



**MANUKAU  
INSTITUTE OF  
TECHNOLOGY**  
Te Whare Takiura o Manukau

Manukau Institute of Technology

# ANNUAL REPORT 2018











# ANNUAL REPORT 2018

## Our Organisation

---

- 4 About Manukau Institute of Technology (MIT)
- 6 2018 At A Glance
- 8 Our Success Stories
- 14 Chairman Of Council Review
- 16 Chief Executive Report
- 18 Financial Overview
- 19 Financial Performance Summary and Key Statistics

## Governance

---

- 21 Governance and Accountability
- 22 Council Fees
- 22 Council and Standing Committee Attendance
- 23 Council Members Register of Interests
- 24 Representatives of Council on other MIT Boards/Committees
- 24 Council Delegations
- 25 Council Membership
- 26 Equal Educational Opportunities
- 27 Strengthening our Workforce and Equal Employment Opportunities 2018

## Institute Performance

---

- 29 The Operating Environment
- 29 Kaupapa
- 29 Tertiary Education Strategy 2014–19
- 30 Our Investment Plan 2017 –2018
- 30 Our Performance
- 31 How Are We Doing?

## Financial Statements

---

- 36 Statement of Responsibility
- 37 Independent Audit Report
- 39 Statement of Comprehensive Revenue and Expense
- 39 Statement of Changes in Equity
- 40 Statement of Financial Position
- 41 Statement of Cash Flows
- 42 Notes to the Financial Statements

## General

---

- 65 Compulsory Student Service Fees
- 66 Statement of Resources
- 67 Glossary of Terms

# ABOUT MIT

## ► Kaupapa

MIT exists to transform the lives of our students, their families and communities. We connect our students' hopes and aspirations to vocational education, job opportunities and career pathways.

We are the place for all people. Our commitment to Te Tiriti o Waitangi creates a foundation for an inclusive and culturally rich learning experience. Our relationship with our students is a lifelong connection of manaakitanga.

We celebrate and draw upon our diversity, which stems from being based in Manukau at the stern of the Tainui waka and in the heart of the Pacific. Our cultural traditions, languages, beliefs, and skills draw from many ethnic groups. People from all walks of life flourish at MIT, creating a rich tapestry of understanding and then spreading it out across the world.

## ► What We Offer

**206 PROGRAMMES**

**1,458 COURSES**

**3 CAMPUSES**

## ► Our values

The values below identify what MIT holds to be important in how we go about our Kaupapa. While they are for staff to embody, it is hoped that they can also be imparted onto our students through the behaviours of our staff.



### MANAAKITANGA

#### **We genuinely care for others.**

So we make all people feel welcome through kindness, understanding and respect. We make you feel appreciated by acknowledging your contributions. All of which creates an environment where achievement can be nurtured.



### WE ARE EXCELLENT

#### **We aim for the top in everything we do.**

So we push boundaries and exceed expectations. It's how we achieve excellent results and the reason we get to celebrate success.



### WE ARE CONNECTED

We build valuable partnerships with individuals, industry and communities, where knowledge is shared and created without silos, fences or egos. When others talk, we really listen. We are open and approachable. We want our networks to be strong and our relationships to be genuine and long-lasting.



### WE ARE REAL

We admire people who are genuine and honest. Down to earth people who reflect the way we like to teach, with practical, hands-on learning that leads to real skills for real jobs in the real world.



NORTHERN  
MOTORWAY

1

**MIT MAHURANGI**

11 Glenmore Drive, Warkworth

RANGITOTO  
ISLAND

WAIHEKE  
ISLAND

NORTH  
SHORE

**NEW ZEALAND MARITIME SCHOOL**

Level 3, 2 Commerce Street, Auckland

16

NORTH-WESTERN  
MOTORWAY

AUCKLAND  
CITY CENTRE

SOUTH-WESTERN  
MOTORWAY

20

WAITAKERE

**MIT MANGERE**

Plumbing & Gasfitting  
9B Mahunga Drive, Mangere, Auckland

**KO AWATEA**

Nursing Learning Hub  
Middlemore Hospital, Hospital Road, Otahuhu, Auckland

**MIT OTARA**

Automotive, Building and Construction, Creative Arts, Culinary,  
Hospitality and Baking, Education, Engineering, Foundation  
and Bridging Studies, Hairdressing, Horticulture and Floristry,  
Languages, Logistics, Social Services, Sport, Tourism  
Otara Road, Otara, Auckland

MANUKAU

**MIT MANUKAU**

Business & Digital Technologies,  
Nursing, Health and Counselling  
Cnr Davies Ave and Manukau Station Road,  
Manukau, Auckland

AUCKLAND  
INTERNATIONAL  
AIRPORT

1

SOUTHERN  
MOTORWAY

AUCKLAND,  
NEW ZEALAND

N

# 2018 AT A GLANCE

## ► Our People

# 702

*Staff members*

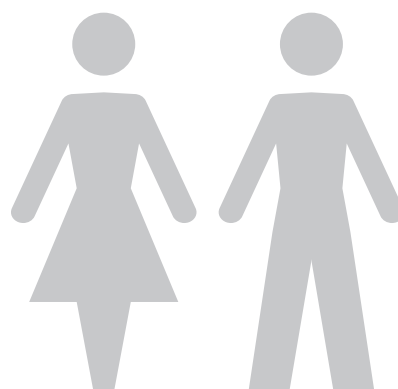
(Head count 31 December 2018)

**58%**

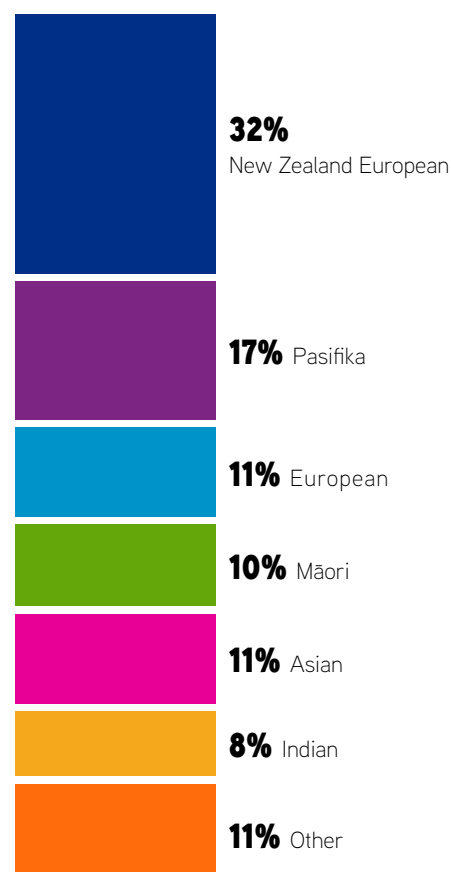
Female staff

**42%**

Male staff



## ETHNIC DIVERSITY ON STAFF



## ► Financial Overview

NON-BASE  
INCOME

NZ\$ **9.4** million

GOVERNMENT  
FUNDING

NZ\$ **44.6** million

STUDENT  
FEES AND  
DEPARTMENT  
REVENUE

NZ\$ **48.2** million

TOTAL  
EXPENSES

NZ\$ **103** million

TOTAL  
ASSETS

NZ\$ **289.3** million

SURPLUS /  
(DEFICIT)\*

NZ\$ **(0.8)** million

\*Surplus/(Deficit) before separately disclosed expense items



## ► Student Participation

# 13,623

Total enrolled students

# 6,302

EFTS  
(Equivalent Full-Time Student)

41%  
Female students



59%  
Male students

## ► Employability and Progression

**Graduates in  
employment or  
further study:**

# 72%

STUDENTS  
UNDER 25\*

# 48%

PASIFIKA  
STUDENTS\*

# 38%

MĀORI  
STUDENTS\*

# 18%

\*Not mutually exclusive.

EFTS weighted SAC calculation.

## ► Success and Retention

THE FOLLOWING WERE AWARDED:

1093

Diplomas and Graduate Diplomas

470

Degrees

# 79%

Successful Course  
Completion

2,031

Certificates  
and Awards

EFTS weighted SAC calculation.

# 82%

OVERALL  
STUDENT  
SATISFACTION



## CONTINUING KŪKUPA TIRIKĀTENE'S LEGACY

**"The tapestry of understanding cannot be woven by one strand alone. Only by the working together of strands and the working together of weavers will such a tapestry be completed. With its completion let us look at the good that comes from it and, in time we should also look at those stitches which have been dropped, because they also have a message."**

### **(Kaiākau Kūkupa "Papa Kū" Tirikātene)**

This whakataukī (proverb) was delivered by Papa Kū at the countless welcomes and blessings he led during a quarter century at MIT.

It explains the importance of manaakitanga ('welcoming') before mātauranga ('knowledge') may be shared and is the foundation on which our multi-ethnic, modern, South Auckland-based institute reaches out to the world.

This wisdom is part of the legacy Kūkupa Harakore Tirikātene ONZM (Ngāi Tahu, Ngāti Māmoa, Waitaha, Pāhauwera, Ngāti Kahungunu, Ngāti Toa) left with us after his passing in January 2018.

**"Footprints on the earth blow away in the wind, but imprints on the mind stay with us forever."**

His tangi was held at Ngā Kete Wānanga Marae, Ōtara campus.

Papa Kū spent 25 years at MIT guiding the paths of students and staff. This was just one chapter in a long life of education and community service.

Prior to arriving at the institute, he taught from 1976 to 1991 at Rosehill College and ran a tearooms and dairy in Papakura after a career with New Zealand Railways.

His story is a testament to the transformative power of hard work and education, a move into teaching prompted upon hearing of a shortage in the number of fluent reo speakers in the profession.

Born at Rātana Pā, he was eighth of the twelve children to later-Sir Eruera Tihema Tirikātene and Lady Ruti Matekino Tirikātene.

The name 'Kūkupa Harakore' was given to him by Rātana Movement founder, Wiremu Rātana.

In recent years, he served as iwi kaumātua for Ngāi Tahu at the Museum of New Zealand Te Papa Tongarewa marae and was recognised by Creative New Zealand for his work preserving and furthering Māori culture and language.

He became an Officer of the New Zealand Order of Merit in 2015.

Kūkupa would end his welcomes by saying 'footprints on the earth blow away in the wind, but imprints on the mind stay with us forever.'

Keeping these teachings alive in the present is now the work of all of us at the institute.



# TAKING A DIFFERENT PATH

**She's from a family of social workers, nurses, mechanics and police officers. But Teresa Toailoa is setting out on a path of her own.**

"I like to put myself in situations where I feel like I'd be uncomfortable to see if I can handle it."

The 20 year old took time away from study between leaving Ōtāhuhu College and enrolling in the NZ Diploma of Engineering at Manukau Institute of Technology.

"I just know putting in this amount of work and sacrifice will pay off in the long run. You can work your way up in a job but still end up having to come back to study, may as well get it done now."

Teresa is a role model for other young Pasifika students who are thinking about their futures.

"It's great to see young Pacific people broadening their horizons and embracing new fields like engineering or digital technologies offered through MIT. We know this will lead to stable, well-paying jobs. It's vital our communities get our numbers participating in these professions up," says MIT Deputy Chief Executive – Pasifika, Peseta Sam Lotu-liga.

To bridge the gap the institute has offered ten scholarships for Māori, Pasifika and female engineering students aged 25 and under.

"It's a very satisfying job. You're working to solve the country's problems. Civil engineering is booming and our graduates don't have problems finding jobs," says Dr Neel Pandey, Head of MIT's Engineering School.

Students in the NZ Diploma of Engineering – Civil, learn what they need to know to make a contribution in the workplace from day one in a variety of fields from geotech to wastewater to surveying.

"Moving into a career in engineering starts at school with taking the STEM subjects seriously. Parents can play an important



role in encouraging their children to make this commitment," says Peseta Sam.

At MIT, there is also help on hand if you need it. Students from previous years hold extra classes and mentoring sessions for those in the current intake who require support.

Teresa has found these very helpful to get back into study mode after taking time away from the classroom.

"Taking civil engineering is a massive leap into a big pond. I'm just taking it semester by semester," Teresa says.

With that attitude she'll go far.

"It's a very satisfying job. You're working to solve the country's problems. Civil engineering is booming and our graduates don't have problems finding jobs,"

# ARBORICULTURE SCALING NEW HEIGHTS

Arboriculture went from strength-to-strength in 2018 under the passionate and expert guidance of lecturer Zane Wedding (Ngāti Kuri, Ngāti Pikiao).

**One of the reasons he's such an inspiring teacher is that Zane knows what it is like to pursue excellence and build a highly successful career in the trades.**

Originally from Māngere, the arborist attended Aorere and Onehunga Colleges before leaving school at 16 and finding his niche with tree work.

The job has taken him all over the world including six years as lead climber and head trainer for Treescape in Australia.

Last year, Zane represented New Zealand in 'the Bledisloe Cup of tree climbing' and took the first team of MIT students to the nationals in Dunedin.

"Doing well in the competitions goes hand-in-hand with being a good arborist. It's such a prestigious thing to be in this national event and to win it means you are one of the best tree climbers in the world. You can write your own ticket and go anywhere with these skills," he told RNZ's Kim Hill in the lead up to the competition.

The standout performer at nationals was former MIT student Tim Gallant who placed third in the New Arborist Competition with fellow alumnus Ngati Kaihau also competing at the final.

The makeup of the winners circle this year spoke to the value of repeat appearances in the champs.

"Tim started in February and has only just left us. The guy who came first this year came second last year and the guy who came second came third. So Tim and Ngati will be going back next year to win," Zane says.

The tutor himself placed third in the preliminary rounds of the open division meaning he has again won the right to represent New Zealand at the Rural Games and Asia Pacific Championships.

MIT offers Level 3 and 4 Certificates in Arboriculture and has a memorandum of understanding with Treescape, provider of tree maintenance services for all of Auckland Council's parks and reserves.

As part of this arrangement the institute undertakes to train and upskill workers for Treescape.

The relationship, along with Zane's energetic championing of his students' development, makes arboriculture at MIT a great skills offering for young people and those wanting to change careers.

---

"It's such a prestigious thing to be in this national event and to win it means you are one of the best tree climbers in the world."



# CREATING BETTER OUTCOMES FOR PASIFIKA STUDENTS



**Close to half of all MIT students come from Auckland's Pacific communities.**

**As the country's largest educator of Pasifika people at a tertiary level, the institute is taking major steps to place culture at the centre of their education.**

"MIT is proud of the work we do in prioritising Pasifika students: their academic successes, wellbeing and ability to make a difference to their families and our communities", says Deputy CE Pasifika, Peseta Sam Lotu-liga.

In 2018 this included:

- New Samoan and Tongan language courses (Level 2)
- The introduction of an MIT Pasifika Orientation
- Pasifika Partners appointed to ensure programmes are culturally responsive
- The launch of the Pasifika Strategic Plan

The five-year strategic plan includes four key goals of transforming student success, establishing powerful connections

between students, the institute and communities, strengthening academic quality and growing capability.

Progress on these outcomes will be tracked relative to clearly identified targets.

These include increasing Pasifika enrolments at MIT by 20% and lifting course completion rates by 10% over the next five years. This would make MIT the educator with the highest employment rates for graduates in vocational and applied education in New Zealand.

This year's developments build on the opening of the Pasifika Community Centre in 2016 and the appointment of a Deputy – CE, Pasifika in 2017.

"The goal is to embed cultural intelligence and ensure that this informs MIT's best practices in all areas. We believe that this will lead to better student outcomes and deliver workers who can add greater value in the workplace", says Mr Lotu-liga.

MIT Chief Executive, Gus Gilmore says "These are major, transformational commitments the institute is making

"MIT is proud of the work we do in prioritising Pasifika students: their academic successes, wellbeing and abilities to make a difference to their families and our communities."

because this is where the greatest difference can be made. We see it as the ideal time to launch the Pasifika Strategic Plan after assembling a talented team in our Pasifika Development Office under Peseta's leadership."

The plan's focus is also on the growth and development of Pasifika staff. MIT has boldly set targets of increasing the proportion of staff from 14% to 20% and increasing the number of Pasifika staff in leadership positions to 20% of people leaders.

Faith, families and communities remain at the heart of the Strategic Plan. There are aggressive targets to increase community engagement with external stakeholders (by 100%) while an important goal is to have a purpose built community Pasifika Fale built by 2023.



# PARTNERSHIP WITH AA SEES STUDENTS ON THE ROAD TO A GREAT JOB

MIT and the AA Driving School launched a new programme in 2018 to help Trades and Hospitality students get their drivers licences – greatly improving their chances of employment.

**The Accelerate Driving Training Programme provides up to 75 MIT students with three free driving lessons with an AA Driving Instructor.**

The AA also trained MIT staff members to teach the Defensive Driving Course, which can reduce the time it takes to get a full licence by six months.

A joint ACC and Auckland Chamber of Commerce study in 2014 found that a

young person with a full or restricted licence is three times more likely to secure employment than those without.

MIT Chief Executive, Gus Gilmore says that not having a licence is a definite hurdle for students in trades subjects where driving is an essential part of apprenticeships and jobs.

“We know that around 30% of trades jobs require a driver licence,” says Mr Gilmore.

“We also know that to get to and from many jobs in Auckland requires both a car and licence, so this programme is critical.”

The first intake for the MIT Accelerate Driving Training Programme began their

---

“We know that around 30% of trades jobs require a driver licence. We also know that to get to and from many jobs in Auckland requires both a car and licence, so this programme is critical.”

journey in September with a view to being fully licenced within 18 months.

The students from Aorere College, Rosehill and other South Auckland schools took part in workshops on the Road Code ahead of sitting their learning licences.

“We’re helping with the theory part. This first step is huge because money is not always available,” says Sepa Iosefo, one of the three facilitators running the sessions.

Once students have passed the 35 question exam they will be able to learn to drive on the road under supervision from a driver who has had their full licence for more than two years.



# DELIVERING FOR MĀORI



“It was a moving experience to see so many people converge on MIT Manukau and for us to be the centre of this new event designed to show the citywide reach of the movement to strengthen te reo”

**Aucklanders were challenged to Hikoia te Kōrero or ‘walk the talk’ for Māori Language Week 2018 and MIT played a major part in making it happen.**

The event saw hundreds join a parade around the Manukau CBD beginning at our building. It commemorated the arrival of a petition calling for reo Māori to be taught in schools at Parliament in 1972.

There was also a similar march staged during the week in Auckland Central.

“It was a moving experience to see so many people converge on MIT Manukau and for us to be the centre of this new

event designed to show the citywide reach of the movement to strengthen te reo,” says Deputy CE – Māori, Dr Robert Sullivan.

The event was delivered in partnership between MIT, Te Puni Kōkiri, ATEED, Auckland Transport, Panuku Development and Auckland Council.

“I am excited to partner with MIT, our largest tertiary provider in South Auckland to promote and socialise te reo as part of our collective work as Maihi Karauna during Māori language week. It is our job to ensure it is widespread in Aotearoa

and its various communities in meaningful ways,” says Eruera Lee-Morgan, Te Puni Kōkiri senior advisor and MIT Runanga member.

It came out of a desire for Tāmaki Makaurau to strongly express its identity as the World’s Largest Māori city, as well as the oft quoted largest place of Polynesian settlement on the planet.

The occasion was a real meeting of generations with busloads of children arriving from schools, kura and kohanga reo.

They were entertained with displays of hip hop dancing, weaving, robotics and a screening of the reo version of Disney film, Moana with three hundred tamariki filling the Manukau Theatre.

It was one of the highlights of the year for the team at Ngā Kete Wānanga Marae who deliver Whakaohongia te Kōrerere, a 16-week introduction to te reo and cultural competency training.

“The broad range of programmes and events the team has delivered and partnered on over the last twelve months speaks to the deep roots the marae has in the community and a real energy for creating the best outcomes for Māori through MIT,” says Dr Sullivan.

MIT also delivered te reo classes for inmates, on site at Kohuora, South Auckland Corrections Facility, Wiri. These lessons were an important part of the use of cultural identity in the process of rehabilitation. Melba Pakinga, who joined the institute from Tāmaki College, was instrumental in making the level two course a success.





## CHAIRMAN OF COUNCIL REVIEW

---

### **Peter Winder**

Chairman of Council

---

Recently, the government announced proposed reforms to the ITP sector that would radically transform life at MIT and at other New Zealand polytechnics.

At the time of publication, the final shape of the plan is unclear. But we have long advocated for change and we are taking the position of embracing the process while seeking to preserve the value we have built here over the decades.

The twin issues of scale and delivery need to be tackled. These two aspects of running an education provider are both important and highly interrelated.

One of the positive aspects of bringing all 16 institutes under one umbrella would be that the resources and expertise of this combined institution will become stronger than the sum of its parts.

Here at MIT, we are the largest educator of Pasifika people at tertiary level in the country. We have considerable expertise and knowledge in achieving the best outcomes for learners from these communities. Allowing us to further focus on that strength and share those skills with the rest of the country makes sense.

Beyond this, we also have considerable understanding to offer, of what it takes to navigate a large organization through a period of substantial challenge and change.

The collapse of construction company, Mainzeal that had been contracted to build the new Manukau campus left MIT with an unplanned debt of \$54M.

Since 2013 when the Mainzeal receivers were called in, this institute has had to work to take action to repay that massive shortfall – without government assistance – while also refreshing our educational offering to make sure our students have the skills they need to make the best of the future economy.

---

“MIT has now demonstrated it has the track record to lead change”

It was a tough test of leadership, one few organisations will have to endure.

Recently, it was heartening to read the KPMG report on MIT's budgeting processes and financial sustainability. It found the institute had 'successfully managed a very complex and challenging transformation.'

Report author Simon Hunter concluded, 'MIT has now demonstrated it has the track record to lead change. It is also one of the few entities in the sector that has consistently promoted new models and opportunities for consolidation. It seems logical that MIT should now be provided the funding and resources to lead change in the sector.'



“As we gain more clarity on the future shape of the sector, the institute will be able to get on with the important job of connecting our present strategies and strengths to the national outlook.”

During these years, we have never lost sight of our most important goal - providing to the community a stable, credible institution that recognized their unique cultures, languages and backgrounds placing these at the heart of education.

It is seen in the current work being led by the Pasifika Development Office to achieve better outcomes for our students in the world's largest Polynesian city.

In 2018, the institute began rolling out language courses in Samoan, Tongan and Cook Island Māori while also developing a Bachelor of Nursing, Māori.

As we gain more clarity on the future shape of the sector, the institute will be able to get on with the important job of connecting our present strategies and strengths to the national outlook.

There are exciting possibilities in achieving greater scale that if their full potential is realized could have great benefits for our students, their families and industry.

During the consultation period and as the reforms gain momentum, while everything is up for discussion, MIT will be working to make sure our students are better off, our offering is stronger for the changes and that this is felt by our wider stakeholder groups including our community and industry.

The other key observation in the KPMG report was that it is crucial the institute moves towards a footing that will achieve strong growth, not just in student numbers, but also in fulfilling the important role of connecting individuals to the world of work.

The recently announced Tech Park development is crucial to making this a reality. The facility will house all of MIT's engineering and trades schools under the one roof for the first time in almost fifty years.

Making sure our students have first class learning spaces is just one aspect of the upgrade. A programme refresh will run in parallel making sure our learners have

access to the latest technology so they are prepared to make and maintain the likes of electric vehicles and solar panels as they become increasingly common.

Thanks go to the Council, I would also like to take this opportunity to personally thank Brian Monk for his contribution during his time with us, while welcoming Theresa Stratton who joined in 2018 as Deputy Chair and Chair of the Audit and Risk Committee.

Theresa is a business consultant with a strong background in local government as both a former Chief Executive of Papakura District Council and advisor to the Mayor of Auckland. She is also the current Deputy Chairperson of Refugees As Survivors New Zealand. We welcome the experience and skills she brings to the institute.



**Peter Winder**  
*Chairman of Council*

## **Te Whāriki** **Kia mōhio ai tātou ki a tātou**

E kore e taea e te whenu kōtahi  
Ki te raranga I te whāriki  
Kia mōhio ai tātou  
Mā te mahi tahi o ngā whenu  
Ka oti tēnei whāriki  
I te ōtinga  
Me titiro tātou ki ngā mea pai  
Kā putā mai  
Ā tāna wā, me titiro hoki  
Ki ngā raranga I makere  
Nā te mea, he korero ano kei reira.

## **The Tapestry of Understanding**

The tapestry of understanding  
cannot be woven  
by one strand alone  
only by the working together of weavers  
will such tapestry be completed  
when it is completed  
let us look at the goodness  
that comes from it.  
In time we should also look  
at those dropped stitches  
because they also have a message.





# CHIEF EXECUTIVE REPORT

---

**Gus Gilmore**  
Chief Executive

---

I am very pleased to have led a team that has successfully led the institute through a year of transformation.

MIT is beginning to reap the rewards of aggressively adapting to the demands of operating a much more responsive and flexible Institution.

The benefits flowing from that approach are experienced far and wide, anywhere our programmes are delivered and our expertise in vocational education is sought out.

From the work we do with the Lowie Foundation encouraging inmates at Wiri, Ngawha and Spring Hill prisons to make a new start, to the hundreds of teachers we mentored from Bangladesh who came to us eager to learn about integrating technology into the classroom.

The positive influence this organisation has on thousands of lives is felt in New Zealand, the Pacific region and

beyond, but depends heavily on a platform of stability built here in South Auckland.

I am happy to report that this position was improved considerably in 2018. A performance, significantly better than the one forecast with the \$4.5M deficit budgeted for, reduced to less than \$800k - before one off items.

This result was achieved while making a significant investment in facilities to ensure our students have access to the best learning environments.

In July, School of Nursing got a new home thanks to a \$4M refit. The new premises at MIT Manukau include purpose built clinical suites, labs and research areas. Transport options are handy with the rail line below the building only two stops away from Ko Awatea at Middlemore Hospital, where many will be completing their practicums.

It was pleasing to see this commitment to build the health workforce the region needs greeted in 2019 with a growth in student numbers on the previous year.

---

“The positive influence this organisation has on thousands of lives is felt in New Zealand, the Pacific region and beyond”

The project was delivered as part of the overall Campus Masterplan that includes an upgrade to the Quad at North Campus, Otara. It builds on the revitalisation of that campus that began with opening the Pasifika Community Centre in 2016 and in 2018 saw Creative Arts and the School of Floristry move in. This has really brought those spaces to life while allowing the institute – as a whole – to make best use of its property assets.

Our most ambitious property project was the commitment to a new home for Tech Park across the road from MIT Manukau. More than 1,200 students and 100 staff will use the 9,000 square metre facility in the heart of Manukau city each week when it is completed in 2020.

The Technology Park initiative brings all the institute's trades and engineering schools under one roof for the first time since MIT was founded almost 50 years ago and allows us to deliver more high value skills to the community.

MIT continued to grow its strength in the area of cultural competency and language training. We see building this understanding amongst our students as their 'X factor' in the employment market. Tikanga and Reo Māori courses are attracting considerable interest from employers wishing to more effectively engage with Māori both inside and outside their organisations.

The recent development of the Pasifika Cultural Intelligence programme will further enhance our ability to support increasing the internal capability of a range of groups and businesses. New courses in Samoan and Tongan were established with Kuki Airani Māori developed for delivery.

A lot of work was done to extend the value we offer more broadly throughout the region and the country. As referenced, this has seen an expansion of the work we do in prisons aimed at teaching inmates the skills they need to make them employable on release and support their rehabilitation. While partnering with the Graham Lowe Foundation for Prison Education allows prisoners to learn basic literacy and numeracy skills grounded in Lowie's '12 Dynamic Principles.'

MIT remains a place of innovation. One of the most important ways we have backed new models in education is through developing and operating the Tertiary High School. It allows students who would normally disengage to be retained in the school system while completing NCEA and learning vocational skills.

This year we have held talks with ITPs who want to roll out the same model in their regions. The number of young people, Not in Education Employment or Training (NEETs) is rising and Tertiary High School is a successful intervention that has achieved strong results. Sharing our experience is a key part of what we do.

---

"A lot of work was done to extend the value we offer more broadly throughout the region and the country"

Stronger relationships were forged with the Employers and Manufacturers Association and Auckland Chamber of Commerce. These will, as they develop, increase our connectedness throughout the Auckland region.

Our new EGM Academic, Professor Martin Carroll has placed an increased emphasis on applied research and the role of our Academic Board. This has led to the institute doubling its research fund in 2019. Our staff do important work and growing research activity is a strategic goal moving forward.

Changes to the ITP sector have been well flagged and debated. MIT has been a strong voice in these discussions. It was heartening that our international business held up despite changes to immigration settings.

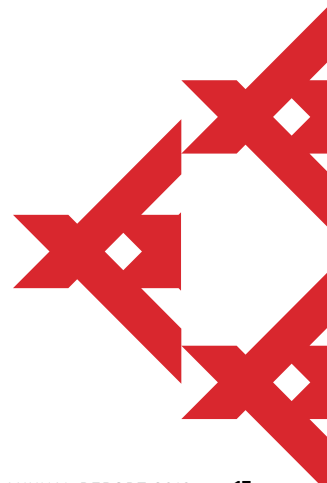
The likelihood though is that the market for export education will soften further. The need to rebalance the outlook for the institute based on this trend is real and apparent. Meanwhile, a reduction in local EFTS was offset by a very strong result from Foundation Studies.

As all aspects of the provision of vocational training in New Zealand are currently up for discussion, it is difficult to predict what the future will hold. However, it is my view that MIT is in the best shape possible to respond to these reforms as they arise.

The only thing not up for discussion is our purpose of connecting our community to high value jobs that contribute to the economy while giving them increased control over their futures.



**Gus Gilmore**  
Chief Executive





# Financial Overview

This overview provides a brief commentary on MIT's financial performance for the year ended 31 December 2018.

## Operating Performance

The sector continues to operate in a challenging economic environment reflecting the buoyant economy and high levels of employment. Despite this, MIT is pleased to report a net position before one-off items of \$3.7m ahead of our budget. This reflects the continued commitment by management towards both our financial and campus transformations; on track for completion in 2020.

The year ended with a net deficit before one off items of \$0.8m, a positive outcome against our budgeted deficit of \$4.5m given the \$1.1m revenue shortfall. The revenue shortfall relates to SAC L3+ and Youth Guarantee funding. This trend is consistent across most tertiary institutes with the fees free programme not showing a substantive turnaround in the trend of declining domestic students at this stage.

A highlight for 2018 was an increase in international revenue of \$1.9m against our budget. It is expected that these numbers will be significantly impacted in 2019 by the recent policy setting changes for the post study work right visas. We were also successful in negotiating additional SAC L1-2 funding given our success with this student group and have increased students by a further 132% over the prior year, and 49% ahead of budget.

Expenditure reflects tight cost control in response to lower than budgeted revenue, coupled with interest savings from revised capital expenditure timing.

## Financial Position

MIT's strategy to secure a financially sustainable future and a more efficient footprint, lead to a revised campus and property strategy which will result in the rationalisation of MIT's property assets with property that is surplus to operational requirements being identified for sale. This recognition was effective from 31st May 2018 and has been accounted for in the financial statements at fair market value.

The current debt disclosure reflects the tenure of the bank facilities which are due for renewal December 2019. It is expected that these will be renewed in due course, if necessary dependent on the timing of our property realisation.

Debt is lower than budget at \$25.8m reflecting a progressive reduction from the \$75m facility negotiated in 2014 to fund the resulting capital shortfall from the Mainzeal collapse. This is significantly ahead of the borrowing limit at 31 December 2018 of \$60m approved by the Secretary for Education in 2014.

2018 saw the completion of two key capital programmes that will improve our teaching and learning outcomes and student experience. The first stage of our Otago revitalisation was completed. This has reconfigured spaces and technology to create revitalised, modern learning environments and included integrating our Creative Arts delivery and teaching onto our main Otago Campus. In May 2018 our Nursing school moved to our New Zealand leading, state of the art premises at our Manukau Campus.

## The Future

While the sector faces continued challenges and uncertainty, MIT remains focussed on its important and critical role in transforming the lives of our students, their families and the communities of South Auckland.

Our new Strategy for 2019-2023 will provide direction for operations in an increasingly complex and challenging environment by helping our students prepare for the disrupted future of work, embrace diversity, and address sustainability, safety and wellbeing. Our strategy continues to reinforce and recognise MIT's commitment to Māori and Pasifika aspirations and Te Tiriti o Waitangi.

2019 will see the continuation of our significant campus and property transformation which is expected to be completed by the end of 2020. These initiatives will see MIT's debt being repaid, and our campus footprint revitalised and reimagined to meet the needs of the future workforce.

# Financial Performance Summary and Key Statistics

## Five Year Financial Performance Summary

All in \$000s	ACTUAL 2018	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015	ACTUAL 2014
<b>FINANCIAL PERFORMANCE</b>					
Government Funding	44,630	46,041	54,786	57,127	55,872
Other Income	57,588	58,308	59,147	54,365	48,817
Operating Expenditure	(103,013)	(108,822)	(112,554)	(108,455)	(108,132)
<b>Net Surplus/(Deficit)</b> (Excluding separately disclosed expense items)	<b>(795)</b>	<b>(4,473)</b>	<b>1,379</b>	<b>3,037</b>	<b>(3,443)</b>
<b>FINANCIAL POSITION</b>					
<b>Current Assets</b>					
Cash Equivalents and Other Financial Assets	1,304	2,084	3,727	4,247	5,002
Receivables and Inventory	6,474	5,489	4,046	4,317	3,439
Assets held for sale	42,989	7,271	4,087	0	0
	<b>50,767</b>	<b>14,844</b>	<b>11,860</b>	<b>8,564</b>	<b>8,441</b>
<b>Non-Current Assets</b>					
Property, Plant and Equipment	233,897	280,383	293,880	301,926	279,076
Intangible Assets	4,685	3,863	4,041	3,717	3,382
<b>Total Assets</b>	<b>289,349</b>	<b>299,090</b>	<b>309,781</b>	<b>314,207</b>	<b>290,899</b>
<b>Current Liabilities</b>					
Payables, Accruals and Provisions	24,629	28,868	24,667	30,294	33,768
Trust Funds	612	605	597	578	569
Borrowings	25,787	7,000	5,000	10,000	0
Derivative financial instruments	34	27	28	0	0
	<b>51,062</b>	<b>36,500</b>	<b>30,292</b>	<b>40,872</b>	<b>34,337</b>
<b>Non-Current Liabilities</b>					
Provisions	427	278	377	399	431
Borrowings	0	20,000	29,500	23,000	40,000
Derivative financial instruments	1,067	1,536	1,806	1,922	1,186
<b>Total Liabilities</b>	<b>52,556</b>	<b>58,314</b>	<b>61,975</b>	<b>66,193</b>	<b>75,954</b>
<b>Net Assets</b>	<b>236,793</b>	<b>240,776</b>	<b>247,806</b>	<b>248,014</b>	<b>214,945</b>
<b>Equity</b>					
Capital Contributions and Retained Earnings	104,296	108,820	115,850	116,058	112,910
Other Comprehensive Income	1,454	1,454	1,454	1,454	1,454
Revaluation Reserves	131,043	130,502	130,502	130,502	100,581
<b>Total Equity</b>	<b>236,793</b>	<b>240,776</b>	<b>247,806</b>	<b>248,014</b>	<b>214,945</b>
<b>CASH FLOW SUMMARY</b>					
Net Cash Flows – Operating Activities	4,906	6,065	8,171	13,277	16,887
Net Cash Flows – Investing Activities	(4,473)	(208)	(10,191)	(6,768)	(41,802)
Net Cash Flows – Financing Activities	(1,213)	(7,500)	1,500	(7,264)	28,000
<b>Net (Decrease)/Increase in Cash</b>	<b>(780)</b>	<b>(1,643)</b>	<b>(520)</b>	<b>(755)</b>	<b>3,085</b>
<b>Bank and Cash at beginning of the year</b>	<b>2,084</b>	<b>3,727</b>	<b>4,247</b>	<b>5,002</b>	<b>1,917</b>
<b>Bank and Cash at end of the year</b>	<b>1,304</b>	<b>2,084</b>	<b>3,727</b>	<b>4,247</b>	<b>5,002</b>
<b>KEY STATISTICS</b>					
<b>Financial</b>					
Current Assets to Current Liabilities	0.99:1	0.41:1	0.26:1	0.21:1	0.24:1
Total Liabilities to Total Assets	18%	19%	20%	21%	26%
<b>Bank Covenants</b>					
Maximum Debt/Debt plus Equity (maximum 25%)	9.1%	10.1%	10.5%	11.3%	16.2%
EBITDA to interest ratio (requirement 2.0)	8.5	5.4	8.5	9.0	7.1





# GOVERNANCE

## Governance and Accountability

### Statutory role

Manukau Institute of Technology (MIT) is a polytechnic established pursuant to section 162 of the Education Act 1989 (the Act). MIT is also a Crown Entity for the purposes of schedule 13A of the Act and schedule 4 of the Crown Entities Act 2004.

### Governance structure

#### Council

The governing body of MIT is the MIT Council. It comprises eight members appointed in accordance with section 222AA of the Act; four members appointed by the Minister for Tertiary Education, Skills and Employment and four members appointed by the Council.

#### Council Committees

Pursuant to section 193(3) of the Act, the MIT Council is empowered to establish committees to exercise such powers as are delegated to them under the Act or conferred on them by statutes made by the Council. The standing committees of the MIT Council are the:

- Audit and Compliance Committee
- Chief Executive Review Committee
- Executive Committee
- Student Appeal Committee
- Academic Board

These committees are formally constituted with terms of reference.

### MIT Rūnanga

#### 1. Purpose

To give advice to Council on strategic matters that impact on Māori at MIT.

#### 2. Membership of the Rūnanga

The Rūnanga comprises of up to eleven members. Membership on the Rūnanga includes:

- a) four members appointed by Council where nominations are drawn from a general call for applications from the Māori community;
- b) four members, with one appointed from each of the following:
  - i. The recognised tribal authority Te Whakakitenga o Waikato,
  - ii. Manukau based Māori Organisation,
  - iii. Otara Community,
  - iv. By/from local secondary schools and/or wharekura;
- c) three ex officio members, the Kaiākau, the CEO MIT (or delegated appointee), and the Deputy Chief Executive, Māori;
- d) the term of appointment is for three years, except where otherwise indicated for the purpose of continuity;
- e) the Chair of the Rūnanga is appointed by MIT Council
- f) members are able to be reappointed for up to three (3) additional three year terms.

#### 3. Role of the Rūnanga

##### Community Engagement

To bring to MIT the diverse voices of Māori.

##### Te Tiriti o Waitangi

To uphold and actively protect and promote Te Tiriti o Waitangi, including MIT's responsibilities and obligations.

##### Advocacy

To advocate for the strategic priorities of the Māori Education Strategy.

### Rūnanga Relative to other MIT Entities

- a) To acknowledge that the Rūnanga is an advisory group to the Council for governance matters.
- b) To help Māori protect tikanga and what is sacred to Māori, and to resolve points of confusion. The Deputy Chief Executive, Māori is MIT's point of reference.

### Governance Philosophy

#### Division of Responsibility between Council and Management

The MIT Council considers and approves the mission and strategic direction of MIT and monitors performance against agreed strategies and plans. Management, on the other hand, is responsible for the management of MIT and develops the procedures and operational plans that are needed to implement and deliver the Council's approved strategy.

While many of the MIT Council's functions have been delegated, overall responsibility for maintaining effective systems of internal control ultimately rests with the Council. To ensure that there is clarity around responsibilities and accountabilities, the Council has a detailed delegations framework in place.

Both the MIT Council and management acknowledge their responsibilities by certifying 'The Statement of Responsibility' (in terms of the Crown Entities Act 2004) contained within this Annual Report.

#### Legislative Compliance

The MIT Council acknowledges its responsibility to ensure that the institute complies with all relevant legislation. The Council oversees the Chief Executive's operation of a MIT-wide legislative compliance programme that systematically identifies compliance issues so that all staff are aware of legislative requirements relevant to their role.

As part of this programme, management provides the Audit and Compliance Committee with the results of an annual verification of MIT's compliance with specific legislative requirements.

### Risk Management

The MIT Council is committed to the management of risk at MIT and takes part in risk workshops and has approved procedures for the identification and management of risk in order to deliver a balanced portfolio of risk exposures.

### Internal Audit

The internal audit work at MIT is for the most part directed to high-risk areas; this means that the internal audit plan is responsive to major changes in the risk profile of the Institute. The Audit and Compliance Committee reviews internal audit coverage and the Annual Audit Plan and recommends approval of the Plan and any subsequent amendments to the MIT Council. The Audit and Compliance Committee monitors the delivery of the Annual Audit Plan and management's responses to and implementation of significant internal audit recommendations.

## Council Fees

All in \$000s	ACTUAL 2018	ACTUAL 2017
P Winder <i>Chairman</i>	40	40
B Monk <i>Deputy Chairman</i> <i>(Term Expired 30 April 2018)</i>	8	25
T Stratton <i>Deputy Chair</i> <i>(Appointed 01 May 2018)</i>	17	0
J Hannan	20	20
B Pone <i>Term expired 30 April 2017</i>	0	6
K Schaffler	20	20
J Tattersall	20	20
R Tuwhangai	20	20
D Wong-Tung <i>Term expired 30 April 2017</i>	0	6
P Parussini <i>(Appointed 1 May 2017)</i>	20	14
U Aiono <i>(Appointed 12 June 2017)</i>	19	12
<b>Total</b>	<b>184</b>	<b>183</b>

## Council and Standing Committee Attendance

	COUNCIL		AUDIT AND COMPLIANCE		CHIEF EXECUTIVE REVIEW		EXECUTIVE		STUDENT APPEAL	
	HELD	ATTENDANCE	HELD	ATTENDANCE	HELD	ATTENDANCE	HELD	ATTENDANCE	HELD	ATTENDANCE
Peter Winder, <i>Chairman</i>	8	8	3	1	1	1	0	0	0	0
Brian Monk, <i>Deputy Chairman</i> <i>(Term expired 30 April 2018)</i>	8	2	1	1	1	1	0	0	0	0
Theresa Stratton, <i>Deputy Chair</i> <i>(Appointed 01 May 2018)</i>	8	5	2	2	0	0	0	0	0	0
John Hannan	8	8	3	3	1	1	0	0	2	2
Kira Schaffler	8	7	3	2	0	0	0	0	2	2
Jill Tattersall	8	8	0	0	0	0	0	0	2	2
Rachael Tuwhanagi	8	8	0	0	0	0	0	0	2	2
Peter Parussini	8	6	0	0	0	0	0	0	0	0
Uluomato'totua (Ulu) Aiono <i>(Appointed 12/06/2017)</i>	8	6	3	2	0	0	0	0	0	0

The Council meets 6 weekly between February to December and at other times as required. Standing Committee Meetings x 8 (February 2018 – November 2018). Sub Committee Meetings x six (Audit & Compliance Committee Meetings Student Appeal and the CE Review Committee Meetings).

## Council Members Register of Interests

COUNCILLOR	INVOLVEMENTS WITH OTHER ENTITIES	LAST UPDATED
P Winder <i>Chairman</i>	Director, McGredy Winder and Co Limited Director, The Sound of Music Education Limited Crown Manager, Kaipara District Council Trustee, Silo Theatre Company Committee Member on State Services Commission's Risk and Audit Committee Director, EnterpriseMIT Limited (until 24th May 2018) Chair, EnterpriseMIT Limited (until 24th May 2018) Member of Advisory Committee supporting the Unitec Commissioner	17 October 2018
T Stratton <i>Deputy Chair</i>	Owner/operator of Waiau Consulting Deputy Chair of Refugees As Survivors New Zealand	10 September 2018
U Aiono	Chairman of the National Pacific Radio Trust (Ministerial Appointment) Chairman of Alliance Health Plus PHO Chairman of Alliance Community initiatives Trust Chairman of Finance and Audit and Risk Committee at Habitat for Humanity Greater Auckland Board member and Treasurer at RiseUp Partnership School in Mangere, Auckland Shareholder in Management Consulting Company Viago International Ltd Chairman of Bio Technology Company Sensor Flo Ltd Alumnus of AUT University Council 2002 – 2010 Vice Chairman of Board and Chairman Property & Finance Committee Otahuhu College Board of Trustees (Retired December 2016)	6 June 2017
J Hannan	Partner, DLA Piper	27 April 2017
P Parussini	ANZ Bank New Zealand Chairperson Southern Cross Campus	29 March 2018
K Schaffler		27 April 2017
J Tattersall	Chair, Kiwa Digital Limited Consultant, Cognition Education	27 April 2017
R Tuwhangai	Chair, MIT Rūnanga Board Trustee, Manalive Trust Managing Director, Māori and Pasifika Support Services Board Trustee, Auckland Community Law Centre New School's Governance Facilitator, Ministry of Education Board of Education New Zealand	4 September 2018

Note: Interests that should be registered are those where there may at some future time be a conflict of interest with the individual's role as a Council Member at MIT



## Representatives of Council on other MIT Boards/Committees

COUNCILLOR	INTEREST	LAST UPDATED
P Winder	Chairman, EnterpriseMIT Limited (until 24th May 2018)	31 December 2018

## Council Delegations

Pursuant to section 222(1) of the Education Act 1989, the MIT Council may delegate any of its functions or powers (except the appointment of the Chief Executive) to the Chief Executive or a Committee appointed in accordance with section 193(3) of the Act.

*The following table summarises Council Delegations which are to be exercised in accordance with the provisions of the Education Act 1989, other relevant legislation and Council Approved Statutes:*

COUNCIL DELEGATION	SUMMARY
Chief Executive – Operational	Provision of Courses/Programmes of Study, Strategic Planning, Management, Management Policies, Manufacture and Distribution of Goods, Provision of Goods and Services, Urgency and Incidental.
Chief Executive – Academic	Enrolment, Refusal and Cancellation of Enrolment, Student Discipline, Granting of Awards and Unsealed Certificates.
Chief Executive – Financial	Expenditure, Tenders for Capital Expenditure, Sensitive Expenditure, Disposal of Assets, Fellowships, Scholarships, Bursaries or Prizes, Student Grants and Loans, Gifts, Devices and Bequests, Fees, Fee Instalments and Refunds.
Academic Board	Courses/Programmes of Study, Quality Assurance, Research, Sub-Committees, Academic Policies, Incidental and Assessment.
Executive Committee of Council	To act with the full powers of the Council during the extended summer holiday period and at other times when (in either case) urgent matters arise.
Student Appeals Committee of Council	Student Appeals.
Chief Executive Review Committee of Council	Oversight of the Chief Executive's conditions of employment and performance-related matters.

The Audit and Compliance Committee has no formal delegation. The Audit and Compliance Committee acts under its terms of reference to advise the MIT Council on audit and compliance requirements.

## Council Membership

as at 31 December 2018

### Chairman



**Peter Winder**  
MA (Hons), MCILT  
Ministerial Appointment

### Deputy Chair



**Brian Monk**  
*(Term expired 30 April 2018)*  
BCom ACA  
Ministerial Appointment

### Deputy Chair



**Theresa Stratton**  
*(Appointed 1 May 2018)*  
Ministerial Appointment

### Members



**John Hannan**  
LLB (Hons) (1st Class), BA  
Council Appointment



**Rachael Tuwhangai**  
M.Ed, M.ProfSt (LangTch),  
PGDipEd (Counselling), DipTchg  
Ministerial Appointment



**Kira Schaffler**  
Higher Diploma of Education  
Council Appointment



**Jill Tattersall**  
MA (Hons)  
Council Appointment



**Peter Parussini**  
MComm  
Dip Chinese  
Cert Journalism  
Council Appointment  
Appointed 1 May 2017



**Uluomatootua Aiono**  
Uluomato'totua (Ulu) Aiono ONZM  
BSc (Computer Science), MBA  
Ministerial Appointment  
Appointed 12 June 2017

## Equal Educational Opportunities

Manukau Institute of Technology has, through its Student Regulations (section 1.1), committed to providing an environment in which all students have an equal opportunity to achieve their academic potential and ensuring no unreasonable barriers are created which could prevent students from gaining access to education and training. MIT places particular emphasis on the elimination of barriers that result in under representation in tertiary education.

As part of this commitment, in 2018 the Institute provided 73 scholarships, up from 65 in 2017, as well as various other grants supporting community initiatives and supporting the transition of students into tertiary study. The Institute's financial commitment has risen to \$274,000 from \$224,000 in 2017. The introduction of the Government's Fees Free policy meant that from 2018 most scholarships are applied to students' second year of study, hence creating a timing lag in much of this expenditure (\$60,000 was incurred in 2018).

In addition, 43 applications for hardship funds were processed, totalling \$7,040. While the number of applicants has decreased, the level of student financial hardship has necessitated the size of grants being doubling from \$150 in 2016 to \$300 in 2018.

MIT receives equity funding to support tertiary students with disabilities. Disability Support delivers integrated and specialist support services to registered students which are individually designed to ensure access to all aspects of tertiary life. This funding is used to meet specific objectives set each year and covers recruitment of new students, provision of specialist equipment and employment of support staff who offer one-on-one support in the classroom. In 2018, MIT supported 529 students with disabilities, up from 431 in the previous year. The Disability Support Team continues to work closely with many community agencies. Disability Support implemented a wraparound service at MIT where we believe that services and supports should be flexibly arranged to meet the unique needs of the students. This has been a success based on the increased retention and success of students as they progress towards employability or higher studies. MIT Disability Support continues to work closely with the Ministry of Social Development and Workbridge employment consultants to support students with significant disabilities into mainstream employment and Internship programmes. MIT Disability Support has recently collaborated with Be Accessible to place recent MIT graduates into employment with a successful placement rate.

MIT provides a range of amenities, events and support services for all students. This includes a state-of-the-art library with an information commons giving easy access to computing facilities. Student Support Advisors ensure students transition into their studies with targeted support and on-going pastoral care as needed. The Learning Support Centre delivers a range of learning and language support, including seminars on exam and study techniques, group and peer tutoring sessions and other learning assistance sessions directly related to the student's programme of study. MIT Counselling Services provides counselling services as well as organising and participating in activities promoting general health and wellbeing. The MIT Children's Education Centre is situated on North campus and is for pre-school children. This is a well-equipped, purpose-built facility where the children are cared for using the widely recognised Reggio Emilia early childhood philosophy and Te Whāriki curriculum.

The centre is staffed by qualified teachers and supports a number of parents who study at MIT.



# Strengthening our Workforce and Equal Employment Opportunities 2018

## Maori and Pasifika Talent Strategy

MIT has a deep interest in the success of Maori and Pasifika communities in the Manukau area. It is crucial our leadership and academic workforce have a profile that reflect our vibrant and diverse community.

We've set the following targets to improve the representation of Maori and Pasifika in our workforce over the next five years:

- Increase the proportion of Maori in leadership roles from 13% to 20%
- Increase the proportion of Pasifika in leadership roles from 11% to 20%
- Increase the proportion of Maori in Academic roles from 8% to 15%
- Increase the proportion of Pasifika in Academic roles from 10% to 20%

MIT launched a Maori and Pasifika Talent Strategy in 2018 to ensure we achieve these targets. Reporting was put in place to track outcomes for Maori and Pasifika staff, embedding specific indicators into induction surveys, engagement surveys and exit interviews. Processes were put in place to develop relationships with Maori and Pasifika job seekers, who our recruiters now actively communicate with about available roles. Job advertising strategies were reviewed to ensure that advert text was more culturally relevant, that whanau interviews were offered as the norm rather than the exception, and that roles were actively promoted on Maori and Pasifika job boards.

In 2019, the strategy focusses on developing a measure for cultural competency as part of recruitment and selection, unconscious bias training for staff and targeted development programmes for Maori and Pasifika leaders.

We believe that these are bold but realistic targets that will directly contribute to the retention and success of our learners. This strategy aims to actively attract, develop and retain more Maori and Pasifika staff by making MIT an employer of choice for Maori and Pasifika. This is a population that is disproportionately female at MIT, delivering an additional benefit of growing income and career prospects for women.

## Safety and Wellbeing

Health and Safety continues to be an area of strength for MIT. In 2017 MIT's incident rates and ACC claim numbers reduced to best in class benchmark levels for the tertiary sector. During 2018 MIT was able to maintain these standards, achieving further reductions in incident numbers and a comparable rate of ACC claims. After achieving the Joint Accreditation System of Australia and New Zealand 4801 standard for Health and Safety in December 2017, MIT successfully completed a follow up audit in November 2018 to maintain this standard. These results are a testament to our staffs' commitment to Health and Safety.

A case study in success is the Automotive School – winners of MIT's Most Improved Health and Safety Award for 2018. This team and their students faced prospective risks from dated mechanical equipment and a cluttered working environment. The team identified that by lifting their standards in Health and Safety, they would also improve outcomes for their students by modelling a safe working environment and working habits, creating positive behaviours that students would take into industry. The team undertook a major project to research and implement best practice workshop safety standards. Our staff can now proudly show their students that the way they are being taught is in line with what the best automotive workshops from around the world do.

Staff wellbeing is a significant priority for MIT. A particular highlight was MIT's participation in Pink Shirt Day on May 18th. Pink Shirt Day is a global event that emerged from the education sector and has gone mainstream. The themes of the day are about standing up to bullying and harassment and celebrating diversity. For the first time, Pink Shirt Day was celebrated across all staff and student groups in the Institute. Messages to all staff from the CEO, Executive General Manager and People and Culture prior to the event explained how the day aligns with MIT's values and policies, and encouraged participation in a range of events. A Pink Shirt Day page was set up on the staff

intranet with information and links

to resources to raise awareness of bullying and harassment issues. All MIT staff have access to three free, confidential Employee Assistance Programme (EAP) counselling sessions which they can use at any time. The benefit and availability of these sessions was heavily promoted to staff at this time.

Our Executive Team and Council also focussed on broader wellbeing measures as indicators of Safety and Wellbeing. EAP utilisation reports were reviewed bi-annually by the Executive Team. Stress and harassment were introduced into hazard registers as hazards that need to be identified and mitigated by leaders and their teams. Council reporting now includes a quarterly update on stress, harassment and other relevant indicators.





# STATEMENT OF SERVICE PERFORMANCE

This Statement of Service Performance, when read in conjunction with the balance of this Annual Report, provides an assessment of our performance against our strategic goals for the 2018 Financial Year.

## The Operating Environment

Manukau Institute of Technology was established in 1970 as the first purpose-built polytechnic in New Zealand. We serve three generic client communities (students, business, and industry/professions) along with the wider community of Manukau and its surrounding areas. We are located in the Counties Manukau sub-region, within Tainui tribal boundaries. This area:

- Is characterised by a high concentration of the country's Māori and Pacific populations;
- Is the home of many new immigrant groups, especially from Asia;
- Has significantly lower engagement in vocational education than that nationally;
- Has an exceptionally high proportion of low decile schools within its boundaries coupled with a small group of high decile schools; and
- Has significant local concentrations of business and industry

Manukau Institute of Technology's Kaupapa sets out its reason for being which guides our strategy and the measures that we assess our performance against.

## Kaupapa

MIT exists to transform the lives of our students, their families and communities. We connect our students' hopes and aspirations to vocational education, job opportunities and career pathways.

We are the place for all people. Our commitment to Te Tiriti o Waitangi creates a foundation for an inclusive and culturally rich learning experience. Our relationship with our students is a lifelong connection of manaakitanga.

We celebrate and draw upon our diversity, which stems from being based in Manukau at the stern of the Tainui waka and in the heart of the Pacific. Our cultural traditions, languages, beliefs, and skills draw from many ethnic groups. People from all walks of life flourish at MIT, creating a rich tapestry of understanding and then spreading it out across the world.

## Tertiary Education Strategy 2014–19

"The Government's vision is for a world-leading education system that equips all New Zealanders with knowledge, skills and values to be successful citizens in the 21st century."<sup>1</sup>

The first steps to achieving these shifts are outlined in the following six priorities:

- Priority 1: Delivering skills for industry
- Priority 2: Getting at-risk young people into a career
- Priority 3: Boosting achievement of Māori and Pasifika
- Priority 4: Improving adult literacy and numeracy
- Priority 5: Strengthening research-based institutions
- Priority 6: Growing international linkages.

The core roles of institutes of technology and polytechnics are:

- To deliver vocational education that provides skills for employment;
- To undertake applied research that supports vocational learning and technology transfer; and
- To assist progression to higher levels of learning or to work through foundation education.

We perform our role and deliver the key outcomes from the Tertiary Education Strategy 2014-19 by ensuring our strategy and performance measures align to the Tertiary Education Strategy.

<sup>1</sup> MIT 2017 Statement of Service Provision, pg1






---

*"The Government's vision is for a world-leading education system that equips all New Zealanders with knowledge, skills and values to be successful citizens in the 21st century."*

## Our Investment Plan 2017-2018

Our Investment Plan 2017-18 confirms our strong commitment to the Tertiary Education Strategy through the measures used to assess our performance and our main areas of focus.

### Measures of Success

Our success will be measured by the following five goals:

- Improved employability and progression;
- Increased participation;
- Improved success and retention;
- Enhanced experience and satisfaction; and
- Increased consultancy and industry training.

### Areas of Focus

We are focused on improved outcomes for Māori, Pasifika and under 25 year olds.

## Our Performance

Enrolled EFTS at ITPs have continued to decline in 2018. This pattern has also occurred at MIT with Domestic EFTS declining in 2018 by 4%. International enrolments are 12% above target, despite the negative effects of the uncertainty around immigration policy settings.

Whilst course completion rates are 1.5% below 2017, this still represent a result approaching the upper quartile of ITP results in 2017 and with significant Maori and Pasifika populations, MIT is proud of the contribution we make to these groups in our community.

This year has seen a significant improvement in qualification completion rates for Maori across a broad cross section of subjects. Comparing the qualification completion rates to 2016 (as 2017 results are affected by a large movement in enrolled EFTS), positive progress continues to be made to improve the performance at SAC levels 3+.

MIT continues to be successful in the development of further income through working with other education providers like ITOs and businesses and also with initiatives to support the secondary school students and their transition to tertiary education through the Tertiary High School.

# How Are We Doing?

## Output Class: Delivering Vocational Education that Links Students to Jobs

### 1. Increased Participation

#### To increase participation

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry and Growing international linkages.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2018	ACTUAL 2018	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015
To increase the number of domestic EFTS	1	5,430	5,277	5,501	6,219	6,627
To increase the number of base SAC EFTS	1	4,558	3,999	4,200	5,021	5,435

The general trend across the ITP sector in New Zealand has been a declining trend in domestic EFTS and at MIT domestic EFTS have dropped by 4% from 2017.

Overall there are 5% less SAC EFTS, although this includes a 59% increase at SAC levels 1 and 2. The strong growth at SAC levels 1 and 2 is after these EFTS were significantly impacted by changes introduced by TEC in 2017. There was strong growth in ITO and ACE, with a 33% increase in ITO EFTS and 53% growth in ACE EFTS as a result of the relationship with PEC to teach Pasifika Languages. The impact of the Fees Free initiative is hard to assess, but could explain a decline in Youth Guarantee EFTS by 35% which may have transferred to SAC under the Fees Free initiative.

#### To increase participation rates for Māori, Pasifika and under 25 year olds

Relevant Tertiary Education Strategy 2014-19 outcome: Boosting Achievement of Māori and Pasifika students and Getting at risk young people into a career.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2018	ACTUAL 2018	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015
<b>Māori</b>						
SAC levels 1 and 2	1	2.4%	2.0%	1.1%	2.5%	2.2%
SAC levels 3 and above	1	19.0%	16.1%	17.1%	15.8%	15.6%
SAC levels 4 and above	1	15.0%	12.1%	14.9%	13.3%	12.6%
<b>Pasifika</b>						
SAC levels 1 and 2	1	3.0%	3.0%	1.9%	3.0%	2.8%
SAC levels 3 and above	1	35.0%	35.3%	34.8%	32.6%	32.0%
SAC levels 4 and above	1	28.0%	27.1%	29.4%	27.7%	25.4%
<b>Under 25</b>						
SAC levels 3 and above	1	49.0%	45.0%	46.4%	44.2%	45.8%
SAC levels 4 and above	1	39.0%	34.5%	40.2%	38.5%	38.0%

Pasifika participation continues to grow year on year and reflects the work being done to connect with the local community. There was an increase in school leavers although there was a decrease overall in under 25 year olds. For all three priority groups increased enrolments at SAC levels 1 and 2 in security and construction have been offset by reduction in SAC levels 3+ EFTS in creative arts and languages. The main growth areas for Pasifika students were in health and levels 3+ construction programmes.

## 2. Improved Success, Retention and Educational Performance

### To increase the successful course completion rate of students

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry, Boosting Achievement of Māori and Pasifika students and Getting at risk young people into a career.

FUNDING TYPE AND LEVEL	NOTE	TARGET 2018	ACTUAL 2018	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015
<b>All Students</b>						
All Funding Types	2,3	81%	79%	81%	83%	81%
SAC levels 1 and 2	2,3	72%	67%	72%	75%	75%
SAC levels 3 and above	2,3	81%	80%	81%	83%	81%
SAC levels 4 and above	2,3	81%	82%	81%	83%	83%
Youth Guarantee level 1	2,3	74%	39%	74%	100%	100%
Youth Guarantee level 2	2,3	81%	60%	81%	76%	67%
Youth Guarantee level 3	2,3	75%	69%	75%	76%	78%
<b>Māori</b>						
SAC levels 3 and above	2,3	75%	75%	75%	77%	76%
SAC levels 4 and above	2,3	75%	79%	77%	78%	78%
<b>Pasifika</b>						
SAC levels 3 and above	2,3	77%	76%	77%	78%	77%
SAC levels 4 and above	2,3	77%	78%	77%	78%	78%
<b>Under 25</b>						
SAC levels 3 and above	2,3	80%	76%	78%	81%	79%
SAC levels 4 and above	2,3	80%	79%	79%	81%	81%

Based on independent benchmarking of course completion by Tribal for 2017, MIT had the fifth highest course completion rate out of the 16 ITPs. Although the 2018 result represents a slight decline from 2017 we still expect to be around the upper quartile course completion rates for ITPs.

One of the goals in the Tertiary Education Strategy is to boost the achievement of Maori and Pasifika. As a proportion of the student population, MIT has the 3rd highest Maori and Pasifika population amongst ITPs. These results demonstrate the success MIT is having in meeting these goals.

Youth Guarantee EFTS fell in 2018 in part due to alternative funding options being used, this has resulted in a change in the mix of programmes being studied by Youth Guarantee students that makes comparative performance to last year less reliable.

### To increase the number of successful qualification completions

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2018	INTERIM 2018	INTERIM 2017	INTERIM 2016	INTERIM 2015	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015
To increase the number of graduates for qualifications at Level 4 and above	2,3	2,614	2,419	2,669	2,848	2,827	2,784	2,939	2,799
To increase the total number of graduates	2,3	4,431	3,594	3,932	4,591	4,813	4,143	4,782	4,840

The total number of graduates is affected by the EFTS trend for a number of years, as students can study full time up to 3 years as well as some students choosing to study part time. Overall the number of graduates has declined and is affected by the declining enrolment trend for the last few years. The decline in graduates at levels 4+ has also been affected by the changing portfolio of programmes offered.

The number of graduates can only be finalised after April once all graduation results are known and the interim results for 2018 should be compared to the interim results for 2018.



## To increase the qualification completion rate of SAC and Youth Guarantee students

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry, Boosting Achievement of Māori and Pasifika students and Getting at-risk young people into a career.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2018	INTERIM 2018	INTERIM 2017	INTERIM 2016	INTERIM 2015	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015
<b>All Students</b>									
SAC levels 1 and 2	2,3	55%	44%	58%	57%	56%	86%	67%	55%
SAC levels 3 and above	2,3	75%	70%	72%	69%	73%	77%	74%	76%
SAC levels 4 and above	2,3	76%	73%	73%	69%	73%	77%	75%	77%
Youth Guarantee levels 1 and 2	2,3	73%	55%	22%	72%	61%	78%	73%	64%
Youth Guarantee level 3	2,3	69%	64%	67%	67%	72%	71%	68%	71%
<b>Māori</b>									
SAC levels 3 and above	2,3	73%	72%	62%	66%	63%	66%	74%	62%
SAC levels 4 and above	2,3	73%	79%	63%	66%	63%	66%	75%	63%
<b>Pasifika</b>									
SAC levels 3 and above	2,3	71%	62%	71%	66%	67%	75%	72%	69%
SAC levels 4 and above	2,3	71%	64%	72%	65%	65%	76%	71%	69%
<b>Under 25</b>									
SAC levels 3 and above	2,3	72%	59%	65%	62%	63%	69%	67%	66%
SAC levels 4 and above	2,3	72%	61%	65%	62%	63%	69%	66%	67%

The majority of graduates are in the SAC levels 3+ funding group which has increased by 0.8% from 2016. The success rate for Maori students has significantly increased by 10% from 2017 and 6% from 2016 which is a great achievement and is based on improvements across a broad cross section of subjects.

Qualification completion rates compares the number of qualifications awarded to the enrolments in the current year. When there are significant changes in EFTS enrolments from year to year, the rate can become distorted as the graduates are often a result of more than 1 year of study. In 2017 there was a 10% drop in EFTS and in 2016 a 4% drop in EFTS, consequently a more reliable indicator of performance is to compare the 2018 results to 2016.

Pasifika and Under 25 year olds qualification success rates have declined, this pattern isn't reflected in the course success rates and the underlying cause will be investigated.

## To increase the retention rate of SAC and Youth Guarantee students

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry and Boosting Achievement of Māori and Pasifika students.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2018	ACTUAL 2018	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015
<b>All Students</b>						
SAC levels 1 and 2	2,3	52%	53%	49%	61%	47%
SAC levels 3 and above	2,3	73%	71%	69%	71%	71%
Youth Guarantee level 1	2,3	91%	52%	100%	100%	100%
Youth Guarantee level 2	2,3	51%	74%	70%	68%	37%
Youth Guarantee level 3	2,3	68%	68%	69%	73%	71%
<b>Māori</b>						
SAC levels 1 and 2	2,3	65%	43%	47%	59%	37%
SAC levels 3 and above	2,3	65%	68%	66%	66%	68%
<b>Pasifika</b>						
SAC levels 1 and 2	2,3	70%	60%	50%	57%	48%
SAC levels 3 and above	2,3	70%	72%	71%	73%	70%

Retention rates have improved for most funding groups. Increased rates for SAC levels 3+ includes improved rates in business and health but a decline in engineering subjects where more graduates have gone into employment. Retention of Pasifika students continues to be above the average for the total student population and is another indication of the work being done to engage this student group.

Funding groups with small populations can have volatile results and this is significant for Youth Guarantee levels 1 and 2 and for Maori students in the SAC levels 1 and 2 funding groups.

## 3. Improved Employability and Progression

### To improve the progression of students

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry and Boosting Achievement of Māori and Pasifika students.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2018	INTERIM 2018	INTERIM 2017	INTERIM 2016	INTERIM 2015	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015
<b>All Students</b>									
SAC levels 1 to 3 to a higher level	2,3,4	58%	43%	47%	51%	50%	47%	51%	50%
Youth Guarantee level 1 to a higher level	2,3,4	62%	17%	23%	60%	13%	23%	60%	13%
Youth Guarantee level 2 to a higher level	2,3,4	79%	60%	59%	69%	85%	59%	69%	85%
Youth Guarantee level 3 to a higher level	2,3,4	56%	42%	61%	55%	50%	61%	55%	50%
<b>Māori</b>									
SAC levels 1 to 3 to a higher level	2,3,4	58%	44%	46%	52%	57%	46%	52%	57%
<b>Pasifika</b>									
SAC levels 1 to 3 to a higher level	2,3,4	58%	45%	44%	47%	51%	44%	47%	51%

There has been an increase in the number of engineering graduates moving into employment and this trend has affected the progression results with a decline overall. There have been some areas with significant improvements in progression rates including Languages, Literacy and Numeracy, Hospitality and Logistics. Progression rates for Maori and Pasifika priority groups at SAC levels 1 to 3 are above the overall rate and reflects the support MIT provides to these groups.

## To increase the percentage of graduates moving into employment or higher education

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2018	ACTUAL 2018	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015
To increase the proportion of graduates moving into employment or higher education within six months of programme completion	5	89%	72%	77%	79%	83%

In engineering subjects there has been an increase in graduates going in to employment offset by a decline in students going into higher study. For other areas the proportion of students going to higher study has been largely maintained but there has been a decline in those going into employment.

## 4. Enhanced Experience and Satisfaction

### To increase student satisfaction

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2018	ACTUAL 2018	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015
To maintain student satisfaction above 8.0	6	8.4	8.2	8.1	8.1	8.0

The overall performance level has increased from 2017 and is a consequence of the consistent focus MIT has on improving the student experience. The results are based on a voluntary course survey done at the end of each course. A score of 10 can only be achieved if all students strongly agree that the overall course is good.

## Output Class: Delivering Vocational Education that Links Students to Jobs

## 5. Growing International Enrolments

### To increase the number of international EFTS enrolled

Relevant Tertiary Education Strategy 2014-19 outcome: Growing international linkages.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2018	ACTUAL 2018	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015
To increase the number of International EFTS		913	1,025	1,032	1,059	961

International EFTS in 2018 have exceeded the target by 12% which is an excellent result achieved despite the uncertainty caused in the international education industry due to the discussion about immigration policy settings. A decline in international EFTS from China was counteracted by increases in students from India, Sri Lanka and the Philippines.

## 6. Increased Non-Base Revenue

### To increase non-base revenue

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry.

KEY PERFORMANCE INDICATORS All in \$000s	NOTE	TARGET 2018 \$000	ACTUAL 2018 \$000	ACTUAL 2017 \$000	ACTUAL 2016 \$000	ACTUAL 2015 \$000
To increase non-base revenue and recoveries		21,385	22,030	22,473	21,067	18,214

Non Base revenue increased by 16% in 2016 and 7% in 2017 a significant part of this recent growth has been sustained in 2018. The 2% reduction in income is mainly due to one off income in 2017 relating to students received as a consequence of the deregistration of Aotearoa Tertiary Institute.

#### Notes to the Statement of Service Performance:

1. SAC and Youth Guarantee EFTS are dependent on funding levels from TEC.
2. Investment Plan Indicator. Please also note that in some cases the historic results as published in the MIT Investment Plan 2015-18 differ slightly from the result published in this Annual Report and previous Annual Reports. This is because the historic results in the Investment Plan are drawn from the final April SDR in each year and the Annual Reports are based on the January SDR in each year.
3. These results are based on data from a January 2019 SDR and the final results will not be available until April 2019 when the final graduation results are known.
4. Progression results are sourced from TEC and measure progression for SAC and Youth Guarantee students only.
5. This result is based off the student graduate survey that is sent to MIT's 2017 graduates.
6. This result is based off the student satisfaction survey undertaken during the 2018 year.

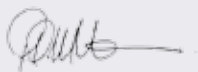


# Financial Statements

## Statement of Responsibility

In terms of the Crown Entities Act 2004, we certify that:

- 1: We have been responsible for the preparation of these group financial statements, statement of service performance and the judgements used therein;  
and
- 2: We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and performance reporting;  
and
- 3: We are of the opinion that these financial statements and statement of service performance fairly reflect the financial position and operations of this Institution for the year ended 31 December 2018.



**Peter Winder**  
*Chairman of Council*



**Theresa Stratton**  
*Deputy Chair of Council*



**Gus Gilmore**  
*Chief Executive*

Date: 29 April 2019

# Independent Auditor's Report

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

The Auditor General is the auditor of Manukau Institute of Technology (the Institute). The Auditor General has appointed me, David Walker, 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 Institute on his behalf.

### Opinion

We have audited:

- the financial statements of the Institute on pages 39 to 63, that comprise the statement of financial position as at 31 December 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Institute on pages 29 to 35.

In our opinion:

- the financial statements of the Institute on pages 39 to 63:
  - present fairly, in all material respects:
    - the financial position as at 31 December 2018; and
    - its 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 Institute on pages 29 to 35 presents fairly, in all material respects, the Institute'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 29 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 Council and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

### 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 29 on page 63 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 Institute. However, a final decision on the proposal is yet to be made. We consider these disclosures to be adequate.

### Basis of 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 Council for the financial statements and the statement of service performance

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

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

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

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

The Council'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 Institute's investment plan.

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 Institute's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute'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 Institute 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 communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

#### Other information

The Council is responsible for the other information. The other information comprises the information included on pages 4 to 27, and 65 to 66, 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 Institute 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.

Other than the audit, we have no relationship with or interests in the Institute.

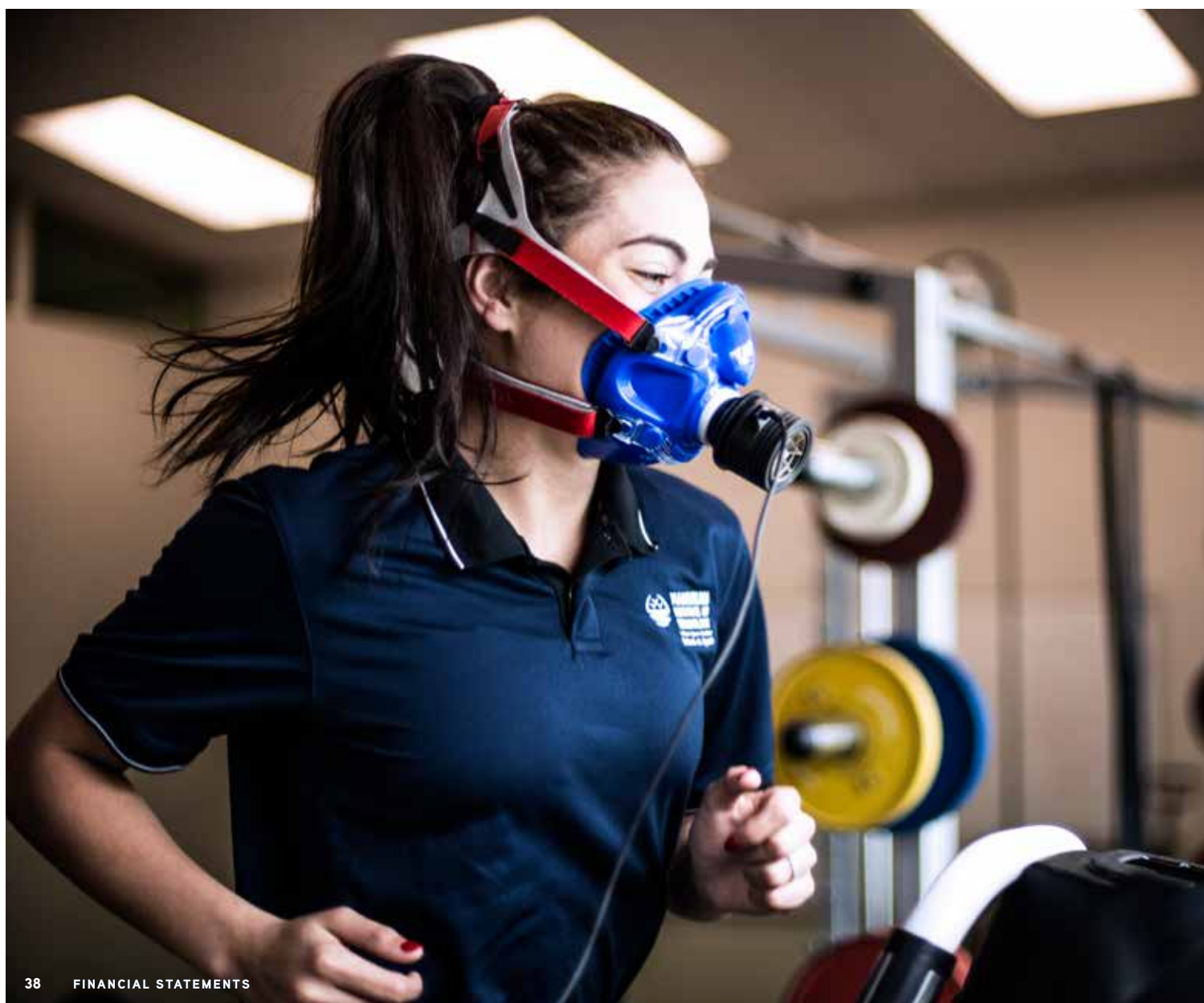


**David Walker**  
*Audit New Zealand*

*On behalf of the Auditor-General  
Auckland, New Zealand*

**AUDIT NEW ZEALAND**

*Mana Aotake Aotearoa*





# Statement of Comprehensive Revenue and Expense

for the year ended 31 December 2018

All in \$000s	NOTE	ACTUAL 2018	BUDGET 2018	ACTUAL 2017
<b>REVENUE</b>				
Government Funding	2	44,630	48,366	46,041
Student Fees and Department Revenue	3	56,474	54,957	55,569
Other Revenue		601	0	2,398
Unrealised Gains on Derivatives	10	461	0	271
Interest Revenue		52	0	70
Total Revenue		102,218	103,323	104,349
<b>EXPENDITURE</b>				
Employee Benefit Expenses	4	64,376	64,611	68,001
Depreciation and Amortisation Expense	11,12	12,028	14,324	13,784
Interest Expense		1,265	1,649	1,381
Other Expenses	4	25,344	27,282	25,656
Total Expenditure		103,013	107,866	108,822
Surplus/(Deficit) before separately disclosed expense items		(795)	(4,543)	(4,473)
Separately disclosed expense items	4	3,729	0	2,557
Total Expenditure after separately disclosed items		106,742	107,866	111,379
<b>Surplus/(Deficit)</b>		(4,524)	(4,543)	(7,030)
<b>Other Comprehensive Revenue and Expense</b>				
<i>Items that will not be reclassified to surplus/(deficit)</i>				
Revaluation of land and buildings prior to held for sale classification	18	(41,440)	0	0
Revaluation of land and buildings	18	41,981	0	0
Total Other Comprehensive Revenue and Expenses		541	0	0
Total Comprehensive Revenue and Expenditure		(3,983)	(4,543)	(7,030)

Explanations of major variances against budget are provided in Note 21.

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity

for the year ended 31 December 2018

All in \$000s	NOTE	ACTUAL 2018	BUDGET 2018	ACTUAL 2017
Balance at 1 January		240,776	239,923	247,806
Adjustment to Opening Equity	18	0	0	
Adjusted Opening Equity		240,776	239,923	247,806
<b>Other Comprehensive Revenue and Expense</b>				
Surplus/(Deficit) before separately disclosed expense items	18	(795)	(4,543)	(4,473)
Separately disclosed expenditure		(3,729)	0	(2,557)
Other Comprehensive Revenue	18	541	0	0
Total Comprehensive Revenue and Expenses		(3,983)	(4,543)	(7,030)
<b>Non Comprehensive Revenue Items</b>				
Other Contributions from the Crown		0	0	0
<b>Total Non-comprehensive Revenue</b>		0	0	0
<b>Balance at 31 December</b>		236,793	235,380	240,776

Explanations of major variances against budget are provided in Note 21.

The accompanying notes form part of these financial statements.

# Statement of Financial Position

as at 31 December 2018

All in \$000s	NOTE	ACTUAL 2018	BUDGET 2018	ACTUAL 2017
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	6	1,304	2,946	2,084
Student Fees, Prepayments and Other Receivables	7	5,664	3,963	4,820
Inventory	8	810	576	669
Assets Held For Sale	9	42,989	0	7,271
Total Current Assets		50,767	7,485	14,844
<b>Non Current Assets</b>				
Property, Plant and Equipment	11	233,897	286,538	280,383
Intangible Assets	12	4,685	3,863	3,863
Total Non Current Assets		238,582	290,401	284,246
Total Assets		289,349	297,886	299,090
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and Other Payables	13	9,717	14,931	16,654
Employee Entitlements	14	4,587	3,967	3,549
Revenue Received in Advance	16	10,325	9,297	8,665
Trust Funds	17	612	628	605
Borrowings	19	25,787	0	7,000
Derivative Financial Instruments	10	34	0	27
Total Current Liabilities		51,062	28,823	36,500
<b>Non Current Liabilities</b>				
Employee Entitlements	14	427	377	278
Borrowings	19	0	31,620	20,000
Derivative Financial Instruments	10	1,067	1,686	1,536
Total Non Current Liabilities		1,494	33,683	21,814
Total Liabilities		52,556	62,506	58,314
Net Assets		236,793	235,380	240,776
<b>EQUITY</b>				
General Funds	18	104,296	74,921	108,820
Other Comprehensive Income Reserve	18	1,454	29,957	1,454
Property Revaluation Reserve	18	131,043	130,502	130,502
Total Equity		236,793	235,380	240,776

Explanations of major variances against budget are provided in Note 21.

The accompanying notes form part of these financial statements.



**Peter Winder**  
Chairman of Council



**Theresa Stratton**  
Deputy Chair of Council



**Gus Gilmore**  
Chief Executive

Date: 29 April 2019

# Statement of Cash Flows

for the year ended 31 December 2018

All in \$000s	NOTE	ACTUAL 2018	BUDGET 2018	ACTUAL 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Government Funding		44,630	48,366	46,041
Receipts from Student Fees and Other Revenue		55,808	54,928	57,288
Interest Revenue Received		52	0	70
Goods and Services Tax (Net)		56	0	5
Payments to Employees		(62,369)	(64,849)	(69,620)
Payments to Suppliers		(32,006)	(27,106)	(26,338)
Interest Paid		(1,265)	(1,804)	(1,381)
Net Cash Inflow from Operating Activities		4,906	9,535	6,065
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sale of Property, Plant and Equipment		4,600	0	4,716
Purchase of Property, Plant and Equipment		(7,368)	(8,733)	(4,280)
Purchase of Intangible Assets		(1,705)	(354)	(644)
Net Cash Outflow used in Investing Activities		(4,473)	(9,087)	(208)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from Borrowings		21,787	(4,880)	15,000
Repayment of Borrowings		(23,000)	5,617	(22,500)
Net Cash Flows from Financing Activities		(1,213)	737	(7,500)
Net (Decrease)/Increase in Cash and Cash Equivalents		(780)	1,185	(1,643)
Cash and Cash Equivalents at Beginning of the Year		2,084	1,761	3,727
Cash and Cash Equivalents at End of the Year	6	1,304	2,946	2,084

Explanations of major variances against budget are provided in Note 21 and 22.

The accompanying notes form part of these financial statements.

## RECONCILIATION FROM NET SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

All in \$000s	ACTUAL 2018	ACTUAL 2017
Surplus/(Deficit) before separately disclosed expense items	(795)	(4,473)
Separately disclosed expenditure	(3,729)	(2,557)
<b>Add/(Less) Non Cash Items:</b>		
Depreciation and Amortisation Expense	12,028	13,784
Bad Debt Provision Movement	224	0
Other net Losses/(Gains)	(461)	(271)
<b>Add/(Less) Items Classified as Investing or Financing Activities:</b>		
Net Loss/(Gain) on Disposal of Property, Plant and Equipment	2,930	(275)
<b>Add/(Less) Movements in Working Capital:</b>		
(Increase)/Decrease in Accounts Receivable and Other Receivables	(1,068)	(1,111)
Increase/(Decrease) in Inventories	(141)	(332)
Increase/(Decrease) in non capital Trade and Other Payables	(6,937)	1,897
Increase/(Decrease) in Provisions	1,187	(709)
Increase/(Decrease) in Fees in Advance	1,660	104
Increase/(Decrease) in Trust Funds	8	8
Net Cash from Operating Activities	4,906	6,065

Explanations of major variances against budget are provided in Note 21.

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

for the year ended 31 December 2018

Note	Page
1. Statement of accounting policies	43
2. Government funding	44
3. Student fees and department revenue	44-45
4. Expenditure	45
5. Analysis of department costs	46
6. Cash and cash equivalents	46
7. Student fees, prepayments and other receivables	47
8. Inventory	48
9. Assets held for sale	48
10. Derivative financial instruments	49
11. Property, plant and equipment	49-51
12. Intangible assets	52
13. Trade and other payables	53
14. Employee benefit liabilities	53-54
15. Severance and redundancy payments	54
16. Revenue received in advance	54
17. Trust funds	54
18. Equity	54-55
19. Borrowings	55
20. Financial instruments	56-58
21. Major budget variations	59
22. Capital expenditure project performance to budget	60
23. Capital management	60
24. Operating leases	61
25. Commitments and contingencies	61
26. Related party transactions and key management personnel	62
27. Early childhood education centre	63
28. Income tax	63
29. Events after balance date	63



## 1: STATEMENT OF ACCOUNTING POLICIES

### REPORTING ENTITY

Manukau Institute of Technology is a TEI that is domiciled and operates in New Zealand. The relevant legislation governing the Institute's operations includes the Crown Entities Act 2004 and the Education Act 1989.

The Institute has contributed assets to the jointly controlled venture of Ko Awatea Education Facility; these are included in the financial statements as jointly controlled assets. All joint ventures are incorporated and domiciled in New Zealand.

The primary objective of the Institute is to provide tertiary education services for the benefit of the community. It does not operate to make a financial return. Accordingly, the Institute has designated itself as public benefit entities (PBEs) for the purposes of complying with general accepted accounting practice.

### BASIS OF PREPARATION

The financial statements have been prepared on a going concern and historical cost basis, except where modified by the revaluation of land, buildings, and certain financial instruments (including derivative instruments) to fair value.

### Statement of compliance

The financial statements of the Institute have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Education Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with Tier 1 PBE Standards.

These financial statements comply with PBE Standards.

### Presentation currency and rounding

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

### Standards issued and not yet effective and not early adopted

- PBE IFRS 9. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021.
- PBE IPSAS 34-38: These new standards replace the existing standards for interests in other entities (PBE IPSAS 6 - 8). They are effective for annual periods beginning on or after 1 January 2019.
- PBE FRS 48. 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.
- Amendments to PBE IPSAS 2 - The amendment 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.

### Comparatives

Where additional disclosures are provided that were not in the previous Annual Report, then previous year comparatives have been realigned to ensure consistency

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

#### Foreign currency transactions

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

#### Goods and services tax

"Items in the financial statements are stated exclusive of goods and services tax (GST), except for debtors and other receivables and creditors and other payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### Income tax

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

#### Provisions

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

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

#### Budget figures

The budget figures for the Institute are those approved by the Council at the start of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

#### Cost allocation

The cost of service for each significant activity of the Institute has been derived using the cost allocation system outlined below. Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be attributed to a specific significant activity in

an economically feasible manner. Direct costs are charged directly to significant activities. Indirect costs are allocated to academic departments only based on the floor space used for teaching purposes and administration costs based on the proportion of the salary costs expensed to the academic departments.

### Critical accounting estimates and assumptions

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

#### (a) Property revaluations

Note 11 provides information about the estimates and assumptions exercised in the measurement of revalued land and buildings.

#### (b) Long Service Leave

Note 14 provides information about the estimates and assumptions exercised in the measurement of long service leave.

### Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 31 December 2018:

- (a) Crown-owned land and buildings - refer to Note 11.
- (b) Distinction between revenue and capital contributions - refer to Note 2.
- (c) Research leave - refer to Note 14.

### REVENUE

Revenue is measured at the fair value.

The specific accounting policies for significant revenue items are explained below:

#### (a) Government grants - refer to Note 2

#### (b) Performance-Based Research Fund (PBRF) - refer to Note 2

#### (c) Research revenue - refer to Note 2

#### (d) Student tuition fees - refer to Note 3

#### (e) Donations, bequests, and pledges

Donations and bequests are recognised as revenue when the right to receive the fund or asset has been established, unless there is an obligation in substance to return the funds if conditions of the donation or bequest are not met. If there is such an obligation, they are initially recorded as revenue in advance and then recognised as revenue when the conditions are satisfied. Pledges are not recognised as assets or revenue until the pledged item is received.

#### (f) Other Revenue

Other Revenue is recognised when earned. For the sale of materials this is when the significant risks and rewards of ownership have passed to the customer and can be measured reliably.

#### (g) Interest

Interest revenue is recognised using the effective interest method.

## 2: GOVERNMENT FUNDING

### Accounting policy

#### Government grants

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

#### Performance-Based Research Fund (PBRF)

The Institute considers PBRF funding to be non-exchange in nature. PBRF funding is specifically identified by the TEC as being for a funding period as required by section 159YA of the Education Act 1989. The Institute recognises its confirmed allocation of PBRF funding at the commencement of the specified funding period, which is the same as the Institute's financial year. PBRF revenue is measured based on the Institute's funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

#### Research revenue

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

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

### Critical judgements in applying accounting policies

#### Distinction between revenue and capital contributions

Most Crown funding received is operational in nature and is provided by the Crown under the authority of an expense appropriation and is recognised as revenue. Where funding is received from the Crown under the authority of a capital appropriation, the Institute accounts for the funding as a capital contribution directly in equity. Information about capital contributions recognised in equity is disclosed in note 18.

All in \$000s	NOTE	ACTUAL 2018	ACTUAL 2017
<b>Government funding classified as non-exchange transactions</b>			
Student Disability Grant		180	169
Literacy Funding		1,459	1,500
Youth Guarantee		3,916	4,922
Other Government Grants		124	313
Māori and Pacific Islands Grant		292	327
Student Achievement Component (SAC) Funding		38,260	38,433
Performance Based Research Fund		399	377
Total Government Funding Excluding Department Funding		44,630	46,041

The Student Achievement Component (SAC) operational bulk grant is based on equivalent full time student (EFTS) levels and the funding category levels for those EFTS and specific service grants. There are no unfulfilled contingencies for Government funding recognised as revenue.

Other Government funding is included as department income as the funding has been subject to a competitive tender process for training contracts. The funding is provided by the Tertiary Education Commission and Industry Training Organisations.

## 3: STUDENT FEES AND DEPARTMENT REVENUE

### Accounting policy

#### Student tuition fees

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

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

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

All in \$000s	NOTE	ACTUAL 2018	ACTUAL 2017
<b>Student fees and department revenue classified as exchange transactions</b>			
Student Fees – International Students		17,410	15,937
Departmental Revenue (Non-Base Revenue and Recoveries)		14,269	13,778
Total Student Fees and Department Revenue classified as Exchange Transactions		31,679	29,715
<b>Student fees and department revenue classified as non-exchange transactions</b>			
Student Fees – Domestic Students and Other Departmental Revenue <sup>1</sup>		24,795	25,854
Total Student Fees and Department Revenue classified as Non-Exchange Transactions		24,795	25,854
Total Student Fees and Department Revenue		56,474	55,569

<sup>1</sup>Includes Fees Free revenue of of \$2.98m.

#### 4: EXPENDITURE

##### Accounting policy

##### Superannuation schemes

##### Defined contribution schemes

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

##### Borrowing costs

Borrowing costs are expensed in the financial year in which they are incurred.

All in \$000s	NOTE	ACTUAL 2018	ACTUAL 2017
<b>Employee Benefits Expense</b>			
Salaries and Wages		61,538	66,997
Defined Contribution Plan Employer Contributions		1,467	1,530
Councillors and Board Fees	26	184	183
Increase/(Decrease) in Employee Benefit Liabilities	14	1,187	(709)
Total Employee Benefits Expense		64,376	68,001
<b>Other Expenditure</b>			
<b>Auditors' Remuneration</b>			
Fees to Principal Auditor for Financial Statement Audit		193	163
Total Auditors' Remuneration		193	163
<b>General Costs</b>			
Operating Lease Payments	24	1,959	2,479
Net Increase/(Decrease) Bad and Doubtful Debts Provision	7	224	0
Course Delivery Contracts		1,696	928
Donations		3	7
Loss on disposal of property, plant and equipment		28	0
Administrative, Materials and Consumables Expenses		21,241	22,079
Total General Costs		25,151	25,493
Total Other Expenditure		25,344	25,656
<b>Separately disclosed expense items</b>			
Write down of assets prior to reclassification as held for sale to reflect fair value	11	155	0
Loss on sale of property, plant and equipment		2,746	
Redundancies and severance payments		828	2,557
Total Separately disclosed expense items		3,729	2,557

Employer contributions to defined contribution plans include contributions to KiwiSaver and the Government Superannuation Fund.

## 5: ANALYSIS OF DEPARTMENT COSTS

	2018				2017
All in \$000s	ACTUAL REVENUE	ACTUAL EXPENDITURE	ACTUAL NET COST	BUDGET NET COST	ACTUAL NET COST
Manukau Campus	31,361	27,489	(3,872)	(2,820)	1,740
Otara Campus	31,000	41,580	10,580	9,552	12,339
Technology Park Campus	27,170	34,745	7,575	7,013	7,007
Total Department Costs	89,531	103,814	14,283	13,745	21,086
<b>Included in the department net cost are the following overheads:</b>					
Property			12,920	13,101	17,076
Administration			43,380	46,241	44,611
Total Overheads Allocated			56,300	59,342	61,687

Overheads are allocated in accordance with notes to the financial statements, summary of significant accounting policies, allocation of overheads. Department recoveries for services provided during 2018 have been netted off against overhead expenditure allocation. Total recoveries of \$402,743 (2017: \$570,144).

## 6: CASH AND CASH EQUIVALENTS

### Accounting policy

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

All in \$000s	NOTE	ACTUAL 2018	ACTUAL 2017
Cash at Bank and on Hand		460	1,309
Call Deposits		844	775
Total Cash and Cash Equivalents		1,304	2,084
Weighted Average Effective Interest Rate		1.3%	1.5%

The carrying value approximates fair value. None designated at fair value.

### Assets recognised in a non-exchange transaction that are subject to restrictions

The carrying value approximates fair value. None designated at fair value. Assets recognised in a non-exchange transaction that are subject to restrictions. The Institute holds \$612k (2017: \$605k) included in cash and cash equivalents of trust funds which are subject to restrictions. The restrictions generally specify how the trust fund is to be used in providing awards to students.

Cash at bank includes funds on call deposit that earn interest at floating rates based on the daily bank deposit rates. Short term deposits are made for short varying periods up to three months and earn interest at the respective term deposit rates. The carrying value of cash at bank and on hand, and call deposits approximate their fair value.



## 7: STUDENT FEES, PREPAYMENTS AND OTHER RECEIVABLES

### Accounting policy

#### Debtors and other receivables

Short-term debtors and other short-term receivables are recorded at their face value, less any provision for impairment.

All in \$000s	ACTUAL 2018	ACTUAL 2017
<b>Receivables classified as exchange transactions</b>		
Student Fees and Sundry Receivables	1,901	1,949
Prepayments	1,782	1,913
Other Receivables	99	35
Total Receivables classified as exchange transactions	3,782	3,897
<b>Receivables classified as non-exchange transactions</b>		
Student Fees and Sundry Receivables	2,665	1,448
Total Receivables classified as non-exchange transactions	2,665	1,448
Total Student Fees and Other Receivables (excluding Impairment)	6,447	5,345
Less Provision of Impairment for Receivables	(783)	(525)
Total Student Fees and Other Receivables	5,664	4,820

Student fees receivables are non-interest bearing and generally should be paid on enrolment and no later than at graduation. The carrying value of Student Fees and Other Receivables approximates their fair value.

All in \$000s	2018			2017		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
<b>Impairment</b>						
Ageing profile for student fees receivable at year end.						
Not Past Due	0	0	0	0	0	0
Past Due 1 – 30 Days	176	0	176	457	0	457
Past Due 31 – 60 Days	2,051	0	2,051	1,304	0	1,304
Past Due 61 – 90 Days	489	0	489	590	0	590
Past Due over 90 Days	1,850	(783)	1,067	1,046	(525)	521
Total Impairment	4,566	(783)	3,783	3,397	(525)	2,872

All in \$000s	ACTUAL 2018	ACTUAL 2017
<b>Movements in the provision for impairment of student receivables</b>		
At 1 January	525	1,495
Additional Provisions made during the Year	224	0
Provision adjustments during the year	34	(4)
Receivables Written-off during the Year	0	(966)
At 31 December	783	525

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

## 8: INVENTORY

### Accounting policy

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

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

Cost is allocated using the first in, first out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first. Any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the year of the write-down.

All in \$000s	ACTUAL 2018	ACTUAL 2017
Building Stock	696	543
Hospitality Stock	63	64
Staff Services Stock	20	29
Cafeteria Stock	31	33
Total Inventory	810	669

Inventories are valued at the lower of cost or net realisable value. Nil was written down of inventories held for distribution (2017: \$nil). No inventories are pledged as security.

## 9: ASSETS HELD FOR SALE

### Accounting policy

#### Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use. The asset is measured at the lower of its carrying amount and fair value less costs to sell.

Write-downs of the asset are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised in the surplus or deficit up to the level of any impairment losses that have previously been recognised.

A non-current asset is not depreciated or amortised while classified as held for sale.

All in \$000s	NOTE	ACTUAL 2018	ACTUAL 2017
Property Held For Sale		42,989	7,271
Total Assets Held For Sale		42,989	7,271
Consists of:			
Land - Crown		309	0
Land - Institute		26,646	2,754
Land Improvements		1,319	76
Buildings - Crown		124	0
Buildings - Institute		14,591	4,441
Total Assets Held For Sale		42,989	7,271

As part of a review of building assets various properties have been identified as being surplus to future requirements. MIT has met the accounting requirements as at 31st May 2018 to enable these properties to be presented as held for sale within current assets in the 2018 Financial Statements.

These properties are South Campuses, sections of North Campus, Student Village (Alexander Crescent), Campus Security (V Block) and residential property (3 Ashton Ave). 3 Ashton Ave is in Crown ownership with MIT selling on behalf.

## 10: DERIVATIVE FINANCIAL INSTRUMENTS

### Accounting policy

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from the Institute's financing activities. In accordance with its treasury policy, the Institute does not hold or issue derivative financial instruments for trading purposes. The Institute has elected not to apply hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit.

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of forward foreign exchange derivatives is classified as non-current. The portion of the fair value of an interest rate derivative that is expected to be realised or settled within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

All in \$000s	ACTUAL 2018	ACTUAL 2017
<b>Non-Current Liability Portion</b>		
Interest Rate Swaps	1,101	1,563
Total Current Liability Portion	34	27
Total Non-Current Liability Portion	1,067	1,536
Total Derivative Financial Instruments	1,101	1,563

The fair value of interest rates swaps has been determined by calculating the expected cash flows under the terms of the swaps 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.

The changes in the fair value of interest rate swaps are recognised in the Statement of Comprehensive Revenue and Expense.

The notational principal amounts of the outstanding interest rate swap contracts totalled \$24 million (2017: \$28 million). The fixed rate of interest rate swaps vary from 4.66% to 4.94%.

## 11: PROPERTY, PLANT AND EQUIPMENT

### Accounting policy

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

### Revaluation

Land and buildings and Land improvements are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and occurs at least every three years. The most recent valuation of land and buildings was performed by P Todd (BPA MRICS SPINZ), independent registered property, plant and machinery valuer, of Darroch Limited. The effective date of the revaluation was 31 December 2018. The next revaluation is due 31 December 2021. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued. Revaluation movements are accounted for on a class-of asset basis.

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

### Additions

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

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

Cost incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Institute and the cost of the item can be measured reliably.

### Disposals

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

### Depreciation

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

Class of Asset	Rate
Buildings	
Structure	11 - 100 years (1% - 9.1%)
Fit out	6 - 29 years (3.5% - 16.7%)
Services	9 - 33 years (3% - 11.1%)
Land Improvements	7 - 40 years (3 - 14%)
Plant and Equipment	3 - 20 Years (5% - 33.3%)
Furniture and Fittings	5 - 12 Years (8.3% - 20%)
Motor Vehicles	4 - 10 Years (10% - 25%)
Computer Hardware	4 - 7 Years (14.3% - 25%)
Library Collection	3 - 10 Years (10% - 33%)
Office Equipment	10 Years (10%)

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

### Library Collection

The library collection that had been revalued to fair value prior to 31 December 2006, the date of the transition to NZ IFRS, is measured on the basis of deemed cost, being the revalued amount at the date of the revaluation. All purchases after this date are recorded at cost.

### Impairment of property, plant, and equipment

Property, plant, and equipment held at cost that have a finite useful life are reviewed for impairment at each balance date and 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 considered to be impaired and the carrying amount is written-down to the recoverable amount. The impairment loss is recognised in the surplus or deficit.

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.

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows.

### Critical judgements in applying accounting policies

#### Crown-owned land and buildings

Property in the legal name of the Crown that is occupied by the Institute is recognised as an asset in the statement of financial position. The Institute considers it has assumed all the normal risks and rewards of ownership of this property despite legal ownership not being transferred and accordingly it would be misleading to exclude these assets from the financial statements.

The Institute has secured the use of the property by means of a license to occupy land from the Ministry of Education for a period of 30 years from 13 March 2010 at nominal rent. This has been recognised as an intangible asset (Note 12).

All in \$'000s	1 JAN 2018			2018					31 DEC 2018		
	COST OR FAIR VALUE	ACCUMULATED DEPRECIATION	NET CARRYING VALUE	ADDITIONS	NET BOOK VALUE OF DISPOSALS	REVALUATION	RECLASSIFICATIONS	DEPRECIATION	COST OR FAIR VALUE	ACCUMULATED DEPRECIATION	NET CARRYING VALUE
Land – Crown	31,250	0	31,250	0	0	0	(31,250)	0	0	0	0
Land – Institute	9,193	0	9,193	0	0	6,089	4,295	0	19,577	0	19,577
Land Improvements	8,310	(823)	7,487	0	0	277	(1,320)	(337)	6,108	0	6,108
Buildings – Crown	48,241	(4,015)	44,226	0	0	(35,448)	(7,714)	(1,065)	0	0	0
Buildings – Institute	178,561	(9,485)	169,075	4813	(21)	29,468	(7,000)	(4,246)	192,087	0	192,087
Library Collection	5,921	(4,416)	1,505	308	0	0	0	(328)	3,976	(2,491)	1,485
Computer Hardware	27,140	(19,029)	8,112	1,788	(2)	0	0	(3,277)	24,567	(17,947)	6,620
Plant and Equipment	20,615	(14,730)	5,885	316	(54)	0	0	(1,174)	13,797	(8,823)	4,974
Motor Vehicles	1,991	(1,327)	664	40	(27)	0	0	(170)	1,412	(905)	507
Furniture and Fittings	6,976	(3,991)	2,985	102	0	0	0	(548)	5,817	(3,278)	2,539
Total Property, Plant & Equipment	338,198	(57,816)	280,382	7,367	(104)	386	42,989	(11,145)	267,341	(33,444)	233,897

At 31 December 2018 all land and buildings disclosed above are owned by the institute.

Reclassification is the reclassification to Asset Held for Sale but also includes movements from crown ownership to institute ownership.

Revaluation includes both Assets held for sale (\$41,595k) and Assets held for continued use \$41,981k, total \$386k. This is reflected in other comprehensive revenue and expenses \$541k and loss on revaluation (\$155)k, total \$386k.



All in \$000s	1 JAN 2017			2017					31 DEC 2017		
	COST OR FAIR VALUE	ACCUMULATED DEPRECIATION	NET CARRYING VALUE	ADDITIONS	RECLASSIFICATIONS	REVALUATION	NET BOOK VALUE OF DISPOSALS	DEPRECIATION	COST OR FAIR VALUE	ACCUMULATED DEPRECIATION	NET CARRYING VALUE
Land – Crown	31,250	0	31,250	0	0	0	0	0	31,250	0	31,250
Land – Institute	11,922	0	11,922	0	(2,754)	0	25	0	9,193	0	9,193
Land Improvements	8,405	(424)	7,981	37	(76)	0	(24)	(431)	8,310	(823)	7,487
Buildings – Crown	48,242	(2,005)	46,237	(1)	0	0	0	(2,010)	48,241	(4,015)	44,226
Buildings – Institute	181,215	(5,070)	176,145	2,565	(4,441)	0	37	(5,231)	178,561	(9,485)	169,075
Library Collection	5,586	(4,047)	1,539	335	0	0	0	(369)	5,921	(4,416)	1,505
Computer Hardware	24,528	(16,148)	8,379	2,641	0	0	(23)	(2,886)	27,140	(19,029)	8,112
Plant and Equipment	19,890	(13,479)	6,411	885	0	0	(149)	(1,262)	20,615	(14,730)	5,885
Motor Vehicles	1,966	(1,248)	718	149	0	0	(19)	(184)	1,991	(1,327)	664
Furniture and Fittings	6,700	(3,402)	3,298	276	0	0	0	(589)	6,976	(3,991)	2,985
Total Property, Plant & Equipment	339,704	(45,824)	293,880	6,887	(7271)	0	(152)	(12,962)	338,198	(57,816)	280,382

There is \$242k accumulated depreciation writeback included in the net book value of disposals.

### Revaluations

An independent valuation was obtained to determine the fair value of land and buildings. Fair value is determined by reference to an open market basis, being the amount for which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's - length transaction at the valuation date for land and buildings of a non-education specific nature. Where buildings have been designed specifically for educational purposes they are valued at optimised depreciated replacement cost which is considered to reflect fair value for such assets.

The most recent valuation of land and buildings was performed by P Todd (BPA SPINZ MRICS), independent registered property and plant and machinery valuer, of Darroch Limited at a fair value of \$216.8m. The effective date of the revaluation was 31 December 2018. The next revaluation is due 31 December 2021.

### Land

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Restrictions on the Institute's ability to sell land would normally not impair the value of the land because the Institute has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

### Buildings

Specialised buildings (e.g. buildings on campuses) are valued at fair value using optimised depreciated replacement cost because no reliable market data is available for buildings designed for education delivery purposes. Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- For the Institute's earthquake prone buildings that are expected to be strengthened, the estimated earthquake-strengthening costs have been deducted off the depreciated replacement cost.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value. These valuations include adjustments for estimated building strengthening costs for earthquake prone buildings and the associated lost rental during the time to undertake the strengthening work.

Excluded assets include:

- Loose plant and equipment and similar assets such as furniture, workbenches, computers and workshop tools.
- Underground services
- Carvings and all artwork including wall linings

Refer to Note 18 for revaluation reserves and explanations of revaluation movements.

### Work in Progress

At the end of the period the total amount classified as work in progress under the buildings asset category is \$190k (2017: \$2,425 million), plant and equipment is \$271k (2017: \$nil), computer hardware is \$654k (2017: \$433k) and furniture and fittings is \$3k (2017: \$181k).

### Restrictions on title

Under the Education Act 1989, the Institute is required to obtain the consent from the Ministry of Education to dispose of land and buildings. For plant and equipment there is an asset disposal limit formula which provides a limit up to which a TEI may dispose of plant and equipment without seeking the approval from the Ministry of Education. Detailed information on the asset disposal rules can be found on the Tertiary Education Commission website.

There are also various restrictions in the form of historic designations, reserve, and endowment encumbrances attached to land. The Institute does not consider it practical to disclose in detail the value of land subject to these restrictions.

### Ko Awatea

The Institute has a 31% share of Ko Awatea as jointly controlled assets.

The details of the assets by categories are as below:

Furniture and Fittings	\$	\$152k (2017: \$152k)
Plant and Equipment	\$	\$214k (2017: \$213k)
Computer Hardware	\$	\$411k (2017: \$411k)
Computer Software	\$	\$9k (2017: \$9k)
Total Property, Plant and Equipment	\$	\$786k (2017: \$784k)

The accumulated depreciation for 2018 is \$721k (2017: \$700k), which brings the asset book value to \$64k (2017: \$84k). \$383,541 was incurred as the MIT share of the operating costs of the joint venture (2017: \$351,616).

## 12: INTANGIBLE ASSETS

### Accounting policy

#### Software acquisition and development

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

#### Course development costs

Costs that are directly associated with the development of new educational 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.

#### Intellectual property development

Research costs are expensed as incurred in the surplus or deficit.

Development costs that are directly attributable to the design, construction, and testing of preproduction or pre-use prototypes and models associated with intellectual property development are recognised as an intangible asset if all the following can be demonstrated:

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

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

#### License to Occupy Land

Where the Institute has a license to occupy land at a nominal rent, the Institute recognises the intangible asset based on an independent valuation of the estimated market ground rent over the license term. Land with a license to occupy is amortised over the unexpired period of the license.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Class of Asset	Rate
Computer	2-10 years
Software	(10% - 50%)

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

#### Impairment of intangible assets

Intangible assets 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 11. The same approach applies to the impairment of intangible assets.

	1 JAN 2018			2018					31 DEC 2018		
	COST OR FAIR VALUE	ACCUMULATED AMORTISATION	NET CARRYING VALUE	ADDITIONS/ RECLASSIFICATIONS	REVALUATION	COST OF DISPOSAL	DEPRECIATION ON DISPOSAL	AMORTISATION	COST OR FAIR VALUE	ACCUMULATED AMORTISATION	NET CARRYING VALUE
All in \$000s											
Computer Software	6,280	(3,337)	2,943	1,705	0	(348)	348	(836)	7,637	(3,825)	3,812
Other Intangible Assets	1,250	(330)	920	0	0	0	0	(47)	1,250	(377)	873
Total Intangible Assets	7,530	(3,667)	3,863	1,705	0	0	348	(883)	8,887	(4,202)	4,685

	1 JAN 2017			2017					31 DEC 2017		
	COST OR FAIR VALUE	ACCUMULATED AMORTISATION	NET CARRYING VALUE	ADDITIONS/ RECLASSIFICATIONS	REVALUATION	COST OF DISPOSAL	DEPRECIATION ON DISPOSAL	AMORTISATION	COST OR FAIR VALUE	ACCUMULATED AMORTISATION	NET CARRYING VALUE
All in \$000s											
Computer Software	5,639	(2,565)	3,074	661	0	(20)	3	(775)	6,280	(3,337)	2,943
Other Intangible Assets	1,250	(283)	967	0	0	0	0	(47)	1,250	(330)	920
Total Intangible Assets	6,889	(2,848)	4,041	661	0	(20)	3	(822)	7,530	(3,667)	3,863

There is \$3k accumulated depreciation writeback included in the net book value of disposals.

#### Work in Progress

At the end of the period the total amount of intangible assets work in progress is \$1,547,252 (2017: \$160,437).

#### Other Intangible Assets

Other intangible assets include the license to occupy land at 52 Otara Rd from the Ministry of Education for a period of 30 years at a nominal rent. The amount recognised as an intangible asset is based on an independent valuation. The valuation methodology adopted by the independent valuer, Darroch Ltd, is based on an estimated land value of \$2m and an adopted ground rental percentage of 5.5%. The resultant estimated market ground rent has a land value growth of 2% per annum applied and a discount rate of 10% to determine the present value of the rental benefit, over the license term.

## 13: TRADE AND OTHER PAYABLES

### Accounting policy

Short-term creditors and other short-term payables are recorded at the amount payable.

All in \$000s	ACTUAL 2018	ACTUAL 2017
<b>Payables under exchange transactions</b>		
Trade Payables	2,345	4,526
Accrued Expenses	3,473	2,264
Other Payables	91	103
Total Payables under Exchange Transactions	5,909	6,893
<b>Payables under non-exchange transactions</b>		
Other Payables	3,305	9,314
Net GST Payable/ (Receivable)	503	447
Total Payables under Non-Exchange Transactions	3,808	9,761
Total Trade and Other Payables	9,717	16,654

Total Trade and Other Payables are non-interest bearing and are normally settled on 30 day terms. Therefore, the carrying value approximates fair value. Included in Trade Payables above are retentions of \$62k (2017: \$77k) related to the relocation of the Faculty of Nursing and Health Studies to MIT Manukau (MITM) building project.

## 14: EMPLOYEE BENEFIT LIABILITIES

### Accounting policy

#### Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and sick leave. A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

#### Long-term employee entitlements

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

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

#### Presentation of employee entitlements

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

### Critical judgements in applying accounting policies

#### Research leave

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

All in \$000s	ACTUAL 2018	ACTUAL 2017
<b>Employee Entitlements</b>		
Accrued Pay	18	356
Annual Leave	3,910	2,781
Sick Leave	229	249
Long Service Leave	173	143
Retirement Leave	254	135
Restructuring Provision	430	163
Total Employee Benefit Liabilities	5,014	3,827
Current Portion	4,587	3,549
Non-Current Portion	427	278
Total Employee Benefit Liabilities	5,014	3,827

The present value of the long service obligations depends on factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rate used match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns.

If the salary inflation factor were to increase or decrease by 1% from that used, with all other factors held constant, the carrying amount of the long service leave liability would be an estimated \$11,005 higher / lower (2017: \$11,691).

If the discount rates used were to increase or decrease by 1% from that used, with all other factors held constant, the carrying amount of the long service liability would be an estimated \$9,749 higher / lower (2017: \$10,192).

## 15: SEVERANCE AND REDUNDANCY PAYMENTS

The total value of compensation paid in respect of redundancies and severance to employees during the financial year was \$0.8m (2017: \$2.6m). This includes \$0.4m payable in the 2019 year.

## 16: REVENUE RECEIVED IN ADVANCE

All in \$000s	ACTUAL 2018	ACTUAL 2017
Student Fees	10,059	7,903
Other Revenue Received in Advance	266	762
Total	10,325	8,665
Current Portion	10,325	8,665
Total	10,325	8,665

During 2010, the Institute received a grant from Manukau City Council for the construction of the MIT Pasifika Centre which was recognised as revenue in advance. In 2018, the grant is recognised as revenue on the basis that the Institute has met the conditions of the contract under which the funding was provided.

## 17: TRUST FUNDS

### Accounting policy

Manukau Institute of Technology receives bequests plus other funding to be held in trusts, which are required to be used for specific activities such as scholarships and awards. As the Institute administers these funds which have restricted use, they are treated as current liabilities and are not included in the Statement of Comprehensive Revenue and Expense.

All in \$000s	ACTUAL 2018	ACTUAL 2017
Opening Balance	605	597
Interest Received	7	8
Total Trust Funds	612	605
Represented by:		
G F Dawson Memorial Fund	11	11
J M Grant Memorial Fund	9	9
MIT Students' Trust Fund	493	487
Young Memorial Fund	99	98
Total Trust Funds	612	605

### Restrictions on use

Manukau Institute of Technology holds these funds in trust for the purpose of providing out of the revenue derived an award for students.

## 18: EQUITY

### Accounting policy

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

- General funds;
- Capital contributions; and
- Property revaluation reserve.

### Property revaluation reserves

These reserves relate to the revaluation of land and buildings to fair value.



All in \$000s	ACTUAL 2018	ACTUAL 2017
<b>General Funds</b>		
At 1 January	108,820	115,850
Surplus/(Deficit) before separately disclosed expense items	(795)	(4,473)
Separately disclosed expenditure	(3,729)	(2,557)
Balance as at 31 December	104,296	108,820
<b>Property Revaluation Reserves</b>		
Balance as at 1 January	130,502	130,502
Reserve movement for revaluation of land and buildings prior to held for sale classification <sup>1</sup>	(41,440)	0
Land Net Revaluations Gain	6,878	0
Land Improvement Revaluation Gain	251	0
Buildings Net Revaluations Gain	34,852	0
Balance as at 31 December	131,043	130,502
<b>Fair value through Other Comprehensive Income Reserve</b>		
Balance as at 1 January	1,454	1,454
Balance as at 31 December	1,454	1,454
<b>Total Equity</b>	<b>236,793</b>	<b>240,776</b>
<b>Property Revaluation Reserves</b>		
Property Revaluation Reserves consist of:		
Land	43,923	41,052
Land improvements	251	
Buildings	86,869	89,450
Total Property Revaluation Reserves	131,043	130,502

#### Capital Contributions

Capital Contributions - Capital contributions received in 2018 were nil (2017: nil)

<sup>1</sup>Reserve movement for revaluation of land and buildings prior to held for sale classification consists of: Revaluation (\$41,595k) less the revaluation loss recognised in the Statement of Comprehensive Revenue & Expenditure of \$155k, leaving \$41,440k recognised through reserves.

## 19: BORROWINGS

#### Accounting policy

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

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

All in \$000s	ACTUAL 2018	ACTUAL 2017
Current Portion	25,787	7,000
Non-Current Portion	0	20,000
Total	25,787	27,000
Weighted Average Effective Interest Rate	5.77%	6.37%

#### Borrowings

The Institute has a revolving cash facility of \$35m (2017: \$35m), a liquidity facility of nil (2017 nil) and a working capital overdraft facility of \$10m (2017: \$10m) with ANZ Bank providing funding for capital projects and liquidity. Certain covenants are required to be met in relation to the facilities. The maturity date of the existing facility is 31 December 2019 with an option to extend the expiry date, subject to the agreement of the lender. Under Ministry of Education consent to borrow dated 18 June 2014 MIT is required to stepdown the maximum aggregate borrowing limits.

#### Bank Covenants

Maximum Total Debt to Total Debt plus Equity Ratio  
Minimum Interest Cover Ratio  
Minimum Guaranteeing Group Cover

ACTUAL	REQUIRED	HEADROOM
9%	<25%	16%
8.5	>2x	6.5
100%	>90%	10%

## 20: FINANCIAL INSTRUMENTS

### Accounting policy

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

Purchases and sales of financial assets are recognised on trade-date, the date on which the Institute commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Institute has transferred substantially all the risks and rewards of ownership.

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

- fair value through surplus or deficit;
- loans and receivables; and
- fair value through other comprehensive revenue and expenses.

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

### Financial assets at fair value through surplus or deficit

Currently the Institute does not hold any financial assets in this category.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any provision for impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

### Financial assets at fair value through other comprehensive revenue and expenses

Currently the Institute does not hold any financial assets in this category.

### Impairment of financial assets

At each balance date, the Institute assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Any impairment losses are recognised in the surplus or deficit.

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

Impairment of a loan or a receivable is established when there is objective evidence that the Institute will not be able to collect amounts due according to the original terms of the loan or receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation, and default in payments are considered indicators that the asset is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). For other financial assets, impairment losses are recognised directly against the instrument's carrying amount.

All in \$000s	NOTE	ACTUAL 2018	ACTUAL 2017
<b>Financial Instrument Categories</b>			
The accounting policies for financial instruments have been applied to the line items below:			
<b>Financial Assets</b>			
<b>Loans and Receivables</b>			
Cash and Cash Equivalents		1,304	2,084
Student Fees and Other Receivables		4,566	3,397
Total Loans and Receivables		5,870	5,481
<b>Financial Liabilities</b>			
<b>Financial Liabilities Measured at Amortised Costs</b>			
Creditors and other payables		9,717	16,654
Borrowings		25,787	27,000
Total Financial Liabilities Measured at Amortised Cost		35,504	43,654
<b>Financial Liabilities Measured at Fair Value</b>			
Derivative financial instruments		1,101	1,563
Total Financial Liabilities Measured at Fair Value		1,101	1,563

### Financial Instruments Risks

Manukau Institute of Technology's activities expose it to a variety of financial risks including market risk (interest rate risk and currency risk), credit risk and liquidity risk. The Institute manages its financial instruments risk in accordance with relevant legislation and is risk adverse and seeks to minimise exposure from its treasury activities. These policies do not allow any transactions that are speculative in nature to be entered into.

### Contractual maturity analysis of financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are contractual undiscounted cash flows:

All in \$000s	CARRYING AMOUNT	CONTRACTUAL CASH FLOW	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	MORE THAN 3 YEARS
<b>2018</b>							
Trade and other payables	9,717	9,717	9,717	0	0	0	0
Borrowings	25,787	24,696	348	24,348	0	0	0
Total Financial Liabilities at Amortised Cost	35,504	34,413	10,065	24,348	0	0	0
Derivative financial instruments	1,101	1,101	34	0	418	649	0
Total Financial Liabilities at Fair Value	1,101	1,101	34	0	418	649	0
<b>2017</b>							
Trade and other payables	16,654	16,654	16,654	0	0	0	0
Borrowings	27,000	28,363	392	7,392	20,580	0	0
Total Financial Liabilities at Amortised Cost	43,654	45,017	17,046	7,392	20,580	0	0
Derivative financial instruments	1,563	1,563	27	0	164	620	752
Total Financial Liabilities at Fair Value	1,563	1,563	27	0	164	620	752

### Market Risk

#### Currency and Interest Rate Risk

The Institute is exposed to changes in interest rates on short term investments, bank deposits and term lending facilities. There is no significant exposure to currency and interest rate risk on the Institute's financial assets.

The interest rate on the Institute's investments is disclosed in Note 10. The Institute is exposed to interest rate risk on borrowings as disclosed in Note 19.

#### Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates create exposure to cash flow interest rate risk. Borrowings at variable interest rates create exposure to cash flow interest rate risk.

#### Credit Risk

Credit risk is the risk a third party will default on its obligation to the Institute, thereby causing the Institute to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into the term deposits which give rise to credit risk. The Institute places its investments with institutions which have a high credit rating such as registered banks that have a Standard and Poor's credit rating of at least A-.

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

All in \$000s	NOTE	ACTUAL 2018	ACTUAL 2017
The maximum credit exposure for each class of financial instrument is as follows:			
Cash and Cash Equivalents		1,304	2,084
Trade and Other Receivables		4,566	3,397
Total Credit Risk On Loans and Receivables		5,870	5,481
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counter party default rates:			
<b>Counter parties with Credit Ratings</b>			
<b>Cash and Cash Equivalents:</b>			
AA-		1,304	2,084
<b>Short Term Deposits:</b>			
AA-		0	0
<b>Counter parties without Credit Ratings</b>			
<b>Loans to subsidiary</b>			
Existing counter party with no defaults in the past		0	0
Existing counter party with defaults in the past		0	0
Total Loans to Related Parties		0	0
<b>Debtors and other receivables</b>			
Existing counter party with no defaults in the past		4,566	3,397
Existing counter party with defaults in the past		0	0
Total debtors and other receivables		4,566	3,397
Trade and Other Receivables		4,566	3,397

#### Trade and Other Receivables

Trade and receivables mainly arise from the Institute's operation functions, therefore there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings. The Institute is not exposed to any material concentrations of credit risk. Trade and other receivables balances are monitored on an ongoing basis to ensure that the exposure to bad debts is not significant.

#### Liquidity Risk

##### Management of Liquidity Risk

Liquidity risk is the risk Manukau Institute of Technology will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Institute aims to maintain flexibility in funding by keeping committed credit lines open.

In meeting its liquidity requirements, Manukau Institute of Technology maintains investments that must mature within the next 12 months.

The Institute manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and matching the maturity profiles of financial assets and liabilities.

The maturity profiles of Manukau Institute of Technology's interest bearing investments are disclosed in Note 10.

##### Sensitivity Analysis

The tables below illustrate the potential profit and loss and equity (excluding retained surplus) impact for possible market movements in interest rates, with all other variables held constant, based on the Institute's financial instrument exposures at balance date.

NOTE	PROFIT/(LOSS) OTHER EQUITY	
	+100BPS	-100BPS
All in \$000s		
<b>Interest Rate Risk 2018</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents	13	(13)
Short Term Deposits	0	0
<b>Financial Liabilities</b>		
Derivative Financial Instruments	(11)	11
Borrowings	(240)	240
Total Sensitivity to Interest Rate Risk	(238)	238
<b>Interest Rate Risk 2017</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents	21	(21)
Short Term Deposits	0	0
<b>Financial Liabilities</b>		
Derivative Financial Instruments	(16)	16
Borrowings	(270)	270
Total Sensitivity to Interest Rate Risk	(265)	265

##### Explanation of Interest Rate Risk Sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example a decrease in 100 bps is equivalent to a decrease in interest rates of 1.0%.

##### Fair Value Estimation and Fair Value Hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes. Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction. The fair values of all financial instruments equate to carrying values.

##### Fair Value Hierarchy Disclosures

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

\* Quoted market price - Financial instruments with quoted prices for identical instruments in active markets.

\* Valuation techniques using observable inputs - Financial instruments with quoted process for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where significant inputs are observable.

\* Valuation techniques with significant non-observable inputs - Financial instruments valued using models where one or more significant inputs are not observable.

All in \$000s	VALUATION TECHNIQUE			
	TOTAL	QUOTED MARKET PRICE	OBSERVABLE INPUTS	SIGNIFICANT NON-OBSERVABLE INPUTS
<b>31 December 2018 Institute</b>				
<b>Financial Liabilities</b>				
Derivative Financial Instruments	1,101	0	1,101	0
<b>31 December 2017 Institute</b>				
<b>Financial Liabilities</b>				
Derivative Financial Instruments	1,563	0	1,563	0

## 21: MAJOR BUDGET VARIATIONS

All in \$000s	ACTUAL 2018
<b>Explanations for major variations from the 2018 Institute budget are as follows:</b>	
<b>Statement of Comprehensive Revenue and Expense</b>	
Budget Surplus/(Deficit)	(4,543)
<b>Revenue Variances</b>	
Government Funding	(3,736)
Student Fees and Departmental Revenue	1,517
Other Revenue and Interest Revenue	653
<b>Expenditure Variances</b>	
Employee Benefit Expenses	235
Depreciation and Amortisation	2,296
Interest Expense	384
Other Gains/(Losses)	461
Other Operating Expenditure	1,938
Surplus/(Deficit) before separately disclosed expense items	(795)

The unfavourable revenue variances are mainly due to the decline in student numbers particularly SAC Level 3 and Youth Guarantee. International student fees were overall positive with a 12% increase in expected EFTS but declined toward the end of the year as immigration restrictions impacted short term and diploma courses. Actual Domestic student EFTS came in less than budget resulting in a deficit. The Other Revenue favourable variance is largely due to recognition of a grant for the Pasifika Centre as income. Employee Benefit expenses variance is favourable mainly due to savings in line with revenue reductions. Savings in Depreciation have arisen mainly due to the recognition of Property Held for Sale during the year which is not depreciated under accounting standards. Interest payable savings are due to realignment of capital expenditure priorities. Other Gains/(Losses) favourable variance relates to the unrealised gain on the interest swap transactions. Other expenditure is under spent due to cost savings measures to mitigate some of the impacts of the reduced revenues.

### Statement of Financial Position

#### Cash and Cash Equivalents and Other Financial Assets

Cash and cash equivalents were minimised at year end and prioritised to debt repayment.

#### Student fees prepayments and other receivables

Receivables are higher than budget mainly in student debtors but overall not too dissimilar from last years actual.

#### Property, Plant and Equipment and Intangible Assets

Actual fixed assets are different from budget due to three reasons (1) The capital programme was underspent, (2) The assets have been revalued in accordance with the valuation cycle, (3) A portion of the assets have been recognised as Property Held For Sale and disclosed separately.

#### Trade and Other Payables

Trade and other payable is lower than budget reflecting the budget assumptions of more capital accruals at year end which were not required due to a reclassification of capital spend in 2018.

#### Employee Entitlements

Employee benefits are greater than budget due to a revised estimation of employee remediation, and accrued holiday pay for academic staff.

#### Revenue Received in Advance

Revenues received in advance is greater than budget reflecting higher levels of pre enrollment and international fees in advance.

#### Borrowings

Borrowings now classified as short term and are less than budget mainly due to underspends in capital expenditure for 2018 as a result of project reclassification.



## 22: CAPITAL EXPENDITURE PROJECT PERFORMANCE TO BUDGET

All in \$000s	ACTUAL 2018	BUDGET 2018
<b>Annual Allocations (Renewals)</b>		
Facilities Annual Replacements	1,559	1,750
Furniture Annual Allocation	56	130
Information Technology Allocation	1,719	1,700
Vehicle Replacement	0	120
Library Annual Allocation	308	400
Academic Departments	420	750
Total Annual Allocation	4,062	4,850
<b>Investment Committee Projects</b>		
Hokule'a Maori & Pasifika Onboarding	0	7
Alumni	32	4
Timetabling optimisation	220	258
HRIS System Implementation	1,006	1,352
Library System Replacement	172	164
Redevelop protégé system	29	29
Unallocated	0	186
Total Investment Committee Projects	1,459	2,000
<b>Major Projects</b>		
Nursing move to MIT Manukau	2,510	0
Quad Upgrade	1,103	2,383
Technology Park Fit out	0	5,000
TechOne Financials upgrade	0	500
Other major projects	5	0
Total Major Projects	3,618	7,883
Total Capital Expenditure	9,139	14,733

### Major Capital Variances

A carry-over capital budget of \$2.121m was approved to relocate the Otago based School of Nursing and Health Studies to MIT Manukau (MITM) building. There was also an additional \$400k for unplanned expenditure subject to the Chief Executive's approval.

Stage 3 of the redevelopment of the Quad teaching and staff spaces on Otago North campus was deferred from 2018 to align to the wider property rationalisation activities. In addition, the capital investments budgeted for the Technology Park fit out (\$5m has been deferred) and TechOne financials upgrade (\$500k) were no longer required in 2018.

Due to a number of initiatives in progress during the year, there has been a deferral of some of the annual replacement program. The implementation of the HRIS system was also deferred from 2018.

## 23: CAPITAL MANAGEMENT

The Institute's capital is its equity, which comprises general funds, and property valuation and fair value through comprehensive revenue reserves. Equity is represented by net assets.

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

The Institute manages its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently, and in a manner that promotes the current and future interests of the community. The Institute's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings. The objective of managing the Institute's equity is to ensure the institute effectively achieves the goals and objectives for which it has been established, while remaining a going concern.

## 24: OPERATING LEASES

### Accounting policy

#### Operating leases (Lessor or Lessee)

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

#### Finance leases

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the Institute will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

All in \$000s	ACTUAL 2018	ACTUAL 2017
<b>Leases as Lessee</b>		
Non-cancellable operating lease rentals are payable as follows:		
Not later than one year	1,811	1,375
Later than one year and not later than five years	2,556	2,342
Later than five years	0	0
<b>Total Leases as Lessee</b>	<b>4,367</b>	<b>3,717</b>

The Institute leases a number of premises for teaching purposes. The leases run for periods ranging from one to ten years with an option to renew the lease after that date. The institute also leases office equipment where it is not in the best interests of the Institute to purchase these assets.

Lease payments are renegotiated at the time of renewal. The leased properties have not been sublet.

During the year \$1,959,273 (2017: \$2,479,440) was recognised as an expense in the Statement of Comprehensive Revenue & Expense in respect of operating leases.

During the year \$1,847,378 (2017: \$511,860) was recognised as revenue in the Statement of Comprehensive Revenue & Expense in respect of operating leases.

No contingent rents have been recognised in the Statement of Comprehensive Revenue & Expense during the year.

All in \$000s	ACTUAL 2018	ACTUAL 2017
<b>Leases as Lessor</b>		
The Institute leases its property purchased for strategic purpose pending future use by the Institute under operating leases.		
The future minimum lease payments under non-cancellable leases are as follows:		
Not later than one year	1,385	1,385
Later than one year and not later than five years	3,881	5,067
Later than five years	346	544
<b>Total Leases as Lessor</b>	<b>5,612</b>	<b>6,996</b>

## 25: COMMITMENTS AND CONTINGENCIES

All in \$000s	ACTUAL 2018	ACTUAL 2017
<b>Capital Commitments</b>		
Capital commitments denote approved capital expenditure contracted for at year-end but not yet incurred.		
<b>Approved and Committed</b>		
Buildings Institute	425	1,854
Other Plant, Property and Equipment	548	1,891
Intangible assets	754	153
<b>Total Capital Commitments</b>	<b>1,727</b>	<b>3,898</b>

Commitments relate to annual capital projects. There are contingent liabilities of approximately \$40k as at balance date (2017: \$75k). The Institute has a peppercorn lease with Auckland Council for the use of the Hayman Park land on Station Road Manukau. The intangible asset has not been recognized in MIT's accounts as the lease commencement date is yet to be determined and is subject to a new separate stratum leasehold title to be issued for the site by Auckland Council. The Institutes interest in the land was valued at \$13 million (Valuation date 31 December 2018). The Institute has signed a Development Agreement with Haydn & Rollett Developments No 1 Limited in respect of the Institute's long term lease of a proposed Technology Park development on Manukau Station Road, Manukau. The lease term is thirty years, with two rights of renewal of ten years each. The lease commencement date and rental have not yet been finalised.

## 26: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The Institute is a wholly owned entity of the Crown.

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

All in \$000s	ACTUAL 2018	ACTUAL 2017
<b>Key Management Personnel Compensation</b>		
<i>Council members</i>		
Full-time equivalent members	1.2	1.5
Remuneration	184	183
<i>Directors and Chief Executive</i>		
Full-time equivalent members	8.7	11.0
Remuneration	2,289	2,224
Total Full-time equivalent members	9.9	12.5
Total Key Management Personnel Remuneration	2,473	2,407

The full time equivalent for Council members has been determined based on the frequency and length of Council meetings and the estimated time for members to prepare for meetings.

All in \$000s	ACTUAL 2018	ACTUAL 2017
<b>Councillor Fees</b>		
Peter Winder (Chair)	40	40
Brian Monk (Deputy Chair. Term Expired 30/04/2018)	8	25
Theresa Stratton (Deputy Chair. Appointed 01/05/2018)	17	0
John Hannan	20	20
Kira Schaffler	20	20
Jill Tattersall	20	20
Rachael Tuwhangai	20	20
Peter Parussini (Appointed 01/05/2017)	20	14
Uluomatootua S. Aiono (Appointed 12/06/2017)	19	12
Bernadette Pone (Term Expired 30/04/2017)	0	6
David Wong-Tung (Term Expired 30/04/2017)	0	6
Total Council Members' Remuneration	184	183

No Councillors received compensation or other benefits in relation to cessation (2017: nil).

## 27: EARLY CHILDHOOD EDUCATION CENTRE

All in \$000s	ACTUAL 2018	BUDGET 2018	ACTUAL 2017
<b>Statement of Comprehensive Revenue and Expense</b>			
<b>Revenue</b>			
Government Funding	713	763	832
Equity Funding	47	0	53
Payment Fees (including WINZ)	354	446	451
Other Income	0	0	5
Total Revenue	1,114	1,209	1,341
<b>Expenses</b>			
Employee Benefit Expenses	948	1,019	1,064
Other Expenses	166	190	277
Total Expenses	1,114	1,209	1,341
Total Comprehensive Income	0	0	0
<b>Equity Funding Statement</b>			
<b>Revenue</b>			
Equity Funding	47	0	53
<b>Expenditure</b>			
Centre Resources	27	0	21
Text Books	2	0	2
Staff Training	3	0	3
Contract Staff	15	0	27
Total Expenditure	47	0	53

Centre Resources are general resource products for staff training. Contract staff costs are to enable centre staff to attend courses and have non contact time.

## 28: INCOME TAX

As at balance date the Institute had been granted charitable status and as a result are exempt from company tax.

## 29: EVENTS AFTER BALANCE DATE

### Subsequent events - uncertainties about the Government's proposal to merge polytechnics and technology institutes into a single entity

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 is expected to be completed on 5 April 2019. It is expected that the Government will make its decision on the merger of all polytechnics and institutes of technology after this date.

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





# GENERAL

## Compulsory Student Service Fees

for the year ended 31 December 2018

The Compulsory Student Services Fee (CSSF) was set at \$176 (GST inclusive) per full-time student in 2018 (\$171.00 in 2017). The Fee funds key services for students to assist their success, retention and overall wellbeing while studying at MIT. All students, except distance and exchange students, must pay the Fee and can borrow the amount against their student loan, alternatively, if eligible, this fee is covered under the fees free policy.

2018									
All in \$000s	Total	Advocacy & legal advice	Careers information, advice and guidance	Employment Information	Pastoral care	Financial Support and advice	Health and Counselling Services	Clubs and societies	Sports, recreation and cultural activities
Revenue									
Compulsory Student Fees	667	44	39	39	325	6	171	15	28
<b>Total Revenue</b>	<b>667</b>	<b>44</b>	<b>39</b>	<b>39</b>	<b>325</b>	<b>6</b>	<b>171</b>	<b>15</b>	<b>28</b>
Expenditure	1,325	88	78	78	645	12	339	30	55
<b>Surplus/(Deficit)</b>	<b>(658)</b>	<b>(44)</b>	<b>(39)</b>	<b>(39)</b>	<b>(320)</b>	<b>(6)</b>	<b>(168)</b>	<b>(15)</b>	<b>(27)</b>

2017									
All in \$000s	Total	Advocacy & legal advice	Careers information, advice and guidance	Employment Information	Pastoral care	Financial Support and advice	Health and Counselling Services	Clubs and societies	Sports, recreation and cultural activities
Revenue									
Compulsory Student Fees	508	41	26	26	215	6	166	10	18
Other									
<b>Total Revenue</b>	<b>508</b>	<b>41</b>	<b>26</b>	<b>26</b>	<b>215</b>	<b>6</b>	<b>166</b>	<b>10</b>	<b>18</b>
Expenditure	1,526	124	77	77	646	19	498	30	55
<b>Surplus/(Deficit)</b>	<b>(1,018)</b>	<b>(83)</b>	<b>(51)</b>	<b>(51)</b>	<b>(431)</b>	<b>(13)</b>	<b>(332)</b>	<b>(20)</b>	<b>(37)</b>

The administration of Compulsory Student Services Fees is integrated within MIT's normal operations. All income and expenditure associated with the provision of student services is separately accounted for in the Institute's accounting system.

### Advocacy and Legal Advice

Advocacy support is provided to students who need help to resolve student issues. These can range from difficulties with their courses or attendance to misunderstandings with lecturers. This extends to legal advice and providing support and advocacy for meetings where students go through a misconduct hearing.

### Careers Information, Advice and Guidance

Careers information, individual CV support and workshops, interview practice, internship preparation and careers counselling are all provided to the students. This includes the provision of psychometric testing.

### Employment Information

We have links with employers and are a central point for industry vacancies. The careers and employment team also prepare the students for interviews by offering advice on speaking, clothing and deportment.

### Pastoral Care

Pastoral care is provided for students and involves support with WINZ and Studylink, accommodation, facilitating meetings with external providers, absenteeism, family and relationship issues and bullying. The chaplaincy team also provide some pastoral care.

### Financial Support and Advice

A student financial assistance fund is available to assist students in overcoming financial barriers that are directly related to and adversely affect their current course of study.

### Health and Counselling Services

The Health and Counselling Centre is available for students to access as needed. Doctors, nurses and counsellors offer a variety of services from medical assistance to guidance.

### Clubs and Societies, Sports, Recreation and Cultural Activities

We support students to organise clubs, find venues and organise events. We also organise training facilities and coordinate teams to participate in competitions and events.

## Statement of Resources

as at 31 December 2018

CAMPUS	ADDRESS	ACTIVITY
<b>Institute Property</b>		
South	Newbury Street and Ōtara Road Ōtara, Manukau	Consumer Services (Baking and Patisserie, Hairdressing), Education and Social Sciences (Employment Programmes, Foundation Studies, Literacy and Numeracy, English for Speakers of Other Languages), Engineering and Trades (Civil Engineering, Electrical Engineering, Mechanical Engineering, Building Trades, Mechanical Trades, Fabrication, Welding, Refrigeration, Automotive and Vehicle Technology).
North	Alexander Crescent and Ōtara Road, Ōtara, Manukau	Consumer Services (Catering, Hospitality, Hotel Services and Horticulture), Education and Social Sciences (Education, School of Sport), Engineering and Trades (Building and Construction, Horticulture), Floristry and Te Tari Mātauranga Māori.
MIT Manukau	Corner Manukau Station Road and Davies Avenue, Manukau	Business and Business Administration and Technology, Information Communications Technology and Tourism, Nursing and Health Studies.
SSTS	Ōtara Road	School of Secondary-Tertiary Studies
School of Sport	Ōtara Road	School of Sport

### Other Premises

Auckland City	Union House, 2 Commerce Street and 132 Quay Street	Maritime and Logistics
Mangere	Unit 9B Mahunga Drive	Plumbing
Ōtara	Otara Recreational Centre, Newbury Street	High Performance Lab
Otahuhu	Middlemore Hospital, Hospital Road	Nursing
Papatoetoe	Sutton Crescent	Sport
Warkworth	11 Glenmore Drive, Warkworth	Maritime and Logistics

### Library Collection

Number of Titles in the Library Collection:	2018	2017	2016	2015	2014	2013
Books	37,724	47,855	52,424	56,397	59,344	68,491
Serials	1,448	1,765	2,117	2,373	2,240	4,402
Videos	1,367	1,489	1,770	2,290	3,057	3,486
<b>Total Number of Titles</b>	<b>40,539</b>	<b>51,109</b>	<b>56,311</b>	<b>61,060</b>	<b>64,641</b>	<b>76,379</b>

### Staffing

Staff Employed for year:	2018	2017	2016	2015	2014	2013
Tutorial	300	272	327	322	342	353
Administration	364	414	406	411	411	422
<b>Total Equivalent Full-time Staff (as at 31 December 2018)</b>	<b>664</b>	<b>686</b>	<b>733</b>	<b>733</b>	<b>753</b>	<b>775</b>

Note these are FTE. Headcount is 702



## Glossary of Terms

**Course** A self-contained block of study which may comprise one or more units of learning

**EFTS** Equivalent full-time student

- SAC Funded: student component funded (Ministry funded)

- Non-SAC Funded: Non-Ministry funded, including overseas, TOPs, STAR and self-funded students

**Ethnic Students** Students who identify on enrolment forms that they are of another ethnic group

**ITO** Industry Training Organisation

**ITP** Institutes of Technology and Polytechnics

**ITPNZ** Institutes of Technology and Polytechnics of New Zealand

**Māori Students** Students who identify on enrolment forms that they are Māori

**NZQA** New Zealand Qualifications Authority

**Pasifika Students** Students who identify on enrolment forms that they are Pacific Islanders

**PBRF** Performance Based Research Fund

**Programme** The combination of courses or units of learning with which a student is required to be credited in order to be awarded a specified qualification by the Institute, school or department. This includes courses that stand alone.

**Research Outputs** Research outputs include books and sections in books, journal articles both referred and non-referred, consultancies, conference publications,

art exhibitions and catalogues. Other scholarly activities, conference presentations (unless in proceedings) and material produced primarily for teaching purposes are not included.

**SAC** Student Achievement Component

**SDR** Single Data Return

**Teaching Area** Net area of all teaching space including laboratories, workshops, workrooms and classrooms

**TEC** Tertiary Education Commission

**TEI** Tertiary Education Institute

**THS** Tertiary High School

**WINZ** Work and Income New Zealand



**MANUKAU  
INSTITUTE OF  
TECHNOLOGY**

*Te Whare Takiura o Manukau*

MANUKAU INSTITUTE OF TECHNOLOGY

Ask Me! Student Services Centre, Gate 1, Newbury Street, Otara, Manukau, Auckland  
Private Bag 94006, Manukau 2241, Auckland, New Zealand

**manukau.ac.nz**

**0800 62 62 52 | [enquiries@manukau.ac.nz](mailto:enquiries@manukau.ac.nz)**