Pūrongo-ā-tau whakamutunga
Disestablishment annual report

10 Months ended 31 October 2022

Nau mai haere mai ki Te Pūkenga

Welcome to Te Pūkenga

Te Pūkenga is building a national network of integrated learning in Aotearoa New Zealand that better meets the needs of learners, their whānau, employers and the community.

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Te Pūkenga

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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Universal College of Learning Limited and group's financial statements for the period 1 January 2022 to 31 October 2022.

The Auditor-General is the auditor of Universal College of Learning Limited (the company) and group. The Auditor-General has appointed me, Stephen Usher, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company and group on his behalf.

We have audited the financial statements of the company and group on pages 5 to 53, which have been prepared on a disestablishment basis, that comprise the statement of financial position as at 31 October 2022, the statement of comprehensive revenue and expense, statement of changes in equity and cash flow statement for the period ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Qualified opinion

In our opinion, except for the possible effect of the matters described in the Basis for our qualified opinion section of our report, the financial statements of the company and group on pages 5 to 53 which have been prepared on a disestablishment basis:

- present fairly, in all material respects:
  - » the financial position as at 31 October 2022; and
  - » the financial performance and cash flows for the period then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

Our audit was completed on 3 May 2023. This is the date at which our qualified opinion is expressed.

The basis for our qualified opinion is explained below and we draw your attention to the financial statements being prepared on a disestablishment basis. In addition, we outline the responsibilities of the Te Pūkenga Council (the Council) and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our qualified opinion – our work was limited with respect to the comparative period's fair value movement of building assets

We issued a qualified audit report on the company's 31 December 2020 financial statements as our work was limited in respect of the carrying value of building assets of $63.8 million at that date. This was because the carrying value of the company's Manawatū and Whanganui Campus buildings had not been altered to reflect required seismic remediation work. The level of remediation work and associated costs was not known at the time but was estimated as substantial.

We concluded the approach taken by the company in the year ended 31 December 2021 met the requirements of generally accepted accounting practice and our opinion on the carrying value of building assets at 31 December 2021, which is presented as comparative information, was not modified. However, any misstatement of the building carrying value as at 31 December 2020 would consequentially affect the fair value movement of building assets of $14.4 million recognised in the statement of comprehensive revenue and expense for the 31 December 2021 year.

Because of the limitation of scope explained above in relation to the carrying value of building assets for the year ended 31 December 2020, we were unable to obtain sufficient audit evidence that the fair value movement recognised in the statement of comprehensive revenue and expense for the year ended 31 December 2021, presented as comparative information, is materially correct. We are satisfied that the carrying value of the building assets of $70.0 million as at 31 October 2022 is fairly stated.

Our opinion on the 31 October 2022 financial statements is qualified because of the effects of the above matter on the comparability of the current period and comparative year's fair value movement figures.

Without further modifying our opinion we draw attention to the disclosures in note 8 on pages 24 to 25 that outline the main assumptions and uncertainties in estimating the seismic strengthening cost deduction to the depreciated replacement cost value of the company's earthquake-prone buildings. The valuer continues to highlight that less certainty exists than normal and a higher degree of caution should be attached to the valuation of the company's earthquake-prone buildings.

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

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

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

Emphasis of matter – The financial statements have been prepared on a disestablishment basis

Without further modifying our opinion, we draw attention to the basis of preparation on page 5, which outlines that Te Pūkenga disestablished Universal College of Learning Limited on 31 October 2022. As a result, the financial statements have been prepared on a disestablishment basis. No changes have been made to the recognition and measurement basis, or presentation of assets and liabilities in these financial statements because the operations of the company have been transferred to Te Pūkenga on the disestablishment date.

Responsibilities of the Council for the financial statements

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

Up until 31 October 2022 the Board of Directors of the company and group were responsible for such internal control as it determined was necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. From 31 October 2022, the Council took over these responsibilities to enable the completion of the financial statements.

In preparing the financial statements, the Council is responsible on behalf of the company and group for assessing the company and group's ability to continue as a going concern. If the Council concludes that a going concern basis of accounting is inappropriate, the Council is responsible for preparing financial statements on a disestablishment basis and making appropriate disclosures.

The Council's responsibilities arise from the Education and Training Act 2020.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, 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.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the company and group's approved budget.

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

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, 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 company 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 disestablishment basis by the Council.
- We evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the group to express an opinion on the consolidated financial statements. 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 page 1 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements 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 company 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 International 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 company or any if its subsidiaries.

S. Usher

Stephen Usher
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Notes to the financial statements
For the period ended 31 October 2022

1. Statement of accounting policies

Reporting entity

UCOL is a Tertiary Education Institution (TEI) that is domiciled and operates in New Zealand. UCOL came into existence on 1 April 2020. The relevant legislation governing operations includes the Crown Entities Act 2004 and the Education and Training Act 2020.

The financial statements are presented on a consolidated group basis. The group consists of UCOL ('the parent'), UCOL Holdings Limited (a wholly owned subsidiary) disestablished 12/10/2022, UCOL International Limited (a wholly owned subsidiary of UCOL Holdings Limited) disestablished 31/08/2022, UCOL Developments Limited (a wholly owned subsidiary of UCOL Holdings Limited) disestablished 23/12/2021, UCOL School of International Cuisine Studies Limited

(a wholly owned subsidiary of UCOL Holdings Limited) disestablished 12 October 2022 and Minerva International Education Limited (a wholly owned subsidiary). UCOL School of International Cuisine Studies Limited disestablished 29 September 2022 and Minerva International Education Limited disestablished 29 September 2022.

UCOL and the group provides educational and research services for the benefit of the community. It does not operate to make a financial return.

UCOL has designated itself and the group as public benefit entities (PBE's) for the purposes of complying with generally accepted accounting practice.

The financial statements of UCOL and the group are for the 10 month period ended 31 October 2022 and were authorised for issue by the Te Pūkenga Board on 3 May 2023.

Basis of preparation

The Education and Training Act 2020 (the Act) states that each Te Pūkenga subsidiary would continue in existence until the close of 31 December 2022, or at an earlier date as resolved by Te Pūkenga. Te Pūkenga resolved to disestablish UCOL on 31 October 2022, at which point all the rights, assets, and liabilities of UCOL were transferred to Te Pūkenga. As a result, the financial statements have been prepared on a disestablishment basis. However, because the education services will continue to be provided by Te Pūkenga, no changes have been made to the recognition and measurement basis, or presentation of assets and liabilities in these financial statements due to the disestablishment basis of preparation.

Reporting period

UCOL ceased to exist on 1 November 2022. Therefore, the reporting period for 2022 is for the ten months from 1 January 2022 to

31 October 2022. The reporting period for the Actuals for 2021 and Budget 2022 is for the twelve months 1 January 2022 to 31 December 2022.

Reporting measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Item	Measurement
Land	Fair value
Buildings and Infrastructure	Fair value

Statement of compliance

The financial statements of UCOL and the group have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Education and Training Act 2020, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

UCOL is a Tier 1 entity and the financial statements have been prepared in accordance with PBE Standards. These financial statements comply with PBE Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values, other than the Board member remuneration disclosures and the related party transaction disclosures in Note 23, are rounded to the nearest thousand dollars ($000). Board member remuneration and related party transaction disclosures are rounded to the nearest dollar.

Notes to the financial statements (continued) For the period ended 31 October 2022

Standards issued but not efffective and early adopted

No standards issued but not effective have been early adopted, the impact of the upcoming amendments will be assessed in the Te Pūkenga accounts going forward.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below:

Budget figures

The budget figures for UCOL and the group have been derived from the budget approved by the UCOL Board at the end of 2021. Those budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements. The budget approved was for the full 1 January 2022 to 31 December 2022 year.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions concerning the future have been made. 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 expectation of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Crown Owned Land and Buildings

Property in the legal name of the Crown that is occupied by UCOL is recognised as an asset in the Statement of Financial Position.

UCOL considers it has assumed all the normal risks and rewards of ownership of this property despite legal ownership not being transferred, and accordingly it would be misleading to exclude these assets from the financial statements.

UCOL has secured the use of the property by means of a lease from the Ministry of Education for a period of 99 years from 1 February 1998, at a nominal rental of $1 per annum.

Employee entitlements

Entitlements, which are payable beyond twelve months are calculated on an actuarial basis. The calculations are based on the likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement (being the probability rate) and contractual entitlements information; and the present value of the estimated future cash flows. Discount rates of 2.24% were applied for the 10 month period for 2022 (2021 2.24% were applied in the actuarial calculations for 2021) and inflation factors of 3.5% were applied for the 10 month period for 2022 (3.5% was applied in the actuarial calculations for 2021).

Goods and services tax

Items in the financial statements are stated exclusive of GST, (except for receivables and payables, which are presented on a GST-inclusive basis). Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the Statement of Cash Flows. Commitments and contingencies are disclosed exclusive of GST.

Income tax

UCOL and the group are exempt from Income Tax. Accordingly, no provision has been made for Income Tax.

Statement of comprehensive revenue and expense For the period ended 31 October 2022

All in $000s	Note	Group** Actual 2022	Group** Budget 2022	Group** Actual 2021	Parent** Actual 2022	Parent** Actual 2021
Revenue						
Government funding	2	28,642	37,831	30,576	28,642	30,576
Tuition fees and departmental revenue	2	13,770	23,542	18,251	13,770	18,251
Other revenue	2	2,397	527	2,531	2,397	2,531
Total Revenue		**44,809**	**61,900**	**51,358**	**44,809**	**51,358**
Expenditure						
Employee expenses	3	29,315	34,659	33,796	29,315	33,796
Depreciation expense	8	3,101	4,274	3,483	3,101	3,483
Amortisation expense	9	580	368	715	580	715
Finance Costs	3	9	30	14	9	14
Administration and other expenses	3	12,558	22,100	14,879	12,559	14,491
Total Operating Expenses		**45,563**	**61,431**	**52,887**	**45,564**	**52,499**
Surplus/(deficit) before share of associate entity and Separately Disclosed Items*		(754)	469	(1,529)	(755)	(1,141)
Separately Disclosed Items		766	304	466	766	998
Total Expenditure		**46,329**	**61,735**	**53,353**	**46,330**	**53,497**
Surplus/(deficit) before share of associate entity		(1,520)	165	(1,995)	(1,521)	(2,139)
Share of associate entity		-	-	(405)	-	(405)
Surplus/(deficit)		**(1,520)**	**165**	**(2,400)**	**(1,521)**	**(2,544)**
Other comprehensive revenue and expense						
Items that will not be reclassified to surplus/(deficit)						
Revaluation of land and buildings	18	-	-	14,357	-	14,357
Distribution to the Crown[1]	18	(2)	-	(762)	(100)	(762)
Total items that will not be reclassified to surplus/(deficit)		**(2)**	**-**	**13,595**	**(100)**	**13,595**
Total other comprehensive revenue and expense		**(2)**	**-**	**13,595**	**(100)**	**13,595**
Total comprehensive revenue and expense		**(1,522)**	**165**	**11,195**	**(1,621)**	**11,051**

* Operating surplus/(deficit)

** The reporting period for 2022 is for the ten months from 1 January 2022 to 31 October 2022. The reporting period for the Actuals for 2021 and Budget 2022 is for the twelve months 1 January 2022 to 31 December 2022.

Explanations of major variances against budget are provided in Note 19.

The accompanying notes form part of these financial statements.

[1] 2021 ($762,000) relates to TANZ eCampus Limited who became a business division of the Open Polytechnic of New Zealand Limited on 1 December 2021.

Statement of financial position
For the period ended 31 October 2022

		Group**			Parent**	
		Actual	Budget	Actual	Actual	Actual
All in $000s	Note	2022	2022	2021	2022	2021
Assets						
Current assets						
Cash and cash equivalents	4	9,926	4,539	6,837	9,926	6,292
Student fees and other receivables	5	8,359	11,160	11,791	8,359	12,336
Prepayments		285	840	841	285	837
Inventory	6	788	680	679	788	679
Assets held for sale	7	-	-	2,050	-	2,050
Other financial assets	16	-	-	-	-	-
Total current assets		**19,358**	**17,219**	**22,198**	**19,358**	**22,194**
Non-current assets						
Property, plant and equipment	8	112,937	108,947	112,039	112,937	112,039
Intangible assets	9	1,388	3,566	1,362	1,388	1,362
Assets under construction - property, plant and equipment	8	2,881	-	4,166	2,881	4,166
Assets under construction - intangibles	9	811	-	255	811	255
Investment in other entities	10	-	1,319	-	-	100
Term receivables	5	-		-	-	-
Other financial assets - non-current	16	-		-	-	-
Total non-current assets		**118,017**	**113,832**	**117,822**	**118,017**	**117,922**
Total assets		**137,375**	**131,051**	**140,020**	**137,375**	**140,116**
Liabilities						
Current liabilities						
Trade and other payables	11	9,309	5,132	6,867	9,309	6,864
Employee entitlements	12	4,314	3,208	3,315	4,314	3,315
Revenue received in advance	13	4,753	10,774	9,155	4,753	9,155
Borrowings	14	3,557	4,037	3,557	3,557	3,557
Finance leases	15	455	253	500	455	500
Total current liabilities		**22,388**	**23,404**	**23,394**	**22,388**	**23,391**
Non-current liabilities						
Employee entitlements	12	413	510	510	413	510
Borrowings	14	-	2,780	-	-	-
Finance leases	15	459	516	479	459	479
Total non-current liabilities		**872**	**3,806**	**989**	**872**	**989**
Total liabilities		**23,260**	**27,210**	**24,383**	**23,260**	**24,380**
Net assets		**114,115**	**103,841**	**115,637**	**114,115**	**115,736**
Equity						
General funds	18	86,522	90,616	88,050	86,522	88,199
Property revaluation reserve	18	27,593	13,225	27,587	27,593	27,537
Total equity		**114,115**	**103,841**	**115,637**	**114,115**	**115,736**

** The reporting period for 2022 is for the ten months from 1 January 2022 to 31 October 2022. The reporting period for the Actuals for 2021 and Budget 2022 is for the twelve months 1 January 2022 to 31 December 2022.

Explanations of major variances against budget are provided in Note 19.

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the period ended 31 October 2022

		Group**			Parent**	
		Actual	Budget	Actual	Actual	Actual
All in $000s	Note	2022	2022	2021	2022	2021
Opening balance		115,637	103,676	104,437	115,736	104,637
Surplus/(deficit)	18	(1,520)		(2,400)	(1,521)	(2,544)
Other comprehensive revenue and expense						
Actual comprehensive revenue	18	-	165	14,357	-	14,357
Distribution to the Crown[1]	18	(2)		(762)	(100)	(762)
Total comprehensive revenue and expense		**(1,522)**	**165**	**11,195**	**(1,621)**	**11,051**
Non-comprehensive revenue and expense items						
Other contributions from the Crown[2]		-	-	5	-	48
Suspensory loans from the Crown		-	-	-	-	-
Other non-comprehensive revenue and expense		-	-	-	-	-
Total non-comprehensive revenue		**-**	**-**	**5**	**-**	**48**
Balance as at 31 October		**114,115**	**103,841**	**115,637**	**114,115**	**115,736**

** The reporting period for 2022 is for the ten months from 1 January 2022 to 31 October 2022. The reporting period for the Actuals for 2021 and Budget 2022 is for the twelve months 1 January 2022 to 31 December 2022.

Explanations of major variances against budget are provided in Note 19.

[1] This relates to TANZ eCampus Limited who became a business division of the Open Polytechnic of New Zealand Limited on 1 December 2021.

[2] This relates to a property transfer from a wholly owned subsidiary.

The accompanying notes form part of these financial statements.

Cash flow statement
For the period ended 31 October 2022

		Group**			Parent**	
		Actual	Budget	Actual	Actual	Actual
All in $000s	Note	2022	2022	2021	2022	2021
Cash flows from operating activities						
Receipts from Government grants		28,265	37,831	32,621	28,265	32,621
Receipts from student fees		15,084	19,367	14,948	15,084	14,948
Receipt of dividends		-	-	-	-	-
Receipt of interest		162	12	8	162	8
Receipt of other revenue		3,016	4,699	3,138	3,016	3,138
Goods and services tax (net)		(603)	-	45	(603)	45
Payments to employees		(27,357)	(34,962)	(33,469)	(27,357)	(33,469)
Payments to suppliers		(13,463)	(22,080)	(15,871)	(13,463)	(15,871)
Interest paid		(9)	(20)	(14)	(9)	(14)
Net cash flow from operating activities		**5,095**	**4,847**	**1,406**	**5,095**	**1,406**
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment		2,187	-	4,840	2,187	4,840
Proceeds from sale or maturity of investments		-	-	-	545	-
Purchase of property, plant and equipment		(3,606)	(8,349)	(5,549)	(3,606)	(5,549)
Purchase of investments		-	-	-		-
Purchase of intangible assets		(587)	(2,446)	(397)	(587)	(397)
Net cash flow used in investing activities		**(2,006)**	**(10,795)**	**(1,106)**	**(1,461)**	**(1,106)**
Cash flows from financing activities						
Proceeds from borrowings		-	3,300	-	-	57
Proceeds from capital contributions from the Crown		-	-	-	-	-
Proceeds from suspensory loans from the Crown		-	-	-	-	-
Repayment of borrowings		-	(40)	-	-	-
Distributions to the Crown		-	-	-	-	-
Repayment of finance leases		-	-	-	-	-
Proceeds/Distributions from other financial activities		-	-	-	-	-
Net cash flows from financing activities		**-**	**3,260**	**-**	**-**	**57**
Net (decrease)/increase in cash and cash equivalents		**3,089**	**(2,688)**	**300**	**3,634**	**357**
Cash and cash equivalents at beginning of the period		6,837	7,227	6,537	6,292	5,935
Cash and cash equivalents at end of the year	**4**	**9,926**	**4,539**	**6,837**	**9,926**	**6,292**

** 2022 Actuals are for the 10 months ended 31 October 2022, 2021 actuals and 2022 Budget are for full year ended 31 December.

Explanations of major variances against budget are provided in Note 19.

The accompanying notes form part of these financial statements.

Cash flow statement (continued)
For the period ended 31 October 2022

Reconcilation from net surplus/(deficit) to net cash flow from operating activities

		Group**		Parent**	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Surplus/(deficit)		(1,520)	(2,400)	(1,521)	(2,544)
Add/(less) non-cash items:					
Depreciation and amortisation expense	8, 9	3,681	4,198	3,681	4,198
Bad debt provision movement	3	80	54	80	(334)
Other losses/(gains)		592	408	594	408
Add/(less) items classified as investing or financing activities					
Net loss/(gain) on disposal of property, plant and equipment		(762)	(732)	(762)	(732)
Impairment		-	-	-	-
Notional interest		-	-	-	-
Add/(less) movements in working capital					
(Increase)/decrease in accounts receivable and other receivables		3,352	(524)	3,352	82
(Increase)/decrease in inventories		(109)	(269)	(109)	(269)
(Increase)/decrease in prepayments		556	36	552	36
(Increase)/decrease in other financial assets		-	-	-	-
Increase/(decrease) in employee entitlements		903	(266)	902	(266)
Increase/(decrease) in trade and other payables		2,725	2,515	2,728	2,441
Increase/(decrease) in provisions		-	-	-	-
Increase/(decrease) in fees in advance		(4,403)	(1,614)	(4,402)	(1,614)
Increase/(decrease) in trust and endowments		-	-	-	-
Net cash from operating activities		**5,095**	**1,406**	**5,095**	**1,406**

Explanations of major variances against budget are provided in Note 19.

The accompanying notes form part of these financial statements.

**2022 Actuals are for the 10 months ended 31 October 2022, 2021 actuals and 2022 Budget are for full year ended 31 December.

Notes to the financial statements (continued) For the period ended 31 October 2022

2. Revenue

Accounting policy

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

Student Achievement Component funding – SAC funding – 31 October 2022 year

Student Achievement Component (SAC) funding is the main source of operational funding for UCOL from Te Pūkenga.

UCOL 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. This is adjusted for any expected adjustments as part of the final wash-up process with Te Pūkenga.

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.

Fees-free revenue

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

Performance-based research fund

UCOL considers funding received from Performance-Based Research Fund (PBRF) to be non-exchange in nature. PBRF funding is measured based on the funding entitlement allocated by Te Pūkenga adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

Research revenue

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

For a non-exchange research contract, the total funding receivable under the contract is recognised as revenue immediately, unless there are substantive conditions in the contract.

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

Other grants received

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

Donations, trust funds, endowments, bequests, and pledges

Donations, trust funds, endowments, and bequests for the benefit of UCOL are recognised as an asset and revenue when the right to receive the funding or asset has been established, unless there is an obligation in substance to return the funds if conditions are not met.

If there is such an obligation, they are initially recorded as revenue in advance and then recognised as revenue when the conditions are satisfied. Pledges are not recognised as assets or revenue until the pledged item is received.

Sales of goods

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

Interest

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment.

Notes to the financial statements (continued)
For the period ended 31 October 2022

2. Revenue (continued)

		Group**		Parent**	
Government funding classified as non-exchange transactions		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Student disability grant		59	76	59	76
Learners under 25 with low prior attainment		61	-	61	-
Youth guarantee funding		1,126	1,050	1,126	1,050
Other Government grants		-	-	-	-
Māori and Pacific Islands grant		226	98	226	98
Student Achievement Component (SAC) funding		22,031	25,366	22,031	25,366
Performance based research funding		155	185	155	185
Other Government funding		4,984	3,801	4,984	3,801
Total Government funding classified as non-exchange transactions		**28,642**	**30,576**	**28,642**	**30,576**

Tuition fees and departmental revenue classified as exchange transactions		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Tuition fees - international students		1,021	2,191	1,021	2,191
Departmental revenue (non base revenue and recoveries)		1,322	3,006	1,322	3,006
Other tuition fees classed as exchange transactions		-	-	-	-
Total tuition fees and departmental revenue classified as exchange transactions		**2,343**	**5,197**	**2,343**	**5,197**

Tuition fees and departmental revenue classified as non-exchange transactions		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Tuition fees - domestic students		7,311	7,676	7,311	7,676
Departmental revenue (non base revenue and recoveries)		-	-	-	-
Fees free funding		2,028	3,060	2,028	3,060
Targeted training and apprenticeship funding (TTAF)		2,088	2,318	2,088	2,318
Total tuition fees and departmental revenue classified as non-exchange transactions		**11,427**	**13,054**	**11,427**	**13,054**
Total tuition fees and departmental revenue		**13,770**	**18,251**	**13,770**	**18,251**

** 2022 Actuals are for the 10 months ended 31 October 2022 and 2021 actuals are for full year ended 31 December.

Notes to the financial statements (continued)
For the period ended 31 October 2022

2. Revenue (continued)

		Group**		Parent**	
Other revenue classified as exchange transactions		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Other revenue		501	577	501	577
Gain on disposal of property, plant and equipment		766	767	766	767
Interest revenue		176	8	176	8
Student service fees		954	1,179	954	1,179
Total other revenue classified as exchange transactions		**2,397**	**2,531**	**2,397**	**2,531**

Other revenue classified as non-exchange transactions		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Other revenue					
Total other revenue classified as non-exchange transactions					
Total other revenue		**2,397**	**2,531**	**2,397**	**2,531**

Total revenue		**44,809**	**51,358**	**44,809**	**51,358**
Revenue classification					
Exchange revenue		4,936	7,728	4,936	7,728
Non-exchange revenue		39,873	43,630	39,873	43,630
Total revenue		**44,809**	**51,358**	**44,809**	**51,358**

** 2022 Actuals are for the 10 months ended 31 October 2022 and 2021 actuals are for full year ended 31 December.

Notes to the financial statements (continued) For the period ended 31 October 2022

3. Expenditure

Accounting policy

Scholarships

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

		Group**		Parent**	
All in $000s	Note	Actual 2022	Actual 2021	Actual 2022	Actual 2021
Employee expenses					
Wages and salaries		25,814	31,201	25,814	31,201
Defined contribution plan employer contributions		704	852	704	852
Councillors and board fees	23	125	155	125	155
Increase/(decrease) in employee benefit liabilities		902	(266)	902	(266)
Other employee expenses		1,770	1,796	1,770	1,796
Restructuring expenses		-	58	-	58
Total employee benefits expense		**29,315**	**33,796**	**29,315**	**33,796**
Depreciation and amortisation expenses					
Depreciation	8	3,101	3,483	3,101	3,483
Amortisation	9	580	715	580	715
Total depreciation and amortisation		**3,681**	**4,198**	**3,681**	**4,198**
Finance costs					
Finance costs		9	14	9	14
Total finance costs		**9**	**14**	**9**	**14**
Administration and other expenditure					
Auditors' remuneration					
Fees to Audit New Zealand for the audit of financial statements		-	131	-	131
Total auditors' remuneration		**-**	**131**	**-**	**131**

** 2022 Actuals are for the 10 months ended 31 October 2022 and 2021 actuals are for full year ended 31 December.

Notes to the financial statements (continued) For the period ended 31 October 2022

3. Expenditure (continued)

		Group**		Parent**	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
General costs					
Administrative, materials and consumables expenses		3,214	3,502	3,214	3,501
Bad and doubtful debts - written off	5	48	132	48	133
Course delivery expenses		2,786	4,197	2,786	4,197
Donations and koha		13	18	13	18
Loss on disposal of property, plant and equipment		4	35	4	35
Loss on revaluation of investment property	13	-	-	-	-
Marketing expenses		700	784	700	784
Minor assets		82	91	82	91
Net increase/(decrease) bad and doubtful debts provision	5	80	54	80	(334)
Occupancy expenses		2,857	3,504	2,857	3,504
Operating expenses related to investment property		-	-	-	-
Operating lease payments		269	290	269	290
Other expenditure		877	471	878	471
Professional services		279	866	279	866
Research & development expense		5	2	5	2
Scholarships		1,344	802	1,344	802
Total general costs		**12,558**	**14,748**	**12,559**	**14,360**
Total other expenditure		**12,558**	**14,879**	**12,559**	**14,491**
Total operating expenditure		**45,563**	**52,887**	**45,564**	**52,499**

** 2022 Actuals are for the 10 months ended 31 October 2022 and 2021 actuals are for full year ended 31 December.

Notes to the financial statements (continued) For the period ended 31 October 2022

3. Expenditure (continued)

Separately Disclosed Items	Note	Group** Actual 2022	Parent** Actual 2021	Group** Actual 2022	Parent** Actual 2021
Integration and development - other expenses		-	147	-	147
Legislation compliance - other expenses		-	3	-	3
Legislation compliance - wages and salaries		-	-	-	-
Reform of Vocational Education - Fees to Audit New Zealand for the audit of financial statements		149	-	149	-
Reform of Vocational Education - other expenses		205	13	205	13
Reform of Vocational Education - wages and salaries		232	-	232	
Change management costs - other expenses		-	21	-	21
Change management costs - wages and salaries		100	262	100	262
COVID-19 costs - other expenses		80	20	80	20
Subsidiary - debt forgiven	5	-	-	-	532
Total general costs		**766**	**466**	**766**	**998**
Total expenditure		**46,329**	**53,353**	**46,330**	**53,497**

** The reporting period for 2022 is for the ten months from 1 January 2022 to 31 October 2022. The reporting period for the Actuals for 2021 and Budget 2022 is for the twelve months 1 January 2022 to 31 December 2022.

Integration and development - other expenses

Integration costs incorporate the operational costs associated with the consolidation of tertiary education delivery in Whanganui from seven campuses to two principal sites. Development costs incorporate the transitional operating costs directly associated with the development of an innovative and cross-sector collaborative approach to educational delivery and shared services model for tertiary students in Whanganui.

Legislation compliance

Legislation compliance costs recognises the estimated value of historic under-payment of leave (refer note 12).

Reform of Vocational Education

Matters related to the reform of vocational education.

Change management costs

Change management costs were incurred in making adjustments to UCOL's organisational structure.

COVID-19 costs

Matters related to COVID-19 response.

Subsidiary - debt forgiven

Matters related to the liquidation of inactive UCOL subsidiaries.

Notes to the financial statements (continued)
For the period ended 31 October 2022

4. Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

		Group		Parent	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Cash at bank and on hand		9,926	6,837	9,926	6,292
Call deposits		-	-	-	-
Term deposits with maturities of 3 months or less at acquisition		-	-	-	-
Total cash and cash equivalents		**9,926**	**6,837**	**9,926**	**6,292**
Weighted average effective interest rate		3.34%	2.06%	3.34%	2.06%

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group, and earn interest at the respective short term deposit rates.

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

The total value of cash and cash equivalents that can be used only for a specified purpose as outlined in the relevant trust deeds is $156,000 (2021 $532,000). This relates to international student fees received prior to enrolment and TEC first year fees-free bulk funding received prior to contribution to the payment of student fees.

Although cash and cash equivalents at 31 October 2022 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

Notes to the financial statements (continued)
For the period ended 31 October 2022

5. Student Fees and Other Receivables

		Group		Parent	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Student fee receivables					
Student fee receivables		3,353	7,778	3,353	7,778
Less: allowance for credit losses		(232)	(152)	(232)	(152)
Net student fee receivables		**3,121**	**7,626**	**3,121**	**7,626**
Other receivables					
Other receivables		585	376	585	376
Less: allowance for credit losses		-	-	-	-
Net other receivables		**585**	**376**	**585**	**376**
Related party receivables					
Related party receivables		-	-	-	3,792
Less: allowance for credit losses		-	-	-	(3,247)
Net related party receivables		**-**	**-**	**-**	**545**
Government receivables					
PBE non-exchange revenue adjustment		4,122	1,858	4,122	1,858
Government funding		531	1,931	531	1,931
Net Government receivables		**4,653**	**3,789**	**4,653**	**3,789**
Total receivables		**8,359**	**11,791**	**8,359**	**12,336**
Classification					
Receivables classified as exchange transactions		494	257	494	257
Receivables classified as non-exchange transactions		7,865	11,534	7,865	12,079
Total receivables		**8,359**	**11,791**	**8,359**	**12,336**
Classification of Receivables					
Current Portion of Student Fees and Other Receivables		8,359	11,791	8,359	12,336
Non-Current Portion of Student Fees and Other Receivables		-	-	-	-
Total Net Receivables		**8,359**	**11,791**	**8,359**	**12,336**

Notes to the financial statements (continued)
For the period ended 31 October 2022

5. Student fees and other receivables (continued)

	2022											
	Group						Parent					
	Not past due	Past due 1 - 30 days	Past due 30 - 60 days	Past due 61 - 90 days	Past due over 90 days	**Total**	Not past due	Past due 1 - 30 days	Past due 30 - 60 days	Past due 61 - 90 days	Past due over 90 days	**Total**
Student fee receivables												
Expected credit loss (%)	0.00%	4.58%	2.78%	24.86%	25.85%		0.00%	4.58%	2.78%	24.86%	25.85%	
Gross carrying amount ('000)	2,276	75	119	233	650	**3,353**	2,276	75	119	233	650	**3,353**
Total lifetime expected credit loss ($'000)	**-**	**3**	**3**	**58**	**168**	**232**	**-**	**3**	**3**	**58**	**168**	**232**
Other receivables												
Expected credit loss (%)	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount ('000)	4,917	176	39	28	77	**5,237**	4,917	176	39	28	77	**5,237**
Total lifetime expected credit loss ($'000)	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	
Related party receivables												
Expected credit loss (%)	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount ('000)	-	-	-	-	-		-	-	-	-		
Total lifetime expected credit loss ($'000)	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**		
Total lifetime expected credit loss	**-**	**3**	**3**	**58**	**168**	**232**	**-**	**3**	**3**	**58**	**168**	**232**

Notes to the financial statements (continued) For the period ended 31 October 2022

5. Student fees and other receivables (continued)

2021

	Group						Parent					
	Not past due	Past due 1 - 30 days	Past due 30 - 60 days	Past due 61 - 90 days	Past due over 90 days	**Total**	Not past due	Past due 1 - 30 days	Past due 30 - 60 days	Past due 61 - 90 days	Past due over 90 days	**Total**
Student fee receivables												
Expected credit loss (%)	0.00%	4.58%	2.78%	24.86%	24.30%		0.00%	4.58%	2.78%	24.86%	24.30%	
Gross carrying amount ('000)	7,107	22	32	17	600	**7,778**	7,107	22	32	17	600	**7,778**
Total lifetime expected credit loss ($'000)	**-**	**1**	**1**	**4**	**146**	**152**	**-**	**1**	**1**	**4**	**146**	**152**
Other receivables												
Expected credit loss (%)	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount ('000)	-	-	-	-	-		-	-	-	-	-	
Total lifetime expected credit loss ($'000)	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	
Related party receivables												
Expected credit loss (%)	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%	85.62%	
Gross carrying amount ('000)	-	-	-	-	-		-	-	-	-	3,792	3,792
Total lifetime expected credit loss ($'000)	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**3,247**	**3,247**
Total lifetime expected credit loss	**-**	**1**	**1**	**4**	**146**	**152**	**-**	**1**	**1**	**4**	**3,393**	**3,399**

5. Student fees and other receivables (continued)

2022

	Group			Parent		
All in $000s	Gross	Impairment	Net	Gross	Impairment	Net
Impairment						
Ageing profile for receivables at year end						
Not past due	7,193	-	7,193	7,193	-	7,193
Past due 1 - 30 days	251	(3)	248	251	(3)	248
Past due 30 - 60 days	158	(2)	156	158	(2)	156
Past due 61 - 90 days	262	(57)	205	262	(57)	205
Past due over 90 days	727	(170)	557	727	(170)	557
Total impairment	**8,591**	**(232)**	**8,359**	**8,591**	**(232)**	**8,359**

2021

	Group			Parent		
All in $000s	Gross	Impairment	Net	Gross	Impairment	Net
Impairment						
Ageing profile for receivables at year end						
Not past due	11,068	-	11,068	11,068	-	11,068
Past due 1 - 30 days	119	(1)	118	119	(1)	118
Past due 30 - 60 days	51	(1)	50	51	(1)	50
Past due 61 - 90 days	23	(4)	19	23	(4)	19
Past due over 90 days	683	(146)	537	4,475	(3,393)	1,082
Total impairment	**11,944**	**(152)**	**11,792**	**15,736**	**(3,399)**	**12,337**

All in $000s	Note	Group Actual 2022	Group Actual 2021	Parent Actual 2022	Parent Actual 2021
Movements in the provision for impairment of receivables					
Balance brought forward		(152)	(98)	(3,399)	(3,733)
Additional provisions made during the year		(208)	(240)	(208)	(773)
Provisions adjustments during the year		80	54	80	442
Receivables written-off during the year	3	48	132	3,295	665
As at 31 October		**(232)**	**(152)**	**(232)**	**(3,399)**

Accounting policy

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL). This allowance is calculated based on lifetime ECL. In measuring ECL, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. Short-term receivables are written off when there is no reasonable expectation of recovery.

Previous accounting policy for impairment of receivables

For the previous year, the allowance for credit losses was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence of impairment that the amount due would not be fully collected.

Notes to the financial statements (continued) For the period ended 31 October 2022

6. Inventory

Accounting policy

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

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

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

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. Any write-down from cost to net realisable value or for the loss of service potential is recognised in surplus or deficit in the year of the write-down.

		Group		Parent	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Building stock		768	654	768	654
Other inventory		20	25	20	25
Total inventory carrying value		**788**	**679**	**788**	**679**

7. Assets held for sale

		Group		Parent	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Property held for sale		-	2,050	-	2,050
Total assets held for sale		**-**	**2,050**	**-**	**2,050**
Consists of:					
Land		-	1,810	-	1,810
Land improvements		-	75	-	75
Buildings		-	165	-	165
Total assets held for sale		**-**	**2,050**	**-**	**2,050**
Less liabilities held for sale		-	-	-	-
Total net assets held for sale		**-**	**2,050**	**-**	**2,050**

Sale proceeds of the property held for sale as at 31 December 2021 were $2,176,000 received 14 January 2022.

In 2022 $590,000 classified as held for sale as at 31 December 2021 was transferred back to Property, Plant and Equipment.

Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset is measured at the lower of its carrying amount and fair value less costs to sell. Write-downs of the asset are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised in the surplus or deficit up to the level of any impairment losses that have previously been recognised. A non-current asset is not depreciated or amortised while classified as held for sale.

Notes to the financial statements (continued) For the period ended 31 October 2022

8. Property, plant and equipment

Accounting policy

Property, plant, and equipment consists of nine 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. 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. Revaluation movements 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, this balance is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in 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 only when it is probable that future economic benefits or service potential associated with the item will flow to UCOL 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, it is recognised at its fair value as at the date of acquisition. Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to UCOL and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred. Additions over $2,000 in value are capitalised. Amounts under this are expensed.

Disposals

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

Depreciation

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

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

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

Notes to the financial statements (continued)
For the period ended 31 October 2022

8. Property, plant and equipment (continued)

Impairment of property, plant and equipment

Property, plant, and equipment are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is considered to be impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of an impairment loss is also recognised in the surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Restrictions on title

Under the Education and Training Act 2020, UCOL is required to notify Te Pūkenga who then obtain consent from the Secretary for Education to dispose of land and buildings. For plant and equipment, there is an asset disposal limit formula, which provides a limit up to which UCOL may dispose of plant and equipment without seeking consent from the Secretary for Education. Detailed information on the asset disposal rules can be found on the Tertiary Education Commission website. There are also various restrictions in the form of historic designations, reserve and endowment encumbrances attached to land.

Notes to the financial statements (continued) For the period ended 31 October 2022

8. Property, plant and equipment (continued)

	2022									
	Group and Parent									
Property, plant and equipment	Land	Infrastructure	Buildings	Leasehold improvements	Furniture and equipment	Computer hardware	Motor vehicles	Heritage collection	Library collection	**Total**
Cost or Fair Value - Brought Forward	27,665	9,355	70,035	847	12,580	3,248	902	66	5,006	**129,704**
Accumulated Depreciation - Brought Forward	-	-	-	(591)	(9,657)	(2,770)	(517)	(65)	(4,065)	**(17,665)**
Net Carrying Value - 1 January 2022	**27,665**	**9,355**	**70,035**	**256**	**2,923**	**478**	**385**	**1**	**941**	**112,039**
Additions	-	152	1,797	-	599	435	205	58	129	**3,375**
Acquisitions through Business Combinations	-	-	-	-	-	-	-	-	-	**-**
Reclassifications	590	50	-	-	-	-	-	-	-	**640**
Net Revaluation	-	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	-	-	(125)	-	-	-	(5)	**(130)**
Depreciation on Disposals	-	-	-	-	121	-	-	-	-	**121**
Reverse Accumulated Depreciation - Reclassification	-	(7)	-	-	-	-	-	-	-	**(7)**
Depreciation	-	(130)	(1,835)	(42)	(537)	(159)	(159)	(3)	(236)	**(3,101)**
Cost or Fair Value	28,255	9,557	71,832	847	13,054	3,683	1,107	124	5,130	**133,589**
Accumulated Depreciation	-	(137)	(1,835)	(633)	(10,073)	(2,929)	(676)	(68)	(4,301)	**(20,652)**
Net Carrying Value - 31 October 2022	**28,255**	**9,420**	**69,997**	**214**	**2,981**	**754**	**431**	**56**	**829**	**112,937**

	2022									
	Group and Parent									
Assets under construction	Land	Infrastructure	Buildings	Leasehold improvements	Furniture and equipment	Computer hardware	Motor vehicles	Heritage collection	Library collection	**Total**
Opening Value - 1 January 2022	-	-	3,853	-	131	18	164	-	-	**4,166**
Additions	-	-	1,034	-	163	86	-	-	-	**1,283**
Expensed	-	-	(590)	-	-	-	-	-	-	**(590)**
Capitalisations	-	-	(1670)	-	(126)	(18)	(164)	-	-	**(1,978)**
Closing Value - 31 October 2022	**-**	**-**	**2,627**	**-**	**168**	**86**	**-**	**-**	**-**	**2,881**

Notes to the financial statements (continued)
For the period ended 31 October 2022

8. Property, plant and equipment (continued)

	2021									
	Group									
Property, plant and equipment	Land	Infrastructure	Buildings	Leasehold improvements	Furniture and equipment	Computer hardware	Motor vehicles	Heritage collection	Library collection	**Total**
Cost or Fair Value - Brought Forward	24,768	6,288	67,292	832	12,332	3,315	1,313	66	4,862	**121,068**
Accumulated Depreciation - Brought Forward	-	(204)	(3,470)	(538)	(9,333)	(2,719)	(822)	(59)	(3,740)	**(20,885)**
Net Carrying Value - 1 January 2021	**24,768**	**6,084**	**63,822**	**294**	**2,999**	**596**	**491**	**7**	**1,122**	**100,183**
Additions	-	-	1,934	18	769	131	71	-	152	**3,075**
Acquisitions through Business Combinations	-	-	-	-	-	-	-	-	-	**-**
Reclassifications	(1,810)	(58)	(182)	-	(157)	(35)	(287)	-	-	**(2,529)**
Net Revaluation	4,707	3,125	991	-	-	-	-	-	-	**8,823**
Disposals	-	-	-	(3)	(364)	(163)	(195)	-	(8)	**(733)**
Depreciation on Disposals	-	-	-	1	331	163	195	-	-	**690**
Reverse Accumulated Depreciation - Reclassification	-	-	-	-	157	35	287	-	-	**479**
Reverse Accumulated Depreciation - Revaluation Write Back	-	306	5,228	-	-	-	-	-	-	**5,534**
Reverse Accumulated Impairment Loss - Reclassification	-	-	-	-	-	-	-	-	-	**-**
Reverse Accumulated Impairment Loss - Disposal	-	-	-	-	-	-	-	-	-	**-**
Reverse Accumulated Impairment Loss Expensed	-	-	-	-	-	-	-	-	-	**-**
Impairment Losses Expensed in P&L	-	-	-	-	-	-	-	-	-	**-**
Impairment Loss (on Revalued Asset) Expense to Revaluation Reserve	-	-	-	-	-	-	-	-	-	**-**
Depreciation	-	(102)	(1,758)	(54)	(812)	(249)	(177)	(6)	(325)	**(3,483)**
Cost or Fair Value	27,665	9,355	70,035	847	12,580	3,248	902	66	5,006	**129,704**
Accumulated Depreciation	-	-	-	(591)	(9,657)	(2,770)	(517)	(65)	(4,065)	**(17,665)**
Net Carrying Value - 31 December 2021	**27,665**	**9,355**	**70,035**	**256**	**2,923**	**478**	**385**	**1**	**941**	**112,039**

Notes to the financial statements (continued)
For the period ended 31 October 2022

8. Property, plant and equipment (continued)

	2021									
	Parent									
Property, plant and equipment	Land	Infrastructure	Buildings	Leasehold improvements	Furniture and equipment	Computer hardware	Motor vehicles	Heritage collection	Library collection	**Total**
Cost or Fair Value - Brought Forward	24,123	6,288	67,292	832	12,332	3,315	1,313	66	4,862	**121,068**
Accumulated Depreciation - Brought Forward	-	(204)	(3,470)	(538)	(9,333)	(2,719)	(822)	(59)	(3,740)	**(20,885)**
Net Carrying Value - 1 January 2021	**24,123**	**6,084**	**63,822**	**294**	**2,999**	**596**	**491**	**7**	**1,122**	**99,538**
Additions	-	-	1,934	18	769	131	71	-	152	**3,075**
Acquisitions through Business Combinations	645	-	-	-	(157)	(35)	(287)	-	-	**166**
Reclassifications	(1,810)	(58)	(182)	-	-	-	-	-	-	**(2,050)**
Net Revaluation	4,707	3,125	991	-	-	-	-	-	-	**8,823**
Disposals	-	-	-	(3)	(364)	(163)	(195)	-	(8)	**(733)**
Depreciation on Disposals	-	-	-	1	331	163	195	-	-	**690**
Reverse Accumulated Depreciation - Reclassification	-	-	-	-	157	35	287	-	-	**479**
Reverse Accumulated Depreciation - Revaluation Write Back	-	306	5,228	-	-	-	-	-	-	**5,534**
Depreciation	-	(102)	(1,758)	(54)	(812)	(249)	(177)	(6)	(325)	**(3,483)**
Cost or Fair Value	27,665	9,355	70,035	847	12,580	3,248	902	66	5,006	**129,704**
Accumulated Depreciation	-	-	-	(591)	(9,657)	(2,770)	(517)	(65)	(4,065)	**(17,665)**
Net Carrying Value - 31 December 2021	**27,665**	**9,355**	**70,035**	**256**	**2,923**	**478**	**385**	**1**	**941**	**112,039**

Assets under construction	Land	Infrastructure	Buildings	Leasehold improvements	Furniture and equipment	Computer hardware	Motor vehicles	Heritage collection	Library collection	**Total**
Opening Value - 1 January 2021	-	-	1,799	-	251	13	-	-	-	**2,063**
Additions	-	-	3,553	-	280	68	164	-	-	**4,065**
Expensed	-	-	-	-	(81)	-	-	-	-	**(81)**
Capitalisations	-	-	(1,498)	-	(320)	(63)	-	-	-	**(1,881)**
Closing Value - 31 December 2021	**-**	**-**	**3,853**	**-**	**131**	**18**	**164**	**-**	**-**	**4,166**

Notes to the financial statements (continued)
For the period ended 31 October 2022

8. Property, plant and equipment (continued)

Revaluation

Independent valuations are obtained to determine the fair value of land and buildings. Fair value is determined by reference to an open market basis, being 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 at the valuation date for land and buildings of a non-educationally specific nature. Where buildings have been designed specifically for educational purposes they are valued at depreciated replacement cost which is considered to reflect fair value for such assets.

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

- The replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets, reference materials supplied by QV Builder (previously Rawlinsons), and the Valuation firms knowledge of the construction market and the type and nature of the buildings involved in this process.
    - » Major replacement cost changes from the previous revaluation, recognises escalating construction costs over the past 12 months, driven by labour and material shortages along with record levels in construction activity/demand. Replacement rates for the multi-level buildings at the Manawatū and Whanganui Campus are now in the range of $5,500 to $6,000/m2.
- For UCOL's earthquake-prone buildings that are expected to be strengthened, the estimated earthquake-strengthening costs of circa $25M as provided by UCOL have been deducted off the depreciated replacement cost. Further information about this adjustment is explained in the "seismic assessment" section below.
- The remaining useful life of assets is determined after discussions with UCOL staff and vary depending on the nature and style of the assets involved.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.
    - » The Valuers Covid-19 summary concludes that the subject region (i.e. Manawatū, Whanganui and Wairarapa) commercial property markets will remain sound. Currently there is no market evidence indicating commercial property value decline in these markets. The regional economy underpinned by investment revolving around farming, education, research institutes, health, defence forces establishment, and industrial activities.
    - » In relation on Valuers Covid-19 summary around the impact on UCOL building improvement values. They expect limited impact from the pandemic on depreciated replacement cost values.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence.

Market rents and capitalisation rates were applied to reflect market value. These valuations include adjustments for estimated building strengthening costs for earthquake-prone buildings and the associated lost rental during the time to undertake the strengthening work.

Land and buildings and infrastructure were last valued at 31 December 2021 by G Dowse, independent registered valuer, of the firm TelferYoung. Total consolidated fair value at that date was $107,055,000 (parent: $107,055,000). A fair valuation assessment was performed by TelferYoung for the period ended 31 October 2022. Based on the results of this assessment UCOL has assessed there is no indication that the carrying value materially differs from fair value at balance date.

Notes to the financial statements (continued) For the period ended 31 October 2022

8. Property, plant and equipment (continued)

Seismic Assessment

Following receipt of detailed seismic assessments commissioned by UCOL for its Manawatū Campus, the Palmerston North City Council advised on the

18 November 2021 that Blocks 4, 6, 8 and 12 are Earthquake Prone Buildings. Since Palmerston North is in a high seismic zone and these are priority buildings, UCOL has 7.5 years to carry out their seismic upgrade work. Seismic works are underway at Block 11 and to the stairwells for Blocks 4, 6 and 8.

Earthquake prone buildings are those which are assessed as below 34% of New Building Standards (NBS).

Detailed seismic assessments have been completed for Whanganui Campus, which have rated Block C at 20% and Block E at 25%. Whanganui is in a medium seismic zone. The timeframe for strengthening of priority buildings is 12.5 years.

Concept design options have been undertaken for Block E.

An impairment of $25.5m has been recognised against the carrying value of buildings. This reflects the estimated costs of remediating buildings that have been assessed as earthquake prone. No adjustment has been made in the period ended 31 October 2022 as actual costs of construction work performed in the intervening period has been consistent with the estimation's made at 31 December 2021.

The estimation of these remediation costs is based on:

- for Palmerston North Blocks 4, 6, 8 and 12 and Block E Whanganui detailed seismic assessments and resulting seismic strengthening designs were developed by structural engineers and costed by quantity surveyors from Beca Limited - Structural Engineering. This work was completed by Alex James BEng (Hons) CMEngNZ who is a Chartered professional Engineer with over 12 years' experience in structural engineering design and seismic assessments working in New Zealand, The United Kingdom and the Philippines.
- for the retrofit of the stairwells for Block 4, 6 and 8 a costed construction contract with Maycroft Construction Limited.
- for Palmerston North Block 1, 5 and 7 and Block C and ex Federal Hotel Whanganui, earthquake strengthening costs estimates were provided by the Director of Facilities Management at UCOL based on his experience and recent costs for similar work. The Director of Facilities Management is a registered valuer with thirty years' experience in valuation and property asset management, specialising in local and central government property.

The main assumptions and related uncertainties in arriving at the costs are:

- Elements of cost included within the estimates are based on costs from similar completed projects at a point in time. There are a range of potential costs and UCOL has selected the higher ended of the range to reflect a high degree of uncertainty in the market.

Beca stated New Zealand is currently experiencing significant movement in pricing across many sub-trades and material suppliers due to the current buoyant local and international construction market. There is also a significant skilled labour shortage. This is putting pressure on resources which is resulting in unpredictable and generally escalating pricing.

- No allowance has been made for changes in scope and increases costs arising from required design changes when detailed tender and contract costings are developed as these are not currently known.
- No allowance has been made for the impacts of extraordinary global events (such as the COVID-19 outbreak) within the base estimate.
- The valuer stated that less certainty exists than normal and a higher degree of caution should be attached to the valuation of buildings identified as earthquake prone on both the Palmerston North and Whanganui Campuses.

In January 2023 UCOL received updated costs estimates from BECA in relation to Blocks 6 and 12. These are on the basis of remediating to a higher standard than required by Palmerston North City Council. Should this work go ahead it is estimated the total remediation costs would increase by $14,644,400 to $40,150,400.

Notes to the financial statements (continued) For the period ended 31 October 2022

9. Intangible assets

Accounting policy

Software acquisition and development

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and relevant professional fees. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

Course-related software and websites

Course-related software and website development costs are classified as software and accounted for in accordance with the accounting policy for software. Capitalised costs are tested for impairment and, once available for use, amortised in accordance with that policy.

Courses purchased from other organisations

Separately acquired courses and programmes (including trademarks and licences) acquired from outside of UCOL group are initially recognised at historical cost. They have a finite useful life and, subsequent to initial recognition, should be carried at cost less accumulated amortisation and impairment losses. They are amortised over a period not exceeding 5 years.

Internally developed courses

Course development costs are expensed when incurred unless the course development costs are directly attributable to the design of identifiable courses and programmes controlled by the group in which case they are recognised as intangible assets where all of the following criteria are met:

(a) The course material is identifiable and the use and redistribution of course material is controlled by the group through legal or other means.

(b) It is probable that the courses will generate future economic benefits or service potential attributable to the course and the cost can be reliably measured. This is the case when:

(i) It is technically feasible to complete the development so that the course or programme will be available for use and/or sale;

(ii) Management intends to complete the development of the course or programme and use or sell it:

(iii) There is an ability to use or sell the course or programme;

(iv) It can be demonstrated how the course or programme will generate probable future economic benefits or service potential;

(v) There are adequate technical, financial and other resources available to complete development of the course or programme and to use or sell the course or programme; and

(vi) The expenditure attributable to the course or programme development can be reliably measured.

Capitalised course development costs related to courses that are not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Capitalised course development costs are amortised from the point at which the course or programme is ready for use and are amortised over a period not exceeding 5 years. They are carried at cost less accumulated amortisation and impairment losses. They are tested for impairment whenever there is an indication that the asset may be impaired. Costs associated with maintaining courses and programmes are recognised as an expense as incurred.

Intellectual property development

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

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

Notes to the financial statements (continued) For the period ended 31 October 2022

9. Intangible assets (continued)

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

Amortisation

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

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

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

- Computer software 3 to 6 years 16.7% to 33.3%.

The useful life of completed projects will be established at project completion.

Impairment of intangible assets

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

Leased assets

At the commencement of the lease term, UCOL shall recognise assets acquired under finance leases as assets, and the associated lease obligations as liabilities in the Statement of Financial Position. Although the legal form of a lease agreement is that the lessee may acquire no legal title to the leased asset, in the case of finance leases the substance and financial reality are that the lessee acquires the economic benefits or service potential of the use of the lease asset for the major part of its economic life in return for entering into an obligation to pay for that right, an amount approximating, at the inception of the lease, the fair value of the asset and the related finance charge. A finance lease gives rise to a depreciation expense for depreciable assets as well as a finance expense. The depreciation policy for depreciable leased assets shall be consistent with that for the depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the assets shall be fully depreciated over the shorter of the lease term or its useful life.

Notes to the financial statements (continued)
For the period ended 31 October 2022

9. Intangible assets (continued)

	2022			
	Group and Parent			
Intangibles	Computer software	Course development	Lease assets	**Total**
Cost or Fair Value - Brought Forward	6,932	-	2151	**9,083**
Accumulated Amortisation - Brought Forward	(6,539)	-	(1,182)	**(7,721)**
Net Carrying Value - 1 January 2021	**393**	**-**	**969**	**1,362**
Additions	220	-	386	**606**
Acquisitions through Business Combinations	-	-	-	**-**
Reclassifications	-	-	-	**-**
Disposals	(15)	-	(264)	**(279)**
Amortisation on Disposals	-	-	-	**-**
Reverse Accumulated Amortisation – Reclassification	-	-	-	**-**
Reverse Accumulated Impairment Loss - Disposal	15	-	264	**279**
Reverse Accumulated Impairment Loss Expensed	-	-	-	**-**
Impairment Losses Expensed in P&L	-	-	-	**-**
Amortisation	(132)	-	(448)	**(580)**
Cost or Fair Value	7,137	-	2,273	**9,410**
Accumulated Amortisation	(6,656)	-	(1,366)	**(8,022)**
Net Carrying Value - 31 October 2022	**481**	**-**	**907**	**1,388**

Assets under construction	Computer software	Course development	Lease assets	**Total**
Opening Value - 1 January 2021	255	-	-	**255**
Additions	132	506	-	**638**
Expensed	-	-	-	**-**
Capitalisations	(82)	-	-	**(82)**
Closing Value - 31 October 2022	**305**	**506**	**-**	**811**

Notes to the financial statements (continued)
For the period ended 31 October 2022

9. Intangible assets (continued)

	2021			
	Group and Parent			
Intangibles	Computer software	Course development	Lease assets	**Total**
Cost or Fair Value - Brought Forward	6,786	-	2,276	**9,062**
Accumulated Amortisation - Brought Forward	(6,440)	-	(900)	**(7,340)**
Net Carrying Value - 1 January 2021	**346**	**-**	**1,376**	**1,722**
Additions	230	-	125	**355**
Acquisitions through Business Combinations	-	-	-	**-**
Reclassifications	-	-	-	**-**
Disposals	(84)	-	(250)	**(334)**
Amortisation on Disposals	84	-	250	**334**
Reverse Accumulated Amortisation – Reclassification	-	-	-	**-**
Reverse Accumulated Impairment Loss - Disposal	-	-	-	**-**
Reverse Accumulated Impairment Loss Expensed	-	-	-	**-**
Impairment Losses Expensed in P&L	-	-	-	**-**
Amortisation	(183)	-	(532)	**(715)**
Cost or Fair Value	6,932	-	2,151	**9,083**
Accumulated Amortisation	(6,539)	-	(1,182)	**(7,721)**
Net Carrying Value - 31 December 2021	**393**	**-**	**969**	**1,362**

Assets under construction	Computer software	Course development	Lease assets	**Total**
Opening Value - 1 January 2021	132	-	-	**132**
Additions	369	-	-	**369**
Expensed	(30)	-	-	**(30)**
Capitalisations	(216)	-	-	**(216)**
Closing Value - 31 December 2021	**255**	**-**	**-**	**255**

Notes to the financial statements (continued) For the period ended 31 October 2022

10. Investment in other entities

Accounting policy

Subsidiaries

UCOL consolidates in the group financial statements those entities it controls. Control exists where the UCOL is exposed, or has rights to, variable benefits (either financial or non-financial) and has the ability to affect the nature and amount of those benefits from its power over the entity.

Power can exist over an entity if, by virtue of its purpose and design, the relevant activities and the way in which the relevant activities of the entity can be directed has been predetermined by UCOL.

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

Associate

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

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint ventures are measured at cost in the parent financial statement. Investments in associates and joint ventures are accounted for in the group financial statements using the equity method of accounting.

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

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

Details of holdings in subsidiaries and associations are shown in the table below:

Subsidiary/ Associate/ Joint venture	Ownership %	Disestablished	Business Activity
Minerva International Education Limited	0	29/09/2022	Tertiary Vocational Education Provider
UCOL School of International Cuisine Studies Limited	0	29/09/2022	Tertiary Vocational Education Provider
UCOL Holdings Limited	0	12/10/2022	Tertiary Vocational Education Provider

UCOL Holdings Limited, Minerva International Education Limited and UCOL School of International Cuisine Studies Limited have been inactive for a number of years and have been disestablished in 2022.

Notes to the financial statements (continued) For the period ended 31 October 2022

11. Trade and other payables

Accounting policy

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

		Group		Parent	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Payables under exchange transactions					
Trade payables[1]		2,396	2,854	2,396	2,851
Related party payables		-	-	-	-
Other payables		137	420	137	420
Total payables under exchange transactions		**2,533**	**3,274**	**2,533**	**3,271**
Payables under non-exchange transactions					
Other payables		-	-	-	-
Related party payables[1]		6,334	2,547	6,334	2,547
Net GST payable/(receivable)		442	1,046	442	1,046
Total payables under non-exchange transactions		**6,776**	**3,593**	**6,776**	**3,593**
Total trade and other payables		**9,309**	**6,867**	**9,309**	**6,864**

[1]In 2021 Trade payables contained a related party payable of $2,547,000 in 2022 this has been transferred to the Related party payables line.

Notes to the financial statements (continued) For the period ended 31 October 2022

12. Employee benefit liabilities

Accounting policy

Short-term Employee entitlements that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to - but not yet taken - at balance date, and sick leave.

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

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the year in which the employee provides the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

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

Presentation of employee entitlements

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

Superannuation schemes

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

		Group		Parent	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Employee entitlements					
Accrued pay		1,411	633	1,411	633
Annual leave		2,486	2,283	2,486	2,283
Sick leave		144	141	144	141
Long service leave		-	-	-	-
Retirement leave		686	768	686	768
Restructuring provision		-	-	-	-
Other employee entitlements		-	-	-	-
Total Employee benefit liabilities		**4,727**	**3,825**	**4,727**	**3,825**
Current portion		4,314	3,315	4,314	3,315
Non-current portion		413	510	413	510
Total employee benefit liabilities		**4,727**	**3,825**	**4,727**	**3,825**

A provision is provided for historic underpayment of leave. The issues generally relate to entitlements under the Holidays Act 2003 and how a range of allowances and entitlements have been interpreted and implemented (refer to note 3. Underpayments relating to staff currently employed have now been paid. A majority of former staff have now been paid).

Notes to the financial statements (continued)
For the period ended 31 October 2022

13. Revenue received in advance

All in $000s	Note	Group Actual 2022	Group Actual 2021	Parent Actual 2022	Parent Actual 2021
Revenue received in advance					
Government grants		686	-	686	-
Students' fees		4,067	9,155	4,067	9,155
Other revenue received in advance		-	-	-	-
Total revenue received in advance		**4,753**	**9,155**	**4,753**	**9,155**
Current portion		4,753	9,155	4,753	9,155
Non-current portion		-	-	-	-
Total revenue received in advance		**4,753**	**9,155**	**4,753**	**9,155**

Revenue in advance from tuition fees includes both liabilities recognised for domestic student fees received for which the course withdrawal date has not yet passed and for international student fees, which is based on the percentage completion of the course. Government funding relates to fees free tertiary study funding. This represents bulk upfront funding received from TEC which has not been applied to the payment of student fees.

14. Borrowings

Accounting policy

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. Borrowings are classified as current liabilities unless UCOL has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

All in $000s	Note	Group Actual 2022	Group Actual 2021	Parent Actual 2022	Parent Actual 2021
Borrowings					
Current portion		3,557	3,557	3,557	3,557
Non-current portion		-	-	-	-
Total		**3,557**	**3,557**	**3,557**	**3,557**
Weighted average effective interest rate		0.0%	0.0%	0.0%	0.0%

Ministry of Education Capital Injection

The amounts identified as repayable to the Ministry of Education form part of the Ministry of Education Capital Injection Agreement of 7 October 1996, Variation No.1 of 28 September 1998 and Variation No. 2 of 30 June 2004. Variation No. 1 required UCOL to compensate the Crown for retaining certain lands included in the New City Campus. As the value of these lands was already incorporated into the financial statements the compensation is essentially a return of equity. Accordingly Equity was reduced by $1,156,600 and the Current Portion of Term Liabilities was increased by $1,156,600 to reflect this obligation. Variation No. 2 provided for UCOL to return land at 165 Grey Street, Palmerston North to the Crown and in compensation for the Crown to forgive $2,600,000 of the repayable Ministry of Education Capital Injection.

The carrying amount of the Ministry of Education Capital Injection is approximate to its fair value because the interest rate is 0% and the loan is repayable on demand.

Lender Name	Ministry of Education
Facility Description	$3,556,600 Capital Injection repayable on demand zero % interest
Maturity Date of Facility	On demand
Date of Ministry of Education Consent to Borrow	Not required
Borrowing Paydown as at 31 December 2021	$-

Notes to the financial statements (continued)
For the period ended 31 October 2022

15. Finance leases

Accounting policy

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the start of the lease term, finance leases are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

		Group		Parent	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Current portion		455	500	455	500
Non-current portion		459	479	459	479
Total		**914**	**979**	**914**	**979**
Weighted average effective interest rate		1.7%	1.1%	1.7%	1.1%

		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Finance leases as lessee					
Non-cancellable minimum finance lease payments are payable as follows:					
Not later than one year		467	508	467	508
Later than one year and not later than five years		471	482	471	482
Later than five years		-	-	-	-
Total minimum lease payments as lessee		**938**	**990**	**938**	**990**
Future finance charges		24	11	24	11
Present value of minimum lease payments		**914**	**979**	**914**	**979**
Present value of minimum lease payments payable					
Not later than one year		455	500	455	500
Later than one year and not later than five years		459	479	459	479
Later than five years		-	-	-	-
Total present value of minimum lease payments		**914**	**979**	**914**	**979**

Notes to the financial statements (continued)
For the period ended 31 October 2022

16. Other financial assets and liabilities

Accounting policy

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

Term deposits and loans to subsidiaries

Term deposits and loans to subsidiaries are initially measured at amount invested, as this reflects the fair value for these market-based transactions. Interest is subsequently accrued and added to the investment and loan balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial.

Write-off

The unrecoverable portion of a financial asset is written off when UCOL has no reasonable expectations of recovering all or some of a financial asset. For student fees, UCOL has a policy of writing off the gross carrying amount when the receivable is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, UCOL individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

UCOL expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with UCOL's procedures for recovery of amounts due.

		Group		Parent	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Financial instrument categories					
The accounting policies for financial instruments have been applied to the line items below:					
Financial assets - loans and receivables at amortised cost					
Cash and cash equivalents		9,926	6,837	9,926	6,292
Term deposits with maturities greater than 3 months at acquisition		-	-	-	-
Investments in debt instruments		-	-	-	-
Student fees and other receivables		8,359	11,791	8,359	12,336
Total loans and receivables		**18,285**	**18,628**	**18,285**	**18,628**
Financial liabilities					
Financial liabilities measured at amortised cost					
Creditors and other payables		9,309	6,867	9,309	6,864
Finance leases		914	979	914	979
Borrowing		3,557	3,557	3,557	3,557
Total financial liabilities measured at amortised cost		**13,780**	**11,403**	**13,780**	**11,400**

Financial instruments risks

UCOL's activities expose it to a variety of financial risks, including market risk, credit risk, and liquidity risk.

UCOL has policies to manage these risks and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Contractual maturity analysis of financial liabilities

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

Notes to the financial statements (continued)
For the period ended 31 October 2022

16. Other financial assets and liabilities (continued)

	2022 Parent and Group						
	Carrying amount	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years
2022							
Trade and other payables	9,309	9,309	9,309	-	-	-	-
Borrowings	3,557	3,557	3,557	-	-	-	-
Finance leases	914	938	266	201	275	124	72
Total financial liabilities at amortised cost	**13,780**	**13,804**	**13,132**	**201**	**275**	**124**	**72**

	2021 Group						
	Carrying amount	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years
2021							
Trade and other payables	6,867	6,867	6,867	-	-	-	-
Borrowings	3,557	3,557	3,557	-	-	-	-
Finance leases	990	979	262	238	333	133	13
Total financial liabilities at amortised cost	**11,414**	**11,403**	**10,686**	**238**	**333**	**133**	**13**

	2021 Parent						
	Carrying amount	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years
2021							
Trade and other payables	6,864	6,864	6,864	-	-	-	-
Borrowings	3,557	3,557	3,557	-	-	-	-
Finance leases	990	979	262	238	333	133	13
Total financial liabilities at amortised cost	**11,411**	**11,400**	**10,683**	**238**	**333**	**133**	**13**

16. Other financial assets and liabilities (continued)

Market risk

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. UCOL is exposed to price risk. The investment philosophy and approach is conservative, it recognises that all investments held should be low risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. UCOL is exposed to currency risk. UCOL manages currency risks by entering forward foreign exchange contracts and through diversifying investments across different currencies.

Fair value interest rate risk

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

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk.

	2022 Group			2021 Group			
	>1 year - <2 years	>2 years	**Total**	<1 year	>1 year - <2 years	>2 years	**Total**
Cash & cash equivalents	9,926	-	9,926	6,837	-	-	6,837
Term Deposits greater than 3 months	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Weighted average effective interest rate	3.34%	-	3.34%	2.06%	-	-	2.06%

	2022 Parent			2021 Parent			
	>1 year - <2 years	>2 years	**Total**	<1 year	>1 year - <2 years	>2 years	**Total**
Cash & cash equivalents	9,926	-	9,926	6,292	-	-	6,292
Term Deposits greater than 3 months	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Weighted average effective interest rate	3.34%	-	3.34%	2.06%	-	-	2.06%

Notes to the financial statements (continued)
For the period ended 31 October 2022

16. Other financial assets and liabilities (continued)

Cash flow interest rate risk

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

On 1 April 2021 Te Pūkenga established a Group Treasury Policy providing the framework and scope within which treasury related risks are governed by Te Pūkenga. Te Pūkenga finance function manages treasury activities along with the group liquidity and debt management requirements which includes the intra-group funding arrangement. UCOL is responsible for their own treasury activities including day-to-day cash management, working capital, treasury investment and risk management. Te Pūkenga is the borrowing entity of the Group with the ability to borrow both externally and hold intra-group borrowing and lending activity managed by UCOL.

Credit risk

Credit risk is the risk that a third party will default on its obligation to UCOL, causing it to incur a loss. In the normal course of business, UCOL is exposed to credit risk from cash and term deposits with banks, receivables, Government bonds, loans to subsidiaries, derivative financial instrument assets, and bonds within the managed fund investment. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

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

Notes to the financial statements (continued)
For the period ended 31 October 2022

16. Other financial assets and liabilities (continued)

		Group		Parent	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
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:					
Counterparties with credit ratings					
Cash and cash equivalents and term deposits:					
AA-		9,926	6,837	9,926	6,292
A		-	-	-	-
Counterparties without credit ratings					
Cash and cash equivalents and term deposits:					
Existing counterparty with no defaults in the past		-	-	-	-
Existing counterparty with defaults in the past		-	-	-	-
Investments					
Existing counterparty with no defaults in the past		-	-	-	-
Existing counterparty with defaults in the past		-	-	-	-
Total cash and cash equivalents		**9,926**	**6,837**	**9,926**	**6,292**
Debtors and other receivables					
Existing counterparty with no defaults in the past		8,359	11,791	8,359	12,336
Existing counterparty with defaults in the past		-	-	-	-
Total debtors and other receivables		**8,359**	**11,791**	**8,359**	**12,336**

Trade and other receivables

Trade and other receivables mainly arise from the operation functions, therefore there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings. UCOL is not exposed to any material concentrations of credit risk. Trade and other receivables balances are monitored on an ongoing basis to ensure that the exposure to bad debts is not significant.

Liquidity risk

Liquidity risk is the risk that UCOL will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Te Pūkenga aims to maintain flexibility in funding by keeping committed credit lines available. Te Pūkenga and the group manages liquidity risk by continuously monitoring forecast and actual cash flow requirements. The table below analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate of the instrument at balance date. The amounts disclosed are the undiscounted contractual cash flows.

Sensitivity analysis

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

Notes to the financial statements (continued)
For the period ended 31 October 2022

16. Other financial assets and liabilities (continued)

	2022 Group and Parent			
		+100BPS		-100BPS
	Surplus	Equity	Surplus	Equity
Interest rate risk 31 October 2022				
Financial assets				
Cash and cash equivalents	75	-	(75)	-
Total sensitivity to interest rate risk	**75**	**-**	**(75)**	**-**

	2021 Group and Parent			
		+100BPS		-100BPS
	Surplus	Equity	Surplus	Equity
Interest rate risk 31 December 2021				
Financial assets				
Cash and cash equivalents	3	-	(3)	-
Total sensitivity to interest rate risk	**3**	**-**	**(3)**	**-**

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 100 bps is equivalent to a decrease in interest rates of 1.0%.

17. Capital management

UCOL's capital is its equity, which comprises accumulated funds and reserves. Equity is represented by net assets. UCOL is subject to the financial management and accountability provisions of the Crown Entities Act 2004 and the Education and Training Act 2020, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives and is compliant with these requirements. UCOL manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that UCOL effectively achieves its objectives and purpose, while remaining a going concern.

18. Equity

Accounting policy

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

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

Property revaluation reserves

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

Fair value through other comprehensive revenue and expense reserve

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

Notes to the financial statements (continued)
For the period ended 31 October 2022

18. Equity (continued)

		Group		Parent	
		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
General funds					
Opening Balance		88,050	88,701	88,199	88,951
Opening balance adjustment		-	-	-	-
Transfer from revaluation reserves on sale of assets held for sale[1]		(6)	2,511	(6)	2,511
Distribution to the Crown[2]		(2)	(762)	(100)	(762)
Surplus/(deficit) for the year before other comprehensive revenue and expenditure		(1,520)	(2,400)	(1,521)	(2,544)
Less surplus/deficit attributable to other equity classes/reserves[3]		-	-	(50)	43
Balance as at 31 October		**86,522**	**88,050**	**86,522**	**88,199**
Property revaluation reserves					
Opening Balance		27,587	15,736	27,537	15,686
Opening balance adjustment		-	5	-	5
Less surplus/deficit attributable to other equity classes/reserves[3]		-	-	50	-
Transfer to equity on sale of assets held for sale		6	-	6	-
Transfer from revaluation reserves on sale of assets held for sale		-	(2,511)	-	(2,511)
Land net revaluations gain		-	4,707	-	4,707
Infrastructure revaluation gain		-	3,431	-	3,431
Buildings net revaluations gain		-	6,219	-	6,219
Total debtors and other receivables		**-**	**14,357**	**-**	**14,357**
Balance as at 31 October		**27,593**	**27,587**	**27,593**	**27,537**
Total equity		**114,115**	**115,637**	**114,115**	**115,736**
Property Revaluation Reserves Consist of					
Land		15,786	15,786	15,786	15,736
Buildings		6,553	6,670	6,553	6,670
Infrastructure		5,254	5,131	5,254	5,131
		27,593	**27,587**	**27,593**	**27,537**

[1] This relates to the transfer to retained earnings upon disposal of surplus property.

[2] This relates to TANZ eCampus Limited became a business division of the Open Polytechnic of New Zealand Limited on 1 December 2021.

[3] This relates to a property transfer from a wholly owned subsidiary.

Notes to the financial statements (continued) For the period ended 31 October 2022

19. Major budget variances

Major comprehensive revenue and expense budget variances from the 2022 UCOL budget are detailed in the below table.

	Group		
	Actual	Budget	Variance
All in $000s	2022	2022	
Statement of comprehensive revenue and expense			
Operating surplus/(deficit)*	(754)	469	(1,223)
Surplus/(deficit)	(1,520)	165	(1,685)
Revenue variances			
Government funding	28,446	37,831	(9,385)
Student fees & departmental revenue	13,966	23,542	(9,576)
Other revenue	2,397	527	1,870
Expenditure variances			
Employee benefit expenses	29,315	34,659	(5,344)
Depreciation and amortisation	3,681	4,642	(961)
Interest expense	9	30	(21)
Administration and other expenses	12,558	22,100	(9,542)
Separately Disclosed Items	766	304	462
Share of associate entity	-	-	-
Other comprehensive revenue and expense			
Other comprehensive revenue and expense	-	-	-
Distribution to the Crown	(2)	-	(2)
Total comprehensive revenue and expense	**(1,522)**	**165**	**(1,687)**

Statement of Revenue and Expense Significant Variance Explanations

The variance to budget is partially driven by misalignment of reporting periods. The 2022 budget is based on a 12-month reporting period. Other elements impacting the variance are noted below.

Total revenue

Total revenue is below budget due to a shortfall in domestic EFTS during 2022. This was partially offset by gains in international fees with the borders progressively reopening. Total EFTS delivered for the 10 months ended 31 October 2022 were 2,527 and are 1,365 less than the full year budget of 3,892.

Employee benefit expenses

Employee benefit expenses are below budget due to targeted savings and recruitment delays to counter the EFTS reduction.

Materials and operations expenses

As with employee benefits, the shortfall in EFTS led to prudent expenditure management and reduced educational delivery expenditure requirements.

Depreciation and amortisation expense

The underspend in depreciation and amortisation is aligned with the capital expenditure delays linked to supply chain and COVID-19 issues as detailed in Note 20.

* The operating surplus/(deficit) is the "Surplus/(deficit)" before "separately disclosed Items".

Notes to the financial statements (continued) For the period ended 31 October 2022

19. Major budget variances (continued)

	Group		
	Actual	Budget	Variance
All in $000s	2022	2022	
Statement of Financial Position			
Current assets	19,358	17,219	2,139
Non-current assets	118,017	113,832	4,185
Current liabilities	22,388	23,404	(1,016)
Non-current liabilities	872	3,806	(2,934)
Equity	114,115	103,841	10,274

Statement of Financial Position - Significant Variance Explanations

Current Assets are more than budget due to cash balances being higher as a result of capital expenditure timing, please refer to note 20 Capital Expenditure Project Performance.

Non-Current Assets are more than budget due to the revaluation of land and buildings.

Current liabilities are less than budget due to revenue in advance from enrolments for the next academic year at 31 October being less than the budget comparison at 31 December 2022.

Equity is more than budget due to the revaluation of land and buildings.

	Group		
Major statement of cash flows budget variances from the 2022 UCOL budget are detailed in the below table.	Actual	Budget	Variance
All in $000s	2022	2022	
Statement of Cash Flows			
Cash flow from operating activities	5,095	4,847	248
Cash flow used in investing activities	(2,006)	(10,795)	8,789
Cash flows from financing activities	-	3,260	(3,260)
Net (decrease)/increase in cash and cash equivalents	3,089	(2,688)	5,777
Cash and cash equivalents at beginning of the year	6,837	7,227	(390)
Total cash and cash equivalents at end of the year	**9,926**	**4,539**	**5,387**

Cash Flow from investing activities is more than budget due to timing of capital projects. Please refer to Note 20 Capital Expenditure Project Performance. Cashflows from financing activities are less than budget due to timing of capital expenditure delaying the need for a loan draw down.

Notes to the financial statements (continued) For the period ended 31 October 2022

20. Capital expenditure project performance to budget

	Group			Group		
All in $000s	Actual 2022	Budget 2022	Variance 2022	Actual 2021	Budget 2021	Variance 2021
Annual allocations (renewals)						
Facilities annual replacements	1,451	3,325	(1,874)	3,938	3,354	584
Furniture annual allocation	65	210	(145)	219	228	(9)
Information technology allocation	909	3,117	(2,208)	417	1,978	(1,561)
Vehicle replacement	171	245	(74)	236	240	(4)
Library annual allocation	148	194	(46)	152	173	(21)
Academic departments	511	970	(459)	460	863	(403)
Other allocation	69	110	(41)	184	172	12
Total annual allocation	**3,324**	**8,171**	**(4,847)**	**5,606**	**7,008**	**(1,402)**
Major projects						
Block 12 Lift Replacement	7	1,000	(993)	1,200	1,076	124
Health Hub development	583	250	333	-	-	-
Integrated Delivery	505	850	(345)	-	-	-
Total major projects	**1,095**	**2,100**	**(1,005)**	**1,200**	**1,076**	**124**
Total capital expenditure	**4,419**	**10,271**	**(5,852)**	**6,806**	**8,084**	**(1,278)**

Explanation of major budget variances:

The underspend on annual capital allocations across the group was largely due to delays brought on by the COVID-19 pandemic and associated lockdowns. In particular the Information Technology Projects suffered from significant supply chain issues due to international suppliers and have had to be deferred to subsequent years.

Major building projects were delayed due to the inability to continue onsite work and the delays in construction caused by COVID-19 induced supply chain issues which also led to increased costs.

Notes to the financial statements (continued) For the period ended 31 October 2022

21. Operating leases

Accounting policy

Operating leases

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

		Group		Parent	
All in $000s	Note	Actual 2022	Actual 2021	Actual 2022	Actual 2021
Leases as lessee					
Non-cancellable operating lease rentals are payable as follows:					
Not later than one year		315	326	315	326
Later than one year and not later than five years		127	334	127	334
Later than five years		-	-	-	-
Total leases as lessee		**442**	**660**	**442**	**660**

All in $000s	Note	Actual 2022	Actual 2021	Actual 2022	Actual 2021
Leases as lessor					
UCOL leases its property purchased for strategic purpose pending future use by UCOL under operating leases					
The future minimum lease payments under non-cancellable leases are as follows:					
Not later than one year		346	127	346	127
Later than one year and not later than five years		398	107	398	107
Later than five years		-	-	-	-
Total leases as lessor		**744**	**234**	**744**	**234**

Operating leases as the lessee comprise of buildings, vehicles, photocopiers and other equipment.

Notes to the financial statements (continued)
For the period ended 31 October 2022

22. Commitments and contingencies

		Group		Parent	
UCOL has the following commitments at balance date:		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Capital commitments					
Capital commitments denote approved capital expenditure contracted for at year-end not yet incurred.		-	-	-	-
Approved and committed					
Buildings – UCOL		1,573	1,800	1,573	1,800
Other plant, property and equipment		-	-	-	-
Intangible assets		-	72	-	72
Total capital commitments		**1,573**	**1,872**	**1,573**	**1,872**

UCOL has the following contingent assets at balance date:		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
UCOL has the following contingent assets at balance date		-	-	-	-

UCOL has the following contingent liabilities at balance date:		Actual	Actual	Actual	Actual
All in $000s	Note	2022	2021	2022	2021
Contingent liabilities					
Compassionate Grants outstanding as at 31 October 2022		-	21	-	21
Total contingent liabilities		**-**	**21**	**-**	**21**

Notes to the financial statements (continued)
For the period ended 31 October 2022

23. Related party transactions and key management personnel

Accounting policy

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

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

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

As at 31 October 2022 UCOL held an investment (term deposit) with Te Pūkenga of $2,000,000 for 90 day term at an interest rate of 3.03%.

Aside from the key management personnel and Board member disclosures below, there are no other related party transactions to disclose.

Key management personnel related party transactions		Group and Parent	
		Actual	Actual
All in $000s	Note	2022	2021
Key management personnel compensation			
Board members			
Full-time equivalent members		9.00	8.42
Remuneration		124,677	152,398
Directors and Chief Executive			
Full-time equivalent members*		10.00	7.73
Remuneration		1,644,720	1,906,236
Total full-time equivalent members		**19.00**	**16.1**
Total key management personnel remuneration		**1,769,397**	**2,058,634**

*There are ten members of the Executive Leadership Team considered to be key management personnel.

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 did not receive any remuneration or compensation other than in their capacity as key management personnel.

Board remuneration		Group and Parent	
		Actual	Actual
	Note	2022	2021
Board remuneration paid or payable during the period was:			
Verne Atmore (Chair from 14/05/21)		27,050	28,660
Mark Cleaver (Deputy Chair from 10/06/21)		17,443	19,082
Hon. Steve Maharey		13,525	23,185
Lyal French-Wright		13,525	16,745
Katarina Hina		13,525	16,745
Barry Jordan		12,559	16,745
Lorraine Stephenson (Atihaunui a Paparangi Rangitāne, Ngāti Kahungunu)		13,525	16,745
Linda Stewart		13,525	16,745
		124,677	**154,652**

Notes to the financial statements (continued)
For the period ended 31 October 2022

24. Consolidation

Accounting policy

The Group financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses, and cash flows of entities in the group on a line-by-line basis. All intra-group balances, transactions, revenue, and expenses are eliminated on consolidation. The group financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidation of an entity begins from the date UCOL obtains control of the entity and ceases when UCOL loses control of the entity.

Subsidiaries

UCOL consolidates in the group financial statements those entities it controls. Control exists where UCOL is exposed, or has rights, to variable benefits (either financial or non-financial) and has the ability to affect the nature and amount of those benefits from its power over the entity. Power can exist over an entity if, by virtue of its purpose and design, the relevant activities and the way in which the relevant activities of the entity can be directed has been predetermined by UCOL. Investments in subsidiaries are measured at cost in the parent financial statements. All subsidiaries were liquidated and consolidated into the parent during 2022.

25. COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic, and two weeks later the New Zealand Government declared a State of National Emergency.

During 2020 and 2021 the country went through several periods of lockdown, and UCOL periodically closed some or all delivery sites to comply with COVID-19 restrictions. Most staff moved to a “work from home” model, and teaching was changed to online delivery. When New Zealand moved to lower Alert Levels, students were able to attend classes on-site or continue to access classes remotely.

In early 2022 alert levels were reduced that enable campuses to remain open but with restrictions, including social distancing and mask wearing. The main impact on operations was an increase in cancelled classes, student withdrawals and staff and student sickness. Capital expenditure has also been impacted, and continues to be below budget with supply chain delays on property and IT projects.

The effect on our operations is reflected in these financial statements based on the information available to the date these financial statements were approved.

The main impacts on UCOL’s financial statements due to COVID-19 are explained below:

Revenue	UCOL has not experienced a reduction in revenue, the impact of COVID-19 has been minimal.
Suppliers	The majority of suppliers to UCOL are based in New Zealand, so the COVID-19 effect on supply was minimal.
Operating expenses	UCOL has incurred minimal additional expenditure relating to the direct cost impact on salaries for staff, leases, and developing alternative methods of delivery to students.
Impairment of tangible and intangible assets	An impairment assessment has been completed for tangible and intangible assets. The result of this assessment was no impairment loss has been recognised, please refer to Note 9 Intangible Assets.
Property Asset fair value assessment	Generally, property and land valuations have followed trends witnessed in the wider market by increasing in 2021, in some case markedly. The proportion to which these increases can be directly attributable to COVID-19 is uncertain.

26. Events after balance date

There have been no events subsequent to balance date that materially impact on the results of UCOL.

Manawatū Campus
18 Princess Street
Palmerston North 4410

Whanganui Campus
16 Rutland Street
Whanganui 4500

Wairarapa Campus
143 Chapel Street
Masterton 5810

Horowhenua Campus
160 Oxford Street
Levin 5510

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