



**Tairāwhiti Polytechnic**

*te karahi o te tairāwhiti*

Annual Report | 2009



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## Chair's Report

2009 continued our work in improving Tairāwhiti Polytechnic, with the clear signal of regained government confidence being given by the removal of the Crown Manager in mid 2009. As a Council we were able to have support for good decision making processes through the much improved governance reporting systems. The new General Ledger system, the Web Based Purchasing system (which includes myself as Chair signing off on significant purchase orders), the information available through the HR information system and the implementation of a fixed asset register allowed us to have increased control over our expenditure drivers. They also allowed us to be able to map out future focused issues such as cash flow forecasting.

We completed the transfer of the Papatoa Cable Logging programme to Te Wananga o Aotearoa, a process which allowed us to simplify our business and gain greater control over expense drivers by redirecting our education activities back to the Tairāwhiti region. Given that staff to student ratios are the key to viability we made the difficult decision to support the driving down of ratios through restructure and redundancies. Many Councillors attended the meeting to support the Chief Executive in announcing the Change Proposal in October and I thank them for their personal commitment. As a result of this tight management control on expenses and the additional funds received from the TEC we are very pleased to be announcing a significant surplus for the first time in five years.

The Council continued its process of engaging with key stakeholders. A group of Councillors visited EIT in the Hawkes Bay to establish a Council to Council relationship. Te Runanga o Ngati Porou have also been welcome guests, using our Council room on a regular basis. To follow up on Council interaction with Te Runanga o Turanganui a Kiwa in 2008 Councillors also presented to Te Runanga o Ngati Porou on issues of the future and sought their guidance and support, a process which was well received on both sides.

The Education (Polytechnics) Amendment Act 2009 came into law in December and has signalled significant change to the structure of Polytechnic Councils. As of May 2010 our Council will reduce from 14 (including three staff, 1 student representative and various community and stakeholder

representatives) to a Council of eight. Four Councillors will be appointed by the Minister of Tertiary Education, including the Chair and the Deputy Chair and four will be appointed in accordance with a Tairāwhiti Polytechnic statute. The current Council has debated the nature of that statute and will have a new representation model ready in time for May 2010 implementation.

Despite the many positive steps taken over the past two years, indications for our future are for more significant change. The Council has conducted a robust process to choose a partner organisation, to ensure viability of education provision for our region and we remain convinced that a positive future is within our grasp. Following the Council decision to work with EIT we look forward to working on developing a business case for a potential future together.

Geoff Milner  
Council Chair



## Chief Executive's Report

2009 was a year of major improvements for Tairāwhiti Polytechnic. The management and governance teams, who were mostly new in 2008, had a much greater ability to effect change based on their increased knowledge and the fact that some of the more intensive activities (such as the implementation of the new General Ledger system) had been completed in late 2008.

Achievements for the year have to firstly mention the financial turnaround. We were able to post our first surplus in five years; a not inconsiderable turn-around given that the previous four years had accumulated over \$12M in losses. The surplus was achieved through very tight cost controls, better reporting and monitoring systems and the assistance of the TEC in terms of funds for change processes. There was another substantial restructuring at the end of the year which will reduce payroll by upwards of \$1M annually in the coming years. This did not impact on 2009 however as most staff were still in work until near year end.

I must comment on the way in which the staff have so diligently and philosophically handled all of the restructuring and pressures of Tairāwhiti Polytechnic in this phase of its life. It is never easy to handle mass staff restructuring, both for those who are required to go and for those who stay. The staff at Tairāwhiti Polytechnic have continued to work towards the betterment of their community through education and have been committed to the bigger picture of this, despite the personal impact of the changes we have implemented. I thank them and acknowledge their dedication to the students.

By the end of 2009 we could say with some pride, that we have re-established very good basic administration processes. In some cases we are now best practice as we complete the introduction of new systems (the General Ledger, Web based purchase ordering, HR Information systems, Classroom scheduling systems) and match them with process re-engineering and policy and procedure rewrites.

The campus continued to be substantially upgraded and the entire main block between Derby Street and Cobden Street has had internal upgrades, painting and plastering,

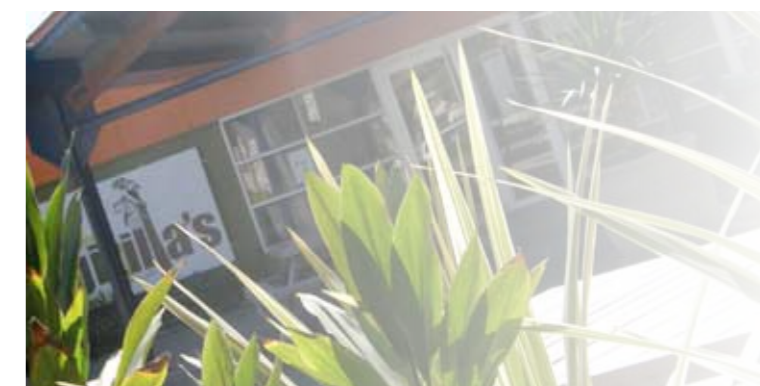
recarpeting and provision of better teaching equipment. The vibrancy of the campus, including a much increased presence of students, is a visible sign of our regeneration. The empty buildings on the corner of Palmerston Road and Cobden Street have now been demolished or removed and when landscaping is complete, this will give the campus a much greater street appeal and provide some green space for students.

In many ways we have resolved the issues which led to Crown Management and Crown Management was removed in the middle of the year as the TEC established a high degree of trust in the governance and management of our institution.

Unfortunately, despite this the Government's Budget, 2009 decisions and indications for Budget 2010 mean our future as an independent entity is uncertain as we face up to the loss of significant funding. The Council and I remain firmly committed to our vision of high quality provision of public tertiary education in our region and are working towards achieving that goal through a partnership with EIT. We believe that it is student facing activities that are essential to the region, and that back-office administration and management can be achieved in many different ways.

2010 will see key decisions made which should achieve the vibrant future for tertiary education provision that we seek.

Judy Campbell  
Chief Executive



## Governance & Accountability Statement

### Role of the Council

The Council has overall responsibility and accountability for the proper direction and control of Tairāwhiti Polytechnic's activities. This responsibility includes areas of stewardship such as:

- formulating the strategic direction;
- managing principal risks facing Tairāwhiti Polytechnic;
- administering various regulations and meeting legislative requirements;
- ensuring the integrity of management control systems;
- safeguarding the public interest;
- ensuring effective succession of elected members;
- reporting to students and the community.

### Council Operations

The Council has appointed Judy Campbell as Chief Executive to be in charge of Council operations and delegates certain powers of management to her as required under Section 196 of the Education Act 1989. The Chief Executive in turn employs Directors, Heads of School and other Senior Managers to manage the significant activities of Tairāwhiti Polytechnic.

### Council Committees

The Council has set up standing committees to monitor and assist in the effective discharging of its specific responsibilities.

- The Audit and Risk Assurance Committee monitors financial and risk management and meets as required.
- The Tairāwhiti Polytechnic Academic Board reports to Council on its operations and advises Council on academic matters.
- The Chief Executive Remuneration & Performance Review Committee

## Council Members

The council of Tairāwhiti Polytechnic as at 31 December 2009:

### Chairperson

**Mr Geoff Milner** – Ministerial appointment  
(September 2007 - 2011)

### Deputy Chairperson

**Jackalin Manuel** - Kahunungu ki te Wairoa  
(Re-appointed May 2006 – 2010)

### Members

**Judy Campbell** - Chief Executive  
Appointed February 2008

**Robyn Rauna** – Ministerial appointment  
Appointed September 2007 - 2011

**Tina Karaitiana** – Ministerial appointment  
Appointed 2006 – 2010

**Margaret Takoko** – CTU Representative  
Appointed February 2004 - 2008

**Heather Mackay** – General Staff Representative  
Appointed 2006 - 2010

**Jean Weke** – Te Runanga o Ngati Porou  
Appointed February 2005 - 2008

**Morehu Nikora** – Academic Staff Representative  
Appointed 2008 - 2012

**Brian Wilson** – Employers and Manufacturers Association  
Appointed January 2007 - 2010

**Honorina (Nori) Peleita Parata** – Ministerial appointment  
Appointed June 2008 - 2011

**Kui (Te Rarua) McClutchie-Morrell**  
Maori Women's Welfare League  
Appointed June 2008 – 2011

**Rerehau Pounsford** – Te Runanga o Turanganui a Kiwa  
Appointed June 2008 - 2011



## Department Reports

### School of Business and Humanities

**Head of School: Evelyn Cross (Business)**  
**Walton Walker (Humanities)**

It was a busy year of change and challenge for the School. Business, Computing, Foundation and Humanities were integrated into one School at the end of 2009.

#### Highlights and Successes

- The Certificate in Business Administration programme graduated a group of entrepreneurs who have started their own Gisborne businesses, Bella Vi and Vetro Deli. Traditionally, this programme helps students become work ready and has now added new Enterprise Creation to its learning portfolio. This programme also received a programme evaluation of "Excellent" from its students.
- Customised business management courses were developed for diverse organisations including: Tairāwhiti District Health, Maori Land Court and Motor Industry Trade Organisation. A new Certificate in Business Foundation was launched as a developmental pathway for students wishing to enter the NZ Diploma of Business.
- The Certificates in Literacy Skills have been redeveloped this year. Programme lengths were increased to a Semester and the one-on-one teaching resource was increased.
- The first cohort of students for a new Bachelor of Midwifery Degree Programme has been enrolled. Both Programmes are being offered in partnership with WINTEC.
- The National Certificate in Te Reo Maori, Tikanga, was held up as an exemplar learning module of Maori customs and protocols by the New Zealand Qualification Authority. Te Reo Maori students were engaged in service learning activities. They especially enjoyed completing a practicum at Kohanga Reo, caring for infants and toddlers.
- Instructional delivery was improved by installing data shows and inter-write boards in classrooms, developing plans to update hardware and software in computer labs and developing plans to modernize classrooms in Middleton and create new teaching studios at Toihoukura.
- Tutors continue to improve their subject matter expertise by participating in a variety of external degree programmes. Rehia Whaanga and Joan Ella Ngata completed their Bachelor of Applied Social Science Degrees. Three tutors, Sue Brotherton, Mary Waerehu and Florrie Brooking, enrolled in Masters Degree Programmes. A further ten tutors completed Certificates or Diplomas in Adult Education Training.



### School of Rural & Trades

**Head of School: Jan Thomas**

The Rural and Trades school offers a range of vocational and trade related courses from the pre-employment and introductory programmes through to National Certificates and International Qualifications in City & Guilds.

Rural and Trades courses are offered in satellite campuses on the East Coast, with the Ruatorea Campus hosting approximately 60 full time students.

#### Highlights and Successes

- The Carpentry students and tutors have been involved with a project being undertaken by the local Master Builders where, using volunteers and donated product, the Tui Te Ora Centre is being built at Gisborne Hospital. This is a Community Service centre for people affected by illnesses such as diabetes which is prevalent in the community. Carpentry students have done the profiles and framing, the catering staff and students have supplied lunches on site to the volunteer workers, and students from the Horticultural course are designing, and will be planting the gardens.
- The first offering of the National Certificate in Construction (Leading hand) Level 5 programme has had a 90% success rate.
- Staff and students from a range of programmes descended on the Ruatorea Campus with many renovation projects to complete. The end result being a much better space for our Ruatorea students and Staff and an opportunity for our students to put into practice the skills they had learnt.
- James Hillard, winemaker and programme co-ordinator of the Certificate in Viticulture programme, picked up a gold medal for the 2008 Cognoscenti Chardonnay at the International Chardonnay Challenge, being one of 11 gold medal winners in a field of 500 wines from all over the world. James also features as a judge at national wine competitions including the Royal Easter Wine show, International Chardonnay Challenge and the New Zealand International wine show. Successful graduates from the last 12 months have gone on to vintages in the Northern Hemisphere, while others have gone on to purchase their own winery, or have gained employment in some of the major wine companies in New Zealand.
- Advanced Culinary (City & Guilds Diploma) students attended the Food show in Auckland as part of their programme.
- Ruatorea Agriculture and Engineering students travelled to Hamilton to attend Field Days in June.
- The Motor Industry Trade Organisation (MITO) released a "Rating of Training" report, providing comparisons of Tairāwhiti Polytechnics training in Automotive programmes against the rest of the country. Tairāwhiti Polytechnic was rated up to 16% higher than the national average on all sections of the report. MITO piloted a computer skills course through the polytechnic for Automotive Apprentices in the region.
- Tairāwhiti Polytechnic's Catering team developed a nutrition programme for Fulton Hogan staff, under an initiative from Tranzqual. The programme was very well received by industry and is likely to be offered nationally through Tranzqual.
- STAR programmes continue to provide an excellent learning experience for school students in the region, with staff travelling to Ngata College and Tolaga to service their needs.
- The school successfully completed the NZTA audit and moderation visits from ITOs during 2009.
- Staff undertook a range of professional development activities in Adult Education, Literacy Educator and industry qualifications.

## Curriculum & Evaluation

The Curriculum and Evaluation team work closely with the Polytechnic's two schools to provide quality learning for students. We do this by helping to ensure that the programmes our students enrol in are well designed, up to date, comply with external requirements, receive funding, and lead to recognised qualifications.

### Academic policies and processes

A significant number of academic processes were re-written or completely redesigned.

### Programme development

Eighteen programmes were newly developed or significantly re-developed during 2009:

#### School of Business & Humanities

Achievement Certificate in Human Rights Educator Training Level 4

National Certificate in Adult Education and Training Level 5

Certificate in Social Services Level 4

Certificate in Reo Māori Level 2 Te Pae Aka

Certificate in Literacy Skills (Ngā Pakiaka – Te Rea) Level 1

Certificate in Literacy Skills (Ngā Pakiaka – Te Wana) Level 1

Certificate in Maori Studies (He Pātaka Kōrero) Level 2

Certificate in Internet & Computing Level 3 [INTUTO]

MYOB Training

#### School of Rural and Trades

National Certificate in Agriculture (Introductory Skills) Level 2 GATEWAY

Certificate in Sustainable Horticulture Level 3 (Sustainable Lifestyle)

Certificate in Introductory Trades Level 2 [Carpentry]

Certificate in Introductory Trades Level 2 [Automotive]

National Certificate in Farming Skills (Work Ready) Level 3

National Certificate in Farming Skills (Work Ready) Level 3 [Waipaoa]

Certificate in Professional Catering and Cookery Level 3

National Certificate in Hospitality (Food and Beverage Service) Level 3

Certificate in Cafe Service Level 2

#### Accreditation applications:

- Bachelor of Applied Social Science (Social Work) - Wintec
- Forklift Training (Powered Industrial Lift Trucks Domain)
- Fire & Rescue Services (Fire and Rescue Services, Vegetation and Fire and Rescue Services, Generic Fire Fighting Domains)

#### Self Evaluation and External Evaluation Review (SEEER) activities:

An internal audit and self-evaluation plan was developed for 2009 and approved by Academic Board. As part of this work a SEEER Cluster group was also formed to build evaluation capability and implement scale self-evaluation activities. In addition, work continued on meeting recommendations from the 2008 ITP-Quality academic audit.

#### Internal Audits:

- National Certificate in Agriculture Level 2
- National Certificate in Tourism and Travel (Core Skills) Level 3
- National Certificate in Early Childhood Education & Care (Te Pihiora) Level 4
- Certificate in Employment Preparation (Tu Ake) Level 2

#### Self Evaluation Activities:

- Disability Support
- Entry Criteria & Enrolments Process
- UCOL Bachelor of Nursing Year 1 Student Focus Group
- Annual Programme Review meetings (in conjunction with Schools, Finance and BDU).

## Curriculum & Evaluation

### Staff Development

- National Certificate in Adult Literacy Education (Educator) Level 5

This qualification is for educational specialists working to improve literacy and numeracy achievements of adult learners. Three staff completed this programme in 2009, with another six 'in progress'.

- National Certificate in Adult Education and Training Levels 4 and 5

This programme is the initial teaching qualification for tutors at the Polytechnic. Twenty five staff completed the Level 4 qualification, with fourteen staff also achieving the Level 5, in 2009.

- National Diploma in Adult Education and Training Level 5.

This qualification was offered in conjunction with Tai Poutini Polytechnic and Competency International. Eighteen tutors completed this programme in 2009

- Celebrating Best Practice in Teaching & Learning – staff conference (16 July 2009)
- Applied research cluster groups – Blended Delivery, SEEER, Literacy.
- Seven full-time programmes were involved with the literacy and numeracy embedding process at curriculum delivery level during 2009.
- Teaching Observations - Supporting tutors to continuously improve their teaching practice. A new protocol and process for teaching observations was piloted across Schools in Semester 2.



## Business Development Directorate

### Director: Glenis Philip-Barbara

2009 has been a busy year for the entire Polytechnic as we have pushed forward with improvements and changes that will see students and our community get real value out of their time with us.

Business Development has been primarily future-focused as we have worked with our community to determine Tertiary Education Priorities, refocused and reorganised Local Advisory Committees to ensure that local industry is engaged with our delivery and strengthened relationships with other organisations that refer students to us. Beyond this work we have re-developed and re-launched our website, improved the intranet as a primary source of institutional information, arranged and run memorable advertising and promotion campaigns and made sure that secondary school students get a good introduction to tertiary education by participating in STAR courses.

Late in the year Registry and contracted Student Support Services joined the Directorate which has created an opportunity for greater alignment and improvement in the student journey. Below is a list of key achievements. This is by no means a complete list for 2009, but highlights the pace and rate of improvement happening across the board.

### Key Achievements 2009

#### Webmaster:

New website launched  
Intranet reviewed and improved

#### Community Liaison & Events Co-ordinator:

Successful Graduation event held despite system challenges  
Relationships with YTS, WINZ strengthened with referrals leading to enrolments

#### Pacific Liaison:

Pacific Students successfully completed their study  
Pacific English Literacy programme planned for 2010 launch

#### Marketing Advisor:

2009 Campaign launched  
The Quest comic strip launched

#### STAR Co-ordinator:

STAR course offerings confirmed and stabilised  
STAR prospectus created

#### Business Relationships Co-ordinator:

LAC improvement project completed with management handed back to Heads of School  
Scoping Report for development in Tourism completed

#### Director:

Statement of Tertiary Education Needs, Gaps and Priorities completed  
Restructure of Student Services

#### Executive Assistant:

Two successful Tairāwhiti Grants and Awards events distributed \$70k to worthy students



## Finance & Infrastructure Directorate

### Director: Herman Koenders

The Finance and Infrastructure Division is responsible for providing financial policy advice, financial management and accounting services to a wide range of Tairāwhiti Polytechnic departments and activities including the different schools, directorates and service departments. It ensures:

- All payments to suppliers are made
- Payments are received
- Monthly Finance reports are prepared to report to Chief Executive
- Cashflow management.
- Delegations and statutory obligations are adhered to

The two-person Information Technology team is responsible for the support, maintenance and development of the Polytechnic's information technology infrastructure, expressly for supporting staff, students and authorised contractors and external parties in carrying out business activities.

The property function looks after all our buildings, both current and future needs, including repairs and maintenance, painting, and code compliance, as well as looking after the grounds, ensuring that we have a safe, supportive, stimulating environment for students and staff, and that the campus and facilities are fit for the purpose of education and training activities.

The Vehicle Co-ordinator looks after all of our vehicle needs, which includes purchasing, tendering vehicles no longer required, vehicle repair and maintenance, and ensuring that our fleet is compliant with the law.

Our Purchasing and Procurement Officer ensures goods and services procured are fit for the purpose, of appropriate quality, and at the most favourable price, whilst maintaining an effective and efficient use of Tairāwhiti Polytechnic resources. He is guided by the Good Practice Guide-Procurement Guidance for Public Entities 2008 by the Office of the Controller and Auditor-General.

### Achievements throughout 2009 include:

- Implemented Procurement functionality
- Implemented TAMU financial reporting format to Council
- Simplified budgeting and forecasting process
- Financial/IT Policy and Procedure updates and implementation
- Disaster Recovery Plan Implemented

- Improved working relationships with internal and external stakeholders
- Implementation of a new Fixed/Capital Asset Register
- Automation of internal processes
- Monthly reporting undertaken on a full accrual accounting basis
- Monthly reconciliation of balance sheet
- Introduction of longer term financial models (5years)
- Streamlined work processes
- Raised awareness of creditors to our obligations as far as purchasing is concerned
- Virtualised IT environment allowing better utilisation of the Blade Server chassis and SAN hardware (IT Tactical Plan)
- Commissioned Server Capacity Plan to review capabilities of storage and virtualisation
- Implemented a Storage Area Network (SAN) solution for centralised storage and improved disk storage utilisation.
- Restructured the Directorate (doing more with less and ensuring best in class performance)

**Human Resource Department**

**Human Resource Manager: Lyn Hura**

The Human Resource Department (previously known as the Organisation Development Directorate) is responsible for developing, reviewing and implementing human resource policies and procedures that support the changes to the culture of Tairāwhiti Polytechnic, recruitment and selection, payroll and human resource administration, providing support to Managers on employment related issues and union correspondence and negotiations.

In 2009 the Human Resource team achieved major objectives:

- Implementation of a Human Resource Information System in partnership with EIT, Napier. The Human Resource team went live with the payroll processing in June 2009 and training of staff commenced on the Human Resource Self Service component in October 2009. Payroll and HR information efficiencies were achieved and 1 FTE redundancy resulted.



**Toihoukura Report & Exhibitions**



Whangara Marae Restoration Project



Tairāwhiti Polytechnic Graduation 2009 – Te Toi o Nga Rangi Graduates



Purapurawhetu Toi Maori exhibition

## Toihoukura Report & Exhibitions



National Ta Moko Wananga



Gisborne Girls High School project



Maori Market, Te Raupareha Arena, Porirua.



Florence Biennale, invited artist Tawera Tahuri Tutor in



## Toihoukura Report & Exhibitions



Tamanui te Ra exhibition, Tairāwhiti Museum



Rhythm & Vines 2009/2010 – Art exhibition and Ta Moko exhibition.



### Toihoukura Exhibitions

Staff Member	Date	Exhibition
S. Gibbs	March 2009	Toihoukura Drawing Exhibition @ Maia Gallery, Toihoukura
S. Gibbs, D. Lardelli	April 2009	Toirau, Gisborne Boys High School Reunion Exhibition @ Māia Gallery, Toihoukura
T & H Tahuri	June 2009	Purapurawhetū Exhibition (Matariki) @ Māia & Kōtuku Galleries, Toihoukura
D. Lardelli	July 2009	Whare Mātauranga, Gisborne Girls High School
S. Gibbs	September 2009	Hineahuone Exhibition @ Māia Gallery, Toihoukura (Walter Shepherd and Sarah Kane)
S. Gibbs, D. Lardelli, H & T Tahuri	October 2009	Māori Market @ Te Rauparaha Events Centre, Porirua
D. Lardelli	October 2009	Uhi Wero, Uhi Tāia Exhibition @ Māia Gallery, Toihoukura (Cy McLeod, Jahvan Apatu, Albert Raureti, Daniel McGrath)
S. Gibbs	November 2009	Kaitiaki Exhibition @ Māia Gallery, Toihoukura (Te Aukaha Puke, Jared Pere, Belinda Southern)
T. Tahuri	November 2009	Florence Biennale, Florence, Italy
S. Gibbs	December 2009	Kauae Uha Exhibition @ Māia Gallery 2009 (Bernise Williams, Claudette Collis)
S. Gibbs, D. Lardelli, T & H Tahuri	December 2009	Tairāwhiti Museum Exhibition (Toihoukura staff & students)

## Research Report & Exhibitions

### Research Activities

#### Unpublished

##### CONFERENCE PRESENTATIONS

Peter Makin "Learner Centred Teaching"

NZ Adult Education & Training Forum (CPIT Christchurch, 3 April 2009)

#### Research Reports

Brotherton, S. - School of Business, Computing & Foundation

Relational Communication Analysis for: The Organisation. June 2009.

Report on an Emerging Practice in Manangement Communication: Communities of : Fostering meaningful engagement. October 2009.

#### Thesis

Wayne Ngata – *Research Co-ordinator*

*Te hū o te pūoro – Ko te mōteatea te mataaho ki te pā o te hinengaro Māori, ki te ao Māori.*

PhD Massey University. September 2009

#### Published Articles

Walton Walker – *Head of School, Humanities*

Ngā Maunga Kōrero – *Tahupōtiki and the Expansion of Ngāi Tahu* (Gisborne Herald 6 March 2009)

Ngā Maunga Kōrero – *Rākaupuhi and Uepōhatu* (Gisborne Herald 3 April 2009)

Ngā Maunga Kōrero – *Tawhitinui a Paoa and Waipiro* (Gisborne Herald 8 May 2009)

Ngā Maunga Kōrero – *Ōkāhu-a-tiu and Te Whānau a Kai* (Gisborne Herald 10 July 2009)

Ngā Maunga Kōrero – *Tokatea and Te Whānau a Rākairoa* (Gisborne Herald 9 October 2009)

## Statement of Objectives and Service Performance

In its Strategic Direction Profile document for 2007 to 2009, Tairāwhiti Polytechnic established a number of key strategic objectives to be achieved in each year. The initiatives required in 2009 to meet these objectives are identified below, and progress is measured against whether key performance indicators for these initiatives were achieved.

#### Key Objective 2.1

Provide Core, Niche, foundation and Facilitated Programmes that contribute to the outcomes sought in the TES, STEP and Regional Tertiary Education Plan for Tairāwhiti

Initiative	Key Performance Indicator	2009 Result
a) Provide core, niche, foundation and facilitated programmes as indicated in Programme Profile	Programmes provided as per EFTS targets in Section 9.	Achieved 110% of EFTS target. Includes Papatoa
	"...with respect to student component funding (EFTS), the institution is seeking funding to deliver the forecast EFTS by value contained in its August 2006 SDR..."	<b>Target:</b> SAC: 984 Community: 78 International: 11 ITO/TOPS/Youth: 112 <b>Total: 1185</b> Includes Papatoa
	SAC funded: 1277 Non-SC funded: 254 Total: 1531	<b>Actual:</b> SAC: 1009 Community: 75 International: 6 ITO/TOPS/Youth: 208 <b>Total: 1298</b>
	<b>EFTS targets were superseded by the targets set in Tairāwhiti Polytechnic's 2007 - 2008 investment plan</b>	
		The 2009 EFTS include Papatoa which was delivered under a subcontract.

#### Key Objective 2.2

Facilitate development of a Regional Plan for Tairāwhiti

Initiative	Key Performance Indicator	2009 Result
a) Work with key regional stakeholders to establish and maintain a network of industry sector groups	Review and redevelop the Statement of Tertiary Education Regional Needs that was initially developed in 2007	Achieved. 109 key regional stakeholders participated in the development of the Tairāwhiti Regional Statement of Tertiary Needs, Gaps and Priorities.
b) Work with Tertiary Education Organisations in Tairāwhiti to develop, implement, monitor and review the Regional Tertiary Education Plan for Tairāwhiti. This will be part of an overall Regional Employment Strategy	Review and redevelop the Regional Tertiary Education Statement with KPIs.	Achieved. Tairāwhiti Regional Statement of Tertiary Needs, Gaps and Priorities was published and disseminated May 2009.

## Statement of Objectives and Service Performance

### Key Objective 2.3

Strengthen the strategic relevance of our programmes so that they make an effective contribution to the outcomes sought in the TES, STEP, Regional Employment Strategy Plan and Regional Tertiary Education Plan for Tairāwhiti

Initiative	Key Performance Indicator	2009 Result
a) New programme development	All new programmes provided demonstrate strong Strategic Relevance and contribute to the outcomes sought in the TES, STEP, Regional Employment Strategy Plan and Regional Tertiary Education Plan for Tairāwhiti.	Achieved.  Eighteen new programmes developed in 2009 are strategically aligned with Tairāwhiti Polytechnic's 2009-2010 investment plan.
b) Ongoing review and development of existing programmes	Strategic relevance of programmes provided is demonstrated.	A comparative review of the complete programme portfolio was undertaken in Semester 1, 2009 using an Academic Health Score approach. As a result 7 programmes were discontinued from 2010.

### Key Objective 2.4

Develop Tairāwhiti Polytechnic's unique contribution to the Network of Providers and to maximise efficiency of provision through collaboration and partnerships

Initiative	Key Performance Indicator	2009 Result Achieved
a) Facilitate an alliance between Tertiary Education Organisations in Tairāwhiti	Review and redevelop the 2007 plan with KPIs for the Alliance for Tertiary Education in Tairāwhiti.	The collective process of developing the Tairāwhiti Region Statement of Education Needs was a very successful joining together of all tertiary education providers and their stakeholders.
b) Participate in the Tertiary Education alliance	Review and redevelop the plan with KPIs that was to have been developed in 2007.  <i>This objective refers to the formal alliance between:</i>  <ul style="list-style-type: none"> <li>Tairāwhiti Polytechnic</li> <li>Bay of Plenty Polytechnic</li> <li>Waikato Institute Of Technology</li> <li>Wairariki Institute Of Technology</li> <li>Western Institute Of Technology Taranaki</li> </ul>	The TEA ceased to function in 2008. Tairāwhiti Polytechnic has been an active member of ITPNZ and its successor NZITP, the collective of 14 mostly regional Polytechnics and Institutes of Technology
c) Tangata whenua relationship development	Programme rationalisation with Te Wananga O Aotearoa (TWOA) agreed and implementation commenced.	Tairāwhiti Polytechnic continues to develop a much closer working relationship with Te Wananga o Aotearoa, including the successful transfer of the Papatoa logging programme to them in 2009.

### Key Objective 2.5

Progressively improve learner retention and completion

Initiative	Key Performance Indicator	2009 Result Achieved
a) Development and Monitoring of Retention and Completion Reports	Reporting system reviewed and percentage for improvement set	Retention and completion rates were gathered and for the first time highlighted to all staff and to the Council.  Rates improved significantly over the 2008 – 2009 period.
b) Development of Strategies to Improve Retention and Completion	KPIs achieved in the plan	Academic Board has been repositioned by the end of 2009 in order to provide more academic leadership in areas such as retention and completion strategies.

### Key Objective 2.6

Develop capability – staff, Council and infrastructure

Initiative	Key Performance Indicator	2009 Result
a) Developing capability of Council	Skill development plan developed in 2007 progressively implemented.	Achieved.  Many new Councillors attended TAMU training in 2008 and through 2009 used their skills to provide an increased sense of leadership from Council
b) Developing capability of Staff	Skill development plan progressively implemented.	Achieved.  Significant improvement was made in academic staff training systems in 2009 <ul style="list-style-type: none"> <li>National Certificate in Adult Literacy Education (Educator) Level 5</li> </ul> Three staff completed this programme in 2009, with another six 'in progress'. <ul style="list-style-type: none"> <li>National Certificate in Adult Education and Training Levels 4 and 5</li> </ul> 25 staff completed the level 4 qualification, with 14 staff also achieving Level 5 <ul style="list-style-type: none"> <li>National Diploma in Adult Education and Training Level 5.</li> </ul> 18 tutors completed this programme in 2009
c) Campus Development	Revised campus development plan implementation commenced.	Achieved.  The upgrading of the Campus continued with significant work undertaken on Middleton and Toihoukura  Empty buildings on the corner of Cobden St and Palmerston Road were demolished or cleared

## Statement of Objectives and Service Performance

### Key Objective 2.7

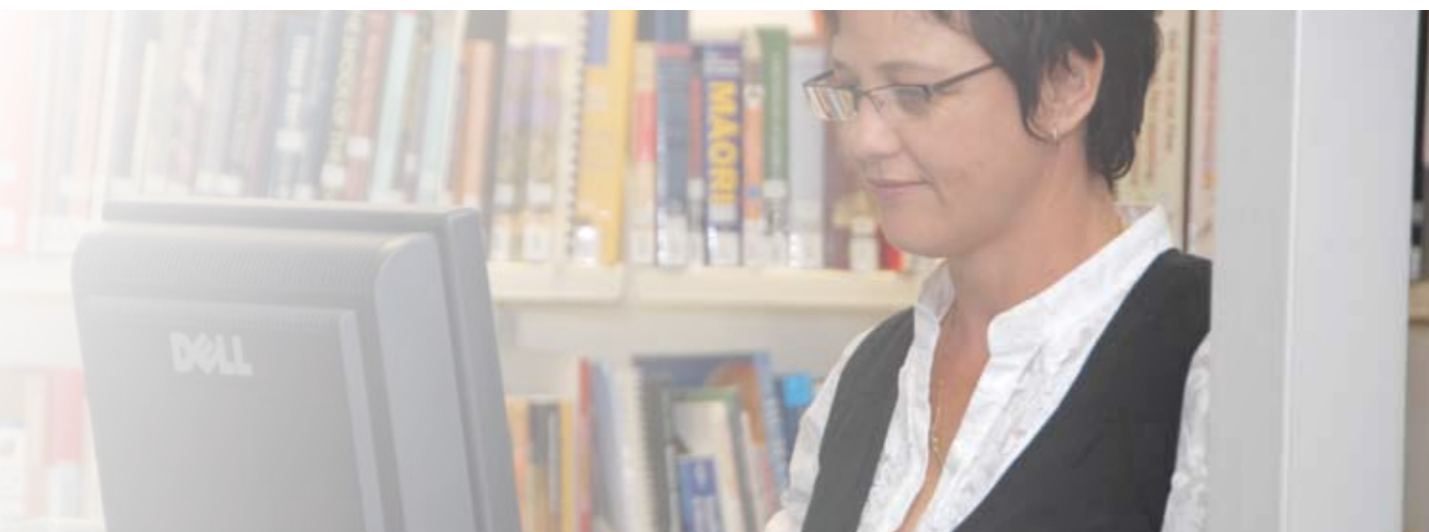
Develop innovative and flexible delivery including e-learning

Initiative	Key Performance Indicator	2009 Result Achieved
a) Development of e-Learning	Widening of access within region to academic programmes through flexible delivery and e-Learning demonstrated.	12 programmes are web supported and 2 programmes have been newly developed to enable online learning to feature predominantly as part of the blended learning approach.
b) Developing of Maori Pedagogies	Process of staff development on Maori Pedagogies continued and included in Development Plan.	Achieved. Training on Maori Pedagogies is now part of Tairāwhiti Polytechnic's tutor development plan.

### Key Objective 2.8

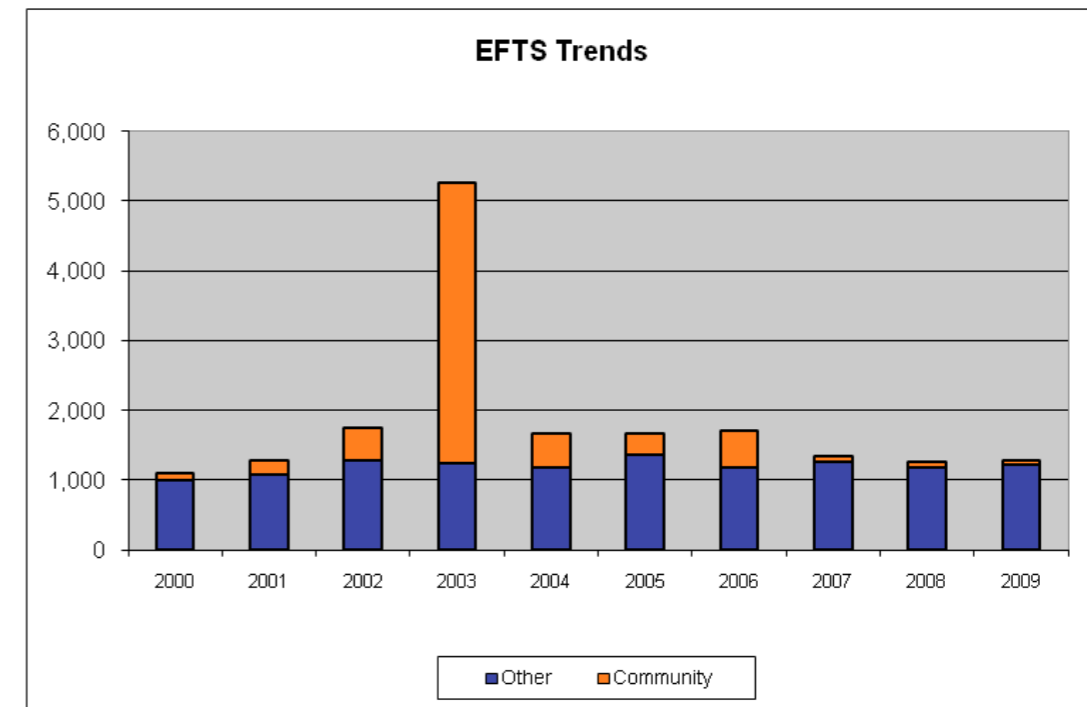
Become a Quality Benchmarked and Accountable Organisation

Initiative	Key Performance Indicator	2009 Result Achieved
a) Accountability	A monitoring and accountability process using the balanced scorecard and continuous improvement is implemented.	TAMU worksheets were used to report on financial data and other key performance indicators to Council.
b) Financial Performance	Operating within approved budget; break-even targets achieved; cash flow managed.	The 2009 surplus after depreciation is \$1.5m compared to a budget surplus of \$0.4m.  Cash was managed throughout the year achieving cash balance at year end of \$1.1m.



## Key Statistics

### Equivalent Full-time Students (EFTS)



Since 2000, total EFTS have been between 1,100 and 1,800, with the exception of the massive spike in Community education in 2003. From 2007, Community Education EFTS has been capped at around 70.

In 2009 the Papatoa programme was transferred to Te Wananga o Aotearoa, however they continued to show in our EFTS for the year as the transfer progressed on a technical basis.

### EFTS by Subject Classification

	2006	2007	2008	2009
Agriculture/Horticulture	360.59	473.16	482.68	464.98
Arts/Humanities	211.6	206.04	187.52	188.69
Business/Accountancy/Management	166.06	169.27	139.3	168.16
General/Non-Formal Education*	518.38	78	76.48	74.92
Short Awards	9.05	9.29	0.85	
Computing	12.59	14.36	15.82	15.98
Engineering/Technology	6	9.19	4.05	10.05
Fine Arts/Design	48	53.97	49.64	43.58
Science	12.21	-	9	6.98
Trades 2 (Other)	79.23	103.22	98.94	110.64
TOPS	173.88	148.29	156.24	161.93
STAR	43.86	28.81	22.33	31.20
ITO/Conservation Corps	20.47	8.83	6.6	11.62
International	47.02	45.01	10.41	6.24
Other Contracts	1.88	9.32	1.2	2.86
<b>Total</b>	<b>1710.82</b>	<b>1356.77</b>	<b>1261.06</b>	<b>1297.83</b>

\* Includes Community Courses

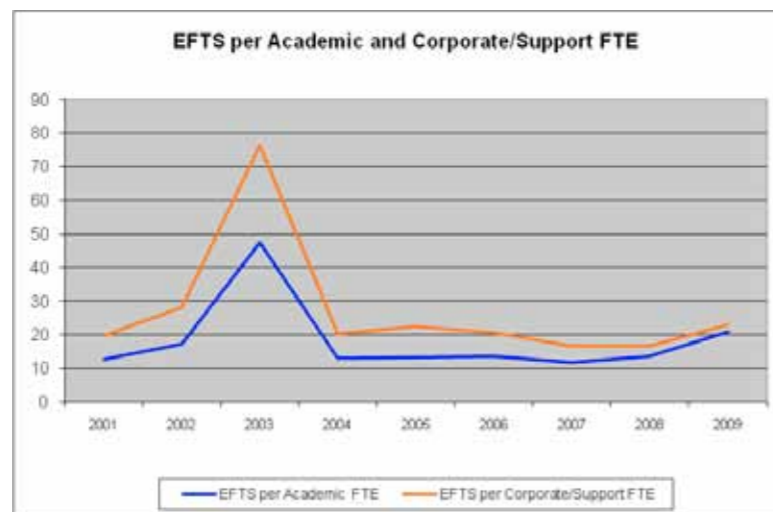
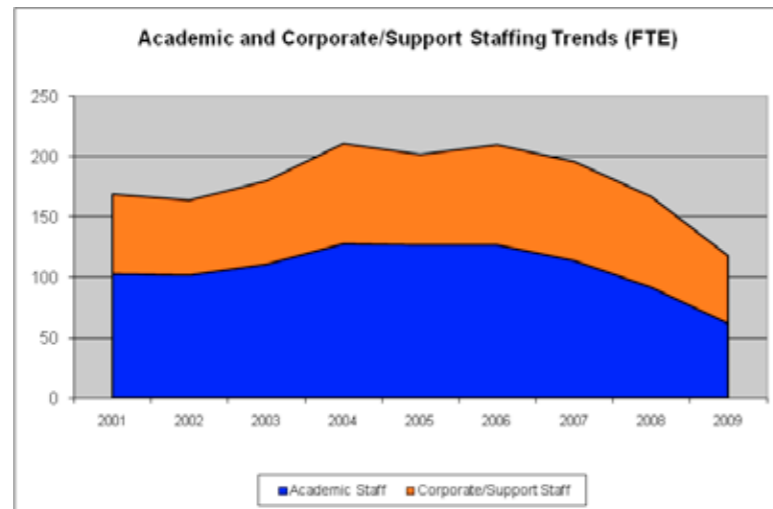
## Key Statistics

### Student Achievement Component Funded EFTS – Target vs. Actual

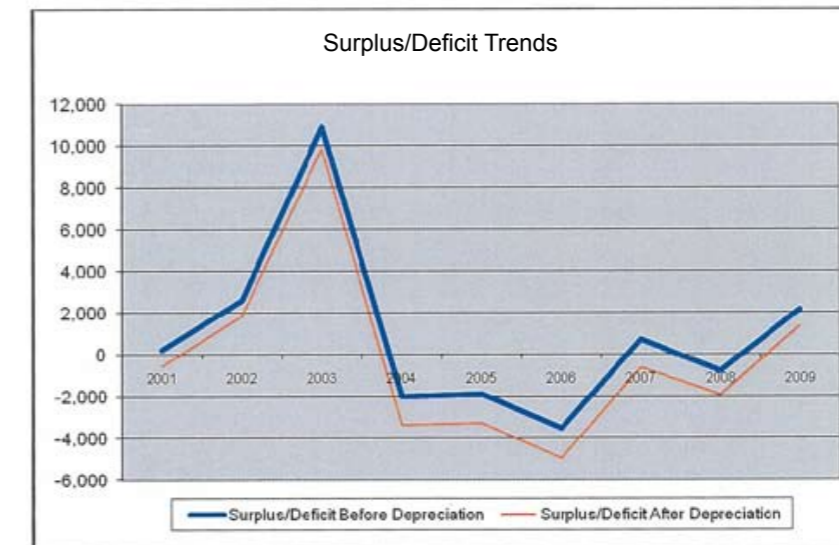
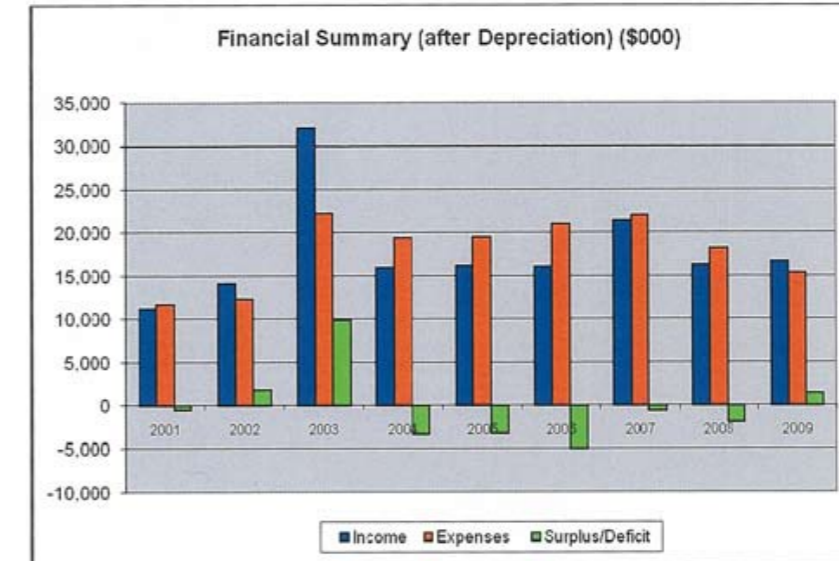
	2003	2004	2005	2006	2007	2008	2009
Target	1453	3397	2495	1623	1277	1005	1062
Actual	4842	1416	1396	1423	1117	1064	1084

### Staffing Statistics

	2006	2007	2008	2009
Full-time Equivalent Staff	210	196	167	118
of whom Male	44%	46%	49%	42%
of whom Female	56%	54%	51%	58%
of whom Maori	54%	50%	57%	47%
Academic (FTE)	127	114	100	62
Corporate/Support (FTE)	83	82	67	56
Academic : Support Staff Ratio	1.5 : 1	1.4 : 1	1.5 : 1	1.1 : 1
EFTS per FTE	8.1	6.9	7.5	11.0



### Financial Trends



	2006	2007	2008	2009
Revenue	\$16.0m	\$21.4m	\$15.9m	\$17.4m
Expenses (after Depreciation)	\$21.0m	\$22.0m	\$18.1m	\$15.9m
Surplus/(Deficit) after depreciation	(\$5.0m)	(\$0.6m)	(\$2.2m)	\$1.5m
Total expenses (after depreciation) per EFTS	\$12,274	\$16,199	\$14,360	\$12,260
Personnel costs per EFTS	\$7,185	\$10,020	\$7,606	\$6,620
Other expenses per EFTS	\$4,445	\$4,252	\$6,754	\$5,640
Personnel costs as a percentage of total expenditure	54.5%	58.5%	57.4%	54%

## Key Performance Indicators

The following key performance indicators are from Tairāwhiti Polytechnic's 2007 – 2009 Investment Plan.

Goals	Indicators	Target 2009	Actual 2009
<b>Financial Viability</b>	Total cost per EFTS	\$13,150	\$12,260
	Net surplus before non-cash items	\$1.6m	\$2.2m
	Operating cash flow ratio(cash in/cash out)	1.04	1.02
	Debt/equity ratio (gearing)	0.04	0.05
<b>Educational Viability</b>	Total student course retention	95%	87%
	NZ Maori student course retention	95%	85%
	Total successful course completion	75%	63%
	NZ Maori successful course completion	85%	52%
	Student satisfaction – good teaching indicator (proportion of students satisfied with teaching practice)	Undertake baseline survey	Students were formally surveyed near the beginning and end of their programmes in 2009 (108 separate evaluation events).  Surveys include a summative question on students' overall rating of the programme, requiring a score from 1 to 5 (with 5 being <i>Excellent, 4 More than Satisfactory</i> etc). Average scores in 2009 were 4.37 for beginning of programme evaluation, and 4.32 for end of programme evaluation against this question.
<b>Organisation Capability</b>	Staff satisfaction ratio (proportion of staff overall satisfied)	Undertake baseline survey 70%	Did not conduct survey.
	Professional development ratio (proportion of staff with agreed development plans in place)	100%	85%
	Efficiency ratios: • Total staff FTE/total student EFTS • Personnel costs as % of total expenditure	8.3  Academic Salaries/total expenditure 33%  Non-teaching salaries/total expenditure 20%	11.3  Academic Salaries/total Expenditure 27%  Non-teaching Salaries/total Expenditure 28%
<b>Regional Responsiveness</b>	Employer satisfaction ratio (proportion of those surveyed overall satisfied with graduate skills and attributes)	80%	Not carried out
<b>Implementation Effectiveness</b>	Implementation targets reflected in CEO and management performance agreements	Yes	Yes
	Governance effectiveness reviewed annually and an audit schedule implemented	Completed	To be completed in 2010
	Governance review and audit recommendations implemented	Completed	To be completed in 2010

## Equal Employment Opportunities Report

There were no significant changes in Tairāwhiti Polytechnic's commitment to Equal Employment Opportunities (EEO) during 2009 from what was reported in 2008. Tairāwhiti Polytechnic continued with its commitment to:

- A whakatau for all new employees;
- A staff induction programme that incorporates discussion on Whare Tāhū which encompasses our core competencies and values;
- A health monitoring programme that includes hearing tests, funds for eye checks and lenses and workstation assessments;
- An employee assistance programme that includes a counselling service and career guidance;
- Massages made available to staff from our students;
- Funded professional development leave for all staff;
- The Disability Service continued to be provided on-site;
- Health Nurse service was established on-site during 2009.
- Healthy Workplace programme – Waiora @ work.

## Statement of Responsibility

In the financial year ended 31 December 2009 the Council and Management of Tairāwhiti Polytechnic were responsible for:

- the preparation of the financial statements and the judgments used therein; and
- establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of Council and Management of Tairāwhiti Polytechnic the financial statements for the financial year fairly reflect the financial position and operations of Tairāwhiti Polytechnic. The financial statements were authorised for issue by Council as at 26 April 2010.



**Judy Campbell**  
 Chief Executive  
 26 April 2010



**Geoff Milner**  
 Chair of Council  
 26 April 2010



BDO AUCKLAND

**AUDIT REPORT**

**TO THE READERS OF  
TAIRAWHITI POLYTECHNIC'S  
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2009**

The Auditor-General is the auditor of Tairāwhiti Polytechnic (the Institution). The Auditor-General has appointed me, Peter McNoe, using the staff and resources of BDO Auckland, to carry out the audit of the financial statements and statement of service performance of the Institution, for the year ended 31 December 2009.

**Unqualified Opinion**

In our opinion:

- the financial statements of the Institution on pages 32 to 54.
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Institution's financial position as at 31 December 2009; and
    - the results of its operations and cash flows for the year ended on that date.
- the performance information of the Institution on pages 21 to 24 fairly reflects its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 26 April 2010, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

**Basis of Opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and



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- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

**We considered the validity of the Going Concern Assumption on which the Financial Statements have been prepared**

In forming our unqualified opinion, we considered the adequacy of the disclosures in note 19 on page 51 about the pursuit of merger talks between the Institution and Eastern Institute of Technology. We also considered the disclosures about changes taking place in the tertiary education sector that will result in a loss of Government funding in future and that could affect the viability of the Institution as an independent entity in the next 2 to 3 years.

We consider the disclosures in note 19 to be adequate. We also agree with the use of the going concern assumption as the basis for preparation of the financial statements in the circumstances. However, if the going concern assumption was to become inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are recorded in the Statement of Financial Position. In addition, the Institution may have to recognise additional liabilities and costs that might arise from any merger arrangements.

**Responsibilities of the Council and the Auditor**

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Institution as at 31 December 2009. They must also fairly reflect the results of its operations and cash flows for the year ended on that date. The Council is also responsible for preparing performance information that fairly reflects the service performance achievements for the year ended 31 December 2009. The Council's responsibilities arise from the Education Act 1989 and the Crown Entities Act 2004.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

**Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in Institution.

Peter McNoe  
BDO Auckland  
On behalf of the Auditor-General  
Auckland, New Zealand

## Annual Financial Statements

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

DESCRIPTION	NOTES	ACTUAL 2009	BUDGET 2009	ACTUAL 2008 Restated(i)
		\$,000	\$,000	\$,000
<b>Income</b>				
Government grants	3 (i)	12,566	11,326	7,425
Industry funding		1,263	1,101	1,221
Tuition fees - Domestic		2,228	2,396	1,573
Tuition fees - International		70	136	181
Trading Income		214	187	149
Interest income		47	-	131
Other Income	3 (ii)	681	525	442
<b>Total income</b>		<b>17,069</b>	<b>15,671</b>	<b>11,122</b>
<b>Expenditure</b>				
Personnel costs	4(i)	8,582	8,323	7,144
Consumable costs		2,626	2,377	2,021
Occupancy costs		92	67	133
Restructuring costs	22	821	-	305
Other costs	4(ii)	2,973	3,674	3,021
Depreciation and amortisation costs	5	757	1,150	858
<b>Total expenditure</b>		<b>15,851</b>	<b>15,591</b>	<b>13,482</b>
<b>Net Surplus/(Deficit) from discontinued operations</b>	25	250	400	150
<b>Surplus/(deficit)</b>		<b>1,468</b>	<b>480</b>	<b>(2,210)</b>
<b>Other comprehensive income</b>				
Increase/(Decrease) in Asset Revaluation Reserves	24	1,619	-	(286)
<b>Total comprehensive income</b>		<b>3,087</b>	<b>480</b>	<b>(2,496)</b>

Explanation of major variances against budget are provided in note 30

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

DESCRIPTION	NOTES	ACTUAL 2009	BUDGET 2009	ACTUAL 2008 Restated(i)
		\$,000	\$,000	\$,000
<b>Balance at 1 January</b>		<b>20,467</b>	<b>20,349</b>	<b>20,078</b>
Suspensory loan from Crown	23	-	-	1,300
Capital contribution from Crown	24	-	-	1,585
Total comprehensive income	24	3,087	480	(2,496)
<b>Balance at 31 December</b>	<b>24</b>	<b>23,554</b>	<b>20,829</b>	<b>20,467</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

(i) The prior year figures have been restated to reflect the recognition of the suspensory loan as equity (See notes 2 and 23 for details).

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

DESCRIPTION	NOTES	ACTUAL 2009	BUDGET 2009	ACTUAL 2008 Restated(i)
		\$,000	\$,000	\$,000
<b>PUBLIC EQUITY</b>				
Institute equity	24	12,191	11,085	10,723
Asset revaluation reserves	24	11,363	9,744	9,744
<b>TOTAL PUBLIC EQUITY</b>		<b>23,554</b>	<b>20,829</b>	<b>20,467</b>
<b>Current assets</b>				
Assets held for sale	10	796	-	563
Cash and cash equivalents	8	1,132	1,500	752
Debtors and other receivables	6	540	30	628
Prepayments	7	5	105	32
Inventories	9	128	95	95
<b>Total current assets</b>		<b>2,601</b>	<b>1,730</b>	<b>2,070</b>
<b>Less current liabilities</b>				
Fees in advance		60	48	924
Accounts payable	12	1,838	1,140	1,862
Funds held on behalf of others	13	53	45	42
Employee entitlements	14	559	-	640
Provisions	21	-	-	80
<b>Total current liabilities</b>		<b>2,510</b>	<b>1,233</b>	<b>3,548</b>
<b>WORKING CAPITAL</b>		<b>91</b>	<b>497</b>	<b>(1,478)</b>
<b>Non-current assets</b>				
Property, plant and equipment	11(i)	23,371	20,232	21,896
Intangible assets	11(ii)	116	100	134
<b>Total non-current assets</b>		<b>23,487</b>	<b>20,332</b>	<b>22,030</b>
<b>Non-current liabilities</b>				
Employee entitlements	14	24	-	85
<b>Total non-current liabilities</b>		<b>24</b>	<b>-</b>	<b>85</b>
<b>NET ASSETS</b>		<b>23,554</b>	<b>20,829</b>	<b>20,467</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

(i) The prior year figures have been restated to reflect the recognition of the suspensory loan as equity (See notes 2 and 23 for details).

## Annual Financial Statements

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

DESCRIPTION	NOTES	ACTUAL	BUDGET	ACTUAL
		2009 \$,000	2009 \$,000	2008 \$,000
<b>OPERATING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Government grants		12,749	12,711	10,456
Revenue from services provided		3,906	3,734	5,316
Interest received		47	40	130
Net GST movement		-	-	(268)
Funds collected on behalf of Te Wananga o Aotearoa		3,045	-	-
		<b>19,747</b>	<b>16,485</b>	<b>15,634</b>
<b>Cash was applied to:</b>				
Payments to employees		8,830	8,323	10,245
Payments to suppliers		6,067	7,262	7,383
Funds paid out to Te Wananga o Aotearoa		3,045	-	-
		<b>17,942</b>	<b>15,585</b>	<b>17,628</b>
<b>Net cash flow from operating activities</b>	<b>15</b>	<b>1,805</b>	<b>900</b>	<b>(1,994)</b>
<b>INVESTING ACTIVITIES:</b>				
<b>Cash was provided from:</b>				
Sale of property, plant, and equipment		841	1,400	134
		<b>841</b>	<b>1,400</b>	<b>134</b>
<b>Cash was applied to:</b>				
Purchase of property, plant, and equipment		2,234	2,000	1,798
Purchase of intangibles		32	-	-
		<b>2,266</b>	<b>2,000</b>	<b>1,798</b>
<b>Net cash flow from investing activities</b>		<b>(1,425)</b>	<b>(600)</b>	<b>(1,664)</b>
<b>FINANCING ACTIVITIES:</b>				
<b>Cash was provided from:</b>				
Suspensory loan		-	-	1,300
Capital funding		-	-	1,585
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>	<b>2,885</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>380</b>	<b>300</b>	<b>(773)</b>
Cash & cash equivalents at start of year		752	1,200	1,525
<b>Cash &amp; cash equivalents at year end</b>	<b>8</b>	<b>1,132</b>	<b>1,500</b>	<b>752</b>
<b>Represented by:</b>				
Cash & cash equivalents		1,132	1,500	752
<b>Closing cash &amp; cash equivalents at year end</b>		<b>1,132</b>	<b>1,500</b>	<b>752</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

## Notes to the Financial Statements for the year ended 31 December 2009

### 1 STATEMENT OF ACCOUNTING POLICIES

#### THE REPORTING ENTITY

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

The primary objective of the Institute is to provide tertiary education services for the benefit of the community rather than making a financial return. Accordingly, the Institute has designated itself as a public benefit entity for the purposes of New Zealand's equivalent to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Institute for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the councillors on 26 April 2010.

#### BASIS OF PREPARATION

##### Statement of Compliance

The financial statements of the Institute have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Education Act 1989, which includes the requirement to comply with New Zealand Generally Accepted accounting Practices (NZ GAAP).

These financial statements comply with NZ IFRS and other applicable financial reporting standards, as appropriate for public benefit entities.

##### Measurement base

The financial statements have been prepared on a historical basis, modified by the revaluation of land, buildings, infrastructure assets, and certain financial instruments.

##### Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

##### Changes in accounting policies

There have been no changes in accounting policies during the financial year.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### Property, plant and equipment

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

- Land and buildings are measured at fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses.
- Plant and equipment, motor vehicles, furniture and fittings, and computer hardware are stated at cost less accumulated depreciation and subsequent accumulated impairment losses.

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

	Useful Life	Depreciation Rate
Buildings - Fit-out	25 years	4%
- Services	33 years	3%
- Shell	50 years	2%
Plant and Equipment	5 – 10 years	10% – 20%
Furniture and Fittings	10 years	10%
Motor Vehicles	5 years	20%
Information Technology	3 years	33%
Library Collections	10 years	10%

#### Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation, less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's-length transaction as at the valuation date.

Revaluation of property, plant and equipment is carried out on a class of asset basis.

Any net revaluation surplus is credited to the asset revaluation reserve included in the equity section of the statement of financial position unless it reverses a net revaluation decrease of the same asset previously recognised in the statement of comprehensive income.

## Notes to the Financial Statements for the year ended 31 December 2009

Any net revaluation decrease is recognised in the statement of comprehensive income unless it directly offsets a previously recognised net revaluation increase in the same asset revaluation reserve.

Any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value as at the statement of financial position date.

### Additions

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

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

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

### Disposals

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

### Intangible assets

#### Software acquisitions and development

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

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

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

#### Research costs

Research costs are recognised as an expense in the statement of comprehensive income in the year in which they are incurred.

#### Amortisation

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 period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates have been estimated as follows:

	Useful Life	Depreciation Rate
Computer software	3-4 years	33%

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

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

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

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

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

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

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

### Investments

All investments are initially recognised at cost, being the fair value of the consideration given and in the case of an investment, not at fair value through profit or loss, including acquisition charges associated with the investment.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same; or is calculated based on the expected cash flows of the underlying net asset base of the investment. Where the fair value cannot be reliably determined, the investments are measured at cost.

### Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Inventories held for re-sale – purchase cost on a first-in, first-out basis;
- Materials and consumables to be utilised for rendering of services – purchase cost on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary

course of activities less the estimated costs necessary to make the sale.

### Debtors and other receivables

Debtors and other receivables are initially measured at fair value and carried at original receivable amounts less an allowance for any uncollectible amounts.

An allowance for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

### Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### Creditors and other payables

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

### Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Institute has an unconditional right to defer settlement of the liability for at least 12 months after the balance date, or if the borrowings are expected to be settled within 12 months of the balance date.

### Provisions

Provisions are recognised when the Institute has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the

## Notes to the Financial Statements for the year ended 31 December 2009

time value of money and, where appropriate, the risks specific to the liability.

Provisions are reviewed at each balance date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### Employee entitlements

The liability for employees' compensation for future leave is accrued in relation to the length of service rendered by employees and relates to vested and unvested entitlements.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

### Superannuation schemes

#### Defined contribution schemes

Obligations to the Government Superannuation Fund, and Kiwisaver are accounted for as a defined contribution scheme and are recognised as an expense in the surplus or deficit as incurred.

#### Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

#### Revenue

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Institute and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

#### Government grants

Government grants are recognised when eligibility to receive the grant has been established and it is recognised over the period in which the course is taught by reference to the stage of completion of the course as at the statement of financial position date.

Stage of completion is measured by reference to the days of course completed as a percentage of total days for each course.

Where funds have been received but not earned at balance date, a revenue in advance liability is recognised.

#### Student tuition fees

Revenue from student tuition fees is recognised over the period in which the course is taught by reference to the stage of completion of the course as at balance date.

Stage of completion is measured by reference to the days of course completed as a percentage of total days for each course.

#### Sales of goods

Revenue is recognised when the significant risk and rewards of ownership have passed to the buyer and can be measured reliably.

#### Interest

Revenue is recognised as the interest accrued (using the effective interest method (the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

#### Donations, bequests, and pledges

Donations and bequests are recognised as income when the right to receive the fund or asset has been established. Pledges are not recognised as assets or revenue until the pledged item is received.

### Taxes

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

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### Other financial assets

Financial assets are initially recognised at fair value plus transaction costs, unless they are carried at fair value through surplus or deficit, in which case, the transaction costs are recognised in the surplus or deficit.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred' and the Institute has transferred substantially all the risks and rewards of ownership.

Classification of the financial assets depends on the purpose for which the instruments were acquired. For the purposes of measurement, the Institute's financial assets are classified into the following category:

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. Related party receivables that are repayable on demand are classified as non-current assets

because repayment of the receivable is not expected within 12 months of balance date.

After initial recognition loans and receivables are measured at amortised cost using the effective interest method less any provision for impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

### Impairment of financial assets

At each balance date, the Institute assesses whether there is any objective evidence that a financial asset is impaired. Any impairment losses are recognised in surplus or deficit.

Impairment of a loan or a receivable is established when there is objective evidence that the Institute will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For other financial assets, impairment losses are recognised directly against the instruments carrying amount.

### Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Institute no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

### Discontinued operations

A discontinued operation is a component of the Institute's business that represents a separate major line of business or geographical area of operations that has been disposed off or is held for sale. Classification as a discontinued operation occurs upon disposal, or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative period.

## Notes to the Financial Statements for the year ended 31 December 2009

### Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Institute's accounting policies. Thereafter, the assets (or disposal group) are generally measured at the lower of their carrying amount and fair value less cost to sell.

### Equity

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

- general funds;
- property revaluation reserves

### Budget figures

The budget figures are those approved by the Council at the start of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in the presentation of the financial statements.

### Critical accounting estimates and assumptions

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

### Property revaluations

Note 11 provides information about the estimates and assumptions exercised in the measurement of revalued land, buildings, and infrastructure.

### Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 31 December 2009.

### Crown owned land and buildings

Property in the legal name of the Crown that is occupied by the Institute is recognised as an asset in the statement of financial position. The Institute 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 has secured the use of the property by means of a lease from the Ministry of Education for a period of 99 years at nil rent.

### Suspensory loan with equity conversion features

The Institute received a suspensory loan from the Crown whereby the loan converts to equity when the conversion conditions of the loan agreement are satisfied.

Because the Institute is committed to meeting the equity conversion conditions, it considers the loans are in substance equity contributions from the Crown and therefore recognises the amounts drawn down under the loan facilities directly in the statement of changes in equity. Further information about the suspensory loan is disclosed in note 23.

### Going Concern

The council have prepared the financial statements on a going concern basis. See note 19 for the uncertainties they have considered in reaching this decision.

### Prior Period Restatement

The financial statements have been restated to treat the 2008 suspensory loan received from the Crown as an equity contribution rather than as a liability, as was done in the 2008 financial statements. This treatment has been changed to bring the Institution's treatment into line with the sector treatment of such loans as equity if the Institution is committed to meeting the equity conversion conditions and it is very unlikely that the loan will need to be repaid. The comparative figures for 2008 have been restated to recognise the \$1.3 million loan as a equity contribution and the 2008 income statement has been restated to reverse the \$274,000 fair value gain arising from the fact that the loan is interest free and to also reverse the interest-amortisation expense of \$49,000 related to this gain.

## Notes to and forming part of the Financial Statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 3 Income

This includes monies received from Government by way of an Operational Bulk Grant. This is based on equivalent full-time student (EFTS) levels and the funding category levels of these EFTS.

An analysis of Government grant funding is as follows:

(i) Government grants	2009 \$,000	2008 \$,000
Student Component Funding	4,823	6,529
Quality Reinvestment Fund	1,783	1,300
Base Grant	2,099	2,046
Business Links	178	177
Special Projects	558	404
Regional Network Funding	2,124	-
Support Change Grant	1,000	-
<b>Total Government grants</b>	<b>12,566</b>	<b>10,456</b>
Less: Discontinued operations	-	(3,031)
<b>Net Government grants</b>	<b>12,566</b>	<b>7,425</b>

(ii) Other income	2009 \$,000	2008 \$,000
Donations/Koha received	33	2
Enrolment fees	64	75
Facilitation contracts	269	242
Sundry income	315	123
<b>Total other income</b>	<b>681</b>	<b>442</b>

### 4 Expenditure

(i) Personnel costs	2009 \$,000	2008 \$,000
Academic salaries	4,009	2,260
General salaries and wages	4,285	4,686
Other personnel costs	288	198
<b>Total</b>	<b>8,582</b>	<b>7,144</b>

**Notes to and forming part of the Financial Statements**

(ii) Other costs	2009 \$,000	2008 \$,000
Audit fees - external audit	52	83
Bad debts written off	50	135
Change in provision for impaired debtors (note 6)	(30)	9
Council member's fees	62	59
Contractors	683	1,064
Donations	6	3
(Gain)/Loss on disposal of assets	597	6
Repairs & maintenance	524	272
Other operating expenses	1,029	1,390
<b>Total</b>	<b>2,973</b>	<b>3,021</b>

**5 Depreciation and amortisation costs**

Depreciation and amortisation	2009 \$,000	2008 \$,000
Crown Buildings	124	156
Institution Buildings	234	285
Furniture and Fittings	24	20
Information Technology	81	123
Library Collection	27	28
Motor Vehicles	115	406
Plant and Equipment	102	136
Computer Software	50	9
<b>Total</b>	<b>757</b>	<b>1,163</b>

**6 Debtors and other receivables**

The carrying amount of receivables that would otherwise be past due, but not impaired, whose terms have been renegotiated, is \$0. (2008 \$0).

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

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

As at 31 December 2009, all overdue receivables have been assessed for impairment and appropriate allowances applied as detailed below:

Accounts Receivable	2009 \$,000	2008 \$,000
Student fee receivables	85	156
Less allowance for impairment	56	64
<b>Net student fee receivables</b>	<b>29</b>	<b>92</b>
Other receivables	522	569
Less allowance for impairment	11	33
<b>Net other receivables</b>	<b>511</b>	<b>536</b>
<b>Total debtors and other receivables</b>	<b>540</b>	<b>628</b>

The allowance for doubtful debts has been calculated based on expected losses from the Polytechnic's pool of debtors. Expected losses have been determined based on an analysis of the Polytechnic's losses in previous periods, and review of specific debtors.

Debtors Impairment assessment	2009 \$,000			2008 \$,000		
	Gross	Impairment	Net	Gross	Impairment	Net
Not Past Due	-	-	-	261	-	261
Past due 1-30 days	8	-	8	179	-	179
Past due 31-60 days	213	-	213	12	-	12
Past due 61-90 days	21	-	21	8	-	8
Past due > 91 days	365	67	298	265	97	168
<b>Total</b>	<b>607</b>	<b>67</b>	<b>540</b>	<b>725</b>	<b>97</b>	<b>628</b>

Movements in the provision for impairment of debtors are as follows:

	2009 \$,000	2008 \$,000
Balance at 1 January	97	88
Additional allowances made during the year	(20)	144
Receivables written off during period	(10)	(135)
<b>Total</b>	<b>67</b>	<b>97</b>

**7 Prepayments**

	2009 \$,000	2008 \$,000
Prepayments	5	32

**8 Cash & Cash Equivalents**

Cash	2009 \$,000	2008 \$,000
Cash on hand	1	1
Cash at bank	1,131	251
Call account - Kiwi Bank	-	500
<b>Total</b>	<b>1,132</b>	<b>752</b>

Interest Rates	2009 \$,000	2008 \$,000
The weighted average effective interest rates on investments (current and non-current) was:		
Short term deposits	3.47%	6.00%

**9 Inventories**

Inventories mainly represent stocks of trading items held by the Institute.

	2009 \$,000	2008 \$,000
Raw materials and work in progress	72	-
Finished goods	56	95
<b>Total</b>	<b>128</b>	<b>95</b>

## Notes to and forming part of the Financial Statements

### 10 Assets held for Sale

The Council have resolved to dispose of two buildings that are considered to be surplus to requirements. No impairment losses have been incurred on remeasurement of the disposal group to the lower of its carrying amount and its fair value less cost to sell.

	2009 \$,000	2008 \$,000
Assets held for sale	796	563

### 11(i) Property, plant, equipment and intangible assets

Cost or Valuation

Cost or Valuation	LAND CROWN \$,000	LAND INSTITUTE \$,000	BUILDINGS CROWN \$,000	BUILDINGS INSTITUTE \$,000	FURNITURE AND FITTINGS \$,000	INFORMATION TECHNOLOGY \$,000	LIBRARY COLLECTION \$,000	MOTOR VEHICLES \$,000	PLANT AND EQUIPMENT \$,000	WORK IN PROGRESS \$,000	TOTAL \$,000
<b>Balance at 1/1/08</b>	<b>2,485</b>	<b>1,147</b>	<b>6,187</b>	<b>11,090</b>	<b>439</b>	<b>1,929</b>	<b>448</b>	<b>2,260</b>	<b>2,690</b>	<b>18</b>	<b>28,693</b>
Additions	-	-	-	760	18	95	27	530	194	168	1,792
Transfers to held for sale	-	(267)	-	(296)	-	-	-	-	-	-	(563)
Disposals	-	-	-	-	-	-	-	-	(32)	-	(32)
<b>Balance at 31/12/08</b>	<b>2,485</b>	<b>880</b>	<b>6,187</b>	<b>11,554</b>	<b>457</b>	<b>2,024</b>	<b>475</b>	<b>2,790</b>	<b>2,852</b>	<b>186</b>	<b>29,890</b>
<b>Balance at 1/1/09</b>	<b>2,485</b>	<b>880</b>	<b>6,187</b>	<b>11,554</b>	<b>457</b>	<b>2,024</b>	<b>475</b>	<b>2,790</b>	<b>2,852</b>	<b>186</b>	<b>29,890</b>
Revaluation	407	42	(1)	(2)	-	-	-	-	-	-	449
Additions	-	-	-	1,441	152	195	21	62	315	2,130	4,316
Transfers to held for sale	-	-	-	(243)	-	-	-	-	-	-	(243)
Transfers between asset class	-	-	380	(380)	-	-	-	-	-	(2,163)	(2,163)
Disposals	-	-	(195)	(800)	(206)	(1,002)	(75)	(1,720)	(1,781)	-	(5,779)
<b>Balance at 31/12/2009</b>	<b>2,892</b>	<b>922</b>	<b>6,372</b>	<b>11,572</b>	<b>403</b>	<b>1,217</b>	<b>421</b>	<b>1,132</b>	<b>1,386</b>	<b>153</b>	<b>26,470</b>

### Accumulated Depreciation

Accumulated depreciation and impairment losses	LAND CROWN \$,000	LAND INSTITUTE \$,000	BUILDINGS CROWN \$,000	BUILDINGS INSTITUTE \$,000	FURNITURE AND FITTINGS \$,000	INFORMATION TECHNOLOGY \$,000	LIBRARY COLLECTION \$,000	MOTOR VEHICLES \$,000	PLANT AND EQUIPMENT \$,000	TOTAL \$,000
<b>Balance at 1/1/08</b>	-	-	<b>155</b>	<b>290</b>	<b>317</b>	<b>1,786</b>	<b>291</b>	<b>1,567</b>	<b>2,151</b>	<b>6,557</b>
Depreciation Expense	-	-	156	286	20	130	28	407	136	1,163
Disposals	-	-	-	-	-	(7)	-	(64)	-	(71)
Transfers to held for sale	-	-	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	297	15	4	2	-	27	345
<b>Balance at 31/12/08</b>	-	-	<b>311</b>	<b>873</b>	<b>352</b>	<b>1,913</b>	<b>321</b>	<b>1,910</b>	<b>2,314</b>	<b>7,994</b>
<b>Balance at 1/1/09</b>	-	-	<b>311</b>	<b>873</b>	<b>352</b>	<b>1,913</b>	<b>321</b>	<b>1,910</b>	<b>2,314</b>	<b>7,994</b>
Depreciation Expense	-	-	125	234	24	81	27	115	103	709
Revaluation	-	-	(462)	(735)	-	-	-	-	-	(1,197)
Transfers to held for sale	-	-	-	(10)	-	-	-	-	-	-
Transfers between asset classes	-	-	26	(26)	-	-	-	-	-	-
Disposals	-	-	-	(336)	(184)	(993)	(63)	(1,016)	(1,721)	(4,323)
<b>Balance at 31/12/2009</b>	-	-	-	-	<b>192</b>	<b>1,001</b>	<b>285</b>	<b>1,009</b>	<b>696</b>	<b>3,183</b>

### Carrying Amount

Carrying Amount	LAND CROWN \$,000	LAND INSTITUTE \$,000	BUILDINGS CROWN \$,000	BUILDINGS INSTITUTE \$,000	FURNITURE AND FITTINGS \$,000	INFORMATION TECHNOLOGY \$,000	LIBRARY COLLECTION \$,000	MOTOR VEHICLES \$,000	PLANT AND EQUIPMENT \$,000	WORK IN PROGRESS \$,000	TOTAL \$,000
As at 31/12/08	2,485	880	5,876	10,681	105	111	154	880	538	186	21,896
As at 31/12/09	2,892	922	6,372	11,572	211	216	136	123	690	153	23,287

### Valuation

The valuation has been carried out in accordance with NZIAS16 and completed in accordance with PIN Practising Standards 1 and 3, and Guidance Note 1.1 and 3.2.

### Land

Land is valued at fair value using market based evidence base on its highest and best use with reference to comparable land values.

## Notes to and forming part of the Financial Statements

Restrictions on the 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.

The most recent valuation of land was performed by a registered independent valuer, Wayne Nyberg, and the valuation is effective as at 30 November 2009.

### Buildings

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

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

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

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

The most recent valuation of land was performed by a registered independent valuer, Wayne Nyberg, and the valuation is effective as at 30 November 2009.

### Infrastructure

Infrastructure assets such as roads, car parks, footpaths, underground utilities (e.g. water supply and sewerage systems), and site drainage have been independently valued at depreciated replacement cost. The significant assumptions applied in determining the depreciated replacement cost of infrastructure assets are similar to those described above for specialised buildings.

The most recent valuation of land was performed by a registered independent valuer, Wayne Nyberg, and the valuation is effective as at 30 November 2009.

### Total fair value of land and buildings

Total fair value of land and buildings valued by registered valuer Wayne Nyberg, FPINZ, FNZIV, AREINZ, at 30 November 2009 totalled \$23,460,000.

### Restrictions on title

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

### 11(ii) Intangible assets

Accounts Receivable	Acquired software \$,000	Internally generated software \$,000	Total \$,000
<b>Balance at 1 January 2008</b>	<b>82</b>	-	<b>82</b>
Additions	141	-	141
Disposals	-	-	-
<b>Balance at 31 December 2008</b>	<b>223</b>	-	<b>223</b>
Balance at 1 January 2009	223	-	223
Additions	32	-	32
Disposals	(65)	-	(65)
<b>Balance at 31 December 2009</b>	<b>190</b>	-	<b>190</b>

### Accumulated amortisation and impairment losses

Accounts Receivable	Acquired software \$,000	Internally generated software \$,000	Total \$,000
<b>Balance at 1 January 2008</b>	<b>81</b>	-	<b>81</b>
Amortisation expense	8	-	8
Disposals	-	-	-
<b>Balance at 31 December 2008</b>	<b>89</b>	-	<b>89</b>
Balance at 1 January 2009	89	-	89
Amortisation expense	50	-	50
Disposals	(65)	-	(65)
<b>Balance at 31 December 2009</b>	<b>74</b>	-	<b>74</b>

### Carrying Amount

Accounts Receivable	Acquired software \$,000	Internally generated software \$,000	Total \$,000
At 31 December 2008	134	-	134
At 31 December 2009	116	-	116

### 12 Accounts Payable

	2009 \$,000	2008 \$,000
Trade creditors	1,966	1,905
Inland Revenue – GST	(128)	(60)
	<b>1,838</b>	<b>1,845</b>
Tertiary Education Commission	-	17
<b>Total</b>	<b>1,838</b>	<b>1,862</b>

## Notes to and forming part of the Financial Statements

### 13 Funds Held on Behalf of Others

	2009 \$,000	2008 \$,000
HM Customs	9	-
Student project funds	18	24
Student Association funds	26	18
<b>Total</b>	<b>53</b>	<b>42</b>

### 14 Employee Entitlements

	2009 \$,000	2008 \$,000
Annual leave	444	535
Long service leave	3	6
Retirement gratuities	21	79
Payroll accrual	115	105
<b>Total</b>	<b>583</b>	<b>725</b>
Current	559	640
Non-current	24	85
<b>Total</b>	<b>583</b>	<b>725</b>

### 15 Cash flows from Operating Activities

Accounts Receivable	ACTUAL 2009 \$,000	BUDGET 2009 \$,000	ACTUAL 2008 \$,000
<b>Net Surplus/(Deficit) for Period</b>	1,380	450	(1,935)
Add Non Cash Items:			
Depreciation & Amortisation	757	1,150	1,163
Loss on Disposal	597	-	(17)
Interest - Amortised Suspensory Loan	88	-	-
<b>Add(Less) Movements in Working Capital Items:</b>			
(Increase)/Decrease in Receivables	88	115	(285)
Decrease/(Increase) in Prepayments	27	(100)	(27)
Decrease/(Increase) in Inventories	(33)	(15)	15
Decrease/(Increase) in Unpresented Cheques	-	-	(120)
Increase/(Decrease) in Fees in Advance	(864)	(452)	335
Increase/(Decrease) in Payables	(24)	(141)	(40)
Increase/(Decrease) in Funds held for others	11	(26)	4
(Decrease)/Increase in Employee Entitlements	(142)	(81)	(662)
Increase/(Decrease) in Provisions	(80)	-	(375)
<b>Net Cashflow From Operating Activities</b>	<b>1,805</b>	<b>900</b>	<b>(1,944)</b>

### 16 Related Party Information

#### Crown/Government

The Institute is a wholly owned, entity of the Crown. The Government influences the roles of the Institute, as well as being its major source of revenue.

The Institute enters into numerous transactions with Government departments and other Crown agencies on an arm's-length basis and where those parties are only acting in the course of their normal dealings with the Institute. These transactions are not separately disclosed due to the volume of the transactions and the transactions being conducted on an arm's-length basis in the normal course of business.

#### Key management

Key management personnel include the Chairperson, Councillors, Chief Executive, and eight senior management personnel.

	2009 \$,000	2008 \$,000
Salaries and other short-term employee benefits	961	716
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	182	-
<b>Total</b>	<b>1,143</b>	<b>716</b>

The Council made no donations to Tairāwhiti Trust during the year. Tairāwhiti Trust is an independent trust whose trustees include Ms Judy Campbell (Chief Executive of the Institute).

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

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2008 \$nil).

### 17 Financial Instruments

#### Credit Risk

The Institute has a minimal credit risk in its holdings of various financial instruments. These instruments include cash, bank deposits, prepayments and accounts receivable.

The Institute places its investments with institutions which have a high credit rating. It also reduces its exposure to risk by limiting the amount that can be invested in any one institution. The Institute believes that these policies reduce the risk of any loss which could arise from its investment activities.

Accounts receivable are stated at their estimated realisable value after providing for amounts not considered recoverable. There are no significant concentrations of credit risk for accounts receivable.

#### Fair Value

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of financial position.

## Notes to and forming part of the Financial Statements

### Currency Risk and Interest Rate Risk

The Institute has no currency risk given that any financial instruments it deals with are all in New Zealand dollars.

### 18 Financial instrument categories

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

	2009 \$,000	2008 \$,000
<b>Loans &amp; Receivables</b>		
Cash & cash equivalents	1,132	752
Debtors and other receivables	540	628
<b>Total loans and receivables</b>	<b>1,672</b>	<b>1,380</b>
<b>Financial liabilities at amortised cost</b>		
Creditors and other payables	1,838	1,862
Secured loans	1,163	1,075
<b>Total financial liabilities at amortised cost</b>	<b>3,001</b>	<b>2,937</b>

### 19 Post Balance Date Events

On 26 March 2010 the Council agreed to pursue merger talks with Eastern Institute of Technology. The Council decided to pursue such talks because there are changes taking place in the tertiary education sector that will result in a loss of Government funding in future and that could affect the viability of the Polytechnic as an independent entity in the next 2 to 3 years. The Council is committed to the provision of high quality tertiary education in the Gisborne region and merger talks are being pursued to ensure that commitment continues to be met. The outcome of the talks is uncertain at this stage. Nevertheless, despite the uncertainties the Council is satisfied that it is appropriate for its financial statements to be prepared on the basis of the going concern assumption.

### 20 Segmental Information

The Institute operates predominantly in one industry (tertiary education) and in one geographical area (The Gisborne East Coast Region).

### 21 Provisions

	2009 \$,000	2008 \$,000
<b>Current provisions are represented by:</b>		
Lease make-good	-	-
Restructuring	-	-
Building rectification	-	80
	-	<b>80</b>
<b>Non-current provisions are represented by:</b>		
Lease make-good	-	-
	-	-
<b>Total provisions</b>	<b>-</b>	<b>80</b>

2009	Building Rectification \$000	Total
<b>Opening balance 1 January:</b>	<b>80</b>	<b>80</b>
Additional provisions made:	-	-
Amounts used:	80	80
Unused amounts reversed:	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

### 22 Restructuring

Restructuring has been undertaken as required by the core capability initiatives agreed to between the Institute and the Tertiary Education Commission

Restructuring Costs	2009 \$,000	2008 \$,000
External support	-	305
Other	-	-
<b>Total restructuring costs</b>	<b>-</b>	<b>305</b>
Change costs	821	-
<b>Total restructuring and change costs</b>	<b>821</b>	<b>305</b>

### 23 Suspensory Loan Contingent Liability

The Institution has a contingent liability for the suspensory loan received from the Crown in 2008 and subject to achieving required objectives of \$1.3 million and will convert into equity when those objectives are achieved. The suspensory loan has been recognised directly into equity on receipt to reflect the substance of the transaction and that it is more than probable that the funding deliverables will be achieved. If the Institute does not achieve the specified objectives in the loan agreement. The loan is repayable on 30 June 2011. The Institute continues to be committed to meeting the deliverables of the suspensory loan and considers it unlikely any part of the loan will be required to be repaid.

### 24 Public Equity

	2009 \$,000	2008 \$,000 <small>Restated see note 2</small>
<b>General funds</b>		
Balance at 1 January	10,723	10,048
Surplus/(deficit)	1,468	(2,210)
Suspensory loan from the Crown (see note 23)	-	1,300
Capital contributions from crown	-	1,585
<b>Balance at 31 December</b>	<b>12,191</b>	<b>10,723</b>
<b>Revaluation reserve</b>		
As at 1 January	9,744	10,030
Land net revaluation gains	447	-
Buildings net revaluation gains	1,769	-
Infrastructure net revaluation gains	-	-
Reclassification to surplus/(deficit) on disposal	(597)	(286)
<b>Net movement in other comprehensive income</b>	<b>1,619</b>	<b>(286)</b>
<b>Balance at 31 December</b>	<b>11,363</b>	<b>9,744</b>
<b>Total equity</b>	<b>23,554</b>	<b>20,467</b>

## Notes to and forming part of the Financial Statements

### 25 Discontinued Operations

In December 2008 the Polytechnics Council resolved to dispose the Cable Logging Programme – Papatoa and its associated assets to Te Wananga o Aotearoa.

Results of discontinued operations	2009 \$,000	2008 \$,000
Revenue	409	4,876
Expenses	159	4,726
<b>Net surplus for the period</b>	<b>250</b>	<b>150</b>

### 26 Unconsolidated Investments

At 31 December 2009, the Institute holds 600 shares (2%) in Institutes International (New Zealand Limited) which in turn holds shares in:

- New Zealand tertiary education consortium Limited 60,000 shares (16%)
- Pinz Pob Holding Company Limited 100 shares (100%)

The Institute also holds 1 share out of a total of 11 shares in Artena Society Limited which in turn holds 120 shares (100%) in Student Management Solutions Limited.

These shareholdings have not been consolidated or equity accounted because the Institute does not have a controlling interest or significant influence over these entities.

### 27 Capital commitments and operating leases

Results of discontinued operations	2009 \$,000	2008 \$,000
Property, plant, and equipment	469	1,200
Intangible assets	26	-
<b>Total</b>	<b>495</b>	<b>1,200</b>

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

At 31 December 2009, the Institute had commitments of \$410k (2008: \$1.2m), principally relating to the upgrade of the administration block and main campus, 59K for the purchase of plant and equipment, and 26K for new acquired software.

#### Operating leases

The Institute has leased various properties. The total future commitments under these operating leases are:

Results of discontinued operations	2009 \$,000	2008 \$,000
<b>Payable:</b>		
Not later than one year	35	26
Later than one year and not later than two years	-	-
Later than two years and not later than five years	-	-
Later than five years	-	-

### 28 Contingent liabilities

As at 31 December 2009 the Institute Council was not aware of any matter that would give rise to any contingent liability (2008 Nil).

### 29 Capital Management

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

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

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

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

### 30 Explanation of major variances against budget

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

#### Statement of comprehensive income

##### Government grants

Government grants were \$1.2m greater than budget due to extra funding received from Government for restructuring purposes.

##### Restructuring costs

Restructuring costs are greater than budget by \$0.8m. This figure represents the personnel cost associated with restructuring funding we received from Government.

#### Statement of financial position

##### Asset revaluation reserve

Institute revaluation reserve greater than budget by \$1.6m, mainly due to revaluation of land and buildings

##### Assets held for sale

Assets held for sale was \$0.7m greater than budget because those assets have not been realised at balance date. The Institute is waiting on decisions to be made by the Office of Treaty Settlements.

##### Fixed assets

Property, plant, equipment and intangible assets was \$3.0m greater than budget, mainly due to the revaluation of land and buildings and capital maintenance which was not included in the budget.

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*Accounts payable*

Accounts Payable was \$0.6m greater than budget. This unfavourable variance arose because of an accrual for restructuring costs as at balance date.

*Employee entitlements*

Institute entitlements are greater than budgeted by \$0.5m, mainly due to annual leave entitlements not being taken as expected.

**Statement of changes in equity**

Institute equity is greater than budgeted by \$2.7m. This is the result of the above variances.

**Statement of cash flows***Sale of property, plant and equipment*

Refer to the statements above which resulted in the cash position.



**Tairāwhiti  
Polytechnic**

*te kura o te tairāwhiti*

290 Palmerston Road, Gisborne

Phone: 06 869 0810

FreePhone: 0508 POLYTECH (765 9833)

Email: [info@tairawhiti.ac.nz](mailto:info@tairawhiti.ac.nz)

Website: [www.tairawhiti.ac.nz](http://www.tairawhiti.ac.nz)

