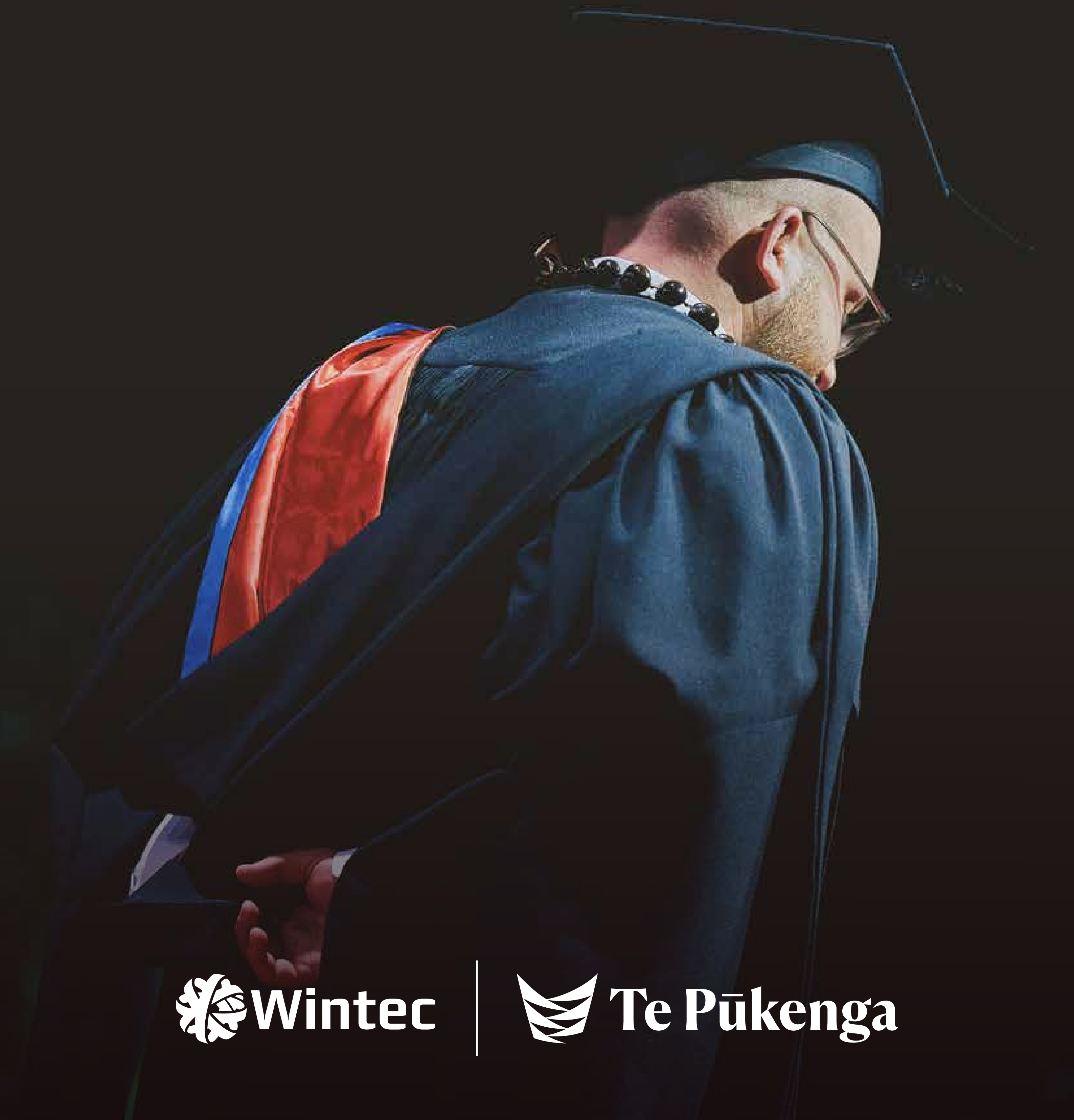
2022

Report for the 5 months Ended 31 May 2022



Wintec | Te Pūkenga

Waikato Institute of Technology Limited

Company Directory

Registered Office	Wintec City Campus, Gate 3, 150 Tristram Street, Hamilton, 3204, NZ
Incorporation number	77929496 (01 April 2020)
Shareholders	New Zealand Institute of Skills and Technology (Te Pūkenga)
Type of entity	Tertiary Education Institution
Shares issued and fully paid	100
Directors as at 31 May 2022	Michael John Cameron CRAWFORD Margaret Patricia DEVLIN Kiri Adrianne GOULTER Tania Lee HODGES Raewyn Janeen MAHARA Niwa Ranji NURI Pamela Romsos STOREY

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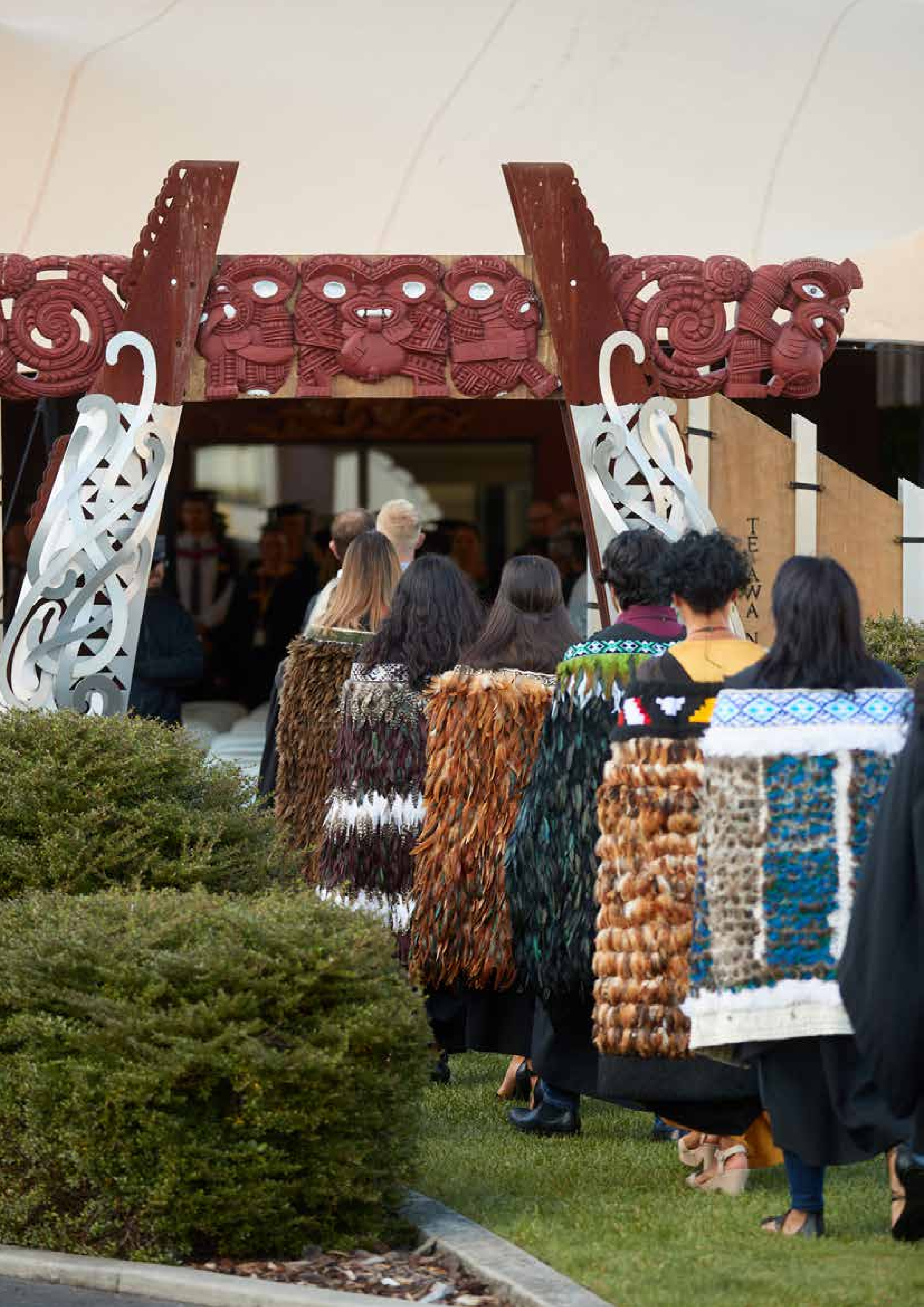

FINANCIAL PERFORMANCE

Audit New Zealand
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Waikato Institute of Technology Limited and Group's financial statements for the period 1 January 2022 to 31 May 2022

The Auditor-General is the auditor of Waikato Institute of Technology Limited (the company) and Group. The Auditor-General has appointed me, Karen MacKenzie, 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.

Opinion

We have audited the financial statements of the company and group on pages 9 to 55, which have been prepared on a disestablishment basis, that comprise the statement of financial position as at 31 May 2022, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the period ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the company and group on pages 9 to 55, which have been prepared on a disestablishment basis:

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

Our audit was completed on 8 December 2023. This is the date at which our opinion is expressed.

The basis for our 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.

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

Without modifying our opinion, we draw attention to the basis of preparation section of note 1 on page 16, which outlines that Te Pūkenga disestablished Waikato Institute of Technology Limited on 31 May 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.

Basis for our opinion

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

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

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

Responsibilities of the Council for the financial statements

The preparation of the final financial statements for the company and group is the responsibility of the Council.

The Council is 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 May 2022 the Board of Directors of the company and group was 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 1 June 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 Board approved budget for the company and group.

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 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 pages 2 and 8, 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.

In addition to the audit, we have provided a report on the group's performance-based research fund – eligible external research income, which is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with or interests in the company or any of its subsidiaries.

Karen MacKenzie
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Statement of Responsibility

for the 5 months ended 31 May 2022

- The Council and management of Te Pūkenga are responsible for the preparation of these financial statements and the judgements therein.
- The Council and management of Te Pūkenga are responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
- In the opinion of the Council and management of Te Pūkenga, these financial statements fairly reflect the financial position and operations of Waikato Institute of Technology Limited and Group for the five months ended 31 May 2022.

Murray Strong
Council Chair, Te Pūkenga

Peter Winder
Chief Executive, Te Pūkenga

6 December 2023

Statement of Comprehensive Revenue and Expense

for the 5 months ended 31 May 2022

		Group			Institute		
All in $'000	**Notes**	**Actual 2022**	**Budget 2022**	**Actual 2021**	**Actual 2022**	**Budget 2022**	**Actual 2021**
Revenue							
Government grants	2	22,710	52,328	52,169	22,710	52,328	52,169
Tuition fees	2	11,267	27,129	27,607	11,267	27,129	27,607
Other revenue	2	6,906	21,034	21,922	4,980	15,618	17,098
Total revenue		**40,883**	**100,491**	**101,698**	**38,957**	**95,075**	**96,874**
Expense							
Employee expenses	3	27,002	65,551	65,928	26,024	62,406	62,495
Depreciation expense	3, 8	2,386	5,978	6,249	2,383	5,972	5,998
Amortisation expense	3, 9	1,882	3,128	4,573	1,835	3,029	4,457
Interest expense	3	211	461	441	211	461	438
Administration and other expenses	3	10,916	28,479	31,330	11,339	26,291	28,188
Total expense		**42,397**	**103,597**	**108,521**	**41,792**	**98,160**	**101,575**
Surplus/(deficit)		**(1,514)**	**(3,106)**	**(6,823)**	**(2,835)**	**(3,085)**	**(4,702)**
Other comprehensive revenue and expense							
Items that will not be reclassified to surplus/(deficit)							
Revaluation of land and buildings	8	0	0	30,406	0	0	30,406
Total items that will not be reclassified to surplus/(deficit)		**0**	**0**	**30,406**	**0**	**0**	**30,406**
Total other comprehensive revenue and expense		**0**	**0**	**30,406**	**0**	**0**	**30,406**
Total comprehensive revenue and expense		**(1,514)**	**(3,106)**	**23,583**	**(2,835)**	**(3,085)**	**25,704**

The figures shown for budget and comparatives are for 12 months ended 31 December
Explanations of major variances against budget are provided in Note 17.

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 May 2022

		Group			Institute		
All in $'000	**Note**	**Actual 2022**	**Budget 2022**	**Actual 2021**	**Actual 2022**	**Budget 2022**	**Actual 2021**
Assets							
Current assets							
Cash and cash equivalents	4	4,886	2,673	5,079	751	0	2,368
Student fees and other receivables	5	6,866	10,198	17,961	6,048	9,525	17,543
Prepayments		1,672	568	1,027	1,610	541	983
Inventory	6	307	282	307	307	282	307
Assets held for sale	7	0	0	0	0	0	0
Total current assets		**13,731**	**13,721**	**24,374**	**8,716**	**10,348**	**21,201**
Non-current assets							
Property, plant and equipment	8	186,016	136,094	187,727	185,995	136,025	187,704
Intangible assets	9	9,146	11,270	10,758	8,771	11,106	10,508
Investment in Subsidiaries	21	0	2,398	0	2,398	2,398	2,398
Term deposits		652	654	652	652	654	652
Total non-current assets		**195,814**	**150,416**	**199,137**	**197,816**	**150,183**	**201,262**
Total assets		**209,545**	**164,137**	**223,511**	**206,532**	**160,531**	**222,463**
Liabilities							
Current liabilities							
Trade and other payables	10	4,066	2,829	3,599	3,874	2,892	3,440
Employee entitlements	11	5,081	4,429	4,559	4,871	4,142	4,353
Revenue received in advance	12	10,844	7,602	20,214	10,300	6,276	19,276
Borrowings	13	25,245	894	29,291	25,245	894	30,291
Total current liabilities		**45,236**	**15,754**	**57,663**	**44,290**	**14,204**	**57,360**

All in $'000	Note	Group			Institute		
		Actual 2022	Budget 2022	Actual 2021	Actual 2022	Budget 2022	Actual 2021
Non-current liabilities							
Employee entitlements	11	9	0	36	9	0	36
Borrowings	13	215	19,000	215	215	20,000	215
Total non-current liabilities		**224**	**19,000**	**251**	**224**	**20,000**	**251**
Total liabilities		**45,460**	**34,754**	**57,914**	**44,514**	**34,204**	**57,611**
Net assets		**164,085**	**129,383**	**165,598**	**162,017**	**126,327**	**164,852**
Equity							
General funds	16	108,055	103,757	109,568	105,986	100,701	108,821
Property revaluation reserve	16	55,378	24,972	55,378	55,378	24,972	55,378
Trust, endowments and bequests	16	652	654	652	652	654	652
Restricted reserves	16	0	0	0	0	0	0
Fair value through other comprehensive revenue and expense	16	0	0	0	0	0	0
Total equity		**164,085**	**129,383**	**165,598**	**162,017**	**126,327**	**164,852**

The figures shown for budget and comparatives are for 12 months ended 31 December

Explanations of major variances against budget are provided in Note 17.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the 5 months ended 31 May 2022

All in $'000	Note	Group			Institute		
		Actual 2022	Budget 2022	Actual 2021	Actual 2022	Budget 2022	Actual 2021
Opening balance		**165,598**	**132,489**	**142,016**	**164,852**	**129,412**	**139,149**
Other comprehensive revenue and expense							
Surplus/(deficit)	16	(1,514)	(3,106)	(6,824)	(2,835)	(3,085)	(4,702)
Other comprehensive revenue	16	0	0	30,406	0	0	30,406
Total comprehensive revenue and expense		**(1,514)**	**(3,106)**	**23,582**	**(2,835)**	**(3,085)**	**25,704**
Non comprehensive revenue and expense items							
Other contributions from the Crown		0	0	0	0	0	0
Distribution to the Crown		0	0	0	0	0	0
Suspensory loans from the Crown		0	0	0	0	0	0
Total non-comprehensive revenue		**0**	**0**	**0**	**0**	**0**	**0**
Balance at the end of the period		**164,085**	**129,383**	**165,598**	**162,017**	**126,327**	**164,852**

Explanations of major variances against budget are provided in Note 17.

The accompanying notes form part of these financial statements.

The figures shown for budget and comparatives are for 12 months period ended 31 December

Statement of Cash Flows

for the 5 months ended 31 May 2022

		Group			Institute		
All in $'000	**Note**	**Actual 2022**	**Budget 2022**	**Actual 2021**	**Actual 2022**	**Budget 2022**	**Actual 2021**
Cash flows from operating activities							
Receipts from Government grants		27,091	55,232	52,130	27,091	55,232	52,130
Receipts from student fees		11,026	25,396	23,219	11,026	25,396	23,219
Receipt of dividends		0	0	0	0	0	0
Receipt of interest		14	0	29	9	0	11
Receipt of other revenue		4,800	10,793	25,262	3,674	10,793	18,431
Goods and services tax (net)		(158)	0	(262)	(149)	0	(296)
Payments to employees		(26,515)	(62,130)	(65,785)	(25,541)	(62,130)	(62,259)
Payments to suppliers		(11,346)	(31,312)	(31,062)	(11,796)	(31,312)	(28,570)
Dividends paid		0	0	0	0	0	350
Interest paid		(114)	(462)	(441)	(114)	(462)	(438)
Net cash flow from operating activities		**4,797**	**(2,483)**	**3,091**	**4,199**	**(2,483)**	**2,578**
Cash flows from investing activities							
Proceeds from sale of property, plant and equipment		0	2,124	2,124	0	28,349	2,124
Proceeds from sale or maturity of investments		0	0	0	0	0	0
Purchase of property, plant and equipment		(674)	(1,267)	(1,267)	(674)	(5,972)	(1,267)
Purchase of investments		0	0	0	0	0	0
Purchase of intangible assets		(270)	(375)	(375)	(98)	(3,029)	(375)
Net cash flow used in investing activities		**(944)**	**482**	**482**	**(772)**	**19,348**	**482**
Cash flows from financing activities							
Proceeds from borrowings		0	0	(1,074)	0	0	(776)
Proceeds from capital contributions from the Crown		0	0	0	0	0	0
Proceeds from suspensory loans from the Crown		0	0	0	0	0	0
Repayment of borrowings		(4,046)	(16,864)	0	(5,044)	(16,864)	0
Distributions to the Crown		0	0	0	0	0	0
Repayment of finance leases		0	0	0	0	0	0
Proceeds/Distributions from other financial activities		0	0	0	0	0	0
Net cash flows from financing activities		**(4,046)**	**(16,864)**	**(1,074)**	**(5,044)**	**(16,864)**	**(776)**
Net (decrease)/increase in cash and cash equivalents		**(193)**	**(18,865)**	**2,500**	**(1,617)**	**0**	**2,284**
Cash and cash equivalents at beginning of the period		**5,079**	**(2,725)**	**2,578**	**2,368**	**0**	**83**
Cash and cash equivalents at end of the year	4	**4,886**	**(21,590)**	**5,079**	**751**	**0**	**2,368**

Explanations of major variances against budget are provided in Note 17. The accompanying notes form part of these financial statements. The figures shown for comparatives are for 12 months period ended 31 December

Statement of Cash Flows

for the 5 months ended 31 May 2022

Reconciliation of Net Surplus/(Deficit) to the Net Cash Flow from Operating Activities

		Group		Institute	
All in $'000	**Note**	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
Surplus/(deficit)		(1,514)	(6,824)	(2,835)	(4,702)
Add/(less) non-cash items					
Depreciation and amortisation expense		4,268	10,822	4,218	10,455
Bad debt provision movement		(13)	(332)	(13)	(329)
Other losses/(gains)		0	0	0	0
Add/(less) items classified as investing or financing activities:					
Net loss/(gain) on disposal of property, plant and equipment		0	309	0	309
Net loss/(gain) on disposal of Trust operations		0	2,252	0	0
Add/(less) movements in working capital:					
(Increase)/decrease in accounts receivable and other receivables		11,109	(2,184)	11,509	(2,112)
(Increase)/decrease in inventories			(25)	0	(25)
(Increase)/decrease in prepayments		(645)	(440)	(627)	(442)
Increase/(decrease) in employee entitlements		494	143	491	236
Increase/(decrease) in trade and other payables		467	(276)	432	(520)
Increase/(decrease) in provisions		0	0	0	0
Increase/(decrease) in fees in advance		(9,370)	(354)	(8,976)	(297)
Net cash from operating activities		**4,797**	**3,091**	**4,199**	**2,578**

The figures shown for comparatives are for 12 months ended 31 December
Explanations of major variances against budget are provided in Note 17.
The accompanying notes form part of these financial statements.

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for the 5 months ended 31 May 2022

Notes to the Financial Statements

for the 5 months ended 31 May 2022

1. Statement of accounting policies

Reporting Entity

The Waikato Institute of Technology Limited (the Institute) is a Tertiary Education Institution (TEI) that is domiciled and operates in New Zealand. The relevant legislation governing operations includes the Crown Entities Act 2004 and the Education and Training Act 2020.

The Institute and Group consist of Waikato Institute of Technology Limited and its subsidiaries, SODA Inc. Limited, LearningWorks Limited and the Wintec Foundation Trust. The Institute's interest in its associate Motortrain Limited, is equity accounted in the Group financial statements. These entities are all incorporated in New Zealand. Refer to note 21 for further details of all entities included in the Group.

The Waikato Institute of Technology Limited provides educational and research services for the benefit of the community. It does not operate to make a financial return.

The Institute has designated itself and the Group as Public Benefit Entities (PBE) for the purposes of complying with generally accepted accounting practice.

The financial statements of the Institute and the Group are for the 5 months ended 31 May 2022, and were authorised for issue by the Council of Te Pūkenga on 6 December 2023.

Basis Of Preparation

Disestablishment basis

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 Waikato Institute of Technology Limited on 31 May 2022, at which point all the rights, assets, and liabilities of Waikato Institute of Technology Limited 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

The reporting period for the 2021 comparatives is for the twelve months from 1 January 2021 to 31 December 2021. The reporting period for the budget is for the 12 months ended 31 December 2022 and the actuals for 2022 is for the five months 1 January 2022 to 31 May 2022.

Statement of compliance

The Institute 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 20, are rounded to the nearest thousand dollars ($000). Board member remuneration and related party transaction disclosures are rounded to the nearest dollar.

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 outline below.

Budget figures

The budget figures for the Institute and Group have been derived from the budgets approved by the Waikato Institute of Technology Board for the 2022 financial year on 5 October 2021 and are reported for the period 1 January 2022 to 31 December 2022. The 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.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions might differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

(a) Impairment of non-financial assets - The Institute and Group assess impairment of all assets at each reporting date by evaluating conditions specific to the Institute and Group and to the particular asset that may lead to impairment. These include programme performance, technology, economic and political environments and future programme expectations. If an impairment trigger exists the recoverable amount of the asset is determined. The Institute does not consider that the triggers for impairment testing have been significant enough, therefore no provisions have been made during the 5 months to 21 May 2022.

(b) Classification of assets as held for sale - The Institute and Group classify assets as held for sale when their carrying amount will be recovered through a sale transaction. The assets must be available for immediate sale and the Institute must be committed to selling the asset either through entering into a contractual sale agreement or the activation of and commitment to a programme to locate a buyer and dispose of the assets.

(c) Estimation of useful lives of assets - The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

(d) Estimating the fair value of the land, buildings and infrastructure - refer to note 8

Foreign currency transactions

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

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

The Institute and the Group are exempt from Income Tax. Accordingly, no provision has been made for Income Tax.

Critical judgements in applying accounting policies.

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

Research revenue

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

(b) Whether the funder has substantive rights to the research output. This is a persuasive indicator of exchange or non-exchange.

(c) How the research funds were obtained. For example, whether through a commercial tender process for specified work or from applying to a general research funding pool.

(d) Nature of the funder.

(e) Specificity of the research brief or contract. Judgement is often required in determining the timing of revenue recognition for contracts that span a balance date and for multi-year research contracts.

Research leave

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

Notes to the Financial Statements

for the 5 months ended 31 May 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

Student Achievement Component (SAC) funding is the main source of operational funding from the Tertiary Education Commission (TEC). The Institute considers SAC funding to be non-exchange revenue 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.

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

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

Targeted Training and Apprenticeship Fund (TTAF)

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

Performance-Based Research Fund (PBRF)

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

Research revenue

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

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

Other grants received

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

Donations, trust funds, endowments, bequests, and pledges

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

Sales of goods

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

Notes to the Financial Statements

for the 5 months ended 31 May 2022

2. Revenue (continued)

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

Interest and dividends
Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment. Dividends are recognised when the right to receive payment has been established.

	Group		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
Government funding classified as non-exchange transactions				
Student disability grant	0	114	0	114
Literacy funding	154	365	154	365
Youth guarantee funding	214	781	214	781
ACE Funding	86	324	86	324
Māori and Pacific Islands grant	408	2,140	408	2,140
Student Achievement Component (SAC) funding	19,359	44,447	19,359	44,447
Performance-Based Research funding	1,210	1,236	1,210	1,236
Other Government funding	1,279	2,762	1,279	2,762
Total Government funding classified as non-exchange transactions	**22,710**	**52,169**	**22,710**	**52,169**
Tuition fees and departmental revenue classified as exchange transactions				
Tuition fees - international students	1,490	7,257	1,490	7,257
Total tuition fees and departmental revenue classified as exchange transactions	**1,490**	**7,257**	**1,490**	**7,257**
Tuition fees and departmental revenue classified as non-exchange transactions				
Tuition fees - domestic students	5,222	9,375	5,222	9,375
Tuition fees - Fees-Free	1,321	3,925	1,321	3,925
Tuition fees - TTAF	3,068	6,395	3,068	6,395
Other tuition fees classed as non-exchange transactions	167	656	167	656
Total tuition fees and departmental revenue classified as non-exchange transactions	**9,778**	**20,350**	**9,778**	**20,350**
Total tuition fees and departmental revenue	**11,267**	**27,607**	**11,267**	**27,607**
Other revenue classified as exchange transactions				
Other revenue	5,845	19,440	3,924	14,284
Interest revenue	12	29	7	11
Dividend revenue	0	0	0	350
Student service fees	887	1,958	887	1,958
Total other revenue classified as exchange transactions	**6,744**	**21,427**	**4,818**	**16,604**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

2. Revenue (continued)

All in $'000	Group		Institute	
	Actual 2022	Actual 2021	Actual 2022	Actual 2021
Other revenue classified as non-exchange transactions				
Interest revenue	0	0	0	0
Dividend revenue	0	0	0	0
Research revenue	162	494	162	494
Student service fees	0	0	0	0
Total other revenue classified as non-exchange transactions	**162**	**494**	**162**	**494**
Total other revenue	**6,906**	**21,922**	**4,980**	**17,098**

Revenue classification

Exchange revenue	8,233	28,684	6,307	23,861
Non-exchange revenue	32,650	73,013	32,650	73,013
Total tuition fees and departmental revenue classified as exchange transactions	**40,883**	**101,698**	**38,957**	**96,874**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

3. Expenditure

Scholarships

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

		Group		Institute	
All in $'000	**Note**	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
Employee expenses					
Wages and salaries		25,528	62,554	24,528	59,513
Defined contribution plan employer contributions		718	1,603	688	1,531
Councillors and board fees	20	94	269	68	164
Other employee expenses		662	1,502	740	1,287
Total employee expenses		**27,002**	**65,928**	**26,024**	**62,495**
Depreciation and amortisation expenses					
Depreciation	8	2,386	6,249	2,383	5,998
Amortisation	9	1,882	4,573	1,835	4,457
Total depreciation and amortisation		**4,268**	**10,822**	**4,218**	**10,455**
Interest expense					
Interest expense		211	441	211	438
Total interest		**211**	**441**	**211**	**438**
Administration and other expenditure					
Auditors' remuneration					
Fees paid to Audit New Zealand for financial statement audit		202	210	197	210
Fees paid to other auditors		0	32	0	0
Total auditors' remuneration		**202**	**242**	**197**	**210**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

3. Expenditure (continued)

		Group		Institute	
All in $'000	**Note**	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
General costs					
Operating lease payments		920	2,292	873	2,084
Bad and doubtful debts - written off		0	13	0	7
Net increase/(decrease) bad and doubtful debts provision	5	0	0	0	0
Course delivery expenses		1,709	5,145	2,939	7,010
Donations & koha		3	11	3	11
Research & development expense		71	299	71	299
Loss on disposal of property, plant and equipment		0	309	0	309
Loss on disposal of Trust operations		0	2,252	0	0
Administrative, materials and consumables expenses		6,133	16,169	5,386	13,829
Scholarships		5	90	5	93
Other expenditure		1,872	4,506	1,864	4,335
Total general costs		**10,713**	**31,086**	**11,141**	**27,977**
Total Administration and other expenditure		**10,916**	**31,330**	**11,339**	**28,188**
Total expense		**42,397**	**108,521**	**41,792**	**101,575**

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		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
Cash at bank and on hand	927	2,443	750	2,367
Call deposits	3,959	2,472	1	1
Term deposits with maturities of 3 months or less at acquisition	0	164	0	0
Total cash and cash equivalents	**4,886**	**5,079**	**751**	**2,368**
Weighted average effective interest rate	0.5%	0.5%	0.1%	0.1%

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

Notes to the Financial Statements

for the 5 months ended 31 May 2022

5. Student fees and other receivables

Accounting policy

Short-term receivables are recorded at the amount due, less any 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.

	Group		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
Receivables classified as exchange transactions				
Student fees and sundry receivables	1,906	2,143	1,906	2,142
Related party receivables	0	0	0	0
Other receivables	843	551	17	11
Total receivables classified as exchange transactions	**2,749**	**2,694**	**1,923**	**2,153**
Receivables classified as non-exchange transactions				
Student fees and sundry receivables	5,682	16,845	5,682	16,845
Related party receivables	0	0	0	115
Other non-exchange receivables	0	0	0	0
Total receivables classified as non-exchange transactions	**5,682**	**16,845**	**5,682**	**16,960**
Total student fees and other receivables (excluding impairment)	**8,431**	**19,539**	**7,605**	**19,114**
Less provision for impairment of receivables	(1,565)	(1,578)	(1,557)	(1,570)
Total student fees and other receivables	**6,866**	**17,961**	**6,048**	**17,543**

	Group			Institute		
	2022			2022		
All in $'000	**Gross**	**Expected credit loss**	**Net**	**Gross**	**Expected credit loss**	**Net**
Impairment						
Not past due	5,745	0	5,745	5,146	0	5,146
Past due 1 - 30 days	204	(50)	154	103	(50)	53
Past due 30 - 60 days	398	(68)	330	293	(60)	233
Past due 61 - 90 days	368	(78)	290	347	(78)	269
Past due over 90 days	1,716	(1,369)	347	1,716	(1,369)	347
Total impairment	**8,431**	**(1,565)**	**6,866**	**7,605**	**(1,557)**	**6,048**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

5. Student fees and other receivables (continued)

	Group			Institute		
	2021			2021		
All in $'000	Gross	Expected credit loss	Net	Gross	Expected credit loss	Net
Impairment						
Not past due	15,743	0	15,743	15,743	0	15,743
Past due 1 - 30 days	1,255	(50)	1,204	990	(50)	940
Past due 30 - 60 days	940	(68)	872	921	(60)	863
Past due 61 - 90 days	157	(78)	78	35	(78)	(44)
Past due over 90 days	1,445	(1,382)	63	1,424	(1,382)	42
Total impairment	**19,540**	**(1,578)**	**17,961**	**19,115**	**(1,570)**	**17,543**

	Group		Institute	
All in $'000	Actual 2022	Actual 2021	Actual 2022	Actual 2021
Movements in allowance for credit loss as follows				
Opening balance for credit losses 1 Jan 2022	(1,578)	(1,910)	(1,570)	(1,899)
Additional provisions made during the year	0	0	0	0
Provisions adjustments during the year	0	0	0	0
Receivables written-off during the year	13	332	13	329
At the end of financial year*	**(1,565)**	**(1,578)**	**(1,557)**	**(1,570)**

The Institute and Group hold no collateral as security or other credit enhancements over receivables that are either past due or uncollectable.

** Year end for 2021 is 31 Dec 2021 and for 2022 is 31 May 2022.*

Notes to the Financial Statements

for the 5 months ended 31 May 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		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
Commercial Inventory	307	307	307	307
Total inventory carrying value	**307**	**307**	**307**	**307**

No inventories are pledged as security for liabilities (2021: $nil).

7. Assets held for sale

	Group		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
Property held for sale	0	0	0	0
Total assets held for sale	0	0	0	0

Notes to the Financial Statements

for the 5 months ended 31 May 2022

8. Property, plant and equipment

ACCOUNTING POLICY

Property, plant, and equipment consists of eight asset classes: land, buildings, infrastructure, computer hardware, furniture and equipment, motor vehicles, artwork, and library collection. 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 the Institute and the Group and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, 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 the Institute and the Group 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, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. 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%
- 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%

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.

Valuation

The most recent valuation of land and buildings was performed by an independent registered valuer, Telfer Young (Waikato) Limited. The valuation is effective as at 31 December 2021. The most recent valuation for infrastructure assets was performed by Klu'd up. The valuation is effective as at 31 December 2021.

Land

Land is valued at fair value using market-based evidence best on its highest and best use, with reference to comparable land sales. Adjustments have been made to the "unencumbered" land value for campus land where the land is zoned for current use. The adjustment is intended to reflect that the highest and best use is likely to be other than the current use and that there would be a cost associated with unlocking that alternative use. A direct adjustment equating to 8.5% of the unencumbered value was made for the Rotokauri Campus land. The City Campus is subject to a perpetual leasehold interest while the site is used for Tertiary Education purposes and as part of the anticipated on-going use by Wintec the market value of the land is shown as the lessee's interest, which is a proportion of the overall freehold land value. Restrictions on the Institute and Group's ability to sell land would normally not impair the value of the land because the Institute and Group has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

Buildings

Specialised buildings (e.g. campuses) are valued at fair value using depreciated replacement cost because no reliable market data is available for buildings designed for education delivery purposes. Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity. There have been no optimisation adjustments for the most recent valuations.
- The replacement cost is derived from recent construction contracts of similar assets, commercial/industrial assets and reference to QV Costbuilder. Construction costs range from $225 to $6,665 per square metre, depending on the nature of the specific asset valued.
- The property has been valued on the basis that the buildings meet the current earthquake standards.
- The remaining useful life of assets is estimated after considering factors such as the condition of the asset, future maintenance and replacement plans, and experience with similar buildings.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Infrastructure

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

Restrictions on title

Under the Education and Training Act 2020, The Institute is required to notify Te Pūkenga who then obtains consent from the Secretary for Education, to dispose of land and buildings. There are also various restrictions in the form of historic designations, reserve and endowment encumbrances attached to land. The Institute and Group does not consider it practical to disclose in detail the value of land subject to these restrictions.

Notes to the Financial Statements

for the 5 months ended 31 May 2022

8. Property, plant and equipment (continued)

Group	1 Jan 2022			2022					31 May 2022		
All in $'000	Cost or fair value	Accumulated depreciation	Net carrying value	Additions	Net book value of disposals	Depreciation	Reclassifications	Revaluation	Cost or fair value	Accumulated depreciation	Net carrying value
Land	29,686	0	29,686	0	0	0	0	0	29,686	0	29,686
Infrastructure	18,929	0	18,929	0	0	(163)	0	0	18,929	(163)	18,766
Buildings	126,684	0	126,684	335	0	(1,135)	0	0	127,019	(1,135)	125,884
Furniture and equipment	15,700	(9,836)	5,864	698	0	(393)	0	0	16,398	(10,229)	6,169
Computer hardware	12,492	(7,787)	4,705	29	0	(633)	0	0	12,521	(8,420)	4,101
Motor vehicles	226	(181)	44	61	0	(5)	0	0	287	(186)	100
Artwork	276	0	276	0	0	0	0	0	276	0	276
Library collection	881	(271)	609	0	(2)	(56)	0	0	879	(327)	552
Total property, plant and equipment	**204,874**	**(18,075)**	**186,796**	**1,123**	**(2)**	**(2,386)**	**0**	**0**	**205,995**	**(20,460)**	**185,534**

Assets under construction	1 Jan 2022	2022			31 May 2022
All in $'000	Opening Value	Additions	Expensed	Capitalisations	Closing Value
Buildings	513	233	(347)	(374)	25
Computer hardware	36	166	0	(22)	180
Furniture and fittings	228	148	347	(508)	215
Library collection	0	33	0	0	33
Motor vehicles	72	11	0	(83)	0
Plant and equipment	82	82	0	(136)	28
Total	**931**	**674**	**0**	**(1,123)**	**482**
Total property, plant and equipment					**186,016**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

8. Property, plant and equipment (continued)

Institute	1 Jan 2022			2022					31 May 2022		
All in $'000	Cost or fair value	Accumulated depreciation	Net carrying value	Additions	Net book value of disposals	Depreciation	Reclassifications	Revaluation	Cost or fair value	Accumulated depreciation	Net carrying value
Land	29,686	0	29,686	0	0	0	0	0	29,686	0	29,686
Infrastructure	18,928	0	18,928	0	0	(163)	0	0	18,928	(163)	18,765
Buildings	126,684	0	126,684	335	0	(1,135)	0	0	127,019	(1,135)	125,885
Furniture and equipment	15,603	(9,760)	5,843	699	0	(392)	0	0	16,302	(10,152)	6,150
Computer hardware	12,415	(7,711)	4,704	29	0	(633)	0	0	12,444	(8,344)	4,100
Motor vehicles	226	(182)	44	61	0	(5)	0	0	287	(187)	100
Artwork	276	0	276	0	0	0	0	0	276	0	276
Library collection	881	(272)	609	0	(2)	(56)	0	0	879	(328)	551
Total property, plant and equipment	**204,698**	**(17,925)**	**186,773**	**1,124**	**(2)**	**(2,383)**	**0**	**0**	**205,821**	**(20,309)**	**185,513**

Assets under construction	1 Jan 2022	2022			31 May 2022
All in $'000	Opening Value	Additions	Expensed	Capitalisations	Closing Value
Buildings	513	233	(347)	(374)	25
Computer hardware	36	166	0	(22)	180
Furniture and fittings	227	149	347	(508)	215
Library collection	0	33	0	0	33
Motor vehicles	72	11	0	(83)	0
Plant and equipment	82	82	0	(136)	28
Total	**931**	**674**	**0**	**(1,123)**	**482**

Total property, plant and equipment	**185,995**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

8. Property, plant and equipment (continued)

Group	1 Jan 2021			2021					31 Dec 2021		
All in $'000	Cost or fair value	Accumulated depreciation	Net carrying value	Additions	Net book value of disposals	Depreciation	Reclassifications	Revaluation	Cost or fair value	Accumulated depreciation	Net carrying value
Land	21,904	0	21,904	0	0	0	0	7,782	29,686	0	29,686
Infrastructure	14,361	(791)	13,570	2,066	(650)	280	(344)	4,007	18,929	0	18,929
Buildings	119,932	(6,835)	113,097	129	(3,722)	1,110	(2,547)	18,617	126,684	0	126,684
Furniture and equipment	18,361	(11,843)	6,518	394	(3,055)	3,156	(1,149)	0	15,700	(9,836)	5,864
Computer hardware	17,218	(11,605)	5,613	1,156	(5,883)	5,883	(2,065)	0	12,492	(7,787)	4,705
Motor vehicles	344	(316)	28	50	(168)	150	(15)	0	226	(181)	44
Library collection	4,623	(4,080)	543	194	(3,937)	3,937	(128)	0	881	(271)	609
Artwork	274	0	274	2	0	0	0	0	276	0	276
Total property, plant and equipment	**197,016**	**(35,470)**	**161,546**	**3,992**	**(17,415)**	**14,516**	**(6,248)**	**30,406**	**204,872**	**(18,076)**	**186,796**

Assets under construction	1 Jan 2021	2021			31 Dec 2021
All in $'000	Opening Value	Additions	Expensed	Capitalisations	Closing Value
Buildings	3,459	553	(1,304)	(2,195)	513
Computer hardware	78	1,115	0	(1,157)	36
Furniture and fittings	101	132	0	(6)	228
Library collection	0	194	0	(194)	0
Motor vehicles	0	122	0	(50)	72
Plant and equipment	17	446	0	(381)	82
Total	**3,655**	**2,562**	**(1,304)**	**(3,983)**	**931**

Total property, plant and equipment	**187,727**

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for the 5 months ended 31 May 2022

8. Property, plant and equipment (continued)

Institute	1 Jan 2021			2021					31 Dec 2021		
All in $'000	Cost or fair value	Accumulated depreciation	Net carrying value	Additions	Net book value of disposals	Depreciation	Reclassifications	Revaluation	Cost or fair value	Accumulated depreciation	Net carrying value
Land	21,904	0	21,904	0	0	0	0	7,782	29,686	0	29,686
Infrastructure	14,361	(791)	13,570	2,066	(650)	280	(344)	4,007	18,928	0	18,928
Buildings	116,210	(5,725)	110,485	129	(10)	10	(2,547)	18,617	126,684	0	126,684
Furniture and equipment	17,662	(11,299)	6,363	394	(2,453)	2,452	(913)	0	15,603	(9,760)	5,843
Computer hardware	17,141	(11,535)	5,606	1,157	(5,883)	5,883	(2,060)	0	12,415	(7,711)	4,704
Motor vehicles	307	(307)	0	50	(131)	131	(5)	0	226	(182)	44
Library collection	4,623	(4,080)	543	194	(3,937)	3,937	(128)	0	881	(272)	609
Artwork	274	0	274	2	0	0	0	0	276	0	276
Total property, plant and equipment	**192,483**	**(33,737)**	**158,746**	**3,992**	**(13,064)**	**12,693**	**(5,997)**	**30,406**	**204,698**	**(17,925)**	**186,773**

Assets under construction	1 Jan 2021	2021			31 Dec 2021
All in $'000	Opening Value	Additions	Expensed	Capitalisations	Closing Value
Buildings	3,459	513	(1,304)	(2,195)	513
Computer hardware	78	1,115	0	(1,157)	36
Furniture and fittings	101	132	0	(6)	227
Library collection	0	194	0	(194)	0
Motor vehicles	0	122	0	(50)	72
Plant and equipment	17	446	0	(381)	82
Total	**3,655**	**2,522**	**(1,304)**	**(3,983)**	**931**

Total property, plant and equipment	**187,704**

Notes to the Financial Statements

for the 5 months ended 31 May 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 the Te Pūkenga group are initially recognised at historical cost. They have a finite useful life and, subsequent to initial recognition, are 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 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 attributable to the course and the cost can be reliably measured. This is the case when:

- it is technically feasible to complete the development so that the course or programme will be available for use and/or sale;
- management intends to complete the development of the course or programme and use or sell it:
- there is an ability to use or sell the course or programme;
- it can be demonstrated how the course or programme will generate probable future economic benefits;
- 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
- 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.

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.

Notes to the Financial Statements

for the 5 months ended 31 May 2022

9. Intangible assets

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%
- Course development 4 years 25%

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.

Group	1 Jan 2022			2022					31 May 2022		
All in $'000	Cost or fair value	Accumulated Amortisation	Net carrying value	Additions	Net book value of disposals	Amortisation	Reclassification	Revaluation	Cost or fair value	Accumulated amortisation	Net carrying value
Computer software	23,540	(16,187)	7,353	0	0	(1,427)	0	0	23,540	(17,614)	5,926
Goodwill	407	(407)	0	0	0	0	0	0	407	(407)	0
Course development	4,539	(1,613)	2,926	0	0	(455)	0	0	4,539	(2,068)	2,471
Total intangible assets	**28,487**	**(18,207)**	**10,280**	**0**	**0**	**(1,882)**	**0**	**0**	**28,487**	**(20,089)**	**8,397**

Intangible assets under construction	1 Jan 2022	2022		31 May 2022
All in $'000	Cost	Additions	Capitalisations	Net Carrying Value
Computer software	478	270	0	748
Course development	0	0	0	0
Total	**478**	**270**	**0**	**748**

Total intangibles	**9,146**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

9. Intangible assets (continued)

Institute	1 Jan 2022			2022					31 May 2022		
All in $'000	Cost or fair value	Accumulated Amortisation	Net carrying value	Additions	Net book value of disposals	Amortisation	Reclassification	Revaluation	Cost or fair value	Accumulated amortisation	Net carrying value
Computer software	23,318	(16,073)	7,245	0	0	(1,410)	0	0	23,318	(17,483)	5,835
Goodwill	0	0	0	0	0	0	0	0	0	0	0
Course development	4,104	(1,319)	2,785	0	0	(425)	0	0	4,104	(1,744)	2,360
Total intangible assets	**27,422**	**(17,392)**	**10,030**	**0**	**0**	**(1,835)**	**0**	**0**	**27,422**	**(19,227)**	**8,195**

Intangible assets under construction	1 Jan 2022	2022		31 May 2022
All in $'000	Cost	Additions	Capitalisations	Net Carrying Value
Computer software	478	98	0	576
Course development	0	0	0	0
Total	**478**	**98**	**0**	**576**

Total intangibles	**8,771**

Group	1 Jan 2021			2021					31 Dec 2021		
All in $'000	Cost or fair value	Accumulated Amortisation	Net carrying value	Additions	Net book value of disposals	Amortisation	Reclassifications	Revaluation	Cost or fair value	Accumulated depreciation	Net carrying value
Computer software	23,602	(12,899)	10,703	122	(184)	184	(3,472)	0	23,540	(16,187)	7,353
Goodwill	407	(407)	0	0	0	0	0	0	407	(407)	0
Course development	2,382	(511)	1,871	2,157	0	0	(1,102)	0	4,539	(1,613)	2,926
Total intangible assets	**26,391**	**(13,817)**	**12,574**	**2,279**	**(184)**	**184**	**(4,574)**	**0**	**28,487**	**(18,207)**	**10,280**

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for the 5 months ended 31 May 2022

9. Intangible assets (continued)

Intangible assets under construction	1 Jan 2021	2021			31 Dec 2021
All in $'000	Cost	Additions	Expensed	Capitalisations	Net Carrying Value
Computer software	225	376	0	(122)	478
Course development	2,157	0	0	(2,157)	0
Total	**2,382**	**376**	**0**	**(2,279)**	**478**
Total intangibles					**10,758**

Institute	1 Jan 2021			2021					31 Dec 2021		
All in $'000	Cost or fair value	Accumulated Amortisation	Net carrying value	Additions	Net book value of disposals	Amortisation	Reclassifications	Revaluation	Cost or fair value	Accumulated depreciation	Net carrying value
Computer software	23,380	(12,825)	10,555	122	(184)	184	(3,431)	0	23,318	(16,073)	7,245
Goodwill	0	0	0	0	0	0	0	0	0	0	0
Course development	1,947	(293)	1,654	2,157	0	0	(1,026)	0	4,104	(1,319)	2,785
Total intangible assets	**25,327**	**(13,118)**	**12,209**	**2,279**	**(184)**	**184**	**(4,457)**	**0**	**27,422**	**(17,392)**	**10,030**

Intangible assets under construction	1 Jan 2021	2021			31 Dec 2021
All in $'000	Cost	Additions	Expensed	Capitalisations	Net Carrying Value
Computer software	225	376	0	(122)	478
Course development	2,157	0	0	(2,157)	0
Total	**2,382**	**376**	**0**	**(2,279)**	**478**
Total intangibles					**10,508**

Notes to the Financial Statements
for the 5 months ended 31 May 2022

10. 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.

Payables under exchange transactions	Group		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
Trade payables	1,892	1,686	1,929	1,787
Related party payables	124	83	0	0
Other payables	1,634	1,257	1,597	1,156
Total payables under exchange transactions	**3,650**	**3,026**	**3,526**	**2,943**

Payables under non-exchange transactions				
Other payables				
Related party payables				
Net GST payable/(receivable)	416	573	348	497
Total payables under non-exchange transactions	**416**	**573**	**348**	**497**
Total trade and other payables	**4,066**	**3,599**	**3,874**	**3,440**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

11. Employee entitlements

Accounting policy

Employee benefits 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 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

Annual leave is 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 expenses in the surplus or deficit when incurred.

Employee entitlements	Group		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
Accrued pay	0	659	0	631
Annual leave	3,220	2,832	3,071	2,686
Long service leave	9	36	9	36
Other employee entitlements	1,861	1,069	1,800	1,035
Total Employee benefit liabilities	**5,090**	**4,596**	**4,880**	**4,388**
Current portion	**5,081**	**4,559**	**4,871**	**4,353**
Non-current portion	**9**	**36**	**9**	**36**
Total employee benefit liabilities	**5,090**	**4,595**	**4,880**	**4,389**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

12. Revenue received in advance

	Group		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
Revenue received in advance				
Government grants	641	1,791	641	1,791
Students' fees	9,233	17,485	9,233	17,485
Other revenue received in advance	970	938	426	0
Total revenue received in advance	**10,844**	**20,214**	**10,300**	**19,276**
Current portion	10,844	20,214	10,300	19,276
Non-current portion	0	0	0	0
Total revenue received in advance	**10,844**	**20,214**	**10,300**	**19,276**

13. 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 the Institute or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowings	Group		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
Current portion	25,245	29,291	25,245	30,291
Non-current portion	215	215	215	215
Total	**25,460**	**29,506**	**25,460**	**30,506**

Borrowings
The Institute has a revolving cash facility of $43.5m with its parent Te Pūkenga providing funding for capital projects and liquidity.

Notes to the Financial Statements

for the 5 months ended 31 May 2022

14. Other financial assets and liabilities

Accounting policy

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

Term deposits and loans to subsidiaries

Term deposits and loans to subsidiaries are initially measured at the amount invested. Where applicable, interest is subsequently accrued and added to the investment balance. At year end, term deposits and loans to subsidiaries are assessed for indicators of impairment. If they are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

Fair value

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

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

Impairment of financial assets held at amortised cost.

The Institute and the Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument. 12 month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Loss allowances on cash and cash equivalents, term deposits and loans to subsidiaries are measured at 12 month ECLs if credit risk has not increased significantly since initial recognition. Should credit risk of these instruments increase significantly, loss allowances are measured at an amount equal to lifetime ECL.

Loss allowances for receivables are always measured at an amount equal to lifetime ECLS. The Group applies the simplified approach, as permitted by PBE IPSAS 41. For the simplified approach the Group establishes a provision matrix that is based on historical credit loss experience, adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the amount receivable.

The Group considers a financial asset to be in default when:

- The financial asset is more than 30 days past due, and/or
- The borrower is unlikely to pay its credit obligations to the Group in full.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The unrecoverable portion of a financial asset is written off when the Institute and the Group has no reasonable expectations of recovering all or some of a financial asset. For student fees , the Group 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, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Institute and the Group 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 the Group’s procedures for recovery of amounts due.

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for the 5 months ended 31 May 2022

14. Other financial assets and liabilities (continued)

	Group		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 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	4,886	5,079	751	2,368
Term deposits with maturities greater than 3 months at acquisition	652	652	652	652
Investments in debt instruments	0	0	0	0
Student fees and other receivables	6,866	17,961	6,048	17,543
Total loans and receivables	**12,404**	**23,692**	**7,451**	**20,563**
Financial assets - available for sale at fair value				
Government bonds				
Financial assets - available for sale	0	0	0	0
Total available for sale	**0**	**0**	**0**	**0**
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	(3,650)	(3,026)	(3,526)	(2,943)
Borrowings	(25,460)	(29,506)	(25,460)	(30,506)
Total financial liabilities measured at amortised cost	**(29,110)**	**(32,532)**	**(28,986)**	**(33,449)**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

14. Other financial assets and liabilities (continued)

Financial instruments risks
The Institute and the Group's activities expose it to a variety of financial risks, including market risk, credit risk, and liquidity risk. The Institute and the Group has policies to manage these risks and seeks to minimise exposure from financial instruments. These policies do not allow any transactions are that 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 undiscounted contractual cash flows and excludes interest payments.

Group 2022

All in $'000	Carrying amount	Contractual cashflow	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years
Trade and other payables	(3,650)	(3,650)	(3,650)	0	0	0	0
Borrowings	(25,460)	(25,460)	0	(25,200)	(90)	(170)	0
Total financial liabilities at amortised cost	**(29,110)**	**(29,110)**	**(3,650)**	**(25,200)**	**(90)**	**(170)**	**0**

Group 2021

All in $'000	Carrying amount	Contractual cashflow	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years
Trade and other payables	(3,026)	(3,026)	(3,026)	0	0	0	0
Borrowings	(29,506)	(29,506)	0	(29,291)	0	0	(215)
Total financial liabilities at amortised cost	**(32,532)**	**(32,532)**	**(3,026)**	**(29,291)**	**0**	**0**	**(215)**

Institute 2022

All in $'000	Carrying amount	Contractual cashflow	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years
Trade and other payables	(3,526)	(3,526)	(3,526)	0	0	0	0
Borrowings	(25,460)	(25,460)	0	(25,200)	(90)	(170)	0
Total financial liabilities at amortised cost	**(28,986)**	**(28,986)**	**(3,526)**	**(25,200)**	**(90)**	**(170)**	**0**

Institute 2021

All in $'000	Carrying amount	Contractual cashflow	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years
Trade and other payables	(2,943)	(2,943)	(2,943)	0	0	0	0
Borrowings	(30,506)	(30,506)	0	(29,291)	0	0	(1,215)
Total financial liabilities at amortised cost	**(33,449)**	**(33,449)**	**(2,943)**	**(29,291)**	**0**	**0**	**(1,215)**

14. 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. The Institute and the Group 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. The Institute and the Group is exposed to currency risk. The Institute and the Group 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. The Institute and the Group 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:

	Group				Institute			
	2022				2022			
	<1 year	>1 year - <2 years	>2 years	Total	<1 year	>1 year - <2 years	>2 years	Total
Cash and cash equivalents	4,886	0	0	4,886	751	0	0	751
Term deposits	652	0	0	652	652	0	0	652
Investments	0	0	0	0	0	0	0	0

	Group				Institute			
	2021				2021			
	<1 year	>1 year - <2 years	>2 years	Total	<1 year	>1 year - <2 years	>2 years	Total
Cash and cash equivalents	5,079	0	0	5,079	2,368	0	0	2,368
Term deposits	652	0	0	652	652	0	0	652
Investments	0	0	0	0	0	0	0	0

Cash flow interest rate risks

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. Te Pūkenga has a treasury management policy designed to ensure debt levels are sustainable and servicing costs are minimised. Interest rate swaps are utilised to manage interest rate risk.

Credit risk

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

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

Notes to the Financial Statements

for the 5 months ended 31 May 2022

14. Other financial assets and liabilities (continued)

	Group		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
The maximum credit exposure for each class of financial instrument is as follows:				
Cash and cash equivalents	4,886	5,079	751	2,368
Long Term deposits	652	652	652	652
Investments	0	0	2,398	2,398
Student fees and other receivables	6,866	17,961	6,048	17,543
Total credit risk on loans and receivables	**12,404**	**23,692**	**9,849**	**22,961**

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:				
AA-	4,886	5,079	751	2,368
A	0	0	0	0
Short term deposits:				
AA-	652	652	652	652
A	0	0	0	0
Counterparties without credit ratings				
Existing counterparty with no defaults in the past	6,866	17,961	6,048	17,543
Existing counterparty with defaults in the past	0	0	0	0
Total Counterparties without credit ratings	12,404	23,692	7,451	20,563

Debtors and other receivables				
Existing counterparty with no defaults in the past	6,866	17,961	6,048	17,543
Existing counterparty with defaults in the past	0	0	0	0
Total debtors and other receivables	**6,866**	**17,961**	**6,048**	**17,543**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

14. Other financial assets and liabilities (continued)

Trade and other receivables
Trade and 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. The Institute and the Group 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 the Institute and the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Institute aims to maintain flexibility in funding by keeping committed credit lines available. The Institute and 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. The amounts disclosed are the undiscounted contractual cash flows, and exclude interest payments.

Group 2022

All in $'000	Carrying amount	Contractual cashflows	Less than 6 months	6- 12 months	1 - 2 years	2 - 3 years	More than 3 years
Payables	2,016	2,016	2,016	0	0	0	0
Accrued expenses	1,634	1,634	1,634	0	0	0	0
Unsecured loans	25,460	25,460	0	25,200	90	170	0
Total	**29,110**	**29,110**	**3,650**	**25,200**	**90**	**170**	**0**

Institute 2022

All in $'000	Carrying amount	Contractual cashflows	Less than 6 months	6- 12 months	1 - 2 years	2 - 3 years	More than 3 years
Payables	1,929	1,929	1,929	0	0	0	0
Accrued expenses	1,597	1,597	1,597	0	0	0	0
Unsecured loans	25,460	25,460	0	25,200	90	170	0
Total	**28,986**	**28,986**	**3,526**	**25,200**	**90**	**170**	**0**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

14. Other financial assets and liabilities (continued)

Group 2021

All in $'000	Carrying amount	Contractual cashflows	Less than 6 months	6- 12 months	1 - 2 years	2 - 3 years	More than 3 years
Payables	1,769	1,769	1,769	0	0	0	0
Accrued expenses	1,257	1,257	1,257	0	0	0	0
Unsecured loans	29,506	29,506	0	29,291	0	0	215
Secured loans	0	0	0	0	0	0	0
Finance leases	0	0	0	0	0	0	0
Total	**32,532**	**32,532**	**3,026**	**29,291**	**0**	**0**	**215**

Institute 2021

All in $'000	Carrying amount	Contractual cashflows	Less than 6 months	6- 12 months	1 - 2 years	2 - 3 years	More than 3 years
Payables	1,787	1,787	1,787	0	0	0	0
Accrued expenses	1,156	1,156	1,156	0	0	0	0
Unsecured loans	30,506	30,506	0	30,291	0	0	215
Secured loans	0	0	0	0	0	0	0
Finance leases	0	0	0	0	0	0	0
Total	**33,449**	**33,449**	**2,943**	**30,291**	**0**	**0**	**215**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

14. Other financial assets and liabilities (continued)

Group	+100BPS		-100BPS	
Interest rate risk 31 May 2022	**Surplus**	**Equity**	Surplus	**Equity**
Financial assets				
Cash and cash equivalents	49	49	(49)	(49)
Short term deposits for terms of 3 months or less	6	6	(6)	(6)
Financial liabilities				
Borrowings	(245)	(245)	245	245
Total sensitivity to interest rate risk	**(190)**	**(190)**	**190**	**190**

Institute	+100BPS		-100BPS	
Interest rate risk 31 May 2022	**Surplus**	**Equity**	Surplus	**Equity**
Financial assets				
Cash and cash equivalents	7	7	(7)	(7)
Short term deposits for terms of 3 months or less	6	6	(6)	(6)
Financial liabilities				
Borrowings	(245)	(245)	245	245
Total sensitivity to interest rate risk	**(232)**	**(232)**	**232**	**232**

Sensitivity analysis

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding general funds) 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

for the 5 months ended 31 May 2022

14. Other financial assets and liabilities (continued)

Group	+100BPS		-100BPS	
Interest rate risk 31 December 2021	**Surplus**	**Equity**	Surplus	**Equity**
Financial assets				
Cash and cash equivalents	51	51	(51)	(51)
Short term deposits for terms of 3 months or less	6	6	(6)	(6)
Financial liabilities				
Borrowings	(295)	(295)	295	295
Total sensitivity to interest rate risk	**(238)**	**(238)**	**238**	**238**

Institute	+100BPS		-100BPS	
Interest rate risk 31 December 2021	**Surplus**	**Equity**	Surplus	**Equity**
Financial assets				
Cash and cash equivalents	1	1	(1)	(1)
Short term deposits for terms of 3 months or less	6	6	(6)	(6)
Financial liabilities				
Borrowings	(306)	(306)	306	306
Total sensitivity to interest rate risk	**(299)**	**(299)**	**299**	**299**

Currency Risk

Currency risk (or foreign exchange risk) arises on financial instruments that are denominated in a foreign currency (i.e. in a currency other than the functional currency in which they are measured). For the purpose of this Standard, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency. The Institute and Group are not exposed to any significant currency risk.

Other Price Risk

Other price risk arises on financial instruments because of changes in, commodity prices or equity prices. The Institute and Group are not exposed to any other price risk.

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%.

Notes to the Financial Statements

for the 5 months ended 31 May 2022

15. Capital management

The Institute and the Group's capital is its equity, which comprises accumulated funds and reserves. Equity is represented by net assets. The Institute 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. The Institute manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that the Institute effectively achieves its objectives and purpose, while remaining a going concern.

16. Equity

Accounting policy

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

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

Trusts and bequests reserve

The trusts and bequests reserve is a component of equity, which has been created by the Institute.

Transfers from the reserve may be made only for certain specified purposes or when certain specified conditions are met. The restrictions on use may be established by the Institute or legally through the terms and conditions of specific trusts and bequests.

Share capital

On 1 April 2020, the institute issued 100 shares to Te Pūkenga in accordance with clause 20(1)(c) of Schedule 1 to the Education and Training Act 2020. Each share carries one vote and equal share in dividends and distribution of the Institute's surplus assets.

All in $'000	Note	Group Actual 2022	Group Actual 2021	Institute Actual 2022	Institute Actual 2021
General funds					
Opening Balance		109,568	116,392	108,821	113,523
Transfer from revaluation reserves on sale of assets held for sale		0	0	0	0
Distribution to the Crown		0	0	0	0
Surplus/(deficit) for the year before other comprehensive revenue and expenditure		(1,514)	(6,824)	(2,835)	(4,702)
Capital contributions from the Crown		0	0	0	0
Balance as the end of the financial year*		**108,055**	**109,568**	**105,986**	**108,821**
Property revaluation reserves					
Opening Balance		55,378	24,972	55,378	24,972
Property revaluation reserve transfer on reclassification		0	0	0	0
Transfer to equity on sale of assets held for sale		0	0	0	0
Land net revaluations gain		0	7,782	0	7,782
Infrastructure revaluation gain		0	4,007	0	4,007
Buildings net revaluations gain		0	18,617	0	18,617
Balance as the end of the financial year*		**55,378**	**55,378**	**55,378**	**55,378**
Property revaluation reserves					
Property revaluation reserves consist of:					
Land		24,542	24,542	24,542	24,542
Infrastructure		5,647	5,647	5,647	5,647
Buildings		25,189	25,189	25,189	25,189
Total property revaluation reserves		**55,378**	**55,378**	**55,378**	**55,378**
Trusts and bequests					
Opening balance		652	654	652	654
Interest received		0	8	0	8
Less grants awarded		0	(10)	0	(10)
Total trusts and bequests		**652**	**652**	**652**	**652**
Total equity		**164,085**	**165,598**	**162,017**	**164,851**

**End of the financial year for 2022: 31 May (2021: 31 December)*

Notes to the Financial Statements
for the 5 months ended 31 May 2022

17. Major budget variances

Variances between actual comprehensive revenue and expense and the Institute and the Group 2022 budget are detailed below in this table:

	Group			Institute		
All in $'000	**Actual 2022**	**Budget 2022**	**Variance**	**Actual 2022**	**Budget 2022**	**Variance**
Statement of comprehensive revenue and expense						
Surplus/(deficit)	(1,514)	(3,106)	1,593	(2,835)	(3,085)	250
Revenue variances						
Government funding	22,710	52,328	(29,618)	22,710	52,328	(29,618)
Student fees and departmental revenue	11,267	27,129	(15,862)	11,267	27,129	(15,862)
Other revenue	6,906	21,034	(14,128)	4,980	15,618	(10,638)
Expenditure variances						
Employee benefit expenses	27,002	65,551	38,549	26,024	62,406	36,382
Depreciation and amortisation	4,268	9,106	4,838	4,218	9,001	4,783
Interest expense	211	461	250	211	461	250
Administration and other expenses	10,916	28,479	17,563	11,339	26,291	14,952
Other comprehensive revenue and expense						
Other comprehensive revenue and expense	0	0	0	0	0	0
Total comprehensive revenue and expense	**(1,514)**	**(3,106)**	**1,593**	**(2,835)**	**(3,085)**	**250**

Variances between the statement of financial position balances and the 2022 Institute and the Group budget are detailed below in this table:

	Group			Institute		
All in $'000	**Actual 2022**	**Budget 2022**	**Variance**	**Actual 2022**	**Budget 2022**	**Variance**
Statement of financial position						
Current assets	13,731	13,721	10	8,716	10,348	(1,632)
Non-current assets	195,814	150,416	45,398	197,816	150,183	47,633
Current liabilities	45,236	15,754	(29,482)	44,290	14,204	(30,086)
Non-current liabilities	224	19,000	18,776	224	20,000	19,776
Equity	164,085	129,383	34,702	162,017	126,327	35,690

Notes to the Financial Statements

for the 5 months ended 31 May 2022

17. Major budget variances (continued)

Variances between actual cash flows and the 2022 Institute and the Group budget are detailed below in this table:

	Group			Institute		
All in $'000	**Actual 2022**	**Budget 2022**	**Variance**	**Actual 2022**	**Budget 2022**	**Variance**
Statement of cash flows						
Cash flow from operating activities	4,797	(2,483)	7,280	4,199	(2,483)	6,682
Cash flow used in investing activities	(944)	482	(1,426)	(772)	19,348	(20,120)
Cash flows from financing activities	(4,046)	(16,864)	12,818	(5,044)	(16,864)	11,820
Net (decrease)/increase in cash and cash equivalents	(193)	(18,865)	18,672	(1,617)	0	(1,617)
Cash and cash equivalents at beginning of the period	5,079	(2,725)	7,804	2,368	0	2,368
Total cash and cash equivalents at end of the period	**4,886**	**(21,590)**	**26,476**	**751**	**0**	**751**

Explanations of major budget variances:

The main reason for the variances between the actual revenue and expenditure, the cash flows, and the budget is that the actual results reflect five months transactions from 01 January 2022 through to 31 May 2022 while the budget numbers are for the full financial year. The prior year figures are for 12 month period from 01 January to 31 December 2021.

Within the Statement of Financial Position, the budget includes a sale of land which is still in the approval process and was not completed within the periods of the report. This creates the variances in the non-current assets and non-current liabilities as some of the proceedings from the sale was budgeted to pay back part of the borrowings.

18. 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		Institute	
All in $'000	**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	2,068	1,953	1,973	1,858
Later than one year and not later than five years	6,856	5,910	6,650	5,610
Later than five years	12,296	12,085	12,296	12,085
Total leases as lessee	**21,220**	**19,948**	**20,919**	**19,553**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

19. Commitments and contingencies

	Group		Institute	
All in $'000	**Actual 2022**	**Actual 2021**	**Actual 2022**	**Actual 2021**
The Institute has the following commitments at balance date:				
Capital commitments				
Capital commitments denote approved capital expenditure contracted for at year-end not yet incurred.	0	0	0	0
Approved and committed				
Buildings - Waikato Institute of Technology Ltd	0	0	0	0
Other plant, property and equipment	0	0	0	0
Intangible assets	0	0	0	0
Total capital commitments	**0**	**0**	**0**	**0**

The Institute has the following contingent assets at balance date:

Contingent assets				
Contingent asset	0	0	0	0
Total contingent assets	**0**	**0**	**0**	**0**

The Institute has the following contingent liabilities at balance date:

Contingent liabilities	**0**	**0**	**0**	**0**
Total contingent liabilities	**0**	**0**	**0**	**0**

Notes to the Financial Statements

for the 5 months ended 31 May 2022

20. 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 the Institute and the Group 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.

No Board members have received compensation, other than below.

	Group		Institute	
	Actual 2022	Actual 2021	Actual 2022	Actual 2021
Key management personnel compensation				
Board members				
Full-time equivalent members (2022 FTEs are annualised)	1.0	1.0	1.0	1.0
Remuneration ($)	94,326	269,386	68,493	164,386
Directors and Chief Executive				
Full-time equivalent members (2022 FTEs are annualised)	9.0	10.0	7.0	8.0
Remuneration ($)	906,947	2,402,229	733,185	1,994,828
Total full-time equivalent members	**10**	**11**	**8**	**9**
Total key management personnel remuneration	**1,001,273**	**2,671,615**	**801,678**	**2,159,214**

Board member remuneration				
Niwa Nuri (Te Arawa)	16,606	39,855	16,606	39,855
Margaret Devlin	10,377	24,906	10,377	24,906
Michael Crawford	8,302	19,925	8,302	19,925
Kiri Goulter	8,302	19,925	8,302	19,925
Tania Hodges	8,302	19,925	8,302	19,925
Raewyn Mahara	8,302	19,925	8,302	19,925
Pamela Storey	8,302	19,925	8,302	19,925
Robert Heebink	0	15,000	0	0
Kim Hill-Taite	3,750	15,000	0	0
Andrew West	2,500	25,000	0	0
Geoff Day	8,333	20,000	0	0
Craig McFarlane	11,250	30,000	0	0
Total Board members remuneration ($)	**94,326**	**269,386**	**68,493**	**164,386**

Notes to the Financial Statements
for the 5 months ended 31 May 2022

21. Investments in subsidiaries and consolidation

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 the Institute obtains control of the entity and ceases when the Institute loses control of the entity.

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

Subsidiary	Ownership %	Balance date	Business Activity
Soda Inc Ltd	100	31-Dec	Creative industries business incubator
Polytechnics International New Zealand (PINZ)	100	31-Dec	Non-trading
Wintec Foundation Trust	100	31-Dec	Charitable Trust
LearningWorks Ltd	100	31-Dec	Developing and delivering training to industry

Notes to the Financial Statements

for the 5 months ended 31 May 2022

21. Investments in subsidiaries and consolidation (continued)

Loss on disposal of Wintec Student Residence Trust operations

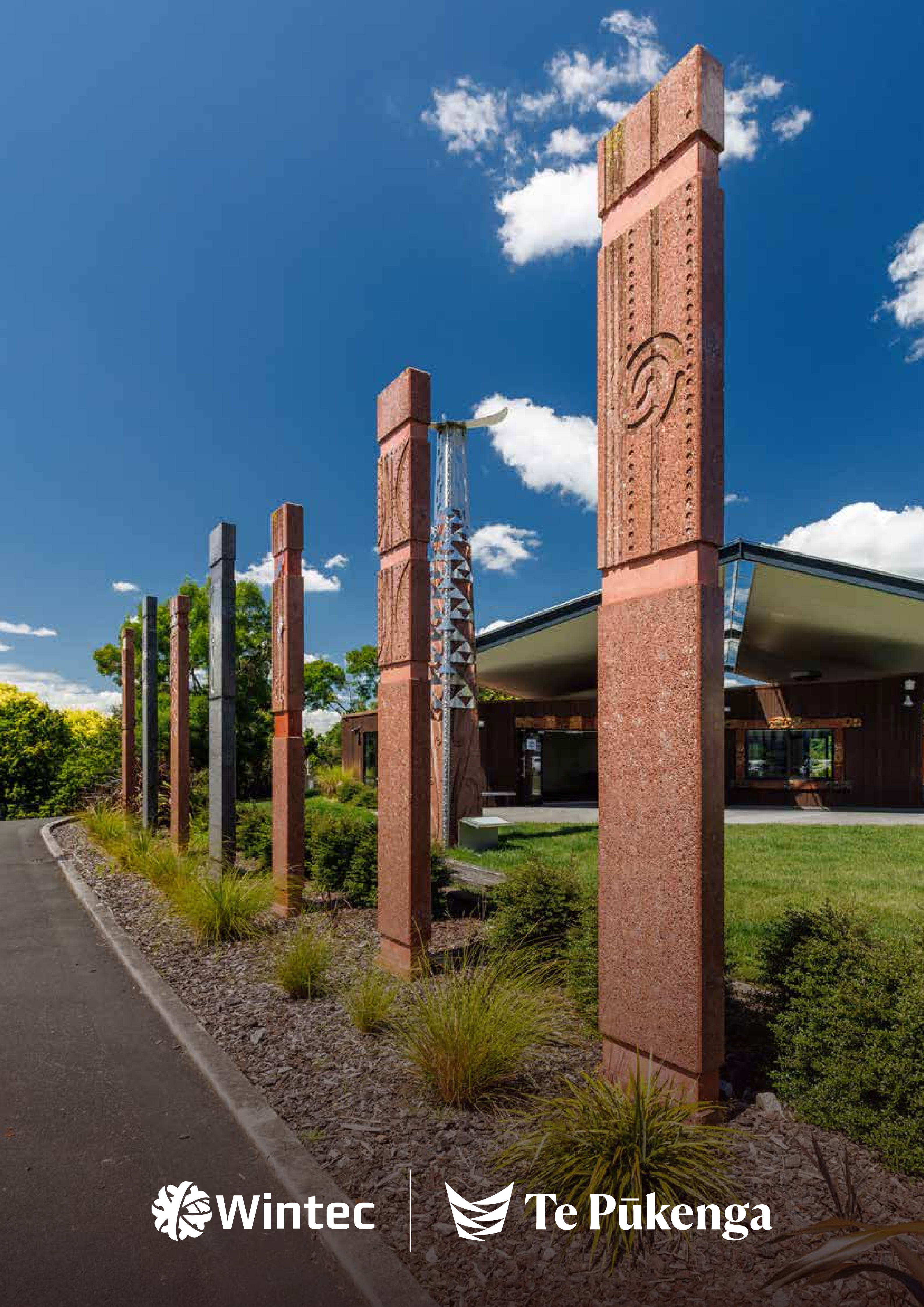
The Wintec Student Residence Trust, was controlled by the Institute until 30 December 2021. On 30 December 2021, the operations of the Trust including its assets and liabilities were resettled into a new charitable trust, the Student Residence Trust Aotearoa (SRTA), which is not controlled by the Institute. As a result, the Group disposed of the assets and liabilities of the Trust in the 31 December 2021 consolidated financial statements. The loss on disposal of $2,252,000 was reported in the surplus or deficit as administration and other expenses.

Disposal of Trust	**$000**
Bank	78
Current Asset	52
Fixed Asset	2,570
Total Assets	**2,700**
Total current liabilities	(350)
Non-current Liabilitiess	(97)
Total liabilities	**(447)**
Total Equity	**2,252**

INVESTMENT IN ASSOCIATES

Motortrain Limited is a dormant company and has not traded. It holds no assets or liabilities.

Investment in associates	**Ownership %**	**Balance date**	**Business Activity**
Motortrain Limited	25	31-Dec	Developing training materials for motor industry


Wintec
Te Pūkenga