Financial Statements for the nine months ended 30 September 2022

Unitec
Institute of Technology
TE WHARE WĀNANGA O WAIRAKA

Contents
Rārangi Kaupapa

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Unitec New Zealand Limited group's financial statements for the period 1 January 2022 to 30 September 2022

The Auditor-General is the auditor of Unitec New Zealand Limited group (the group). The Auditor General has appointed me, Wikus Jansen van Rensburg, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the group on his behalf.

Opinion

We have audited the financial statements of the group on pages 7 to 40, that comprise the statement of financial position as at 30 September 2022, the statement of comprehensive income, 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 group on pages 7 to 40, which have been prepared on a disestablishment basis:

- present fairly, in all material respects:
  - the financial position as at 30 September 2022; and
  - the financial performance and cash flows for the period then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity reporting standards.

Our audit was completed on 15 May 2023. This is the date at which our opinion is expressed.

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

The financial statements have been prepared on a disestablishment basis

Without modifying our opinion, we draw attention to note 1 Statement of compliance and basis of preparation on page 12, which outlines that Te Pūkenga disestablished Unitec New Zealand Limited on 30 September 2022. As a result, the financial statements have been prepared on a disestablishment basis. No changes have been made to the recognition and measurement basis, or presentation of assets and liabilities in these financial statements, because the operations of the group have been transferred to Te Pūkenga on the disestablishment date.

Basis for our opinion

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

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

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

Responsibilities of the Council for the financial statements

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

Up until 30 September 2022 the Board of Directors of the group were responsible for such internal control as it determined was necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. From 1 October 2022, the Council took over these responsibilities to enable the completion of the financial statements.

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

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

Responsibilities of the auditor for the audit of the financial statements

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

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

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the budget approved by the then Board of Directors of the group.

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

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We conclude on the appropriateness of the use of the disestablishment basis by the Council.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Council is responsible for the other information. The other information comprises the information included on pages 1 to 2, page 6 and pages 41 to 44, 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 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 carried out an assurance engagement of the group's performance-based research fund-eligible external research income return. This is compatible with those independence requirements. Other than this assurance engagement and our audit, we have no relationship with or interests in the group.

Wikus Jansen van Rensburg
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Statement of Responsibility

For the nine months period ended 30 September 2022

The Council and management of Te Pūkenga – New Zealand Institute of Skills and Technology are responsible for the preparation of the Unitec New Zealand Limited Group's Financial Statements and for the judgements made in them.

The Council and management of Te Pūkenga – New Zealand Institute of Skills and Technology are responsible 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 Council and management of Te Pūkenga – New Zealand Institute of Skills and Technology's opinion, these Financial Statements fairly reflect the financial position and operations of the Unitec New Zealand Limited Group for the nine months ended 30 September 2022.

The Education and Training Act 2020 (the Act) states that each Te Pūkenga subsidiary would continue in existence until the close of 31 December 2022, or at an earlier date as resolved by Te Pūkenga. Te Pūkenga resolved to disestablish Unitec New Zealand Limited on 30 September 2022, at which point all the rights, assets, and liabilities of Unitec New Zealand Limited were transferred to Te Pūkenga. As a result, the financial statements have been prepared on a disestablishment basis. However, because the education services will continue to be provided by Te Pūkenga, no changes have been made to the recognition and measurement basis, or presentation of assets and liabilities in these financial statements due to the disestablishment basis of preparation.

Murray Strong	Peter Winder
Te Pūkenga Council Chair	Te Pūkenga Chief Executive

3 May 2023

Statement of Comprehensive Income

For the nine months ended 30 September 2022

	Note	Actual 2022 Jan-Sep $'000	Budget 2022 Jan-Dec $'000	Actual 2021 Jan-Dec $'000
Operating Revenue				
Government grants	2(a)	53,296	60,835	60,356
Student tuition fees	2(b)	30,998	35,742	39,057
Student services fees	2(d)	1,537	1,823	1,737
Other revenue	2(c)	6,827	7,079	8,957
Total Operating Revenue (excluding finance revenue)		**92,658**	**105,479**	**110,107**
Operating Expenditure				
Personnel costs	3(a)	52,746	73,697	74,675
Depreciation and amortisation	9&10	8,384	11,690	10,632
Administration costs and other expenses	4(b)	17,911	24,631	25,823
Total Operating Expenditure (excluding finance costs)		**79,041**	**110,018**	**111,130**
Surplus/(Deficit) before net finance costs		**13,617**	**(4,539)**	**(1,023)**
Finance revenue		862	184	220
Finance costs	4(a)	(879)	(778)	(1,444)
Net Finance revenue/(costs)		**(17)**	**(594)**	**(1,224)**
Surplus/(Deficit) before share of jointly controlled entities Surplus/(Deficit)		**13,600**	**(5,133)**	**(2,247)**
Share of Surplus/(Deficit) of jointly controlled entities	16	-	-	-
Net Surplus/(Deficit)		**13,600**	**(5,133)**	**(2,247)**
Other comprehensive revenue and expense				
Revaluation movements in property, plant and equipment		-	-	26,005
Total other comprehensive revenue/(expense)		**-**	**-**	**26,005**
Total comprehensive revenue/(expense)		**13,600**	**(5,133)**	**23,758**

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in note 23.

Statement of Financial Position

As at 30 September 2022

	Note	Actual 2022 Jan-Sep $'000	Budget 2022 Jan-Dec $'000	Actual 2021 Jan-Dec $'000
Assets				
Current Assets				
Cash and cash equivalents	19	45,651	49,296	35,587
Trade and other receivables	5	13,633	2,376	5,145
Assets classified as held for sale	6	-	-	66,800
Inventories		415	261	326
Prepayments		1,148	1,597	1,398
Short term investments	19	30,000	-	-
Total current assets		**90,847**	**53,530**	**109,256**
Non-current assets				
Property, plant and equipment	9	258,133	266,480	251,608
Intangible Assets	10	250	1,581	402
Assets under construction	9	22,253	2,858	22,420
Non Liquid Investment		-	158	-
Total non-current assets		**280,636**	**271,077**	**274,430**
Total assets		**371,483**	**324,607**	**383,686**
Liabilities				
Current Liabilities				
Trade and other payables	7	6,915	6,038	9,426
Revenue received in advance	8	9,413	2,828	6,980
Borrowings	11	1,018	2,565	22,060
Employee entitlements	3(b)	8,433	7,225	7,165
Provisions	12	-	-	-
Total current liabilities		**25,779**	**18,656**	**45,631**
Non-current liabilities				
Borrowings	11	20,330	25,817	25,360
Employee entitlements	3(b)	550	628	577
Provisions	12	296	360	296
Total non-current liabilities		**21,176**	**26,806**	**26,233**
Total liabilities		**46,955**	**45,462**	**71,864**
Net assets		**324,528**	**279,145**	**311,822**
Equity				
General Funds		190,502	113,732	120,716
Land revaluation reserves		86,873	119,488	138,383
Building revaluation reserves		47,153	45,925	52,723
Total equity		**324,528**	**279,145**	**311,822**

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in note 23.

Statement of Changes in Equity

For the nine months period ended 30 September 2022

	General Funds $'000	Land Revaluation Reserves $'000	Building Revaluation Reserves $'000	Total $'000
Prior year				
Balance at 1 January 2021	122,307	119,487	45,614	287,408
Surplus/(Deficit) for the year	(2,247)	-	-	(2,247)
Movement attributable to current year revaluation	-	18,896	7,109	26,005
Total comprehensive revenue and expenses for the year	**(2,247)**	**18,896**	**7,109**	**23,758**
Transfers on disposal of property	-	-	-	-
Capital contributions from the Crown	656	-	-	656
Balance at 31 December 2021	**120,716**	**138,383**	**52,723**	**311,822**
Current year				
Balance at 1 January 2022	120,716	138,383	52,723	311,822
Surplus/(Deficit) for the 9 months period	13,600	-	-	13,600
Movement attributable to the 9 months period	-	-	-	-
Total comprehensive revenue and expenses for the year	**13,600**	**-**	**-**	**13,600**
Transfers on disposal of property	57,080	(51,510)	(5,570)	-
Capital contributions from the Crown	(894)	-	-	(894)
Balance at 30 September 2022	**190,502**	**86,873**	**47,153**	**324,528**

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in note 23.

Statement of Cash Flows

For the nine months period ended 30 September 2022

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less, and bank overdrafts.

	Actual 2022 Jan-Sep $'000	Budget 2022 Jan-Dec $'000	Actual 2021 Jan-Dec $'000
Cash flows from operating activities			
Cash was provided from:			
Government grants	47,106	89,217	57,865
Tuition fees	31,202	24,184	39,125
Interest received	771	184	235
Other operating receipts	8,383	7,715	10,610
	87,462	**121,300**	**107,835**
Cash was applied to:			
Payment to employees	52,650	73,289	74,727
Goods and services tax (net)	1,514	8,365	1,665
Interest paid	49	-	70
Payment to suppliers	17,599	30,999	24,226
	71,812	**112,653**	**100,688**
Net cash flows from operating activities	**15,650**	**8,647**	**7,147**
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment	66,800	-	10,392
Investment in short term deposits	-	-	6,000
	66,800	**-**	**16,392**
Cash was applied to:			
Purchase of property, plant and equipment	14,590	36,453	20,369
Purchase of intangible assets	-	-	-
Investment in short term deposits	30,000	-	-
	44,590	**36,453**	**20,369**
Net cash flow from investing activities	**22,210**	**(36,453)**	**(3,977)**
Cash flows from financing activities			
Cash was provided from:			
Capital Injection	-	-	-
Loan raised	-	-	-
	-	-	-
Cash was applied to:			
Repayment of finance lease liabilities	796	-	-
Repayment of loans	27,000	1,435	-
	27,796	**1,435**	**-**
Net cash flow from financing activities	**(27,796)**	**(1,435)**	**-**
Total net cash flows	**10,064**	**(29,241)**	**3,170**
Cash and cash equivalents at 1 January	35,587	78,537	32,417
Cash and cash equivalents at 30 September	**45,651**	**49,296**	**35,587**

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in note 23.

Statement of Cash Flows (continued)

For the nine months period ended 30 September 2022

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

	Actual 2022 Jan-Sep $'000	Budget 2022 Jan-Dec $'000	Actual 2021 Jan-Dec $'000
Surplus/(Deficit) before share of surplus of jointly controlled entities	**13,600**	**(5,133)**	**(2,247)**
Add/Less non-cash items:			
Depreciation/Amortisation	8,384	11,690	10,632
Impairment	-	-	-
Net (gain)/loss on disposal of non-current assets	0	-	2,179
Other Non-Cash Items	829		300
Increase/(Decrease) in non-current property provision	-	-	(420)
Increase/(Decrease) in non-current employee entitlements	(27)		(52)
Total non-cash items	**9,186**	**11,690**	**12,639**
Add/Less movements in working capital items:			
(Increase)/Decrease in inventories	(89)	-	142
(Increase)/Decrease in trade and other receivables	(8,488)	(220)	(3,404)
(Increase)/Decrease in prepayments	250	-	124
Increase/(Decrease) in trade and other payables	(2,511)	4,277	(1,748)
Increase/(Decrease) in revenue received in advance	2,433	(2,291)	921
Increase/(Decrease) in provisions	-	-	-
Increase/(Decrease in current employee entitlements	1,269	324	719
Net movement in working capital items	**(7,136)**	**2,090**	**(3,245)**
Net cash flows from operating activities	**15,650**	**8,647**	**7,147**

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in note 23.

Notes to the financial statements

For the nine months ended 30 September 2022

1 Statement of Accounting Policies

Reporting Entity

The Group is comprised of Unitec New Zealand Limited (the Parent), and controlled entities Unitec Trust and Unitec Apprenticeship Training Trust (together the Group).

Group Financial Statements only are presented as there is no material difference between the Group and Parent Financial Statements. The impact of the controlled entities on the Group Financial Statements is presented in Note 16.

Unitec New Zealand Limited (the Institute) is a Crown entity subsidiary that is domiciled and operates in New Zealand. The Institute was established on 1 April 2020. Its immediate controlling entity is Te Pūkenga - New Zealand Institute of Skills and Technology, and the ultimate controlling entity is the New Zealand Crown. The relevant legislation governing the Institute's operations includes the Education and Training Act 2020, the Crown Entities Act 2004, and the Companies Act 1993. The primary objective of the Institute is to provide tertiary education services for the benefit of the community rather than making a financial return. The Parent and Group are public benefit entities for the purpose of financial reporting.

The financial statements of the Group are for the nine months period ended 30 September 2022, and were authorised for issue by the Council and management of Te Pūkenga – New Zealand Institute of Skills and Technology on 3 May 2023.

The reporting period for the comparative financial year is for the 12 month period from 1 January 2021 to 31 December 2021. The reporting period for the current year is for the 9 months period 1 January 2022 to 30 September 2022. Due to the comparative year covering a 12-month period, the statement of comprehensive revenue and expenses, statement of changes in net asset/equity, cash flow statement and related note are not entirely comparable.

We provided an unaudited financial performance summary in Appendix 1 to reflect comparable comparative information.

Statement of compliance and basis of preparation

The Education and Training Act 2020 (the Act) states that each Te Pūkenga subsidiary would continue in existence until the close of 31 December 2022, or at an earlier date as resolved by Te Pūkenga. Te Pūkenga resolved to disestablish Unitec New Zealand Limited on 30 September 2022, at which point all the rights, assets, and liabilities of Unitec New Zealand Limited were transferred to Te Pūkenga. As a result, the financial statements have been prepared on a disestablishment basis. However, because the education services will continue to be provided by Te Pūkenga, no changes have been made to the recognition and measurement basis, or presentation of assets and liabilities in these financial statements due to the disestablishment basis of preparation.

Presentation, currency and rounding

The financial report is presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Budget Figures

The budget figures are derived from the Group's 2022 budget which were approved by the Board in September 2021. The budget figures shown in the Financial Statements are for 12 months to December 2022, and have been prepared in accordance with PBE FRS 42 using accounting policies consistent with those applied in preparing the September 2022 financial statements. The actual figures shown in the financial statements are for nine months. Refer to Note 23.

2 Revenue

Revenue Recognition

Revenue is measured at fair value. Revenue is defined as either exchange or non-exchange. Revenue is classified as exchange when the value of goods or services provided is approximately equal to the value of the consideration received or to be received. Revenue is defined as non-exchange when the value of goods or services provided is not equal to the value of consideration received or to be received.

Non-exchange revenue is recognised when the terms and conditions associated with the revenue have been satisfied. Exchange revenue recognised reflects the percentage or stage of completion of supply of goods or services.

Student Achievement Component funding - 31 December 2021 year comparative year

SAC funding is the Institute's main source of operational funding from Te Pūkenga. The Institute considers SAC funding to be non-exchange and recognises SAC funding as revenue when the course withdrawal date has passed, based on the number of eligible students enrolled in the course at that date and the value of the course. In response to COVID-19, Te Pūkenga confirmed no clawback recovery of 2021 Student Achievement Component (SAC) for any under delivery. Therefore, the Institute recognised the 2021 funding in full as revenue in the year ended 31 December 2021.

Student Achievement Component funding - 30 September 2022 - for the nine month period

SAC funding is the Institute's main source of operational funding from Te Pūkenga. The Institute considers SAC funding to be non-exchange and recognises SAC funding as revenue when the course withdrawal date has passed, based on the number of eligible students enrolled in the course at that date and the value of the course. Te Pūkenga confirmed clawback recovery of the 2022 Student Achievement Component (SAC) for any under delivery. Therefore, the Institute has not recognised the 2022 clawback recovery amount as revenue for the nine months period ended 30 September 2022.

Tuition Fees

Domestic student tuition fees are subsidised by government funding and are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course.

International student tuition fees are accounted for as exchange transactions and recognised as revenue on a course percentage of completion basis. The percentage of completion is measured by reference to the days of the course completed as a proportion of the total course days.

Performance-Based Research Fund

The Institute considers funding received from Performance-Based Research Fund (PBRF) to be non-exchange in nature. PBRF funding is specifically identified by Te Pūkenga as being for a funding period as required by section 425 of the Education and Training Act 2020. The Institute recognises its confirmed allocation of PBRF funding at the commencement of the specified funding period, which is the same as the 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

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

	Actual 2022 Jan-Sep $'000	Actual 2021 Jan-Dec $'000
(a) Government grants		
Student Achievement Component funding	49,109	54,640
Performance-Based Research Fund (PBRF)	2,372	3,958
Youth Guarantee Fund	160	212
Māori & Pasifika Grant	294	270
Refugee Study Grant	507	232
Other grants	854	1,043
	53,296	**60,356**
(b) Student tuition fees		
Domestic student tuition fees *	25,835	29,761
International student tuition fees	5,163	9,296
	30,998	**39,057**
(c) Other exchange revenue		
Contract education	530	332
Copy centre	49	75
Consultancy and student projects	1,746	1,460
Research	2,405	3,346
Gain on sale of investments, property, plant and equipment	-	9
Revenue from other operating activities	2,097	3,735
	6,827	**8,957**
(d) Other non-exchange revenue		
Student services fee income	1,537	1,737
	1,537	**1,737**

* The Group presents funding received for fees-free study as part of Domestic student tuition fees, on the basis that receipts from Te Pūkenga are for payment on behalf of the student as specified in the relevant funding mechanism. As at 30 September 2022, the full year approved funding of $4.4m has been received and recognised.

3 Employee Costs

Wages and salaries (including non-monetary benefits), annual leave and accumulating sick leave are recognised in surplus or deficit during the period in which the employee rendered the related services, and are generally expected to be settled within 12 months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled.

A liability for sick leave is recognised to the extent that absences in future periods are expected to be greater than the sick leave entitlements earned in the coming year.

A liability and an expense is recognised for bonuses and redundancy costs where contractually the Group is obliged or where past practise or circumstances have created an expectation that the Group will settle an obligation.

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated as the present value of the future expected cash flows.

	Actual 2022 Jan-Sep $'000	Actual 2021 Jan-Dec $'000
(a) Personnel costs		
Salaries and wages	51,193	72,197
Employee benefits expenses	269	484
Employee entitlements expenses	978	1,761
Redundancies	306	233
	52,746	**74,675**
(b) Employee entitlements		
Current portion	8,433	7,165
Non-current portion	550	577
	8,983	**7,742**
Comprising of:		
Salaries and wages	1,860	714
Annual leave	6,345	6,127
Retirement leave	200	253
Long service leave	341	354
Sick leave	237	294
Redundancy provisions	-	-
	8,983	**7,742**
Redundancy provisions:		
1 January 2022	-	230
Provision for the period	-	-
Released	-	(1)
Utilised	-	(229)
30 September 2022	**-**	**-**

Employee remuneration

During the period, the following numbers of employees of Unitec received remuneration over $100,000

Remuneration range	Employee count	Remuneration range	Employee count
$100,000-$109,999	11	$200,000-$209,999	
$110,000-$119,999	11	$210,000-$219,999	2
$120,000-$129,999	2	$220,000-$229,999	1
$130,000-$139,999	2	$230,000-$239,999	
$140,000-$149,999	5	$240,000-$249,999	
$150,000-$159,999	1	$250,000-$259,999	
$160,000-$169,999		$260,000-$269,999	
$170,000-$179,999		$270,000-$279,999	
$180,000-$189,999		$280,000-$289,999	
$190,000-$199,999		$290,000-$299,999	
		$300,000-$309,999	

Cessation payment

During the period, the following numbers of employees of Unitec received cessation payments.

Employee count	$'000
18	390

4 Other Expenditure

	Actual 2022 Jan-Sep $'000	Actual 2021 Jan-Dec $'000
(a) Finance costs		
Interest on borrowings	830	1,374
Finance lease interest	49	70
	879	**1,444**

	Actual 2022 Jan-Sep $'000	Actual 2021 Jan-Dec $'000
(b) Administration costs and other expenses		
Audit fees - paid to principal auditor for parent and subsidiaries - current year audit	210	224
Audit fees - paid to principal auditor for parent and subsidiaries - prior year audit	52	-
Audit fees - paid to principal auditor for external research income audit	11	11
Bad debts expense/(recovered)	206	101
Change in provision for doubtful debts	-	(154)
Board Fees	130	183
Class Materials	2,292	2,524
Research	1,557	1,458
Operating lease charges	572	780
Net (gain)/loss on disposal of non-current assets	-	2,188
Other administrative expenses	12,881	18,508
	17,911	**25,823**

5 Trade and Other Receivables

All receivables are short term and are recorded at their face value less any provisions for impairment. Impairment is recognised where there is objective evidence that the debtor(s) are unable to make required payments.

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Trade and other receivables		
Student fee receivables (non-exchange)	1,386	815
Trade receivables (exchange)	1,028	910
Te Pūkenga receivables (non-exchange)	11,436	3,580
Accrued interest (exchange)	99	9
Less provision for impairment	(354)	(196)
Other receivables	38	27
Total Trade and other receivables	**13,633**	**5,145**

The carrying value of trade and other receivables is considered materially consistent with fair value.

(a) Student fee receivables (non-exchange)	Actual 30 Sep 2022 $'000			Actual 31 Dec 2021 $'000		
	Gross	Impairment	Net	Gross	Impairment	Net
1-30 days	258	(72)	186	80	(14)	66
31-60 days	112	(35)	77	38	(9)	29
61-90 days	510	(164)	346	14	(4)	10
>90 days	506	(61)	445	683	(169)	514
Total student fee receivables	**1,386**	**(332)**	**1,054**	**815**	**(196)**	**619**

(b) Trade receivables (exchange)	Actual 30 Sep 2022 $'000			Actual 31 Dec 2021 $'000		
	Gross	Impairment	Net	Gross	Impairment	Net
1-30 days	760	-	760	833	-	833
31-60 days	2	-	2	22	-	22
61-90 days	162	-	162	22	-	22
>90 days	104	(22)	82	33	-	33
Total student fee receivables	**1,028**	**(22)**	**1,006**	**910**	**-**	**910**

All receivables greater than 30 days in age are considered to be past due. The impairment assessment is performed on a collective basis using "lifetime expected credit loss" method for recognising impairment as they possess shared credit risk characteristics.

Credit Losses	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
(a) Student fee receivables (non-exchange)		
1-30 days	258	80
31-60 days	112	38
61-90 days	510	14
>90 days	506	683
Total student fee receivables	**1,386**	**815**
Expected Credit Loss Rate %		
1-30 days	28%	18%
31-60 days	31%	24%
61-90 days	32%	30%
>90 days	12%	25%
	332	**196**
Expected Credit Loss		
1-30 days	72	14
31-60 days	35	9
61-90 days	164	4
>90 days	61	169
	332	**196**

Credit Losses	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
(b) Trade receivables (exchange)		
1-30 days	760	833
31-60 days	2	22
61-90 days	162	22
>90 days	104	33
Total trade receivables	**1,028**	**910**
Expected Credit Loss Rate %		
1-30 days	-	-
31-60 days	-	-
61-90 days	-	-
>90 days	21%	-
Expected Credit Loss		
1-30 days	-	-
31-60 days	-	-
61-90 days	-	-
>90 days	22	-
	22	**-**

(c) Movements in the provision for Impairment are as follows:	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Student fee receivables		
1 January 2022	196	457
Additional provisions made during the period	136	-
Release of provision during the period	-	(261)
30 September 2022	**332**	**196**
Trade receivables		
1 January 2022	-	-
Additional provisions made during the period	22	-
Release of provision during the period	-	-
30 September 2022	**22**	**-**
Total Provision for Impairment 30 September 2022	**354**	**196**

6 Assets classified as held for sale

No asset was held for sale as at 30 September 2022 (31 December 2021: $66.8m).

7 Trade and Other Payables

Short term trade payables and creditors are recorded at their face value as they are non-interest bearing and generally settled within 30 days.

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Payables under exchange transactions		
Trade payables	1,412	573
Other payables - accruals	4,792	6,580
	6,204	**7,153**
Payables under non-exchange transactions		
Taxes payable	711	2,273
	711	2,273
Total trade and other payables	**6,915**	**9,426**

The carrying value of trade and other payables is considered materially consistent with the fair value.

8 Revenue in Advance

Revenue received in advance is recognised when payment is received before goods or services are provided in the case of exchange revenue. For non-exchange revenue payment received before obligations are satisfied shown under revenue in advance, these are then recognised as income when the conditions are satisfied.

Revenue in advance from tuition fees and International fees includes liabilities based on the remaining future delivery of courses.

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Exchange transactions		
International student fees received in advance	5,583	3,771
	5,583	**3,771**
Non exchange transactions		
Domestic student fees received in advance	3,830	3209
	3,830	**3,209**
Total revenue received in advance	**9,413**	**6,980**

The carrying value of revenue in advance is considered materially consistent with the fair value.

9 Property, Plant and Equipment

Property, plant, and equipment are held at cost that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is considered to be impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of an impairment loss is also recognised in surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in surplus or deficit. No significant impairment to the other asset classes, such as Plant and Equipment, Furniture and fittings, Vehicles, Computer Hardware and Library are identified that would materially impact their current valuation.

To determine the fair value of an asset, appropriately experienced valuers are engaged to perform valuations on a class-by-class basis when there have been significant changes in asset values. As a minimum, valuations are required at least every three years. If an item of property, plant and equipment is revalued, the entire class to which the asset belongs is revalued. Gains and losses are recognised in other comprehensive income, except in the event the loss exceeds the existing reserves, in such cases the loss is recognised in the surplus or deficit. The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset.

	Land	Buildings	Plant & Equipment	Furniture & Fittings	Motor Vehicles	Computer Equipment	Office Equipment	Library Collection	Total
Cost or valuation									
1 January 2021	127,194	162,389	14,134	8,628	1,343	14,189	631	7,097	335,604
Additions	-	1,797	416	372	-	1,534	2	82	4,203
Revaluation increase/(decrease)	18,896	7,109	-	-	-	-	-	-	26,005
Eliminate on revaluation	-	(12,512)	-	-	-	-	-	-	(12,512)
Adjustments/Movement	-	(843)	-	-	-	-	-	-	(843)
Disposals	-	-	(106)	(2)	-	(1,144)	(3)	-	(1,255)
Transfer to assets classified as held for sale	(54,750)	(12,050)	-	-	-	-	-	-	(66,800)
31 December 2021	**91,340**	**145,890**	**14,444**	**8,998**	**1,343**	**14,579**	**630**	**7,179**	**284,402**
1 January 2022	**91,340**	**145,890**	**14,444**	**8,998**	**1,343**	**14,579**	**630**	**7,179**	**284,402**
Additions	-	13,690	507	511	-	49	-	-	14,757
Revaluation increase/(decrease)	-	-	-	-	-	-	-	-	-
Eliminate on revaluation	-	-	-	-	-	-	-	-	-
Adjustments/Movement	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(66)	-	-	(66)
Transfer to assets classified as held for sale	-	-	-	-	-	-	-	-	-
30 September 2022	**91,340**	**159,580**	**14,951**	**9,509**	**1,343**	**14,562**	**630**	**7,179**	**299,094**
Accumulated depreciation and impairment losses									
1 January 2021	-	8,005	7,779	3,420	1,323	10,831	588	6,063	38,008
Depreciation Expense	-	5,350	1,296	847	18	1,592	16	272	9,391
Eliminate on disposal	-	-	(105)	(1)	-	(1,143)	(2)	-	(1,250)
Eliminate on revaluation	-	(12,512)	-	-	-	-	-	-	(12,512)
Adjustments/Movement	-	(843)	-	-	-	-	-	-	(843)
31 December 2021	-	-	**8,970**	**4,266**	**1,341**	**11,280**	**602**	**6,335**	**32,794**
1 January 2022	-	-	8,970	4,266	1,341	11,280	602	6,335	32,794
Depreciation Expense	-	5,419	940	683	2	993	9	187	8,233
Eliminate on disposal	-	-	-	-	-	(66)	-	-	(66)
Eliminate on revaluation	-	-	-	-	-	-	-	-	-
Adjustments/Movement	-	-	-	-	-	-	-	-	-
30 September 2022	**-**	**5,419**	**9,910**	**4,949**	**1,343**	**12,207**	**611**	**6,522**	**40,961**
Carrying amounts									
1 January 2021	127,194	154,385	6,355	5,208	20	3,358	43	1,034	297,596
31 December - prior year and 1 January - current year	91,340	145,890	5,474	4,732	2	3,299	28	844	251,608
30 September 2022	**91,340**	**154,161**	**5,041**	**4,560**	**-**	**2,355**	**19**	**657**	**258,133**

Revaluations

The most recent full valuation of land and building was performed by Unitec as at 31 December 2021. Independent registered valuer Coldwell Banker Richard Ellis (CBRE) was appointed to perform valuations on the entity's Land and Buildings at both Mt Albert and Waitākere campuses.

For September 2022, the group appointed CBRE as independent registered valuers to assess if there is a significant difference between the fair value and the net book value of land and buildings as at 30 September 2022. Based on this assessment, and the group's review of the assessment, the net book value is not materially different to the fair values assessed, therefore no adjustments were made to the carrying values of land and buildings as at 30 September 2022.

Restrictions on Title

Under the Education and Training Act 2020, the Group is required to obtain consent from the Ministry of Education to dispose of or sell 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 land. The Group does not consider it practical to disclose in detail the value of land subject to these restrictions.

Crown owned land and buildings encumbrance

During 2017 the Crown transferred the legal title of Part Lot 2 DP 406935; shown as Section 2 on SO 493517 to the Institute. A term of this transfer is that Unitec is required to remit to the Crown 20% of any proceeds from the disposal of the transferred land and/or buildings that occurs within five years of the transfer. Under the Education and Training Act 2020, the Institute is required to notify Te Pūkenga, who then obtains consent from the Secretary for Education, to dispose of land and buildings.

In 2022, the Institute sold a large piece of land to the Ministry of Housing and Urban Development, and the 20% clawback was waived for that transaction. The encumbrance remains in place for the remaining land still held by the Institute, comprised in title 1071326.

Assets under construction

As at 30 September 2022 the Group was engaged in various construction and development projects that were not yet completed. These assets are classified as assets under construction. Once completed these assets will be transferred from assets under construction to the relevant property, plant and equipment or intangible asset category.

	Actual 2022 Jan-Sep $'000	Actual 2021 Jan-Dec $'000
Buildings	21,463	20,932
Software	390	47
Fixtures and fittings	400	1,441
Total assets under construction	**22,253**	**22,420**

Finance leases

The carrying value of property, plant and equipment held by the Group under finance leases and hire purchase contracts at 30 September 2022 is $2,020,000. This relates to computer equipment $1,989,000 and plant and equipment $31,000. Net decreases as at 30 September 2022 total $800,000; $787,000 decreases relating to computer equipment and $13,000 decreases relating to plant and equipment. The decrease is a result of the Group's decision of not entering into a new finance lease contract for the computer equipment against the expired finance leases. Instead the Group has decided to outright purchase computer equipment. The leased assets are pledged as security for the related finance lease and hire purchase liabilities.

Depreciation

Depreciation is charged on a straight-line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or fair value of the asset less any estimated residual value over its remaining useful life.

Asset category	Useful Life
Buildings	4 - 70 years
Plant and equipment	2 - 10 years
Furniture and fittings	10 years
Motor vehicles	5 years
Computer equipment	3 - 10 years
Office equipment	4 - 10 years
Library collections	5 - 10 years
Software	3 years

Leasehold assets are depreciated over the shorter of the lease term and their useful lives.

Disposals

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

Impairment of property, plant and equipment

Property, plant, and equipment are held at cost that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is considered to be impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of an impairment loss is also recognised in surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in surplus or deficit.

From the review the group did not identify any impairment indicators and no impairment has been recognised in the audit period.

Value in use for non-cash-generating assets

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

Value in use for cash-generating assets

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

10 Intangible Assets

Course development

Externally purchased courses are capitalised and amortised over a period not exceeding five years.

Internally developed courses are expensed unless very specific criteria is met, with regards to course materials being identifiable, able to be reliably measured, controllable, and generating future economic benefits.

Software

The Group holds several computer software packages for internal use, including purchased software and software developed in-house by the Group. Purchased software is recognised and measured at the cost. Developed software is recognised at the cost of development being primarily employee costs.

There are no restrictions over any intangible assets and no intangible assets are pledged as security.

	Computer Software	Total
Cost or valuation		
1 January 2021	27,631	27,631
Additions	198	198
Impairment	-	-
31 December 2021	**27,829**	**27,829**
1 January 2022	27,829	27,829
Additions	-	-
Impairment	-	-
30 September 2022	**27,829**	**27,829**
Accumulated amortisation and impairment losses		
1 January 2021	26,186	26,186
Amortisation Expense	1,241	1,241
Impairment	-	-
31 December 2021	**27,427**	**27,427**
1 January 2022	27,427	27,427
Amortisation Expense	152	152
Impairment	-	-
30 September 2022	**27,579**	**27,579**
Carrying amounts		
1 January 2021	1,444	1,444
At 31 December - prior year and 1 January - current year	402	402
30 September 2022	**250**	**250**

Amortisation of intangible assets is recognised within depreciation and amortisation expense in the statement of comprehensive income. All intangible assets are amortised on a straight line basis over the following periods which is assessed to be their useful lives:

Course development	5 years (externally purchased courses only)
Computer software	3 - 10 years

Impairment of intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. For further details refer to the policy for impairment of property, plant and equipment in Note 9. The same approach applies to the impairment of intangible assets.

11 Borrowings

On 31 August 2018, the Institute entered into an unsecured Concessionary Loan Agreement with the Crown for up to $50m. This loan was established in accordance with the conditions of the Consent to Borrow granted by the Secretary for Education.

As at 31 December 2021, the Institute had drawn down total consideration of $50m (Tranche A $10m, Tranche B $17m, Tranche C $8m, Tranche D $5m, Tranche E $10m). The maturity date of each tranche is 10 years from their start dates, the start dates being 14 September 2018, 16 November 2018, 24 May 2019, 22 November 2019 and 12 May 2020.

On 5 July 2022, a repayment of $27m has been made on settlement of the land sale to The Ministry of Housing and Urban Development (HUD). The TEC have indicated there is no further expectation of the repayment or running an assessment before the end of the Crown Loan term.

The concessionary loan is recognised initially at fair value, based on the discounted future cash flows using a market related rate in interest for a similar loan (refer to Note 20 for further details). The difference between the fair value and the loan proceeds has been recognised as a capital contribution from the Crown.

The loan is subsequently measured at amortised cost and the carrying value adjusted for changes in the timing of future cash flows. Any adjustment to the carrying value due to changes in the timing of future cash flows is recognised directly in equity.

Leases are classified into two categories, finance leases and operating leases. Arrangements are determined to be finance leases if the arrangement transfers substantially all of the risks and benefits incidental to ownership of the leased item to the Group. Conversely, if the arrangement does not transfer substantially all risks and rewards to the Group it is classified as an operating lease.

If an arrangement is classified as a finance lease the assets held under the arrangements are recognised in the statement of financial position and classified as property, plant and equipment. A liability is also recognised. The asset and liability are initially recognised at the lower of the present value of the future lease payments and the fair value of the leased assets. Subsequent to initial recognition the assets are depreciated over their useful lives. The lease repayments are apportioned between interest and principle repayments.

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Current Portion		
Borrowings/loans	-	21,000
Finance leases	1,018	1,060
Total current portion	**1,018**	**22,060**
Non-current portion		
Borrowings/loans	19,282	23,558
Finance leases	1,048	1,802
Total non-current portion	**20,330**	**25,360**
Total borrowings	**21,348**	**47,420**

Analysis of finance leases

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Total minimum lease payments payable		
Within one year	1,018	1,060
After one year but not more than five years	1,048	1,802
Total present value of minimum lease payments	**2,066**	**2,862**

The finance leases can be renewed at the Group's option, with rents set by reference to current market rates for items of equivalent age and condition. The group does have the option to purchase the asset at the end of the lease term, but it is likely the option to purchase will not be exercised because the leased assets are usually technologically obsolete at lease expiry. The Group is not permitted to pledge the leased assets as security nor can it sublease the leased equipment without the permission of the lessor. There are no other restrictions on the Group by any of the finance leasing arrangements.

12 Provisions

Provisions relate to future unavoidable costs valued at year end prices.

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Current Provisions		
Other Provisions	-	-
Lease Make Good	-	-
Total current provisions	**-**	**-**
Non-Current Provisions		
Other Provisions	-	-
Lease Make Good	296	296
Total non-current provisions	**296**	**296**
Total provisions	**296**	**296**

The nature of the provisions are as follows:

Lease Make Good provisions are in respect of leased premises where the Group is required at the expiry of the lease term to make good any damage and remove any fixtures and fittings installed by the Group.

(a) Movements in the provision are as follows:	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Other Provisions		
Opening balance	-	-
Released during the period	-	-
Closing balance	**-**	**-**
Lease Make Good		
Opening balance	296	716
Released during the period	-	(420)
Closing	**296**	**296**

13 Operating Lease Commitments

Operating leases as lessee

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Non-cancellable operating lease commitments		
Land and buildings		
Within one year	245	260
Later than one year and not later than two years	-	64
Later than two years and not later than five years	-	-
Later than five years	-	-
	245	**324**

Operating leases as lessor

The Group has entered into commercial leases with tenants on land and buildings. These leases have a non-cancellable remaining term of two to 10 years.

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Non-cancellable operating lease commitments		
Land and buildings		
Not later than one year	208	504
Later than one year and not later than two years	127	156
Later than two years and not later than five years	205	360
Later than five years	-	199
	540	**1,219**

No contingent rents have been recognised in the statement of comprehensive income during the period.

14 Commitments

Capital commitments

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

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Buildings	7,937	16,306
Computer equipment	-	-
Computer software	-	-
Fixtures and fittings	-	-
Plant and equipment	-	-
Course development	-	-
Total capital commitments	**7,937**	**16,306**

15 Contingent Liabilities

From time to time the Group provides guarantees and is subject to certain personal grievance actions. As a result, costs could be incurred by the Group. At balance date there are no matters that would materially impact on the Group's financial position.

16 Unitec Controlled Entities

Unitec controls two entities. They are constituted as charitable trusts being Unitec Trust, and Unitec Apprenticeship Training Trust. The charitable purposes of the trusts are to further student education, achievement and employment.

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Summarised statement of financial position		
Assets		
Current assets	333	331
Non-current assets	-	-
Total assets	**333**	**331**
Liabilities		
Current liabilities	6	-
Non-current liabilities	-	-
Total liabilities	**6**	**-**
Net assets	**327**	**331**
Summarised statement of financial performance		
Income	2	1
Expenses	-	-
Net surplus/(deficit)	**2**	**1**

17 Related Party Transactions

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

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

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

	Actual 2022 Jan-Sep $'000	Actual 2021 Jan-Dec $'000
Board		
Remuneration	129	171
Full-Time Equivalent members	0.3	1
Leadership Team		
Salaries and other short term employee benefits	1,111	1,173
Full-Time Equivalent members	5.21	4.0
Total remuneration	**1,240**	**1,344**

18 Board Fees

The following fees were paid to members of the Board:

	Actual 2022 Jan-Sep $'000	Actual 2021 Jan-Dec $'000
Board Fees		
Peter Winder	20	40
Steven Renata	15	20
Peter Parussini	15	20
Monique Cairns	15	20
Ziena Jalil	15	20
Robert Reid	19	20
Andrew (Fale) Lesa	15	20
Marama Royal	15	12
Total Board Fees	**129**	**172**

19 Cash and cash equivalents and short term investments

Accounting Policy - Cash and cash equivalents

Cash and cash equivalents include Cash on hand, deposits held with Te Pūkenga and banks, other short term highly liquid investments with original maturities of three months or less.

The Group holds investments with Te Pūkenga. Surplus cash are invested, and interest is paid on the investments made with Te Pūkenga through its treasury function. Te Pūkenga has a treasury function within their organisation, whereby Te Pūkenga invests excess cash on behalf of their subsidiaries, and pays interest to the subsidiaries on the cash investments made. This is similar to 'sweep' bank accounts for subsidiaries. Te Pūkenga provides Unitec with investment certificates confirming the period of the investment and interest rate committed to.

Accounting Policy - Short term investments

Short term investments include deposit held with Te Pūkenga with original maturities of more than three months.

Breakdown of cash and cash equivalents

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Cash on hand and bank deposits	16,651	26,587
Deposits with Te Pūkenga (three months or less)	29,000	9,000
	45,651	**35,587**

Breakdown of short term investments

	Actual 30 Sep 2022 $'000	Actual 31 Dec 2021 $'000
Deposits with Te Pūkenga (over three months)	30,000	-
	30,000	**-**

20 Critical accounting estimates and assumptions, and judgements in applying accounting policies

The preparation of the Group's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

Estimating the fair value of land and buildings.

The key assumptions used to determine the fair value of these non-financial assets are provided in Note 9.

Concessionary Loan

On 31 August 2018, Unitec and the Crown entered into a Concessionary Loan Agreement for up to $50m at 0% interest. The terms and conditions of the loan state:

- Each Tranche is available during the availability period
- The final repayment date is 10 years after the drawdown date, unless prior repayment conditions have been agreed.
- A Repayment of $27m of the loan was made on 5 July 2022, post settlement of the land sale to HUD.
- The TEC have indicated there is no further expectation of repayment or running an assessment before the end of the Crown Loan term.
- The assumption that the remaining tranches will be repaid in line with the 10-year settlement dates, remains valid. Any changes to this in the short term are highly unlikely.
- Any decision made in engaging with TEC will remain in line with clause 12.8 of the Concessionary Loan Agreement, which requires that any payment obligations to TEC should not significantly impact Te Pūkenga's financial viability and solvency.

Judgements

Revenue and capital contributions

Most Crown funding received is operational in nature and is provided by the Crown under the authority of an expense appropriation and is recognised as revenue. Where funding is received from the Crown under the authority of a capital appropriation, the Group accounts for the funding as a capital contribution directly in equity.

Classification of concessionary loan

The Group has exercised judgement when classifying its concessionary loan as current or non-current based on when it expects to be required to make repayments as a result of asset disposals.

This judgement is made at year-end as required by the accounting standards. The TEC have indicated there is no further expectation of repayment or running an assessment before the end of the Crown Loan term.

21 Financial Instruments

Financial instrument categories

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest rate method. All financial assets being cash and cash equivalents, term deposits, trade and other receivables and loans to joint ventures have been categorised as loans and receivables.

Until Year to Date September 2022 the Institute sent debts worth of $0.34m to a third party (Baycorp) for recovery, out of which 40% were recovered by the end of September 2022.

Financial liabilities being trade and other payables (excluding revenue in advance), borrowings and finance leases are categorised as financial liabilities measured at amortised cost.

The Institute has a Bank guarantee arrangement with Brosnan Construction Ltd for $500K.

The Institute does not hold any derivative financial instruments.

	Actual 2022 Jan-Sep $'000	Actual 2021 Jan-Dec $'000
Financial Instrument Categories		
The accounting policies for financial instruments have been applied to the line items below:		
Financial Assets		
Loans and Receivables		
Cash and Cash Equivalents	45,651	35,587
Short term investments	30,000	-
Student Fees and Other Receivables	13,633	5,145
Total Loans and Receivables	89,284	40,732
Financial Liabilities		
Financial Liabilities Measured at Amortised Costs		
Creditors and other payables	6,915	9,426
Finance Lease	2,066	2,862
Borrowings	19,282	44,558
Total Financial Liabilities Measured at Amortised Cost	28,263	56,846
Financial Liabilities Measured at Fair Value		
Derivative financial instruments	-	-
Total Financial Liabilities Measured at Fair Value	-	-

Financial instrument risks

The Group's activities expose it to a variety of financial instrument risks, including market risk, interest rate risk, credit risk and liquidity risk. The Group has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure to those instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Contractual Maturity Analysis of Financial Liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are contractual undiscounted cashflows.

All in $000s	Carrying Amount	Contractual Cash Flow	Less than 6 Months	6-12 Months	1-2 Years	2-3 Years	More than 3 Years
31 December 2021							
Trade and other payables	9,426	9,426	9,426	-	-	-	-
Finance leases	2,862	2,972	2	11	393	1,375	1,191
Borrowings	44,558	50,000	21,000	-	-	-	29,000
Total Financial Liabilities at Amortised Cost	56,846	62,398	30,428	11	393	1,375	30,191
Derivative financial instruments	-	-	-	-	-	-	-
Total Financial Liabilities at Fair Value	-	-	-	-	-	-	-

All in $000s	Carrying Amount	Contractual Cash Flow	Less than 6 Months	6-12 Months	1-2 Years	2-3 Years	More than 3 Years
30 September 2022							
Trade and other payables	6,915	6,915	6,915	-	-	-	-
Finance leases	2,066	2,152	-	51	605	1,362	134
Borrowings	19,282	23,000	-	-	-	-	23,000
Total Financial Liabilities at Amortised Cost	28,263	32,067	6,915	51	605	1,362	23,134
Derivative financial instruments	-	-	-	-	-	-	-
Total Financial Liabilities at Fair Value	-	-	-	-	-	-	-

Market risk

The Group is subject to interest rate risk and foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Group manages this risk through the use of interest rate swaps, options and caps to fix interest rates on forecast future borrowings. The Group updates forecast cash flows and associated future debt levels on a short, medium and long term basis on a weekly and monthly basis to ensure sufficient interest rate cover is maintained.

Term deposits are made for periods less than, equal to, or greater than three months, depending on the Group's cash requirements, and earn interest at the respective short-term deposit rates.

Foreign exchange risk

Foreign exchange rate risk is the risk that the value of foreign currency denominated future cash flows will fluctuate due to changes in exchange rates.

Sensitivity analysis

As at 30 September 2022, if the average interest rate on interest-bearing deposits over the year had been 100 basis points higher or lower, with all other variables held constant, the (deficit)/surplus would have been:

Period ended	Higher	Lower
30 September 2022	487,609	(487,609)
31 December 2021	270,152	(270,152)

Credit risk

Credit risk represents the risk that a third party will default on its obligations to the Group, causing it to incur a loss. Financial instruments which subject the Group to credit risk consist of bank balances, bank term deposits, deposits with Te Pūkenga and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Cash, deposits and derivatives are held with registered banks in New Zealand which are rated at least Aa2 by Moody's and AA – by Standard & Poor's. The Group also has cash and short term investment held with Te Pūkenga as noted in Note 19.

The Group does not require collateral or security to support financial instruments. Trade receivables (at year end) relate to receivables from students and commercial debtors. Exposure to bad debts is not considered significant and is provided for at historic impairment rates.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Group mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

The Group has cash, short-term deposits and borrowings that it can use to meet its ongoing payment obligations.

The Group's creditors are mainly those reported as trade and other payables and borrowings. The Group will pay trade and other creditors within 30 days of incurring the liability. The contractual maturity of Borrowings and Finance leases are disclosed in Note 11.

On 31 August 2018, the Institute entered into an unsecured Concessionary Loan Agreement with the Crown for up to $50m. This loan was established in accordance with the conditions of the Consent to Borrow granted by the Secretary for Education. The loan is fully drawn as at 30 September 2022 and a repayment of $27m has been made on 5 July 2022 on settlement of the land sale to HUD. The TEC have indicated there is no further expectation of repayment or running an assessment before the end of the Crown Loan term.

22 Capital Management

The Group's capital is its equity, which is comprised of accumulated funds and revaluation reserves. Equity is represented by net assets.

The Group is subject to the financial management and accountability provisions of the Education and Training Act 2020, which impose restrictions on 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 Group manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings, to ensure that the Group effectively achieves its objectives and purpose, while remaining a going concern.

23 Major Budget Variances

The budget figures are derived from the Group's 2022 budget which were approved by the Board in September 2021. The budget figures shown in the Financial Statements are for 12 months to December 2022, and have been prepared in accordance with PBE FRS 42 using accounting policies consistent with those applied in preparing the September 2022 financial statements. The actual figures shown in the financial statements are for nine months, and this is the main reason for the variances between the actual and budget figures.

For management reporting purposes monthly budget figures are set for the year. We provided an unaudited Financial Performance Summary under Appendix 1 to reflect comparable comparative information between actuals and budgets for the nine months period (Jan to Sep 22). Explanations for significant variances, which includes narrative around the reason for variances as per the comparable information in Appendix 1, are as follows:

Statement of Comprehensive Income

Revenues

Government grants and Student Tuition fees favourable variance:

- FY22 budget phasing for the Government grants and Student Tuition Fees is based on proportion of delivery (only 9 months in this case). The actuals have been considered using full-year revenue for enrolled students.
- Inability to complete 4 house builds in 2021 due to lockdown moved the housing sale to 2022, resulting into higher Project income in 2022.

Expenses

Labour costs favourable variance:

- Non recruitment / delayed replacement of vacant positions as well as recruitment freeze activated in 2022 as a part of an overall cost savings initiative, resulted into lower Labour cost.

Net Finance cost favourable variances:

- Net finance cost was less than budget due to cash on hand as a result of land sale, lower operating and capital expenditure compared to the budget. This has resulted into higher interest received compared to the budget.

Statement of Financial Position

Assets

- Cash and cash equivalents and short term investments were higher than budget due to the lower levels of operating and capital expenditure in the first 9 months. Current assets are higher than the budget due to full year revenue being considered for enrolled students resulting into receivable from Te Pūkenga.
- Non-current assets are higher than budget due to higher opening assets in 2022 as a result of property revaluation gain in 2021. This was not part of the 2022 budget.

Liabilities

- Total liabilities are lower than budget as a result of Trade creditors being lower due to lower year to date capital expenditure, lower employee entitlement liabilities and lower revenue in advance.

Statement of Cash Flows

Cash from operating activities

- Operating cashflow is lower than budget due to lower EFTS enrolment in 2022.

Cash from investing activities

- Net cash flows from investing activities is higher than the budget due to $66.8m of proceeds received in 2022 as a result of land sale, offset by $30m investment in short term deposits.

Cash from financing activities

- Net cash outflow from financing activities was higher than budget due to $27m of repayment of concessionary loan in 2022.

24 COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 global pandemic. Since then, the New Zealand Government has implemented a range of domestic restrictions and border controls to limit the spread of the virus. The effect on Unitec's operations is reflected in these financial statements based on the information available to the date these financial statements were approved.

2022 started with Auckland coming under Red setting as per the COVID-19 Protection Framework. From May 2022 Unitec staff and students started coming back on campus. The key impacts on the Institute's financial statements due to COVID-19 are explained below. This includes information about key assumptions concerning the future and other sources of estimation uncertainty due to COVID-19.

Revenue

Unlike 2021, in 2022 Te Pūkenga confirmed clawback recovery for the 2022 funding for any under delivery. As a consequence of this, Unitec has not recognised the full funding allocated by Te Pūkenga at the beginning by Te Pūkenga in its 2022 financial statements. This was also applicable to TTAF and Fees Free Funding allocation done by Te Pūkenga for 2022.

Other revenues generated from housing projects got picked up in 2022 due to completion of houses that got delayed as a result of the 2021 lockdown. The revenue from these carried forward houses along side the build cost were recognised in 2022.

Students

Opening of New Zealand borders for international students had a favourable impact on international student revenue. The 2022 international EFTS were 19% higher than the budgeted EFTS. However, domestic students numbers showed a reverse impact (20% drop) as a result of inflationary pressure and drop in unemployment rate.

Suppliers

During COVID-19 suppliers were adversely impacted except where services were to be delivered in lockdown. As students and staff returned to campus in 2022, efforts were made to complete the delayed projects and pending initiatives that were impacted due to COVID-19. With the opening of borders the long wait for the goods sourced from offshore suppliers became shorter. The wait is not completely gone and is considered as a post COVID-19 impact.

Employees

2022 started with slowly gaining employees and productivity as staff were back on campus. Where required Unitec continued with flexible working patterns to ease pressure on staff and support them to clear the backlog caused by COVID-19 interruptions.

Liquidity

The adverse impact on cash flows from domestic student numbers was offset by higher than budgeted international student numbers and tighter controls on the operating cost. Proceeds from land sale ($66.8m) offset by repayment of concessionary loan ($27m) helped to maintain the solid cash position in 2022.

Impairment of Assets

An impairment assessment has been completed for tangible and intangible assets. The result of this assessment was that there was no impairment to recognise. The recoverability of receivables has been reviewed and no significant increases in impairment have arisen due to COVID-19.

25 Significant events after balance date

There have been no material events after balance date.

26 Income tax and other taxes

Income tax

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

Goods and services tax (GST)

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

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

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

Cash flows are included in the statement of cash flows on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

27 Standards and amendments issued

Standards and amendments, issued but not yet effective and not early adopted, and which are relevant to the Institute and Group are:

2022 Omnibus amendment to PBE Standards

This standard has been issued to amend the relevant Tier 1 and Tier 2 PBE Standards as a result of :

- PBE IPSAS 16 Investment Property - The amendments clarify that fair value measurement of self-constructed investment property could commence before the completion of construction.

- PBE IPSAS 30 Financial Instruments - Disclosures - The amendment specifically refers to disclosing the circumstances that result in fair value not being determinable.

- PBE IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets - The amendments clarify the costs of fulfilling a contract that an entity includes when assessing whether a contract will be loss-making or onerous (and therefore whether a provision needs to be recognised).

The Institute has not yet assessed in detail the impact of these amendments.

Appendix
Āpitihanga

1 Financial Performance Summary for the period Jan to Sep 2022

Statement of Comprehensive Income

	For the 9 months period		
	Jan to Sep 2022 Actual	Jan to Sep 2022 Budget	Variance F/(U)
Government grants	53,296	47,495	5,801
Student tuition fees	30,998	28,350	2,648
Student services fees	1,537	1,434	103
Other revenue	6,827	5,342	1,485
Total Revenue	**92,658**	**82,620**	**10,037**
Labour costs	52,746	57,078	4,332
Depreciation and amortisation	8,384	8,165	(219)
Administration costs and other expenses	17,911	17,853	(58)
Total Operating Expenditure	**79,041**	**83,096**	**4,055**
Surplus/(Deficit) before net finance costs	**13,617**	**(476)**	**14,092**
Finance revenue	862	151	711
Finance costs	(879)	(584)	(295)
Net Surplus/(Deficit)	**13,600**	**(908)**	**14,508**
Other comprehensive revenue and expense	-	-	-
Total comprehensive revenue/(expense)	**13,600**	**(908)**	**14,508**

Statement of Financial Position

	For the 9 months period		
	Jan to Sep 2022 Actual	Jan to Sep 2022 Budget	Variance F/(U)
Current Assets	90,847	68,147	22,700
Non-current assets	280,636	273,027	7,609
Total assets	**371,483**	**341,174**	**30,309**
Current Liabilities	25,779	30,862	5,083
Non-current liabilities	21,176	26,943	5,767
Total liabilities	**46,955**	**57,805**	**10,850**
Net assets	**324,528**	**283,369**	**41,159**
Total Equity	**324,528**	**283,369**	**41,159**

Statement of Cash Flows

	For the 9 months period		
	Jan to Sep 2022 Actual	Jan to Sep 2022 Budget	Variance F/(U)
Cash flows from operating activities	15,650	17,612	(1,962)
Cash flows from investing activities	22,210	(34,642)	56,852
Cash flows from financing activities	(27,796)	(1,054)	(26,742)
Total net cash flows	**10,064**	**(18,084)**	**28,148**
Cash and cash equivalents at 1 January	35,587	78,537	(42,950)
Cash and cash equivalents at 30 September	**45,651**	**60,453**	**14,802**

2 Student services fee

In accordance with the Education Act 1989, the Minister for Tertiary Education, Skills and Empolyment, issues directions annually to providers relating to Compulsory Student Services Fees. Providers are required to comply with the Ministerial Direction, within given timeframes and ensure there are appropriate mechanisms for enrolled students to be involved in specific aspects of the process.

The direction allows for a student services fee or levy to be charged for some types of services and includes requirements to account separately for these fees. Unitec complies with this aspect by using a unique separate general ledger account for student services.

It also requires institutions to report a description of the services funded out of the fee and a statement of the fee income and expenditure for each type of student service in the Institution's annual report as well as the levy charged per Equivalent Full Time Student (EFTS). The levy per EFTS in 2022 was $363.60, and the accompanying tables provide an overview of the income and expenditure related to this.

The direction also requires providers to make decisions jointly or in consultation with students or their representatives on the amount of the fee, the types of services to be delivered, and how these are procured and how expenditure is authorised. Unitec consulted with students through the Unitec Student Council on these matters prior to providing a proposal to the Unitec Council for the setting and use of these fees for 2022.

FY2022 $ Figures	Advocacy and Legal Advice	Career Information, Advice and Guidance	Counselling Services and Pastoral Care	Employment Information	Financial Support and Advice	Health Services	Media	Childcare Services	Clubs and Societies	Sports Recreation and Cultural Activities	Total $
Revenue	150,295	168,589	695,860	2,353	221,808	203,776	2,353	2,353	45,905	45,905	1,539,197
Expenditure	259,293	290,855	1,200,519	4,060	382,670	351,560	4,060	4,060	79,197	79,197	2,655,471
Net Cost	(108,998)	(122,266)	(504,659)	(1,707)	(160,862)	(147,784)	(1,707)	(1,707)	(33,292)	(33,292)	(1,116,274)

FY2021 $ Figures	Advocacy and Legal Advice	Career Information, Advice and Guidance	Counselling Services and Pastoral Care	Employment Information	Financial Support and Advice	Health Services	Media	Childcare Services	Clubs and Societies	Sports Recreation and Cultural Activities	Total $
Revenue	168,394	188,892	779,659	2,636	248,519	228,315	2,636	2,636	51,433	51,433	1,724,553
Expenditure	276,880	310,583	1,281,947	4,335	408,625	375,405	4,335	4,335	84,569	84,569	2,835,583
Net Cost	(108,486)	(121,691)	(502,288)	(1,699)	(160,106)	(147,090)	(1,699)	(1,699)	(33,136)	(33,136)	(1,111,027)

Advocacy and Legal Advice
This is provided by Unitec Student Council representatives voted from the annual election. The Student Council advocates for students and their interets.This is an active demonstration of Student Voice in action.

Careers Information, Advice and Guidance
We provide both individual and group career workshops and guidance. We also facilitate key Career Development events such as the Volunteer Expo.

Counselling Services
We provide counselling services for concerns about study or personal matters, and also have mental health advisors for specialist support. We also facilitate proactive workshops to help build resilience.

Employment Information
We provide students with information about employment opportunities both full-time and part-time. Our Career Development team also maintains online job vacancies.

Financial Support and Advice
We provide a range of options to help students manage money effectively. These include tools, advice, workshops and hardship support.

Health Services
We provide on-site affordable and comprehensive healthcare through medical support from doctors, nurses and Community Health initiatives.

Childcare Services
We provide on-site affordable childcare centres with a range of options.

Clubs and Societies
We provide assistance to a wide range of clubs and societies. This is determined by students' needs and requests.

Sport, Recreation and Cultural Activities
We support a wide range of sports and cultural activities for students, especially around Orientation. This is determined by students' needs and requests.

As part of our commitment to Te Noho Kotahitanga, we continue to demonstrate Kaitiakitanga in our active role of Guardianship of this levy and the responsibility we have to students in our provision of services to support their success.