

# Model Financial Statements **Tutuki Tertiary Institute** 2011

Model financial statements for a tertiary education institution  
prepared under New Zealand equivalents  
to International Financial Reporting Standards

December 2011 version 3.0

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## **FOREWORD**

I am pleased to introduce our 2011 update to our New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) model financial statements for tertiary education institutions (TEIs).

Audit New Zealand's model financial statements highlight our profession's latest thinking in terms of meeting financial reporting and legislative requirements, and providing essential financial statement information.

### **Focus**

The model financial statements have been updated to reflect current good practice and changes to NZ IFRS that apply to the 31 December 2011 financial statements. The main updates to the model are explained on page 5.

The model financial statements have been prepared especially to help guide TEIs to prepare financial statements that comply with NZ IFRS. The model may also assist in reducing the compliance costs of preparing NZ IFRS-compliant financial statements and contribute to an efficient financial statement audit.

The financial statements included in this model (including certain disclosure requirements of the Crown Entities Act 2004 and Education Act 1989) are only part of what TEIs are required to include in their annual report. The other legislative requirements for TEI annual reports are set out in section 220 of the Education Act 1989 and Schedule 4 of the Crown Entities Act 2004.

These model financial statements can be downloaded from our website [www.auditnz.govt.nz](http://www.auditnz.govt.nz).

### **Future updates**

We will continue to update these model financial statements to reflect changes in NZ IFRS and evolving good practice in applying NZ IFRS to TEIs.

We welcome any feedback on the application of this model to TEIs or any other comments that may help with future updates of the model financial statements. If you have any feedback or comments, please pass these to your Audit New Zealand Manager or Director.

### **Acknowledgements**

I would like to thank the Audit New Zealand staff who have contributed to these model financial statements, particularly Brett Story, Stephen Lewis, and Robert Cox of the Accounting Technical Team.



Stephen Walker  
Executive Director  
December 2011

## ABOUT THE MODEL FINANCIAL STATEMENTS

### Objective

The main objective of this model is to guide TEIs in preparing financial statements that comply with NZ IFRS.

The model financial statements have been prepared using a fictitious TEI, Tutuki Tertiary Institute. Tutuki Tertiary Institute has three subsidiaries, an associate, and a jointly controlled entity.

### Main updates to the model

The table below explains the main updates to the model.

Page number	Note number	Description of change
14	1	A narrative has been inserted explaining the adoption of the revised related party accounting standard NZ IAS 24 <i>Related Party Disclosures</i> .
15	1	Information on those standards, amendments, and interpretations issued that are not yet effective and have not yet been adopted has been updated.
43	24	Updated information has been provided about the DBP Contributors Scheme (a multi-employer defined benefit pension scheme).
44	25	Related party transaction disclosures have been updated due to the required adoption of the revised NZ IAS 24. The main change has been the disclosure of greater information about transactions with government-related entities.

### Content

Included in the model are:

- a statement of responsibility;
- a statement of comprehensive income;
- a statement of financial position;
- a statement of changes in equity;
- a statement of cash flows; and
- notes to the financial statements that include a statement of accounting policies and other explanatory information.

We do not include a model statement of service performance (SSP). TEIs are required by the Education Act 1989 to include in their annual report an SSP that reports on their performance as compared with the proposed outcomes described in their Investment Plan with the Tertiary Education Commission. The Crown Entities Act 2004 requires the Auditor-General to audit the SSP.

Not all of the accounting policies and notes will be applicable to each TEI. Although it is not practical for this model to cover all of the possible financial reporting issues that could arise in a TEI, we have included a wide range of accounting policies and notes, including all those that occur commonly in the sector.

The model illustrates a possible financial statement format for TEIs. For example, the statement of comprehensive income has been prepared by classifying expenses based on the nature of the expenditure. Alternatively, expenses could be classified based on their function. This is just one example where there may be more than one way to disclose the information required under NZ IFRS.

While the model provides guidance on disclosure matters, it does not deal with the underlying accounting treatment.

TEIs will need to make choices about the accounting policies and presentation options appropriate for their circumstances.

The model does not address all the possible recognition, measurement, presentation, and disclosure requirements of NZ IFRS. TEIs should not use the model as a substitute for referring to individual NZ IFRS standards and interpretations applicable to their specific circumstances.

We have included references to specific standards and legislation in the left margin of the model and a subject index on page 57 for easy searching. References to NZ IFRS are sourced from the January 2011 NZ IFRS volumes.

### **Standards not covered by the model**

The model does not include the recognition, measurement, presentation, or disclosure requirements of the following standards:

- NZ IFRS 1 *First-time Adoption of NZ IFRS*;
- NZ IFRS 2 *Share-based Payment*;
- NZ IFRS 3 *Business Combinations*;
- NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- NZ IFRS 6 *Exploration for and Evaluation of Mineral Resources*;
- NZ IFRS 8 *Operating Segments*;
- NZ IAS 11 *Construction Contracts*;
- NZ IAS 12 *Income Taxes*;
- NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans*;
- NZ IAS 29 *Financial Reporting in Hyperinflationary Economies*;
- NZ IAS 33 *Earnings per Share*;
- NZ IAS 34 *Interim Financial Reporting*; and
- NZ IAS 41 *Agriculture*.

In addition, any standards, interpretations, and amendments issued after 30 November 2011 are not included in the model financial statements.

### **Terms used in the model**

ACC	Accident Compensation Corporation
GAAP	Generally accepted accounting practice
IRD	Inland Revenue Department
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
CEA	Crown Entities Act 2004
EA	Education Act 1989

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EA s220(2AA)

**STATEMENT OF RESPONSIBILITY**

CEA s155

The Council and management are responsible for the preparation of the Tutuki Tertiary Institute and group's financial statements and statement of service performance, and for the judgements made in them.

The Council and management of the Tutuki Tertiary Institute have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Council and management's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Tutuki Tertiary Institute and group for the year ended 31 December 2011.

Signed by:<sup>1</sup>

**Chairperson<sup>2</sup>**

5 March 2012

**Chief Executive**

5 March 2012

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<sup>1</sup> Section 220(2AA) of the Education Act 1989 requires the statement of responsibility to be dated and signed by the chairperson of the Council and the chief executive of the institution. If there is no chairperson, the statement of responsibility is signed by the chief executive of the institution and the chief financial officer.

<sup>2</sup> The appropriate position titles for the chairperson and chief executive should be included in the statement of responsibility. For example, chancellor, vice-chancellor, or tumuaki.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011<sup>3,4,5,6</sup>

NZ IAS 1.10(b) NZ IAS 1.113	Notes	Institute			Group		
		Actual 2011 \$000	Budget <sup>7,8</sup> 2011 \$000	Actual <sup>9</sup> 2010 \$000	Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000
		<b>Income</b>					
NZ IAS 1.82(a)		97,546	97,547	93,504	100,340	97,993	96,351
NZ IAS 1.82(a)		65,525	66,309	64,886	66,188	66,773	65,542
NZ IAS 1.82(a)		11,155	10,544	11,088	19,980	22,614	18,531
NZ IAS 1.82(a)		2,265	2,000	2,958	3,122	3,000	3,574
NZ IAS 1.85		3,860	3,652	3,257	7,858	6,222	7,687
NZ IAS 1.85		<b>2</b>	<b>180,351</b>	<b>180,052</b>	<b>175,693</b>	<b>197,488</b>	<b>196,602</b>
		<b>Expenditure</b>					
NZ IAS 1.102		103,240	102,574	97,711	109,675	108,895	102,656
		19,188	19,516	16,553	19,231	19,566	16,589
NZ IAS 1.82(b)		1,585	1,300	105	1,585	1,300	105
		53,007	52,748	52,828	60,610	62,427	60,440
NZ IAS 1.85		<b>2</b>	<b>177,020</b>	<b>176,138</b>	<b>167,197</b>	<b>191,101</b>	<b>192,188</b>
NZ IAS 1.82(c)		0	0	0	71	0	44
NZ IAS 1.82(f)		<b>3,331</b>	<b>3,914</b>	<b>8,496</b>	<b>6,458</b>	<b>4,414</b>	<b>11,939</b>
		<b>Other comprehensive income</b>					
NZ IAS 1.82(g)		0	0	16,663	0	0	16,663
NZ IAS 1.82(g)		102	0	50	102	0	50
NZ IAS 1.85		102	0	16,713	102	0	16,713
NZ IAS 1.82(i)		<b>3,433</b>	<b>3,914</b>	<b>25,209</b>	<b>6,560</b>	<b>4,414</b>	<b>28,652</b>

NZ IAS 1 NZ 46.1 Explanations of major variances against budget are provided in note 30.

*The accompanying notes form part of these financial statements.*

<sup>3</sup> Alternatively, a statement displaying components of the surplus/deficit (a statement of financial performance) directly followed by a second statement beginning with surplus/deficit and displaying components of other comprehensive income (a statement of comprehensive income) can be presented. This alternative presentation is illustrated in the appendix on page 55.

<sup>4</sup> NZ IAS 1.87 prohibits any items of income or expense being presented as extraordinary items either in the statement of comprehensive income or in the notes.

<sup>5</sup> Where there are discontinued operations, NZ IAS 1.82(e) requires disclosure of the total of the post-tax surplus or deficit of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

<sup>6</sup> The statement of comprehensive income has been prepared using the nature of expense classification. Alternatively, entities may choose to present expenses based on the function of expense. Refer to NZ IAS 1.103, NZ 103.1. This alternative presentation is illustrated in the appendix on page 56.

<sup>7</sup> NZ IAS 1 NZ 46.1 requires an entity that has published prospective financial information (for example, forecast financial information published in an Investment Plan), other than that expressed solely in general terms, to present a comparison of the prospective financial information with the actual financial results. Explanations for major variances shall be given. We consider it good practice to provide an explanation of major variances even if a TEI has not published prospective financial information.

<sup>8</sup> The Crown Entities Act 2004 is not clear whether forecast financial information prepared at the start of the financial year is required to be presented for both the parent and group financial statements. If group forecast financial information prepared at the start of the financial year is available, we consider it good practice to include this information in the group financial statements.

<sup>9</sup> NZ IAS 1.38 requires comparative information to be disclosed in respect of the previous year for all amounts reported in the financial statements, except when NZ IFRSs permit or require otherwise. Comparative information shall also be included for narrative information when it is relevant to an understanding of the current year's financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

NZ IAS 1.10(a) NZ IAS 1.57,113	Notes	Institute			Group			
		Actual	Budget	Actual	Actual	Budget	Actual	
		2011 \$000	2011 \$000	2010 \$000	2011 \$000	2011 \$000	2010 \$000	
	<b>Assets</b>							
	<b>Current assets</b>							
NZ IAS 1.60,66	Cash and cash equivalents	<a href="#">7</a>	5,922	4,411	19,966	22,983	22,435	31,754
NZ IAS 1.54(i)	Debtors and other receivables	<a href="#">8</a>	3,021	3,738	2,967	5,072	5,052	4,844
NZ IAS 1.54(h)	Derivative financial instruments	<a href="#">9</a>	203	0	17	203	0	17
NZ IAS 1.54(d)	Other financial assets	<a href="#">10</a>	8,675	4,000	4,705	16,995	9,941	13,624
NZ IAS 1.54(d)	Inventories	<a href="#">11</a>	233	195	383	233	195	383
NZ IAS 1.55	Prepayments		3,993	3,900	3,224	4,110	3,901	3,222
NZ IAS 1.55	<i>Total current assets</i>		22,047	16,244	31,262	49,596	41,524	53,844
	<b>Non-current assets</b>							
NZ IAS 1.60,66	Investment in associate	<a href="#">12</a>	352	503	352	852	526	526
NZ IAS 1.54(e)	Investment in jointly controlled entity	<a href="#">13</a>	163	163	163	0	0	0
NZ IAS 1.54(d)	Other financial assets	<a href="#">10</a>	2,868	2,639	1,710	1,906	1,300	1,311
NZ IAS 1.54(d)	Property, plant, and equipment	<a href="#">14</a>	399,485	396,669	362,512	399,578	396,952	362,527
NZ IAS 1.54(a)	Intangible assets	<a href="#">15</a>	4,291	3,840	4,755	5,444	3,840	5,678
NZ IAS 1.54(c)	Investment property	<a href="#">16</a>	819	845	882	819	845	882
NZ IAS 1.54(b)	<i>Total non-current assets</i>		407,978	404,659	370,374	408,599	403,463	370,924
NZ IAS 1.55	<b>Total assets</b>		<b>430,025</b>	<b>420,903</b>	<b>401,636</b>	<b>458,195</b>	<b>444,987</b>	<b>424,768</b>
	<b>Liabilities</b>							
	<b>Current liabilities</b>							
NZ IAS 1.60,69	Creditors and other payables	<a href="#">17</a>	15,191	16,900	12,870	16,665	18,157	13,724
NZ IAS 1.54(k)	Derivative financial instruments	<a href="#">9</a>	29	0	32	29	0	32
NZ IAS 1.54(m)	Revenue received in advance	<a href="#">18</a>	4,187	4,550	6,165	11,715	13,935	12,380
NZ IAS 1.55	Borrowings	<a href="#">19</a>	2,050	2,048	98	2,050	2,048	98
NZ IAS 1.54(m)	Employee entitlements	<a href="#">20</a>	10,093	8,125	10,250	10,154	8,178	10,332
NZ IAS 1.55	Provisions	<a href="#">21</a>	1,575	1,300	955	1,575	1,300	955
NZ IAS 1.54(l)	<i>Total current liabilities</i>		33,125	32,923	30,370	42,188	43,618	37,521
	<b>Non-current liabilities</b>							
NZ IAS 1.60,69	Derivative financial instruments	<a href="#">9</a>	76	0	0	76	0	0
NZ IAS 1.54(m)	Borrowings	<a href="#">19</a>	14,739	14,308	492	14,739	14,308	492
NZ IAS 1.54(m)	Employee entitlements	<a href="#">20</a>	8,510	9,100	7,820	8,520	9,100	7,831
NZ IAS 1.55	Provisions	<a href="#">21</a>	1,320	1,300	932	1,320	1,300	932
NZ IAS 1.54(l)	<i>Total non-current liabilities</i>		24,645	24,708	9,244	24,655	24,708	9,255
NZ IAS 1.55	<b>Total liabilities</b>		<b>57,770</b>	<b>57,631</b>	<b>39,614</b>	<b>66,843</b>	<b>68,326</b>	<b>46,776</b>
NZ IAS 1.55	<b>Net assets</b>		<b>372,255</b>	<b>363,272</b>	<b>362,022</b>	<b>391,352</b>	<b>376,661</b>	<b>377,992</b>
	<b>Equity</b>							
NZ IAS 1.54(r)	General funds <sup>10</sup>	<a href="#">22</a>	158,027	150,549	147,731	177,124	163,938	163,701
NZ IAS 1.78(e)	Property revaluation reserve	<a href="#">22</a>	211,306	209,737	211,306	211,306	209,737	211,306
NZ IAS 1.78(e)	Fair value through other comprehensive income reserve	<a href="#">22</a>	218	117	116	218	117	116
NZ IAS 1.78(e)	Restricted reserves	<a href="#">22</a>	2,704	2,869	2,869	2,704	2,869	2,869
NZ IAS 1.78(e)	<b>Total equity</b>		<b>372,255</b>	<b>363,272</b>	<b>362,022</b>	<b>391,352</b>	<b>376,661</b>	<b>377,992</b>

NZ IAS 1 NZ 46.1 Explanations of major variances against budget are provided in note 30.

*The accompanying notes form part of these financial statements.*

<sup>10</sup> Contributed capital and retained surpluses are required to be presented separately within equity when a TEI has the available information.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

NZ IAS 1.10(c) NZ IAS 1.113	Note	Institute			Group		
		Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000	Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000
		362,022	355,358	333,063	377,992	368,247	345,590
		<i>Comprehensive income</i>					
NZ IAS 1.106(d)		3,331	3,914	8,496	6,458	4,414	11,939
NZ IAS 1.106(d)		102	0	16,713	102	0	16,713
NZ IAS 1.106(a)		<b>3,433</b>	<b>3,914</b>	<b>25,209</b>	<b>6,560</b>	<b>4,414</b>	<b>28,652</b>
NZ IAS 1.106(d)		<i>Non-comprehensive income items</i>					
		2,800	0	0	2,800	0	0
		4,000	4,000	3,750	4,000	4,000	3,750
		6,800	4,000	3,750	6,800	4,000	3,750
	<a href="#">22</a>	<b>372,255</b>	<b>363,272</b>	<b>362,022</b>	<b>391,352</b>	<b>376,661</b>	<b>377,992</b>

NZ IAS 1 NZ 46.1 Explanations of major variances against budget are provided in note 30.

*The accompanying notes form part of these financial statements.*

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

NZ IAS 1.10(d) NZ IAS 1.113	Institute			Group			
	Actual	Budget	Actual	Actual	Budget	Actual	
	2011	2011	2010	2011	2011	2010	
	\$000	\$000	\$000	\$000	\$000	\$000	
	<b>Cash flows from operating activities</b>						
NZ IAS 7.10,14,18 NZ IAS 7 NZ 14.1(b)	Receipts from government grants	97,546	97,547	93,504	100,340	97,993	96,351
NZ IAS 7.14(a)	Receipts from tuition fees	65,871	66,309	65,023	66,533	66,773	65,908
NZ IAS 7.14(a)	Receipts from research income	9,780	10,544	10,245	19,481	22,613	17,654
NZ IAS 7.31	Interest income received	2,203	2,000	3,054	3,070	3,000	3,578
NZ IAS 7.31	Dividend income	436	0	377	0	0	0
NZ IAS 7.14(b)	Receipts from other income	2,376	3,456	1,876	6,884	5,890	7,045
NZ IAS 7.14(d)	Payments to employees	(103,238)	(104,567)	(94,567)	(109,688)	(110,845)	(102,341)
NZ IAS 7.14(c)	Payments to suppliers <sup>11</sup>	(49,496)	(51,231)	(49,873)	(54,661)	(56,000)	(59,876)
NZ IAS 7.31	Interest paid	(1,419)	(1,800)	(62)	(1,419)	(1,800)	(62)
	Goods and services tax (net)	(424)	0	(21)	(718)	0	(67)
	<i>Net cash flow from operating activities</i>	23,635	22,258	29,556	29,822	27,624	28,190
	<b>Cash flows from investing activities</b>						
NZ IAS 7.10,16 NZ IAS 7.16(b)	Receipts from sale of property, plant, and equipment	293	0	382	314	0	413
NZ IAS 7.16(f)	Receipts from sale or maturity of investments	3,040	2,000	2,500	5,090	2,000	2,500
NZ IAS 7.16(a)	Purchase of property, plant, and equipment <sup>12</sup>	(58,433)	(54,000)	(35,260)	(59,350)	(54,050)	(35,332)
NZ IAS 7.16(a)	Purchase of intangible assets	(1,183)	(400)	(2,347)	(1,849)	(400)	(2,618)
NZ IAS 7.16(e)	Acquisition/roll over of investments	(4,098)	(3,000)	(1,200)	(5,500)	(3,000)	(1,200)
	<i>Net cash flow from investing activities</i>	(60,381)	(55,400)	(35,925)	(61,295)	(55,450)	(36,237)
	<b>Cash flows from financing activities</b>						
NZ IAS 7.10,17 NZ IAS 7.17(c)	Proceeds from secured borrowings	16,000	14,000	0	16,000	14,000	0
NZ IAS 7.17(d)	Repayment of secured borrowings	0	0	0	0	0	0
NZ IAS 7.17(a)	Capital contributions from the Crown	2,800	0	0	2,800	2,800	0
NZ IAS 7.17(a)	Suspensory loans from the Crown	4,000	4,000	3,750	4,000	4,000	3,750
NZ IAS 7.17(d)	Payment of finance leases	(98)	(98)	(98)	(98)	(98)	(98)
	<i>Net cash flow from financing activities</i>	22,702	17,902	3,652	22,702	20,702	3,652
	<b>Net (decrease)/increase in cash and cash equivalents</b>	(14,044)	(15,240)	(2,717)	(8,771)	(7,124)	(4,395)
	Cash and cash equivalents at beginning of the year	19,966	19,651	22,683	31,754	29,559	36,149
	<b>Cash and cash equivalents at end of the year</b>	<b>5,922</b>	<b>4,411</b>	<b>19,966</b>	<b>22,983</b>	<b>22,435</b>	<b>31,754</b>

NZ IAS 7 NZ 24.1 The GST (net) component of operating activities reflects the net GST paid to and received from the IRD. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

NZ IAS 7.43 Equipment totalling \$0 (2010 \$0) was acquired by means of finance leases during the year.

*The accompanying notes form part of these financial statements.*

<sup>11</sup> It is good practice to separately disclose cash outflows from payments to employees and cash outflows from payments to suppliers, although the amounts could be presented in aggregate.

<sup>12</sup> It is good practice to separately disclose cash flows arising from the acquisition and disposal of property, plant, and equipment and intangible assets. Presenting these cash flows separately provides readers of the financial statements with a clearer linkage between the property, plant, and equipment and intangible asset movement schedules and cash flows arising from acquisitions and disposals.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**RECONCILIATION OF NET SURPLUS/(DEFICIT) TO THE NET CASH FLOW FROM OPERATING**  
**ACTIVITIES**

NZ IAS NZ 7.20.1

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
<b>Net surplus/(deficit)</b>	3,331	8,496	6,458	11,939
<b>Add/(less) non-cash items</b>				
Share of associate surplus/(deficit)	0	0	(71)	(44)
Depreciation and amortisation expense	19,189	16,552	19,232	16,659
Intangible asset write-off	0	0	437	0
(Gains)/losses on fair value of investment property	63	(67)	63	(67)
(Gains)/losses on derivative financial instruments	(136)	31	(136)	31
(Gains)/losses on managed fund	0	0	599	274
Increase/(decrease) in non-current employee entitlements	689	452	689	452
Net foreign exchange (gains)/losses	10	34	8	42
<i>Total non-cash items</i>	19,815	17,002	20,821	17,347
<b>Add/(less) items classified as investing or financing activities</b>				
(Gains)/losses on disposal of property, plant, and equipment	(42)	(21)	(60)	(21)
(Gains)/losses on disposal of investments classified as fair value through other comprehensive income	10	(16)	10	(16)
<i>Total items classified as investing or financing activities</i>	(32)	(37)	(50)	(37)
<b>Add/(less) movements in working capital items</b>				
(Increase)/decrease in debtors and other receivables <sup>13</sup>	(54)	1,008	(228)	1,345
(Increase)/decrease in inventories	150	(32)	150	(32)
(Increase)/decrease in prepayments	(768)	1,259	(885)	1,020
Increase/(decrease) in creditors and other payables <sup>14</sup>	2,321	1,893	3,392	(797)
Increase/(decrease) in revenue received in advance	(1,978)	(123)	(665)	(2,685)
Increase/(decrease) in provisions	1,007	324	1,007	324
Increase/(decrease) in current employee entitlements	(157)	(234)	(178)	(234)
<i>Net movement in working capital items</i>	521	4,095	2,593	(1,059)
<b>Net cash flow from operating activities</b>	<b>23,635</b>	<b>29,556</b>	<b>29,822</b>	<b>28,190</b>

*The accompanying notes form part of these financial statements.*

<sup>13</sup> Any debtors or accruals for the sale of property, plant, and equipment will need to be excluded when calculating this movement.

<sup>14</sup> Any creditors or accruals for capital expenditure will need to be excluded when calculating this movement.

NZ IAS 1.10(e)	<p><b>NOTES TO THE FINANCIAL STATEMENTS</b></p> <p><b>1 Statement of accounting policies for the year ended 31 December 2011<sup>15,16</sup></b></p> <p><b>REPORTING ENTITY</b></p>
NZ IAS 1.138(a)	The Tutuki Tertiary Institute (the Institute) is a TEI domiciled in New Zealand and is governed by the Crown Entities Act 2004 and the Education Act 1989.
NZ IAS 1.51(a) NZ IAS 1.138(c) NZ IAS 27.43(b)	The Institute and group consists of Tutuki Tertiary Institute and its subsidiaries, Te Tutuki Enterprise Limited (100% owned), Te Tutuki Foundation Trust (100% interest), and Tutuki Accommodation Limited (100% owned). Its 20% equity share of its associate Te TutukiTech Limited is equity accounted. Its 25% interest in the Institute for Advanced ResearchTech is accounted for as a jointly controlled entity and is proportionally consolidated into the group financial statements. All subsidiaries, associates, and jointly controlled entities are incorporated and domiciled in New Zealand.
NZ IAS 27.41(a)	The Institute controls the Te Tutuki Foundation Trust for financial reporting purposes because in substance the Institute predetermined the objectives of the Trust at establishment and benefits from the Trust's complementary activities.
NZ IAS 1.138(b) NZ IAS 1 NZ 15.1(b)	The primary objective of the Institute and group is to provide tertiary education services for the benefit of the community rather than making a financial return. Accordingly, the Institute has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).
NZ IAS 1.51(a),(b),(c) NZ IAS 10.17	The financial statements of the Institute and group are for the year ended 31 December 2011. The financial statements were authorised for issue by the Council on 5 March 2012.
NZ IAS 1.112(a)	<b>BASIS OF PREPARATION</b>
NZ IAS 1.114(a)	<b>Statement of compliance</b>
NZ IAS 1 NZ 15.1(a)	The financial statements of the Institute and group have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Education Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).
NZ IAS 1 NZ 15.1(d)	These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.
	<b>Measurement base</b>
NZ IAS 1.117(a)	The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, buildings, infrastructure assets, investment property, and certain financial instruments (including derivative instruments).
	<b>Functional and presentation currency</b>
NZ IAS 1.51(d),(e)	The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Institute and its subsidiaries is New Zealand dollars (NZ\$).
NZ IAS 8 NZ 31.1	<b>Changes in accounting policies</b> There have been no changes in accounting policies during the financial year.
	<b>Adoption of the revised NZ IAS 24 <i>Related Party Disclosures</i></b>
	The revised NZ IAS 24 <i>Related Party Disclosures</i> (Revised 2009) has been adopted for the year ended 31 December 2011. The effect of adopting the revised NZ IAS 24 is:
	<ul style="list-style-type: none"> <li>• more information is required to be disclosed about transactions between the Institute and government-related entities; and</li> <li>• commitments with related parties now require disclosure.</li> </ul>

<sup>15</sup> The going concern concept is assumed when preparing financial statements. If management is aware of conditions or events that cast doubt over the ability of the entity to continue as a going concern, those facts shall be disclosed. If the financial statements are not prepared on a going concern basis, that fact shall also be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

<sup>16</sup> NZ IAS 1.138 requires the following information to be included in the annual report; it does not necessarily have to be in the financial statements: domicile and legal form of the entity, country of incorporation of the entity, address of the entity's registered office, description of operations, principal activities, name of parent and ultimate parent of the group.

NZ IAS 8.30,31	<p><b>Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted</b><sup>17,18</sup></p> <p>Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and are relevant to the Institute and group, are:</p> <ul style="list-style-type: none"> <li>• NZ IFRS 9 <i>Financial Instruments</i> will eventually replace NZ IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2014. The Institute has not yet assessed the effect of the new standard and expects it will not be early adopted.</li> <li>• FRS-44 <i>New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments)</i> – These were issued in May 2011 with the purpose of harmonising Australia and New Zealand's accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The amendments must first be adopted for the year ended 31 December 2012. The Institute has not yet assessed the effects of FRS-44 and the Harmonisation Amendments.</li> </ul> <p>As the External Reporting Board is consulting on a new accounting standards framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2012 will not be applicable to public benefit entities. This means that the financial reporting requirements for public benefit entities are expected to be effectively frozen in the short term. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.</p>
NZ IAS 1.114(b)	<p><b>SIGNIFICANT ACCOUNTING POLICIES</b><sup>19</sup></p> <p><b>Basis of consolidation</b></p> <p>The group financial statements are prepared by adding together like items of assets, liabilities, equity, income, expenses, and cash flows on a line-by-line basis. All significant intragroup balances, transactions, income, and expenses are eliminated in full on consolidation.</p> <p><i>Subsidiaries</i></p> <p>The Institute consolidates in the group financial statements all entities where the Institute has the capacity to control the financing and operating policies of an entity so as to obtain benefits from the activities of the entity. This power exists where the Institute controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Institute or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.</p> <p><i>Associate</i></p> <p>The Institute's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the Institute has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. The group's share of the surplus or deficit of the associate is recognised in the group surplus or deficit. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.</p> <p>If the share of deficits of an associate equals or exceeds an interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.</p> <p>Where the group transacts with an associate, surplus or deficits are eliminated to the extent of the group's interest in the relevant associate.</p>
NZ IAS 1.117(b)	
NZ IAS 27.18, 20	
NZ IAS 27.12	<p><i>Associate</i></p> <p>The Institute's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the Institute has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. The group's share of the surplus or deficit of the associate is recognised in the group surplus or deficit. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.</p> <p>If the share of deficits of an associate equals or exceeds an interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.</p> <p>Where the group transacts with an associate, surplus or deficits are eliminated to the extent of the group's interest in the relevant associate.</p>
NZ IAS 27 NZ 12.1	
NZ IAS 27.43(c)	<p>Investments in subsidiaries are carried at cost in the Institute's parent entity financial statements.</p> <p><i>Associate</i></p> <p>The Institute's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the Institute has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. The group's share of the surplus or deficit of the associate is recognised in the group surplus or deficit. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.</p> <p>If the share of deficits of an associate equals or exceeds an interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.</p> <p>Where the group transacts with an associate, surplus or deficits are eliminated to the extent of the group's interest in the relevant associate.</p>
NZ IAS 28.11,13	<p><i>Associate</i></p> <p>The Institute's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the Institute has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. The group's share of the surplus or deficit of the associate is recognised in the group surplus or deficit. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.</p> <p>If the share of deficits of an associate equals or exceeds an interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.</p> <p>Where the group transacts with an associate, surplus or deficits are eliminated to the extent of the group's interest in the relevant associate.</p>
NZ IAS 28.29,30	
NZ IAS 28.22	<p>Where the group transacts with an associate, surplus or deficits are eliminated to the extent of the group's interest in the relevant associate.</p>

<sup>17</sup> NZ IAS 8.31 requires entities that elect not to apply standards or interpretations issued but not yet effective to disclose this fact, including: the title of the Standard or Interpretation, the nature of the impending change or changes in accounting policy, date by which application of the Standard or Interpretation is required and date at which the entity plans to apply the Standard or Interpretation; and either a discussion of the known impact of the new Standard or Interpretation on the entity in the initial year of application, or, where the impact is not known or reasonably estimatable, a statement to that effect.

<sup>18</sup> Entities will also need to disclose information about those relevant standards, amendments, and interpretations that are issued after 30 November 2011.

<sup>19</sup> Entities are required to disclose those accounting policies that are relevant to an understanding of the financial statements.

	Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.
NZ IAS 27.43(c)	Investments in associates are carried at cost in the Institute's parent entity financial statements.
	<i>Joint venture</i>
NZ IAS 31.57	The Institute's jointly controlled entity interest is accounted for by proportionate consolidation in the group financial statements. The group combines its share of the joint venture's individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in the Institute and group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers.
NZ IAS 27.43(c)	Investments in jointly controlled entities are carried at cost in the Institute's parent entity financial statements.
NZ IAS 18.35(a)	<b>Revenue</b>
NZ IAS 18.9	Revenue is measured at the fair value of consideration received or receivable.
	<i>Government grants</i>
NZ IAS 20.39(a),(b)	Government grants are recognised as revenue upon entitlement.
	<i>Student tuition fees</i>
NZ IAS 18.20	Student tuition fees are recognised as revenue on a course percentage of completion basis. The percentage of completion is measured by reference to the days of the course completed as a proportion of the total course days.
	<i>Research income</i>
NZ IAS 18.20	Funding received for research which will provide reciprocal benefits to the research funding provider is recognised as revenue on a percentage completion basis. The percentage of completion is measured by reference to the research expenditure incurred as a proportion to total expenditure expected to be incurred. Funding received which provides no reciprocal benefit to the research funding provider is recognised as revenue when the funding is received.
	<i>Donations, bequests, and pledges</i>
	Donations and bequests are recognised as income when the right to receive the fund or asset has been established. Pledges are not recognised as assets or revenue until the pledged item is received.
	<i>Sales of goods</i>
NZ IAS 18.14	Revenue from sales of goods is recognised when the product is sold to the customer.
	<i>Interest and dividends</i>
NZ IAS 18.30(a)	Interest income is recognised using the effective interest method.
NZ IAS 18.30(c)	Dividends are recognised when the right to receive payment has been established.
	<b>Borrowing costs</b>
NZ IAS 23 NZ 29.1	The Institute and group has elected to defer the adoption of the revised NZ IAS 23 <i>Borrowing Costs (Revised 2007)</i> in accordance with the transitional provisions of NZ IAS 23 that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.
NZ IAS 1.117(b)	<b>Leases</b>
	<i>Finance leases</i>
NZ IAS 17.4	A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.
NZ IAS 17.20	At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.
NZ IAS 17.25	The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.
NZ IAS 17.27	The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Institute and group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.
	<i>Operating leases</i>
NZ IAS 17.33	An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.
NZ IAS 1.117(b)	<b>Foreign currency transactions</b>
NZ IAS 21.21,28	Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at

year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

NZ IAS 7.46	<p><b>Cash and cash equivalents</b></p> <p>Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.</p> <p>Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.</p>
NZ IFRS 7.21 NZ IAS 39.43,46(a)	<p><b>Debtors and other receivables</b></p> <p>Short-term debtors and other short-term receivables are recorded at their face value, less any provision for impairment.</p>
NZ IFRS 7.21	<p><b>Derivative financial instruments</b></p> <p>Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury policy, the Institute does not hold or issue derivative financial instruments for trading purposes.</p>
NZ IAS 39.43,46 NZ IAS 39.55(a)	<p>Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit. The Institute and group has elected not to apply hedge accounting.</p>
NZ IFRS 7.21 NZ IAS 1.66,69	<p>The full fair value of a foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of an interest rate derivative that is expected to be realised or settled within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.</p>
NZ IFRS 7.21 NZ IAS 39.43	<p><b>Other financial assets</b></p> <p>Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.</p>
NZ IAS 39.18	<p>Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Institute and group has transferred substantially all the risks and rewards of ownership.</p>
NZ IAS 39.9,45	<p>Financial assets are classified into the following categories for the purposes of measurement<sup>20</sup>:</p> <ul style="list-style-type: none"> <li>• fair value through surplus or deficit;</li> <li>• loans and receivables; and</li> <li>• fair value through other comprehensive income.</li> </ul> <p>Classification of the financial asset depends on the purpose for which the instruments were acquired.</p> <p><i>Financial assets at fair value through surplus or deficit<sup>21</sup></i></p>
NZ IAS 39.9	<p>Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or is part of a portfolio that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.</p> <p>Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.</p>
NZ IAS 39.46,55(a)	<p>After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.</p> <p><i>Loans and receivables (including cash and cash equivalents and debtors and other receivables)</i></p>
NZ IAS 39.9	<p>Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. Related party receivables that are repayable on demand are classified as a non-current asset because repayment of the receivable is not expected within 12 months of balance date.</p>

<sup>20</sup> The exact names as prescribed in NZ IAS 39.45 are not required to be used. Other descriptors can be used. For example, "fair value through other comprehensive income" may better describe a TEI's intentions than the NZ IAS 39 title of "available-for-sale". Similar investments could be categorised differently, depending on the purposes for which they were acquired.

<sup>21</sup> The fair value through surplus or deficit category has two sub-categories: financial instruments held for trading, and those designated at fair value through surplus or deficit at initial recognition. NZ IFRS 7 B5(a)(ii) requires the disclosure of the criteria an entity uses when designating financial instruments into the fair value through surplus or deficit category at initial recognition.

NZ IAS 39. 46(a),56	After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any provision for impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit <i>Financial assets at fair value through other comprehensive income</i>
NZ IAS 39.9 NZ IFRS 7 B5(b)	Financial assets at fair value through other comprehensive income are those that are designated as fair value through other comprehensive income or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance date. The Institute and group designates in this category: <ul style="list-style-type: none"><li>• investments that it intends to hold long-term but which may be realised before maturity; and</li><li>• shareholdings that it holds for strategic purposes.</li></ul>
NZ IAS 39.46,55(b)	After initial recognition, these investments are measured at their fair value, with gains and losses recognised in other comprehensive income, except for impairment losses, which are recognised in the surplus or deficit.
NZ IAS 39.55(b)	On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.
NZ IAS 1.117(b)	<b>Impairment of financial assets</b>
NZ IAS 39.58	At each balance date, the Institute and group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit. <i>Loans and receivables (including cash and cash equivalents and debtors and other receivables)</i>
NZ IAS 39.63 NZ IFRS 7 B5(d),(f),(g)	Impairment of a loan or a receivable is established when there is objective evidence that the Institute and group will not be able to collect amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). For other financial assets, impairment losses are recognised directly against the instrument's carrying amount. <i>Financial assets at fair value through other comprehensive income</i>
NZ IAS 39.61	For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.
NZ IAS 39.59	For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into receivership or liquidation, and default in payments are considered objective indicators that the asset is impaired.
NZ IAS 39.67,68	If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.
NZ IAS 39.69	Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.
NZ IAS 39.70	If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.
NZ IAS 2.36(a)	<b>Inventories</b>
NZ IAS 2 NZ 9.1,10.1 NZ IAS 2 NZ 36.1(e)	Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential. The loss in service potential of inventories held for distribution is determined on the basis of obsolescence. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.
NZ IAS 2.9	Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.
NZ IAS 2.34, NZ 34.1	The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the year of the write-down.
NZ IAS 1.117(b)	<b>Property, plant, and equipment</b>
NZ IAS 16 NZ 5.1	Property, plant, and equipment consists of the following asset classes: land, buildings, infrastructure, leasehold improvements, computer hardware, furniture and equipment, motor vehicles, library collection, and heritage collections.
NZ IAS 16.73(a)	Land is measured at fair value, and buildings and infrastructure are measured at fair value less accumulated depreciation and impairment losses. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

*Revaluation*

- NZ IAS 16.31 Land, buildings, and infrastructure are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.
- Good practice The carrying values of revalued assets are assessed annually by independent valuers to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued.
- NZ IAS 16 NZ 39.1 Property, plant, and equipment revaluation movements are accounted for on a class-of-asset basis.
- NZ IAS 16 NZ 39.2 The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.
- NZ IAS 16 NZ 40.2

*Additions*

- NZ IAS 16.7 The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Institute and group and the cost of the item can be measured reliably.
- Work in progress is recognised at cost less impairment and is not depreciated.
- NZ IAS 16 NZ 15.1 In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

*Disposals*

- NZ IAS 16.41,68,71 Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in property revaluation reserves in respect of those assets are transferred to general funds.

NZ IAS 16.73(b),(c)

*Depreciation<sup>22</sup>*

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land and heritage collections, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Heritage collections are not depreciated because they are maintained such that they have indefinite or sufficiently long useful lives that any depreciation is considered negligible.

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

Buildings	25-100 years	1%-4%
Infrastructure	10-50 years	2%-10%
Leasehold improvements	3-10 years	10%-33%
Furniture and equipment	2-13 years	7%-50%
Computer hardware	5 years	20%
Motor vehicles	4 years	25%
Library collection	10 years	10%

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful lives of the improvements.

- NZ IAS 16.51 The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

NZ IAS 1.117(b)

**Intangible assets**

*Software acquisition and development*

- NZ IAS 38.27,28 Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
- NZ IAS 38.66,67 Costs that are directly associated with the development of software for internal use, are recognised as an intangible asset. Direct costs include the software development employee related costs and an appropriate portion of relevant overheads.
- NZ IAS 38.15,29,67 Staff training costs are recognised as an expense when incurred.
- Costs associated with maintaining computer software are recognised as an expense when incurred.
- Course development costs*
- NZ IAS 38.66,67 Costs that are directly associated with the development of new educational courses are recognised as an intangible asset to the extent that such costs are expected to be recovered. The development costs primarily consist of employee costs.
- Intellectual property development*
- NZ IAS 38.54 Research costs are expensed as incurred in the surplus or deficit.
- NZ IAS 38.57 Development costs that are directly attributable to the design, construction, and testing of pre-production or pre-use

<sup>22</sup> The useful lives and depreciation rates that have been listed above are only illustrative. Each TEI will need to set these based on their specific circumstances.

prototypes and models associated with intellectual property development are recognised as an intangible asset if all the following can be demonstrated:

- it is technical feasible to complete the product so that it will be available for use or sale;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial, and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

NZ IAS 38.69,71

Other development expenses that do not meet these criteria are recognised as an expense as incurred in the surplus or deficit. Development costs previously recognised as an expense cannot be subsequently recognised as an asset.

*Amortisation*

NZ IAS 38.97

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

NZ IAS 38.118(a),(b)

Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

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

Computer software	3-4 years	25%-33%
Computer development costs	5 years	20%

Capitalised intellectual property development costs are still work in progress. The useful life of completed projects will be established at project completion.

NZ IAS 1.117(b)

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

NZ IAS 36.9

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

NZ IAS 36.10

NZ IAS 36.18

NZ IAS 36 NZ 6.1

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Institute and group would, if deprived of the asset, replace its remaining future economic benefits or service potential.

NZ IAS 36.6

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

NZ IAS 36 NZ 61.1

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised in other comprehensive income to the extent the impairment loss does not exceed the amount in the revaluation reserve in equity for that same class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

NZ IAS 36.60

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

NZ IAS 36 NZ 120.1

The reversal of an impairment loss on a revalued asset is credited to other comprehensive income and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

NZ IAS 36.119

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

NZ IAS 1.117(b)

**Investment property**

NZ IAS 40.5

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Property held to meet service delivery objectives is classified as property, plant, and equipment.

NZ IAS 40 NZ 9.1

NZ IAS 40.20

Investment property is measured initially at its cost, including transaction costs.

NZ IAS 40.75(a)

After initial recognition, investment property is measured at fair value as determined annually by an independent valuer.

NZ IAS 40.35

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

NZ IFRS 7.21 NZ IAS 39.43,47	<b>Creditors and other payables</b> Short-term creditors and other short-term payables are recorded at their face value.
NZ IFRS 7.21 NZ IAS 39.43,47	<b>Borrowings</b> Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.
NZ IAS 1.69	Borrowings are classified as current liabilities unless the Institute has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.
NZ IAS 1.117(b)	<b>Employee entitlements</b> <i>Short-term employee entitlements</i>
NZ IAS 19.10	Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date, and sick leave.
NZ IAS 19.14	A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date to the extent it will be used by staff to cover those future absences.
NZ IAS 19.17	A liability and an expense is recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.
NZ IAS 19.126-131	<i>Long-term employee entitlements</i> Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on: <ul style="list-style-type: none"> <li>• likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and</li> <li>• the present value of the estimated future cash flows.</li> </ul> Expected future payments are discounted using market yields on New Zealand government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.
Good practice NZ IAS 1.69	<i>Presentation of employee entitlements</i> Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.
NZ IAS 1.117(b) NZ IAS 19.44	<b>Superannuation schemes</b> <i>Defined contribution schemes</i> Employer contributions to Kiwisaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.
NZ IAS 19.29	<i>Defined benefit schemes</i> The Institute and group belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.
NZ IAS 19.30(b)	Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme. Further information on this scheme is disclosed in note 24.
NZ IAS 1.117(b) NZ IAS 37.14	<b>Provisions</b> A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
NZ IAS 37.45,47	Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

*ACC Partnership Programme*

NZ IFRS 4.37(a) The Institute and group belongs to the ACC Partnership Programme whereby it accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the programme, the Institute and group is liable for all its claims costs for a period of two years up to a specified maximum. At the end of the two-year period, the Institute and group pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.

The liability for the ACC Partnership Programme is measured using actuarial techniques at the present value of expected future payments to be made in respect of employee injuries and claims that occurred up to the balance date. Consideration is given to anticipated future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields on New Zealand government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Good practice **Equity**

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- general funds;
- property revaluation reserves;
- fair value through other comprehensive income reserves; and
- restricted reserves.

NZ IAS 1.79(b) *Property revaluation reserves*

This reserve relates to the revaluation of land, buildings, and infrastructure assets to fair value.

NZ IAS 1.79(b) *Fair value through other comprehensive income reserves*

This reserve comprises the cumulative net change in the fair value of fair value through other comprehensive income instruments.

NZ IAS 1.79(b) *Restricted reserves*

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Institute. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

NZ IAS 1.117(b) **Goods and services tax**

All items in the financial statements are stated exclusive of goods and services tax (GST), except for debtors and other receivables and creditors and other payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

Good practice **Income tax**

The Institute and group is exempt from income tax. Accordingly, no provision has been made for income tax.

Good practice **Budget figures**

The budget figures are those approved by the Council at the start of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.<sup>23</sup>

Good practice **Cost allocation**

The cost of service for each significant activity of the Institute and group has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, student numbers, staff numbers, and floor area.

<sup>23</sup> If a TEI has revised its budget numbers after the start of the year, the TEI could choose to report the revised budget numbers in addition to (but not instead of) the budget numbers required by section 154 of the CEA.

NZ IAS 1.125

**Critical accounting estimates and assumptions<sup>24</sup>**

In preparing these financial statements, the Institute and group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Property revaluations*

Note 14 provides information about the estimates and assumptions exercised in the measurement of revalued land, buildings, and infrastructure.

*Retirement gratuities*

Note 20 provides information about the estimates and assumptions exercised in the measurement of retirement gratuities.

NZ IAS 1.122

**Critical judgements in applying accounting policies**

Management has exercised the following critical judgements in applying accounting policies for the year ended 31 December 2011:

*Crown-owned land and buildings*

Property in the legal name of the Crown that is occupied by the Institute and group is recognised as an asset in the statement of financial position. The Institute and group consider it has assumed all the normal risks and rewards of ownership of this property despite legal ownership not being transferred and accordingly it would be misleading to exclude these assets from the financial statements.

The Institute and group has secured the use of the property by means of a lease from the Ministry of Education for a period of 99 years from 1 December 1995 at nil rent.

*Distinction between revenue and capital contributions*

Most Crown funding received is operational in nature and is provided by the Crown under the authority of an expense appropriation and is recognised as revenue. Where funding is received from the Crown under the authority of a capital appropriation, the Institute and group accounts for the funding as a capital contribution directly in equity. Information about capital contributions recognised in equity is disclosed in note 22.

*Suspensory loans with equity conversion features*

The Institute and group has received various suspensory loans during the year from the Crown whereby the loans convert to equity when the conversion conditions of the loan agreement are satisfied. This includes suspensory loans drawn down in respect of the Creative Thinking Programme and the Excellence Programme.

Because the Institute and group is committed to meeting the equity conversion conditions, it considers the loans are in substance equity contributions from the Crown and therefore recognises the amounts drawn down under the loan facilities directly in the statement of changes in equity. Further information about the suspensory loans is disclosed in note 24.

*Early childhood centre grant*

The Institute and group received a grant from the Crown for the construction of a new early childhood learning centre facility. There are a number of conditions attached to this grant, which require all or part of the grant to be repaid in the event the grant conditions are not met. NZ IFRS does not provide authoritative support on the accounting for government grants for public benefit entities because public benefit entities are not permitted to apply the recognition and measurement requirements of NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. The Institute and group has considered the liability definition in the *New Zealand Framework* and in applying its judgement has recognised the grant as revenue because management is committed to satisfying the remaining grant condition. It is therefore not considered probable that the Institute and group will be required to repay all or part of the grant back to the Crown. Further information about the grant is disclosed in note 24.

*Research leave*

Teaching staff are entitled to research leave in certain circumstances. The substance of this leave is that it is leave from teaching duties to undertake research activity with staff continuing to earn their salary and other employee entitlements. The Institute is of the view that research leave is not the type of leave contemplated in NZ IAS 19 *Employee Benefits*. Accordingly, a liability has not been recognised for such leave.

<sup>24</sup> The examples provided are not intended to be exhaustive. Entities will need to consider their own facts and circumstances to ensure that the disclosures of NZ IAS 1 paragraphs 122 and 125 are complete.

Good practice

## 2 Summary cost of services

	Institute		
	Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000
<b>Income</b>			
Commerce	60,979	61,039	59,008
Sciences	29,618	29,648	28,811
Humanities	27,876	27,904	27,116
Law	17,423	17,440	16,948
Creative Industries	22,649	22,672	22,032
Other activities	15,681	15,696	15,524
<i>Total income from services</i>	174,226	174,399	169,439
Other income	6,125	5,653	6,254
<b>Total income</b>	<b>180,351</b>	<b>180,052</b>	<b>175,693</b>
<b>Expenditure</b>			
Commerce	60,911	62,021	57,924
Sciences	29,586	29,153	28,134
Humanities	27,846	27,438	26,479
Law	17,404	17,149	16,549
Creative industries	22,625	22,293	21,514
Other activities	15,663	15,434	14,894
<i>Total cost of services</i>	<b>174,035</b>	<b>173,488</b>	<b>165,494</b>
Finance costs	1,585	1,300	105
Other costs	1,400	1,350	1,598
<b>Total expenditure</b>	<b>177,020</b>	<b>176,138</b>	<b>167,197</b>



**5 Finance costs**

		Institute		Group	
		2011	2010	2011	2010
		\$000	\$000	\$000	\$000
Interest expense:					
NZ IFRS 7.20(b)	- interest on bank borrowings	1,358	0	1,358	0
NZ IAS 37.84(e)	- discount unwind on provisions (note 21)	75	38	75	38
	- finance charge on finance leases	62	67	62	67
NZ IFRS 7.20(a)(i)	Net loss on interest rate swaps	90	0	90	0
<b>Total finance costs</b>		<b>1,585</b>	<b>105</b>	<b>1,585</b>	<b>105</b>

NZ IAS 1.112(c) **6 Other expenses<sup>26</sup>**

		Institute		Group	
		2011	2010	2011	2010
		\$000	\$000	\$000	\$000
NZ IAS 1 NZ 105.1(a)(i)	Audit fees for financial statement audit	98	115	127	135
NZ IAS 1 NZ 105.1(a)(ii)	Audit-related fees for assurance services <sup>27</sup>	11	11	11	11
NZ IAS 1 NZ 105.2	Donations and koha <sup>28</sup>	119	80	119	80
NZ IAS 17.35(c)	Operating lease payments	3,509	2,647	3,509	2,499
	Repairs and maintenance	1,780	1,392	1,867	1,430
	Other occupancy costs (note 31)	8,773	10,023	8,686	10,134
	Information technology	5,143	5,468	5,588	5,588
	Grants and scholarships	12,457	10,976	10,967	13,233
	Advertising and public relations	1,087	1,062	1,128	1,095
	Insurance premiums	506	423	520	433
	Consultants and legal fees	2,268	2,736	5,203	4,678
	Office costs	2,875	3,123	3,002	3,226
	Travel and accommodation	3,000	2,857	5,488	3,680
	Other course related costs	3,047	2,753	3,553	3,040
NZ IFRS 7.20(e)	Impairment of receivables (note 8)	(25)	192	(25)	192
NZ IAS 2.36(d)	Inventories consumed	1,342	1,372	1,344	1,372
NZ IAS 1.98(a)	Intangible asset write-off (note 15)	0	0	437	0
NZ IAS 38.126	Research and development expenditure	2,274	2,772	2,341	2,705
	Change in fair value of investment property	63	0	63	0
NZ IAS 21.52(a)	Net foreign exchange losses	10	34	8	42
NZ IFRS 7.20(a)(i)	Net loss on foreign exchange derivatives	0	31	0	31
NZ IAS 1.92	Reclassification on disposal of financial assets at fair value through other comprehensive income	10	0	10	0
NZ IFRS 7.20(a)(i)	Net loss on managed fund	0	0	599	274
	Other operating expenses	4,660	4,761	6,065	6,562
<b>Total other expenses</b>		<b>53,007</b>	<b>52,828</b>	<b>60,610</b>	<b>60,440</b>

NZ IAS 1 NZ 105.1(a)(ii) Audit-related fees for assurance services were for a review report to the United States Department of Education in relation to the Federal Family Education Loan Program for a fee of \$6,000 (2010 \$6,000) and for the audit of the Institute's declaration to the Ministry of Education on the Performance-based Research Fund external research income for the year ended 31 December 2011 for a fee of \$5,000 (2010 \$5,000).

<sup>26</sup> NZ IAS 1.97 requires that, when items of income and expense are material, their nature and amount shall be disclosed separately.

<sup>27</sup> NZ IAS 1 NZ 105.1 requires the nature of the services to be disclosed for assurance and related services, tax services, and all other non-audit services provided by the auditor of the parent.

<sup>28</sup> In the context of reporting by tertiaries, donations are interpreted as per their common usage, that is, discretionary charitable gifts, and should exclude any grants (e.g. scholarships) made in terms of a TEI's normal funding programme that seek to achieve the objectives of the TEI.

NZ IAS 1.112(c)

## 7 Cash and cash equivalents

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Cash at bank and on hand	1,460	359	4,057	1,505
Call deposits	1,849	1,849	1,849	1,849
Term deposits with maturities less than 3 months	2,613	17,758	17,077	28,400
<b>Total cash and cash equivalents</b>	<b>5,922</b>	<b>19,966</b>	<b>22,983</b>	<b>31,754</b>

NZ IAS 7.7

NZ IFRS 7.25,29(a)

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

NZ IAS 7 NZ 49.1  
NZ IAS 7.45

The total value of cash and cash equivalents that can be used only for a specified purpose as outlined in the relevant trust deed is \$396,000 (2010 \$335,000).

Cash, cash equivalents, and bank overdrafts include the following for the purposes of the statement of cash flows:

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Cash at bank and on hand	1,460	359	4,057	1,505
Call deposits	1,849	1,849	1,849	1,849
Term deposits with maturities less than 3 months	2,613	17,758	17,077	28,400
Bank overdrafts (note 19)	0	0	0	0
<b>Total</b>	<b>5,922</b>	<b>19,966</b>	<b>22,983</b>	<b>31,754</b>

NZ IAS 7.8

NZ IAS 1.78(b)

## 8 Debtors and other receivables

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
<i>Student receivables</i>				
Student fee receivables	2,111	2,794	2,111	2,794
Less: provision for impairment	(267)	(355)	(267)	(355)
Net student fee receivables	1,844	2,439	1,844	2,439
<i>Other receivables</i>				
Commercial receivables	0	0	2,951	2,180
Related party receivables (note 25)	898	428	0	0
GST receivable (also note 17)	116	0	0	0
Other debtors and receivables	163	100	277	225
<b>Total debtors and other receivables</b>	<b>3,021</b>	<b>2,967</b>	<b>5,072</b>	<b>4,844</b>

### *Fair value*

NZ IFRS 7.25,29(a)

Student fees are due before a course commences or are due upon enrolment if the course has already begun. For courses that span more than one trimester, domestic students can arrange for fees to be paid in instalments. Student fee receivables are non-interest bearing and are generally paid in full by course commencement date. Therefore, their carrying value approximates their fair value.

Other receivables are non-interest bearing and are generally settled on 30-day terms. Therefore, the carrying value of other receivables approximates their fair value.

## 8 Debtors and other receivables (continued)

### Impairment

NZ IFRS 7.37(a)

The ageing profile of student fee receivables at year end is detailed below:

	2011			2010		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
<b>Institute and group</b>						
Not past due	922	0	922	1,101	0	1,101
Past due 1-30 days	569	27	542	761	53	708
Past due 31-60 days	242	53	189	382	77	305
Past due 61-90 days	189	80	109	387	118	269
Past due over 90 days	189	107	82	163	107	56
<b>Total</b>	<b>2,111</b>	<b>267</b>	<b>1,844</b>	<b>2,794</b>	<b>355</b>	<b>2,439</b>

NZ IFRS 7.21

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

There are no provisions for impairment on other receivables and no amounts are overdue.

NZ IFRS 7.37(b)

Due to the large number of student fee receivables, the impairment assessment is performed on a collective basis, based on an analysis of past collection history and debt write-offs.

NZ IFRS 7.16

Movements in the provision for impairment of student fee receivables are as follows:

	Institute and group	
	2011 \$000	2010 \$000
At 1 January	355	228
Additional provisions made during the year	0	192
Provisions reversed during the year	(25)	0
Receivables written-off during the year	(63)	(65)
<b>At 31 December</b>	<b>267</b>	<b>355</b>

NZ IFRS 7.20(e)

## 9 Derivative financial instruments

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
<b>Current asset portion</b>				
Forward foreign exchange contracts	203	17	203	17
<b>Current liability portion</b>				
Interest rate swaps	21	0	21	0
Forward foreign exchange contracts	8	32	8	32
<i>Total current liability portion</i>	29	32	29	32
<b>Non-current liability portion</b>				
Interest rate swaps	76	0	76	0
<b>Total derivative financial instrument liabilities</b>	<b>105</b>	<b>32</b>	<b>105</b>	<b>32</b>

### Fair value

NZ IFRS 7.25,27

#### Interest rate swaps

The fair value of interest rate swaps has been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

NZ IFRS 7.25,27

#### Forward foreign exchange contracts

The fair value of forward foreign exchange contracts has been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from instrument prices.

## 9 Derivative financial instruments (continued)

### Interest rate swaps

NZ IFRS 7.34(a) The notional principal amounts of the outstanding interest rate swap contracts were \$10,000,000 (2010 \$0). The fixed interest rates of interest rate swaps vary from 4.75% to 5.87%.

### Forward foreign exchange contracts

NZ IFRS 7.34(a) The notional principal amounts of outstanding forward foreign exchange contracts in NZ\$ were \$1,254,000 (2010 \$324,000). The foreign currency principal amounts were US\$350,000, AUS\$200,000, and £125,000.

NZ IAS 1.112(c)

## 10 Other financial assets

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
<b>Current portion</b>				
Term deposits with maturities greater than 3 months and remaining duration less than 12 months	8,496	4,541	8,496	4,541
New Zealand government bonds	179	164	179	164
Managed fund	0	0	8,320	8,919
<i>Total current portion</i>	8,675	4,705	16,995	13,624
<b>Non-current portion</b>				
Term deposits with maturities greater than 3 months and remaining duration more than 12 months	1,300	650	1,300	845
Loans to subsidiary (note 25)	735	281	0	0
Unlisted shares	86	0	86	0
Listed shares on NZSX	520	466	520	466
Shares in subsidiaries (cost)	227	313	0	0
<i>Total non-current portion</i>	2,868	1,710	1,906	1,311
<b>Total other financial assets</b>	<b>11,543</b>	<b>6,415</b>	<b>18,901</b>	<b>14,935</b>

### Fair value

#### Term deposits

NZ IFRS 7.25,27 The fair value of non-current term deposits is \$1,250,000 (2010 \$640,000). Fair value has been determined by discounting future principal and interest cash flows using a discount rate based on the market interest rate on term deposits at balance date with terms to maturity that match as closely as possible the cash flows of term deposits held. The discount rates range between 5.6% – 6.7% (2010: 7.4% – 8.2%).

#### New Zealand government bonds

NZ IFRS 7.25,27 New Zealand government bonds are recognised at their fair value. Fair value has been determined using quoted market bid prices from independently sourced market information for government bond prices.

#### Loans to related parties

NZ IFRS 7.25,27  
NZ IAS 24.17(b)(i) Loans to related parties are unsecured, non-interest bearing, and are repayable on demand. The fair value of the on demand loans cannot be less than the amount repayable on demand. Therefore, the carrying value of loans on demand reflects their fair value.

#### Listed shares

NZ IFRS 7.25,27 Listed shares are recognised at their fair value. Fair value has been determined using published bid price quotations from the NZSX at the balance date.

#### Unlisted shares

NZ IFRS 7.25,27 Unlisted shares are held in non-commercial entities and are carried at cost less impairment because either the fair value of the investment cannot be reliably determined using a standardised valuation technique or due to cost not being materially different to fair value.

#### Managed funds

NZ IFRS 7.25,27 The managed fund is measured at fair value and consists of listed shares and listed bonds. The fair value of the managed fund investments is determined using the same methods and assumptions as described above for listed shares and government bonds.

### Impairment

NZ IFRS 7.20(e),37 There were no impairment provisions for other financial assets. None of the financial assets are either past due or impaired.

NZ IAS 2.36(b)

## 11 Inventories

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
<i>Held for distribution:</i>				
Materials and consumables	85	195	85	195
<i>Commercial inventories:</i>				
Bookshop	130	151	130	151
Other	18	37	18	37
<b>Total inventories</b>	<b>233</b>	<b>383</b>	<b>233</b>	<b>383</b>

NZ IAS 2.36(h)

No inventories are pledged as security for liabilities (2010 \$nil). However, some inventories are subject to retention of title clauses.

### *Inventories held for distribution*

NZ IAS 2 NZ 36.1(a)

The carrying amount of inventories held for distribution that are measured at current replacement cost amounted to \$22,000 (2010 \$18,000).

NZ IAS 2 NZ 36.1(b)

The write-down of inventories held for distribution because of a loss in service potential amounted to \$25,000 (2010 \$25,000). There have been no reversals of write-downs (2010 \$nil).

NZ IAS 2 NZ 36.1(c),(d)

### *Commercial inventories*

NZ IAS 2.36(e),(f)

The write-down of commercial inventories to net realisable value amounted to \$5,000 (2010 \$nil). There have been no reversals of write-downs (2010 \$nil).

## 12 Investment in associate

	2011 \$000	2010 \$000
<b>Institute</b>		
Investment in Te TutukiTech Limited	352	352
<b>Group</b>		
NZ IAS 28 NZ 37.1(a) <i>Movements in the carrying amount of the investment in associate<sup>29</sup></i>		
Balance at 1 January	526	482
New investments during the year	0	0
Disposal of investments during the year	0	0
Dilution gain/(loss)	255	0
Share of total comprehensive income	71	44
Dividend	0	0
<b>Balance at 31 December</b>	<b>852</b>	<b>526</b>
NZ IAS 28.37(b) <i>Summarised financial information of associate presented on a gross basis<sup>30</sup></i>		
Assets	5,081	2,891
Liabilities	887	908
Revenue	4,244	4,806
Surplus/(deficit)	466	391
Group's interest	20.3%	27.5%
NZ IAS 28.40(a) Share of associate's contingent liabilities incurred jointly with other investors	0	0
NZ IAS 28.40(b) Contingent liabilities that arise because of several liability	0	0

NZ IAS 28.37(a)

Te TutukiTech Limited is an unlisted company. Accordingly, there are no published price quotations to determine the fair value of this investment.<sup>31</sup>

<sup>29</sup> Where goodwill is included in the carrying amount of investments in associates, NZ IAS 28 NZ 37.1(b) requires disclosure of the amount of goodwill included in the carrying amount at the beginning and the end of the period.

<sup>30</sup> These are the gross amounts from the associate's financial statements. An alternative presentation would be to show only the group's share. NZ IAS 28.37(b) does not specify which method of presentation is required.

<sup>31</sup> NZ IAS 28.37(a) requires disclosure of the fair value of investments in associates where there are published price quotations.

### 13 Investment in jointly controlled entity

NZ IAS 31.56

The Institute has a 25% interest in a joint venture, Institute for Advanced ResearchTech, which undertakes research jointly with other TEIs. The following amounts represent the group's share of the assets, liabilities, income, and expenses of the joint venture:

	2011 \$000	2010 \$000
<b>Institute</b>		
Investment in Institute for Advanced ResearchTech	163	163
<b>Group</b>		
<b>Assets</b>		
Current assets	3,176	1,778
Non-current assets	4,657	3,166
<i>Total assets</i>	7,833	4,944
<b>Liabilities</b>		
Current liabilities	1,458	1,368
Non-current liabilities	0	0
<i>Total liabilities</i>	1,458	1,368
Income	1,653	1,793
Expenses	(1,653)	(1,793)
Net surplus/(deficit)	0	0
NZ IAS 31.55(a) Institute's capital commitments in relation to the joint venture	0	0
NZ IAS 31.55(b) Share of joint venture's commitments	123	83
NZ IAS 31.54(a) Institute's contingent liabilities incurred in relation to the joint venture	0	0
NZ IAS 31.54(b) Share of joint venture's contingent liabilities	0	0
NZ IAS 31.54(c) Other venturers' contingent liabilities the Institute is liable for	0	0

**14 Property, plant, and equipment**

NZ IAS 16.73<sup>32</sup> Movements for each class of property, plant, and equipment for the Institute are as follows:

	Cost/ valuation 1/1/10 \$000	Accumulated depreciation and impairment charges 1/1/10 \$000	Carrying amount 1/1/10 \$000	Additions \$000	Disposals <sup>33</sup> \$000	Impairment charge \$000	Depreciation charge \$000	Revaluation surplus \$000	Cost/ revaluation 31/12/10 \$000	Accumulated depreciation and impairment charges 31/12/10 \$000	Carrying amount 31/12/10 \$000
<b>Institute</b>											
Land	60,786	0	60,786	810	0	0	0	9,105	70,701	0	70,701
Buildings	225,802	(6,360)	219,442	19,153	0	0	(5,473)	6,137	239,259	0	239,259
Infrastructure	4,460	(356)	4,104	101	0	0	(250)	1,421	5,376	0	5,376
Leasehold improvements	6,302	(1,068)	5,234	419	0	0	(534)	0	6,721	(1,602)	5,119
Computer hardware	15,343	(9,985)	5,358	2,909	(48)	0	(2,099)	0	13,742	(7,622)	6,120
Furniture and equipment	25,520	(11,569)	13,951	5,529	(50)	0	(2,827)	0	28,065	(11,462)	16,603
Motor vehicles	1,053	(528)	525	248	(92)	0	(168)	0	938	(425)	513
Library collection	18,463	(9,187)	9,276	6,059	(47)	0	(3,684)	0	23,730	(12,126)	11,604
Heritage collections	7,207	0	7,207	94	(84)	0	0	0	7,217	0	7,217
<b>Total Institute</b>	<b>364,936</b>	<b>(39,053)</b>	<b>325,883</b>	<b>35,322</b>	<b>(321)</b>	<b>0</b>	<b>(15,035)</b>	<b>16,663</b>	<b>395,749</b>	<b>(33,237)</b>	<b>362,512</b>
	Cost/ valuation 1/1/11 \$000	Accumulated depreciation and impairment charges 1/1/11 \$000	Carrying amount 1/1/11 \$000	Additions \$000	Disposals \$000	Impairment charge \$000	Depreciation charge \$000	Revaluation surplus \$000	Cost/ revaluation 31/12/11 \$000	Accumulated depreciation and impairment charges 31/12/11 \$000	Carrying amount 31/12/11 \$000
<b>Institute</b>											
Land	70,701	0	70,701	0	0	0	0	0	70,701	0	70,701
Buildings	239,259	0	239,259	40,313	0	0	(6,501)	0	279,572	(6,501)	273,071
Infrastructure	5,376	0	5,376	7	0	0	(421)	0	5,383	(421)	4,962
Leasehold improvements	6,721	(1,602)	5,119	467	0	0	(591)	0	7,188	(2,193)	4,995
Computer hardware	13,742	(7,622)	6,120	3,250	(2)	0	(2,428)	0	16,990	(10,050)	6,940
Furniture and equipment	28,065	(11,462)	16,603	4,617	(209)	0	(3,231)	0	32,406	(14,626)	17,780
Motor vehicles	938	(425)	513	42	(8)	0	(166)	0	945	(564)	381
Library collection	23,730	(12,126)	11,604	6,031	(32)	0	(4,202)	0	29,728	(16,327)	13,401
Heritage collections	7,217	0	7,217	37	0	0	0	0	7,254	0	7,254
<b>Total Institute</b>	<b>395,749</b>	<b>(33,237)</b>	<b>362,512</b>	<b>54,764</b>	<b>(251)</b>	<b>0</b>	<b>(17,540)</b>	<b>0</b>	<b>450,167</b>	<b>(50,682)</b>	<b>399,485</b>

<sup>32</sup> This is just one way of presenting the reconciliation required by NZ IAS 16 *Property, Plant and Equipment*.

<sup>33</sup> Disposals are reported net of accumulated depreciation.

**14 Property, plant, and equipment (continued)**

NZ IAS 16.73

Movements for each class of property, plant, and equipment for the group are as follows:

	Cost/ valuation 1/1/10	Accumulated depreciation and impairment charges 1/1/10	Carrying amount 1/1/10	Additions	Disposals	Impairment charge	Depreciation charge	Revaluation surplus	Cost/ revaluation 31/12/10	Accumulated depreciation and impairment charges 31/12/10	Carrying amount 31/12/10
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Group</b>											
Land	60,786	0	60,786	810	0	0	0	9,105	70,701	0	70,701
Buildings	225,802	(6,360)	219,442	19,153	0	0	(5,473)	6,137	239,259	0	239,259
Infrastructure	4,460	(356)	4,104	101	0	0	(250)	1,421	5,376	0	5,376
Leasehold improvements	6,302	(1,068)	5,234	419	0	0	(534)	0	6,721	(1,602)	5,119
Computer hardware	15,439	(10,047)	5,392	2,915	(48)	0	(2,124)	0	13,844	(7,709)	6,135
Furniture and equipment	25,607	(11,584)	14,023	5,533	(115)	0	(2,838)	0	28,087	(11,484)	16,603
Motor vehicles	1,053	(528)	525	248	(92)	0	(168)	0	938	(425)	513
Library collection	18,463	(9,187)	9,276	6,059	(47)	0	(3,684)	0	23,730	(12,126)	11,604
Heritage collections	7,207	0	7,207	94	(84)	0	0	0	7,217	0	7,217
<b>Total group</b>	<b>365,119</b>	<b>(39,130)</b>	<b>325,989</b>	<b>35,332</b>	<b>(386)</b>	<b>0</b>	<b>(15,071)</b>	<b>16,663</b>	<b>395,873</b>	<b>(33,346)</b>	<b>362,527</b>
	Cost/ valuation 1/1/11	Accumulated depreciation and impairment charges 1/1/11	Carrying amount 1/1/11	Additions	Disposals	Impairment charge	Depreciation charge	Revaluation surplus	Cost/ revaluation 31/12/11	Accumulated depreciation and impairment charges 31/12/11	Carrying amount 31/12/11
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Group</b>											
Land	70,701	0	70,701	0	0	0	0	0	70,701	0	70,701
Buildings	239,259	0	239,259	40,313	0	0	(6,501)	0	279,572	(6,501)	273,071
Infrastructure	5,376	0	5,376	7	0	0	(421)	0	5,383	(421)	4,962
Leasehold improvements	6,721	(1,602)	5,119	467	0	0	(592)	0	7,188	(2,194)	4,994
Computer hardware	13,844	(7,709)	6,135	3,270	(5)	0	(2,441)	0	17,074	(10,115)	6,959
Furniture and equipment	28,087	(11,484)	16,603	4,715	(209)	0	(3,260)	0	32,528	(14,679)	17,849
Motor vehicles	938	(425)	513	48	(8)	0	(166)	0	951	(564)	387
Library collection	23,730	(12,126)	11,604	6,031	(32)	0	(4,202)	0	29,728	(16,327)	13,401
Heritage collections	7,217	0	7,217	37	0	0	0	0	7,254	0	7,254
<b>Total group</b>	<b>395,873</b>	<b>(33,346)</b>	<b>362,527</b>	<b>54,888</b>	<b>(254)</b>	<b>0</b>	<b>(17,583)</b>	<b>0</b>	<b>450,379</b>	<b>(50,801)</b>	<b>399,578</b>

**14 Property, plant, and equipment (continued)**  
**Legal ownership of land and buildings**

Good practice

Legal ownership of land and buildings is detailed as follows:

	Land		Buildings	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Institute owned	40,000	40,000	241,000	205,557
Crown owned	30,701	30,701	32,071	33,702
<b>Total</b>	<b>70,701</b>	<b>70,701</b>	<b>273,071</b>	<b>239,259</b>

NZ IAS 16.77, NZ 77.2  
NZ IAS 1.125

**Valuation**

*Land*

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the “unencumbered” land value for campus land where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

Restrictions on the Institute and group’s ability to sell land would normally not impair the value of the land because the Institute and group has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

The most recent valuation of land was performed by a registered independent valuer, O’Connell Valuers Limited, and the valuation is effective as at 31 December 2010.

*Buildings*

Specialised buildings (e.g. campuses) are valued at fair value using depreciated replacement cost because no reliable market data is available for buildings designed for education delivery purposes.

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

- The replacement asset is based on the reproduction cost of the specific assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value.

The most recent valuation of buildings was performed by an independent valuer, O’Connell Valuers Limited, and the valuation is effective as at 31 December 2010.

*Infrastructure*

Infrastructure assets such as roads, car parks, footpaths, underground utilities (e.g. water supply and sewerage systems), and site drainage have been independently valued at depreciated replacement cost. The valuations have been performed in accordance with the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines issued by the NAMS Group. The significant assumptions applied in determining the depreciated replacement cost of infrastructure assets are similar to those described above for specialised buildings.

The most recent valuation of buildings was performed by an independent valuer, O’Connell Valuers Limited, and the valuation is effective as at 31 December 2010.

*Total fair value of property, plant, and equipment valued by each valuer*

The total fair value of property, plant, and equipment valued by O’Connell Valuers Limited at 31 December 2010 totalled \$315,336,000.

NZ IAS 16.74(a)

**Restrictions on title**

Under the Education Act 1989, the Institute and group is required to obtain the consent from the Ministry of Education to dispose or sell of property where the value of the property exceeds an amount determined by the Minister.

There are also various restrictions in the form of historic designations, reserve, and endowment encumbrances attached to land. The Institute and group does not consider it practical to disclose in detail the value of land subject to these restrictions.

NZ IAS 16.74(b)

**Work in progress**

The total amount of property, plant, and equipment in the course of construction is \$26,549,000 (2010 \$16,435,000).

NZ IAS 17.31(a) **14 Property, plant, and equipment (continued)**  
**Leasing**

The net carrying amount of computers and electronic equipment (included within computer hardware) held under finance leases is \$422,000 (2010 \$485,000).

NZ IAS 38.118(e) **15 Intangible assets**

Movements for each class of intangible asset are as follows:<sup>34,35</sup>

	Software \$000	Course development costs \$000	Institute total \$000	Intellectual property development \$000	Group total \$000
<i>Balance at 1 January 2011</i>					
Cost	7,891	1,972	9,863	923	10,786
Accumulated amortisation and impairment	(4,086)	(1,022)	(5,108)	0	(5,108)
Opening carrying amount	3,805	950	4,755	923	5,678
<i>Year ended 31 December 2011</i>					
Additions	949	235	1,184	667	1,851
Disposal	0	0	0	(437)	(437)
Amortisation	(1,318)	(330)	(1,648)	0	(1,648)
Closing carrying amount	3,436	855	4,291	1,153	5,444
<i>Balance at 31 December 2011</i>					
Cost	8,840	2,207	11,047	1,153	12,200
Accumulated amortisation and impairment	(5,404)	(1,352)	(6,756)	0	(6,756)
Closing carrying amount	3,436	855	4,291	1,153	5,444
<i>Balance at 1 January 2010</i>					
Cost	6,019	1,505	7,524	652	8,176
Accumulated amortisation and impairment	(2,872)	(718)	(3,590)	0	(3,590)
Opening carrying amount	3,147	787	3,934	652	4,586
<i>Year ended 31 December 2010</i>					
Additions	1,877	468	2,345	271	2,616
Disposals	(5)	(1)	(6)	0	(6)
Amortisation	(1,214)	(304)	(1,518)	0	(1,518)
Closing carrying amount	3,805	950	4,755	923	5,678
<i>Balance at 31 December 2010</i>					
Cost	7,891	1,972	9,863	923	10,786
Accumulated amortisation and impairment	(4,086)	(1,022)	(5,108)	0	(5,108)
Closing carrying amount	3,805	950	4,755	923	5,678

NZ IAS 38.122(d) There are no restrictions over the title of the Institute and group's intangible assets; nor are any intangible assets pledged as security for liabilities.

NZ IAS 1.97 The group wrote-off \$437,000 during the year in relation to the project on the development of certain electrical technology. The write-off arose because the investment partner in the development has decided not to contribute any further funding for the completion and commercialisation of the technology. With no commitments for future funding for the completion of development and commercialisation of the technology, the group has not been able to demonstrate that it is probable the project will provide future economic benefits. The group will endeavour to secure further investment for the completion and commercialisation of the technology development.

<sup>34</sup> NZ IAS 38.118 requires entities to distinguish between internally generated intangible assets and other intangible assets. For example, internally developed software shall be distinguished from acquired software.

<sup>35</sup> This is just one way of presenting the reconciliation required by NZ IAS 38 *Intangible Assets*. An alternative presentation is to analyse the movement in the cost and accumulated amortisation of each asset class separately.

**16 Investment property**

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
NZ IAS 40.76				
Balance at 1 January	882	815	882	815
Additions from acquisitions	0	0	0	0
Additions from subsequent expenditure	0	0	0	0
Disposals	0	0	0	0
Fair value gains/(losses) on valuation	(63)	67	(63)	67
<b>Balance at 31 December</b>	<b>819</b>	<b>882</b>	<b>819</b>	<b>882</b>

NZ IAS 40 NZ 75.1  
NZ IAS 40.75(e) Investment properties are valued annually effective at 31 December to fair value. The valuation was performed by I Trevor's ANZIV, an independent valuer from Oppenheim Valuers Limited. Oppenheim Valuers Limited is an experienced valuer with extensive market knowledge in the types of investment properties owned by Institute and group.

NZ IAS 40.75(d) In determining the fair value of investment property, the capitalisation of net income and discounted cash flow methods have been used. These methods are based upon assumptions including future rental income, anticipated maintenance costs, and appropriate discount rates.

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
NZ IAS 40.75(f)(i)				
Rental income	62	66	62	66
NZ IAS 40.75(f)(ii)				
Operating expenses from property generating income	12	11	12	11
NZ IAS 40.75(f)(iii)				
Operating expenses from property not generating income	0	0	0	0
NZ IAS 40.75(h)				
Contractual obligations for capital expenditure	0	0	0	0
NZ IAS 40.75(h)				
Contractual obligations for operating expenditure	14	18	14	18

NZ IAS 1.77,112(c)

**17 Creditors and other payables**

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Creditors	5,084	3,986	5,646	4,187
Accrued expenses	7,954	6,249	8,848	6,757
Deposits held on behalf of students	808	1,406	808	1,406
Amounts due to related parties (note 25)	16	21	0	0
Contract retentions	1,329	621	1,329	622
GST payable (also see note 8)	0	587	34	752
<b>Total creditors and other payables</b>	<b>15,191</b>	<b>12,870</b>	<b>16,665</b>	<b>13,724</b>

NZ IFRS 7.25,29(a) Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

**18 Revenue received in advance**

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
NZ IAS 1.77,112(c)				
Tuition fees	3,140	3,390	3,140	3,390
Research funding	1,047	2,422	8,006	8,503
Other revenue received in advance	0	353	569	487
<b>Total revenue received in advance</b>	<b>4,187</b>	<b>6,165</b>	<b>11,715</b>	<b>12,380</b>

NZ IAS 1.77,112(c)

**19 Borrowings**

	Institute		Group	
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
NZ IAS 1.69	<b>Current portion</b>			
	Bank overdraft	0	0	0
	Secured loans	1,952	0	1,952
	Finance leases	98	98	98
	<i>Total current portion</i>	2,050	98	2,050
NZ IAS 1.69	<b>Non-current portion</b>			
	Secured loans	14,300	0	14,300
	Finance leases	439	492	439
	<i>Total non-current portion</i>	14,739	492	14,739
	<b>Total borrowings</b>	<b>16,789</b>	<b>590</b>	<b>16,789</b>

NZ IFRS 7.31

**Secured loans**

Secured loans are issued at floating rates of interest, with interest rates reset quarterly based on the 90-day bank bill rate plus a margin for credit risk.

**Security**

NZ IAS 7.50(a)

The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$2,500,000 (2010 \$2,500,000). There are no restrictions on the use of this facility.

NZ IAS 16.74(a)

The secured loans are secured by a first registered mortgage over certain campus land and buildings.

NZ IAS 16.74(a)

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The net carrying amount of assets held under finance lease is disclosed in note 14.

NZ IFRS 7.31

**Secured loan covenants**

The Institute is required to ensure that the following financial covenant ratios for secured loans are achieved during the year:

- Total liabilities do not exceed 70% of total tangible assets.
- Total liabilities plus contingent liabilities do not exceed 75% of tangible assets.
- Total equity is to be greater than \$300m.
- The surplus before interest, depreciation, and amortisation is greater than 1.5 times interest expense on the secured loans.

The secured loans become repayable on demand in the event these covenants are breached or if the Institute fails to make interest and principal payments when they fall due. The Institute has complied with all covenants and loan repayment obligations during the financial year.

**Fair value**

NZ IFRS 7.25, 27(a)

The fair value of finance leases is \$550,000 (2010 \$602,000). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date ranging from 5.6% to 6.2% (2010: 6.4% to 7.3%)

NZ IFRS 7.25

The carrying amounts of secured loans approximate their fair value because interest rates reset to a market rate each quarter.

**Analysis of finance leases**

	Institute		Group	
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
NZ IAS 17.31(b)	<b>Total minimum lease payments are payable</b>			
	Not later than one year	107	107	107
	Later than one year and not later than five years	426	426	426
	Later than five years	213	320	320
	<i>Total minimum lease payments</i>	746	853	746
	Future finance charges	(210)	(263)	(210)
	<i>Present value of minimum lease payments</i>	536	590	536

19 Borrowings (continued)

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
NZ IAS 17.31(b)	<b>Present value of minimum lease payments payable</b>			
	Not later than one year			
	98	98	98	98
	Later than one year and not later than five years			
	248	248	248	248
	Later than five years			
	190	244	190	244
	<i>Total present value of minimum lease payments</i>			
	536	590	536	590

NZ IAS 17.31(e)

*Description of leasing arrangements*

Finance leases have been entered into for computers and electronic equipment for teaching, research, and administrative purposes.

NZ IAS 17.31(e)(ii)

The finance leases can be renewed at the Institute and group's option, with rents set by reference to current market rates for items of equivalent age and condition. The Institute and group does have the option to purchase the asset at the end of the lease term, but it is likely the option to purchase will not be exercised because the leased assets are usually technologically obsolete at lease expiry.

NZ IAS 17.31(e)(iii)

The Institute and group is not permitted to pledge the leased assets as security nor can it sublease the leased equipment without the permission of the lessor. There are no other restrictions placed on the Institute and group by any of the finance leasing arrangements.

NZ IAS 1.112(c)

20 Employee entitlements

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
<b>Current portion</b>				
Accrued pay	2,344	2,347	2,367	2,354
Annual leave	7,584	7,735	7,618	7,805
Sick leave	29	49	29	49
Long service leave	136	119	140	124
<i>Total current portion</i>	10,093	10,250	10,154	10,332
<b>Non-current portion</b>				
Long service leave	200	200	210	210
Retirement gratuities	8,310	7,620	8,310	7,621
<i>Total non-current portion</i>	8,510	7,820	8,520	7,831
<b>Total employee entitlements</b>	18,603	18,070	18,674	18,163

NZ IAS 1.125

The present value of the retirement obligations depends on factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary.

If the salary inflation factor were to increase or decrease by 1% from that used, with all other factors held constant, the carrying amount of the retirement gratuity liability would be an estimated \$545,000 higher/lower (2010 \$523,000).

If the discount rates used were to increase or decrease by 1% from that used, with all other factors held constant, the carrying amount of the retirement gratuity liability would be an estimated \$432,000 higher/lower (2010 \$401,000).

NZ IAS 1.77, 112(c)

**21 Provisions**

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
<b>Current portion</b>				
Restructuring provision	1,243	642	1,243	642
NZ IFRS 4.37(b) ACC Partnership Programme	332	313	332	313
<i>Total current portion</i>	1,575	955	1,575	955
<b>Non-current portion</b>				
NZ IFRS 4.37(b) ACC Partnership Programme	137	138	137	138
Lease make-good	1,183	794	1,183	794
<i>Total non-current portion</i>	1,320	932	1,320	932
<b>Total provisions</b>	<b>2,895</b>	<b>1,887</b>	<b>2,895</b>	<b>1,887</b>

NZ IAS 37.84

Movements for each class of provision are as follows: <sup>36</sup>

Institute and group	Restructure \$000	Lease make-good \$000	ACC Partnership Programme \$000	Total \$000
Balance at 1 January 2010	0	228	326	554
Additional provisions made	853	529	437	1,819
Amounts used	(211)	0	(313)	(524)
Unused amounts reversed	0	0	0	0
Discount unwind (note 5)	0	38	0	38
<b>Balance at 31 December 2010</b>	<b>642</b>	<b>795</b>	<b>450</b>	<b>1,887</b>
Additional provisions	827	348	412	1,587
Amounts used	(260)	0	(393)	(653)
Unused amounts reversed	0	0	0	0
Discount unwind (note 5)	34	40	0	74
<b>Balance at 31 December 2011</b>	<b>1,243</b>	<b>1,183</b>	<b>469</b>	<b>2,895</b>

NZ IAS 37.85

**Restructuring provision**

The restructuring provision has arisen from the restructuring of the Sciences Faculty. The restructuring is expected to be completed in April 2012. The provision reflects the estimated cost for redundancy payments arising from the restructure.

**ACC Partnership Programme<sup>37</sup>**

*Liability valuation*

NZ IFRS 4 D17.8A

An external independent actuarial valuer, DW Smith, has calculated the liability as at 31 December 2011. The actuary has attested he is satisfied as to the nature, sufficiency, and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuary's report.

*Risk Margin*

NZ IFRS 4 D17.2(c)

A risk margin of 25% (2010 25%) has been assessed to allow for the inherent uncertainty in the central estimate of the claims liability.

NZ IFRS 4 D17.2(e)

The risk margin has been determined after consideration of past claims history, costs, and trends.

NZ IFRS 4 D17.2(d)

The risk margin is intended to achieve a 75% probability of the liability being adequate to cover the cost of injuries and illnesses that have occurred up to balance date.

<sup>36</sup> Disclosure of comparative figures for the movement in provisions is good practice. It is not required under NZ IAS 37.84.

<sup>37</sup> In accordance with NZ IAS 1.31, an entity may decide not to include all the disclosures required by NZ IFRS 4 *Insurance Contracts* on the basis of materiality.

## 21 Provisions (continued)

### *Key assumptions*

NZ IFRS 4 D17.6.1(c) The key assumptions used in determining the outstanding claims liability are:

NZ IFRS 4 D17.2(g)

NZ IFRS 4 D17.8A(d)

- an average assumed rate of inflation of 2.5% for 31 December 2012 and 2013;
- a weighted average discount factor of 6.8% for 31 December 2012 and 6.95% for 31 December 2013 that has been applied to future payment streams; and
- claim inception rates based on analysis of historical claim experience of the Institute. The Institute has assumed that 5% of claims will result in no payment, 80% will result in medical claims, and 15% will result in an element of time off work.

### *Insurance risk*

NZ IFRS 4 D17.7.1(b)

The Institute operates the Full Self Cover Plan. Under this plan, it assumes full financial and injury management responsibility for work-related injuries and illnesses for a selected management period and continuing financial liability for the life of the claim to a pre-selected limit.

The Institute is responsible for managing claims for a period of up to 24 months following the lodgement date. At the end of 24 months, if an injured employee is still receiving entitlements, the financial and management responsibility of the claim will be transferred to ACC for a price calculated on an actuarial valuation basis.

A stop loss limit of 200% of the industry premium is used. The stop loss limit means the Institute and group will carry the total cost of claims only up to a total of \$520,000.

NZ IAS 37.85

### **Lease make-good provision**

In respect of a number of its leased premises, the Institute and group is required at the expiry of the lease term to make-good any damage caused to the premises. In many cases, the Institute and group has the option to renew these leases, which impacts on the timing of expected cash outflows to make-good the premises. The cash flows associated with the non-current portion of the lease make-good provision are expected to occur in May and June 2016. Information about the Institute and group's leasing arrangements is disclosed in note 23.

22 Equity

		Institute		Group	
		2011	2010	2011	2010
		\$000	\$000	\$000	\$000
NZ IAS 1.106(d)	<b>General funds</b>				
	Balance at 1 January	147,731	135,721	163,701	148,248
NZ IAS 16.41	Property revaluation reserve transfer on disposal	0	0	0	0
	Surplus/(deficit) for the year	3,331	8,496	6,458	11,939
	Capital contributions from the Crown	2,800	0	2,800	0
	Suspensory loans from the Crown	4,000	3,750	4,000	3,750
	Transfers to restricted reserves	(861)	(1,197)	(861)	(1,197)
	Transfers from restricted reserves	1,026	961	1,026	961
	Balance at 31 December	158,027	147,731	177,124	163,701
NZ IAS 1.106(d)	<b>Property revaluation reserves</b>				
	Balance at 1 January	211,306	194,643	211,306	194,643
NZ IAS 16.41	Transfers to general funds on disposal of property	0	0	0	0
	Land net revaluation gains	0	9,105	0	9,105
	Buildings net revaluation gains	0	6,137	0	6,137
	Infrastructure net revaluation gains	0	1,421	0	1,421
	Balance at 31 December	211,306	211,306	211,306	211,306
NZ IAS 1.106(d)	<b>Fair value through other comprehensive income reserves</b>				
	Balance at 1 January	116	66	116	66
NZ IAS 1.92	Reclassification to surplus/(deficit) on disposal	10	(16)	10	(16)
	Net revaluation gains	92	66	92	66
	<i>Net movement in other comprehensive income</i>	102	50	102	50
	Balance at 31 December	218	116	218	116
NZ IAS 1.106(d)	<b>Restricted reserves</b>				
	Balance at 1 January	2,869	2,633	2,869	2,633
	Appropriation of net surplus	861	1,197	861	1,197
	Application of trusts and bequests	(1,026)	(961)	(1,026)	(961)
	Balance at 31 December	2,704	2,869	2,704	2,869
	<b>Total equity</b>	<b>372,255</b>	<b>362,022</b>	<b>391,352</b>	<b>377,992</b>

*Capital contributions*

Good practice Capital contributions received during the year from the Crown were from the Programme for Quality Fund of \$1,300,000 (2010 \$0) and the Distinctive Fund of \$1,500,000 (2010 \$0).

*Suspensory loans*

Good practice Suspensory loans received during the year from the Crown were for the Creative Thinkers Programme of \$1,800,000 (2010 \$2,000,000) and Excellence Programme of \$2,200,000 (2010 \$1,750,000). Note 24 provides information about the outstanding conditions attached to the suspensory loans.

*Property revaluation reserves*

Good practice Property revaluation reserves consist of:<sup>38</sup>

		Institute		Group	
		2011	2010	2011	2010
		\$000	\$000	\$000	\$000
	Land	150,487	150,487	150,487	150,487
	Buildings	59,362	59,362	59,362	59,362
	Infrastructure	1,457	1,457	1,457	1,457
	<b>Total property revaluation reserves</b>	<b>211,306</b>	<b>211,306</b>	<b>211,306</b>	<b>211,306</b>

*Restricted reserves*

Restricted reserves consist of bequest and trust funds held by the Institute on behalf of others.

<sup>38</sup> Entities could also elect to disclose an opening to closing balance reconciliation for each property revaluation reserve class.

**23 Capital commitments and operating leases**

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
<b>Capital commitments</b>				
NZ IAS 16.74(c) Property, plant, and equipment	12,458	8,478	12,458	8,478
NZ IAS 38.122(e) Intangible assets	0	0	0	0
<b>Total capital commitments</b>	<b>12,458</b>	<b>8,478</b>	<b>12,458</b>	<b>8,478</b>

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

**Operating leases as lessee**

NZ IAS 17.35(d) The Institute and group leases property, plant, and equipment in the normal course of its business. The majority of  
 NZ IAS 17.35(a) these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
NZ IAS 17.35(a)(i) Not later than one year	4,259	2,983	4,543	3,181
NZ IAS 17.35(a)(ii) Later than one year and not later than five years	5,752	6,855	6,135	7,312
NZ IAS 17.35(a)(iii) Later than five years	2,868	4,204	3,060	4,484
<b>Total non-cancellable operating leases</b>	<b>12,879</b>	<b>14,042</b>	<b>13,738</b>	<b>14,977</b>

NZ IAS 17.35(b) The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$nil (2010 \$nil).

NZ IAS 17.35(d)(ii) Leases can be renewed at the Institute and group's option, with rents set by reference to current market rates for items of equivalent age and condition. The Institute and group has the option to purchase the asset at the end of the lease term.

NZ IAS 17.35(d)(iii) There are no restrictions placed on the Institute and group by any of the leasing arrangements.

**Operating leases as lessor**

NZ IAS 17.56(a),(c) Investment property is leased under operating leases. The majority of these leases have a non-cancellable term of 36 months, with the exception of two leases that have a non-cancellable term of 72 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
NZ IAS 17.56(a)(i) Not later than one year	42	42	42	42
NZ IAS 17.56(a)(ii) Later than one year and not later than five years	126	168	126	168
NZ IAS 17.56(a)(iii) Later than five years	0	0	0	0
<b>Total non-cancellable operating leases</b>	<b>168</b>	<b>210</b>	<b>168</b>	<b>210</b>

NZ IAS 17.56(b) No contingent rents have been recognised in the statement of financial performance during the year.

NZ IAS 37.86 **24 Contingencies**  
**Contingent liabilities**

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Suspensory loans	2,000	3,000	2,000	3,000
Early childhood centre grant	5,556	0	5,556	0
Personal grievances	25	15	25	15
<b>Total contingent liabilities</b>	<b>7,581</b>	<b>3,015</b>	<b>7,581</b>	<b>3,015</b>

*Suspensory loans with equity conversion features*

The Institute and group has a contingent liability for suspensory loans received from the Crown for the Creative Thinkers Programme and Excellence Programme. The amount of loans that are still subject to achieving required objectives are \$2,000,000 (2010 \$3,000,000) and will convert to equity when those objectives are achieved. The suspensory loans were recognised directly in equity on receipt to reflect the substance of the transactions and that it is more than probable all the funding deliverables will be achieved. If the Institute does not achieve the specified objectives in the loan agreement, it is required to repay all or part of the loan up to a maximum of \$950,000 on 31 December 2015 and \$1,050,000 on 31 December 2014. The Institute and group continues to be committed to meeting the deliverables of the suspensory loans and considers it unlikely any part of the loans will be required to be repaid.

*Early childhood centre grant*

During the year, the Institute and group received a grant from the Crown for the construction of a new early childhood learning centre facility. There are a number of conditions attached to this grant which require all or part of the grant to be repaid in the event the grant conditions are not met. The only remaining condition of the grant at the balance date to be fulfilled is the operation of the learning centre up until 30 June 2021. The Institute is committed to the operation of the learning centre beyond 2020 and therefore considers it more than probable the remaining condition attached to the grant will be satisfied.

*Personal grievances*

There are four (2010 three) open personal grievance claims against the Institute. If the claims were successful, the estimated amount of the settlement costs would be approximately \$25,000 (2010 \$15,000). The Institute is vigorously defending these claims.

*Unquantifiable contingencies*

NZ IAS 19.30(b)(iii) The Institute and group is a participating employer in the DBP Contributors Scheme (the Scheme), which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, the Institute and group could be responsible for any deficit of the Scheme. Similarly, if a number of employers ceased to participate in the Scheme, the Institute and group could be responsible for an increased share of any deficit.

As at 31 March 2011, the Scheme had a past service surplus of \$37.582 million (16.4% of the liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.<sup>39</sup>

The Actuary to the Scheme recommended previously that the employer contributions were suspended with effect from 1 April 2011. In their latest report, the Actuary recommended employer contributions remain suspended.

NZ IAS 37.89 **Contingent assets**

The Institute and group has no contingent assets.

<sup>39</sup> NZ IAS 19.30(c) requires that, where there is a surplus or deficit in a Scheme that may affect the amount of future contributions, an entity must disclose any available information about the surplus or deficit, the basis used to determine the surplus or deficit, and the implications, if any, for the entity.

**25 Related party transactions<sup>40</sup>**

NZ IAS 24.13 The Institute is the parent of the group and controls three entities, being Te Tutuki Enterprise Limited, Te Tutuki Foundation Trust, and Tutuki Accommodation Limited, and has significant influence over Te TutukiTech Limited as an associate.

NZ IAS 24.26(b)(i) **Significant transactions with government-related entities<sup>41</sup>**

The government influences the roles of the Institute as well as being a major source of revenue.

The Institute has received funding and grants from the Tertiary Education Commission totalling \$97.546m (2010 \$93.504m) to provide education and research services for the year ended 31 December 2011.

The Institute also leases, at a nil rental amount, land and buildings legally owned by the Crown. Further information on the accounting for Crown-owned land and buildings is disclosed in note 1 under the heading "critical judgements in applying accounting policies".

NZ IAS 24.26(b)(ii) **Collectively, but not individually, significant, transactions with government-related entities<sup>42</sup>**

In conducting its activities, the Institute is required to pay various taxes and levies (such as GST, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers. The Institute is exempt from paying income tax and FBT<sup>43</sup>.

The Institute purchases goods and services from entities related to the Crown and it also provides services to entities related to the Crown. The purchase and provision of goods and services to government-related entities for the year ended 31 December 2011 are small when compared to the Institute's total expenditure and revenue and have all been conducted on an arms' length basis. The purchase of goods and services included the purchase of electricity from Genesis, air travel from Air New Zealand, and postal services from New Zealand Post. The provision of services to government-related entities mainly related to the provision of educational courses.

NZ IAS 24.18,19 **Related party transactions with subsidiaries, associate, and jointly controlled entity**

	2011 \$000	2010 \$000
<b>SUBSIDIARIES</b>		
<b>Te Tutuki Enterprise Limited</b>		
Services provided by the Institute	846	824
Unsecured loans payable to the Institute	735	282
Debtor for services provided by the Institute	268	227
<b>Te Tutuki Foundation Trust</b>		
Grants received by the Institute	548	522
Services provided to the Institute	101	98
Creditor for services to the Institute	16	21
<b>Tutuki Accommodation Limited</b>		
Services provided by the Institute	1,544	1,428
Debtor for services provided by the Institute	630	201
<b>ASSOCIATE</b>		
<b>Te TutukiTech Limited</b>		
No related party transactions were entered into during the year	0	0
<b>JOINTLY CONTROLLED ENTITY</b>		
<b>Institute for Advanced ResearchTech</b>		
No related party transactions were entered into during the year	0	0

<sup>40</sup> Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's-length transactions are made only if such terms can be substantiated (NZ IAS 24.23).

<sup>41</sup> The nature and amount of each individually significant transaction with a government-related entity shall be separately disclosed (NZ IAS 24.26(b)(i)). The significance of a transaction is assessed both on its size and nature.

<sup>42</sup> A qualitative or quantitative indication of the extent of collectively, but not individually, significant, transactions with government-related entities shall be disclosed (NZ IAS 24.26(b)(ii)).

<sup>43</sup> Polytechnics, Institutes of Technology, and Wananga are currently exempt from FBT as they are regarded as charitable organisations. Universities are specifically excluded from the definition of charitable organisation for FBT purposes and hence are subject to FBT.

## 25 Related party transactions (continued)

### Transactions with key management personnel

NZ IAS 24.17

#### Key management personnel compensation

		2011 \$000	2010 \$000
NZ IAS 24.17(a)	Salaries and other short-term employee benefits	2,562	2,198
NZ IAS 24.17(b)	Post-employment benefits	28	24
NZ IAS 24.17(c)	Other long-term benefits	14	13
NZ IAS 24.17(d)	Termination benefits	0	0
NZ IAS 24.17	<b>Total key management personnel compensation</b>	<b>2,604</b>	<b>2,235</b>

Good practice

Key management personnel include the Chairperson, Councillors, Chief Executive, and 6 senior management personnel.<sup>44,45</sup>

NZ IAS 24.18,19(f)

During the year, the Institute and group purchased legal services from Hamstead, Brown and Wilkinson, a legal firm in which Councillor B Kettle is a partner. These services cost \$18,000 (2010 \$15,315) and were supplied on normal commercial terms. There is a balance of \$2,365 (2010 \$4,654) outstanding for unpaid invoices at year end.

During the year, the Institute and group contracted with Construction Company Ltd in which the Chief Executive's son is the sole shareholder and Company Director. The value of the contracted works totalled \$275,546 (2010 \$nil) and was negotiated on normal commercial terms. There is a balance of \$4,324 (2010 \$nil) outstanding for retentions at year end and there are costs of \$124,943 contractually committed for future capital works.

There are close family members of key management personnel employed by the Institute and group. The terms and conditions of those arrangements are no more favourable than the Institute and group would have adopted if there were no relationship to key management personnel.

Family members of key management personnel were involved in transactions with the Institute through taking a course of study. These services were provided as part of a normal customer relationship and at the discounted price available to all employees and their families.

NZ IAS 24.18(c),(d)

No provision has been required, nor any expense recognised for impairment of any receivables or loans to related parties (2010 \$nil).

CO (09) 05<sup>46</sup>

## 26 Remuneration

Councillor remuneration paid or payable during the year was:

	Institute and group	
	2011	2010
A Scholer (Chairperson)*	24,050	24,050
B Kettle	11,000	11,000
V Able	4,000	4,000
Y Asque	4,000	4,000
<b>Total councillors' remuneration</b>	<b>43,050</b>	<b>43,050</b>

\*The Chairperson is a Director of Te Tutuki Enterprise Limited and Tutuki Accommodation Limited and also received Director fees of \$3,000 (2010 \$3,000).

No Councillors received compensation or other benefits in relation to cessation (2010: 0).

## 27 Events after the balance date

NZ IAS 10.21

On 25 February 2012 the Institute agreed to pursue merger talks with Learn Institute New Zealand. The outcomes of these talks are uncertain.

On 14 April 2012 the Council of the Institute approved the purchase of the property at 50 Hazlewood Street for \$9.2m. The purchase has become unconditional and settlement will occur on 22 May 2011, with funds provided from term borrowings.

<sup>44</sup> This disclosure provides useful information to readers as to who are key management personnel.

<sup>45</sup> The appropriate position titles for the Chairperson and Chief Executive should be inserted. For example, Chancellor, Vice-Chancellor, or Tumuaki.

<sup>46</sup> Paragraph 138 of Cabinet Office circular CO (09) 05 *Fees framework for members appointed to bodies in which the Crown has an interest* states: "Any statutory requirements for the disclosure of fees and other benefits must be met. Crown entities, other than TEIs or schools, must meet the disclosure requirements of section 152 of the Crown Entities Act 2004. Where there are no statutory or other specified requirements, a level of disclosure consistent with public accountability should apply". We consider remuneration and compensation disclosures that follow the principles of section 152 of the Crown Entities Act 2004 fulfil the requirements of paragraph 138 of CO (09) 05.

NZ IFRS 7.8 **28 Financial instruments**  
**28A Financial instrument categories**

The accounting policies for financial instruments have been applied to the line items below:

	Institute		Group		
	2011 \$000	2010 \$000	2011 \$000	2010 \$000	
	<b>FINANCIAL ASSETS</b>				
NZ IFRS 7.8(a)(ii)	<b>Fair value through surplus or deficit<sup>47</sup> – Held for trading</b>				
	Forward foreign exchange contracts	203	17	203	17
	Managed fund	0	0	8,320	8,919
	<i>Total held for trading</i>	203	17	8,523	8,936
NZ IFRS 7.8(c)	<b>Loans and receivables</b>				
	Cash and cash equivalents	5,922	19,966	22,983	31,754
	Debtors and other receivables	3,021	2,967	5,072	4,844
	Other financial assets:				
	- term deposits	9,796	5,191	9,796	5,386
	- loans to related parties	735	281	0	0
	<i>Total loans and receivables</i>	19,474	28,405	37,851	41,984
NZ IFRS 7.8(d)	<b>Fair value through other comprehensive income</b>				
	Other financial assets:				
	- Government bonds	179	164	179	164
	- Unlisted shares	86	0	86	0
	- Listed shares	520	466	520	466
	<i>Total fair value through other comprehensive income</i>	785	630	785	630
	<b>FINANCIAL LIABILITIES</b>				
NZ IFRS 7.8(e)(ii)	<b>Fair value through surplus or deficit – Held for trading</b>				
	Derivative financial instrument liabilities				
	- Interest rate swaps	97	0	97	0
	- Forward foreign exchange contracts	8	32	8	32
	<i>Total held for trading</i>	105	32	105	32
NZ IFRS 7.8(f)	<b>Financial liabilities at amortised cost</b>				
	Creditors and other payables	15,191	12,870	16,665	13,724
	Secured loans	16,252	0	16,252	0
	<i>Total financial liabilities at amortised cost</i>	31,443	12,870	32,917	13,724

<sup>47</sup> A separate total must also be presented for financial assets and financial liabilities that have been designated at fair value through surplus or deficit at initial recognition.

NZ IFRS 7.27B

## 28B Fair value hierarchy disclosures

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

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

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

	Total	Valuation technique		
		Quoted market price	Observable inputs	Significant non-observable inputs
	\$000	\$000	\$000	\$000
<b>31 December 2011 - Institute</b>				
<b>Financial assets</b>				
Derivatives	203	0	203	0
Government bonds	179	179	0	0
Listed shares	520	520	0	0
<b>Financial liabilities</b>				
Derivatives	105	0	105	0
<b>31 December 2011 - Group</b>				
<b>Financial assets</b>				
Derivatives	203	0	203	0
Government bonds	179	179	0	0
Managed fund	8,320	7,300	1,020	0
Listed shares	520	520	0	0
<b>Financial liabilities</b>				
Derivatives	105	0	105	0
<b>31 December 2010 - Institute</b>				
<b>Financial assets</b>				
Derivatives	17	0	17	0
Government bonds	164	164	0	0
Listed shares	466	466	0	0
<b>Financial liabilities</b>				
Derivatives	32	0	32	0
<b>31 December 2010 - Group</b>				
<b>Financial assets</b>				
Derivatives	17	0	17	0
Government bonds	164	164	0	0
Managed fund	8,919	7,517	1,402	0
Listed shares	466	466	0	0
<b>Financial liabilities</b>				
Derivatives	32	0	32	0

## 28C Financial instrument risks

NZ IFRS 7.31

The Institute and group has a series of policies to manage the risks associated with financial instruments. It is risk averse and seeks to minimise exposure from its treasury activities. These policies do not allow any transactions that are speculative in nature to be entered into.

NZ IFRS 7.33(a),(b)

### Market risk

#### *Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Institute and group's listed share investments and managed fund are exposed to price risk. This price risk is managed by diversification of the managed fund portfolio in accordance with the limits set out in the Institutes and group's investment policy.

#### *Currency risk*

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

The Institute purchases library items and scientific equipment from overseas which exposes it to currency risk. The Institute's managed fund also invests in shares and bonds denominated in foreign currency, which also exposes it to currency risk.

The Institute and group manages currency risks associated with the purchase of assets from overseas that are above specified amounts by entering into forward foreign exchange contracts. This means the Institute and group is able to fix the New Zealand dollar amount payable prior to delivery of the asset from overseas. The managed fund's exposure to currency risk is mitigated to an extent via diversification of investments across different currencies in accordance with the Institute and group's investment policy.

#### *Fair value interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest create exposure to fair value interest rate risk. The Institute and group does not actively manage its exposure to fair value interest rate risk.

#### *Cash flow interest rate risk*

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates create exposure to cash flow interest rate risk.

Generally, the Institute and group raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if the Institute and group borrowed at fixed rates directly. Under the interest rate swaps, the Institute and group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

### Credit risk

Credit risk is the risk that a third party will default on its obligation to the Institute and group, causing it to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits which give rise to credit risk.

In the normal course of business, the Institute and group is exposed to credit risk from cash and term deposits with banks, debtors and other receivables, government bonds, loans to subsidiaries, derivative financial instrument assets, and bonds within the managed fund investment. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

The Institute and group limits the amount of credit exposure to any one financial institution for term deposits to no more than 25% of total investments held. The group invests funds only with registered banks that have a Standard and Poor's credit rating of at least A2 for short term and A- for long-term investments.

The Institute and group holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

NZ IFRS 7.36(c)  
IG23,24

## 28C Financial instrument risks (continued)

### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Institute		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
<b>COUNTERPARTIES WITH CREDIT RATINGS</b>				
<b>Cash at bank and term deposits</b>				
AA	10,217	16,352	21,306	24,141
AA-	5,501	8,805	11,473	12,999
<i>Total cash at bank and term deposits</i>	15,718	25,157	32,779	37,140
<b>Government bonds</b>				
AAA	179	164	179	164
<b>Derivative financial instrument assets</b>				
AA	203	17	203	17
<b>Managed fund (bonds)</b>				
AAA-	0	0	936	1,026
AA-	0	0	2,246	2,462
A	0	0	562	615
<i>Total managed fund</i>	0	0	3,744	4,103
<b>COUNTERPARTIES WITHOUT CREDIT RATINGS</b>				
<b>Loans to subsidiary</b>				
Existing counterparty with no defaults in the past	735	281	0	0
Existing counterparty with defaults in the past	0	0	0	0
<i>Total loans to related parties</i>	735	281	0	0
<b>Debtors and other receivables</b>				
Existing counterparty with no defaults in the past	2,999	2,905	4,998	4,750
Existing counterparty with defaults in the past	22	62	74	94
<i>Total debtors and other receivables</i>	3,021	2,967	5,072	4,844

**28C Financial instrument risks (continued)**

**Liquidity risk**

NZ IFRS 7.39(c)

*Management of liquidity risk*

Liquidity risk is the risk that the Institute and group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Flexibility in funding is maintained by keeping committed credit lines available.

The Institute and group has a maximum amount that can be drawn down against its overdraft facility of \$2,500,000 (2010 \$2,500,000). There are no restrictions on the use of this facility.

The Institute and group manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

NZ IFRS 7.39(a)

*Contractual maturity analysis of financial liabilities, excluding derivatives*

The table below analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows. <sup>48</sup>

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Institute 2011</b>							
Creditors and other payables	15,191	15,191	15,191	0	0	0	0
Accrued pay	2,344	2,344	2,344	0	0	0	0
Secured loans	16,252	17,770	2,053	393	10,787	4,537	0
Finance leases	536	747	54	54	107	107	425
<b>Total</b>	<b>34,323</b>	<b>36,052</b>	<b>19,642</b>	<b>447</b>	<b>10,894</b>	<b>4,644</b>	<b>425</b>
<b>Group 2011</b>							
Creditors and other payables	16,665	16,665	16,665	0	0	0	0
Accrued pay	2,367	2,367	2,367	0	0	0	0
Secured loans	16,252	17,770	2,053	393	10,787	4,537	0
Finance leases	536	747	54	54	107	107	425
<b>Total</b>	<b>35,820</b>	<b>37,549</b>	<b>21,139</b>	<b>447</b>	<b>10,894</b>	<b>4,644</b>	<b>425</b>
<b>Institute 2010</b>							
Creditors and other payables	12,870	12,870	12,870	0	0	0	0
Accrued pay	2,347	2,347	2,347	0	0	0	0
Finance leases	590	853	54	54	107	107	531
<b>Total</b>	<b>15,807</b>	<b>16,070</b>	<b>15,271</b>	<b>54</b>	<b>107</b>	<b>107</b>	<b>531</b>
<b>Group 2010</b>							
Creditors and other payables	13,724	13,724	13,724	0	0	0	0
Accrued pay	2,354	2,354	2,354	0	0	0	0
Finance leases	590	853	54	54	107	107	531
<b>Total</b>	<b>16,668</b>	<b>16,931</b>	<b>16,132</b>	<b>54</b>	<b>107</b>	<b>107</b>	<b>531</b>

<sup>48</sup> NZ IFRS 7 does not prescribe the time bands to use. Entities will need to exercise their judgement in determining the appropriate time bands to use when presenting the contractual maturity analysis.

**28C Financial instrument risks (continued)**

NZ IFRS 7.39(b),  
B11D(d)

*Contractual maturity analysis of derivative financial liabilities*

The table below analyses derivative financial instrument liabilities<sup>49</sup> into those that are settled net and those that will be settled on a gross basis into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Liability carrying amount \$000	Asset carrying amount \$000	Contractual Cash flows NZ\$ \$000	Less than 6 months NZ\$ \$000	6-12 months NZ\$ \$000	1-2 years NZ\$ \$000
<b>Institute and group 2011</b>						
Gross settled derivatives:	8	203				
Forward foreign exchange contracts:						
- outflow			1,254	620	300	334
- inflow			1,426	668	380	378
Net settled derivatives	97		113	34	42	37
<b>Institute and group 2010</b>						
Gross settled derivatives:	32	17				
Forward foreign exchange contracts:						
- outflow			324	124	200	0
- inflow			366	137	229	0

NZ IFRS 7 B11E

*Contractual maturity analysis of financial assets<sup>50</sup>*

The table below analyses financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	Carrying amount \$000	Contractual cash flows \$000	Less than 6 months \$000	6-12 months \$000	1-2 years \$000	2-3 years \$000	More than 3 years \$000
<b>Institute 2011</b>							
Cash and cash equivalents	5,922	5,922	5,922	0	0	0	0
Debtors and other receivables	3,021	3,021	3,021	0	0	0	0
Government bonds	179	212	8	204	0	0	0
Term deposits	9,796	10,479	7,314	1,675	555	935	0
<b>Total</b>	<b>18,918</b>	<b>19,634</b>	<b>16,265</b>	<b>1,879</b>	<b>555</b>	<b>935</b>	<b>0</b>
<b>Group 2011</b>							
Cash and cash equivalents	19,966	19,966	19,966	0	0	0	0
Debtors and other receivables	2,967	2,967	2,967	0	0	0	0
Government bonds	179	212	8	204	0	0	0
Term deposits	9,796	10,479	7,314	1,675	555	935	0
<b>Total</b>	<b>32,908</b>	<b>33,624</b>	<b>30,255</b>	<b>1,879</b>	<b>555</b>	<b>935</b>	<b>0</b>
<b>Institute 2010</b>							
Cash and cash equivalents	22,983	22,983	22,983	0	0	0	0
Debtors and other receivables	5,072	5,072	5,072	0	0	0	0
Govt bonds	164	220	8	8	204	0	0
Term deposits	5,191	5,701	3,336	1,593	772	0	0
<b>Total</b>	<b>33,410</b>	<b>33,976</b>	<b>31,399</b>	<b>1,601</b>	<b>976</b>	<b>0</b>	<b>0</b>

<sup>49</sup> Entities shall include all gross settled derivative financial instruments regardless of whether their fair value is an asset or a liability.

<sup>50</sup> Entities are required to disclose a maturity analysis of financial assets they hold for managing liquidity risk if that information is necessary to enable users of their financial statements to evaluate the nature and extent of liquidity risk.

28C Financial instrument risks (continued)

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Group 2010</b>							
Cash and cash equivalents	31,754	31,754	31,754	0	0	0	0
Debtors and other receivables	4,844	4,844	4,844	0	0	0	0
Govt bonds	164	220	8	8	204	0	0
Term deposits	5,386	5,935	3,336	1,593	1,006	0	0
<b>Total</b>	<b>42,148</b>	<b>42,753</b>	<b>39,942</b>	<b>1,601</b>	<b>1,210</b>	<b>0</b>	<b>0</b>

NZ IFRS 7.40

Sensitivity analysis<sup>51</sup>

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding general funds) for reasonably possible market movements, with all other variables held constant, based on financial instrument exposures at balance date.

Institute

	2011 \$000				2010 \$000			
	Surplus	-50bps Other equity	Surplus	+150bps Other equity	Surplus	-100bps Other equity	Surplus	+100bps Other equity
<b>INTEREST RATE RISK</b>								
<b>Financial assets</b>								
Cash and cash equivalents	(17)	0	50	0	(22)	0	22	0
<b>Financial liabilities</b>								
Interest rate swaps	(121)	0	267	0	0	0	0	0
Secured loans	82	0	(245)	0	0	0	0	0
<b>Total sensitivity</b>	<b>(56)</b>	<b>0</b>	<b>72</b>	<b>0</b>	<b>(22)</b>	<b>0</b>	<b>22</b>	<b>0</b>
	Surplus	-10% Other equity	Surplus	+10% Other equity	Surplus	-10% Other equity	Surplus	+10% Other equity
<b>FOREIGN EXCHANGE RISK</b>								
<b>Financial assets</b>								
Foreign exchange derivatives	558	0	(406)	0	22	0	(20)	0
<b>Financial liabilities</b>								
Creditors and other payables	(23)	0	18	0	(56)	0	46	0
Foreign exchange derivatives	14	0	(11)	0	178	0	(152)	0
<b>Total sensitivity</b>	<b>549</b>	<b>0</b>	<b>(399)</b>	<b>0</b>	<b>144</b>	<b>0</b>	<b>(126)</b>	<b>0</b>
<b>OTHER PRICE RISK</b>								
<b>Financial assets</b>								
Government bonds	0	(18)	0	18	0	(16)	0	16
Listed shares	0	(52)	0	52	0	(47)	0	47
<b>Total sensitivity</b>	<b>0</b>	<b>(70)</b>	<b>0</b>	<b>70</b>	<b>0</b>	<b>(63)</b>	<b>0</b>	<b>63</b>

<sup>51</sup> NZ IFRS 7 does not prescribe the format for presenting the sensitivity analysis. These model financial statements illustrate one possible presentation that meets the requirements of NZ IFRS 7.

28C Financial instrument risks (continued)

Group

	2011 \$000				2010 \$000			
	Surplus	-50bps Other equity	Surplus	+150bps Other equity	Surplus	-100bps Other equity	Surplus	+100bps Other equity
<b>INTEREST RATE RISK</b>								
<b>Financial assets</b>								
Cash and cash equivalents	(30)	0	89	0	(34)	0	34	0
<b>Financial liabilities</b>								
Interest rate swaps	(121)	0	267	0	0	0	0	0
Secured loans	82	0	(245)	0	0	0	0	0
<b>Total sensitivity</b>	<b>(69)</b>	<b>0</b>	<b>111</b>	<b>0</b>	<b>(34)</b>	<b>0</b>	<b>34</b>	<b>0</b>
	Surplus	-10% Other equity	Surplus	+10% Other equity	Surplus	-10% Other equity	Surplus	+10% Other equity
<b>FOREIGN EXCHANGE RISK</b>								
<b>Financial assets</b>								
Foreign exchange derivatives	558	0	(406)	0	22	0	(20)	0
Managed fund (shares & bonds)	832	0	(802)	0	891	0	(844)	0
<b>Financial liabilities</b>								
Creditors and other payables	(23)	0	18	0	(56)		46	
Foreign exchange derivatives	14	0	(11)	0	178	0	(152)	0
<b>Total sensitivity</b>	<b>1,381</b>	<b>0</b>	<b>(1,201)</b>	<b>0</b>	<b>1,035</b>	<b>0</b>	<b>(970)</b>	<b>0</b>
<b>OTHER PRICE RISK</b>								
<b>Financial assets</b>								
Government bonds	0	(18)	0	18	0	(16)	0	16
Listed shares	0	(52)	0	52	0	(47)	0	47
Managed fund (shares & bonds)	(1,012)	0	1,012	0	(1,211)	0	1,211	0
<b>Total sensitivity</b>	<b>(1,012)</b>	<b>(70)</b>	<b>1,012</b>	<b>70</b>	<b>(1,211)</b>	<b>(63)</b>	<b>1,211</b>	<b>63</b>

*Explanation of interest rate risk sensitivity*

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example a decrease in 50 bps is equivalent to a decrease in interest rates of 0.5%.

The sensitivity for interest rate swaps has been calculated using a derivative valuation model based on a parallel shift in interest rates of -50bps/+150bps.

*Explanation of foreign exchange risk sensitivity*

The foreign exchange sensitivity is based on a reasonable possible movement in foreign exchange rates, with all other variables held constant, measured as a percentage movement in the foreign exchange rate.

The sensitivity for foreign exchange derivatives has been calculated using a derivative valuation model based on movement in forward rates of -10%/+10%.

*Explanation of other price risk sensitivity*

The sensitivity for government bonds has been calculated based on a -10%/+10% movement in the quoted bid price at year end for the government bond.

The sensitivity for listed shares has been calculated based on a -10%/+10% movement in the quoted bid share price at year end for the listed shares.

The sensitivity for the managed fund has been calculated based on a -10%/+10% movement in the quoted bid price at year end for of all the investments held by the fund.

NZ IAS 1.134

## 29 Capital management

The Institute and group's capital is its equity, which comprises general funds, and property valuation and fair value through comprehensive income reserves. Equity is represented by net assets.

The Institute is subject to the financial management and accountability provisions of the Education Act 1989, which includes restrictions in relation to: disposing of assets or interests in assets, ability to mortgage or otherwise charge assets or interests in assets, granting leases of land or buildings or parts of buildings, and borrowing.

The Institute manages its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. The Institute's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

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

NZ IAS 1 NZ 46.1

## 30 Explanations of major variances against budget

Explanations for major variations against the budget information at the start of the financial year are as follows:

### Statement of comprehensive income

#### *Research income*

Group research income was \$2.6m less than budget. This unfavourable variance arose because expected research funding was not received during the year.

### Statement of financial position

#### *Other financial assets*

Institute term deposits are greater than budgeted by \$4.7m due to surplus cash as a result of delays in planned capital expenditure projects of \$2.5m and delays in spending funds drawn down for suspensory loans of \$2m.

Group term deposits are greater than budgeted by \$7.1m due to the variances for the Institute of \$4.7m and greater than expected research income received but not yet expended of \$2.0m.

#### *Property, plant, and equipment*

Institute and group property, plant, and equipment are greater than budgeted by \$2.8m and \$2.6m respectively mainly due to the construction of the Early Childhood Education Centre which was not budgeted for.

#### *Employee entitlements*

Institute and group employee entitlements are greater than budgeted by \$2.0m, mainly due to annual leave entitlements not being taken as expected.

#### *General funds*

Institute general funds are greater than budgeted by \$10.3m, mainly due to capital contributions from the Crown of \$2.8m which was not budgeted for and the prior year's actual surplus being greater than anticipated when the budget was set.

Group general funds are greater than budgeted by \$13.2m, mainly due to capital contributions from the Crown of \$2.8m which was not budgeted for, the group surplus being \$2.0m greater than budget, and the prior year's actual surplus being greater than anticipated when the budget was set.

### Statement of movements in equity

Institute and group total equity is greater than budgeted by \$10.2m and \$14.7m respectively. The explanation provided above for general funds explains these variances.

### Statement of cash flows

#### *Purchase of property, plant, and equipment*

Refer to the statement of financial position explanation provided above for property, plant, and equipment.

NZ IAS 1.41

## 31 Reclassification of expenditure

In previous years, some employee costs related to occupancy costs have been classified as "other occupancy costs" within "other expenses" in the statement of comprehensive income. The Institute now considers it more appropriate to include these employee costs as part of "personnel costs" in the statement of comprehensive income. As a result, \$324,549 of employee costs has been reclassified from "other occupancy costs" to "personnel costs" in the comparative information.

ALTERNATIVE DISCLOSURE ILLUSTRATIONS

1 Separate statement of financial performance and statement of comprehensive income

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2011

NZ IAS 1.10(b) NZ IAS 1.113	Note	Institute			Group		
		Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000	Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000
		<b>Income</b>					
NZ IAS 1.82(a)	<a href="#">3</a>	97,546	97,547	93,504	100,340	97,993	96,351
NZ IAS 1.82(a)	<a href="#">3</a>	65,525	66,309	64,886	66,188	66,773	65,542
NZ IAS 1.82(a)		11,155	10,544	11,088	19,980	22,614	18,531
NZ IAS 1.82(a)		2,265	2,000	2,958	3,122	3,000	3,574
NZ IAS 1.85	<a href="#">3</a>	3,860	3,652	3,257	7,858	6,222	7,687
NZ IAS 1.85		<b>Total income</b>			<b>197,488</b>	<b>196,602</b>	<b>191,685</b>
		<b>Expenditure</b>					
NZ IAS 1.102	<a href="#">4</a>	103,240	102,574	97,711	109,675	108,895	102,656
	<a href="#">14,15</a>	19,188	19,516	16,553	19,231	19,566	16,589
NZ IAS 1.82(b)	<a href="#">5</a>	1,585	1,300	105	1,585	1,300	105
	<a href="#">6</a>	53,007	52,748	52,828	60,610	62,427	60,440
NZ IAS 1.85		<b>Total expenditure</b>			<b>191,101</b>	<b>192,188</b>	<b>179,790</b>
NZ IAS 1.82(c)		0	0	0	71	0	44
NZ IAS 1.82(f)		<b>Surplus/(deficit)</b>	<b>3,331</b>	<b>3,914</b>	<b>8,496</b>	<b>6,458</b>	<b>11,939</b>

STATEMENT OF COMPEHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

NZ IAS 1.10(b) NZ IAS 1.113	Note	Institute			Group		
		Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000	Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000
		<b>3,331</b>	<b>3,914</b>	<b>8,496</b>	<b>6,458</b>	<b>4,414</b>	<b>11,939</b>
		<b>Other comprehensive income</b>					
NZ IAS 1.82(g)	<a href="#">22</a>	0	0	16,663	0	0	16,663
NZ IAS 1.82(g)	<a href="#">22</a>	102	0	50	102	0	50
NZ IAS 1.85		<b>Total other comprehensive income</b>			<b>102</b>	<b>0</b>	<b>16,713</b>
NZ IAS 1.82(i)		<b>Total comprehensive income</b>	<b>3,433</b>	<b>3,914</b>	<b>25,209</b>	<b>6,560</b>	<b>28,652</b>

NZ IAS 1 NZ 46.1 Explanations of major variances against budget are provided in note 30.

*The accompanying notes form part of these financial statements.*

2 Statement of comprehensive income prepared using the function of expense classification

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

NZ IAS 1.10(b) NZ IAS 1.113	Note	Institute			Group		
		Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000	Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000
		<b>Income</b>					
NZ IAS 1.82(a)	3	97,546	97,547	93,504	100,340	97,993	96,351
NZ IAS 1.82(a)	3	65,525	66,309	64,886	66,188	66,773	65,542
NZ IAS 1.82(a)		11,155	10,544	11,088	19,980	22,614	18,531
NZ IAS 1.82(a)		2,265	2,000	2,958	3,122	3,000	3,574
NZ IAS 1.85	3	3,860	3,652	3,257	7,858	6,222	7,687
NZ IAS 1.85		<i>Total income</i>			197,488	196,602	191,685
		<b>Expenditure</b>					
NZ IAS 1.102		60,911	62,021	57,924	60,911	62,021	57,923
		29,586	29,153	28,134	33,786	34,354	31,534
		27,846	27,438	26,479	27,846	27,438	26,479
		17,404	17,149	16,549	17,404	17,149	16,549
		22,625	22,293	21,514	23,725	23,293	22,514
		15,663	15,434	14,894	15,663	15,434	14,894
NZ IAS 1.82(b)	5	1,585	1,300	105	1,585	1,300	105
		1,400	1,350	1,598	10,181	11,199	9,792
NZ IAS 1.85		<i>Total expenditure</i>			191,101	192,188	179,790
NZ IAS 1.82(c)		0	0	0	71	0	44
NZ IAS 1.82(f)		<b>Surplus/(deficit)</b>	<b>3,331</b>	<b>3,914</b>	<b>8,496</b>	<b>6,458</b>	<b>4,414</b>
		<b>Other comprehensive income</b>					
NZ IAS 1.82(g)	22	0	0	16,663	0	0	16,663
NZ IAS 1.82(g)	22	102	0	50	102	0	50
NZ IAS 1.85		<i>Total other comprehensive income</i>			102	0	16,713
NZ IAS 1.82(i)		<b>Total comprehensive income</b>	<b>3,433</b>	<b>3,914</b>	<b>25,209</b>	<b>6,560</b>	<b>4,414</b>

NZ IAS 1 NZ 46.1 Explanations of major variances against budget are provided in note 30.

*The accompanying notes form part of these financial statements.*

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## OUR SERVICES

Audit New Zealand has a unique position as a business unit of the Controller and Auditor-General (the Auditor-General). The core business of Audit New Zealand is carrying out annual audits across the New Zealand public sector. We are also an experienced, trusted and independent provider of assurance services, in "real-time" or retrospectively. These services are provided under Section 17 of the Public Audit Act 2001.

Our core strengths include provision of assurance services over:

- asset management;
- contract management;
- project management;
- tendering and procurement; and
- taxation.

We can also help public sector organisations with review and assurance services for governance arrangements, risk management practices, performance management and reporting, sensitive and discretionary expenditure, and investigations of probity and other sensitive matters where independence may be essential.

We are the Auditor-General's in-house specialists. We support her work by providing public sector organisations with greater levels of assurance in areas that really matter.

Our assurance services complement our audit work. Our independence and integrity are fundamental to us. You can be confident that our assurance work meets international standards of auditor independence.

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