

## FINANCIAL REVIEW 2001

Enrolments climbed to 15,343 equivalent full time students (EFTS) in 2001, an increase of 2.1% on the previous year's total of 15,030 EFTS. Domestic enrolments grew by 1.8% to 14,481 EFTS, while enrolments of international students increased by 6.4% to 862 EFTS. The rise in domestic students was a welcome increase in what was a relatively static market and reflects the new teaching initiatives undertaken in 2001, in particular the Summer School and the transfer of Radiation Therapy to the University's Wellington School of Medicine from the Central Institute of Technology, which closed in June. The increase in international students results from a strategic decision made several years ago to diversify away from a very strong dependence on Malaysia as a source of students, to the United States and Europe.

The consolidated group operating surplus for the year was \$19.9 million, which was \$14.9 million higher than the budget of \$5.0 million and \$12.9 million better than that achieved in 2000. This surplus, which includes \$18.3 million from the University as parent, was substantially improved by the \$6.7 million surplus generated from the sale of intellectual property, in what is the first of a number of such initiatives. Much of the proceeds were received in the form of shares in BLIS Technologies Limited. The company, which is publicly listed, will commercialise several products using Bacteriocin-Like Inhibitory Substances (BLIS), which act as natural antibiotics and control the growth of undesirable bacterial infections. The University's shareholding is seen not only as a major investment, but also as an important long-term commitment to the company and its ongoing research.

The other major contributor to the surplus was the commercial and applied research activities in the academic departments. Departments have expanded their efforts to market their expertise and form alliances with business with the services provided ranging from disease management and drug reaction monitoring to computer software development and food testing.

This diversification of revenue streams provides a valuable supplement to the teaching and research funding in many departments. This is especially important given that rising costs have not been fully compensated by increases in Government funding and student fees have been frozen at 2000 levels, and in the case of Commerce and Humanities fees, at 1999 levels.

The consolidated surplus provided a return on revenue of 6.6% and 4.1% on net assets. This is well ahead of the budget of 1.8% and 1.1% respectively. This is a pleasing result and is a welcome improvement on last year's returns of 2.5% on revenue and 1.5% on net assets.

Income for the year was \$304.2 million compared with the budget of \$278.3 million, an increase of \$25.9 million or 9.3%. This was \$22.7 million (8.1%) higher than that earned in 2000. The income for the year included \$9.9 million from the sale of intellectual property, which was unbudgeted. Other significant increases over budget included \$6.9 million from externally funded research, and \$3.3 million from commercial activity and applied research.

Expenditure for the year was \$284.2 million, which was \$10.9 million (4.0%) above the budget of \$273.3 million and \$9.8 million (3.6%) greater than last year. Expenditure on externally funded research grants (\$7.0 million above budget), due to greater activity, and distributions of intellectual property revenue (\$3.2 million above budget) accounted for much of the budget variance. Also included in expenditure was the \$1.7 million one-off cost of transferring half ownership of the University Union building to the Otago University Students' Association under an agreement signed in 2001.

With the completion of the new \$47 million Information Services Building (Library) the major building projects that have seen the campus transformed over the last five years are coming to an end. The additions to fixed assets for the year totalled \$47.7 million, and included \$21.9 million for land and buildings, \$16.5 million for equipment and \$9.1 million for library books and periodicals. This was well below the budget of \$57.9 million and less than the \$55.8 million invested in 2000. Much of the variance was caused by timing of the major projects. The only major projects still to be completed are the Centre for Innovation and the new Zoology complex. The Centre for Innovation is designed to provide facilities for University departments and industry to work together to develop and commercialise intellectual property. This is an exciting concept and one which should provide significant financial benefits in the medium to long term.

The extent of the capital expenditure programme was expected to cause liquidity to deteriorate in 2001 and require external borrowing by year end. Liquidity did fall during the year although not at the rate forecast. High cash inflows from operations and lower than expected cash outflows for capital expenditure resulted in a deterioration in liquidity of just \$4.5 million, compared with the budget of \$31.3 million before borrowing. While this was a very good outcome, much of the improvement in liquidity was due to research funding received in advance and delays with capital works. Consequently much of this advantage will evaporate in 2002 as research projects and capital works are completed.

The cash shortfall was financed by careful management of working capital and liquidating short term bank investments. Consequently the bank loan of \$25.6 million, provided for in the budget, was not required.

## CONCLUSION

The University has good cause to celebrate the high level of financial performance achieved in 2001 and the strong financial position attained at year end. The effects of rising costs and the fees freeze have been largely overcome by prudent financial management in all areas of the University and by solid growth in commercial activities, applied research and the commercialisation of intellectual property.

The downside to this revenue growth is that it is not evenly spread throughout the University. Those academic departments that have the human and physical resources to generate income from these sources are able to supplement their teaching and research budgets, while those that do not are faced with budget cuts, and the very difficult task of maintaining the quality of their outputs with reduced funding.

The financial challenge facing the University in 2002 is to effectively use the funding gained from these revenue generating activities such that it benefits the entire University and enhances the teaching and research of all academic departments.

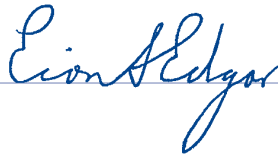
A J Patrick  
Financial Controller

## STATEMENT OF RESPONSIBILITY

### 2001 FINANCIAL STATEMENTS

1. The Council and management of the University of Otago accept responsibility for the preparation of the annual financial statements 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 for the financial year ending 31 December 2001 fairly reflect the financial position and operations of the University of Otago.


Chancellor



Vice-Chancellor



Financial Controller



12 March 2002

# STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2001

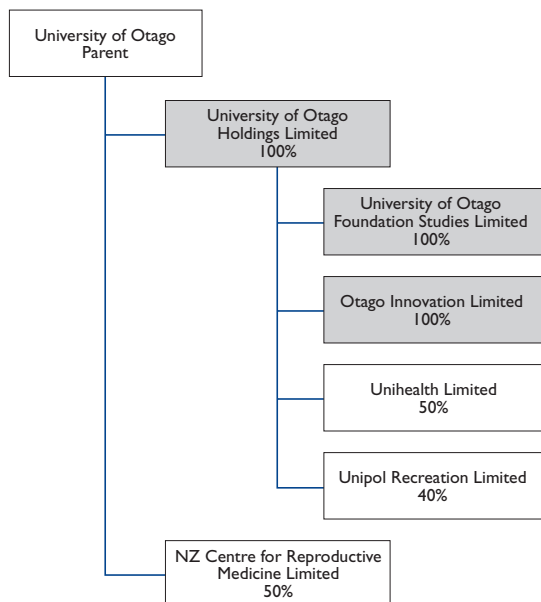
## THE REPORTING ENTITY

The University of Otago was founded in 1869 by Ordinance of the Otago Provincial Council.

In 1961 the University acquired its present legal basis and obtained the right to award degrees by the University of Otago Amendment Act 1961.

The financial statements are presented in accordance with Section 203 of the Education Act 1989, which refers to the provisions of Section 41 (2) of the Public Finance Act 1989.

The financial statements presented here are for the reporting entity University of Otago and Group companies. The structure of the Group is outlined in the chart below.



## MEASUREMENT SYSTEM

The general accounting principles followed by the University of Otago are those recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis, adjusted by the revaluation of certain fixed assets.

## BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements include:

- Statement of Financial Performance,
- Statement of Movements in Equity,
- Statement of Cost of Services,
- Statement of Financial Position,
- Statement of Cash Flows, and
- Statement of Commitments and Contingencies.

The University is divided into divisions. There are four teaching and research divisions - Commerce, Health Sciences, Humanities and Sciences - and seven service divisions - Information Services, Property Services, Financial Services, Marketing and Communications, Academic and Student Services, Human Resources and Research and International.

The financial statements include the operations of the University of Otago and its subsidiary and associate companies. Subsidiary companies (those shaded in the chart above) have been included in the consolidated accounts using the purchase method. Associate companies (those not shaded in the chart above) 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 statement of financial position.

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.

#### **Trust Funds:**

Revenue from external trusts is recognised in the Statement of Financial Performance as "Distributions from Trust Funds" when the Trusts incur expenditure on behalf of the University. Total income received by these trusts, including donations of a capital nature, is detailed in Note 15.

#### **Research Funds:**

Revenue from research which is externally funded is recognised in the Statement of Financial Performance as "Externally Funded Research" when research expenditure is incurred. Research funds which are not expended at year end are included in the Statement of Financial Position as "Funds Received in Advance". (see Note 8)

### 2. Budgets:

The budgets used are those approved by Council. The budgets have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by Council for the preparation of the financial statements.

### 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. Accounts Receivable:

Accounts receivable are valued at estimated realisable value. Bad debts are written off during the period in which they are identified.

### 5. Investments:

Investments are valued at cost plus (or less) the portion of any discount (or premium) on purchase allocated over the time to maturity except for investments in associate companies which are valued at cost plus the share of retained profits.

## 6. Fixed Assets:

Land and buildings are revalued every three years. They were last revalued as at 1 January 1999 on the basis of the Government Valuation at 1 September 1998. The valuations have been certified by Quotable Value as appropriate for financial reporting purposes. Any additions to land and buildings after 1 January 1999 have been recorded at cost. (see Note 12)

All Crown-owned land and buildings (if any) used by the University are included as part of the University's assets. 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 on the basis of historical cost.

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. (see Note 13)

Plant, motor vehicles, equipment and furniture are recorded at cost. Asset purchases of less than \$2,000 are written off at cost on acquisition.

Depreciation of buildings, motor vehicles, furniture and fittings, plant and equipment, computers and photocopiers, library collections and network wiring and cabling is provided for on a straight line basis at rates that will write off the cost, less any residual value, over their estimated lives. Land, rare books and special library collections are not depreciated.

The depreciation rates used in the preparation of these statements are as follows:

Asset Class	Depreciation Rate	
Buildings	1% - 10%	Straight Line
Motor Vehicles	25%	Straight Line
Furniture and Fittings	20%	Straight Line
Plant and Equipment	10%	Straight Line
Computers and Photocopiers	25%	Straight Line
Library Collection	10%	Straight Line
Network Wiring and Cabling	6.67%	Straight Line

## 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 2001 is included in accounts payable.

## 9. Employee Entitlements:

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

Leave and gratuities which have vested in the employee (an entitlement has been established) have been measured at nominal value using remuneration rates current at reporting date. This is included as a Current Liability.

Leave and gratuities 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. It is included to comply with “generally accepted accounting practice” as defined in the Financial Reporting Act 1993 and results from the adoption of Australian Accounting Standard AASB 1028: “Accounting for Employee Entitlements.”

Employee entitlements relating to the sale of intellectual property have been valued using the consideration received for the intellectual property as the basis for the entitlement.

#### 10. Trusts:

The University administers trust funds as trustee and is bound by the requirements of the individual trusts. The funds are not available for general operating expenditure and for this reason are disclosed separately. Trust assets are valued using the same accounting policies as are applied to the University (see Note 15). The Hocken Library has been valued as at 30 May 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 (see Note 18). The valuation at 30 May 1994 was used as a base in the absence of an historical cost valuation.

#### 11. Financial Instruments:

The University is party to financial instruments as part of its everyday operations. These financial instruments include bank accounts; investments; accounts receivables; prepayments; accounts payables and loans. Revenues and expenses including gains and losses in relation to all financial instruments are recognised in the Statement of Financial Performance. Except for loans, which are recorded at cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value (see Note 16).

#### 12. Finance leases:

Finance leases, which effectively transfer to the University of Otago substantially 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 the University is expected to benefit from their use.

#### 13. Statement of Cash Flows:

*Cash* means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the University invests as part of its day-to-day cash management.

*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.

#### 14. Taxation:

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

### 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 2001

	Note	Consolidated			University		
		This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
<b>INCOME</b>							
Government Grants	1	122,970	121,571	120,282	122,970	121,571	120,282
Domestic Tuition Fees		57,502	56,205	52,254	52,245	52,468	52,254
International Tuition Fees		14,398	13,390	14,886	14,398	13,390	11,880
Accommodation		13,144	12,764	12,122	13,144	12,764	12,122
Investment Income	2	2,591	1,431	3,489	2,276	1,332	3,403
Externally Funded Research		47,342	40,411	42,948	47,342	40,411	42,948
Distributions from Trust Funds		2,569	3,045	2,237	2,569	3,045	2,237
Consulting and Commercial Income		31,872	28,598	31,752	32,269	28,995	31,752
Sale of Intellectual Property		9,859			9,859		
Other Income	3	1,923	875	1,484	1,528	504	789
<b>Total Income</b>		<b>304,170</b>	<b>278,290</b>	<b>281,454</b>	<b>298,600</b>	<b>274,480</b>	<b>277,667</b>
<b>EXPENDITURE</b>							
Salaries - Academic		90,906	90,951	88,249	89,405	89,771	87,256
Salaries - General		70,156	68,846	66,584	69,512	68,341	66,158
Staff Related Costs		6,586	7,533	9,459	6,556	7,521	9,459
Consumables and General		59,964	52,499	54,429	58,446	51,623	53,327
Depreciation		25,032	23,528	26,097	24,909	23,410	26,027
Occupancy Costs		25,800	23,476	23,379	25,679	23,372	22,937
Scholarships		5,795	6,476	6,193	5,795	6,476	6,193
<b>Total Expenditure</b>	4	<b>284,239</b>	<b>273,309</b>	<b>274,390</b>	<b>280,302</b>	<b>270,514</b>	<b>271,357</b>
<b>Net Surplus</b>		<b>19,931</b>	<b>4,981</b>	<b>7,064</b>	<b>18,298</b>	<b>3,966</b>	<b>6,310</b>

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 2001

	<b>Consolidated</b>			<b>University</b>			
	Note	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
Opening Balance of Equity		468,465	469,252	461,401	468,006	468,299	461,696
Net Surplus for the period		19,931	4,981	7,064	18,298	3,966	6,310
Decrease in Property Revaluation Reserve		(1,407)			(1,407)		
<b>Total Recognised Revenues and Expenses</b>							
<b>For the Period</b>		18,524	4,981	7,064	16,891	3,966	6,310
<b>Closing Balance of Equity</b>		486,989	474,233	468,465	484,897	472,265	468,006

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 FINANCIAL POSITION

AS AT 31 DECEMBER 2001

	Note	Consolidated			University		
		This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
<b>EQUITY</b>							
General Reserve		303,082	292,064	281,482	300,990	290,096	281,023
Property Revaluation Reserve		183,907	182,169	186,983	183,907	182,169	186,983
<b>Total Equity</b>		<b>486,989</b>	474,233	468,465	<b>484,897</b>	472,265	468,006
<b>Represented by:</b>							
<b>NET ASSETS</b>							
<b>Current Assets</b>							
Cash and Bank	5	510	894	286	436	500	193
Bank Short Term Investments		9,806	8,092	14,534	5,285	5,500	12,279
Other Short Term Investments		370					
Accounts Receivable and Prepayments	6	18,547	15,444	15,015	17,348	15,000	14,803
Inventory		800	850	714	800	850	714
<b>Total Current Assets</b>		<b>30,033</b>	25,280	30,549	<b>23,869</b>	21,850	27,989
<b>Less Current Liabilities</b>							
Accounts Payable and Accruals	7	21,347	19,003	20,368	21,118	17,000	20,074
Funds Received in Advance	8	20,409	11,400	13,424	16,657	11,400	11,629
Loans Repayable Within One Year	9	115	50	233	115	50	233
Employee Entitlements	10	15,904	14,973	14,756	15,900	14,973	14,752
<b>Total Current Liabilities</b>		<b>57,775</b>	45,426	48,781	<b>53,790</b>	43,423	46,688
<b>Working Capital</b>		<b>(27,742)</b>	(20,146)	(18,232)	<b>(29,921)</b>	(21,573)	(18,699)
<b>Non-Current Assets</b>							
Investments	11	13,969	8,513	4,711	14,421	8,513	5,108
Fixed Assets	12 & 13	516,624	526,408	496,844	516,259	525,867	496,274
<b>Total Non-Current Assets</b>		<b>530,593</b>	534,921	501,555	<b>530,680</b>	534,380	501,382
<b>Non-Current Liabilities</b>							
Employee Entitlements	10	15,133	14,037	13,830	15,133	14,037	13,830
Loans and Leases	14	729	880	1,028	729	880	847
Bank Loan			25,625			25,625	
<b>Total Non-Current Liabilities</b>		<b>15,862</b>	40,542	14,858	<b>15,862</b>	40,542	14,677
<b>Total Net Assets</b>		<b>486,989</b>	474,233	468,465	<b>484,897</b>	472,265	468,006

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 2001

	Consolidated			University			
	Note	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
<b>OPERATING ACTIVITIES</b>							
<b>Cash was provided from:</b>							
Government Grant		121,897	117,596	117,741	121,897	117,596	117,741
Revenue from Fees		72,118	68,956	66,827	66,965	64,726	63,280
Revenue from Services		100,005	90,851	94,464	100,005	91,245	94,464
Interest Received		2,524	1,473	3,525	2,314	1,332	3,440
		<b>296,544</b>	<b>278,876</b>	<b>282,557</b>	<b>291,181</b>	<b>274,899</b>	<b>278,925</b>
<b>Cash was applied to:</b>							
Employees and Suppliers		250,151	251,322	241,254	247,724	247,984	239,699
		<b>250,151</b>	<b>251,322</b>	<b>241,254</b>	<b>247,724</b>	<b>247,984</b>	<b>239,699</b>
<b>Net Cash Flows from Operating Activities</b>		<b>46,393</b>	<b>27,554</b>	<b>41,303</b>	<b>43,457</b>	<b>26,915</b>	<b>39,226</b>
<b>INVESTING ACTIVITIES</b>							
<b>Cash was provided from:</b>							
Investments				6,732			6,732
Sale of Fixed Assets		394	100	182	394	100	182
		<b>394</b>	<b>100</b>	<b>6,914</b>	<b>394</b>	<b>100</b>	<b>6,914</b>
<b>Cash was applied to:</b>							
Investments		476	919	51	25	919	
Fixed Assets Acquired		50,575	58,043	58,115	50,341	58,043	57,995
		<b>51,051</b>	<b>58,962</b>	<b>58,166</b>	<b>50,366</b>	<b>58,962</b>	<b>57,995</b>
<b>Net Cash Flows from Investing Activities</b>		<b>(50,657)</b>	<b>(58,862)</b>	<b>(51,252)</b>	<b>(49,972)</b>	<b>(58,862)</b>	<b>(51,081)</b>

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.

	<b>Consolidated</b>			<b>University</b>			
	Note	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
<b>FINANCING ACTIVITIES</b>							
<b>Cash was provided from:</b>							
Loans raised			25,475		25,475		
<b>Cash was applied to:</b>							
Reduce term liabilities		240		938	236		938
<b>Net Cash Flows from Financing Activities</b>		<b>(240)</b>	25,475	(938)	<b>(236)</b>	25,475	(938)
<b>Total Cash Flows</b>		<b>(4,504)</b>	(5,833)	(10,887)	<b>(6,751)</b>	(6,472)	(12,793)
Opening Balance		14,820	14,819	25,707	12,472	12,472	25,265
Closing Balance		10,316	8,986	14,820	5,721	6,000	12,472
<b>Represented by:</b>							
Cash and Bank	5	510	894	286	436	500	193
Bank Short Term Investments		9,806	8,092	14,534	5,285	5,500	12,279
		10,316	8,986	14,820	5,721	6,000	12,472

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

	<b>Consolidated</b>			<b>University</b>			
	Note	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
Net Surplus		19,931		7,064	18,298		6,310
<b>Plus (Less) Non cash Items</b>							
Non cash consideration for intellectual property		(9,350)		(90)	(9,288)		(90)
Depreciation and fixed assets written off		25,349		26,083	24,909		26,027
Loss on disposal of fixed assets		1,732			1,732		
		<u>37,662</u>		<u>33,057</u>	<u>35,651</u>		<u>32,247</u>
<b>Plus (less) movements in other working capital items:</b>							
Decrease (Increase) in Accounts Receivable		(3,886)		(269)	(3,073)		(304)
Decrease (Increase) in Inventory		(86)		209	(86)		209
Increase (Decrease) in Accounts Payable		7,675		6,863	5,937		5,631
Increase (Decrease) in Funds Received in Advance		5,028		1,443	5,028		1,443
		<u>8,731</u>		<u>8,246</u>	<u>7,806</u>		<u>6,979</u>
<b>Net Cash Flows from Operating Activities</b>		<u>46,393</u>		<u>41,303</u>	<u>43,457</u>		<u>39,226</u>

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.

DIVISION OF COMMERCE  
STATEMENT OF COST OF SERVICES

FOR THE YEAR ENDED 31 DECEMBER 2001

	This Year \$000	Budget \$000	Last Year \$000
<b>COSTS</b>			
Salaries - Academic	9,912	10,514	9,892
Salaries - General	2,548	2,598	2,386
Staff Related Costs	707	775	612
Consumables and General	4,785	4,946	4,831
Occupancy Costs	666	705	1,310
Internal Rent	893	889	
Depreciation	871	864	1,009
Scholarships	106	109	89
<b>Total Costs</b>	<b>20,488</b>	21,400	20,129
<b>Less Related revenue</b>	<b>4,081</b>	4,141	4,132
<b>Net Cost of Services</b>	<b>16,407</b>	17,259	15,997

The net cost of services includes trading between divisions.

DIVISION OF HEALTH SCIENCES  
STATEMENT OF COST OF SERVICES

FOR THE YEAR ENDED 31 DECEMBER 2001

	This Year \$000	Budget \$000	Last Year \$000
<b>COSTS</b>			
Salaries - Academic	43,307	43,504	42,405
Salaries - General	23,416	22,873	21,519
Staff Related Costs	2,919	2,750	2,926
Consumables and General	35,813	29,677	32,853
Occupancy Costs	3,318	2,881	7,515
Internal Rent	6,558	6,564	
Depreciation	4,814	4,650	6,014
Scholarships	718	782	705
<b>Total Costs</b>	<b>120,863</b>	113,681	113,937
<b>Less Related revenue</b>	<b>69,324</b>	54,718	55,934
<b>Net Cost of Services</b>	<b>51,539</b>	58,963	58,003

The net cost of services includes trading between divisions.

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.

DIVISION OF HUMANITIES  
STATEMENT OF COST OF SERVICES

FOR THE YEAR ENDED 31 DECEMBER 2001

	This Year \$000	Budget \$000	Last Year \$000
<b>COSTS</b>			
Salaries - Academic	14,633	14,615	14,153
Salaries - General	3,141	3,056	3,321
Staff Related Costs	1,170	1,135	1,073
Consumables and General	4,885	4,750	4,557
Occupancy Costs	1,272	1,353	1,846
Internal Rent	1,024	1,000	
Depreciation	609	588	843
Scholarships	158	142	125
<b>Total Costs</b>	<b>26,892</b>	<b>26,639</b>	<b>25,918</b>
<b>Less Related revenue</b>	<b>5,675</b>	<b>4,619</b>	<b>5,064</b>
<b>Net Cost of Services</b>	<b>21,217</b>	<b>22,020</b>	<b>20,854</b>

The net cost of services includes trading between divisions.

DIVISION OF SCIENCES  
STATEMENT OF COST OF SERVICES

FOR THE YEAR ENDED 31 DECEMBER 2001

	This Year \$000	Budget \$000	Last Year \$000
<b>COSTS</b>			
Salaries - Academic	20,215	20,315	20,120
Salaries - General	9,472	9,156	9,205
Staff Related Costs	1,588	1,577	1,578
Consumables and General	12,723	11,528	12,301
Occupancy Costs	2,166	2,241	4,151
Internal Rent	3,411	3,416	
Depreciation	3,427	3,264	4,459
Scholarships	589	419	591
<b>Total Costs</b>	<b>53,591</b>	<b>51,916</b>	<b>52,405</b>
<b>Less Related revenue</b>	<b>16,450</b>	<b>13,109</b>	<b>13,945</b>
<b>Net Cost of Services</b>	<b>37,141</b>	<b>38,807</b>	<b>38,460</b>

The net cost of services includes trading between divisions.

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 2001

		<b>University and Consolidated</b>	
	<b>\$000</b>	<b>This Year</b>	<b>Last Year</b>
		<b>\$000</b>	<b>\$000</b>
<b>COMMITMENTS</b>			
As at 31 December 2001, \$4.891 million of capital works and equipment projects were committed for 2002:		<b>4,891</b>	19,710
	<b>\$000</b>		
Capital Works	4,694		
Equipment	197		
	<hr/> 4,891		
Non Cancelable Property Operating Leases		<b>11,255</b>	11,644
Not later than 1 year	1,425		
Later than one year and not later than two years	1,436		
Later than two years and not later than five years	2,830		
Later than five years	5,564		
	<hr/> 11,255		
<b>Total Commitments</b>		<b>16,146</b>	31,354
		<hr/>	<hr/>
<b>CONTINGENT LIABILITIES</b>			
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.		<b>50</b>	50
There was a personal grievance claim by an employee against the University proceeding at 31 December 2001.		<b>35</b>	
From 1 August 2000 the University of Otago became an Accident Compensation Corporation self insurer. Claims arising from 1 August 2000 to 31 December 2001 remain a potential liability to the University for a period of up to five years. At the end of the five year period any outstanding claims are returned to the Accident Compensation Corporation under the buy back provisions. The contingent liability is assessed at		<b>500</b>	250
The Otago University Students' Association has claimed a legal interest in a share of the improvements of the Union Building, currently reflected in these accounts as wholly owned by the University. The value of this interest is assessed at			2,500

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2001

	<b>Consolidated</b>			<b>University</b>		
	This Year	Budget	Last Year	This Year	Budget	Last Year
	\$000	\$000	\$000	\$000	\$000	\$000

### Note 1. GOVERNMENT GRANTS

Vote Education includes funding received from Government by way of the operational bulk grant, which is based on equivalent full-time student (EFTS) levels and the funding category levels of these EFTS, and specific purpose supplementary grants. Vote Health is EFTS funding for post graduate health education that is clinically based and is funded by the Ministry of Health, through the Clinical Training Agency.

Vote Education	120,757	119,299	115,083	120,757	119,299	118,200
Vote Health	2,213	2,272	2,082	2,213	2,272	2,082
	<b>122,970</b>	121,571	117,165	<b>122,970</b>	121,571	120,282

### Note 2. INVESTMENT INCOME

Bank Term Deposits	2,518		2,524	2,265	1,324	2,438
Advances	11		12	11	8	12
Other	62		953			953
	<b>2,591</b>	1,431	3,489	<b>2,276</b>	1,332	3,403

### Note 3. OTHER INCOME

Trading of Associated Companies	125		151	831		151
Administration Fee Income	264		501	264	285	501
Rents received	31		52	31	30	52
Sundry	749		780	402	189	85
	<b>1,169</b>	1,525	1,484	<b>1,528</b>	504	789

### Note 4. STATEMENT OF FINANCIAL PERFORMANCE REQUIRED DISCLOSURES

#### Total Expenditure includes:

Fees paid to external auditors	76	76	80	70	70	70
Fees paid to lay Council members ( <i>see below</i> )	66	76	59	66	76	59
Finance charges on finance leases	26	27	55	26	27	55
Bad debts written off	42	47	39	42	47	39
Assets written off	780			780		
Loss on disposal of fixed assets	1,743	1,747		1,743	1,747	

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

	Consolidated			University		
	This Year \$000	Budget \$000	Last Year \$000	This Year \$000	Budget \$000	Last Year \$000
<b>Note 5. CASH AND BANK</b>						
Bank Current Account	418		202	344		109
Petty Cash Imprest Accounts	92		84	92		84
	<b>510</b>	894	286	<b>436</b>	500	193

<b>Note 6. ACCOUNTS RECEIVABLE AND PREPAYMENTS</b>						
Debtors	12,668	9,419	8,003	11,479	9,000	7,815
Accruals	212		812	212		812
Prepayments	5,667	6,025	6,200	5,657	6,000	6,176
	<b>18,547</b>	15,444	15,015	<b>17,348</b>	15,000	14,803

<b>Note 7. ACCOUNTS PAYABLE AND ACCRUALS</b>						
Trade Creditors	10,051	17,003	7,850	9,822	15,000	7,601
Other Creditors	7,603		8,018	7,603		8,002
General Accruals	3,693	2,000	4,500	3,693	2,000	4,471
	<b>21,347</b>	19,003	20,368	<b>21,118</b>	17,000	20,074

<b>Note 8. FUNDS RECEIVED IN ADVANCE</b>						
Research Funding Received in Advance <i>(see below)</i>	12,766	8,500	8,707	12,766	8,500	8,707
Student Fees Received in Advance	5,999	2,000	3,525	2,247	2,000	1,954
Other	1,644	900	1,192	1,644	900	968
	<b>20,409</b>	11,400	13,424	<b>16,657</b>	11,400	11,629

#### Research Funding Received in Advance

There is currently no accounting standard nor any clearly defined generally accepted accounting practice for treatment of externally funded research revenue. The University of Otago currently recognises externally funded research revenue as income in the Statement of Financial Performance only when research expenditure is incurred. The unexpended portion is treated as a liability and represents the research services still to be provided.

<b>Note 9. LOANS REPAYABLE WITHIN ONE YEAR</b>						
This is represented by loans from:						
Finance Leases	115	50	233	115	50	233
	<b>115</b>	50	233	<b>115</b>	50	233

	<b>Consolidated</b>			<b>University</b>		
	This Year	Budget	Last Year	This Year	Budget	Last Year
	\$000	\$000	\$000	\$000	\$000	\$000

Note 10. **EMPLOYEE ENTITLEMENTS**

Current Portion of Employee Entitlements:

Annual Leave	<b>10,283</b>		10,336	<b>10,279</b>		10,332
Long Service Leave	<b>221</b>		421	<b>221</b>		421
Retirement Gratuities	<b>3,453</b>		3,070	<b>3,453</b>		3,070
Staff Intellectual Property Entitlements	<b>755</b>			<b>755</b>		
Other Entitlements	<b>1,192</b>		929	<b>1,192</b>		929
	<b>15,904</b>	14,973	14,756	<b>15,900</b>	14,973	14,752

Non-Current Portion of the Employee Entitlements:

Long Service Leave	<b>797</b>		963	<b>797</b>		963
Retirement Gratuities	<b>11,826</b>		12,867	<b>11,826</b>		12,867
Staff Intellectual Property Entitlements	<b>2,510</b>			<b>2,510</b>		
	<b>15,133</b>	14,037	13,830	<b>15,133</b>	14,037	13,830

**Calculation of Long Service Leave and Retirement Gratuities**

A range of discount rates of 4.72% to 6.88% and a salary growth rate of 2.75% have been applied in the calculation of the non current 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.

Note 11. **INVESTMENTS**

Investments in Subsidiaries			352	<b>4,094</b>		352
Investments in Associates	<b>767</b>		63	<b>262</b>		460
Shareholders Advances	<b>459</b>		168	<b>3,621</b>		168
Loans	<b>3,307</b>		4,128	<b>3,307</b>		4,128
Investment in company shares	<b>9,411</b>			<b>3,137</b>		
Other	<b>25</b>					
	<b>13,969</b>	8,513	4,711	<b>14,421</b>	8,513	5,108

**Reinstatement of Comparative Information**

As a result of a review of the 2000 consolidated financial statements it has been necessary to restate the comparative figures in the consolidated Statement of Financial Position by reducing the opening equity for 2000 by \$397,000 and reducing Investments in Associates by the same amount.

	Cost/ Valuation \$000	Accumulated Depreciation \$000	This Year Book Value \$000	Last Year Book Value \$000
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Note 12. **FIXED ASSETS - UNIVERSITY**

Cost:

Land	405		405	323
Buildings	90,234	1,336	88,898	52,302
Library Books	88,431	56,007	32,424	28,997
Plant, Equipment and Furniture	162,326	107,494	54,832	53,188
<b>Fixed Assets at Cost</b>	<b>341,396</b>	<b>164,837</b>	<b>176,559</b>	<b>134,810</b>

Valuation:

Land - University owned	29,971		29,971	30,121
Land - Crown owned	21,651		21,651	21,651
Buildings	288,686	9,265	279,421	301,225
Rare Books & Special Library Collections	8,657		8,657	8,467
<b>Fixed Assets at Valuation</b>	<b>348,965</b>	<b>9,265</b>	<b>339,700</b>	<b>361,464</b>
<b>Total Fixed Assets</b>	<b>690,361</b>	<b>174,102</b>	<b>516,259</b>	<b>496,274</b>

Note: Buildings at cost includes \$9.777 million Construction in Progress

The University's accounting policy is to include any Crown-owned land and buildings in its financial statements on the basis that it has assumed all the normal risks and rewards of ownership. The extent of Crown interest in buildings, if any, has not been quantified. Quantification will be subject to agreement with the Ministry of Education.

**FIXED ASSET MOVEMENTS**

	Opening Book Value \$000	Additions \$000	Adjustments \$000	Depreciation \$000	Net Disposals \$000	Closing Book Value \$000
Land	52,095	82			150	52,027
Buildings	353,527	21,857		4,707	3,918	368,319
Library Books	28,997	9,090	(16)	5,647		32,424
Rare Books & Special Library Collections	8,467	174	16			8,657
Plant, Equipment and Furniture	53,188	16,475		14,555	276	54,832
<b>Total</b>	<b>496,274</b>	<b>47,678</b>		<b>24,909</b>	<b>4,344</b>	<b>516,259</b>

Adjustments include transfers between fixed asset categories.

Cost/ Valuation \$000	Accumulated Depreciation \$000	This Year Book Value \$000	Last Year Book Value \$000
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Note 12. **FIXED ASSETS (continued)**

**FIXED ASSETS - CONSOLIDATED**

Cost:

Land	405		405	323
Buildings	90,257	1,343	88,914	52,308
Library Books	88,546	56,076	32,470	29,020
Plant, Equipment and Furniture	163,049	107,914	55,135	53,729
<b>Fixed Assets at Cost</b>	<b>342,257</b>	<b>165,333</b>	<b>176,924</b>	<b>135,380</b>

Valuation:

Land - University-owned	29,971		29,971	30,121
Land - Crown-owned	21,651		21,651	21,651
Buildings	288,686	9,265	279,421	301,225
Rare Books & Special Library Collections	8,657		8,657	8,467
<b>Fixed Assets at Valuation</b>	<b>348,965</b>	<b>9,265</b>	<b>339,700</b>	<b>361,464</b>
<b>Total Fixed Assets</b>	<b>691,222</b>	<b>174,598</b>	<b>516,624</b>	<b>496,844</b>

Note: Buildings at cost includes \$9.777 million Construction in Progress

The University's accounting policy is to include any Crown-owned land and buildings in its financial statements on the basis that it has assumed all the normal risks and rewards of ownership. The extent of Crown interest in buildings, if any, has not been quantified. Quantification is subject to agreement with the Ministry of Education.

Note 13. **RARE BOOKS & SPECIAL LIBRARY COLLECTIONS**

The University holds a number of gifted collections of books, manuscripts, and art-works 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 \$8.657 million. (2000 \$8.467 million). Additions at cost in 2001 were \$0.190 million (2000 \$0.006 million) (see note 12)

<b>Consolidated</b>			<b>University</b>		
This Year	Budget	Last Year	This Year	Budget	Last Year
\$000	\$000	\$000	\$000	\$000	\$000

Note 14. **LOANS AND LEASES**

This is represented by loans from:

Stuart Residence Halls Council	<b>710</b>		710	<b>710</b>	710
Finance Leases	<b>19</b>		137	<b>19</b>	137
Other			181		
	<b>729</b>	880	1,028	<b>729</b>	847

The loan from Stuart Residence Halls Council is interest free for ten years from 1994 and was provided to assist funding for student accommodation.

Finance Leases are secured by way of title over the assets leased.

	Effective Interest Rate %	<b>Maturity Periods</b>		
		1 to 2 Years \$000	2 to 5 Years \$000	Total \$000
<b>Non-Current Liabilities</b>				
Stuart Residence Halls Council	Nil		710	710
Finance Leases	8.45-12.5%	19		19
<b>Total</b>		19	710	729

Note 15. TRUSTS

Statement of Financial Performance

INCOME

	This Year \$000	University Budget \$000	Last Year \$000
Donations	491	840	627
Investment Income:			
- Government and Public Stock	1,851	1,800	1,577
- Company Investments	1,235	1,020	802
- Direct Property Investments			269
- Other Investments	368	240	431
<b>Total Income</b>	<b>3,945</b>	<b>3,900</b>	<b>3,706</b>

EXPENDITURE

Distributions to University	2,569	3,045	2,237
Trust Administration Fees	222	240	185
<b>Total Expenditure</b>	<b>2,791</b>	<b>3,285</b>	<b>2,422</b>
<b>Surplus</b>	<b>1,154</b>	<b>615</b>	<b>1,284</b>

Statement of Financial Position

ASSETS

Current Assets

Accounts Receivable	334	500	645
University Current Account			132
<b>Total Current Assets</b>	<b>334</b>	<b>500</b>	<b>777</b>

Non Current Assets

Stocks & Bonds ( <i>Govt, Local Auth, SOE &amp; Corp Debt</i> )	18,409	25,000	24,865
Company Shares ( <i>Market Value at 31 December 2001 \$24,422,000</i> )	19,573	17,000	19,896
Company Debentures	912	1,300	1,334
Bank Deposits	12,212	4,000	1,240
Hocken Collection (see Note 18)	81,355	81,000	79,769
<b>Total Non Current Assets</b>	<b>132,461</b>	<b>128,300</b>	<b>127,104</b>
<b>Total Assets</b>	<b>132,795</b>	<b>128,800</b>	<b>127,881</b>

LIABILITIES

University Current Account	310		
Accounts Payable	14		
<b>Total Liabilities</b>	<b>324</b>		

EQUITY

Trust Fund Balances	127,257	125,300	124,393
Reserve	5,214	3,500	3,488
<b>Total Equity</b>	<b>132,471</b>	<b>128,800</b>	<b>127,881</b>
<b>Total Liabilities and Equity</b>	<b>132,795</b>	<b>128,800</b>	<b>127,881</b>

## Note 16. FINANCIAL INSTRUMENTS

The Group is party to financial instrument arrangements as part of its everyday operations. These financial instruments include bank accounts, bank deposits, accounts receivable, accounts payable and term borrowings, and are recognised in the Statement of Financial Position.

### Credit Risk

The University of Otago has a minimal credit risk in its holdings of various financial instruments. These instruments include cash, bank deposits, New Zealand government stock and accounts receivable. The Group consults with professional investment advisors and has an investment policy which is regularly reviewed. The Group believes that this policy reduces the risk of any loss which could arise from its investment activities.

Accounts receivable are stated at their estimated realisable value. There is not a significant concentration of credit risk for accounts receivable due to the large number of customers included in the Group's customer base.

### Fair Value

The fair value of Group financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position subject to the following post balance date events.

The University and the Group owns 12,892,500 shares in Blis Technologies Limited. The carrying amount is the cost of \$0.73 per share. Since balance date the market price has fluctuated and, as at the date of signing of these accounts, was \$0.51 per share.

### Currency Risk and Interest Rate Risk

Apart from the interest rate on non-current liabilities (Note 14) the Group has no significant exposure to interest rate risk on its remaining financial assets and liabilities.

The Group has minimal exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading activities.

At 31 December 2001, the University held US Dollars of \$US 0.930 million (2000: \$US 0.145 million) within its current and call deposit accounts. In January 2002, \$US 0.400 million was sold and converted to NZ dollars. The balance will be held to meet 2002 US dollar purchases in accordance with University policy.

## Note 17. 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 user-pays. The balance of costs not charged in this manner are allocated to the outputs of the University (see Note 19) using the following cost drivers:

Equivalent Full Time Students:	Used for Academic and Student Services (including Accommodation Office, Careers Office, Health and Counselling, Recreation Services, Disabilities Office, Māori Centre, Student Administration and Academic Committee Support) and Student Finance Services.
Staff Appointments and Terminations:	Used for Personnel Services.
Full Time Equivalent Staff:	Used for Staff Training Office, EEO Office, Records Management and Occupational Health and Safety.
Academic Full Time Equivalent Staff:	Used for Higher Education Development Centre and Research Office.
Staff Numbers (Head Count):	Used for Payroll Services.
Space in Square Metres:	Used for Facilities Management and Security.
Telephone Extensions:	Used for Telephone Systems.
Equipment Depreciation:	Used for Asset Management and Equipment Office.
Cost of Services:	Used for Financial Services.
90% Equivalent Full Time Students and 10% Equally to Teaching and Research Divisions:	Used for Marketing and Communications (including Publications, Advertising, Media, Alumni, Schools Liaison, Fundraising).
65% Equivalent Full Time Students and 35% Equally to Teaching and Research Divisions:	Used for Information Services (including Library and Computing Services) and University Press.
67% International Students and 33% Equally to Teaching and Research Divisions:	Used for International Office (including International Student Liaison and International Marketing).

Note 18. **HOCKEN LIBRARY**

	This Year \$000	Last Year \$000
Opening Balance	79,767	78,479
Donated Hocken Additions	1,504	1,226
Purchased Hocken Additions	84	62
	<b>81,355</b>	<b>79,767</b>

The University holds in Trust a national archival collection of books and art-works known as the Hocken Collection. Items included in the collection are acquired by gift, bequest and purchase. Items are also accepted on deposit where ownership is retained by the depositor. A major valuation exercise was carried out during 1994 to establish a base in the absence of an historic cost valuation. The categorisation methodology used in the valuation was that of the Alexander Turnbull Library with due allowance for differences in the structure and nature of the two library collections. The major exception was for archives and manuscripts where the National Archives methodology of categorisation was followed. The valuation is based on the net current value of items in the collection.

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 collection includes deposited items valued at \$31.736 million (\$31.122 million 2000).

Note 19. **COSTING OF OUTPUTS**

**Definitions**

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

- Teaching, Learning and Assessment
- Research and 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 user-pays. The balance of costs not charged in this manner are allocated to the teaching and research divisions using cost drivers (see Note 17) and then allocated to the outputs within each of these divisions.

#### Note 20. RELATED PARTY INFORMATION

##### Parent

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

The University has executed transactions with its subsidiary University of Otago Foundation Studies Limited. Other than the provision of some limited administrative services for which no charge is made, they were made on commercial terms and conditions. The University paid its subsidiary \$138,000 commission (full amount is outstanding at 31 December 2001) and was paid \$397,000 for rent. The subsidiary also owed the University \$164,000 for creditors paid on its behalf.

##### Parent and Consolidated

Mr L Brown was a partner in the accounting firm Deloitte Touche Tohmatsu until 31 January 2001 when he retired. During January 2001, the University and Group purchased consulting services valued at \$8,998. All transactions were conducted on commercial terms and conditions.

## REPORT OF THE AUDITOR-GENERAL

### To the Readers of the Financial Statements of University of Otago and Group for the Year Ended 31 December 2001

We have audited the financial statements on pages 20 to 29, 33 to 38, 42 to 46, 48 to 62, 64 to 76, and 87 to 110. The financial statements provide information about the past financial and service performance and financial position of University of Otago and group as at 31 December 2001. This information is stated in accordance with the accounting policies set out on pages 87 to 90.

### RESPONSIBILITIES OF THE COUNCIL

The Public Finance Act 1989 requires the Council to prepare financial statements in accordance with generally-accepted accounting practice in New Zealand that fairly reflect the financial position of University of Otago and group as at 31 December 2001, the results of operations and cash flows and the service performance achievements for the year ended on that date.

### AUDITOR'S RESPONSIBILITIES

Section 15 of the Public Audit Act 2001 and section 43 (1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Council. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed K J Boddy of Audit New Zealand to undertake the audit.

### BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Council in the preparation of the financial statements; and
- whether the accounting policies are appropriate to University of Otago and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in University of Otago or any of its subsidiaries.

## UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion, the financial statements of University of Otago and group on pages 20 to 29, 33 to 38, 42 to 46, 48 to 62, 64 to 76, and 87 to 110:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - University of Otago and group's financial position as at 31 December 2001;
  - the results of operations and cash flows for the year ended on that date; and
  - the service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date.

Our audit was completed on 13 March 2002 and our unqualified audit is expressed as at that date.



K J Boddy  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Dunedin, New Zealand

## SUMMARY FACTS AND FIGURES

### STUDENT ENROLMENTS

	2001	2000	1999	1998	1997
<b>Equivalent Full-time Students (EFTS)</b>					
Commerce	3,200	3,190	3,227	3,193	3,245
Health Sciences	3,700	3,679	3,601	3,479	3,274
Humanities	4,229	3,907	4,039	4,164	3,825
Sciences	4,172	4,254	4,347	4,145	3,818
Other	42	0	0	0	0
<b>Total</b>	<b>15,343</b>	<b>15,030</b>	<b>15,214</b>	<b>14,981</b>	<b>14,162</b>

#### EFTS by Type

Domestic Undergraduate	12,346	12,011	12,183	11,920	11,112
Domestic Postgraduate	2,135	2,209	2,134	2,136	1,978
<b>Total Domestic</b>	<b>14,481</b>	<b>14,220</b>	<b>14,317</b>	<b>14,056</b>	<b>13,090</b>
International Undergraduate	736	694	787	817	937
International Postgraduate	126	116	110	108	135
<b>Total International</b>	<b>862</b>	<b>810</b>	<b>897</b>	<b>925</b>	<b>1,027</b>
<b>Total</b>	<b>15,343</b>	<b>15,030</b>	<b>15,214</b>	<b>14,981</b>	<b>14,162</b>

#### Enrolment By Qualification Type

Doctoral	720	718	674	645	623
Masters	1,034	1,081	1,017	1,013	937
Bachelors Honours	852	877	871	866	854
Bachelors Ordinary	11,370	10,978	11,150	11,376	11,034
Postgraduate Diplomas	1,398	1,423	1,329	1,228	1,150
Postgraduate Certificates	230	196	172	36	
Undergraduate Diplomas	254	230	250	259	318
Intermediates	769	838	909	877	677
Miscellaneous	946	753	761	645	613
Sub-degree	25				
<b>Total</b>	<b>17,598</b>	<b>17,094</b>	<b>17,133</b>	<b>16,945</b>	<b>16,206</b>

#### Full-time & Part-time Students

Full-time	12,121	12,050	12,426	12,517	11,933
Part-time	5,477	5,044	4,707	4,428	4,273
<b>Total</b>	<b>17,598</b>	<b>17,094</b>	<b>17,133</b>	<b>16,945</b>	<b>16,206</b>

	2001	2000	1999	1998	1997
<b>Female &amp; Male Students</b>					
Female	9,723	9,391	9,362	9,321	8,966
Male	7,875	7,703	7,771	7,624	7,240
<b>Total</b>	<b>17,598</b>	<b>17,094</b>	<b>17,133</b>	<b>16,945</b>	<b>16,206</b>
<b>First Year &amp; Returning Students</b>					
First Year	3,688	3,258	3,666	3,620	3,369
Returning	13,910	13,836	13,467	13,325	12,837
<b>Total</b>	<b>17,598</b>	<b>17,094</b>	<b>17,133</b>	<b>16,945</b>	<b>16,206</b>
<b>Ethnicity of Students</b>					
European/Pakeha	75.3%	75.4%	76.0%	76.7%	77.2%
Maori	6.2%	6.2%	6.0%	5.8%	5.5%
Asian	12.3%	12.5%	11.1%	12.1%	12.2%
Pacific Islanders	2.1%	2.1%	2.0%	1.9%	1.6%
Other / unknown	4.1%	3.8%	4.9%	3.5%	3.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Note: Ethnic data is expressed as a percentage because students may identify with more than one ethnic group.					
<b>Home Area of Students</b>					
Dunedin	4,969	4,948	4,958	5,254	5,094
Otago/Southland	2,139	2,239	2,323	2,418	2,353
Remainder of South Island	2,836	2,736	2,615	2,479	2,310
North Island	5,976	5,641	5,632	5,372	4,939
Overseas (including NZ Citizens Overseas)	1,597	1,441	1,427	1,411	1,508
Unknown	81	89	178	11	2
<b>Total</b>	<b>17,598</b>	<b>17,094</b>	<b>17,133</b>	<b>16,945</b>	<b>16,206</b>
<b>Home Area of First Year Students</b>					
Dunedin	676	803	883	990	974
Otago/Southland	488	489	559	530	600
Remainder of South Island	594	579	631	607	514
North Island	1,442	1,184	1,364	1,238	1,035
Overseas (including NZ Citizens Overseas)	460	172	178	247	245
Unknown	28	31	51	8	1
<b>Total</b>	<b>3,688</b>	<b>3,258</b>	<b>3,666</b>	<b>3,620</b>	<b>3,369</b>
<b>International Students</b>					
Undergraduate	1,041	952	1,002	972	1,030
Postgraduate	194	164	137	134	154
<b>Total</b>	<b>1,235</b>	<b>1,116</b>	<b>1,139</b>	<b>1,106</b>	<b>1,184</b>

	2001	2000	1999	1998	1997
<b>International Students by Home Country</b>					
Malaysia	204	357	497	590	749
USA	268	231	231	192	138
Sweden	39	39	42	17	9
Germany	63	45	37	38	36
Japan	50	44	36	27	25
Singapore	30	34	32	19	27
Fiji	43	28	31	39	42
Hong Kong	60	39	28	30	27
Thailand	36	32	28	27	13
Norway	34	28	18	3	3
Samoa	22	24	17	13	8
Canada	42	23	14	4	6
Indonesia	15	14	13	10	9
Taiwan	22	20	12	8	3
China	77	16	7	4	3
Korea (South)	13	13	5	5	3
Seychelles	20	14	12	4	0
Denmark	8	10	9	10	5
Other	189	105	70	66	78
<b>Total</b>	<b>1,235</b>	<b>1,116</b>	<b>1,139</b>	<b>1,106</b>	<b>1,184</b>

#### Highest Entrance Qualification of First Year Students

A bursary	893	848	1,041	956	799
B bursary	991	910	991	972	856
Entrance qualification from UB/US	503	435	450	459	482
Higher School Certificate	185	160	167	138	159
University Entrance	137	87	89	85	73
Ad eundem entrance level	176	130	94	107	55
Ad eundem with credit	74	59	91	144	158
Ad eundem graduate	47	34	22	25	24
Ad eundem	4	2	9	5	0
Special admission	538	453	589	629	633
Provisional Entrance	139	134	112	93	80
Unknown	1	6	11	7	50
<b>Total</b>	<b>3,688</b>	<b>3,258</b>	<b>3,666</b>	<b>3,620</b>	<b>3,369</b>

## ACADEMIC ATTAINMENT

	2001	2000	1999	1998	1997
<b>Number of Graduates</b>					
<b>Commerce</b>					
- undergraduate diplomas & certificates	0	0	0	30	25
- undergraduate degrees	644	691	658	665	834
- postgraduate diplomas & certificates	23	37	33	21	27
- postgraduate degrees	85	85	91	40	36
Total Commerce graduates	752	813	782	756	922
<b>Health Sciences</b>					
- undergraduate diplomas & certificates	26	175	146	20	10
- undergraduate degrees	444	473	447	458	453
- postgraduate diplomas & certificates	393	245	188	194	173
- postgraduate degrees	73	67	72	83	67
Total Health Sciences graduates	936	960	853	755	703
<b>Humanities</b>					
- undergraduate diplomas & certificates	12	17	2	18	20
- undergraduate degrees	925	990	927	910	923
- postgraduate diplomas & certificates	63	41	47	47	51
- postgraduate degrees	91	73	75	71	86
Total Humanities graduates	1,091	1,121	1,051	1,046	1,080
<b>Sciences</b>					
- undergraduate diplomas & certificates	32	51	40	63	54
- undergraduate degrees	858	836	700	726	804
- postgraduate diplomas & certificates	98	76	89	101	111
- postgraduate degrees	148	181	150	106	120
Total Sciences graduates	1,136	1,144	979	996	1,089
<b>Interdivisional (Diploma for Graduates)</b>					
- undergraduate diplomas & certificates	226	230	267	262	273
Total Interdivisional graduates	226	230	267	262	273
<b>Total University</b>					
- undergraduate diplomas & certificates	296	473	455	393	382
- undergraduate degrees	2,871	2,990	2,732	2,759	3,014
- postgraduate diplomas & certificates	577	399	357	363	362
- postgraduate degrees	397	406	388	300	309
Grand Total University Graduates	4,141	4,268	3,932	3,815	4,067

	2001	2000	1999	1998	1997
<b>Degrees, Diploma and Certificates Completed per 100 EFTS Enrolled</b>					
Commerce	23.5	25.5	24.2	23.7	28.4
Health Sciences	25.3	26.1	23.7	21.7	21.5
Humanities	25.8	28.7	26.0	25.1	28.2
Sciences	27.2	26.9	22.5	24.0	28.5
Total	27.0	28.4	25.8	25.5	28.7

#### Examination Pass, Progression and Attrition Rates

##### Commerce

Entered	23,629	21,082	20,339	20,288	19,816
Sat	21,608	19,179	18,897	18,887	18,777
Passed	19,295	17,269	17,043	17,169	17,266
Pass Rate	89.3%	90.0%	90.2%	90.9%	92.0%
Progression Rate	81.7%	81.9%	83.8%	84.6%	87.1%
Attrition Rate	8.6%	9.0%	7.1%	6.9%	5.2%

##### Health Sciences

Entered	16,267	15,941	15,799	15,216	13,565
Sat	15,958	15,645	15,541	14,946	13,300
Passed	15,313	15,031	15,082	14,359	13,156
Pass Rate	96.0%	96.1%	97.0%	96.1%	98.9%
Progression Rate	94.1%	94.3%	95.5%	94.4%	97.0%
Attrition Rate	1.9%	1.9%	1.6%	1.8%	2.0%

##### Humanities

Entered	23,408	23,567	24,483	26,746	25,343
Sat	21,545	21,999	22,854	24,817	23,467
Passed	20,280	20,658	21,449	23,276	21,999
Pass Rate	94.1%	93.9%	93.9%	93.8%	93.7%
Progression Rate	86.6%	87.7%	87.6%	87.0%	86.8%
Attrition Rate	8.0%	6.7%	6.7%	7.2%	7.4%

##### Sciences

Entered	25,654	26,216	27,439	26,384	22,393
Sat	23,990	24,537	25,950	24,751	21,260
Passed	21,876	22,423	23,658	22,393	19,366
Pass Rate	91.2%	91.4%	91.2%	90.5%	91.1%
Progression Rate	85.3%	85.5%	86.2%	84.9%	86.5%
Attrition Rate	6.5%	6.4%	5.4%	6.2%	5.1%

	2001	2000	1999	1998	1997
<b>Other (Foundation Studies)</b>					
Entered	148				
Sat	47				
Passed	47				
Pass Rate	100.0%				
Progression Rate	31.8%				
Attrition Rate	68.2%				
<b>Total</b>					
Entered	89,106	86,806	88,060	88,634	81,117
Sat	83,148	81,360	83,242	83,401	76,804
Passed	76,811	75,381	77,232	77,197	71,787
Pass Rate	92.4%	92.7%	92.8%	92.6%	93.5%
Progression Rate	86.2%	86.8%	87.7%	87.1%	88.5%
Attrition Rate	6.7%	6.3%	5.5%	5.9%	5.3%
<b>Destination of Graduates</b>					
Employment full-time	60.6%	58.5%	51.7%	54.8%	54.5%
Employment part-time	18.2%	18.6%	22.0%	20.5%	22.7%
Study full-time	26.7%	29.2%	32.2%	31.7%	31.8%
Study part-time	10.5%	9.3%	9.7%	9.0%	10.4%
Seeking Employment	25.5%	20.7%	14.7%	26.0%	7.6%

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	143	213	281	336	372
Number of Student Assistance Grants	50	92	108	222	210
Net Value of Student Assistance Grants	\$9,189	\$25,656	\$28,049	\$35,924	\$41,595

### Postgraduate Scholarships and Awards

Scholarships and Awards Offered	125	161	162	208	206
Scholarships and Awards Accepted	88	137	122	144	155
Acceptance Rate	70%	85%	75%	69%	75%

## STAFF PROFILE

	2001	2000	1999	1998	1997
<b>Full-time Equivalent (FTE) Academic &amp; Research Staff</b>					
<b>Female</b>					
Vice-Chancellor/Senior Academic Managers	1	1	1	0	1
Professors	9	7	7	8	8
Readers/Associate Professors	13	12	11	8	6
Senior Lecturers	90	83	79	65	60
Lecturers	99	105	102	98	136
Other teaching & teaching/research staff	128	124	127	109	50
Research only staff	131	127	111	103	80
Research support staff	190	187	191	192	184
<b>Total Females</b>	<b>661</b>	646	629	583	525
<b>Male</b>					
Vice-Chancellor/Senior Academic Managers	6	6	6	6	7
Professors	94	96	92	83	84
Readers/Associate Professors	68	63	66	67	70
Senior Lecturers	256	265	250	248	241
Lecturers	115	117	131	131	165
Other teaching & teaching/research staff	107	102	99	95	44
Research only staff	111	119	119	136	122
Research support staff	85	96	90	86	73
<b>Total Males</b>	<b>842</b>	864	846	852	806
<b>Total</b>	<b>1,503</b>	1,510	1,475	1,435	1,331
<b>Full-time Equivalent (FTE) General Staff</b>					
<b>Female</b>					
Senior Managers	0	0	1	0	0
Technicians	177	176	166	170	110
Librarians & library assistants	96	95	96	106	85
Student & Community Services staff	36	33	32	31	9
General staff	539	515	484	429	481
General Services staff	102	138	141	161	47
<b>Total Females</b>	<b>950</b>	957	920	897	732
<b>Male</b>					
Senior Managers	9	11	10	10	12
Technicians	136	139	142	144	128
Librarians & library assistants	20	22	20	28	22
Student & Community Services staff	20	16	15	14	17
General staff	178	168	149	143	162
General Services staff	108	117	122	127	79
<b>Total Males</b>	<b>471</b>	473	458	466	420
<b>Total</b>	<b>1,421</b>	1,430	1,379	1,363	1,152
<b>Total Staff</b>	<b>2,924</b>	2,940	2,854	2,798	2,483

	2001	2000	1999	1998	1997
<b>Student-Academic Staff Ratios</b>					
Commerce	21.2	21.3	20.7	22.6	25.1
Health Sciences	9.2	9.5	9.6	10.0	9.3
Humanities	19.5	19.1	19.4	20.9	18.4
Sciences	14.4	15.3	15.6	15.9	14.6
Overall	14.4	14.6	14.9	15.0	14.9

## RESEARCH ACTIVITIES *(revised for previous years)*

### Research Articles Produced

Commerce	238	307	239	256	199
Health Sciences	1,121	1,079	1,169	1,422	982
Humanities	325	392	549	431	542
Sciences	603	638	700	521	548
Other	12	9	17	33	46
<b>Total</b>	<b>2,299</b>	<b>2,425</b>	<b>2,674</b>	<b>2,663</b>	<b>2,317</b>

<b>Publications per Academic Staff Member</b>	<b>1.5</b>	<b>1.6</b>	<b>1.9</b>	<b>2.0</b>	<b>1.8</b>
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Note: Publications are shown in the year they are reported in the University's Publications Report

## LAND & BUILDINGS

### Land (hectares)

Land owned by the University	22	22	22	22	22
Land in Crown title for the University	8	8	8	8	8
Endowment Leasehold	25,585	35,511	35,511	35,511	35,511
<b>Total Land Controlled by the University</b>	<b>25,616</b>	<b>35,542</b>	<b>35,542</b>	<b>35,542</b>	<b>35,541</b>

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

### University of Otago Nett Assignable Space

*(floor space in square metres)*

Humanities	11,796	11,170	10,900	11,487	10,415
Science	36,500	36,359	35,366	34,828	34,764
Health Sciences	57,613	48,620	56,523	52,147	51,184
Commerce	8,761	7,630	8,444	7,360	7,191
Administration & other	19,108	11,736	15,418	11,287	11,043
Corporate	4,950	1,732	1,771	163	163
Information Services	36,359	30,907	29,458	27,852	25,863
<b>Total</b>	<b>175,087</b>	<b>148,154</b>	<b>157,880</b>	<b>145,124</b>	<b>140,623</b>

Note: University-owned flats and hostels total a further 40,000 sqm (approx), Unipol and Clubs & Societies 3730 sq m (approx)

## LIBRARY

	2001	2000	1999	1998	1997
<b>Library Collection</b>					
Books (volumes)	812,483	785,088	760,235	733,845	706,028
Serials (volumes)	467,779	459,272	455,741	436,511	423,204
Microfilms	214,835	212,225	208,955	206,098	197,516
Non-book materials	1,111,417	1,093,226	1,067,374	1,059,039	1,005,719
Total	2,606,514	2,549,811	2,492,305	2,435,493	2,332,467
<b>Print Serials received</b>					
Print Serials received	10,046	10,336	10,332	10,837	11,101
Electronic Serials received	24,202	21,254	14,581	2,553	2,540
Total	34,248	31,590	24,913	13,390	13,641
<b>User Services</b>					
<b>Loans</b>					
- Books	308,010	208,763	257,525	320,231	308,156
- Periodicals	10,507	9,830	11,113	10,960	10,901
- Reserve Collection	309,112	344,615	313,797	314,261	295,144
- Equipment	51,986	32,251	30,795		
Total	679,615	595,459	613,230	645,452	614,201
<b>Interloans</b>					
- Items received	19,801	22,080	21,780	21,775	22,387
- Items supplied	20,380	22,612	24,752	30,416	33,323
<b>Space</b>					
Seating places available	3,302	2,799	2,652	2,640	2,442

## INFORMATION TECHNOLOGY SERVICES

	2001	2000	1999	1998	1997
<b>Volume of Computer and Telecommunications Traffic</b>					
Off campus network traffic (Megabytes)	7,504,562	3,939,129	2,231,941	1,093,477	637,708
<b>ITS Training and Support Services</b>					
Enquiries received by ITS Helpdesk	32,353	29,736	31,800	24,600	22,500
Seating places in student computer laboratories	443	410	403	347	287
Computer training sessions organised	441	395	385	385	283
Number of staff trained	1,988	1,964	1,615	1,480	1,300
Number of students trained	2,785	4,375	5,774	6,303	4,000

## KEY FINANCIAL INDICATORS

### Value of Output per EFTS

Teaching, Learning & Assessment	\$6,957	\$7,032	\$7,114	\$7,064	\$6,727
Research & Postgraduate Teaching	\$8,353	\$8,245	\$7,440	\$7,163	\$6,709
Community Service	\$1,044	\$1,093	\$916	\$815	\$759

### Financial Indicators

Current Ratio	0.45:1	0.88:1	0.92:1	1.19:1	1.01:1
Liquid Ratio	1.01:1	1.35:1	1.94:1	2.48:1	2.26:1
Level of total debt	12.6%	13.1%	12.3%	9.0%	8.3%
Increase in net assets	3.6%	1.5%	2.2%	3.0%	3.6%

Notes: Current Ratio = Current Assets: Current Liabilities

Liquid Ratio = Current Assets which will result in cashflow: Current Liabilities which will result in cashflow

Level of total debt = Debt as a percentage of Net Assets