section of the Statement of Service Performance considers only that teaching delivered to formally enrolled students. This teaching is normally delivered as a self-contained course counting towards a degree, diploma or certificate qualification, and may include teaching delivered by way of lecture, laboratory, tutorial, fieldwork, self-study and electronic means.

Research is defined as the generation of knowledge. Research may take many forms across different disciplines, but common features are a systematic and disciplined methodology and a commitment to the publication of outcomes and peer review. Research may be funded through competitively awarded grants - internal or external - or as part of the general activities of an academic staff member.

Postgraduate Teaching is advanced teaching in which students receive instruction in research methodology, training in the use of research techniques, and gain experience in undertaking original research.

Community Service is defined as the transfer and application of knowledge for the benefit of the wider community, and is closely linked to the University's recognised role as a critic and conscience of society. It includes the delivery of continuing education courses to members of the community, service on Government and other public sector boards and advisory groups, presentations to non-University groups, involvement in community issues and projects, and staff comment in the media on areas of professional expertise. It also includes service to the wider academic community through service in professional organisations and on the editorial boards of publications.

Methodology

The costing model adopted to calculate the value of each output uses the following methodology:

- ~ The University's gross costs less internal recoveries have been allocated to the outputs to provide the total costs of outputs for each teaching and research division. Wherever possible, costs are attributed directly to the relevant output. Costs not attributed directly within the teaching and research divisions have been allocated to the outputs based on the estimated time spent on each activity within the output by each teaching department.
- ~ The estimated staff time spent on teaching, research and community service is based on the results of questionnaires completed by all academic departments.
- ~ The costs of the service divisions are charged direct to the outputs, wherever possible, on the basis of userpays. The balance of costs not charged in this manner are allocated to the teaching and research divisions (see Note 22) and then allocated to the outputs within each of these divisions. This is completed using the net cost of services.

NOTE 22 COST DRIVERS

Where possible, the full costs of services provided by units in the service divisions are charged direct to users and their outputs on the basis of userpays. The balance of costs not charged in this manner are allocated to the outputs of the University (see Note 21) using the following cost drivers:

Equivalent full-time students:	Used for Student Services (including Careers Office, Student Health and Counselling, Recreation Services, Disabilities Office, Union Student Services), Teaching Facilities, ITS Helpdesk, Student Administration, Student Finance Services, Vice-Chancellor’s Office and the Planning, Support and Funding Office.
Staff appointments and terminations:	Used for Human Resources Client Services.
Full-time equivalent staff:	Used for Human Resources Directorate, Professional Development and Equity, and Health and Safety.
Academic full-time equivalent staff:	Used for Deputy Vice-Chancellor – Research Office.
Staff numbers (head count):	Used for Academic Division including: Higher Education Development Centre, Academic Committees, Quality Advancement and Human Resources Management Information System.
Space in square metres:	Used for Property Services including: Contracting, Project Development and Design, Operations, Technical Services and the Property Management Unit.
Cost of services expenditure:	Used for Financial Services including: Financial Accounting, Treasury Services, Financial Systems and Data Management, the Procurement Office and Projects and Asset Management.
90% equivalent full-time students and 10% equally to teaching and research divisions:	Used for Marketing and Communications (including Marketing Services, Alumni, Schools Liaison, Communications, Wellington Centre and Auckland Campus), Internal Audit, Corporate and Secretary to Council.
65% equivalent full-time students and 35% equally to teaching and research divisions:	Used for Information Technology Services (including Computing Services, User Services, IT Policy, Administrative Technology Services, Helpdesk, Technical Services, and e-Learning Support), Risk Management Committee, Library, Operations Divisional Office and University Press.
Māori students (head count):	Used for Māori Centre.
Pacific Islands students (head count):	Used for Pacific Islands Centre.
2/3 international students and 1/3 equally to teaching and research divisions:	Used for International Office.
14% commercial activity income and 86% externally-funded research grants:	Used for Research and Enterprise Office.

NOTE 23 RELATED PARTY INFORMATION

Crown /Government

The Government influences the role of the University and Group as well as being a major source of revenue. While the University and Group enters into numerous transactions with Government departments and other Crown agencies, they are on an arm's length basis and, where those parties are acting in the course of their normal dealings, are not considered to be related party transactions.

Inter-Group

The University has executed transactions with University of Otago Holdings Limited (UOHL). These consist of loans and advances which are interest-free, except for a short-term advance for which interest is payable at the University's borrowing rate plus 1% (interest received in 2007 \$103,000 (2006: \$205,000)), and payments received for accounting and secretarial services (\$25,000 in 2007 (2006: \$25,000)). UOHL also has a current account with the University (\$1.931 million credit in 2007 (2006: \$8,000 debit)), which is interest-free. The University wrote down a term loan to UOHL by \$166,000 (2006: \$879,000), as it was agreed the loan is to match the value of Otago Innovation Limited's (OIL) shareholdings in BLIS and PEBL. The University invested \$1.320 million of equity into UOHL.

During the year the University entered into transactions with University of Otago Foundation Studies Limited (FSL), a fully-owned subsidiary of University of Otago Holdings Limited. The transactions were made on commercial terms and conditions. The University incurred commissions expenditure to FSL of \$98,368 (2006: \$153,493) and was paid \$387,000 for rent (2006: \$400,722) and \$38,000 (2006: \$18,000) for administration services by FSL. FSL also owed the University \$92,597 for creditors paid on its behalf (2006: \$65,620).

During the year the University entered into transactions with University Union Limited (UUL), an associate company of University of Otago Holdings Limited. The transactions were made on commercial terms and conditions. The University paid UUL \$324,000 for rent (2006: \$312,320). University Union Limited paid the University of Otago ground rent of \$99,320 (2006: \$99,320).

The University entered into transactions with OIL, the total value of goods and services being \$196,000 (2006: \$384,000). All transactions were on commercial terms and conditions. OIL owed the University \$2,000 (2006: \$84,000) at balance date. The University forgave loans to OIL during the year of \$348,000 (2006: \$166,000).

During the year, the University entered into transactions with Immune Solutions Limited, a wholly-owned subsidiary of OIL. Immune Solutions Limited purchased goods and services from the University to the value of \$33,000 (2006: \$35,566). All transactions were on commercial terms and conditions. At balance date, the amount owing to the University was \$3,000 (2006: \$3,479).

During the year, the University entered into transactions with Iso-trace Limited, a wholly-owned subsidiary of OIL. Iso-trace Limited purchased goods and services from the University to the value of \$86,000 (2006: \$127,241). All transactions were on commercial terms and conditions. At balance date, the amount owing to the University was nil (2006: \$15,794). The University purchased goods and services from Iso-trace Limited to the value of \$875,000 (2006: \$66,000). At balance date the amount owing to Iso-trace was \$929,000 (2006: \$9,000).

The University entered into transactions with its Trusts. These were made on commercial terms and conditions. The Trusts paid the University investment management fees of \$416,718 (2006: \$346,519) and distributed \$4,579,171 to the University (2006: \$4,657,583). The Trust has a nil current account with the University as at 31 December 2007 (2006: \$554,913).

Key management personnel

During the year key management personnel which includes the Chancellor, Councillors, Vice-Chancellor and other senior management personnel, as part of a normal customer relationship, may have been involved in minor transactions with the University of Otago on an arm's length basis.

Close family members of Councillors and key management personnel are employed by the University. The terms and conditions of those arrangements are no more favourable than the University would have adopted if there were no relationship to Councillors or key management personnel.

	Actual 2007 \$000	Actual 2006 \$000
Key management remuneration:		
Salary and short-term benefits	2,057	1,837
Superannuation	92	82
	2,149	1,919

RELATED PARTIES TRANSACTIONS

Councillors

	Year: 2007				Year: 2006			
	Purchased by University during year	Purchased from University during year	Owed by University at Balance Date	Owed to University at Balance Date	Purchased by University during year	Purchased from University during year	Owed by University at Balance Date	Owed to University at Balance Date
	<i>Value of Transactions (GST Inclusive)</i>				<i>Value of Transactions (GST Inclusive)</i>			
Mr L J Brown								
University of Otago Holdings Ltd (C)*						230,000		8,000
Technology Holdings Ltd (C)	20,080							
Mornington PHO Trust (C)	2,690				34,610	88		
University of Otago Foundation Trust (C)	2,414,711	162,756			2,452,542	90,454		140,424
Contract Cultivation Ltd (D)								
Dunedin International Airport Ltd (D)	4,670				4,890			
Awakino Station Ltd (D)								
Panmure Orchards Ltd (D)								
Otago Innovation Limited (C)		196,259		4,191		384,356		80,832
Otago Medical Research Foundation (Councillor)		159,036		33,626		180,732		23,612
Mercy Hospital Dunedin Ltd (D)	79,360	10,454			25,720	18,957		2,205
Deloitte (Consultant – Ceased 31/5/06)		5,412			296,489	3,375		
E M Irvine Family Trust (Trustee)					32,560			
Ashburn Hall Charitable Trust (Trustee)								
Iso-trace NZ Ltd (D)	58,480	27,874		1,292				
Mr P W H Chin								
Gambling Commission (C)		12,364		6,182		11,239		
Dunedin City Council (Mayor of Dunedin) ^	2,374,990	82,158	43,517	14,821	2,451,507	27,521	9,279	15,242
Chinese Poll Tax Heritage Trust (Trustee)								
Alexander McMillan Trust (Trustee)								
Dr M J Duxson								
Maori Point Vinyard Ltd (D)	210							
Mr E W Ellison								
Kai Tahu Ki Otago Ltd (C)					270			
Kai Tahu Ki Otago Charitable Trust (C)								
Weller Ltd (D) (S)					450			
Erihana Farm Ltd (D) (S)								

Councillors

	Year: 2007				Year: 2006			
	Purchased by University during year	Purchased from University during year	Owed by University at Balance Date	Owed to University at Balance Date	Purchased by University during year	Purchased from University during year	Owed by University at Balance Date	Owed to University at Balance Date
	<i>Value of Transactions (GST Inclusive)</i>				<i>Value of Transactions (GST Inclusive)</i>			
Tatawai Ancillary Trust (Trustee)								
Moana House (D)								
Methodist Putea Komiti (C)								
Kaitakawaenga to Otago Regional Council		4,167		88				
Advisor to CEO – Department of Corrections		1,999						
Repatriation Advisory Panel to Te Papa Tongarewa (C)		64,988		61,614				
Pae-Arahi (Cultural Adviser) to ACC (Contract)								
QE II Trust (D)								
Ngāi Tahu Te Papa Steering Group (Advisory role)								
Ngāi Tahu Hazardous & New Organism Committee (C)								
Ministerial Advisory Committee								
- Sustainable Programme of Water Action (Member)								
Te Runanga o Otakou (Executive Member)								
Mrs K E Grant								
Galloway Cook Allan (Associate)	156,890	563	364					
Sports Otago (Trustee)		100						
Ms R L C Heal								
Planet Media Dunedin Ltd (D)	146,560	25,607	515		99,290	25,018	35,578	45
University Union Ltd (D)	341,960	85,765	27,934		351,360	19,647		
Unipol Recreation Ltd (D)		40,784				914		365
Electronic Voting Systems Ltd (D)			30					
Student Job Search – Otago (C)		82						
Miss L P Isaacs								
Hills Radio Trust (Trustee)	1,000							
Aoraki Polytech – Dunedin campus		556						
- (Advisory Committee for Television & Radio)								
Ms H M Z Lanham								
University Union Ltd (D)	341,960	85,765	27,934					
Mr S J McLauchlan								
Highlanders Franchise Ltd (C)	330					1,200		
Institute of Directors Otago & Southland (C)					310			
NZ Sports Hall of Fame (C)	10	108						
Dunedin Casinos Ltd (D)						1,003		
Scenic Circle Hotels Ltd (D)	1,380				1,610			
GSM Trustees Limited (D) (S)								
GSM Ltd (D)								
SJM Forest Ltd (D) (S)								
Wagstaff Holdings Limited (D)								
Stafford Equities Limited (D) (S)								
Dunedin International Airport Ltd (D)	4,670				4,890			
AD Instruments PTY Limited (D)	267,470				84,692	2,988	1,251	
Reliance Trading Co Ltd (D)								
Wavell Resources Ltd (D)								
Cargill Hotel 2002 Ltd (D)	13,890				12,040		507	
University of Otago Foundation Studies Ltd (D)	98,368	1,124,544	92,597		153,493	418,722	153,493	65,620
Rosebery Holdings Ltd (D) (S)								
Dunedin Casino Management Ltd (D) (S)								
GSM McLauchlan & Co (Partner)								
Aurora Energy Ltd (D)								
Citibus Ltd (D)	26,130							
City Forests Ltd (D)								
Delta Ltd (D)	113,430							
Dunedin City Holdings (D)								
Otago Festival of the Arts (Trustee)								
University of Otago Rugby Club (Committee)	150	64,093	2,991					

Councillors**Year: 2007****Year: 2006**

	Purchased by University during year	Purchased from University during year	Owed by University at Balance Date	Owed to University at Balance Date	Purchased by University during year	Purchased from University during year	Owed by University at Balance Date	Owed to University at Balance Date
	<i>Value of Transactions (GST Inclusive)</i>				<i>Value of Transactions (GST Inclusive)</i>			
Otago Community Hospice Trust (Trustee)	920							
Otago Employers' Assn (Trustee)	4,260							
Scott Technology Ltd (C)								
50 City Road Ltd (D)								
Dr J D Palmer								
Russell McVeagh (Partner)	11,610	174			74,100		5,810	
Mr M J M Sidey								
Forsyth Barr Ltd (Vice-Chairman) (S)	2,640	298	1,080			6,694		
Salvation Army Advisory Board (D)					150	98		
NZ Academy of Sport-South Island (D)	4,080	366,265		2,790	5,710	309,281		(2,149)
Halberg Trust (Trustee)								
St Andrew's College Foundation (Trustee)								
Professor D C G Skegg								
Directors Cancer Research Trust (C)								
University of Otago Holdings Ltd (D)*						230,000		8,000
University of Otago Foundation Studies Ltd (D)	98,368	1,124,544		92,597	153,493	418,722	153,493	65,620
Alexander Mc Millan Trust (Trustee)								
A.A.W. Jones Charitable Trust (Trustee)								
New Zealand Food Safety Academy (Member)		2,430						
BSE Expert Science Panel (C)								
Ms K A Smith								
Association of Staff in Tertiary Education (Employee)	14,670							
Ms K M Smith								
NZ Academy of Sport – South Island (CEO)	4,080	366,265		2,790	5,710	309,281	0	(2,149)
Centre of Excellence Inc. (D)	100	225						
International Federation of Netball Associations (D)								
Centre of Excellence Trust (Trustee)								
Skeggs Foundation (Trustee)								
Mr Stephen J Sutton								
University Book Shop (Otago) (D)					251,310	48,911	6,265	108
Professor S J Todd								
NZTEC Consortia (AUT, Waikato, Victoria & Otago)								
- contract curriculum with Oman (D)								
Mr J F Ward								
H & J Smith Holdings Limited (C)								
Simner Investments Limited (C) (S)								
Amtex Corporation Limited (C) (S)								
Southland Building Society (Deputy Chairman)								
Venture Southland (D)						805		
Otago Cricket Association (D)					180	69		
Carisbrook Trust (Trustee)								

C = Chairman; D = Director; S = Shareholder

* The University wrote down a term loan to UOHL by \$166,000 (2006: \$879,000), as it was agreed the loan is to match the value of OIL's shareholdings in BLIS and PEBL. The University invested a further \$1,320,000 (2006: \$325,000) into equity and converted \$2,488,000 from debt to equity into UOHL.

^ Funds have been advanced to the University from the Dunedin City Council which the University has then on-advanced to the University of Otago Foundation Trust to fund various projects. Refer to Note 15. The University also has a contingent liability of \$50,000 to the Dunedin City Council, refer to the Statement of Commitments and Contingencies.

NOTE 24 CHANGES IN CAPITAL FROM NZ GAAP TO NZ IFRS

The following tables show the changes in capital, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 January 2006 and 31 December 2006.

	Note	Consolidated			University		
		Previous NZ GAAP	Effect on Transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect on Transition to NZ IFRS	NZ IFRS
		1-Jan-06 \$000	1-Jan-06 \$000	1-Jan-06 \$000	1-Jan-06 \$000	1-Jan-06 \$000	1-Jan-06 \$000
ASSETS							
Current assets							
Cash and cash equivalents	26 (e)	1,779	13,984	15,763	914	5,463	6,377
Other financial assets	26 (e)		32,704	32,704		18,704	18,704
Bank short-term investments	26 (e)	38,984	(38,984)		16,463	(16,463)	
Accounts receivable and prepayments	26 (c)	27,154	2,455	29,609	25,592		25,592
Inventory		724		724	721		721
Total current assets		68,641	10,159	78,800	43,690	7,704	51,394
Non-current assets							
Accounts receivable	26 (c)		7,234	7,234			
Investments in associates	26 (f)		3,940	3,940			
Other financial assets	26 (d) & 26 (f)	68,670	(8,851)	59,819	22,040	(7,704)	14,336
Property, plant and equipment	26 (a)	880,998	16,666	897,664	792,535	825	793,360
Intangible assets – internally-generated	26 (a)		1,630	1,630		1,630	1,630
Intangible assets – other	26 (a)		6,983	6,983		6,983	6,983
Total non-current assets		949,668	27,602	977,270	814,575	1,734	816,309
Total assets		1,018,309	37,761	1,056,070	858,265	9,438	867,703

	Note	Consolidated			University		
		Previous NZ GAAP	Effect on Transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect on Transition to NZ IFRS	NZ IFRS
		1-Jan-06 \$000	1-Jan-06 \$000	1-Jan-06 \$000	1-Jan-06 \$000	1-Jan-06 \$000	1-Jan-06 \$000
LIABILITIES							
Current liabilities							
Accounts payable and accruals		27,430		27,430	27,134		27,134
Funds received in advance		18,774		18,774	17,912		17,912
Loans repayable within one year							
Employee entitlements		27,093		27,093	26,905		26,905
Total current liabilities		73,297		73,297	71,951		71,951
Non-current liabilities							
Employee entitlements		20,049		20,049	20,049		20,049
Loans and leases	26 (i)	7,704	(7,704)		7,704	(7,704)	
Bank loan							
Total non-current liabilities		27,753	(7,704)	20,049	27,753	(7,704)	20,049
CAPITAL							
General reserve	26 (b) & 26 (i)	508,210	45,465	553,675	349,512	17,142	366,654
Property revaluation reserve	26 (b) & 26 (i)	409,049		409,049	409,049		409,049
Total capital		917,259	45,465	962,724	758,561	17,142	775,703
Total liabilities and capital		1,018,309	37,761	1,056,070	858,265	9,438	867,703

		Previous NZ GAAP	Effect on Transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect on Transition to NZ IFRS	NZ IFRS
		31-Dec-06 \$000	31-Dec-06 \$000	31-Dec-06 \$000	31-Dec-06 \$000	31-Dec-06 \$000	31-Dec-06 \$000
ASSETS							
Current assets							
Cash and cash equivalents	26 (e)	5,649	12,689	18,338		8,267	8,267
Other financial assets	26 (e)		27,000	27,000		29,546	29,546
Other short-term investments	26 (e)	30,689	(30,689)		19,267	(19,267)	
Accounts receivable and prepayments	26 (c)	27,844	3,535	31,379	26,907	(186)	26,721
Inventory		686		686	686		686
Total current assets		64,868	12,535	77,403	46,860	18,360	65,220
Non-current assets							
Accounts receivable	26 (c)		6,726	6,726			
Investments in associates	26 (f)		4,421	4,421			
Other financial assets	26 (d) & 26 (f)	96,786	(4,436)	92,350	29,902	(18,360)	11,542
Property, plant and equipment	26 (a)	1,080,440	(10,510)	1,069,930	975,219	(10,510)	964,709
Intangible assets – internally- generated	26 (a)		1,546	1,546		1,546	1,546
Intangible assets - externally- generated	26 (a)		8,964	8,964		8,964	8,964
Total non-current assets		1,177,226	6,711	1,183,937	1,005,121	(18,360)	986,761
Total assets		1,242,094	19,246	1,261,340	1,051,981		1,051,981

	Consolidated			University		
	Previous NZ GAAP	Effect on Transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect on Transition to NZ IFRS	NZ IFRS
	31-Dec-06 \$000	31-Dec-06 \$000	31-Dec-06 \$000	31-Dec-06 \$000	31-Dec-06 \$000	31-Dec-06 \$000
LIABILITIES						
Current liabilities						
Bank overdraft	369		369	369		369
Accounts payable and accruals	28,028		28,028	27,606		27,606
Funds received in advance	24,817		24,817	23,615		23,615
Loans repayable within one year						
Employee entitlements	27,961		27,961	27,781		27,781
Total current liabilities	81,175		81,175	79,371		79,371
Non-current liabilities						
Employee entitlements	22,409		22,409	22,409		22,409
Loans and leases	26 (i) 17,009	(16,509)	500	17,009	(16,509)	500
Bank loan						
Total non-current liabilities	39,418	(16,509)	22,909	39,418	(16,509)	22,909
CAPITAL						
General reserve	26 (b) & 26 (i) 538,630	61,034	599,664	366,162	25,947	392,109
Property revaluation reserve	26 (b) & 26 (i) 582,871	(25,279)	557,592	567,030	(9,438)	557,592
Total capital	1,121,501	35,755	1,157,256	933,192	16,509	949,701
Total liabilities and capital	1,242,094	19,246	1,261,340	1,051,981		1,051,981

NOTE 25 CHANGES IN SURPLUS FROM NZ GAAP TO NZ IFRS

The following tables show the changes in surplus, resulting from the transition from previous NZ GAAP to NZ IFRS as at 31 December 2006.

	Consolidated			University		
	Previous NZ GAAP 31-Dec-06 \$000	Effect on Transition to NZ IFRS 31-Dec-06 \$000	NZ IFRS 31-Dec-06 \$000	Previous NZ GAAP 31-Dec-06 \$000	Effect on Transition to NZ IFRS 31-Dec-06 \$000	NZ IFRS 31-Dec-06 \$000
INCOME						
Government grants	174,292		174,292	173,448		173,448
Domestic tuition fees	65,963		65,963	65,658		65,658
International tuition fees	34,352		34,352	31,689		31,689
Investment income	26 (d) 13,778	4,193	17,971	5,052		5,052
Externally-funded research	67,509		67,509	67,202		67,202
Distributions from Trust funds				4,657		4,657
Consulting and commercial income	60,486		60,486	59,780		59,780
Sale of intellectual property	302		302	50		50
Trust donations	26 (c) 11,589	2,571	14,160			
Other income	2,187		2,187	2,127		2,127
Total income	430,458	6,764	437,222	409,663		409,663
EXPENDITURE						
Salaries – academic	131,413		131,413	129,094		129,094
Salaries – general	93,967		93,967	91,863		91,863
Staff-related costs	12,456		12,456	12,401		12,401
Consumables and general	73,202		73,202	70,986		70,986
Depreciation	39,506		39,506	39,213		39,213
Occupancy costs	33,997		33,997	33,996		33,996
Scholarships	15,460		15,460	15,460		15,460
Total expenditure	400,001		400,001	393,013		393,013
Net surplus	30,457	6,764	37,221	16,650		16,650

(a) Intangible assets

Computer software

Computer software was classified as part of property, plant and equipment under previous NZ GAAP. The net book value of computer software reclassified as an intangible asset on transition to NZ IFRS is \$8.613 million and \$10.510 million at 31 December 2006.

(b) Deemed cost

The University of Otago has applied the deemed cost exemption that is available under NZ IFRS1, for the Hocken Library Collections (\$16.130 million) and artworks (\$9.149 million). This exemption allows the University of Otago to measure an item of property, plant and equipment at its fair value, and use that fair value as its deemed cost on transition to NZ IFRS. The effect of this change is to revalue the Hocken Library Collections at 1 January 2006 and University artworks at 1 January 2006. Both valuations were undertaken by an independent registered valuer.

(c) Pledged donations

Pledged donations are recognised in the Statement of Financial Performance as “Trust donations” when the pledge agreement is signed. Pledged donations are recorded at their face value.

(d) Trust investments

Investments held by controlled Trusts are valued at market value. These were previously valued at cost.

(e) Cash and cash equivalents and bank short-term investments

Bank short-term deposits were reclassified into cash and cash equivalents and other financial assets on transition.

(f) Investments in associates

Investments in associates are required to be shown separately under IFRS. These were \$3.940 million on transition and \$4.421 million at 31 December 2007.

(g) Other

Other changes on transition were due to reclassifications and are not considered material.

(h) Statement of cash flows

There were no material adjustments to the statement of cash flows resulting from the introduction of IFRS.

(i) Equity

Prior to the conversion to NZ IFRS the funding received from the Crown with respect to the Leading Thinkers Initiative and College of Education merger was treated as a liability until such times as conditions were met as per the contractual agreements. Once these conditions had been met, the liability contributions were converted to contributions from the Crown. Sector-wide technical guidance has been received that indicates that under NZ IFRS this type of liability should be treated as a contribution from the Crown on receipt rather than as a liability. As such Loans and Leases have been reduced by \$26.2 million for the Leading Thinkers Initiative and College of Education merger. Equity has been increased by \$26.2 million for the increase in Crown contributions.

NOTE 27 PLEDGED DONATIONS

Donations are recognised upon the pledge being made and the contract documents being signed. The fair value will be the face value. All of the pledges have been made and the University expects that these pledges will be honoured.

Total pledged donations outstanding long term are \$6.715 million. The net present value of these pledges at an interest rate of 6.95% is \$5.363 million.

This Year
\$000

Analysis of pledged donations

Less than one year	2,445
More than one year but less than five years	5,775
Greater than five years	940

9,160

NOTE 28 CAPITAL MANAGEMENT

The University's capital is its equity, which comprises general funds and revaluation reserves. Equity is represented by net assets.

The University manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The University's equity is largely managed as a by-product of managing income, expenses, assets and liabilities.

The objective of managing the University's equity is to ensure the University effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

NOTE 29 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after balance date.

AUDIT REPORT

TO THE READERS OF UNIVERSITY OF OTAGO AND GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2007

The Auditor-General is the auditor of University of Otago (the University) and Group. The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand to carry out the audit of the financial statements and statement of service performance of the University and Group, on his behalf, for the year ended 31 December 2007.

UNQUALIFIED OPINION

In our opinion:

- the financial statements of the University and Group on pages 25, 31, 35, and 58 to 102:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - ~ the University and Group's financial position as at 31 December 2007; and
 - ~ the results of their operations and cash flows for the year ended on that date.
- the performance information of the University and Group on pages 36 to 48 fairly reflects the service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on April 30 2008, and is the date at which our opinion is expressed.

The basis of our opinion, which draws attention to the budget figures being from an updated budget, is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

BUDGET FIGURES

As outlined in note 2 on page 60, the budget figures included in the financial statements for the University and Group are from an updated budget approved by the Council in July 2007. This does not comply with section 154(3)(c) of the Crown Entities Act 2004, which requires the University and Group's financial statements to include the forecast financial statements prepared at the start of the financial year.

RESPONSIBILITIES OF THE COUNCIL AND THE AUDITOR

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the University and Group as at 31 December 2007. They must also fairly reflect the results of their operations and cash flows for the year ended on that date. The Council is also responsible for preparing performance information that fairly reflects the service performance achievements for the year ended 31 December 2007. The Council's responsibilities arise from the Education Act 1989 and the Crown Entities Act 2004.

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

INDEPENDENCE

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

In addition to the audit, we have completed an audit of the Vice-Chancellor's declaration on the Performance-Based Research Fund External Research Income and reported on the University's compliance with the requirements of the United States Department of Education in respect of the Federal Family Education Loan Programme. These engagements are compatible with those independence requirements.

Other than the audit and these assignments, we have no relationship with or interests in the University or any of its subsidiaries.

Julian Tan

Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand



MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of the University of Otago and Group for the year ended 31 December 2007 included on the University's web site. The University's Council is responsible for the maintenance and integrity of the University's web site. We have not been engaged to report on the integrity of the University's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 30 April 2008 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



SUMMARY FACTS AND FIGURES

The Summary Facts and Figures data includes the impact of the merger with the Dunedin College of Education. Caution should therefore be advised when analysing changes between 2007 and previous years.

STUDENT ENROLMENTS

	2007	2006	2005	2004	2003
Equivalent Full-time Students (EFTS)					
Commerce	3,406	3,568	3,636	3,712	3,460
Health Sciences	5,122	4,690	4,618	4,246	4,059
Humanities	5,481	4,918	5,076	5,111	4,917
Sciences	4,085	4,241	4,371	4,344	4,196
Other University*	64	32	38	36	4
Subtotal	18,158	17,449	17,739	17,448	16,632
Other Group EFTS**	129	131	91	94	134
Total EFTS	18,287	17,580	17,830	17,543	16,766

* Other University EFTS comprise continuing education EFTS not allocated to departments within the four academic divisions.

** Other Group EFTS comprise domestic EFTS enrolled in the Foundation Studies programme of the University subsidiary Foundation Studies Limited.

EFTS by Type (University Only)

Domestic undergraduate	13,837	13,045	13,220	13,151	12,943
Domestic postgraduate	2,647	2,529	2,415	2,314	2,239
Total Domestic	16,484	15,574	15,635	15,465	15,182
International undergraduate	1,468	1,679	1,863	1,733	1,238
International postgraduate	206	196	241	250	212
Total International	1,674	1,875	2,104	1,983	1,450
Total EFTS	18,158	17,449	17,739	17,448	16,632

Enrolment by Qualification Type (Heads)

Doctoral	1,074	935	829	755	723
Master's	1,048	1,052	1,108	1,060	994
Bachelor's honours	750	736	769	771	763
Bachelor's ordinary	13,136	12,868	12,939	12,711	12,186
Postgraduate diplomas and certificates	1,435	1,507	1,378	1,353	1,345
Graduate diplomas and certificates	494	204	392	314	298
Undergraduate diplomas and certificates	265	216	239	318	344
Intermediates	1,084	965	991	1,003	909
Miscellaneous	1,246	1,235	1,326	1,291	1,186
Subdegree	133	135	86	98	96
Total Enrolments	20,665	19,853	20,057	19,674	18,844

	2007	2006	2005	2004	2003
Full-time & Part-time Students					
Full-time	14,481	13,936	14,055	13,937	13,235
Part-time	6,184	5,917	6,002	5,770	5,692
Total	20,665	19,853	20,057	19,707	18,927
Female & Male Students					
Female	11,886	11,154	11,314	11,019	10,561
Male	8,779	8,699	8,743	8,688	8,366
Total	20,665	19,853	20,057	19,707	18,927
First-year & Returning Students					
First-year	4,371	3,812	3,966	4,112	4,020
Returning	16,294	16,041	16,091	15,595	14,907
Total	20,665	19,853	20,057	19,707	18,927
Ethnicity of Students					
European/Pakeha	73.6%	73.4%	73.8%	75.6%	77.8%
Māori	7.4%	6.9%	6.6%	6.7%	6.9%
Asian	16.8%	17.7%	17.2%	16.3%	14.4%
Pacific Islanders	2.8%	2.8%	2.7%	2.6%	2.5%
Other/unknown	7.0%	6.7%	6.5%	7.2%	6.4%

Note: Students are able to report affiliation to more than one ethnic category. As a result, the total number of responses for all ethnic groups is greater than the total number of students enrolled, and the sum of the ethnic percentages is greater than 100%.

Home Area of Students					
Dunedin	5,218	4,915	5,022	4,028	4,733
Otago/Southland	2,195	1,910	1,987	2,219	2,113
Remainder of South Island	3,295	3,101	3,130	3,109	2,911
North Island	7,293	7,146	7,029	7,224	6,609
Overseas (including NZ citizens overseas)	2,658	2,768	2,851	2,908	2,295
Unknown	6	13	38	219	266
Total	20,665	19,853	20,057	19,707	18,927

Note: The majority of NZ citizens overseas included (102 in 2007) listed their home area as Australia. Conversely, 242 of the 380 Australian citizens who enrolled in 2007 were normally resident in New Zealand prior to commencing University study, and so listed a New Zealand home area.

International Students					
Undergraduate	2,019	2,272	2,395	2,277	1,745
Postgraduate	527	387	325	327	273
Total	2,546	2,660	2,720	2,604	2,018

	2007	2006	2005	2004	2003
International Students by Home Country					
USA	549	561	626	688	525
China	436	625	700	616	359
Malaysia	279	239	228	175	118
Germany	161	174	167	158	110
Japan	97	85	59	50	52
Korea (South)	89	82	74	50	40
Canada	79	73	83	79	62
Hong Kong	65	72	85	82	82
Saudi Arabia	60	59	42	37	39
United Kingdom	56	54	44	42	48
Singapore	54	53	48	39	38
Brunei	46	43	41	32	22
France	46	49	36	26	20
India	42	29	24	38	18
Thailand	39	43	45	44	45
Taiwan	30	34	30	28	27
Fiji	28	27	41	43	47
Samoa	23	20	16	22	22
Vietnam	23	19	18	17	11
Norway	21	24	30	58	48
Seychelles	20	24	30	28	23
Other	303	271	253	252	262

Total	2,546	2,660	2,720	2,604	2,018
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Note: Australian, Tokelauan and Cook Islands' students – whether resident in their home country or New Zealand prior to commencing study – are not counted as international students, and so are not included in the above figures.

Students' Accommodation Status

Own home (including renting)	3,231	2,950	3,035	2,935	2,594
At parents' home	1,409	1,282	1,284	1,259	1,187
College	3,012	3,022	2,874	2,892	2,821
Private board	330	287	310	283	330
Sharing (flatting)	11,456	11,067	11,332	10,986	10,569
Other	558	499	543	441	512
Unknown	669	743	679	780	914

Total	20,665	19,853	20,057	19,576	18,927
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Home Area of First-year Students

Dunedin	920	767	788	699	807
Otago/Southland	695	435	454	484	471
Remainder of South Island	803	644	712	710	666
North Island	1,672	1,647	1,583	1,647	1,602
Overseas (including NZ citizens overseas)	281	319	429	572	411
Unknown	0	0	0	0	63

Total	4,371	3,812	3,966	4,112	4,020
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Note: The majority of first-year NZ citizens overseas (19 in 2007) listed their home area as Australia. Conversely, 46 of the 74 first-year Australian citizens who enrolled in 2007 were normally resident in New Zealand prior to commencing University study, and so listed a New Zealand home area.

	2007	2006	2005	2004	2003
Highest Entrance Qualification of First-year Students					
NCEA (Level 3) or equivalent*	2,750	2,417	2,252	0	0
University bursary/university scholarship	100	124	351	2,555	2,601
Higher School Certificate	0	0	0	190	202
University Entrance	142	66	69	80	83
Ad eundem entrance level	373	401	461	564	335
Ad eundem with credit	305	46	70	47	79
Ad eundem graduate	85	51	53	38	57
Ad eundem	8	8	22	30	7
Special admission	443	436	490	459	506
Provisional/ discretionary entrance	143	139	145	70	139
Unknown	22	124	53	79	11
Total	4,371	3,812	3,966	4,112	4,020

* Includes students who would have previously entered with A or B Bursary.

ACADEMIC ATTAINMENT	2007	2006	2005	2004	2003
NUMBER OF GRADUATES					
Commerce					
~ undergraduate diplomas & certificates	0	2	2	5	0
~ undergraduate degrees	752	821	715	669	641
~ postgraduate diplomas & certificates	37	42	66	39	47
~ postgraduate degrees	65	63	82	54	62
Total Commerce Graduates	854	928	865	767	750
Health Sciences					
~ undergraduate diplomas & certificates	32	33	25	41	30
~ undergraduate degrees	604	609	550	526	511
~ postgraduate diplomas & certificates	517	469	460	440	444
~ postgraduate degrees	130	111	105	98	61
Total Health Sciences Graduates	1,283	1,222	1,140	1,104	1,046
Humanities					
~ undergraduate diplomas & certificates	151	23	20	19	18
~ undergraduate degrees	1,196	1,037	973	901	893
~ postgraduate diplomas & certificates	69	86	115	110	84
~ postgraduate degrees	96	108	81	80	151
Total Humanities Graduates	1,512	1,254	1,189	1,110	1,146
Sciences					
~ undergraduate diplomas & certificates	10	18	21	20	26
~ undergraduate degrees	1,041	1,014	864	827	799
~ postgraduate diplomas & certificates	162	140	123	130	122
~ postgraduate degrees	134	135	148	130	99
Total Sciences Graduates	1,347	1,307	1,156	1,107	1,046
Interdivisional (Diploma for Graduates)					
~ undergraduate diplomas & certificates	132	173	184	199	199
~ postgraduate diplomas & certificates	2	0	0	0	0
Total Interdivisional Graduates	134	173	184	199	199
Total University					
~ undergraduate diplomas & certificates	325	249	252	471	273
~ undergraduate degrees	3,593	3,481	3,102	2,923	2,844
~ postgraduate diplomas & certificates	787	737	764	532	697
~ postgraduate degrees	425	417	416	362	373
Grand Total University Graduates	5,130	4,884	4,534	4,288	4,187

	2007	2006	2005	2004	2003
Degrees, Diplomas and Certificates Completed per 100 EFTS Enrolled					
Commerce	25.1	26.0	23.8	20.7	21.7
Health Sciences	25.0	26.1	24.7	26.0	25.8
Humanities	27.6	25.5	23.4	21.7	23.3
Sciences	33.0	30.8	26.5	25.5	24.9
Total	27.6	27.8	25.4	24.4	25.0
Examination Pass, Progression and Attrition Rates					
Commerce					
Entered	21,297	22,593	23,321	23,407	23,165
Sat	21,064	22,168	23,004	22,791	22,760
Passed	18,093	18,986	19,713	19,472	19,191
Pass rate	85.9%	85.7%	85.7%	85.4%	84.3%
Progression rate	85.0%	84.0%	84.5%	83.2%	82.8%
Attrition rate	1.1%	1.9%	1.4%	2.6%	1.7%
Health Sciences					
Entered	23,697	23,175	19,794	20,544	16,629
Sat	23,520	22,915	19,591	20,352	16,539
Passed	21,298	20,851	18,025	18,642	15,379
Pass rate	90.6%	91.0%	92.0%	91.6%	93.0%
Progression rate	89.9%	90.0%	91.1%	90.7%	92.5%
Attrition rate	0.7%	1.1%	1.0%	0.9%	0.5%
Humanities					
Entered	35,972	28,687	29,680	29,144	28,247
Sat	35,898	28,583	29,578	28,962	28,096
Passed	31,950	25,253	25,846	25,351	24,324
Pass rate	89.0%	88.4%	87.4%	87.5%	86.6%
Progression rate	88.8%	88.0%	87.1%	87.0%	86.1%
Attrition rate	0.2%	0.4%	0.3%	0.6%	0.5%
Sciences					
Entered	22,077	23,404	25,743	25,447	26,194
Sat	21,807	22,691	25,203	24,613	25,323
Passed	18,845	19,710	21,674	21,236	22,367
Pass rate	86.4%	86.9%	86.0%	83.9%	88.3%
Progression rate	85.4%	84.2%	84.2%	80.9%	85.4%
Attrition rate	1.2%	3.1%	2.1%	3.6%	3.3%
Other (Foundation Studies)					
Entered	706	779	555	553	490
Sat	510	556	454	365	411
Passed	354	382	350	297	326
Pass rate	69.4%	68.7%	77.1%	81.4%	79.3%
Progression rate	50.1%	49.0%	63.1%	53.7%	66.5%
Attrition rate	27.8%	28.6%	18.2%	34.0%	16.1%

	2007	2006	2005	2004	2003
Total					
Entered	103,749	97,000	99,093	99,095	94,725
Sat	102,799	95,268	97,830	97,083	93,129
Passed	90,540	83,798	85,608	84,998	81,587
Pass rate	88.1%	88.0%	87.5%	87.6%	87.6%
Progression rate	87.3%	86.4%	86.4%	85.8%	86.1%
Attrition rate	0.9%	1.8%	1.3%	2.0%	1.7%
Destination of Graduates					
Employment full-time	67.7%	68.0%	65.1%	61.9%	64.1%
Employment part-time	16.2%	15.7%	15.4%	17.6%	17.2%
Study full-time	21.2%	21.8%	22.3%	26.8%	22.8%
Study part-time	9.8%	9.7%	9.6%	9.5%	8.7%
Seeking employment	14.0%	14.5%	15.6%	23.6%	27.1%

Note: Graduate destination data is based on a standard annual survey carried out by all universities.
Respondents may select more than one status, so the total response may exceed 100%.

STUDENT SUPPORT SERVICES

Financial Advice Service

Number using service or applying to:

Student Assistance Fund	60	38	53	51	112
Number of Student Assistance Grants	55	34	46	35	61
Net value of Student Assistance Grants	\$24,975	\$5,500	\$5,744	\$3,890	\$9,376

Note: The increase in students accessing assistance grants in 2007 was due to the grandparenting of subsidised childcare arrangements for teacher education students at the College of Education.

Postgraduate Scholarships and Awards

Scholarships and awards offered	248	223	165	179	180
Scholarships and awards accepted	206	183	130	151	149
Acceptance rate	83%	82%	79%	84%	83%

STAFF PROFILE

Full-time Equivalent (FTE) Academic & Research-Only Staff

Female

Vice-Chancellor/senior academic managers	1	1	1	1	1
Professors	24	24	18	15	14
Readers/associate professors	26	18	15	14	12
Senior lecturers	145	133	113	108	107
Lecturers	114	107	109	110	99
Other teaching and teaching/research staff	98	118	126	115	117
Research-only staff	206	185	197	209	141
Total Females	614	586	579	573	490

	2007	2006	2005	2004	2003
Male					
Vice-Chancellor/senior academic managers	7	7	6	6	6
Professors	131	124	122	109	100
Readers/associate professors	95	91	86	85	81
Senior lecturers	222	241	235	242	241
Lecturers	122	122	122	119	115
Other teaching and teaching/research staff	70	74	102	107	123
Research-only staff	164	162	165	177	14
Total Males	811	821	838	843	815
Total FTE Academic & Research Staff	1,425	1,407	1,417	1,416	1,305
Full-time Equivalent (FTE) General Staff					
Female					
Senior managers	3	2	1	0	1
General services, student and community staff	922	763	810	843	739
Librarians and library assistants	105	89	92	106	104
Research support staff	174	146	162	113	143
Technicians	127	189	182	170	207
Total Females	1,331	1,189	1,247	1,232	1,194
Male					
Senior managers	13	12	10	12	5
General services, student and community staff	473	451	434	401	369
Librarians and library assistants	24	24	24	25	24
Research support staff	44	54	46	37	73
Technicians	143	113	128	136	146
Total Males	697	654	642	611	616
Total FTE General Staff	2,028	1,843	1,889	1,843	1,810
Total Staff	3,453	3,250	3,307	3,259	3,114
Student-Academic Staff Ratios					
Commerce	24.7	24.5	24.2	25.6	22.4
Health Sciences	10.1	10.5	11.1	10.2	9.9
Humanities	16.5	21.5	20.5	20.8	20.8
Sciences	15.3	16.2	16.5	14.9	14.6
Overall	14.6	16.1	16.4	15.9	15.3

	2007	2006	2005	2004	2003
RESEARCH ACTIVITIES (revised for previous years)					
Research Outputs Produced					
Commerce	453	478	397	356	302
Health Sciences	2,265	2,536	2,405	2,074	1,656
Humanities	827	806	802	614	568
Sciences	1,171	1,118	1,026	928	749
Other	23	34	19	29	39
Less Adjustment for Multi-Authored Outputs	638	693	900	1,165	999
Net Publications	4,078	4,279	3,749	2,836	2,315

Note: Publications are shown in the year they are reported in the University's Research Outputs Report. Actual date of publication or dissemination may differ.
 Figures for the current year are provisional, subject to final vetting. The adjustment for multi-authored outputs for 2007 is also estimated, subject to final vetting.
 The sum of divisional research outputs is greater than the net outputs as many are jointly authored.

LAND AND BUILDING

Land (hectares)

Land owned by the University	26.1	22.9	22.9	22.9	22.4
Land in Crown Title for the University	8.5	8.5	8.5	8.5	8.5
Endowment leasehold	25,585.3	25,585.3	25,585.3	25,585.3	25,585.3
Total Land Controlled by the University	25,619.9	25,616.7	25,616.7	25,616.7	25,616.2

Note: Endowment land is tied up in long-term pastoral leases.

University of Otago Net Assignable Space (floor space in square metres)

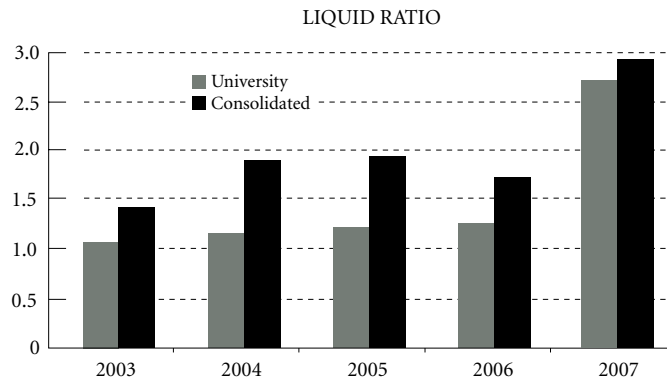
Commerce	9,019	9,056	9,085	9,286	9,273
Health Sciences	64,485	61,243	61,203	60,948	59,633
Humanities	21,903	14,094	12,999	12,818	12,335
Sciences	37,627	37,626	37,633	37,640	37,703
Administration and other	49,387	42,936	42,671	18,072	18,907
Corporate	4,492	4,446	4,445	4,458	4,452
Information Services	16,320	12,065	12,088	36,819	36,981
Total Net Assignable Space	203,233	181,466	180,124	180,041	179,284

Note: University-owned flats and residential colleges total a further 54,000 sq m, Unipol and Clubs & Societies 4,270 sq m (approx).

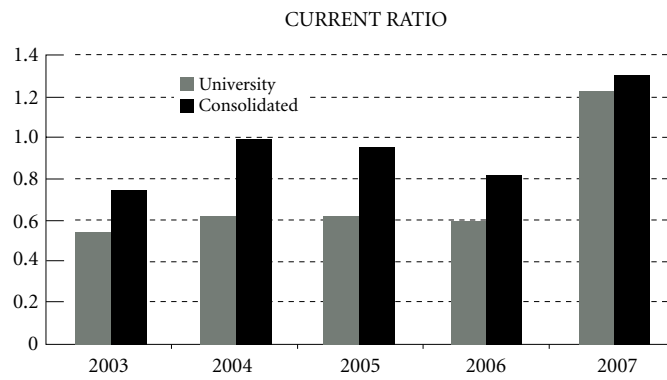
	2007	2006	2005	2004	2003
LIBRARY					
Library Collection					
Books (volumes)	975,752	958,607	920,264	894,303	867,067
Serials (volumes)	502,252	494,732	510,234	501,382	490,351
Microfilms	230,947	227,476	224,987	222,093	218,419
Non-book materials	1,196,244	1,190,299	1,183,331	1,171,637	1,124,754
Total	2,905,195	2,871,114	2,838,816	2,789,415	2,700,591
Print serials received	6,964	7,234	7,786	8,020	9,496
Electronic serials received	72,224	70,536	61,093	61,970	22,042
Total	79,188	77,770	68,879	69,990	31,538
User Services					
Loans					
~ Books	386,308	302,719	304,741	309,257	287,044
~ Periodicals	5,453	5,804	6,389	7,694	7,571
~ Reserve collection	203,352	245,822	274,706	308,905	338,172
~ Equipment	27,118	35,332	40,977	54,641	68,485
Total	622,231	589,677	626,813	680,497	701,272
Interloans					
~ Items received	10,188	10,866	11,694	15,523	19,774
~ Items supplied	11,078	12,181	13,099	16,217	18,773
Space					
Seating places available	3,533	3,403	3,379	3,389	3,389
INFORMATION TECHNOLOGY SERVICES					
Volume of Computer and Telecommunications Traffic					
Off-campus network traffic (megabytes)	109,357,140	42,432,129	31,397,634	23,143,498	19,312,468
ITS Training and Support Services					
Enquiries received by ITS Helpdesk	47,889	39,870	37,454	36,579	36,680
Seating places in student computer laboratories	713	443	443	443	435

	2007	2006	2005	2004	2003
KEY FINANCIAL INDICATORS					
Value of Output per EFTS					
Teaching, learning and assessment	\$8,084	\$11,067	\$6,883	\$7,337	\$7,915
Research and postgraduate teaching	\$12,144	\$8,103	\$10,041	\$8,875	\$8,137
Community service	\$1,286	\$1,354	\$1,438	\$1,054	\$1,189

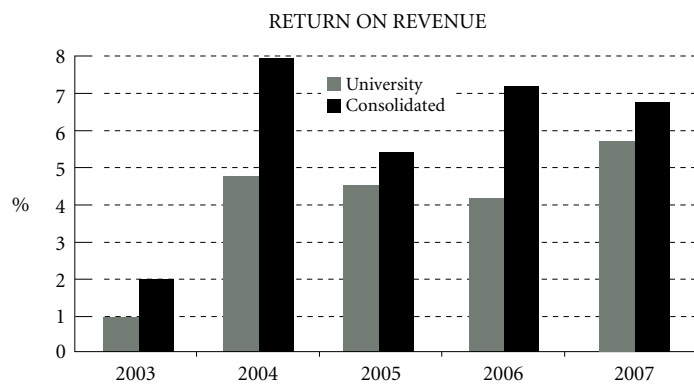
	2007	2006	2005	2004	2003
	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
Financial Indicators					
Current ratio <i>(Current assets: current liabilities)</i>	1.3	0.8	0.9	1.0	0.7
Liquid ratio <i>(Current assets which will result in cashflow: current liabilities which will result in cashflow)</i>	2.9	1.7	1.9	1.8	1.4
Level of debt <i>(Debt to equity)</i>	1.7%	3.5%	3.0%	1.7%	2.1%
Increase in net assets	12%	22.3%	2.3%	33.7%	1.2%
Return on total assets	2.3%	2.5%	2.1%	3.0%	0.9%
Return on revenue	6.5%	7.1%	5.3%	7.8%	2.0%
Revenue per EFTS	n/a	n/a	n/a	\$23,478	\$21,771
Expenditure per EFTS	n/a	n/a	n/a	\$22,524	\$20,814
Operating surplus per EFTS	n/a	n/a	n/a	\$954	\$957
Total assets per EFTS	n/a	n/a	n/a	\$60,289	\$48,383



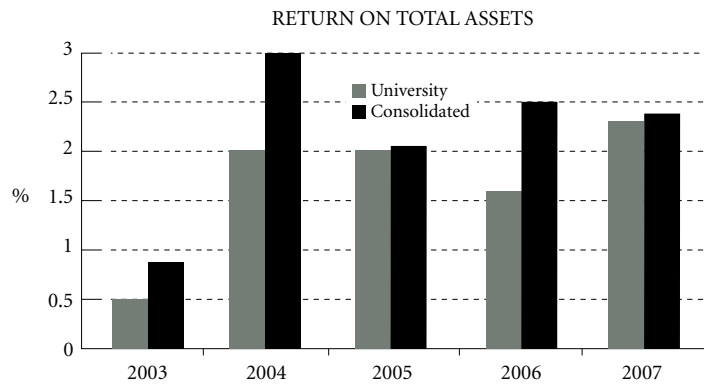
Current assets which will result in cashflow: current liabilities which will result in cashflow



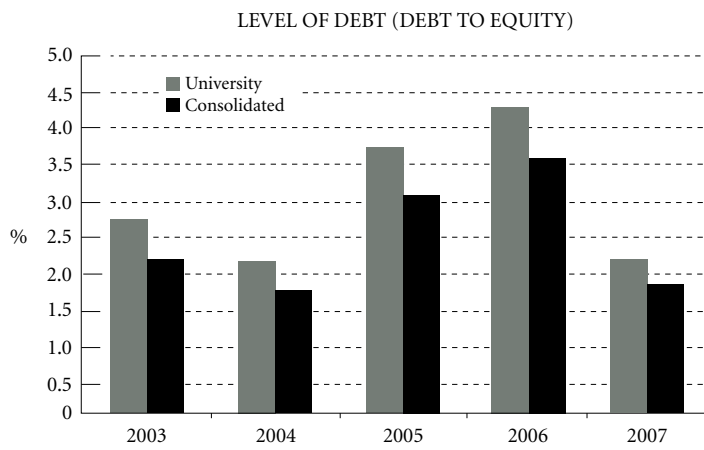
Current assets: current liabilities



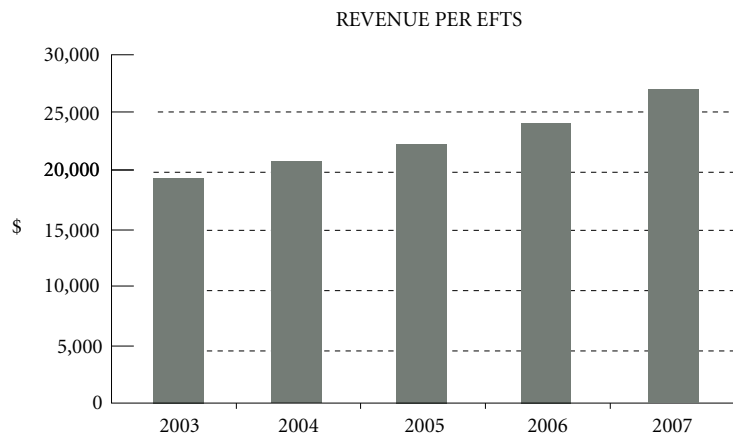
Operating surplus as a % of total income



Operating surplus as a % of total assets

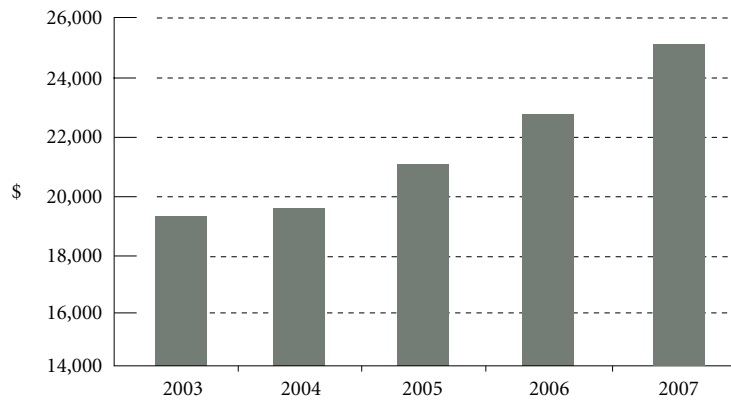


Total debt as a % of net assets



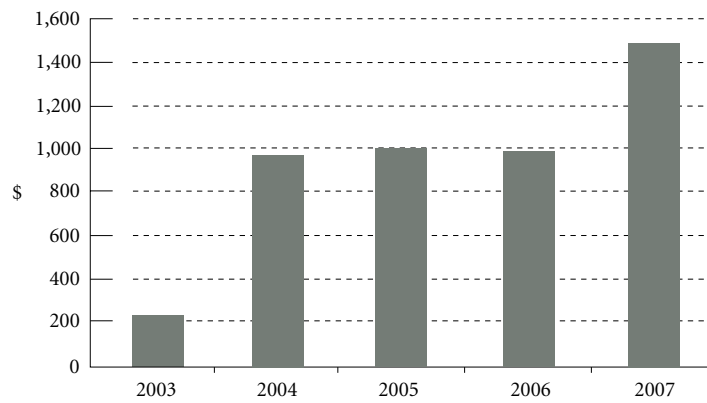
Total University revenue divided by total University EFTS

EXPENDITURE PER EFTS



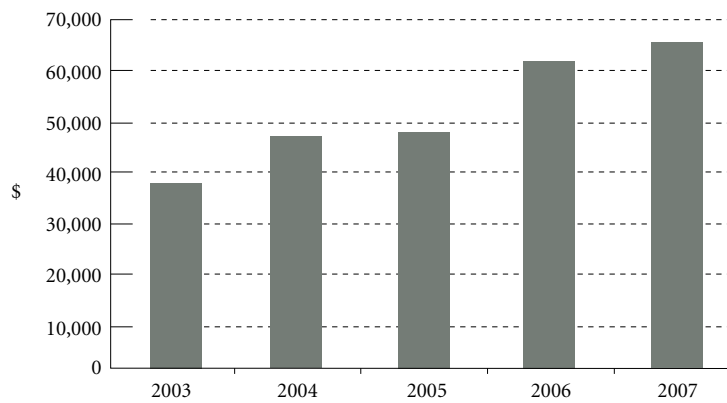
Total University expenditure divided by total University EFTS

OPERATING SURPLUS PER EFTS



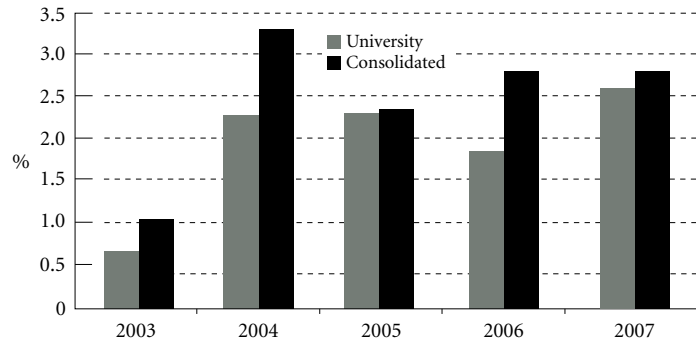
University operating surplus divided by total University EFTS

TOTAL ASSETS PER EFTS



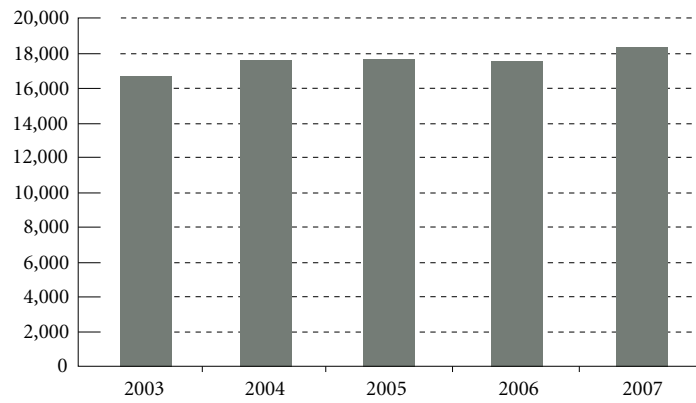
Total University assets divided by total University EFTS

RETURN ON EQUITY



Operating surplus as a % of total equity

TOTAL EFTS



Total domestic and international EFTS