Tai Poutini Polytechnic
NEW ZEALAND

2016 Annual Report

Purpose of Report

This Annual Report has been produced to fulfil two main functions:

1. To meet the requirements of the Public Finance Act 1989, Education Act 1989, and Crown Entities Act 2004 by providing annual financial statements and non-financial information for significant activities; and
2. To provide information to Tai Poutini Polytechnic's (TPP) stakeholders about its performance against financial and service performance indicators; and in compliance with Tertiary Outcomes Framework reporting and associated performance reporting commitments.

This Annual Report has both accountability and information functions. It is related to a number of other documents including the 2015-2017 Investment Plan and the 2016 Operations Plan.

This Annual Report was not completed in time to meet the statutory deadline due to issues around audit and going concern. These issues were resolved in early 2018 when the report was completed and published.

Contents

TPP Governance

Legal Status

TPP is a Polytechnic established under the Education Act 1989. It is governed by a Council. The Council has a significant leadership role particularly in setting institutional directions and strategy. Under the Education Act 1989 this role manifests itself in Council responsibility for the following functions:

- Appointing a Chief Executive;
- Long term planning for overall viability;
- Investment Plan development for negotiation with the Tertiary Education Commission (TEC); and
- Ensuring that TPP is managed in accordance with its Investment Plan.

Duties of the Council

It is the duty of the Council, in the performance of its functions and the exercise of its powers:

a) to strive to ensure that the institution attains the highest standards of excellence in education, training, and research;

b) to acknowledge the principles of the Treaty of Waitangi;

c) to encourage the greatest possible participation by the communities served by the institution so as to maximise the educational potential of all members of those communities particularly the groups in those communities that are under-represented among the students of the institution;

d) to ensure that the institution does not discriminate unfairly against any person;

e) to ensure that the institution operates in a financially responsible manner that ensures the efficient use of resources and maintains the institution's long-term viability;

f) to ensure that proper standards of integrity, conduct, and concern are maintained for:
   i. the public interest; and
   ii. the well-being of students attending the institution.

The Council members are drawn from people highly experienced in the education sector and its governance, together with members who represent the West Coast region. The Council members are:

Appointed by the Minister of Tertiary Education

Mr Graeme McNally (Chair)	1 May 2010 to 31 April 2017
Mr John Clayton (Deputy Chair)	1 May 2010 to 30 April 2016
Mr Barry Jones	1 May 2010 to 16 February 2016
Mr John Mote	1 May 2010 to 30 April 2017 (resigned)
Mr Kevin Stratful	26 May 2016 to 30 April 2020
Ms Raelyn Lourie	1 July 2016 to 30 April 2020
Mr Andrew Robb	5 December 2016 to 30 April 2020

TPP would like to specially acknowledge Mr Barry Jones, who passed away on February 16, 2016.

Appointed by the TPP Council

Mr Christopher Rea	1 September 2014 to 30 April 2018
Mrs Nicky Cooper	1 May 2015 to 27 October 2016 (resigned)
Dr Gabrielle Wall	1 May 2015 to 30 April 2018 (Deputy Chair from 26 May 2016)
Dr Peter Coolbear	1 May 2015 to 30 April 2019

Table 1: Attendance of Council Members at TPP Council Meetings

Name	Meetings eligible to attend	Actual number attended
Graeme McNally	11	11
John Clayton	5	3
Barry Jones	1	0
John Mote	9	6
Christopher Rea	11	10
Nicky Cooper	10	10
Dr Gabrielle Wall	11	11
Dr Peter Coolbear	11	10
Kevin Stratful	6	6
Raelyn Lourie	5	5

Murray Strong was appointed as Crown Manager of Tai Poutini Polytechnic with effect from 12 December 2016. This is in accordance with section 222c of the Education Act 1989.

Committees of the Council

Academic Board

The Council is required to establish and maintain an Academic Board in accordance with Section 182 of the Education Act 1989 to:

a) Advise the Council on matters relating to courses of study or training, awards, and any other academic matters; and
b) Exercise powers delegated to it by the Council.

It is chaired by the Chief Executive.

Audit Committee

The Audit Committee is responsible for:

- Arrangements with the external auditor and for reviewing the findings of the external auditor;
- Reviewing and approving accounting and financial policies;
- Overview of statutory compliance; and
- Establishing and reviewing internal audit projects.

In 2016, the Audit Committee was chaired by TPP Council Member, Graeme McNally.

Chief Executive Performance Committee

The Chief Executive's Performance Committee is responsible for:

- Establishing the Chief Executive's annual performance agreement; monitoring progress of achievement;
- Recommending remuneration and performance payments; and
- Discussions with the Chief Executive about performance and professional development.

It is chaired by TPP Council Member, Gabrielle Wall.

Directory

Table 2: Management Team

Name	Position
Alex Cabrera	Acting Chief Executive [1]
Sue Allard	Director - Strategic Development
Peter Bayliss	Director - Academic and Quality
Samuel Blight	Director - Strategy
Alyson Bone	Chief Financial Officer
Christine Fenton	General Manager - MAINZ Faculty
Vickie Hope	Human Resources Manager
Mequa Hourston	Sales and Marketing Manager
Blair Keily	Chief Information Officer
Karen Kennedy	Executive Assistant
David Mason	Te Kaiwhakahaere o Mātauranga Māori
Vanessa Rankin	Academic Registrar
Preeti Singh	General Manager - Training for Industry Faculty
Teresa Schwellnus	General Manager - West Coast Faculty

Bankers	ASB Bank
Auditors	Audit New Zealand (on behalf of the Office of the Controller and Auditor General)
Solicitors	Hannan and Seddon Lawyers PO Box 8 Greymouth

Note 1: Allan Sargison was Chief Executive Officer until his departure in May 2016. Alex Cabrera assumed the role of Acting Chief Executive Officer in July 2016.

Statement of Responsibility

Under section 155 of the Crown Entities Act 2004, we hereby certify that:

1. We have been responsible for the preparation of these financial statements, the Statement of Service Performance and the judgement used therein;
2. We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. We are of the opinion that these financial statements and the Statement of Service Performance fairly reflect the financial position and operations of this institution for the year ended 31 December 2016.

Murray Strong
Crown Manager

Alex Cabrera
Chief Executive

Alyson Bone ACMA, CGMA
Chief Financial Officer

Independent Auditor's Report

To the readers of Tai Poutini Polytechnic and group's financial statements and statement of service performance for the year ended 31 December 2016

The Auditor-General is the auditor of Tai Poutini Polytechnic (the Polytechnic) and group. The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Polytechnic and group on his behalf.

We have audited:

- the financial statements of the Polytechnic and group on pages 15 to 43, that comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Polytechnic and group on pages 9 to 14.

Qualified opinion on the financial statements

In our opinion, except for the matter described in the *Basis for our qualified opinion* section of our report, the financial statements of the Polytechnic and group on pages 15 to 43:

- present fairly, in all material respects:
    - the financial position as at 31 December 2016; and
    - the financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

Opinion on the Statement of Service Performance

In our opinion, the statement of service performance of the Polytechnic and group on pages 9 to 14 presents fairly, in all material respects, the Polytechnic and group's service performance achievements measured against the proposed outcomes described in the investment plan for the year ended 31 December 2016.

Our audit was completed on 3 August 2018. This is the date at which our opinion is expressed.

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

Material uncertainty relating to going concern

Without further modifying our opinion, we draw your attention to the disclosures in Note 20 on page 41 that set out the Council's assessment of the Polytechnic's ability to continue as a going concern. The validity of the use of the going concern basis of accounting is dependent on the Polytechnic receiving all of the capital injection agreed with the Crown, subject to the Polytechnic meeting the conditions in the agreement. The Polytechnic has submitted a business case to the

Minister of Education with options for its future governance and organisational structure. A decision on this has been deferred pending the government's decision on the future of the institutes of technology and polytechnic sector.

These matters indicate that a material uncertainty exists that may cast significant doubt on the Polytechnic's ability to continue as a going concern.

Failure to meet statutory reporting deadline

Without further modifying our opinion, we draw your attention to the disclosure in Note 19 on page 41 about the Council not complying with the Crown Entities Act, which requires the Council to have the audited financial statements available within four months of balance date.

Basis for our qualified opinion

Funding overclaimed 2010 - 2015

An investigation by the Tertiary Education Commission (TEC) in 2017 found that the Polytechnic had overclaimed its SAC Funding in the years 2010 to 2015 by a total of $18,464,921 (GST exclusive). The Polytechnic had included the amounts overclaimed as revenue in the relevant years and thus those years' revenues and results were overstated. If revenue had been recognised at the correct amounts then Equity would be lower by $18,464,921 at both 31 December 2015 and 2016. Further, the total funding overclaimed, which had been received, was a debt due to TEC at both 31 December 2015 and 2016 that should have been recognised as a liability.

However, in 2018 TEC decided not to seek recovery of any of the amount overclaimed. As TEC made this decision after the 2017 balance date it should be accounted for in the Polytechnic's 2018 financial statements.

The effect of TEC's forgiveness of the debt was to restore the Polytechnic's results as though it had not overclaimed any SAC funding. As the Polytechnic became aware of the decision before it completed its 2016 financial statements it decided not to adjust these financial statements for the effect of the overstated revenue in prior years, nor has it recognised a debt to TEC at balance date.

Delivery to fewer students than funded for: 2016

In addition, in 2018 TEC also decided not seek recovery of $3,115,449 which arose from the Polytechnic having delivered courses to fewer students than it was funded for in 2016. This amount has, correctly, not been recognised as revenue by the Polytechnic in 2016. Instead, the amount is shown as *MOE Funding in Advance* as at 31 December 2016 as it was to have been offset by TEC against future funding receipts.

The Polytechnic has decided to recognise the effect of TEC's decision in its 2017 financial statements by transferring the amount from Revenue in Advance to Equity as part of the Capital Injection in the Statement of Changes in Equity. The correct treatment would have been for the Polytechnic to make this adjustment in its 2018 financial statements, the year when TEC made the decision.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the financial statements and our opinion on the statement of service performance.

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

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

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

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

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

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

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

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

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

For the budget information reported in the financial statements and the statement of service performance, our procedures were limited to checking that the information agreed to the Polytechnic and group's statement of intent.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Polytechnic and group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Polytechnic and group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the statement of service performance of the entities or business activities within the group to express an opinion on the consolidated financial statements and the consolidated statement of service performance. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Council is responsible for the other information. The other information comprises the information included on pages 2 to 4, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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

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

Independence

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

Other than the audit, we have no relationship with or interests in the Polytechnic or any of its subsidiaries.

Ian Lothian

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

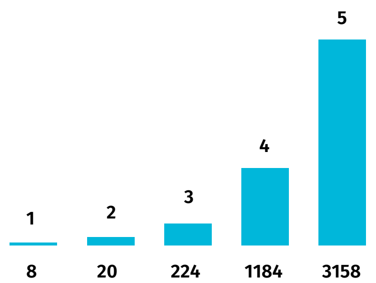
Student Satisfaction

Tutor Evaluation

A total of 4594 students, both full and part-time, are represented in the rating below. The ratings represent responses from approximately 66% of all students.

The Academic Board target was to maintain a Tutor Evaluation average of 4.5. The 2016 Mean Average was 4.48.

Graph 16: 2016 Tutor Evaluation Satisfaction Survey Ratings



2016 Mean Average: 4.48

Method: How would you rate the quality of teaching from this tutor? Rated from 1-5 (1 = very dissatisfied; 5 = very satisfied).

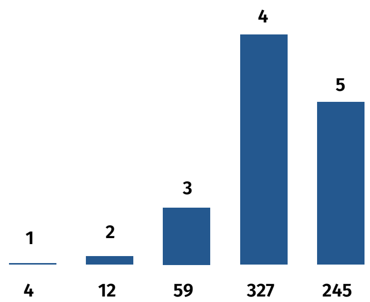
Programme Satisfaction

A total of 647 full-time students are represented in the ratings below. The ratings represent approximately 33% of full-time students.

It should be noted the percentage of full-time students represented is affected by student withdrawal, absent students, distance students or those who have left for work experience/employment prior to part 3 of the survey being rolled out.

The 2015 Academic Board target was to maintain a student satisfaction average rating of 4.5. The 2016 Mean Average was 4.23.

Graph 17: 2016 Programme Satisfaction Survey Ratings



2016 Mean Average: 4.23

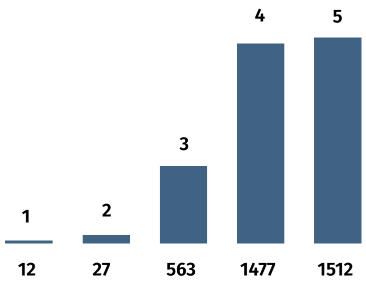
Method: Overall how satisfied were you with your student experience at Tai Poutini Polytechnic? Rated from 1-5 (1 = very dissatisfied 5 = very satisfied)

Short Course Programme Satisfaction

A total of 3,591 short course students are represented in the rating. The rating represents approximately 68% of students enrolled in short course training.

The Academic Board target was to maintain a student satisfaction average rating for short courses of 4.6. In 2016 the Mean Average was 4.2.

Graph 18: Short Course Programme and Learning Satisfaction Survey Ratings



2016 Mean Average: 4.2

Method: Overall how satisfied were you with your student experience at Tai Poutini Polytechnic? Rated from 1-5 (1 = very dissatisfied 5 = very satisfied)

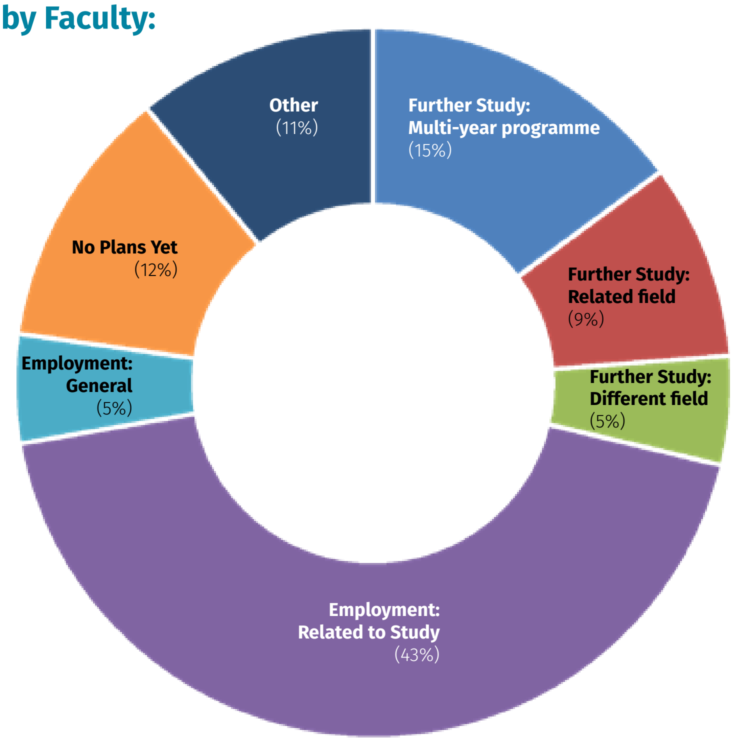
Graph 19: Student Destination - Tai Poutini Polytechnic

A total of 269 full-time students are represented in the percentages below. The total percentage represent approximately 14% of full-time students.

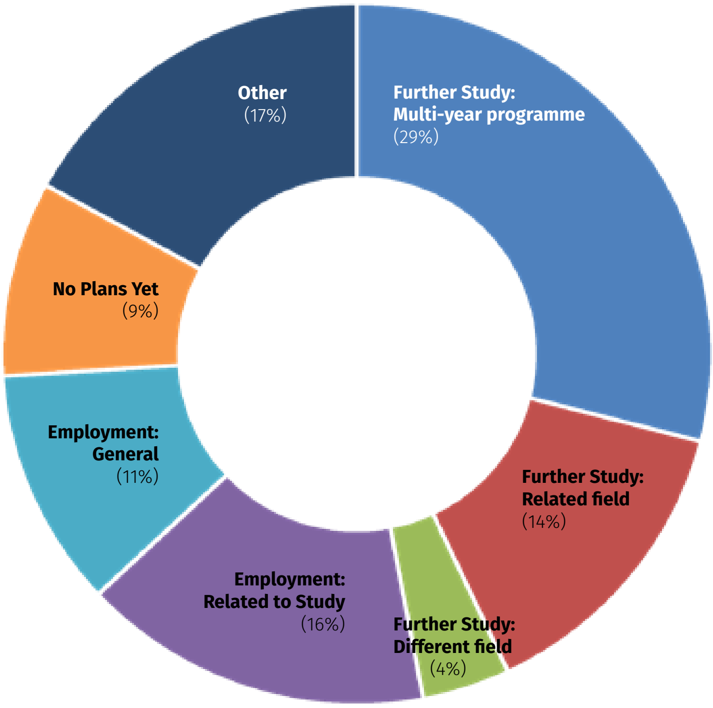
The Academic Board target was to achieve a destination percentage of 80% for students moving into employment or further study. It should be noted the percentage of full-time students represented is adversely affected by students who complete surveys but may not respond to this question, withdrawal, absent students, distance students or those who have left for work experience/employment prior to part 3 of the survey being rolled out (these students would still be counted in the total number of students).

Breakdown of Destination Analysis by Faculty:

Graph 20: Student Destination - West Coast



Graph 21: Student Destination - MAINZ



Graph 22: Student Destination - Industry Training

Equal Employment Report

Equal Employment at Tai Poutini Polytechnic (as at 1 December 2016)

	2016	2015	2014
All staff	**177**	**174**	**191**
Maori	14	11	14
Female	84	82	95
Pasifika	2	1	1
Maori	7.91%	6.3%	7.33%
Female	47.46%	47.1%	49.74%
Pasifika	1.13%	0.57%	0.52%

Performance Commitments

Table 14: SAC Levels 1 and 2

Performance Commitments SAC Levels 1 and 2	Group	2015 Provisional[4]	2015 Actual[5]	2016 Target	2016	Comments
PARTICIPATION						
The proportion of SAC Eligible EFTS who are:	Māori	2.4%	2.4%	2.2%	4.0%	52% of EFTS at L1-2 were delivered to students who identified as Māori. The "proportion of total SAC EFTS delivered to students who identified as Māori at L1-2" was 4.0%
	Pasifika	0.8%	0.8%	1.5%	1.6%	21% of EFTS at L1-2 were delivered to students who identified as Pacific Island. The "proportion of total SAC EFTS delivered to students who identified as Pacific Island at L1-2" was 1.6%
EDUCATIONAL PERFORMANCE INDICATORS						
Course Completion *The successful course completion rate (SAC Eligible EFTS) for:*	All Students	55%	55%	81%	73%	**See following pages**
Qualification Completion *The successful qualification completion rate (SAC Eligible EFTS) for:*	All Students	41%	43%	71%	39%	**See following pages**
Student Retention *The student retention rate (SAC Eligible student count) for:*	All Students	Not reported. This data was supplied by TEC after publication of the 2014 Annual Report.	47%	56%	39%	**See following pages**
Student Progression *The student progression rate (SAC Eligible student count) at Level 1 to 3, to a higher level:*	All Students	Not reported. This data was supplied by TEC after publication of the 2014 Annual Report.	45%	21%	44%	**See following pages**

[4] To reflect the new reporting categories (level groupings), the 2014 Provisional EPIs were manually recalculated from the 2014 provisional TPP Report Portal data reports which were used in the 2014 Annual Report. Dashes indicate where 2014 provisional data is not applicable or in some cases, no longer available. Provisional data reports cannot be reproduced, as they represent data from a specific point in time; Report Portal updates regularly to give real time data.

[5] EPI data source: Data supplied by TEC.

[6] Provisional 2015 EPI data sourced from TPP Report Portal.

Table 15: SAC Level 3 and Above

Performance Commitments SAC Levels 3 and above	Group	Level	2015 Provisional	2015 Actual	2016 Target	2016 Provisional	
PARTICIPATION							
The proportion of SAC Eligible EFTS who are:	Under 25	All levels	44%	44%	20%	43%	**See following pages**
	Māori	All levels	30%	30%	9%	37%	
	Pasifika	All levels	16%	16%	4%	14%	
EDUCATIONAL PERFORMANCE INDICATORS							
Course Completion *The successful course completion rate (SAC Eligible EFTS) for:*	All Students	Level 3 & above	79%	80%	81%	74%	**See following pages**
		Level 4 & above	74%	75%	81%	75%	
	Under 25	Level 3 & above	79%	78%	81%	73%	
		Level 4 & above	74%	74%	81%	71%	
	Māori	Level 3 & above	78%	78%	81%	65%	
		Level 4 & above	71%	71%	81%	71%	
	Pasifika	Level 3 & above	80%	81%	81%	66%	
		Level 4 & above	66%	68%	81%	63%	
Qualification Completion *The successful qualification completion rate (SAC Eligible EFTS) for:*	All Students	Level 3 & above	69%	69%	71%	74%	**See following pages**
		Level 4 & above	56%	57%	71%	85%	
	Under 25	Level 3 & above	78%	73%	71%	71%	
		Level 4 & above	70%	64%	71%	70%	
	Māori	Level 3 & above	79%	75%	71%	58%	
		Level 4 & above	65%	61%	71%	95%	
	Pasifika	Level 3 & above	70%	68%	71%	72%	
		Level 4 & above	47%	46%	71%	79%	
Student Retention *The student retention rate (SAC Eligible student count) for:*	All Students	Level 3 & above	Not reported. This data was supplied by TEC after the 2015 Annual Report publication	71%	56%	61%	**See following pages**
	Māori	Level 3 & above		75%	56%	63%	
	Pasifika	Level 3 & above		80%	56%	76%	
Student Progression *The student progression rate (SAC Eligible student count) at Level 1 to 3, to a higher level:*	All Students	Level 3 & above	Not reported. This data was supplied by TEC after the 2015 Annual Report publication	8%	21%	11%	**See following pages**
	Māori	Level 3 & above		9%	21%	14%	
	Pasifika	Level 3 & above		6%	21%	13%	
OTHER COMMITMENTS							
The number of international student EFTS	All Students	All Levels	73		85	80	**See following pages**

1. 52% of EFTS at L1-2 were delivered to students who identified as Māori. The "proportion of total SAC EFTS delivered to students who identified as Māori at L1-2" was 4.0%
2. 21% of EFTS at L1-2 were delivered to students who identified as Pacific Island. The "proportion of total SAC EFTS delivered to students who identified as Pacific Island at L1-2" was 1.6%
3. Provisional figures are reported from internal reporting. Final figures are reported from TEC published data. Due to slight differences in the reporting and due to being taken at different times, the results will differ.
4. 2016 was a year of significant changes and the beginning of a range of portfolio changes. As a result, there will be some fluctuation of EPI data in 2016 and 2017.

Financial Statements

Statement of Comprehensive Income

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Note	Institute			Group		
		2016 Actual	2016 Budget	2015 Actual	2016 Actual	2016 Budget	2015 Actual
Revenue							
Government Grants	2	16,153,524	18,945,881	16,776,487	16,153,524	18,945,881	16,776,487
Tuition Fees	2	4,998,789	6,403,134	5,301,277	4,998,789	6,403,134	5,301,277
Interest Income		83,778	240,000	239,750	84,265	240,000	240,424
Other Income	2	1,420,754	2,248,886	1,335,055	1,420,754	2,248,886	1,335,055
Total Revenue		**22,656,845**	**27,837,901**	**23,652,569**	**22,657,333**	**27,837,901**	**23,653,243**
Expenses							
Personnel Costs	3	15,829,926	15,878,133	14,850,818	15,829,926	15,878,133	14,850,818
Depreciation and Amortisation Expense	8 & 9	1,737,958	1,871,674	1,832,162	1,744,016	1,871,674	1,838,030
Finance Costs		(204)	0	0	(204)	0	0
Other Expenses	4	8,588,363	9,571,218	8,575,039	8,596,389	9,571,218	8,577,126
Total Expenditure		**26,156,043**	**27,321,025**	**25,258,019**	**26,170,127**	**27,321,025**	**25,265,974**
Surplus/Deficit		**(3,499,198)**	**516,877**	**(1,605,450)**	**(3,512,794)**	**516,877**	**(1,612,731)**
Total Comprehensive Income		**(3,499,198)**	**516,877**	**(1,605,450)**	**(3,512,794)**	**516,877**	**(1,612,731)**
Total Comprehensive Revenue and Expense Attributable to: Tai Poutini Polytechnic		(3,499,198)	516,877	(1,605,451)	(3,512,794)	516,877	(1,612,731)
		(3,499,198)	**516,877**	**(1,605,450)**	**(3,512,794)**	**516,877**	**(1,612,731)**

Explanations of major variations against budget are provided in note 17.

The accompanying notes form part of these financial statements

Statement of Financial Position

Statement of Financial Position as at 31 December 2016

	Note	Institute			Group		
		2016 Actual	2016 Budget	2015 Actual	2016 Actual	2016 Budget	2015 Actual
Current Assets							
Cash and Cash Equivalents	5	1,438,092	2,922,655	4,689,537	1,443,962	2,922,655	4,690,194
Debtors and Other Receivables	6	4,157,681	3,420,351	3,420,351	4,157,681	3,420,351	3,420,351
Other Financial Assets	7	196,390	187,933	187,933	206,836	187,933	205,193
Prepayments		185,759	222,336	222,337	185,759	222,226	222,336
Trust Investments		276,637	275,916	275,916	276,637	275,916	275,916
Total Current Assets		**6,254,559**	**7,029,190**	**8,796,074**	**6,270,875**	**7,029,190**	**8,813,990**
Non Current Assets							
Property, Plant & Equipment	8	15,808,751	15,744,992	15,180,752	15,821,851	15,744,992	15,199,910
Assets held for sale	8	-	-	-	-	-	-
Intangible Assets	9	622,702	723,194	721,138	622,702	723,194	721,138
Total Non Current Assets		**16,431,453**	**16,468,186**	**15,901,890**	**16,444,553**	**16,468,186**	**15,921,048**
Total Assets		**22,686,012**	**23,497,376**	**24,697,964**	**22,715,428**	**23,497,376**	**24,735,038**
Current Liabilities							
Creditors and Other Payables	10	1,138,897	907,520	965,598	1,146,922	907,520	967,685
Revenue Received in Advance	11	3,345,691	58,121	1,717,506	3,345,691	58,121	1,717,506
Employee Entitlements	12	606,520	937,754	937,754	606,520	937,754	937,754
Trusts and Funds		276,637	275,916	275,916	276,637	275,916	275,916
Total Current Liabilities		**5,367,744**	**2,179,310**	**3,896,774**	**5,375,769**	**2,179,310**	**3,898,861**
Non Current Liabilities							
Employee Entitlements	12	53,920	35,844	35,844	53,920	35,844	35,844
Total Non Current Liabilities		**53,920**	**35,844**	**35,844**	**53,920**	**35,844**	**35,844**
Total Liabilities		**5,421,664**	**2,215,154**	**3,932,618**	**5,429,689**	**2,215,154**	**3,934,705**
NET ASSETS		**17,264,348**	**21,282,222**	**20,765,346**	**17,285,739**	**21,282,222**	**20,800,333**
Equity							
General Funds	14	17,237,587	21,253,661	20,736,785	17,209,661	21,253,661	20,722,455
Restricted Reserves	14	26,761	28,561	28,561	76,078	28,561	77,878
Total Equity		**17,264,348**	**21,282,222**	**20,765,346**	**17,285,739**	**21,282,222**	**20,800,333**
STATEMENT OF CHANGES IN EQUITY							
Balance at 1 January		20,765,346	20,765,345	22,373,212	20,800,333	20,765,345	22,415,480
Total Comprehensive Revenue & Expense		(3,499,198)	516,877	(1,605,450)	(3,512,794)	516,877	(1,612,731)
Movement in Restricted Reserves	14	(1,800)	-	(2,416)	(1,800)	-	(2,416)
Balance at 31 December		**17,264,348**	**21,282,222**	**20,765,346**	**17,285,739**	**21,282,222**	**20,800,333**

Explanations of major variations against budget are provided in note 17.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December 2016

	Institute			Group		
Cash Flows from Operating Activities	**2016 Actual**	**2016 Budget**	**2015 Actual**	**2016 Actual**	**2016 Budget**	**2015 Actual**
Opening Debtors	3,642,688	3,642,688	3,934,319	3,642,688	3,642,688	3,934,319
Receipts from Government Grants	17,395,166	16,945,696	18,254,470	17,395,166	16,945,696	18,254,470
Receipts from Tuition Fees	4,643,780	5,906,657	4,776,802	4,643,780	5,906,657	4,776,802
Interest Revenue Received	83,778	240,000	239,750	84,266	240,000	240,424
Dividend Revenue Received	50,000	-	-	50,000	-	-
Receipts from Other Income	2,112,708	3,085,663	1,961,158	2,112,708	3,085,663	1,961,158
Closing Debtors	(4,512,670)	(3,642,687)	(3,642,688)	(4,512,670)	(3,642,687)	(3,642,688)
Total Cash Receipts	**23,415,450**	**26,178,016**	**25,523,812**	**23,415,938**	**26,178,016**	**25,524,486**
Opening Creditors	(1,428,719)	(1,428,719)	(1,341,022)	(1,428,719)	(1,428,719)	(1,341,022)
Payments to Employees	(16,137,148)	(15,690,801)	(14,789,232)	(16,137,148)	(15,690,801)	(14,789,232)
Payments to Suppliers	(8,535,436)	(9,758,049)	(8,564,528)	(8,537,523)	(9,758,049)	(8,566,562)
Closing Creditors	1,600,653	1,428,719	1,428,719	1,600,653	1,428,719	1,428,719
Interest Paid	204	-	-	204	-	-
Goods and Services Tax Net	109,263	(58,078)	(79,189)	109,263	(58,078)	(79,189)
Total Payments	**(24,391,183)**	**(25,506,929)**	**(23,345,253)**	**(24,393,270)**	**(25,506,929)**	**(23,347,287)**
Net Cash Flow from Operating Activities	**(975,734)**	**671,087**	**2,178,559**	**(977,333)**	**671,087**	**2,177,199**
Cash Flows from Investing Activities						
Receipts (Costs) from Property, Plant & Equipment Disposals	2,068	-	(10,593)	2,068	-	(10,198)
Property, Plant and Equipment Purchases	(2,116,705)	(2,161,358)	(2,875,220)	(2,116,705)	(2,161,358)	(2,944,405)
Purchase of Intangible Assets	(150,818)	(276,612)	(181,592)	(150,818)	(276,612)	(112,408)
Trust Interest Received	(1,800)	-	(2,416)	(1,800)	-	(2,416)
Movement on term Investments	(8,457)	-	(5,024)	(1,643)	-	(5,024)
Net Cash Flow from Investing Activities	**(2,275,711)**	**(2,437,970)**	**(3,074,846)**	**(2,268,897)**	**(2,437,970)**	**(3,074,452)**
Net (decrease)/increase in cash and cash equivalents	**(3,251,445)**	**(1,766,883)**	**(896,288)**	**(3,246,230)**	**(1,766,883)**	**(897,252)**
Opening cash and cash equivalents	(4,689,537)	(4,689,537)	(5,590,129)	(4,690,193)	(4,689,537)	(5,591,749)
Closing cash and cash equivalents	(1,438,092)	(2,922,655)	(4,689,537)	(1,443,963)	(2,922,655)	(4,690,193)
Period Movements	(3,251,445)	(1,766,883)	(900,592)	(3,246,230)	(1,766,883)	(901,556)
Reconciliation of surplus (deficit) to the net cashflow from operating activities						
Surplus (deficit) from Statement of Comprehensive Revenue and Expense	**(3,499,198)**	**516,877**	**(1,605,450)**	**(3,512,794)**	**516,877**	**(1,612,731)**
Add (less) non cash items						
Depreciation and amortisation	1,737,959	1,871,674	1,832,162	1,744,016	1,871,674	1,838,030
Increase (decrease) in non current employee entitlements	18,076		(4,603)	18,076		(4,603)
Loss on disposal of Assets	-	-	-	-	-	-
Total non cash items	**1,756,035**	**1,871,674**	**1,827,559**	**1,762,092**	**1,871,674**	**1,833,427**
Add (less) items classified as investing activities						
Gains (losses) on disposal of PPE	(2,068)	-	10,593	(2,068)	-	10,593
Total items classified as investing activities or financing activities	**(2,068)**	**-**	**10,593**	**(2,068)**	**-**	**10,593**
Add (less) movements in working capital items						
(Increase) decrease in debtors and other receivables	(737,331)	-	123,143	(737,330)	1	123,143
(Increase) decrease in prepayments	36,578	-	(161,830)	36,578	-	(161,830)
Increase (decrease) in creditors and other payables	173,299	(58,078)	(39,843)	179,238	(58,078)	(39,790)
Increase (decrease) in revenue received in advance	1,628,185	(1,659,386)	1,593,007	1,628,185	(1,659,386)	1,593,007
Increase (decrease) in provisions	-	-	-	-	-	-
Increase (decrease) in current employee entitlements	(331,234)	-	101,061	(331,234)	-	101,062
(Increase) decrease in MOE income earned			330,318			330,318
Net Movement in Working Capital Items	**769,498**	**(1,717,463)**	**1,945,856**	**775,437**	**(1,717,463)**	**1,945,910**
Net Cash Flow from Operating Activities	**(975,733)**	**671,087**	**2,178,558**	**(977,333)**	**671,088**	**2,177,199**

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

The accompanying notes form part of these financial statements.
Explanations of major variations against budget are provided in note 17.

Notes to the Financial Statements

1. Statement of accounting policies

REPORTING ENTITY

Tai Poutini Polytechnic (the Institute) is a TEI domiciled in New Zealand and is governed by the Crown Entities Act 2004 and the Education Act 1989.

The consolidated financial statements of the Group consist of Tai Poutini Polytechnic ("the parent"), and the West Coast Climbing Wall Trust (a 67% controlled subsidiary). Tai Poutini International Limited (a wholly owned subsidiary) and The Qatar Technical Institute LLC (a 49% subsidiary held by Tai Poutini International Ltd) are dormant non-trading entities; consequently they have no financial impact on the statements.

Tai Poutini International Limited is incorporated and domiciled in New Zealand. The Qatar Technical Institute LLC is incorporated and domiciled in Qatar.

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 (PBEs) for financial reporting purposes.

The financial statements of the Institute and group are for the year ended 31 December 2016. The financial statements were authorised for issue by Crown Manager on the 3rd August 2018.

BASIS OF PREPARATION

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

Statement of compliance

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).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. These financial statements comply with PBE accounting standards.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

Standards issued and not yet effective and not early adopted.

There are no standards issued and not yet effective that are relevant to the institute and group.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific area are outlined below.

Basis of consolidation

The purchase method is used to prepare the group financial statements, which involves adding together like items of assets, liabilities, equity, revenue, expenses and cash flows on a line-by-line basis. All significant intragroup balances, transactions, revenue and expenses are eliminated on consolidation.

Foreign currency transactions

Foreign currency transactions 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 are recognised in the surplus or deficit.

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.

Income tax

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

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.

Critical accounting estimates and assumptions

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

No estimates or assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical judgements in applying accounting policies

Management have exercised the following critical judgements in applying accounting policies:

- Distinction between revenue and capital contributions
- Crown-owned land and buildings - refer to note 8

2. Revenue

Accounting Policy

Revenue is measured at the fair value of consideration received or receivable.

The specific accounting policies for significant revenue items are explained below:

SAC funding

SAC funding is recognised as a non-exchange transaction. There is a condition attached that requires performance or return of funding, that condition is extinguished when the withdrawal date for a course (10% of the course duration) has passed, at which point revenue is recognised. The amount to be recovered is offset by TEC against fund receipts for the following year so is retained as funding in advance.

Student tuition fee

Student tuition fee is recognised as a non-exchange transaction. There is a condition attached that requires performance or return of fee, that condition is extinguished when the withdrawal date for a course (10% of the course duration) has passed, at which point revenue is recognised.

International tuition fee

Tuition fee received from an International student is recognised as an exchange transaction. Revenue is recognised as delivery is performed. Fee received for courses occurring in the following year are retained as fees in advance.

Government Grants

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

Accommodation revenue

Revenue from the provision of accommodation is recognised as invoiced. Rental is invoiced monthly in advance.

Interest and dividends

Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive payment has been established.

Critical judgements in applying accounting policies

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.

Note 2 - Revenue

	Polytechnic		Group	
	2016 Actual	**2015 Actual**	**2016 Actual**	**2015 Actual**
SAC Funding	15,208,988	17,044,561	15,208,988	17,044,561
MOE Revenue recognised, not yet delivered	659,905	(330,318)	659,905	(330,318)
Grants	284,631	62,244	284,631	62,244
Total Revenue from Government Grants	**16,153,524**	**16,776,487**	**16,153,524**	**16,776,487**
Tuition Fees from Domestic Students	4,654,157	5,118,190	4,654,157	5,118,190
Total Revenue from Non Exchange Contracts	**20,807,681**	**21,894,677**	**20,807,681**	**21,894,677**
Tuition Fees from International Students	268,590	172,990	268,590	172,990
Interest Revenue	83,778	239,750	84,265	240,424
Accommodation Revenue	224,844	223,833	224,844	223,833
Gain (loss) on Sale of Assets	2,068	(10,593)	2,068	(10,593)
Dividends	50,000	-	50,000	-
Student Services Levy	76,042	10,097	76,042	10,097
Other Revenue	1,143,842	1,121,815	1,143,843	1,121,815
Total Revenue from Exchange contracts	**1,849,165**	**1,757,892**	**1,849,652**	**1,758,566**
Total Revenue	**22,656,846**	**23,652,569**	**22,657,333**	**23,653,243**

3. Personnel Costs

Accounting Policy

Superannuation schemes

Defined contribution schemes

Obligations for contributions to Kiwisaver, the Government Superannuation Fund and other defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

The Institute and group belongs to the Defined Benefit Plan Contribution 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.

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.

Note 3 - Personnel Costs

	Polytechnic		Group	
	2016 Actual	2015 Actual	2016 Actual	2015 Actual
Academic Salaries	7,127,234	6,630,872	7,127,234	6,630,872
General Salaries	7,154,554	6,218,670	7,154,554	6,218,670
Defined Contribution	346,809	308,890	346,809	308,890
Non Payroll Personnel	1,201,329	1,692,386	1,201,329	1,692,386
Total Personnel Costs	**15,829,926**	**14,850,818**	**15,829,926**	**14,850,818**

Personnel costs include $390k relating to employment matters that are not considered recurring items.

Council Remuneration

	Polytechnic 2016 $	Polytechnic 2016 $	Polytechnic 2015 $	Polytechnic 2015 $
	Fees	Expenses	Fees	Expenses
L. Brash - until 30 April 2015			4,620	1,157
J. Clayton - until 30 June 2016	8,446	222	18,000	1,590
P. Coolbear - from 1 May 2015 (Payment remitted to Massey)	14,068		10,500	46
N. Cooper - from 1 May 2015 to 31 October 2016	13,310	714	10,500	295
B. Jones - Until 16 February 2016	2,963	-	14,000	2,288
R Lourie - from 1 July 2016	7,535	486	-	-
G. McNally	29,960	2,309	28,000	1,324
J. Mote - until 30 September 2016	12,327	94	14,000	917
H. Rasmusson - until 25 February 2015			2,240	-
C. Rea	15,408	-	14,000	-
K. Stratful - from 26 May 2016 (Payment remitted to KRS Consulting)	8,988			
G. Wall - from 1 May 2015	18,553	975	10,500	1,119
C. White - until 30 April 2015			4,620	694
	131,558	**4,800**	**130,980**	**9,430**

4. Other Expenses

Accounting Policy

Scholarships

Scholarships awarded by the Institute that reduce the amount of the tuition fees payable by the student are accounted for as an expense and not offset against student tuition fee income.

	Polytechnic		Group	
	2016 Actual	2015 Actual	2016 Actual	2015 Actual
Audit Fees - Fees to Audit NZ for the Audit of current year financial statements	108,039	106,542	111,407	108,589
Audit Fees - relating to prior year			-	-
Audit Fees - Other	8,253	11,551	8,253	11,551
Repairs & Maintenance	562,543	559,980	562,543	559,980
Operating Leases	1,817,444	1,714,536	1,817,444	1,714,536
Other Occupancy Costs	816,222	890,532	816,222	890,532
Information Technology	325,501	331,239	325,501	331,239
Advertising	440,874	431,336	440,874	431,336
Insurance	141,235	153,259	141,235	153,259
Office Costs	103,857	127,782	103,857	127,782
Travel	1,196,777	1,172,021	1,196,777	1,172,021
Course Related Costs	1,168,756	1,387,180	1,168,756	1,387,180
Impairment of Receivables	109,136	(12)	109,136	(12)
Foreign exchange net losses	(150)	(6,037)	(150)	(6,037)
Other Operating Expenses	1,789,876	1,695,130	1,794,534	1,695,170
Total Other Expenses	**8,588,363**	**8,575,039**	**8,596,389**	**8,577,126**

Other expenses includes $109k relating to a reduced insurance receipt, this is not considered a recurring item.

Leases

Operating leases

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.

Operating leases as lessee

Non-cancellable operating leases as lessee.
Tai Poutini Polytechnic leases property, plant and equipment in the normal course of business. The majority of these leases are non-cancellable. The future aggregate minimum Lease payments are as follows:

	Polytechnic		Group	
Lease payments are as follows:	2016	2015	2016	2015
	$	$	$	$
Not later than 1 year	1,519,283	1,539,990	1,519,283	1,539,990
Later than 1 year and not later than 5 years	5,547,238	5,872,348	5,547,238	5,872,348
Later than 5 years	8,784,637	10,014,427	8,784,637	10,014,427
	15,851,158	**17,426,765**	**15,851,158**	**18,739,305**

5. Cash and Equivalents

Accounting Policy

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.

	Polytechnic		Group	
	2016 Actual	2015 Actual	2016 Actual	2015 Actual
Cash at Bank	506,635	724,273	512,505	724,930
Call Deposits	931,457	3,965,264	931,457	3,965,264
Term Deposits	0	0	0	0
Total Cash and Equivalents	**1,438,092**	**4,689,537**	**1,443,962**	**4,690,194**

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

6. Receivables

Accounting Policy

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans and receivables (including cash and cash equivalents and debtors and other receivables)

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.

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 deficit.

	Polytechnic		Group	
	2016 Actual	2015 Actual	2016 Actual	2015 Actual
Receivables				
Student Fee Receivables	1,305,751	1,165,909	1,305,751	1,165,909
Less: Provision for Impairment	(158,145)	(118,531)	(158,145)	(118,531)
Net Student Fee Receivables	**1,147,606**	**1,047,378**	**1,147,606**	**1,047,378**
Other Receivables				
GST				
Other Debtors and Receivables	545,951	568,755	545,951	568,755
MOE Earned Revenue not yet received	2,464,124	1,804,218	2,464,124	1,804,218
Total Debtors and other Receivables	**4,157,681**	**3,420,351**	**4,157,681**	**3,420,351**

Student Fees are due before a course commences or due upon enrolment if the course has already begun. Domestic students can arrange to pay in instalments in certain circumstances.

Student fees are non interest bearing. Thus 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.

Impairment

The ageing profile of receivables at year end is detailed below.

	2016			2015		
	Gross	Impairment	Net	Gross	Impairment	Net
Polytechnic and Group						
Not Past Due	193,592		193,592	85,957	-	85,957
Past Due 31-60 days	260,148		260,148	212,259	-	212,259
Past Due 61-90 days	122,136		122,136	210,833	-	210,833
Past Due Over 90 days	729,875	158,145	571,730	656,860	118,531	538,329
Credit Balances						
Total	**1,305,751**	**158,145**	**1,147,606**	**1,165,909**	**118,531**	**1,047,378**

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

Debt in excess of 1 year was individually reviewed for impairment. Due to the large number of student fee receivables, the impairment assessment for the remainder is performed on a collective basis based on an analysis of past collection history and debt write-offs.

7. Other Financial Assets

Accounting Policy

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.

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.

Financial assets are classified into the following categories for the purposes of measurement:

- loans and receivables; and
- fair value through other comprehensive income.

Classification of the financial asset depends on the purpose for which the instruments were acquired.

Loans and receivables (including cash and cash equivalents and debtors and other receivables)

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.

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.

Financial Assets at fair value through surplus or deficit

The Institute and Group does not have any assets designated as being at fair value through surplus or deficit.

Impairment of financial assets

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 surplus or deficit.

Loans and receivables (including cash and cash equivalents and debtors and other receivables)

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 according to the original terms of the debt. 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 the 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 uncollectable, 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.

	Polytechnic		Group	
	2016 Actual	2015 Actual	2016 Actual	2015 Actual
Financial Assets - Current				
Term Deposits Non Cash	196,390	187,933	206,836	205,193
Total Other Financial Assets	**196,390**	**187,933**	**206,836**	**205,193**

8. Property, Plant and Equipment

Accounting Policy

The measurement basis used for determining the gross carrying amount for each class of assets is as follows:

Land is measured at cost.

All other asset classes are stated at cost less accumulated depreciation and any accumulated impairment in value.

All assets are primarily held for the purpose of providing education and related activities. Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Institute and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the assets.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Class of assets	Rate
Buildings	2% - 20% per annum
Plant and equipment	10% - 20% per annum
Motor vehicles	20% per annum
Heavy vehicles	10% per annum
Library	20% per annum
Computers	20% per annum
Computer servers	33% per annum
Audio equipment	20% per annum
Furniture and fittings	20% per annum

Impairment

The carrying values of property, plant and equipment, other than those whose future economic benefits are not directly related to their ability to generate net cash, are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating units to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the surplus or deficit in the other expenses line item.

Assets held for educational and related matters and related activities are assessed for impairment by considering the assets for obsolescence, change in useful lives, optimisation and other related matters.

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

Institute 2015	Cost/ valuation 1/1/15	Accumulated depreciation & impairment charges 1/1/15	Carrying amount 1/1/15	Current year additions	Current year disposals	Current year impairment charges	Re-classification Transfer	Current year depreciation	Accum Dep'n on Disposals	Revaluation surplus	Cost/ revaluation 31/12/15	Accumulated depreciation & impairment charges 31/12/15	Carrying amount 31/12/15
Land	1,099,723	-	1,099,723	-	-	-	258,304	-	-	-	1,358,027	-	1,358,027
Buildings - TPP	13,411,171	(4,117,450)	9,293,721	231,340	(100,640)	-	(258,304)	(537,750)	99,650	-	13,283,567	(4,591,550)	8,692,017
Buildings - Crown	1,468,000	(609,614)	858,386	-	-	-	-	(67,715)	-	-	1,468,000	(677,329)	790,671
Furniture and Fittings	744,341	(576,528)	167,813	83,851	(6,716)	-	-	(66,830)	6,717	-	821,476	(636,641)	184,835
Plant & Equipment	3,453,573	(2,360,444)	1,093,129	157,160	(26,763)	-	-	(258,099)	11,439	-	3,583,970	(2,607,104)	976,866
Computers	3,669,503	(2,917,434)	752,069	388,101	(38,588)	-	-	(390,899)	33,469	-	4,019,016	(3,274,864)	744,152
Audio Equipment	2,218,950	(2,038,072)	180,878	52,845	(50,862)	-	-	(76,928)	50,863	-	2,220,933	(2,064,137)	156,796
Outdoor Rec Equipment	176,313	(152,475)	23,838	26,059	(2,536)	-	-	(20,496)	2,537	-	199,836	(170,434)	29,402
Library	347,307	(283,853)	63,454	27,660	-	-	-	(21,226)	-	-	374,967	(305,079)	69,888
Vehicles	1,969,843	(1,723,752)	246,091	162,580	(53,483)	-	-	(88,253)	53,483	-	2,078,940	(1,758,522)	320,418
Assets held for Sale	107,221	(103,863)	3,358	-	(107,221)	-	-	-	103,863	-	-	-	-
Assets in Course of Construction - Buildings TPP	87,267	-	87,267	1,770,413	-	-	-	-	-	-	1,857,680	-	1,857,680
Total Institute	**28,753,212**	**(14,833,485)**	**13,869,727**	**2,900,009**	**(386,809)**	**-**	**-**	**(1,564,196)**	**362,021**	**-**	**31,266,412**	**(16,085,660)**	**15,180,752**

Institute 2016	Cost/ valuation 1/1/16	Accumulated depreciation & impairment charges 1/1/16	Carrying amount 1/1/16	Current year additions	Current year disposals	Current year impairment charges	Re-classification Transfer	Current year depreciation	Accum Dep'n on Disposals	Revaluation surplus	Cost/ revaluation 31/12/16	Accumulated depreciation & impairment charges 31/12/16	Carrying amount 31/12/16
Land	1,358,027	-	1,358,027	-	-	-	-	-	-	-	1,358,027	-	1,358,027
Buildings - TPP	13,283,567	(4,591,550)	8,692,017	2,406,308	-	-	-	(426,640)	-	-	15,689,875	(5,018,190)	10,671,685
Buildings - Crown	1,468,000	(677,329)	790,671	-	-	-	-	(67,715)	-	-	1,468,000	(745,044)	722,956
Furniture and Fittings	821,476	(636,641)	184,835	121,001	(4,361)	-	-	(82,108)	4,361	-	938,116	(714,388)	223,728
Plant & Equipment	3,583,970	(2,607,104)	976,866	290,911	(29,485)	-	-	(268,065)	21,420	-	3,845,396	(2,853,749)	991,647
Computers	4,019,016	(3,274,864)	744,152	409,510	(5,869)	-	-	(403,906)	4,114	-	4,422,657	(3,674,656)	748,001
Audio Equipment	2,220,933	(2,064,137)	156,796	126,564	(287,613)	-	-	(78,230)	287,195	-	2,059,884	(1,855,172)	204,712
Outdoor Rec Equipment	199,836	(170,434)	29,402	46,514	(14,604)	-	-	(30,589)	14,604	-	231,746	(186,419)	45,327
Library	374,967	(305,079)	69,888	12,990	-	-	-	(23,574)	-	-	387,957	(328,653)	59,304
Vehicles	2,078,940	(1,758,522)	320,418	173,510	(17,242)	-	-	(107,877)	17,242	-	2,235,208	(1,849,157)	386,051
Assets held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets in Course of Construction - Buildings TPP	1,857,680	-	1,857,680	313,596	(1,783,132)	-	-	-	-	-	388,144	-	388,144
Assets in Course of Construction - Computers	-	-	-	9,169	-	-	-	-	-	-	9,169	-	9,169
Total Institute	**31,266,412**	**(16,085,660)**	**15,180,752**	**3,910,073**	**(2,142,306)**	**-**	**-**	**(1,488,704)**	**348,936**	**-**	**33,034,179**	**(17,225,428)**	**15,808,751**

Legal ownership of land and buildings is detailed as follows:

Restriction on property title

Greymouth leasehold properties leased from The Mawhera Corporation, provides the Lessor with first right of refusal to both parties, on sale or assignment of such leasehold properties.

	Land		Buildings	
	20156	2015	2016	2015
Institute owned	1,358,027	1,358,027	10,671,685	8,692,017
Crown owned	-	-	722,956	790,671
Total	**1,358,027**	**1,358,027**	**11,394,641**	**9,482,688**

Institute and Group

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

Institute and Group 2015	Cost/ valuation 1/1/15	Accumulated depreciation & impairment charges 1/1/15	Carrying amount 1/1/15	Current year additions	Current year disposals	Current year impairment charges	Re-classification Transfer	Current year depreciation	Accum Dep'n on Disposals	Revaluation surplus	Cost/ revaluation 31/12/15	Accumulated depreciation & impairment charges 31/12/15	Carrying amount 31/12/15
Land	1,099,723	-	1,099,723	-	-	-	258,304	-	-	-	1,358,027	-	1,358,027
Buildings - TPP	13,411,171	(4,117,450)	9,293,721	231,340	(100,640)		(258,304)	(573,750)	99,650	-	13,283,567	(4,591,550)	8,692,017
Buildings - Crown	1,468,000	(609,614)	858,386	-	-		-	(67,715)	-	-	1,468,000	(677,329)	790,671
Furniture and Fittings	744,341	(576,528)	167,813	83,851	(6,716)		-	(66,830)	6,717	-	821,476	(636,641)	184,835
Plant & Equipment	3,453,573	(2,360,444)	1,093,129	157,160	(26,763)		-	(258,099)	11,439	-	3,583,970	(2,607,104)	976,866
Computers	3,669,503	(2,917,434)	752,069	388,101	(38,588)		-	(390,899)	33,469	-	4,019,016	(3,274,864)	744,152
Audio Equipment	2,218,950	(2,038,072)	180,878	52,845	(50,862)		-	(76,928)	50,863	-	2,220,933	(2,064,137)	156,796
Outdoor Rec Equipment	176,313	(152,475)	23,838	26,059	(2,536)		-	(20,496)	2,537	-	199,836	(170,434)	29,402
Library	347,307	(283,853)	63,454	27,660	-		-	(21,226)	-	-	374,967	(305,079)	69,888
Vehicles	1,969,843	(1,723,752)	246,091	162,580	(53,483)		-	(88,253)	53,483	-	2,078,940	(1,758,522)	320,418
Climbing Wall	86,162	(62,067)	24,095	930	-		-	(5,868)	-	-	87,092	(67,935)	19,157
Assets held for Sale	107,221	(103,863)	3,358	-	(107,221)	-	-	-	103,863	-	-	-	-
Assets in Course of Construction - Buildings TPP	87,267	-	87,267	1,770,413	-	-	-	-	-	-	1,857,680	-	1,857,680
Total Institute	**28,839,374**	**(14,945,552)**	**13,893,822**	**2,900,939**	**(386,809)**	**-**	**-**	**(1,570,064)**	**362,021**	**-**	**31,353,504**	**(16,153,595)**	**15,199,909**

Institute and Group 2016	Cost/ valuation 1/1/16	Accumulated depreciation & impairment charges 1/1/16	Carrying amount 1/1/16	Current year additions	Current year disposals	Current year impairment charges	Re-classification Transfer	Current year depreciation	Accum Dep'n on Disposals	Revaluation surplus	Cost/ revaluation 31/12/16	Accumulated depreciation & impairment charges 31/12/16	Carrying amount 31/12/16
Land	1,358,027	-	1,358,027	-	-	-	-	-	-	-	1,358,027	-	1,358,027
Buildings - TPP	13,283,567	(4,591,550)	8,692,017	2,406,308	-		-	(426,640)	-	-	15,689,875	(5,018,190)	10,671,685
Buildings - Crown	1,468,000	(677,329)	790,671		-		-	(67,715)	-	-	1,468,000	(745,044)	722,956
Furniture and Fittings	821,476	(636,641)	184,835	121,001	(4,361)		-	(82,108)	4,361	-	938,116	(714,388)	223,728
Plant & Equipment	3,583,970	(2,607,104)	976,866	290,911	(29,485)		-	(268,065)	21,420	-	3,845,396	(2,853,749)	991,647
Computers	4,019,016	(3,274,864)	744,152	409,510	(5,869)		-	(403,906)	4,114	-	4,422,657	(3,674,656)	748,001
Audio Equipment	2,220,933	(2,064,137)	156,796	126,564	(287,613)		-	(78,230)	287,195	-	2,059,884	(1,855,172)	204,712
Outdoor Rec Equipment	199,836	(170,434)	29,402	46,514	(14,604)		-	(30,589)	14,604	-	231,746	(186,419)	45,327
Library	374,967	(305,079)	69,888	12,990	-		-	(23,574)	-	-	387,957	(328,653)	59,304
Vehicles	2,078,940	(1,758,522)	320,418	173,510	(17,242)		-	(107,877)	17,242	-	2,235,208	(1,849,157)	386,051
Climbing Wall	87,092	(67,935)	19,157	-	-		-	(6,057)	-	-	87,092	(73,992)	13,100
Assets held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets in Course of Construction - Buildings TPP	1,857,680	-	1,857,680	313,596	-1,783,132	-	-	-	-	-	388,144	-	388,144
Assets in Course of Construction - Computers	-	-	-	9,169	-	-	-	-	-	-	9,169	-	9,169
Total Institute & Group	**31,353,504**	**(16,153,595)**	**15,199,909**	**3,910,073**	**(2,142,306)**	**(645,113)**	**-**	**(1,494,761)**	**348,936**	**-**	**33,121,271**	**(17,299,420)**	**15,821,851**

Legal ownership of land and buildings is detailed as follows:

	Land		Buildings	
	2016	2015	2016	2015
Institute owned	1,358,027	1,358,027	10,671,685	8,692,017
Crown owned	-	-	722,956	790,671
Total	**1,358,027**	**1,358,027**	**11,394,641**	**9,482,688**

9. Intangible Assets

Accounting Policy

Computer Software
Computer software is separately acquired and capitalised at its cost as at the date of acquisition. After initial recognition, separately acquired intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Course Development
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 consist primarily of Consultant and Employee costs.

A summary of the policies applied to the Institute and group's intangible assets is as follows:

	Computer Software	*Course Development*
Useful lives	Finite: 3-5 years	Finite: 3-5 years
Method used	Straight line method	Straight line method

The amortisation period and amortisation method for each class of intangible asset having a finite life is reviewed at each financial year-end. If the expected useful life or expected pattern of consumption is different for the previous assessment, changes are made accordingly.

The carrying value of each class of intangible asset is reviewed for indicators of impairment annually. Intangible assets are tested for impairment where an indicator of impairment exists and the asset's recoverable amount is estimated. An impairment loss is recognised in the surplus or deficit, for the amount by which the asset's carrying value exceeds its recoverable amount.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the surplus or deficit when the asset is de-recognised.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of identifiable business assets purchased by the institute.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the acquisition that gave rise to goodwill.

Note 9 - Intangible Assets Parent and Group

Movements for each class of intangible asset are as follows:

	Software	Goodwill	Course Dvt	Total
Balance at 1 January 2016				
Cost	680,837	214,000	573,772	1,468,609
Accumulated amortisation and impairment	(418,539)		(398,117)	(816,656)
Opening carrying amount	262,298	214,000	175,655	651,953
Year ended 31 December 2016				
Additions	26,015	10,000	183,987	220,002
Disposal				
Amortisation	(112,508)		(136,745)	(249,253)
Closing carrying amount	175,805	224,000	222,897	622,702
Balance at 31 December 2016				
Cost	706,852	224,000	757,759	1,688,611
Accumulated amortisation and impairment	(531,047)		(534,862)	(1,065,909)
Closing carrying amount	175,805	224,000	222,897	622,702
Assets in Course of Construction at 31 December 2016 Course Development				
Total closing carrying amount	175,805	224,000	222,897	622,702
Balance at 1 January 2015				
Cost	652,812	214,000	489,388	1,356,200
Accumulated amortisation and impairment	(309,140)		(239,549)	(548,689)
Opening carrying amount	343,672	214,000	249,839	807,511
Year ended 31 December 2015				
Additions	28,025		84,383	112,408
Disposal				
Amortisation	(109,399)		(158,567)	(267,966)
Closing carrying amount	262,298	214,000	175,655	651,953
Balance at 31 December 2015				
Cost	680,837	214,000	573,772	1,468,609
Accumulated amortisation and impairment	(418,539)		(398,117)	(816,656)
Closing carrying amount	262,298	214,000	175,655	651,953
Assets in Course of Construction at 31 December 2015 Course Development			69,185	69,185
Total closing carrying amount	262,298	214,000	244,840	721,138

Goodwill purchased in 2008

The Polytechnic acquired the business assets and intellectual property of Emergency Management Academy of New Zealand Limited in November 2008 for a consideration of $109,000 comprising of tangible assets $15,000 and intangible assets $94,000 recognised as goodwill.

Goodwill was impairment tested against 2 years future discounted cash flows at 15% (2014: 15%) arising from the acquired cash generating unit and no impairment was required at balance date.

Key assumptions
The Polytechnic achieves the 2017 EFTS budget.

Determination of values assigned to key assumptions
There is no significant change to 2017 budgeted TEC funding/or target EFTS.

Discount period
Two years future maintainable free cash flow based on 2017 cash generating budget.

Future cash flow growth rates
Zero

Goodwill purchased in 2009

The Polytechnic acquired the business activities of CETC a cash generating unit of the Buller High School, in December 2009 for a consideration of $130,000 comprising tangible assets $10,000 and intangible assets $120,000 recognised as goodwill.

Goodwill was impairment tested against five years future discounted cash flows at 15% (2015: 15%) arising from the acquired cash generating unit and no impairment was required at balance date.

Key assumptions
The Polytechnic achieves the 2017 revenue budget.

Determination of values assigned to key assumptions
There is no significant change to 2017 budgeted funding.

Discount period
Five years future maintainable free cash flow based on 2017 cash generating budget.

Future cash flow growth rates
Zero

10. Creditors and Other Payables

Accounting Policy

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

	Polytechnic		Group	
	2016 Actual	2015 Actual	2016 Actual	2015 Actual
GST	259,712	150,449	259,712	150,449
Creditors	437,714	347,898	445,749	347,898
Accrued Expenses	432,827	458,607	432,827	460,694
Student Deposits	8,644	8,644	8,644	8,644
Amounts due to related parties		-		-
Total Creditors and Other Payables	**1,138,897**	**965,598**	**1,146,922**	**967,685**

11. Revenue in Advance

	Polytechnic		Group	
	2016 Actual	2015 Actual	2016 Actual	2015 Actual
Tuition Fees in Advance	230,242	58,122	230,242	58,122
MOE Funding in Advance	3,115,449	1,659,384	3,115,449	1,659,384
Total Revenue in Advance	**3,345,691**	**1,717,506**	**3,345,691**	**1,717,506**

12. Employee Entitlement

Accounting Policy

Short-term employee entitlements
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 the balance date, annual leave earned to but not yet taken at balance date and sick leave.

Long-term employee entitlements
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:

- likely future entitlements accruing to staff, based on years of service, years of entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows

Presentation of employee entitlements
Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratitudes 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.

Superannuation schemes
Defined contribution schemes
Obligations for contributions to Kiwisaver, the Government Superannuation Fund and other defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes
The Institute and group belongs to the Defined Benefit Plan Contribution 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.

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.

	Polytechnic		Group	
	2016 Actual	**2015 Actual**	**2016 Actual**	**2015 Actual**
Current portion				
Holiday Pay	702,852	602,160	702,852	602,160
Long Service Leave	18,616	11,410	18,616	11,410
Retirement Benefits			-	-
Accrued pay to be settled January 2016	(114,948)	324,184	(114,948)	324,184
Total current Portion	**606,520**	**937,754**	**606,520**	**937,754**
Non Current Portion				
Long Service	19,144	12,926	19,144	12,926
Retirement Benefits	34,776	22,918	34,776	22,918
Total non Current portion	**53,920**	**35,844**	**53,920**	**35,844**
Total Employee Entitlement	**660,440**	**973,598**	**660,440**	**973,598**
Movement in employee entitlements				
Employee entitlements at 1 January	**973,598**	**877,139**	**973,598**	**877,139**
Movement in accrued Pay	(439,132)		(439,132)	
Additions during the year	125,974	101,061	125,974	101,061
Utilised during the year		(4,602)		(4,602)
Restructure severance charged against Support Change Funding				
Employee entitlements at 31 December	**660,440**	**973,598**	**660,440**	**973,598**

Employee Entitlements
A provision is recognised for post-employment benefits payable to employees. Employees are entitled to annual leave pay, long service and retirement gratuities.

Annual Leave is expected to be settled within 12 months of the Statement of Financial Position date and is measured at the current rates of pay. Entitlements relating to long service leave and retirement gratuities have been calculated at present value of future cash flows determined on an actuarial basis.

The provision is affected by a number of assumptions including expected length of service, attrition rate and salary increase.

13. Contingencies

	Polytechnic 2016	Polytechnic 2015	Group 2016	Group 2015
Capital commitments		262,892		262,892
Contingent liabilities	3,000	3,000	3,000	3,000

The contingent liability relates to a performance bond required as a condition of resource consent from West Coast Regional Council for Alluvial Goldmining.

The employer 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 employer could be responsible for any deficit of the Scheme. Similarly, if a number of employers cease to have employees participating in the Scheme; the employer could be responsible for an increased share of any deficit.

The DBP Contributors Scheme ('the Scheme') is a multi-employer defined benefit scheme. 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 deficit will affect future contributions by employers, as there is no prescribed basis for allocation. As at 31 march 2016, the Scheme had a past service surplus of $11.7 million (7.4% 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 PBE IPSAS25.

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

In 2015 TPP was advised that an investigation into compliance with TEC funding regulations over the preceding 5 years would be undertaken during 2016. This investigation took place in the second half of 2016. At this time the results are not finalised so it is not possible to quantify any financial impact to TPP.

14. Equity

Accounting Policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components. The components of equity are general funds, and restricted reserves.

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.

	Polytechnic		Group	
	2016 Actual	2015 Actual	2016 Actual	2015 Actual
EQUITY				
General Funds				
Balance at 1 January	20,736,785	22,342,235	20,722,455	22,335,186
Total Comprehensive Revenue & Expense attributable to TPP	(3,499,198)	(1,605,450)	(3,512,794)	(1,612,731)
Balance at 31 December	17,237,587	20,736,785	17,209,661	20,722,455
Restricted Reserves				
Balance at 1 January	28,561	30,977	77,878	80,294
Application of scholarships and trusts	(1,800)	(2,416)	(1,800)	(2,416)
Balance at 31 December	26,761	28,561	76,078	77,878
Total Equity	**17,264,348**	**20,765,346**	**17,285,739**	**20,800,333**

15. Related party transactions

Accounting Policy

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that are reasonable to expect that the Institute would have adopted in dealing with the party at arm's length in the same circumstances

Further, transactions with government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements with TEIs and undertaken on the normal terms and conditions for such transactions.

TPP previously disclosed ALL related party transactions, this has been discontinued in line with the above stated policy.

	FTE	2016 $	FTE	2015 $
Short Term	7	1,287,892	9	1,382,413
Salaries & other short-term employee benefits	8	131,558	8	130,980
Councillors remuneration		1,419,450		1,513,393
Termination Benefits		65,000		134,731
		1,484,450		**1,648,124**

Key management personnel include councillors and the senior management team. Close family members of key management personnel are employed by Tai Poutini Polytechnic. The terms and conditions of those arrangements are no more favourable than Tai Poutini Polytechnic would have adopted if there were no relationship to key management personnel.

16. Financial Instruments Risks

The Institute's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Institute and group has policies to manage these risks and seeks to minimise exposure from financial instruments. These policies do not allow transactions that are speculative in nature to be entered into.

Financial Instruments categories	**Institute 2016**	**Institute 2015**	**Group 2016**	**Group 2015**
Loans and receivables				
Cash and cash equivalents	1,438,092	4,689,537	1,443,962	4,689,537
Accounts receivable	4,157,681	3,420,351	4,157,681	3,420,351
Term deposits	196,390	187,933	206,836	187,933
Loans to related parties				
Trust investments	276,637	275,916	276,637	275,916
	6,068,800	8,573,737	6,085,116	8,573,737
Investments carried at cost				
Equity investment		-		-
Other financial liabilities at amortised cost				
Accounts payable and accruals	1,138,897	965,598	1,146,923	965,598
Bank overdraft				
Trusts and funds	276,637	275,916	276,637	275,916
	1,415,534	**1,241,514**	**1,423,560**	**1,241,514**

Tai Poutini Polytechnic (TPP) has a series of policies to manage the risks associated with financial instruments. TPP is risk averse and seeks to minimise exposure from its treasury activities.

TPP has established Council approved investment policies which do not allow treasury transactions that are speculative in nature. The approved investment outlets for placement of cash have Standards & Poors grading of AA- and above.

The main risks arising from the Institute's financial instruments are interest rate risk, liquidity risk and credit risk.

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.

Tai Poutini Polytechnic's exposure to market risk for changes in interest rates relates primarily to the Institute's short-term deposits and its loans and advances to its subsidiary. TPP monitors the market price risk arising from all financial instruments.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest revenue based on financial instrument exposure at balance date would have increased/(decreased) equity and surplus or deficit by the amounts shown below.

This analysis assumes all other variables remain constant.

Parent	Other Equity 100 bp increase	Other Equity 100bp (decrease)	Surplus or deficit 100bp increase	Surplus or deficit 100bp (decrease)
2016				
Variable rate financial assets	-	-	11,278	(11,278)
2015				
Variable rate financial assets	-	-	41,532	(41,532)

Group	Other Equity 100 bp increase	Other Equity 100bp (decrease)	Surplus or deficit 100bp increase	Surplus or deficit 100bp (decrease)
2016				
Variable rate financial assets	-	-	11,278	(11,278)
2015				
Variable rate financial assets	-	-	41,532	(41,532)

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 and to meet its liquidity requirements the Institute maintains a target level of short-term deposits that must mature within the next 12 months.

Contractual maturity analysis of financial liabilities		6 months or less	Contractual cash flows	Carrying Amount
Institute				
31 December 2016	Accounts payable	1,138,897	1,138,897	1,138,897
	Trusts and funds	276,637	276,637	276,637
		1,415,534	1,415,534	1,415,534
31 December 2015	Accounts payable	965,598	965,598	965,598
	Trusts and funds	275,916	275,916	275,916
		1,241,514	1,241,514	1,241,514
Group				
31 December 2016	Accounts payable	1,146,922	1,146,922	1,146,922
	Trusts and funds	276,637	276,637	276,637
		1,423,559	1,423,559	1,423,559
31 December 2015	Accounts payable	965,598	965,598	965,598
	Trusts and funds	275,916	275,916	275,916
		1,241,514	1,241,514	1,241,514

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Polytechnic Group causing it to incur a loss. With the exception of student fees the Polytechnic Group trades only with creditworthy third parties.

Contractual maturity analysis of financial liabilities		Current	1 month	2 month	3 month +	Contractual Cash flows	Carrying Amount
Institute							
31 December 2016	Debtors and other receivables	3,203,667	260,148	122,136	729,875	4,315,826	4,157,681
	Loan and receivables*						
	Cash and term deposits	1,438,092		196,390		1,634,482	1,634,482
		4,641,759	260,148	318,526	729,875	5,950,308	5,792,163
31 December 2015	Debtors and other receivables	2,458,930	212,259	210,833	656,860	3,538,882	3,420,351
	Loans and receivables*						
	Cash and term deposits	4,689,537		187,933		4,877,470	4,877,470
		7,148,467	212,259	398,766	656,860	8,416,352	8,297,821

*Contractual cash flows arising from loan and receivables are gross amounts before impairment

		Current	1 month	2 month	3 month +	Contractual Cash flows	Carrying Amount
Group							
31 December 2016	Debtors and other receivables	3,203,667	260,148	122,136	729,875	4,315,826	4,157,681
	Cash and term deposits	1,438,092		196,390		1,634,482	1,634,482
		4,641,759	260,148	318,526	729,875	5,950,308	5,792,163
31 December 2015	Debtors and other receivables	2,458,930	212,259	210,833	656,860	3,538,882	3,420,351
	Cash and term deposits	4,689,537		187,933		4,877,470	4,877,470
		7,148,467	212,259	398,766	656,860	8,416,352	8,297,821

Maximum exposure to credit risk	Institute 2016	Institute 2015	Group 2016	Group 2015
Cash at bank and term deposit	1,634,482	4,877,470	1,634,482	4,877,470
Debtors and other receivables	4,315,826	3,538,882	4,315,826	3,538,882
Total	**5,950,308**	**8,416,352**	**5,950,308**	**8,416,352**

Counterparties with Credit Ratings	Institute 2016	Institute 2015	Group 2016	Group 2015
Cash at bank and term deposits				
AA-	1,634,482	4,877,470	1,650,798	4,877,470
	1,634,482	**4,877,470**	**1,650,798**	**4,877,470**

Counterparties without Credit Ratings	Institute 2016	Institute 2015	Group 2016	Group 2015
Cash at bank	-	-	-	-
	-	**-**	**-**	**-**

Debtors and other Receivables* before provision for bad and doubtful debts	Institute 2016	Institute 2015	Group 2016	Group 2015
Existing Counterparty with no defaults in past	4,315,826	3,538,882	4,315,826	3,538,882
Total	**4,315,826**	**3,538,882**	**4,315,826**	**3,538,882**

17. Explanation of major variances against budget

Statement of Comprehensive Revenue and Expense

Revenue

There is a significant reduction ($2.8m) in MOE revenue compared to the approved budget. Factors contributing to this include:

- A number of programmes were put on hold pending a review of quality
- Some courses for emergency volunteers scheduled for late 2016 were cancelled or deferred due to the Kaikoura earthquake

Other income was $827k less than budgeted. This was due to an over ambitious (doubling of 2015 actual) target for Non-MOE EFTS delivery which was not achieved ($600k shortfall) and anticipated contract income for Emergency Management training which did not eventuate ($200k).

Expenditure

Expenditure was $1m less than budgeted due to a reduction in expenses associated with reduced delivery.

Surplus

Surplus was $4m less than budgeted due to the reduction in revenue of $5m as detailed above and the $1m reduction in expenditure. Fixed costs of $8m and personnel costs of $15.9m prevented further short term cost reductions in line with delivery.

Cashflow

Cashflow was only $1.4m less than budget despite the $4m reduction in surplus. This is due to the MoE funding us in line with budget. The reduction mainly relates to the reduction in tuition fees ($1.4m) and other income ($0.8m), offset by lower expenditure ($1m).

18. Post Balance Date Events

There were no significant post balance date events other than those set out in note 20 below.

19. Breach of Statutory reporting deadline

The Education Act 1989 and the Crown Entities Act 2004 require that TPP's annual report be audited within 4 months from the end of the financial year. TPP was unable to finalise its annual report for the year ended 31 December 2016 until:

- the completion of the TEC investigation and report into over-funding in previous years. This report was released on 28 February 2018; and
- the completion of an agreement between TPP and the Crown on 5 March 2018 for Capital Injection, to maintain operation and improve performance.

These matters affected both the reported results in the annual report, and whether TPP could be considered a going concern. Thus the annual report – and, as a consequence, the audit – could not be finalised until they had been completed.

As a result, TPP has breached its statutory reporting deadline for 2016.

20. Going concern

TPP considers the going concern basis is appropriate for the year ending 31 December 2016.

Appointment of Crown Manager

Following a deficit of $1.6m in 2015, TPPs financial results continued to deteriorate. In addition, a TEC audit performed in September 2015 revealed an under-delivery of funded teaching hours at TPP. This led to a review by Deloitte in December 2015, which was widened in March 2016 to an investigation.

The investigation ultimately found significant under-delivery in a number of programmes dating back to 2010. In total, it was found that TPP owed $21.23m (excluding GST) to TEC for under-delivery.

TPP also under-delivered against its allocated funding for 2016 because it provided programmes to fewer students than it was funded for. This led to a further debt of $3.2m (excluding GST).

The council of TPP wrote to the minister on 8 November 2016 requesting that the minister consider appointing a Crown Manager to address these issues. A Crown Manager was appointed in December 2016, assuming responsibility for all matters relating to finances and the quality of programmes. Under the new Acting Chief Executive, appointed in late 2016, TPP has undertaken a number of initiatives to meet its compliance, student experience and financial sustainability requirements. TEC has indicated its confidence with the approach TPP is taking to ensure business improvements are made.

Capital injection and debt-write off

Since the appointment of the Crown Manager, TPP has actively engaged with TEC and the ministry with respect to TPP future viability and funding, and future tertiary education and training options on the West Coast.

To date, the following have been agreed:

- TEC have written off the $21.23m under-delivery;
- TEC have converted the liability of $3.2m over-funding for 2016 into a capital injection;
- The Crown provided a separate $3.6m capital injection in May 2017 to enable TPP to continue operations in the short term;
- The Crown agreed in March 2018 to provide a further capital injection of $8.5m to TPP so it can continue to operate, and make operational and educational improvements;
- The capital injection of $8.5, is subject to TPP taking specified actions, meeting set targets, and adhering to a reporting timetable; subject to meeting these conditions, TPP expect to receive the $8.5m in three instalments:
    - ➢ $3.0m received in March 2018;
    - ➢ $3.45m in June 2018; and
    - ➢ $2.05m in December 2018.
- The Minister will report back to cabinet in August 2018 to outline plans for TPP for 2019 and beyond.

Forecast financial position

Based on expected levels of operations, and including the various forms of government support set out above, TPP has prepared operating budgets and forecasts through to the end of 2019. These budgets and forecasts show that TPP can reasonably expect to remain solvent and continue operations throughout that period, while actively engaging with TEC and the ministry with respect to TPP's future viability and funding, and future tertiary education and training options on the West Coast.

Future action

The issues TPP is facing are very serious and there is much to be done to ensure that high quality and sustainable vocational education and training is viable on the West Coast.

The Minister for Education has acknowledged that some of the issues affecting TPP are common to other parts of the institutes of technology and polytechnics (ITP) sector, such as declining enrolments, financial pressures due to increasing costs and no increase in tuition subsidies, and the need to invest to modernise teaching and learning.

The Minister has also acknowledged the value of some of the improvement work already undertaken by TPP. The Minister confirmed that he would like TPP to proceed with:

- Continuing to improve quality systems and processes through collaboration with other ITPs, to the satisfaction of NZQA;
- Improving responsiveness to students and employers on the West Coast, by actively engaging with them and offering a range of programmes designed to meet their needs;
- Partnering with other providers to deliver courses on the West Coast; and
- Right-sizing TPP structure.

In November 2017 TPP submitted a business case to the Minister which outlined options for the future structure and delivery of vocational education on the West Coast. The Minister has deferred his decision on the business case pending the Government's decisions on the ITP sector as a whole. The Government's decisions may affect TPP's governance and organisational structure.

Appendix 1 Compulsory Student Services Levy

The compulsory student services levy was set at $230 (GST inclusive) per fulltime student in 2016. It does not apply to all campuses, or fees-free learners. A reduced fee of $40 (GST inclusive) was charged at campuses where a full range of services was not available.

The areas of service that are provided are identified through an annual student survey.

The levy funds key services for students to assist in their success, retention and overall well-being while studying at TPP, and covers:

Careers Advice and Guidance
TPP provides advice and support to students so they can make informed decisions about their career path and study programme, and to improve their employability.

Counselling and Pastoral Care
TPP has a range of pastoral and counselling services to facilitate students' integration into tertiary life and provide on-going support while they are studying with us.

Financial Support and Advice
TPP assists students with Studylink, budgeting and emergency financial assistance for students experiencing extreme financial hardship.

Medical Subsidies
TPP has agreements with select medical centres to offer subsidised fees to registered eligible students.

Compulsory Student Services Fees				
For the year ended 31 December 2016	Careers Advice and Guidance	Counselling and Pastoral Care	Financial Support and Advice	Medical Subsidies
Revenue	27,086	41,508	4,403	3,045
Expenses	32,350	140,235.05	21,296.20	8,676.64
For the year ended 31 December 2015				
Compulsory Student Services Fee Revenue	10,097			
Total Revenue	10,097			
	Careers Advice and Guidance	Counselling and Pastoral Care	Financial Support and Advice	Medical Subsidies
	31,605	51,457	58,224	995

Tai Poutini Polytechnic
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