Audit New Zealand
Mana Arotake Aotearoa

Model Financial Statements

Tutuki Tertiary Institute

2023

Model financial statements for a tertiary education institution prepared under the Tier 1 and Tier 2 Public Benefit Entity reporting standards

February 2024

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Contents

FOREWORD

I am pleased to introduce our 2023 update to the model financial statements for tertiary education institutions (TEIs), using the public benefit entity (PBE) reporting standards for Tier 1 and Tier 2 entities.

Audit New Zealand's model financial statements highlight our latest thinking on meeting financial reporting and legislative requirements and providing essential information to users of financial statements.

Focus

The model financial statements have been updated to reflect the changes to funding from the Tertiary Education Commission (TEC). The model financial statements have also been updated as a result of the Education and Training Amendment Act 2023. The main updates to the model are explained on page 6.

The financial statements are only part of what TEIs are required to include in their annual report. The other legislative requirements for TEI annual reporting are set out in section 306 of the Education and Training Act 2020 and Schedule 4 of the Crown Entities Act 2004.

These model financial statements can be downloaded from our website **www.auditnz.parliament.nz**.

Future updates

We will continue to update these model financial statements to reflect evolving good practice for presenting financial statements that meet the needs of users as well as any revised requirements from changes in accounting standards.

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

Acknowledgements

I would like to thank the Audit New Zealand staff who have contributed to these model financial statements.

Stephen Walker
Executive Director
February 2024

ABOUT THE MODEL FINANCIAL STATEMENTS

Objective

The objectives of this model are to guide tertiary education institutions (TEIs) in preparing financial statements that comply with the Tier 1 or Tier 2 PBE reporting standards, and to provide an insight into evolving good practice in preparing financial statements. TEIs include Universities, Wānanga and Te Pūkenga – New Zealand Institute of Skills and Technology (Te Pūkenga). The Education and Training Amendment Act establishes three categories of wānanga, Category A, B and C. Category B wānanga are not crown entities and are not required to comply with the Crown Entities Act. Category B wānanga are also not required to comply with some parts of the Education and Training Act that apply to other wānanga. Where a requirement does not apply, we have indicated this within the model.

These model financial statements have been prepared using a fictitious TEI, the Tutuki Tertiary Institute. The Tutuki Tertiary Institute has three subsidiaries, an associate, and a joint venture.

Tier 2 concessions

These model financial statements identify disclosure concessions available under the reduced disclosure regime for tier 2 entities by green highlight. Tier 2 entities do not have public accountability, and have total expenses that are over $2 million and less than $30 million. Tier 3 entities with less expenditure may opt up to Tier 2 reporting for consolidation purposes. We encourage TEIs to take advantage of the available disclosure concessions. Additional disclosure concessions might be available to a TEI in preparing its financial statements that are not identified by the model, as the model does not include all possible disclosures of the PBE accounting standards.

Application of materiality to note disclosures

The purpose of these model financial statements is to provide a comprehensive range of accounting policies and disclosures to help guide TEIs in preparing financial statements that comply with the PBE reporting standards. Because of this, the model contains many note disclosures. Most TEIs will not need to include all of these notes in their financial statements.

When preparing financial statements, professional judgement needs to be applied in determining what note disclosures are material to users of the financial statements. The PBE Conceptual Framework provides the following guidance on materiality:

> *Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's general purpose financial reports prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity.*

In some cases, assessing materiality of note disclosures is an on-balance judgement that requires discussion between the preparer and auditor. In making this judgement, key factors are the concepts of user needs and accountability, but it is also important that material information is not obscured by including too much information that is not important.

Main updates to the model

The tables below explain the main updates to the model since it was previously published in 2021. Legislative references that do not form part of an illustrative disclosure are not included in the table.

Page number	Note number	Description of change
17	**Note 1**	The new or amended standards adopted disclosure has been updated.
18	**Note 1**	The standards issued and not yet effective and not early adopted disclosure has been updated to discuss the Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1).
20	**Note 2**	Accounting policies and breakdown of government grant revenue have been updated to replace references to Student Achievement Component (SAC) funding revenue as a result of changes to funding from the TEC. A breakdown of interest revenue has also been included and the accounting policy has been updated.
23/70	**Note 3** and **Appendix 1**	Council remuneration has been relocated to outside of the audited financial statements in line with our current recommendations.
70	**Appendix 1**	An example disclosure of the new requirement in the Education and Training Act 2020 to disclose the number of employees or former employees who received remuneration of $100,000 or more has been included.
68	**Note 24D**	Reconciliation of movements in liabilities arising from financing activities – comparative added.
69	**Note 25**	Explanations for major variances to budget have been updated.
		The note about the ongoing impacts of Covid-19 has been removed. TEIs that are still significantly impacted by Covid-19 or other financial challenges and uncertainties should consider their specific circumstances and include relevant disclosure if material. Affected TEIs should consider whether relevant disclosure may be appropriate in the going concern disclosure (within "Basis of preparation"), as part of the explanations of variances to budget, and/or as a separate note disclosure.

Since the previous model was released, PBE IPSAS 41 has become mandatory. As TEIs transitioned to this standard in the year ended 31 December 2022, the transition impact disclosures are not required for 2023 and have not been included in this model. Changes made to this model as a result of the adoption of PBE IPSAS 41 are listed below:

- Statement of comprehensive revenue and expense – In the other comprehensive revenue and expense section, we have included a new line under the 'items that will not be reclassified to surplus/(deficit)' subheading. This is to reflect that the cumulative gains or losses on equity instruments, recognised in other comprehensive revenue and expense, are not reclassified to surplus or deficit upon disposal under PBE IPSAS 41. It should be noted the accounting requirements for the cumulative gains and losses recognised in other comprehensive revenue expense, upon disposal under PBE IPSAS 41, differs between equity instruments and debt instruments (Page 10).
- Receivables – The accounting policies and disclosures in **Note 7** have been updated.
- Derivative financial instruments – The references in **Note 8** have been updated.
- Other financial assets – The accounting policies and disclosures in **Note 9** have been updated.
- Financial instrument categories – This has been updated in **Note 24A** to reflect the new financial instrument categories under PBE IPSAS 41.
- Financial instruments fair value hierarchy – This has been updated in **Note 24B**.
- Financial instruments risks – Changes made in **Note 24C**.

Content

Included in the model are:

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

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

The model illustrates a possible financial statement format for TEIs. For example, the statement of comprehensive revenue and expense has been prepared by classifying expenses based on the nature of the expenditure. Alternatively, expenses could be classified based on their function. This is just one example where there might be more than one way of disclosing the information required.

While the model provides guidance on disclosure matters, it does not deal with the underlying accounting treatment. TEIs will need to make choices about the accounting policies and presentation options appropriate for their circumstances.

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

We have included references to specific standards and legislation in the left margin of the model and a subject index for easy searching.

We have used colour to highlight the accounting policies (a blue background) and critical accounting estimates and judgements (a red background) from the other information contained in the notes.

We have included a hyperlink where there is a reference to a note to the financial statements.

Other reporting requirements

These financial statements are only part of what TEIs are required to include in the annual report. The other legislative requirements are set out in section 306 of the Education and Training Act and Schedule 4 of the Crown Entities Act 2004. Te Pūkenga has additional reporting requirements as set out in part 2 of Schedule 4 of the Crown Entities Act.

We have not included a statement of service performance (SSP) in these model financial statements. TEIs are required by the Education and Training Act 2020 to include in their annual report an SSP that reports on their performance as compared with the proposed outcomes described in their Investment Plan agreed with the Tertiary Education Commission. The SSP is required to be prepared in accordance with generally accepted accounting practice. TEIs were required to comply with PBE FRS 48 *Service Performance Reporting* for the first time for the year to 31 December 2022.

We have also not included an example of the reporting on student services fees. TEIs are required by a Ministerial Direction under the Education and Training Act 2020 to report certain information in the annual report on student services fees. Guidance on this disclosure is available from the Tertiary Education Commission's website. Although Section 257(1)(d) of the Education and Training Act 2020 has been repealed, the previous Ministerial Direction still applies until 1 January 2024. Requirements are now included in the TEC funding conditions from 2023 onwards. We recommend this disclosure is included in the annual report and not in the financial statements.

In some circumstances TEIs may receive appropriation funding from the Crown. These TEIs should refer to the relevant Estimates of Appropriations to identity any performance reporting obligations for this funding. If the TEI is responsible for reporting end-of-year performance information for an appropriation then the Statement of Responsibility is required to also include the following statement:

We are responsible for any end-of-year performance information provided by Tutuki Tertiary Institute under 19A of the Public Finance Act 1989.

Standards not covered by the model

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

- PBE IPSAS 10 *Financial Reporting in Hyperinflationary Economies*;
- PBE IPSAS 11 *Construction Contracts*;
- PBE IPSAS 22 *Disclosure of Information about the General Government Sector*;
- PBE IPSAS 27 *Agriculture*;
- PBE IPSAS 32 *Service Concession Arrangements: Grantor*;
- PBE IAS 12 *Income Taxes*;
- PBE IAS 34 *Interim Financial Reporting*;
- PBE IPSAS 40 *Business Combinations*;
- PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; and
- PBE FRS 45 *Service Concession Arrangements: Operator.*

Standards and amendments issued after 31 December 2023 are not included in these model financial statements.

Abbreviations used in the model

ACC Accident Compensation Corporation

CEA Crown Entities Act 2004

E&TA Education and Training Act 2020

GAAP Generally accepted accounting practice

PBE Public benefit entity

RDR Reduced disclosure regime

TEI Tertiary education institute

E&TA s306(2),(3)

TUTUKI TERTIARY INSTITUTE STATEMENT OF RESPONSIBILITY[1,2]

CEA s155

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

We are responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Tutuki Tertiary Institute and group for the year ended 31 December 2023.

Signed by:[3]

Chairperson[4]	**Chief Executive**
29 April 2024	29 April 2024

1 If the TEI is responsible for reporting end-of-year performance information for an appropriation then the Statement of Responsibility is required to also include the following statement: We are responsible for any end-of-year performance information provided by Tutuki Tertiary Institute under 19A of the Public Finance Act 1989.

2 The section of the Education and Training Act 2020 that requires a Statement of Responsibility does not apply to Category B wānanga. Nor does the Crown Entities Act.

3 Section 306(3) of the Education and Training Act 2020 requires the statement of responsibility to be dated and signed by the chairperson of the council and the chief executive of the institution. If there is no chairperson, the statement of responsibility is signed by the chief executive of the institution and the chief financial officer.

4 The appropriate position titles for the chairperson and chief executive should be included in the statement of responsibility. For example, Chancellor, ViceChancellor, or Tumuaki.

PBE IPSAS 1.21(b)

TUTUKI TERTIARY INSTITUTE
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2023[5,6,7]

		Notes	Institute			Group		
PBE IPSAS 1.128			Actual 2023 $000	Budget[8] 2023 $000	Actual[9] 2022 $000	Actual 2023 $000	Budget 2023 $000	Actual 2022 $000
	Revenue[10]							
	Government grants	2	97,546	97,547	93,504	100,340	97,993	96,351
	Tuition fees	2	65,525	66,309	64,886	66,188	66,773	65,542
	Research revenue		11,255	10,544	12,088	20,080	22,614	19,531
PBE IPSAS 1.99.1(a)	Interest revenue	2	2,265	2,142	2,958	3,122	2,719	3,574
PBE IPSAS 1.98.3	Other revenue	2	6,501	6,151	5,820	10,499	9,144	10,250
PBE IPSAS 1.99.1(a)	*Total revenue*		183,092	182,693	179,256	200,229	199,243	195,248
PBE IPSAS 1.109	**Expenses**							
	Personnel costs	3	103,240	102,574	97,711	109,675	108,895	102,656
	Depreciation and amortisation expense	12,13	19,188	19,516	16,553	19,231	19,566	16,589
PBE IPSAS 1.99.1(b)	Finance costs	4	1,585	1,300	105	1,585	1,300	105
	Other expenses	5	55,648	55,389	55,391	63,251	65,068	63,003
PBE IPSAS 1.98.3	*Total expenses*		179,661	178,779	169,760	193,742	194,829	182,353
PBE IPSAS 1.99.1(c)	Share of associate/joint venture surplus		0	0	0	71	0	44
PBE IPSAS 1.99.1(f)	**Surplus/(deficit)**		**3,431**	**3,914**	**9,496**	**6,558**	**4,414**	**12,939**
	Other comprehensive revenue and expense							
Good practice[11]	*Item that could be reclassified to surplus/(deficit)*							
PBE IPSAS 1.103.1 PBE IPSAS 30.24(a)(viii)	Fair value movement of NZ Government bonds	21	48	0	39	48	0	39
Good practice	*Item that will not be reclassified to surplus/(deficit)*							
PBE IPSAS 1.103.1 PBE IPSAS 30.24(a)(vii)	Fair value movement of unlisted shares	21	54	0	11	54	0	11
PBE IPSAS 1.103.1	Gain on property revaluations	21	0	0	16,663	0	0	16,663
PBE IPSAS 1.98.1(b)	*Total other comprehensive revenue and expense*		102	0	16,713	102	0	16,713
PBE IPSAS 1.98.1(c)	**Total comprehensive revenue and expense**		**3,533**	**3,914**	**26,209**	**6,660**	**4,414**	**29,652**

PBE IPSAS 1.148.1 Explanations of major variances against budget are provided in **Note 25**.[12]

The accompanying notes form part of these financial statements

5 Alternatively, a statement displaying components of surplus/deficit (a statement of financial performance) directly followed by a second statement beginning with surplus/deficit and displaying components of other comprehensive revenue and expense (a statement of other comprehensive revenue and expense) can be presented.

6 The statement of comprehensive revenue and expense has been prepared using the nature of expense classification. Alternatively, entities may choose to present expenses based on the function of expense. PBE IPSAS 1.115 requires Tier 1 entities that classify expenses by function to disclose additional information on the nature of expenses, including depreciation and amortisation expense, and employee benefits expense.

7 Where there are discontinued operations, PBE IFRS 5.33(a) requires separate disclosure of the total post-tax gain or loss from discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

8 Section 154(3)(c) of the CEA requires the financial statements to "include the forecast financial statements prepared at the start of the financial year, for comparison with the actual financial statements". Sections 306(2) and 306(3)(b) of the Education and Training Act 2020 require forecast financial information to be presented for both the parent and group financial statements. These sections do not apply to category B wānanga.

9 PBE IPSAS 1.53 requires comparative information to be disclosed in respect of the previous year for all amounts reported in the financial statements. Comparative information shall also be included for narrative information when it is relevant to an understanding of the current year's financial statements.

10 PBE IPSAS 23.106(a) requires, either in the statement of comprehensive revenue and expense or the notes to the financial statements, that entities disclose the amount of revenue from non-exchange transactions by major classes, showing separately: i) taxes, showing separately major classes of taxes; and ii) transfers, showing separately major classes of transfer revenue. As the separate labelling of revenue as exchange or non-exchange in most cases would not be considered material, we have decided to not label revenue as exchange or non-exchange in these model financial statements. We have, however, separately disclosed the major classes of revenue streams in **Note 2**.

11 For-profit entities are required to group items presented in other comprehensive revenue and expense on the basis of whether they are potentially reclassifiable to surplus or deficit in the future (reclassification adjustments). Although PBEs are not required to make this disclosure, we consider the disclosure good practice.

12 PBE IPSAS 1.148.1 requires an entity that has published general purpose prospective financial information for the period of the financial statements to present a comparison of the prospective financial information with the actual financial results being reported. Explanations for major variances shall be given.

PBE IPSAS 1.21(a)

TUTUKI TERTIARY INSTITUTE
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023[13]

PBE IPSAS 1.90,128

Reference		Notes	Institute Actual 2023 $000	Institute Budget 2023 $000	Institute Actual 2022 $000	Group Actual 2023 $000	Group Budget 2023 $000	Group Actual 2022 $000
	Assets							
PBE IPSAS 1.70,76	**Current assets**							
PBE IPSAS 1.88(i)	Cash and cash equivalents	6	5,922	4,411	19,966	22,983	22,435	31,754
PBE IPSAS 1.88(g),(h)	Receivables	7	5,351	6,088	5,217	7,402	7,402	7,094
PBE IPSAS 1.88(d)	Derivative instruments	8	203	0	17	203	0	17
PBE IPSAS 1.88(d)	Other financial assets	9	8,675	4,000	4,705	16,995	9,941	13,624
PBE IPSAS 1.88(f)	Inventories	10	233	195	383	233	195	383
PBE IPSAS 1.89	Prepayments		3,993	3,900	3,224	4,110	3,901	3,222
PBE IPSAS 1.89	*Total current assets*		24,377	18,594	33,512	51,926	43,874	56,094
PBE IPSAS 1.70,76	**Non-current assets**							
PBE IPSAS 1.88(d)	Investment in subsidiaries	11	227	313	313	0	0	0
PBE IPSAS 1.88(e)	Investments accounted for using the equity method	11	515	666	515	852	526	526
PBE IPSAS 1.88(d)	Other financial assets	9	2,641	2,326	1,397	1,906	1,300	1,311
PBE IPSAS 1.88(a)	Property, plant, and equipment	12	399,485	396,669	362,512	399,578	396,952	362,527
PBE IPSAS 1.88(c)	Intangible assets	13	4,291	3,840	4,755	5,444	3,840	5,678
PBE IPSAS 1.88(b)	Investment property	14	819	845	882	819	845	882
PBE IPSAS 1.89	*Total non-current assets*		407,978	404,659	370,374	408,599	403,463	370,924
PBE IPSAS 1.89	**Total assets**		**432,355**	**423,253**	**403,886**	**460,525**	**447,337**	**427,018**
	Liabilities							
PBE IPSAS 1.70,80	**Current liabilities**							
PBE IPSAS 1.88(j),(k)	Payables	15	15,191	16,900	12,870	16,665	18,157	13,724
PBE IPSAS 1.89	Deferred revenue	16	4,187	4,550	6,165	11,715	13,935	12,380
PBE IPSAS 1.88(m)	Derivative instruments	8	29	0	32	29	0	32
PBE IPSAS 1.88(m)	Borrowings	17	2,050	2,048	98	2,050	2,048	98
PBE IPSAS 1.89	Employee entitlements	18	10,093	8,125	10,250	10,154	8,178	10,332
PBE IPSAS 1.88(l)	Provisions	19	1,575	1,300	955	1,575	1,300	955
PBE IPSAS 1.89	*Total current liabilities*		33,125	32,923	30,370	42,188	43,618	37,521

13 PBE IPSAS 1.88 requires in the statement of financial position that separate line items be presented for recoverables from non-exchange transactions, receivables from exchange transactions, taxes and transfers payable, and payables under exchange transactions. We consider that it will be rare that this is a material disclosure. Therefore, we have chosen to focus on providing a meaningful breakdown of receivables and payables in the notes to the financial statements. The illustrative financial statements in PBE IPSAS 1 do not separately disclose receivables and payables under exchange or non-exchange headings.

PBE IPSAS 1.21(a)

TUTUKI TERTIARY INSTITUTE
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

PBE IPSAS 1.90,128

Standard		Notes	Institute Actual 2023 $000	Institute Budget 2023 $000	Institute Actual 2022 $000	Group Actual 2023 $000	Group Budget 2023 $000	Group Actual 2022 $000
PBE IPSAS 1.70,80	**Non-current liabilities**							
PBE IPSAS 1.88(m)	Derivative instruments	8	76	0	0	76	0	0
PBE IPSAS 1.88(m)	Borrowings	17	14,739	14,308	492	14,739	14,308	492
PBE IPSAS 1.89	Employee entitlements	18	8,510	9,100	7,820	8,520	9,100	7,831
PBE IPSAS 1.88(l)	Provisions	19	1,320	1,300	932	1,320	1,300	932
PBE IPSAS 1.89	*Total non-current liabilities*		24,645	24,708	9,244	24,655	24,708	9,255
PBE IPSAS 1.89	**Total liabilities**		**57,770**	**57,631**	**39,614**	**66,843**	**68,326**	**46,776**
PBE IPSAS 1.89	**Net assets**		**374,585**	**365,622**	**364,272**	**393,682**	**379,011**	**380,242**
PBE IPSAS 1.95	**Equity**							
PBE IPSAS 1.95(a),(b)	General funds[14]	21	160,357	152,899	149,981	179,454	166,288	165,951
PBE IPSAS 1.95(c)	Property revaluation reserves	21	211,306	209,737	211,306	211,306	209,737	211,306
PBE IPSAS 1.95(c)	Fair value through other comprehensive revenue and expense reserve	21	218	117	116	218	117	116
PBE IPSAS 1.95(c)	Trusts, endowments, and bequests reserve	21	2,704	2,869	2,869	2,704	2,869	2,869
PBE IPSAS 1.88(o)	**Total equity**		**374,585**	**365,622**	**364,272**	**393,682**	**379,011**	**380,242**

PBE IPSAS 1.148.1 Explanations of major variances against budget are provided in **Note 25**.

The accompanying notes form part of these financial statements.

14 Contributed capital and accumulated surplus/deficit are required to be presented separately when a TEI has the available information.

PBE IPSAS 1.21(c)

TUTUKI TERTIARY INSTITUTE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

PBE IPSAS 1.128

Reference		Note	Institute			Group		
			Actual 2023 $000	Budget 2023 $000	Actual 2022 $000	Actual 2023 $000	Budget 2023 $000	Actual 2022 $000
	Balance at 1 January		364,272	357,708	334,313	380,242	370,597	348,110
PBE IPSAS 1.118(a)	Total comprehensive revenue and expense		3,533	3,914	26,209	6,660	4,414	29,652
PBE IPSAS 1.119(a)	***Other equity movements***							
PBE IPSAS 1.119(a)	Capital contributions from the Crown		2,780	0	0	2,780	0	0
PBE IPSAS 1.119(a)	Suspensory loans from the Crown		4,000	4,000	3,750	4,000	4,000	2,480
	Balance at 31 December	**21**	**374,585**	**365,622**	**364,272**	**393,682**	**379,011**	**380,242**

PBE IPSAS 1.148.1 Explanations of major variances against budget are provided in **Note 25**.

The accompanying notes form part of these financial statements.

PBE IPSAS 1.21(d)

TUTUKI TERTIARY INSTITUTE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

			Institute			Group		
PBE IPSAS 1.128			Actual 2023 $000	Budget 2023 $000	Actual 2022 $000	Actual 2023 $000	Budget 2023 $000	Actual 2022 $000
PBE IPSAS 2.18,22,27	**Cash flows from operating activities**							
	Receipts from Government grants		97,546	97,547	93,504	100,340	97,993	96,351
	Receipts from tuition fees, including fees free		65,871	66,309	65,023	66,533	66,773	65,908
	Receipts from research revenue		9,780	10,544	10,245	19,481	22,613	17,654
PBE IPSAS 2.40	Interest received		2,203	2,000	3,054	3,070	3,000	3,578
PBE IPSAS 2.40	Dividend revenue		436	0	377	0	0	0
	Receipts from other revenue		5,071	6,097	4,439	9,525	8,531	9,608
	Payments to employees[14]		(103,238)	(104,567)	(94,567)	(109,688)	(110,845)	(102,341)
	Payments to suppliers[15]		(52,191)	(53,872)	(52,436)	(57,302)	(58,641)	(62,479)
PBE IPSAS 2.40	Interest paid		(1,419)	(1,800)	(62)	(1,419)	(1,800)	(62)
	GST (net)		(424)	0	(21)	(718)	0	(67)
	Net cash flows from operating activities		23,635	22,258	29,556	29,822	27,624	28,150
PBE IPSAS 2.18,25	**Cash flows from investing activities**							
	Receipts from sale of property, plant, and equipment[16]		293	0	382	314	0	413
	Receipts from sale or maturity of investments		3,060	2,000	2,500	5,110	2,000	2,500
	Purchase of property, plant, and equipment[16]		(58,433)	(54,000)	(35,260)	(59,350)	(54,050)	(35,332)
	Purchase of intangible assets[15]		(1,183)	(400)	(2,347)	(1,849)	(400)	(2,618)
	Acquisition of investments		(4,098)	(3,000)	(1,200)	(5,500)	(3,000)	(1,200)
	Net cash flows from investing activities		(60,361)	(55,400)	(35,925)	(61,275)	(55,450)	(36,237)
PBE IPSAS 2.18,26	**Cash flows from financing activities**							
	Proceeds from borrowings		16,000	14,000	0	16,000	14,000	0
	Capital contributions from the Crown		2,780	0	0	2,780	2,800	0
	Suspensory loans from the Crown		4,000	4,000	3,750	4,000	4,000	3,750
	Repayment of borrowings		0	0	0	0	0	0
	Payment of finance leases		(98)	(98)	(98)	(98)	(98)	(98)
	Net cash flows from financing activities		22,682	17,902	3,652	22,682	20,702	3,652
	Net (decrease)/increase in cash and cash equivalents		(14,044)	(15,240)	(2,717)	(8,771)	(7,124)	(4,435)
	Cash and cash equivalents at the beginning of the year		19,966	19,651	22,683	31,754	29,559	36,189
	Cash and cash equivalents at the end of the year	6	**5,922**	**4,411**	**19,966**	**22,983**	**22,435**	**31,754**

PBE IPSAS 2.54 **Equipment totalling $nil (2022: $nil) was acquired by means of finance leases during the year.**

15 We consider it good practice to separately disclose cash outflows from payments to employees and cash outflows from payments to suppliers, although the amounts could be presented in aggregate.

16 We consider it good practice to separately disclose cash flows arising from the acquisition and disposal of property, plant, and equipment and intangible assets. Presenting these cash flows separately provides readers of the financial statements with a clearer linkage between the property, plant, and equipment and intangible asset movement schedules and cash flows arising from acquisitions and disposals.

PBE IPSAS 2.29

TUKUKI TERTIARY INSTITUTE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

Reconciliation of surplus or (deficit) to the net cash flow from operating activities

	Institute		Group	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Surplus/(deficit)	3,431	9,496	6,558	12,939
Add/(less) non-cash items				
Share of associate and joint venture's surplus	0	0	(71)	(44)
Depreciation and amortisation expense	19,189	16,553	19,231	16,589
Intangible asset write-off	0	0	437	0
(Gains)/losses on fair value of investment property	63	(67)	63	(67)
(Gains)/losses on derivative instruments	(105)	32	(105)	32
(Gains)/losses on managed fund	0	0	599	274
Increase/(decrease) in non-current employee entitlements	689	452	689	452
Net foreign exchange (gains)/losses	10	34	10	42
Total non-cash items	19,846	17,004	20,853	17,278
Add/(less) items classified as investing or financing activities				
(Gains)/losses on disposal of property, plant, and equipment	(42)	(21)	(60)	(21)
(Gains)/losses on disposal of investments classified as fair value through other comprehensive revenue and expense	10	(16)	10	(16)
Total items classified as investing or financing activities	(32)	(37)	(50)	(37)
Add/(less) movements in working capital items				
(Increase)/decrease in receivables[17]	(154)	8	(328)	345
(Increase)/decrease in inventories	150	(32)	150	(32)
(Increase)/decrease in prepayments	(768)	1,259	(885)	1,020
Increase/(decrease) in payables[18]	2,290	1,891	3,360	(768)
Increase/(decrease) in deferred revenue	(1,978)	(123)	(665)	(2,685)
Increase/(decrease) in provisions	1,007	324	1,007	324
Increase/(decrease) in current employee entitlements	(157)	(234)	(178)	(234)
Net movement in working capital items	390	3,093	2,461	(2,030)
Net cash flow from operating activities	**23,635**	**29,556**	**29,822**	**28,150**

PBE IPSAS 1.148.1 Explanations of major variances against budget are provided in **Note 25**.

The accompanying notes form part of these financial statements.

17 Any receivables for the sale of property, plant, and equipment will need to be excluded when calculating this movement.
18 Any payables for capital expenditure will need to be excluded when calculating this movement.

PBE IPSAS 1.21(f),127

TUTUKI TERTIARY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS

Notes index

1 Statement of accounting policies

REPORTING ENTITY

PBE IPSAS 1.150(a),(c)	The Tutuki Tertiary Institute (the Institute) is a tertiary education institution (TEI) that is domiciled and operates in New Zealand. The relevant legislation governing the Institute's operations includes the Crown Entities Act 2004[19] and the Education and Training Act 2020.[20]
PBE IPSAS 38.17(a)(i) PBE IPSAS 38.36(a),(b) PBE IPSAS 20.25	The group consists of the Tutuki Tertiary Institute and its wholly-owned subsidiaries, Te Tutuki Enterprise Limited, Te Tutuki Foundation, and Tutuki Accommodation Limited. Its 20.3% equity shareholding of its associate, Te TutukiTech Limited and its 25% equity shareholding of its joint venture, the Institute for Advanced ResearchTech, are equity accounted into the group financial statements.
PBE IPSAS 1.150(b)	The Institute and group provides educational and research services for the benefit of the community. It does not operate to make a financial return.
PBE IPSAS 1.28.2(c)	The Institute has designated itself and the group as public benefit entities (PBEs) for the purposes of complying with generally accepted accounting practice (GAAP).
PBE IPSAS 1.63(a)-(c) PBE IPSAS 14.26	The financial statements of the Institute and group are for the year ended 31 December 2023, and were authorised for issue by the Council on 29 April 2024.

PBE IPSAS 1.127(a)

BASIS OF PREPARATION

Good practice PBE IPSAS 1 Appendix B	The financial statements have been prepared on a going concern basis[21], and the accounting policies have been applied consistently throughout the year.

Statement of compliance

PBE IPSAS 1.28.2(a),(b)	The financial statements [and service performance information][22] of the Institute and group have been prepared in accordance with the requirements of the Crown Entities Act 2004[23] and the Education and Training Act 2020, which include the requirement to comply with generally accepted accounting practice in New Zealand.
PBE IPSAS 1.28,28.2(b),4 PBE IPSAS 1 RDR 28.1,3	The Institute is a Tier 1 entity and the financial statements have been prepared in accordance with and comply with PBE Standards. *[Entities that report in accordance with the Tier 2 PBE reporting standards (RDR) shall state "The financial statements have been prepared in accordance with and comply with PBE Standards RDR" and shall also disclose the criteria that establish them as eligible to report in accordance with the PBE Standards RDR. For example, "The Institute is eligible and has elected to apply the PBE Standards RDR because its expenses are less than $30 million and it does not have public accountability as defined by XRB A1 Application of the Accounting Standards Framework].*

Presentation currency and rounding

PBE IPSAS 1.63(d),(e)	The financial statements are presented in New Zealand dollars and all values, other than the related party transaction disclosures in **Note 22**, are rounded to the nearest thousand dollars ($000). Related party transaction disclosures are rounded to the nearest dollar.

PBE IPSAS 3.33

New amendment applied

2022 Omnibus Amendments to PBE Standards, issued June 2022

The 2022 Omnibus Amendments include several general updates and amendments to several Tier 1 and Tier 2 PBE accounting standards, effective for reporting periods starting 1 January 2023. The group has adopted the revised PBE standards, and the adoption did not result in any significant impact on the group financial statements.

Changes in accounting policies[24]

Good practice	There have been no changes in the Institute's accounting policies since the date of the last audited financial statements.

19 Category B wānanga are not crown entities and are not required to comply with the Crown Entities Act, so would not refer to the Crown Entities Act.

20 PBE IPSAS 1.150 requires the following information to be included in the annual report, if not disclosed elsewhere in the information published with the financial statements: domicile and legal form of the entity and the jurisdiction in which it operates, description of the entity's operations and principal activities, and reference to the relevant legislation governing the entity's operations. These disclosures are not required by the RDR.

21 The going concern concept is assumed when preparing financial statements. If those responsible for preparing the financial statements are aware of conditions or events that cause doubt over the ability to continue as a going concern, those facts shall be disclosed. If the financial statements are not prepared on a going concern basis, that fact shall also be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern. TEIs also need to consider additional disclosure where there are significant concerns around going concern as a result of reduced enrolments.

22 PBE IPSAS 1 28.2 requires an entity to disclose a statement about whether the financial statements and, where appropriate, service performance information have been prepared in accordance with generally accepted accounting practice, in the notes. We consider best practice to meet this requirement for service performance information, is a separate statement of compliance in the service performance information. However as illustrated here, an alternative is to amend the statement of compliance in the financial statements to refer to both financial statements and service performance information.

23 Category B wānanga are not crown entities and are not required to comply with the Crown Entities Act, so would not refer to compliance with the Crown Entities Act.

24 These model financial statements have been prepared on the assumption that there are no changes in accounting policies, material changes to estimates or prior period errors. If these are applicable, disclosure requirements for these can be found in PBE IPSAS 3 paragraphs 33, 34, 44,45 and 54.

1 Statement of accounting policies (continued)

PBE IPSAS 3.35,36

Standards issued and not yet effective and not early adopted

Standards and amendments issued but not yet effective, that have not been early adopted and relevant to the Institute are:

Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1)

Amendments change the required disclosures for fees relating to services provided by the audit or review provider, including a requirement to disaggregate the fees into specified categories. The amendments to PBE IPSAS 1 aim to address concerns about the quality and consistency of disclosures an entity provides about fees paid to its audit or review firm for different types of services. The enhanced disclosures are expected to improve the transparency and consistency of disclosures about fees paid to an entity's audit or review firm. This is effective for the year ended 31 December 2024.

The Institute has not yet assessed in detail the impact of these amendments / these amendments are not expected to have a significant impact.

PBE IPSAS 1.132

Summary of significant accounting policies[25]

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

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

PBE IPSAS 1.132(c)

Basis of consolidation

PBE IPSAS 35.40

The group financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses, and cash flows of entities in the group on a line-by-line basis. All intra-group balances, transactions, revenue, and expenses are eliminated on consolidation.

PE IPSAS 35.38,39

The group financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidation of an entity begins from the date the Institute obtains control of the entity and ceases when the Institute loses control of the entity.

PBE IPSAS 1.132(c)

Foreign currency transactions

PBE IPSAS 4.24,32

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into New Zealand dollars (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

PBE IPSAS 1.132(c)

Goods and services tax

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

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

The net GST paid to, or received from the Inland Revenue, 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.

25 PBE IPSAS 1.132(c) requires disclosure of accounting policies that are relevant to an understanding of the financial statements. The materiality of transactions should also be considered in deciding what accounting policies to disclose. In this model, we have chosen to disclose a comprehensive range of accounting policies. A TEI might not need to disclose all the accounting policies included in this model due to the transactions associated with a particular policy being immaterial. However, PBE IPSAS 1.136 states that an accounting policy might be significant because of the nature of the entity's operations, even if the current and prior periods are immaterial.

1 Statement of accounting policies (continued)

Good practice

Income tax

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

Good practice

Budget figures

The budget figures for the Institute and the group are those approved by the Council at the start of the financial year. The group budget consists of the budget of the Institute and the individual budgets of the Institute's subsidiaries, approved by the governing bodies of those subsidiaries. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.[26]

PBE IPSAS 1.140

Critical accounting estimates and assumptions[27]

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

The estimates and assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimating the fair value of land, buildings, and infrastructure – refer to **Note 12**.
- Estimating retirement gratuities – refer to **Note 18**.

PBE IPSAS 1.137

Critical judgements in applying accounting policies[27]

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

- Distinction between revenue and capital contributions – refer to **Note 2**.
- Research revenue – refer to **Note 2**.
- Early childhood centre grant – refer to **Note 2**.
- Control of Te Tutuki Foundation Trust – refer to **Note 11**.
- Crown-owned land and buildings – refer to **Note 12**.
- Research leave – refer to **Note 18**.
- Suspensory loans with equity conversion features – refer to **Note 21**.

26 If a TEI has revised its budget figures after the start of the year, it could choose to report the revised budget figures in addition to (but not instead of) the budget figures required by section 154 of the CEA.

27 The examples provided are not intended to be exhaustive. TEIs will need to consider their own circumstances to ensure that the disclosures required by PBE IPSAS 1.137 and PBE IPSAS 1.140 are relevant and complete.

2 Revenue

PBE IPSAS 23.107(a),(b)

PBE IPSAS 9.39(a)

Accounting policy

Revenue is measured at fair value. The specific accounting policies for significant revenue items are explained below:[28]

Delivery on the New Zealand Qualifications and Credentials Framework (NZQCF) based funding (previously SAC funding) [Example only – will require tailoring by TEIs for specific funding agreements]

Delivery on the NZQCF based funding is the Institute's main source of operational funding from the TEC. The Institute considers this funding to be non-exchange and recognises it as revenue when the course withdrawal date has passed, based on the number of eligible students enrolled in the course at that date and the value of the course.[29]

Tuition fees

Domestic student tuition fees are subsidised by government funding and are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course.

International student tuition fees are accounted for as exchange transactions and recognised as revenue on a course percentage of completion basis. The percentage of completion is measured by reference to the number of days of the course completed as a proportion of the total course days.

Fees-free revenue

The Institute considers fees-free revenue to be non-exchange revenue and recognises revenue when the course withdrawal date for an eligible student has passed. The Institute has presented funding received for fees-free as part of tuition fees. This is on the basis that receipts from the TEC are for payment on behalf of the student as specified in the relevant funding mechanism.

Performance-Based Research Fund

The Institute considers funding received from Performance-Based Research Fund (PBRF) to be non-exchange in nature. PBRF funding is specifically identified by the TEC as being for a funding period as required by section 425 of the Education and Training Act 2020. The Institute recognises its confirmed allocation of PBRF funding at the commencement of the specified funding period, which is the same as the Institute's financial year. PBRF revenue is measured based on the Institute's funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

Research revenue

For an exchange research contract, revenue is recognised on a percentage completion basis. The percentage of completion is measured by reference to the actual research expenditure incurred as a proportion to total expenditure expected to be incurred.

For a non-exchange research contract, the total funding receivable under the contract is recognised as revenue immediately unless there are substantive conditions in the contract. If there are substantive conditions, revenue is recognised when the conditions are satisfied. A condition could include the requirement to complete research to the satisfaction of the funder to retain funding or return unspent funds. Revenue for future periods is not recognised where the contract contains substantive termination provisions for failure to comply with the requirements of the contract. Conditions and termination provisions need to be substantive, which is assessed by considering factors such as contract monitoring mechanisms of the funder and the past practice of the funder.

Other grants received

Other 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 an obligation, the grants are initially recorded as grants received in advance and then recognised as revenue when the conditions of the grant are satisfied.

28 The application of PBE IPSAS 23 to some TEI revenue streams is a difficult area of judgement. The accounting policies set out in this model are our preferred treatment. However, there are other alternative interpretations for some revenue streams that might be acceptable. Some of the areas of debate have been:
- assessing whether a transaction is exchange or non-exchange;
- assessing when control over an asset is achieved;
- assessing whether there are substantive conditions in funding agreements; and
- assessing whether there are factors (such as legislation) that enable time-linked funding to be recognised in the stated funding period.

If a TEI proposes to adopt an alternative accounting treatment, it should discuss this with its auditor, explaining how it considers the alternative treatment meets the requirements of PBE IPSAS 23.

29 TEIs will need to tailor this policy based on funding agreements with the TEC. This policy does not cover the learner or strategic component of the Unified Funding System or any other funding from the TEC that contains specific substantive conditions. If a TEI receives this funding and it is material, the TEI will need to develop and disclose an appropriate accounting policy.

2 Revenue (continued)

Donations, trust funds, endowments, bequests, and pledges

Donations, trust funds, endowments, and bequests for the benefit of the Institute are recognised as an asset and revenue when the right to receive the funding or asset has been established, unless there is an obligation in substance to return the funds if conditions are not met. If there is such an obligation, they are initially recorded as revenue in advance and then recognised as revenue when the conditions are satisfied. Pledges are not recognised as assets or revenue until the pledged item is received.

Sales of goods

Revenue from the sale of goods is recognised when the product is sold to the customer.

Accommodation services

Revenue from the provision of accommodation services is recognised on a percentage completion basis. This is determined by reference to the number of accommodation days used up until balance date as a proportion of the total accommodation days contracted for with the individual.

Interest and dividends

Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest revenue on financial assets classified as amortised cost or fair value through other comprehensive revenue and expense is accrued using the effective interest method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest revenue each period. This means interest is allocated at a constant rate of return over the expected life of the financial instrument based on the estimated cash flows. Interest revenue on financial assets classified as fair value through surplus or deficit is recognised as it accrues.

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

Rental revenue

Rental revenue is recognised in the statement of financial performance on a straight-line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental revenue.

PBE IPSAS 1.137

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. Information about capital contributions recognised in equity is disclosed in **Note 21**.

Research revenue

The Institute and group exercises its judgement in determining whether funding received under a research contract is an exchange or non-exchange transaction. In making its judgement, the Institute and group considers factors such as:

- Whether the funder has substantive rights to the research output. This is a persuasive indicator of exchange or non-exchange.
- How the research funds were obtained. For example, whether through a commercial tender process for specified work or from applying to a general research funding pool.
- Nature of the funder.
- Specificity of the research brief or contract.

Judgement is often required in determining the timing of revenue recognition for contracts that span a balance date and for multi-year research contracts.

2 Revenue (continued)

Early childhood centre grant

The Institute and group received a grant of $5.56 million from the Crown during the 2013 financial year for the construction of a new early childhood centre. There are a number of conditions attached to this grant, which include the condition to repay all or part of the grant (as determined by the Crown) should the Institute cease to operate, close, or sell the facility prior to 31 August 2026. Accounting for the revenue from this grant under PBE IPSAS 23 *Revenue from Non-Exchange Transactions* requires judgement. The Institute and group has recognised the funds received as a liability and releases the liability to revenue on a straight-line basis during the 30 March 2013 (when the facility became operational) to 31 August 2026 period. The Institute and group considers that it is continuously satisfying the condition while the facility remains in operation and that this would likely be considered by the Crown in determining the amount of any repayment if the condition is breached before its expiry on 31 August 2026.

PBE IPSAS 1.127(c)

(i) Breakdown of Government grants

	Institute		Group	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Delivery on the NZQCF based funding (previously SAC funding)	87,936	78,945	87,936	78,945
Performance-based research funding	7,227	6,936	7,227	6,936
Early childhood centre grant	533	533	533	533
Other grants	1,850	7,090	4,644	9,937
Total Government grants	**97,546**	**93,504**	**100,340**	**96,351**

(ii) Breakdown of tuition fees

	Institute		Group	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Fees from domestic students	37,588	34,431	38,045	34,956
Fees-free	9,397	8,608	9,511	8,739
Fees from international students	18,540	21,847	18,632	21,847
Total tuition fees	**65,525**	**64,886**	**66,188**	**65,542**

(iii) Breakdown of interest revenue

		Institute		Group	
		2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
PBE IPSAS 30.24(b)	Interest earned from financial assets measured at amortised cost				
	• Term deposits	1,150	1,550	2,000	1,730
	• Loans to subsidiaries	265	358	122	444
PBE IPSAS 30.24(b)	Interest earned from financial assets measured at FVTOCRE				
	• New Zealand Government Bonds	850	1,050	850	1,000
PBE IPSAS 1.99.1(a)	Total interest calculated using the effective interest rate method[30]	2,265	2,958	2,972	3,174
	Other interest revenue	-	-	150	400
	Total interest revenue	**2,265**	**2,958**	**3,122**	**3,574**

30 PBE IPSAS 1.99 requires this line to be presented on the face of the Statement of Comprehensive Revenue and Expense. This has been included in the notes as the amount is not material (PBE IPSAS 1.46).

2 Revenue (continued)

(iv) Breakdown of other revenue

		Institute		Group	
		2023 $000	2022 $000	2023 $000	2022 $000
	Student services levy	2,641	2,453	2,641	2,563
	Student accommodation revenue	0	0	1,656	1,611
PBE IPSAS 16.86(f)(i)	Rental revenue from investment property	62	66	62	66
	Bookshop revenue	664	642	664	642
PBE IPSAS 23.107(d)	Monetary donations received	1,160	1,412	2,693	3,063
PBE IPSAS 1.51,107(c)	Gain on sale of property, plant, and equipment	42	21	60	21
	Dividend revenue	436	377	0	0
PBE IPSAS 16.87(d)	Change in fair value of investment property	0	67	0	67
PBE IPSAS 30.24(a)(viii)	Reclassification – Gain on disposal of debt instruments at fair value through other comprehensive revenue and expense (**Note 21**)	0	16	0	16
PBE IPSAS 30.24(a)(i)	Net gain on foreign exchange derivatives	226	0	226	0
	Other revenue	1,270	766	2,497	2,201
	Total other revenue	**6,501**	**5,820**	**10,499**	**10,250**

PBE IPSAS 1.127(c)

3 Personnel costs

Accounting policy

PBE IPSAS 1.132(c)

Superannuation schemes

PBE IPSAS 39.53

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes[31] are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

Breakdown of personnel costs and further information

		Institute		Group	
		2023 $000	2022 $000	2023 $000	2022 $000
	Academic salaries	62,570	59,674	66,506	62,727
	General salaries and wages	37,257	35,492	39,745	37,363
PBE IPSAS 39.55	Defined contribution plan employer contributions	2,681	2,295	2,704	2,317
	Increase/(decrease) in employee entitlements	732	250	720	249
	Total personnel costs	**103,240**	**97,711**	**109,675**	**102,656**

PBE IPSAS 1.127(c)

4 Finance costs

PBE IPSAS 5.16,40(a)

Accounting policy

PBE IPSAS 5.14

Borrowing costs are expensed in the financial year in which they are incurred.

Breakdown of finance costs

		Institute		Group	
		2023 $000	2022 $000	2023 $000	2022 $000
	Interest expense:				
PBE IPSAS 30.24(b)	Interest on bank borrowings	1,358	0	1,358	0
PBE IPSAS 30.24(b)	Interest on finance lease	62	67	62	67
PBE IPSAS 19.97(c)	Discount unwind on provisions (**Note 19**)	75	38	75	38
PBE IPSAS 30.24(a)(i)	Net loss on interest rate swaps	90	0	90	0
	Total finance costs	**1,585**	**105**	**1,585**	**105**

31 The schemes listed are not exhaustive. TEIs may make contributions to other defined contribution schemes, including defined benefit schemes that are accounted for as defined contribution schemes.

PBE IPSAS 1.106

5 Other expenses

Accounting policy

PBE IPSAS 1.132(c)

Scholarships

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

Operating leases

PBE IPSAS 13.8,42,A5

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in surplus or deficit as a reduction of rental expense over the lease term.

Breakdown of other expenses and further information[32]

		Institute		Group	
		2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
	Fees to auditor[33]				
PBE IPSAS 1.116.1(a)	Fees to Audit New Zealand for audit of financial statements	98	115	127	135
PBE IPSAS 1.116.1(b)	Fees to Audit New Zealand for other services	11	11	11	11
PBE IPSAS 13.44(c)	Operating lease payments	3,509	2,647	3,509	2,499
	Repairs and maintenance	1,780	1,392	1,867	1,430
	Other occupancy costs	8,773	10,023	8,686	10,134
	Information technology	5,143	5,468	5,588	5,588
	Grants and scholarships	12,457	10,976	10,967	13,233
	Advertising and public relations	1,087	1,062	1,128	1,095
	Insurance premiums	506	423	520	433
	Consultants and legal fees	2,268	2,736	5,203	4,678
	Office costs	2,875	3,123	3,002	3,226
	Travel and accommodation	2,800	2,857	5,180	3,680
	Other course-related costs	3,047	2,753	3,553	3,040
PBE IPSAS 1.99.1(ba)	Impairment loss on receivables (**Note 7**)[34]	175	192	283	192
PBE IPSAS 12.47(d)	Inventories consumed	1,342	1,372	1,344	1,372
	Intangible asset write-off (**Note 13**)	0	0	437	0
PBE IPSAS 31.125	Research and development expenditure	2,274	2,772	2,341	2,705
	Change in fair value of investment property	63	0	63	0
PBE IPSAS 4.61(a)	Net foreign exchange losses	10	34	10	42
PBE IPSAS 30.24(a)(i)	Net loss on foreign exchange derivatives	0	31	0	31
PBE IPSAS 30.24(a)(viii)	Reclassification – Loss on disposal of debt instruments at fair value through other comprehensive revenue and expense (**Note 21**)	10	0	10	0
PBE IPSAS 30.24(a)(i)	Net loss on managed fund	0	0	599	274
	Other operating expenses	7,420	7,404	8,823	9,205
	Total other expenses	**55,648**	**55,391**	**63,251**	**63,003**

32 PBE IPSAS 1.106 requires separate disclosure of the nature and amount of material items of expense or revenue.

33 PBE IPSAS 1.116.1 and 116.2 requires fees to each auditor or reviewer for other services performed during the reporting period to be separately disclosed from fees related to the audit or review of the financial statements. An entity shall describe the nature of the other services provided.

34 PBE IPSAS 1.99 requires this line to be presented on the face of the Statement of Comprehensive Revenue and Expense. This has been included in the notes as the amount is not material (PBE IPSAS 1.46).

5 Other expenses (continued)

PBE IPSAS 1.116.2 The fees to Audit New Zealand for other services was for providing a report on the Institute's declaration to the Ministry of Education on the Performance-Based Research Fund external research revenue for the year ended 31 December 2023.

Operating leases as lessee

PBE IPSAS 13.44(a) The Institute and group leases property, plant, and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

		Institute		Group	
		2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
PBE IPSAS 13.44(a)(i)	Not later than one year	4,259	2,983	4,543	3,181
PBE IPSAS 13.44(a)(ii)	Later than one year but not later than five years	5,752	6,855	6,135	7,312
PBE IPSAS 13.44(a)(iii)	Later than five years	2,868	4,204	3,060	4,484
	Total non-cancellable operating leases	**12,879**	**14,042**	**13,738**	**14,977**

PBE IPSAS 13.44(b) The total of minimum future sublease payments expected to be received under non-cancellable subleases at balance date is $530,000 (2022: $360,000).

PBE IPSAS 13.44(d)(ii) Leases can be renewed at the Institute and group's option, with rents set by reference to current market rates for items of equivalent age and condition.

PBE IPSAS 13.44(d)(iii) There are no restrictions placed on the Institute and group by any of its leasing arrangements.

Operating leases as lessor

PBE IPSAS 13.69(a),(c) Investment property is leased under operating leases. The majority of these leases have a non-cancellable term of 36 months, with the exception of two leases that have a non-cancellable term of 72 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

		Institute		Group	
		2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
PBE IPSAS 13.69(a)(i)	Not later than one year	42	42	42	42
PBE IPSAS 13.69(a)(ii)	Later than one year but not later than five years	126	168	126	168
PBE IPSAS 13.69(a)(iii)	Later than five years	0	0	0	0
	Total non-cancellable operating leases	**168**	**210**	**168**	**210**

PBE IPSAS 13.69(b) No contingent rents have been recognised during the year.

PBE IPSAS 2.56

6 Cash and cash equivalents

Accounting policy

PBE IPSAS 2.57

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

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Breakdown of cash and cash equivalents and further information

	Institute		Group	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Cash at bank and on hand	1,460	359	4,057	1,505
Call deposits	1,849	1,849	1,849	1,849
Term deposits with maturities less than 3 months at acquisition	2,613	17,758	17,077	28,400
Total cash and cash equivalents	**5,922**	**19,966**	**22,983**	**31,754**

PBE IPSAS 23.106(d)[35]

Assets recognised in a non-exchange transaction that are subject to restrictions

The Institute has entered into a number of research contracts that require the funding to be spent on achieving the objectives of the research brief. For some of these contracts, there are no conditions to return the funding should the funding not be spent on achieving the objectives of the research brief. The amount of unspent funding for such contracts included within cash and cash equivalents totals $232,000 (2022: $334,000).

PBE IPSAS 30.42G

While cash and cash equivalents are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses on cash and cash equivalents is trivial.

PBE IPSAS 1.94(b)

7 Receivables

PBE IPSAS 30.25

Accounting policy

PBE IPSAS 41.60

PBE IPSAS 41.87

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL). The Institute and group applies the simplified ECL model of recognising lifetime ECLs for short-term receivables.

PBE IPSAS 30.42F(c)

PBE IPSAS 30.42F(e)

In measuring ECLs, receivables have been grouped into student fee receivables, and other receivables and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

35 PBE IPSAS 23.106(d) requires disclosure of the amount of assets subject to restrictions and the nature of those restrictions.

7 Receivables (continued)

Breakdown of receivables and further information

	Institute		Group	
	2023 $000	2022 $000	2023 $000	2022 $000
Student fee receivables				
Student fee receivables	2,111	2,804	2,111	2,804
Less: Allowance for credit losses	(267)	(365)	(267)	(365)
Net student fee receivables	1,844	2,439	1,844	2,439
Other receivables				
Commercial receivables	0	0	2,951	2,180
Research receivables	2,350	2,250	2,350	2,250
Receivables from subsidiaries	898	428	0	0
GST receivable	116	0	0	0
Other	343	110	565	235
Less: Allowance for credit losses	(200)	(10)	(308)	(10)
Net other receivables	**3,507**	**2,778**	**5,558**	**4,655**
Total receivables	**5,351**	**5,217**	**7,402**	**7,094**
Total receivables comprises:				
PBE IPSAS 1.88(h) Receivables from exchange transactions	3,001	2,967	5,052	4,844
PBE IPSAS 1.88(g) Receivables from non-exchange transactions	2,350	2,250	2,350	2,250

PBE IPSAS 30.29,35(a)

Fair value

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

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

7 Receivables (continued)[36]

Student fees receivables

The allowance for credit losses was determined as follows:

PBE IPSAS 30.42N
PBE IPSAS 30.IG22D
PBE IPSAS 30.42G(a)

31 December 2023	Institute and Group				
	Receivable days past due				
	Current	1 to 30 days	31 to 90 days	More than 90 days	Total
Expected credit loss rate	4.7%	10.2%	17.7%	45.9%	–
Gross carrying amount ($000)	922	569	424	196	2,111
Lifetime expected credit loss ($000)	44	58	75	90	267

PBE IPSAS 30.42N
PBE IPSAS 30.IG22D
PBE IPSAS 30.42G(a)

31 December 2022	Institute and Group				
	Receivable days past due				
	Current	1 to 30 days	31 to 90 days	More than 90 days	Total
Expected credit loss rate	3.9%	13.1%	17.7%	45.9%	–
Gross carrying amount ($000)	1,230	753	561	260	2,804
Lifetime expected credit loss ($000)	48	99	99	119	365

Other receivables

The allowance for credit losses was determined as follows:

PBE IPSAS 30.42N
PBE IPSAS 30.IG22D
PBE IPSAS 30.42G(a)

31 December 2023	Institute				
	Receivable days past due				
	Current	1 to 30 days	31 to 90 days	More than 90 days	Total
Expected credit loss rate	4.5%	8.5%	16.6%	25.9%	–
Gross carrying amount ($000)	3,484	67	35	121	3,707
Lifetime expected credit loss ($000)	157	6	6	31	200

PBE IPSAS 30.42N
PBE IPSAS 30.IG22D
PBE IPSAS 30.42G(a)

31 December 2023	Group				
	Receivable days past due				
	Current	1 to 30 days	31 to 90 days	More than 90 days	Total
Expected credit loss rate	3.1%	10.5%	16.3%	37.9%	–
Gross carrying amount ($000)	5,423	43	79	321	5,866
Lifetime expected credit loss ($000)	168	5	13	122	308

36 For the credit risk disclosures of PBE IPSAS 30, entities, will need to consider how much detail to disclose, how much emphasis to place on different aspects of disclosures requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statement need additional explanation to evaluate the quantitative information disclosed (PBE IPSAS 30.42D).

7 Receivables (continued)

PBE IPSAS 30.42N

PBE IPSAS 30.IG22D

PBE IPSAS 30.42G(a)

31 December 2022	**Institute**				
	Receivable days past due				
	Current	**1 to 30 days**	**31 to 90 days**	**More than 90 days**	**Total**
Expected credit loss rate	0.36%	12.5%	14.3%	45.9%	–
Gross carrying amount ($000)	2,788	0	0	0	2,788
Lifetime expected credit loss ($000)	10	0	0	0	10

PBE IPSAS 30.42N

PBE IPSAS 30.IG22D

PBE IPSAS 30.42G(a)

31 December 2022	**Group**				
	Receivable days past due				
	Current	**1 to 30 days**	**31 to 90 days**	**More than 90 days**	**Total**
Expected credit loss rate	0.21%	11.8%	15.9%	43.2%	–
Gross carrying amount ($000)	4,665	0	0	0	4,665
Lifetime expected credit loss ($000)	10	0	0	0	10

PBE IPSAS 30.42G(a),(b)

The expected credit loss rates for receivables are based on the payment profile of revenue on credit over the previous 2 years at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

PBE IPSAS 30.42G(c)

There have been no changes during the reporting period in the estimation techniques or significant assumptions used in measuring the loss allowance.

The movement in the allowance for credit losses is as follows:

	Institute		**Group**	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Student fee receivables				
Opening balance allowance for credit losses	365	238	365	238
Revision in loss allowance made during the year	(15)	192	(15)	192
Receivables written off during the year	(83)	(65)	(83)	(65)
Balance at 30 June	**267**	**365**	**267**	**365**
Other receivables				
Opening balance allowance for credit losses	10	10	10	10
Revision in loss allowance made during the year	190	0	298	0
Receivables written off during the year	(0)	0	(0)	0
Balance at 30 June	**200**	**10**	**308**	**10**

(PBE IPSAS 30.42H applies to student fee receivables; PBE IPSAS 30.42I(c) applies to other receivables.)

PBE IPSAS 1.127(c)

8 Derivative instruments

PBE IPSAS 30.25

Accounting policy

Derivative instruments are used to manage exposure to foreign exchange and interest rate risks arising from the Institute's operating and financing activities. In accordance with its treasury policy, the Institute does not hold or issue derivative instruments for trading purposes. The Institute and group has elected not to apply hedge accounting.

PBE IPSAS 41.101(a)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss recognised in surplus or deficit.

PBE IPSAS 1.76,80

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of forward foreign exchange derivatives is classified as non-current. The portion of the fair value of an interest rate derivative that is expected to be realised or settled within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

Breakdown of derivative instruments and further information

	Institute		Group	
	2023 $000	2022 $000	2023 $000	2022 $000
Current asset portion				
Forward foreign exchange contracts	203	17	203	17
Current liability portion				
Interest rate swaps	21	0	21	0
Forward foreign exchange contracts	8	32	8	32
Total current liability portion	29	32	29	32
Non-current liability portion				
Interest rate swaps	76	0	76	0
Total derivative instrument liabilities	**105**	**32**	**105**	**32**

PBE IPSAS 30.41(a)

The notional principal amounts of outstanding forward foreign exchange contracts in NZ$ were $1.25 million (2022: $324,000). The foreign currency principal amounts were US$350,000 (2022: US$280,000), AUS$200,000 (2022: AUS$nil), and GB£125,000 (2022: GB£nil).

PBE IPSAS 30.41(a)

The notional principal amounts of the outstanding interest rate swap contracts totalled $10.00 million (2022: $nil). The fixed interest rates of interest rate swaps vary from 3.75% to 5.87%.

***Fair value*[37]**

PBE IPSAS 30.29,31

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

PBE IPSAS 30.29,31

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

37 TEIs that apply the RDR are not required to disclose the fair value of instruments not measured at fair value. However, PBE IPSAS 30 RDR 31.1 requires for those instruments measured at fair value, disclosure of the basis for determining fair value, and, when a valuation technique is used, disclosure of the assumptions applied in determining fair value.

PBE IPSAS 1.127(c)

9 Other financial assets[38]

PBE IPSAS 30.25

Accounting policy

PBE IPSAS 41.57

Other financial assets are initially recognised at fair value. They are then classified and subsequently measured under the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); and
- fair value through surplus and deficit (FVTSD).

PBE IPSAS 41.57

Transaction costs are included in the value of the financial asset at initial recognition, unless it has been designated at FVTSD, in which case it is recognised in surplus or deficit.

Debt instruments

The classification of a financial asset depends on its cash flow characteristics and the Institute and group's management model for managing them.

PBE IPSAS 41.40

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

PBE IPSAS 41.41

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

PBE IPSAS 41.43

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD.

Surplus funds are invested in New Zealand Government bonds and might be sold prior to maturity for liquidity reasons. Consequently, they are classified at FVTOCRE.

Equity instruments

A financial asset that is an equity instrument is classified at FVTSD, unless the Council and group elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

PBE IPSAS 30.14A(b)

Unlisted shares are irrevocably designated at fair value through other comprehensive revenue and expense at initial recognition. This measurement basis is considered more appropriate than through surplus or deficit because the investments have been made for long-term strategic purposes rather than to generate a financial return through trading.

PBE IIPSAS 41.40,61,69

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits and loans to subsidiaries.

PBE IPSAS 41.111

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses which are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit.[39] Debt instruments in this category are the Institute and group's New Zealand Government bonds.

PBE IPSAS 41.41

PBE IPSAS 41.106

PBE IPSAS 41 AG222

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Institute and group designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term. Equity instruments in this category are unlisted shares. Interest is presented separately within interest revenue.

38 The requirements for financial assets that are designated a Financial Asset at Fair Value Through Surplus or Deficit at inception under PBE IPSAS 41.44 are not covered by this model. Nor are the disclosure and presentation requirements applicable to offsetting of financial assets and liabilities, or the transfer or reclassification of financial assets.

39 There is a difference in treatment of cumulative gains or losses previously recognised for financial assets at FVTOCRE. The treatment depends on whether the financial asset is a debt instrument or an equity instrument. If the financial asset is a debt instrument, the cumulative gains or losses previously recognised in other comprehensive revenue and expense is reclassified to surplus or deficit. If the financial asset is an equity instrument, the cumulative gains or losses previously recognised in other comprehensive revenue and expense is not reclassified to surplus or deficit; instead, it is transferred to accumulated funds.

9 Other financial assets (continued)

PBE IPSAS 41.43, 61

Subsequent measurement of financial assets at FVTSD

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

The managed fund is a portfolio of financial assets that are actively traded with the intention of making profits. Therefore, the managed fund is measured at FVTSD.

PBE IPSAS 30 AG5(e)

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Included in this category are derivatives and the managed fund portfolio.

PBE IPSAS 41.73

Expected credit loss allowance (ECL)

The Institute and group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Institute and group in accordance with the contract and the cash flows it expects to receive.

PBE IPSAS 41.75-80

ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

PBE IPSAS 41 AG179-180

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Institute and group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Institute and group's historical experience and informed credit assessment and including forward-looking information.

PBE IPSAS 30.42F(b)

PBE IPSAS 41 AG201

The Institute and group consider a financial asset to be in default when the financial asset is more than 90 days past due. The Institute and group may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Breakdown of other financial assets and further information

	Institute		Group	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Current portion				
Term deposits	8,496	4,541	8,496	4,541
New Zealand Government bonds	179	164	179	164
Managed fund – bonds	0	0	3,744	4,103
Managed fund – shares	0	0	4,576	4,816
Total current portion	8,675	4,705	16,995	13,624
Non-current portion				
Term deposits	1,300	650	1,300	845
Loans to subsidiary	735	281	0	0
Unlisted shares	606	466	606	466
Total non-current portion	2,641	1,397	1,906	1,311
Total other financial assets	**11,316**	**6,102**	**18,901**	**14,935**

PBE IPSAS 30.14A

Equity investments (unlisted shares)[40] Equity investments designated at FVOCRE comprise of:	Institute and Group	
	2023 $000	**2022 $000**
Invest Tech Limited	204	150
StartUp Hub Limited	200	66
FutureFuel Limited	202	250
Total equity investments	**606**	**466**

40 PBE IPSAS 30.14B requires additional disclosures for the derecognition of an equity instrument designated at FVOCRE.

9 Other financial assets (continued)

Fair value[41]

Term deposits

PBE IPSAS 30.29,31

The fair value of non-current term deposits is $1.25 million (2022: $640,000). Fair value has been determined by discounting future principal and interest cash flows using a discount rate based on the market interest rate on term deposits at balance date with terms to maturity that match as closely as possible the cash flows of term deposits held. The discount rates range between 4.6% – 5.7% (2022: 3.2% – 4.44%).

New Zealand Government bonds

PBE IPSAS 30.29,31

New Zealand Government bonds are recognised at their fair value. Fair value has been determined using quoted market bid prices from independently sourced market information for Government bond prices.

Loans to subsidiary

PBE IPSAS 30.29,35(a)

Loans to related parties are unsecured, non-interest bearing, and repayable on demand. The fair value of the on-demand loans cannot be less than the amount repayable on demand. Therefore, the carrying value of loans on demand reflects their fair value.

Unlisted shares

PBE IPSAS 30.29,31

Unlisted shares are held in early start up technology companies. The fair value of these shares are determined based on the most recent price of the equity investment. Adjustments are made to the most recent price of investment when there is evidence of events subsequent to that investment have affected the value of the company.

Managed fund

PBE IPSAS 30.29,31

The Te Tutuki Foundation Trust invests funds received from trust funds, endowments, and bequests into a managed fund. The balance of each fund is separately tracked and funds can be expended only for the purpose for which the funds were provided by the donor. The managed fund is measured at fair value and consists of listed shares and listed bonds. The fair values of the managed fund investments are determined using approaches as described above for Government bonds.

Credit risk, including ECLs

PBE IPSAS 30.42F(a)

Loss allowance for term deposits, government bonds, and loans to subsidiaries

The Institute considers there has not been a significant increase in credit risk for investments in term deposits, Government bonds, and loans to subsidiaries because the issuer of the investment continues to have low credit risk at balance date. Term deposits are held with banks that have a long-term AA- investment external grade credit rating and the New Zealand Government has a credit rating of AA+, which indicates that these entities have a very strong capacity to meet their financial commitments. No ECL has been recognised for term deposits as the loss allowance is trivial.

PBE IPSAS 30.42K(b)

The balance of loans to subsidiaries is immaterial. The Institute does not hold any collateral for any of its loan assets.

No loss allowance for expected credit losses has been recognised because the estimated 12-month expected loss allowance for credit losses is trivial.

41 TEIs that apply the RDR are not required to disclose the fair value of instruments not measured at fair value. However, PBE IPSAS 30 RDR 31.1 requires for those instruments measured at fair value, disclosure of the basis for determining fair value, and, when a valuation technique is used, disclosure of the assumptions applied in determining fair value.

PBE IPSAS 12.47(b)

10 Inventories

PBE IPSAS 12.47(a)

Accounting policy

PBE IPSAS 12.15

PBE IPSAS 12.17(a)

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first in, first out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

PE IPSAS 12.16

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

PBE IPSAS 12.44

Any write-down from cost to net realisable value or for the loss of service potential is recognised in surplus or deficit in the year of the write-down.

Breakdown of inventories and further information

	Institute		Group	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Commercial inventories				
Research work in progress	40	30	40	30
Bookshop	108	158	108	158
Non-commercial inventories				
Materials and consumables	85	195	85	195
Total inventories	**233**	**383**	**233**	**383**

PBE IPSAS 12.47(h)

As at 31 December 2023, no inventories are pledged as security for liabilities (2022: $nil). However, some inventories are subject to retention of title clauses.

PBE IPSAS 12.47(e),(f)

The write-down of inventories for the year ended 31 December 2023 was $30,000 (2022: $18,000). There have been no reversals of write-downs (2022: $nil).

11 Investments in subsidiaries, associates, and joint ventures

Accounting policy

Subsidiaries

PBE IPSAS 35.19,26.1
PBE IPSAS 38.12

The Institute consolidates in the group financial statements those entities it controls. Control exists where the Institute is exposed, or has rights, to variable benefits (either financial or non-financial) and has the ability to affect the nature and amount of those benefits from its power over the entity. Power can exist over an entity if, by virtue of its purpose and design, the relevant activities and the way in which the relevant activities of the entity can be directed has been predetermined by the Institute.

PBE IPSAS 34.23(c)

Investments in subsidiaries are measured at cost in the Institute's parent financial statements.

Associate

PBE IPSAS 36.8,16
PBE IPSAS 38.12

An associate is an entity over which the Institute has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for in the group financial statements using the equity method of accounting.

PBE IPSAS 34.23(c)

Investments in associates are measured at cost in the Institute's parent financial statements.[42]

Joint venture

PBE IPSAS 37.8
PBE IPSAS 38.12

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

PBE IPSAS 34.23(c)

Investments in joint ventures are measured at cost in the Institute's parent financial statements.

Equity method of accounting in group financial statements

PBE IPSAS 36.22
PBE IPSAS 37.27
PBE IPSAS 36.8

Investments in associates and joint ventures are accounted for in the group financial statements using the equity method of accounting.

Under the equity method of accounting, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the change in net assets of the entity after the date of acquisition. The group's share of the surplus or deficit is recognised in the group surplus or deficit. Distributions received from the investee reduce the carrying amount of the investment in the group financial statements.

PBE IPSAS 36.41,42

If the share of deficits of the entity equals or exceeds the interest in the entity, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the entity. If the entity subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

42 For Tier 2 entities, the method of accounting in the parent financial statements for joint ventures and associates is required to be disclosed only when the investment is significant (PBE IPSAS 34 RDR 23.1).

11 Investments in subsidiaries, associates, and joint ventures (continued)

PBE IPSAS 38.9,12,14

Critical judgements in applying accounting policies

The Te Tutuki Foundation Trust was established in December 2002 for the purpose of raising and receiving funds from external donors, such as for the receipt of trust funds, endowments, and bequests. While the Institute has no rights to appoint or remove trustees from the Board of the Foundation, the Institute has concluded that it controls the Foundation for financial reporting purposes. This is because the Institute irreversibly pre-determined the objectives of the Trust at establishment and it benefits from the activities of the Foundation. Additionally, the Institute has a special relationship with the Foundation because:

- the Institute funds the day-to-day general operations of the Foundation;
- the Institute provides office space and key assets to the Foundation and the Foundation staff are all employees of the University;
- the Foundation's web pages are a section within the Institute's website; and
- fundraising is driven by the Institute and the standard donation documentation provided to donors' requests the donation to the Foundation be for the benefit of the Institute.

Breakdown of investment in subsidiaries and further information

Good practice

	Principal activity	2023 $000	2022 $000
Institute			
Investment in Te Tutuki Enterprise Limited	Develops and commercialises research intellectual property	72	158
Investment in Te Tutuki Foundation	Receives and administers donations and bequests	50	50
Investment in Tutuki Accommodation Limited	Operates the Institute's halls of residence	105	105
Total		**227**	**313**

Significant restrictions

PBE IPSAS 38.20(a),(c)

Tutuki Accommodation Limited is a registered charity. Under its constitution, the company is prohibited from paying dividends (or similar distributions) to the Institute. The carrying amount of the company's assets and liabilities in the group financial statements as at 31 December 2023 are $1.21 million (2022: $1.11 million) and $324,435 (2022: $345,453) respectively.

The capital of the Te Tutuki Foundation Trust is not permitted to be distributed. If the Foundation is wound-up, the assets of the Foundation are required to be transferred to a charitable organisation with objectives similar to the Foundation. The carrying amount of the trust's capital is $8.00 million (2022: $7.80 million).

11 Investments in subsidiaries, associates, and joint ventures (continued)

Breakdown of investment in associates and further information[43]

PBE IPSAS 38.36(a) The Institute has a 20.3% (2022: 20.3%) interest in an associate, Te TutukiTech Limited, which undertakes research jointly with other TEIs. Te TutukiTech Limited is domiciled and operates in New Zealand.

PBE IPSAS 38.36(b)(i) The Institute's interest in Te TutukiTech Limited is measured using the equity method of accounting in the group financial statements.

Financial information relating to Te TutukiTech Limited is provided below:

		2023 $000	2022 $000
	Institute		
	Investment in Te TutukiTech Limited (at cost)	515	515
	Group		
PBE IPSAS 38 AG12(a)	Dividends or similar distributions received	0	0
PBE IPSAS 38.36(b)(ii), AG12(b)	***Summarised financial information of associate[44]***		
	Current assets	3,085	2,560
	Non-current assets	5,792	5,925
	Current liabilities	(1,990)	(2,356)
	Non-current liabilities	(3,990)	(4,356)
	Net assets	2,897	1,773
	Revenue	1,244	1,806
	Tax expense	0	0
Good practice	Surplus/(deficit)	200	102
	Other comprehensive revenue and expense	0	0
	Total comprehensive revenue and expense	200	102
PBE IPSAS 38 AG14(b)	***Reconciliation to equity accounted carrying amount***		
	Net assets	2,897	1,773
	Group's share	20.3%	20.3%
	Elimination of unrealised surplus on downstream sale	(5)	0
	Equity accounted carrying amount	583	360
	Risks associated with the Institute's investment in the associate		
PBE IPSAS 38.39(b)	Share of contingent liabilities incurred jointly with other investors relating to the associate	6	6

Breakdown of investment in joint venture and further information[45]

PBE IPSAS 38.36(a) The Institute has a 25% interest in a joint venture, the Institute for Advanced ResearchTech, which undertakes research jointly with other TEIs. The Institute for Advanced ResearchTech is domiciled and operates in New Zealand.

PBE IPSAS 38.36(b)(i) The Institute's interest in the Institute for Advanced ResearchTech is measured using the equity method of accounting in the group financial statements.

43 PBE IPSAS 38 outlines disclosures that apply for each associate investment that is material to the group financial statements. For those investments that are immaterial, simplified disclosures apply (PBE IPSAS 38 AG16). These model financial statements illustrate the disclosures that apply to a single material associate investment.

44 The summarised financial information of associates and joint ventures shall be the amounts included in the PBE Standard financial statements of the investee. If an investor accounts for its interest using the equity method of accounting, the amounts included in the PBE Standard financial statements shall be adjusted to reflect adjustments when using the equity method, such as for differences in accounting policies (PBE IPSAS 38 AG14(a)).

45 PBE IPSAS 38 outlines disclosures that apply for each joint venture investment that is material to the group financial statements. For those investments that are immaterial, simplified disclosures apply (PBE IPSAS 38 AG16). These model financial statements illustrate the disclosures that apply to a single material joint venture investment.

11 Investments in subsidiaries, associates and joint ventures (continued)

Financial information relating to the Institute for Advanced ResearchTech is provided below:

		2023 $000	2022 $000
	Institute		
	Investment in the Institute for Advanced ResearchTech (at cost)	163	163
	Group		
PBE IPSAS 38 AG12(a)	Dividends or similar distributions received	0	0
PBE IPSAS 38.36(b)	***Summarised financial information of joint venture***[46]		
PBE IPSAS 38.36 AG12-13	Current assets		
	Cash and cash equivalents	5,981	6,201
	Other current assets	3,176	2,778
	Total current assets	9,157	8,979
	Non-current assets	4,657	3,166
	Current liabilities		
	Financial liabilities (excluding accounts payable)	2,891	2,952
	Other current liabilities	1,458	1,368
	Total current liabilities	4,349	4,320
	Non-current liabilities		
	Financial liabilities (excluding accounts payable)	5,862	4,234
	Other non-current liabilities	2,527	2,927
	Total non-current liabilities	8,389	8,489
	Revenue, excluding interest	1,954	2,294
	Interest revenue	207	125
	Depreciation and amortisation	(520)	(620)
	Interest expense	(56)	(12)
	Income tax expense	(352)	(460)
Good practice	Net surplus/(deficit)	123	94
	Other comprehensive revenue and expense	0	0
	Total comprehensive revenue and expense	123	94
PBE IPSAS 38 AG14(b)	***Reconciliation to equity accounted carrying amount***		
	Joint venture's net assets	1,076	664
	Group's share	25%	25%
	Equity accounted carrying amount	269	166
	Risks associated with the Institute's investment in the joint venture		
PBE IPSAS 38 39(a)	Shareholder funding commitments for next 3 years	1,234	892
PBE IPSAS 38.39(b)	Share of joint venture's contingent liabilities	43	0

46 The summarised financial information of associates and joint ventures shall be the amounts included in the PBE Standard financial statements of the investee. If an investor accounts for its interest using the equity method of accounting, the amounts included in the PBE Standard financial statements shall be adjusted to reflect adjustments when using the equity method, such as for differences in accounting policies (PBE IPSAS 38 AG14(a)).

12 Property, plant, and equipment

PBE IPSAS 1.132(c)

Accounting policy

Property, plant, and equipment consists of the following asset classes: land, buildings, infrastructure, leasehold improvements, computer hardware, furniture and equipment, motor vehicles, library collection, and heritage collections.

PBE IPSAS 17.88(a)

Land is measured at fair value, and buildings and infrastructure are measured at fair value less accumulated depreciation and impairment losses. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

Revaluations

PBE IPSAS 17.44

Land, buildings, and infrastructure are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

PBE IPSAS 17.56

Revaluation movements are accounted for on a class-of-asset basis.

PBE IPSAS 17.54, 55

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

PBE IPSAS 17.14

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Institute and group and the cost of the item can be measured reliably.

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

PBE IPSAS 17.26,27

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

PBE IPSAS 17.14

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 group and the cost of the item can be measured reliably.

PBE IPSAS 17.23,24

The costs of day-to-day servicing of property, plant, and equipment are recognised in surplus or deficit as they are incurred.

Disposals

PBE IPSAS 17.57,83,86

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds within equity.

PBE IPSAS 17.88(b),(c)

Depreciation[47]

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

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

Buildings (including components)	25 to 100 years	1% to 4%
Infrastructure	10 to 50 years	2% to 10%
Leasehold improvements	3 to 10 years	10% to 33.3%
Computer hardware	5 years	20%
Furniture and equipment	2 to 13 years	7.7% to 50%
Motor vehicles	4 years	25%
Library collection	10 years	10%

There have been no material changes to useful lives or depreciation methods from the previous year.

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

47 The useful lives and depreciation rates that have been listed above are only illustrative. Each TEI will need to set these based on their specific circumstances. If there has been a material change to accounting estimates relating to residual values, estimated restoration costs, useful lives or depreciation methods, the nature and effect should be disclosed in accordance with PBE IPSAS 17.91.

12 Property, plant, and equipment (continued)

Impairment of property, plant, and equipment

PBE IPSAS 21.26
PBE IPSAS 26.22
PBE IPSAS 21.35
PBE IPSAS 26.31

Property, plant, and equipment are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

PBE IPSAS 21.52,54
PBE IPSAS 26.72,73

If an asset's carrying amount exceeds its recoverable amount, the asset is considered to be impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

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

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

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

Value in use for non-cash-generating assets

PBE IPSAS 21.16-21

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

PBE IPSAS 21.44-50

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

PBE IPSAS 26.14-18

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

PBE IPSAS 26.43-70

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

PBE IPSAS 1.140

Critical accounting estimates and assumptions

Estimating the fair value of land, buildings, and infrastructure

PBE IPSAS 17.92[48]

The most recent valuations of land, buildings, and infrastructure were performed by an independent registered valuer, R Holt ANZIV of O'Connell Valuers Limited. The valuation is effective as at 31 December 2022.

Land

Fair value, using market-based evidence, is based on the highest and best use of the land, with reference to comparable land values. Adjustments have been made to the "unencumbered" land value for campus land where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensively. These adjustments ranged from 10% to 20%.

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

Buildings

Specialised buildings are buildings specifically designed for educational purposes. They are valued using depreciated replacement cost because no reliable market data is available for such buildings.

- The replacement cost is derived from recent construction contracts of modern equivalent assets and from third party cost databases. Construction costs range from $967 to $4,604 (2020: $868 to $2,800) per square metre, depending on the nature of the specific asset valued.
- The replacement costs of the specific assets are adjusted where appropriate for optimisation due to over-design or surplus capacity. There have been no optimisation adjustments for the most recent valuations.

48 Although it is not a requirement, we consider it good practice to disclose the name and qualifications of property valuers.

12 Property, plant, and equipment (continued)

- Current supply chain issues and market conditions are impacting on replacement costs in the depreciated replacement cost calculations. On advice from the valuer, our judgment is that these resulting cost increases will be sustained over the long term rather than be short-term fluctuations. Therefore, recent cost increases have been taken into account in determining depreciated replacement cost.
- There are no significant asbestos issues associated with the buildings.
- Independent structural engineers have estimated present-value costs of between $14.00 million and $20.00 million (2020: $14.5 million and $21.5 million) to strengthen the Institute's earthquake-prone buildings. The mid-point of $17.00 million (2020: $18 million) has been deducted off the depreciated replacement cost.
- The remaining useful life of assets is estimated after considering factors such as the condition of the asset, future maintenance and replacement plans, and experience with similar buildings.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings and office buildings) are valued at fair value using market-based evidence. Significant assumptions in the 31 December 2022 valuation include market rents and capitalisation rates.

- Market rents range from $415 to $585 per square metre (2020: $400 to $490). An increase (decrease) in market rents would increase (decrease) the fair value of non-specialised buildings.
- Capitalisation rates are market-based rates of return and range from 8.25% to 8.75% (2020: 6.25% to 7.75%). An increase (decrease) in the capitalisation rate would decrease (increase) the fair value of non-specialised buildings.

A comparison of the carrying value of buildings valued using depreciated replacement cost and buildings valued using market-based evidence is as follows:

	2023 $000	2022 $000
Institute and group		
Depreciated replacement cost	195,821	182,492
Market-based evidence	77,250	56,767
Total carrying value of buildings	**273,071**	**239,259**

Infrastructure

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

PBE IPSAS 1.137

Crown-owned land and buildings

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

The Institute and group has secured the use of the property by means of a lease from the Ministry of Education for a period of 99 years from 1 December 1996 at nil rent.

The legal ownership of land and buildings is detailed as follows:

	Land		Buildings	
	2023 $000	2022 $000	2023 $000	2022 $000
Institute-owned	40,000	40,000	241,000	205,557
Crown-owned	30,701	30,701	32,071	33,702
Total	**70,701**	**70,701**	**273,071**	**239,259**

12 Property, plant, and equipment (continued)

Breakdown of property, plant, and equipment and further information

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

Institute	Cost/ valuation 1/1/23 $000	Accumulated depreciation & impairment 1/1/23 $000	Carrying amount 1/1/23 $000	Additions $000	Disposals $000	Impairment $000	Depreciation $000	Revaluation surplus $000	Cost/ valuation 31/12/23 $000	Accumulated depreciation & impairment 31/12/23 $000	Carrying amount 31/12/23 $000
Land	70,701	0	70,701	0	0	0	0	0	70,701	0	70,701
Buildings	239,259	0	239,259	40,313	0	0	(6,501)	0	279,572	(6,501)	273,071
Infrastructure	5,376	0	5,376	7	0	0	(421)	0	5,383	(421)	4,962
Leasehold improvements	6,721	(1,602)	5,119	467	0	0	(591)	0	7,188	(2,193)	4,995
Computer hardware	13,742	(7,622)	6,120	3,250	(2)	0	(2,428)	0	16,990	(10,050)	6,940
Furniture and equipment	28,065	(11,462)	16,603	4,617	(209)	0	(3,231)	0	32,406	(14,626)	17,780
Motor vehicles	938	(425)	513	42	(8)	0	(166)	0	945	(564)	381
Library collection	23,730	(12,126)	11,604	6,031	(32)	0	(4,202)	0	29,728	(16,327)	13,401
Heritage collections	7,217	0	7,217	37	0	0	0	0	7,254	0	7,254
Total Institute	**395,749**	**(33,237)**	**362,512**	**54,764**	**(251)**	**0**	**(17,540)**	**0**	**450,167**	**(50,682)**	**399,485**

PBE IPSAS 17.88(d),(e)[49]

Institute	Cost/ valuation 1/1/22 $000	Accumulated depreciation & impairment 1/1/22 $000	Carrying amount 1/1/22 $000	Additions $000	Disposals[50] $000	Impairment $000	Depreciation $000	Revaluation surplus $000	Cost/ valuation 31/12/22 $000	Accumulated depreciation & impairment 31/12/22 $000	Carrying amount 31/12/22 $000
Land	60,786	0	60,786	810	0	0	0	9,105	70,701	0	70,701
Buildings	225,802	(6,360)	219,442	19,153	0	0	(5,473)	6,137	239,259	0	239,259
Infrastructure	4,460	(356)	4,104	101	0	0	(250)	1,421	5,376	0	5,376
Leasehold improvements	6,302	(1,068)	5,234	419	0	0	(534)	0	6,721	(1,602)	5,119
Computer hardware	15,343	(9,985)	5,358	2,909	(48)	0	(2,099)	0	13,742	(7,622)	6,120
Furniture and equipment	25,520	(11,569)	13,951	5,529	(50)	0	(2,827)	0	28,065	(11,462)	16,603
Motor vehicles	1,053	(528)	525	248	(92)	0	(168)	0	938	(425)	513
Library collection	18,463	(9,187)	9,276	6,059	(47)	0	(3,684)	0	23,730	(12,126)	11,604
Heritage collections	7,207	0	7,207	94	(84)	0	0	0	7,217	0	7,217
Total Institute	**364,936**	**(39,053)**	**325,883**	**35,322**	**(321)**	**0**	**(15,035)**	**16,663**	**395,749**	**(33,237)**	**362,512**

49 This is just one way of presenting the reconciliation required by PBE IPSAS 17 *Property, Plant and Equipment*.
50 Disposals in this reconciliation are reported net of accumulated depreciation and include property, plant, and equipment classified as held for sale during the year. Where assets classified as held for sale are material, these should be separately disclosed in the reconciliation of the carrying amount at the beginning and end of the year.

12 Property, plant, and equipment (continued)

Group	Cost/ valuation 1/1/23 $000	Accumulated depreciation & impairment 1/1/23 $000	Carrying amount 1/1/23 $000	Additions $000	Disposals $000	Impairment $000	Depreciation $000	Revaluation surplus $000	Cost/ valuation 31/12/23 $000	Accumulated depreciation & impairment 31/12/23 $000	Carrying amount 31/12/23 $000
Land	70,701	0	70,701	0	0	0	0	0	70,701	0	70,701
Buildings	239,259	0	239,259	40,313	0	0	(6,501)	0	279,572	(6,501)	273,071
Infrastructure	5,376	0	5,376	7	0	0	(421)	0	5,383	(421)	4,962
Leasehold improvements	6,721	(1,602)	5,119	467	0	0	(592)	0	7,188	(2,194)	4,994
Computer hardware	13,844	(7,709)	6,135	3,270	(5)	0	(2,441)	0	17,074	(10,115)	6,959
Furniture and equipment	28,087	(11,484)	16,603	4,715	(209)	0	(3,260)	0	32,528	(14,679)	17,849
Motor vehicles	938	(425)	513	48	(8)	0	(166)	0	951	(564)	387
Library collection	23,730	(12,126)	11,604	6,031	(32)	0	(4,202)	0	29,728	(16,327)	13,401
Heritage collections	7,217	0	7,217	37	0	0	0	0	7,254	0	7,254
Total group	**395,873**	**(33,346)**	**362,527**	**54,888**	**(254)**	**0**	**(17,583)**	**0**	**450,379**	**(50,801)**	**399,578**

Group	Cost/ valuation 1/1/22 $000	Accumulated depreciation & impairment 1/1/22 $000	Carrying amount 1/1/22 $000	Additions $000	Disposals $000	Impairment $000	Depreciation $000	Revaluation surplus $000	Cost/ valuation 31/12/22 $000	Accumulated depreciation & impairment 31/12/22 $000	Carrying amount 31/12/22 $000
Land	60,786	0	60,786	810	0	0	0	9,105	70,701	0	70,701
Buildings	225,802	(6,360)	219,442	19,153	0	0	(5,473)	6,137	239,259	0	239,259
Infrastructure	4,460	(356)	4,104	101	0	0	(250)	1,421	5,376	0	5,376
Leasehold improvements	6,302	(1,068)	5,234	419	0	0	(534)	0	6,721	(1,602)	5,119
Computer hardware	15,439	(10,047)	5,392	2,915	(48)	0	(2,124)	0	13,844	(7,709)	6,135
Furniture and equipment	25,607	(11,584)	14,023	5,533	(115)	0	(2,838)	0	28,087	(11,484)	16,603
Motor vehicles	1,053	(528)	525	248	(92)	0	(168)	0	938	(425)	513
Library collection	18,463	(9,187)	9,276	6,059	(47)	0	(3,684)	0	23,730	(12,126)	11,604
Heritage collections	7,207	0	7,207	94	(84)	0	0	0	7,217	0	7,217
Total group	**365,119**	**(39,130)**	**325,989**	**35,332**	**(386)**	**0**	**(15,071)**	**16,663**	**395,873**	**(33,346)**	**362,527**

12 Property, plant, and equipment (continued)

PBE IPSAS 17.89(a)

Restrictions on title

PBE IPSAS 23.106(d)

Under the Education and Training Act 2020, the Institute is required to obtain consent from the Secretary for Education to dispose of land and buildings. For plant and equipment, there is an asset disposal limit formula, which provides a limit up to which a TEI may dispose of plant and equipment without seeking consent from the Secretary for Education. Detailed information on the asset disposal rules can be found on the Tertiary Education Commission website.

There are also various restrictions in the form of historic designations, reserve, and endowment encumbrances attached to land. The Institute and group does not consider it practical to disclose in detail the value of land subject to these restrictions.[51]

Finance leases

PBE IPSAS 13.40(a)

As at 31 December 2023, the net carrying amount of computers and electronic equipment (included within computer hardware) held under finance leases is $422,000 (2022: $485,000). **Note 17** provides further information about finance leases.

PBE IPSAS 17.89(b)

Work in progress

As at 31 December 2023, buildings in the course of construction total $26.55 million (2022: $16.44 million). No other asset classes have assets in the course of construction.[52]

Capital commitments

PBE IPSAS 17.89(c)

The amount of contractual commitments for the acquisition of property, plant, and equipment is:

	Institute		Group	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Capital commitments				
Buildings[53]	12,458	8,478	12,458	8,478
Infrastructure	856	0	856	0
Total capital commitments	**13,314**	**8,478**	**13,314**	**8,478**

51 PBE IPSAS 17.89 requires disclosure of the existence and amounts of restrictions on title, and property, plant, and equipment pledged as security for liabilities for each class of asset.
52 PBE IPSAS 17.89 requires disclosure of the carrying amount of property, plant, and equipment in the course of construction for each class of asset.
53 PBE IPSAS 17.89 requires disclosure of the amount of contractual commitments for the acquisition of property, plant, and equipment for each class of asset.

13 Intangible assets

PBE IPSAS 1.132(c)

Accounting policy

Software acquisition and development

PBE IPSAS 31.34,35

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

PBE IPSAS 31.64,65

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and relevant professional fees.

PBE IPSAS 31.36,65,67

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Course development costs

PBE IPSAS 31 AG8

Costs that are directly associated with the development of new educational courses are recognised as an intangible asset when the Institute controls the course content. The development costs primarily consist of employee costs.

Intellectual property development

Research costs are expensed as incurred in the surplus or deficit.

PBE IPSAS 31 AG8

Development costs that are directly attributable to the design, construction, and testing of pre-production or pre-use prototypes and models associated with intellectual property development are recognised as an intangible asset if all the following can be demonstrated:

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

PBE IPSAS 31.66,70

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

Amortisation

PBE IPSAS 31.96,117(b)

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is expensed in surplus or deficit.

PBE IAS 38.117(a)

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

Computer software	3 to 6 years	16.7% to 33.3%
Course development costs	5 years	20%

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

Impairment of intangible assets

PBE IPSAS 21.26A
PBE IPSAS 26.23.1

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

For further details refer to the policy for impairment of property, plant, and equipment in **Note 12**. The same approach applies to the impairment of intangible assets.

13 Intangible assets (continued)

Breakdown of intangible assets and further information

Movements for each class of intangible asset are as follows:[54]

PBE IPSAS 31.117(c),(e)

	Software $000	Course development costs $000	Institute total $000	Intellectual property development $000	Group total $000
Balance at 1 January 2023					
Cost	7,891	1,972	9,863	923	10,786
Accumulated amortisation and impairment	(4,086)	(1,022)	(5,108)	0	(5,108)
Opening carrying amount	3,805	950	4,755	923	5,678
Year ended 31 December 2023					
Additions	949	235	1,184	667	1,851
Write-off	0	0	0	(437)	(437)
Amortisation	(1,318)	(330)	(1,648)	0	(1,648)
Closing carrying amount	3,436	855	4,291	1,153	5,444
Balance at 31 December 2023					
Cost	8,840	2,207	11,047	1,153	12,200
Accumulated amortisation and impairment	(5,404)	(1,352)	(6,756)	0	(6,756)
Closing carrying amount	**3,436**	**855**	**4,291**	**1,153**	**5,444**
Balance at 1 January 2022					
Cost	6,019	1,505	7,524	652	8,176
Accumulated amortisation and impairment	(2,872)	(718)	(3,590)	0	(3,590)
Opening carrying amount	3,147	787	3,934	652	4,586
Year ended 31 December 2022					
Additions	1,877	468	2,345	271	2,616
Disposals	(5)	(1)	(6)	0	(6)
Amortisation	(1,214)	(304)	(1,518)	0	(1,518)
Closing carrying amount	3,805	950	4,755	923	5,678
Balance at 31 December 2022					
Cost	7,891	1,972	9,863	923	10,786
Accumulated amortisation and impairment	(4,086)	(1,022)	(5,108)	0	(5,108)
Closing carrying amount	**3,805**	**950**	**4,755**	**923**	**5,678**

PBE IPSAS 31.121(d) There are no restrictions over the title of the Institute and group's intangible assets, nor are any intangible assets pledged as security for liabilities.

54 PBE IPSAS 31.117 requires entities to distinguish between internally generated intangible assets and other intangible assets. For example, internally developed software shall be distinguished from acquired software.

13 Intangible assets (continued)

PBE IPSAS 1.106

The group derecognised an asset with a carrying amount of $437,000 during the year in relation to a project on the development of certain electrical technology. The asset was derecognised, giving rise to a write-off expense of $437,000, because the investment partner in the development has decided not to contribute any further funding for the completion and commercialisation of the technology. With no commitments for future funding for the completion of development and commercialisation of the technology, the group has not been able to demonstrate that it is probable the project will provide future economic benefits. The group will endeavour to secure further investment for the completion and commercialisation of the technology development.

PBE IPSAS 31.121(e)

There were no contractual commitments for the acquisition of intangible assets for the Institute and group (2022: $nil).

14 Investment property

PBE IPSAS 1.132(c)

Accounting policy

PBE IPSAS 16.7

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

PBE IPSAS 16.26

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

PBE IPSAS 16.42,44, 86(a)

After initial recognition, investment property is measured at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in surplus or deficit.

Breakdown of investment property and further information

PBE IPSAS 16.87

	Institute		Group	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Balance at 1 January	882	815	882	815
Additions from acquisitions[55]	0	0	0	0
Additions from subsequent expenditure	0	0	0	0
Disposals	0	0	0	0
Transfers to and from Property, Plant and Equipment and Inventories	0	0	0	0
Fair value gains/(losses) on valuation	(63)	67	(63)	67
Balance at 31 December	**819**	**882**	**819**	**882**

PBE IPSAS 16.86(e)

The valuation of investment property as at 31 December 2023 was performed by I Trevors ANZIV, an independent registered valuer from Oppenheim Valuers Limited. Oppenheim Valuers Limited are experienced valuers with extensive market knowledge in the types and location of investment property owned by the Institute.

PBE IPSAS 16.86(a), (d)

The fair value of investment property has been determined using the capitalisation of net revenue and discounted cash flow methods. These methods are based on market evidence and use assumptions including future rental revenue, anticipated maintenance costs, and appropriate capitalisation or discount rates:

- Net revenue, which takes into account future rental revenue and anticipated maintenance costs, ranges from $420 to $550 per square metre (2022: $350 to $450). An increase (decrease) in net revenue would increase (decrease) the fair value of investment property.
- Capitalisation rates range from 7.25% to 8.5% (2022: 6.25% to 7%). An increase (decrease) in the capitalisation rate would decrease (increase) the fair value of investment property.

55 PBE IPSAS 16 RDR 87.2 states that entities that apply the RDR are not required to distinguish additions between those resulting from acquisitions and those resulting from subsequent expenditure. Therefore, entities applying the RDR can present a single line for additions.

14 Investment property (continued)

Breakdown of investment property and further information

		Institute		Group	
		2023 $000	2022 $000	2023 $000	2022 $000
PBE IPSAS 16.86(f)	Rental revenue	62	66	62	66
PBE IPSAS 16.86(f)	Operating expenses from property generating revenue	12	11	12	11
PBE IPSAS 16.86(f)	Operating expenses from property not generating revenue	0	0	0	0
PBE IPSAS 16.86(h)	Contractual obligations for capital expenditure	0	0	0	0
PBE IPSAS 16.86(h)	Contractual obligations for operating expenditure	14	18	14	18

PBE IPSAS 1.93

15 Payables

PBE IPSAS 30.25

Accounting policy

PBE IPSAS 41.60

Short-term payables are recorded at the amount payable.

Breakdown of payables and further information

		Institute		Group	
		2023 $000	2022 $000	2023 $000	2022 $000
	Payables under exchange transactions				
	Creditors	5,084	3,986	5,646	4,187
	Accrued expenses	7,954	6,249	8,848	6,757
	Contract retentions	1,329	621	1,329	622
	Deposits held on behalf of students	808	1,406	808	1,406
	Amounts due to subsidiaries	16	21	0	0
PBE IPSAS 1.88(k)	*Total payables under exchange transactions*	15,191	12,283	16,631	12,972
	Payables under non-exchange transactions				
PBE IPSAS 1.88(j)	Taxes payable (for example, GST, FBT, and rates)	0	587	34	752
	Total payables	**15,191**	**12,870**	**16,665**	**13,724**

PBE IPSAS 30.29,35(a)

Payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value.

PBE IPSAS 1.93

16 Deferred revenue

Breakdown of deferred revenue and further information

	Institute		Group	
	2023 $000	2022 $000	2023 $000	2022 $000
Tuition fees	1,717	1,434	1,717	1,434
Research funding	1,047	2,422	8,006	8,503
Early childhood centre grant	1,423	1,956	1,423	1,956
Other revenue received in advance	0	353	569	487
Total deferred revenue	**4,187**	**6,165**	**11,715**	**12,380**

16 Deferred revenue (continued)

PBE IPSAS 23.106(c) Deferred revenue from tuition fees includes both liabilities recognised for domestic student fees received for which the course withdrawal date has not yet passed and for international student fees, which is based on the percentage completion of the course.

Deferred revenue from research contracts includes both liabilities recognised for research funding with unsatisfied conditions (non-exchange contracts) and liabilities for exchange research funding received in excess of costs incurred to date on the required research.

During 2013, the Institute and group received a grant from the Crown for the construction of a new early childhood centre. There are a number of conditions attached to this grant that require all or part of the grant to be repaid in the event that the grant conditions are not met. The only condition of the grant remaining to be fulfilled at the balance date is continuing the operation of the centre up until 31 August 2026.

PBE IPSAS 1.93

17 Borrowings

PBE IPSAS 30.25

Accounting policy

PBE IPSAS 41.57,64 Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

PBE IPSAS 1.80 Borrowings are classified as current liabilities unless the Institute or group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Finance leases

PBE IPSAS 13.8 A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

PBE IPSAS 13.28 At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

PBE IPSAS 13.34 The finance charge is charged to surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

PBE IPSAS 13.36 The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the Institute and group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Breakdown of borrowings and further information

		Institute		Group	
		2023 $000	2022 $000	2023 $000	2022 $000
PBE IPSAS 1.80	**Current portion**				
	Bank overdraft	0	0	0	0
	Secured loans	1,952	0	1,952	0
	Finance leases	98	98	98	98
	Total current portion	2,050	98	2,050	98
PBE IPSAS 1.80	**Non-current portion**				
	Secured loans	14,300	0	14,300	0
	Finance leases	439	492	439	492
	Total non-current portion	14,739	492	14,739	492
	Total borrowings	**16,789**	**590**	**16,789**	**590**

17 Borrowings (continued)

Interest terms for secured loans

PBE IPSAS 30.38

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

Security

PBE IPSAS 30.10,18

The overdraft facility is unsecured.

PBE IPSAS 17.89(a)

The secured loans are secured by a registered first mortgage over certain campus land and buildings with a total carrying value of $10.34 million for land and $35.25 million for buildings.

PBE IPSAS 17.89(a)
PBE IPSAS 13.40(a)

Finance lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default. The net carrying amount of computers and electronic equipment (included within computer hardware) held under finance leases at 31 December 2023 is $422,000 (2022: $485,000).

Secured loan covenants

PBE IPSAS 30.38

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

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

The secured loans become repayable on demand in the event that these covenants are breached or if interest and principal payments are not made when they fall due. The Institute has complied with all covenants and loan repayment obligations during the financial year.[56]

Fair value

PBE IPSAS 30.29
PBE IPSAS 30.29,31

Due to interest rates on floating rate debt resetting to the market rate every three months, the carrying amounts of secured loans approximate their fair value.

As at 31 December 2023, the fair value of finance leases is $550,000 (2022: $602,000). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date ranging from 6.6% to 7.2% (2022: 5.4% to 6.3%).

Analysis of finance leases

		Institute		Group	
		2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
PBE IPSAS 13.40(c)	**Total minimum lease payments payable**				
	Not later than one year	107	107	107	107
	Later than one year and not later than five years	426	426	426	426
	Later than five years	213	320	213	320
PBE IPSAS 13.40(c)	***Total minimum lease payments***	746	853	746	853
PBE IPSAS 13.40(b)	Future finance charges	(210)	(263)	(210)	(263)
PBE IPSAS 13.40(b)	***Present value of minimum lease payments***	536	590	536	590
PBE IPSAS 13.40(c)	**Present value of minimum lease payments payable**				
	Not later than one year	98	98	98	98
	Later than one year and not later than five years	248	248	248	248
	Later than five years	190	244	190	244
	Total present value of minimum lease payments	536	590	536	590

56 The details of any defaults during the period should be disclosed in accordance with PBE IPSAS 30.22 and 23, if there are any.

17 Borrowings (continued)

Finance leases as lessee

PBE IPSAS 13.40(f)(ii)

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

PBE IPSAS 13.40(f)(iii)

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

PBE IPSAS 1.93

18 Employee entitlements

PBE IPSAS 1.132(c)

Accounting policy

Short-term employee entitlements

PBE IPSAS 39.8,9,11

Employee benefits that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date, and sick leave.

PBE IPSAS 39.19

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

PBE IPSAS 39.155-160

Employee benefits that are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render 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 employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Good practice

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

PBE IPSAS 1.140

Critical accounting estimates and assumptions

Retirement gratuities

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

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand Government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. A weighted average discount rate of 5.1% (2022: 4.4%) and an inflation factor of 3.5% (2022: 2.5%) were used.

If the discount rate were to differ by 1% from that used, with all other factors held constant, the carrying amount of the retirement gratuity liability would be an estimated $432,000 higher/lower (2022: $401,000).

If the salary inflation factor were to differ by 1% from that used, with all other factors held constant, the carrying amount of the retirement gratuity liability would be an estimated $545,000 higher/lower (2022: $523,000).

18 Employee entitlements (continued)

PBE IPSAS 1.137

Critical judgements in applying accounting policies

Research leave

Teaching staff are entitled to research leave in certain circumstances. The substance of this leave is that it is leave from teaching duties to undertake research activity with staff continuing to earn their salary and other employee entitlements. The Institute is of the view that research leave is not the type of leave contemplated in PBE IPSAS 39 *Employee Benefits*. Accordingly, a liability has not been recognised for such leave.

Breakdown of employee entitlements

	Institute		Group	
	2023 $000	2022 $000	2023 $000	2022 $000
Current portion				
Accrued pay	2,344	2,347	2,367	2,354
Annual leave	7,584	7,735	7,618	7,805
Sick leave	29	49	29	49
Long service leave	136	119	140	124
Total current portion	10,093	10,250	10,154	10,332
Non-current portion				
Long service leave	200	200	210	210
Retirement gratuities	8,310	7,620	8,310	7,621
Total non-current portion	8,510	7,820	8,520	7,831
Total employee entitlements	**18,603**	**18,070**	**18,674**	**18,163**

PBE IPSAS 1.93

19 Provisions

PBE IPSAS 1.132(c)

Accounting policy

General

PBE IPSAS 19.22

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

PBE IPSAS 19.53,56,70

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using market yields on Government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs" (refer **Note 4**).

PBE IPSAS 19.82,83

Restructuring

A provision for restructuring is recognised when either an approved detailed formal plan for the restructuring has been announced publicly to those affected, or implementation of it has already started.

PBE IFRS 4.37(a)

ACC Accredited Employers Programme

The Institute and group belongs to the ACC Accredited Employers Programme (the "Full Self Cover Plan") whereby the Institute accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the programme, the Institute and group is liable for all claim costs for a period of two years after the end of the cover period in which the injury occurred. At the end of the two-year period, the Institute and group pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.

19 Provisions (continued)

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

Breakdown of provisions and further information

		Institute		Group	
		2023 $000	2022 $000	2023 $000	2022 $000
PBE IPSAS 1.80	**Current portion**				
	Restructuring provision	1,243	642	1,243	642
	ACC Accredited Employers Programme	332	313	332	313
	Total current portion	1,575	955	1,575	955
PBE IPSAS 1.80	**Non-current portion**				
	ACC Accredited Employers Programme	137	138	137	138
	Lease make-good	1,183	794	1,183	794
	Total non-current portion	1,320	932	1,320	932
	Total provisions	**2,895**	**1,887**	**2,895**	**1,887**

PBE IPSAS 19.98

Restructuring provision[57]

The restructuring provision has arisen from the Council-approved restructuring plan of the Humanities Faculty, which is expected to be completed in April 2024. The provision represents the estimated cost for redundancy payments arising from the restructure.

ACC Accredited Employers Programme[58]

PBE IFRS 4 D17.7.1(a) Exposures arising from the Programme are managed by promoting a safe and healthy working environment by:

- implementing and monitoring health and safety policies;
- carrying out induction training on health and safety;
- actively managing workplace injuries to ensure that employees return to work as soon as practical;
- recording and monitoring workplace injuries and near misses to identify risk areas and implementing mitigating actions; and
- identifying workplace hazards and implementation of appropriate safety procedures.

PBE IFRS 4 D17.7.1(c) The Institute has chosen a stop loss limit of 200% of the industry premium. The stop loss limit means the Institute and group will carry the total cost of claims up to $520,000 for each year of cover, which runs from 1 April to 31 March. If claims for a year exceed the stop loss limit, the Institute will continue to meet the cost of claims and will be reimbursed by ACC for the costs that exceed the stop loss limit.

PBE IFRS 4 D17.7.1(b)(ii) The Institute is not exposed to any significant concentrations of insurance risk, as work-related injuries are generally the result of an isolated event involving an individual employee.

PBE IFRS 4 D17.8A An independent actuarial valuer, D W Smith BSc FIAA, has calculated the liability, and the valuation is effective as at 31 December 2023. The actuary has attested that he is satisfied as to the nature, sufficiency, and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuary's report.

PBE IFRS 4 D17.8B(b),(c) Average inflation has been assumed to be 1.62% for the years ending 31 December 2024 and 31 December 2025. A discount rate of 3.3% has been used for the year ending 31 December 2024 and 2% for the year ending 31 December 2025.

57 We encourage TEIs to make appropriate disclosures about any restructuring plans underway or being considered, including information about the possible impact of these plans on students, programmes or research. This information is not required by PBE IPSAS 19 and can be included elsewhere in the annual report.

58 Where the ACC Accredited Employers Programme liability is material to a TEI, the disclosure requirements of PBE IFRS 4 *Insurance Contracts* will need to be considered.

19 Provisions (continued)

PBE IFRS 4 D17.6.1(d) Any changes in liability valuation assumptions will not have a material effect on the financial statements.

In respect of a number of its leased premises, the Institute and group is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Institute and group. In many cases, the Institute and group has the option to renew these leases, which affects the timing of expected cash outflows to make good the premises.

The Institute and group has assumed that the options to renew will be exercised in measuring the provision. The cash flows associated with the non-current portion of the lease make-good provision are expected to occur in May and June 2025.[59]

Information about the Institute and group's leasing arrangements is disclosed in **Note 5**.

Movements for each class of provision are as follows:[60]

	Institute and group	Restructuring $000	Lease make good $000	ACC Accredited Employers Programme $000	Total $000
Good practice	Balance at 1 January 2022	0	228	326	554
Good practice	Additional provisions	853	529	437	1,819
Good practice	Amounts used	(211)	0	(313)	(524)
Good practice	Unused amounts reversed	0	0	0	0
Good practice	Discount unwind (**Note 4**)	0	38	0	38
PBE IPSAS 19.97(a)	*Balance at 31 December 2022*	642	795	450	1,887
PBE IPSAS 19.97(b)	Additional provisions	827	348	412	1,587
PBE IPSAS 19.97(c)	Amounts used	(261)	0	(393)	(653)
PBE IPSAS 19.97(d)	Unused amounts reversed	0	0	0	0
PBE IPSAS 19.97(e)	Discount unwind (**Note 4**)	35	40	0	75
PBE IPSAS 19.97(a)	**Balance at 31 December 2023**	**1,243**	**1,183**	**469**	**2,895**

20 Contingencies

PBE IPSAS 19.100

Contingent liabilities

	Institute		Group	
	2023 $000	2022 $000	2023 $000	2022 $000
Suspensory loans	2,000	3,000	2,000	3,000
Personal grievances	25	15	25	15
Total contingent liabilities	**2,025**	**3,015**	**2,025**	**3,015**

59 The RDR does not require disclosure of the major assumptions concerning future events used in measuring provisions (PBE IPSAS 19 RDR 98.1).
60 The disclosure of comparative figures for provisions is not required by PBE IPSAS 19.97. However, we consider it good practice for Tier 1 entities to disclose the comparative figures for provisions.

20 Contingencies (continued)

Suspensory loans with equity conversion features

The Institute and group has a contingent liability for suspensory loans received from the Crown for the Creative Thinkers Programme and Excellence Programme. The amount of loans that are still subject to achieving required objectives are $2.00 million (2022: $3.00 million) and will convert to equity when those objectives are achieved. The suspensory loans were recognised directly in equity on receipt to reflect the substance of the transactions and that it is more than probable all the funding deliverables will be achieved. If the Institute and group does not achieve the specified objectives in the loan agreement, it is required to repay all or part of the loan up to a maximum of $950,000 on 31 December 2024 and $1.05 million on 31 December 2025. The Institute and group continues to be committed to meeting the deliverables of the suspensory loans and considers it unlikely that any part of the loans will be required to be repaid.

Personal grievances

There are four (2022: three) open personal grievance claims against the Institute. If the claims were to be successful, the estimated amount of the settlement costs would be approximately $25,000 (2022: $15,000). The Institute is vigorously defending these claims.

Contingent assets

PBE IPSAS 19.105

The Institute and group has no contingent assets.[61]

PBE IPSAS 1.119(c)

Good practice

21 Equity

Accounting policy

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

- general funds;
- property revaluation reserves;
- fair value through other comprehensive revenue and expense reserve; and
- trusts, endowments, and bequests reserve.

Property revaluation reserves

PBE IPSAS 1.95(c)

These reserves relate to the revaluation of land, buildings, and infrastructure assets to fair value.

Fair value through other comprehensive revenue and expense reserve

PBE IPSAS 1.95(c)

This reserve comprises the cumulative net change of financial assets classified as fair value through other comprehensive revenue and expense.

Trusts, endowments, and bequests reserve

PBE IPSAS 1.95(c)

The trusts, endowments, and bequests reserve is a component of equity that has been created by the Institute. The reserve comprises of funds received that have restrictions established through the terms and conditions of specific trusts, endowments, and bequests. The reserves in the parent accounts generally comprise of funds provided to the Institute prior to the establishment of the Te Tutuki Foundation Trust in December 2002. Since December 2002, funds for the benefit of the Institute have generally been provided by the donor directly to the Te Tutuki Foundation Trust.

PBE IPSAS 1.137

Critical judgements in applying accounting policies

Suspensory loans with equity conversion features

The Institute and group has received various suspensory loans during the year from the Crown whereby the loans convert to equity when the conversion conditions of the loan agreement are satisfied. Suspensory loans received during the year from the Crown were for the Creative Thinkers Programme of $1.80 million (2022: $2.00 million) and Excellence Programme of $2.20 million (2022: $1.75 million).

Because the Institute and group is committed to meeting the equity conversion conditions, it considers that the loans are, in substance, equity contributions from the Crown and therefore recognises the amounts drawn down under the loan facilities directly in the statement of changes in equity. Further information about the suspensory loans is disclosed in **Note 20**.

61 Where no contingent assets exist, we consider it good practice to state that fact.

21 Equity (continued)

		Institute		Group	
		2023 $000	2022 $000	2023 $000	2022 $000
PBE IPSAS 1.119(c)	**General funds**				
	Balance as at 1 January	149,981	136,971	165,951	150,768
PBE IPSAS 17.57	Property revaluation reserve transfer on disposal	0	0	0	0
	Surplus/(deficit) for the year	3,431	9,496	6,558	12,939
	Capital contributions from the Crown	2,780	0	2,780	0
	Suspensory loans from the Crown	4,000	3,750	4,000	2,480
	Transfers to trusts and bequests reserve	(861)	(1,197)	(861)	(1,197)
	Transfers from trusts and bequests reserve	1,026	961	1,026	961
	Balance as at 31 December	160,357	149,981	179,454	165,951
PBE IPSAS 1.119(c)	**Property revaluation reserves**				
	Balance as at 1 January	211,306	194,643	211,306	194,643
	Transfers to general funds on disposal of property	0	0	0	0
	Land net revaluation gains	0	9,105	0	9,105
	Buildings net revaluation gains	0	6,137	0	6,137
	Infrastructure net revaluation gains	0	1,421	0	1,421
	Balance as at 31 December	211,306	211,306	211,306	211,306
Good practice	*Property revaluation reserves consist of:*[62]				
	Land	150,487	150,487	150,487	150,487
	Buildings	59,362	59,362	59,362	59,362
	Infrastructure	1,457	1,457	1,457	1,457
	Total property revaluation reserves	211,306	211,306	211,306	211,306
PBE IPSAS 1.119(c)	**Fair value through other comprehensive revenue and expense reserve**				
	Balance as at 1 January	116	66	116	66
PBE IPSAS 30.24(a)(vii)	Reclassification to surplus or (deficit) on disposal of listed bonds	10	(16)	10	(16)
PBE IPSAS 30.24(a)(vii)	Transfer to accumulated funds on disposal of listed and unlisted shares	0	0	0	0
PBE IPSAS 30.24(a)(viii)	Net change in fair value	92	66	92	66
	Net movement in other comprehensive revenue and expense reserve	102	50	102	50
	Balance as at 31 December	218	116	218	116
PBE IPSAS 1.119(c)	**Trust funds, endowments, and bequests reserve**				
	Balance as at 1 January	2,869	2,633	2,869	2,633
	Growth in trust funds transferred from general funds	861	1,197	861	1,197
	Transfer to general funds for trust funds spent	(1,026)	(961)	(1,026)	(961)
	Balance as at 31 December	2,704	2,869	2,704	2,869
	Total equity	**374,585**	**364,272**	**393,682**	**380,242**

62 Entities could also elect to disclose an opening to closing balance reconciliation for each property revaluation reserve class.

21 Equity (continued)

Capital contributions

Good practice

Capital contributions received during the year from the Crown were from the Programme for Quality Fund of $1.28 million (2022: $nil) and the Distinctive Fund of $1.50 million (2022: $nil).

Capital management

PBE IPSAS 1.148A

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

The Institute is subject to the financial management and accountability provisions of the Education and Training Act 2020, which include restrictions in relation to disposing of assets or interests in assets, ability to mortgage or otherwise charge assets or interests in assets, granting leases of land or buildings or parts of buildings, and borrowing.

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

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

22 Related party transactions

Good practice

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.

Related party transactions required to be disclosed

PBE IPSAS 20.27,30,32

The Institute purchased internal audit services totalling $56,564 (2022: $44,000) from Accountants Services Limited, an accounting firm of which [Council member 1] is a Partner. The services were procured without going through a tender process and the contracted hourly rates of the internal audit staff are at a significant discount compared to other recent internal audit service contracts the Institute has entered into. There is an amount of $2,183 outstanding at 31 December 2023 (2022: $10,000).

22 Related party transactions (continued)

PBE IPSAS 20.34(a)

Key management personnel compensation[63,64]

	2023	2022
Council members		
Full-time equivalent members	4	4
Remuneration	$43,050	$43,050
Executive Management Team, including the Chief Executive		
Full-time equivalent members	7	7
Remuneration	$2,560,950	$2,191,950
Total full-time equivalent members	**11**	**11**
Total key management personnel compensation	**$2,604,000**	**$2,235,000**

Good practice

The full-time equivalent for Council members has been determined based on the frequency and length of Council meetings and the estimated time for members to prepare for meetings.

An analysis of Council member remuneration is provided on page xx of the annual report.

23 Events after balance date

PBE IPSAS 14.28,30

On 12 February 2024, the Council approved the purchase of the property at 50 Hazlewood Street for $9.23 million. The purchase has become unconditional and settlement will occur on 22 April 2024, with funds to be provided from long-term borrowings.

63 PBE IPSAS 20.4 defines key management personnel as all directors or members of the governing body of the entity, and other persons having the authority and responsibility for planning, directing, and controlling the activities of the entity. Where they meet this requirement, key management personnel include: (i) where there is a member of the governing body of a Whole-of-Government entity who has the authority and responsibility for planning, directing, and controlling the activities of the entity, that member; (ii) key advisors of that member; and iii) the senior management group of the entity. For a TEI, we would expect the compensation of the Council, Chief Executive, and members of the senior management team, or equivalent body, to be included in the key management personnel disclosures. There might also be other individuals who meet the key management personnel definition of PBE IPSAS 20.
TEIs will need to consider their specific facts and circumstances in determining the individuals that shall be included in the key management personnel compensation disclosures.

64 PBE IPSAS 20.34(a) requires entities to disclose the aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within the category, showing separately major classes of key management personnel and including a description of each class.

24 Financial instruments

PBE IPSAS 30.11

24A Financial instruments categories

PBE IPSAS 30.29

The following tables are comparisons of carrying amounts of the Group's financial assets and liabilities in each of the financial instrument categories:

		Institute		Group	
		2023 $000	2022 $000	2023 $000	2022 $000
	FINANCIAL ASSETS				
	Mandatorily measured at FVTSD[65]				
PBE IPSAS 30.11(a)	Derivatives – Forward foreign exchange contracts	203	17	203	17
	Managed fund	0	0	8,320	8,919
	Total at FVTSD	203	17	8,523	8,936
PBE IPSAS 30.11(f)	**Amortised cost**				
	Cash and cash equivalents	5,922	19,966	22,983	31,754
	Receivables[66]	5,235	5,217	7,402	7,094
	Other financial assets:				
	Term deposits	9,796	5,191	9,796	5,386
	Loans to subsidiaries	735	281	0	0
	Total at amortised cost	21,824	30,655	40,201	44,234
PBE IPSAS 30.11(h)	**FVTOCRE**				
	Other financial assets:				
	New Zealand Government bonds	179	164	179	164
	Unlisted shares	606	466	606	466
	Total at FVTOCRE	785	630	785	630
	FINANCIAL LIABILITIES				
PBE IPSAS 30.11(e)	**Mandatorily measured at FVTSD**				
	Derivative financial instrument liabilities:				
	Interest rate swaps	97	0	97	0
	Forward foreign exchange contracts	8	32	8	32
	Total atFVTSD	105	32	105	32
PBE IPSAS 30.11(g)	**Amortised cost[67]**				
	Payables[68]	15,191	12,283	16,631	12,972
	Secured loans	16,252	0	16,252	0
	Total financial liabilities at amortised cost	31,443	12,283	32,883	12,972

65 A separate total must be presented for financial assets and financial liabilities that have been designated at initial recognition at fair value through surplus or deficit. If an entity applies the RDR, under PBE IPSAS 30 RDR 11.1 it can present a single total for financial instrument assets and a single total for financial instrument liabilities at fair value through surplus or deficit.

66 Excludes taxes receivable as these are not contractually based therefore, do not meet the definition of financial instruments.

67 Deferred revenue items are not included within the payables figures in the financial instruments note because there is an obligation to provide a good or service rather than another financial asset. Therefore, deferred revenue is not a financial instrument.

68 Excludes taxes payable as these are not contractually based and do not meet the definition of financial instruments.

PBE IPSAS 30.32,33(a)

24B Fair value hierarchy

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

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation techniques using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:[69]

		Valuation technique		
	Total	Quoted market price	Observable inputs	Significant non-observable inputs
	$000	$000	$000	$000
31 December 2023 – Institute and group				
Financial assets				
Derivatives	203	0	203	0
Government bonds	179	179	0	0
Unlisted shares	606	0	0	606
Financial liabilities				
Derivatives	105	0	105	0
31 December 2023 – Group				
Financial assets				
Managed fund	8,320	7,300	1,020	0
31 December 2022 – Institute and group				
Financial assets				
Derivatives	17	0	17	0
Government bonds	164	164	0	0
Unlisted shares	466	0	0	466
Financial liabilities				
Derivatives	32	0	32	0
31 December 2022 – Group				
Financial assets				
Managed fund	8,919	7,517	1,402	0

69 A tabular format must be used in presenting the fair value hierarchy quantitative disclosures unless another format is more appropriate.

PBE IPSAS 30.33(c)

24B Fair value hierarchy (continued)

Valuation techniques with significant non-observable inputs (level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

	2023 $000	2022 $000
Balance at 1 July	466	455
Gains and losses recognised in surplus or deficit	0	0
Gains and losses recognised in OCRE	54	11
Purchases	86	0
Sales	0	0
Transfers into level 3	0	0
Transfers out of level 3	0	0
Balance as at 30 June	606	466

PBE IPSAS 30.33(b)

There were no transfers between the different levels of the fair value hierarchy.[70]

PBE IPSAS 30.33(e)

Changing a valuation assumption to a reasonable possible alternative assumption would not significantly change fair value.

70 Significant transfers between the different fair value hierarchy levels must be identified and the reasons for those transfers disclosed. PBE IPSAS 30.33(b) requires transfers into each level to be disclosed and discussed separately from transfers out of each level. Additionally, for measurements included in level 3 of the fair value hierarchy, PBE IPSAS 30.33(c) requires a reconciliation between the opening and closing balances to be presented.

24C Financial instrument risks

PBE IPSAS 30.38

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 any transactions that are speculative in nature to be entered into.

PBE IPSAS 30.40

Market risk

Price risk

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

Currency risk

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

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

The Institute and group manages currency risks associated with the purchase of assets from overseas that are above $100,000 by entering into forward foreign exchange contracts. This means the Institute and group is able to fix the New Zealand dollar amount payable before delivery of the asset from overseas. The managed fund's exposure to currency risk is mitigated to an extent by diversifying investments across different currencies in accordance with the Institute and group's investment policy.

Fair value interest rate risk

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

Cash flow interest rate risk

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

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

The Institute and group's interest rate risk policy requires that between 50% and 75% of its debt is fixed, which includes fixing interest rates on floating debt using interest rate swaps. As at 31 December 2023, 62% of the Institute's debt is essentially fixed.[71]

PBE IPSAS 30.40

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Institute and group, causing it to incur a loss.

PBE IPSAS 30.43(a)

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

71 The Institute did not have any borrowings as at 31 December 2022. As such, comparative information has not been presented.

24C Financial instrument risks (continued)

Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits and bonds, which give rise to credit risk. The Institute and group limits the amount of credit exposure to any one financial institution for term deposits to no more than 25% of total investments held. The Institute and group invests funds only with registered banks that have a Standard and Poor's credit rating of at least A2 for short-term investments and A for long-term investments. The Institute and group has experienced no defaults of interest or principal payments for term deposits.

PBE IPSAS 30.42F

Receivables arise mainly from student fees. There are no procedures in place to monitor or report the credit quality of receivables. The lnstitute and group has no significant concentrations of credit risk in relation to receivables as it has a large number of credit customers.

PBE IPSAS 30.43(b),42k(b)

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

PBE IPSAS 30.43(a) PBE IPSAS 30.42K(a)

Maximum exposure to credit risk

The Institute's maximum credit risk exposure for each class of financial instrument is as follows[72]

	Institute		Group	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Cash at bank and term deposits	15,718	25,157	32,779	37,140
Receivables	5,235	5,217	7,402	7,094
Loans to subsidiaries	735	281	0	0
Derivative financial instrument assets	203	17	203	17
Managed fund	0	0	3,744	4,103
New Zealand Government Bonds	179	164	179	164
Total credit risk	**22,070**	**30,836**	**44,307**	**48,518**

PBE IPSAS 30.42M

Credit risk exposure by credit risk rating grades, excluding receivables

The gross carrying amount of financial assets, excluding receivables, by reference to Standard & Poor's credit ratings are provided below:

	Institute		Group	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
COUNTERPARTIES WITH CREDIT RATINGS				
Cash at bank and term deposits				
AA	10,217	16,352	21,306	24,141
AA–	5,501	8,805	11,473	12,999
Total cash at bank and term deposits	**15,718**	**25,157**	**32,779**	**37,140**
Government bonds				
AAA	179	164	179	164
Derivative financial instrument assets				
AA	203	17	203	17
Managed fund (bonds)				
AAA–	0	0	936	1,026
AA–	0	0	2,246	2,462
A	0	0	562	615
Total managed fund	**0**	**0**	**3,744**	**4,103**

72 Shares have not been included in this disclosure: for shares, there is no right to collect contractual cash flows associated with the ownership of these. For managed funds – bonds, the Institute and group have rights to underlying contractual cash flows and so this has been included in the table. If the ownership was not in the underlying assets, for example if it owned units in a managed fund, and the Institute and group did not have an associated right to contractual cash flows, this would not be included in this table.

24C Financial instrument risks (continued)

	Institute 2023 $000	Institute 2022 $000	Group 2023 $000	Group 2022 $000
COUNTERPARTIES WITHOUT CREDIT RATINGS				
Loans to subsidiary				
Existing counterparty with no defaults in the past	735	281	0	0
Existing counterparty with defaults in the past	0	0	0	0
Total loans to subsidiary	735	281	0	0
Credit risk exposure by credit risk rating grades for receivables				
Receivables				
Existing counterparty with no defaults in the past	5,213	5,155	7,328	7,000
Existing counterparty with defaults in the past	22	62	74	94
Total receivables	**5,235**	**5,217**	**7,402**	**7,094**

Liquidity risk

PBE IPSAS 30.46(c)

Management of liquidity risk

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

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

The Institute and group has a maximum amount that can be drawn down against its overdraft facility of $2.50 million (2022: $2.50 million). There are no restrictions on the use of this facility.

PBE IPSAS 30.46(a)

Contractual maturity analysis of financial liabilities, excluding derivatives[73]

The table below analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate of the instrument at balance date. The amounts disclosed are the undiscounted contractual cash flows.[74]

	Carrying amount $000	Contractual cash flows $000	Less than 6 months $000	6-12 months $000	1-2 years $000	2-3 years $000	More than 3 years $000
Institute 2023							
Payables	15,191	15,191	15,191	0	0	0	0
Secured loans	16,252	17,770	2,053	393	10,787	4,537	0
Finance leases	537	747	54	54	107	107	425
Total	**31,980**	**33,708**	**17,298**	**447**	**10,894**	**4,644**	**425**
Group 2023							
Payables	16,665	16,665	16,665	0	0	0	0
Secured loans	16,252	17,770	2,053	393	10,787	4,537	0
Finance leases	537	747	54	54	107	107	425
Total	**33,454**	**35,182**	**18,772**	**447**	**10,894**	**4,644**	**425**

73 PBE IPSAS 30 AG17 requires entities to disclose a maturity analysis of financial **assets** they hold for managing liquidity risk ONLY **if** that information is necessary to enable users of their financial statements to evaluate the nature and extent of liquidity risk.
74 PBE IPSAS 30 does not prescribe the time bands to use. Entities will need to exercise judgement in determining the appropriate time bands.

24C Financial instrument risks (continued)

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years
	$000	$000	$000	$000	$000	$000	$000
Finance leases	590	853	54	54	107	107	531
Total	**12,873**	**13,136**	**12,337**	**54**	**107**	**107**	**531**
Group 2022							
Payables	12,972	12,972	12,972	0	0	0	0
Finance leases	590	853	54	54	107	107	531
Total	**13,562**	**13,825**	**13,026**	**54**	**107**	**107**	**531**

PBE IPSAS 30.46(b), AG16(c),(d)

Contractual maturity analysis of derivative financial liabilities[75]

The table below analyses derivative financial instrument liabilities into those that are settled net and all gross settled derivatives into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the undiscounted contractual cash flows.

	Liability carrying amount	Asset carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years
	$000	$000	$000	$000	$000	$000
Institute and group 2023						
Gross settled forward foreign exchange contracts	8	203				
outflow			1,254	620	300	334
inflow			1,426	668	380	378
Net settled interest rate swaps	97		113	34	42	37
Institute and group 2022						
Gross settled forward foreign exchange contracts	32	17				
outflow			324	124	200	0
inflow			366	137	229	0

75 Entities shall include all gross settled derivative financial instruments regardless of whether their fair value is an asset or a liability.

PBE IPSAS 30.47

24C Financial instrument risks (continued)

Sensitivity analysis[76]

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

Institute

	2023 $000				2022 $000			
	-50bps		+150bps		-100bps		+100bps	
INTEREST RATE RISK	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**
Financial assets								
Cash and cash equivalents	(17)	0	50	0	(22)	0	22	0
Financial liabilities								
Interest rate swaps	(121)	0	267	0	0	0	0	0
Secured loans	82	0	(245)	0	0	0	0	0
Total sensitivity	**(56)**	**0**	**72**	**0**	**(22)**	**0**	**22**	**0**

	-10%		+10%		-10%		+10%	
FOREIGN EXCHANGE RISK	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**
Financial assets								
Foreign exchange derivatives	558	0	(406)	0	22	0	(20)	0
Financial liabilities								
Payables	(23)	0	18	0	(56)	0	46	0
Foreign exchange derivatives	14	0	(11)	0	178	0	(152)	0
Total sensitivity	**549**	**0**	**(399)**	**0**	**144**	**0**	**(126)**	**0**

	-10%		+10%		-10%		+10%	
OTHER PRICE RISK	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**
Financial assets								
Government bonds	0	(18)	0	18	0	(16)	0	16
Total sensitivity	**0**	**(18)**	**0**	**18**	**0**	**(16)**	**0**	**16**

76 PBE IPSAS 30 does not prescribe the format for presenting the sensitivity analysis. These model financial statements illustrate one possible presentation that meets the requirements of PBE IPSAS 30.

24C Financial instrument risks (continued)

Group

	2023 $000				2022 $000			
	-50bps		+150bps		-100bps		+100bps	
INTEREST RATE RISK	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**
Financial assets								
Cash and cash equivalents	(30)	0	89	0	(34)	0	34	0
Financial liabilities								
Interest rate swaps	(121)	0	267	0	0	0	0	0
Secured loans	82	0	(245)	0	0	0	0	0
Total sensitivity	**(69)**	**0**	**111**	**0**	**(34)**	**0**	**34**	**0**

	-10%		+10%		-10%		+10%	
FOREIGN EXCHANGE RISK	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**
Financial assets								
Foreign exchange derivatives	558	0	(406)	0	22	0	(20)	0
Financial liabilities								
Payables	(23)	0	18	0	(56)	0	46	0
Foreign exchange derivatives	14	0	(11)	0	178	0	(152)	0
Total sensitivity	**1,381**	**0**	**(1,201)**	**0**	**1,035**	**0**	**(970)**	**0**

	-10%		+10%		-10%		+10%	
OTHER PRICE RISK	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**	**Surplus**	**Other equity**
Financial assets								
Government bonds	0	(18)	0	18	0	(16)	0	16
Managed fund (shares and bonds)	(1,012)	0	1,012	0	(1,211)	0	1,211	0
Total sensitivity	**(1,012)**	**(18)**	**1,012**	**18**	**(1,211)**	**(16)**	**1,211**	**16**

Explanation of interest rate risk sensitivity

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

The sensitivity for interest rate swaps has been calculated using a derivative valuation model based on a parallel shift in interest rates of -50bps/+150bps (2022: -100bps/+100bps).

24C Financial instrument risks (continued)

Explanation of foreign exchange risk sensitivity

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

The sensitivity for foreign exchange derivatives has been calculated using a derivative valuation model based on movement in foreign exchange rates of -10%/+10% (2022: -10%/+10%).

Explanation of other price risk sensitivity

The sensitivity for Government bonds has been calculated based on a -10%/+10% (2022: -10%/+10%) movement in the quoted bid price at year end for the Government bonds.

The sensitivity for the managed fund has been calculated based on a -10%/+10% (2022: -10%/+10%) movement in the quoted bid price at year end for all of the investments held by the fund.

PBE IPSAS 2.55A

24D Reconciliation of movements in liabilities arising from financing activities

	Secured loans	**Finance leases**	**Interest rate swaps**
	$000	**$000**	**$000**
Balance as at 1 January 2023 – Institute and group	**0**	**590**	**0**
Net cash flows	16,000	(98)	(121)
Fair value	0	0	219
New leases	0	0	0
Other changes	252	45	0
Balance at 31 December 2023 – Institute and group	**16,252**	**537**	**98**
Balance as at 1 January 2022 – Institute and group	**0**	**200**	**0**
Net cash flows	0	(98)	0
Fair value	0	0	0
New leases	0	0	0
Other changes	0	488	0
Balance at 31 December 2022 – Institute and group	**0**	**590**	**0**

25 Explanations of major variances against budget

PBE IPSAS 1.148.1 Explanations of major variations against the budget information at the start of the financial year are as follows:

Statement of comprehensive revenue and expense

Research revenue

Group research revenue was $2.53 million less than budget. This unfavourable variance arose because expected research funding could not be recognised due to a lack of progress during the year.

Statement of financial position

Other financial assets

Institute term deposits are greater than budgeted by $4.7 million due to a $4.50 million surplus in cash as a result of the greater than anticipated surplus and the capital contributions from the crown that were not budgeted for.

Group term deposits are greater than budgeted by $7.14 million due to the variances for the Institute of $4.71 million explained above and greater than expected research revenue received but not yet expended of $2.00 million due to shortages in overseas experts required for the research.

Property, plant, and equipment

Institute and group property, plant, and equipment are greater than budgeted by $2.82 million and $2.63 million respectively, mainly due to acquisition of certain buildings, which was not budgeted for.

Employee entitlements

Institute and group employee entitlements are greater than budgeted by $1.38 million, mainly due to annual leave entitlements not being taken as expected and a higher than expected increase in salary rates.

General funds

Institute general funds are greater than budgeted by $7.46 million, mainly due to capital contributions from the Crown of $2.78 million that were not budgeted for and the previous year's actual surplus being greater than anticipated when the budget was set.

Group general funds are greater than budgeted by $13.17 million, mainly due to capital contributions from the Crown of $2.78 million that were not budgeted for, the group surplus being $2.14 million greater than budget, and the previous year's actual surplus being greater than anticipated when the budget was set.

Statement of changes in equity

Institute and group total equity is greater than budgeted by $8.96 million and $14.67 million respectively. The explanation provided above for general funds explain these variances.

Statement of cash flows

Purchase of property, plant, and equipment

The Institute and group's purchases of property, plant, and equipment are greater than budgeted by $4.43 million and $5.30 million, mainly due to acquisition of certain buildings that was not budgeted for and completion of capital projects that were budgeted to be completed in the previous year.

Appendix 1:
Council members remuneration and statutory employee remuneration disclosures

A cabinet Office Circular requires TEIs to disclose information in the annual report about payments in respect of members. This is applicable to universities and wānanga.

The circular does not require this information to be disclosed within the audited financial statements. The approach in our previous model financial statements has been to include these statutory disclosures in the notes to the financial statements. This has resulted in the information being subject to detailed audit procedures, whereas this is not required under the circular.

To assist with a more efficient financial statement audit, we are now encouraging entities to relocate these statutory disclosures to outside of the audited financial statements, for example, including this information in a separate statutory disclosure section of the annual report.

The auditor's responsibilities over these statutory disclosures when placed outside the audited information is limited to reading the information and considering whether it is materially consistent with the financial statements (such as key management personal disclosures) or the auditor's knowledge obtained in the audit, or otherwise appears to be materially misstated.

Council member remuneration

CO (22) 02[77]

Remuneration paid or payable to Council members during the year was:

	Institute and Group	
	2023 $	2022 $
E Kavinta (Chairperson)*	24,050	24,050
A Razak	11,000	11,000
T Tong	4,000	4,000
R Modi	4,000	4,000
Total remuneration of Council	**43,050**	**43,050**

*The Chairperson is a Director of Te Tutuki Enterprise Limited and Tutuki Accommodation Limited and received Director fees of $3,000 (2022: $3,000).

No Council members received compensation or other benefits in relation to cessation (2022: nil).

77 Paragraph 172 of Cabinet Office Circular CO (22) 02: *Revised fees framework for members appointed to bodies in which the Crown has an interest* states: "Any statutory requirements for the disclosure of fees and other benefits must be met. Crown entities, other than tertiary education institutions or schools, must meet the disclosure requirements of section 152 of the Crown Entities Act 2004. Where there are no statutory or other specified requirements, a level of disclosure consistent with public accountability should apply". We consider remuneration and compensation disclosures that follow the principles of section 152 of the CEA fulfil the requirements of paragraph 172 of CO (22) 02. The CEA does not require this disclosure to be within the financial statements.

The Education and Training Act 2020 includes a new requirement to disclose employee remuneration banding information. This is applicable to universities and wānanga, including category B wānanga.

Employee remuneration[78]

		2023 Number	2022 Number
E&TA s306(4)(g); 398I(3)(m)	Total remuneration received that is or exceeds $100,000:		
	$100,000 – $109,999	5	6
	$110,000 – $119,999	4	3
	$120,000 – $129,999	3	2
	$130,000 – $139,999	1	0
	$140,000 – $149,999	0	1
	$150,000 – $159,999	1	1
	$160,000 – $169,999	1	0
	Total employees	**15**	**13**

Instead of the above council member and employee remuneration disclosure requirements, Te Pūkenga is required to comply with section 152 of the Crown Entities Act in respect of disclosure of payments to members, committee members and employees. The disclosures are similar to the above but with additional requirements related to cessation payments, indemnity and insurance cover in respect to members, office holders and employees.

For the employee remuneration disclosure, the Crown Entities Act requires disclosure of remuneration 'paid or payable' rather than 'received' as required by the Education and Training Act. The Crown Entities Act disclosure excludes cessation-related compensation or other benefits paid or payable to persons who ceased to be employees during the year, as the Crown Entities Act has a separate disclosure requirement for this. The Education and Training Act employee remuneration disclosure includes compensation and other benefits to employees and former employees.

Neither the Crown Entities Act nor the Education and Training Act employee remuneration disclosures are required to be in the financial statements.

78 For the purposes of total remuneration received, the remuneration includes salary, cash allowances, bonuses, incentive payments, and other benefits included in the employee's total remuneration package (such as superannuation contributions, medical insurance, and motor vehicles). It also includes compensation or other benefits. This disclosure includes former employees who received remuneration, compensation or other benefits during the year in their capacity as employees. Section 306(10) of the Education and Training Act indicates employees includes the chief executive.

SUBJECT INDEX