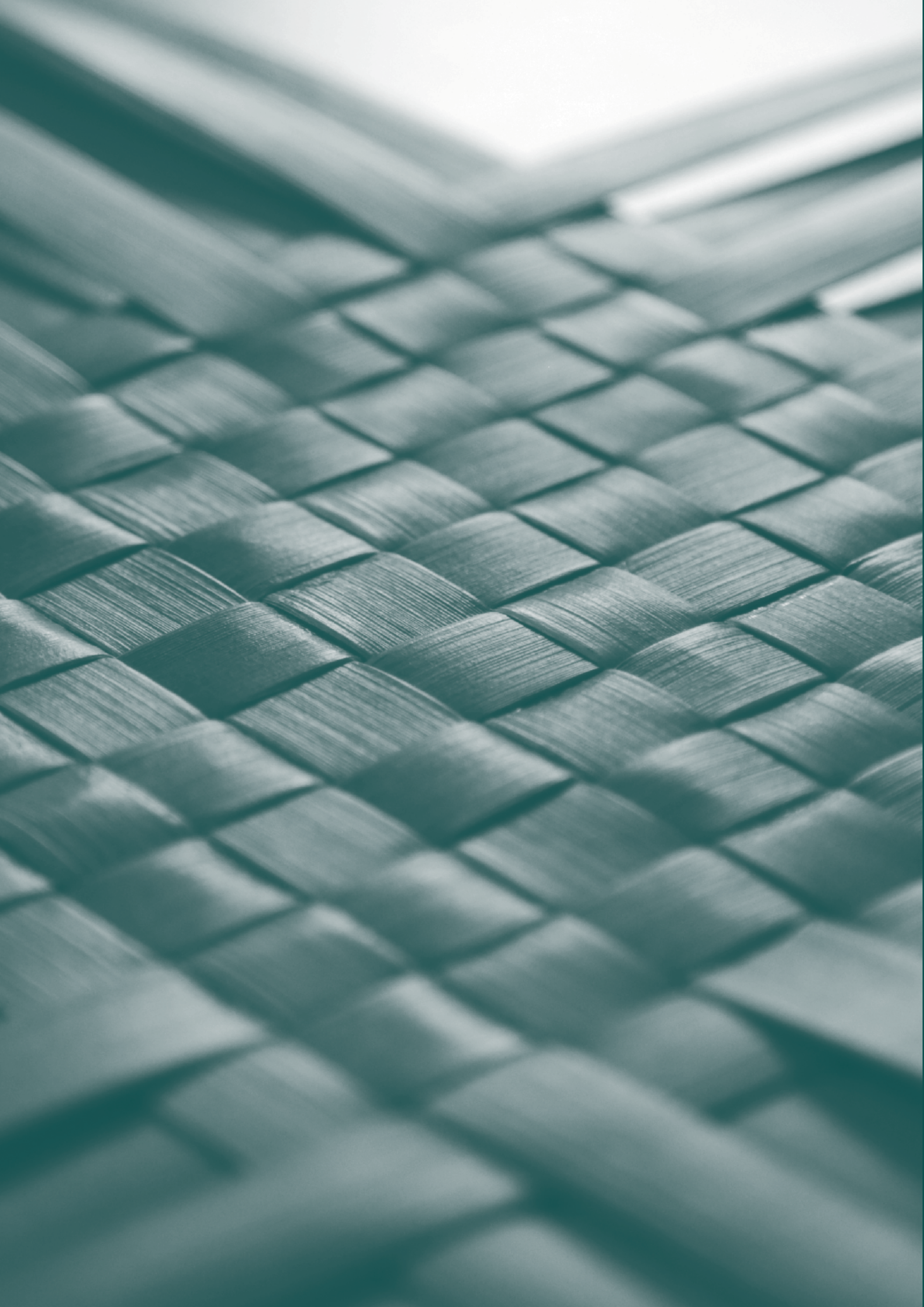
Financial Statements for the three months ended 31 March 2020

Unitec
Institute of Technology
TE WHARE WĀNANGA O WAIRAKA



Contents
Rārangi Kaupapa

Independent Auditor's Report

To the readers of Unitec Institute of Technology Group's financial statements for the period 1 January 2020 to 31 March 2020

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

We have audited the financial statements of the group on pages 7 to 41, which have been prepared on a disestablishment basis, that comprise the statement of financial position as at 31 March 2020, 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.

Qualified opinion – Our work was limited because land was not revalued to fair value at 31 March 2020

In our opinion, except for possible effects of the matter described in the basis for our qualified opinion section of our report, the financial statements of the group on pages 7 to 41, 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 26 November 2020. This is the date at which our qualified opinion is expressed.

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

Basis for our qualified opinion

As disclosed in the accounting policies, the group measures land at fair value. The last revaluation to fair value was performed at 31 December 2018. PBE IPSAS 17, Property, Plant and Equipment requires entities that measure asset classes at fair value to carry out revaluations with sufficient regularity to ensure that the revalued asset classes are not included at a carrying amount that is materially different to fair value.

Evidence that we have obtained during our audit indicates that there may have been a material increase in the carrying value of the group's land. However, the group has not carried out a revaluation. Consequently, the scope of our audit was limited in respect of the group's land and we were unable to determine whether any adjustment to the carrying value was necessary.

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

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

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

Emphasis of matters

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

The financial statements have been appropriately prepared on a disestablishment basis

Note 20 on page 32, which outlines that the financial statements have been prepared on a disestablishment basis. We consider the disestablishment basis to be appropriate because Unitec Institute of Technology ceased as an entity and its assets and liabilities were transferred to Unitec New Zealand Limited on 1 April 2020 as a result of the reform of the institutes of technology and polytechnics sector.

Impact of COVID-19

Note 25 on page 38 to the financial statements, which explains the impact of the COVID-19 pandemic on the group.

Responsibilities of the Board for the financial statements

The preparation of the final financial statements for the group is the responsibility of the Board of Unitec New Zealand Limited.

The Board is 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 31 March 2020, the Commissioner of Unitec Institute of Technology was responsible for such internal control as he determined was 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 Commissioner approved budget.

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

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control..

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

KS MacKenzie

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

Statement of Responsibility

For the 3 month period ended 31 March 2020

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

Up until 31 March 2020, the Commissioner and management of Unitec Institute of Technology had 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. From 1 April 2020, the Board and management of Unitec New Zealand Limited took over these responsibilities to enable the completion of the Financial Statements.

In the Board and management's opinion, these Financial Statements fairly reflect the financial position and operations of the Unitec Institute of Technology Group for the three month period ended 31 March 2020.

Peter Winder
Board Chair

Gus Gilmore
Chief Executive

26 November 2020

Statement of Comprehensive Income

For the 3 month period ended 31 March 2020

	Note	3 month Actual 2020 $'000	FY Budget 2020 $'000	FY Actual 2019 $'000
Operating Revenue				
Government grants	2(a)	53,004	48,648	49,803
Student tuition fees	2(b)	17,192	41,025	44,994
Student services fees	2(d)	773	1,733	1,584
Other revenue	2(c)	2,827	9,200	12,584
Total Operating Revenue (excluding finance revenue)		**73,796**	**100,605**	**108,965**
Operating Expenditure				
Personnel costs	3(a)	16,717	74,249	75,494
Depreciation and amortisation	9&10	3,307	19,655	16,213
Administration costs and other expenses	4(b)	7,882	29,940	28,932
Total Operating Expenditure (excluding finance costs)		**27,906**	**123,844**	**120,639**
Surplus/(Deficit) before net finance costs		**45,891**	**(23,239)**	**(11,674)**
Finance revenue		212	375	1,001
Finance costs	4(a)	(308)	(908)	(1,115)
Net Finance revenue/(costs)		**(96)**	**(533)**	**(114)**
Surplus/(Deficit) before share of jointly controlled entities Surplus/(Deficit)		**45,795**	**(23,772)**	**(11,789)**
Share of Surplus/(Deficit) of jointly controlled entities	16	-	-	309
Net Surplus/(Deficit)		**45,795**	**(23,772)**	**(11,480)**
Other comprehensive revenue and expense				
Revaluation movements in property, plant and equipment		-	-	-
Total other comprehensive revenue/(expense)		**-**	**-**	**-**
Total comprehensive revenue/(expense)		**45,795**	**(23,772)**	**(11,480)**

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

Statement of Financial Position

As at 31 March 2020

	Note	3 month Actual 2020 $'000	FY Budget 2020 $'000	FY Actual 2019 $'000
Assets				
Current Assets				
Cash and cash equivalents		44,502	32,756	32,985
Trade and other receivables	5	49,622	5,198	8,420
Assets classified as held for sale	5	1,130	1,130	1,130
Inventories		32	328	328
Prepayments		2,121	1,776	1,776
Total current assets		**97,407**	**41,188**	**44,639**
Non-current assets				
Investment in joint ventures	16	-	-	-
Term Receivables	6	4,000	4,000	4,000
Property, plant and equipment	9	233,261	230,982	235,917
Intangible Assets	10	5,549	2,850	6,523
Assets under construction	9	2,255	1,301	1,301
Total non-current assets		**245,065**	**239,133**	**247,741**
Total assets		**342,471**	**280,322**	**292,380**
Liabilities				
Current Liabilities				
Trade and other payables	7	6,295	9,416	9,864
Revenue received in advance	8	18,290	12,229	10,418
Borrowings	11	21,276	21,276	21,276
Employee entitlements	3(b)	5,252	4,054	5,213
Provisions	12	227	261	261
Total current liabilities		**51,340**	**47,235**	**47,032**
Non-current liabilities				
Borrowings	11	14,876	26,399	14,888
Employee entitlements	3(b)	656	656	656
Provisions	12	480	480	480
Total non-current liabilities		**16,012**	**27,535**	**16,024**
Total liabilities		**67,352**	**74,770**	**63,056**
Net assets		**275,119**	**205,552**	**229,324**
Equity				
General Funds		179,380	109,812	133,584
Land Revaluation Reserves		49,787	49,787	49,787
Building Revaluation Reserve		45,953	45,953	45,953
Total equity		**275,119**	**205,552**	**229,324**

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

Statement of Changes in Equity

For the 3 month period ended 31 March 2020

	General Funds $'000	Land Revaluation Reserves $'000	Building Revaluation Reserves $'000	Total $'000
Prior year				
Balance at 1 January	141,645	49,787	45,953	237,384
Surplus/(Deficit) for the year	(11,480)			(11,480)
Movement attributable to revaluation		-	-	
Total comprehensive revenue and expenses for the year	**(11,480)**	**-**	**-**	**(11,480)**
Transfers on disposal of property	-	-	-	-
Capital contributions from the Crown	3,419			3,419
Balance at 31 December	**133,584**	**49,787**	**45,953**	**229,324**
Current year				
Balance at 1 January	133,584	49,787	45,953	229,324
Surplus/(Deficit) for the 3 month period	45,795			45,795
Movement attributable to current year revaluation		-	-	-
Total comprehensive revenue and expenses for the year	**45,795**	**-**	**-**	**45,795**
Transfers on disposal of property		-	-	
Capital contributions from the Crown	-			-
Balance at 31 March	**179,379**	**49,787**	**45,953**	**275,119**

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

Statement of Cash Flows

For the 3 month period ended 31 March 2020

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.

	3 month Actual 2020 $'000	FY Budget 2020 $'000	FY Actual 2019 $'000
Cash flows from operating activities			
Cash was provided from:			
Government grants	12,690	60,732	52,723
Tuition fees	23,184	44,768	44,730
Interest received	204		959
Other operating receipts	4,599	15,500	11,410
	40,677	**121,000**	**109,822**
Cash was applied to:			
Payment to employees	17,860	74,591	78,146
Goods and services tax (net)	2,315	9,942	661
Interest paid	10		26
Payment to suppliers	7,624	35,863	27,100
	27,809	**120,396**	**105,935**
Net cash flows from operating activities	**12,868**	**604**	**3,887**
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment	-	1,200	77
Distributions from/sale of shares in joint ventures	-	-	4,675
	-	**1,200**	**4,752**
Cash was applied to:			
Purchase of property, plant and equipment	1,042	10,377	1,958
Purchase of intangible assets	-		471
	1,042	**10,377**	**2,429**
Net cash flow from investing activities	**(1,042)**	**(9,177)**	**2,323**
Cash flows from financing activities			
Cash was provided from:			
Capital injection	-	-	-
Loan raised	-	10,000	13,000
	-	**10,000**	**13,000**
Cash was applied to:			
Repayment of finance lease liabilities	310	1,656	450
Repayment of loans	-	-	-
	310	**1,656**	**450**
Net cash flow from financing activities	**(310)**	**8,344**	**12,550**
Total net cash flows	**11,516**	**(230)**	**18,760**
Cash and cash equivalents at 1 January	32,985	32,985	14,225
Cash and cash equivalents at 31 March	**44,502**	**32,756**	**32,985**
Cash and bank	1,365	32,756	2,861
Short-term investments	43,137		30,124
Closing cash and cash equivalents at 31 March	**44,502**	**32,756**	**32,985**

The accompanying notes form part of these financial statements.

Statement of Cash Flows (continued)

For the 3 month period ended 31 March 2020

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

	3 month Actual 2020 $'000	FY Budget 2020 $'000	FY Actual 2019 $'000
Surplus/(Deficit) before share of surplus of jointly controlled entities	**45,795**	**(23,772)**	**(11,789)**
Add/Less non-cash items:			
Depreciation/Amortisation	3,307	19,655	16,213
Bad Debts	578	505	194
Impairment	-	-	409
Prepaid rental	78	314	314
Net (gain)/loss on disposal of non-current assets	410	-	(2,917)
Other Non-Cash Items	299	478	816
Increase/(Decrease) in non-current property provision	-	-	120
Increase/(Decrease) in non-current employee entitlements	-	-	141
Total non-cash items	**4,672**	**20,951**	**15,290**
Add/Less movements in working capital items:			
(Increase)/Decrease in inventories	296	-	(22)
(Increase)/Decrease in trade and other receivables	(41,780)	3,222	909
(Increase)/Decrease in prepayments	(423)	-	573
Increase/(Decrease) in trade and other payables	(3,604)	(451)	673
Increase/(Decrease) in revenue received in advance	7,873	1,811	1,603
Increase/(Decrease) in provisions	-	-	1
Increase/(Decrease) in current employee entitlements	40	(1,158)	(2,769)
Net movement in working capital items	**(37,598)**	**3,424**	**968**
Items classified as investing activities	**(0)**		**(582)**
Net cash flows from operating activities	**12,868**	**604**	**3,887**

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

Notes to the financial statements

For the 3 month period ended 31 March 2020

1 Reporting Entity

The Group is comprised of Unitec Institute of Technology (the Parent), and controlled entities Unitec Trust and Unitec Apprenticeship Training Trust (together the Group). The Parent also has various joint ventures and investments in associates which are detailed in note 16 of these financial statements.

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 17.

Unitec is a Tertiary Education Institution domiciled in New Zealand and is governed by the Crown Entities Act 2004 and the Education Act 1989. The primary objective of the Parent and Group 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 three month period ended 31 March 2020, and were authorised for issue by the Board of Unitec New Zealand Limited on 26 November 2020.

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.

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 tuision 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 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.

Student Achievement Component funding

Student Achievement Component (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.

31 December 2019 comparative year
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.

31 March 2020 period
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.

31 December 2019 comparative year
The Institute recognises revenue when the course withdrawal date for an eligible student has passed.

31 March 2020 period
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.

	3 month Actual 2020 $'000	FY Actual 2019 $'000
(a) Government grants		
Student Achievement Component funding	48,587	44,336
Performance-Based Research Fund (PBRF)	2,553	3,576
Youth Guarantee Fund	221	253
Māori & Pasifika Grant	359	280
Refugee Study Grant	-	293
Other grants	1,284	1,065
	53,004	**49,803**
(b) Student tuition fees		
Domestic student tuition fees *	14,688	23,523
International student tuition fees	2,504	21,471
	17,192	**44,994**
(c) Other exchange revenue		
Contract education	9	448
Copy Centre	20	210
Consultancy and student projects	424	1,545
Research	972	2,411
Gain on sale of investments, property, plant and equipment	-	2,880
Revenue from other operating activities	1,402	4,878
	2,827	**12,584**
(d) Other non-exchange revenue		
Student services fee income	773	1,584
	773	**1,584**

* The Group presents funding received for fees-free study as part of Domestic student tuition fees, on the basis that receipts from TEC are for payment on behalf of the student as specified in the relevant funding mechanism. As at 31 March 2020, the full year approved funding of $5.5m has been recognised, of which $3.6 million has so far been received (2019: $4.8m).

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.

	3 month Actual 2020 $'000	FY Actual 2019 $'000
(a) Personnel costs		
Salaries and wages	17,087	75,418
Employee benefits expenses	81	372
Employee entitlements expenses	(654)	(1,484)
Redundancies	202	1,188
	16,717	**75,494**
(b) Employee entitlements		
Current portion	5,252	5,212
Non-current portion	656	656
	5,908	**5,868**
Comprising of:		
Salaries and wages	1,199	-
Annual leave	3,572	4,426
Retirement leave	263	263
Long service leave	329	325
Sick leave	295	295
Redundancy provisions	250	559
	5,908	**5,867**
Redundancy provisions:		
Opening balance	559	1,279
Provision for the year	250	559
Released	(61)	(280)
Utilised	(498)	(999)
Closing balance	**250**	**559**

4 Other Expenditure

	3 month Actual 2020 $'000	FY Actual 2019 $'000
(a) Finance cost		
Interest on borrowings	298	1,089
Finance lease interest	10	26
	308	**1,115**

	3 month Actual 2020 $'000	FY Actual 2019 $'000
(b) Administration costs and other expenses		
Audit fees - paid to principal auditor for parent and subsidiaries - current year audit	165	194
Audit fees - paid to principal auditor for external research income audit	-	8
Bad debts expense/(recovered)	758	(57)
Change in provision for doubtful debts	355	(113)
Advisory Committee Fees	15	60
Class Materials	670	2,355
Research	154	820
Operating lease charges	273	695
Loss on disposal of non-current assets	410	4
Other administrative expenses	5,082	24,966
	7,882	**28,932**

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.

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Trade and other receivables		
Student fee receivables (non-exchange)	3,349	751
Trade receivables (exchange)	1,112	1,909
Accrued interest (exchange)	65	57
Less provision for impairment	(987)	(632)
Other receivables	6,400	6,335
Government Grants	39,683	-
Total Trade and other receivables	**49,622**	**8,420**

Within other receivables is a balance of $6 million that relates to the sale of land and buildings in 2018 to the Crown. This will be received when all the conditions and obligations of sale have been met.

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

(a) Student fee receivables (non-exchange)	3 month Actual 2020 $'000			FY Actual 2019 $'000		
	Gross	Impairment	Net	Gross	Impairment	Net
1-30 days	679	-	679	229	-	229
31-60 days	2,544	(788)	1,756	70	(35)	35
61-90 days	18	(15)	3	89	(85)	4
>90 days	109	(116)	(7)	363	(363)	(1)
Total student fee receivables	**3,349**	**(918)**	**2,431**	**751**	**483**	**267**

(b) Trade receivables (exchange)	3 month Actual 2020 $'000			FY Actual 2019 $'000		
	Gross	Impairment	Net	Gross	Impairment	Net
1-30 days	570	-	570	1,249	-	1,249
31-60 days	213	-	213	36	-	36
61-90 days	8	-	8	1	-	1
>90 days	321	(69)	252	623	(149)	474
Total trade receivables	**1,112**	**(69)**	**1,043**	**1,909**	**(149)**	**1,760**

All receivables greater than 30 days in age are considered to be past due. The impairment assessment is performed on a collective basis, based on an analysis of past collection history and debt write-offs.

(c) Movements in the provision for Impairment are as follows:	3 month Actual 2020 $'000	FY Actual 2019 $'000
Student fee receivables		
At 1 January	483	744
Additional provisions made during the year	424	343
Release of provision during the year		(604)
At 31 March	**907**	**483**
Trade receivables		
At 1 January	149	-
Additional provisions made during the year		149
Release of provision during the year	(69)	
At 31 March	**80**	**149**

Assets classified as held for sale

During 2019, Unitec entered into discussions with Auckland Council (Council) in relation to the potential sale of one of Unitec's properties, 10 Trading Place, Henderson, Auckland. The NBV of this asset is $1.13m.

On 22 January 2020, the parties entered into a sale and purchase agreement (SPA).

The SPA is conditional upon:

- Internal Council approval being obtained (this was satisfied in February 2020)
- Council completing internal due diligence (confirmation that they are satisfied was received on 6 March 2020)
- Unitec obtaining approval from the Unitec Commissioner for the sale (obtained prior to SPA being signed)
- Unitec obtaining consent from the Secretary of Education (in accordance with the Education Act 1989) (in progress)

Settlement is due to take place 20 working days after the date on which all conditions in the SPA have been satisfied or waived. This is estimated to be June / July 2020.

6 Term Receivables

The value of $4 million is the remaining balance outstanding from the Crown in respect of the land and buildings sale completed 20 April 2018, which will be received on the final exit of the north campus.

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.

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Payables under exchange transactions		
Trade payables	663	596
Other payables - accruals	5,011	5,624
	5,674	**6,220**
Payables under non-exchange transactions		
Taxes payable	620	3,644
	620	**3,644**
Total trade and other payables	**6,295**	**9,864**

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 or before obligations are satisfied in the case of non-exchange revenue.

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Exchange transactions		
International student fees received in advance	12,321	7,298
	12,321	**7,298**
Non exchange transactions		
Domestic student fees received in advance	5,969	3,120
	5,969	**3,120**
Total revenue received in advance	**18,290**	**10,418**

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

9 Property, Plant and Equipment

Property, plant and equipment is measured initially at cost. This includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property plant and equipment is recognised only when it is probable that future economic benefit or service potential associated with the item will flow to the Group, and if the item's cost or fair value can be measured reliably.

Subsequent costs that meet the above criteria are added to the value of the item of property, plant and equipment

	Land	Buildings
Cost or valuation		
Balance at 1 January - prior year	57,690	163,624
Additions	-	250
Revaluation increase/(decrease)	-	
Adjustments/Movement	-	(1,130)
Disposals	-	
Balance at 31 December - prior year	**57,690**	**162,744**
Balance at 1 January - current year	**57,690**	**162,744**
Additions		25
Revaluation increase/(decrease)		
Adjustments/Movement		
Disposals		
Balance at 31 March – current year	**57,690**	**162,770**
Accumulated depreciation and impairment losses		
Balance at 1 January - prior year	-	-
Depreciation Expense		4,407
Eliminate on disposal		
Eliminate on revaluation		
Adjustments/Movement		36
Balance at 31 December - prior year	**-**	**4,443**
Balance at 1 January - current year	-	**4,443**
Depreciation Expense		1,103
Eliminate on disposal		
Eliminate on revaluation		
Adjustments/Movement		
Balance at 31 March – current year	**-**	**5,547**
Carrying amounts		
At 1 January - prior year	57,690	163,624
At 31 December - prior year and 1 January - current year	57,690	158,301
At 31 March - current year	**57,690**	**157,223**

Subsequent to initial recognition land is measured at fair value and buildings are measured at fair value less accumulated depreciation. All other assets are measured at cost, less accumulated depreciation and impairment losses. 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 3 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.

Plant & Equipment	Furniture & Fittings	Motor Vehicles	Computer Equipment	Office Equipment	Library Collection	Total
20,335	13,331	1,768	18,698	1,013	8,840	285,299
154	411		1,047	2	94	1,958
						-
						(1,130)
(122)	(110)	(162)	(1,840)	(3)		(2,237)
20,367	**13,633**	**1,605**	**17,904**	**1,012**	**8,933**	**283,890**
20,367	**13,633**	**1,605**	**17,904**	**1,012**	**8,933**	**283,890**
45	17					87
						-
						-
(5,948)	(2,916)	(233)	(4,656)	(329)	(1,837)	(15,919)
14,465	**10,734**	**1,373**	**13,248**	**682**	**7,097**	**268,059**
11,158	4,905	1,651	14,583	900	7,205	40,402
1,483	1,083	54	2,260	39	331	9,656
(118)		(160)	(1,840)	(3)		(2,121)
						-
						36
12,523	**5,987**	**1,545**	**15,003**	**936**	**7,536**	**47,973**
12,523	**5,987**	**1,545**	**15,003**	**936**	**7,536**	**47,973**
359	297	16	520	6	75	2,378
(5,945)	(2,622)	(228)	(4,655)	(329)	(1,773)	(15,553)
						-
						-
6,936	**3,662**	**1,333**	**10,868**	**613**	**5,838**	**34,798**
9,177	8,426	117	4,115	113	1,635	244,897
7,845	7,645	60	2,901	76	1,397	235,917
7,528	**7,071**	**39**	**2,380**	**70**	**1,259**	**233,261**

Valuation

Land and buildings are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and occurs at least every three years. The most recent valuation was performed by Jones Lang LaSalle (independent valuers) for which the effective date was 31 December 2018. The next revalution is due 31 December 2021.

Land

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the valuation to take into account required changes in the lands, zoning, or resource consents that are required for the valuation on the highest and best use basis.

Buildings

Buildings that are not specialised in nature are valued at fair value by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the consolidated entity, and to market based yields for comparable properties.

Where buildings are specialised in nature, fair value is determined on a depreciated replacement cost (DRC) basis. To determine DRC the following are considered:

1. The replacement asset is based on the reproduction cost of the specific assets with adjustments where appropriate for optimisation due to over-design or surplus capacity.
2. The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
3. The remaining useful life of assets is estimated.
4. Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Crown owned land and buildings

During 2017 the Crown transferred legal title of various land and buildings to the Institute. A term of this transfer is that Unitec is required to remit to the Crown 20% of any proceeds from disposal of the transferred land and / or buildings that occurs within five years of the transfer.

Restrictions on Title

Under the Education Act 1989, 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.

Assets under construction

As at 31 March 2020 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.

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Buildings	1,802	901
Software	254	92
Fixtures and fittings	148	257
Course development	51	51
Total assets under construction	**2,255**	**1,301**

Finance leases

The carrying value of property, plant and equipment held by the Group under finance leases and hire purchase contracts at 31 March 2020 is $1,300,000 (2019: $1,587,000). This relates to computer equipment $1,201,000 (2019: $1,472,000) and plant and equipment $99,000 (2019: $114,000). Net decreases during the year totalled $287,000; $272,000 decreases relating to computer equipment and $15,000 decreases relating to plant and 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. Following a detailed review of our building assets category during the 2019 year, we have amended the estimated useful lives of these assets, which resulted in a corresponding adjustment to our depreciation. This amendment is already in line with our current policy on the useful life of our assets, as detailed below, therefore there is no requirement to make any changes to our accounting policy or make any disclosures in relation to PBE IPSAS 3 Accounting Policies, changes in accounting estimates and errors.

Asset Category	Useful Life
Buildings	5 – 80 years
Plant and equipment	10 years
Furniture and fittings	10 years
Motor vehicles	5 years
Computer equipment	4 – 10 years
Office equipment	3 – 20 years
Library collections	5 - 10 years

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 assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may 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 regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, 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.

10 Intangible Assets

Course development

The significant costs that are directly associated with the development of new educational courses or redevelopment of existing courses are recognised as an intangible asset to the extent that such costs are expected to be recovered. The development costs primarily consist of employee costs.

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	Course Development	Total
Cost or valuation			
Balance at 1 January - prior year	27,492	7,351	34,843
Additions	142	328	470
Impairment	(35)	-	(35)
Balance at 31 December - prior year	**27,600**	**7,679**	**35,279**
Balance at 1 January - current year	27,600	7,679	35,279
Additions	-	-	-
Impairment	(356)	-	(356)
Balance at 31 March - current year	**27,244**	**7,679**	**34,923**
Accumulated amortisation and impairment losses			
Balance at 1 January - prior year	19,686	2549	22,235
Amortisation Expense	4,908	1,648	6,556
Impairment	(35)		(35)
Balance at 31 December - prior year	**24,559**	**4,196**	**28,756**
Balance at 1 January - current year	24,559	4,196	28,756
Amortisation Expense	543	387	929
Impairment	(311)	-	(311)
Balance at 31 March - current year	**24,791**	**4,583**	**29,374**
Carrying amounts			
At 1 January - prior year	7,806	4,802	12,608
At 31 December - prior year and 1 January - current year	3,040	3,483	6,523
At 31 March - current year	**2,453**	**3,096**	**5,549**

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
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 $50 million. This loan was established in accordance with the conditions of the Consent to Borrow granted by the Secretary for Education, under section 192 (4) (d) and (7) of the Education Act 1989.

As at 31 March 2020, the Institute had drawn down total consideration of $40m (Tranche A $10m, Tranche B $17m, Tranche C $8m, Tranche D $5m). 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, and 22 November 2019.

The concessionary loan is recognised initially at fair value, based on the discounted future cash flows using a market related rate of interest for a similar loan. (Refer to note 21 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.

The difference between the fair value and the loan proceeds received has been recognised as a capital contribution from the Crown.

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.

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Current Portion		
Borrowings/loans	20,642	20,478
Finance leases	634	798
Total current portion	**21,276**	**21,276**
Non-current portion		
Borrowings/loans	14,144	14,009
Finance leases	733	879
Total non-current portion	**14,876**	**14,888**
Total borrowings	**36,152**	**36,164**

Analysis of finance leases

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Total minimum lease payments payable		
Within one year	675	813
After one year but not more than five years	779	904
Future finance charges	(88)	(40)
Total present value of minimum lease payments	**1,366**	**1,677**

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.

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Current Provisions		
Other Provisions	7	41
Lease Make Good	220	220
Total current provisions	**227**	**261**
Non-Current Provisions		
Other Provisions	-	0
Lease Make Good	480	480
Total non-current provisions	**480**	**480**
Total provisions	**707**	**741**

The nature of the provisions are as follows:

- Other provisions relate to contractual commitments incurred by Unitec in the ordinary course of business which will be settled in the future.
- 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:	3 month Actual 2020 $'000	FY Actual 2019 $'000
Other Provisions		
Opening balance	41	100
Released during the year	(34)	(59)
Closing balance	**7**	**41**
Lease Make Good		
Opening balance	700	520
Additional provisions made during the year	-	180
Closing balance	**700**	**700**

13 Operating Lease Commitments

Operating leases as lessee

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Non-cancellable operating lease commitments		
Land and buildings		
Within one year	204	212
Later than one year and not later than two years	197	197
Later than two years and not later than five years	403	433
Later than five years	35	45
	838	**887**

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.

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Non-cancellable operating leases		
Land and buildings		
Not later than one year	720	791
Later than one year and not later than two years	626	627
Later than two years and not later than five years	1,852	1,861
Later than five years	1,696	613
	4,895	**3,892**

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

14 Commitments

Capital commitments

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

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Buildings		
Computer equipment	572	604
Computer software	142	22
Fixtures and fittings	1,378	378
Plant and equipment		
Course development		
Total capital commitments	**2,092**	**1,004**

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 Joint Ventures and Associates

Investments in joint ventures and associates are accounted for using the equity method in the Group's Financial Statements.

Under the equity method, an investment in a joint venture or associate is initially recognised in the Statement of Financial Position at cost. The carrying amount of the investment is adjusted to recognise post-acquisition changes in the Group's share of net assets of the associates or joint ventures that the Group is entitled to or has a legal or constructive obligation in relation to.

Name of venture	Principle Activities	Country of Incorporation	Equity Interest (%)	
			2020	2019
The Mind Lab by Unitec Limited Partnership	Sold during 2019	New Zealand	-	-

On 12 March 2019, the Institute entered into a conditional agreement to sell its 50% share in The Mind Lab by Unitec Limited Partnership, a specialist education lab, which was created to enhance digital literacy capability and support the implementation of contemporary practice in the teaching profession. It has since grown to provide education in disruptive technologies, and support individuals returning to teaching.

After a strategic review of its assets, Unitec concluded that its investment in The Mind Lab was not core to its business operations. As a result, the Institute commenced discussions in January 2019 with its partner to complete an exit of its ownership interest.

As a result, the Institute and EdLab Limited entered into a conditional agreement to sell/purchase the investment.

On 3 April 2019 all conditions of the sale were met. As a result the Institute realised a gain on disposal of approximately $3.1 million.

The aggregate amount of the Group's share of significant Joint Ventures and Associates is included in the table below:

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Summarised statement of financial position of The Mind Lab Limited		
Assets		
Current assets	-	1,961
Non-current assets	-	3,000
Total assets	**-**	**4,961**
Liabilities		
Current liabilities	-	1,935
Non-current liabilities		
Total liabilities	**-**	**1,935**
Net assets	**-**	**3,026**
Carrying amount of investment in Group's financial statements	**-**	**1,513**
Summarised statement of financial performance of The Mind Lab Limited		
Income	-	2,679
Expenses	-	2,061
Net surplus/(deficit)	**-**	**618**
Group's share of surplus	**-**	**309**

17 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.

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Summarised statement of financial position		
Assets		
Current assets	328	334
Non-current assets	-	-
Total assets	**328**	**334**
Liabilities		
Current liabilities	-	8
Non-current liabilities	-	-
Total liabilities	**-**	**8**
Net assets	**328**	**326**
Summarised statement of financial performance		
Income	2	11
Expenses	-	3
Net surplus/(deficit)	**2**	**8**

18 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.

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Commissioner (Appointed 23 July 2018)		
Remuneration	38	238
Full-Time Equivalent members	0.4	0.4
Advisory Committee		
Remuneration	15	60
Full-Time Equivalent members	1	1
Leadership Team		
Salaries and other short term employee benefits *	430	1,633
Full-Time Equivalent members	4.7	4.7
Total remuneration	**483**	**1,931**

* This includes salaries and other short term employee benefits for those members of the leadership team who have left Unitec during the year.

19 Advisory Committee Fees

The following fees were paid to members of the Advisory Committee:

	3 month Actual 2020 $'000	FY Actual 2019 $'000
Advisory Committee Fees		
John Brockies	5	20
Peter Winder	5	20
Tui Ah Loo	5	20
Helen Vea (Student President)	-	-
Total Advisory Committee Fees	**15**	**60**

The Student President is not entitled to Committee Fees.

20 Basis of Preparation

Statement of compliance and 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, and has since enacted the Education (Vocational Education and Training and Reform) Amendment Act(the Act) 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 institutes of technology and polytechnics (ITPs) into crown entity companies, which will take over the operational activities of existing ITPs. The Act disestablishes the Unitec Institute of Technology and transfers its assets and liabilities to a new company, Unitec New Zealand Limited on 1 April 2020. As a result, the Unitec Institute of Technology group has prepared its financial statements on a disestablishment basis. However,because vocational education will continue to be provided through Unitec New Zealand Limited, no change needs to be made to the measurement or classification of assets and liabilities. Decisions about the future of these assets and liabilities will be the responsibility of the new entity.

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.

21 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 land and buildings are provided in Note 9.

Course development costs impairment

Annually the Group performs an internal review to determine if any course costs capitalised relate to courses that are no longer taught or intended to be taught. In such cases the value of the costs capitalised is reduced to the value of costs that can be recovered through the remaining usage, and any excess between costs capitalised and recoverable value is recognised as impairment expense in the statement of comprehensive income. In the current period, no impairment was recognised (2019: nil).

Concessionary Loan

On 31 August 2018, the Institute and the Crown entered into a concessionary loan agreement for up to $50 million 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.

The following loan repayment terms were agreed with the Crown during 2019:

- Repayment by way of asset disposal proceeds for the period up until 2022;
- A cash sweep mechanism to enable surplus cash to be applied towards repayment over the three year period 2023 to 2025;
- Any remaining amount, if applicable, would be payable 10 years from the drawdown date of the relevant outstanding tranche.

The Institute has determined the fair value of the loan, in accordance with PBE IPSAS 29 - Financial Instruments: Recognition and Measurement, based on the anticipated repayment terms. The effective interest rates used to determine the fair value of the Crown loan are 3.28% (for the two year terms) and range between 3.97% - 2.77% (for the 10 year terms). These rates were derived using the two and ten year swap rates and applying a risk premium to estimate the market interest rates.

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 results of asset disposals.

22 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.

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 does not hold any derivative financial instruments..

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.

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. The Group manages this risk for significant commitments by fixing relevant future exchange rates with forward exchange contracts.

Sensitivity analysis

As at 31 March 2020, 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 for the three months would have been:

Period ended	Higher	Lower
31 March 2020	90,996	(90,996)
31 December 2019	338,891	(338,891)

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 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 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.

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.

Under section 192(4)(d) and (7) of the Education Act 1989, the Ministry has granted consent to allow Unitec to borrow up to $50 million from the Crown through the form of a concessionary loan, subject to Unitec's adherence to conditions set out in the loan agreement.

23 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 Act 1989, 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.

24 Major Budget Variances

The budget figures are derived from the Group's 2020 budget which was approved by the Commissioner in April 2020. The budget figures shown in the Financial Statements are for 12 months to December 2020, and have been prepared in accordance with PBE FRS 42 using accounting policies consistent with those applied in preparing the March 2020 financial statements. The actual figures shown in the financial statements are for three 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. Explanations for significant variances from the year to date budget (which are not included in the financial statements) are as follows:

Statement of comprehensive Income

Revenues

Revenue from International and Domestic students was less than budget primarily due to the impact of COVID-19 on international students with border closures and some impact on domestic student enrolments. Government grant revenue is higher than budget due to the Government decision to remove the requirement for a wash-up of funding in 2020.

Expenses

Expenditure was favourable to budget for both personnel costs and other administration costs with continued efforts being made to manage costs.

Depreciation/amortisation costs are lower than budget, due to the deferment of capital expenditure as a result of COVID-19.

Finance costs

Net finance costs were less than budget due to forecast cash on hand, and thus interest received, being greater than budget as a result of operating and capital expenditure being less than budget.

Statement of Financial Position

Assets

Cash and cash equivalents were higher than budget due to the lower levels of operating and capital expenditure.

Current assets are comparable with budget.

Non-current assets are less than budget due to the reduced depreciation expense and year to date capital expenditure being less than budget.

Liabilities

Total Liabilities are comparable with budget. Trade creditors are less than budget due to the lower levels of operating and capital expenditure incurred year to date.

Statement of Cash Flows

Cash from operating activities

Net cash flows from operating activities were less than budget overall due to the reduced Semester 1 EFTS as a result of COVID-19. Whilst most of this reduction was able to be offset by lower personnel and other operating costs as at March 2020 not all of the benefit of the additional Government Grant funding had been realised.

Cash from investing activities

Net cash flows from investing activities were lower than budget as capital expenditure was less than budget.

Cash from financing activities

Net cash flows from financing activities were comparable with budget.

25 Significant events after balance date

COVID-19

In response to the escalating COVID-19 global pandemic, the New Zealand Government declared a State of National Emergency on Wednesday 25 March 2020, which resulted in a national lockdown of all non-essential services at Alert Level 4. Unitec responded to this with the immediate closure of all campuses and the implementation of a transition to remote working and teaching for staff and students. Remote learning commenced on Monday 30 March 2020 and with the change to Alert Level 3 on Tuesday 28 April 2020, some students and staff returned to on-site working and teaching.

Following the change to Alert Levels 2 and 1, students are now able to attend all classes on-site and/or continue to access classes remotely.

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:

Government funding:

- 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 $40m for the remaining 2020 funding (both investment plan and fees free) to be received after balance date.

Student fees:

- International Tuition Fees for the year are forecast to be $3.5m less than budget due to students being unable to enter the country.
- Domestic Tuition Fees for the year are forecast to be $1.6m favourable to budget.
- Favourable variances against budget are also forcast in respect of non-recoverable TEC funding, labour, and other expense costs.

Operating expenses

- The Institute has managed the impact of COVID-19 without needing to incur any significant additional costs for staff, leases, information technology or communication costs. All additional costs were able to offset by savings in other areas.

Valuation of land and buildings:

- The level of property transactions had significantly reduced during the Alert Level 4 lockdown resulting in a material valuation uncertainty over land values at 31 March 2020. The most recent valuation was performed by Jones Lang LaSalle (independent valuers) for which the effective date was 31 December 2018. The next revaluation is due 31 December 2021. As at 31 December 2019, based on advice from Jones Lang La Salle, no changes were made to the valuation as at 31 December 2019. Given the current uncertainties and as there have been no significant changes to the use of land and buildings since 31 December 2019, no changes have been made to the valuation as at 31 March 2020. 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 9, Property, Plant and Equipment.

Impairment of tangible and intangible assets:

- An impairment assessment has been completed for tangible and intangible assets. The result of this assessment was that there was no significant impairment of assets required for the three month period to 31 March 2020.

Impairment of receivables:

- An increase was made to the doubtful debtor provision as at 31 March 2020 to allow for the potential impact of students not being able to pay their outstanding fees due to the impact of COVID-19. The actual impact will not be known until the second half of 2020.

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 issued not yet effective and not early adopted

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

Financial Instruments

PBE IFRS 9 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement, and is effective for financial years beginning on or after 1 January 2022. The Institute has not early adopted this amendment as it had originally planned to do, as it considers that there will be no impact on the Institute.

PBE IPSAS 41 establishes requirements for the recognition and measurement of Financial Instruments and when applied supersedes most of PBE IPSAS 29 Financial Instruments: Recognition and Measurement and PBE IFRS 9 Financial Instruments. This Standard applies for annual periods beginning on or after 1 January 2022. The Institute does not intend to early adopt the amendment.

Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is mandatory for annual periods beginning on or after 1 January 2021. This Standard establishes new requirements for public benefit entities (PBEs) to select and present service performance information. The Institute does not intend to early adopt the amendment.

Cash Flows

An amendment to PBE IPSAS 2 Cash Flow Statements 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. The Institute does not intend to early adopt the amendment.

Combinations

PBE IPSAS 40 PBE Combinations establishments requirements for the classification of PBE combinations and the accounting for amalgamations and acquisitions. This new PBE Standard will supersede PBE IFRS 3 Business Combinations and applies for annual periods beginning on or after 1 January 2021. The Institute does not intend to early adopt the amendment.

28 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 Unitec 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 Unitec Institute of Technology and its auditors needed to consider the impact of COVID-19 on key information in the financial statements. Consequently, Unitec Institute of Technology could not report before the statutory deadline.

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