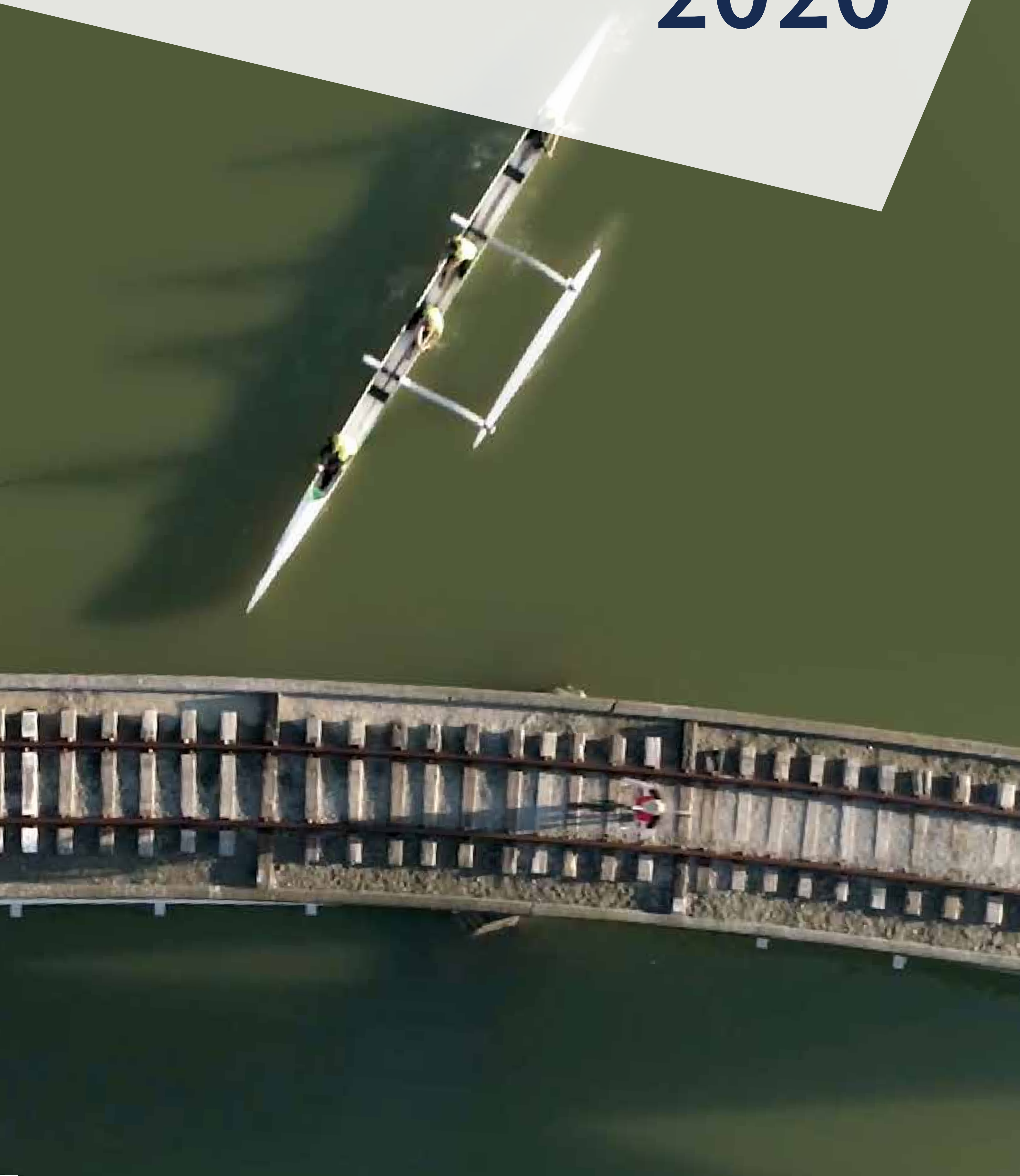
EASTERN INSTITUTE OF TECHNOLOGY

FINAL REPORT 2020



MISSION STATEMENT

EIT's Mission is to provide high quality, relevant and accessible tertiary education for the well-being of our students, whānau and communities.

OUR VISION

Engage Students

Inspire Communities

Transform Worlds

OUR VALUES

Inspire
Success

Nurture
Whanaungatanga

Act
with Integrity

Be
Committed

OUR PRIORITIES

Success for Māori

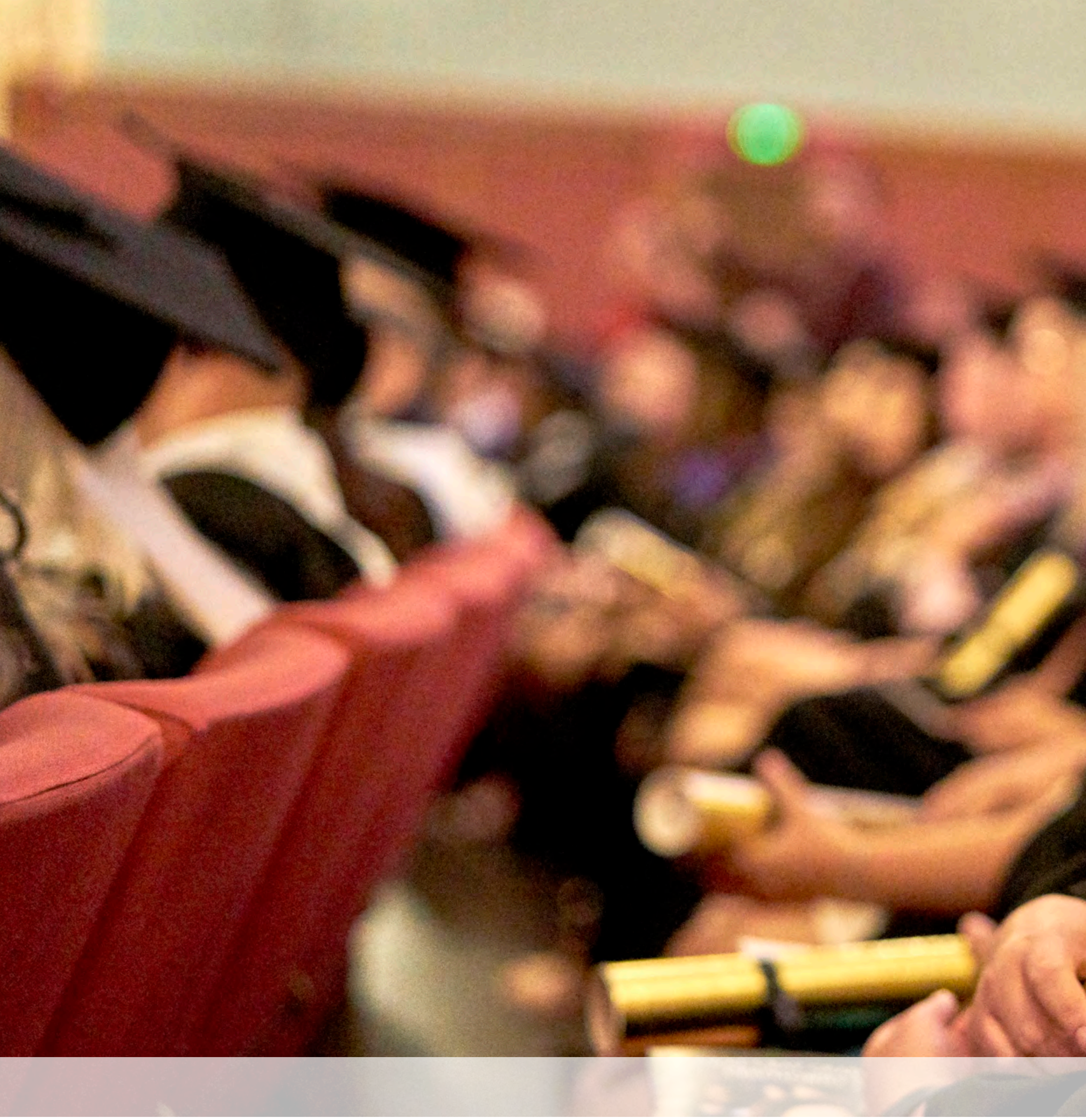
Student Success

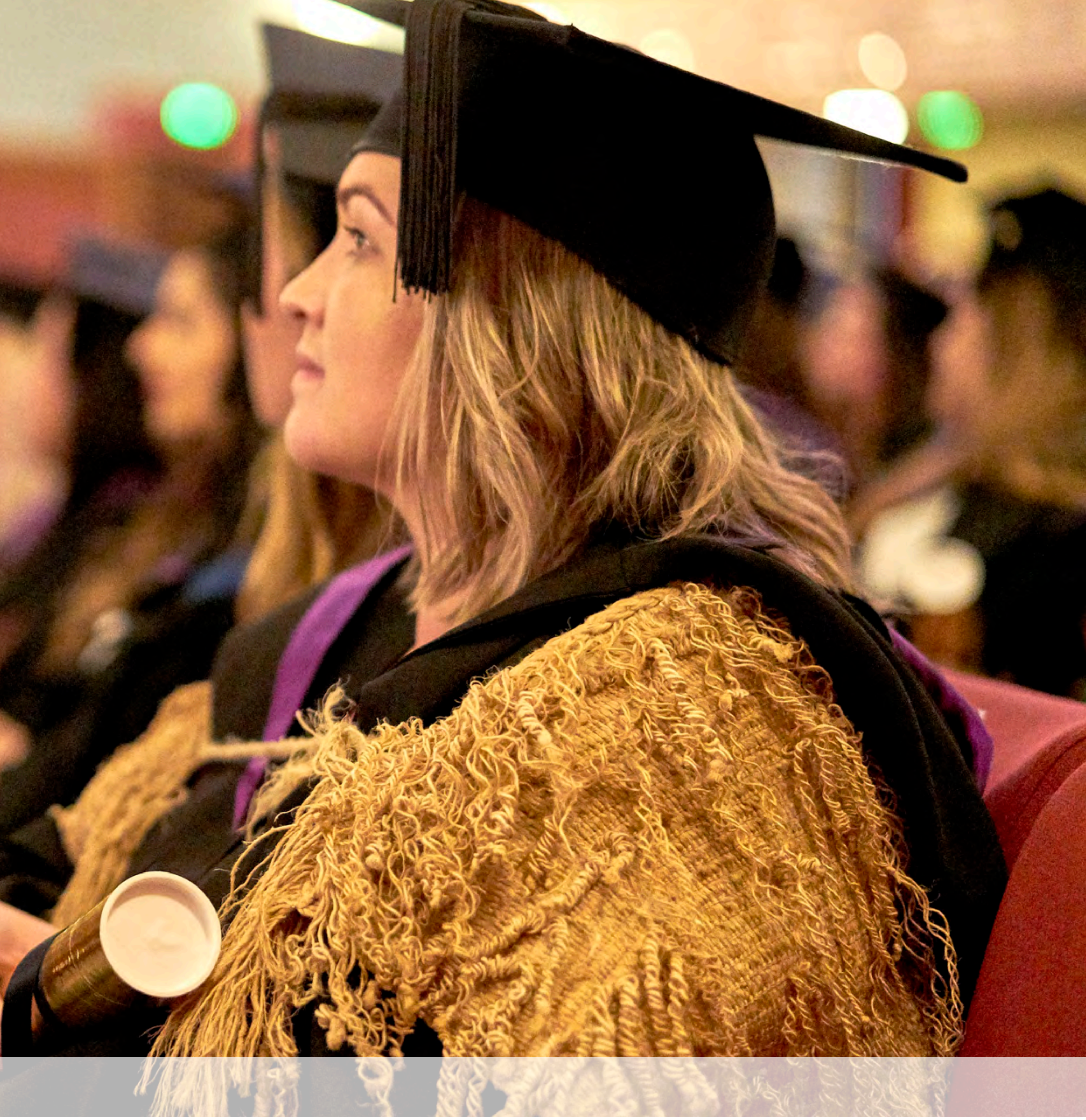
Connectedness

Enquiring Minds

Smart Thinking

Ngā Kaitiaki





CONTENTS

HISTORY OF EIT'S COUNCIL CHAIRS & CEOS

COUNCIL CHAIRS

Geraldine Travers
(2018 - 31.03.2020)

David Pearson
(2005 - 2018)

Ron Hall
(2003-2005)

Tim Twist
(1985-2002)

Noel Slight
(1978-1985)

Harry Downes
(1977-1978)

John Cornelius
(1974-1977)

CHIEF EXECUTIVES

Christopher Collins
(2004 - Present)

Bruce Martin
(1991-2004)

John Rose
(1985-1990)

John Harré
(1974-1985)

EIT FINAL REPORT

1 January - 31 March 2020

On 1 April 2020, the Eastern Institute of Technology (EIT) became the Eastern Institute of Technology Limited, a subsidiary of the newly created New Zealand Institute of Skills and Technology (NZIST). This is the final report for EIT's last three months to 31 March 2020.

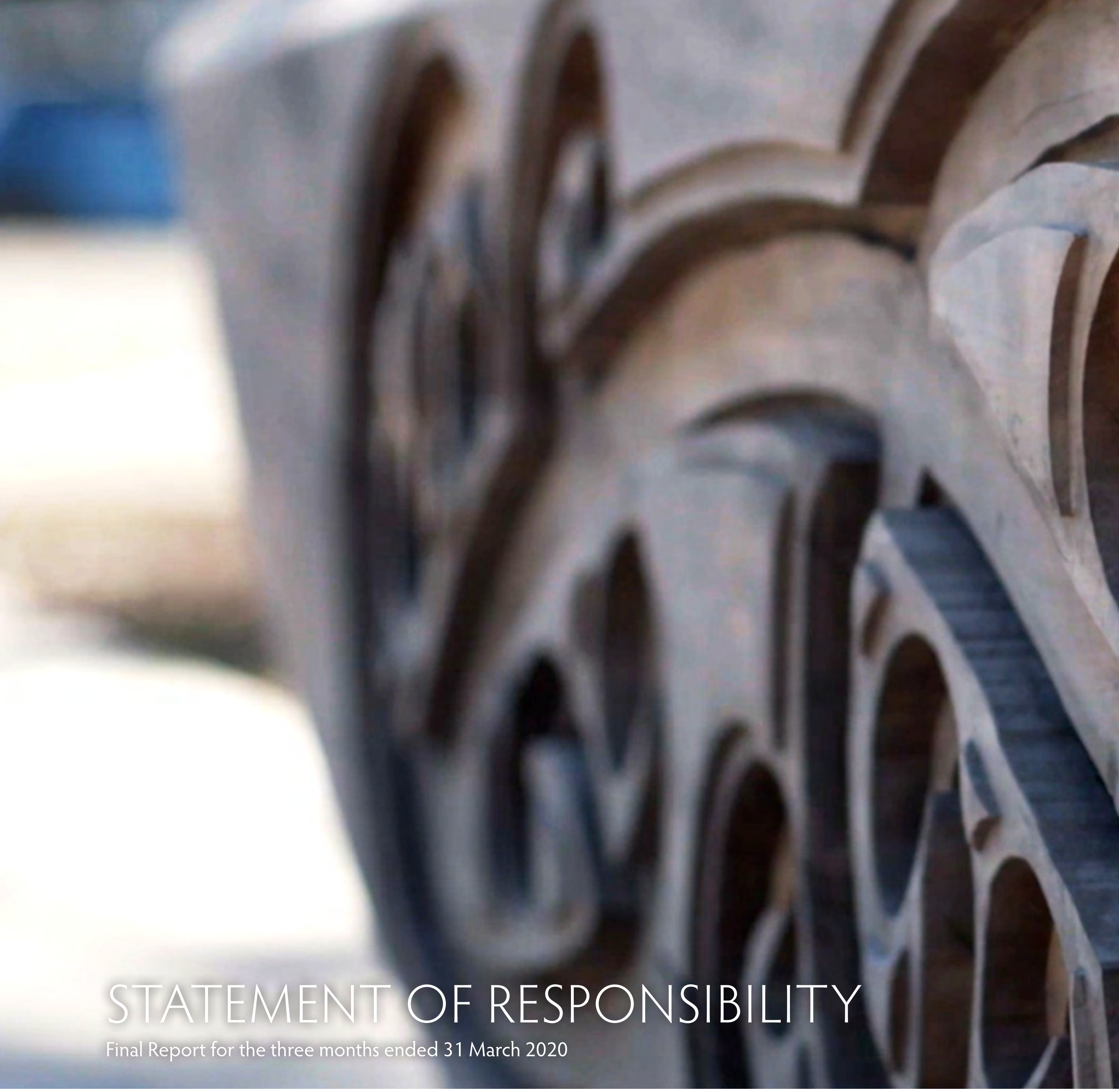
This is the final report for the Eastern Institute of Technology (EIT), as a Crown entity and a Tertiary Education Institute (TEI), and is for its last three months to 31 March 2020. However, EIT continued on from 1 April 2020, but as a Crown entity subsidiary company, Eastern Institute of Technology Limited. The other fifteen institutes of technology and polytechnics in New Zealand also all became subsidiary companies of the newly created TEI, New Zealand Institute of Skills and Technology (NZIST) on 1 April 2020, under the Government's Reform of Vocational Education (RoVE).

From 1 April 2020 a six member Board became responsible for governing EIT, replacing the previous ten person Council. All appointments to the Board were made by NZIST. Hilton Collier was appointed Chair with Chrissie Hape appointed Deputy Chair. Hilton Collier, Ross McKelvie, Kim Ngārimu and Geraldine Travers retained positions on the new Board with Chrissie Hape and Tracy Johnston appointed as new members.

This final report includes the audited financial statements for the three months to 31 March 2020 in accordance with the requirements of the Public Finance Act. No statement of service reporting is required at this time. Instead, reporting on the non-financial performance of the Institute for the whole 2020 year will be included in the first annual report of the new subsidiary company, Eastern Institute of Technology Ltd, to 31 December 2020. Other miscellaneous reporting requirements have been exempted from this particular report by the Minister of Education, but will also appear in that later report also covering the entire year.

The financial statements are required to show the budget for the year to 31 December 2020 and the financial position as at that date, even the actuals shown are for the three months to 31 March 2020 and the financial position as at that date. Similarly they are required to show as last year's figures, the full year to 31 December 2019 and the position as at that date. Comparisons are therefore of limited value. Furthermore financial reporting standards require us to record as revenue as at 31 March 2020 in our published financial statements, very significant public benefit entity non-exchange transaction revenue, comprising all of our government revenue for the 2020 calendar and funding year, plus all domestic student fees for enrolled students who have passed their programme withdrawal dates for the remainder of 2020, even though we have only partially delivered these programmes as at 31 March 2020.

Across many years, EIT has established itself as one of NZ's leading institutes of technology, widely admired and respected, nationally and internationally. EIT goes into 2020 as one of the strongest institutions in NZ with a reputation for quality, excellence and relevance, and with a highly effective reach out into the communities and peoples of Hawke's Bay and Tairāwhiti. While under a new structure from 1 April 2020, the institution will be striving for continued success as part of the new national institution NZIST.



STATEMENT OF RESPONSIBILITY

Final Report for the three months ended 31 March 2020

In terms of Section 220 of the Education Act 1989 and Section 155 of the Crown Entities Act 2004, we hereby certify that:

1. we have been responsible for the preparation of these Financial Statements and the judgements used therein; and
2. we have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. we are of the opinion that these Financial Statements fairly reflect the financial position and operations of this institution for the three months ended 31 March 2020.

Hilton Collier Board Chair	Ross McKelvie Audit Committee Chair	Chris Collins Chief Executive	Victor Saywell Executive Director *Corporate Services*

31 July 2020

FINANCIAL STATEMENTS

31 July 2020

BALANCE SHEET

as at 31 March 2020

	Notes	Consolidated 2020 Actual $000	Consolidated 2020 Budget $000	Consolidated 2019 Actual $000	Parent 2020 Actual $000	Parent 2019 Actual $000
CURRENT ASSETS						
Cash and Cash Equivalents	1	7,347	1,735	2,388	7,310	2,354
Short Term Investments	1	24,567	18,000	27,603	24,500	27,500
Trade and Other Receivables	3	39,326	1,745	3,288	39,323	3,287
Inventories		778	720	755	778	755
Prepayments		1,297	834	1,198	1,297	1,198
Total Current Assets		**73,315**	**23,034**	**35,232**	**73,208**	**35,094**
LESS CURRENT LIABILITIES						
Trade and Other Payables	4	7,444	6,985	8,132	7,433	8,122
Other Trading Liabilities	4	112	129	130	112	130
Fees and Income in Advance	4	14,215	9,505	9,365	14,215	9,365
Employee Entitlements	9	3,881	3,774	3,676	3,881	3,676
Other Current Liabilities		3	3	3	3	3
Total Current Liabilities		**25,655**	**20,396**	**21,306**	**25,644**	**21,296**
NON-CURRENT ASSETS						
Other Financial Assets	2	1,261	1,327	1,345	3	3
Investment in Associates	2	1,104	1,177	1,187	1,104	1,187
Receivables Non-Current		262	246	362	262	362
Property, Plant and Equipment	6	140,945	137,008	141,890	140,945	141,890
Intangible Assets	7	4,043	3,989	4,106	4,043	4,106
Capital Works in Progress	8	6,673	4,385	4,114	6,673	4,114
Total Non-Current Assets		**154,288**	**148,132**	**153,004**	**153,030**	**151,662**
LESS NON-CURRENT LIABILITIES						
Lease - Make Good Provision		50	50	50	50	50
Employee Entitlements	9	108	130	103	108	103
Total Non-Current Liabilities		**158**	**180**	**153**	**158**	**153**
NET ASSETS		**201,790**	**150,590**	**166,777**	**200,436**	**165,307**
EQUITY						
General Funds		128,193	89,146	93,180	126,839	91,710
Asset Revaluation Reserve		73,597	61,444	73,597	73,597	73,597
TOTAL EQUITY		**201,790**	**150,590**	**166,777**	**200,436**	**165,307**

The accompanying accounting policies and notes form an integral part of these financial statements.

REVENUE STATEMENT

for the three months ended 31 March 2020

	Notes	Consolidated 2020 Actual $000	2020 Budget $000	2019 Actual $000	Parent 2020 Actual $000	2019 Actual $000
REVENUE						
Government Funding		39,792	41,065	42,674	39,792	42,674
Government Fees Free		2,479	3,748	3,206	2,479	3,206
Fees from Domestic Students		7,019	8,618	8,459	7,019	8,459
Fees from International Students		2,453	14,685	13,819	2,453	13,819
Contestable Funding		226	1,466	1,248	226	1,248
Investment Income		183	654	1,104	175	905
Other Revenue		688	3,320	3,920	689	3,921
Total Operating Revenue		**52,840**	**73,556**	**74,430**	**52,833**	**74,232**
EXPENDITURE						
Cost of Services		17,744	74,768	72,209	17,621	72,173
Total Cost of Services	10	**17,744**	**74,768**	**72,209**	**17,621**	**72,173**
Net Surplus / (Deficit) from Operations		**35,096**	**(1,212)**	**2,221**	**35,212**	**2,059**
Share of Associate's Surplus / (Deficit)		(83)	-	13	(83)	13
NET SURPLUS / (DEFICIT)		**35,013**	**(1,212)**	**2,234**	**35,129**	**2,072**

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

for the three months ended 31 March 2020

	Notes	Consolidated 2020 Actual $000	2020 Budget $000	2019 Actual $000	Parent 2020 Actual $000	2019 Actual $000
Net Surplus / (Deficit)		35,013	(1,212)	2,234	35,129	2,072
OTHER COMPREHENSIVE REVENUE AND EXPENSE						
Gains on Property Revaluations		-	-	12,152	-	12,152
Total Other Comprehensive Revenue and Expense		**-**	**-**	**12,152**	**-**	**12,152**
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		**35,013**	**(1,212)**	**14,386**	**35,129**	**14,224**

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the three months ended 31 March 2020

	Notes	Consolidated 2020 Actual $000	Consolidated 2020 Budget $000	Consolidated 2019 Actual $000	Parent 2020 Actual $000	Parent 2019 Actual $000
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipt of Government Funding		11,107	43,102	44,185	11,107	44,185
Receipt from Other Revenue		1,011	5,239	5,144	1,012	5,145
Receipt of Student Fees		8,958	22,960	24,128	8,958	24,128
Interest and Dividend Income Received		211	655	1,061	205	1,006
Payments to Employees & Suppliers		(15,073)	(67,406)	(65,009)	(15,071)	(64,972)
Net Cash Flow from Operating Activities	11	**6,214**	**4,550**	**9,509**	**6,211**	**9,492**
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts from Realisation of Investments		9,000	27,500	25,270	9,000	25,000
Acquisition of Short Term Investments		(6,000)	(18,000)	(27,500)	(6,000)	(27,500)
Acquisition of Long Term Investments		83	(12)	(280)	83	7
Purchase of Property, Plant and Equipment		(4,350)	(14,700)	(6,879)	(4,350)	(6,879)
Purchase of Intangible Assets		(30)	-	(778)	(30)	(778)
Proceeds from Sale of Assets		42	-	88	42	88
Net Cash Flow to Investing Activities		**(1,255)**	**(5,212)**	**(10,079)**	**(1,255)**	**(10,062)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital Funding		-	-	-	-	-
Net Cash Flow from Financing Activities		**-**	**-**	**-**	**-**	**-**
Total Increase (Decrease) in Cash Flows		4,959	(662)	(570)	4,956	(570)
Add Opening Balance		2,388	2,397	2,958	2,354	2,924
Closing Balance		**7,347**	**1,735**	**2,388**	**7,310**	**2,354**
COMPRISING: CASH AND CASH EQUIVALENTS		**7,347**	**1,735**	**2,388**	**7,310**	**2,354**

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the three months ended 31 March 2020

	Notes	Consolidated 2020 Actual $000	Consolidated 2020 Budget $000	Consolidated 2019 Actual $000	Parent 2020 Actual $000	Parent 2019 Actual $000
Opening Balance		166,777	151,802	152,391	165,307	151,083
		166,777	**151,802**	**152,391**	**165,307**	**151,083**
Net Surplus / (Deficit)		35,013	(1,212)	2,234	35,129	2,072
Other Comprehensive Revenue and Expense		-	-	12,152	-	12,152
CLOSING BALANCE		**201,790**	**150,590**	**166,777**	**200,436**	**165,307**

STATEMENT OF CHANGES IN ASSET REVALUATION RESERVE

for the three months ended 31 March 2020

	Notes	Consolidated 2020 Actual $000	Consolidated 2020 Budget $000	Consolidated 2019 Actual $000	Parent 2020 Actual $000	Parent 2019 Actual $000
Opening Balance		73,597	61,444	61,445	73,597	61,445
Land & Buildings Revaluation		-	-	12,152	-	12,152
CLOSING BALANCE		**73,597**	**61,444**	**73,597**	**73,597**	**73,597**

STATEMENT OF CHANGES IN GENERAL FUND

for the three months ended 31 March 2020

	Notes	Consolidated 2020 Actual $000	Consolidated 2020 Budget $000	Consolidated 2019 Actual $000	Parent 2019 Actual $000	Parent 2019 Actual $000
Opening Balance		93,180	90,358	90,946	91,710	89,638
Net Surplus / (Deficit)		35,013	(1,212)	2,234	35,129	2,072
CLOSING BALANCE		**128,193**	**89,146**	**93,180**	**126,839**	**91,710**

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF COMMITMENTS

as at 31 March 2020

CAPITAL WORKS

EIT is undertaking the following capital works and commitments at balance date:

Hawke's Bay Campus – at balance date there were two large capital works projects underway. These were the John Rose refurbishments and remodeling - $402K and Student Amenties - $2,122K. Additional projects included Hetley Building air conditioning, Environment Centre, K Block upgrade, Health & Sports Science airconditioning totalling $300K.

Tairāwhiti Campus – Toihoukura Studios upgrade: there was a $40K commitment in regard to this project at balance date, Middleton Building air conditioning: there was a $96K commitment in regard to this project at balance date.

Total Capital Works commitment 2020 - $2,960K (2019 - $5,046K).

CAPITAL WORKS	2020 $000	2019 $000
Services	852	926
Buildings	2,108	4,120
TOTAL CAPITAL WORKS COMMITMENT	**2,960**	**5,046**

NON-CANCELLABLE OPERATING CONTRACTS	2020 $000	2019 $000
Operating commitments in respect of building rentals, cleaning, health and student services are as follows:		
Due within one year	1,076	1,314
Due later than one year, but not later than five years*	2,218	2,306
Due later than five years	16	16
TOTAL NON-CANCELLABLE OPERATING COMMITMENTS	**3,310**	**3,636**

* The duration of these leases varies between 24 and 72 months.
Leases can be renewed at EIT's option, with rents set by reference to current market rates for items of equivalent age and condition. There are no restrictions placed on the Institute and Group by any of the leasing arrangements.

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

for the three months ended 31 March 2020

REPORTING ENTITY

The Eastern Institute of Technology (the Institute or EIT) is a Tertiary Education Institute (TEI) domiciled in New Zealand and is governed by the Crown Entities Act 2004 and the Education Act 1989.

The consolidated financial statements of the Group consist of Eastern Institute of Technology ('the parent') and includes a 16.67% share of its associate TANZ eCampus Ltd which is equity accounted and Te Aho a Māui Limited. All subsidiaries and associates are incorporated and domiciled in New Zealand.

The primary objective of the Institute and Group is to provide tertiary education services for the benefit of the community rather than making a financial return. Accordingly, the Institute has designated itself and the Group as public benefit entities (PBEs) for the purposes of complying with GAAP.

The financial statements of the Institute and Group are for the three months ended 31 March 2020. The financial statements were authorised for issue by the Board on 31 July 2020.

USE OF THE DISESTABLISHMENT BASIS OF ACCOUNTING

The Minister of Education announced the Government's decisions on the Reform of Vocational Education proposals on 1 August 2019. The Education (Vocational Education and Training Reform) Amendment Act 2020 (the Act) was enacted on 24 February 2020 to reform the delivery of vocational education in New Zealand.

The Act creates a new Crown entity, the New Zealand Institute of Skills and Technology (NZIST), and converts all existing institutes of technology and polytechnics (ITPs) into Crown entity companies, which will be subsidiaries of NZIST and will take on the operational activities of existing ITPs.

Under the Act the Eastern Institute of Technology is disestablished and will transfer its assets and liabilities to a new company, the Eastern Institute of Technology Limited, on 1 April 2020. As a result of these changes, the Eastern Institute of Technology has prepared its financial statements on a disestablishment basis.

However, because vocational education will continue to be provided through the Eastern Institute of Technology 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.

Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Crown Entities Act 2004 and the Education Act 1989.

These financial statements, including the comparatives, have been prepared in accordance with the Public Sector PBE Accounting Standards (PBE Standards) - Tier 1. These financial statements comply with PBE accounting standards.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of the Institute and its subsidiaries is New Zealand dollars ($NZD).

Standards Issued and Not Yet Effective and Not Early Aadopted

Financial instruments
In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Insitute has not yet assessed the effects of this new standard.

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

Amendments to Statement of Cash Flows
In November 2018, the XRB issued an amendment to PBE IPSAS 2 Statement of Cash Flows, which is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Institute has not yet assessed the effects of this amendment.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The Group financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses and cash flows of subsidiaries in the Group on a line-by-line basis. All intra-group balances, transactions, revenue and expenses are eliminated on consolidation.

Critical Accounting Estimates and Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Accounting policy note H provides information about the estimates and assumptions exercised in the measurement of revalued assets. Accounting policy notes E and G provide additional information on depreciation and impairment.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to the financial statements.

ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Group entities.

A. Revenue

Revenue is recognised and carried at original receivable amount less an allowance for any uncollectible amounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured and the following specific recognition criteria must also be met before revenue is recognised:

Government Funding

EIT receives government funding from the Tertiary Education Commission (TEC), which funds part of EIT's costs in providing tertiary education to the Hawke's Bay and Tairāwhiti regions, through investment plans.

Government funding is classified as non-exchange revenue.

31 December 2019 comparative year

The Institute recognises government funding 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, 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.

Government Fees Free

Government fees free funding, received via TEC as payment on behalf of eligible students, is classified as non-exchange revenue.

31 December 2019 comparative year

The Institute recognises government fees free 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.

Student Tuition Fees

Domestic student tuition fees are classified as non-exchange revenue. The Institute recognises domestic student tuition fees revenue when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course. The revenue is based on the number of eligible students enrolled in the course at that date and the value of the course.

Revenue from international student tuition fees is classified as exchange revenue and is recognised over the period of course delivery.

Sale of Materials

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

Interest Income

Revenue is recognised as the interest accrues.

B. Budget Figures

The budget figures are those approved by the Council at the beginning of the financial year. The budget figures relate to the combined Group. The variance between the Group and parent is immaterial.

The budget figures have been prepared in accordance with generally accepted accounting practice.

C. Property, Plant and Equipment

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

- Land is valued on a market basis which is considered to reflect fair value while all buildings, services and infrastructure are valued on the basis of Optimised Depreciated Replacement Cost which is considered to reflect fair value.
- Leasehold improvements, plant and equipment, motor vehicles, and computer hardware are stated at cost less accumulated depreciation and any accumulated impairment in value.

Additions

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

Disposals

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

D. Capital Work in Progress

Capital work in progress is calculated on the basis of expenditure incurred and certified gross progress claim certificates up to balance date. Work in progress is not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

E. Depreciation

Depreciation is calculated on the following basis p.a. over the estimated useful life of the asset:

Infrastructure	2.5% to 6%	Straight Line
Buildings	1.25% to 20%	Straight Line
Building Services	1.67% to 20%	Straight Line
Building Fitout	1.60% to 25%	Straight Line
Leasehold Improvements	2.9% to 20%	Straight Line
Motor Vehicles	5% to 20%	Straight Line
Plant & Tools	0% to 20%	Straight Line
Furniture & Fittings	10% to 20%	Straight Line

Equipment	10% to 33.3%	Straight Line
Electronic Equipment	10% to 33.3%	Straight Line
IT Equipment	20% to 25%	Straight Line
Musical Instruments	10%	Straight Line
Collectors' Items	Nil	
Library Collection	10% to 33.3%	Straight Line

F. Intangibles

Software is capitalised at cost at its date of acquisition. Depreciation is calculated on the following basis p.a. over the estimated useful life of the asset:

Software	10% to 33.3%	Straight Line

The Regional Indoor Sports and Events Centre Trust (RISEC) prepayment which relates to access rights to the Pettigrew.Green Arena for educational purposes, is recorded at an amount initially determined by independent valuation and subsequently amortised on a straight-line basis over fifteen years. After ten years new arrangements were negotiated from 1 January 2013 and the remaining prepayment is being amortised over twenty-one years. The carrying value of this asset will be tested for impairment and where indicators of impairment exist an impairment expense will be recognised.

The EIT Institute of Sport and Health Naming Rights relates to a facility constructed by the Hawke's Bay Community Fitness Centre Trust at the Hawke's Bay Regional Sports Park in Hastings and gives EIT naming rights to the facility and various activities. The facility opened in July 2019 and EIT leases part of the facility for its own educational use. These naming rights will be amortised on a straight line basis over 35 years. The carrying value of this asset will be tested for impairment and where indicators of impairment exist an impairment expense will be recognised.

G. Impairment

At each balance date, the Institute and Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in comprehensive revenue and expense.

Loans and receivables (including cash, cash equivalents, debtors and other receivables)

Impairment of a loan or a receivable is established when there is objective evidence that the Institute and 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 indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, 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 amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For other financial assets, impairment losses are recognised directly against the instruments' carrying amount.

Property, Plant, Equipment and Intangibles

Assets held for educational and related matters and related activities are assessed for impairment by considering the assets for obsolescence, changes in useful life assessments, optimisation and other related matters. This review will be done when events or circumstances indicate that the carrying value may not be recoverable. Impairment is measured as the difference between the recoverable amount and the carrying value. Impairment gains or losses are recognised in the Revenue Statement in the other revenue or expenses line item. An impairment loss on a revalued asset is recognised directly against any revaluation surplus for that asset.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

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

H. Revaluations

The land, buildings, infrastructure and services were valued by C W Nyberg (a Director and registered valuer of CBRE Limited). The Hawke's Bay Campus and Tairawhiti Campus were last valued as at 31 December 2019. All land has been valued at fair value as determined from market-based evidence.

Following initial recognition at cost, land, infrastructure, buildings and services are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value of land is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Where buildings have been designed specifically for educational purposes they are valued at optimised depreciated replacement cost which is considered to reflect fair value for such assets.

Revaluation of property is carried out on a class of asset basis by an independent registered valuer.

Any net revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Balance Sheet unless it reverses a net revaluation decrease of the same asset previously recognised in the Revenue Statement.

Any net revaluation decrease is recognised in the Revenue Statement unless it directly offsets a previous net revaluation increase in the same asset revaluation reserve.

Any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date or on a period not exceeding five years.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Revenue Statement in the year the item is de-recognised.

I. Receivables

Student Fees, and other receivables, are recognised and carried at original receivable amount less an allowance for any uncollectible amounts. A provision for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

J. Financial Assets

EIT classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and financial assets available for sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

All investments are recognised at cost, being the fair value of the consideration given and, in the case of an investment not at fair value any profit or loss, including acquisition charges associated with the investment, is recognised in the Revenue Statement.

After initial recognition, investments which are classified as available for sale, are measured as fair value or at cost in cases where fair value cannot be reliably measured.

Gains or losses on available for sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Revenue Statement.

K. Goods and Services Tax (GST)

The Financial Statements are prepared on a GST exclusive basis, with the exception of accounts receivable and accounts payable which are stated GST inclusive. Group accounts include GST on Ōtātara Trust balances.

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 Balance Sheet.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the Statement of Cash Flows.

Commitments are contingencies and disclosed exclusive of GST.

L. Taxation

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

M. Leases

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

N. Employee Entitlements

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

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 cash flows. The discount rate is the market yield on relevant New Zealand Government Stock at the Balance Sheet date.

A provision for the likelihood of sick leave being taken in excess of entitlement will, when material, be calculated in accordance with Treasury guidelines.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Revenue Statement as incurred.

O. Financial Instruments

EIT and its subsidiaries are party to financial instruments as part of their normal operations. These financial instruments include bank accounts, investments, trade payables, trade receivables and loans.

All financial instruments are recognised in the Balance Sheet and all revenue and expenses in relation to financial instruments are recognised in the Revenue Statement.

Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

P. Cash Flows, Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

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

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 EIT.

Q. Investment in Associates

Investments in Associates are accounted for the Group financial statements using the equity accounting method of accounting.

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

R. Equity

Equity is the community's interest in EIT and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- General Funds
- Asset Revaluation Reserve

Asset Revaluation Reserve

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

S. Critical Judgements in Applying Accounting Policies

Management has exercised the following critical judgements in applying accounting policies for the three months ended 31 March 2020:

Crown Owned Land and Buildings

Property in the legal name of the Crown that is occupied by the Institute and Group is recognised as an asset in the Balance Sheet. The Institute and Group consider it has assumed all the normal risks and rewards of ownership of this property despite legal ownership not being transferred and accordingly it would be misleading to exclude these assets from the financial statements. These lands and buildings were first recognised on 31 December 1994.

Distinction between Revenue and Capital Contributions

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

Changes in Accounting Policy

There have been no changes in accounting policies.

Professor Sir Derek Lardelli ONZM, founding principal tutor at EIT's Toihoukura in Tairāwhiti, has been knighted for his services to Māori art in the 2020 Queen's Birthday Honours List.

Photo: Norm Heke / Creative New Zealand

NOTES TO THE FINANCIAL STATEMENTS

for the three months ended 31 March 2020

1. CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

CURRENT

	Consolidated		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
ASB Bank	6,500	7,500	6,500	7,500
Bank of New Zealand	5,000	8,000	5,000	8,000
Forsyth Barr for Ōtātara Trust	37	34	-	-
Investments - Current Portion via Forsyth Barr	67	103	-	-
Kiwi Bank	4,000	4,000	4,000	4,000
ANZ Bank	3,000	3,000	3,000	3,000
Westpac	13,310	7,354	13,310	7,354
TOTAL	**31,914**	**29,991**	**31,810**	**29,854**
These funds are held for:				
Operating Purposes	31,802	29,861	31,698	29,724
Specific Purposes	112	130	112	130
TOTAL	**31,914**	**29,991**	**31,810**	**29,854**
These funds are classified as:				
Cash and Cash Equivalents	7,347	2,388	7,310	2,354
Short Term Investments	24,567	27,603	24,500	27,500
TOTAL	**31,914**	**29,991**	**31,810**	**29,854**

The carrying value of cash at bank, call deposits, and term deposits with maturities less than three months approximates their fair value.

INTEREST RATES & MATURITY

The average interest rate and associated maturity of Institute term deposits are:

	2020	2019
Current Average Interest Rate	**2.68%**	**2.90%**

	Less than 6 months $000	6-12 months $000	12 -24 months $000
Current – maturity at 31 March 2020 for the Institute	**18,000**	**6,500**	**-**

2. OTHER FINANCIAL ASSETS

	Consolidated		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Held to maturity via Forsyth Barr	852	851	-	-
Fair Value through P&L via Forsyth Barr	407	492	-	-
Farmlands Shares	2	2	2	2
Te Aho a Māui Ltd	-	-	1	1
TOTAL	**1,261**	**1,345**	**3**	**3**

Fair Value

New Zealand Government Bonds: recognised at their fair value. Fair value has been determined using quoted market bid prices from independently sourced market information for Government bond prices.

Listed Shares: recognised at their fair value. Fair value has been determined using published bid price quotations from the NZX at balance date.

Managed Fund: measured at fair value and consists of listed shares and listed bonds. The fair value of the managed fund investments is determined using the same methods and assumptions as described above for listed shares and Government bonds.

Investment in Subsidiaries

Te Aho a Māui Ltd is a non-trading subsidiary.

The Ōtātara Trust was formed in 1977 and exists to support students studying at the Eastern Institute of Technology in Hawke's Bay. As the Institute has the right to appoint at least half the trustees it has concluded that it controls the Trust for financial reporting purposes, although the trustees remain responsible to manage the capital and assets of the Trust for the purposes of the Trust.

Investment in Associates

TANZ eCampus Ltd is jointly owned by six New Zealand Polytechnics, one of which is the Eastern Institute of Technology (EIT). TANZ eCampus Ltd delivers online tertiary education. The investment in TANZ eCampus Ltd has been equity accounted in 2020, for EIT's 1/6th share.

	Consolidated		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Opening Balance	1,187	1,194	1,187	1,194
Investment	-	(20)	-	(20)
Share of total comprehensive revenue and expense	(83)	13	(83)	13
CLOSING BALANCE	**1,104**	**1,187**	**1,104**	**1,187**

Summarised financial information of associate presented on a gross basis:

	Consolidated		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Assets	7,394	7,929	7,394	7,929
Liabilities	772	807	772	807
Revenue	1,538	6,422	1,538	6,422
Surplus / (Deficit)	(283)	(50)	(283)	(50)
EIT's Interest in Associate	16.67%	16.67%	16.67%	16.67%

3. TRADE AND OTHER RECEIVABLES

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Student Receivables				
Student Fee Receivables	5,636	414	5,636	414
Less: Provision for Impairment	(171)	(85)	(171)	(85)
Net Student Fee Receivables	**5,465**	**329**	**5,465**	**329**
Other Receivables				
Other Debtors and Receivables	1,068	1,090	1,068	1,090
Less: Provision for Impairment	(97)	(6)	(97)	(6)
Net Other Receivables	**971**	**1,084**	**971**	**1,084**
Other Non-Exchange Receivables				
Other Non-Exchange Receivables	32,890	1,875	32,887	1,874
TOTAL DEBTORS AND OTHER RECEIVABLES	**39,326**	**3,288**	**39,323**	**3,287**

Other Receivables includes accrued interest receivable. Other Non-Exchange Receivables is government funding receivable from the Tertiary Education Commission (TEC).

AGEING OF STUDENT RECEIVABLES:

	2020 Gross $000	2020 Impairment $000	2020 Net $000	2019 Gross $000	2019 Impairment $000	2019 Net $000
Institute & Group						
Due 1-30 days	2,292	-	2,292	-	-	-
Due 31-60 days	2,016	-	2,016	15	-	15
Due 61-90 days	620	-	620	45	-	45
Greater than 90 days	708	(171)	537	354	(85)	269
TOTAL	**5,636**	**(171)**	**5,465**	**414**	**(85)**	**329**

Student fees, and other receivables, are recognised and carried at original receivable amount less an allowance for any uncollectible amounts.

A provision for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

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

4. TRADE AND OTHER PAYABLES

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Creditors	2,884	4,225	2,883	4,225
Accrued Expenses	4,067	3,246	4,057	3,236
Contract Retentions	149	124	149	124
GST Payable	344	537	344	537
TOTAL CREDITORS AND OTHER PAYABLES	**7,444**	**8,132**	**7,433**	**8,122**

Payables are non-interest bearing and are normally settled on normal commercial terms. Therefore, the carrying value of payables approximates their fair value. $3,665K is non-exchange (2019: $3,170K).

OTHER TRADING LIABILITIES

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Special Funds	112	130	112	130
TOTAL OTHER TRADING LIABILITIES	**112**	130	**112**	**130**

Special funds, held for the purpose of providing scholarships to students are classified as current liabilities.

FEES AND INCOME IN ADVANCE

	Consolidated		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Student Fees Received in Advance	13,278	8,742	13,278	8,742
Other Income Received in Advance	936	623	936	623
TOTAL FEES AND INCOME IN ADVANCE	**14,214**	**9,365**	**14,214**	**9,365**

5. BANKING FACILITIES (PARENT AND CONSOLIDATED)

The Institute has a credit card facility of $250K with Westpac (2019: $250K).

The BNZ holds a registered first mortgage over leasehold property situated at Gloucester Steeet, Waiohiki, Napier. Certificate of Title Number HBP2/464. No loans are outstanding.

6. PROPERTY, PLANT AND EQUIPMENT

CURRENT YEAR 2020

	Opening Cost $000	Opening Accum Depn $000	Opening Carrying Amt $000	Impairment / Revaluation $000	Additions $000	Disposals Cost $000	Closing Cost $000	Disposals Accum Depn $000	Depn $000	Closing Accum Depn $000	Closing Carrying Amount $000
Land & Infrastructure - Institute	13,743	-	13,743	-	-	-	13,743	-	84	84	13,659
Land & Infrastructure - Crown	12,673	-	12,673	-	-	-	12,673	-	4	4	12,669
Total Land & Infrastructure	**26,416**	**-**	**26,416**	**-**	**-**	**-**	**26,416**	**-**	**88**	**88**	**26,328**
Building & Services - Institute	78,541	-	78,541	-	71	-	78,612	-	767	767	77,845
Building & Services - Crown	27,554	-	27,554	-	-	-	27,554	-	357	357	27,197
Leasehold Improvements	1,446	667	779	-	-	-	1,446	-	26	693	753
Total Building, Services & Leasehold	**107,541**	**667**	**106,874**	**-**	**71**	**-**	**107,612**	**-**	**1,150**	**1,817**	**105,795**
Motor Vehicles	3,029	1,891	1,138	-	12	42	2,999	42	87	1,936	1,063
Plant & Equipment	23,376	18,077	5,299	-	307	134	23,549	112	472	18,439	5,110
Other Assets	5,383	3,220	2,163	-	552	-	5,935	-	66	3,286	2,649
Total Other Assets	**31,788**	**23,188**	**8,600**	**-**	**871**	**176**	**32,483**	**154**	**625**	**23,661**	**8,822**
2020 TOTAL	**165,745**	**23,855**	**141,890**	**-**	**942**	**176**	**166,511**	**154**	**1,863**	**25,566**	**140,945**

PRIOR YEAR 2019

	Opening Cost $000	Opening Accum Depn $000	Opening Carrying Amt $000	Impairment / Revaluation $000	Additions $000	Disposals Cost $000	Closing Cost $000	Disposals Accum Depn $000	Depn $000	Closing Accum Depn $000	Closing Carrying Amount $000
Land & Infrastructure - Institute	11,971	566	11,405	2,273	351	17	13,743	17	286	-	13,743
Land & Infrastructure - Crown	11,358	28	11,330	1,357	-	-	12,673	-	14	-	12,673
Total Land & Infrastructure	**23,329**	**594**	**22,735**	**3,630**	**351**	**17**	**26,416**	**17**	**300**	**-**	**26,416**
Building & Services - Institute	80,276	5,356	74,920	5,888	526	225	78,541	181	2,749	-	78,541
Building & Services - Crown	28,345	2,676	25,669	2,634	713	237	27,554	113	1,338	-	27,554
Leasehold Improvements	1,238	564	674	-	208	-	1,446	-	103	667	779
Total Building, Services & Leasehold	**109,859**	**8,596**	**101,263**	**8,522**	**1,447**	**462**	**107,541**	**294**	**4,190**	**667**	**106,874**

	Opening Cost $000	Opening Accum Depn $000	Opening Carrying Amt $000	Impairment / Revaluation $000	Additions $000	Disposals Cost $000	Closing Cost $000	Disposals Accum Depn $000	Depn $000	Closing Accum Depn $000	Closing Carrying Amount $000
Motor Vehicles	2,810	1,695	1,115	-	396	177	3,029	141	337	1,891	1,138
Plant & Equipment	20,988	16,408	4,580	-	2,517	129	23,376	120	1,789	18,077	5,299
Other Assets	5,150	2,936	2,214	-	233	-	5,383	-	284	3,220	2,163
Total Other Assets	**28,948**	**21,039**	**7,909**	**-**	**3,146**	**306**	**31,788**	**261**	**2,410**	**23,188**	**8,600**
2019 TOTAL	**162,136**	**30,229**	**131,907**	**12,152**	**4,944**	**785**	**165,745**	**572**	**6,900**	**23,855**	**141,890**

Crown assets have been included in the Balance Sheet. Refer Statement of Accounting Policy S. These assets comprise most of the land and buildings on the Taradale campus, together with part of the Tairāwhiti campus land and buildings.

No consolidated figures have been presented for Land and Buildings and Other Assets as they do not change from the Parent.

There were no Impairments to Land and Buildings and Other Assets in 2020 (2019: Nil)

There are no restrictions on assets, although it is noted that a large portion of the Hawke's Bay campus comprises land gifted by Margaret Hetley.

7. INTANGIBLE ASSETS

CURRENT YEAR 2020

	Opening Cost $000	Opening Accum Depn & Amortisation $000	Opening Carrying Value $000	Impairment / Revaluation $000	Additions $000	Disposals $000	Closing Cost $000	Disposals Accum Depn & Amortisation $000	Depn & Amortisation $000	Closing Accum Depn & Amortisation $000	Closing Carrying Amount $000
Acquired Software	4,611	2,982	1,629	-	30	-	4,641	-	67	3,049	1,592
RISEC Trust Prepayment*	3,100	2,367	733	-	-	-	3,100	-	13	2,380	720
EIT Institute of Sport and Health Naming Rights**	1,769	25	1,744	-	-	-	1,769	-	13	38	1,731
2020 TOTAL	**9,480**	**5,374**	**4,106**	**-**	**30**	**-**	**9,510**	**-**	**93**	**5,467**	**4,043**

PRIOR YEAR 2019

	Opening Cost $000	Opening Accum Depn & Amortisation $000	Opening Carrying Value $000	Impairment / Revaluation $000	Additions $000	Disposals $000	Closing Cost $000	Disposals Accum Depn & Amortisation $000	Depn & Amortisation $000	Closing Accum Depn & Amortisation $000	Closing Carrying Amount $000
Acquired Software	3,484	2,779	705	-	1,127	-	4,611	-	203	2,982	1,629
RISEC Trust Prepayment*	3,100	2,314	786	-	-	-	3,100	-	53	2,367	733
EIT Institute of Sport and Health Naming Rights**	1,722	-	1,722	-	47	-	1,769	-	25	25	1,744
2019 TOTAL	**8,306**	**5,093**	**3,213**	**-**	**1,174**	**-**	**9,480**	**-**	**281**	**5,374**	**4,106**

* The amortisation of the RISEC Trust prepayment ends on 31 December 2033.
** EIT Institute of Sport and Health Naming Rights are to be amortised over 35 years. The facility was completed in July 2019.
No consolidated figures have been presented for Land and Buildings and Other Assets as they do not change from the Parent.

8. CAPITAL WORKS IN PROGRESS

	Consolidated		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Buildings	6,667	4,114	6,667	4,114
Intangibles	6	-	6	-
TOTAL WORKS IN PROGRESS	**6,673**	**4,114**	**6,673**	**4,114**

9. EMPLOYEE ENTITLEMENTS

	Consolidated		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Current Portion				
Salary Accrual	1,236	193	1,236	193
Annual Leave Accrual	2,645	3,483	2,645	3,483
Total Current Portion	**3,881**	**3,676**	**3,881**	**3,676**
Non-Current Portion				
Long Service Leave	70	65	70	65
Retirement Gratuities	38	38	38	38
Total Non-Current Portion	**108**	**103**	**108**	**103**
TOTAL EMPLOYEE ENTITLEMENTS	**3,989**	**3,779**	**3,989**	**3,779**

10. COST OF SERVICES

The Institute has included the following expenses in the Revenue Statement:

	Consolidated		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Audit Fees – to Audit New Zealand for audit of financial statements	95	146	95	141
Total Audit Fees	**95**	**146**	**95**	**141**
Depreciation - Buildings	381	1,410	381	1,410
Depreciation - Services	220	797	220	797
Depreciation - Intangibles	67	203	67	203
Depreciation - Other	1,263	4,693	1,263	4,693
Total Depreciation	**1,931**	**7,103**	**1,931**	**7,103**
Amortisation of RISEC Trust Prepayment	13	53	13	53
Amortisation of HBCFC Trust Prepayment	13	25	13	25
Fees Paid to Council Members - Refer Note 16	49	166	49	166
Operating Leases of Electronic Equipment	-	3	-	3
Renting of Buildings	184	762	184	762
(Gain) / Loss on Disposal of Assets or Assets Written Off	1	182	1	182
Bad Debts	10	31	10	31
Salaries and Wages	10,816	42,163	10,816	42,163
Employee Defined Contribution Plan	261	1,117	261	1,117
Change in Provision for Impairment on Receivables	176	(7)	176	(7)
Other Costs	4,195	20,465	4,072	20,434
Total	**15,718**	**64,960**	**15,595**	**64,929**
TOTAL COST OF SERVICES	**17,744**	**72,209**	**17,621**	**72,173**

11. RECONCILIATION OF THE NET CASH FLOW FROM OPERATING ACTIVITIES WITH THE NET SURPLUS

	Consolidated		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Net Surplus	35,013	2,234	35,129	2,072
Add back Non-Cash Depreciation, PBE adjustments, Associate Share of Surplus & Other Items	3,011	5,357	2,892	5,498
+/(-) Movements in Working Capital Items				
(Increase)/Decrease in Accounts Receivable and Prepayments	(36,135)	(2,187)	(36,135)	(2,187)
(Increase)/Decrease in Inventory	(23)	153	(23)	153
(Decrease)/Increase in Accounts Payable and Provisions	(502)	1,872	(502)	1,876
(Decrease)/Increase in Income in Advance	4,850	2,080	4,850	2,080
NET CASH FLOW FROM OPERATING ACTIVITIES	**6,214**	**9,509**	**6,211**	**9,492**

12. FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENT CATEGORIES

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

	Consolidated		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
FINANCIAL ASSETS Loans & Receivables				
Cash and Cash Equivalents	7,347	2,388	7,310	2,354
Student Receivables	5,465	329	5,465	329
Other Receivables	971	1,084	971	1,084
Other Non-Exchange Receivables	32,890	1,875	32,887	1,874
Other Financial Assets				
- Term Deposits	24,500	27,500	24,500	27,500
Total Loans & Receivables	**71,173**	**33,176**	**71,133**	**33,141**
Investments Held to Maturity	**921**	**955**	**2**	**2**
Fair Value through P&L				
Other Financial Assets	406	492	-	-
Total Fair Value through P&L	**406**	**492**	**-**	**-**
FINANCIAL LIABILITIES Financial Liabilities at Amortised Cost				
Trade and Other Payables	7,443	8,132	7,433	8,122
Other Trading Liabilities	112	130	112	130
Total Financial Liabilities at Amortised Cost	**7,555**	**8,262**	**7,545**	**8,252**

FINANCIAL INSTRUMENT RISKS

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

Market Risk

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Institute and Group's managed fund is exposed to price risk because it invests in listed investments. This price is managed by diversification of the managed fund portfolio in accordance with the limits set out in the Institute's and Group's investment policy. Term investments are also managed by the Institute's and Group's investment policy.

Fair Value Interest Rate Risk
Fair value interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates create exposure to cash flow interest rate risk. The Group has no borrowings and term investments are invested with fixed interest rates.

Credit Risk
Financial instruments which potentially subject the Institute to credit risk principally consist of bank balances, accounts receivable, accounts payable and term borrowing and are recognised in the Balance Sheet.

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

The Institute limits the amount of credit exposure to any one financial institute for term deposits to no more than 50% of total investments held. The Group invests funds only with registered banks that have a Standard and Poor's credit rating of at least A. There are no other financial assets that have credit quality information available.

In the normal course of its business the Institute incurs credit risk from debtors. There are no significant concentrations of credit risk and the Institute has a credit policy which is used to manage this exposure.

The fair value of other financial instruments is equivalent to the carrying amount disclosed in the Balance Sheet.

Liquidity Risk
Liquidity risk is the risk that the Institute and Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Liquidity risk is not significant for the Institute due to sufficient cash balances and term deposits.

For the purposes of financial contractual maturity analysis, all financial liabilities (referred to in Note 4), are due within the next six months.

For the purposes of financial contractual maturity analysis, with respect to financial assets, the major asset is term deposits and their respective maturity is shown in Note 1.

Currency and Interest Rate Risk
The Institution has no significant exposure to currency risk and interest rate risk on its remaining financial assets and liabilities.

13. SUBSEQUENT EVENTS

The effects of COVID-19 on the Institute
On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 virus 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. The Institute remained in lockdown at Alert Level 3, thereafter, except for a limited number of programmes which resumed teaching on site and some other essential services staff on site, until 13 May.

During the lockdown period, most staff moved to a 'work from home' model and teaching was changed to on-line delivery, except for the mid-semester break.

After 13 May, more staff and students returned to campus, however quite a number of programmes stayed on-line to complete the first semester teaching. From Alert Level 1 onwards most other staff returned to work on site.

The effect on our operations to 31 March 2020 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 and fees free 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 note 3).

Student fees
Domestic students were unable to physically enrol or attend classes once lockdown commenced. Recruitment of students therefore slowed from usual patterns and some enrolled students were allowed to withdraw on compassionate grounds. It is expected that domestic student enrolments will recover to some extent as the year progresses, but some shortfall is likely for 2020. However, expectations are 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 well 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 e.g. cleaning and support, but 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 2019. 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 Eastern Institute of Technology Limited.

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.

Other
With a large balance due at 31 March 2020 for student fees receivable, as a result of seasonal factors, the provision for doubtful debtors has been increased following an assessment for uncollectability..

14. CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities - As at 31 March the Institute has no known contingent liabilities (2019: Nil)

Contingent Assets - As at 31 March the Institute has no known contingent assets (2019: Nil)

15. RELATED PARTY INFORMATION

Related party disclosures have not been made for the transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect that the Institute would have adopted in dealing with the 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.

The Eastern Institute of Technology provides accounting and secretarial services to the Ōtātara Trust for a nominal sum.

There are no related party transactions to be disclosed.

KEY MANAGEMENT PERSONNEL	Actual 2020	Actual 2019
Council Members		
Full-time Equivalent Members	10	8
Remuneration ($000)	49	166
Executive Management Team, including the Chief Executive		
Full-time Equivalent Members	12	12
Remuneration ($000)	574	2,294

Executive Management personnel include the Chief Executive, Deputy Chief Executive, Executive Directors, Tairāwhiti Campus Executive Director and Executive Deans. Remuneration includes the cost of employer contributions to Kiwisaver and the Government Superannuation Fund.

Due to the difficulty in determining the full-time equivalent for Council members, the full-time equivalent figure is taken as the number of Council members.

There were no other related party transactions.

16. COUNCIL MEMBER FEES

The following amounts were paid to Council members in the reporting period:

COUNCIL MEMBER	2020 $	2019 $
G Travers	8,988	35,952
M Morgan	5,350	21,400
H Collier	4,280	17,120
R McKelvie	4,280	17,120
J Poulain	4,280	17,120
T Te Huia	4,280	17,120
K Ngārimu	4,280	17,120
W Harvey	4,280	17,120
P Lander (term commenced 24 October 2019)	4,280	3,210
A Lessells (term commenced 24 October 2019)	4,280	3,210
TOTAL	**48,578**	**166,492**

17. CAPITAL MANAGEMENT

The Institute and Group's capital is its equity which comprises general funds and reserves. Equity is represented by net assets.

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

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

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

EIT has the following reserve:

- Asset Revaluation Reserve

18. COMPULSORY STUDENT SERVICES FEES

The Institute began charging a student services levy in 2013.

19. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Revenue Statement

The actual figures for the three months to 31 March 2020 are not directly comparable to budget, which was prepared for a twelve month period. However the change on 1 April 2020 of Eastern Institute of Technology from a Tertiary Education Institute (TEI), to a Crown entity subsidiary company (Eastern Institute of Technology Limited) of the newly created TEI, known as the New Zealand Institute of Skills and Technology (NZIST), resulted in the requirement for these financial statements to 31 March 2020.

The actuals as reported are for three months only, whereas the budget is for a twelve month period. A second significant difference is that financial reporting standards require us to record public benefit entity (PBE) non-exchange revenue of $38.6M, as at 31 March, relating to 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. In previous years the impact of the PBE movement has been budgeted and reported in December when the movement is usually minor.

Balance Sheet

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.

Further, only part of the capital expenditure for the year has been undertaken during the three months to 31 March. In addition a revaluation of land and buildings as at 31 December 2019, after the budget was prepared, has since increased those assets and the asset revaluation reserve by $12.2M.

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. ŌTĀTARA CHILDREN'S CENTRE

INCOME AND EXPENDITURE
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	2020 Actual $000	2020 Budget $000	2019 Actual $000
INCOME			
Ministry of Education			
ECE - 20 hours Funding	75	416	408
ECE - Funding Subsidy Under 2	31	116	140
ECE - Funding Subsidy Over 2	27	144	125
	133	**676**	**673**
Fees - Staff, Students, Public	40	203	214
Family Assistance (WINZ)	9	81	64
	49	**284**	**278**
Total Income	**182**	**960**	**951**
EXPENSES			
Personnel	203	819	817
Other	10	59	54
Total Expenses	**213**	**878**	**871**
NET SURPLUS/(DEFICIT)	**(31)**	**82**	**80**

Note: The accounts presented above are required to be presented separately for Ministry of Education purposes to support the funding provided. There is no reflection of the portion of occupancy costs, Institute overheads or depreciation of buildings and equipment used by the childcare centre, which are included in the Financial Statements of the Institute.

Independent Auditor's Report

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

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

Opinion

We have audited the financial statements of the Institute and group on pages 10 to 30, which have been prepared on a disestablishment basis, that comprise the balance sheet and statement of commitments as at 31March 2020, the revenue statement, statement of comprehensive revenue and expense, statement of changes in equity, statement of changes in asset revaluation reserve, statement of changes in general fund, statement of cash flows and statement of accounting policies for the period ended on that date and the notes to the financial statements that include other explanatory information.

In our opinion the financial statements of the Institute and group on pages 10 to 30, which have been prepared on a disestablishment basis:

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

Our audit was completed on 31 July 2020. This is the date at which our opinion is expressed.

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

Emphasis of Matters

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

The financial statements have been appropriately prepared on a disestablishment basis

The use of the disestablishment basis accounting policy on page 15, which outlines that the financial statements have been prepared on a disestablishment basis. We consider the disestablishment basis to be appropriate because the Institute ceased as an entity and its assets and liabilities were transferred to Eastern Institute of Technology Limited on 1 April 2020 as a result of the reform of the institutes of technology and polytechnics sector.

Covid-19

Note 13 on pages 27 and 28 to the financial statements, which explains the impact of the Covid-19 pandemic on the Institute and group. This includes an explanation on the impact on the Institute and group's operations, revenues, 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 Board for the financial statements

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

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

Up until 31 March 2020, the Council of the Institute and group was responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. From 1 April 2020, the Board took over these responsibilities to enable the completion of the financial statements.

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

Responsibilities of the auditor for the audit of the financial statements

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

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

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the Institute and group's Council approved budget for the financial statements.

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 Institute and group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We conclude on the appropriateness of the use of the disestablishment basis of accounting by the Board.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 6 to 8, but does not include the financial statements, and our auditor's report thereon.

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

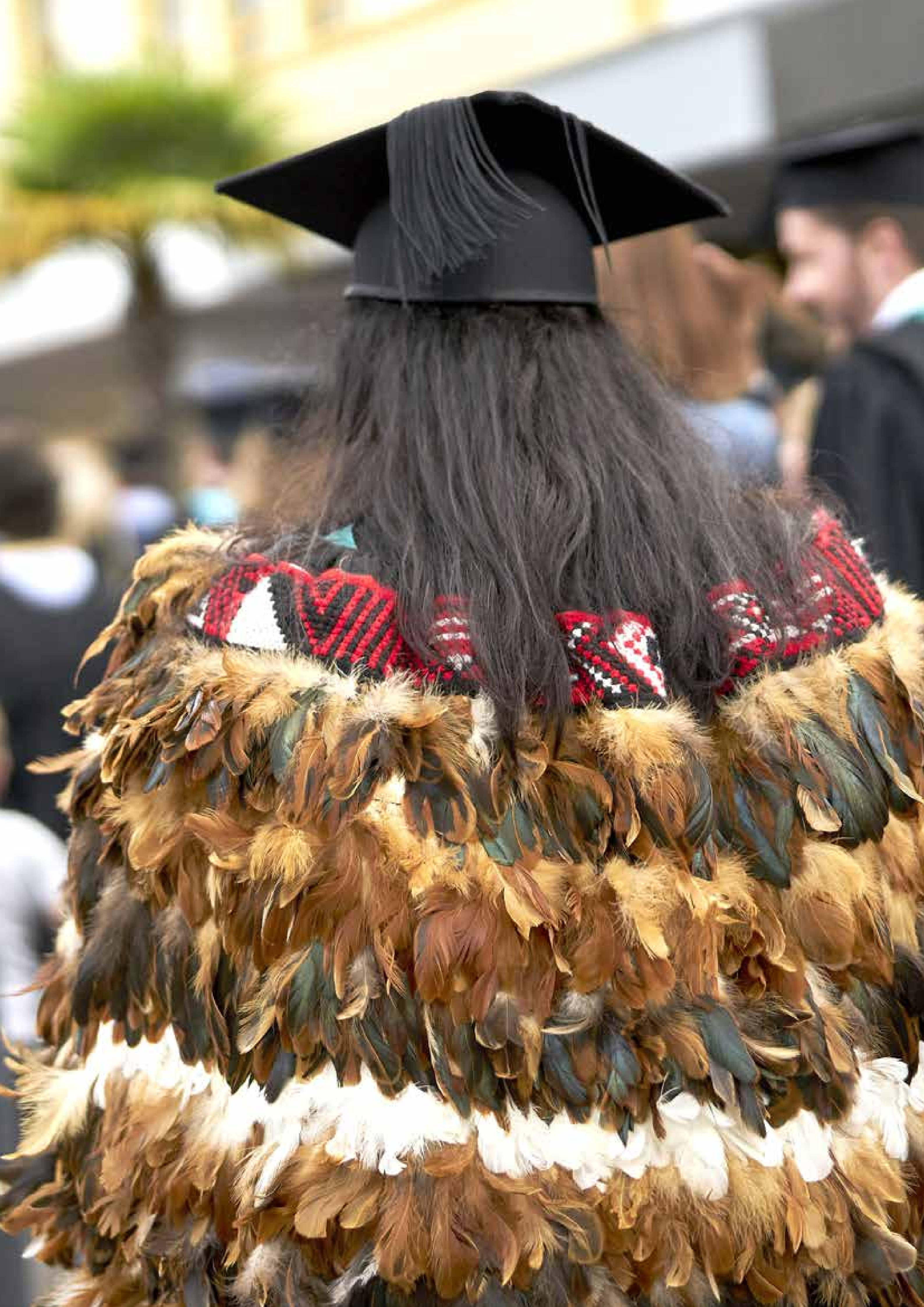
In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially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

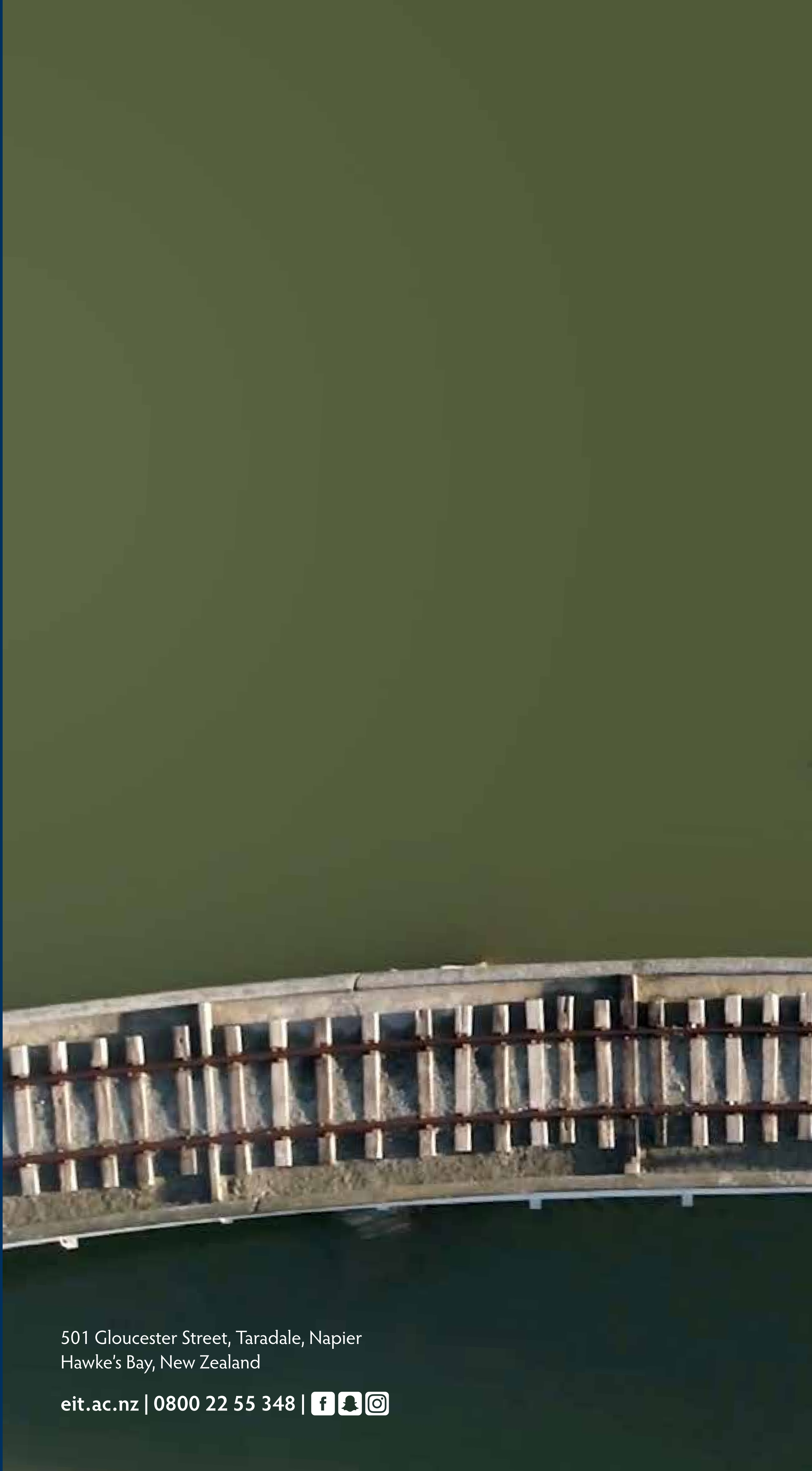
Independence

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

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

S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand





501 Gloucester Street, Taradale, Napier
Hawke's Bay, New Zealand

eit.ac.nz | 0800 22 55 348 |

ISSN: 1174-2240 (print)
ISSN: 2624-120X (electronic)