Financial accounts

for the three month period ended 31 March 2020

Wintec
WAIKATO INSTITUTE OF TECHNOLOGY
Te Kuratini o Waikato

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Waikato Institute of Technology and group's financial statements for the period 1 January 2020 to 31 March 2020

The Auditor-General is the auditor of Waikato Institute of Technology (the Polytechnic) and group. The Auditor-General has appointed me, Lauren Clark, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Polytechnic and group on his behalf.

OPINION

We have audited the financial statements of the Polytechnic and group on pages 7 to 51, which have been prepared on a disestablishment basis, that comprise the statement of financial position as at 31 March 2020, 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 Polytechnic and group on pages 7 to 51, which have been prepared on a disestablishment basis:

- present fairly, in all material respects:
  - the financial position as at 31 March 2020; and
  - the financial performance and cash flows for the period then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

Our audit was completed on 8 December 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. In addition, we outline the responsibilities of the Board of Waikato Institute of Technology Limited (the Board) and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

EMPHASIS OF MATTERS

Without modifying our opinion, we draw your attention to the following disclosures.

The financial statements have been appropriately prepared on a disestablishment basis

The accounting policy (Note 1) on page 13 and Note 22 on page 44, which outline that the financial statements have been prepared on a disestablishment basis. We consider the disestablishment basis to be appropriate because the Polytechnic ceased as an entity and its assets and liabilities were transferred to Waikato Institute of Technology Limited (the Company) on 1 April 2020 as a result of the reform of the institutes of technology and polytechnics sector.

Ongoing financial difficulties

Note 21 on page 43 outlines the Polytechnic's financial performance difficulties, including the impact of the Covid-19 pandemic and the increased level of uncertainty due to border restrictions. The Company obtained a letter of support from its shareholder, Te Pūkenga, to ensure it can pay its debts as they become due, and that business can carry on in a manner not likely to create substantial risk of serious loss to the Company's creditors.

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 BOARD FOR THE FINANCIAL STATEMENTS

The preparation of the final financial statements for the Polytechnic and group is the responsibility of the Board of the Waikato Institute of Technology Limited.

The Board is responsible on behalf of the Polytechnic 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 March 2020, the Council of the Polytechnic and group was responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

From 1 April 2020, the Board took over these responsibilities to enable the completion of the financial statements.

The Board's responsibilities arise from the transition provisions in the Education (Vocational Education and Training Reform) Amendment 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 Polytechnic and group's investment plan.

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 Polytechnic and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We conclude on the appropriateness of the use of the disestablishment basis of accounting by the Board.
- 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 Board 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 Board is responsible for the other information. The other information comprises the information included on page 6, 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 Polytechnic and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have performed a review of the Performance Based Research Fund – External Research Income declaration for the year ended 31 December 2019, which is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with or interests in the Institute or any of its subsidiaries.

Lauren Clark
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Statement of Responsibility

for the three month period ended 31 March 2020

The Board and management are responsible for the preparation of the Waikato Institute of Technology and group's financial statements and for the judgements made in them.

The Board and management of the Waikato Institute of Technology have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board and management's opinion, these financial statements fairly reflect the financial position and operations of the Waikato Institute of Technology and group for the three month period ended 31 March 2020.

Signed by:

Niwa Nuri
Chair

David Christiansen
Chief Executive

Paul Holloway
Chief Financial Officer

8 December 2020

Statement of Comprehensive Revenue and Expense

for the three month period ended 31 March 2020

		Group			Institute		
	Notes	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000
Revenue							
Government grants	2(a)	44,942	47,530	49,591	44,942	47,530	44,465
Student tuition fees	2(b)	16,912	39,391	35,364	16,912	39,391	35,364
Other revenue	2(c)	3,618	15,388	20,470	2,180	12,128	17,060
Total revenue		**65,471**	**102,309**	**105,425**	**64,034**	**99,049**	**96,889**
Expense							
Employee expense	3	(15,431)	(60,724)	(64,780)	(14,708)	(57,511)	(59,292)
Depreciation and amortisation expense	11,12	(1,864)	(7,412)	(8,429)	(1,769)	(7,297)	(7,245)
Other expense	5	(10,676)	(33,094)	(32,092)	(11,414)	(34,111)	(31,867)
Finance expense	4	(206)	(1,073)	(1,257)	(202)	(1,073)	(1,224)
Impairment of assets	12	(950)	-	(2,938)	(950)	-	(3,024)
Total expense		**(29,127)**	**(102,303)**	**(109,496)**	**(29,043)**	**(99,992)**	**(102,652)**
Share of associates surplus/(deficit)		-	-	-	-	-	-
Surplus/(deficit)		**36,344**	**6**	**(4,071)**	**34,991**	**(943)**	**(5,763)**
Total surplus attributable to: Waikato Institute of Technology		36,344	6	(4,071)	34,991	(943)	(5,763)
Non-controlling interest		-	-	-	-	-	-
Other comprehensive revenue/(expense)							
Property and building revaluations	11	-	-	-	-	-	-
Total other comprehensive revenue/(expense)		**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive revenue/(expense)		**36,344**	**6**	**(4,071)**	**34,991**	**(943)**	**(5,763)**
Total comprehensive revenue attributable to: Waikato Institute of Technology		36,344	6	(4,071)	34,991	(943)	(5,763)
Non-controlling interest			-		-	-	-

The figures shown for 2019 are for the 12 month period ended 31 December
Explanation of major variances against budget are provided in note 24.
The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 31 March 2020 and 31 December 2019

		Group			Institute		
	Notes	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000
Assets							
Current assets							
Cash and cash equivalents	6	4,679	165	4,025	249	-	169
Receivables	7	44,582	17,694	25,194	43,185	17,250	24,767
Inventories	8	412	284	412	412	284	412
Prepayments		1,162	1,248	1,022	1,124	1,200	998
Total current assets		**50,835**	**19,391**	**30,653**	**44,969**	**18,734**	**26,346**
Non-current assets							
Investments in associates	10						
Other financial assets	9	654	6,230	654	3,066	6,230	3,066
Property, plant and equipment	11	169,907	181,882	164,366	166,930	159,959	164,910
Intangible assets	12	18,173	584	21,339	17,742	21,849	20,882
Total non-current assets		**188,735**	**188,696**	**186,359**	**187,737**	**188,038**	**188,858**
Total assets		**239,570**	**208,087**	**217,012**	**232,706**	**206,772**	**215,204**
Liabilities							
Current liabilities							
Payables	13	8,529	4,430	5,980	8,498	3,700	5,871
Employee entitlements	14	4,316	2,368	3,975	4,048	2,211	3,734
Deferred revenue	15	29,124	23,818	35,546	27,913	23,200	35,545
Interest-bearing loans and borrowings	16	3,734	-	49	3,734	4,768	49
Total current liabilities		**45,703**	**30,616**	**45,550**	**44,193**	**33,879**	**45,199**

		Group			Institute		
	Notes	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000
Non-current liabilities							
Interest-bearing loans and borrowings	16	8,506	25,375	24,687	8,206	25,000	24,687
Provisions		-	944	-	-	-	-
Employee entitlements	14	144	-	146	145	-	147
Total non-current liabilities		**8,650**	**26,319**	**24,833**	**8,351**	**25,000**	**24,834**
Total liabilities		**54,353**	**56,935**	**70,383**	**52,544**	**58,879**	**70,033**
Total net assets		**185,217**	**151,152**	**146,629**	**180,162**	**147,893**	**145,171**
Equity							
General funds		159,142	111,061	106,409	154,536	108,152	105,399
Restricted reserves		654	973	654	654	623	654
Property revaluation reserve		24,972	39,118	39,118	24,972	39,118	39,118
Total equity attributable to the Institute		**184,768**	**151,152**	**146,181**	**180,162**	**147,893**	**145,171**
Non-controlling interest		449	-	449	-	-	-
Total equity	17	**185,217**	**151,152**	**146,629**	**180,162**	**147,893**	**145,171**

Explanation of major variances against budget are provided in note 24.
The accompanying notes form part of these financial statements.

These financial statements were approved for signing by the Board on 8/12/2020.

David Christiansen
Chief Executive

Paul Holloway
Chief Financial Officer

Statement of Changes in Equity

for the three month period ended 31 March 2020

	Group			Institute		
	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000
Balance at 1 January	146,629	151,146	150,700	145,171	148,836	150,935
Balance at 1 January Wintec Student Residence Trust Note 1	2,243					
Comprehensive revenue						
Surplus/(deficit)	36,344	6	(4,071)	34,991	(943)	(5,764)
Other comprehensive revenue	-	-	-	-	-	-
Total comprehensive revenue	**36,344**	**6**	**(4,071)**	**34,991**	**(943)**	**(5,764)**
Balance before non-comprehensive revenue at 31 March (2019: 31 December)	**185,217**	**151,152**	**146,629**	**180,162**	**147,893**	**145,171**
Non-comprehensive revenue items						
Restricted reserves transfers	-	-	-	-	-	-
Capital contributions from owners	-	-	-	-	-	-
Suspensory loans from the Crown	-	-	-	-	-	-
Total non-comprehensive revenue items	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March (2019: 31 December)	**185,217**	**151,152**	**146,629**	**180,162**	**147,893**	**145,171**
Total comprehensive revenue for the period	**36,344**	**6**	**(4,071)**	**34,991**	**(943)**	**(5,764)**
Total comprehensive revenue attributable to: The Waikato Institute of Technology	36,344	6	(4,071)	34,991	(943)	(5,764)
Non-controlling interest	-	-	-	-	-	-

Explanation of major variances against budget are provided in note 24.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the three month period ended 31 March 2020

	Group			Institute		
	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000
Cash flows from operating activities						
Receipt of government grants	16,229	48,607	51,603	16,229	48,607	46,477
Receipt of student tuition fees	17,542	38,391	40,957	17,542	38,391	40,608
Interest revenue received	-	405	85	-	350	26
Dividend income		-	-	-		350
Receipt of other revenue	4,127	14,885	24,377	2,805	11,778	19,194
Payments to employees	(15,116)	(58,040)	(65,221)	(14,396)	(57,511)	(58,821)
Payments to suppliers	(10,343)	(35,726)	(35,797)	(11,162)	(34,064)	(34,142)
Interest paid	(206)	(1,073)	(1,257)	(202)	(1,073)	(1,224)
Goods and services tax (net)	2,860	-	31	2,906	-	301
Net cash flows from operating activities	**15,093**	**7,449**	**14,778**	**13,722**	**6,478**	**12,769**
Cash flows from investing activities						
Purchase of property, plant and equipment	(1,391)	(7,053)	(5,584)	(814)	(7,053)	(5,584)
Purchase of intangible assets	(33)	(265)	(2,794)	(33)	-	(1,705)
Acquisition of investments	-	-	-	-	-	-
Receipts from sale of investments	-	-	-	-	-	-
Proceeds from sale of property, plant and equipment	-	4,193	147	-	4,193	41
Net cash flows used in investing activities	**(1,424)**	**(3,125)**	**(8,230)**	**(847)**	**(2,860)**	**(7,248)**
Cash flows from financing activities						
Capital contributions received from the Crown	-	-	-	-		-
Proceeds from borrowings	-		21	-		21
Repayment of borrowings	(13,056)	(5,000)	(5,426)	(12,796)	(5,000)	(5,426)
Payment of finance leases			-			-
Net cash flows from financing activities	**(13,056)**	**(5,000)**	**(5,405)**	**(12,796)**	**(5,000)**	**(5,405)**
Net increase/(decrease) in cash and cash equivalents	613	(676)	1,143	80	(1,382)	115
Cash and cash equivalents at the beginning of the period	4,025	841	2,882	169	(3,386)	54
Cash and cash equivalents at the beginning of the period Wintec Students Residence Trust	41	-	-	-	-	-
Cash and cash equivalents at the end of the period	**4,679**	**165**	**4,025**	**249**	**(4,768)**	**169**

The figures shown for 2019 are for the 12 month period ended 31 December.
Explanation of major variances against budget are provided in note 24.
The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the three month period ended 31 March 2020

RECONCILIATION OF NET SURPLUS/(DEFICIT) TO THE NET CASH FLOW FROM OPERATING ACTIVITIES

	Group		Institute	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Net surplus/(deficit)	36,344	(4,071)	34,991	(5,764)
Add/(less) non-cash items				
Depreciation and amortisation expense	1,864	8,429	1,769	7,245
Increase/(decrease) in non-current employee entitlements	(2)	(753)	-	21
Impairment of receivables	1,408	-	1,408	-
Property & buildings revaluations	-	-	-	-
Impairment of assets	950	2,938	950	3,024
Fair value impairment	-	-	-	-
Total non-cash items	**4,220**	**10,614**	**4,127**	**10,290**
Add/(less) items classified as investing or financing activities				
(Gains)/losses on disposal of investments classified as fair value through other comprehensive income	-	23	-	-
Total items classified as investing or financing activities	**-**	**23**	**-**	**-**
Add/(less) movements in working capital items				
(Increase) / decrease in inventories	-	(128)	-	(128)
(Increase) / decrease in receivables	(20,969)	(4,123)	(19,828)	(6,264)
(Increase) / decrease in prepayments	(134)	392	(126)	176
Increase / (decrease) in payables	1,923	(1,949)	1,876	(10)
Increase / (decrease) in revenue received in advance	(6,605)	13,708	(7,632)	14,018
Increase / (decrease) in provisions	-	-	-	-
Increase / (decrease) in current employee entitlements	314	312	314	450
Net movements in working capital items	**(25,471)**	**8,212**	**(25,396)**	**8,242**
Net cash flow from operating activities	**15,093**	**14,778**	**13,722**	**12,769**

The figures shown for 2019 are for the 12 month period ended 31 December.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the three month period ended 31 March 2020

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Waikato Institute of Technology (the Institute) is a Tertiary Education Institution (TEI) that is domiciled in New Zealand. The relevant legislation governing the Institute's operations includes the Crown Entities Act 2004 and the Education Act 1989.

The Institute and Group consist of Waikato Institute of Technology (Wintec) and its subsidiaries, SODA Inc. Limited, LearningWorks Limited, Ligar Polymers Limited, Polytechnics Institute New Zealand (PINZ), Wintec KSA, MondragonWintecKSA, the Wintec Foundation Trust, the Wintec Student Residence Trust, and our associates Ligar GP Ltd, Ligar Limited Partnership, Motortrain Limited. These entities are all incorporated in New Zealand with the exception of MondragonWintecKSA which is incorporated in Saudi Arabia. Refer to note 25 for further details of all entities included in the Group.

The Institute controls the Wintec Foundation Trust for financial reporting purposes because the Institute predetermined the objectives of the Trust at establishment and all benefits flow back to Wintec.

The primary objective of the Institute and Group is to provide 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 (PBEs) for financial reporting purposes. The financial statements of the Institute and Group for the three months ended 31 March 2020 were authorised for issue in accordance with a resolution of the Board on 8/12/2020.

BASIS OF PREPARATION

Use of the disestablishment basis of accounting

The Minister of Education announced the Government's decisions on the Reform of Vocational Education proposals on 1 August 2019. The Education (Vocational Education and Training and Reform) Amendment Act (the Act) was enacted on 24 February 2020, to give effect to those reforms

In essence, the Act reforms the delivery of vocational education in New Zealand by:

- Creating a new Crown entity, the New Zealand Institute of Skills and Technology (NZIST), and
- Converting all existing institutions of technology and polytechnics (ITP's) into crown entity companies, which will take over the operational activities of existing ITP's.

The Act disestablished the Waikato Institute of Technology and transfers its assets and liabilities to the new company, Waikato Institute of Technology Limited in 1 April 2020. As a result the Waikato Institute of Technology has prepared its financial statements on a disestablishment basis.

However, because the vocational education will continue to be provided through the Waikato Institute of Technology Limited, no change needs to be made to the measurement or classification of assets and liabilities in the financial statements. Decisions about the future of these assets and liabilities will be the responsibility of the new entity.

Reporting Period

The reporting period for this financial statements are 3 months, compared to comparative 2019 period and budget for a full year.

Statement of compliance

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

These financial statements have been prepared in accordance with PBE standards.

These financial statements comply with PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values other than the council member remuneration disclosures and the related party disclosures in note 19 are rounded to the nearest thousand dollars ($'000). Council member remuneration and related party transaction disclosures are rounded to the nearest dollar.

Standards issued and not yet effective and have not been early adopted

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and PBE IFRS 9 Financial Instruments and is effective for financial years beginning on or after 1 January 2022, with earlier adoption permitted. The main changes compared to PBE IPSAS 29 that are relevant to the Institute are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which might result in the earlier recognition of impairment losses

The Institute intends to adopt PBE IPSAS 41 for the 31 December 2022 financial year. The Institute has not yet assessed in detail the impact of the new standard.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for annual periods beginning on or after 1 January 2021. The NZ Accounting Standards Board has recently issued an exposure draft the proposes to defer the adoption date of the PBE FRS 48 by one year to reporting periods beginning on or after 1 January 2022. The Institute has not yet determined how application of PBE FRS 48 will affect its statement of service performance and does not plan to early adopt.

Amendments to PBE IPSAS 2 Statement of Cash Flows.

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Institute does not intend to early adopt the amendment.

SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Group financial statements are prepared by adding together items of assets, liabilities, equity, revenue, expenses, and cashflow on a line-by-line basis. All significant intergroup balances, transactions, income and expenses are eliminated on consolidation. The Institute's investments in its subsidiaries are carried at cost in the parent's financial statements.

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.

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

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

As at 1 January 2020 the Wintec Student Residence Trust was consolidated into the group in accordance with PBE IPSAS 35 Consolidated Financial Statements. The Trust is a registered Charitable Trust and was established for the purpose of providing, maintaining and administrating residential accommodation for students attending the Institute courses. While the Institute's voting right is limited to appoint one representative to the Board of trustees of the Trust, the Institute has concluded that it controls the Trust for financial reporting purposes. This is because the Institute pre-determined the objectives of the Trust at establishment and it benefits from the activities of the Trust. Additionally, the Institute has a special relationship with the Trust due to the following rights it holds:

- Reviewing the performance of the Trust and their key performance indicators
- Direct the Trust in respect of the provision of the services
- Have the services of the Trust be provided to its student residents only
- Approve/consent Institute branding materials
- Approve/veto operating and capital budgets, decorations and demolition on the accommodation building
- Terminate for restructuring purposes should the Institute decide to have another operator.

Associates

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

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

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investment in joint ventures are measured at cost in the Institutes parent financial statements.

Equity method of accounting in group financial statements

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

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

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

Revenue

Revenue is measured at fair value.

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

Student Achievement Component (SAC) funding

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

<u>31 December 2019 comparative year</u>

The Institute 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.

<u>31 March 2020 period</u>

In response to the COVID-19 pandemic, TEC has confirmed that it will not seek repayment of 2020 investment plan funding, which includes SAC funding, due to under-delivery in the 2020 year. Therefore, the Institute has recognised a receivable and revenue for the period ended 31 March 2020 for the remaining 2020 funding to be received after balance date.

Fees-free revenue

The Institute considers fees-free revenue is non-exchange revenue and has presented funding received 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.

<u>31 December 2019 comparative year</u>

The Institute recognises revenue when the course withdrawal date for an eligible student has passed.

<u>31 March 2020 period</u>

In response to the COVID-19 pandemic, TEC has confirmed that it will not seek repayment of 2020 fees free funding. Therefore, the Institute has recognised a receivable and revenue for the period ended 31 March 2020 for the remaining 2020 funding to be received after balance date.

Student tuition fees

Domestic student tuition fees are subsidised by government funding (SAC) and are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which is when the 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.

Performance-Based Research Fund (PBRF) revenue

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

Research revenue

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

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

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 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.

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

Other grants received

Other grants received 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 when received and recognised as revenue when the conditions of the grant are satisfied.

Sale of materials

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

Interest and dividends

Interest income is recognised using the effective interest method.

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

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.

Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Operating leases

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

Operating lease payments are recognised as an expense in the Statement of Comprehensive Revenue and Expense on a straight-line basis over the lease term.

Cash and equivalents

Cash in the balance sheet comprises cash at bank and in hand and short-term deposits with an original maturity of three months or less. While cash and cash equivalent at 31 March 2020 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Receivables

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Institute applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, 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.

Investments and other financial assets

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

Financial assets are classified into the following categories for the purposes of measurement.

- Amortised cost and;
- Fair value through surplus or deficit;
- Fair value through other comprehensive revenue and expense.

Classification of the financial asset depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Amortised cost

Financial asset shall be measured at amortised cost if the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Term deposits and loans to subsidiaries are initially measured at the amount invested. Interest is subsequently accrued and added to the investment and loan balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term or is part of a portfolio that is managed together and for which there is evidence of short-term profit taking.

Financial assets acquired principally for the purpose of selling in the short-term or as part of a portfolio classified as held for trading are classified as a current asset. After initial recognition financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated as fair value through other comprehensive revenue and expense or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance date. The Institute and Group designate in this category:

- Investments that it intends to hold long-term but which may be realised before maturity; and
- Shareholdings that it holds for strategic purposes.

After initial recognition these investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

Recognition and de-recognition

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Institute and Group have transferred substantially all the risks and rewards of ownership.

On de-recognition the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Impairment of financial assets

From 1 January 2019, for receivables and other financial assets, the Institute applies the simplified approach permitted by PBE IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivable.

Inventories

Inventories are valued at the lower of cost and net realisable value. Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the first in first out method), adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

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

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

Net realisable value is the estimated selling price in the ordinary course of activities less the estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment consist of the following asset classes:

- land
- buildings
- computer hardware
- furniture and equipment
- library collection
- motor vehicles
- infrastructure

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

- Land is measured at fair value. Buildings and infrastructure are measured at fair value less accumulated depreciation and accumulated impairment losses.
- All other assets 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 five years.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued.

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

The net revaluation results are credited or debited to other comprehensive revenue and expense and 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 not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

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

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

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

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

Disposals

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

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.

Class of assets	Rate (pa)
Land	0%
Furniture and equipment	5%-33.33%
Motor vehicles	20%
Library	20%
Computer hardware	8%-33.33%
Buildings	
Structure	1-60 years
Fit out	1-58 years
Services	1-58 years
Infrastructure	10-60 years

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

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Held for sale

Property, plant and equipment is re-classified as a current asset held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The re-classification takes place when the asset is considered to be available for immediate sale in its present condition subject only to the usual and customary terms for sales of such assets and the sale is considered highly probable.

Intangible assets and goodwill

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, annual operating licenses are recognised as an expense in the Statement of Comprehensive Revenue and Expense.

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

Staff training costs are recognised as an expense when incurred.

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

Course development costs

Course development costs are recognised as an expense in the Statement of Comprehensive Revenue and Expense in the year in which they are incurred unless the development is for a new product or requires more than 50% redevelopment to bring course materials up to date. Where these are recognised as intangible assets, this is only to the extent to which such costs are expected to be recovered.

Intellectual Property Development

Research costs are recognised as an expense in the surplus or deficit in the year in which they are incurred

Amortisation

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

A summary of the policies applied to the Institute and Group's intangible assets is as follows:

Intangible Assets	Method	Useful life	Internally generated/ acquired
Computer software	Straight line	Finite 2-15 years	Internally generated Separately acquired
Goodwill	Cost less impairment	Indefinite	Separately acquired
Course development	Straight line	3-5 years	Internally generated Separately acquired

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less accumulated impairment losses.

An impairment loss recognised for goodwill is not reversed.

Impairment

The carrying values of plant and equipment, intangibles other than those whose future economic benefits are not directly related to their ability to generate net cash are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Assets held for educational and related matters and related activities are assessed for impairment by considering the assets for obsolescence, changes in useful life assessments, optimisation and other related matters.

Payables

Short term creditors and other short-term payables are recorded at their face value.

Interest-bearing loans and borrowing

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

After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

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

Employee entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured at nominal values 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. A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent it will be used by staff to cover those future absences. A liability and an expense are recognised for bonuses and at risk components where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of period in which the employee renders 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 staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and the present value of the estimated future cash flows.

Presentation of employee entitlements

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

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver, the government superannuation fund, and other defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components. The components of equity are:

- general funds;
- property revaluation reserve; and
- restricted reserves.
- Share capital
- Non-controlling interests

Property revaluation reserves

This reserve relates to the revaluation of property, plant, and equipment to fair value.

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Institute. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Non-controlling interests

Non-controlling reserves represent the value of funds belonging to the other entities outside of the Wintec Group that arise on consolidation.

Goods and services tax

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (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 Group is exempt from income tax. Accordingly, no provision has been made for income tax.

Budget figures

The budget figures are those approved by the Council on 9 December 2019. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements. The budget figures included in these statements are for the full year to 31 December 2020.

Key judgements, estimates and assumptions

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

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

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 has been made during the financial year.

Classification of assets and liabilities as held for sale

The Institute and Group classify assets and liabilities as held for sale when its carrying amount will be recovered through a sale transaction. The assets and liabilities 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 and liabilities.

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.

Property revalation

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

Capital management

The Institute and Group's capital is its equity, which comprises general funds, property revaluation and restricted reserves and non-controlling interests. Equity is represented by net assets.

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

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

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

Notes to the Financial Statements

for the three month period ended 31 March 2020

2 REVENUE

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
(a) Government grants				
Non-exchange revenue				
Student Achievement Component (SAC) funding	36,875	36,758	36,875	36,758
Other international funding	-	5,126	-	-
Other grants	8,067	7,707	8,067	7,707
Total government grants non-exchange revenue	**44,942**	**49,591**	**44,942**	**44,465**
(b) Student tuition fees				
Non-exchange revenue				
Fees from domestic students	10,950	15,430	10,950	15,430
Exchange revenue				
Fees from international students	5,962	19,934	5,962	19,934
Total tuition fees from non-exchange and exchange revenue	**16,912**	**35,364**	**16,912**	**35,364**
(c) Other revenue				
Childcare operations	204	836	204	836
Student services levy	943	1,608	943	1,608
Gain on disposal of property, plant and equipment	-	-	-	-
Interest earned on bank deposits	-	85	-	26
Revenue from other operating activities	2,471	17,941	1,033	14,590
Total other revenue	**3,618**	**20,470**	**2,180**	**17,060**

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

for the three month period ended 31 March 2020

3 EMPLOYEE EXPENSE

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Employee benefits expense				
Wages and salaries	(14,767)	(62,890)	(14,058)	(57,341)
Defined contribution plan employer contributions	(349)	(1,578)	(336)	(1,501)
(Increase)/decrease in employee entitlements	(315)	(312)	(314)	(450)
Total employee benefits expense	**(15,431)**	**(64,780)**	**(14,708)**	**(59,292)**

Employer contributions to defined contribution plans include contributions to Kiwisaver, the Defined Benefit Plan Contribution Scheme, and the Government Superannuation Fund.

4 FINANCE EXPENSE

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Bank loans and overdrafts	(206)	(1,243)	(202)	(1,215)
Debt collection fees	-	(9)	-	(9)
Other finance costs	-	(4)	-	-
Total finance expense	**(206)**	**(1,257)**	**(202)**	**(1,224)**

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

for the three month period ended 31 March 2020

5 OTHER EXPENSE

	Group		Institute	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Fees to Audit New Zealand for the audit of financial statements	(153)	(191)	(153)	(191)
Fees to Audit New Zealand for other assurance work		(6)		(6)
Loss on disposal of property, plant and equipment	-	(23)	-	(23)
Donations and koha	(1)	(12)	(1)	(12)
Impairment of receivables	(1,408)	(8)	(1,408)	(8)
Aggregate research and development costs	(9)	(411)	(9)	(411)
Operating lease payments	(456)	(2,099)	(430)	(1,901)
Occupancy costs	(868)	(4,372)	(864)	(3,613)
Administration costs	(2,390)	(11,118)	(2,242)	(10,218)
Other Costs	(5,391)	(13,851)	(6,307)	(15,483)
Total other expense	**(10,676)**	**(32,092)**	**(11,414)**	**(31,867)**

The other assurance services provided by Audit New Zealand related to the Performance Based Research Funding (PBRF - ERI).

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

for the three month period ended 31 March 2020

6 CASH AND CASH EQUIVALENTS

	Group		Institute	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Cash at bank and in hand	3,114	2,465	249	169
Call deposits	1,565	1,560	-	-
Term deposits with maturities less than 3 months at acquisition	-	-	-	-
Total cash and cash equivalents	**4,679**	**4,025**	**249**	**169**

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates.
The carrying value of cash at bank, call deposits, and term deposits with maturities less than 3 months approximates their fair value.

Financial assets recognised subject to restrictions:
Included in cash and cash equivalents are unspent funds with restrictions that relate to the delivery of educational services and research by the Institute. Other than for Trust funds, it is not practicable for the Institute to provide further detailed information about the restrictions. Further information about Trust funds is provided in Note 9.

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

for the three month period ended 31 March 2020

7 RECEIVABLES

	Group		Institute	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Student fees receivables				
Non-exchange student receivables	3,778	14,801	3,778	14,801
Exchange student receivables	2,450	6,449	2,450	6,449
Less:provision for impairment	(1,408)	-	(1,408)	-
Net student fee receivables	**4,820**	**21,250**	**4,820**	**21,250**
Other receivables				
Related party receivables	276	276	667	668
Other non-exchange receivables	35,446	-	35,446	-
Other receivables	4,040	3,668	2,252	2,849
Less provision for impairment	-	-	-	-
Total receivables	**44,582**	**25,194**	**43,185**	**24,767**

Fair Value

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

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

The ageing profile of receivables as at 31 March 2020 and 31 December 2019 are detailed below:

	2020			2019		
	Gross $'000	**Provision for uncollectability $'000**	**Net $'000**	**Gross $'000**	**Provision for uncollectability $'000**	**Net $'000**
Not past due	36,044	72	35,972	-	-	-
Past due 1-30 days	1,459	15	1,444	18,819	-	18,819
Past due 31-60 days	1,036	36	1,000	1,904	-	1,904
Past due 61-90 days	3,164	193	2,971	1,104	-	1,104
Past due over 90 days	2,890	1,092	1,798	2,940	-	2,940
Total	**44,593**	**1,408**	**43,185**	**24,767**	**-**	**24,767**

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

There are no provisions for uncollectability on other receivables and no amounts overdue.

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

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

for the three month period ended 31 March 2020

Movements in the provision for uncollectability of receivables are as follows:

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
At 1 January	-	-	-	-
Additional provisions made during year	(1,408)	-	(1,408)	-
Provisions reversed during the year	-	-	-	-
Receivables written-off during the year	-	-	-	-
Total impairment of receivables	**(1,408)**	**-**	**(1,408)**	**-**

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

8 INVENTORIES

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Commercial inventories	412	412	412	412
Total inventories	**412**	**412**	**412**	**412**

No inventories are pledged as security for liabilities (2019 $nil).

The figures shown for 2019 are for the 12 month period ended 31 December.

9 OTHER FINANCIAL ASSETS

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Special funds investments (term deposits) with maturities greater than 3 months	654	654	654	654
Shares in subsidiaries (cost)	-	-	2,412	2,412
Total other financial assets	**654**	**654**	**3,066**	**3,066**

Special Trust Funds - Special Trust Funds are restricted equity reserves held specifically in trust for the purpose of generating interest for students to access, upon application and meeting specified conditions.

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

Unlisted shares are held in non-commercial entities and are carried at cost because either :
- the fair value of the investment cannot be reliably determined using a standardised valuation technique; or
- we cannot determine the fair value

There is currently no intention to dispose of these assets.

Impairment - In 2019 Wintec wrote down the assets held in Mondragon Saudi Arabia and Wintec Kingdom of Saudi Arabia Limited as the contract to teach in Saudi Arabia was terminated. There have been no other impairment provisions for other financial assets.

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

for the three month period ended 31 March 2020

10 INVESTMENT IN ASSOCIATES

	Group	Group
	2020 $'000	2019 $'000
Investment in Ligar Limited Partnership (cost)	673	673
Equity accounted carrying amount	-	-
Group's share of summarised financial information of associate		
Assets	240	240
Liabilities	(359)	(359)
Revenues	45	45
Surplus/(deficit)	**(264)**	**(264)**
Group's Interest	11.91%	11.91%
Share of associate's contingent liabilities	-	-
Contingent liabilities that arise because of several liability	-	-

LearningWorks Limited's share of the results of Ligar Limited Partnership is as follows:

	Group	Group
	2020 $'000	2019 $'000
Investment in associate		
Opening balance	673	673
Investment	-	-
Share of retained surplus/(deficit)	(1,490)	(1,490)
Closing balance		
Represented by:		
Share of increase in net assets of associate (carrying value)	-	-

The investment of $673k in Ligar Limited Partnership has been written down to $0 in the Group and the remaining deficit of $817k will be noted and carried forward to be written down against future surpluses until the balance is positive and then will be reflected in the financial statements.

Ligar GP Limited is an associate, however it has been dormant since inception so there are no values to equity account for in the group financial statements, and no cost value to recognise in the Institute's financial statements.

Ligar Limited Partnership has a balance date of 30 September to align with its major stakeholder.

Notes to the Financial Statements

for the three month period ended 31 March 2020

11 PROPERTY, PLANT AND EQUIPMENT

Valuation

The most recent valuations of land, and buildings was performed by an independent registered valuer, Telfer Young (Waikato) LimIted. The valuation is effective as at 31 December 2018. The most recent valuation for infrastructure assets was performed by Klu'd up an independent registed valuer. The valuation is effective as at 31 December 2018.

Land

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

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 cost is based on the replacement with modern equivalent assets with adjustments where appropriate for obselescence due to over-design or surplus capacity.
- The replacement is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- 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 condition, future maintance and replacement costs and with experience of similar assets .
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

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

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 similiar to those described above for specialised buildings.

Restrictions on title

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

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

Work in progress

The total amount of property, plant, and equipment in the course of construction for the Institute is $5.443 million (2019 $3.270 million).

Work in progress relates to the following asset classes:

	Actual 2020 $'000	Actual 2019 $'000
Property, plant and equipment		
Buildings	3,718	2,493
Furniture and equipment	715	587
Computer hardware	796	-
Library collection	213	190
Intangible assets		
Computer software	1,317	1,890
Qualifications	5,264	6,347
Total work in progress	**12,023**	**11,507**

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

for the three month period ended 31 March 2020

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2020	Cost 01/01/2020	Accumulated Depreciation 01/01/2020	Carrying Amount 01/01/2020	Additions	Additions (SRT)*	Disposals at cost	Depreciation on disposal	Impairment/ Depreciation Charge	Revaluation Surplus	Reclassification of assets between classes cost	Reclassification of assets between classes depreciation	Cost 31/03/2020	Accumulated Depreciation 31/03/2020	Carrying Amount 31/03/2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group														
Land	23,968	-	23,968	-	-	-	-	-	-	-	-	23,968	-	23,968
Buildings	115,060	(3,205)	111,855	131	2,800	-	-	(671)	-	-	-	117,991	(3,876)	114,115
Infrastructure	14,361	(296)	14,065	-	-	-	-	(123)	-	-	-	14,361	(419)	13,942
Computer hardware	15,094	(10,270)	4,824	784	-	(563)	563	(300)	-	-	-	15,315	(10,007)	5,308
Furniture and equipment	17,889	(11,038)	6,851	15	168	(569)	569	(193)	-	-	-	17,503	(10,662)	6,841
Motor vehicles	307	(302)	6	-	47	-	-	(16)	-	-	-	354	(318)	36
Library collection	4,103	(3,981)	122	169	-	-	-	(16)	-	-	-	4,272	(3,997)	274
Work in progress	2,676	-	2,676	3,277	-	(529)	-	-	-	-	-	5,424	-	5,424
Total Group	**193,458**	**(29,092)**	**164,366**	**4,376**	**3,015**	**(1,661)**	**1,132**	**(1,318)**	**-**	**-**	**-**	**199,188**	**(29,279)**	**169,907**
Institute														
Land	23,968	-	23,968	-	-	-	-	-	-	-	-	23,968	-	23,968
Buildings	115,060	(3,204)	111,855	131	-	-	-	(624)	-	-	-	115,191	(3,829)	111,361
Infrastructure	14,361	(296)	14,065	-	-	-	-	(123)	-	-	-	14,361	(419)	13,942
Computer hardware	14,453	(9,646)	4,808	784	-	-	-	(297)	-	-	-	15,237	(9,943)	5,295
Furniture and equipment	17,230	(10,412)	6,818	14	-	(6)	6	(189)	-	-	-	17,238	(10,595)	6,644
Motor vehicles	307	(302)	5	-	-	-	-	(2)	-	-	-	307	(304)	3
Library collection	4,103	(3,981)	122	169	-	-	-	(16)	-	-	-	4,272	(3,997)	274
Work in progress	3,269	-	3,269	2,703	-	(529)	-	-	-		-	5,443	-	5,443
Total Institute	**192,753**	**(27,842)**	**164,910**	**3,801**	**-**	**(535)**	**6**	**(1,252)**	**-**	**-**	**-**	**196,017**	**(29,087)**	**166,930**

*These additions are from Wintec Student Residence Trust (SRT) due to the change in Accounting Standards they are now required to be consolidated into the Wintec Group.

2019	Cost 01/01/2019	Accumulated Depreciation 01/01/2019	Carrying Amount 01/01/2019	Additions	Disposals at cost	Depreciation on disposal	Impairment/ Depreciation Charge	Revaluation Surplus	Reclassification of assets between classes cost	Reclassification of assets between classes depreciation	Cost 31/12/2019	Accumulated Depreciation 31/12/2019	Carrying Amount 31/12/2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group													
Land	23,968	-	23,968	-	-	-		-	-	-	23,968	-	23,968
Buildings	112,919	-	112,919	2,169	(28)	3	(3,207)	-	-	-	115,060	(3,205)	111,855
Infrastructure	13,568	-	13,568	793	-	-	(296)	-	-	-	14,361	(296)	14,065
Computer hardware	12,957	(9,002)	3,955	2,411	(274)	243	(1,511)	-	-	-	15,094	(10,270)	4,824
Furniture and equipment	17,848	(9,937)	7,911	64	(23)	256	(1,357)	-	-	-	17,889	(11,038)	6,851
Motor vehicles	315	(287)	28	-	(9)	-	(15)	-	-	-	307	(302)	6
Library collection	4,103	(3,901)	202	-	-	-	(80)	-	-	-	4,103	(3,981)	122
Work in progress	3,734	-	3,734	1,345	(2,402)	-	-	-	-	-	2,676	-	2,676
Total Group	**189,412**	**(23,127)**	**166,285**	**6,782**	**(2,737)**	**503**	**(6,467)**	**-**	**-**	**-**	**193,458**	**(29,092)**	**164,366**
Institute													
Land	23,968	-	23,968	-	-	-	-	-	-	-	23,968	-	23,968
Buildings	112,919	-	112,919	2,169	(28)	3	(3,207)	-	-	-	115,060	(3,204)	111,855
Infrastructure	13,568	-	13,568	793	-	-	(296)	-	-	-	14,361	(296)	14,065
Computer hardware	12,057	(8,685)	3,372	2,409	(12)	12	(973)	-	-	-	14,453	(9,646)	4,808
Furniture and equipment	17,186	(9,644)	7,542	43	-	-	(768)	-	-	-	17,230	(10,412)	6,818
Motor vehicles	307	(287)	21	-	-	-	(15)	-	-	-	307	(302)	5
Library collection	4,103	(3,901)	202	-	-	-	(80)	-	-	-	4,103	(3,981)	122
Work in progress	3,734	-	3,734	1,938	(2,402)	-	-	-	-	-	3,269	-	3,269
Total Institute	**187,842**	**(22,517)**	**165,326**	**7,352**	**(2,442)**	**15**	**(5,339)**	**-**	**-**	**-**	**192,753**	**(27,842)**	**164,910**

Notes to the Financial Statements

for the three month period ended 31 March 2020

12 INTANGIBLE ASSETS

There are no restrictions over the title of the Institute's and Group's intangible assets, nor is any intangible asset pledged as security for liabilities.

The total amount of intangible assets under development is $6.580m. (2019: $8.237m).

	Cost 01/01/2020	Accumulated amortisation 01/01/2020	Carrying amount 01/01/2020	Additions	Impairment at cost	Impairment amortisation on disposals	Amortisation	Disposal	Reclassification between asset classes cost	Reclassification between asset classes depreciation	Cost 31/03/2020	Accumulated Amortisation 31/03/2020	Carrying Amount 31/03/2020
2020	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group													
Computer software	21,722	(9,921)	11,801	-	-	-	(524)	(15)	-	-	21,707	(10,446)	11,263
Work in progress	8,237	-	8,237	645	-	-	-	(2,303)	-	-	6,580	-	6,580
Purchased goodwill	407	(407)	-	-	-	-	-	-	-	-	407	(407)	-
Identifiable intangible assets	-	-	-	-	-	-		-	-	-	-	-	-
Qualifications	2,388	(1,087)	1,301	-	(1,953)	1,003	(22)	-	-	-	435	(106)	330
Total Group	**32,754**	**(11,415)**	**21,339**	**645**	**(1,953)**	**1,003**	**(546)**	**(2,317)**	**-**	**-**	**29,129**	**(10,959)**	**18,173**
Institute													
Computer software	21,540	(9,846)	11,694	-	-	-	(517)	(15)	-	-	21,525	(10,363)	11,162
Work in progress	8,238	-	8,238	645	-	-	-	(2,302)	-	-	6,580	-	6,580
Purchased goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Qualifications	950	-	950		(950)	-	-	-	-	-	-	-	-
Total Institute	**30,726**	**(9,846)**	**20,882**	**645**	**(950)**	**-**	**(517)**	**(2,317)**	**-**	**-**	**28,105**	**(10,363)**	**17,742**

The impairment noted under qualifications relates to the course development materials for our Saudi Arabia operations that ceased last year. The course and training materials were transferred to Wintec in 2019. Wintec believes that these materials no longer have a value in the overseas market due to Covid-19 and have therefore have fully impaired them.

2019	Cost 01/01/2019	Accumulated amortisation 01/01/2019	Carrying amount 01/01/2019	Additions	Impairment at cost	Impairment amortisation on disposals	Amortisation	Disposal	Reclassification between asset classes cost	Reclassification between asset classes depreciation	Cost 31/12/2019	Accumulated Amortisation 31/12/2019	Carrying Amount 31/12/2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group													
Computer software	24,238	(13,359)	10,879	2,928	(5,304)	5,287	(1,914)	-	(140)	66	21,722	(9,921)	11,801
Work in progress	9,373	-	9,373	4,718	-	-	-	(5,853)	-	-	8,237	-	8,237
Purchased goodwill	407	(407)	-		-	-	-	-	-	-	407	(407)	-
Identifiable intangible assets	2,690	-	2,690	-	(2,690)	-	-	-	-	-	-	-	-
Qualifications	1,246	(974)	272	1,002	-	-	(47)	-	140	(66)	2,388	(1,087)	1,301
Total Group	**37,954**	**(14,740)**	**23,214**	**8,648**	**(7,995)**	**5,287**	**(1,961)**	**(5,853)**	**-**	**-**	**32,754**	**(11,415)**	**21,339**
Institute													
Computer software	24,004	(13,228)	10,776	2,840	(5,304)	5,287	(1,905)	-	-	-	21,540	(9,846)	11,694
Work in progress	9,373	-	9,373	4,718	-	-	-	(5,853)	-	-	8,238	-	8,238
Purchased goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Qualifications	-	-	-	950	-	-	-	-	-	-	950	-	950
Total Institute	**33,377**	**(13,228)**	**20,149**	**8,508**	**(5,304)**	**5,287**	**(1,905)**	**(5,853)**	**-**	**-**	**30,726**	**(9,846)**	**20,882**

Notes to the Financial Statements

for the three month period ended 31 March 2020

13 PAYABLES

	Group		Institute	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Payables under exchange transactions				
Creditors	2,061	1,517	2,087	1,876
Accrued expenses	2,326	3,169	2,290	2,780
Total payables under exchange transactions	**4,387**	**4,686**	**4,377**	**4,656**
Payables under non-exchange transactions				
Taxes payable	4,142	1,294	4,121	1,215
Total payables	**8,529**	**5,980**	**8,498**	**5,871**

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

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

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14 EMPLOYEE ENTITLEMENTS

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current portion				
Accrued pay	2,223	1,426	2,082	1,307
Annual leave	2,093	2,549	1,966	2,426
Total current portion	**4,316**	**3,975**	**4,048**	**3,734**
Non-current portion				
Long service leave	37	39	39	41
Retirement gratuities	106	106	106	106
Total non-current portion	**144**	**146**	**145**	**147**
Total employee entitlements	**4,459**	**4,121**	**4,193**	**3,881**

The present value of the retirment gratuities depends on factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate of 2.23% and the salary inflation factor of 2.92%. Any changes in these assumptions will affect the amount of the liability. Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand Government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining independent advice from an independent actuary.

If the salary inflation factor were to increase or decrease by 1% from that used, with all other factors held constant, the carrying amount of the retirement gratuity liability would be an estimated $1,600 higher/lower (2019 $1,595).

If the discount rates used were to increase or decrease by 1% from that used, with all other factors held constant, the carrying amount of the retirement gratuity liability would be an estimated $1,684 higher/lower (2019 $1,680).

15 DEFERRED REVENUE

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Tuition fees	27,825	35,484	27,825	35,484
Other exchange revenue received in advance	1,299	62	88	61
Total deferred revenue	**29,124**	**35,546**	**27,913**	**35,545**

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

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

for the three month period ended 31 March 2020

16 BORROWINGS

	Group		Institute	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Current				
Bank overdraft	-	-	-	-
Secured loans	3,734	49	3,734	49
Total current portion	**3,734**	**49**	**3,734**	**49**
Non-current				
Secured loans	8,506	24,687	8,206	24,687
Finance leases	-	-	-	-
Total non-current portion	**8,506**	24,687	**8,206**	24,687
Total borrowings	12,240	24,736	11,940	24,736

Interest terms for secured loans

Secured loans are issued using a customised average rate loan (CARL) facility which has portions of its principal drawn down at floating, capped, range, and/or fixed rates of interest. Interest rates are weighted and reset monthly, based according to the principal outstanding for each portion.

The Institute's borrowings is $11.9m as at 31 March 2020 (2019 $24.7m).

Security

The overdraft and secured loans are secured by a negative pledge agreement between the Bank of New Zealand and the Institute. The maximum amount that can be drawn down against the overdraft facility is $8.5m.

Bank covenants

The institute is required to ensure the following financial covenants for secure loans are achieved for the financial year.

- As at 30 June and 31 December: Term Debt/ (Term Debt + Equity) <=20%
- As at 30 June and 31 December: EBITA/Gross Interest >= 3.00x
- Non BNZ Debt in excess of $250,000

The Institute has complied with these covenants.

TEC conditions of consent

- net surplus ratio of at least 2.5%.
- cash ratio of at least 111%.
- interest cover ratio of no less than 2.5 times.
- debt equity (gearing) ratio of 20% or less until 2019 and 15% or less for 2020.
- leverage ratio of no more than 3.0 times until 2018 and 2.5 times from 2019.
- maintain a liquidity ratio of 10% or higher

As at 31 December 2019 Wintec did not meet some of the TEC conditions and in accordance with TEC we have advised the TEC of the breach and confirmed with them that there has been no default or potential default of any terms of the range rate term loan facility or working captial facility. As at 31 March 2020 no covenants have been breached.

The Institute and Group have no finance leases.

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

for the three month period ended 31 March 2020

17 EQUITY

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
General funds				
Balance at 1 January	106,409	110,479	105,399	111,162
Balance as 1 January Wintec Student Residence Trust	2,243			
Surplus / (deficit) for the year	36,344	(4,071)	34,991	(5,764)
Transfer from revaluation reserve	14,146	-	14,146	-
Balance at 31 March (2019: 31 December)	159,142	106,409	154,536	105,399
Property revaluation reserves				
Balance at 1 January	39,118	39,118	39,118	39,118
Infrastructure net revaluation gains/(losses)				
Transfer to general funds on disposal of land	(14,146)	-	(14,146)	-
Balance at 31 March (2019:31 December)	24,972	39,118	24,972	39,118
Restricted reserves				
Balance at 1 January	654	654	654	654
Appropriation of net surplus		-		-
Application of trusts and bequests		-		-
Balance at 31 March (2019:31 December)	654	654	654	654
Non-controlling interest				
Balance at 1 January	449	449	-	-
Surplus / (deficit) for the year	-	-	-	-
Balance at 31 March (2019:31 December)	449	449	-	-
Total equity	**185,217**	**146,629**	**180,162**	**145,171**
Property revaluation reserves consists of:				
Land	16,760	30,906	16,760	30,906
Infrastructure	1,640	1,640	1,640	1,640
Buildings	6,572	6,572	6,572	6,572
Total property revaluation reserves	**24,972**	**39,118**	**24,972**	**39,118**

Transfers to general funds on disposal of land

The transfer to general funds on disposal of land relates to the disposal of land that had been previously revalued. When revalued assets were sold in previous years, the amounts included in revaluation reserves in respect of these assets were not consistently transferred to general funds. This has now been corrected in the period ending 31 March 2020.

Restricted reserves

Restricted reserves consist of bequest and trust funds held by the Institute on behalf of others.

Notes to the Financial Statements

for the three month period ended 31 March 2020

18 COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

Institute and Group as Lessees

The Institute has entered into commercial campus leases. The Institute is able to exit leases with a right of renewal at renewal date, and the disclosure has been made with the assumption that all rights of renewal will be exercised - as such, the commitment has been disclosed for the entire term of the lease.

The Institute has entered into commercial leases on certain motor vehicles and items of small machinery where it is not in the best interest of the Institute to purchase these assets.

These leases have an average life of between four and 10 years with renewal terms included in the contracts.

Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Within one year	1,216	1,069	1,121	967
After one year but not more than five years	3,624	3,461	3,244	3,080
More than five years	7,678	7,612	7,591	7,501
Total non-cancellable operating leases	**12,518**	**12,142**	**11,956**	**11,548**

All lease commitments including the perpetually renewable lease with Tainui for the city campus land with a term of 20 years with further rights of renewal of 20 years have been transferred to the new entity, Waikato Institute of Technology Limited as at 1 April 2020. The terms and conditions remain the same.

Institute and Group as lessors

All leases are operating leases. The majority of these leases have a non-cancellable term of 36 months, with the exception of two leases that have a non-cancellable term of 48 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Within one year	-	-	-	-
After one year but not more than five years	-	-	-	-
More than five years	-	-	-	-
Total non-cancellable operating leases	**-**	**-**	**-**	**-**

No contingent rents have been recognised in the statement of comprehensive revenue during the year.

Finance lease and hire purchase commitments

The Institute and Group have no finance leases or hire purchase contracts. (2019:nil)

Capital commitments

At 31 March 2020 the Institute has $nil commitments (2019: $nil).

Contingent assets

‘The Institute and Group have no contingent assets (2019: nil).

Contingent liabilities

Wintec entered into an operation and maintenance agreement with the Colleges of Excellence in the Kingdom of Saudi Arabia on 8 April 2014. Under this agreement Wintec was required to provide a performance bond which was done under a counter agreement between the Bank of New Zealand and Banque Saudi Fransi. In 2019 Wintec has ceased this operation and is in the process of winding up the companies. Wintec has performed all its obligations however the performance bond is still in place. The amount of this bond as at 31 December 2019 was $7.2m (2018: $7m). As at 31 March 2020 the Bond remained at $7.2m and was reduced to $2m on 7 April 2020 and will remain at that level until the finalisation of the outstanding issues.

The Institute and Group have no other contingent liabilities

Employee settlement payments

During the period ended 31 March 2020, 3 (2019:17) employees received compensation and other benefits in relation to cessation totalling $70,000 (2019:$523,848). This includes redundancy payments, retirement payments and other severance payments.

Notes to the Financial Statements

for the three month period ended 31 March 2020

19 RELATED PARTY DISCLOSURE

Related party discloures have not been made for transactions with related parties that are within a normal supplier or client/ recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect that the Institute would have adopted in dealing with the part 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 when they are consistent with the normal operating arrangements with TEIs and undertaken on the normal terms and conditions for such transactions.

There are no related party transactions other than those noted below which require disclosure.

Key management personnel compensation

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Council members				
Full-time equivalent members	1	1	1	1
Remuneration	56	160	40	160
Executive management team, including the Chief Executive				
Full-time equivalent members	11	13	8	11
Remuneration	535	2,440	435	2,051
Total full-time equivalent members	12	14	9	12
Total key management personnel compensation	**591**	**2,600**	**475**	**2,211**

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

The figures shown for 2019 are for the 12 month period ended 31 December.

Councillors' remuneration

Councillor remuneration paid or payable during the period was:

Council member	Actual 2020 $	Actual 2019 $
Brennan, Desmond	4,280	17,120
Devlin, Margaret	4,280	17,120
Goulter, Kiri	4,280	17,120
Gusscott, Sandra *	-	5,707
Harris, Barry	8,988	35,952
Lockwood, Simon	4,280	11,413
McLennan, Vicky	4,280	11,413
Nuri, Niwa (Deputy Chair)	5,350	21,400
Rink, Aaron *	-	5,707
S'ng Ping	4,280	17,120
Total councillors' fees	**40,018**	**160,072**

*term ended 30 April 2019

All current Council members term ended 31 March 2020

Notes to the Financial Statements

for the three month period ended 31 March 2020

20 CHILDCARE SUMMARY

	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000
Revenue			
Government grants (children under two)	65	235	237
Government grants (two and over)	21	80	114
Government grants (20 hours ECE)	62	225	223
Government grants (plus 10)	11	30	34
Incentive grant			
Fees Work and Income New Zealand (WINZ)	20	104	109
Other fees targeted	25	118	120
Other trading revenue	**204**	**792**	**836**
Expense			
Staffing	174	719	692
Other costs	8	56	52
Other trading expenses	**182**	**775**	**744**
Trading surplus	**22**	**17**	**92**

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

for the three month period ended 31 March 2020

21 THE EFFECTS OF COVID-19 ON THE INSTITUTE

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April and remained in lockdown at Alert Level 3, thereafter, until 13 May.

During this period, the Institute closed all delivery sites and brought forward the mid-semester break to align with the new timing of the school holidays in New Zealand. Most staff moved to a 'work from home' model and teaching was changed to on-line delivery after the mid-semester break.

After 13 May, the Institute has continued with on-line delivery where possible. For those students that benefit from face to face training classes have resumed. Semester two will be a mix of on-line learning and classroom based where required.

The effect on our operations is reflected in these financial statements based on the information available to the date these financial statements are signed. At this time, it is difficult to determine the full on-going effect of COVID-19 and therefore some material uncertainties remain. There could also be other matters that affect the Institute going forward that we are not yet aware of.

We have also disclosed in the financial statements our significant assumptions and judgements regarding the future potential impacts that may have a material impact on the Institute. These uncertainties may have a material impact on the Institute going forward.

The main impacts on the Institute's financial statements due to COVID-19 are explained below:

Ongoing financial difficulties and funding support

The TEC has confirmed that 2020 funding for Investment Plans and Fees Free will continue. The TEC has informed ITPs that it will not recover 2020 funding because of either non-achievement of Education Performance Indicators or under-delivery during the 2020 year. This provides the Institute with certainty that it can continue to deliver to students despite disruption caused by COVID-19. A consequence of this is the Institute has recorded a receivable and revenue for the year ended 31 March 2020 of $37 million for the remaining 2020 funding (both investment plan and fees free) to be received after balance date. This resulted in a total comprehensive revenue (surplus) of $36.34 million for the group and $34.99 million for the Institute.

However, as a result of the decline in international students due to the Covid-19 pandemic, the Company going forward is forecasting a worsening financial result for the full years' ending 31 December 2020 and 2021 with forecast deficits of $6.3 million and $8.1, million respectively.

The Institute has held external debt since 2008 and has used debt historically as a mechanism to fund capital investment. The Company also has access to an $8.5 million overdraft facility.

The cash flow impact of the forecast operation deficits for 2020 and 2021 will result in a breach of the Company's banking covenants in 2021. It is also unlikely the Company will be able to comply with the reducing debt limits for 2020 and 2021 set by the Secretary of Education in 2015.

The Company is currently working with TEC and Te Pūkenga to alter the borrowing conditions of debt facilities and to restate borrowing limits to 2019 levels of $43.5 million. Management confirms the debt limits have been recommended for approval by the Minister pending confirmation from Te Pūkenga to the appointment of monitor to our Board.

As described above, Te Pūkenga is the 100% shareholder of the Company. The Company has received a letter of support from Te Pūkenga advising Te Pūkenga's intentions to provide financial support to the Company sufficient to ensure that:

- The company is able to pay its debts as they become due in the normal course of business; and
- The business of the Company may be carried on in a manner not likely to create a substantial risk of serious loss to the Company's creditors being created as a consequence of the financial position of the Company.

Student fees

Although the borders are closed for our International students many were in country before the lockdown and have been studying on-line. The International EFT's are down but not significantly for semester two, we are anticipating a reduction in contribution of $3.8m. We are unsure if the borders will be open for the 2021 intake at this time and we are anticipating a drop in the number of students and therefore a decrease in student revenue for 2021.

The Domestic student numbers are stable, and we are not expecting a reduction in students for 2021. With the current employment market and downturn in the economy we are anticipating an increase in trade students for 2021.

Notes to the Financial Statements

for the three month period ended 31 March 2020

Operating expenses

As a result of COVID-19, the Institute has incurred additional expenditure of $0.4m on:

Ensuring the buildings were cleaned to a higher standard than we would normally expect to ensure that any chance of transmission was minimised for staff having to work throughout the lock down period.

Purchase of personal protection equipment such as face masks, gloves and hand sanitisers. A significant sum was spent on hand and cleaning sanitisers especially for the trades including the restaurant students and staff.

In addition to the above staff salaries are also higher than the budget due to the reduction in staff turnover due to Covid-19.

Valuation of land and buildings

The level of property transactions had reduced during the level 4 lockdown resulting in some valuation uncertainty over land values at 31 March 2020.

The majority of Wintec building assets are carried at depreciated replacement cost (DRC) and we are satisfied the impact on these assets as a result of Covid-19 is limited.

We had our independent valuer perform a desk top review of land and buildings as at 31 March 2020 to ensure that they were not materially misstated. He considered Covid-19 as part of that review to the extent to which information is available.

Management reviewed the report and are satisfied that there had not been a material deterioration in the value of land and buildings due to Covid-19 and therefore have not revised the value of these assets.

Further information about the key valuation assumptions used in estimating the fair value of land and buildings at 31 March 2020 are provided in note 11.

Impairment of tangible and intangible assets

An impairment assessment has been completed for tangible and intangible assets. Except for the impairment of some Course Development assets relating to our overseas entity due to the cessation of the venture, all other assets were not materially impaired by Covid-19.

Other

Receivables have been reviewed for impairment and a provision of $1.408 million has been provided for.

22 SUBSEQUENT EVENTS DISCLOSURE

Use of the disestablishment basis of accounting

The Minister of Education announced the Government's decisions on the Reform of Vocational Education proposals on 1 August 2019. The Education (Vocational Education and Training and Reform) Amendment Act (the Act) was enacted on 24 February 2020, to give effect to those reforms

In essence, the Act reforms the delivery of vocational education in New Zealand by:

- Creating a new Crown entity, Te Pukenga, and
- Converting all existing institutions of technology and polytechnics (ITP's) into crown entity companies, which will take over the operational activities of existing ITP's.

The Act disestablished the Waikato Institute of Technology and transfers its assets and liabilities to the new company, Waikato Institute of Technology Limited (the Company) in 1 April 2020. As a result, the Waikato Institute of Technology has prepared its financial statements on a disestablishment basis.

However, because the vocational education will continue to be provided through the Waikato Institute of Technology Limited, no change needs to be made to the measurement or classification of assets and liabilities in the financial statements. Decisions about the future of these assets and liabilities will be the responsibility of the new entity.

Notes to the Financial Statements

for the three month period ended 31 March 2020

23 FINANCIAL INSTRUMENT CATEGORIES

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

	Group		Institute	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Financial assets				
Financial assets at amortised cost				
Cash and cash equivalents	4,679	4,025	249	169
Receivables	44,582	25,194	43,185	24,767
Other financial assets				
Term deposits	-	-	-	-
Loans to related parties	-	-	-	-
Special funds investments	654	654	654	654
Other investments	-	-	-	-
Total Financial assets at amortised cost	**49,915**	**29,873**	**44,088**	**25,590**
Fair value through other comprehensive income				
Other financial assets				
Government bonds	-	-	-	-
Unlisted shares	-	-	-	-
Listed shares	-	-	-	-
Total	**-**	**-**	**-**	**-**
Financial liabilities				
Financial liabilities at amortised cost				
Bank overdraft	-	-	-	-
Creditors and other payables	8,529	5,980	8,498	5,871
Secured loans	12,240	24,736	11,940	24,736
Total	**20,769**	**30,716**	**20,438**	**30,607**

The figures shown for 2019 are for the 12 month period ended 31 December.

Notes to the Financial Statements

for the three month period ended 31 March 2020

The Institute and Group do not have government bonds, derivatives or managed funds.

FINANCIAL INSTRUMENT RISKS

The Institute and Group have a series of policies to manage the risks associated with financial instruments. They are risk averse and seek to minimise exposure from their treasury activities. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Institute and Group do not hold any financial instruments which are exposed to price risk.

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Institute and Group are not exposed to any significant currency risk.

Fair value interest rate risk
Fair value interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest create exposure to fair value interest rate risk. The Institute and Group do not actively manage their exposure to fair value interest rate risk.

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates create exposure to cash flow interest rate risk. The Institute does not generally enter into borrowing or investments with variable interest rates.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Institute and Group, causing them to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits which give rise to credit risk.

The Institute and Group limit the amount of credit risk exposure to any one financial institution for term deposits to no more than 40% of total investments held. The institute and Group invests funds only with registered banks that have a Standard and Poor's credit rating of at least AA- for short term and AA- for long-term investments.   the Institute and Group has experienced no defaults of interest or principal payments for tem deposits. The Institute and Group hold no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum credit exposure is represented by the carrying amount of cash, term deposits and receivables in the statement of financial position.

Liquity risk

Management of liquidity risk

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

The Institute and Group have a maximum amount that can be drawn down against their overdraft facility of $8.5m (2019 $8.5m). The Institute and Group manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and matching the maturity profiles of financial assets and liabilities for 2020.

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:

	Group		Institute	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Counterparties with credit ratings				
Cash at bank and term deposits				
AA	-	-	-	-
AA-	5,333	4,679	903	823
Total cash at bank and term deposits	**5,333**	**4,679**	**903**	**823**
Counterparties without credit ratings				
Loans to related parties				
Existing counterparty with no defaults in the past	-	-	-	-
Existing counterparty with defaults in the past	-	-	-	-
Total loans to related parties	**-**	**-**	**-**	**-**
Debtors and other receivables				
Existing counterparty with no defaults in the past	44,582	25,194	43,185	24,767
Existing counterparty with defaults in the past	-	-	-	-
Total debtors and other receivables	**44,582**	**25,194**	**43,185**	**24,767**

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for the three month period ended 31 March 2020

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES, EXCLUDING DERIVATIVES

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

	Carrying amount $'000	Contractual cashflows $'000	<6 months $'000	6-12 months $'000	1-2 years $'000	2-3 years $'000	>3 years $'000
Institute 2020							
Bank overdraft	-	-	-	-	-	-	-
Payables	8,498	8,498	8,498	-	-	-	-
Accrued pay	2,082	2,082	2,082	-	-	-	-
Secured loans	11,940	11,940	-	3,734	8,206	-	-
Total	**22,520**	**22,520**	**10,580**	**3,734**	**8,206**	**-**	**-**
Group 2020							
Bank overdraft	-	-	-	-	-	-	-
Payables	8,529	8,529	8,529	-	-	-	-
Accrued pay	2,223	2,223	2,223	-	-	-	-
Secured loans	12,240	12,240	-	3,734	8,506	-	-
Total	**22,992**	**22,992**	**10,752**	**3,734**	**8,506**	**-**	**-**
Institute 2019							
Bank overdraft	-	-	-	-	-	-	-
Payables	5,871	5,871	5,871	-	-	-	-
Accrued pay	1,307	1,307	1,307	-	-	-	-
Secured loans	24,736	24,736	-	49	-	24,687	-
Total	**31,914**	**31,914**	**7,178**	**49**	**-**	**24,687**	**-**
Group 2019							
Bank overdraft	-	-	-	-	-	-	-
Payables	5,980	5,980	5,980	-	-	-	-
Accrued pay	1,426	1,426	1,426	-	-	-	-
Secured loans	24,736	24,736	-	49	-	24,687	-
Total	**32,142**	**32,142**	**7,406**	**49**	**-**	**24,687**	**-**

Contractual maturity analysis of derivative financial liabilities.

The Institute and Group do not have derivative financial liabilities.

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for the three month period ended 31 March 2020

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL ASSETS

The table below analyses financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date:

	Carrying amount $'000	Contractual cashflows $'000	<6 months $'000	6-12 months $'000	1-2 years $'000	2-3 years $'000	>3 years $'000
Institute 2020							
Cash and cash equivalents	249	249	249	-	-	-	-
Receivables	43,185	43,185	43,185	-	-	-	-
Government bonds	-	-	-	-	-	-	-
Term deposits	654	654	-	654	-	-	-
Total	**44,088**	**44,088**	**43,434**	**654**	**-**	**-**	**-**
Group 2020							
Cash and cash equivalents	4,679	4,679	4,679	-	-	-	-
Receivables	44,582	44,582	44,582	-	-	-	-
Government bonds	-	-	-	-	-	-	-
Term deposits	654	654	-	654	-	-	-
Total	**49,915**	**49,915**	**49,261**	**654**	**-**	**-**	**-**
Institute 2019							
Cash and cash equivalents	169	169	169	-	-	-	-
Receivables	24,767	24,767	24,767	-	-	-	-
Government bonds	-	-	-	-	-	-	-
Term deposits	654	654	-	654	-	-	-
Total	**25,590**	**25,590**	**24,936**	**654**	**-**	**-**	**-**
Group 2019							
Cash and cash equivalents	4,025	4,025	4,025	-	-	-	-
Receivables	25,194	25,194	25,194	-	-	-	-
Government bonds	-	-	-	-	-	-	-
Term deposits	654	654	-	654	-	-	-
Total	**29,873**	**29,873**	**29,219**	**654**	**-**	**-**	**-**

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for the three month period ended 31 March 2020

SENSITIVITY ANALYSIS

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

	2020 $'000				2019 $'000			
	-50bps		+50bps		-50bps		+50bps	
	Surplus	Other equity	Surplus	Other equity	Surplus	Other equity	Surplus	Other equity
Interest rate risk - Institute								
Financial assets								
Cash and cash equivalents	(3)		3		(2)		2	
Financial liabilities								
Secured loans	63		(63)		65		(65)	
Total sensitivity	**60**		**(60)**		**63**		**(63)**	
Interest rate risk - Group								
Financial assets								
Cash and cash equivalents	(27)		27		(26)		26	
Financial liabilities								
Secured loans	63		(63)		65		(65)	
Total sensitivity	**36**		**(36)**		**39**		**(39)**	

Explanation of interest rate risk sensitivity

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

Interest on financial instruments, classified as floating rate, is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate until maturity of the instrument.

The other financial instruments of the Institute that are not included in the above tables are non-interest bearing.

Notes to the Financial Statements

for the three month period ended 31 March 2020

24 PERFORMANCE AGAINST BUDGET

The main reason for the variances between the actual revenue and expenditure in the Statement of Comprehensive Revenue and Expense is due to the actual results reflect three months transactions from 1 January 2020 through to 31 March 2020 while the budget numbers are for the full financial year. The variance in the Group budget relating to PPE and Intangible assets is due to an allocation error. The numbers in total agree to the full budget.

Within the Statement of Financial Position, the main difference between the actual results and budget is due to the high levels of cash received in the first three months of the year (31 Match 2020) resulting in lower debt levels while the budget figures are as at 31 December 2020. Other variances can also be attributed to differences in opening balances in particular with revenue in advance due to high international volumes.

25 DETAILS OF HOLDINGS IN SUBSIDIARIES AND ASSOCIATES ARE SHOWN BELOW

Subsidiary/Associate/Joint Venture	% Ownership	Balance date	Business activity
Wintec			
Soda Inc Ltd	100%	31/12	Creative industries business incubator
Motortrain Limited	25%	31/12	Developing training materials for motor industry
MondragonWintec Saudi Arabia LLC	100%	31/12	Education
Wintec KSA Limited	100%	31/12	Education
Ligar Limited Partnership	26.77%	30/09	Research
Ligar Polymers limited	50%	31/12	Research
Ligar GP Limited	11.91%	30/09	Research
Polytechnics International New Zealand (PINZ)	100%	31/12	Off shore consultancy
Wintec Foundation	100%	31/12	Charitable Trust
LearningWorks Ltd	100%	31/12	Developing and delivering training to industry
Wintec Students Residence Trust	0%	31/12	Student Accommodation

26 STATUTORY REPORTING DEADLINE

Under transition provisions in the Education (Vocational Education and Training) Amendment Act 2020, the Minister of Education determined the contents and timing of this final report of Waikato Institute of Technology. The timeline for providing the report to the Minister was 31 July 2020. Because of the lockdown, and the uncertainties created by the COVID-19 pandemic, both Waikato Institute of Technology and its auditors needed to consider the impact of COVID-19 on key information in the financial statements. Consequently, Waikato Institute of Technology could not report before the statutory deadline.

Wintec
WAIKATO INSTITUTE OF TECHNOLOGY
Te Kuratini o Waikato