FINANCIAL STATEMENTS

for the three-month period
ended 31 March 2020

CONTENTS


Restricted
parking applies.
Penalty action
will be invoked.

Statement of responsibility

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

The board of WITT was disestablished on 31 Oct 2022, this was prior to the finalisation of the audit opinion.

The council of Te Pūkenga has delegated approval to the chair of Te Pūkenga and Chair of the Te Pūkenga Risk and Audit Committee to sign the letter of responsibility on the Council's behalf.

In the opinion of the Council of Te Pūkenga, these financial statements reflect the financial position and operations of Western Institute of Technology at Taranaki for the three-month period ending 31 March 2020.

Sue McCormack
Acting Council Chair – Te Pūkenga
9 May 2024

Jeremy Morley
Chair – Te Pūkenga Council Finance, Risk and Audit Committee
9 May 2024

Statement of accounting policies

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

1. REPORTING ENTITY

The financial statements of Western Institute of Technology at Taranaki ("WITT") and its subsidiary ("the Group") for the three month period ending 31 March 2020 were authorised for issue by Chair of council and the chief Executive in accordance with the Education Act 1989 Section 220.2AA on the 9th May 2024.

WITT is a Crown Entity domiciled in New Zealand and is established under the New Zealand Education Act 1989 as a Public Institution. WITT offers a range of programmes from foundation to Degree level, most of the programmes may be studied on a part-time or full-time basis. Accordingly, WITT has designated itself and the Group as public benefit entities ("PBEs") for the purposes of financial reporting.

The consolidated financial statements of the Group are presented for WITT ("the Parent") and New Zealand Institute of Highway Technology Limited ("NZIHT") which is a wholly owned subsidiary of WITT, domiciled in New Zealand.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Education Act 1989, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice ("NZ GAAP").

The financial statements have been prepared in accordance with the NZ GAAP Tier 2 PBE Reduced Disclosure Regime as WITT is not publicly accountable with expenses of less than $30m. They comply with PBE accounting standards.

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 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 disestablished the Western Institute of Technology at Taranaki and transferred its assets and liabilities to a new company, Western Institute of Technology at Taranaki Limited on 1 April 2020. As a result, Western Institute of Technology at Taranaki has prepared its financial statements on a disestablishment basis. However, because vocational education will continue to be provided through the Western Institute of Technology at Taranaki 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.

Changes in Accounting Policies

There have been no changes in accounting policies during the three-month period other than the change in revenue recognition policy of Student Achievement Component Funding and Fees Free Revenue as described in note 4.

Measurement system

The financial statements are presented in New Zealand Dollars (NZD) and all values are rounded to the nearest thousand dollars ($'000). As a result, some rounding errors may occur in the financial statements and notes. The functional currency of WITT and its subsidiary is NZD.

The financial statements are prepared on the historical cost basis except;

- land and buildings have been measured at fair value
- financial instruments at fair value through other comprehensive Revenue and expense

Budget and Comparatives

The financial statements prepared are for the three-month period to 31 March 2020. The budget figures disclosed are for the twelve-month year to 31 December 2020 and the 2019 actual comparatives are for the twelve-month year to 31 December 2019. As such, the 31 March actual results that are being reported are not entirely comparable to the 2020 budget or 2019 actual results.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of WITT and its subsidiary, NZIHT as at 31 March ("the Group"). The financial statements of the subsidiary are prepared for the same reporting period as the Parent company. All have been prepared using consistent accounting policies.

Subsidiaries

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

NZIHT is consolidated using the purchase method to prepare the Group financial statements, which involves aggregating like items of assets, liabilities, revenues, expenses and cashflows on a line-by-line basis. All inter-entity balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

The operational results of NZIHT are consolidated into the Group's financial statements for three-month period ending 31 March 2020 and the year ended December 2019.

4. REVENUE

Revenue is recognised at fair value:

Student Achievement Component (SAC) 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.

Student tuition fees

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

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

Fees-free revenue

The Institute considers fees-free revenue is non-exchange revenue and 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.

Other government grants

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

Sale of materials

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

Sale of goods

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

5. INTEREST AND DIVIDENDS

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset (using the effective interest method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument).

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

6. CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the Statement of Financial Position comprise cash and cash equivalents and short-term deposits with an original maturity of three months or less. For the purposes of the cashflow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Operating Activities:

Transactions and other movements that are not investing or financing activities.

Investing Activities:

Activities relating to acquisition, holding and disposal of fixed assets and of investments, not falling within the definition of cash.

Financing Activities:

Activities that change the equity and debt capital structure of WITT.

7. RECEIVABLES

Student fees and other receivables

Student fees and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Short term receivables are recorded at the amount due less any provision for impairment. A receivable is considered impaired when there is evidence the amount due will not be fully collected. The amount impaired is difference between the amount due and the present value at the amount expected to be collected.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis is measured at cost, adjusted where applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

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

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

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

8. OTHER FINANCIAL ASSETS

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the Statement of Comprehensive Revenue and Expense. Purchases and sales of financial assets are recognised on trade-date, the date on which WITT and the Group commits to purchase or sell the asset. Financial assets are recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and WITT and the Group has transferred substantially all the risks and rewards of ownership.

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

- fair value through surplus or deficit;
- loans and receivables; and
- fair value through other comprehensive Revenue and Expense.

Classification of the financial asset depends on the purpose for which the instruments were acquired.

Fair value through surplus or deficit

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

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset.

After initial recognition, financial assets in this category are measured at their fair values with gains for losses on remeasurement recognised in the Statement of Comprehensive Revenue and Expense.

Loans and receivables (including cash and cash equivalents, term deposits, student fees and other receivables)

After initial recognition, investments loans and receivables are measured at amortised cost using the effective interest method less any provision for impairment.

For Bank deposits, impairment is established when there is objective evidence that WITT will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the Bank, probability that the Bank will enter into bankruptcy and default in payments are considered indicators that the deposit is impaired.

Impairment of a loan or a receivable is established when there is objective evidence that WITT and the Group will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments, are considered significant indicators that the asset is impaired. The amount of the impairment is the difference between the assets carrying amount and the net present value of the estimated future cashflows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. For other financial assets, impairment losses are recognised directly against the instruments carrying amount.

Gains and losses when an asset is impaired or derecognised are recognised in the Statement of Comprehensive Revenue and Expense.

Financial assets at fair value through other comprehensive Revenue and expense.

WITT designates equity investments at fair value through other comprehensive revenue and expense. After initial recognition these investments are measured at their fair value with gains and losses recognised directly in other comprehensive, except for impairment losses which are recognised in the Statement of Comprehensive Revenue and Expense.

On derecognition the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the Statement of Comprehensive Revenue and Expense.

At each Statement of Financial Position date, WITT assesses whether there is any objective evidence that an investment is impaired. Equity investments where there is a significant prolonged decline in the fair value of the investment below its cost, is considered objective evidence of impairment. If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss recognised in other comprehensive revenue and expense, is reclassified from equity to the Statement of Comprehensive Revenue and Expense. Equity instrument impairment losses are recognised in the Statement of Comprehensive Revenue and Expense, are not reversed through the Statement of Comprehensive Revenue and Expense.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following asset classes: land and buildings, plant and equipment, motor vehicles and computer hardware.

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

- Land is measured at fair value and buildings are measured at fair value, less subsequent accumulated depreciation and impairment losses. Land and Buildings were last revalued as at 31 December 2017. The valuation was completed by an independent Registered Valuer.
- Plant and equipment, motor vehicles and computer hardware are stated at cost, less accumulated depreciation and any accumulated impairment in value.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Fair value as at 31 December 2005 has been used as the deemed cost on transition as at 1 January 2006 for the valuation of library books, plant and equipment, office equipment, furniture and fittings, motor vehicles and computer hardware. Library books, plant and equipment, office equipment, furniture and fittings, motor vehicles and computer hardware are stated at cost, less accumulated depreciation and accumulated impairment value.

Library books, plant and equipment, office equipment and furniture and fittings are classified under plant and equipment in the financial statements.

Additions

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

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

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

Depreciation

Depreciation is calculated on a straight-line basis on all property, plant and equipment, other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over the estimated useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated for WITT and the Group as follows:

Asset Class	Useful Life	Depreciation Method
Buildings	10-100 years	SL
Computer Hardware	3-5 years	SL
Furniture and Fittings	4-12 years	SL
Leasehold Improvements	6 years	SL
Plant and Equipment	5-10 years	SL
Motor Vehicles	3-10 years	SL

Assets under construction

Capital work in progress is valued on the basis of expenditure incurred. Work in progress is not depreciated. The total cost of the asset of the project is transferred to the relevant asset class on its completion and then depreciated.

Impairment

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

If any such indication exists and where the carrying values exceed their estimated carrying amount, the assets are written down to their recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

All assets are primarily held for the purpose of providing education and related activities and related activities are assessed for impairment by reviewing the assets for obsolescence, changes in useful life assessments, optimisation and other related matters.

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

The value in use for cash-generating assets is the present value of expected future cashflows.

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

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset, however to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Revaluations

Land and buildings are revalued with sufficient regularity to ensure that their carrying amount does not differ significantly from fair value at least every five years.

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

Revaluation of property is carried out on a "class of asset" basis.

Fair value is determined by a depreciated replacement cost valuation method for buildings and market based evidence for land. Any net revaluation increase/decrease is recognised in the surplus or deficit, unless it directly offsets a previous net revaluation reserve increase in the same revaluation reserve. Any subsequent increase in the revaluation that reverses previous decrease in value recognised in the surplus or deficit will be recognised in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense. Any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net carrying amount is reinstated to the revalued amount of that asset. Upon disposal, any revaluation reserve relating to that particular class of asset being sold is transferred to retained earnings.

Disposals

Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) or when no future benefits are expected to arise, is included in the surplus or deficit in the year it is derecognised.

Assets held for resale

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

Assets held for resale are measured at the lower of their carrying value and fair value less costs to sell. Any impairment losses for write-downs of assets held for resale are recognised in the Statement of Comprehensive Revenue and Expense. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as assets held for resale.

10. LEASED ASSETS

Operating leases are recognised as an expense in the surplus or deficit on a straight-line basis over the lease term.

11. INTANGIBLE ASSETS

Computer software and Radio Licence

Computer software and Radio Licence are separately acquired and capitalised at its cost as at date of acquisition. After initial recognition, separately acquired assets are carried at cost less accumulated amortisation and accumulated impairment costs. Costs associated with maintaining computer software are recognised as an expense when incurred.

Course development costs

Course development costs relate to the development of educational courses and are capitalised when it is probable that future economic benefit arising from the use of the intangible asset will flow to WITT and the Group. Following the initial recognition of the course development expenditure, the cost model is applied and the asset is carried at cost, less accumulated amortisation and accumulated impairment losses. Staff training costs are recognised as an expense when incurred.

Website development costs

Website development cost are separately acquired and capitalised at its cost as at date of acquisition. The capitalised cost of the website development includes only external consultancy costs relating to the website application and infrastructure development phase all other costs associated with the development of the website was been recognised as an expense when incurred. After initial recognition, separately acquired assets are carried at cost less accumulated amortisation and accumulated impairment costs. Costs associated with maintaining the website content are recognised as an expense when incurred.

Amortisation

A summary of the policies applied to WITT and the Group are as follows:

Asset Class	Useful Life	Amortisation Method	Internally Generated or Acquired
Course Development Costs	5-10 years	SL	Internally Generated
Computer Software and Radio Licence	3-15 years	SL	Acquired
Website Development	3 years	SL	Acquired

The amortisation period and amortisation method for each class of intangible asset having a finite life is reviewed at each financial year-end. If the expected useful life or expected pattern of consumption is different from the previous assessment, changes are made accordingly. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The carrying value of each class of intangible asset is reviewed for indicators of impairment annually. Intangible assets are tested for impairment where an indicator of impairment exists. When there is an indicator of impairment, the asset's recoverable amount is estimated. 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 assets fair value less cost to sell and its value in use.

Gains or losses arising from derecognition of an intangible asset are measured as difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the surplus or deficit when the asset is derecognised.

Expenditure on research activities is recognised in the Statement of Comprehensive Revenue and Expense when incurred.

12. EMPLOYEE ENTITLEMENTS

Provision is made in respect of WITT liability for annual leave, sick leave, long service leave and retirement gratuities.

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service, are measured at nominal values based on accrued entitlements at current year rates of pay.

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

Annual leave has been calculated on an actual entitlement basis for current rates of pay.

Long service leave and retirement gratuities are calculated based on the present value of estimated future cashflows determined on an actuarial basis.

Sick leave liability has been calculated based on the expected usage in excess of accruing annual entitlements.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the surplus or deficit as they are incurred.

13. SUPERANNUATION SCHEMES

Defined contribution schemes

Obligations for contributions to the Government Superannuation Fund and Kiwisaver are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.

14. TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at face value and subsequently measured at amortised cost using the effective interest method.

15. BORROWING COSTS

All borrowing costs are recognised as an expense when incurred.

16. BORROWINGS

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

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

Floating rate debt

After initial recognition, debt instruments that are the subject of floating rate interest obligations are valued at "fair value through profit and loss". The face value of the loan obligation is likely to be a close approximation to this value and no additional accounting transactions will be necessary.

Fixed rate debt

After initial recognition, debt instruments that are the subject of fixed rate interest obligations are valued at "amortised cost", which uses the effective interest rate of allocating the interest expense over the life of the instrument. In normal commercial circumstances, the face value of the loan obligation is likely to be a close approximation to this value and no additional accounting transactions will be necessary. Where Crown loans are provided at a concessional or zero rate of interest, the difference between the fair value and the face value of the loan has been recognised as Equity at inception and interest costs are charged to the Statement of Comprehensive Revenue and Expense over the life of the instrument as though the interest rate was the prevailing market rate at the time the liability was entered into.

17. PROVISIONS

Provisions are recognised when the WITT and the Group has a present obligation (legal or constructive) as a result of a past event and when it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

18. BUDGET FIGURES

The budget figures are those approved by the Council at the end of the year prior to the start of the financial year. WITT's wholly owned subsidiary budget figures are approved by their Board of Directors at the end of the year prior to the start of the financial year.

The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by the Council for the preparation of financial statements.

19. GOODS AND SERVICES TAX (GST)

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

- where the GST incurred on a purchase of goods and 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
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the Inland Revenue Department ("IRD"), is included as part of receivables or payables in the Statement of Financial Position.

Cashflows are included in the cashflow statement on a gross basis and the GST component of cashflows arising from investing and financing activities, which is recoverable from, or payable to the IRD, is classified as an operating cashflow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the IRD.

20. TAXATION

Tertiary Institutions are exempt from the payment of income tax as they are treated by IRD as charitable organisations. Accordingly, no charge for income tax has been provided for within WITT, or NZIHT.

21. EQUITY

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

- Public equity
- Retained earnings
- Asset revaluation reserve.

Asset revaluation reserve

This reserve relates to the revaluation of land and buildings to fair value.

22. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, WITT has made estimates and assumptions concerning the future.

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

Crown owned land and buildings

Prior to 2019, property in the legal name of the Crown occupied by WITT was recognised as an asset in the Statement of Financial Position. WITT consider that it had assumed all the normal risks and rewards of ownership of the property despite legal ownership not being transferred and accordingly it would have been misleading to exclude these assets from the financial statements. During 2019, the legal ownership of this property was officially transferred to WITT. The transfer of property has had no impact of WITT's financial statements.

Distinction between revenue and capital contributions

Most Crown revenue 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, WITT and the Group accounts for the funding as a capital contribution directly in Equity.

Research leave

Teaching staff are entitled to research leave in certain circumstances. The substance of this leave is that it is leave from teaching duties to undertake research activity with staff continuing to earn their salary and other employee entitlements. WITT and the Group is of the view that research leave is not the type of leave contemplated in PBE IPSAS 25 Employee Benefits. Accordingly, a liability has not been recognised for such leave.

Estimating the fair value of land, buildings and infrastructure

The most recent valuations of land, buildings, and infrastructure were performed by an independent Registered valuer, I Baker FNZIV FPINZ of Telfer Young Valuers Property Advisors for WITT and NZIHT Land and Building valuations and Kees Beentjes of SPM Assets Limited for WITT Infrastructure Assets. The valuations are effective as at 31 December 2017.

Land

Fair value, using market-based evidence, is based on the highest and best use of the land, with reference to comparable land values. Adjustments have been made for the zoning and other statutory declarations as well as leases.

Buildings

Specialised buildings are buildings specifically designed for educational purposes. They are valued using depreciated replacement cost because no reliable market data is available for such buildings. Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions used in the 31 December 2017 valuation include:

- The replacement costs of the specific assets are adjusted where appropriate for optimisation due to over-design or surplus capacity. There has been no optimisation adjustments for the most recent valuations.
- The replacement cost is derived from recent construction contracts of actual contracts carried out recently and reference materials supplied by QV.
- The remaining useful life of assets is estimated after considering factors such as the condition of the asset, future maintenance and replacement plans, and experience with similar buildings.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings are valued at fair value using market-based evidence. Significant assumptions in the 31 December 2017 valuation include market rents and capitalisation rates:

- Market rents range from $123 to $195 per square metre. An increase (decrease) in market rents would increase (decrease) the fair value of non-specialised buildings.
- Capitalisation rates are market-based rates of return and range from 8% to 8.25%. An increase/(decrease) in the capitalisation rate would decrease/(increase) the fair value of non-specialised buildings.

Infrastructure

Infrastructure assets water utilities reticulation have been independently valued using depreciated replacement cost. The valuations have been performed in accordance with the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines issued by the NAMS Group. The significant assumptions applied in determining the depreciated replacement cost of infrastructure assets are similar to those described above for specialised buildings.

23. CRITICAL JUDGEMENTS IN APPLYING WITT AND GROUP ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying WITT accounting policies for the three-month period ending 31 March 2020:

Leases classification

Determining whether a lease agreement is a finance or operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to WITT or the Group. Judgement is required on various aspects that include but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Non-Government Grants

WITT and the Group must exercise judgement when recognising grant income to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

Rounding

The financial statements include rounding of numbers as the model used for the financial statements calculates to the dollar but the Annual Report is rounded to the nearest thousand.

Statement of comprehensive revenue and expense

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

	Notes	GROUP Actual 2020 3 months $000	GROUP Budget 2020 12 months $000	GROUP Actual 2019 12 months $000	PARENT Actual 2020 3 months $000	PARENT Budget 2020 12 months $000	PARENT Actual 2019 12 months $000
REVENUE							
Government grants	1(a)	11,624	11,967	12,158	11,624	11,967	12,158
Tuition fees	1(b)	4,535	12,350	8,918	3,408	7,813	5,251
Other revenue	1(c)	600	1,256	1,212	645	1,944	2,195
Total Revenue		**16,759**	**25,573**	**22,289**	**15,677**	**21,724**	**19,604**
EXPENDITURE							
Personnel costs	1(e)	3,005	12,161	11,917	3,005	12,477	11,901
Other expenses	1(f)	3,443	11,887	9,542	2,592	9,360	7,864
Depreciation expense	7	451	1,954	1,755	438	1,887	1,705
Amortisation expense	8	46	172	181	41	145	160
Finance costs	1(d)	64	248	235	64	243	231
Total Expenditure		**7,009**	**26,422**	**23,630**	**6,140**	**24,112**	**21,860**
Total Comprehensive Revenue and Expense		**9,750**	**(849)**	**(1,341)**	**9,537**	**(2,388)**	**(2,257)**

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

The accounting policies and notes form part of these financial statement and should be read in conjunction.

Statement of financial position

AS AT 31 MARCH 2020

	Notes	GROUP Actual 31 Mar 2020 $000	GROUP Budget 31 Dec 2020 $000	GROUP Actual 31 Dec 2019 $000	PARENT Actual 31 Mar 2020 $000	PARENT Budget 31 Dec 2020 $000	PARENT Actual 31 Dec 2019 $000
ASSETS							
Current assets							
Cash and cash equivalents	2	4,350	526	1,520	2,629	326	1,380
Other financial assets	5	5,060	3,060	4,060	5,060	3,060	4,060
Student fees and other receivables	3a	1,267	2,500	2,258	929	2,300	2,046
Inventories	4	186	200	198	186	100	198
Assets held for sale	6	-	-	1,172	-	-	-
Prepayments		654	821	495	643	671	477
Accrued revenue	3b	9,625	867	652	9,625	738	652
Total Current Assets		**21,142**	**7,974**	**10,354**	**19,072**	**7,195**	**8,812**
Non-current Assets							
Other financial assets	5	-	-	-	397	397	397
Property, plant and equipment	7	29,237	30,492	28,859	28,947	30,192	28,574
Intangible assets	8	921	881	967	852	821	893
Total Non-current Assets		**30,158**	**31,373**	**29,826**	**30,196**	**31,410**	**29,865**
TOTAL ASSETS		**51,300**	**39,347**	**40,180**	**49,268**	**38,605**	**38,677**
LIABILITIES							
Current Liabilities							
Trade and other payables	9	2,550	2,059	2,014	6,150	6,508	5,373
Borrowings	10	1,039	1,039	1,039	1,039	1,039	1,039
Employee entitlements	12	873	841	581	873	841	581
Revenue received in advance	11	5,475	5,051	4,888	3,757	4,354	3,726
Total Current Liabilities		**9,937**	**8,990**	**8,521**	**11,819**	**12,742**	**10,719**
Non-current liabilities							
Borrowings	10	3,490	2626	3,431	3,490	2,626	3,431
Employee entitlements	12	223	250	328	223	250	328
Total Non-current Liabilities		**3,713**	**2,876**	**3,759**	**3,713**	**2,876**	**3,759**
TOTAL LIABILITIES		**13,650**	**11,866**	**12,280**	**15,532**	**15,618**	**14,478**
NET ASSETS		**37,650**	**27,481**	**27,900**	**33,736**	**22,987**	**24,199**
EQUITY							
Equity	17	29,590	29,590	29,590	29,590	29,590	29,590
Retained earnings	17	(7,472)	(18,217)	(17,798)	(11,386)	(22,135)	(20,923)
Asset revaluation reserve	13	15,532	16,108	16,108	15,532	15,532	15,532
TOTAL EQUITY		**37,650**	**27,481**	**27,900**	**33,736**	**22,987**	**24,199**

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

The accounting policies and notes form part of these financial statement and should be read in conjunction.

Statement of cash flows

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

	Notes	GROUP Actual 2020 3 months $000	GROUP Budget 2020 12 months $000	GROUP Actual 2019 12 months $000	PARENT Actual 2020 3 months $000	PARENT Budget 2020 12 months $000	PARENT Actual 2019 12 months $000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipt of government grants		2,937	12,100	11,629	2,937	12,100	11,628
Receipt of tuition fees		5,614	12,450	11,035	5,419	8,973	6,558
Receipt of other ancillary income		166	936	690	164	875	645
Interest revenue received		27	115	140	27	115	140
Payments to suppliers		(3,039)	(11,256)	(9,735)	(2,841)	(6,428)	(5,439)
Payments to employees		(2,821)	(12,800)	(11,846)	(2,817)	(12,800)	(11,829)
Goods and Services Tax (net)		(46)	-	50	(90)	-	145
Net cash flows from operating activities		**2,838**	**1,545**	**1,964**	**2,799**	**2,835**	**1,848**
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts from sale of property, plant and equipment		1,561	1,350	-	-	-	-
Receipts from maturity of investments		1,000	5000	4,750	1,000	5,000	4,750
Purchase of property, plant and equipment		(567)	(3,750)	(1,187)	(548)	(3,750)	(962)
Purchase of intangible assets		(2)	(100)	(101)	(2)	(100)	(96)
Acquisition/roll over of investments		(2,000)	(4,000)	(5,250)	(2,000)	(4,000)	(5,250)
Net cash flows used in investing activities		**(8)**	**(1,500)**	**(1,788)**	**(1,550)**	**(2,850)**	**(1,559)**
CASH FLOWS FROM FINANCING ACTIVITIES							
Repayment of Crown Loan		-	(1039)	-	-	(1,039)	-
Net increase / (decrease) in cash and cash equivalents		**2,830**	**(994)**	**175**	**1,250**	**(1,054)**	**289**
Cash and cash equivalents at the beginning of the period		1520	1,520	1,345	1,380	1,380	1,091
Cash and cash equivalents at the end of the period	**2**	**4,350**	**526**	**1,520**	**2,629**	**326**	**1,380**

The GST (net) component of operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

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

The accounting policies and notes form part of these financial statement and should be read in conjunction.

Statement of changes in equity

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

	Public Equity $000	Retained Earnings $000	Revaluation Reserve $000	Total $000	Budget $000
GROUP					
At 1 January 2019	**29,590**	**(16,457)**	**16,108**	**29,242**	**29,063**
Comprehensive revenue and expense					
Surplus / (Deficit)	-	(1,341)	-	(1,341)	(1,162)
Total Comprehensive Revenue and expense	(1,341)	-	(1,341)	(1,162)	
At 31 December 2019	**29,590**	**(17,798)**	**16,108**	**27,900**	**27,901**
Comprehensive revenue and expense:					
Surplus / (Deficit)	-	9,750	-	9,750	(849)
Transfer of revaluation reserve on sale of building	-	576	(576)	-	-
At 31 March 2020	**29,590**	**(7,472)**	**15,532**	**37,650**	**27,052**
PARENT					
At 1 January 2019	**29,590**	**(18,666)**	**15,532**	**26,456**	**27,384**
Comprehensive revenue and expense					
Surplus / (Deficit)	-	(2,257)	-	(2,257)	(2,009)
Total Comprehensive Revenue and expense	(2,257)	-	(2,257)	(2,009)	
At 31 December 2019	**29,590**	**(20,923)**	**15,532**	**24,199**	**25,375**
Comprehensive revenue and expense:					
Surplus / (Deficit)	-	9,537	-	9,537	(2,388)
At 31 March 2020	**29,590**	**(11,386)**	**15,532**	**33,736**	**22,987**

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

The accounting policies and notes form part of these financial statement and should be read in conjunction.

Notes to the financial statements

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

1. REVENUES AND EXPENSES

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
(a) Government Grants				
Operational Bulk Grant	11,485	12,019	11,485	12,019
Māori and Pacific Island Grant	17	17	17	17
Disabilities Special Supplementary Grant	30	30	30	30
Special Education Special Supplementary Grant	92	92	92	92
Total Government Grants	**11,624**	**12,158**	**11,624**	**12,158**
(b) Tuition Fees				
Fees from domestic students	1,485	3,843	1,012	1,674
Fees-free receipts on behalf of domestic students	1,444	1,449	1,422	1,383
Fees from international students	1,606	3,627	974	2,194
Total tuition fees	**4,535**	**8,918**	**3,408**	**5,251**
(c) Other Revenue				
Restaurant operations	5	47	5	47
Gain on disposal of property, plant and equipment	389	4	-	4
Bad Debts recovered	-	2	-	2
Interest earned on bank deposits	33	147	33	147
Other Government revenue	46	232	46	232
Other operating activities	127	780	561	1,763
Total other revenue	**600**	**1,212**	**645**	**2,195**
(d) Finance Costs				
Bank fees and overdrafts	5	13	5	9
Crown loans fair value	59	222	59	222
Total finance costs	**64**	**235**	**64**	**231**
(e) Personnel Costs				
Wages and salaries	2,749	11,556	2,749	11,539
Employer contributions to defined contribution plans	69	290	69	290
Increase in employee entitlements	187	71	187	71
Total Personnel costs	**3,005**	**11,917**	**3,005**	**11,901**

Employer contributions to defined contribution schemes include contributions to KiwiSaver and the Government Superannuation Fund (GSF).

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
(f) Other Expenses				
Fees paid to principal auditor				
– audit fee related for financial statement audit	105	169	105	124
Repairs and maintenance	236	725	234	713
Advertising and public relations	152	609	138	545
Consultants and legal fees	109	222	104	202
Travel and accommodation	91	438	21	137
Research and development	-	11	-	11
Minimum lease payments – operating lease	14	14	14	14
Loss on disposal of property, plant and equipment	-	6	-	6
Doubtful debt provision	116	(115)	116	(115)
Bad debts written off	-	172	-	171
Software Licenses	113	372	113	370
Third party supplier payments	22	300	22	300
NZIHT payments	-	-	270	2,063
Other operating expenses	2,485	6,622	1,455	3,323
Total other expenses	**3,443**	**9,542**	**2,592**	**7,864**

2. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
Cash at bank and in hand	4,350	1,520	2,629	1,380
Total cash and cash equivalents	**4,350**	**1,520**	**2,629**	**1,380**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Other financial assets include term deposits with maturities that range from 3 to 12 months.

3. STUDENT FEES AND OTHER RECEIVABLES

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
3a. Student fees receivables				
Student fees receivables	1,517	2,452	1,189	2,240
Provision for doubtful debts	(458)	(342)	(458)	(342)
Net student fees receivables	1,059	2,110	731	1,898
Other Receivables				
Other Receivables	208	148	198	148
Total student fees and other receivables	**1,267**	**2,258**	**929**	**2,046**

Fair Value

Student fees are due before a course begins or are due upon enrolment if the course has already begun. Student fee receivables are non-interest bearing and are generally paid in full by the course start date. Therefore, their carrying value approximates their fair value.

The provision for impairment has been calculated based on expected losses for WITT and the Group's pool of receivables. Expected losses have been determined based on an analysis of WITT and the Group's losses in previous periods and review of specific receivables. All receivables greater than 30 days in age are considered to be past due. There are no provisions for impairment on other receivables.

Movements in the provision for impairment of student fee receivable are as follows:

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
At 1 January	342	457	342	457
Additional provisions made during the year	116	56	116	56
Receivables written off during the year	-	(171)	-	(171)
Total impairment as at 31 March 2020/ 31 December 2019	**458**	**342**	**458**	**342**

Receivables classified as exchange or non-exchange transactions are as follows:

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
Receivables under exchange transactions				
Other receivables	208	148	198	148
Total receivables under exchange transactions	208	148	198	148
Receivables under non-exchange transactions				
Student fees receivables	1,517	2,452	1,189	2,240
Provision for doubtful debts	(458)	(342)	(458)	(342)
Total receivables under non-exchange transactions	1,059	2,110	731	1,898
Total student fees and other receivables	**1,267**	**2,258**	**929**	**2,046**

3b. The significant increase in accrued revenue is due to the Institute recognising the remaining 2020 investment plan funding per accounting policy on page 3.

4. INVENTORIES

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
Materials and consumables	186	198	186	198
Total inventories	**186**	**198**	**186**	**198**

There has been no write down of inventory during the year. Inventory has not been pledged as security.

5. FINANCIAL ASSETS IN THE NATURE OF INVESTMENTS

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
CURRENT				
Other financial assets – term deposits	5,060	4,060	5,060	4,060
NON-CURRENT				
Investment in New Zealand Institute of Highway Technology	-	-	397	397
Total financial assets in the nature of investments	**5,060**	**4,060**	**5,457**	**4,457**

New Zealand Institute Highway Technology (NZIHT) is a wholly owned subsidiary of WITT. The principal activity of NZIHT is the provision of industry relevant qualifications and short courses. All financial assets in the nature of investments are recorded at historical cost with no impairment made.

6. ASSETS HELD FOR SALE

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
Land and Buildings	-	1,172	-	-
Total inventories	**-**	**1,172**	**-**	**-**

Assets held for sale comprise the building owned by NZIHT at 5 Young Street New Plymouth which was sold on 27 March 2020.

7. PROPERTY, PLANT AND EQUIPMENT

	Cost / Valuation 1/1/2020	Accumulated Depreciation and Impairment charges 1/1/2020	Carrying Amount 1/1/2020	Current Year Additions	Current Year Disposals	Elimination on Disposal	Current Year Depreciation	Reclassifications	Transferred to assets held for sale	Cost/ Valuation 31/03/2020	Accumulated Depreciation and Impairment charges 31/03/2020	Carrying Amount 31/03/2020
GROUP 2020												
Land and Buildings	28,589	(2,394)	26,195	350	-	-	(315)	-	-	28,940	(2,710)	26,230
Plant and Equipment	5,666	(3,601)	2,064	146	(3)	2	(89)	-	-	5,809	(3,689)	2,120
Motor Vehicles	271	(186)	86	-	-	-	(6)	-	-	271	(192)	80
Computer Hardware	1,865	(1,427)	438	99	-	-	(41)	-	-	1,964	(1,468)	496
Work in Progress	75	-	75	309	(73)	-	-	-	-	311	-	311
	36,467	(7,609)	28,858	904	(76)	2	(451)	-	-	37,295	(8,058)	29,237
PARENT 2020												
Land and Buildings	28,452	(2,394)	6,058	350	-	-	(310)	-	-	28,802	(2,704)	26,098
Plant and Equipment	5,505	(3,556)	1,949	129	(2)	2	(84)	-	-	5,632	(3,638)	1,994
Motor Vehicles	181	(116)	64	-	-	-	(4)	-	-	181	(121)	60
Computer Hardware	1,741	(1,314)	427	96	-	-	(39)	-	-	1,837	(1,353)	484
Work in Progress	75	-	75	309	(73)	-	-	-	-	311	-	311
	35,953	(7,379)	28,574	884	(75)	2	(438)	-	-	36,763	(7,815)	28,947

	Cost / Valuation 1/1/2019	Accumulated Depreciation and Impairment charges 1/1/2019	Carrying Amount 1/1/2019	Current Year Additions	Current Year Disposals	Elimination on Disposal	Current Year Depreciation	Reclassifications	Transferred to assets held for sale	Cost/ Valuation 31/12/2019	Accumulated Depreciation and Impairment charges 31/12/2019	Carrying Amount 31/12/2019
GROUP 2019												
Land and Buildings	29,177	(1,197)	27,981	585	-	-	(1,247)	50	(1,172)	28,589	(2,394)	26,195
Plant and Equipment	5,272	(3,381)	1,891	555	(24)	19	(329)	(50)	-	5,666	3,601)	2,064
Motor Vehicles	271	(161)	110	-	-	-	(24)	-	-	271	(186)	86
Computer Hardware	2,310	(1,849)	461	135	(495)	492	(155)	-	-	1,865	(1,427)	438
Work in Progress	161	-	161	75	(161)	-	-	-	-	75	-	75
	37,192	(6,588)	30,605	1,349	(680)	512	(1,755)	-	(1,172)	36,467	(7,609)	28,859
PARENT 2019												
Land and Buildings	27,999	(1,173)	26,827	402	-	-	(1,221)	50	-	28,452	(2,394)	26,058
Plant and Equipment	5,108	(3,257)	1,851	471	(24)	19	(318)	(50)	-	5,505	(3,556)	1,949
Motor Vehicles	181	(99)	82	-	-	-	(18)	-	-	181	(116)	64
Computer Hardware	2,108	(1,658)	450	128	(495)	492	(148)	-	-	1,741	(1,314)	427
Work in Progress	113	-	113	75	(113)	-	-	-	-	75	-	75
	35,509	(6,187)	29,323	1,076	(632)	512	(1,705)	-	-	35,953	(7,379)	28,574

Revaluations

Land

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

Prior to 2019, property in the legal name of the Crown occupied by WITT was recognised as an asset in the Statement of Financial Position. WITT consider that it had assumed all the normal risks and rewards of ownership of the property despite legal ownership not being transferred and accordingly it would have been misleading to exclude these assets from the financial statements. During 2019, the legal ownership of this property was officially transferred to WITT. The transfer of property has had no impact of WITT's financial statements.

A sub-lease over 1.0580ha of the main campus has been granted to Annik Investments Limited until 2045, with an automatic renewal for a further 33 years if not withdrawn 6 months before expiry on 14 June 2045.

The most recent valuation of land was performed on 31 January 2018 by a registered valuer Ian Baker, independent Registered Valuer, of the firm Telfer Young, and the valuation is effective as at 31 December 2017.

Buildings

Buildings have been designed specifically for educational purposes. Buildings are valued at depreciated optimised replacement cost because no reliable market data is available for buildings designated for educational delivery purposes. Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

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

The most recent valuation of buildings was performed on 31 January 2018 by a registered valuer Ian Baker, independent Registered Valuer, of the firm Telfer Young, and the valuation is effective as at 31 December 2017. The most recent valuation of water utilities reticulation was performed on 14 March 2018 by a registered valuer Kees Beenjes, independent Registered Valuer, of the firm SPM Assets Ltd, and the valuation is effective as at 31 December 2017. There was no plant and equipment held under finance leases and hire purchase contracts at 31 March 2020. There are no restrictions over the title of WITT and the Group's property, plant and equipment assets, nor are any property, plant and equipment assets pledged as security for liabilities.

Restrictions on title

Under the Education Act 1989 WITT is required to obtain consent from the Ministry of Education to dispose or sell any property, where the value of the property exceeds $50,000.

8. INTANGIBLE ASSETS

	Cost / Valuation 1/1/2020	Accumulated Amortisation and Impairment charges 1/1/2020	Carrying Amount 1/1/2020	Current Year Additions	Current Year Disposals	Current Year Amortisation	Cost/ Valuation 31/03/2020	Accumulated Amortisation and Impairment charges 31/03/2020	Carrying Amount 31/03/2020
GROUP 2020									
Course Development	1,027	(681)	345	-	(8)	(22)	1,027	(703)	315
Computer Software	1,488	(986)	503	8	-	(21)	1,488	(1,007)	490
Broadcasting Licences	248	(132)	116	-	-	(3)	248	(135)	113
Work in progress	3	-	3	3	(3)	-	3	-	3
	2,766	(1,798)	967	13	(13)	(46)	2,766	(1,844)	921
PARENT 2020									
Course Development	398	(134)	264	-	-	(17)	398	(151)	246
Computer Software	1,361	(851)	511	-	-	(21)	1,361	(872)	490
Broadcasting Licences	248	(132)	116	-	-	(3)	248	(135)	113
Work in progress	3	-	3	3	(3)		3	-	3
	2,011	(1,117)	893	3	(3)	(41)	2,010	(1,158)	852

	Cost / Valuation 1/1/2019	Accumulated Amortisation and Impairment charges 1/1/2019	Carrying Amount 1/1/2019	Current Year Additions	Current Year Disposals	Current Year Amortisation	Cost/ Valuation 31/03/2019	Accumulated Amortisation and Impairment charges 31/03/2019	Carrying Amount 31/03/2019
GROUP 2019									
Course Development	928	(611)	317	98	-	(70)	1,027	(681)	345
Computer Software	1,488	(888)	601	-	-	(98)	1,488	(986)	503
Broadcasting Licences	248	(120)	128	-	-	(12)	248	(132)	116
Work in progress	0	-	0	3	-	-	3	-	3
	2,665	(1,617)	1,047	101	-	(181)	2,766	(1,798)	967
PARENT 2019									
Course Development	305	(83)	223	94	-	(51)	398	(134)	264
Computer Software	1,359	(754)	606	-	-	(97)	1,361	(851)	511
Broadcasting Licences	248	(120)	128	-	-	(12)	248	(132)	116
Work in progress	-	-	-	3	-	-	3	-	3
	1,913	(957)	957	96	-	(160)	2,011	(1,117)	893

Course development costs and computer software are capitalised at cost. These intangible assets have been assessed as having finite lives and are amortised using the straight line method over a period between 3 and 15 years.

The additions to computer software represent intangible assets acquired separately.

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

9. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
Payables under exchange transactions				
Trade payables	1,368	1,070	1,106	862
GST payable	292	495	233	466
Other payables	883	444	586	537
Total payables under exchange transactions	2,543	2,008	1,925	1,864
Payables under non-exchange transactions				
Payables to subsidiary	-	-	4,225	3,508
Other taxes payable	7	5	-	-
Total payables under non-exchange transactions	7	5	4,225	3,508
Total Trade and other payables	**2,550**	**2,014**	**6,150**	**5,373**

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payables are non-interest bearing and have an average term of 30 days. The carrying value of Trade and other payables approximate fair value. For terms and conditions relating to related parties refer to note 18.

10. BORROWINGS

	Maturity	GROUP		PARENT	
		2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
Current					
Crown loan	Dec-20	1,039	1,039	1,039	1,039
Non-current					
Crown loan	2021 – 2024	3,490	3,431	3,490	3,431
Total Borrowings		**4,529**	**4,470**	**4,529**	**4,470**

WITT's non-current borrowings is a Crown loan of $5.196m which is repayable in equal instalments over a five year period between 2020 and 2024.

The Crown loan is interest free and as such has a fair value as at 31 March 2020 of $4.53m (31 December 2019: $4.47m). The discount amount of $2.51m is being written back to the interest free Crown loan over the loan period from 2009 to 2024 through the Statement of Comprehensive Revenue and Expense. In determining the fair value at the inception of the interest free Crown loan, a present value calculation was completed using a commercial loan discount rate of 5.24%.

11. REVENUE RECEIVED IN ADVANCE

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
Student tuition fees	5,290	4,743	3,578	3,581
Clinical skills facility funding	36	36	36	36
Other revenue in advance	149	109	143	109
Total revenue received in advance	**5,475**	**4,888**	**3,757**	**3,726**

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

12. EMPLOYEE ENTITLEMENTS

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
Current portion				
Accrued pay	237	13	237	13
Annual Leave	505	543	505	543
Long service leave	16	14	16	14
Retiring leave	115	10	115	10
Total current portion	**873**	**581**	**873**	**581**
Non-current portion				
Long service leave	26	26	26	26
Sick leave	13	13	13	13
Retiring leave	184	289	184	289
Total non-current portion	**223**	**328**	**223**	**328**
Total employee entitlements	**1,096**	**909**	**1,096**	**909**

13. ASSET REVALUATION RESERVE

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
At 1 January	16,108	16,108	15,532	15,532
Sale of revalued building	(576)	-	-	-
Total asset revaluation reserve as at 31 Mar 2020 / 31 Dec 2019	**15,532**	**16,108**	**15,532**	**15,532**
Asset revaluation reserves consist of:				
Land	2,895	3,285	2,895	2,895
Buildings	12,637	12,823	12,637	12,637
Total asset revaluation reserves	**15,532**	**16,108**	**15,532**	**15,532**

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

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

WITT and the Group's principal financial instruments comprise Crown loans, bank deposits, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for WITT and the Group's operations.

WITT and the Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is and has been throughout the period under review, WITT and the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from WITT and the Group's financial instruments are market risk, liquidity risk and credit risk. The Council reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. WITT and the Group's exposure to fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest.

Cashflow interest rate risk

Cashflow interest rate risk is the risk that the cashflows from a financial instrument will fluctuate because of changes in market interest rates. Investments and borrowings issued at variable interest rates expose WITT and the Group to cashflow interest rate risk.

WITT and the Group's Investment Policy requires a spread of investment maturity dates to limit exposure to short term interest rate movements.

Currency risk

Currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate due to changes in foreign exchange rates.

WITT and the Group purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies. WITT and the Group's exposure to foreign currency risk is minimal.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. WITT and the Group's exposure to equity securities price risk is minimal as the equity securities held are not in listed companies.

Liquidity risk

Liquidity risk is the risk that WITT and the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash reserves. WITT's $5.196m Crown loan is due for repayment from 2020 to 2024. The annual amount of repayment is $1.0392m. Council is actively managing the liquidity risk posed by the future Crown loan repayments.

Credit risk

A credit risk is the risk that a third party will default on its obligation to WITT and the Group, causing WITT and the Group to incur a loss. With the exception of student fees, WITT and the Group trades only with recognised, creditworthy third parties.

Due to the timing of its cash inflows and outflows, WITT and the Group invests surplus cash with registered banks. WITT and the Group's Investment Policy limits the amount of credit exposure to any one institution. WITT and the Group has processes in place to review the credit quality of customers prior to the granting of credit.

WITT and the Group's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (note 2), net debtors (note 3) and term deposits (note 5a). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

WITT and the Group has no significant concentrations of credit risk, as it has a small number of credit customers and only invests funds with registered banks.

15. FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements at other than fair values.

	CARRYING AMOUNT		FAIR VALUE	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
GROUP				
Financial assets				
Loans and receivables				
Student Fees and other receivables	1,267	2,258	1,267	2,258
Cash and cash equivalents	4,350	1,520	4,350	1,520
Other financial assets – term deposits	5,060	4,060	5,060	4,060
Total loans and receivables	**10,677**	**7,838**	**10,677**	**7,838**
Financial liabilities				
Financial Liabilities measured at amortised cost				
Trade payables	2,550	2,014	2,550	2,014
Borrowings - Crown loans	4,529	4,470	4,529	4,470
Total financial liabilities measured at amortised cost	**7,079**	**6,484**	**7,079**	**6,484**
PARENT				
Financial assets				
Loans and receivables				
Student Fees and other receivables	929	2,046	929	2,046
Cash and cash equivalents	2,629	1,380	2,629	1,380
Other financial assets – term deposits	5,060	4,060	5,060	4,060
Total loans and receivables	**8,618**	**7,486**	**8,618**	**7,486**
Financial Liabilities				
Financial Liabilities measured at amortised cost				
Trade Payables	6,150	5,373	6,150	5,373
Borrowings - Crown loans	4,529	4,470	4,529	4,470
Total financial liabilities measured at amortised cost	**10,679**	**9,843**	**10,679**	**9,843**

16. COMMITMENTS AND CONTINGENCIES

Capital commitments

	GROUP		PARENT	
CAPITAL COMMITMENTS	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
Land and Buildings	85	227	85	227
Intangible assets	3	3	3	3
Total capital commitments	**88**	**230**	**88**	**230**

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

Operating lease commitments – Group as lessee

The WITT and the Group has entered into property leases where it is not in the best interest of WITT and the Group to purchase these assets. These leases have a life ranging from 1 - 5 years with renewal terms included in the contracts. Renewals are at the option of WITT and NZIHT who holds the lease. There are no restrictions placed upon the lessee by entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
Within one year	320	318	124	123
After one year but not more than five years	960	1,048	201	232
More than five years	-	-	-	-
Total operating lease commitments	**1,280**	**1,366**	**324**	**355**

Finance lease and hire purchase commitments

WITT and the Group has no finance leases or hire purchase contract commitments. (2019: Nil)

Contingent assets

At balance date WITT and the Group is not aware of any material contingent assets. (2019: Nil)

Contingent liabilities

At balance date WITT and the Group have no outstanding contingent liabilities. (2019: Nil).

17. EQUITY

	GROUP		PARENT	
	2020 3 months $000	2019 12 months $000	2020 3 months $000	2019 12 months $000
Public Equity				
Balance 1 January & 31 March/December	29,590	29,590	29,590	29,590
Retained Earnings				
General funds				
Balance at 1 January	(17,892)	(16,551)	(21,017)	(18,761)
Property Revaluation Reserve Transfer on Disposal	576	-	-	-
Surplus / (Deficit) for the year	9,750	(1,341)	9,537	(2,257)
Closing Balance	(7,566)	(17,892)	(11,480)	(21,018)
Restricted reserves				
Balance 1 January	94	95	94	95
Interest received	1	2	1	2
Application of trusts and bequests	(1)	(3)	(1)	(3)
Closing Balance	94	94	94	94
Total Retained earnings	(7,472)	(17,798)	(11,386)	(20,923)
Asset revaluation reserves				
Balance 1 January	16,108	16,108	15,532	15,532
Transfer to General Funds on Disposal of Property	(576)	-	-	-
Closing Balance	**15,532**	**16,108**	**15,532**	**15,532**
Total Equity	**37,650**	**27,900**	**33,736**	**24,199**

18. RELATED PARTY DISCLOSURE

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect that WITT would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with Government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements with TEIs and undertaken on the normal terms and conditions for such transactions.

Related party transactions required to be disclosed

WITT provides administrative services to its subsidiary NZIHT. The value of these services for the three months to 31 March 2020 is $151,000 (2019: $303,000). WITT charges international commission costs to NZIHT for courses provided to international students on behalf of WITT. The value of the commission charged for the three months to 31 March 2020 is $422,000 (12 Months - 2019: $576,000).

Receipt of Services

From 30th March 2015 all NZIHT employees were transferred to be employees of WITT. WITT processes the payroll for the staff working at NZIHT and on charges the actual cost to NZIHT on a monthly basis. Payroll expenses charged to NZIHT from WITT for the three months to 31 March 2020 totalled $287,000 (12 Months - 2019: $1,028,000).

Revenue

NZIHT provide courses on behalf of WITT. During the three months to 31 March 2020 NZIHT invoiced WITT $1,821,000 (12 Months - 2019: $4,187,000) consisting of revenue from SAC funded courses and student fees.

Related party payable

At 31 March 2020 WITT owed NZIHT $4,225,000 (31 December 2019: $3,508,000). There are currently no repayment terms and the amount owing is non-interest bearing.

Prior period restatement

WITT purchased course related products in 2019[1] for $20,000 from Action Consulting Group Limited, there were nil amounts owing at 31 December 2019. The course related products were purchased at terms more favourable than the cost per unit for similar products purchased from other providers at arms' length. There were no purchases in the period ended 31 March 2020. The CEO of WITT is the sole shareholder/director of the Action Consulting Group Limited.

Key Management Personnel Compensation

	GROUP AND PARENT			
	2020 3 months FTE	2019 12 months FTE	2020 3 months $000	2019 12 months $000
Council Members				
Full-time equivalent members	7.0	7.0		
Remuneration			32	123
Executive Management Team, including the Chief Executive				
Full-time equivalent members	8.0	6.3		
Remuneration			331	990
Total key management personnel compensation	15.0	13.3	363	1,113

Due to the difficulty in determining the full-time equivalent for Council members, the full-time equivalent is taken as the number of Council members excluding any members who left their positions during the period/year.

1 These related party transactions were not disclosed in the 31 December 2019 financial Statements. Subsequent to the authorisation of the 2019 financial Statements, the transactions have been assessed as related party transactions and the 2019 comparative has been disclosed in the financial statements ended 31 March 2020.

Councillor payments

Councillor remuneration paid or payable during the year was:			GROUP AND PARENT	
Present Council			2020 3 months $000	2019 12 months $000
Brockie, R	Chairperson	Minister appointed	7	30
French-Wright, L	Deputy Chairperson	Minister appointed	5	18
Trundle, S		Minister appointed	4	15
Fleming, D		Minister appointed	4	15
Crowley, C		Council statute appointed	4	15
Dingle, R		Council statute appointed	4	15
Littlewood, C		Council statute appointed	4	15
Total Councillor payments			**32**	**123**

2020 Total headcount for the Council at 31 March is 7 members (2019: 7 Members).

19. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanation for significant variations from group budgeted figures are as follows:

Statement of comprehensive revenue and expense

Actual figures for the three-month period to 31 March 2020 are not directly comparable to budget as the budget was prepared for the twelve-month period to 31 December 2020. On 1 April 2020, Western Institute of Technology at Taranaki (WITT) changed from a Tertiary Education Institute (TEI) to a Crown entity subsidiary company (WITT Limited) of the newly created TEI, known as the New Zealand Institute of Skills and Technology, which resulted in the requirement for WITT to prepare disestablishment financial statements to 31 March 2020.

A second significant difference is that financial reporting standards require WITT to record public benefit entity (PBE) non-exchange revenue of $14.5M, as at 31 March, relating to the delivery of teaching and learning over the remainder of 2020. The effect of the PBE adjustment for non-exchange revenue at 31 March is considerable.

Statement of Financial Position

The actual Balance Sheet at 31 March 2020 reflects an early stage in the academic year, when students have enrolled and significant payments of student fees have been received, but relatively little delivery of teaching and learning has occurred. The budgeted Balance Sheet represents the expected position at 31 December 2020, when the academic year has concluded, nine months later than the actuals, so the ability to make useful comparisons is limited.

Statement of Cash Flows

Refer to the explanations provided above for the Balance Sheet and for the Revenue Statement. The three-month actual cash flow figures to 31 March 2020 are not directly comparable with the twelve-month budget cash flow figures to 31 December 2020, because of the different number of months and also various seasonal differences.

20. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, Western Institute of Technology at Taranaki was disestablished and its assets and liabilities were transferred to a new company, Western Institute of Technology at Taranaki Limited, on 1 April 2020. The subsidiary NZIHT was also amalgamated into the new entity on 31 December 2020.

21. THE EFFECTS OF COVID-19 ON THE INSTITUTE

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

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

After 13 May, the Institute reopened delivery sites where possible under level 2 and subsequently Level 1 protocols and continued to teach online where appropriate.

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 greater certainty that it can continue to deliver to students despite disruption caused by COVID-19. A consequence of this is that the Institute has, under financial reporting standards, recorded all government funding and fees free revenue for the 2020 year as revenue for the three months ended 31 March 2020, not just that proportion represented by domestic student enrolments past the withdrawal date. The receivable for all the remaining 2020 funding to be received after balance date is similarly greater (see accrued revenue in the Statement of financial position).

Student fees

Domestic students were unable to physically enrol or attend classes once lockdown commenced. Recruitment of students therefore slowed during this time and some enrolled students were allowed to withdraw on compassionate grounds. However, it is expected that domestic student enrolments will recover for 2020 as the year progresses and it is expected that numbers for 2021 will be stronger, as demand for reskilling and upskilling increases.

International students were unable to arrive after the lockdown commenced in March, reducing cash flow and revenue. It is unclear when borders may open and further arrivals and enrolments for 2020 delivery seem unlikely. While revenue has not been significantly affected in the financial statements, it is expected to be below budget over the remainder of 2020. Planning across the sector towards a resumption of international student arrivals for 2021 is underway.

Operating expenses

As a result of COVID-19, the Institute has incurred additional expenditure on cleaning, software licencing and preparing the campus to operate under the various covid-19 alert levels. However, other expenditure has been deferred or reduced e.g. travel and commission paid to overseas agents. Overall changes in expenditure have not been significant, nor are expected to be over 2020.

Valuation of land and buildings

The reduction in property transactions during lockdown has had little impact on the valuation of our land and buildings as at 31 March 2020.

Land and buildings were last revalued as at 31 December 2017. While Covid-19 has created some valuation uncertainties in respect of land, the Institute has assessed and determined the carrying amount of land and buildings as at 31 March 2020 does not materially differ to their fair value at that date. Any future decisions on the use of land and buildings are the responsibility of Western Institute of Technology at Taranaki Limited.

The key valuation assumptions used in estimating the fair value of land and buildings at 31 March 2020 are provided below:

- Initial post lockdown transactions indicate no differential between pre-lockdown levels; however, this observation is based on limited activity.
- Business are reporting that initial post lockdown trading has been strong; however, insufficient time has passed to determine if this is a result of pent up demand or a general expectation that pre-lockdown conditions have returned.
- Central Government support packages are still in place and the full impact of COVID19 will become evident in the coming months.
- Sales transactions are not being completed in the post lockdown economic climate. The low interest rate environment and lack of alternative investments appears to be fuelling strong demand similar to earlier in 2020. This has been met with a low supply of stock coming on the market. Overall, transactions since lockdown have been limited however generally there appears to be little change in market levels to date.

Impairment of tangible and intangible assets

An impairment assessment has been completed for tangible and intangible assets. The result of this assessment was no impairments were considered necessary. We still intend to use all facilities and traditionally demand increases in recessionary times. Intangibles are expected to retain their value over their life.

22. FINANCIAL SUSTAINABILITY BEYOND 31 MARCH 2020

During the first quarter of 2020 WITT continued to focus on growth and achieved an increase in total equivalent full-time students (EFTS) of 16% verses semester one enrolments in 2019 which included growing international EFTS by 96%. As a result, WITT's cash balances (including term deposits) at 31 March 2020 was $9.4m which is $3.8m higher than 31 December 2019 and $2.7m higher than at the same time in the previous year.

Achieving this strong semester one enrolment result has been important for WITT as it has provided a stable financial base from which to deal with the impacts of the COVID-19 pandemic. The main impact of COVID-19 results from New Zealand closing its border to International Students which severely limits semester two 2020 international student enrolments. WITT's response has been to focus on increasing domestic enrolments for semester two while managing capital and operating costs and achieving savings where possible. The Tertiary Education Commission has announced that they will not claw back any 2020 Government funding for under delivery which guarantees budgeted Government revenue for the year. As a result, WITT is forecasting cash in bank at the end of 2020 of $1.5m which is $2.1m lower than 2020 budget. Given the inflow of funds that occurs in the early part of the year, as students enrol in semester one programmes, there will also be sufficient funds for WITT's operations for at least 12 months following the approval of these financial statements.

Further to this the new entity WITT Limited has a letter of support in place and a loan facility with its parent, Te Pūkenga to assist with funding its operations and capital requirements till the entity is disestablished and amalgamated into its parent entity. The existing loan with TEC was also converted to equity in September 2021 and further loan repayments are not required. This means WITT Limited will continue to be able to fund its operations and remain financially viable until it is formally disestablished from 1 Novemebr 2022.

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

Independent Auditor's Report

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

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

OPINION

We have audited the financial statements of the Polytechnic and group on pages 3 to 29, which have been prepared on a disestablishment basis, that comprise the statement of financial position as at 31 March 2020, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the period ended on that date, statement of accounting policies and the notes to the financial statements that include other explanatory information.

In our opinion the financial statements of the Polytechnic and group on pages 3 to 29, 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 Standards Reduced Disclosure Regime.

Our audit was completed on 27 May 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. In addition, we outline the responsibilities of the Te Pūkenga - New Zealand Institute of Skills and Technology (Te Pūkenga) Council (the Te Pūkenga Council)) and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

EMPHASIS OF MATTERS

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

The financial statements have been appropriately prepared on a disestablishment basis

Accounting policy Note 2 on page 3 outlines that the financial statements have been prepared on a disestablishment basis. We consider the disestablishment basis to be appropriate because the Polytechnic and group ceased as an entity and its assets and liabilities were transferred to Western Institute of Technology at Taranaki Limited (a subsidiary of Te Pūkenga) on 1 April 2020 as a result of the reform of the institutes of technology and polytechnics sector (the sector). Subsequent to this, the subsidiary of Te Pūkengahas been disestablished on 31 October 2022 and its assets and liabilities have been transferred to Te Pūkenga.

COVID-19

Note 21 on pages 28 outlines the impact of the Covid-19 pandemic on the Polytechnic and group. This includes an explanation of the impact on the Polytechnic and group's operations, revenues, expenses and carrying values of certain assets.

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 TE PŪKENGA COUNCIL FOR THE FINANCIAL STATEMENTS

The Te Pūkenga Council has taken over the responsibilities for preparing the financial statements of institutes of technology and polytechnics whose financial statements were not prepared or completed at the close of the sector's reform process. This is to enable the completion of such financial statements and the audit, where the entity's Council or Board (as applicable) no longer exists.

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

The Te Pūkenga Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Te Pūkenga Council's responsibilities arise from the transition provisions in the Education (Vocational Education and Training Reform) Amendment Act 2020.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Polytechnic and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Te Pūkenga Council.
- We conclude on the appropriateness of the use of the disestablishment basis of accounting by the Te Pūkenga 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 Te Pūkenga 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 Te Pūkenga Council is responsible for the other information. The other information comprises the information included on page 2, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the Polytechnic and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Polytechnic or any of its subsidiaries.

Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand


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