FINANCIAL STATEMENTS

For the year ended 31 December 2020

CONTENTS

STATEMENT OF RESPONSIBILITY

We are responsible for:

- the preparation of the annual financial statements and statement of service performance and the judgements used in them
- establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, the financial statements and statement of service performance for the financial year ended 31 December 2020 fairly reflect the financial position and operations of Victoria University of Wellington and the Group.

Neil Paviour-Smith
Chancellor
1 April 2021

Professor Grant Guilford
Vice-Chancellor
1 April 2021

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 31 December 2020

		CONSOLIDATED			UNIVERSITY		
	NOTE	ACTUAL 2020 $'000	BUDGET 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	BUDGET 2020 $'000	ACTUAL 2019 $'000
Revenue							
Government funding		158,346	160,800	155,092	158,346	160,800	155,092
Performance-Based Research Fund (PBRF) funding		35,236	35,300	35,472	35,236	35,300	35,472
Domestic tuition		95,466	98,100	94,304	95,466	98,100	94,304
Full-fee tuition		40,661	48,000	45,576	40,661	48,000	45,576
Research		76,719	72,100	64,546	42,346	32,400	31,393
Commercial		12,312	14,400	14,696	12,521	13,100	13,002
Other revenue	2	71,469	84,500	96,969	53,354	65,500	77,098
Total operating revenue	2	**490,209**	**513,200**	**506,655**	**437,930**	**453,200**	**451,937**
Expenses							
People	3	270,353	265,600	266,437	253,396	248,600	251,353
Operating	4	125,553	136,400	139,014	104,521	94,100	103,211
Occupancy	4	45,062	40,700	40,296	43,690	39,400	38,662
Finance costs	5	2,265	2,100	3,637	2,794	3,100	4,258
Depreciation & amortisation	11,13	56,848	55,700	51,663	56,236	55,600	50,794
Total operating expenses		**500,081**	**500,500**	**501,047**	**460,637**	**440,800**	**448,278**
University surplus/(deficit)		**(9,872)**	**12,700**	**5,608**	**(22,707)**	**12,400**	**3,659**
Victoria University of Wellington Foundation							
Movement of net assets	6	6,605	2,700	11,331	–	–	–
Surplus/(deficit) (including the Foundation)		**(3,267)**	**15,400**	**16,939**	**(22,707)**	**12,400**	**3,659**
Other comprehensive revenue and expense							
Movements in revaluation reserve	11	(982)	–	72,224	(982)	–	68,499
Movements in cash flow hedge reserve		(411)	–	(231)	(411)	–	(231)
Total other comprehensive income		**(1,393)**	**–**	**71,993**	**(1,393)**	**–**	**68,268**
Total comprehensive income		**(4,660)**	**15,400**	**88,932**	**(24,100)**	**12,400**	**71,927**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		CONSOLIDATED			UNIVERSITY		
	NOTE	ACTUAL 2020 $'000	BUDGET 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	BUDGET 2020 $'000	ACTUAL 2019 $'000
Current assets							
Cash & cash equivalents	8	64,116	64,200	75,790	21,009	30,000	27,809
Investments & other financial assets	9	70,180	45,400	45,671	7,714	–	(1,875)
Accounts receivable & accruals	10	10,676	23,100	23,637	15,118	20,400	32,834
Pre-paid expenses		15,930	13,000	16,952	13,998	10,000	14,078
Other current assets		4,436	4,200	4,421	96	100	110
Loans to related parties		–	–	–	4,510	4,300	6,310
Non-current assets held for sale	12	–	–	2,388	–	–	2,388
Total current assets		**165,338**	**149,900**	**168,859**	**62,445**	**64,800**	**81,654**
Non-current assets							
Property, plant, & equipment	11	959,019	1,024,100	974,782	936,458	1,018,400	952,235
Intangibles	13	6,210	14,400	7,476	6,210	14,400	7,476
Investments in related parties	9,14	3,140	6,300	6,810	5,261	3,500	5,261
Total non-current assets		**968,369**	**1,044,800**	**989,068**	**947,929**	**1,036,300**	**964,972**
Total assets		**1,133,707**	**1,194,700**	**1,157,927**	**1,010,374**	**1,101,100**	**1,046,626**
Current liabilities							
Accounts payable & accruals	15	74,780	64,800	80,500	67,433	58,700	73,498
Revenue in advance	16	63,444	57,900	59,967	24,274	30,000	31,059
Related party borrowings	20	–	–	–	54,000	36,000	36,000
Employee entitlements	17	18,042	19,200	19,475	17,731	18,800	19,149
Deferred revenue—contractual obligation	18	–	–	3,944	–	–	3,944
Bank borrowings	19	–	–	46,000	–	–	46,000
Other current liabilities		110	2,000	110	110	100	110
Total current liabilities		**156,376**	**143,900**	**209,996**	**163,548**	**143,600**	**209,760**
Non-current liabilities							
Employee entitlements	17	24,110	22,200	24,940	24,110	22,200	24,940
Bank borrowings	19	61,000	100,000	26,000	61,000	100,000	26,000
Other non-current liabilities		83	400	193	83	400	193
Total non-current liabilities		**85,193**	**122,600**	**51,133**	**85,193**	**122,600**	**51,133**
Total liabilities		**241,569**	**266,500**	**261,129**	**248,741**	**266,200**	**260,893**
Net assets		**892,138**	**928,200**	**896,798**	**761,633**	**834,900**	**785,733**
Community equity							
Accumulated surplus		445,815	447,400	446,082	318,979	354,100	338,686
Other reserves		446,379	480,800	450,772	442,654	480,800	447,047
Non-controlling interest		(56)	–	(56)	–	–	–
Total community equity		**892,138**	**928,200**	**896,798**	**761,633**	**834,900**	**785,733**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

		CONSOLIDATED			UNIVERSITY		
	NOTE	ACTUAL 2020 $'000	BUDGET 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	BUDGET 2020 $'000	ACTUAL 2019 $'000
Community equity at 1 January		**896,798**	**912,800**	**807,866**	**785,733**	**822,500**	**713,806**
Surplus/(deficit) for the year		(3,267)	15,400	16,939	(22,707)	12,400	3,659
Other comprehensive revenue and expense							
Increase/(decrease) in asset revaluation reserve	11	(982)	–	72,224	(982)	–	68,499
Decrease in cash flow hedge reserve		(411)	–	(231)	(411)	–	(231)
Community equity at 31 December	22	**892,138**	**928,200**	**896,798**	**761,633**	**834,900**	**785,733**
Community equity represented by:							
Accumulated surplus							
Opening balance		446,082	432,000	429,143	338,686	341,700	335,027
Surplus/(deficit) for the year		(3,267)	15,400	16,939	(22,707)	12,400	3,659
Transfer from revaluation reserve		3,000	–	–	3,000	–	–
Closing balance		**445,815**	**447,400**	**446,082**	**318,979**	**354,100**	**338,686**
Non-controlling interest							
Opening balance		(56)	–	(56)	–	–	–
Closing balance		**(56)**	**–**	**(56)**	**–**	**–**	**–**
Asset revaluation reserve							
Opening balance		452,648	480,800	380,424	448,923	480,800	380,424
Increase/(decrease) in revaluation reserve	11	(982)	–	72,224	(982)	–	68,499
Transfer to accumulated surplus		(3,000)	–	–	(3,000)	–	–
Closing balance		**448,666**	**480,800**	**452,648**	**444,941**	**480,800**	**448,923**
Cash flow hedge reserve							
Opening balance		(1,876)	–	(1,645)	(1,876)	–	(1,645)
Decrease in cash flow hedge reserve		(411)	–	(231)	(411)	–	(231)
Closing balance		**(2,287)**	**–**	**(1,876)**	**(2,287)**	**–**	**(1,876)**
Community equity at 31 December		**892,138**	**928,200**	**896,798**	**761,633**	**834,900**	**785,733**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

		CONSOLIDATED			UNIVERSITY		
	NOTE	ACTUAL 2020 $'000	BUDGET 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	BUDGET 2020 $'000	ACTUAL 2019 $'000
Cash flows from/(to) operating activities							
Government funding		156,385	160,800	155,552	157,347	160,800	155,552
PBRF revenue		35,236	35,300	35,472	35,236	35,300	35,472
Tuition fees		132,329	146,200	144,727	132,330	146,200	144,748
Research, commercial, & other revenue		163,488	163,700	173,618	108,109	108,700	104,672
Interest received		1,426	1,000	2,022	1,119	800	1,459
Dividends received		4	–	707	–	–	1
Cash donations		9,021	6,400	7,732	5,862	1,400	3,398
GST (net)		(2,161)	–	2,979	(1,522)	–	2,318
Payments to employees		(272,921)	(264,400)	(262,886)	(256,039)	(247,600)	(247,821)
Payments to suppliers		(160,627)	(176,700)	(174,924)	(139,825)	(132,500)	(140,744)
Interest paid		(2,265)	(2,100)	(3,637)	(2,794)	(3,100)	(4,258)
Net cash flow from operating activities		**59,915**	**70,200**	**81,362**	**39,823**	**70,000**	**54,797**
Cash flows from/(to) investing activities							
Receipts from sale of property, plant, equipment, & intangibles		727	1,100	1,625	727	–	1,707
Purchase of property, plant, equipment, & intangibles		(46,693)	(80,100)	(60,284)	(46,040)	(80,000)	(48,663)
Payments for investments		(14,523)	–	(803)	(10,000)	–	(1,812)
Net cash flow from/(to) investing activities		**(60,489)**	**(79,000)**	**(59,462)**	**(55,313)**	**(80,000)**	**(48,768)**
Cash flows from/(to) financing activities							
Proceeds from borrowings		35,000	45,000	–	61,000	45,000	9,000
Repayment of borrowings		(46,100)	(25,000)	(25,120)	(72,110)	(25,000)	(25,120)
Proceeds from related party borrowings		–	–	–	19,800	–	–
Net cash flow (to)/from financing activities		**(11,100)**	**20,000**	**(25,120)**	**8,690**	**20,000**	**(16,120)**
Net (decrease)/increase in cash & cash equivalents		**(11,674)**	**11,200**	**(3,220)**	**(6,800)**	**10,000**	**(10,091)**
Cash & cash equivalents at the beginning of the year		75,790	53,000	79,010	27,809	20,000	37,900
Cash & cash equivalents at the end of the year	8	**64,116**	**64,200**	**75,790**	**21,009**	**30,000**	**27,809**

The accompanying notes form part of these financial statements.

RECONCILIATION OF SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

For the year ended 31 December 2020

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Surplus/(deficit)	**(3,267)**	**16,939**	**(22,707)**	**3,659**
Add/(less) non-cash items				
Depreciation & amortisation	56,848	51,663	56,236	50,794
Other non-cash items	(3,073)	5,717	–	6,802
Total non-cash items	**53,775**	**57,380**	**56,236**	**57,596**
Add/(less) items classified as investing or financing activities				
Losses/(gains) on disposal of property, plant, & equipment	5,246	181	5,227	181
(Gains)/losses on investments held at fair value	(3,640)	(9,260)	–	–
Add/(less) changes in working capital items				
(Increase)/decrease in receivables	12,965	(7,158)	17,743	(19,179)
(Increase)/decrease in deferred revenue	(3,519)	352	(3,519)	352
(Increase)/decrease in prepayments	1,022	(3,589)	80	(3,728)
(Increase)/decrease in other current assets	(15)	(188)	14	(3)
Increase/(decrease) in accounts payable	(3,849)	13,187	(4,218)	8,030
Increase/(decrease) in employment provisions	(2,264)	5,814	(2,248)	5,859
Increase/(decrease) in revenue received in advance	3,461	7,704	(6,785)	2,030
Net cash inflow/(outflow) from operating activities	**59,915**	**81,362**	**39,823**	**54,797**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 STATEMENT OF ACCOUNTING POLICIES

THE REPORTING ENTITY

Te Herenga Waka—Victoria University of Wellington (the University) is a Tertiary Education Institution domiciled in New Zealand, and is governed by the Crown Entities Act 2004 and the Education and Training Act 2020.

The primary purpose of the Consolidated Group (the Group) is to provide tertiary education services. This includes advancing knowledge by teaching and research, and offering courses leading to a range of degrees, diplomas, and certificates. It also makes research available to the wider community for mutual benefit, and provides research and scholarships for the purpose of informing the teaching of courses. These aspects are covered fully in the statement of service performance.

The University and the Group are designated as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of the University and the Group for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Victoria University of Wellington Council (the University Council) on 1 April 2021.

BASIS OF PREPARATION

The accounting policies have been applied consistently to all periods presented. Significant accounting policies can be found in the specific notes to which they relate.

These financial statements are presented in accordance with the Education and Training Act 2020, the Crown Entities Act 2004, and New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with PBE Standards and other applicable financial reporting standards, as appropriate for PBEs.

The financial statements are presented in New Zealand dollars, which is the presentation currency and the functional currency of all entities within the Group. All values are rounded to the nearest thousand dollars ($'000). The measurement base applied is historical cost except where specifically identified.

All components in the financial statements are stated exclusive of GST, with the exception of receivables and payables, which include any GST invoiced. The University is exempt from income tax. However, there are some controlled entities and associates within the Group that are not exempt from income tax.

The Group financial statements are prepared on a consolidation basis, which involves adding together like-items of assets, liabilities, equity, revenue, expenses, and cash flows on a line-by-line basis. All significant intra-group balances, transactions, revenue, and expenses are eliminated on consolidation. The Group financial statements comprise the financial statements of the University, its controlled entities (including controlled trusts and subsidiary companies), and investments in associates and joint ventures as at 31 December each year. Investments in associates and joint ventures have been recognised at fair value through surplus or deficit.

The budget for 2020 was approved by the University Council on 2 December 2019.

STANDARDS, AMENDMENTS, AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED

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

PBE IPSAS 41 Financial Instruments

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

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

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

PBE IPSAS 2 Statement of Cash Flows (amendment)

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and no-cash changes.

This amendment is effective for annual periods beginning on or after 1 January 2021, with early adoption permitted. The University does not intend to early adopt the amendment.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In applying the Group's accounting policies, management continually evaluates judgements, estimates, and assumptions based on experience and other factors, including expectations of future events that may impact the Group. All judgements, estimates, and assumptions made are believed to be reasonable, based on the most current set of circumstances available to management. Significant judgements, estimates, and assumptions made by management in the preparation of these financial statements are outlined below.

- Management relies on the services of an independent valuer to assess the recoverable value of land and building assets and the remaining useful lives on a regular basis (refer note 11).
- Asset impairment judgements will be made where there is reason to suggest that the carrying value of the assets has changed materially since the previous balance date (refer notes 11 and 13).
- Management relies on the services of an independent actuary to assess the carrying value of retirement and long service entitlements (refer note 17).
- Valuation of Level 3 investments (refer note 9).
- Stage of completion of research projects is regularly assessed to determine the carrying value of deferred revenue recognised.

The Statement of service performance requires judgement from management. Refer to page 11 for further disclosure.

Effect of COVID-19

On 11 March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The New Zealand Government introduced a 4-stage Alert Level system to manage and minimise the risk of COVID-19 in New Zealand. The entire country went into a full lockdown of all non-essential services when the Government raised its Alert Level to 4 on 25 March 2020.

Early impacts of COVID-19 related to reduction in international students, particularly those from China. During Alert Level 4 the University had to shut down all of its business operations, except those related to essential businesses within New Zealand (including the majority of domestic students who resided in the student accommodation halls returning to their homes). The New Zealand Government shifted to Alert Level 3 on 27 April 2020 after which the University began a gradual return to on-campus operations. The University has continued to offer its dual mode of Teaching and Learning activities (face-to-face and online) for the remainder of 2020. Throughout 2020, as Alert Levels have fluctuated through the country, the University has continued to follow all Ministry of Health requirements.

The shutdown and progressive return to on-campus operations had an adverse impact on the Group's earnings for the financial year. Revenue related to full-fee tuition and student accommodation has fallen as a result of the government restrictions. Certain group costs have fallen as a result of the government restrictions, although these are immaterial to the overall results of the Group. Management has assessed the possible effect on accounts receivable and formed the view that no impairment needs to be recognised. Management has no evidence that the fair value of property, plant, and equipment has changed since the valuation carried out in 2019 and has not impaired any assets because of this.

Part of the Government's response to the COVID-19 pandemic was to guarantee the Crown would not claw back funding should the University fall below the 99 percent minimum of the Investment Revenue Plan for 2020 as stipulated in the TEC contract. In addition to this, the Ministry of Education (MOE) has granted the University permission to operate outside a number of financial covenants for the years 2020 and 2021. The University has breached TEC's interest cover and net surplus covenants. There are no bank covenant breaches.

Further COVID-19-related disclosures can be found in the Statement of service performance, Note 23—Events after balance date, and Note 24—Explanations of major variances against budget.

We anticipate there will be a multi-year significant financial impact as a resut of COVID-19. Due to the financial challenges associated with COVID-19, the University offered a voluntary redundancy programme in November 2020. As a result of this, a redundancy provision of $5.9m (2019: nil) has been recorded.

2 REVENUE

Revenue is measured at fair value. The Group's significant revenue items are explained below.

Government funding: This is recognised as revenue as the courses to which the funding relates are taught, unless there is an obligation to return the funds if the conditions of the funding are not met. If there is such an obligation, the funding is initially recorded as a deferred revenue liability and then recognised as revenue when the conditions of the funding are satisfied. In addition to this, the Government provided additional funding to support students through COVID-19. This was used to bolster the Student Hardship Fund and to provide student technological solutions.

Performance-Based Research Fund (PBRF) funding: This is non-exchange in nature, and is measured based on the estimated funding entitlement at the commencement of the year plus or minus adjustments from the previous year.

Tuition fees: Domestic student tuition fees are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which is when the student is no longer entitled to a refund. International student tuition fees are accounted for as exchange transactions and recognised as revenue on a course percentage of completion basis.

Fees-free revenue: Fees-free revenue is considered non-exchange revenue and recognised when the course withdrawal date for an eligible student has passed. This funding is recognised as a part of domestic tuition, on the basis that receipts from TEC are for a payment on behalf of the student as specified in the relevant funding mechanism.

Research revenue: For an exchange research contract, revenue is recognised on a percentage of completion basis. The percentage of completion is measured with reference to the actual research expenditure incurred as a proportion of total expenditure expected to be incurred. For a non-exchange research contract, the total funding receivable under the contract is recognised as revenue immediately, unless there are substantive conditions in the contract. If there is a condition attached to the funding with performance and return obligations, the funds are recognised initially as a liability to the extent that the conditions remain unfulfilled. Revenue is then recognised when the conditions are satisfied.

Other revenue

	CONSOLIDATED	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Fees for accommodation and services provided to students	48,291	54,766
Payments on insurance claims	–	18,300
Proceeds from disposal of fixed assets	727	417
Interest received	1,272	1,967
Gains on investments	3,087	1,086
Donations received	2,000	658
Sundry revenue	16,092	19,775
Total	**71,469**	**96,969**

The interest amount is predominantly from on call or on short-term deposits. In 2020, interest rates ranged from 0.15 percent to 2.59 percent (2019: 1.00 percent to 3.26 percent).

3 PEOPLE EXPENSES

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Salaries	249,984	241,434	233,993	226,961
Contractors	4,282	5,335	3,683	4,961
Entitlements	16,087	19,668	15,720	19,431
Total	**270,353**	**266,437**	**253,396**	**251,353**

Entitlements include contributions to KiwiSaver, UniSaver, and other defined contribution superannuation schemes, which are recognised as an expense when incurred.

4 OPERATING AND OCCUPANCY

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
The following items are included within operating & occupancy expenses:				
Audit fees to Ernst & Young	366	340	238	223
Property leases	17,739	16,264	17,512	15,849
IT leases	3,115	2,674	3,101	2,618
Losses on disposal of property, plant, & equipment	5,973	598	5,954	598
Information technology	11,337	5,716	11,070	5,325
Grants & scholarships	26,054	25,881	21,032	12,501
Insurance	7,994	6,999	7,578	6,634
Travel & accommodation	4,715	15,047	1,506	5,587

Operating lease payments (net of any operating lease incentive received) are recognised as an expense on a straight-line basis over the lease term. Operating lease incentives are recognised as a reduction in the lease expense over the term of the lease. Refer to note 21.

5 FINANCE COSTS

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Interest on borrowings	2,311	3,789	2,840	4,411
Capitalised borrowing costs	(46)	(152)	(46)	(153)
	2,265	**3,637**	**2,794**	**4,258**

Borrowing costs are expensed when incurred. The portion of borrowing costs directly attributable to qualifying assets is capitalised up to the point the qualifying asset is commissioned for use.

6 VICTORIA UNIVERSITY OF WELLINGTON FOUNDATION

The movement of net assets for the Foundation includes investment returns of $6.0m (2019: $9.3m) and donation revenue of $7.0m (2019: $7.0m).

7 FINANCIAL INSTRUMENTS

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Financial assets				
Loans and receivables				
Cash & cash equivalents	64,116	75,790	21,009	27,809
Trade receivables	9,035	13,382	14,542	24,600
Loans to related parties	–	–	4,510	6,310
Other current assets	4,436	4,421	96	110
Total	**77,587**	**93,593**	**40,157**	**58,829**
At fair value through surplus or deficit				
Investments	74,964	53,787	10,000	–
Total	**74,964**	**53,787**	**10,000**	**–**
At fair value through other comprehensive revenue and expense—cash flow hedges				
Derivative financial instruments	(1,644)	(1,306)	(2,286)	(1,875)
Total	**(1,644)**	**(1,306)**	**(2,286)**	**(1,875)**
Financial liabilities				
Financial liabilities at amortised cost				
Accounts payable	21,337	29,694	18,570	26,246
Bank borrowings	61,000	72,000	61,000	72,000
Related party borrowings	–	–	54,000	36,000
Total	**82,337**	**101,694**	**133,570**	**134,246**

Financial risk management objectives and policies: Unless otherwise stated, the carrying value equates to fair value for all financial assets and liabilities. Fair value is determined using quoted prices in active markets (where available) or other observable inputs. Where neither of these are available, then fair value is determined using observable price data and other relevant models used by market participants.

All purchases and sales of financial assets are recognised on the trade date (i.e., the date that the Group commits to purchase the asset). Purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Financial assets at fair value through surplus or deficit: The Group's investments in shares, managed funds, and fixed interest securities are classified as financial assets held for trading, with gains or losses recognised in surplus or deficit.

Financial liabilities: Financial liabilities measured at amortised cost include accounts payable, related party, and bank borrowings. After initial recognition, these liabilities are subsequently measured at amortised cost using the effective interest rate method.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective-interest-rate method. Gains and losses are recognised within the surplus or deficit when the loans and receivables are derecognised or impaired. These are classified as current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect amounts due. 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 uncollectable, 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 instrument's carrying amount.

(a) Market risk and sensitivity

Currency risk exposure arises on foreign exchange sales and purchases (typically library items and scientific equipment) denominated in a foreign currency. Wherever possible, the University transacts in the functional currency, including the setting of fees for international students. The Group's policies require that foreign currency forward-purchase contracts are used to limit the Group's exposure to movements in exchange rates on foreign currency denominated liabilities and purchase commitments above $100,000, where the committed payment date is known and is within 12 months. The Group entered into multiple foreign-exchange contracts during 2020 to mitigate any such risk, and held USD$2.8m (2019: USD$1.8m) of forward-exchange contracts at 31 December 2020 with a fair value of $200k (2019: $209k). These contracts are held to offset exchange rate risk on expected purchases in USD.

The Foundation holds $38.5m of investments at fair value through surplus or deficit (2019: $37.0m), which are invested in a range of foreign denominations and are exposed to foreign exchange risk. The fair value of the Foundation's forward foreign exchange contracts totals $0.6m (2019: $0.5m). A 10 percent movement in the New Zealand dollar against all currencies would give rise to a $1.6m gain or loss that would equally impact equity (2019: $1.5m).

Price risk arises as the fair value of shares in listed companies and units in managed funds will fluctuate as a result of changes in market prices. Market prices for a particular share may fluctuate due to factors specific to the individual share or its issuer, or factors affecting all shares traded in the market. This price risk is managed by diversification of the portfolio. A 10 percent movement in the market price of investments at fair value through surplus or deficit would give rise to a $3.9m gain or loss that would equally impact equity (2019: $3.7m).

Fair-value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to fair-value interest rate risk due to the exposure created by borrowings and investments issued at fixed rates of interest.

Cash flow interest rate risk exposure arises due to the exposure on bank borrowings and investments issued at variable interest rates. Generally, the Group raises long-term borrowings at floating rates and enters interest swaps to manage the cash flow interest rate risk. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed-term contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts, and applies hedge accounting to ensure fair-value fluctuations on the interest rate portfolio are taken to other comprehensive revenue or expense. The fair value of interest rate swaps totals $(2.3m) (2019: $(1.9m)). The fixed interest rates of interest rate swaps vary from 0.5 percent to 3.2 percent (2019: 2.5 percent to 3.4 percent).

The following table demonstrates the potential effect of movements in interest rates on the University and Group's surplus or deficit and equity, if interest rates had been 1.5 percent higher or lower with all other variables held constant. The calculation effectively changes the actual average of the contracted borrowing rates for the year by 1.5 percent.

	CONSOLIDATED 2020	
	-150BPS $'000	+150BPS $'000
Potential effect of movement in interest rates	(762)	762

(b) Credit risk

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

In the normal course of business, the Group is exposed to credit risk from cash and term deposits with banks, debtors, other receivables, government bonds, loans to subsidiaries, and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by their carrying amount.

The Group limits the amount of credit exposure to any one financial institution for term deposits to no more than the greater of $40.0m or 40 percent of total investment held. The Group invests funds only with registered banks with high credit ratings and for a period not exceeding 365 days.

Investments held at fair value through surplus or deficit are predominantly managed by an external fund manager in a range of securities to diversify the risk.

The Group transacts with its students. These transactions do not create a significant credit risk, as students have no concentration of credit because of the relatively low value of individual student transactions. The Group also transacts with the Crown. These transactions do not create significant credit risk.

The Group holds no collateral or other enhancements for financial instruments that give rise to credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting financial liabilities as they fall due. The Group monitors and manages this risk in accordance with its Treasury Statute.

The Group's objective is to ensure there is access to cash, treasury investments, and committed bank funding at a future time when funds are required. The maturity profile of the total committed funding in respect to all external debt should be spread where practicable to reduce the concentration risk of having all or most of the University's committed funding maturing at the same time and at least 50 percent of committed funding facilities must expire more than 2 years beyond the reporting date. See note 19. The amount and expiry date of all bank loans, committed bank facilities, and term debt will not exceed the maximum amount and term of the Ministerial Consent to Borrow.

The Group's assessment of risk with respect to refinancing its debt is low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The maturity profile of the Group's financial liabilities based on contractual undiscounted payments is such that, other than borrowings, all accounts payable are expected to be repaid within six months. Borrowings of $nil will mature within 12 months and will need to be refinanced or repaid (2019: $46m).

8 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Cash at bank	1,780	1,281	322	(38)
Bank on-call deposits	59,252	49,829	17,687	12,467
Short-term deposits	3,084	24,680	3,000	15,380
Closing balance	**64,116**	**75,790**	**21,009**	**27,809**
Including:				
Funds held by controlled trusts	42,334	40,219	–	–

Cash and cash equivalents comprise cash at bank and on hand, and short-term deposits for a period not exceeding 180 days, which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Funds held by controlled trusts may have donor restrictions and will be used for specified purposes. When donor restrictions exist, the funds are held in trust until the University fulfils the donor's request.

9 INVESTMENTS AND OTHER FINANCIAL ASSETS

Quantitative disclosure of fair-value measurement hierarchy for investments as at 31 December 2020:

	CONSOLIDATED			CONSOLIDATED		
	2020 $'000 LEVEL 1	2020 $'000 LEVEL 2	2020 $'000 LEVEL 3	2019 $'000 LEVEL 1	2019 $'000 LEVEL 2	2019 $'000 LEVEL 3
Investments	23,677	48,147	3,140	1,387	45,590	6,810
Derivatives—Forward foreign exchange	–	642	–	–	569	–
Derivatives—Interest rate swaps	–	(2,286)	–	–	(1,875)	–
Closing balance	**23,677**	**46,503**	**3,140**	**1,387**	**44,284**	**6,810**

Due to the diverse nature of the Group's operations, the Group has a number of investments. Primarily, the Foundation holds investments in accordance with its Statement of Investment Policy (SIPO). Insurance proceeds received are held on deposit until reinvested in building and infrastructure. Deposits held for greater than 180 days are classified as investments. Investments to commercialise research are typically in unlisted entities, whose trading activity may be limited.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair-value hierarchy, described as follows, based on the lowest level input that is significant to the fair-value measurement as a whole.

Level 1: Fair value of investments in listed shares and fixed interest instruments obtained using quoted bid price at balance date.

Level 2: Fair value of investments in managed funds, obtained using closing unit prices as at balance date, published by the respective fund managers. The fair value of the forward foreign exchange contracts was determined by a present value model with reference to current forward exchange rates for contracts with similar maturity profiles at balance date. The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value.

Level 3: Fair value of investments is determined using latest market transactions and impairment tests based on milestones and performance, being the best available market data at the time of valuation.

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value investments.

	CONSOLIDATED	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Opening balance	6,810	6,255
Sale of Investments	(4,893)	(531)
Purchases	1,477	–
Gain or losses recognised in surplus	(254)	1,086
Closing balance	**3,140**	**6,810**

The table below provides a sensitivity analysis for level 3 fair value measurements.

	2020		2019	
	$'000 +10%	$'000 -10%	$'000 +10%	$'000 -10%
Investments—aggregate share price at year end	171	(171)	511	(511)
Joint Venture—aggregate share price at year end	142	(142)	165	(165)
Change in fair value	**313**	**(313)**	**676**	**(676)**

Derivative financial instruments and hedge accounting

The Group does not hold or issue derivative financial instruments for trading purposes. The Group uses financial instruments to manage exposure to interest rate fluctuations and foreign exchange risks, and are stated at fair value. For the purposes of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability for a forecast transaction. Interest rate swaps that meet the conditions for hedge accounting as cash flow hedges can have the effective portion of the gain or loss on the hedging instrument recognised directly in other comprehensive revenue and expense and the ineffective portion recognised in the net surplus/(deficit). Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in the hedging reserve is kept in the reserve until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive revenue and expense is transferred to the net surplus/(deficit) for the year. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken direct to the net surplus/(deficit) for the year.

10 ACCOUNTS RECEIVABLE AND ACCRUALS

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Receivables & accruals	11,519	23,921	15,465	33,056
Less: Provision for doubtful debts	(881)	(500)	(351)	(339)
Other	38	216	4	117
Closing balance	**10,676**	**23,637**	**15,118**	**32,834**
Ageing of receivables and accruals				
Not past due	7,627	19,064	14,368	31,542
Past due 1–30 days	1,021	816	96	320
Past due 31–60 days	711	522	184	374
Past due 61–90 days	556	724	271	165
Past due over 91 days not impaired	723	2,430	196	316
Past due over 91 days impaired	881	365	350	339
Total gross trade receivables	**11,519**	**23,921**	**15,465**	**33,056**

Accounts receivable are initially measured at fair value and subsequently measured at amortised cost using the effective-interest-rate method, less any provision for impairment.

11 PROPERTY, PLANT, AND EQUIPMENT

CONSOLIDATED	LAND $'000	BUILDINGS & INFRASTRUCTURE $'000	COMPUTERS & NETWORKS $'000	PLANT & EQUIPMENT $'000	ART COLLECTION, HERITAGE, & LIBRARY $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Cost and valuation							
Balance as at 1 January 2019	**125,895**	**686,398**	**32,685**	**92,265**	**112,042**	**25,844**	**1,075,129**
Additions	2,252	12,693	5,779	13,205	7,016	62,391	103,336
Disposals & reclassifications	(2,195)	(7,847)	(4,544)	(5,969)	(40,904)	(43,707)	(105,166)
Impairment	–	–	–	(52)	–	–	(52)
Valuation movement	110,457	(82,288)	–	–	–	–	28,169
Balance as at 31 December 2019	**236,409**	**608,956**	**33,920**	**99,449**	**78,154**	**44,528**	**1,101,416**
Additions	2,810	35,654	4,511	9,435	8,472	47,572	108,454
Disposals & reclassifications	(800)	(1,272)	(18,582)	(11,260)	(8,451)	(63,493)	(103,858)
Valuation movement	(60)	(922)	–	–	–	–	(982)
Balance as at 31 December 2020	**238,359**	**642,416**	**19,849**	**97,624**	**78,175**	**28,607**	**1,105,030**
Accumulated depreciation							
Balance as at 1 January 2019	**–**	**31,819**	**21,947**	**53,317**	**74,775**	**–**	**181,858**
Depreciation charge	–	23,426	5,331	9,889	7,642	–	46,288
Disposals	–	(6,415)	(4,393)	(5,745)	(40,904)	–	(57,457)
Impairment movement	–	(44,055)	–	–	–	–	(44,055)
Balance as at 31 December 2019	**–**	**4,775**	**22,885**	**57,461**	**41,513**	**–**	**126,634**
Depreciation charge	–	23,506	4,758	9,807	15,205	–	53,276
Disposals & reclassifications	–	(784)	(15,196)	(9,789)	(8,130)	–	(33,899)
Balance as at 31 December 2020	**–**	**27,497**	**12,447**	**57,479**	**48,588**	**–**	**146,011**
Net book value							
As at 1 January 2019	**125,895**	**654,579**	**10,738**	**38,948**	**37,267**	**25,844**	**893,271**
As at 31 December 2019	**236,409**	**604,181**	**11,035**	**41,988**	**36,641**	**44,528**	**974,782**
As at 31 December 2020	**238,359**	**614,919**	**7,402**	**40,145**	**29,587**	**28,607**	**959,019**

UNIVERSITY	LAND $'000	BUILDINGS & INFRASTRUCTURE $'000	COMPUTERS & NETWORKS $'000	PLANT & EQUIPMENT $'000	ART COLLECTION, HERITAGE, & LIBRARY $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Cost and valuation							
Balance as at 1 January 2019	**115,645**	**678,909**	**32,658**	**91,341**	**112,032**	**25,844**	**1,056,429**
Additions	2,252	12,692	5,724	12,235	7,016	60,827	100,746
Disposals & reclassifications	(2,195)	(7,846)	(4,544)	(5,969)	(40,904)	(42,682)	(104,140)
Impairment	–	–	–	(52)	–	–	(52)
Valuation movement	106,938	(82,363)	–	–	–	–	24,575
Balance as at 31 December 2019	**222,640**	**601,392**	**33,838**	**97,555**	**78,144**	**43,989**	**1,077,558**
Additions	2,810	35,654	4,457	9,226	8,472	46,928	107,547
Disposals & reclassifications	(800)	(1,272)	(18,581)	(11,222)	(8,451)	(63,231)	(103,557)
Valuation movement	(60)	(922)	–	–	–	–	(982)
Balance as at 31 December 2020	**224,590**	**634,852**	**19,714**	**95,559**	**78,165**	**27,686**	**1,080,566**
Accumulated depreciation							
Balance as at 1 January 2019	**–**	**31,819**	**21,924**	**52,767**	**74,775**	**–**	**181,285**
Depreciation charge	–	23,295	5,320	9,162	7,642	–	45,419
Disposals & reclassifications	–	(6,415)	(4,393)	(5,745)	(40,904)	–	(57,457)
Impairment movement	–	(43,924)	–	–	–	–	(43,924)
Balance as at 31 December 2019	**–**	**4,775**	**22,851**	**56,184**	**41,513**	**–**	**125,323**
Depreciation charge	–	23,506	4,714	9,239	15,205	–	52,664
Disposals & reclassifications	–	(784)	(15,196)	(9,769)	(8,130)	–	(33,879)
Balance as at 31 December 2020	**–**	**27,497**	**12,369**	**55,654**	**48,588**	**–**	**144,108**
Net book value							
As at 1 January 2019	**115,645**	**647,090**	**10,734**	**38,574**	**37,257**	**25,844**	**875,144**
As at 31 December 2019	**222,640**	**596,617**	**10,987**	**41,371**	**36,631**	**43,989**	**952,235**
As at 31 December 2020	**224,590**	**607,355**	**7,345**	**39,905**	**29,577**	**27,686**	**936,458**

Capital work in progress: This is valued on a basis of expenditure incurred and certified gross progress claim certificates up to balance date. Work in progress is not depreciated, and includes borrowing costs on qualifying assets. The total costs of the project are transferred to the relevant asset class on completion and then depreciated accordingly.

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

Measurement subsequent to initial recognition for non-revalued assets: Computers and network assets, plant and equipment assets, and library assets are measured after initial recognition at cost less accumulated depreciation and impairment. Art collections and heritage assets are measured after initial recognition at cost less accumulated impairment.

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 within equity.

Depreciation: This is provided on a straight-line basis on all property, plant, and equipment other than land and heritage collections, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Heritage collections are not depreciated because they are maintained such that they have indefinite or sufficiently long useful lives that any depreciation is considered negligible.

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

CLASS OF ASSET DEPRECIATED	ESTIMATED USEFUL LIFE	DEPRECIATION RATES
Buildings & infrastructure	5–86 years	Straight line
Computers & networks	3–10 years	Straight line
Plant & equipment	2–25 years	Straight line
Library	2–100 years	Straight line

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

Asset revaluation reserve

	CONSOLIDATED	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Land	215,287	216,569
Buildings & infrastructure	233,379	236,079
Closing balance	**448,666**	**452,648**

Land, buildings, and infrastructure are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value. Independent registered valuers undertake such revaluations every three years, unless there is reason to suggest that the values have changed materially in the intervening years, in which case a revaluation may be undertaken outside the three-year cycle. Property, plant, and equipment revaluation movements are accounted for on a class-of-asset basis. Land, buildings, and infrastructure assets were independently valued as at 1 December 2019 by Mr P. Todd, registered valuer with Darroch Limited and member of the New Zealand Institute of Valuers.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised within the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

The valuation of land occupied by non-residential buildings (i.e., the campuses) takes into account various aspects, including zoning, title implications, alternative uses, subdivision, and development potential. Land is measured at fair value, which is determined by reference to its highest and best use if vacant, in line with market-based evidence.

Non-residential buildings are, for the purposes of the valuation, deemed to be 'specialised assets'. Specialised assets are valued using the optimised depreciated replacement cost methodology that is based on the current gross replacement cost of the building less allowances for physical deterioration (including planned future seismic and asbestos remediation), earthquake damage, and optimisation for obsolescence and relative surplus capacity. Residential buildings and properties located in the Wellington CBD are valued based on the market value that is the estimated price for properties should an exchange occur between a willing buyer and willing seller in an arm's length transaction. As part of the revaluation process, the independent valuer provided the Group with an estimation of useful lives.

Under the Education and Training Act 2020, the University is required to obtain prior consent of the Ministry of Education to dispose of, or sell, assets where the value of those assets exceeds an amount determined by the Minister of Education.

The rate for capitalisation of borrowing costs was 4.2 percent.

Kaikoura earthquake: The University's property, plant, and equipment suffered damage as a result of a November 2016 earthquake. An ongoing structured work programme is supporting both the claim process with our insurers, and any required remediation works. The programme is supported by both external consultant engineers and quantity surveyors and is sequentially structured. The initial focus has been on damage identification to the overall property portfolio, which has now progressed to remediation scopes and associated costing for a sample of buildings. Required activity within the programme may take a number of years to complete.

Damage has been identified to both buildings and infrastructure, and plant and equipment fixed asset categories. To date, other than the Rankine Brown building, no other major structural damage to buildings has been identified.

As a result of the Kaikoura earthquake, the University has incorporated a fair value adjustment within the movement in revaluation reserve of other comprehensive revenue and expense. The adjustment has been determined with reference to the damage identified to date, supported by insurance progress payments received.

12 NON-CURRENT ASSETS HELD FOR SALE

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Land & buildings held for sale	–	2,388	–	2,388

Land and buildings classified as non-current assets held for sale relate to property sales of surplus land going unconditional in 2020.

13 INTANGIBLES

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Cost and valuation				
Opening balance	24,759	30,368	24,759	30,368
Additions	3,102	3,253	3,102	3,253
Disposals & reclassifications	(5,478)	(886)	(5,478)	(886)
Impairment	–	(7,976)	–	(7,976)
Closing balance	**22,383**	**24,759**	**22,383**	**24,759**
Accumulated amortisation				
Opening balance	17,283	17,445	17,283	17,445
Amortisation charge	3,572	5,375	3,572	5,375
Disposals & reclassifications	(4,682)	(3,341)	(4,682)	(3,341)
Impairment	–	(2,196)	–	(2,196)
Closing balance	**16,173**	**17,283**	**16,173**	**17,283**
Net book value	**6,210**	**7,476**	**6,210**	**7,476**

Intangible assets represent the Group's major IT systems and supporting processes that have been purchased, developed, and implemented. These are capitalised at cost. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment. Amortisation for intangible assets is calculated using a straight-line basis and the amortisation periods are three to five years, with the expense recognised in the surplus or deficit.

Impairment: Intangible assets initially measured at cost, or which are not yet available for use, are tested annually for impairment. Where the estimated useful life of the asset is deemed to be shorter than the originally recognised life, the reduction in useful life will result in an impairment loss being recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

14 INVESTMENTS IN RELATED PARTIES

NAME	PERCENTAGE CONTROLLED/OWNED	PRINCIPAL ACTIVITY
Controlled entities		
Controlled trusts		
Victoria University of Wellington Foundation	100%	Manages funds raised for the University
Research Trust of Victoria University of Wellington	100%	Conducts academic research
Victoria University of Wellington Art Collection Funding Trust	100%	Supports the University's art collection
Victoria University of Wellington School of Government Trust	100%	Manages funds raised for the University
Presbyterian Methodist Halls of Residence Trust	100%	Provides student accommodation
Subsidiary companies		
Te Puni Village Limited	100%	Provides student accommodation
Wellington Uni-Professional Limited	100%	Provides non-degree teaching Not yet trading as at 31 December 2020
Victoria Link Limited (trading as Wellington UniVentures)	100%	Commercialises research
iPredict Limited	100%	Non-trading
Predictions Clearing Limited	100%	Non-trading
Wetox Limited	100%	Develops waste-water-treatment technology
Boutiq Science Limited	84%	Provides nanoparticle solutions
New Zealand School of Music Limited	100%	Non-trading
General Cable Superconductors Limited	100%	Manufactures high temperature superconducting cable

All controlled entities have a 31 December balance date.

Joint venture

NZ Innovation Booster Limited Partnership	50%	Commercialises research

The Group recognises its share of the jointly controlled equity at fair value utilising the exemption for 'Venture Capital Organisations' under paragraph 25 of PBE IPSAS 36 Investments in Associates and Joint Ventures. The Group's share in 2020 is $1.4m (2019: $1.6m).

15 ACCOUNTS PAYABLE AND ACCRUALS

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Accounts payable	8,475	13,052	5,707	9,604
Contract retentions	1,421	1,325	1,421	1,325
Deposits held on behalf of students	11,442	15,317	11,442	15,317
Other accruals	45,849	42,506	42,500	40,641
Statutory payables	7,593	8,300	6,363	6,611
Closing balance	**74,780**	**80,500**	**67,433**	**73,498**

Short-term creditors and other short-term payables are initially recognised at fair value and subsequently measured at amortised cost using the effective-interest-rate method.

16 REVENUE IN ADVANCE

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Pre-paid tuition fees	14,992	18,778	14,731	18,338
Deferred revenue on research contracts	38,307	28,433	–	–
Other revenue in advance	10,145	12,756	9,543	12,721
Closing balance	**63,444**	**59,967**	**24,274**	**31,059**

17 EMPLOYEE ENTITLEMENTS

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Current liabilities				
Annual leave	15,799	17,371	15,488	17,045
Retirement & long-service leave	2,243	2,104	2,243	2,104
Closing balance	**18,042**	**19,475**	**17,731**	**19,149**
Non-current liabilities				
Retirement & long-service leave	24,110	24,940	24,110	24,940
Closing balance	**24,110**	**24,940**	**24,110**	**24,940**

The retirement and long-service leave liabilities were independently assessed as at 31 December 2020 by Lee-Ann du Toit, an actuary with Deloitte and a Fellow of the New Zealand Society of Actuaries.

An actuarial valuation involves the projection, on a year-by-year basis, of the long-service leave and retirement leave benefit payment, based on accrued services in respect of current employees. These benefit payments are estimated in respect of their incidence according to assumed rates of death, disablement, resignation, and retirement, allowing for assumed rates of salary progression. Of these assumptions, the discount, salary progression, retirement age, and resignation rates are the most important. The projected cash flow is then discounted back to the valuation date at the valuation discounted rates. The present obligation appears on the statement of financial position and movements in those provisions are reflected in the statement of comprehensive revenue and expense.

The discount rate applied was a single rate of 1.0 percent (2019: 1.39 percent). The salary projections assume a 0 percent increase for 2021 and 1.50 percent from 2022 onwards every year. Resignation rates vary with age and the length of service and are reflective of the experience of company superannuation schemes of New Zealand. No explicit allowance has been made for redundancy.

Employee entitlements are recognised when the University has a present obligation (legal or constructive) as a result of a past event and 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.

Liabilities in respect of employee entitlements that are expected to be paid or settled within 12 months of balance date are accrued at nominal amounts calculated on the basis of current salary rates. Liabilities in respect of employee entitlements that are not expected to be paid or settled within that period are accrued at the present value of expected future payments, using discounted rates as advised by the actuary.

Annual leave for all staff is accrued based on employment contract/agreement entitlements using current rates of pay. Annual leave is classified as a current liability. Long service leave has been accrued for qualifying general staff.

18 DEFERRED REVENUE—CONTRACTUAL OBLIGATION

	CONSOLIDATED		UNIVERSITY	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Opening balance	3,944	3,593	3,944	3,593
Research funding received	6,556	2,112	6,556	2,112
Research revenue recognised	(10,500)	(1,761)	(10,500)	(1,761)
Closing balance	**–**	**3,944**	**–**	**3,944**
Made up of:				
Current portion	–	3,944	–	3,944

The University had an obligation, as a result of two research teams transferring into the University from Callaghan Innovation Limited, a Crown Research Institute. The University committed to funding these two teams, which became the Robinson and Ferrier Institutes, during their establishment phase. This phase is now complete and there is no ongoing obligation. The balance carried at 31 December 2019 has been recorded as income in 2020.

19 BANK BORROWINGS

The University has the following loan facility agreements.

NAME OF BANK	FACILITY LIMIT	TERM
Bank of New Zealand	$75.0m	Split equally to mature January 2023 & January 2025
ASB Bank Limited	$37.5m	Maturity January 2022
Industrial and Commercial Bank of China (New Zealand) Limited	$37.5m	Maturity January 2025

These facilities were approved by the Secretary for Education for the purposes of funding the University's long-term capital development programme.

The facilities under the Loan Agreements are unsecured, the lending banks receive the benefit of various financial and other covenants under a Negative Pledge Deed.

As at 31 December 2020, $61.0m (2019: $72.0m) of the above facilities have been drawn down. Interest rates on borrowings are reset for a period not exceeding 180 days.

Borrowings are initially recognised at the amount borrowed plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective-interest-rate method. Borrowings are classified as current liabilities unless the University has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Interest rate swaps with a total face value of $45.0m are in place to hedge the $61.0m of borrowings drawn at balance date (2019: $50.0m face value of interest rate swaps to hedge $72.0m of borrowings).

20 RELATED PARTIES

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

a) Transactions with key management personnel

Key management personnel represent Council members and staff in key strategic positions (including senior leaders reporting directly to the Vice-Chancellor).

Council remuneration includes meeting fees and honoraria paid to Council members, but excludes salaries paid to Council members who are also staff members of the University (including the Vice-Chancellor and two other staff members on Council). There are 12 members of Council.

	CONSOLIDATED	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Council members (3 FTE)*	238	245
Senior Leadership Team (13 FTE)**	4,438	4,430
Total remuneration	**4,676**	**4,675**

* Due to the difficulty in determining the full-time equivalent for Council members, the full-time equivalent figure is taken as the total number of Council members who received compensation in their capacity as employees.

** Due to an error, the 2019 comparatives for Senior Leadership Team remuneration have been restated from $4,190.

To support the University as it faces the financial challenges of COVID-19, most Council members reduced their fees for eight months to December 2020. To effect the reduction, standard fees have been paid to the members, who then donated a portion of their fee to the University's Foundation. Some Senior Leadership Team members made payroll giving donations, some agreed pay reductions and furloughs. The above amounts are presented before deducting payroll giving, and net of pay reductions and furloughs.

	CONSOLIDATED	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Directors' fees		
Victoria Link Limited	90	90
Wellington Uni-Professional Limited	23	–
Total	**113**	**90**

21 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

Construction

In common with many large construction projects, the University regularly reviews it construction projects. These discussions are often complex and technical and do not always result in a financial outcome. Accordingly, the University is unable to estimate any amount payable in relation to current variations or other risk sharing arrangements under review.

Commitments

Property, plant, and equipment

Projects for which firm commitments have been made are presented below. Commitments include planned maintenance costs and capital expenditure projects.

	CONSOLIDATED	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Buildings	79,172	51,174

Non-cancellable leases and other commitments—the Group as lessee

The University has entered into commercial leases on certain land and buildings (remaining terms of between one to 65 years) and equipment (average term of three years) with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Future minimum rentals payable under non-cancellable operating leases are as follows.

	CONSOLIDATED	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Due not later than 1 year	16,317	17,149
Due between 1–5 years	63,207	58,217
Due later than 5 years	171,188	162,852
Total capital commitments	**250,712**	**238,218**

Non-cancellable leases and other commitments—the Group as lessor

Property is leased under operating leases. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows.

	CONSOLIDATED	
	ACTUAL 2020 $'000	ACTUAL 2019 $'000
Due not later than 1 year	482	500
Due between 1–5 years	1,342	1,602
Due later than 5 years	380	373
Total non-cancellable operating leases	**2,204**	**2,475**

No contingent rents have been recognised during the year.

22 EQUITY AND CAPITAL MANAGEMENT

Equity is the community's interest in the Group, measured as the difference between total assets and total liabilities. Equity is made up of the following components:

- accumulated surplus
- the cash flow hedging reserve, which reflects the revaluation of derivatives designated as cash flow hedges. It consists of the cumulative effective portion of net changes in the fair value of these derivatives
- the asset revaluation reserve, which reflects the revaluation of those property, plant, and equipment items that are measured at fair value after initial recognition
- the non-controlling interest is the portion of subsidiaries not 100 percent owned.

The Group's capital is its equity, which is represented by net assets. The Group is subject to the financial management and accountability provisions of the Education and Training Act 2020, which includes restrictions in relation to disposing of assets or interests in assets, ability to mortgage or otherwise charge assets or interests in assets, granting leases of land or buildings or parts of buildings and borrowing. The Group 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 objective of managing the Group'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.

23 EVENTS AFTER BALANCE DATE

The judgements and estimates made in preparing these financial statements were based on facts and circumstances as at 31 December 2020.

As a result of COVID-19, heavy border restrictions remain in place. New Zealand's borders remain closed to all non-citizens and non-permanent residents. Student visa holders cannot currently enter New Zealand. It is unclear when these restrictions will be removed or relaxed.

In January 2021, the New Zealand Government announced that 1,000 international tertiary students who began their study in New Zealand, but were caught offshore when border restrictions began, can return to New Zealand from April onwards. While this is positive news, based on strict government criteria the University will only receive a small proportion of the 1,000 students, and therefore any financial benefit will be limited.

On 14 February 2021, as a result of community transmission, Auckland moved to Alert Level 3 and the rest of New Zealand moved to Alert Level 2. While the whole country is now back to Alert Level 1, it is possible that we could move to any stage of the 4-stage Alert Level system during 2021. A change in Alert Level could occur nationally or by a specific region. Should a change in Alert Level occur, at this time, we are not able to accurately estimate how long the change in Alert Level would apply for, and/or the possible financial impact.

Wellington is currently at Alert Level 1, which enables the University to continue to run both online and face-to-face courses. Most courses in 2021 will be offered in a way that supports both in-person and online enrolment, and student halls of residence are currently back to 2019 occupancy levels.

24 EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variations against the 2020 budget are as follows.

Statement of comprehensive revenue and expense

- Full-fee tuition revenue was $7.3m unfavourable to budget as a result of a reduction in number of international students due to COVID-19 and the associated border closure and international travel restrictions.
- Other revenue was $13.0m unfavourable to budget primarily as a result of the effect of the impact of the government Alert Level 3 and 4 restrictions on revenue from student accommodation. The majority of domestic students who resided in the student accommodation halls returned to their homes over this period.
- Operating costs were $10.8m favourable to budget primarily as a result of savings made on operating costs to partially offset the revenue impacts of COVID-19.

Statement of financial position

- Investments and other financial assets were $24.8m higher than budget as a result of funds held in investments and longer-term deposits rather than cash and short-term deposits.
- Intangibles were $8.2m lower than budget primarily as a result of the 2019 impairment of certain assets associated with process and system improvement projects.
- Property, plant, and equipment were $65.1m lower than budget as a result of the impact of the 2019 revaluation of certain fixed assets being less than was budgeted on the opening balance and lower than budget capital expenditure.
- Accounts payable and accruals were $10.0m higher than budget as a result of timing of payments.
- Bank borrowings were $39.0m lower than budget as a result of lower than budget capital expenditure.
- Other reserves were $34.4m higher than budget as a result of the impact of the 2019 revaluation of land, buildings, and infrastructure being less than was budgeted on the opening balance.

INDEPENDENT AUDITOR'S REPORT

Chartered Accountants

TO THE READERS OF VICTORIA UNIVERSITY OF WELLINGTON AND GROUP'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2020

The Auditor-General is the auditor of Victoria University of Wellington (the University) and group. The Auditor-General has appointed me, Grant Taylor, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and statement of service performance of the University and group on his behalf.

Opinion

We have audited:

- the financial statements of the University and group on pages 26 to 49, that comprise the statement of financial position as at 31 December 2020, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the University and group on pages 10 to 20.

In our opinion:

- the financial statements of the University and group on pages 26 to 49:
  - present fairly, in all material respects:
    - the financial position as at 31 December 2020; and
    - the financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the statement of service performance on pages 10 to 20:
  - presents fairly, in all material respects, the University and group's service performance achievements as compared with the forecast outcomes included in the investment plan for the year ended 31 December 2020; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 1 April 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the impact of COVID-19 on the University. In addition, we outline the responsibilities of the Council and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Emphasis of Matter

Without modifying our opinion, we draw your attention to note 1 on page 32 which outlines the impact of COVID-19 on the University.

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.

Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements and statement of service performance for the current year. These matters were addressed in the context of our audit of the financial statements and statement of service performance as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the responsibilities of the auditor for the audit of the financial statements and statement of service performance section of the audit report, including in relation to these matters.

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Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements and statement of service performance. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements and statement of service performance.

Student enrolment, Government grant revenue and academic results

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
The core function of the University is to deliver tertiary education to students at a consistently high level of academic quality. The University recognised $158.3m of Government funding, received through the Tertiary Education Commission (TEC), the quantum of which has in part historically been based on equivalent full-time student enrolments (EFTS) and retention and achievement results. As part of the Government's COVID-19 response, the link between achievement of enrolment, retention and achievement targets and government funding was suspended for 2020. The University reports its actual achievement against enrolment, retention and achievement targets in the statement of service performance. Due to the significance of student enrolment, retention and academic results in assessing the University's overall performance for the period, we view the University's reporting of EFTS, retention and achievement results as a key audit matter.	In obtaining our audit evidence we: ▪ understood the University's key processes, systems and controls to support accurate EFTS calculations and student achievement performance information; ▪ used our professional judgement to select performance measures that in our view are significant in terms of assessing the University's performance in the period. Our detailed testing was focused on assessing the accuracy of reported performance against these selected measures; ▪ tested on a sample basis the controls surrounding the Student Management System from which the reported enrolment, retention and achievement data is extracted; ▪ tested a sample of student enrolments and withdrawals and their recognition within the Student Management System to assess whether EFTS numbers have been accurately reported; ▪ tested the reconciliation of reported student achievement performance, on a sample basis, to the Student Management System; ▪ compared the University's actual EFTS results against target EFTS in the Investment Plan and sought to understand significant variances; ▪ reviewed correspondence and verified a sample of remittances from TEC to assess the appropriateness of Government grant revenue recorded in the financial statements; ▪ compared recorded Government grant revenue with the University's investment plan and sought to understand any significant variances; and ▪ considered Government grant revenue financial statement disclosures and the presentation of student enrolment, achievement and retention information in the statement of service performance for compliance with PBE IPSAS 23: Revenue from Non-Exchange Transactions and PBE FRS 48: Service Performance Reporting.

Responsibilities of the Council for the financial statements and the statement of service performance

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

The Council is also responsible on behalf of the University and group for preparing a statement of service performance that is fairly presented and that complies with generally accepted accounting practice in New Zealand.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Council is responsible on behalf of the University and group for assessing the University and group's ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Council intends to liquidate the University and group or to cease operations, or has no realistic alternative but to do so.

The Council's responsibilities arise from the Education and Training Act 2020, Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, 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 and statement of service performance.

For the budget information reported in the financial statements and the statement of service performance, our procedures were limited to checking that the information agreed to the University and group's Council approval budget for the financial statements and the Investment Plan for the statement of service performance.

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

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 and the statement of service performance, 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 University 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 Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University and group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the statement

of service performance of the entities or business activities within the group to express an opinion on the consolidated financial statements and the consolidated statement of service performance. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

From the matters communicated with the Council, the auditor determines those matters that were of most significance in the audit of the consolidated financial statements and service performance information of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Council is responsible for the other information. The other information comprises the information included on pages 1 to 9, 21 to 25 and 55 to 58, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance 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 and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance 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 University 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.

We also provide reasonable assurance compliance services for the University and group in relation to the reported external research income included in its Performance-Based Research Fund return, on behalf of the Auditor-General. We have no other relationship with, or interest in, the University or any of its subsidiaries.

Grant Taylor

Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand