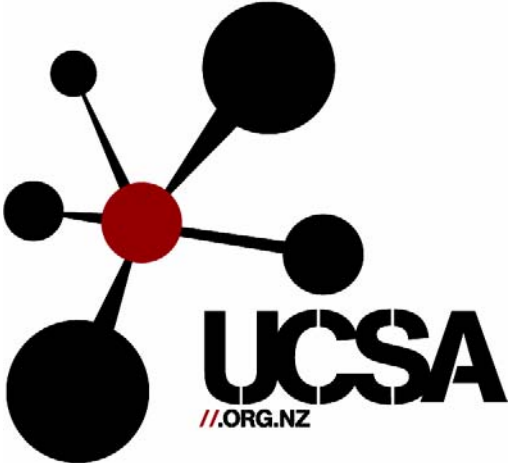


University of Canterbury Students' Association Incorporated
Financial Report
For the year ended 31 December 2005

Grant Thornton 



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Association Directory as at 31 December 2005

Nature of Business	:	Students' Association
Business Location	:	Christchurch
IRD Number	:	13-050-147
Date of Incorporation	:	2 June 1939
Registered Office	:	90 Ilam Road
President	:	George Hampton
Vice President	:	Warren Poh
Bankers	:	The National Bank of New Zealand
Auditors	:	Grant Thornton Chartered Accountants

Audit Report to the Members of University of Canterbury Students' Association Incorporated

We have audited the financial report on pages 6 to 21. The financial report provides information about the past financial performance of the Association and its financial position as at 31 December 2005. This information is stated in accordance with the accounting policies set out on pages 11 and 12.

Responsibilities of the Executive and Management Board

The Executive and Management Board are responsible for the preparation of a financial report which fairly reflects the financial position of the Association as at 31 December 2005 and of the results of operations and cash flows for the period ended 31 December 2005.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial report presented by the Executive and Management Board and report our opinion to you.

Basis of Opinion

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

- the significant estimates and judgments made by the Executive and Management Board in the preparation of the financial report, and
- whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

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We conducted our audit in accordance with New Zealand Auditing Standards. 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 report is 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 report.

Other than in our capacity as auditors we have provided accounting services to the Association. We have no other relationship with or interest in the Association.

Qualified Opinion

As stated in the notes to the financial statements on page 17, the University of Canterbury Students' Association and the University of Canterbury executed a Constructive Trust Deed on 4 December 1991 which outlines the legal interest of the Association in the Student Union Building. The Trust Deed, however, does not clearly set out the extent of such interest.

The University of Canterbury Students' Association has recognised a 50% share as its proportion of its interest in the Student Union Building. Legal opinion has however been obtained which stated that the 50/50 interest may be open to challenge on the basis that the acknowledgment of the 50/50 interest was a mistake and does not reflect logical interpretation of the Constructive Trust Deed. Furthermore, this acknowledgement should have been documented by way of deed under Common Seal of the Association, pursuant to section 15 of the Incorporated Societies Act 1908.

For purposes of reflecting the carrying amount of the Student Union Building in the financial report, it is necessary to clearly establish the extent of ownership of the building by the Association and the Canterbury University. The Student Union Building was revalued by independent valuers as at 31 December 2005 in accordance with Financial Reporting Standards 3. The Student Union Building has been carried in the financial statements of the Association at \$5,303,000 representing 50% of the revalued amount of the Building.

The Association has not resolved the extent of the respective parties' proportional ownership of the Student Union Building with Canterbury University. We are therefore unable to assess the extent to which the value of this building has been misstated in the financial statements of the Association if at all. We are therefore also not able to assess the impact of any change in the basis of apportioning the value of the building to the respective parties on the carrying value or on the extent to which additions funded by the Association are expensed and on the determination of the depreciation on the value of the building as determined by the Association.

In these respects alone, we have not obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Association as far as appears from our examination of those records; and
- except for the failure to determine the extent of the proportional ownership in the Student Union Building as noted above, the financial report of the Association on pages 6 to 21:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflect the University of Canterbury Students' Association's financial position as at 31 December 2005 and the results of its operations for the year ended on that date.

In our opinion, the financial report on pages 6 to 21 fairly reflects the cash flows for the year ended on that date.

Our audit was completed on 12 April 2006 and our qualified opinion is expressed as at that date.



GRANT THORNTON
CHRISTCHURCH

Statement of Financial Performance

	Note	2005	2004
		\$	\$
Operating Revenue	2	6,156,132	6,519,074
Less Operating Expenditure			
Operating, Administration and Other Expenditure	3	5,317,525	5,493,495
Executive Expenditure	4	244,396	303,351
Depreciation	10	443,321	462,253
Interest Paid		20,777	30,313
Total Operating Expenditure		6,026,019	6,289,412
Net Surplus for the Year		130,113	229,662

The accompanying notes form part of, and should be read in conjunction with, this financial report.



Statement of Movements in Equity

	Note	2005 \$	2004 \$
Equity at the beginning of year		7,941,531	7,711,380
Net surplus for the year		130,113	229,662
Increase in reserves	6	1,178,187	489
Total recognised revenues and expenses for the year		1,308,300	230,151
Equity at the end of year		9,249,831	7,941,531

The accompanying notes form part of, and should be read in conjunction with, this financial report.



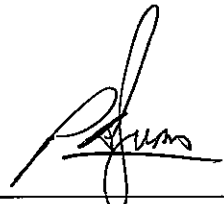
Statement of Financial Position

	Note	2005 \$	2004 \$
Equity			
Association Funds	5	6,433,210	6,303,097
Reserves			
Asset Revaluation Reserve	6	2,791,655	1,615,863
Student Hardship Fund Reserve	6	24,966	22,571
Total Reserves		2,816,621	1,638,434
Total Equity		9,249,831	7,941,531
Current Assets			
Cash and Bank	7	397,136	803,975
Accounts Receivable	8	147,745	84,065
Stock on Hand		76,638	86,809
Total Current Assets		621,519	974,849
Non Current Assets			
Investments and Loans	9	1,536,965	1,470,750
Property, Plant and Equipment	10	7,595,913	6,040,135
Total Non Current Assets		9,132,878	7,510,885
Total Assets		9,754,397	8,485,734

The accompanying notes form part of, and should be read in conjunction with, this financial report.



	Note	2005 \$	2004 \$
Current Liabilities			
Accounts Payable	11	430,611	390,298
Current Portion of Term Liabilities	12	73,955	79,950
		<hr/>	<hr/>
Total Current Liabilities		504,566	470,248
Non Current Liabilities			
Term Liabilities	12	-	73,955
		<hr/>	<hr/>
Total Liabilities		504,566	544,203
		<hr/>	<hr/>
Net Assets		9,249,831	7,941,531
		<hr/> <hr/>	<hr/> <hr/>



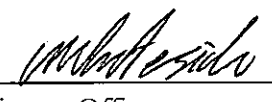
 For and on behalf of the Management Board

 12 April 2006
 Date



 President

 12 April 2006
 Date



 Finance Officer

 12 April 2006
 Date

The accompanying notes form part of, and should be read in conjunction with, this financial report.



Statement of Cash Flows

	Note	2005 \$	2004 \$
Cash flows from operating activities			
Cash was provided from:			
Receipts from operations		4,980,717	5,630,812
Service levy		884,080	884,080
Interest received		147,708	114,834
		<hr/>	<hr/>
		6,012,505	6,629,726
Cash was disbursed to:			
Payments to suppliers and employees		(5,452,045)	(5,719,594)
		<hr/>	<hr/>
Net cash flows from operating activities	13	560,460	910,132
		<hr/>	<hr/>
Cash flows from investing activities			
Cash was applied to:			
Net purchase of fixed assets		(903,479)	(374,789)
Net purchase of investments		(66,215)	(280,946)
		<hr/>	<hr/>
Net cash flows from investing activities		(969,694)	(655,735)
		<hr/>	<hr/>
Cash flows from financing activities			
Cash was provided from:			
Student Hardship Fund		2,395	489
		<hr/>	<hr/>
Net cash flows from financing activities		2,395	489
		<hr/>	<hr/>
Net increase (decrease) in cash held		(406,839)	254,886
Add opening cash brought forward		803,975	549,089
		<hr/>	<hr/>
Closing cash carried forward	7	397,136	803,975
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of, and should be read in conjunction with, this financial report.



Notes to the Financial Report

Note 1

Statement of Accounting Policies

Reporting Entity

The financial report presented here is for the reporting entity University of Canterbury Students' Association Inc. (the "Association"). The financial report has been prepared in accordance with the Incorporated Societies Act 1908, the Financial Reporting Act 1993 and generally accepted accounting practice in New Zealand.

Measurement Base

Unless otherwise stated the accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis have been followed.

Specific Accounting Policies

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

Taxation – no taxation is payable as the Association has received approval of its charitable status for income tax purposes.

Accounts Receivable are stated at their estimated net realisable value. Debts considered uncollectible are written off. Provision has been made for doubtful debts.

Stock on hand has been valued at the lower of cost or net realisable value. Cost is determined on a first in first out basis, after due allowance for damaged and obsolete stock.

Property, Plant and Equipment considered material is revalued by an independent valuer every three years or more frequently as required and are shown at the independent valuation, plus additions at cost less accumulated depreciation since the date of their valuation. Property, Plant and Equipment not considered material is revalued by an independent valuer as required. Assets not subject to revaluation are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged against income as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. For revalued assets, depreciation is calculated over the remaining useful life. The depreciation rates used are shown in the Property, Plant and Equipment Schedule.

Investments are valued at the lower of cost and net realisable value.



Changes in Accounting Policies

There have been no changes in accounting policies which have been applied on bases consistent with those used in previous years.

Note 2

Operating Revenue

Operating revenue includes the following:

	2005	2004
	\$	\$
Service levy	884,080	884,080
Rental income	170,700	163,594
Interest	161,948	139,356
Community Trust donation	30,587	27,978

Note 3

Operating, Administration and Other Expenditure

Operating, administration and other expenditure includes the following:

	2005	2004
	\$	\$
Audit fees – for audit services	15,000	14,000
– for other services	-	3,584
Executive board member fees	15,000	8,250
Donations and grants	14,986	6,895
Bad debts	1,922	2,277
Provision for write down of capital expenditure on Student Union Building	80,170	68,759

The provision for write down of capital expenditure on the Student Union Building is made to recognise the 50% ownership share of the University of Canterbury in the Student Union Building. The amount represents 50% of the total cost of additions or improvements to the building during the current financial year. (Refer to Note 10)

Note 4

Executive Expenditure

Executive expenditure includes executive fees amounting to \$93,027(2004: \$113,110).



Note 5

Association Funds

	2005 \$	2004 \$
Balance at the beginning of year	6,303,097	6,073,436
Net surplus for the year	130,113	229,662
	<hr/>	<hr/>
Balance at the end of year	6,433,210	6,303,097
	<hr/> <hr/>	<hr/> <hr/>

Note 6

Reserves

	2005 \$	2004 \$
Balance at beginning of year	1,638,434	1,637,945
	<hr/>	<hr/>
Student Hardship Fund reserve interest earned	2,395	489
Revaluation of Student Union Building and Childcare Centre Building	1,175,792	-
	<hr/>	<hr/>
Total increase in reserves	1,178,187	489
	<hr/>	<hr/>
Balance at end of year	2,816,621	1,638,434
	<hr/> <hr/>	<hr/> <hr/>
Made up of:		
	2005 \$	2004 \$
Valuation in 2005 and 2002 of Student Union Building	2,253,818	1,252,165
Valuation in 2003 and 2002 of plant and equipment	160,300	160,300
Valuation in 2005 and 2002 of Childcare Centre Building	315,438	141,299
Valuation in 1979 of Lyall Homes Lodge	62,099	62,099
	<hr/>	<hr/>
Total asset revaluation reserves	2,791,655	1,615,863
Student Hardship Fund reserve	24,966	22,571
	<hr/>	<hr/>
Total reserves	2,816,621	1,638,434
	<hr/> <hr/>	<hr/> <hr/>

Refer to Note 10 for information relating to revaluation undertaken in the financial year ended 31 December 2005.

The Student Hardship Fund reserve is recognized by an equal and opposite bank account balance as per Note 7. Accrued interest income amounting to \$567 (2004: \$534) is recorded under Accounts Receivable account.



Note 7

Cash and Bank

	2005	2004
	\$	\$
Cash on hand	2,471	4,170
Bank accounts	8,742	20,888
Student Hardship Fund bank account	24,399	23,105
Short-term deposit	361,524	755,812
	<hr/>	<hr/>
Balance at the end of the year	397,136	803,975
	<hr/> <hr/>	<hr/> <hr/>

The Student Hardship Fund bank balance is recognized by an equal and opposite reserve as per Note 6. The capital of this fund is retained while the income generated there from is available for distribution to students experiencing hardship at the President's discretion.

Note 8

Accounts Receivable

	2005	2004
	\$	\$
Trade and sundry debtors	161,745	97,438
Provision for doubtful debts	(14,000)	(13,373)
	<hr/>	<hr/>
	147,745	84,065
	<hr/> <hr/>	<hr/> <hr/>



Note 9

Investments

	2005	2004
	\$	\$
Fonterra	209,400	102,966
Deutsche Bank	101,000	98,981
Kiwi Income Property Trust	100,000	123,736
Nuplex	100,000	106,754
GPG Capital	100,000	104,519
Power Company Limited	100,000	101,679
Sky Capital Notes	100,000	100,000
Telecom Bonds	100,000	100,000
PPCS Bonds	100,000	-
Fletcher Building Limited	98,442	-
Pacific Retail Group	95,806	200,000
AMP NZ Office Trust	84,840	84,840
AMP Convertible Notes	22,222	22,222
Tranzrail Limited	-	99,798
	<hr/>	<hr/>
Total fixed income investments	1,311,710	1,245,495
Investment in University Bookshop Canterbury Limited (UBCL)	225,000	225,000
Other	255	255
	<hr/>	<hr/>
Total Investments	<u>1,536,965</u>	<u>1,470,750</u>

The Association holds 225,000 shares of UBCL valued at \$1 per share



Note 10

Property, Plant and Equipment

2005

	Depreciation Rate %	Cost/ Valuation \$	Accum Depn \$	Book Value \$
Student Union Building	4.8-7.8 SL	5,303,000	-	5,303,000
Childcare Centre Building	4.2-7.8 SL	499,800	-	499,800
Lyll Homes Lodge	2.2 SL	115,547	34,787	80,760
Sports Pavilion No 1	2.5 SL	13,825	9,553	4,272
Afforestation Assets	3 SL	100,514	12,288	88,226
Plant and Equipment	9-76.2 DV	1,419,877	383,869	1,036,008
Work in Progress	N/A	583,847	-	583,847
		8,036,410	440,497	7,595,913

2004

	Depreciation Rate %	Cost/ Valuation \$	Accum Depn \$	Book Value \$
Student Union Building	2-8 SL	4,952,731	480,124	4,472,607
Childcare Centre Building	4.2-7.8 SL	320,872	24,214	296,658
Lyll Homes Lodge	2.2 SL	115,547	29,063	86,484
Sports Pavilion No 1	2.5 SL	13,825	9,454	4,371
Afforestation Assets	3 SL	100,514	9,472	91,042
Plant and Equipment	9-76.2 DV	1,282,273	208,578	1,073,695
Work in Progress	N/A	15,278	-	15,278
		6,801,040	760,905	6,040,135

Depreciation Expense

	2005 \$	2004 \$
Student Union Building	243,204	237,550
Childcare Centre Building	16,187	12,372
Lyll Holmes Lodge	5,724	535
Sports Pavilion No 1	99	402
Afforestation Assets	2,816	2,816
Plant and Equipment	175,291	208,578
	443,321	462,253



Valuation of Assets

The Student Union Building and the Child Care Centre Building were revalued by CB Ellis and QV Valuations, respectively, as at 31 December 2005 in accordance with FRS3 and NZIV standards. The valuation adjustment is reflected in note 6.

The plant and equipment was revalued to the latest valuation by DTZ New Zealand Limited as at 31 December 2003, in accordance with FRS3 and NZIV valuation standards. Valuation adjustments are reflected in Note 6.

The Sports Pavilion No 1 was revalued by DTZ New Zealand Limited as at 31 December 2002.

Lyll Homes Lodge was revalued by \$62,099 in 1979.

The Afforestation Assets (located at Mount Hutt) have not been revalued in the financial statements notwithstanding that they were subject to an independent valuation dated 25 June 1993 by Hallinan Stewart Consultant Valuers Ltd of \$770,000. In the opinion of the Management Board a more current valuation would be inappropriate as these assets are located on lands owned by another party and leased to the Association under an agreement expiring in 2072. A current valuation has therefore not been obtained.

Student Union Building

The Association operates a Student Union Building under a Deed of Management with the University of Canterbury subject to the conditions therein. The current deed was agreed on 20 December 2001.

The University of Canterbury has recognized a 50% share by the Association in the Student Union Building in terms of Constructive Trust Deed dated 4 December 1991 and related correspondence. This recognizes the original contributions to the construction of the building made by the Association.

The recognition by the University of Canterbury's share in the above property is without prejudice to the force of the provisions contained in Clause 10 of the Constructive Trust Deed. The Deed between the parties provides for the Association's interest in the Student Union Building to pass to the University in the event of the Association becoming insolvent or experiencing other defined financial difficulties.

During the current financial year, provision was made to write down a proportion of capital expenditure incurred during 2005 on the Student Union Building to recognise the 50% ownership share of the University of Canterbury in the building. The provision was computed as 50% of the total cost of additions or improvements to the building during the year. (Refer to Note 3)

Work in Progress -- James Hight Café

Included in Work in Progress balance of \$583,847 (2004: \$15,278) as at 31 December 2005, is work in progress relating to the development of the James Hight Café. The University of Canterbury has agreed in principle to provide the Association with a license to occupy a building space incorporating the James Hight Café owned by the University of Canterbury.



When the project is completed, the total expenditure will be capitalised in full and depreciated in accordance with the Association's accounting policy on Property, Plant and Equipment.

Note 11

Accounts Payable

	2005 \$	2004 \$
Trade creditors and accruals	346,234	239,600
Employee entitlements	78,884	73,819
Revenue in advance	2,000	36,480
GST owing	3,493	40,399
	<u>430,611</u>	<u>390,298</u>

Note 12

Term Liabilities

	2005 \$	2004 \$
Total unsecured loan	73,955	153,905
Current portion	<u>(73,955)</u>	<u>(79,950)</u>
Balance non-current portion	<u>-</u>	<u>73,955</u>

The unsecured loan bears interest at 13 ½% per annum and is repayable in five equal installments principle and interest of \$100,727 annually on 1 November of each year until 2006.



Note 13

Reconciliation of Net Surplus with Operating Cashflow

	2005	2004
	\$	\$
Net surplus	130,113	229,662
Adjustments for non-cash items		
Depreciation	443,321	462,253
Provision for write down of capital expenditure on Student Union Building	80,170	68,759
Bad debts	1,922	2,277
Amortisation of unsecured loans	(79,950)	(70,440)
Interest income accrued	(14,240)	(15,838)
	<u>561,336</u>	<u>447,011</u>
Movement in working capital items		
Decrease (increase) in accounts receivable	(51,361)	194,648
Decrease in stock on hand	10,171	2,644
Decrease in accounts payable	40,314	36,167
	<u>(876)</u>	<u>233,459</u>
Net Cash flows from operating activities	<u><u>560,460</u></u>	<u><u>910,132</u></u>

Note 14

Capital Commitments

As at balance date, the Association had committed capital expenditure of \$575,103 (2004: \$53,348) in respect of upgrades.

Note 15

Contingent Liabilities

There are no material contingent liabilities as at balance date (2004:\$nil).



Note 16

Community Trust Donation

During the year total donations of \$30,000 (2004:\$30,000) were received from the Community Trust for Ngaio Marsh Theatre. As at the balance date \$nil (2004: \$30,000) were unspent and are included in Note 11 as revenue in advance.

Donation Income is accounted for as income as it is spent for the purpose granted. Community Trust donations expended during the year and included in donation revenue amounted to \$30,000 (2004: \$nil).

Note 17

Related Party Transactions

	2005	2004
	\$	\$
Transactions with related parties:		
University Bookshop Canterbury Limited		
Marketing fee	113,675	9,731
Sheffield Limited		
Consulting and professional fees	-	9,412
Boffa Miskell		
Landscaping	7,442	-
Balances with related parties:		
Sheffield Limited		
Current account due	-	(1,126)

All related party transactions were conducted on an arms length basis. The amounts outstanding at balance date are payable on normal trading terms and conditions.

Note 18

Tax Losses

During the 1999 financial year the Inland Revenue Department approved the Association's status as a charitable trust. Up to this point tax losses of \$655,401 were available to carry forward subject to IRD approval.



Note 19

Financial Instruments

Credit Risk:

Financial instruments that potentially expose the Association to credit risk consist principally of bank deposits and accounts receivable. The Association continually evaluates and monitors the credit quality of its accounts receivable and advances. The maximum credit risk is the book value of these financial instruments as detailed in the balance sheet and the risk of non-recovery of these is considered to be minimal.

Exchange Rate Risk:

The Association does not have any exposure to exchange rate risk as all financial instruments are denominated in New Zealand dollars.

Interest Rate Risk:

Bank deposits with the National Bank of New Zealand Limited are subject to a floating interest rate ranging from 1.5% to 7.01%.

Fair Values:

The estimated fair values of the Association's financial instruments of 31 December 2005 are the carrying values in the financial report.

