ANNUAL REPORT 2017

Ara
Institute of Canterbury
Ara rau, taumata rau

Ara at a glance 2017

7,062 Equivalent full time students (EFTS) enrolled at Ara in 2017

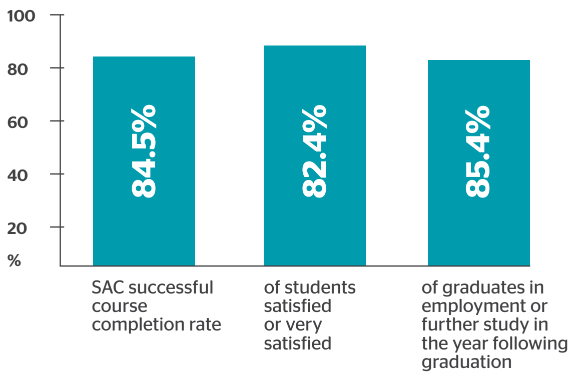
14,673 DOMESTIC STUDENTS

1,623 INTERNATIONAL STUDENTS

1,862
MAORI STUDENTS ENROLLED
(12.9% of all SAC students)

733
PASIFIKA STUDENTS ENROLLED
(4.6% of all SAC students)

8,262
STUDENTS AGED UNDER 25 ENROLLED
(63.5% of all SAC students)



48 schools partnered with Ara to offer dual secondary-tertiary pathways for 604 students

30 new programmes delivered for the first time

Further enhanced our provision in South Canterbury (increased degree-level business courses, prepared to deliver nursing in 2018)

$361K operating surplus

$112m Revenue earned (excluding earthquake insurance proceeds)

984 **FULL TIME EQUIVALENT STAFF**

5 **MAIN CAMPUSES**

2 buildings completed (Kahukura building for Engineering & Architectural Studies, Te Kei for Executive, Corporate Services and Business Development)

2 outdoor areas completed (North Green at City Campus, Heartspace at Woolston Campus)

Farewelled Jenn Bestwick (Chair of Council) and Kay Giles (Chief Executive)

Welcomed Thérèse Arseneau (Chair) and Tony Gray (Chief Executive)

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Publication Format

The 2017 Ara Annual Report has been specifically designed, published and distributed in keeping with our commitment to sustainable principles as a digital publication online.

In line with legislative requirements, a limited number have been printed.

The digital version can be viewed at http://annualreport.ara.ac.nz

Cover image: A detail of 'Te Ao o ngā Atua' – Cliff Whiting (Ara Artwork Collection)

This is our first annual report as the new Council Chair and Chief Executive of Ara Institute of Canterbury as, during 2017, Chief Executive Kay Giles retired after seven years at the helm and Council Chair Jenn Bestwick resigned following 12 years as a Council member and seven years as Chair. Our tenure at Ara commenced in August/September.

This report brings to a close a very eventful year and reflects the many changes across our organisation and across the applied vocational and professional education sector in which we operate.

Ara, which was formed from the merger of CPIT and Aoraki Polytechnic, is Canterbury's only institute of technology and polytechnic and its catchment area, from Oamaru to Kaikoura, includes a geographically disparate and diverse customer base.

In 2017, Ara continued to support the region's prosperity while providing students with fit for purpose education and learning pathways to success, enabling employers to hire graduates with relevant skills.

Ara connected with 16,296 students, of which 1,623 were international students, and with hundreds of community, industry, business and government partner stakeholders. This stakeholder engagement underpinned Ara colleagues' commitment to deliver the Ara Advantage as outlined by the Institute's 2017 strategic plan.

Stakeholder groups have collaborated with Ara in creating a portfolio of relevant and fit for purpose programmes including, in 2017, the Bachelor of Construction and the Bachelor of International Tourism.

Our colleagues have worked to renew existing qualifications for the realities of modern workplaces where skill requirements are changing constantly alongside technology and innovation. Ara also launched a Master's qualification in Nursing with the University of Canterbury and a Master's of Health Science thereby further expanding pathways of study.

Amongst the developments in provision were changes to regional offerings, which reflected the changing needs of different groups in South Canterbury. Ara introduced the Bachelor of Business Management, Māori and Pasifika Trades Training, and many dual enrolment youth programmes to South Canterbury campuses. Primary Industries offerings were aligned to industry needs, focusing on the popular, higher level National Diploma in Agribusiness Management. Art and Design programmes were modernised and renewed.

Investment for the future of applied and professional education and training informed our mandate to use our resources responsibly for sustainable and effective delivery across the region.

During 2017, the former Prime Minister Bill English opened the new state-of-the-art Kahukura facility at the City Campus, Christchurch. The extensive refurbishment of the Woolston Trades Campus was also completed, along with planned upgrades and enhancements at our Timaru, Ashburton and Oamaru campuses, resulting in specialised facilities.

These new and refurbished facilities reflect and inform new ways of delivering learning, making learning more relevant and accessible to our students, including school leavers, professionals and career changers, and the communities that use Ara campuses.

Ara worked closely with a range of business partners across the institute to enhance students' real-world learning experiences and opportunities. Ara also connected industry with secondary school students through Industry Sector Days in Timaru, Tech Weeks in Christchurch and STEM-themed school holiday programmes supported by NASA and Antarctica NZ.

In 2017, Ara was awarded the highest ranking available from the New Zealand Qualifications Authority's External Evaluation and Review (EER), which is an endorsement of our quality provision and self-assessment.

Our internationalisation and partnerships with institutes globally led to nursing students from Molde University College in Norway, for the first time, studying with Ara for a semester. This brought our working partnerships with European institutes to 14.

International partnerships and exchanges in Europe, along with Asia, North America, India and Australia create valuable opportunities for Ara colleagues and students to experience other cultural and professional practices, and for international tutors and students to enrich our campuses by working here with us.

As Ara looks to 2018, we will ensure that we are a sustainable and thriving future focussed organisation with students, businesses and communities at the heart of all that we do.

Thérèse Arseneau
Ara Council Chair

Tony Gray
Chief Executive

Our Values

Ara is committed to the following values that underpin the institute's activities and the way in which we operate:

Kia pono – Trust

Kia tūhono – Connect

Kia hihiri – Inspire

Our Vision

Successful Students

Value for Employers

Effective Staff

Our Appreciation

Thank you to all of our students, staff, colleagues, fellow institutions, communities, industries and businesses for contributing to such a successful 2017.

Ara Council

Ara Institute of Canterbury is a Crown Entity governed by its own council with accountability to the shareholding Minister, through the Tertiary Education Commission (TEC). It is made up of eight members, four of whom are appointed by the Minister for Tertiary Education, and four of whom are appointed by the Ara Council under Council Statute.

As the governing body of Ara, the Council has several key responsibilities: to appoint and manage the performance of the Chief Executive and to reflect the interests of the organisation's key stakeholders: the government, through the Minister's appointments, and the businesses and communities of the region, through the council appointments. The council directs the management of Ara to achieve planned outcomes and to ensure that the organisation is acting prudently, legally and ethically.

Ara operates under a number of Acts of Parliament – particularly the Education Act 1989 No 80 and the Local Government Official Information and Meetings Act 1987 No 174.

Kā Mema o te Kaunihera
Ara Council Members

Chair
Ms Jenn E Bestwick (to 30 April 2017)
Ms Dona Thérèse Arseneau (from 1 August 2017)

Acting Chair
Ms Janie Annear (from 1 May to 31 July 2017)

Deputy Chair
Ms Janie Annear

Independent Chair, Council Audit and Risk Committee
Mr Michael P Rondel

Chair, Chief Executive Remuneration and Performance Review Committee
Ms Janie Annear

Chair, Council Campus Redevelopment Committee
Mr John J Hunter

Members appointed by the Minister

Ms Janie Annear

Ms Jenn E Bestwick (to 30 April 2017)

Ms Dona Thérèse Arseneau (from 1 August 2017)

Mr Stephen J Collins

Mrs Elizabeth M Hopkins

Members appointed by the Ara Council

Mr Jeremy Boys

Ms Jane C Cartwright

Mr John J Hunter

Ms Lynne Te Aika (to 28 February 2017)

Ms Melanie Taite-Pitama (from 1 March 2017)

Kā Āpiha o te Kaunihera
Ara Council Officers

Chief Executive	Ms Kay Giles (to 30 June 2017) Mr Tony Gray (from 4 September 2017)
Acting Chief Executive	Mr Darren Mitchell (1 July 2017 to 3 September 2017)
Kaiārahi	Mr S Te Marino Lenihan
Council Secretary	Ms Tracey E McGill
Minute Secretary	Ms Christina Yeates
Governance and Strategy Unit Senior Administrator	Ms Christina Yeates

Te Kāhui Manukura
Senior Leadership Team

Chief Executive
Ms Kay Giles (until 30 June 2017)
Mr Darren J Mitchell (from 1 July 2017 until 3 September 2017)
Mr Tony J Gray (from 4 September 2017)

Kaiārahi
Mr S Te Marino Lenihan

Director, Academic Services
Ms Sheila T McBreen-Kerr

Director, Business Development
Mr Philip J Agnew

Director, Corporate Services and Chief Financial Officer
Mr Darren J Mitchell

Director, Education and Applied Research
Ms Judith A Brown

Director, Governance and Strategy
Ms Tracey E McGill

Director, Strategic Innovations
Ms Ann M Kilgour (from 1 May 2017)

Director, Student Services
Mr John West

Ara Strategic Plan 2017-2019

The Ara strategic plan is set by the Council and determines the institution's direction in conjunction with a mix of Government policy directives and regional strategies. It is used to inform the Ara Investment Plan which is prepared in consultation with stakeholders and in collaboration with the Tertiary Education Commission. The 2017–19 Strategic Plan sets our values, vision and outcomes.

Our Values

Kia pono – Trust
Kia tūhono – Connect
Kia hihiri – Inspire

Our Vision

Successful Students
Value for Employers
Effective Staff

	Outcomes	Innovations
1	**Personalised, flexible student journey to achievement**	• Embedding the Ara Advantage
		• Aligning to the Ara market segments
2	**Responsive and agile portfolio and delivery**	• Renewing the portfolio
		• Enhancing learning design
3	**High performing organisation**	• Developing the organisation
		• Lifting planning and performance management

Statement of Service Performance

The purpose of the Statement of Service Performance (SSP) is to provide evidence of performance against non–financial targets.

Measures included in the Statement of Service Performance include both those specified as performance commitments in the 2017-2019 Investment Plan, some other commitments agreed with TEC, plus some additional internal measures to provide a balanced view of performance. The measures from the Investment Plan are based on negotiations with the Tertiary Education Commission (TEC). Thus these reflect the outputs expected of Ara by the Ara Council and TEC.

The SSP includes best estimates for student related targets of course completion, qualification completion, progression and retention, based on internal student achievement data processed by February 2018. The final TEC confirmed results are not generally known until mid-2018.

Enrolments

Measure	2016 Actual	2017 Investment Plan Target	2017 Internal Budget Target	2017 Actual
SAC Level 1–2 EFTS enrolled	333		286	88
SAC Level 3+ EFTS enrolled	5,524		5,953	5447
International EFTS enrolled	1,020	985	1,009	879
ACE EFTS enrolled	128		144	125
CTC EFTS enrolled	141		144	143
Youth Guarantee EFTS enrolled	265		247	144
Other EFTS enrolled	228		238	235
Total EFTS enrolled	7,639		8,021	7,062
Proportion of SAC EFTS delivered to students under 25 years old:				
at Levels 1–2	3.7%			0.8%
at Levels 3+	59.3%	**61.4%**		62.6%
at Levels 4+	51.5%	**53.0%**		51.6%
at all levels	63.0%			63.5%

Overall

In 2017, Ara enrolled a total of 7,062 EFTS (Equivalent Full Time Students). This was a reduction of 577 EFTS compared to 2016, and 959 EFTS below the 2017 target of 8,021 EFTS. Between 2016 and 2017, there was a notable decrease in enrolments of international students, and foundation level provision to domestic students through SAC Level 1-2 and Youth Guarantee. These decreases, coupled with SAC 3+ enrolments being 506 EFTS below target, meant the 2017 budget target was not achieved.

There were several wider trends that influenced the number of enrolments by domestic students at Ara in 2017. Within the Ara catchment, there is a declining number of school leavers, and overall these leavers are achieving higher levels of NCEA qualification. This positive trend means there was reduced demand for Ara foundation-level provision aimed at younger people with a lower level foundation background, and an overall smaller number of school leavers going on to tertiary education. This is coupled with continued strong economic performance in the region, very low unemployment and strong job prospects for both skilled and unskilled workers reducing the demand for tertiary education.

SAC 1-2 and Youth Guarantee

The above trends are particularly impacting SAC Level 1-2 and Youth Guarantee numbers.

The decrease in SAC 1-2 enrolments between 2016 and 2017 was largely due to a shift in Trades qualifications from Level 2 to Level 3 as part of the TROQ (Targeted Review of Qualifications), with the remaining offerings through SAC 1-2 being core foundation-level courses covering literacy, numeracy and preparation for further study. The demand for these offerings in 2017 was relatively low, and whilst there was a planned reduction in this provision, the actual demand was lower than forecast.

The drop in Youth Guarantee provision partly relates to a shift in funding, with government priorities for this fund being delivery at Level 2 rather than Level 3. Similar to SAC 1-2 provision, there is limited demand for this provision, with increasingly qualified school leavers going straight into Level 3 or higher programmes, or directly entering the workforce.

SAC 3+

SAC 3+ enrolments make up the majority of Ara provision, and in 2017 accounted for 77% of all enrolments. Ara set a 2017 growth target for SAC 3+ enrolments of 429 EFTS (+7.8%), a goal based on expectations of growing provision in Health, Primary Industries and across a number of areas in Timaru. The actual number of SAC 3+ enrolments in 2017 was 77 EFTS (-1.4%) fewer than in 2016, which meant the budget target was not achieved. This reduction is similar to national trends across the ITP sector. The small decline in SAC 3+ enrolments applied across most subject areas at Ara, at both degree level and for programmes at Levels 3-6.

2017 was the second year Ara offered postgraduate programmes, and 20.5 EFTS were enrolled in Level 8 (Postgraduate) and Level 9 (Masters) programmes in Nursing and Health Sciences, up from 3.0 EFTS in 2016.

Secondary-Tertiary Pathways

In 2017, Ara continued to fill the allocations of places in dual enrolment (secondary-tertiary) provision. 460 students were enrolled in Canterbury Tertiary College (CTC) Trades Academy provision and a further 127 students were enrolled in Dual Pathways. This provision was delivered in partnership with 48 secondary schools across the region, in a range of subjects including construction and engineering trades, hospitality, cookery, hairdressing and business administration.

Other

ACE provision remained at a similar level to 2016, with 125 EFTS delivered to 1,426 students across the Ara region, primarily in the areas of computing, te reo, literacy, numeracy and life skills.

Participation of Under 25 year olds

The overall proportion of SAC students in 2017 who were aged under 25 was 0.5% higher than 2016. Although the proportion studying at Levels 1-2 reduced, this was offset by a greater increase at higher levels, which is a positive shift of young learners studying at higher qualifications.

International

There were 879 international EFTS in 2017. The reduction of 141 EFTS compared to 2016 was primarily due to an 83 EFTS decrease in enrolments by students from India, and a 41 EFTS drop in students from China. The decrease in international enrolments predominantly related to business, hospitality and cookery programmes, areas that have historically been popular amongst Indian students.

The decline in international numbers from 2016 to 2017 was influenced by actual or perceived changes to government immigration policies. In addition, international student numbers have continued to fluctuate, particularly in the Christchurch post-earthquake context, where enrolment numbers at CPIT nearly doubled between 2011 and 2015.

Student Achievement - SAC and Under 25

Measure	2016 Actual	2017 Investment Plan Target	2017 Internal Budget Target	2017 Actual
Successful Course Completion Rate for SAC-funded students				
at Levels 1–2	77.2%	77.0%		70.7%
at Levels 3+	83.9%	87.0%		84.8%
at Levels 4+	85.7%	89.0%		86.5%
at all levels	83.5%	nil		84.5%
aged under 25 at Levels 1–2	75.5%	nil		78.0%
aged under 25 at Levels 3+	83.6%	87.0%		84.6%
aged under 25 at Levels 4+	85.6%	89.0%		86.5%
aged under 25 at all levels	83.2%	nil		84.5%
Qualification Completion Rate for SAC-funded students				
at Levels 1–2	66.2%	60.0%		87.9%
at Levels 3+	71.6%	78.0%		79.9%
at Levels 4+	75.3%	81.0%		84.6%
at all levels	71.3%	nil		80.0%
aged under 25 at Levels 1–2	66.1%	nil		117.5%
aged under 25 at Levels 3+	66.2%	75.0%		71.5%
aged under 25 at Levels 4+	69.0%	78.0%		75.2%
aged under 25 at all levels	66.2%	nil		72.1%
Student Progression Rate for SAC-funded students				
from Level 1–2 to a higher level	34.2%	50.0%		24.1%
from Level 1–3 to a higher level	37.9%	56.0%		25.8%
Student retention rate for SAC-funded students				
at Levels 1–2	67.6%	60.0%		64.8%
at Levels 3+	71.4%	74.0%		68.3%

The overall successful course completion rate for SAC provision in 2017 was 84.5%, an increase of 1.0% on the 2016 result. Based on published 2016 sector performance, this result would see Ara remain in the top three ITPs for this critical measure. Ara has set ambitious improvement targets for successful course completion, with a goal of achieving 90% by 2019.

SAC Level 1-2 did not achieve the course completion target and there was a decline of 6.5% on 2016 levels. This was partly due to the change in provision in this area, moving from vocational programmes to foundation-level provision.

The qualification completion rates for SAC students at Levels 3 and above has increased by 8.3%, and the targets were achieved for both Levels 3+ and 4+. The high qualification completion rate for SAC Level 1-2 is somewhat artificial, due to TEC methodology for this measure being based on the volume of previous provision and the significant reduction of enrolments in this space swaying the measure. This is particularly the case for students aged under 25, where the qualification completion rate has exceeded 100%.

The successful course completion rate achievement of SAC students aged under 25 is now at or ahead of the overall measure. There is still progress to be made to increase the qualification completion rates to the target levels.

The rate of progression of SAC students from Levels 1-2 and Level 1-3, to higher levels of study, decreased in 2017, and is still well below targets. A higher rate of transition to employment post completion of Level 3 programmes contributes to reduced progression rates.

The student retention rates for SAC students at Levels 1-2 and 3+ declined in 2017, but the Level 1-2 target was achieved. A number of students continue to seek employment opportunities as a priority, leaving study before completing their qualification.

Youth Guarantee

Measure	2016 Actual	2017 Investment Plan Target	2017 Internal Budget Target	2017 Actual
Successful Course Completion Rate for YG-funded students				
at Level 2	79.1%	67.5%		79.1%
at Level 3	76.4%	72.5%		78.6%
Qualification Completion Rate for YG students				
at Level 2	45.4%	54.0%		57.4%
at Level 3	63.0%	72.5%		58.2%
Student Progression Rate for YG-funded students				
at Level 2	34.0%	60.0%		37.3%
at Level 3	50.7%	70.0%		24.1%
Student retention rate for YG-funded students				
at Level 2	49.8%	55.0%		52.2%
at Level 3	63.4%	71.0%		67.8%

Ara maintained strong results for Youth Guarantee students in 2017, achieving well above the targets for successful course completion rates. Qualification completions for Youth Guarantee students increased at Level 2 but decreased at Level 3. It is notable that a portion of Youth Guarantee provision is offered through a vocational pathway model, where the student is working towards completing an NCEA qualification, an achievement which is not recognised in Ara qualification completion metrics.

Similar to students studying through SAC, progression by Youth Guarantee students from Level 2 and Level 3 to higher levels of study at Ara is still well below target.

The student retention rates for Youth Guarantee students at Levels 2 and 3 increased by 2.4% and 4.4% respectively, which remains slightly below target.

Māori and Pasifika

Measure	2016 Actual	2017 Investment Plan Target	2017 Internal Budget Target	2017 Actual
Proportion of EFTS enrolled who are Māori students::				
at Levels 1–2	0.9%	11.0%		0.1%
at Levels 3+	11.7%	11.8%		12.8%
at Levels 4+	9.5%	9.6%		9.3%
at all levels	12.6%	nil		12.9%
Proportion of EFTS enrolled who are Pasifika students:				
at Levels 1–2	0.3%	2.5%		0.0%
at Levels 3+	4.2%	4.0%		4.5%
at Levels 4+	3.1%	3,4%		3.3%
at all levels	4.5%	nil		4.6%
Successful Course Completion Rate for Māori SAC-funded students				
at Levels 1–2	70.3%	nil		57.5%
at Levels 3–7	76.0%	83.0%		77.1%
at Levels 4–7	78.5%	86.0%		78.8%
at all levels	75.6%	nil		77.0%
Successful Course Completion Rate for Pasifika SAC-funded students				
at Levels 1–2	72.9%	nil		59.1%
at Levels 3+	74.9%	83.0%		71.3%
at Levels 4+	76.5%	84.0%		71.3%
at all levels	74.7%	nil		71.2%
Qualification Completion Rate for Māori students				
at Levels 1–2	52.7%	nil		90.7%
at Levels 3+	52.4%	71.0%		63.5%
at Levels 4+	55.6%	75.0%		69.1%
at all levels	52.4%	nil		63.7%
Qualification Completion Rate for Pasifika students				
at Levels 1–2	56.5%	nil		54.5%
at Levels 3+	52.0%	72.0%		55.0%
at Levels 4+	55.1%	75.0%		54.7%
at all levels	52.3%	nil		55.0%
Student Progression Rate for Māori students from Levels 1–3, to a higher level	29.7%	48.0%		24.3%
Student Progression Rate for Pasifika students from Levels 1–3, to a higher level	26.5%	51.0%		24.0%
Student retention rate for Māori students				
at Levels 1–2	54.2%	nil		50.7%
at Levels 3+	63.0%	69.0%		60.3%
Student retention rate for Pasifika students				
at Levels 1–2	37.2%	nil		57.1%
at Levels 3+	68.9%	71.0%		67.3%

Overall, there was a slight increase in the participation rate for both Māori and Pasifika students in SAC provision in 2017. In line with wider trends, the proportion of Māori and Pasifika students studying at Levels 1-2 dropped, offset by a larger increase in the proportion studying at higher levels. This is a positive trend, with growing participation of Māori and Pasifika learners, and these learners increasingly studying at higher levels.

The successful course completion rate for Māori students enrolled in SAC provision was 1.3% ahead of 2016, showing progress in this area. The 2017 target for this was set based on the objective of parity of achievement, so there is still progress to be made.

The successful course completion rate for Pasifika students enrolled in SAC provision dropped by 3.6%.

SAC qualification completion rates for Māori students increased in 2017. The significant increase at Level 1-2 is largely due to the aforementioned large drop in provision in this area influencing the calculation of this measure. The achievement at Levels 3+ and 4+ increased by 11.0% and 13.5% respectively, showing significant improvement in this space. Ara set targets for these measures with a view to attaining parity of achievement for Māori and Pasifika learners by 2019. It is acknowledged that this is an ambitious goal.

SAC qualification completion rates for Pasifika students were relatively static in 2017, and sat well below the desired target.

The SAC progression rates for Māori and Pasifika learners reduced by 5.4% and 2.5% respectively, and were well below the targets for 2017.

The student retention rates for SAC-funded Māori students dropped at both Levels 1-2 and Level 3+ in 2017. For Pasifika learners, there was a large increase at Levels 1-2 and a slight decrease at Levels 3-7.

International students

Measure	2016 Actual	2017 Investment Plan Target	2017 Internal Budget Target	2017 Actual
Successful Course Completion Rate for International students	88.3%	**90.0%**	-	90.1%
Qualification Completion Rate for international students	89.9%	**75.0%**	-	96.5%

International students continue to achieve at high levels at Ara, with a 1.8% increase in successful course completion rate in 2017 to 90.1%, ahead of the target of 90.0%.

There was a similar strong performance in qualification completions, noting the very high result (96.5%) is somewhat artificial, with a continued large number of international students qualifying in multi-year degree programmes.

Student survey results

Measure	2016 Actual	2017 Investment Plan Target	2017 Internal Budget Target	2017 Actual
Student satisfaction	84.2%	**n/a**	-	82.4%
Proportion of graduates in employment or further study in the year following graduation	83.0%	**n/a**	-	85.4%

There was a 1.8% drop in student satisfaction with their programme of study in 2017 compared to 2016 levels. This was based on students being more likely to 'Slightly Agree' than 'Strongly Agree' with the statement "Overall, I am satisfied with the programme" compared to the previous year. The proportion of students that slightly disagreed, disagreed or strongly disagreed with that statement dropped from 6.5% to 6.4%, a small positive movement. The small shift from 'strong agreement' to 'slight agreement' was for domestic students across a number of department and programme levels. This is a trend continuing from 2015, and is partly due to increasing expectations by students in the areas of online learning and use of social media, work readiness and customised student support.

The satisfaction of international students with their programme increased by 2.9% to 86.6%, a significant positive shift.

There was a 2.4% increase in the proportion of graduates in employment or further study in the year following graduation. This was based on an increase in the proportion of graduates in employment and a stable proportion of graduates in further study. This is a positive trend, reflecting the continued focus on ensuring Ara graduates are work ready, and that Ara programmes of study are effectively aligned to employer needs.

This measure is based on the proportion of Ara graduates who respond to the questions about employment and further education in the Graduate Outcome Survey, and recognises those who were either currently employed, currently enrolled in study, or intend to enrol further study.

Research

Measure	2016 Actual	2017 Investment Plan Target	2017 Internal Budget Target	2017 Actual
The amount of external research income earned	46,771	**75,000**	-	83,120
The number of research degrees completed	0	**0**	-	0

External research income in 2017 increased by 78% on 2016, and was ahead of the investment plan target. This was largely due to the mix of research conducted at Ara in 2017 including a higher proportion of projects earning external income.

In 2017, Ara continued delivery of Nursing and Health Science programmes at Postgraduate Certificate, Postgraduate Diploma and Masters levels. Due to the new nature of these offerings, and as they are offered on a part-time basis, students are only starting to pathway into the Masters programmes. As such, no Masters qualifications have been awarded to date.

Campus redevelopment programme

Measure	2016 Actual	2017 Investment Plan Target	2017 Internal Budget Target	2017 Actual
Campus Redevelopment Work Programme continues within scope, on time, within budget	Mostly achieved	n/a	-	Mostly achieved

A number of new buildings and landscaping works were completed in 2017. The new Engineering and Architectural studies building, Kahukura, was finished and teaching commenced in the building in July. Another new building, Te Kei, was completed and occupied in October, and is now home to Executive, Finance, Human Resources and Business Development staff. In addition, the North Green at the City Campus and the outdoor Heart Space at the Woolston Campus were completed during 2017, providing students and staff with a number of outdoor spaces to use.

Construction of the Health Research and Education Facility (HREF) continued during 2017, with a forecast completion date of June 2018. This building is located within the Health Precinct, and will be the base for much of Ara health-related provision, alongside other research, teaching and health services by other organisations.

The Campus Master Planning process continued during 2017, with work underway to incorporate Southern Campuses into the overall long-term capital works programme. The campus master plan continues to be refined as part of wider strategic planning.

In general, build projects were managed and delivered within agreed financial budgets and to agreed scopes. There were time delays on some projects, with Kahukura and Te Kei both delivered later than originally planned.

Note on Student Progression

	2014	2015	2016
Student progression rate for SAC students from Level 1-2 to a higher level			
Internal measure	not reported	**32.6%**	34.2%
TEC	44.9%	**46.8%**	48.6%
Difference	-	**14.2%**	14.4%
Student progression rate for SAC students from Level 1-3 to a higher level			
Internal measure	37.9%	**38.5%**	37.9%
TEC	48.7%	**51.8%**	50.0%
Difference	-	**13.3%**	12.1%

The internal measure is what CPIT (2014-2015) and Ara (2016) reported in the Annual Reports, based on provisional data available from internal systems at the time of the preparation of the Annual Report.

The TEC measure is what TEC reported for CPIT (2014-2015) and Ara (2016). The reasons why these numbers are higher are due to 1) the later date the measure is calculated allowing more time for students to re-enrol and 2) TEC can report where a student moves from Ara to another provider. Ara does not have access to this information.

Thus the progression measures reported in the 2017 Ara Annual Report should be considered in this context, and the final TEC measures are likely to be 12-14% higher.

Statement of Responsibility

The Ara Institute of Canterbury hereby certifies that:

1. It has been responsible for the preparation of these financial statements and judgements used therein; and
2. It has been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. It is of the opinion that these Financial Statements and Statement of Service Performance fairly reflect the financial position and operations of this institution for the year ended 31 December 2017.

The financial statements were authorised for issue by the Ara Institute of Canterbury Council on 26 April 2018.

Thérèse Arseneau
Chair of Council

Tony Gray
Chief Executive

Darren J Mitchell
Chief Financial Officer and Director of Corporate Services

Statement of Accounting Policies

1 Reporting Entity

Ara Institute of Canterbury (Ara) is a Tertiary Education Institution (TEI) that is domiciled and operates in New Zealand. The relevant legislation governing the Institute's operations includes the Crown Entities Act 2004 and the Education Act 1989. Ara ("the Parent") is a Crown Entity and is established under the Education Act 1989 as a tertiary education institution. It provides full time and part time tertiary education in New Zealand. The Ara Group ("the Group") includes Ara, it's subsidiaries, Ara Foundation and the Ōtautahi Education Development Trust (OEDT) and an associate. All subsidiaries are incorporated and domiciled in New Zealand. The Institute and group provides educational and research services for the benefit of the community. It does not operate to make a financial return. Ara has designated itself and the Group as public benefit entities (PBEs) for financial reporting purposes. The financial statements of Ara and Group are for the year ended 31 December 2017. The financial statements were authorised for issue by the Council on 26 April 2018.

Summary of Significant Accounting Policies

2 Basis of Preparation

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

a) Presentation currency and rounding

Except where otherwise stated, the financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

b) Statement of Compliance

The financial statements of the Parent and Group have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Education Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with current standards being Tier 1 Public Benefit Entity (PBE) accounting standards.

c) Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for reporting period commencing after 1 January 2017 and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

PBE IPSAS 34 Separate financial statements

Nature of change	PBE IPSAS 34 deals with the accounting and disclosure requirements for investments in controlled entries, joint ventures and associates when preparing separate financial statements. PBE IPSAS 34 when applied with PBE IPSAS 35, supersedes PBE IPSAS 6.
Impact	The Group does not expect any material impact as the requirements of PBE IPSAS 34 are substantially the same as the previous requirements for separate financial statements contained in PBE IPSAS 6.
Effective Date / Expected date of Adoption	The standard is effective for annual periods beginning on or after 1 January 2019, with early application permitted. Expected date of adoption by the group: 1 January 2019

PBE IPSAS 35 consolidated financial statements

Nature of change	PBE IPSAS 35 covers the principle of control as a single basis for consolidation. An entity controls another entity when three elements are present: power, exposure or rights to benefits from involvement with the other entity and the ability to use power over the other entity to affect the nature or benefits from involvement with the entity.
Impact	There is minimal adjustment from PBE IPSAS 6 which PBE IPSAS 35 supersedes so there is expected to be minimal impact.
Effective Date / Expected date of Adoption	The standard is effective for annual periods beginning on or after 1 January 2019, with early application permitted. Expected date of adoption by the group: 1 January 2019

3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Ara, its subsidiaries, and its associate, as at 31 December each year. The financial statements of subsidiaries and associate are prepared for the same reporting period as the Parent using consistent accounting policies.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent. Subsidiaries are consolidated by aggregating like items of assets, liabilities, revenues, expenses and cash flows on a line-by-line basis. All inter-entity balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

An associate is an entity over which the Institute has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Institute's associate investment is accounted for in the group financial statements using the equity method. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the change in net assets of the associate after the date of acquisition. The group's share of the associate's surplus or deficit is recognised in the group surplus or deficit. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.

The results of Ara, the Ara Foundation and the Ōtautahi Education Development Trust have been consolidated into Ara's financial statements for the year ended 31 December 2017. Its 16.7% equity share of its associate TANZ eCampus Ltd is equity accounted. CPIT Holdings Ltd was de-registered in March 2017 and no longer forms part of the consolidation.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which Ara has control.

4 Revenue

Revenue classification

Revenue is measured at fair value.

Ara classifies its revenue into exchange and non-exchange transactions.

Exchange transactions

An exchange transaction is one in which the Parent receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions

A non-exchange transaction is one in which the Parent either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. Included in this category are transfers, which are inflows of future economic benefits or service potential from non-exchange transactions.

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

a) SAC funding

SAC funding is the Institute's main source of operational funding from the Tertiary Education Commission (TEC). The Institute considers SAC funding to be non-exchange and recognises SAC funding as revenue when the course withdrawal date has passed, based on the number of eligible students enrolled in the course at that date and the value of the course.

b) Student tuition fees

Domestic student tuition fees are subsidised by government funding and are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course. International student tuition fees are accounted for as exchange transactions and recognised as revenue on a course percentage of completion basis. The percentage of completion is measured by reference to the days of the course completed as a proportion of the total course days.

c) Performance-Based Research Fund (PBRF)

PBRF funding is considered to be non-exchange in nature. PBRF funding is specifically identified by the TEC as being for a funding period as required by section 159YA of the Education Act 1989. The Parent recognises its allocation of PBRF funding when it is confirmed. PBRF revenue is measured based on the Parent's funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

d) Interest

Interest revenue is recognised using the effective interest method.

e) Insurance Recoveries

Insurance recoveries are recognised in the financial statements when received or when it is probable or virtually certain that they will be received under the insurance contracts in place and can be reliably measured.

5 Property, Plant and Equipment

Land and buildings held under Crown title have been included in the financial statements. The Ara Council is of the opinion that although formal legal transfer of title for land and buildings owned by the Crown has not occurred it has in substance assumed all the normal risks associated with ownership and accordingly it would be misleading to exclude these assets from the financial statements.

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

a) Land and buildings are measured at fair value less subsequent accumulated depreciation. Land and buildings are revalued every three years.

i) All Parent land and buildings were revalued as at 31 December 2016 in accordance with PBE IPSAS-17. The Christchurch land and buildings valuation was completed by independent valuers: Andrew Parkyn BCom (VPM), PG Dip Com (Marketing), SPINZ, ANZIV, Vanesa Griffiths BCom (VPM), MPINZ and Brendon Bodger BCom, (VPM), SPINZ, ANZIV all Registered Valuers of Quotable Value. The South Canterbury land and buildings valuation was completed by independent valuer: Gerald Morton ANZIV, SPINZ, FREINZ a Registered Valuer of Morton & Co Ltd. The valuation of buildings is completed to a component level on a market value basis where practical. Where market based evidence is inappropriate due to its specialised nature, then buildings are valued on an optimised depreciated replacement cost basis.

ii) Land and buildings held under the Ara Foundation were revalued as at 31 December 2015 in accordance with PBE IPSAS-17. The valuation was completed by independent valuer Warren Glassey FNZIV, AREINZ, FPINZ, MNZIM of Colliers International.

iii) Land and buildings held under the Ōtautahi Education Development Trust were revalued as at 31 December 2017 in accordance with PBE IPSAS-17. The valuation was completed by independent valuer Mark Dunbar BCom (VPM), ANZIV, SPINZ, AREINZ of Telfer Young.

b) Leasehold improvements, plant and equipment, motor vehicles, computer software and computer hardware are stated at cost less accumulated depreciation and any accumulated impairment in value.

c) The Library resources have been valued by B Roberts of DTZ New Zealand Limited, independent registered valuers, at depreciated replacement cost as at 31 December 2005. This is deemed to be cost. Additions since 31 December 2005 are recorded at cost less accumulated depreciation and any accumulated impairment in value.

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 Parent and Group and the cost of the item can be measured reliably.

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

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

Disposals

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

6 Depreciation

Depreciation of the Parent is calculated on the following basis over the estimated useful life of the asset as follows:

- Buildings – 1.1% – 3.3% straight line
- Electronic equipment – 10% – 33.3% straight line
- Motor vehicles – 20% straight line
- Plant – 5% – 20% straight line
- Furniture – 10% straight line
- Library books – 10% straight line
- Capitalised finance lease assets – 33.3% straight line

Art collection and land is not depreciated.

For the Group, depreciation is calculated on the following basis over the estimated useful life of the asset as follows:

- Buildings – 1.1% – 4.8% straight line
- Electronic equipment – 10% – 33.3% straight line
- Motor vehicles – 20% straight line
- Plant – 5% – 21.6% straight line
- Furniture – 10% straight line
- Library books – 10% straight line
- Capitalised finance lease assets – 33.3% straight line

Art collection and land is not depreciated.

7 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 of land and non-specialised buildings 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. Where buildings have been designed specifically for educational purposes they are valued at depreciated replacement cost (DRC) which is considered to reflect fair value for such assets. In determining DRC, the following assumptions have been applied. Replacement cost rates are derived from construction contracts of like assets, reference to publications, and New Zealand Property Institute cost information. Straight line depreciation has been applied to all DRC valued assets to establish the DRC value. Economic lives have been defined and used to determine the DRC.

Property, plant, and equipment consists of the following asset classes: land, buildings, infrastructure, leasehold improvements, computer hardware, furniture and equipment, motor vehicles, library collection, and heritage collections. Land is measured at fair value, and buildings and infrastructure are measured at fair value less accumulated depreciation and impairment losses. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

Revaluation

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

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued. Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis. The net revaluation results are credited or debited to other comprehensive revenue and expense, and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, the balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Institute and group and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred. 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.

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

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 surplus or deficit of the Statement of Comprehensive Revenue and Expenses in the year the item is derecognised.

8 Capital Work in Progress

Capital work in progress is calculated on the basis of expenditure incurred and certified gross progress claim certificates up to balance date. Work in progress is not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

9 Investment Property

An investment property is initially measured at its cost including transaction cost.

Where an investment property is acquired at no cost or nominal cost, its cost is deemed to be its fair value as at the date of acquisition.

Subsequent to initial recognition investment properties are stated at fair value as at each balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on derecognition of an investment property are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses in the year of derecognition.

Investment property land held under the Ōtautahi Education Development Trust was revalued as at 31 December 2016 in accordance with PBE IPSAS-40.

The valuation was completed by independent valuer Mark Dunbar BCom (VPM), ANZIV, SPINZ, AREINZ of Telfer Young.

10 Intangible Assets

Computer Software

Computer software is capitalised at its cost as at the date of acquisition and amortised over its useful life on a straight line basis, currently 10% – 33.3%.

The amortisation period for each class of intangible asset having a finite life is reviewed at each financial year end. If the expected useful life or expected pattern of consumption is different from the previous assessment, changes are made accordingly. The carrying value of each class of intangible asset is reviewed for indicators of impairment annually. Intangible assets are tested for impairment where an indicator of impairment exists.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses when the asset is derecognised.

Radio Frequency

Radio Frequency is capitalised at its cost as at the date of acquisition and amortised over its useful life on a straight line basis, currently 5%.

The amortisation period for each class of intangible asset having a finite life is reviewed at each financial year end. If the expected useful life or expected pattern of consumption is different from the previous assessment, changes are made accordingly. The carrying value of each class of intangible asset is reviewed for indicators of impairment annually. Intangible assets are tested for impairment where an indicator of impairment exists.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses when the asset is derecognised.

Research and Course Development Costs

Research and course development costs are recognised as an expense in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses in the year in which they are incurred.

11 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventory is based on a first-in, first-out basis and includes expenditure incurred in acquiring the inventories and in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of activities less the estimated costs necessary to make the sale.

Where inventories are acquired through non-exchange transactions they are measured at fair value, at the date of acquisition.

12 GST and Other Taxes

GST

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 trade 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 and payables in the Statement of Financial Position.

The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

Taxation

Tertiary institutes are exempt from the payment of income tax. Accordingly, no charge for income tax has been provided.

13 Financial Instruments

Ara is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, debtors, creditors, and loans.

Revenues and expenses in relation to all financial instruments are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses. All financial instruments are recognised in the Statement of Financial Position. Except for loans which are shown at cost and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Available for Sale

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any other categories of financial assets. Available for sale financial assets are recognised initially at cost and any directly attributable transaction costs, being the fair value of the consideration given.

After initial recognition, investments which are classified as available-for-sale are measured at fair value or at cost in cases where the fair value cannot be reliably measured. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Statement of Comprehensive Revenue and Expenses.

Financial assets in this category include shares.

Loans and Receivables

Loans and receivables (including cash and cash equivalents, and debtors and other receivables) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. Related party receivables that are repayable on demand are classified as a non-current asset because repayment of the receivable is not expected within 12 months of balance date.

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 of the Statement of Comprehensive Revenue and Expenses.

Receivables are recorded at their face value, less any provision for impairment.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity.

Investments intended to be held for an undefined period are not included in this classification.

Investments that are intended to be held-to-maturity or those classified as loans and receivables, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in revenue when the investments are derecognised or impaired, as well as through the amortisation process.

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.

Financial Assets at Fair Value through Surplus or Deficit

Financial assets at fair value through surplus or deficit in the Statement of Comprehensive Revenue and Expenses include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or is part of a portfolio that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset.

Impairment of financial assets

Impairment of a loan or a receivable is established when there is objective evidence that the Institute and group will not be able to collect amounts due according to the original terms of the loan or receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, insolvency, receivership, or liquidation, and default in payments are considered to be 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. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into receivership or liquidation, and default in payments are considered to be objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

14 Cash Flows, Cash and Cash Equivalents

Cash and cash equivalents 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Operating Activities

Transactions and other movements that are not investing or financing activities.

Investing Activities

Activities relating to acquisition, holding and disposal of fixed assets and of investments, not falling within the definition of cash.

Financing Activities

Activities that change the equity and debt capital structure of Ara.

15 Student Fees and Other Receivables

Student fees and other receivables are classified as loans and receivables and carried at Face value cost less any provision for impairment.

An estimate for doubtful debts is made when collection of the full amount is no longer probable, defined as being when the debt is placed into external debt collection procedures. Bad debts are written off when it is impractical or uneconomic to pursue the debts further.

16 Trade Payables

Trade payables are recognised and carried at amortised cost.

17 Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Suspensory loans are funds provided which do not have to be repaid if certain obligations are met. Where such obligations are likely to be met the funds are recognised immediately as an equity injection in the Statement of Movements in Equity.

Gains and losses are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses when the liabilities are derecognised as well as through the amortisation process.

18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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 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 shall be reversed.

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

19 Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses as finance costs.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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 on the same basis as the lease expense.

Operating lease payments are recognised as an expense in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses on a straight line basis over the lease term.

20 Employee Entitlements

Provision is made in respect of the Ara liability for annual leave, sick leave, long service leave and retirement gratuities.

Annual leave has been calculated on an actual entitlement basis for current rates of pay.

Sick leave has been calculated based on the expected utilisation of unused entitlement.

Long service leave and retirement gratuities are calculated based on the present value of estimated future cash flows determined on an actuarial basis. The discount rate is the market yield on relevant New Zealand Government Stock at the Balance Sheet date.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses as incurred.

21 Allocation of Overheads

Overheads have been allocated to output faculties utilising an activities based costing model.

The cost drivers are:

- Full time equivalent staff (FTES)
- Equivalent full time students (EFTS)
- General expenditure grant (GEG) budgets
- Number of computers
- Number of programmes

22 Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impractical to do so.

23 Budget Figures

The budget figures for the Institute are those approved by the Council at the start of the financial year. The group budget figures consists of a combination of the budget of the Institute and the individual budget of one of the Institute's significant subsidiary entities. The budget figures have been prepared in accordance with generally accepted accounting practise in New Zealand, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

24 Foreign currency translation

Both the functional and presentation currency of the Parent and Group is New Zealand dollars ($).

Any transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

25 Non-Current Assets Held For Sale

Non-current assets are separately classified where their carrying amount will be recovered through a sale transaction rather than continuing use; that is, where such assets are available for immediate sale and where sale is highly probable. These assets are recorded at the lower of their carrying amount and fair value less costs to sell.

26 Critical Accounting Estimates and Assumptions

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

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

a) Land and Building Revaluation & Cost to Repair Estimates

Note 7 provides information about the estimates and assumptions exercised in the measurement of revalued land and buildings.

b) Long Service Leave and Retiring Gratuities

Note 11 provides information about the estimates and assumptions exercised in the measurement of long service leave and retiring gratuities.

Statement of Comprehensive Revenue and Expenses

for the Year Ended 31 December 2017

		Parent			Group		
	Notes	Actual 2017 $000	Budget 2017 $000	Actual 2016 $000	Actual 2017 $000	Budget 2017 $000	Actual 2016 $000
Revenue							
Government Grants	**1, 19**	62,962	65,365	66,334	62,962	65,365	66,334
Student Tuition Fees		39,182	41,484	41,166	39,182	41,484	41,166
Other Revenue	**1**	8,251	8,186	7,260	8,539	8,273	7,521
Finance Revenue	**1**	2,045	1,538	2,669	2,536	1,618	2,732
Gain on Property Investment Revaluations		–	–	–	60	90	20
Proceeds from Earthquake Insurance	**1**	–	–	27,182	–	1,600	27,182
Total Revenue		**112,440**	**116,573**	**144,611**	**113,279**	**118,430**	**144,956**
Operating Expenses							
Employee Benefit Expenses	**1, 19**	70,928	72,656	69,599	70,928	72,656	69,599
Depreciation Expense	**7, 19**	9,193	7,967	8,147	10,087	8,319	8,464
Amortisation Expense	**8**	233	192	252	233	192	252
Finance Costs	**1**	–	–	–	492	8	–
Other Expenses	**1, 19**	29,975	32,441	32,617	28,713	31,492	32,107
Earthquake Related Expenses		1,750	–	225	–	–	225
Transformation Expenses		–	–	3,202	–	–	3,202
Total Operating Expenses		**112,079**	**113,256**	**114,042**	**110,453**	**112,668**	**113,848**
Share of Associate's Surplus	**15**	–	–	–	(3)	–	–
Net Surplus		**361**	**3,317**	**30,569**	**2,823**	**5,763**	**31,108**
Other Comprehensive Revenue and Expenses							
Gains/(Losses) on Property Revaluations	**7, 19**	(43)	–	19,173	(1,108)	–	19,533
Total Other Comprehensive Revenue and Expenses		(43)	–	19,173	(1,108)	–	19,533
Total Comprehensive Revenue and Expenses		**318**	**3,317**	**49,742**	**1,715**	**5,763**	**50,641**

Surplus
Analysed for non-recurring items

	Parent			Group		
	Actual 2017 $000	Budget 2017 $000	Actual 2016 $000	Actual 2017 $000	Budget 2017 $000	Actual 2016 $000
Net operating surplus	2,111	3,317	6,814	2,823	4,163	7,353
Proceeds from Earthquake Insurance	–	–	27,182	–	1,600	27,182
Earthquake Related Expenses	(1,750)	–	(225)	–	–	(225)
Transformation Expenses	–	–	(3,202)	–	–	(3,202)
Net Surplus	**361**	**3,317**	**30,569**	**2,823**	**5,763**	**31,108**

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 31 December 2017

	Notes	Parent Actual 2017 $000	Parent Budget 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Budget 2017 $000	Group Actual 2016 $000
ASSETS							
Current Assets							
Cash and Cash Equivalents	**2, 17, 19**	31,039	4,215	20,574	32,623	6,497	22,289
Trade and Other Receivables	**3, 17**	4,005	2,046	29,972	4,186	2,046	30,000
Inventories	**4**	1,248	1,109	1,178	1,248	1,109	1,178
Prepayments		1,998	834	968	1,998	834	968
Other Financial Assets	**5, 17, 19**	31,400	60,000	40,700	31,400	60,000	40,700
Total Current Assets		**69,690**	**68,204**	**93,392**	**71,455**	**70,486**	**95,135**
Non-Current Assets							
Land and Buildings	**7**	268,081	261,192	251,628	296,706	292,449	280,423
Plant and Equipment	**7**	16,360	14,936	14,822	16,556	14,936	14,876
Investment in Associate	**15**	760	-	-	757	-	-
Other Financial Assets	**5**	-	-	-	5,622	4,304	4,304
Investment Properties	**6**	-	-	-	2,870	2,900	2,810
Intangible Assets	**8**	2,329	1,914	1,631	2,329	1,914	1,631
Total Non-Current Assets		**287,530**	**278,042**	**268,081**	**324,840**	**316,503**	**304,044**
TOTAL ASSETS		**357,221**	**346,246**	**361,473**	**396,296**	**386,989**	**399,179**
LIABILITIES							
Current Liabilities							
Trade and Other Payables	**9, 17**	6,665	5,931	8,529	7,021	6,134	11,046
Finance Leases	**10**	802	612	717	802	612	717
Loans and Borrowings	**10**	-	-		600	-	-
Employee Benefit Liabilities	**11, 19**	3,080	4,872	3,831	3,080	4,872	3,831
Revenue Received in Advance	**12, 19**	7,607	6,499	9,106	7,607	6,499	9,106
Total Current Liabilities		**18,154**	**17,914**	**22,183**	**19,110**	**18,117**	**24,700**
Non-Current Liabilities							
Finance Leases	**10**	656	396	666	656	396	666
Loans and Borrowings	**10**	-	-	-	12,044	12,400	10,511
Employee Benefit Liabilities	**11**	238	829	829	238	829	829
Total Non-Current Liabilities		**894**	**1,225**	**1,495**	**12,938**	**13,625**	**12,006**
TOTAL LIABILITIES		**19,048**	**19,139**	**23,678**	**32,048**	**31,742**	**36,706**
NET ASSETS		**338,173**	**327,107**	**337,795**	**364,248**	**355,247**	**362,473**
EQUITY							
Accumulated Comprehensive Revenue and Expense		235,482	243,214	235,116	251,675	261,056	248,847
Asset Revaluation Reserve	**19**	101,919	83,233	101,962	111,801	93,531	112,909
Trusts and Bequests Reserves		772	660	717	772	660	717
TOTAL EQUITY		**338,173**	**327,107**	**337,795**	**364,248**	**355,247**	**362,473**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the Year Ended 31 December 2017

		Parent			Group		
	Notes	**Actual 2017 $000**	**Budget 2017 $000**	**Actual 2016 $000**	**Actual 2017 $000**	**Budget 2017 $000**	**Actual 2016 $000**
Cash Flows from Operating Activities							
Receipts of Government Grants	**19**	63,002	65,365	66,157	63,002	65,365	66,157
Receipts of Student Tuition Fees	**19**	39,401	39,848	38,086	39,401	39,848	38,086
Receipts of Other Income		5,286	8,186	9,076	5,420	8,298	9,320
Interest Received		2,173	1,538	3,859	3,026	1,618	3,971
Payments to Employees	**19**	(72,270)	(67,784)	(70,058)	(72,270)	(67,784)	(70,058)
Payments to Suppliers		(33,087)	(35,397)	(31,645)	(33,836)	(34,083)	(29,035)
Payments relating to Earthquake and Transformation Costs	**19**		-	(3,427)	-	-	(3,427)
Interest Paid		-		-	(492)	(500)	-
Net Cash Flows from Operating Activities	**2**	**4,505**	**11,756**	**12,048**	**4,251**	**12,762**	**15,014**
Cash Flows from Investing Activities							
Proceeds from Sale of Property, Plant and Equipment	**19**	32	-	47	32	-	47
Proceeds from Sale and Maturity of Investments	**19**	159,140	30,000	109,750	159,140	30,000	109,750
Proceeds from Sale of CPIT Holdings Ltd Shares		-	-	5	-	-	5
Proceeds from Insurance Settlement		26,995	-	2,930	26,995	1,600	2,930
Cash introduced from Aoraki Polytechnic		-	-	20,874	-	-	20,874
Onwards Payment of Insurance Settlement		(1,602)	-	-	-	-	-
Purchase of Investment in Associate	**15**	(760)	-		(760)	-	-
Purchase of Intangible Assets		(931)	-	(379)	(931)	-	(379)
Purchase of Property, Plant and Equipment	**19**	(26,273)	(39,072)	(33,202)	(28,205)	(43,072)	(45,621)
Purchase of Investments	**19**	(149,840)	-	(92,700)	(151,521)	-	(93,174)
Net Cash Flows from Investing Activities		**6,760**	**(9,072)**	**7,325**	**4,749**	**(11,472)**	**(5,567)**
Cash Flows from Financing Activities							
Proceeds from Loans & Borrowings		-	-	-	2,134	-	10,511
Scholarship		60	-	30	60	-	30
Loans and Borrowings		-	-	-	-	2,000	-
Repayment of Finance Lease Liabilities		(861)	(780)	(771)	(861)	(780)	(771)
Net Cash Flows from Financing Activities		**(801)**	**(780)**	**(741)**	**1,333**	**1,220**	**9,770**
Net (Decrease)/Increase in Cash and Cash Equivalents		**10,465**	**1,904**	**18,632**	**10,334**	**2,510**	**19,217**
Cash and Cash Equivalents at the beginning of the year		20,574	2,311	1,942	22,289	3,987	3,072
Cash and Cash Equivalents at the end of the year	**2**	**31,039**	**4,215**	**20,574**	**32,623**	**6,497**	**22,289**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the Year Ended 31 December 2017

	Notes	Parent Actual 2017 $000	Parent Budget 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Budget 2017 $000	Group Actual 2016 $000
Balance at 1 January	**19**	337,795	323,790	244,297	362,473	348,484	268,069
						–	
Bequest funds		60	–	47	60	–	47
Addition of Aoraki Polytechnic		–	–	43,709	–	–	43,709
Total Comprehensive Income	**19**	318	3,317	49,742	1,715	5,763	50,641
Revaluation Readjustment		–	–	–	–	1,000	7
Balance at 31 December		**338,173**	**327,107**	**337,795**	**364,248**	**355,247**	**362,473**
By Class							
Accumulated comprehensive revenue and expense							
Balance at 1 January		235,116	239,897	172,294	248,847	255,293	185,480
Net Surplus/(Deficit) for the year	**19**	361	3,317	30,569	2,823	5,763	31,108
Addition of Aoraki Polytechnic		–	–	32,263	–	–	32,263
Appropriation of Net Surplus to Restricted Reserves		5	–	(10)	5	–	(10)
Revaluation Readjustment – Ara Foundation		–	–	–	–	–	6
Balance at 31 December		**235,482**	**243,214**	**235,116**	**251,675**	**261,056**	**248,847**
Trusts and Bequests Reserves							
Balance at 1 January		717	660	660	717	660	660
General bequest funds		60	–	47	60	–	47
Appropriation of Net Surplus		24	–	24	24	–	24
Application of Trusts and Bequests		(29)	–	(14)	(29)	–	(14)
Balance at 31 December		**772**	**660**	**717**	**772**	**660**	**717**

Restricted reserves consist of scholarships, bequests and trust funds held by the Institute on behalf of others.

	Notes	Parent Actual 2017 $000	Parent Budget 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Budget 2017 $000	Group Actual 2016 $000
Asset Revaluation Reserve							
Balance at 1 January	**19**	101,962	83,233	71,343	112,909	92,531	81,929
Fair Value Revaluation of Land and Buildings		(43)	–	19,173	(1,108)	1,000	19,533
Addition of Aoraki Polytechnic		–	–	11,446	–	–	11,446
Revaluation Readjustment		–	–	–	–	–	1
Balance at 31 December		**101,919**	**83,233**	**101,962**	**111,801**	**93,531**	**112,909**

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another.

Asset Revaluation Reserve is comprised of:

	Parent Actual 2017 $000	Parent Budget 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Budget 2017 $000	Group Actual 2016 $000
Land	35,040	32,654	35,041	42,610	32,654	40,549
Buildings	66,879	50,579	66,921	69,191	60,877	72,360
	101,919	**83,233**	**101,962**	**111,801**	**93,531**	**112,909**

The accompanying notes form part of these financial statements

Statement of Cost of Services
for the Year Ended 31 December 2017

	Parent 2017 $000	Parent 2016 $000
Attributed to Departments:		
Business	11,335	9,080
Computing	7,989	6,498
Creative Industries	12,474	13,117
Engineering & Architectural Studies	10,016	9,476
Food & Hospitality	11,887	15,213
Humanities	13,703	14,191
Nursing, Midwifery and Allied Health	22,044	15,131
Applied Sciences & Allied Health	–	8,758
Science and Primary Industries	3,957	–
Trades	18,674	22,578
	112,079	**114,042**

	Parent 2017 $000	Parent 2016 $000
Represented by:		
Personnel	70,928	69,599
Consumables/Departments costs	7,590	9,314
Administration	13,074	17,378
Occupancy/Property costs	9,311	9,127
Earthquake Related Expenses	1,750	225
Depreciation and Amortisation	9,426	8,399
	112,079	**114,042**

During 2017 the Department of Applied Science and Allied Health was divided between Nursing, Midwifery & Allied Health and Science and Primary Industries.

Childcare Operating Income and Expenditure
for the Year Ended 31 December 2017 (Parent and Group)

	Actual 2017 $	Budget 2017 $	Actual 2016 $
Revenue			
Operating Grants	520,045	531,408	548,578
Fees	240,753	259,848	246,807
Total	**760,798**	**791,256**	**795,385**
Expenditure			
Salaries and Related Costs	730,691	721,267	713,066
Consumables	5,898	6,000	3,640
Administration	10,583	14,241	21,353
Occupancy Costs	58,000	58,000	58,000
Depreciation	1,203	1,203	1,203
Total	**806,375**	**800,711**	**797,262**
Net Surplus/(Deficit)	**(45,577)**	**(9,455)**	**(1,877)**

Total Child Funded Hours	**2017**	**2016**
Children Aged Under Two	12,314	12,663
Children Aged Two and Over	10,654	12,734
20 Hours ECE	29,096	31,233
Plus 10 Subsidy	6,567	5,256
	58,631	**61,886**

Statement of Special Supplementary Grants

Ara received certain funding as Special Supplementary Grants during 2017. These items are subject to Section 199(1)(b) of the Education Act 1989. There is a requirement in Section 199(5) to apply such grants only for the purposes specified. The following statement reports on this obligation and discloses the actual cost to Ara which resulted from the activities funded in this manner.

Grant Title	Grant Amount	Applied to	Salaries & Related Costs	Materials & Services	Total Cost	Net Cost to Ara
	$		$	$	$	$
Students with Disabilities	174,380	Students with Disabilities	334,263	5,813	340,076	165,696
Support for Māori and Pasifika	118,594	Support for Māori Pasifika	204,433	37,889	242,322	123,728
Total	**292,974**		**538,696**	**43,703**	**582,398**	**289,424**

Compulsory Student Services Fees

Pursuant to sections 227A(1) and 235D(1) of the Education Act 1989, Ara is required to show how the use of the compulsory fees for student services is attributed.
Christchurch students are charged $250 incl GST for a full time equivalent per annum. If the student is enrolled less than a full time equivalent the fee is pro-rated.
Income and expenditure associated with the provision of these services is separately accounted for. Details of the types of service and of the income and expenditure for the year are set out below:
In 2017, Income from Compulsory Student Service fees was pro-rated across categories on the basis of relative expenditure.

Actual 2017	Total $000	Advocacy & Legal Advice $000	Careers Information, Advice and Guidance $000	Counselling Services $000	Financial Support and Advice $000	Health Services $000	Media Services $000	Childcare Services $000	Sports, Recreation and Cultural Activities $000
Revenue									
Compulsory Student Service Fees	1,249	36	495	30	5	146	40	333	164
Other Revenue	1,052	-	-	-	-	138	-	761	153
Total Revenue	2,301	36	495	30	5	284	40	1,094	317
Expenditure	3,160	88	1,163	73	11	358	97	816	554
Surplus/(Deficit)	(859)	(52)	(668)	(43)	(6)	(74)	(57)	278	(237)

Actual 2016	Total $000	Advocacy & Legal Advice $000	Careers Information, Advice and Guidance $000	Counselling Services and Pastoral Care $000	Financial Support and Advice $000	Health Services $000	Media Services $000	Childcare Services $000	Sports, Recreation and Cultural Activities $000
Revenue									
Compulsory Student Service Fees	971								
Other Revenue	1,054	-	-	-	-	124	-	795	135
Total Revenue	2,025	-	-	-	-	124	-	795	135
Expenditure	2,858	93	921	51	84	280	176	797	456
Surplus/(Deficit)	(833)								

Advocacy and Legal Advice

Ara contracts an external agency to provide an independent advocate to directly support students to resolve issues impacting directly on their study or on their ability to study. It also covers the management of student complaints and resolutions including some legal costs. These services are available for all students.

Careers and employment information

Ara provides career development advice and guidance as well as employment information. Career development may start prior to enrolment through assisting people to work through what they want to do and where they might study. Students are supported throughout their study to develop the wide range of skills and attributes that will maximise their advantage in the employment market. Students have access to both Career Hub and Student Job Search for finding employment.

Resources are available for students to work independently, attend workshops and seminars or drop in sessions and to have one to one guidance where necessary. These may include topics such as strength/skill identification, strategies to develop skills, attributes and experience, CV writing, letter writing, interview skills and contract negotiation.

From 2017, students were able to use myGPS App to guide them through the career and work readiness process and to maximise their potential outcomes.

Advice and guidance

Student advice and guidance includes all generic student advisors (not including the library, learning staff and those who are not funded from other sources) who offer support to students to enable them to succeed in their studies, to find solutions and to access services that assist with solving problems they may face. This may include a listening ear, information and support for matters related to Studylink, programme/course selection, accommodation, personal, spiritual, cultural, financial, justice, health and study concerns.

Counselling services

Ara provides students with access to some free counselling sessions through our health services. Contracts for counselling cover the whole region.

Financial support and advice

Students can access budgeting advice and links to effective budgeting and financial management systems as well as support to access scholarships, grants and the Ara (unexpected) financial hardship resource.

Health Services

The Christchurch city campus has a Health Centre with doctors and nurses. Woolston campus has an onsite nurse part time during the academic year. In Timaru the Health Centre oversees information about access to low cost health services. In addition, the Health Centre coordinates health promotion events and services that encourage proactive wellbeing and health management to students at all sites. Ara also has agreements in place for students at other campuses to access lower cost (sometimes free) nursing and medical consultations.

Media Services

Ara encourages and supports online learning and communities and maintains a website for current students – 'Campus Life'. This holds all key relevant and up to date information for students. Campus Life has had significant development during 2017. Online orientation.ara.ac.nz was developed for students and by students to enable easier and earlier access to the services and supports that are available to students, it was used and updated throughout the year. MyGPS is another tool that has been developed to assist students to develop their career skills, attributes and experience while they study in preparation for securing permanent and relevant work on completion of their qualifications.

Childcare Services

There are two Early Learning Centres on the Madras Campus site, Ara owns and operates the Ara Early Learning Centre and leases facilities to Te Waka Huruhurumanu bilingual centre. Ara has negotiated discounted fees to the ELC opposite the Timaru Campus.

Events, sports, recreation and cultural activities

Ara provides a range of free student events, recreation and activities throughout the academic year at all sites. The events are structured to support student wellbeing and success, for example, exam breakfasts.

In addition both Christchurch City and Timaru campuses have gymnasium facilities. Students can buy a membership to the Christchurch City weights and fitness space at very low cost. There are no other charges for all other classes and facilities including the use of balls, racquets etc.

Ara supports the development of students groups, club and societies as well as the development of a highly effective student voice and student council. Cultural events include celebration of many language weeks, Polyculture – a celebration of many diverse cultures of Ara students and mark many key ethnic, cultural and spiritual celebrations.

Notes to Financial Statements

Note 1
Revenue and Expenses

	Parent		Group	
	2017 $000	2016 $000	2017 $000	2016 $000
Government Grants				
Normal Operational Grants	62,669	66,045	62,669	66,045
Special Supplementary Grants	293	289	293	289
	62,962	**66,334**	**62,962**	**66,334**
Other Revenue				
Gains on Disposal of Property, Plant and Equipment	32	47	32	47
Revenue from Other Operating Activities	8,219	7,213	8,507	7,474
	8,251	**7,260**	**8,539**	**7,521**
Proceeds from Earthquake Insurance	–	27,182	–	27,182
Finance Revenue				
Interest Earned on Investments (including Bank Deposits)	2,045	2,669	2,175	2,779
Gains on Changes in Investments classified as Fair Value through Profit and Loss	–	–	361	(47)
Total Finance Revenue	**2,045**	**2,669**	**2,536**	**2,732**
Revenue under exchange and non exchange transactions				
Revenue under exchange transactions				
International Student Fees	14,770	16,031	14,770	16,031
Other Revenue	6,385	5,497	6,673	5,758
Proceeds from Earthquake Insurance	–	27,182	–	27,182
Finance Revenue	2,045	2,669	2,536	2,732
Gain on Property Investment Revaluations	–	–	60	20
Total Exchange Revenue	**23,200**	**51,379**	**24,039**	**51,724**
Other exchange revenue is mainly made up of: teaching delivery to external parties, student accommodation rent, facilities hire and restaurant revenue.				
Revenue under non exchange transactions				
Government Grants	62,962	66,334	62,962	66,334
Domestic Student Fees	24,412	25,135	24,412	25,135
Other Revenue	1,866	1,763	1,866	1,763
Total Non Exchange Revenue	**89,240**	**93,232**	**89,240**	**93,232**
Other Non Exchange revenue is mainly Industry Training Organisations (ITOs) revenue				
Total Revenue	**112,440**	**144,611**	**113,279**	**144,956**
Interest on Bank Loans		–	492	–
Total Finance Costs	–	–	**492**	–
Employee Benefit Expenses				
Wages and Salaries	72,270	69,735	72,270	69,735
Increase (Decrease) in Employee Benefit Liabilities	(1,342)	(136)	(1,342)	(136)
Total Employee Benefit Expenses	**70,928**	**69,599**	**70,928**	**69,599**
Other Expenses				
Audit New Zealand Fees for Financial Statement Audits	181	195	181	195
Other Auditor Fees for Audit of OEDT Financial Statements	–	–	10	10
Donations Made	7	5	7	5
Impairment of Receivables (Note 3)	(10)	55	(10)	55
Research and Development Expenditure	293	339	293	339
Minimum Lease Payments under Operating Leases	2,085	1,466	2,085	457
Other Operating Expenses	27,419	30,557	26,147	31,046
Total Other Expenses	**29,975**	**32,617**	**28,713**	**32,107**

There are no unfulfilled conditions or other contingencies attached to government grants recognised.

Notes to Financial Statements

Note 2
Cash and Cash Equivalents

	Parent		Group	
	2017 $000	**2016 $000**	**2017 $000**	**2016 $000**
Cash at Bank and in Hand	24,257	20,488	25,841	22,203
Short-Term Deposits	6,782	86	6,782	86
Total Cash and Cash Equivalents	**31,039**	**20,574**	**32,623**	**22,289**

Cash at Bank and in Hand represents physical cash on hand and money at bank immediately available.
Short-Term Deposits represent term deposits with a maturity of three months or less.
The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.
Apart from the restricted reserves there is no cash and cash equivalents that can only be used for a specified purpose.
Included in cash and cash equivalents are unspent funds with restrictions that relate to the delivery of educational services and research by the Parent. Other than trust funds, it is not practicable for the Parent to provide further detailed information about the restrictions.

Reconciliation of net surplus/(deficit) to net cash flows from operating activities

	Parent		Group	
	2017 $000	**2016 $000**	**2017 $000**	**2016 $000**
Net Surplus	361	30,569	2,823	31,108
Add/(Less) Non-Cash Items:				
Depreciation and Amortisation	9,426	8,399	10,320	8,716
Non-Cash Sales	(19)	-	(19)	-
Share of Associate's Surplus	-	-	3	-
Gains on the Revaluation of Investments	-	-	361	45
Deregistration of CPIT Holdings Ltd	-	5	-	5
Recognition of Movement in Term Employee Benefits in Employee Benefit Expenses	(591)	-	(591)	-
Add/(Less) items classified as investing or financing activities:				
(Gains)/Losses on Disposal of Property, Plant and Equipment	(32)	(47)	(32)	(47)
Revaluation of Investment Properties	-	-	(60)	(20)
Receipts of Earthquake related proceeds	(26,995)	(2,930)	(26,995)	(2,930)
Onwards Payment of Insurance Settlement	1,602	-	-	-
Add/(Less) movements in working capital items:				
Accounts Receivable	25,967	(23,765)	25,816	(23,783)
Inventories	(70)	(314)	(70)	(314)
Prepayments	(1,030)	(329)	(1,030)	(329)
Accounts Payable	(1,864)	2,896	(4,025)	4,999
Income in Advance	(1,499)	(1,415)	(1,499)	(1,415)
Employee Benefits	(751)	(136)	(751)	(136)
Movement in working capital due to merger with Aoraki Polytechnic	-	(884)	-	(884)
Net Cash Inflow from Operating Activities	**4,505**	**12,048**	**4,251**	**15,014**

Notes to Financial Statements

Note 3
Trade and Other Receivables

	Parent		Group	
	2017 $000	2016 $000	2017 $000	2016 $000
Current				
Trade Receivables	3,889	29,813	4,070	29,841
Bank Interest Receivable	237	365	237	365
Related Party Receivables	166	90	166	90
Less Provision for Impairment of Receivables	(287)	(296)	(287)	(296)
	4,005	**29,972**	**4,186**	**30,000**

The carrying value of trade and other receivables approximates their fair value.

Total Receivables comprise:				
Receivables from exchange transactions	1,937	28,014	2,118	28,042
Receivables from non-exchange transactions	2,068	1,958	2,068	1,958
Total Receivables	**4,005**	**29,972**	**4,186**	**30,000**

The receivables figure for 2016 includes an earthquake settlement owing 31 December 2016 of $26.995m

	Parent		Group	
	2017 $000	2016 $000	2017 $000	2016 $000
Maturity Analysis				
Current Debt	3,245	29,453	3,426	29,481
Overdue but not Impaired 61 to 90 days	198	48	198	48
Overdue but not Impaired > 90 days	562	471	562	471
	4,005	**29,972**	**4,186**	**30,000**

Due to the large number of receivables, the assessment for collectability is performed on a collective basis, based on an analysis of past collection history and write-offs. Ara holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

Movement in the provision for impairment of receivables is as follows:

	Parent		Group	
	2017 $000	2016 $000	2017 $000	2016 $000
Opening Balance	296	241	296	241
Addition of Aoraki Polytechnic	-	7	-	7
Receivables Written Off During Period	73	2	73	2
Additional Provisions Made During the Year	(83)	46	(83)	46
Closing Balance	**287**	**296**	**287**	**296**

Notes to Financial Statements

Note 4
Inventories

	Parent		Group	
	2017 $000	**2016 $000**	**2017 $000**	**2016 $000**
Held for Resale	12	60	12	60
Materials and Consumables	1,236	1,118	1,236	1,118
	1,248	**1,178**	**1,248**	**1,178**

The write-down of inventories held for sale amounted to $nil (2016 $nil).

Note 5
Other Financial Assets

	Parent		Group	
	2017 $000	**2016 $000**	**2017 $000**	**2016 $000**
Current Portion				
Bank Deposits Maturing within 12 months	31,400	40,700	31,400	40,700
Total Current Portion	**31,400**	**40,700**	**31,400**	**40,700**
Non-current Portion				
Unlisted shares - TANZ eCampus Ltd	-	-	-	-
Bank deposits	-	-	1,600	-
Fair Value through Profit and Loss				
Managed Funds - Ara Foundation	-	-	4,022	4,304
Total Non-current Portion	**-**	**-**	**5,622**	**4,304**
Effective Interest Rates				
Bank Deposits with Maturities of 4-12 months	3.27%	3.48%	3.27%	3.48%

Unlisted shares have no quoted price in an active market. A valuation was completed by a third party in December 2017 using the depreciated replacement cost valuation method. Currently Ara does not intend to dispose of these shares.

There were no impairment provisions for other financial assets.

The Managed Funds are stated at fair value. The assets within these portfolios are actively traded and fair value is determined by direct reference to published prices in active markets.

Notes to Financial Statements

Note 5
Other Financial Assets (continued)

Credit Quality of Financial Assets

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

	Parent		Group	
	2017 $000	2016 $000	2017 $000	2016 $000
Counterparties with Credit Ratings				
Cash and Cash Equivalents:				
AA- Cash at Bank and in Hand	24,257	20,488	25,841	22,203
AA- Short-Term Deposits	6,782	86	6,782	86
Total Cash and Cash Equivalents	**31,039**	**20,574**	**32,623**	**22,289**
Term deposits:				
A	7,000	-	7,000	-
AA-	24,000	37,300	26,000	37,300
AA+	-	3,400	-	3,400
Total	**31,400**	**40,700**	**33,000**	**40,700**
Counterparties without Credit Ratings				
Other investments:				
Existing Counterparty with no Defaults in the Past	-	-	4,022	4,304
Total Other Investments	**-**	**-**	**4,022**	**4,304**

Note 6
Investment Properties

	Parent		Group	
	2017 $000	2016 $000	2017 $000	2016 $000
Balance 1 January	-	-	2,810	2,790
Fair Value Gain/(Loss)	-	-	60	20
Balance 31 December	-	-	**2,870**	**2,810**

193 Madras Street is classified as Investment Property and was revalued by Telfer Young on 31 December 2017 as at 31 December 2017.
Property held for investment purposes is revalued on an annual basis.
The asset valuation has been assessed in accordance with PBE IPSAS 16 Investment Property.

Notes to Financial Statements

Note 7
Property, Plant and Equipment

2017 Parent	Cost/ Revaluation 1 January 2017 $000	Accumulated Depreciation and Impairment 1 January 2017 $000	Carrying Amount 1 January 2017 $000	Current Year Additions $000	Reclass-ification	Current Year Disposals $000	Current Year Depreciation $000	Revaluation Changes $000	Transfer of Accum Depreciation from merger	Cost/ Revaluation 31 December 2017 $000	Accumulated Depreciation and Impairment 31 December 2017 $000	Carrying Amount 31 December 2017 $000
Institution Land and Buildings	150,975	(1)	150,974	21,406	(11,566)	-	(2,431)	-	-	160,814	(2,432)	158,382
Crown Land and Buildings	100,654	-	100,654	-	11,566	-	(2,521)	-	-	112,220	(2,521)	109,699
Computer Equipment	12,323	(8,335)	3,988	1,653	-	-	(1,607)	-	-	14,021	(9,987)	4,034
Computer Equipment under Finance Lease	1,383	-	1,383	936	-	-	(861)	-	-	1,458	-	1,458
Plant	11,362	(7,415)	3,947	820	-	(48)	(879)	-	-	12,080	(8,240)	3,840
Furniture	8,902	(6,933)	1,969	1,842	-	-	(372)	-	-	10,744	(7,305)	3,439
Vehicles	1,728	(1,010)	718	298	-	(3)	(223)	-	-	1,868	(1,078)	790
Library Collection	6,101	(4,194)	1,907	153	-	-	(299)	-	-	6,254	(4,493)	1,761
Art Collection	909	-	909	129	-	-	-	-	-	1,038	-	1,038
Total Parent	**294,337**	**(27,888)**	**266,449**	**27,237**	**-**	**(51)**	**(9,193)**	**-**	**-**	**320,497**	**(36,056)**	**284,441**

2017 Group	Cost/ Revaluation 1 January 2017 $000	Accumulated Depreciation and Impairment 1 January 2017 $000	Carrying Amount 1 January 2017 $000	Current Year Additions $000	Reclass-ification	Current Year Disposals $000	Current Year Depreciation $000	Revaluation Changes $000	Transfer of Accum Depreciation from merger	Cost/ Revaluation 31 December 2017 $000	Accumulated Depreciation and Impairment 31 December 2017 $000	Carrying Amount 31 December 2017 $000
Group Land and Buildings	181,994	(2,225)	179,769	23,186	(11,566)	-	(3,317)	(1,065)	-	192,549	(5,542)	187,007
Crown Land and Buildings	100,654	-	100,654	-	11,566	-	(2,521)	-	-	112,220	(2,521)	109,699
Computer Equipment	15,893	(11,899)	3,994	1,653	-	-	(1,607)	-	-	17,591	(13,551)	4,040
Computer Equipment under Finance Lease	1,383	-	1,383	936	-	-	(861)	-	-	1,458	-	1,458
Plant	16,380	(12,385)	3,995	969	-	(48)	(887)	-	-	17,247	(13,218)	4,029
Furniture	8,902	(6,933)	1,969	1,842	-	-	(372)	-	-	10,744	(7,305)	3,439
Vehicles	2,062	(1,343)	719	298	-	(3)	(223)	-	-	2,202	(1,411)	791
Library Collection	6,101	(4,194)	1,907	153	-	-	(299)	-	-	6,254	(4,493)	1,761
Art Collection	909	-	909	129	-	-	-	-	-	1,038	-	1,038
Total Group	**334,278**	**(38,979)**	**295,299**	**29,166**	**-**	**(51)**	**(10,087)**	**(1,065)**	**-**	**361,303**	**(48,041)**	**313,262**

Notes to Financial Statements

Note 7
Property, Plant and Equipment (continued)

2016 Parent	Cost/ Revaluation 1 January 2016 $000	Accumulated Depreciation and Impairment 1 January 2016 $000	Carrying Amount 1 January 2016 $000	Current Year Additions $000	Transfer Additions from Merger	Current Year Disposals $000	Current Year Depreciation $000	Revaluation Changes $000	Transfer of Accum Depreciation from merger	Cost/ Revaluation 31 December 2016 $000	Accumulated Depreciation and Impairment 31 December 2016 $000	Carrying Amount 31 December 2016 $000
Institution Land and Buildings	97,692	(1,289)	96,403	28,836	10,787	-	(1,824)	17,499	(727)	150,975	(1)	150,974
Crown Land and Buildings	89,979	(2,073)	87,906	884	13,385	-	(2,485)	1,674	(710)	100,654	-	100,654
Computer Equipment	8,700	(5,429)	3,271	1,901	1,800	(10)	(1,369)	-	(1,605)	12,323	(8,335)	3,988
Computer Equipment under Finance Lease	1,031	-	1,031	1,123	-	-	(771)	-	-	1,383	-	1,383
Plant	8,905	(5,328)	3,577	874	1,973	(60)	(842)	-	(1,575)	11,362	(7,415)	3,948
Furniture	7,756	(5,894)	1,862	233	919	-	(322)	-	(723)	8,902	(6,933)	1,969
Vehicles	1,033	(496)	537	330	632	(1)	(212)	-	(568)	1,728	(1,010)	718
Library Collection	5,623	(3,658)	1,965	185	293	-	(322)	-	(214)	6,101	(4,194)	1,907
Art Collection	817	-	817	30	62	-	-	-	-	909	-	909
	221,536	**(24,167)**	**197,369**	**34,396**	**29,851**	**(71)**	**(8,147)**	**19,173**	**(6,122)**	**294,337**	**(27,888)**	**266,450**

2016 Group	Cost/ Revaluation 1 January 2016 $000	Accumulated Depreciation and Impairment 1 January 2016 $000	Carrying Amount 1 January 2016 $000	Current Year Additions $000	Transfer Additions from Merger	Current Year Disposals $000	Current Year Depreciation $000	Revaluation Changes $000	Transfer of Accum Depreciation from merger	Cost/ Revaluation 31 December 2016 $000	Accumulated Depreciation and Impairment 31 December 2016 $000	Carrying Amount 31 December 2016 $000
Group Land and Buildings	115,938	(3,205)	112,733	41,249	10,787	-	(2,132)	17,859	(727)	181,994	(2,225)	179,769
Crown Land and Buildings	89,979	(2,073)	87,906	884	13,385	-	(2,485)	1,674	(710)	100,654	-	100,654
Computer Equipment	12,265	(8,990)	3,275	1,906	1,800	(10)	(1,372)	-	(1,605)	15,893	(11,899)	3,994
Computer Equipment under Finance Lease	1,031	-	1,031	1,123	-	-	(771)	-	-	1,383	-	1,383
Plant	13,920	(10,292)	3,628	877	1,973	(60)	(848)	-	(1,575)	16,380	(12,385)	3,995
Furniture	7,756	(5,894)	1,862	233	919	-	(322)	-	(723)	8,902	(6,933)	1,969
Vehicles	1,367	(829)	538	330	632	(1)	(212)	-	(568)	2,062	(1,343)	719
Library Collection	5,623	(3,658)	1,965	185	293	-	(322)	-	(214)	6,101	(4,194)	1,907
Art Collection	817	-	817	30	62	-	-	-	-	909	-	909
	248,696	**(34,941)**	**213,755**	**46,817**	**29,851**	**(71)**	**(8,464)**	**19,533**	**(6,122)**	**334,278**	**(38,979)**	**295,299**

Notes to Financial Statements

Note 7
Property, Plant and Equipment (continued)

Fair value of Christchurch Campus Buildings
The buildings at the Christchurch Campus have been valued as if they are undamaged. To reach the fair value of the buildings incorporating earthquake damage, the remaining cost to repair these buildings is deducted from their undamaged value.

The cost to repair estimates have been developed from scopes of work prepared by Pace Project Management. These scopes have been considered and reviewed by consulting engineers and quantity surveyors as part of the insurance settlement process. The estimates have been reviewed by Deloitte, with adjustments made to standardise costs that include project management and preliminary and general costs.

Costs included in the estimates that are actuarial in nature, including escalation, have been removed in determining the fair value. Work completed for earthquake repairs has been deducted from the total expected repair cost, to determine the remaining cost to repair.

Loss on Property Revaluation
The loss on Property Revaluation has arisen due to the correction of an historical error.

Work in Progress
Expenditures recognised in the carrying amounts of Property, Plant and Equipment in the course of construction were:

	Parent		Group	
	2017 $000	2016 $000	2017 $000	2016 $000
Institution Land and Buildings	8,399	30,953	8,399	44,252

Restriction of Title
Under the Education Act 1989, the Institute is required to obtain consent from the Ministry of Education to dispose of land and buildings. For plant and equipment, there is an asset disposal limit formula, which provides a limit up to which a TEI may dispose of plant and equipment without seeking the approval from the Ministry of Education. Detailed information on the asset disposal rules can be found on the Tertiary Education Commission website.

Insurance of Assets
Ara participates in a collective procurement arrangement with ITPs for its comprehensive insurance programme. All buildings and equipment are covered for material damage based on replacement value.

The insurance programme has a $200 million annual limit for Earthquake/Natural Disaster claims made by the participating ITPs.

The excess on claims for the Canterbury region is calculated as a 2.5% of site value, with a minimum of $75,000 and a maximum of $5m per Event.

Given that the combined ITP insurance Earthquake/Natural Disaster cap is $200 million, in the event of a large one off event may result in Ara being under insured.

Assets as Security
There are no assets pledged as security for liabilities (2016 $nil).

Capital Commitments

	Parent		Group	
	2017 $000	2016 $000	2017 $000	2016 $000
Capital Commitments Approved and Contracted				
Land and Buildings	1,253	16,389	1,602	19,552

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

Notes to Financial Statements

Note 8
Intangible Assets

2017	Gross Carrying Amount 1 January 2017 $000	Accumulated Amortisation 1 January 2017 $000	Net Carrying Amount 1 January 2016 $000	Current Year Additions $000	Current Year Disposals -	Current Year Amortisation $000	Gross Carrying Amount 31 December 2017 $000	Accumulated Amortisation 31 December 2017 $000	Net Carrying Amount 31 December 2017 $000
Parent and Group – Radio Frequency	410	(118)	292	-	-	(20)	410	(138)	272
Parent and Group – Software	2,725	(1,386)	1,339	1,282	(351)	(213)	3,656	(1,599)	2,057
	3,135	**(1,504)**	**1,631**	**1,282**	**(351)**	**(233)**	**4,066**	**(1,737)**	**2,329**

2016	Gross Carrying Amount 1 January 2016 $000	Accumulated Amortisation 1 January 2016 $000	Net Carrying Amount 1 January 2016 $000	Current Year Additions $000	Current Year Disposals -	Current Year Amortisation $000	Gross Carrying Amount 31 December 2016 $000	Accumulated Amortisation 31 December 2016 $000	Net Carrying Amount 31 December 2016 $000
Parent and Group – Radio Frequency	410	(97)	313	–	–	(21)	410	(118)	292
Parent and Group – Software	2,358	(1,167)	1,191	379	–	(231)	2,725	(1,386)	1,339
	2,768	**(1,264)**	**1,504**	**379**	**-**	**(252)**	**3,135**	**(1,504)**	**1,631**

All intangible assets are externally acquired.
In 2017 $351k of costs are recorded as disposed. This represents a transfer of spend on Intangible Assets into a collective Intangible Asset held by a third party.
This Investment in Associate is recorded in the Statement of Financial Position under Non-Current Assets.
In 2016 there was no impairment or disposal of intangible assets.

Work in Progress

Expenditures recognised in the carrying amounts of Intangibles in the course of creation were:

	Parent		Group	
	2017 $000	2016 $000	2017 $000	2016 $000
Software	983	456	983	456

Notes to Financial Statements

Note 9
Trade and Other Payables

	Parent		Group	
	Actual 2017 $000	**Actual 2016 $000**	**Actual 2017 $000**	**Actual 2016 $000**
Trade Payables	3,809	5,375	4,165	7,892
Other Payables	2,847	3,152	2,847	3,152
Related Party Payables	9	3	9	3
Total Payables	**6,665**	**8,530**	**7,021**	**11,046**

Trade and other payables are non-interest bearing and are normally settled by the 20th of the month following invoice, therefore the carrying value of trade and other payables approximates their fair value.

Payables under Exchange Transactions				
Trade Payables	3,670	3,710	4,004	6,215
Other Payables	772	3,678	778	3,678
Total Payables under Exchange Transactions	**4,442**	**7,388**	**4,782**	**9,893**
Payables under Non-exchange Transactions				
Taxes payable (GST and rates)	1,752	822	1,768	834
Other Payables	471	320	471	320
Total Payables under Non-exchange Transactions	**2,223**	**1,142**	**2,239**	**1,154**
Total Payables	**6,665**	**8,530**	**7,021**	**11,046**

Note 10
Loans and Finance Leases

Maturity Analysis

	Parent		Group	
Lease Liabilities	**Actual 2017 $000**	**Actual 2016 $000**	**Actual 2017 $000**	**Actual 2016 $000**
Less than One Year	802	717	802	717
Later than One Year but not more than Five Years	656	666	656	666
Total Lease Liabilities	**1,458**	**1,383**	**1,458**	**1,383**
Weighted Average Interest Rate	3.50%	5.12%	3.50%	5.12%

Description of Material Leasing Arrangements

Ara has entered into finance leases for various IT assets. The net carrying amount of the leased items is shown in Note 7. The finance leases can be renewed at the option of Ara. Ara has the option to purchase the asset at the end of the lease term. There are no restrictions placed on Ara by any of the finance leasing arrangements.

Notes to Financial Statements

Note 10
Loans and Finance Leases (continued)

Contractual Maturity Analysis of Financial Liabilities

The table below analyses financial liabilities into relative maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying Amount $000	Contractual Cash Flows $000	Less than 6 months $000	6 to 12 months $000	1 to 2 years $000	2 to 3 years $000	More than 3 years $000
Parent 2017							
Finance Leases	1,458	1,458	418	384	450	166	40
Secured Loans	–	–	–	–	–	–	–
Total	**1,458**	**1,458**	**418**	**384**	**450**	**166**	**40**
Group 2017							
Finance Leases	1,458	1,458	418	384	450	166	40
Secured Loans	12,644	16,931	536	537	1,242	1,212	13,404
Total	**14,102**	**18,389**	**954**	**921**	**1,692**	**1,378**	**13,444**

	Carrying Amount $000	Contractual Cash Flows $000	Less than 6 months $000	6 to 12 months $000	1 to 2 years $000	2 to 3 years $000	More than 3 years $000
Parent 2016							
Finance Leases	1,383	1,383	380	337	509	157	–
Secured Loans	–	–	–	–	–	–	–
Total	**1,383**	**1,383**	**380**	**337**	**509**	**157**	**-**
Group 2016							
Finance Leases	1,383	1,383	380	337	509	157	–
Secured Loans	10,511	11,339	184	184	368	10,603	–
Total	**11,894**	**12,722**	**564**	**521**	**877**	**10,760**	**-**

Notes to Financial Statements

Note 11
Employee Benefit Liabilities and Other Provisions

	Parent		Group	
Employee Entitlements	**2017 $000**	**2016 $000**	**2017 $000**	**2016 $000**
Accrued Pay	–	433	–	433
Annual Leave	2,738	2,990	2,738	2,990
Long Service Leave	297	226	297	226
Retirement Gratuities	–	765	–	765
Sick Leave	283	246	283	246
As at 31 December	**3,318**	**4,660**	**3,318**	**4,660**
Current Portion	3,080	3,831	3,080	3,831
Non-Current Portion	238	829	238	829
	3,318	**4,660**	**3,318**	**4,660**

The present value of the long service leave depends on factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability. Expected future payments are determined using forward discount rates derived from the yield curve of NZ Government Bonds. The discount rates used match, as closely as possible, the estimated future cash flows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary.

Note 12
Revenue Received in Advance

	Parent		Group	
	2017 $000	**2016 $000**	**2017 $000**	**2016 $000**
Government Grants	51	11	51	11
Fees Income	7,488	8,596	7,488	8,596
Other Revenue in Advance	68	499	68	499
Total revenue in advance	**7,607**	**9,106**	**7,607**	**9,106**
Current Portion	7,607	9,106	7,607	9,106
Non Current Portion	–	–	–	–
Total	**7,607**	**9,106**	**7,607**	**9,106**

Notes to Financial Statements

Note 13
Operating Leases

Non-cancellable Operating Lease Commitments

Property Leases

	Parent		Group	
	Actual 2017 $000	**Actual 2016 $000**	**Actual 2017 $000**	**Actual 2016 $000**
Not later than One Year	1,772	1,470	556	474
Later than One Year and not later than Five Years	5,857	1,806	509	1,128
Later than Five Years	16,021	3,096	662	51
Total Operating Leases	**23,650**	**6,372**	**1,727**	**1,653**

The total of minimum future sublease payments expected to be received under non-cancellable subleases at balance date is $434,364 (2016 $824,400).

Ara has signed an agreement to lease the Health Precinct which is due to commence in Q3 2018. The approximate annual rent being $1.9m.

Equipment Leases

Not later than One Year	468	467	468	467
Later than One Year and not later than Five Years	4	462	4	462
Later than Five Years	-	-	-	-
	472	**929**	**473**	**929**

Description of Material Leasing Arrangements

Property Leases
The property leases can be renewed at the option of Ara. Ara does not have the option to purchase the property asset at the end of the lease term. There are no restrictions placed on Ara by any of the property leasing arrangements.

Equipment Leases
The equipment leases can be renewed at the option of Ara. Ara does have the option to purchase the equipment asset at the end of the lease term. There are no restrictions placed on Ara by any of the equipment leasing arrangements.

Note 14
Contingent Assets and Liabilities

Parent
As at 31 December 2017 Ara has not received the final account for completion of the K block but has been made aware by the engineer to the contractor that Hawkins Construction is considering claims for previously declined variations costs. Ara does not consider these claims to be valid.
The maximum value of the disputed variations is estimated at $764k.

As at 31 December 2017 Ara had no contingent assets.
As at 31 December 2016 Ara had no contingent liabilities.
As at 31 December 2016 Ara had no contingent assets.

Group
No other entity in the Group apart from Ara have any contingencies (2016 nil).

Notes to Financial Statements

Note 15
Related Party Transactions

Ara is the Parent of the Group and controls two entities, being Ōtautahi Education Development Trust and Ara Foundation, and has an investment in an associate, TANZ eCampus Limited.

Significant transactions with government-related entities

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

Ara has received funding and grants from the Tertiary Education Commission totalling $62.2m (2016 $66.3m) to provide education and research services for the year ended 31 December 2017.

Ara also leases at a nil rental amount, land and buildings legally owned by the Crown. Further information on the accounting for Crown-owned land and buildings is disclosed in the Statement of Accounting Policies under the heading "critical judgements in applying accounting policies".

Collectively, but not individually, significant transactions with government-related entities

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

Ara purchases goods and services from entities related to the Crown and it also provides services to entities related to the Crown. The purchase and provision of goods and services to government-related entities for the year ended 31 December 2017 are small when compared to total expenditure by Ara.

The purchase of goods and services included the purchase of electricity from Meridian, air travel from Air New Zealand and postal services from New Zealand Post. The provision of services to government-related entities is mainly related to the provision of educational courses.

Inter-Group Transactions

Ara Foundation

Ara Foundation is accounted for as a subsidiary of Ara.

The Foundation runs an annual grants programme for staff, students and projects associated with Ara, as well as other initiatives which promote education and enterprise in the region.

Ara appoints four of the nine trustees of the Ara Foundation.

These transactions are not on an arm's length basis as grant applications can only be received from Ara staff and students.

During 2017, Ara income included the following transactions with the Ara Foundation:

	2017 $	2016 $
Grants	27,800	47,370

During 2017 Ara expenditure included the following transactions with the Ara Foundation:

	2017 $	2016 $
Lease of ML Block	135,255	135,255

At 31 December 2017 neither Ara nor the Foundation had monies owing to the other.
At 31 December 2016 neither Ara nor the Foundation had monies owing to the other.

Notes to Financial Statements

Note 15
Related Party Transactions (continued)

Ōtautahi Education Development Trust

Ōtautahi Education Development Trust is accounted for as a subsidiary of Ara.
For accounting purposes only the OEDT is a controlled entity under PBE IPSAS 20.
Ara appoints three of the seven trustees of the Ōtautahi Education Development Trust.

During 2017 Ara's income included the following transactions with the Trust:

	2017 $	2016 $
Income	24,000	24,000

During 2017 Ara expenditure included the following transactions with the Trust:

	2017 $	2016 $
Lease of Student Accommodation Block	1,043,858	481,000
Lease of B Block Car Park	-	2,291
Lease of Paxus House	394,731	320,420
Lease of ground for Jazz School Building	35,207	25,755

At 31 December 2017 OEDT did not owe Ara any monies, Ara owed OEDT $5,059.

At 31 December 2016 neither Ara nor OEDT had monies owing to the other.

TANZ eCampus Ltd

During 2017 TANZ eCampus Limited was established to acquire the intangible asset associated with eCampus and to operate the eCampus business. The members of TANZ each have a 16.7% shareholding in the Company.

	2017 $	2016 $
Parent - Investment in TANZ eCampus Ltd	760	-
Group - Equity accounted carrying amount	757	-
Summarised financial information of associate presented on a gross basis		
Assets	7,013	-
Liabilities	2,472	-
Revenues	2,540	-
Surplus / (deficit)	(17)	-
Group's Interest	*16.7%*	-

Notes to Financial Statements

Note 15
Related Party Transactions (continued)

Key Management Related Party Transactions

The Ara Council and Senior Management Team may be directors or officers of other organisations with whom Ara may transact. Such transactions are all carried out independently on an arm's length basis.

During the year, the following people were members of organisations that have entered into transactions with Ara as part of its normal operations.

2017	Purchases Actual $000	Sales Actual $000	Accounts Payable Actual $000	Accounts Receivable Actual $000
Chief Executive				
Te Tapuae o Rēhua (Director)	66	–	–	–
Council Members				
South Canterbury Chamber of Commerce	11	–	–	–
Canterbury Employers' Chamber of Commerce	12	–	–	–
The Project Office Ltd	13	–	–	–
Nurse Maude	22	1	–	1
South Canterbury District Health Board	5	–	4	–
ChristchurchNZ	95	–	–	–

2016	Purchases Actual $000	Sales Actual $000	Accounts Payable Actual $000	Accounts Receivable Actual $000
Chief Executive				
Te Tapuae o Rēhua (Director)	63	–	–	–
Council Members				
South Canterbury Chamber of Commerce	9	–	–	–
Canterbury Employers' Chamber of Commerce	14	–	–	–
Northtec	1	–	–	–
The Project Office Ltd	47	–	4	–
Nurse Maude	13	–	–	–
Tai Poutini Polytechnic	21	6	4	–
Canterbury Communications Trust	–	36	–	3
Southern Response Earthquake Services Ltd	–	6	–	–
Lincoln University	–	1	–	–

Notes to Financial Statements

Note 15
Related Party Transactions (continued)

Other Related Parties

Ara is a member of the Tertiary Accord of New Zealand (TANZ), a separate entity launched in early 2000 as an alliance between six of New Zealand's leading tertiary education institutes, to promote best practice in applied education.

During 2017 TANZ invoiced $Nil Ara core fees (2016: $163,614) and $53,900 eCampus software project (2016: $225,105) being a contribution to funding a pilot eLearning delivery structure.

During 2017 Ara invoiced TANZ $404,504 (2016: $563,614) for various services.

At 31 December 2017 Ara did not owe TANZ any monies, TANZ owed Ara $19,579. At 31 December 2016 Ara did not owe TANZ any monies, TANZ owed Ara $90,154.

There were no other related party transactions.

Key Management Personnel Compensation

	FTE		Parent	
	2017	2016	2017 $000	2016 $000
Council Member Fees				
Full-time equivalent members	8	8		
Council Member Fees			180	193
Executive Management Team, including the Chief Executive				
Full time equivalent members	9	7		
Salaries and Other Short-term Employee Benefits			1,949	1,594
Post-Employment Benefits			79	47
Other Long Term Benefits			–	–
Termination Benefits			–	–
Total Executive Management Team Compensation			**2,208**	**1,641**
Total full time equivalent members and				
Total key management personnel compensation	**17**	**15**	**2,208**	**1,834**

No Councillors received compensation or other benefits in relation to cessation (2016: nil).

Notes to Financial Statements

Note 15
Related Party Transactions (continued)

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

Key management personnel includes all Council Members, the Chief Executive and Division Directors.

Remuneration

Councillor fees paid during the year were:

	Group	
	2017 $000	**2016 $000**
T Arseneau (Chairperson)	15	-
F McKissock (Ara Foundation Chairperson)	2	-
J Annear (Deputy Chairperson)	29	24
J Cartwright	20	20
S Collins	20	20
E Hopkins	20	20
J Hunter	20	20
L Te Aika (Retired during 2017)	4	20
J Boys	23	22
M Taite-Pitama	16	-
J Bestwick (retired Chairperson)	13	47
C Pascoe (retired Ara Foundation Chairperson)	2	6
Total Councillor's Remuneration	**184**	**199**

Notes to Financial Statements

Note 16
Financial Instrument Risks

Ara has a series of policies to manage the risks associated with financial instruments. Ara is risk averse and seeks to minimise exposure from its treasury activities. Ara has an established Council approved Financial Management Policy.

Price risk
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. As the Parent only engages in non-speculative investment it is not exposed to undue price risk. The Group is exposed to equity securities price risk on its investments, which are classified as financial assets available for sale. This price risk arises due to market movements in listed securities. This price risk is managed by diversification of the investment portfolio.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Ara is not exposed to currency risk as it does not hold financial instruments denominated in foreign currencies.

Interest rate risk
The interest rates on Ara's investments are disclosed in note 5 and on Ara's borrowings in note 10. Ara has undertaken a sensitivity analysis of its exposure to interest rate risk on both investments and borrowings. If weighted average interest rates on bank deposits throughout 2017 had fluctuated by plus or minus 2% the effect would have been to increase/decrease the net surplus by $1,241,343 (2016: $1,531,976) as a result of higher/lower interest income on bank deposits.

Fair value interest rate risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates exposes Ara to fair value interest rate risk. Ara has a Debt Management policy designed to ensure debt levels are sustainable and servicing costs are minimised.

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Ara to cash flow interest rate risk. Ara has a Debt Management policy designed to ensure debt levels are sustainable and servicing costs are minimised.

Credit risk
Credit risk is the risk that a third party will default on its obligation to Ara causing Ara to incur a loss. Where appropriate Ara undertakes credit checks on potential debtors before granting credit terms. Ara has no significant concentrations of credit risk in relation to debtors and other receivables. The Parent invests funds only in deposits with registered banks and its Financial Management Policy limits the amount of credit exposure to any one institution to 30% of total investment. The Group's exposure to credit risk on its investments is managed by diversification of the investment portfolio.

Liquidity risk
Liquidity risk is the risk that Ara will encounter difficulty raising liquid funds to meet commitments as they fall due. Ara's Financial Management policy allows short term borrowing to be used to manage liquidity/working capital. Such borrowing takes cognisance of cash flow forecasting and any contingencies which may arise and does not exceed the maximum approved by the Minister of Education.

Concentration of risk
Apart from exposure to the institutions holding the Group's investments and borrowings, the Group is not exposed to any significant concentration of risk.

Notes to Financial Statements

Note 17
Fair Value of Financial Instruments

Ara considers that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- For investments in other companies where quoted market prices are not available and valuation techniques are not appropriate, Ara has determined fair value using cost less impairment.

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

1 *Quoted market price* – Financial instruments with quoted prices for identical instruments in active markets.

2 *Valuation technique using observable inputs* –Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in active markets and financial instruments valued using models where all significant inputs are observable.

3 *Valuation techniques with significant non-observable inputs* – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the Statement of Financial Position:

	Total $000	Quoted Market $000	Observable Inputs Price $000	Significant Non-Observable inputs Price $000
31 December 2017 – Group Financial Assets				
Managed Investment Portfolio	4,774	4,774	-	-
31 December 2016 –Group Financial Assets				
Managed Investment Portfolio	4,304	4,304	-	-

	Parent		Group	
	2017 $000	**2017 $000**	**2017 $000**	**2016 $000**
Loans and receivables				
Cash & cash equivalents	31,039	20,574	32,623	22,289
Receivables	4,005	29,972	4,186	30,000
Bank Deposits Maturing within 12 months	31,400	40,700	31,400	40,700
Total loans and receivables	**66,444**	**91,246**	**68,209**	**92,989**
Financial liabilities at amortised cost				
Payables	6,665	8,529	7,021	11,046
Secured loans	–	–	600	-
Total loans and receivables	**6,665**	**8,529**	**7,621**	**11,046**

Note 18
Capital Management

Ara's capital is its equity which comprise general funds, restricted reserves and revaluation reserves. Equity is represented by net assets. Ara manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. Ara's equity is largely managed as a by-product of managing income, expenses, assets, and liabilities.
The objective of managing Ara's equity is to ensure Ara effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

Notes to Financial Statements

Note 19
Variances to Budget

This note is prepared in respect of the Group

Statement of Comprehensive Revenue and Expenses

Government Grants were below budget by $2.4m due to difference in final confirmed funding after the budget was set.

Student Tuition Fees were below budget by $2.3m due to student numbers not reaching targets.

Employee Benefit Expenses were $1.7m under budget due to the derecognition of liabilities no longer included within contractual allowances and savings in short-term replacement budgets.

Depreciation was over budget by $1.8m due to the 2016 revaluation increasing values to a greater degree than anticipated in the budget.

Other Expenses were $2.6m under budget. The notable factors in this were:

– $0.5m under budget in insurance costs

– $0.5m under budget in agents commissions

- $0.4m under budget in software maintenance and ICT as a service costs

- $0.4m under budget in class materials/equipment costs

Overall the Net Surplus was $2.8m less than budget.

Statement of Financial Position

Total Cash and Cash Equivalents and Other Financial Assets were reasonably equivalent to budget, however, there was a movement between the two categories as a greater level of bank deposits were on shorter terms at year end.

Employee Benefit Liabilities were $1.8m less than budget due to a pay due on 2 January 2018 being paid before the 2017 year end.

The Asset Revaluation Reserve was ahead of budget due to the 2016 revaluation occurring after the setting of the 2017 budget.

Statement of Cash Flows

The Statement of Cash Flows largely reflects the variances noted above.

Purchase of Property, Plant and Equipment was $12.7m below budget, primarily due to delays in campus development spending.

Proceeds from Sale and Maturity of Investments and Purchase of Investments are merely monies going onto, and coming off Term Deposits. Only the net movement is budgeted. There was a net movement of $9.3m from monies in Term Deposits into bank accounts with shorter maturity periods.

Statement of Changes in Equity

The Opening Asset Revaluation Reserve and Opening Total Equity was ahead of budget due to the 2016 revaluation after the setting of the 2017 budget.

Note 20
Post Balance Date Events

There were no significant events after balance date.

Statement of Resources
as at 31 December 2017

	Gender	Allied	Management	Teaching	Total
Academic Services Division	F	30.5	1.0		31.5
	M	7.6			7.6
		38.1	**1.0**		**39.1**
Business Development Division	F	34.6			34.6
	M	17.7	1.0		18.7
		52.3	**1.0**		**53.3**
Corporate Services Division	F	61.3			61.3
	M	80.3	0.8		81.1
		141.6	**0.8**		**142.4**
Education & Applied Research Division	F	106.3	1.0	249.4	356.7
	M	58.0		229.4	287.4
		164.3	**1.0**	**478.8**	**644.1**
Executive Division	F	5.7	2.5		8.2
	M	2.4	1.5		3.9
		8.1	**4.0**		**12.1**
Student Services Division	F	74.7			74.7
	M	17.0	1.0		18.0
		91.7	**1.0**		**92.7**
Total FTES by Gender	**F**	**313.1**	**4.5**	**249.5**	**567.1**
	M	**182.9**	**4.3**	**229.4**	**416.6**
		496.0	**8.8**	**478.9**	**983.7**
Percentage by Gender	F	63.1%	51.0%	52.1%	57.6%
	M	36.9%	49.0%	47.9%	42.4%

Note: This data is rounded to one decimal place.

Library Collection	**2017**	**2016**
Printed books	46,158	49,303
Electronic books	27,432	30,424
Print serial titles	258	294
Electronic serial titles	31,146	31,046

Artworks Collection	**2017**	**2016**
Catalogued items	395	391

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Ara Institute of Canterbury and group's financial statements and statement of service performance for the year ended 31 December 2017

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

Opinion

We have audited:

- the financial statements of the Polytechnic and group on pages 2 to 37, that comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Polytechnic and group on pages v to xi.

In our opinion:

- the financial statements of the Polytechnic and group on pages 2 to 37:
  - present fairly, in all material respects:
    - the financial position as at 31 December 2017; and
    - the financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the statement of service performance of the Polytechnic and group on pages v to xi presents fairly, in all material respects, the Polytechnic and group's service performance achievements measured against the proposed outcomes described in the investment plan for the year ended 31 December 2017.

Our audit was completed on 26 April 2018. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

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

For the budget information reported in the financial statements and the statement of service performance, our procedures were limited to checking that the information agreed to:

- Ara and group's approved budget for the financial statements; and
- the investment plan for the statement of service performance.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Polytechnic and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Polytechnic and group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Council is responsible for the other information. The other information comprises the information included on pages B to iv, 38, and 43 to 45 but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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

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

Independence

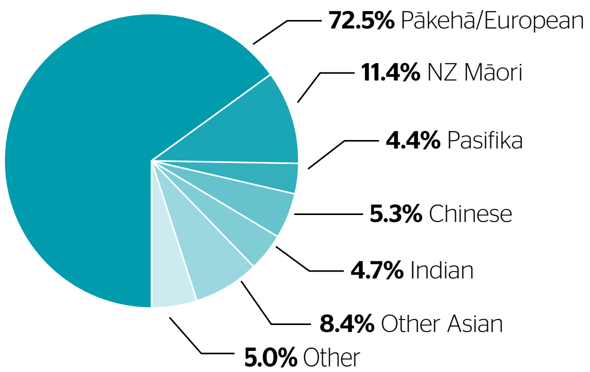
We are independent of the Polytechnic and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New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

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

John Mackey
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

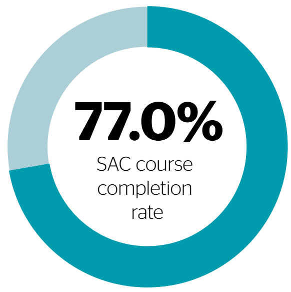
Equal Education Opportunities

Student Ethnicity

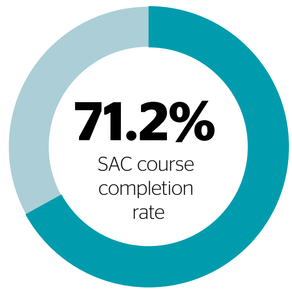


This graph shows the proportion of enrolled students in 2017 who identify with each ethnic group. Note that the sum adds to more than 100% due to students being able to identify with multiple ethnicities.

Māori students

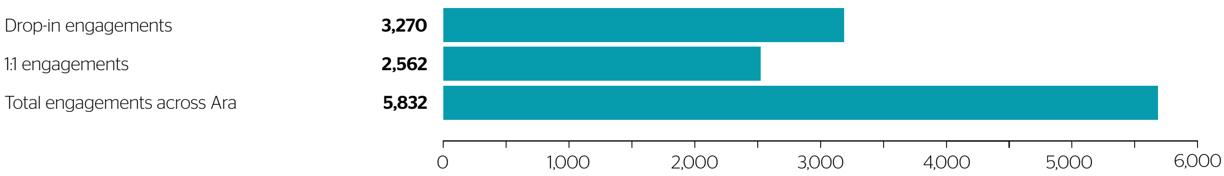


Pasifika students



Learning Services

Number of student appointments and assessments



2017 saw the consolidation of the cornerstone model of support, where resources which were previously used to support 1:1 engagements were redirected to group engagements such as class teaching (227 hours), Workshops (29 hours) and students are encouraged to use the self-help, online resources. There was a strategic change with class teaching focused on supporting the development of academic literacies in students at foundation level and in their first year of study.

A large project that came to fruition in 2017 was the consolidation of online resources on Campus Life. This included the development of guided learning pathways for a range of academic literacies, thus increasing the scope and impact of multi-media self-help resources.

In 2017, the Peer Assisted Study Scheme supported 354 students - 20% of the enrolments in 39 PASS-supported courses - through weekly facilitated study sessions. The demographic of PASS attendees is representative and proportional to the demographic makeup of PASS-supported courses. On average, students utilising PASS earned a final grade better than students not attending PASS (9.8-points better in Semester 1 and 9.65-points better in Semester 2).

Disability Services

In 2017, 1,914 students self-identified with a disability (1,777 in 2016), and 196 students registered with Disability Services and a further 116 students also engaged with Disability Services for information and support. Of the students registered with Disability Services, 53% had a specific learning disability (e.g. dyslexia), 23% of students had mental health difficulties, (predominantly anxiety disorders), and 14% of students had medical or physical health difficulties. Sixty-three per cent of registered students were aged under 25 years and 15% of students were Māori or Pasifika. Disability Services organised staff development workshops on the learning needs of students with dyslexia and those with mental health difficulties.

Examples of the student support provided by Disability Services include alternative exam arrangements for 117 students, for a total of 492 tests and exams. The service also provided notetaking support for 52 students across 113 courses. NZ Sign Language interpreter support in class was provided for six deaf students.

Gender

	2017	2016
Male students	48.1%	47.7%
Female students	51.9%	52.3%

Ara supports women in non-traditional vocations through scholarships, individual support and regular events that assist students to be successful learners and to build awareness of opportunities, career development skills, work experience, supportive networks and job acquisition. These sessions assist students to be prepared for vocations where they will be in the minority, to succeed in the learning environment and to transition into the workplace.

Ara has extended this service to relevant students on all campuses.

Childcare

Ara endeavours to offer early learning education options through direct service provision and relationships with other operators. Ara operates an Early Learning Centre at the City Campus; there is also a privately run Bilingual Centre (Te Waka Huruhurumanu ki Ōtautahi) on the City Campus; in Timaru the North Haven Childcare and Education Centre operates directly opposite the campus. In 2017 Ara supported an Oamaru group of Pasifika students with childcare to enable their participation in a programme of learning. These services assist parents and caregivers with preschool children.

Eliminating Harassment

Information about harassment is included in student information and on the student website (Campus Life). Ara is explicit that discrimination, harassment or intimidation are unacceptable and that the Harassment Complaint Procedure applies to all staff, students and visitors.

All students are also made aware of their rights and responsibilities during orientation to their programmes. They are also informed about how and where to seek support if they are experiencing or observing harassment.

Academic and support staff know who to contact to ensure Ara policy and process is adhered to. They are vigilant observers and quick to intervene to stop and manage unacceptable behaviour and ensure appropriate support is offered to victims.

Secondary Tertiary Pathways

In 2017, Ara enrolled 604 students in dual secondary–tertiary provision. This included 460 students in the Canterbury Tertiary College (CTC) Trades Academy and 147 through Dual Pathways.

Targeted Funding

In 2017, Ara delivered 29.4 EFTS of Targeted Funding to 94 students covering Intensive Literacy and Numeracy for adults. This included a number of students from other countries through the Refugee English Fund.

Adult and Community Education

In 2017, Ara deliver 125 EFTS worth of Adult and Community Education (ACE) to 1,426 students. This included courses in English language, computing, te reo and life skills for women through the Next Step Centre.

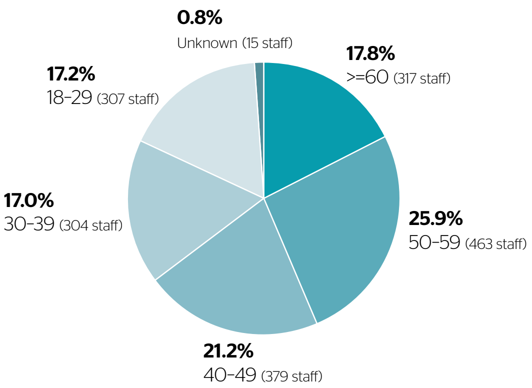
Māori and Pasifika

Increasing the participation and achievement of Māori and Pasifika students remained a key focus for Ara in 2017. During the year, the Ara Pasifika Strategy was finalised and launched, in collaboration between a number of internal and external stakeholders participating in the Pasifika Advisory Group. Ara also continued to maintain staff dedicated to the recruitment and pastoral support of Māori and Pasifika students. For further details on 2017 participation and achievement of Māori and Pasifika students, please refer to the Statement of Service Performance.

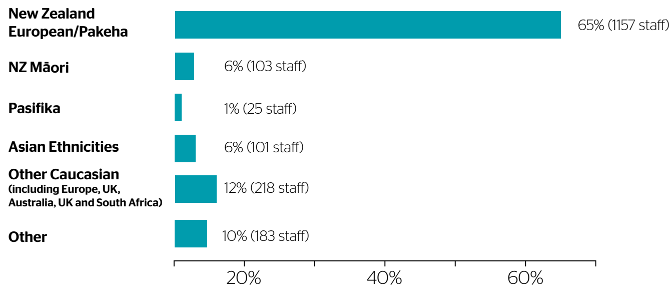
Equal Employment Opportunities

Ara has maintained a focus on diversity, biculturalism and flexible working and remains a committed member of Diversity Works (previously Equal Employment Opportunities Trust). We work to ensure that the principles of EEO are embedded in all of our people, policies and practices.

Employee Age



Employee Ethnicity



Note: Ara HR systems only allow staff to specify one ethnicity. The graph above reflects the primary ethnicity selected by staff.

Workplace Diversity

The Ara ethnicity profile has remained consistent with that of 2016. The majority of our staff identify as Pākehā/NZ European and other Caucasian ethnicities from Europe, North America, Australia and South Africa. The Māori and Pasifika profile has remained steady at 6% and 1% respectively although actual numbers of staff identifying as Pasifika have increased by 25%.

Biculturalism

The development and integration of biculturalism continues to be a focus for all staff. The foundation provided through the Māori Exemplar Tool is further supported cultural and language workshops and other continuous improvement initiatives for all areas.

Vulnerable Children Act 2014 Compliance and Security

The compliance with the requirements of the legislation and Ara policy has become business as usual providing confidence to ensuring an appropriate and secure environment. All new staff are processed according to the nature and requirements of their role and the programme for compliance with the Act and Ara Policy for existing staff has been implemented.

Staff Wellness

Our approach to supporting staff wellbeing and ensuring staff remain a key focus for the institute is reflected in continued support and new initiatives including:

1. **Staff Wellbeing Committee**
   Supported by People and Development, the Staff Wellbeing Committee has continued to provide a superb and well supported service throughout 2017, organising events and ongoing activities. This activity is now seeing initiatives from across the range of campuses, some being site specific while others involve all staff. Many of these are now established events in the annual calendar with continued high levels of enthusiasm. The importance of staff wellbeing is reflected in the ongoing enthusiasm of the committee, which consists of a good representation of the diverse nature of Ara staff, who meet regularly and plan and run these events on a voluntary basis.

2. **Health and Wellness**
   The provision of health initiatives such as flu inoculations and other health checks have proved popular and beneficial to staff. Access to the gym with exercise and yoga classes also are well received.

3. **Smokefree at Ara**
   The Ara smokefree policy has continued to be embedded into the "business as usual" activities of the institute and rolled out to be consistent within all campuses during 2017 and is accepted as the norm. Support continues to be provided by the Health Centre and campus signage reflects the Ara Smokefree status.

Staff with Disabilities

Ara continues to support the mainstream programme of supported employment for people with disabilities or rehabilitation following an illness or injury. Staff are supported through a number of other physical and environmental interventions. This is part of our ongoing commitment to a diverse workforce.

Staff Demographics

Employee demographics show no change to the aging trend with staff aged 40+ remaining at 64% of the Ara workforce in 2017. Ara has continued to identify innovative initiatives for addressing/mitigating the impact on staff resulting from this trend.

Future Focus

Ara is committed to a diverse workforce and Equity programmes that are aligned with the Investment Plans and the Workforce Strategy. Key areas of focus remain:

- the wellbeing of staff in the continually evolving environment
- identifying new and sustainable ways to encourage and support all academic and allied staff to operate in ways that are respectful to, and effective for, Māori/Pasifika learners
- developing and maintaining a staff recruitment/retention plan to support existing and increasing numbers of Māori/ Pasifika and other diversity of staff across Ara
- continuing to develop and maintain support mechanisms and interventions that recognise the impacts on staff from the establishment of the new entity
- increasing awareness of multiculturalism and the maintenance of overseas exchange programmes for staff.

Institute of Canterbury

Ara rau, taumata rau

Ara is proud to be a smokefree institute

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