Statement of Performance Expectations

Tauākī Whāinga Mahi

2026

nzist new zealand institute of skills and technology

Whakataukī

Nau mai, nau ake, ka roi i tō kete aronui	Come forth and secure your basket of knowledge
Hei amonga mōhou ki te pūtake o te wānanga	To carry you through to the source of learning
Whakarewaia rā ki runga i te pakihiwi	Hoist it upon your shoulders
He hikitanga, he hāpainga,	For you to carry, for you to shoulder
He amonga, he ārewa, he tauira,	Learning that is valued, to lift up as an exemplar
Ka rongo te pō, ka rongo te ao	To be heard of during the night, and throughout the day
Ka huakina ki te ao mārama	To emerge into a world of light
Hei tohu tātai kura tāngata e	To be recognised and acknowledged as a treasured person (replete with skills and knowledge to benefit the community)

New Zealand Institute of Skills and Technology Statement of Performance Expectations 2026: NZIST Auckland, New Zealand.

Published in December 2025 by NZIST

Contents | Ngā ihirangi

Statement of responsibility

The Statement of Performance Expectations 2026 is produced in accordance with the requirements of sections 149B to 149M of the Crown Entities Act 2004.

We take responsibility for the statement's content, including the assumptions used in preparing the forecast financial statements and the other required disclosures.

We use and maintain internal controls to ensure the integrity and reliability of our performance and financial reporting.

We certify that the information contained in this statement is consistent with the appropriations contained in the Vote Tertiary Education Estimates of Appropriations 2025/26. These were laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed on behalf of NZIST Council by:

Sue McCormack – Acting Chair	Jeremy Morley – Council Member, Chair of Finance, Risk and Audit Committee
Date: 12 December 2025	Date: 12 December 2025

Introduction | Kupu whakataki

This Statement of Performance Expectations (SPE) 2026 sets out, at a broad level, what New Zealand Institute of Skills and Technology (NZIST, formerly Te Pūkenga) expects to deliver in 2026, and how we will measure our performance.

Considering the New Zealand Government's intent to disestablish NZIST by the end of 2026, our priorities and planned activities for this period reflect an overall context of transition, particularly for our four remaining business divisions. This SPE therefore outlines a relatively constrained set of performance measures. We will continue to prioritise excellent outcomes for learners and improving financial performance of our remaining business divisions, with the addition of effectively transitioning to disestablishment of NZIST.

Our organisation | Tā mātou whakahaerenga

The formation of Te Pūkenga in April 2020 was one of seven key changes from the previous Government's Reform of Vocational Education (RoVE) that unified the existing network of Institutes of Technology and Polytechnics (ITPs) and arranging training functions from Industry Training Organisations (ITOs). With over 226,000 ākonga (learners) and 8,900 kaimahi (staff) at the end of 2024, Te Pūkenga has provided nationally recognised new ways of learning with a focus on underserved learners (including ākonga Māori, Pacific and disabled ākonga) and delivered improved outcomes across a range of learner measures.

With the establishment of new, independent vocational education and training (VET) entities on 1 January 2026, only four of the previous 25 business divisions will remain within a national entity, now named New Zealand Institute of Skills and Technology (NZIST). We therefore shift our view towards transitioning those remaining business divisions towards a yet to be confirmed future, and what remains of NZIST national functions towards formal disestablishment by the end of 2026. This while maintaining focus on achieving best possible outcomes for learners.

Our operating context | Te horopaki o ngā mahi whakahaere

The New Zealand vocational education system has been facing increasingly significant challenges over the past decade: declining enrolments and financial viability; inequitable outcomes for Māori, Pacific and disabled learners; competition between and within the on-campus, online, and work-based components of the system; and increasing inconsistency in the engagement with and response to national and regional workforce needs. Over the past five years Te Pūkenga has established a national approach to addressing some of these issues. In 2026, many of the challenges are the same but the response will be different, and the sector will have to adapt to implement the Government's new policy direction.

Vocational Education and Training reform

In August 2024 the Minister for Tertiary Education and Skills released a proposal for the future of VET in New Zealand, furthering the government's commitment to disestablish Te Pūkenga and restore decision-making to the regions. As final decisions were released through 2025, we focused on preparing our business divisions for transition to independent entities. Under the Education and Training (Vocational Education and Training System) Amendment Act 2025, Te Pūkenga will now be known as NZIST and be disestablished by 31 March 2027 (or earlier). From 1 January 2026 all work-based learning is removed from NZIST and only four campus-based and online business divisions will remain, with their fate unknown at the time of writing.

Our functions

Our functions are defined in the Education and Training Act 2020 (as amended by the Education and Training (Vocational Education and Training System) Amendment Act 2025). NZIST exists to maintain delivery of education, training and other activities pending transfer to successor organisations – doing all things necessary to facilitate transfer and prepare for disestablishment.

Mahere Haumi | Investment Plan 2026

Our Investment Plan 2026, agreed with the Tertiary Education Commission (TEC), describes our investment priorities to ensure ongoing stability and quality delivery as we transition away from an integrated network to a model that places decision-making back in the regions. This SPE captures key performance measures from the 2026 Investment Plan for those business divisions that remain within NZIST (for example, ākonga participation and success, and overall delivery targets) and reflects the full removal of work-based learning from NZIST. Responsibility for specific projects and most business activities have been and will continue to be transitioned to remaining business divisions in 2026 or discontinued as appropriate.

The 2026 Investment Plan was developed in partnership with the TEC, guided by the TEC's Plan Guidance and "mix of provision" considerations. To inform the Plan, NZIST drew on delivery activity summaries provided by each of the remaining business divisions. This approach ensured that regional perspectives and operational realities were reflected in the national priorities. Unlike earlier years, where engagement was coordinated centrally, for 2026 divisions began to take greater responsibility for engaging with iwi, hapū, Māori partners, employers, industry representatives, and Workforce Development Councils as they developed their own narratives and mix of provision. This devolved approach reflects the shift underway in the vocational education system, enabling regional entities to build and strengthen their own relationships while NZIST maintains national accountability. The final Plan sets out a dual focus — sustaining quality delivery and positive outcomes for learners during a period of transition and preparing for the orderly disestablishment of NZIST.

Our output classes

Output class 1: Education and training

In this output class, we provide a range of education and training that is developed collaboratively, is responsive to and meets the needs of iwi, hapū and Māori, employers, and community, and is equitable, barrier-free, and consistent for all ākonga.

As we transition toward disestablishment, we will continue to empower regional decision making and the rebuilding of capacity and capability, while focusing on excellent ākonga outcomes.

Expected revenue and expenses for Output Class 1:

Education and Training	Budget 2026 $000
Revenue	150,813
Expenses	160,978
Surplus / (deficit)	(10,164)

Output class 2: Disestablishment

This output class, captures the work required to prepare for disestablishment of NZIST and transition of responsibilities, services and assets to new entities as they are established.

Expected revenue and expenses for Output Class 2:

Disestablishment	Budget 2026 $000
Revenue	-
Expenses	5,858
Surplus / (deficit)	(5,858)

In 2025, some activities in this output class were funded through the appropriations contained in the Vote Tertiary Education Estimates of Appropriations 2025/26. All costs detailed below relate to 2025 only, no costs will be incurred by NZIST in 2026. Majority of the High Priority Building expenditure will transfer to the business divisions for 2026 onwards.

Establishment of a Single National Vocational Education Institution (Key Systems) Operating Expenditure	Budget 2025/26* $000	Estimated Actual 2025/26* $000
Revenue	-	-
Expenses	992	992
Surplus/(deficit)	(992)	(992)

Note: a $15.6m appropriation was received in early 2023 and falls out of the reporting period.

Support for a Single National Vocational Education Institution (High Priority Building Projects) **Capital Expenditure**	**Budget** **2025/26*** **$000**	**Estimated Actual** **2025/26*** **$000**
Capital Expenditure	3,673	3,673

* The financial year for NZIST is 1 January to 31 December and the government financial year is 1 July to 30 June. The Budget appropriations above are for the government financial year 1 July 2025 to 30 June 2026 and the Estimated Actual is for the same period.

Note – previous SPE included *Research* as a reportable class of output, however, the four remaining business divisions in 2026 are not research-intensive. In 2026, research will represent less than 1% of revenue and is therefore no longer considered a reportable output.

How we will achieve success | He pēhea mātou e angitu ai

Our strategic objectives

The following table describes our areas of focus over 2026.

Objectives	Outcomes
Support business divisions to maximise ākonga success, equity and wellbeing	• Ākonga success and employment outcomes improve. • Equity of access and success for priority learners. • Ākonga feel supported and confident in their learning experience.
Prepare for disestablishment	• Financial performance meets or exceeds budget. • Effective transition of remaining business divisions and NZIST disestablishment

Objective 1 – Support business divisions to maximise ākonga success, equity and wellbeing

Ākonga remain at the centre of our focus. In 2026, with only four business divisions remaining, the priority is securing continuity of outcomes while embedding the gains from nationally coordinated strategies into regional delivery. Responsibility for implementation increasingly rests with the divisions themselves, while the national office provides oversight and prepares for disestablishment. In this way, NZIST ensures that the gains achieved nationally over the past four years are preserved and available to support learners long after NZIST ceases to exist.

Ākonga success and employment outcomes improve

Learners' success in their studies and their transition into meaningful employment remain central measures of impact. By 2026, the national office is not "measuring" in the way it once did, and regional divisions are increasingly responsible for the delivery and monitoring of their own outcomes. National office will have a much narrower accountability role – essentially to compile, assure, and report results for the four remaining divisions, as required under the SPE and legislation, until disestablishment.

This represents both continuity and transition. Where employer engagement and workforce alignment were previously driven nationally, they are now embedded regionally, enabling each division to respond directly to the needs of their communities, industries, and iwi partners. This shift strengthens regional responsiveness while maintaining national accountability for quality. It demonstrates that although NZIST is moving towards disestablishment, divisions are positioned to sustain and grow outcomes into the future. Learners will continue to benefit from education that not only supports achievement but also creates clear pathways into meaningful and sustainable employment.

Equity of access and success for priority learners

Ensuring fair access and achievement for Māori, Pacific, and disabled learners remains a defining measure of success. Equity has been at the heart of NZIST work since our establishment, and in 2026 this commitment continues with a focus on embedding equity practices within the four remaining divisions.

In 2025, learner success and disability action plans were coordinated nationally to provide a consistent approach across the network. In 2026, these responsibilities fully transition to divisions, supported by the processes, tools, and resources developed over the past four years. This represents both continuity and change: the values and commitments remain the same, but the delivery is regionally driven.

By devolving responsibility in this way, NZIST sustains momentum while creating space for divisions to adapt equity strategies to their specific communities. This shift secures an enduring equity legacy for the vocational education system, ensuring that Māori, Pacific, and disabled learners continue to be well supported and that equitable outcomes become a lasting feature of regional delivery.

Ākonga feel supported and confident in their learning experience

The learner experience remains central to how success is understood. In 2026, NZIST will continue the focus on positive levels of satisfaction, wellbeing, and learner advocacy achieved in recent years, ensuring that learners continue to feel supported and confident in their studies, even as organisational change takes place.

This reflects a deliberate balance of continuity and transition. In 2025, national surveys, wellbeing initiatives, and learner voice mechanisms were led centrally to embed consistent practices across the network. In 2026, these responsibilities are embedded within the divisions, giving regions direct responsibility for maintaining quality and consistency.

By moving ownership to the divisions, NZIST safeguards the gains of nationally coordinated initiatives while preparing for a devolved model of vocational education. Embedding learner-centred practices locally ensures that learner voice, wrap-around support, and wellbeing initiatives are not lost in transition, but instead become enduring features of regional delivery. This approach guarantees that learners will continue to feel valued, heard, and supported well beyond the disestablishment of NZIST.

Objective 2 – Prepare for disestablishment

As NZIST enters its final year of operation, our focus shifts decisively from planning for disestablishment to implementation. In 2026, we will balance financial discipline with the structural changes required for disestablishment, ensuring that delivery targets are met, business divisions demonstrate improved viability, property divestments are completed, and the remaining four business divisions transition smoothly into their future structures.

Financial performance meets or exceeds budget

Maintaining strong financial performance underpins credibility with government, learners, and stakeholders during this period of transition. In 2026, NZIST group is expected to deliver within its budgeted deficit while also achieving agreed delivery targets. With only four business divisions remaining, financial oversight will be more targeted, requiring closer monitoring of expenditure, revenue streams, and delivery results.

The outputs from the Regional ITP Viability Review initiatives have been included in the 2026 Budget, enabling most business divisions to make significant improvements in their financial viability. Divisions will carry greater accountability for their financial outcomes than in previous years, with national office retaining a supporting role to ensure consistency and transparency. This approach reflects a gradual but deliberate shift of responsibility from centralised control to regional ownership, ensuring that fiscal stability is achieved while preparing the system for a fully devolved future.

As part of the budget process, some business divisions have made allowance for the expected impact of recapitalisation at the end of 2025, ensuring a stronger cash position for their long-term viability.

Appropriate national functions support transition

As NZIST moves toward disestablishment, the scope of the national office is deliberately reduced to focus only on the functions required to maintain compliance and support an orderly transition. In 2026, this means maintaining core accountability obligations, coordinating the flow of information across the four remaining divisions, and ensuring that statutory and financial reporting requirements are met. National functions no longer lead operational delivery or improvement activity; these responsibilities sit firmly with the divisions. Instead, the national office provides assurance, continuity, and oversight until transition is complete.

This reflects the intent signalled in the Investment Plan — that while divisions take on responsibility for their own delivery, appropriate national functions remain in place to support the shift to regional leadership and to ensure the system's stability through its final year.

Effective transition of remaining business divisions and NZIST disestablishment

- *Improve financial viability for business divisions*
  Financial viability is a critical measure of readiness for transition. In 2026, business divisions are expected to demonstrate improvements in EBITDA compared with 2025, showing tangible progress in becoming sustainable, stand-alone institutions.

  This builds directly on the viability reviews completed in 2025, where pathways for cost savings, efficiency gains, and revenue improvements were identified. In 2026, the emphasis moves from planning to execution. Divisions will be expected to implement changes that strengthen their balance sheets, improve operating margins, and set a stable financial platform for their future governance arrangements. This focus on viability ensures that learners, staff, and communities can have confidence in the resilience of the new regional entities.

- *Property divestment projects completed*
  Managing the property portfolio of NZIST is an important part of supporting financial stability and preparing for transition. In 2026, nine property divestment projects are scheduled for completion, with an estimated combined value of $18.5 million.

  These divestments represent a continuation of work initiated in 2025, but the focus in 2026 is firmly on implementation. Proceeds will contribute to improved financial performance while ensuring that the asset base is optimised for the needs of future regional entities. In many cases, divestments will reduce ongoing maintenance costs and allow resources to be redirected toward teaching, learning, and student support. By streamlining the property footprint, NZIST ensures that its divisions are not burdened by underutilised or financially unsustainable assets as they move into their next phase.

- *Transition the remaining business divisions in line with government decisions*
  The central milestone for 2026 is the transition of the four remaining business divisions into their future end points, as determined by government decisions in the first half of 2026. Building on the detailed planning, protocols, and preparatory work of 2025, the emphasis in 2026 is on execution and delivery.

  This includes the transfer of responsibilities, services, and assets to new regional entities, alongside the wind-down of national office and governance functions. Transition will be closely managed to minimise disruption for learners, staff, and stakeholders, ensuring continuity of teaching and support services. Maintaining clear communication with iwi, employers, staff, and learners will be a critical part of the process, so that trust is maintained, and the system remains stable throughout change.

  By successfully transitioning these divisions, NZIST will complete the final step in its mandate: to provide a bridge from a national structure to a new regionally led vocational education system.

Our performance expectations for 2026 | Ngā whāinga whakatutuki mō 2026

In 2026 NZIST will comprise only 4 of the original 25 business divisions. Therefore, the 2026 targets and 2025 provisional results are based on data for only those 4 business divisions to allow sensible comparison. On the other hand, the 2025 targets are those published in the 2025 Te Pūkenga SPE, reflecting all 25 of the original business divisions of Te Pūkenga and are provided for compliance and illustrative purposes only – they cannot be validly compared with the 2026 targets or 2025 provisional results.

Support business divisions to maximise ākonga success, equity and well-being	2026 target	2025 provisional result (as at Nov 2025)	2025 target
Ākonga success and employment outcomes improve			
Course completion (SAC funded)	80%	81.0%	79.6%
Graduate employment rate[1]	Maintain 2025 result	N/A	Maintain 2024 result (60%)
Equity of access and success for priority learners			
Learner participation - Māori learners[2]	30%	30%	24%
Learner participation - Pacific learners[2]	15%	11.4%	10.2%
Learner participation - Disabled learners[2]	10%	8.2%	7.5%
Equity in course completion for Māori learners[3]	-5%	-11.2%	-7.0%
Equity in course completion for Pacific learners[3]	-6%	-6.7%	-8.0%
Ākonga feel supported and confident in their learning experience			
Ākonga Net Promotor Score	Maintain 2025 result	42.3	Maintain 2024 result (34.8)
Ākonga satisfaction with experience	Maintain 2025 result	94.2%	Maintain 2024 result (93.3%)
Ākonga wellbeing	Maintain 2025 result	95.2%	Maintain 2024 result (92.3%)

[1] 2023 graduating cohort post 1 year of graduation.
[2] All domestic learners.
[3] Relative to non-Māori and non-Pacific learners completing courses (SAC funded) at levels 1-10.

Prepare for disestablishment of NZIST	2026 target	2025 provisional result (as at Nov 2026)	2025 target
Financial performance meets or exceeds budget			
Achieve delivery targets[4]	Achieve targets as per MoP	N/A	Achieve targets as per MoP
Overall financial result[5]	Achieve or improve on budgeted deficit of ($16,022)	($76,866)	Achieve budgeted deficit of ($6,062K)
Effective transition of remaining business divisions and NZIST disestablishment			
Improve financial viability for business divisions	Improve EBITDA c.f. 2025[6]	N/A	New measure
Property divestment projects completed as per Regional ITP Viability Programme	9 properties at $18.5M	N/A	New measure
Transition the remaining business divisions in line with government decisions	4 divisions	N/A	New measure

[4] Proportion of funds received through the Investment Plan that meet delivery thresholds, by funding category and Business Division.

[5] As per budget approved by Te Pūkenga Council on 31 October 2025.

[6] Improve the core net operating profit of business divisions before the inclusion of net interest, tax, depreciation and exceptional items.

Prospective financial statements | Ngā tauākī ā-pūtea āmu

The accompanying notes (appendix) form part of these financial statements.

FOR YEAR ENDING 31 DECEMBER 2026

Financial Statements '$000's	2026 Budget	2025 Forecast	Variance
Government Funding	83,761	97,167	(13,407)
Research Income	652	676	(24)
Domestic Student Fees	32,945	30,281	2,664
International Student Fees	11,139	12,196	(1,056)
Other Teaching Income	13,732	12,992	741
Trading Income	3,512	4,183	(670)
Other Income	2,916	3,896	(980)
Total Income	***148,657***	***161,391***	***(12,734)***
Personnel Expenses	92,243	99,497	7,254
Teaching Delivery	14,837	15,510	673
Infrastructure	14,100	25,342	11,242
Administration	26,853	29,516	2,663
Expense	***148,033***	***169,865***	***21,832***
EBITDA	**624**	**(8,474)**	**9,098**
Depreciation and Amortisation	12,796	21,787	8,991
Depreciation and Amortisation	***12,796***	***21,787***	***8,991***
Interest Income	2,156	(378)	2,534
Interest Costs	148	(3,339)	(3,487)
Net Interest Income	***2,008***	***2,961***	***(954)***
Transformation Funding	0	1,645	(1,645)
Transformation Costs	4,780	43,087	38,307
Net Transformation Funding	***(4,780)***	***(41,442)***	***36,662***
Other Unusual or Non Recurring Income	0	0	0
Restructuring Expenses	1,078	8,124	7,046
Net Unusual Items	***(1,078)***	***(8,124)***	***7,046***
Net Surplus / (Deficit)	**(16,022)**	**(76,866)**	***60,844***

Note – 2026 budget and the 2025 forecast are for NZIST National Office and the 4 remaining divisions. 2025 does not include any recapitalisation.

Prospective statement of financial position

AS AT 31 DECEMBER 2026

Statement of Financial Position $000s	2026 Budget	2025 Forecast
Cash and Cash Equivalents	56,227	(19,257)
Other Current Assets	15,850	(21,816)
Total Current Assets	**72,077**	**(41,073)**
Non-Current Assets	267,336	312,715
Total Non-Current Assets	**267,336**	**312,715**
Total Assets	**339,413**	**271,642**
Short-term Loans & Borrowings	3	25,174
Other Current Liabilities	52,086	48,410
Total Current Liabilities	**52,089**	**73,584**
Long-term Loans & Borrowings	0	(37)
Other Non-Current Liabilities	2,881	41,751
Total Non-Current Liabilities	**2,881**	**41,714**
Total Liabilities	**54,970**	**115,298**
Total Equity	**284,443**	**156,344**

Note – 2026 budget and the 2025 forecast are for NZIST National Office and the 4 remaining divisions. 2025 does not include any recapitalisation.

Prospective statement of cash flows

AS AT 31 DECEMBER 2026

Statement of Cashflows 000s	2026 Budget	2025 Forecast
Opening Cash Balance	90,057	44,321
Net Cash Flow	-33,830	-60,533
Closing Cash Balance	**56,227**	**-16,211**

Statement of Cashflows 000s	2026 Budget	2025 Forecast
Cashflows from Operating Activities		
Operating Cash will be provided from:	*128,733*	*163,379*
Receipt Government Grants	65,382	95,460
Student Tuition fees	37,958	48,447
Interest Received	2,156	9,529
Other Ancillary income	23,237	9,942
Operating Cash will be applied to:	*-194,461*	*-196,739*
Payment to Employees	-92,532	-108,408
Payment to Suppliers	-102,775	-88,330
Interest paid	-148	0
GST paid	994	0
Net Cash Used in Operating Activities	*-65,728*	*-33,360*
Cash flows From Investing Activities		
Investing Cash will be provided from:	*215*	*185*
Proceeds Sale PPE	215	185
Sale of Other Assets	0	0
Proceeds Sale Intangibles	0	0
Investing Cash will be applied to:	*-11,700*	*-54,665*
Purchase PPE	-11,887	-41,863
Finance Lease	0	0
Purchase Intangibles	-115	-212
Purchase Unlisted Shares	0	0
Investment Associate	301	-12,589
Net Cash Used in Investing Activities	*-11,485*	*-54,480*
Cash Flows from Financing Activities		
Financing Cash will be provided from:	*44,000*	*3,511*
Dividends Received	0	0
Loan Drawdown	0	0
Finance Inflow	44,000	3,511
Financing Cash will be applied to:	*-617*	*23,797*
Finance Outflow	71	23,329
Crown Loan or Equity Repayment	0	0
Movement in Retained Earnings	0	468
Non-Cash Equity Movement	-688	0
Net Cash Used in Financing Activities	*43,383*	*27,308*
Total Net Cash Flow	**-33,830**	**-60,533**

Note – 2026 budget and the 2025 forecast are for NZIST National Office and the 4 remaining divisions. 2025 does not include any recapitalisation.

Statement of capital intentions

Our capital investment intentions to 31 December 2026 are detailed below.

Asset Class Additions	2024 Budget	2025 CIP Forecast	2026 Budget
High Priority Building Projects	76,273	25,387	
Major Investment Projects (Value >$1m)	43,250		2,000
Medium Investment Projects (Value >$100k and <$1m)	11,236	4,581	6,389
Low Investment Projects (Value <$100k)	62,701	2,615	4,391
Total	193,461	32,583	12,780

Note – 2026 budget and the 2025 forecast are for NZIST National Office and the 4 remaining divisions.

Appendix | Tāpirihanga

Statement of accounting policies | Te tauākī ā-kaupapa here kaute

Purpose of prospective statements

The purpose of these prospective financial statements is to provide a base against which the actual financial performance can be assessed to promote public accountability. These prospective financial statements are prepared for this purpose, and the information may not be appropriate for any other purpose. Actual financial results achieved for the period covered may vary from the information presented, and the variations may be material. The information in the prospective financial statements is unaudited. There is no intention to update the prospective financial statements subsequent to presentation.

Reporting entity

New Zealand Institute of Skills and Technology is a Tertiary Education Institution (TEI) that is domiciled and operates in New Zealand. The relevant legislation governing the operations includes the Crown Entities Act 2004 and the Education and Training Act 2020 (as amended by the Education and Training (Vocational Education and Training System) Amendment Act 2025).

The financial statements are presented on a consolidated group basis for 2026. The group consists of New Zealand Institute of Skills and Technology national office and its four remaining business divisions (formerly wholly owned subsidiaries), as listed below:

- Northland Polytechnic
- Tai Poutini Polytechnic
- Whitireia Community Polytechnic and Wellington Institute of Technology
- Western Institute of Technology at Taranaki

NZIST provides educational services for the benefit of the community. It does not operate to make a financial return.

NZIST has designated itself and the group as public benefit entities (PBE's) for the purposes of complying with generally accepted accounting practice.

The prospective financial statements of NZIST are for the year ended 31 December 2026.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of NZIST have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Education and Training Act 2020, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

NZIST is a Tier 1 entity and the financial statements have been prepared in accordance with PBE Standards. These financial statements comply with PBE 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).

Summary of significant accounting policies

The following significant accounting policies, which materially affect the measurement of financial results and financial position, have been applied consistently to all periods presented in these financial statements.

Forecast figures

The 2026 forecast figures for NZIST are approved by the Finance Risk and Audit Committee on behalf of the Council. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements. The 2026 budget for NZIST was approved by the Finance Risk and Audit Committee on behalf of Council on 31 October 2025.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions might differ from the subsequent actual results. The prospective financial statements are consistent with the delivery of strategies and impacts disclosed in this SPE and the programme of work that NZIST expects to undertake during the forecast period. A conservative view has been adopted, with the assumption that funding will remain at the currently appropriate levels over the forecast period of these statements. Budget expenditure is based on the assumption that the cost of certain inputs will increase in line with general inflation, while others will decrease as cost-saving measures are implemented. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. There are no critical assumptions to detail specifically.

Foreign currency transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into NZ$ (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Goods and services tax

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position. 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 and contingencies are disclosed exclusive of GST.

Income tax

NZIST is exempt from Income Tax. Accordingly, no provision has been made for Income Tax.

Revenue

Revenue is measured at fair value. The specific accounting policies for significant revenue items are explained below:

Student Achievement Component funding

Student Achievement Component (SAC) funding is the main source of operational funding from the Tertiary Education Commission (TEC). NZIST considers SAC funding to be non-exchange and recognises SAC funding as revenue when the course withdrawal date has passed, based on the number of eligible students enrolled in the course at that date and the value of the course.

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

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

Fees-free revenue
NZIST considers fees-free revenue is non-exchange revenue and recognises revenue when the course withdrawal date for an eligible student has passed. NZIST has presented funding received for fees-free as part of tuition fees. This is on the basis that receipts from the TEC are for payment on behalf of the student as specified in the relevant funding mechanism.

Apprenticeship/Training Fees
Apprenticeship/training fees are partially subsidised by government funding and are considered non-exchange. Revenue is recognised when the service associated with the fee is delivered over time, or in the case of products, when the products are supplied.

Industry Training Fund (ITF)
NZIST considers ITF funding to be non-exchange revenue and recognises ITF funding as revenue when the service associated with the funding is delivered over time. ITF funding is received monthly (one twelfths) in advance, based upon the annual funding allocation. To the extent that funding has been received but not recognised as revenue, a liability is held in the statement of financial position.

Performance-based research fund
NZIST considers funding received from Performance-Based Research Fund (PBRF) to be non-exchange in nature. PBRF funding is specifically identified by the TEC as being for a funding period as required by section 425 of the Education and Training Act 2020. NZIST recognises its confirmed allocation of PBRF funding at the commencement of the specified funding period, which is the same as the financial year. PBRF revenue is measured based on the funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

Research revenue
For an exchange research contract, revenue is recognised on a percentage completion basis. The percentage of completion is measured by reference to the actual research expenditure incurred as a proportion to total expenditure expected to be incurred.

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

Other grants received
Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants

are initially recorded as grants received in advance and then recognised as revenue when the conditions of the grant are satisfied.

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

Accommodation services
Revenue from the provision of accommodation services is recognised on a percentage completion basis. This is determined by reference to the number of accommodation days used up till balance date as a proportion of the total accommodation days contracted for with the individual.

Interest and dividends
Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment. Dividends are recognised when the right to receive payment has been established.

Scholarships
Scholarships awarded by NZIST that reduce the amount of tuition fees payable by the student are accounted for as an expense and not offset against student tuition fees revenue.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Cash reserves and ring fencing
The Government set a policy whereby existing reserves from previous Institutes of Technology and Polytechnics (above a set limit) would be consolidated through the central balance sheet of NZIST but would only be able to be drawn upon for projects and capital expenditure in the relevant region that have been approved by the NZIST Council. The objective is that existing reserves are in the future spent on the regions in which they had been accumulated by the relevant legacy ITPs. The use of ring-fenced amounts is restricted to particular uses, which may include major capital expenditure projects, routine/minor capital expenditure, operating investments (for example, funding the establishment of a new capability) or operating losses of the regional operation.

Accounts Receivable
Short-term receivables are recorded at the amount due, less an allowance for credit losses. NZIST applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivable. In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. Short-term receivables are written off when there is no reasonable expectation of recovery.

Inventory
Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first in, first out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. Any write-down from cost to net realisable value or for the loss of service potential is recognised in surplus or deficit in the year of the write-down.

Provisions
A provision is recognised for future expenditure of uncertain amount or timing when:
- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits or service potential will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using market yields on Government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in “finance costs”.

Restructuring
A provision for restructuring is recognised when either an approved detailed formal plan for the restructuring has been announced publicly to those affected, or implementation of it has already started.

Property, plant and equipment
Property, plant, and equipment consists of nine asset classes: land, buildings, infrastructure, leasehold improvements, computer hardware, furniture and equipment, motor vehicles, library collection, and heritage collections. Land is measured at fair value, and buildings and infrastructure are measured at fair value less accumulated depreciation. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

Revaluation
Land, buildings, and infrastructure are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. Revaluation movements are accounted for on a class-of-asset basis.

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 in 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.

Additions
The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to NZIST and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant, and equipment is initially recognised at its cost.

Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition. Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the NZIST and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred. Additions over $2,000 in value are capitalised. Amounts under this are expensed.

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

Depreciation
Depreciation 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 to be negligible. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:
- Buildings (including components) 25 to 100 years 1% to 4%
- Infrastructure 10 to 50 years 2% to 10%
- Leasehold improvements 3 to 10 years 10% to 33.3%
- Computer hardware 5 years 20%
- Furniture and equipment 2 to 13 years 7.7% to 50%
- Motor vehicles 4 years 25%
- Library collection 10 years 10%

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

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

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, a 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.

Intangible assets

Software acquisition and development

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and relevant professional fees. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

Course-related software and websites

Course-related software and website development costs are classified as software and accounted for in accordance with the accounting policy for software. Capitalised costs are tested for impairment and, once available for use, amortised in accordance with that policy.

Courses purchased from other organisations

Separately acquired courses and programmes (including trademarks and licences) acquired from outside of the NZIST group are initially recognised at historical cost. They have a finite useful life and, subsequent to initial recognition, should be carried at cost less accumulated amortisation and impairment losses. They are amortised over a period not exceeding 5 years.

Internally developed courses

Course development costs are expensed when incurred unless the course development costs are directly attributable to the design of identifiable and unique courses and programmes controlled by the group in which case they are recognised as intangible assets where all the following criteria are met:

a) The course material is identifiable and the use and redistribution of course material is controlled by the group through legal or other means.
b) It is probable that the courses will generate future economic benefits attributable to the course and the cost can be reliably measured. This is the case when:
    i. it is technically feasible to complete the development so that the course or programme will be available for use and/or sale;
    ii. management intends to complete the development of the course or programme and use or sell it:
    iii. there is an ability to use or sell the course or programme;
    iv. it can be demonstrated how the course or programme will generate probable future economic benefits;
    v. there are adequate technical, financial and other resources available to complete development of the course or programme and to use or sell the course or programme; and
    vi. the expenditure attributable to the course or programme development can be reliably measured.

Capitalised course development costs related to courses that are not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Capitalised course development costs are amortised from the point at which the course or programme is ready for use and are amortised over a period not exceeding 5 years. They are carried at cost less accumulated amortisation and impairment losses. They are tested for impairment whenever there is an indication that the asset may be impaired.

Costs associated with maintaining courses and programmes are recognised as an expense as incurred.

Intellectual property development
Research costs are expensed as incurred in the surplus or deficit. Development costs that are directly attributable to the design, construction, and testing of pre-production or pre-use prototypes and models associated with intellectual property development are recognised as an intangible asset if all the following can be demonstrated:

- It is technically feasible to complete the product so that it will be available for use or sale.
- Management intends to complete the product and use or sell it.
- There is an ability to use or sell the product.
- It can be demonstrated how the product will generate probable future economic benefits.
- Adequate technical, financial, and other resources to complete the development and to use or sell the product are available.
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenses that do not meet these criteria are recognised as an expense as incurred in the surplus or deficit. Development costs previously recognised as an expense cannot be subsequently recognised as an asset.

Amortisation
The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.
The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

- Computer software 3 to 6 years 16.7% to 33.3%

Capitalised intellectual property development costs are still work in progress. The useful life of completed projects will be established at project completion.

Impairment of intangible assets
Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

Goodwill
NZIST will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by NZIST. If the consideration transferred is lower than the net fair value of the interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed. Goodwill is tested for impairment on an annual basis taking into consideration any changes to the business activities and environment in which NZIST operates.

Leased assets
At the commencement of the lease term, NZIST shall recognise assets acquired under finance leases as assets, and the associated lease obligations as liabilities in the statement of financial position. Although the legal form of a lease agreement is that the lessee may acquire no legal title to the leased asset, in the case of finance leases the substance and financial reality are that the lessee acquires the economic benefits or service potential of the use of the lease asset for the major part of its economic life in return for entering into an obligation to pay for that right, an amount approximating, at the inception of the lease, the fair value

of the asset and the related finance charge. A finance lease gives rise to a depreciation expense for depreciable assets as well as a finance expense. The depreciation policy for depreciable leased assets shall be consistent with that for the depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the assets shall be fully depreciated over the shorter of the lease term or its useful life.

Investment in associates

Associate

An associate is an entity over which NZIST has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for in the group financial statements using the equity method of accounting. Investments in associates are measured at cost in the financial statements.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint ventures are measured at cost in the parent financial statement. Investments in associates and joint ventures are accounted for in the group financial statements using the equity method of accounting. Under the equity 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 acquisition. The group's share of the surplus or deficit is recognised in the group surplus or deficit. Distributions received from the investee reduce the carrying amount of the investment in the group financial statements. If the share of deficits of the entity equals or exceeds the interest in the entity, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the entity. If the entity subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of only after its share of the surpluses equals the share of deficits not recognised.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Property held to meet service delivery objectives is classified as property, plant, and equipment. Investment property is measured initially at its cost, including transaction costs. After initial recognition, investment property is measured at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Accounts payable

Short-term payables are recorded at the amount payable. Payables are non- interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value.

Employee benefit Liabilities

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to - but not yet taken - at balance date, and sick leave.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements
Employee benefits that are due to be settled beyond 12 months after the end of the year in which the employee provides the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

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

Superannuation schemes
Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expenses in the surplus or deficit when incurred.

Loan borrowings
Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. Borrowings are classified as current liabilities unless NZIST has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Finance leases
A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether NZIST will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Other financial assets and liabilities
Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

Term deposits and loans to subsidiaries
Term deposits and loans to subsidiaries are initially measured at the amount invested. Where applicable, interest is subsequently accrued and added to the investment balance. At year end, term deposits and loans to subsidiaries are assessed for indicators of impairment. If they are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

New Zealand Government bonds
New Zealand Government bonds are designated at fair value through other comprehensive revenue and expense. After initial recognition, the bonds are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense.

Managed fund
The managed fund is a portfolio of financial assets that are actively traded with the intention of making profits. Therefore, the managed fund is classified as held for trading. After initial recognition, the managed fund is measured at fair value, with gains and losses recognised in the surplus or deficit.

Unlisted shares
Equity investments are designated at fair value through other comprehensive revenue and expense. After initial recognition, the shares are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred within equity to general funds.

Fair value
For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) -Financial instruments with quoted prices for identical instruments in active markets.
- Valuation techniques using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) -Financial instruments valued using models where one or more significant inputs are not observable.

Equity
Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- general funds
- property revaluation reserves
- fair value through other comprehensive revenue and expense reserve
- trusts and bequests reserve.

Property revaluation reserves
These reserves relate to the revaluation of land, buildings and infrastructure assets to fair value.

Fair value through other comprehensive revenue and expense reserve
This reserve comprises the cumulative net change of financial assets classified as fair value through other comprehensive revenue and expense.

Trusts and bequests reserve
The trusts and bequests reserve are a component of equity which has been created by NZIST.

Transfers from the reserve may be made only for certain specified purposes or when certain specified conditions are met. The restrictions on use may be established by NZIST or legally through the terms and conditions of specific trusts and bequests.

Operating leases
An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Consolidation
The group financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses, and cash flows of entities in the group on a line-by-line
basis. All intra-group balances, transactions, revenue, and expenses are eliminated on consolidation. The group financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidation of an entity begins from the date NZIST obtains control of the entity and ceases when the NZIST loses control of the entity.

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

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