



Annual Report 2018

Pūrongo ā-tau 2018



Our Vision

Led by the principles of Te Noho
Kotahitanga we enable better futures
for students, communities and public
and private enterprise.







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Murray Strong, Commissioner and Merran Davis, Interim Chief Executive

Report from the Interim Chief Executive and Commissioner

In a year of unprecedented change and challenge at Unitec the organisation transitioned to a new leadership team and began implementation of a Renewal Plan, strongly focused on the success of our students and engaging with the communities we serve.

Alastair Carruthers CNZM stepped away from his Unitec Council role to serve as Interim Chief Executive for the first half of 2018. Under his leadership the sale of 29 hectares of land on the Mount Albert Campus to the Crown was completed.

Unitec Executive Dean Merran Davis took over the Interim Chief Executive role midway through the year, with the appointment later extended through to 2020.

Throughout 2018, New Zealand's continued economic growth, coupled with high living costs and increased competition within the sector (particularly in the Auckland market) contributed to a further 6.5% decline of Equivalent Full Time Students (EFTS). In contrast, total student numbers remained relatively high, indicating a continued shift to favour part-time study.

The land sale enabled Unitec to eliminate outstanding debt, however the continued decline in EFTS necessitated a full review of Unitec's finances and operating model. An updated forecast predicted lower than budgeted revenues and highlighted an urgent need to align operating expenses to create a sustainable model for the future. It also indicated that additional financial support would be needed from the Government in the interim.

In April, the Education Minister announced the Roadmap 2020 project, calling for significant change across the Institutes of Technology and Polytechnics sector to support better delivery of vocational education. Unitec supports the proposed reform as an opportunity to create a new system with the value and relevance for students, employers, communities, and the Treaty of Waitangi at its core. While the upcoming change was welcomed, it did not reduce the need for Unitec to introduce its own changes in the interim to ensure a robust, sustainable institute.

In July, due to concerns about Unitec's performance and need to implement rapid change, the Minister of Education dissolved the Unitec Council and appointed Murray Strong as Unitec Commissioner. The Government also granted Unitec a \$50m concessionary loan option to ensure the institute would continue to operate normally for the benefit of students and until the benefits of cost saving actions were realised. Unitec utilised \$27m of this loan during 2018.

In August, the new leadership team introduced the Renewal Plan, an institute-wide approach to begin addressing performance challenges, underpinned by a strengthened commitment to the principles of Te Noho Kotahitanga as Unitec's recognition of our Treaty partnership with Māori.

Organisational changes were made to better support academic delivery and student success through the creation of a flatter structure with 11 Schools. Academic support structures were simplified to improve transparency and reduce administrative load on teaching staff over time, allowing them more time in front of and working with students. Another critical element was strengthening support for our priority groups, particularly Māori and Pacific students, as well as our under 25s and International students. The previous academic model had been introduced under the earlier transformation programme which had not delivered the required support and focus on academic quality.

This renewed focus on teaching and learning aligned with preparation for an earlier than scheduled External Evaluation and Review by NZQA in November. This was undertaken as the agency shared the new leadership team's concerns about the impact of changes introduced during the previous transformation.

Under the Renewal Plan, Unitec began work to lower operating costs, achieving a \$19.3m reduction in 2018. Where possible, savings were achieved through increased efficiency and review of our programme portfolio resulting in a 15% reduction in total programmes. Unfortunately, Unitec's previous transformation programme had been aimed at better serving a growth market. This meant achieving a sustainable model required change proposals that affected 200 full-time staff. The loss of staff is felt deeply across the organisation and we remain greatly appreciative of the understanding and support shown by the team at Unitec during this difficult time.

The Renewal Plan and additional changes to be implemented during 2019 are forecast to deliver further cost savings and improve academic delivery. A return to surplus before depreciation and amortisation costs is forecast for 2020.

The emphasis placed on returning to our core purpose as well as the collaboration and openness with staff during this process has been positively reflected in staff engagement, with the highest levels reported in several years. Positive sentiment towards executive leadership and change management increased by 31 percent and 18 percent respectively. During 2019 staff engagement will remain a key measure for Unitec.


The continued dedication of Unitec's staff ensured it was a year of many successes for our students. During 2018 there were 4,684 graduates with 85 percent entering further study or work. Of those working graduates, 80 percent were employed in roles which relate to their qualifications.

The outstanding success of the Unitec Pathways College continued with a 49 percent increase in the number of secondary school students enrolled in vocational pathways programmes.

Our partnerships continue to provide students with opportunities to connect, work, and learn with industry experts. Events such as Industry Connect, which brought more than 500 students together with more than 70 industry organisations, are hugely valued by all involved. Similarly, the continued guidance of our Rūnanga and Fono is much appreciated.

Ultimately, our students and staff remain at the heart of what we do. In November, we celebrated the opening of our former library building as a new office space, housing more than 200 corporate and support staff under one roof. It is the first opportunity to physically bring staff together, having previously had offices spread across nearly 60 hectares. This is the same approach we are taking across our wider organisation, creating an education hub in West Auckland, connecting with our community and partners.

The passion and commitment of our students, staff and partners make Unitec an amazing organisation to be involved with and helped ensure we were in a largely positive position by the end of 2018 and ready to respond to any future change, challenges and opportunities.



Murray Strong
Commissioner



Merran Davis
Interim Chief Executive



Year in Review



Course Completion Rates:
75% Under 25



Te Puna **won Education Building category** at Auckland Architecture Awards



80% of employed graduates are in employment relevant to their areas of study



49% increase in the number of secondary school students enrolled in Unitec's vocational pathways programme



Vehicle Systems & Materials team won **Consumer Engagement award** at CRC Speedshow



Unitec's App Design at **Datacomp Hackathon** chosen as one of two to be funded to realisation



Work with NZ Police sees **more than 400 graduates** trained in the Pre-Police course over past 15 years



More than 150 Hawkins staff participated in **Construction Management programmes** under three year partnership with Hawkins Construction



Innovation Award for **Tertiary Innovation and Leadership** in the Safest Place to Work Awards



First New Zealand Polytechnic to introduce a **Gender Affirmation Policy**



Unitec became both the qualification & programme developer for the **NZ Certificate in Animal Welfare Investigations**



More than **500** students engaged in **five** Industry Connect events attended by more than **70** business partners



Appointed Jenny Lee-Morgan as our **first Professor of Māori Research** and began recruitment for a Director of Māori Success



Three Pacific International students selected as recipients of the MFAT & Pacific Cooperation Foundation Internship programme



Design and Sustainability teams combine to win Auckland Transport '**Match-Maker Award**' for carpooling app concept



Interior design student Erin Bell won the Kohler New Zealand inaugural **Future Designer Award 2018**



65 NZ Certificate in Animal Technology students completed a total of **1,168 days** of clinical training with our partner VetCare



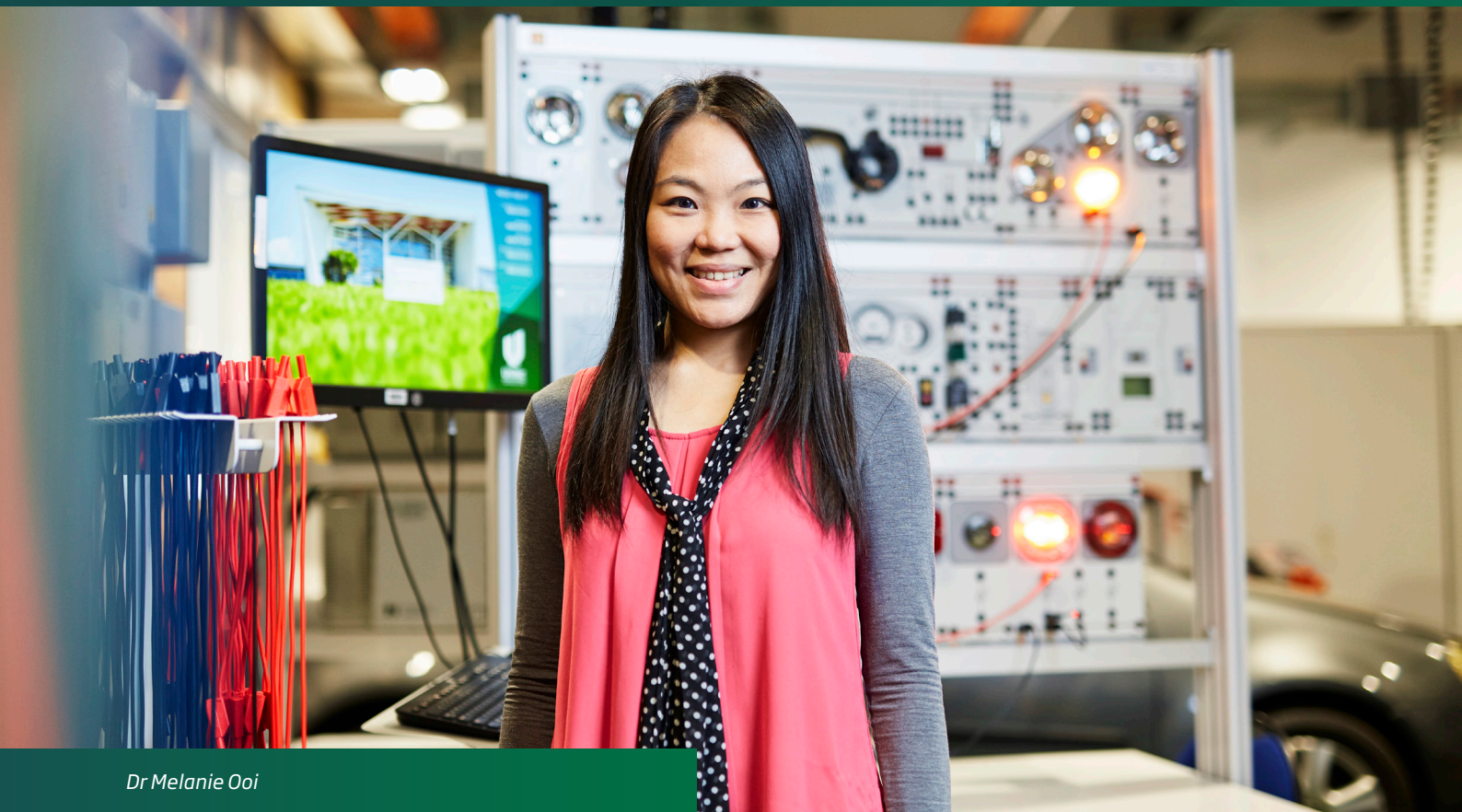
First cohort of **Beijing Dance Academy students** successfully completed a modified version of the BPSA major in Contemporary Dance



Unitec Library received an outstanding performance score of **82%** in a survey of Australasian libraries



Unitec's Te Noho Kotahitanga marae hosted the **Ka Rewa Māori Innovation Research Symposium** for nearly 200 ITP sector participants



Dr Melanie Ooi

The Power of Real-World Application

Since joining Unitec as Head of Practice Pathway in Engineering and Applied Technology in 2017, Dr Melanie Ooi has been on fire. An expert in measurement with a focus on working with uncertainty in electrical and electronic engineering and computational intelligence, Dr Ooi was winner of Unitec's Dean's Award for Research Excellence in 2018. She also won the 2017 Mike Sargeant Career Achievement Award from the Institution of Engineering and Technology in the UK.

Today, her role has involved switching from a manufacturing context for her research to agricultural applications, and refocusing on industries more relevant to the local research environment and economy. Dealing with measurement uncertainty and limited-scale samples is directly applicable to the work of producers in Aotearoa New Zealand and she has jumped in boots and all to this field of research.

Recently, she has been leading an exciting new project with the Hikurangi Cannabis Company of the Hikurangi Group to increase volumetric and active component yields in medical cannabis production. Dr Ooi has also been working with Unitec's Applied Molecular Solutions team who have developed the ability to rapidly identify organisms from small samples of plant material with cutting-edge molecular tools and genetic data.

Dr Ooi is adamant that her research needs to have a real-world application and her team has been working on projects to measure environmental parameters, including the development of an intelligent LED light-based weeds detection system for farming and pasture environments in collaboration with two universities and the Crown Research Institute.

The goal is to minimise herbicide intervention by being able to characterise weed presence despite high variability. Her emphasis is on real pasture, real weeds, and the real needs of business, community and the environment.

As this research develops, Dr Ooi is determined that Unitec involves students in the work so that they gain real-world research and industry experience. She is committed to fostering the next generation of engineers to contribute to our developing workplaces and economy – and to solve the world's problems bit by bit.



Mary Johnston, Executive Director, People and Infrastructure, Unitec; Tania Palmer, Transitional CEO of Rockgas, Contact Energy; Clint Hill, Director, Infrastructure Operations, Unitec

Unitec Raises the Bar on Health and Safety Practices

Unitec's best practice in health and safety was recognised with an Innovation Award for Tertiary Innovation and Leadership in the Safest Place to Work Awards, an initiative from cloud-based health and safety software provider Safe365.

The Safest Place to Work Awards recognise New Zealand organisations that have fostered positive work culture in making sure people are healthy, safe and well at work every day.

Unitec was commended by the judging panel for "demonstrating outstanding leadership in challenging the status quo around health and safety". It was one of seven organisations to receive an Innovation Award in recognition of a cultural shift towards a more measurable and accountable health and safety environment in the workplace.

Judges noted Unitec was the first tertiary organisation to measure the relative health and safety performance of its business units, and establish it as the cornerstone of its overall strategy to drive business-wide improvement and performance in a transparent and measurable way.

Mark Kidd, Director of Safe365, said "Unitec has demonstrated ground-breaking innovation around health and safety in a tertiary environment, and in establishing best practice for other organisations to follow."

Mary Johnston, Executive Director, People and Infrastructure at Unitec, said, "We're delighted to be recognised for our innovative practices at Unitec, and in raising the bar on health and safety processes and standards. The welfare and wellbeing of our wider Unitec community is of paramount importance to us, and we will continue to strive towards business-wide improvement and performance in this area."

Supporting Students to Succeed

Te tihi ākonga angitu

The growth of Unitec's Student Success team is one of the positive initiatives to come from our Renewal Plan, focused on building a student-centric and future-ready organisation.

Led by Annette Pitovao, the team provides exemplary pastoral and academic support services to students across both campuses, developing meaningful ways of living by Unitec's Te Noho Kotahitanga values and principles of being bi-cultural, student focused, enterprising, collaborative, and sharing best practice with generosity of spirit.

Working directly with students, in partnership with Unitec stakeholders and across key priority areas, the team is charged with enhancing student support strategies and projects that enable our diverse students to succeed and become lifelong learners.

The team has evolved considerably over the past two years to now provide a range of support services including Customer Services, Academic Development, Access4Success Disability Service, Career Development, Library Knowledge, Student Events and Communications, Student Wellbeing - Te Puna Waiora, Multifaith Chaplaincy, Student Support and Scholarships.

Cross-functional highlights for the team over the past year include the establishment of the highly successful Whānau/ Fanau Day, aimed at increasing the visibility of Māori and Pacific people to our community; the successful negotiation of the renewed tender with the Ministry of Foreign Affairs & Trade for hosting scholarship students from across the Asia Pacific region; and the introduction of scholarships for female veterinary nursing students in collaboration with the Kate Edgar Foundation.







Te Kura Kaupapa Māori o Hoani Waititi Marae student Whāriki Black

Fostering Curious Minds and Budding Carpenters

Unitec Pathways College

Every week, six students, ranging from Year 11 to Year 13, from Te Kura Kaupapa Māori o Hoani Waititi Marae in West Auckland come to Unitec to do a day-long vocational carpentry course, learning the rudiments of planing, sanding, sawing and hammering under the watchful eye of their carpentry lecturer Angus Robertson.

The West Auckland total reo immersion Kura Kaupapa Māori is one of 13 secondary schools in the Unitec Pathways College (UPC) programme, which delivers NCEA Level 2 and 3 vocational courses and helps provide opportunities for young people to experience tertiary education while they're still at school.

UPC's partnership with Te Kura Kaupapa Māori o Hoani Waititi Marae also extends to Creative Industries and Computer Studies, with students working on transforming their whakapapa into art and design through the use of 3D modelling. This aligns closely with Kura Kaupapa Māori philosophies, focused on retaining and rejuvenating Māori language, culture and Tikanga.

With the support of Unitec's Tumu Glenn McKay, UPC Manager Andrea Thumath provides a vital link between Unitec and the school communities it serves.

Hare Rua, Tumuaki/Principal of Te Kura Kaupapa Māori o Hoani Waititi Marae, says "It's important that our students have meaningful learning experiences outside of school and enjoy them as well. Interest from our rangatahi in the UPC programme has grown exponentially, due to our own Construction programme at our Kura which is complimented in large part to the openness of Andrea and her team to cater to our individual needs."

Dila Beisembayeva, who heads up Unitec's Centre of Digital Innovation and Skills, works closely with UPC in delivering vocational courses and is passionate about running computing workshops as a means of leveraging technology. She believes that robotics is the perfect way for children to get their confidence with programming as they can see something happening immediately.

She has joined Te Kura Kaupapa Māori o Hoani Waititi Marae on a project to develop and introduce an automated irrigation system for the Kura edible garden, using coding and robotics. It aims to strengthen the link between te ao Māori and the digital world and came about because of the need to keep the garden watered over the school holidays. With the aid of a grant from the Government's *Unlocking Curious Minds* fund – established to support innovative science and technology projects – it looks set to harvest a bountiful return in the coming year.



Faaniniva Leupolu

Family and Faith Provide Inspiration for Faaniniva to Return to Learning

Family and faith are all-important to New Zealand-born Samoan Faaniniva Leupolu, 34, and were the driving force behind his decision to enrol in a New Zealand Certificate in Electrical Engineering at Unitec last year.

As a senior student leaving Mt Albert Grammar in 2001, he didn't know what he wanted to do with his life. He was in and out of work, with stints in retail, call centre, warehousing and truck driving, but he felt that none of it really led anywhere.

He made the break overseas for a number of years, and it was only once he'd moved back to Auckland – now a husband and full-time carer to his four children – that he decided studying for a qualification was something he wanted to do. He enrolled in the Level 2 and 3 Certificate course with the support of a Māori and Pasifika Trades Training Scholarship and for a year his life became a continual cycle of school drop-offs, children's activities, and full-time study.

But Faaniniva, who's now an electrical apprentice with Coll Electrical in Penrose, doesn't regret a minute of it. He really wants to be a good role model to his kids, and is determined to show them that they can do anything if they set their minds to it. Although his dream job is ultimately to be a stay-at-home dad, he's proved to himself that with a bit of confidence and determination, he can acquire new, practical skills that have been life-changing for him and his family. He also provides inspiration to second-time learners - those students who've taken a break from learning for a period of time - that it's never too late to pursue a successful career in trades.

"People can't really believe what I've achieved", he says.



01

Statement of Service Performance

Pūrongo ā-tau 2018

Unitec's Outcomes Framework

Purpose

We enable better futures for our students, communities, and public and private enterprise

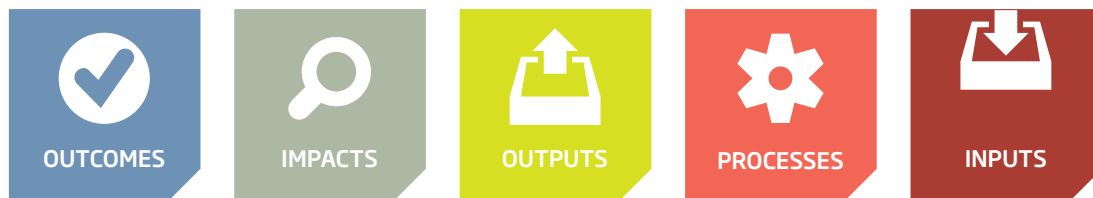
Aspiration

To be a world leader in contemporary, applied learning and an agent of positive economic and social change



Four Critical Success Factors (CSF)

Links between our Critical Success Factors and elements of our Outcomes Framework



Unitec's Outcomes Framework relates to the five year Transformation Strategy initiated in 2014 which was replaced during 2018 by the Renewal Plan due to performance challenges. As well as changing the strategy and focus, this will also change the monitoring and metrics framework, but for completeness it remains the same for the 2018 reporting period.

Our Outcomes Framework shows how we will contribute to positive outcomes for New Zealand and the Government's vision for a world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st century. It meets the requirements under Section 159P of the Education Act 1989 and direction from the Tertiary Education Commission.

At the top of the framework are three outcomes that relate to our core role in contributing nationally to vocationally-focused education and producing applied research.

Contributing to these three outcomes are four impacts that relate to progression in education, employment success, community engagement and the influence of research. Our influence over impacts is greater than our influence on outcomes, but is still mediated by external factors such as the macroeconomic environment.

Outcomes and impacts reflect the result of Unitec outputs, which are primarily related to learner achievement, research such as publications and conference presentations, and community activities. We are fully accountable for achievements at this level and below.

These outputs are linked to a number of internal processes that Unitec undertakes which are linked to our inputs – the resources we use to produce the outcomes. Learners are a key input as co-producers and partners throughout the educational process.

These outcomes, impacts, outputs, processes and inputs contribute to our four critical success factors:

- A more highly skilled, innovative, and enterprising New Zealand workforce
- Highly employable and enterprising life-long learners
- Engaged and inspired staff equipped with capabilities for our future, and
- A financially sustainable Unitec

The Outcomes Framework is focused on Unitec's contribution to New Zealand and the Government's return on investment, with our strategy focused more on our specific goals and priorities.

We contribute to the Tertiary Education Strategy (TES) priorities at multiple levels of the framework in:

- Delivering skills for industry: Successfully Employed Graduates and Learners
- Getting at-risk young people into a career: Learner Achievement and Successfully Employed Graduates and Learners
- Boosting achievement of Māori and Pasifika: Learner Achievement
- Improving adult literacy and numeracy: Teaching Services and Learner Achievement
- Strengthening research-based institutions: Research Activities and Research Outputs
- Growing international linkages: Learners

In this section the Outcomes Framework is discussed with a description of each performance element, numeric performance measures (where they exist), and commentary on performance. Historical performance may differ from that stated in previous annual reports due to corrections of previous estimates with final data. Footnotes are provided in those cases showing what was historically reported.

Measures that are Educational Performance Indicators (EPI) are noted with (EPI) in brackets. Due to the nature of the educational year, some performance information is provisional. This is footnoted, and is primarily related to specific Educational Performance Indicators. NT means "no target set"; N/A means "not applicable"; a dash "-" is used where historical data is not available. Service performance reporting reflects results for the Unitec Institute of Technology parent only, not the Group (including subsidiaries and other controlled entities). Some of the 2017 figures presented have been changed from those previously presented in the 2017 Annual Report as they were provisional results which have subsequently been updated and/or finalised, likewise the 2018 figures presented will be updated in the 2019 Annual Report.

Our Outcomes Framework



OUTCOMES



IMPACTS



OUTPUTS



PROCESSES



INPUTS



OUTCOME 1

A More Highly Skilled, Adaptive, Innovative & Productive Workforce

- Enabled by:
- Successfully employed graduates and learners
 - Impacts from research

Unitec contributes indirectly to this outcome alongside all other tertiary education providers. Currently we monitor measures in this area primarily for contextual information but over time we hope to gain a better understanding of our specific contribution to the region.

Performance Measures

	2015	2016	2017	2018
Change in Auckland Economy	3.5%	3.9%	2.6%	2.7% ¹
Auckland Unemployment Rate	5.8%	5.3%	4.6%	4.2% ²

Commentary

The Auckland economy continues to grow and unemployment has dropped year-on-year. This is highly positive for our graduates seeking employment but makes it more difficult to attract and retain students due to increasing employment opportunities. It also contributes to a growing trend towards part-time rather than full-time study.

¹ Stats.govt.nz infoshare – regional GDP to March 2018, updated March 2019

² Regional unemployment rates by regional area



OUTCOME 2

Fewer Skill Shortages in New Zealand's Economy

- Enabled by:**
- Successfully employed graduates and learners
 - Impacts from research

Unitec contributes indirectly to this outcome alongside all other tertiary education providers. We have led initiatives in this area, notably in the area of workforce planning for different industry sectors.

Performance Measures

	2015	2016 ³	2017	2018 ³	Target
Employer Net Promoter Score (NPS)	26	-	8	-	30
Employer-Perceived Graduate Skills – Practical	83%	-	76%	-	NT
Employer-Perceived Graduate Skills – Technical	85%	-	74%	-	NT
Employer-Perceived Graduate Skills – People	88%	-	83%	-	NT
Employer-Perceived Graduate Skills – Technology	91%	-	84%	-	NT

Commentary

Unitec's Employer NPS rating reduced significantly in 2017. This indicated Unitec graduates were not meeting the requirements of employers. To address this, Unitec is working with industry to ensure course content and delivery is more closely aligned with the needs of employers. Sustained disruptive change also contributed to the negative perception of some employers. Developing a new framework for the industry advisory committees and strengthening their coverage and membership was also undertaken in 2018 to address this. The intention of these activities is to improve employer satisfaction.



OUTCOME 3

New Zealanders Fully Participating in Society

- Enabled by:**
- Engaged communities
 - More students in higher levels of education
 - Successfully employed graduates and learners

Unitec contributes indirectly to this outcome alongside all other tertiary education providers. There are no specific performance indicators for this element.

³ Survey not completed in 2016 and 2018



IMPACT 1

More Students in Higher Levels of Education

Contributes to: New Zealanders fully participating in society

Enabled by: Learner achievement

Progression to higher levels of education is about students moving from Level 1 to 3 or 4 tertiary qualifications to certificate, diploma and degree courses at Unitec or elsewhere. Progression benefits individuals in developing their knowledge, skills and capability as well as enhancing organisational performance.

Performance Measures

	2015	2016	2017	2018	Target
Progression Rate (SAC L1-4) (EPI)	37%	33%	34%	32%	39%
Māori	43%	41%	39%	36%	47%
Pacific	52%	51%	49%	38%	57%
Under 25	49%	48%	46%	41%	51%
Progression Rate (SAC L1-3)	46%	43%	40%	47%	51%
Māori	49%	48%	35%	42%	53%
Pacific	57%	57%	49%	56%	61%
Under 25	61%	59%	52%	50%	66%

Commentary

There was a decrease in the overall Levels 1-4 progression rates, with all priority groups showing a decline. The decrease is partly the result of an improving employment environment as students can gain employment with lower-level qualifications. Conversely, progression has increased in Levels 1-3 for Māori and Pacific, although they still remain below target. This is an area of focus and more targeted support continues within the Māori and Pacific support services and the academic schools.



IMPACT 2

Successfully Employed Graduates & Learners

- Contributes to:**
- A more highly skilled, adaptive, innovative and productive workforce
 - Fewer skill shortages in New Zealand's economy
 - New Zealanders fully participating in society

Enabled by: Learner achievement

Employment success is about finding a job after graduation. It includes whether or not that job is related to the qualification studied.

Performance Measures

	2015	2016	2017	2018	Target
Graduates Employed, Studying, or Combining (GESC)	83%	85%	86%	85%	86%
Employed Only	56%	63%	62%	62%	NT
Combining Both Study and Employment	14%	11%	14%	13%	NT
All Employed	70%	74%	75%	74%	NT
Studying	13%	11%	11%	10%	NT
GESC (Māori)	80%	87%	93%	91%	NT
GESC (Pacific)	86%	91%	81%	83%	NT
All Employed (Māori)	59%	71%	84%	82%	NT
All Employed (Pacific)	65%	71%	60%	71%	NT
Relevance of Qualification to Graduate Employment	75%	78%	77%	80%	79%
Relevance Adjusted Graduate Employment Rate (RAGER)	78	83	82	81	83

Commentary

Our Graduates Employed, Studying, or Combining (GESC) score decreased to slightly below target. This is consistent with the lower rates of progression and employer satisfaction. The relevance of qualifications to employment increased to 80% however, slightly ahead of target and likely partly related to the work underway to improve the alignment of courses with employer needs.



IMPACT 3

Engaged Communities

Contributes to: New Zealanders fully participating in society

Enabled by:

- Learner achievement
- Community outputs

Engaged Communities links to our role in helping create a better local, national and even global community. It is about the effect that our teaching, research and community outputs have on the external community. There are no specific performance indicators for this element.



IMPACT 4

Impacts From Research

Contributes to:

- A more highly skilled, adaptive, innovative and productive workforce
- Fewer skill shortages in New Zealand's economy

Enabled by: Research outputs

This is about the impact our research has in the real world – not the article or paper itself but the way in which others use that article or paper to create further value. This might be through subsequent citations or through the commercialisation of new ideas developed by Unitec. These might include citation indices, indicators of commercial value generated or similar measures.

Research performance indicators are reported in Output Class Three: Research Outputs and Process Five: Research Activity.



OUTPUT CLASS 1

Learner Achievement

- Contributes to:**
- More students in higher levels of education
 - Successfully employed graduates and learners
 - Engaged communities
- Enabled by:**
- Teaching services
 - Support services
 - Industry and stakeholder engagement
 - Institutional management

Learner achievement is our core output. It is reflected in learners developing their skills, knowledge and competency, and is primarily expressed through their successful completion of courses and qualifications.

Performance Measures

	2015	2016	2017	2018	Target
Qualifications Conferred	3,638	3,856	3,914	4,684	NT
Doctorates	-	-	2	2	NT
Master's Degrees	103	133	137	124	NT
Bachelor's Degrees	1,100	1,224	1,133	813	NT
Postgraduate and Graduate Certificates	183	418	664	932	NT
Postgraduate and Graduate Diplomas	438	506	467	490	NT
Certificates	1,438	1,158	1,106	1,900	NT
Diplomas	376	417	402	423	NT
Science, Technology, Engineering, Maths (STEM)	1,577	1,687	1,859	1,386	NT
Qualification Completion Rate (SAC) (EPI)	56%	55%	57%	52%	74%
Māori	47%	45%	46%	45%	NT
Pacific	48%	48%	50%	42%	NT
Under 25	54%	54%	57%	54%	NT
Qualification Completion Rate (YG) (EPI)	70%	53%	71%	50%	NT
Graduate Net Promoter Score (NPS)	26	21	9	10	34
Course Completion Rate (SAC) (EPI)	81%	80%	78%	77%	80-84%
Māori	75%	73%	71%	69%	77-81%
Pacific	72%	70%	67%	67%	75-79%
Under 25	77%	77%	76%	75%	80-84%

Commentary

The increase in qualifications conferred is impacted by data being extracted at a later date in 2018 than prior years resulting in more qualifications being presented and driven by the increase in Certificates issued.

The target for Qualification Completion Rate (SAC) (EPI) is not directly comparable to the actual rate reported due to changes in the calculation methodology to align with the approach used by TEC. The new process used to calculate retention rates results in reported rates between 12% and 18% lower than the rates previously reported and upon which the targets were based. Although the actual decrease on the previous three years could be partly explained by the buoyant employment market, it does not explain why the year-on-year increase has reversed. Further research is underway on this in 2019. Similarly, course completions decreased slightly across most groups and requires further research.

Our Graduate Net Promoter Score remained consistent with a minor increase but much lower than previous years and well short of the target. The negative impact of disruptive change underpins graduate feedback. Significant work is being undertaken in this area to understand more about the contributing factors and ensure Unitec consistently delivers an experience that aligns with student expectations.



OUTPUT CLASS 2

Community Outputs

Contributes to: Engaged communities

Enabled by:

- Teaching services
- Industry and stakeholder engagement
- Research activities

Community outputs are how we contribute to our role around engaged communities. These range from public lectures to project partnerships and staff commentary on topical matters in the media.

Performance Measures

	2015	2016	2017	2018	Target
Hours of Community-Based Teaching and Learning	-	-	-	-	>2017

Commentary

Whilst there are a multitude of activities undertaken with the community, the process for categorising and measuring the hours spent in community-based teaching and learning is not yet developed and they are not currently recorded. Unitec's focus on the communities we serve was strengthened as a key part of the Renewal Plan midway through 2018 and this has led to a significant increase in the number and quality of community engagements onsite and offsite.



OUTPUT CLASS 3

Research Outputs

Contributes to: Impacts from research

Enabled by: Research activities

Research outputs are how we contribute to developing and enhancing human knowledge. They include articles, books and conference papers, as well as graduate research degree completions. Other outputs include new ideas and solutions for industry.

Performance Measures

	2015	2016	2017	2018	Target
Research Outputs (total quality assured)	614	543	657⁴	337	448
By type					
Books (edited, written, or contributed to)	38	20	55 ⁴	21	NT
Journal Articles	174	151	272 ⁴	79	NT
Conference Presentations and Proceedings	280	166	238 ⁴	182	NT
Other Types	122	206	92 ⁴	55	NT
External Research Income (000s)	\$592	\$928	\$1,014	\$584	\$833
Number of Industry-Funded Research Projects	17	23	23	55	33

Commentary

The 2018 Research Outputs were well below the target. As explained in the footnote, the Research Output data is a snapshot taken at a particular point in time. The figures are always lower because staff outputs have not been completely reported to date, and the figures will increase later in the year once all the information is available. The 2018 data will be updated for the 2019 Annual Report. The 2017 Research Output was updated and is 137 higher than the number reported previously. The timing of Research Outputs in 2017 and 2018 has been affected by the Performance-Based Research Fund (PBRF) portfolio submissions, resulting in additional Outputs in 2017. In total, 994 Outputs were recorded over the two year period, in comparison to a two year target of 896. This was a positive result given that a significant number of research active staff left Unitec over this period.

The 2018 Industry Funded Research Projects target was exceeded by a substantial amount. This was primarily due to a change in the definition of Industry Funded Projects. In 2018, the Unitec Research Committee revised the criteria for Industry Funded Projects to only exclude New Zealand and International government contestable funding sources. The revised definition is as follows: Industry funded projects are defined as "active research or enterprise projects that Unitec is receiving funding for, where the organisation is private sector or public sector and where the services Unitec is providing are applied contract research or consultancy". Nevertheless, the continued support of Unitec research by industry is very positive.

⁴ These figures have changed as reported in the 2017 Annual Report. The figures reported in the 2017 Annual Report were a snapshot during the time of the annual report.



PROCESS 1

Teaching Services

- Contributes to:**
- Learner achievement
 - Community outputs
- Enabled by:**
- Staff
 - Infrastructure and equipment
 - Learners
 - Funding

Teaching services are our core process. This encompasses different delivery modes including class-based and online tuition, the setting and marking of assessments and assignments, as well as work-based placements and direct academic mentoring by lecturers. While learning and teaching is evolving as new pedagogical models and technologies are introduced, the vital role played by skilled teachers is as important as ever to the success of our students.

Performance Measures

	2015	2016	2017	2018	Target
Student Retention (SAC) (EPI)	70%	65%	66%	67%	76%
Māori	64%	56%	59%	62%	76%
Pacific	68%	62%	58%	54%	75%
Under 25	70%	66%	65%	54%	76%
Student Retention (SAC) (Cohort EPI)	72%	67%	66%	67%	NT
Percentage of students in work-integrated learning	49%	49%	43%	63%	60%
Percentage of courses in contemporary models	-	-	-	-	NT
EFTS: Academic FTE Ratio	18.3	17.8	15.6	17.6	NT
Student Net Promoter Score	13	10	3	-3	29

Commentary

Overall student retention rates have remained fairly consistent with the previous two years. The targets for student retention are not directly comparable to the actual rates reported due to changes in the calculation methodology. The new process used to calculate retention rates results in reported rates between 5% and 8% lower than the rates previously reported and upon which the targets were based.

The percentage of students in work-integrated learning includes students enrolled in programmes where there is a work-based component attached to the programme, including industry-based learning, practicums or apprenticeships. In 2018 more analysis has been undertaken to enable us to better report on this measure.

The need to address the decline in performance of all the priority groups and the Student Net Promoter Score was one of the major drivers for developing the Renewal Plan. This resulted in the reorganisation of the Unitec operating structure to better align and support the student journey, with a focus on priority groups: Māori, Pacific, Under 25 and International.



PROCESS 2

Support Services

Contributes to: Learner achievement

Enabled by:

- Staff
- Infrastructure and equipment
- Learners
- Funding

Support services for students are an essential complement to direct teaching services. They include the library, sports centre, counselling and wellbeing, administration and specialist academic mentoring and support. While satisfaction with the services is important, the greatest consideration is their impact on learner achievement in terms of course and qualification completion.

Performance Measures

	2015	2016	2017	2018	Target
Student Support Services					
Students Attending Career Workshops	2,134	1,699	1,665	1,849	NT
Students Provided Individual Career Advice	1,773	1,538	1,308	938	NT
Students Provided General Counselling	217 ⁵	596	542	504	NT
Students Receiving Health Services	1,345	1,971	1,826	2,131	NT
Library Performance					
Loans	56,195	48,716	35,871	30,212	NT
Number of People Borrowing Items	6,557	5,674	4,736	3,680	NT
Teaching Sessions	326	241	247	228	NT
Sports Centre Membership	1,354	1,192	1,099	1,070	NT

Commentary

Although there has been a decrease in the total number of students receiving individual career advice and general counselling in line with the overall decline in EFTS, the number of students using health services and attending career workshops has increased.

Library trends reflect the increased access to and use of e-books, resulting in a reduction in the use of print books and other physical resources.

Sports Centre membership continues to decline in line with an overall decrease in EFTS.

⁵ Incomplete data – single semester only



PROCESS 3

Industry & Stakeholder Management

- Contributes to:**
- Learner achievement
 - Community outputs
- Enabled by:**
- Staff
 - Infrastructure and equipment
 - Learners
 - Funding

To enable influential research, employment success for Unitec graduates and engaged communities, we work with industry and other stakeholders. This helps ensure that our programmes are fit for purpose. Sometimes this involves formal agreements, regular industry advisory committee meetings or it can be informal discussions between Unitec staff and industry bodies. This also encompasses our student exchange programmes.

Performance Measures

	2015	2016	2017	2018	Target
Students on Inbound/Outbound Exchange	155	126	66	61	50

Commentary

The number of students on exchange has dropped slightly due to restrictions placed on our overseas partners by the local authorities but remains above target. The target is significantly lower than the 2015 and 2016 figures due to the ongoing impact of those restrictions.



PROCESS 4

Institutional Management

- Contributes to:**
- Learner achievement
- Enabled by:**
- Staff
 - Infrastructure and equipment
 - Funding

Institutional management includes the strategy development and planning processes, as well as our internal communications and governance. It also includes our staff-related actions, including health and safety activities. Good institutional management provides clear focus for the organisation and enables more effective and efficient use of our resources.

Performance Measures

	2015	2016	2017	2018	Target
Total Recordable Injury Frequency Rate	16	15	2	1	<5

Commentary

Total recordable injury frequency rate reduced again from two to one. Continued focus, awareness and reporting on this area has contributed to this ongoing reduction. This includes regular scheduled health and safety visits by all members of the Executive Leadership Team covering the whole organisation.



PROCESS 5

Research Activities

- Contributes to:**
- Research outputs
 - Community outputs
- Enabled by:**
- Staff
 - Infrastructure and equipment
 - Learners
 - Funding

As well as producing research outputs such as articles and books, we engage in the internal process of research development. This involves time allocated to research, as well as knowledge-sharing and other related dissemination activities. Using a simple traffic light system, our key indicator for research outputs is the number of green-rated programmes.

Performance Measures

	2015	2016	2017	2018	Target
Green-Rated Degree Programmes	57%	53%	68%	68%	NT

Commentary

Green-rated degree programmes are those where at least 75% of teaching or supervising staff are research-active as required by NZQA. This metric has remained constant over the past year despite general research outputs decreasing and a reduction of research-active staff. This indicates that research activities are relatively evenly spread across staff and schools offering degree and postgraduate programmes.



INPUT 1

Staff

- Contributes to:
- Teaching services
 - Support services
 - Institutional management
 - Industry and stakeholder management
 - Research activities

Our staff, along with our learners, are the key contributors to achieving our goals and outcomes. Capable academic and allied (support) staff enable positive learning outcomes that benefit learners, their families and the communities we serve.

Performance Measures

	2015	2016	2017	2018	Target
Staff Engagement	59%	-	60%	65%	70%
Staff Satisfaction					
with Facilities	55%	-	60%	62%	NT
with Career Development	56%	-	55%	47%	NT
with Senior Leadership	25%	-	21%	52%	NT
Staff (Headcount)	1,448	1,340	1,135	1,221	NT
Academic	736	676	591	630	NT
Allied	712	664	544	591	NT
Ratio Academic:Allied	1.03	1.02	1.09	1.07	NT
Staff (FTE)⁶	1,126	1,050	1,052	966	NT
Academic	545	511	538.5	480	NT
Allied	581	540	513	486	NT
Ratio Academic:Allied	0.94	0.95	1.05	0.98	NT
Attrition rate (total)	11.3%	30.2%	18%	22%	NT
Excluding redundancies	10.0%	11.0%	16.3%	14.5%	NT
Voluntary	9.8%	10.5%	14.0%	13.7%	NT
VR programme	1.3%	13.1%	0.0%	0.1%	NT
Involuntary	0.3%	6.6%	4.0%	8.2%	NT
Sick Leave Per Capita (hrs)⁷	46.0	45.0	27.8	47.2	NT
Professional Development Leave Per Capita (hrs)⁸	31.6	31.4	32.8	28.2	NT
Staff with Professional Development Plans	-	7%	78%	83.2%	NT
Applicable Staff with Practice Passport	-	-	-	-	NT
Applications to Job Offers	22.7	35	29.6	19.7	NT
Total EFTS:Academic FTE Ratio	18.3	17.8	15.6	17.6	NT
Total EFTS:FTE Ratio	8.9	8.7	8.0	7.76	NT
Management to Total Staff Ratio	9.3%	11.6%	15.0%	11.8%	NT

⁶ Full Time Equivalent accrued over full calendar year. Does not include "paid on invoice" staff

⁷ Per full and part-time staff member, not per FTE

⁸ Per full and part-time staff member, not per FTE

Commentary

Increasing staff engagement has been achieved through increased communication, a focus on transparency and inclusiveness. Notable is the 5% increase in staff engagement from 2017. Satisfaction with senior leadership increased considerably and there is a sense of trust being rebuilt despite the major cost reduction activity necessary under the Renewal Plan. Staff feedback improved across all areas surveyed, with the exception of staff development which was more restricted post implementation of the Plan.

The total FTE has reduced from 2017 as we commenced our cost reduction initiatives. With the rationalisation of the academic portfolio in 2018 we would expect this number to decrease further in future years.

Management to total staff ratio dropped to 2016 levels as part of reducing costs and a renewed focus on being student-centric.



INPUT 2

Infrastructure & Equipment

- Contributes to:
- Teaching services
 - Support services
 - Industry and stakeholder engagement
 - Institutional management
 - Research activities

Unitec's infrastructure and equipment includes our physical grounds, our buildings and teaching spaces, as well as specialist equipment required for specific programmes. It encompasses the infrastructure and equipment provided for students and staff.

Performance Measures

	2015	2016	2017	2018	Target
Total Useable Floor Area (UFA) m²	84,431	85,999	88,247	87,320	NT
UFA m ² per Equivalent Full Time Student	8.47	9.45	10.45	9.25	NT
Resource Utilisation: Energy (MWh)	11.75	10.84	11.67	9.82	NT
Resource Utilisation: Water (m ³)	85,501	75,663	63,217	54,475	NT
Resource Utilisation: Waste (tonnes)	374	366	337	400	NT
Resource Utilisation: Paper (kg)	48,860	39,161	34,467	21,376	NT
Resource Utilisation: Waste Water (m ³)	70,981	63,297	51,869	47,267	NT
Resource Utilisation: Petrol (l)	46,403	39,997	64,397	24,325	NT
Resource Utilisation: Diesel (l)	36,835	32,805	38,200	23,374	NT
Carbon footprint (CO ₂ e)	3,998	3,403	2,274	2,003	NT
Campus Recycle Rate (%)	-	14.5%	16.2%	12%	NT
Trades Recycle Rate (%)	-	79%	77%	78%	NT
Air Travel (pkm)	9.06	7.11	5.12	2.89	NT
Rental Cars (pkm)	6,836	5,394	1,349	1,906	NT
Refrigerant (kg)	86	125	97.5	12.4	NT
Library Collection Items	354,077	479,302	394,079	390,570	NT
Electronic	246,198	377,527	292,464	293,117	NT
Physical	107,879	101,775	101,615	97,453	NT

Commentary

The total useable space available to students has reduced due to consolidation of buildings across the campus. This will decrease in the future as Unitec continues to reduce the campus footprint.

Resources utilised also decreased in the majority of areas with sustainability and cost management being a key focus for the Institute.

Physical library holdings continued to reduce as investment is focused on the digital collection.



INPUT 3

Learners

- Contributes to:
- Teaching services
 - Support services
 - Industry and stakeholder management

Understanding the nature of the mix of our learners is essential to accurately evaluating the effectiveness and efficiency of Unitec's processes.

Performance Measures

	2015	2016	2017	2018	Target
Student Headcount (Enrolments)	19,307	17,701	17,018	16,884	NT
Total Equivalent Full-Time Students (EFTS)	9,968	9,100	8,442	7,897	9,800
% Māori	9.2%	9.3%	9.5%	10%	NT
% Pacific	15.0%	14.4%	14.1%	15%	NT
% Under 25	57.4%	55.3%	52.6%	50%	NT
EFTS (SAC)	7,148	6,508	5,928	5,734	6,832
Māori	838	781	734	717	NT
Pacific	1,344	1,191	1,065	1,044	NT
Under 25	3,950	3,469	2,976	2,793	NT
% Māori	11.7%	12.0%	12.4%	13%	13-18%
% Pacific	18.8%	18.3%	18.0%	18%	19-20%
% Under 25	55.3%	53.3%	50.2%	49%	64-69%
EFTS - International	2,181	2,114	2,035	1,652	2,362
EFTS - Domestic	7,786	6,986	6,407	6,246	NT
EFTS - Youth Guarantee	89	72	34	19	NT
EFTS (SAC) by Programme Level					
Level 3+	6,980	6,408	5,880	5,707	6,762
Level 1 to 2	138	96	61	27	70
Level 3	587	512	640	853	NT
Level 4	1,401	1,281	1,018	713	NT
Level 5 to 6	1,022	935	856	903	NT
Level 7	3,445	2,988	2,528	2,331	NT
Level 8 to 10	556	696	825	907	NT
Students Entering From PTEs	168	244	113	95	NT
EFTS Entering From PTEs	127	121	51	72	NT
Students With Prior NEET Status	923	1,075	626	250	NT
EFTS With Prior NEET Status	601	704	228	173	NT

Commentary

Student enrolment levels (measured by EFTS) have continued to decrease. A component of the reduced student levels can be attributed to the strong, broadly-based economic growth throughout New Zealand, and particularly within the Auckland region. International student numbers have also been affected by immigration changes to visa applications.

Our mix of students continues to change, with continued growth in Level 8-10 EFTS largely due to growth in The Mind Lab programmes. Decreased enrolments in lower-level programmes are due in part to the factors discussed above and competition in the tertiary sector.

SAC Level 3+ EFTS by subject area

	2017	2018	Target
Agriculture, Horticulture	3	0	21
Architecture; Quantity Surveying	920	1,020	1,028
Arts; Advanced Studies for Teachers; Health Therapies; Humanities; Languages; Social Sciences	967	995	1,191
Osteopathy; Acupuncture	61	60	74
Business; Accountancy; Office Systems/Secretarial; Management	491	398	686
Computer Science	270	230	380
Engineering; Technology	230	189	368
Priority Engineering	273	277	300
Fine Arts; Design	151	130	221
Health Sciences	103	73	173
Law	15	13	11
Music And Performing Arts	120	118	126
Health Related Professions	15	9	26
Science	300	313	242
Teaching: Early Childhood Education Recognised Degree/Diploma of Teaching	131	135	177
Teaching: Primary Recognised Degree/Diploma of Teaching	541	551	432
Teaching: Secondary and Specialist Recognised Degree/Diploma of Teaching	7	45	NT
Comprehensive Nursing	355	275	443
Vocational Training for Industry:	0	0	9
All courses where delivery is comparable to industry training			
Trades 2:	797	779	736
All Trade Courses other than for Trainees under Part III of the Industry Training Act 1992 and Agricultural, Horticultural, Forestry, and Primary Industry Cadets			
Medical Imaging	72	81	82
Clinical Psychology	17	15	17
General Education	0	0	20

Commentary

Compared to targets, decreases were spread across several areas with the exception of Primary Teaching-related courses which were higher than targeted as a result of The Mind Lab's strong performance. Trades-related courses continue to perform well, reflecting the investment in new facilities and the high demand for skilled tradespeople.

Even though overall EFTS reduced in 2018, areas such as Architecture, Arts, Priority Engineering, Science and Medical Imaging all performed favourably.



INPUT 4

Funding

- Contributes to:
- Teaching services
 - Support services
 - Industry and stakeholder engagement
 - Institutional management
 - Research activities

Funding as an essential input is received from two primary sources: Income paid by government on the basis of enrolments, and directly from students as tuition fees. Although relatively small, other revenue includes external research funding, sponsorship and some short courses. EBITDA stands for Earnings Before Interest, Taxation, Depreciation, and Amortisation; EBITDAR excludes restructuring costs.

Performance Measures

	2015	2016	2017 ⁹	2018	Target
Brand Health: First Choice	4%	3%	3%	5%	NT
Brand Health: Consideration	30%	34%	34%	35%	32%
Brand Health: Awareness	86%	84%	84%	81%	NT
Net Surplus/Average Equity (%)	1.1%	(8.7%)	(11.57%)	(12.31%)	(3.7%)
Gearing (%) / Net Debt to Equity (%)	1.2%	15.2%	45.55%	5.08%	32%
Total Revenue (\$,000)	151,930	137,745	129,379	121,869	152,243
Total Cash Expenditure (\$,000)	135,131	150,067	145,958	131,982	145,274
Depreciation (\$,000)	12,011	18,251	13,485	17,728	18,600
Interest (\$,000)	878	(79)	675	1,676	(3.6)
Net Surplus (\$,000)	2,764	(24,020)	(30,739)	(29,517)	(8,551)
Net Cash (Debt) (\$,000)	5,143	(12,323)	(110,518)	(12,051)	(108,000)
EBITDA (\$,000)	13,897	(5,691)	(16,579)	(10,113)	5,126
EBITDAR (\$,000)	15,253	14,355	1,401	3,099	24,000
EBITDA to Total Revenue	9.2%	(4.1%)	(12.81%)	(8.3%)	8.6%
EBITDAR to Total Revenue	10.1%	10.4%	1.08%	2.54%	18.7%
Other Revenue	15,905	14,304	11,981	10,447	7,119
Workforce Budget to Income	63.1%	72%	76%	77%	NT
Revenue per FTE (\$000)	134	131	123	127	134
Physical Maintenance Costs	4,287	5,204	4,418	4,945	NT
Percentage Programmes >50% Contribution	-	-	-	-	NT

Commentary

Although there has been a slight improvement in Brand Health: First Choice and Consideration metrics, which suggests strength in particular market segments, Brand Awareness has reduced from the previous three years.

A continued decrease in EFTS resulted in lower than targeted revenue. In 2018 Unitec has undertaken a Renewal Plan focused on restructuring Unitec to a sustainable financial model by 2020 and enabling it to recover and grow in core areas of opportunity. This has resulted in a significant reduction in costs in 2018, and further cost reductions are planned for subsequent years. Another key objective of the Renewal Plan is to engage effectively with our students, staff and key stakeholders throughout the process.

⁹ 2017 has been restated to ensure consistency in methodology between years



02

Governance Report

Pūrongo ā-tau 2018

Legal Status

Unitec Institute of Technology is a polytechnic established under the Education Act 1989 (the Act). Until July 2017 the Institute was governed by a Council which was supported by an Audit and Risk Committee, Remuneration and Appointments Committee and Fono Faufautua Pacific Committee.

In accordance with section 195D (1) of the Act, the Minister of Education dissolved the Council (and its subcommittees with the exception of the Fono) and appointed Murray Strong as Commissioner, effective from 23 July 2018.

The powers and functions of the Commissioner are set out in section 195E of the Act, as follows:

- 1) A commissioner appointed under section 195D has all the powers, functions, and duties of the council that he or she is appointed to replace, and must exercise those powers and perform those functions and duties in accordance with this Act (having particular regard to sections 160 and 161) and, in the case of an institution that has a plan, that plan.
- 2) A commissioner replaces all council members who serve on any committee of the council that he or she is appointed to replace.
- 3) Anything that, if done by or on behalf of a council, is required to be signed by two or more members of the Council, may be done by the Commissioner's signature alone.

In addition to the exercising of these powers and functions, the Tertiary Education Commission (TEC) expects the Commissioner to have particular regard to the financial viability issues facing Unitec which gave rise to his appointment.

Unitec Council

Council members

Dr Lee Mathias, Sarah Haydon, Dianne Kidd, Vaughn Davis, Elena Trout, Mark Heslop, John McConnell, Alastair Carruthers, Pramjit Suchdev

The Unitec Council established the Wairaka Land Company on 31 August 2015 as a wholly owned subsidiary. The Company ceased its activities in June 2018.

Unitec Advisory Committee

Section 195F of the Education Act 1989 requires the Minister to appoint an Advisory Committee of up to five members for the purposes of advising and supporting the Commissioner in the exercise of his functions, duties and powers. As at 31 December 2018, three external members had been appointed together with the Unitec Student President.

Committee members

John Brockies, Peter Winder, Tui Ah Loo

The Chief Executive has an advisory group named **Te Rūnanga o Te Whare Wānanga o Wairaka** supporting Māori. The group also monitors performance around Unitec's obligation to the Treaty of Waitangi, Te Noho Kotahitanga partnership agreement and the Māori Success Strategy.

In accordance with section 193 of the Education (Polytechnics) Amendment Act 1990, the Commissioner has retained the **Fono Faufautu Pacific Committee** to support him with his duties and obligations to Pacific students. The Fono also monitors progress against the Pacific Strategy.



03

Financial Statements

Pūrongo ā-tau 2018

Independent Auditor's Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of Unitec Institute of Technology Group's financial statements and statement of service performance for the year ended 31 December 2018

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

Opinion

We have audited:

- the financial statements of the Group on pages 46 to 78, that comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, 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 Group on pages 17 to 38.

In our opinion:

- the financial statements of the Group on pages 46 to 78:
 - present fairly, in all material respects:
 - › the financial position as at 31 December 2018; 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 of the Group on pages 17 to 38 presents fairly, in all material respects, the Group's service performance achievements measured against the proposed outcomes described in the investment plan for the year ended 31 December 2018.

Our audit was completed on 30 April 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to uncertainties about the proposed merger of all polytechnics and institutes of technology. In addition, we outline the responsibilities of the Commissioner and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Uncertainties about the proposed merger of all polytechnics and institutes of technology

Without modifying our opinion, we considered the adequacy of the disclosures made in note 25 on page 76 that outline the Government's proposal to merge the activities of all polytechnics and institutes of technology. Should the merger proceed, it could have a significant impact on the future of the Group. However, a final decision on the proposal is yet to be made. We consider these disclosures to be adequate.

Basis for our opinion

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

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

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

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

The Commissioner is also responsible on behalf of the Group for preparing a statement of service performance that is fairly presented.

The Commissioner 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 Commissioner is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Commissioner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Commissioner intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Commissioner's responsibilities arise from the Crown Entities Act 2004 and the Education 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:

- Council approved budget for the financial statements; and
- 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 Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Commissioner and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Our responsibilities arise from the Public Audit Act 2001.

Other information

The Commissioner is responsible for the other information. The other information comprises the information included on pages 1 to 16, 39 to 40, 45 and 79 to 81 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 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 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have provided a report on the Group's Performance-Based Research Fund external research income. This is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Group.



Karen MacKenzie

Audit New Zealand

On behalf of the Auditor-General

Auckland, New Zealand

Statement of Responsibility

For the year ended 31 December 2018

The Commissioner and management are responsible for the preparation of the Unitec Institute of Technology Group's Financial Statements and Statement of Service Performance and for the judgements made in them.

The Commissioner and management of the Unitec Institute of Technology have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

The Commissioner and management have the responsibility for establishing and maintaining a system of internal control for non-financial information.

In the Commissioner and management's opinion, these Financial Statements and Statement of Service Performance fairly reflect the financial position and operations of the Unitec Institute of Technology Group for the year ended 31 December 2018.



Murray Strong
Commissioner



Merran Davis
Interim Chief Executive

Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
Operating Revenue				
Government grants	2(a)	54,294	58,783	55,230
Student tuition fees	2(b)	55,324	62,926	60,292
Student services fees	2(d)	1,804	2,238	1,876
Other revenue	2(c)	9,921	9,707	10,916
Total Operating Revenue (excluding finance revenue)		121,343	133,654	128,314
Operating Expenditure				
Personnel costs	3(a)	93,545	99,444	99,151
Depreciation and amortisation		17,728	9,098	13,485
Administration costs and other expenses	4(b)	38,437	42,848	46,807
Total Operating Expenditure (excluding finance costs)		149,710	151,390	159,443
Surplus/(Deficit) before net finance costs		(28,367)	(17,736)	(31,129)
Finance revenue		226		112
Finance costs	4(a)	(1,902)	(3,514)	(787)
Net Finance revenue/(costs)		(1,676)	(3,514)	(675)
Surplus/(Deficit) before share of jointly controlled entities		(30,043)	(21,250)	(31,804)
Surplus/(Deficit)				
Share of Surplus/(Deficit) of jointly controlled entities	16	984	2,661	1,065
Net Surplus/(Deficit)		(29,059)	(18,589)	(30,739)
Other comprehensive revenue and expense				
Revaluation movements in property, plant and equipment		20,708		(12,422)
Total other comprehensive revenue/(expense)		20,708		(12,422)
Total comprehensive revenue/(expense)		(8,351)	(18,589)	(43,161)
Reconciliation of Surplus/(Deficit) before net finance revenue/costs to Operating Surplus				
Surplus/(Deficit) before net finance revenue/costs		(28,367)	(17,736)	(31,129)
Deduct:				
Net gain/(loss) on disposal of property, plant and equipment		(74)		(153)
Add back:				
Transformation costs		8,615	13,103	12,621
Restructuring	3(a)	3,351	2,000	1,975
Depreciation and amortisation		17,728	9,098	13,485
Impairment		1,984		2,438
Share of surplus/(deficit) of jointly controlled entities	16	984	2,661	1,065
Fair value gains/(losses)	4(b)	(664)		1,099
Operating Surplus		3,557	9,126	1,401

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

Statement of Financial Position

As at 31 December 2018

	Note	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
Assets				
Current Assets				
Cash and cash equivalents		14,225		2,448
Trade and other receivables	5	9,329	3,695	3,790
Assets classified as held for sale	6			135,150
Inventories		306	300	560
Prepayments		2,349	1,300	703
Total current assets		26,209	5,295	142,651
Non-current assets				
Investment in joint ventures	16	1,513		1,529
Term Receivables	6	4,000		
Property, plant and equipment	9	244,897	273,664	223,608
Intangible Assets	10	12,608		10,786
Assets under construction	9	1,224		17,608
Total non-current assets		264,242	273,664	253,531
Total assets		290,451	278,959	396,182
Liabilities				
Current Liabilities				
Trade and other payables	7	9,191	5,628	21,384
Revenue received in advance	8	8,815	17,848	10,017
Borrowings	11	1,380		110,554
Employee entitlements	3(b)	7,982	7,500	8,444
Provisions	12	260		100
Total current liabilities		27,628	30,976	150,499
Non-current liabilities				
Borrowings	11	24,564	5,334	2,098
Derivative financial instruments				662
Employee entitlements	3(b)	515		436
Provisions	12	360		
Total non-current liabilities		25,439	5,334	3,196
Total liabilities		53,067	36,310	153,695
Net assets		237,384	242,649	242,487
Equity				
General Funds		141,645	39,924	52,184
Property revaluation reserves		95,739	202,725	190,303
Total equity		237,384	242,649	242,487

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

Statement of Changes in Equity

For the year ended 31 December 2018

	General Funds \$'000	Property Revaluation Reserves \$'000	Total \$'000
Prior year			
Balance at 1 January	82,923	202,725	285,648
Surplus/(Deficit) for the year	(30,739)		(30,739)
Other comprehensive income		(12,422)	(12,422)
Total comprehensive revenue and expenses for the year	(30,739)	(12,422)	(43,161)
Balance at 31 December	52,184	190,303	242,487
Current year			
Balance at 1 January	52,184	190,303	242,487
Surplus/(Deficit) for the year	(29,059)		(29,059)
Movement attributable to current year revaluation		20,708	20,708
Total comprehensive revenue and expenses for the year	(29,059)	20,708	(8,351)
Transfers on disposal of property	115,272	(115,272)	
Capital contributions from the Crown	3,248		3,248
Balance at 31 December	141,645	95,739	237,384

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

Statement of Cash Flows

For the year ended 31 December 2018

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less, and bank overdrafts.

	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
Cash flows from operating activities			
Cash was provided from:			
Government grants	45,754	58,857	62,397
Tuition fees	54,115	66,277	59,830
Interest received	209		125
Other operating receipts	10,212	13,863	13,033
	110,290	138,997	135,385
Cash was applied to:			
Payment to employees	94,217	106,680	98,444
Goods and services tax (net)	(745)		(1,872)
Interest paid	2,355	1,903	787
Payment to suppliers	33,875	37,480	47,320
	129,702	146,063	144,679
Net cash flows from operating activities	(19,412)	(7,066)	(9,294)
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment	124,000	138,700	100
Distributions from joint ventures	1,000		
	125,000	138,700	100
Cash was applied to:			
Purchase of property, plant and equipment	6,639	28,056	58,371
Purchase of intangible assets	3,576	5,746	2,295
Loan to joint ventures			(777)
	10,215	33,802	59,889
Net cash flow from investing activities	114,785	104,898	(59,789)
Cash flows from financing activities			
Cash was provided from:			
Capital injection	3,247		
Loan raised	23,753	5,234	68,500
	27,000	5,234	68,500
Cash was applied to:			
Repayment of finance lease liabilities	2,098	103,066	(753)
Repayment of loans	108,500		
	110,598	103,066	(753)
Net cash flow from financing activities	(83,596)	(97,832)	69,253
Total net cash flows	11,777	-	170
Cash and cash equivalents at 1 January	2,448		2,278
Cash and cash equivalents at 31 December	14,225		2,448
Cash and bank	3,065		1,627
Short-term investments	11,160		821
Closing cash and cash equivalents at 31 December	14,225		2,448

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

Statement of Cash Flows (continued)

For the year ended 31 December 2018

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

	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
Deficit before share of surplus of jointly controlled entities	(30,043)	(21,250)	(31,804)
Add/Less non-cash items:			
Depreciation/Amortisation	17,728	9,098	13,485
Bad Debts	107		66
Impairment	1,984		2,438
Prepaid rental	209		
Loss/(gain) on disposal of property, plant and equipment	(74)		(153)
Derivatives	(664)		1,173
Increase/(Decrease) in non-current property provision	360		
Increase/(Decrease) in non-current employee entitlements	79		(173)
Total non-cash items	19,729	9,098	16,836
Add/Less movements in working capital items:			
(Increase)/Decrease in inventories	254	260	(309)
(Increase)/Decrease in trade and other receivables	(5,539)	95	1,060
(Increase)/Decrease in prepayments	(1,646)	(597)	576
Increase/(Decrease) in trade and other payables	(12,192)	(15,756)	7,116
Increase/(Decrease) in revenue received in advance	(1,202)	8,343	(1,646)
Increase/(Decrease) in provisions	160	(100)	(2,363)
Increase/(Decrease) in current employee entitlements	(462)	(944)	976
Net movement in working capital items	(20,628)	(8,699)	5,410
Items classified as investing activities	11,530	13,785	264
Net cash flows from operating activities	(19,412)	(7,066)	(9,294)

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

1 Group Information

The Group is comprised of Unitec Institute of Technology (the Parent) and its wholly owned subsidiary Wairaka Land Company (WLC), and controlled entities Unitec Trust and Unitec Apprenticeship Training Trust (together the Group). Following the sale of land to the Crown in April 2018, the operations of the WLC were transferred to the Parent. WLC has ceased trading in June 2018. The Parent also has various joint ventures and investments in associates which are detailed in note 16 of these financial statements.

Group Financial Statements only are presented as there is no material difference between the Group and Parent Financial Statements. The impact of the controlled entities on the Group Financial Statements is presented in note 17.

Unitec is a Tertiary Education Institution domiciled in New Zealand and is governed by the Crown Entities Act 2004 and the Education Act 1989. The primary objective of the Parent and Group is to provide tertiary education services for the benefit of the community rather than making a financial return. The Parent and Group are public benefit entities for the purpose of financial reporting.

The financial statements of the Group are for the year ended 31 December 2018, and were authorised for issue by the Commissioner on 30 April 2019.

2 Revenue

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duties. Revenue is defined as either exchange or non-exchange. Revenue is classified as exchange when the value of goods or services provided is approximately equal to the value of the consideration received or to be received. Revenue is defined as non-exchange when the value of goods or services provided is not equal to the value of consideration received or to be received.

Non-exchange revenue is recognised when the terms and conditions associated to the revenue have been satisfied. Exchange revenue recognised reflects the percentage or stage of completion of supply of goods or services.

Government grants, fees-free revenue, donations, and domestic student fees are considered non-exchange transactions. International student fees and other revenue streams are considered exchange transactions.

	Actual 2018 \$'000	Actual 2017 \$'000
(a) Government grants		
Student Achievement Component funding	48,630	50,370
Performance-Based Research Fund (PBRF)	3,351	2,763
Youth Guarantee Fund	309	377
Māori & Pasifika Grant	381	411
Refugee Study Grant	516	738
Other grants	1,107	571
	54,294	55,230
(b) Student tuition fees		
Domestic student tuition fees *	24,830	25,300
International student tuition fees	30,494	34,992
	55,324	60,292
(c) Other exchange revenue		
Contract education	451	571
Copy centre	275	476
Consultancy and student projects	1,824	1,333
Research	592	843
Gain on sale of property, plant and equipment	473	158
Gain on sale of investments		74
Revenue from other operating activities	6,306	7,461
	9,921	10,916
(d) Other non-exchange revenue		
Student services fee income	1,804	1,874
Donations		2
	1,804	1,876

* The Group has presented funding received for fees-free as part of Domestic student tuition fees. This is on the basis that receipts from TEC are for payment on behalf of the student as specified in the relevant funding mechanism. In 2018, a total of \$4.5 million has been received for fees-free study (2017: nil).

3 Employee Costs

Wages and salaries (including non-monetary benefits), annual leave and accumulating sick leave are recognised in surplus or deficit during the period in which the employee rendered the related services, and are generally expected to be settled within 12 months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled.

A liability for sick leave is recognised to the extent that absences in future periods are expected to be greater than the sick leave entitlements earned in the coming year.

A liability and an expense is recognised for bonuses and redundancy costs where contractually the Group is obliged or where due to past practise or circumstances that create an expectation that the Group will settle an obligation.

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated as the present value of the future expected cash flows.

	Actual 2018 \$'000	Actual 2017 \$'000
(a) Personnel costs		
Salaries and wages	89,425	94,910
Employee benefits expenses	443	462
Employee entitlements expenses	326	1,804
Redundancies	3,351	1,975
	93,545	99,151
(b) Employee entitlements		
Current portion	7,982	8,444
Non-current portion	515	436
	8,497	8,880
Comprising of:		
Salaries and wages		94
Annual leave	6,407	7,026
Retirement leave	273	307
Long service leave	325	103
Sick leave	213	154
Redundancy provisions	1,279	1,196
	8,497	8,880
Redundancy provisions:		
Opening balance	1,196	616
Provision for the year	1,175	1,031
Released	(173)	
Utilised	(919)	(451)
Closing balance	1,279	1,196

4 Other Expenditure

	Actual 2018 \$'000	Actual 2017 \$'000
(a) Finance cost		
Interest on borrowings	1,806	567
Finance lease interest	96	220
	1,902	787
(b) Administration costs and other expenses		
Audit fees - paid to principal auditor for parent and subsidiaries - current year audit	188	190
Audit fees - paid to principal auditor for parent and subsidiaries - prior year audit		
Audit fees - paid to principal auditor for external research income audit	7	7
Bad debts expense/(recovered)	107	(156)
Change in provision for doubtful debts	330	222
Councillors' fees	95	183
Class Materials	2,828	2,719
Research	702	771
Operating lease charges	648	581
Impairment of investments		
Loss on disposal of fixed assets	399	3
Fair value (gains)/losses on derivatives	(662)	1,099
Other administrative expenses	33,799	41,188
	38,437	46,807

5 Trade and Other Receivables

All receivables are short term and are recorded at their face value less any provisions for impairment. Impairment is recognised where there is objective evidence that the debtor(s) are unable to make required payments.

	Actual 2018 \$'000	Actual 2017 \$'000
Trade and other receivables		
Student fee receivables (non-exchange)	1,234	1,130
Trade receivables (exchange)	2,239	3,074
Accrued interest (exchange)	18	
Less provision for impairment	(744)	(414)
Other receivables (see note 6)	6,000	
Government Grants	582	
Total Trade and other receivables	9,329	3,790

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

(a) Student fee receivables (non-exchange)	Actual 2018 \$'000			Actual 2017 \$'000		
	Gross	Impairment	Net	Gross	Impairment	Net
Group						
1-30 days	342	(200)	142	309		309
31-60 days	216	(117)	99	270	(136)	134
61-90 days	76	(41)	35	33	(17)	16
>90 days	600	(386)	214	518	(261)	257
Total student fee receivables	1,234	(744)	490	1,130	(414)	716

(b) Trade receivables (exchange)	Actual 2018 \$'000			Actual 2017 \$'000		
	Gross	Impairment	Net	Gross	Impairment	Net
Group						
1-30 days	1,454		1,454	1,999		1,999
31-60 days	301		301	67		67
61-90 days	38		38			
>90 days	446		446	1,008		1,008
Total trade receivables	2,239		2,239	3,074		3,074

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

(c) Movements in the provision for Impairment are as follows:

	Actual 2018 \$'000	Actual 2017 \$'000
Student fee receivables		
At 1 January	414	192
Additional provisions made during the year	330	222
Release of provision during the year		
At 31 December	744	414
Trade receivables		
At 1 January		29
Additional provisions made during the year		
Release of provision during the year		(29)
At 31 December		

6 Assets classified as held for sale

There were no assets classified as held for sale as at 31 December 2018.

The assets classified as held for sale at 31 December 2017 related to the sale of 29 hectares of land and associated buildings at the Mt Albert campus for \$134 million, which was completed on 20 April 2018. At balance date, \$10 million is still outstanding with the Crown, with \$6 million expected in 2019 (refer to note 5), pending certain conditions and obligations of sale being met and the remaining \$4 million, included in term receivables is due on the final exit of the northern campus.

7 Trade and Other Payables

Short term trade payables and creditors are recorded at their face value as they are non-interest bearing and generally settled within 30 days.

	Actual 2018 \$'000	Actual 2017 \$'000
Payables under exchange transactions		
Trade payables	428	1,127
Other payables - accruals	4,888	10,023
	5,316	11,150
Payables under non-exchange transactions		
Taxes payable	3,875	3,091
Government grants received in advance		7,143
	3,875	10,234
Total trade and other payables	9,191	21,384

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

8 Revenue in Advance

Revenue received in advance is recognised when payment is received before goods or services are provided in the case of exchange revenue or before obligations are satisfied in the case of non-exchange revenue.

	Actual 2018 \$'000	Actual 2017 \$'000
Exchange transactions		
International student fees received in advance	8,020	9,747
	8,020	9,747
Non exchange transactions		
Domestic student fees received in advance	795	270
Total revenue received in advance	8,815	10,017

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

9 Property, Plant and Equipment

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

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

Subsequent to initial recognition land is measured at fair value and buildings are measured at fair value less accumulated

	Land	Buildings
Cost or valuation		
Balance at 1 January - prior year	212,484	80,213
Additions		56,740
Revaluation increase/(decrease)	(20,637)	4,476
Adjustments/Movement	1,221	2,323
Disposals		
Transfer to available for sale	(132,630)	(2,520)
Balance at 31 December - prior year	60,437	141,231
Balance at 1 January - current year	60,437	141,231
Additions		4,069
Revaluation increase/(decrease)	(3,039)	17,464
Adjustments/Movement	291	860
Disposals		
Balance at 31 December - current year	57,690	163,624
Accumulated depreciation and impairment losses		
Balance at 1 January - prior year		
Depreciation Expense		3,739
Reclassifications		
Eliminate on disposal		
Eliminate on revaluation		(3,739)
Balance at 31 December - prior year		
Balance at 1 January - current year		
Depreciation Expense		4,806
Eliminate on disposal		
Eliminate on revaluation		(6,283)
Adjustments/Movement		1,477
Balance at 31 December - current year		
Carrying amounts		
At 1 January - prior year	212,484	80,213
At 31 December - prior year and 1 January - current year	60,437	141,231
At 31 December - current year	57,690	163,624

depreciation. All other assets are measured at cost, less accumulated depreciation and impairment losses. To determine the fair value of an asset appropriately experienced valuers are engaged to perform valuations on a class-by-class basis when there have been significant changes in asset values. As a minimum valuations are required at least every three years. If an item of property, plant and equipment is revalued, the entire class to which the asset belongs is revalued. Gains and losses are recognised in other comprehensive income, except in the event the loss exceeds the existing reserves, in such cases the loss is recognised in the surplus or deficit.

Plant & Equipment	Furniture & Fittings	Motor Vehicles	Computer Equipment	Office Equipment	Library Collection	Total
14,653	6,212	2,131	15,956	950	8,272	340,871
6,921	2,678	302	4,358	71	342	71,412
						(16,161)
	(130)					3,414
(9)		(157)	(1,959)	(3)		(2,128)
						(135,150)
21,565	8,760	2,276	18,355	1,018	8,614	262,258
21,565	8,760	2,276	18,355	1,018	8,614	262,258
2,059	4,599	1	1,525	11	226	12,490
						14,425
						1,151
(3,289)	(28)	(509)	(1,182)	(16)		(5,024)
20,335	13,331	1,768	18,698	1,013	8,840	285,299
10,870	3,496	1,703	12,140	808	6,402	35,419
1,489	476	212	2,576	49	423	8,964
119						119
(5)		(150)	(1,957)	(1)		(2,113)
						(3,739)
12,473	3,972	1,765	12,759	856	6,825	38,650
12,473	3,972	1,765	12,759	856	6,825	38,650
1,794	950	160	2,821	55	380	10,966
(3,109)	(17)	(274)	(997)	(11)		(4,408)
						(6,283)
						1,477
11,158	4,905	1,651	14,583	900	7,205	40,402
3,783	2,716	428	3,816	142	1,870	305,452
9,092	4,788	511	5,596	162	1,789	223,606
9,177	8,426	117	4,115	113	1,635	244,897

Valuation

At the year end (31 December 2018), Jones Lang LaSalle (independent valuers) values the Group's Land and Buildings.

Land

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

Buildings

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

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

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

Crown owned land and buildings

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

Restrictions on Title

Under the Education Act 1989, the Group is required to obtain consent from the Ministry of Education to dispose of or sell property where the value of the property exceeds an amount determined by the Minister. There are also various restrictions in the form of historic designations, reserve, and endowment encumbrances attached to land. The Group does not consider it practical to disclose in detail the value of land subject to these restrictions.

Assets under construction

As at 31 December 2018 the Group was engaged in various construction and development projects that were not yet completed. These assets are classified as assets under construction, once completed these assets will be transferred from assets under construction to the relevant property, plant and equipment or intangible asset category.

	Actual 2018 \$'000	Actual 2017 \$'000
Buildings	520	10,643
Software	112	2,632
Fixtures and fittings	30	63
Course development	562	4,270
Total assets under construction¹	1,224	17,608

¹Assets under construction include Borrowing costs of \$nil (2017: \$333,914) capitalised using a weighted average interest rate of nil% (2017: 3.71%)

Finance leases

The carrying value of property, plant and equipment held by the Group under finance leases and hire purchase contracts at 31 December 2018 is \$1,696,000 (2017: \$3,798,000). This relates to computer equipment \$1,649,000 (2017: \$3,229,000) and plant and equipment \$48,000 (2017: \$569,000). Additions during the year totalled \$487,000, of which \$467,000 relates to computer equipment and \$20,000 for plant and equipment. The leased assets are pledged as security for the related finance lease and hire purchase liabilities.

Depreciation

Depreciation is charged on a straight-line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or fair value of the asset less any estimated residual value over its remaining useful life:

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

Disposals

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

Impairment of property, plant and equipment

Property, plant and equipment assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

10 Intangible Assets

Course development

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

Software

The Group holds several computer software packages for internal use, including purchased software and software developed in-house by the Group. Purchased software is recognised and measured at cost. Developed software is recognised at the cost of development being primarily employee costs. There are no restrictions over any intangible assets and no intangible assets are pledged as security.

	Computer Software	Course Development	Total
Cost or valuation			
Balance at 1 January - prior year	21,557	2,407	23,964
Additions	2,243	52	2,295
Balance at 31 December - prior year	23,800	2,459	26,259
Balance at 1 January - current year	23,800	2,459	26,259
Additions	4,387	4,892	9,279
Impairment	(695)		(695)
Balance at 31 December - current year	27,492	7,351	34,843
Accumulated amortisation and impairment losses			
Balance at 1 January - prior year	10,235	455	10,690
Depreciation Expense	4,277	506	4,783
Balance at 31 December - prior year	14,512	961	15,473
Balance at 1 January - current year	14,512	961	15,473
Depreciation Expense	5,174	1,588	6,762
Balance at 31 December - current year	19,686	2,549	22,235
Carrying amounts			
At 1 January - prior year	11,322	1,952	13,274
At 31 December - prior year and 1 January - current year	9,288	1,498	10,786
At 31 December - current year	7,806	4,802	12,608

Amortisation of intangible assets is recognised within depreciation and amortisation expense in the statement of comprehensive income. All intangible assets are amortised on a straight line basis over the following periods which is assessed to be their useful lives:

Course development	5 years
Computer software	3 - 10 years

Impairment of intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. For further details refer to the policy for impairment of property, plant and equipment in Note 9. The same approach applies to the impairment of intangible assets.

11 Borrowings

On 21 December 2015, the Institute entered into two separate revolving advance facility agreements (and the accompanying negative pledge deeds): one with ASB Bank Limited and one with Westpac New Zealand Limited. These facilities were established in accordance with the conditions of the Consent to Borrow granted by the Secretary for Education, under section 192 (4) (d) and (7) of the Education Act 1989. On 24 April 2018 the Institute repaid all outstanding loans of \$103.5m (Westpac \$78.5m and ASB \$25m).

On 31 August 2018, the Institute entered into an unsecured Concessionary Loan Agreement with the Crown for up to \$50 million. This loan was established in accordance with the conditions of the Consent to Borrow granted by the Secretary for Education, under section 192 (4) (d) and (7) of the Education Act 1989.

As at 31 December 2018, the Institute had drawn down total consideration of \$27m. (Tranche A \$10m, Tranche B \$17m, with final maturity dates of 14 September 2028 and 16 November 2028 respectively).

Borrowings are initially recognised at their fair value less directly attributable transaction costs, and subsequently measured at amortised cost. The effective interest rates used to determine the fair value of the Crown loan are 3.28% and 3.97% for two and 10 year terms respectively. These rates were derived using the two and 10-year swap rates and applying a risk premium to estimate the market interest rates. The difference between the fair value and the loan proceeds received has been recognised as a capital contribution from the Crown. Refer to note 21 for further details.

Leases are classified into two categories, finance leases and operating leases. Arrangements are determined to be finance leases if the arrangement transfers substantially all of the risks and benefits incidental to ownership of the leased item to the Group. Conversely, if the arrangement does not transfer substantially all risks and rewards to the Group it is classified as an operating lease.

If an arrangement is classified as a finance lease the assets held under the arrangements are recognised in the statement of financial position and classified as property, plant and equipment. A liability is also recognised. The asset and liability are initially recognised at the lower of the present value of the future lease payments and the fair value of the leased assets. Subsequent to initial recognition the assets are depreciated over their useful lives. The lease repayments are apportioned between interest and principal repayments.

	Actual 2018 \$'000	Actual 2017 \$'000
Current Portion		
Borrowings/loans		108,427
Finance leases	1,380	2,127
Total current portion	1,380	110,554
Non-current portion		
Borrowings/loans	23,817	
Finance leases	747	2,098
Total non-current portion	24,564	2,098
Total borrowings	25,944	112,652

Analysis of finance leases

	Actual 2018 \$'000	Actual 2017 \$'000
Total minimum lease payments payable		
Within one year	1,396	2,347
After one year but not more than five years	753	2,128
Future finance charges	(22)	(251)
Total present value of minimum lease payments	2,127	4,224

The finance leases can be renewed at the Group's option, with rents set by reference to current market rates for items of equivalent age and condition. The group does have the option to purchase the asset at the end of the lease term, but it is likely the option to purchase will not be exercised because the leased assets are usually technologically obsolete at lease expiry. The Group is not permitted to pledge the leased assets as security nor can it sublease the leased equipment without the permission of the lessor. There are no other restrictions on the Group by any of the finance leasing arrangements.

12 Provisions

Provisions relate to future unavoidable costs valued at year end prices.

	Actual 2018 \$'000	Actual 2017 \$'000
Current Provisions		
Other Provisions	40	
Lease Make Good	220	100
Total current provisions	260	100
Non-Current Provisions		
Other Provisions	60	
Lease Make Good	300	
Total non-current provisions	360	
Total provisions	620	100

The nature of the provisions are as follows:

- Other provisions relate to contractual commitments incurred by Unitec in the ordinary course of business which will be settled in the future.
- Lease Make Good provision are in respect of leased premises where the Group is required at the expiry of the lease term to make good any damage and remove any fixtures and fittings installed by the Group.

(a) Movements in the provision are as follows:	Actual 2018 \$'000	Actual 2017 \$'000
Onerous Lease		
At 1 January		
Additional provisions made during the year	520	
At 31 December	520	
Onerous Leases		
At 1 January		1,739
Utilised during the year		(1,532)
Released during the year		(207)
At 31 December		
Lease Make Good		
At 1 January	100	724
Utilised during the year		(229)
Released during the year		(395)
At 31 December	100	100

13 Operating Lease Commitments

Operating leases as lessee

	Actual 2018 \$'000	Actual 2017 \$'000
Non-cancellable operating lease commitments		
Land and buildings		
Within one year	210	361
Later than one year and not later than two years	222	182
Later than two years and not later than five years	530	372
Later than five years	97	
	1,059	915

Operating leases as lessor

The Group has entered into commercial leases with tenants on land and buildings. These leases have a non-cancellable remaining term of 2 to 10 years.

	Actual 2018 \$'000	Actual 2017 \$'000
Non-cancellable operating lease commitments		
Land and buildings		
Not later than one year	699	949
Later than one year and not later than two years	589	817
Later than two years and not later than five years	1,662	1,675
Later than five years	546	24
	3,496	3,465

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

14 Commitments

Capital commitments

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

	Actual 2018 \$'000	Actual 2017 \$'000
Buildings		865
Computer equipment	426	74
Computer software	85	547
Fixtures and fittings		125
Plant and equipment		
Course development		116
Total capital commitments	511	1,727

15 Contingent Liabilities

From time to time the Group provides guarantees and is subject to certain personal grievance actions. As a result, costs could be incurred by the Group. At balance date there are no matters that would materially impact on the Group's financial position.

16 Joint Ventures and Associates

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

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

Name of venture	Principle Activities	Country of Incorporation	Equity Interest (%)	
			2018	2017
Stars in Her Eyes	Dormant	New Zealand	50	50
The Mind Lab by Unitec Limited Partnership	Specialist education	New Zealand	50	50
The Tech Futures Lab – Unitec Limited Partnership	Wound up	New Zealand	-	50

Stars in Her Eyes is a dormant entity with no assets or liabilities. It incurred no expenses and earned no revenues in the period.

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

	Actual 2018 \$'000	Actual 2017 \$'000
Summarised statement of financial position of The Mind Lab Limited		
Assets		
Current assets	1,961	1,356
Non-current assets	3,000	3,184
Total assets	4,961	4,540
Liabilities		
Current liabilities	1,935	1,482
Non-current liabilities		
Total liabilities	1,935	1,482
Net assets	3,026	3,058
Carrying amount of investment in Group's financial statements	1,513	1,529
Summarised statement of financial performance of The Mind Lab Limited		
Income	11,433	9,730
Expenses	9,486	7,600
Net surplus/(deficit)	1,947	2,130
Group's share of surplus	984	1,065

17 Unitec Controlled Entities

Unitec controls three entities. Two are constituted as charitable trusts being Unitec Trust and Unitec Apprenticeship Training Trust. The charitable purposes of the trusts are to further student education, achievement and employment. The other entity is Wairaka Land Company (WLC), a 100% subsidiary of Unitec, which was incorporated on 25 September 2015 to implement Unitec's property strategy. Following the sale of land to the Crown in April 2018, the operations of the WLC were transferred to the Institute. WLC ceased trading in June 2018.

	Actual 2018 \$'000	Actual 2017 \$'000
Summarised statement of financial position		
Assets		
Current assets	332	314
Non-current assets		
Total assets	332	314
Liabilities		
Current liabilities	17	474
Non-current liabilities		
Total liabilities	17	474
Net assets	315	(160)
Summarised statement of financial performance		
Income	458	
Expenses	(17)	190
Net surplus/(deficit)	475	(190)

18 Related Party Transactions

Related Party disclosures have not been made for transactions with related parties that are:

- Within a normal supplier or client/recipient relationship; and
- On terms and conditions no more or less favourable than those that are reasonable to expect that the Institute would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements with tertiary education institutions and undertaken on the normal terms and conditions for such transactions.

	Actual 2018 \$'000	Actual 2017 \$'000
Key management personnel remuneration		
Council members (Dissolved 23 July 2018)		
Remuneration *	135	234
Full-Time Equivalent members	4.0	11.0
Commissioner (Appointed 23 July 2018)		
Remuneration	138	
Full-Time Equivalent members	0.4	
Advisory Committee		
Remuneration	13	
Full-Time Equivalent members	1.0	
Leadership Team		
Salaries and other short term employee benefits **	2,407	3,175
Full-Time Equivalent members	6.6	10.3
Total remuneration	2,693	3,409

* This includes Directors' fees paid to Unitec Council members in their capacity as Board members of Unitec subsidiaries.

** This includes salaries and other short term employee benefits for those members of the leadership team who have left Unitec during the year, and also includes the management of Wairaka Land Company, which has ceased trading.

Key management personnel includes the senior executives of the Group, all members of Council, the Commissioner and the Advisory Committee.

For the purpose of financial reporting each council member and director is considered one full time equivalent if they held office for the entire financial year.

19 Councillors' Fees

The following fees were paid to members of the Council of Unitec Institute of Technology:

	Actual 2018 \$'000	Actual 2017 \$'000
Council Members		
Dr Lee Mathias (Resigned 5 July 2018)	21	40
Alastair Carruthers (Returned to position at the end of his term as Interim Chief Executive. Resigned 9 July 2018)	1	20
Sarah Haydon (Term expired 30 April 2018)	7	20
Aroha Hudson (Term expired 30 April 2017)		8
Dianne Kidd	14	25
Martin Udale (Term expired 30 April 2017)		5
Vaughn Davis (Resigned 10 July 2018)	11	20
Emeline Afeaki-Mafile'o (Resigned 21 June 2017)		10
Elena Trout (Appointed 12 June 2017)	11	12
Mark Heslop (Appointed 19 June 2017)	11	11
John McConnell (Appointed 22 June 2017)	11	11
Pramjit Suchdev (Appointed 01 May 2018)	5	
Total Councillors' Fees	92	182

The following fees were paid to members of the Board of Wairaka Land Company:

	Actual 2018 \$'000	Actual 2017 \$'000
Board Fees		
Anne Blackburn (Resigned 23 April 2018)	5	16
Chris Cardwell (Resigned 10 April 2017)		4
Sarah Haydon (Term expired 30 April 2017)	5	16
Martin Udale (Resigned 22 April 2018)	11	33
Derek Nolan (Resigned 22 April 2018)	5	16
Adrienne Young-Cooper (Resigned 9 November 2017)		13
John McConnell (Appointed 12 July 2017; Resigned 31 August 2018)	11	8
Mark Heslop (Appointed 01 May 2017; Resigned 31 August 2018)	7	
Total Board Fees	44	106

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

	Actual 2018 \$'000	Actual 2017 \$'000
Advisory Committee Fees		
John Brockies	4	
Peter Winder	4	
Tui Ah Loo	4	
Matalena O'Mara (Student Representative) Term expired 31 December 2018		
Total Advisory Committee Fees	12	

The Student Representative is not entitled to Committee Fees.

20 Basis of Preparation

Statement of compliance and basis of preparation

The Financial Statements have been prepared in accordance with the Crown Entities Act 2004 and the Education Act 1989, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The Financial Statements have been prepared in accordance with Tier 1 PBE standards.

Measurement base

The Financial Statements have been prepared on a going concern and historical cost basis, except for derivative financial instruments, buildings and land classified as property, plant and equipment, which have been measured at fair value.

The financial report is presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

21 Critical accounting estimates and assumptions, and judgements in applying accounting policies

The preparation of the Group's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

Revaluation of property, plant and equipment

Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used to determine the fair value of these non-financial assets are provided in Note 9.

Course development costs impairment

Annually the Group performs an internal review to determine if any course costs capitalised relate to courses that are no longer taught or intended to be taught. In such cases the value of the costs capitalised is reduced to value of costs that can be recovered through the remaining usage, and any excess between costs capitalised and recoverable value is recognised as impairment expense in the Statement of Comprehensive Income. In the current year, no impairment was recognised (2017: nil).

Concessionary Loan

On 31 August 2018, the Institute and the Crown entered into a concessionary loan agreement for up to \$50 million at 0% interest. The purpose of the loan is to bridge the Institute's projected cash shortfalls for 2018 and 2019, while Unitec undergoes a strategic review and reconfiguration of its operations. The terms and conditions of the loan state:

- Each Tranche is available during the availability period
- The final repayment date is 10 years after the drawdown date, unless prior repayment conditions have been agreed.

At balance date, no repayment conditions had been agreed. However, subsequently the Institute has provided draft repayment conditions to the Crown. The Institute has determined the fair value of the loan, in accordance with PBE IPSAS 29 - Financial Instruments: Recognition and Measurement, based on these anticipated repayment terms. The Institute anticipates that \$21 million will be repaid in 2020 and \$6 million will be repaid in 2028. The Institute has applied discount rates of 3.28% (2 years) and 3.97% (10 years).

Judgements

Revenue and capital contributions

Most Crown funding received is operational in nature and is provided by the Crown under the authority of an expense

appropriation and is recognised as revenue. Where funding is received from the Crown under the authority of a capital appropriation, the Group accounts for the funding as a capital contribution directly in equity.

Transformation costs

All one-off or non-recurring costs associated with the strategy that was in place in prior years have been classified as transformation costs in the reconciliation to EBITDAR/Operating Surplus under the Statement of Comprehensive Income.

22 Financial Instruments

Financial instrument categories

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest rate method. All financial assets being cash and cash equivalents, term deposits, trade and other receivables and loans to joint ventures have been categorised as loans and receivables.

Financial liabilities being trade and other payables (excluding revenue in advance), borrowings and finance leases are categorised as financial liabilities measured at amortised cost.

Derivative financial instruments are categorised as fair value through the surplus or deficit. The Group has elected not to apply hedge accounting.

Fair value hierarchy

Derivatives are valued using observable inputs (level 2).

Financial instrument risks

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

Market risk

The Group is subject to interest rate risk and foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Group manages this risk through the use of interest rate swaps, options and caps to fix interest rates on forecast future borrowings. The Group updates forecast cash flows and associated future debt levels on a short, medium and long term basis on a weekly and monthly basis to ensure sufficient interest rate cover is maintained.

Term deposits are made for periods less than, equal to, or greater than three months, depending on the Group's cash requirements, and earn interest at the respective short-term deposit rates.

Foreign exchange risk

Foreign exchange rate risk is the risk that the value of foreign currency denominated future cash flows will fluctuate due to changes in exchange rates. The Group manages this risk for significant commitments by fixing relevant future exchange rates with forward exchange contracts.

Sensitivity analysis

As at 31 December 2018, if the average interest rate on interest-bearing deposits over the year had been 100 basis points higher or lower, with all other variables held constant, the (deficit)/surplus for the 12 months would have been:

Year	Higher	Lower
2018	84,779	(84,779)
2017	60,147	(60,147)

As at 31 December 2018, if the average interest rate on net interest-bearing debt over the year had been 100 basis points higher or lower, with all other variables held constant, the (deficit)/surplus for the 12 months would have been:

Year	Higher	Lower
2018	379,231	(379,231)
2017	445,000	(445,000)

Credit risk

Credit risk represents the risk that a third party will default on its obligations to the Group, causing it to incur a loss. Financial instruments which subject the Group to credit risk consist of bank balances, bank term deposits and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

Cash, deposits and derivatives are held with registered banks in New Zealand which are rated at least Aa2 by Moody's and AA – by Standard & Poor's.

The Group does not require collateral or security to support financial instruments. Trade receivables (at year end) relate to receivables from students and commercial debtors. Exposure to bad debts is not considered significant and is provided for at historic impairment rates.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Group mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

The Group has cash, short-term deposits and borrowings that it can use to meet its ongoing payment obligations.

The Group's creditors are mainly those reported as trade and other payables and borrowings. The Group will pay trade and other creditors within 30 days of incurring the liability. The contractual maturity of Borrowings and Finance leases is disclosed in note 11.

During the year, the Group had a maximum amount that could be drawn down against its revolving credit facility of \$140 million (2017: \$115 million). This facility was fully repaid on 24 April 2018 upon the sale of land.

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

The contractual maturity of derivative financial instruments are as follows:

	Liability carrying amount	Asset carrying amount	Contractual cash flows	Less than 6 months	6 - 12 months	1 - 2 years	Greater than 2 years
2018							
Gross settled forward exchange contracts	0	0	0	0	0	0	0
Outflow							
Inflow							
Net settled interest rate derivatives	0	0	0	0	0	0	0
	Liability carrying amount	Asset carrying amount	Contractual cash flows	Less than 6 months	6 - 12 months	1 - 2 years	Greater than 2 years
2017							
Gross settled forward exchange contracts	0	0	0	0	0	0	0
Outflow							
Inflow							
Net settled interest rate derivatives	(707)	0	(707)	(64)	(64)	(128)	(452)

Fair Value

Interest rate derivatives

The fair values of interest rate derivatives have been determined by calculating the expected cash flows under the terms of the derivatives and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

Forward foreign exchange contracts

The fair values of forward exchange contracts have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from instrument prices.

Information about interest rate derivatives

The notional principal amounts of interest rate derivative contracts totalled \$39 million and matured in April 2018 (2017: \$64 million). The fixed interest rates of all derivative contracts varied from 2.97% to 3.25%.

Information about forward foreign exchange contracts

The notional principal amounts of forward foreign exchange contracts in NZD were \$1.3 million and matured in January 2018 (2017: \$1.0 million), the foreign currency principal amounts were AUD 1.2 million (2017: AUD 0.9 million).

23 Capital Management

The Group's capital is its equity, which is comprised of accumulated funds and revaluation reserves. Equity is represented by net assets.

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

The Group manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings, to ensure that the Group effectively achieves its objectives and purpose, while remaining a going concern.

24 Major Budget Variances

The budget figures are derived from the Group's 2018 budget which was approved by the Council in November 2017. The budget figures are for 12 months to December 2018, and have been prepared in accordance with PBE FRS - 42 using accounting policies consistent with those applied in preparing the 2018 financial statements.

Explanations for significant variances from budget are as follows:

Statement of Comprehensive Income

Revenues

Revenues were less than budget due to lower revenues from both international and domestic students and government grants as a result of fewer than expected student enrolments.

Expenses

Expenditure was favourable to budget due to the implementation of the Renewal Plan which has resulted in:

- Lower personnel costs and reduced administration expenditure as a result of numerous cost saving initiatives being successfully implemented during the year through efficiency initiatives and the review of the programme portfolios.
- Reduced transformation costs due to early closure of Transformation projects.

Depreciation and amortisation were higher than budget due to the timing of the capitalisation of major construction projects completed in late 2017.

Revenues

Net finance costs were less than budget due to the repayment of bank debt earlier than originally anticipated.

Statement of Financial Position

Assets

Cash and cash equivalents were higher than budget due to a greater operating surplus as a result of the Renewal Plan savings achieved in 2018 coupled with the drawdown of both Tranche A and B of the Crown loan.

Trade & Term receivables are higher than budget, due to the recognition of \$10 million due from the Crown land sale.

Prepayments are higher than budget as a result of the recognition of prepaid rent in 2018 related to the Crown land sales which will be amortised over the lease term.

Property, plant and equipment is lower than budget due to the depreciation costs being greater than budget due to the timing of the capitalisation of major construction projects completed in late 2017 along with the budget grouping Property, plant and equipment and Intangible assets together for budgeting purposes.

Intangible assets are higher than budget as noted above under Property, plant and equipment.

Assets under construction are higher than anticipated as a number of plant, property and equipment and intangible assets projects commenced later than budgeted and remained in progress at year end.

Liabilities

Trade and other payables exceeded the year end budget due to the timing of third party invoice receipt and payments.

Revenue received in advance was lower than budget reflecting lower receipts from semester one 2019 enrolments.

Borrowings are higher than budget as they include the Crown loan drawdowns required, due to the fall in student enrolments which were not anticipated at the time the budget was prepared.

Statement of Cash Flows

Cash from operating activities

Cash received from operating activities was lower than budget due to reduced government grants and tuition fees due to student enrolments being less than budget. This adverse variance was partially offset by payment to employees being favourable to budget as a result of the Renewal Plan savings achieved in 2018.

Cash from investing activities

The net cash inflow from investing activities was higher than budget due to budgeted Property, Plant and Equipment and Intangible Assets projects not being undertaken or commencing later than budgeted and remaining in progress at year end.

Cash from financing activities

The net cash outflow from financing activities was less than budget due to the drawdown of the Crown loan which was not anticipated in the budget.

25 Significant events after balance date

Review of Vocational Education

In February 2019, the Government released a proposal which if implemented would merge the activities of all 16 Polytechnics and Institutes of Technology into a single entity responsible for the delivery of tertiary vocational education in New Zealand.

The proposal is subject to public consultation which closed on 5 April 2019. It is expected that the Government will make its decision on the merger of all Polytechnics and Institutes of Technology later this year.

Should the merger proceed, it could have a significant impact on the future of the Institute. As the Government is yet to make a decision on the merger, it is not clear what that impact, if any, there would be on the Institute. As a result, the financial statements continue to be prepared using the going concern basis of accounting.

Sale of the MindLab

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

After a strategic review of its assets, Unitec concluded that its investment in MindLab was not core to its business operations. As a result, the Institute commenced discussions in January 2019 with its partner to complete an exit of its ownership interest. As a result, the Institute and EdLab Limited entered into a conditional agreement to sell/purchase the investment. On 3 April 2019 all conditions of the sale were met, as a result the Institute will realise a gain on disposal of approximately \$3.1 million.

26 Income tax and other taxes

Income tax

The Group is exempt from income tax. Accordingly, no provision has been made for income tax.

Goods and services tax (GST)

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

- When the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- In the case of receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

27 Standards issued not yet effective and not early adopted

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

Impairment of Revalued Assets

This standard amends PBE IPSAS 21 and PBE IPSAS 26 to bring assets measured at revalued amounts within the scope of the standards. Amendments are also made to PBE IPSAS 17 Property, Plant and Equipment and PBE IPSAS 31 Intangible Assets as a result of the amendments to PBE IPSASs 21 and 26 and applies for periods beginning on or after 1 January 2019.

As a result of amendments, revalued assets are subject to the same impairment assessment requirements as assets that are measured using the cost model. Also, previously there was some uncertainty on whether the entire class of assets needed to be revalued when an impairment loss on damaged/unusable property, plant and equipment was recognised. The amendment removes the uncertainty by clarifying that the recognition and reversal of impairment losses do not necessarily require revaluation of the entire class to which the PPE asset belongs. For PBE IPSAS 31, the amendment clarifies the impairment of intangible assets by removing “assets measured under cost model” references. The Institute has not yet assessed in detail the impact of the new standard.

Financial Instruments

PBE IFRS 9 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and is effective for financial years beginning on or after 1 January 2021, with earlier adoption permitted. The main changes under the standard relevant to the Institute 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 Financial Statements of the Government will early adopt PBE IFRS 9 for the 30 June 2019 financial year. The Institute intends to early adopt PBE IFRS 9 for the 31 December 2019 financial year to be consistent with the Crown’s accounting policies for financial instruments. The Institute has not yet assessed in detail the impact of the new standard.

Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for annual periods beginning on or after 1 January 2021. The Institute is required to prepare its performance information in accordance with generally accepted accounting practice (GAAP) from 31 December 2019 year-ends. The Institute is considering whether it will early adopt PBE FRS 48 for the 31 December 2019 year end rather than apply the existing performance information requirements of PBE IPSAS 1. The Institute has not yet determined how application of PBE FRS 48 will affect its statement of service performance.

Cash Flows

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 non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Institute does not intend to early adopt the amendment.



04

Appendix

Pūrongo ā-tau 2018

1 Student services fee

In accordance with the Education Act 1989, the Minister for Tertiary Education, Skills and Employment issues directions annually to providers relating to Compulsory Student Services Fees. Providers are required to comply with the Ministerial Direction, within given timeframes and ensure there are appropriate mechanisms for enrolled students to be involved in specific aspects of the process.

The direction allows for a student services fee or levy to be charged for some types of services and includes requirements to account separately for these fees. Unitec complies with this aspect by using a unique separate general ledger account for student services fees.

It also requires institutions to report a description of the services funded out of the fee and a statement of the fee income and expenditure for each type of student service in the institution's annual report as well as the levy charged per Equivalent Full Time Student (EFTS). The levy per EFTS in 2018 was \$330, and the accompanying tables provide an overview of the income and expenditure related to this.

The direction also requires providers to make decisions jointly or in consultation with students or their representatives on the amount of the fee, the types of services to be delivered, and how these are procured and how expenditure is authorised. Unitec consulted with students through the Unitec Student Council on these matters prior to providing a proposal to the Unitec Council for the setting and use of these fees for 2018.

FY2018 Figures in \$	Advocacy and Legal Advice	Career Information, Advice and Guidance	Counselling Services and Pastoral Care	Employment Information	Financial Support and Advice	Health Services	Media	Childcare Services	Clubs and Societies	Sports, Recreation and Cultural Activities	Total \$
Revenue	166,950	126,063	904,005	6,724	98,750	321,846	1,757	75,698	62,058	40,351	1,804,201
Expenditure	302,551	228,455	1,638,256	12,184	178,957	583,256	3,184	137,181	112,462	73,125	3,269,611
Net cost	(135,601)	(102,391)	(734,252)	(5,461)	(80,207)	(261,410)	(1,427)	(61,483)	(50,405)	(32,774)	(1,465,410)

FY2017 Figures in \$	Advocacy and Legal Advice	Career Information, Advice and Guidance	Counselling Services and Pastoral Care	Employment Information	Financial Support and Advice	Health Services	Media	Childcare Services	Clubs and Societies	Sports, Recreation and Cultural Activities	Total \$
Revenue	289,653	177,968	887,358	25,607	14,571	150,518	51,727	49,264	176,536	51,214	1,874,416
Expenditure	565,568	347,495	1,732,632	50,000	28,451	293,898	101,000	96,191	344,700	100,000	3,659,935
Net Cost	(275,915)	(169,527)	(845,274)	(24,393)	(13,880)	(143,380)	(49,273)	(46,927)	(168,164)	(48,786)	(1,785,519)

Advocacy and Legal Advice

This is provided by Unitec Student Council representatives voted from the annual election. The Student Council advocates for students and their interests. This is an active demonstration of Student Voice in action.

Careers Information, Advice and Guidance

We provide both individual and group career workshops and guidance. We also facilitate key Career Development events such as Volunteer Expo.

Counselling Services

We provide counselling services for concerns about study or personal matters, and also have mental health advisors for specialist support. We also facilitate proactive workshops to help build resilience.

Employment Information

We provide students with information about employment opportunities both full-time and part-time. Our Career Development team also maintains online job vacancies.

Financial Support and Advice

We provide a range of options to help students manage money effectively. These include tools, advice, workshops and hardship support.

Health Services

We provide on-site affordable and comprehensive healthcare through medical support from Doctors, Nurses and Community Health initiatives

Childcare Services

We provide on-site affordable childcare centres with a range of options.

Clubs and Societies

We provide assistance to a wide range of clubs and societies. This is determined by students' needs and requests.

Sport, Recreation and Cultural Activities

We support a wide range of sports and cultural activities for students, especially around Orientation. This is determined by students' needs and requests.

As part of our commitment to Te Noho Kotahitanga, we continue to demonstrate Kaitiakitanga in our active role of Guardianship of this levy and the responsibility we have to students in our provision of services to support their success.

2 Key staff statistics

Ethnic Mix

British/Irish	7.34%
Chinese	8.28%
Fijian	1.79%
Indian	8.11%
Māori	11.01%
NZ/European/Pakeha	48.29%
Other	27.99%
Pacific Islanders	7.42%

Where a person reported more than one ethnic group, they have been counted in each applicable group. As a result percentages do not add up to 100. Those who did not disclose their ethnicity were excluded from this table

Gender Mix

	Total	
Female	684	56.42%
Male	528	43.58%
Total	1,212	100%

Occupational Group	Full-time	Part-time	Casual	Total
Academic	368	146	113	627
Allied	277	74	99	450
Management	125	19	0	144
Total	769	239	212	1,221

AGE PROFILE

Age Band	All Staff	Academic Staff
10-19	1	
20 - 29	101	33
30 - 39	227	97
40 - 49	277	144
50 - 59	343	190
60 - 69	222	136
70 - 79	44	29
80 - 89	6	2
Total	1,221	630

Remuneration & Gender for Employees Earning Over \$100k

	No of Staff earning > \$100k	% earning >\$100k	No of Staff earning > \$150k	% earning >\$150k
Female	56	37.09%	15	31.25%
Male	95	62.91%	33	68.75%

Unitec completed an external independent review of our gender/remuneration in 2018. As a result of this, we adjusted outliers to ensure equity between staff in comparable roles. We also made some adjustments to remuneration bands where these were incorrect. Each July, Unitec reviews remuneration levels (minimum, midpoint and maximum levels) and adjusts as appropriate. In our recruitment processes (for new hires or internal movements), we review the latest market rates, band and internal relativities.

The table above displays the remuneration of our staff over \$100k and/or \$150k. In 2018, we had a larger proportion of males in senior roles over \$100k. To help close this gap, in 2018 we have introduced an additional parental leave payment for our Management contracts for primary care givers. We also provide a range of flexibility options to ensure that we are attracting and retaining females into senior roles. We utilise consistent interview guides and have a selection panel to ensure a robust recruitment process and equity. We provide good technology options including Skype, remote access and laptops. We also offer proportional employment opportunities where we can on a permanent and temporary basis.

