2012 WINTEC ANNUAL REPORT

Wintec
WAIKATO INSTITUTE OF TECHNOLOGY
Te Kuratini o Waikato

OUR MISSION

To build a stronger community through education, research and career development.

Mā te mātauranga, te rangahau, me te whai mahi e ora ai te iwi.

Access this report online VIA YOUR MOBILE DEVICE OR www.wintec.ac.nz

Wintec Private Bag 3036,
Waikato Mail Centre, Hamilton 3240
Phone 07 834 8800, www.wintec.ac.nz

Contents

OVERVIEW

GROWTH

88 Years of Innovation and Growth

1924
Hamilton Technical College is founded to provide technical and trades training in the Waikato region.

1968
Name changes to Waikato Technical Institute, with a wide range of programmes in engineering, science, accountancy, business management and building trades.

1985
Horticulture teaching begins at Hamilton Gardens.

1987
Name changes to The Waikato Polytechnic to reflect the widening scope of our educational activities.

1990
Satellite campuses opened in Te Kuiti and Thames.

1990s
Following Government tertiary reforms, the institute becomes a body corporate with a Chief Executive and Council. A range of degrees in nursing, midwifery, business, sport and exercise science, information technology and media arts are developed in response to changing employment needs.

1992
First degree (Bachelor of Business) is offered.

1994
Innovative Artechmobile is built and hits the road to provide mobile computer education to regional communities.

1995
Land is purchased on Avalon Drive to establish a campus with ample space for trades, sports and hospitality training.

2000
First postgraduate qualification is offered (Postgraduate Diploma in Nursing).

2001
Name changes to the Waikato Institute of Technology and two years later, the Wintec brand is adopted.

2003
Wintec opens Beijing office.

2007
Award-winning Gallagher Hub opens and is swiftly adopted by students as their space for studying and recreation.

2009
Wintec wins three national tertiary education awards for its global role (particularly its partnerships in China), innovative support services (for its creative industries business incubator SODA Inc.) and relevant learning (for its employer partnership groups).

Wintec receives Government funding to develop an agritechnology educational centre in Waikato, in partnership with world-renowned AgResearch, AgITO, Innovation Waikato and the Coalition of 21st Century Schools.

2010
Wintec opens a hub at its Avalon campus and this quickly becomes a central studying and social space for students, staff and visitors.

Wintec House, the historical corner brick building on the city campus is re-opened after a $17 million refurbishment. Wintec House boasts educational facilities, quality events spaces and a business hub, opening up Wintec to the heart of Hamilton's CBD.

2011
Wintec Alumni Circle formed.

Our Avalon campus in the north of Hamilton is renamed Rotokauri campus. The name change reflects the changing configuration and growth of the campus.

2012
Wintec opens Te Kōpu Mānia o Kirikiriroa on its city campus. The modern marae, which is inclusive of all cultures, provides an identity for Māori on campus and marks a new era for enhancing Māori achievement in education.

Wintec receives the New Zealand Business Achievement Award from the New Zealand Business Excellence Foundation after its performance is evaluated against international standards of world class performance.

STRATEGIC DIRECTION

In 2012, Wintec had eight strategic approaches which promoted a 'whole of organisation' view of quality and innovation while increasing our visibility and role as a tertiary education provider.

These strategic approaches guide our direction and decision making.

Employer and community engagement
Our aim is to have effective engagement with employers, industry and communities, which is central to ensuring that our provision of education and services is driven by the needs of employers and the region.

Flexible learning
Our aim is to have flexibility for student learning, using a range of delivery options. We will increasingly adopt new learning technologies to enhance the effectiveness, and the students' experience, of study. This increased flexibility will also be a major contributor to our goal of meeting employer requirements for flexible, on-and-off job training opportunities.

Internationalisation
Our aim is to ensure we are a key part of New Zealand's globally-connected education system, and further strengthen our capability in export education.

Organisational capability and modernisation
Our aim is to be recognised as an efficient, effective, and modern organisation with a high-performing workforce, advanced infrastructure, and business processes and facilities appropriate to a leading institute of technology.

Quality, academic relevance and innovation
Our aim is to drive a culture which is strongly focused on continuous improvement and innovation in order to achieve national and international recognition of the quality of our graduates, educational products, and related services.

Research, development, transfer (RDT) and commercialisation
Our aim is to promote a strong alignment between our applied research activity and the needs of industry for practical solutions to their 'real-world' problems. We intend to drive productivity and development, and achieve greater technology transfer between ourselves and industry.

Student participation, outcomes and Māori achievement
Our aim is to produce graduates who are employer-preferred and work-ready. We are committed to ensuring high levels of participation, engagement and educational success for all student groups with a particular emphasis on raising Māori achievement.

Tertiary sector collaboration
Our aim is to develop relationships within the tertiary sector to improve outcomes, create efficiencies, and improve performance.

CONNECT - OUR ORGANISATIONAL CHANGE PROGRAMME

Wintec is a complex organisation, and we have ambitious objectives. A great deal of organisational change is required to achieve them. To succeed we will continue to use the project management concepts and disciplines developed through Connect which began in 2003.

This is a mechanism for translating our strategic direction into practice. Using a project management methodology, our change programme is as much about how we work together as it is about what we are working on.

Connect comprises some 25 projects and 60 work streams. These are organised around our major change areas: internationalisation; flexible learning; organisational capability and modernisation; employer and community engagement; and tertiary sector collaboration.

The projects ensure that we bring the right people together from across the organisation with the resources required to implement the changes we seek. The disciplines of good project management ensure projects are delivered on time, on budget, and with the appropriate risk management, quality management, communication and coordination in place.

CHAIR'S AND CHIEF EXECUTIVE'S REPORT

In 2012 we drove further innovation, customer focus and performance.

We improved our academic performance for students, undertook more value-led initiatives for our students and employers, and expanded our internationalisation focus to include off-shore delivery. We modernised our campus facilities, we were recognised with a business excellence award, and for the fifth consecutive year we posted a positive financial result.

Our reputation for providing quality vocational and professional education, both in New Zealand and around the world, was enhanced through many initiatives, with continuous improvement at the forefront.

We are proud of the successes and highlights of this year. We know they will enable us to perform well for our students and employers, now and into the future.

SOUND FINANCIAL PERFORMANCE

We posted a group surplus of $3.6m (4.1%), before adjustments associated with asset impairment.

The operating surplus (before subsidiary companies, surplus on asset sales and asset impairment) was $3.9m or 4.5%, over the 3% threshold set by our monitoring agency, the Tertiary Education Commission (TEC). The increase in the number of our TEC Equivalent Fulltime Students (EFTS) was offset by lower funding in real terms from the TEC through its policy of not increasing funding by the Consumer Price Index (CPI). In 2012 we continued to find efficiencies and increased our revenue from international students. All in all it is a good financial result.

We continued to receive a low risk assessment from TEC. This rating confirms that we have the capability to govern and manage well during a period of intensive capital development. This is pleasing as we embark on further change and modernisation.

OUR STUDENTS

In 2012 there were approximately 6700 EFTS. Despite a marked decline in Industry Training Organisation (ITO) EFTS over recent years, largely due to the recession, we have experienced growth in our core and international EFTS, and maintained levels in other areas.

Over the past five years we have moved more provision to higher levels of study (level 4 and above), and this year we've seen 83% of our TEC-funded students engage in higher levels of study, an increase of 2% from last year. Nearly 75% of our Māori students study at level 4 and above, among the highest in the sector.

Greater numbers of people studying for higher qualification levels benefits the region both economically and socially, and ultimately results in a more skilled workforce. We offer 10 degree programmes, seven degree-level programmes (graduate diplomas and certificates) and 11 post-graduate qualifications.

Māori achievement remains one of our strategic priorities and the opening of our marae, Te Kōpū Mānia o Kirikiriroa, brought further improvement and change. Since its opening, hundreds of our students have enjoyed learning on the marae, all of our schools have used it in some way, and many of our community partners have used it for events.

A comprehensive review of our Māori achievement strategy recommended a number of initiatives to reflect our whole of organisation approach to Māori achievement, and, most importantly, more student support.

Many of our initiatives to attract young people into tertiary education gained further traction this year. Sixty two per cent of our TEC-funded students are under the age of 25 years, and 51% of them are studying at level 4 and above. We also delivered more Youth Guarantee provision and provided free training for 16 and 17 year-olds in hospitality, business administration, trades, and hairdressing.

We expanded our relationships with secondary schools to create more pathways into tertiary education by opening a second trades academy. The trades academies, now running in Hamilton and Te Kuiti, are partnerships between Wintec and local secondary schools. They are producing positive results for students who experience and gain educational credits in a tertiary environment, while still remaining at secondary school.

GLOBALLY CONNECTED

Our commitment to internationalisation was demonstrated by increased enrolments, more international partnerships, and greater involvement in emerging off-shore delivery opportunities.

Our international student numbers continued to increase. This year we taught 661 international EFTS, a 9% increase from 2011. This was a pleasing result considering the very competitive export education market.

Our strong relationship with Chengdu University (China) involved progress in establishing an off-shore campus in Chengdu. It is planned that English Language courses, taught by Wintec staff, will begin by September 2013, approvals pending. This project is supported by Education New Zealand, and several other New Zealand institutes of technology and polytechnics (ITPs). Chengdu University continues to send teaching staff for training at Wintec and students for under-graduate and post-graduate study.

Our Saudi Arabian student numbers have increased, along with associated increased revenue in the order of $1m. This year we undertook two off-shore delivery contracts in Saudi Arabia: the Saudi Electrical Services Polytechnic (SESP) project where Wintec is contracted to deliver the qualification and teaching materials for English language, technical and on-job training; and the Saudi Jubail Technical Institute (JTI) where Wintec provides quality evaluation capability. The Saudi Jubail Technical Institute has also expressed an interest in sending JTI engineering graduates to Wintec to study.

We continued to develop relationships in our established markets. Our Guangdong project in China gained more momentum. We have well-established relationships with five vocational high schools in the province, and more than 60 students from these schools have come to study at Wintec. We also took up an opportunity to become involved with a government-led international education project in Tianjin and Qingdao in China.

While the revenue that international students generate is important to our bottom line and to our economy, it brings with it huge potential benefits around enabling our students, our staff, employers and the wider community to become more globally aware and connected through having an increasingly multicultural student body.

QUALITY IMPROVEMENT

Receiving the New Zealand Business Achievement Award from the NZ Business Excellence Foundation was a highlight in 2012. We were commended for our strengths in planning and marketing, our international focus and for being responsive to the needs of customers, community and employer groups.

The award recognised our focus on organisational improvement. Going through the award process reinforced our desire to continually improve in all that we do to ensure we deliver quality education for the benefit of our students and employers now and into the future.

Our educational performance remained strong, with Wintec being one of only two ITPs to be above the sector average for all of the government's Educational Performance Indicators (EPIs) since reporting began in 2009. Positive outcomes for successful course completions have been repeated. Our overall results are pleasing and show we are maintaining a strong position in improving overall quality, as well as ensuring our delivery is in line with government priorities. See page 81 for more details. (Statement of Service Provision).

OUR STAFF

Improving staff engagement is always a priority. This year we recorded the highest staff attendance at our staff engagement focus groups which ascertained how staff felt about working at Wintec. The results were positive showing that staff are largely "well-engaged" and that their engagement levels have been increasing since 2008. There are some areas for improvement, and plans are in place to address the findings of the focus groups.

Attendance at our numerous staff events, including the annual staff awards, increased over previous years.

Investment in activities to boost the capability of our staff continued, with an emphasis on e-learning and flexible education delivery, technology advances and uptake, and leadership and management skills. With regard to academic staff productivity, our goal is to maintain our student to academic staff ratio, currently 19.0:1, while securing more growth in mainstream provision.

MODERNISATION PROGRESS

We continued to modernise our campuses with the opening of our new marae Te Kōpū Mānia o Kirikiriroa, the refurbishment of our Media Arts building on the city campus, and the completion of our new entrance to the Rotokauri campus in north Hamilton.

This year involved significant planning around the next phase of our long-term capital project. The Wintec Council approved the next stages of the campus modernisation programme, which includes a new Engineering and Trades facility at Rotokauri.

With regard to technology, a milestone was switching our phone system to a new communication platform, Lync. The benefits include integration into a single directory for all users, more call routing flexibility, video support, and a reduction of hardware and maintenance costs. Our document collaboration system for our staff was also progressed to improve file storage, access and management and the ability for more than one person to work on a document at one time.

We continuously work on technology initiatives to benefit our students, visitors and staff, including having access to free wireless on our campuses, running at a speed about 10 times faster than typical home broadband, and enabling more interaction and on-line components to the education we deliver to our students.

RESEARCH AND RELATIONSHIPS

This year our research, development transfer and commercialisation (RDT) efforts interacted more with regional industry and with our community. It was pleasing to report that close to 50% of the research we conducted involved industry collaboration.

We undertook more research voucher scheme projects than in the previous year, with 47 research vouchers commissioned in 2012. Our research voucher scheme sources practical research requests from local industry. Wintec then conducts the research and develops recommendations to address their ideas, questions or problems.

Our inaugural research facility, the Advanced Sustainability Village, which focuses on energy efficiency research, expanded its industry connections and funding. We've now started investigating the feasibility of more research facilities in industrial design and engineering and agritechnology areas, with industry funding attached to these.

We are well placed to lift our RDT activities to the next level and aim to see further development in the post-graduate area.

We continued to work closely with our partner Prima Group, a commercial entity owned by the Wintec Foundation. Prima Group commercialises Wintec 'know how' and develops tailor-made training solutions for industry. Interest in its short courses for work-readiness training and personal development programmes continued to grow in 2012.

In the sector, our participation in the Metros group, a partnership between New Zealand's six largest institutes of technology, was continued with a focus on RDT initiatives, the Bachelor of Engineering degree, international developments, opportunities for joint distance learning programmes and joint procurement.

We also work with other Institutes of Technology and Polytechnics (ITPs) on many projects which contribute to the government's tertiary sector collaboration strategy. Examples include our Bachelor of Applied Social Science programme which is delivered at the Western Institute of Technology at Taranaki (WITT), Nelson Marlborough Institute of Technology (NMIT), and Manukau Institute of Technology.

At the Bay of Plenty Polytechnic (BOPP), we deliver midwifery courses in Tauranga, while BOPP is delivering some of its programmes here in the Waikato. We also regularly work with the University of Waikato and the Hamilton City Council to align our activities to help further strengthen the regional economy.

Engagement with our regional secondary schools increased. We experienced one of our biggest turnouts for our annual "Huge Day Out" event held on campus which helps school leavers with career choices. More than 1300 students from 30 regional secondary schools attended.

In the community, our students and staff took part in a number of projects with four regional not-for-profit organisations; Habitat for Humanity Central North Island, Community Living, Child Matters and Sport Waikato. Our strategic alliances with these organisations allow us to share our knowledge and resources, while participating in meaningful community projects.

Wintec is a 60:40 shareholder with the Hamilton City Council in business incubator SODA Inc. We championed the need for SODA Inc. and are pleased to see it building a regional and national reputation. Its success in helping start-up businesses succeed was recognised by further funding commitments from New Zealand Trade and Enterprise. A highlight of the year for SODA Inc. was receiving a special award at the 2012 Waikato Business Excellence Awards. This recognised its commitment to helping high-growth, start-up businesses succeed in the Waikato.

OUR COUNCIL
On April 30, 2012, our longstanding chair Gordon Chesterman completed his third term on the Council. Gordon spent ten years as chair and his contribution to Wintec was recognised in a series of well-attended farewell events with staff, council members and the community. On his departure a new scholarship was established for business and media arts students, the Gordon Chesterman Scholarship, to formally recognise his contribution to Wintec and to its wider community.

In September, long-standing council member Mary Cave-Palmer was appointed Wintec's Chair of Council by the Tertiary Education Skills and Employment Minister Steven Joyce.

Our Council (pictured above) has a well-earned reputation for being forward-thinking and diligent and this continued in 2012.

OUR SINCERE THANKS
It was a progressive year, one to be remembered for our innovation and drive to continually improve to benefit our students, employers and community. We are in a good position for 2013 and beyond.

We are determined to improve educational outcomes for our students, ensure we are meeting the needs of our employers, and be at the leading-edge of international education and the opportunities it can bring.

All our successes in 2012 are a combination of the passion and drive from our staff, our Council members, employers, our supporters and our students. We sincerely thank you for your commitment and contribution in making us a modern, forward-thinking organisation.

We look forward to working with you all in 2013 and beyond.

Mark Flowers
Chief Executive

Mary Cave-Palmer
Chair

Members of Waikato Institute of Technology Council as at 31 December 2012:

	Name	Role	APPOINTED BY:	Current Term Ends
1	Mary Cave-Palmer	Council Chair	Minister for Tertiary Education	30/04/2014
2	Clint Baddeley	Chair – Building and Assets Committee	Wintec Council	30/04/2015
3	Bryce Cooper		Wintec Council	30/04/2015
4	Maxine Moana-Tuwhangai		Minister for Tertiary Education	29/09/2013
5	Aaron Rink		Wintec Council	30/04/2014
6	Steve Tucker	Chair – Finance and Audit Committee	Minister for Tertiary Education	30/04/2014
7	Dianne Yates		Wintec Council	30/04/2013
	Vacancy		*Minister for Tertiary Education*	

Members who left the Council during the year:

	Name	Role	Appointed by	Term
	Gordon Chesterman	Former Council Chair	Minister for Tertiary Education	Term ended 30/04/2012

MEMBERS OF COUNCIL

COMMITTEES OF COUNCIL AND COMMITTEE MEMBERSHIP

Executive Committee of Council
Functions include: acting on behalf of the Council on any urgent matters that need addressing in between Council meetings.

This committee, minus the Chief Executive, will also oversee the performance appraisal of the Chief Executive, the negotiation of the Chief Executive's remuneration package, and the re-negotiation of the Chief Executive's contract.

Members are: Mary Cave-Palmer (Chair), Clint Baddeley, Steve Tucker, Mark Flowers (Chief Executive).

Building and Assets Committee
Functions include: consideration of matters affecting capital development, maintenance, property acquisition and disposal, property insurance, building, governance of campus development project and asset management plans; as well as monitoring the business plan and budget and asset purchases.

Members are: Clint Baddeley (Chair), Aaron Rink (Deputy Chair), Dianne Yates, Mark Flowers (Chief Executive).

Finance and Audit Committee
Functions include: ensuring that Wintec adopts sound organisational and financial management practices; providing assurance regarding the quality of financial information, the accounting policies adopted, and the financial statements issued by Wintec; overseeing risk management and monitoring, organisational policies, and reviewing the annual budget and budget implementation.

Members are: Steve Tucker (Chair), Bryce Cooper (Deputy Chair), Maxine Moana-Tuwhangai, Mark Flowers (Chief Executive).

HIGHLIGHTS

BUSINESS ACHIEVEMENT AWARD

Wintec received the New Zealand Business Achievement Award, administered by the NZ Business Excellence Foundation, at the World Business Capability Congress in December. The achievement award provides New Zealand enterprises the opportunity to have their performance evaluated against criteria that are aligned to international standards of world class performance. We were commended by the judges for our strengths in planning and marketing, our international focus, and for being responsive to the needs of customers, community and employer groups.

Upon receiving the award Wintec chief executive Mark Flowers said: "We are extremely proud to receive this award. Our focus on organisational improvement is essential for us to achieve our goals of educating and up-skilling our students for the world of the future; meeting the workforce needs of employers to build our economy and society; and to be competitive on the global stage as a key player in the export education market."

OUR MODERN MARAE

At a dawn ceremony in February we opened our marae on our Hamilton city campus. It marked a new era for enhancing Māori achievement in our organisation and community. Its name, Te Kōpū Mānia o Kirikiriroa, reflects the cultural integrity and function of the complex. It is a modern marae, appropriate for our institute of technology. It features three areas: a wharenui (main meeting house), whare kai (dining room and kitchen) and te tari (office/administration area). Te Kōpū Mānia refers to the origins of the hill at Wintec and its surrounds as the fertile valley and gardens of Kirikiriroa (Hamilton).

Since its opening by King Tuheitia it has been a place where students and staff experience teaching, learning and support in a uniquely Māori setting. Pōwhiri, student inductions, hui, graduations, celebrations, seminars, workshops and overnight stays are some of the activities held at the marae. It provides a home and identity for Māori on campus, and is inclusive of all cultures.

ONLINE ENROLMENT

We introduced online enrolment this year which allows students to select programmes and modules, receive and accept an offer of place, and pay – all online. This has shortened the enrolment process and provided a better experience for our students.

SECOND TRADES ACADEMY OPENED

Wintec, in partnership with four Waitomo and Otorohanga secondary schools, opened the Regional Trades Academy in Te Kuiti in May. The academy allows year 11-13 students who are interested in a career in trades or technology to combine practical tertiary study with studies towards their National Certificate of Educational Achievement (NCEA).

Twenty three year 11 students from Otorohanga College, Te Wharekura o Maniapoto, Te Kuiti High School and Piopio College took part this year. The programme encourages students to stay at school for longer by engaging them in hands-on learning.

The academy is the second to open in the Waikato region with Wintec opening the Waikato Trades Academy in Hamilton in 2011 in partnership with 12 local secondary schools.

In 2012 our trades academy students finished the year with flying colours. Out of the 126 secondary school students from Hamilton, the greater Waikato, Waitomo and Otorohanga, 115 graduated from their courses. More than 100 trades academy students will return to study in 2013 and a further 188 places are available for new students.

MORE MODERNISATION

Our long-term capital project to modernise our campuses and technology continued.

We completed the construction of our new marae; the new entrance to our Rotokauri campus opened as a result of the Waikato expressway development; work commenced on upgrading the Media Arts building on Collingwood Street; planning for the new trades and engineering development project at our Rotokauri campus has reached a detailed stage and we have delivered a number of prototype spaces for testing concepts and technologies which will underpin the spaces of the future.

A significant technology upgrade this year saw us switching our phone system across our city and Rotokauri campuses to a new communication platform, Lync. Benefits include more call routing flexibility, integration into one directory system, better video support, and a reduction in hardware and maintenance costs.

Our document collaboration system for our staff was also progressed to improve file storage, access and management and the ability for more than one person to work on a document at one time.

Our campus modernisation programme aims to ensure we provide an excellent standard of facilities for our students, staff and the wider community for many years to come.

GRADUATION HONOURS

More than 1750 students graduated in 2012. The graduates, from all of our schools and centres, earned qualifications in fields such as the creative industries, health, information technology, languages, primary industries, education, business, sport and exercise science, hospitality and trades.

Graduation Week 2012 started with 76 students choosing to graduate at our new marae Te Kōpū Mānia o Kirikiriroa, followed by five further graduation ceremonies. This week is held in conjunction with Special Awards events which honour our top-performing students. The celebratory events are attended by students, their family, friends, staff, employer partnership group members, industry and community representatives.

Our 2012 honorary awards were also conferred on the following:
Professor Jiliu Zhou — President of Chengdu University in China — was awarded our first international fellowship in recognition for his ardent support of Wintec in progressing internationalisation partnership opportunities between Wintec and Chengdu University. He is a university professor and sought-after information technology and computing expert. He was made an International Fellow of Wintec at a special event held at Wintec House in March.

Josh Emett — Michelin-starred chef — was made an Honorary Fellow of Wintec for his contribution to the hospitality industry. The Wintec cookery graduate returned to the Waikato for a special conferment event celebrated alongside many of the region's hospitality representatives in April and also held a master cooking class for Wintec hospitality and cookery students.

Monica Leggat — former Netball Waikato president and Silver Ferns manager — was awarded an honorary Master of Science (Sport and Exercise Science) for her contribution to netball in the region, New Zealand and on the world-stage. A special event was held for her conferment at Wintec House in July with many of the country's well-known sporting personalities attending.

MOU WITH WAIKATO TAINUI
In May we signed a Memorandum of Understanding (MOU) with Waikato Tainui, making us the first institute of technology to have a formal agreement with the Waikato tribe.

The agreement sets out to improve education and training achievement for Waikato Tainui, ultimately increasing the prosperity and wellbeing of these people in the region. The focus so far has been on lifting youth achievement and pathways; improving the health and wellbeing of tribal members; environmental factors; and warehouse and logistical opportunities and training.

Our strong links with Tainui are demonstrated through scholarships in the name of the late Dame Te Atairangikaahu and Hare Puke, and the successful Māori trades training programme.

INTERNATIONAL ART RESEARCH PROJECT
School of Media Arts tutor Tim Croucher teamed up with internationally renowned Chinese artist and Chengdu University tutor Xu Ze to create a collaborative art project – The Wonder and Loss of Familiar Places. The project was on display at the Waikato Museum in Hamilton.

The project was the product of two years' painting and research work funded by Wintec, Chengdu University in China and the Asia New Zealand Foundation . This was one of many positive outcomes from the long-standing relationship between Wintec and Chengdu University. Made up of 22 works of art and a catalogue, the exhibition explored different cultural perceptions of landscape, while engaging in a cross-cultural dialogue between the artists.

TRAINING RESTAURANT LAUNCHES COOKBOOK
Wintec's training restaurant Windows launched its first cookbook - A Taste of Windows. The cookbook contains recipes for the restaurant's most requested dishes, developed by our tutors and produced and served by our hospitality students. While celebrating the skills of our talented students and tutors, it also helps prevent child abuse with a portion of every sale going to the local charity Child Matters.

MEDIA ARTS GRADUATES TOP THEIR FIELDS
Wintec graduate Jonathan Carson was named student journalist of the year at the prestigious Canon Media Awards in 2012.
The awards are the journalism industry's top annual recognition of outstanding work, and are judged by a panel of industry experts. Carson graduated in 2011 with the National Diploma in Journalism and won the award with a portfolio of stories he published while studying at Wintec. Carson works as a journalist for the Waikato Times.

Another Wintec journalism graduate, Ben Stanley, was named Canon Sports Feature Writer of the Year. Stanley works for the Sunday Star Times. Meanwhile, the radio industry's award for Best New Broadcaster of the Year went to another Wintec graduate, Mike Garvey from Media Works in Auckland. Garvey, who was at Wintec in 2009, is now part of radio station The Rock's morning team.

WORLD PRESS PHOTO EXHIBITION

We secured the opportunity to host the internationally renowed World Press Photo exhibition in September at the Atrium in Wintec House. This was the first time the exhibition had come to Hamilton and more than 3000 people came to our city campus to view it. The exhibition was a result of an annual competition in which the winning images were selected from more than 100,000 entries from photojournalists around the world.

FUTURE BUILD WAIKATO

Wintec teamed up with the Ministry of Social Development and 18 Waikato builders to help Work and Income clients obtain employment in the construction industry. Through an eight-week programme, called Future Build Waikato, selected clients alternated between study at Wintec and work placement with local builders. The programme focussed on skills such as developing a hazard register, using power tools, joinery and finishing, and understanding the importance of arriving at work on time and being ready to learn.

Wintec tutors visited the students and their employers during their work placement to reinforce the training and ensure the skills taught remained relevant to the needs of the industry. Twenty six people took part and 19 went into employment in the industry. At the end of the programme 13 people were employed by their host builder.

WINTEC RUNNER-UP IN TRAVEL AWARDS

Wintec was a runner-up in the category of Best Registered Travel Industry Training Institution at the New Zealand Travel Industry Awards 2012. The awards, run by the Tourism Industry Association, recognise excellence across the New Zealand travel industry and Wintec was nominated for its industry-focused and "hands on" approach to tourism and travel training.

ONLINE NEWS BROADENS REACH

Wintec's School of Media Arts' online student newspaper, The Waikato Independent, more than doubled its page views in 2012. The website (www.waikatoindependent.co.nz) received 100,000 page views in 2012 compared with 37,000 in 2011. The Waikato Independent is written, designed and produced by Wintec journalism students as part of their course requirements and covers news in the Waikato region and beyond.

It aims to create stronger connections with the Waikato community and provide future journalists with hands-on experience and a platform from which to publish their work.

CELEBRATING DIVERISTY

Our annual events to celebrate cultural diversity continued to be popular. The events include the Chinese Moon Festival, Eid and Diwali festivals. On average, more than 200 students, staff and members of the community turned out to these events held on our city campus. They provide our international students and staff with an opportunity to celebrate cultural diversity.

Having an increasingly multi-cultural student body brings with it a range of benefits. It provides an opportunity for New Zealand students to learn alongside those from overseas, and overseas students to learn about New Zealand and all that we have to offer.

VENUE BOOKINGS GROW

Wintec's venues hosted more than 20,000 people throughout the year, with more than 150 events held on our city campus.

Bookings for our venue spaces have steadily increased, particularly since the opening of Wintec House in 2010. Local and national organisations, community groups, businesses and Wintec use the stylish facilities of the Atrium and the Long Room in Wintec House and the event rooms in the Bill Gallagher Centre for a variety of functions.

Our venues are hired out for business conferences and meetings, corporate functions, exhibitions, weddings, gala dinners, school balls and award ceremonies. The venues' continued popularity and wide audience appeal have helped raise Wintec's profile within the region, and help us connect further with our community and industry partners.

NEW WINTEC CHAIR

In September Mary Cave-Palmer was appointed as Wintec's Chair of Council by the Tertiary Education Skills and Employment Minister Steven Joyce. Ms Cave-Palmer, from Hamilton, was Wintec's acting chair since April 2012 following Gordon Chesterman's resignation. She is an experienced director with an accounting background. She's been a member of the Wintec council for more than ten years, and during that time chaired the Council's finance and audit committee.

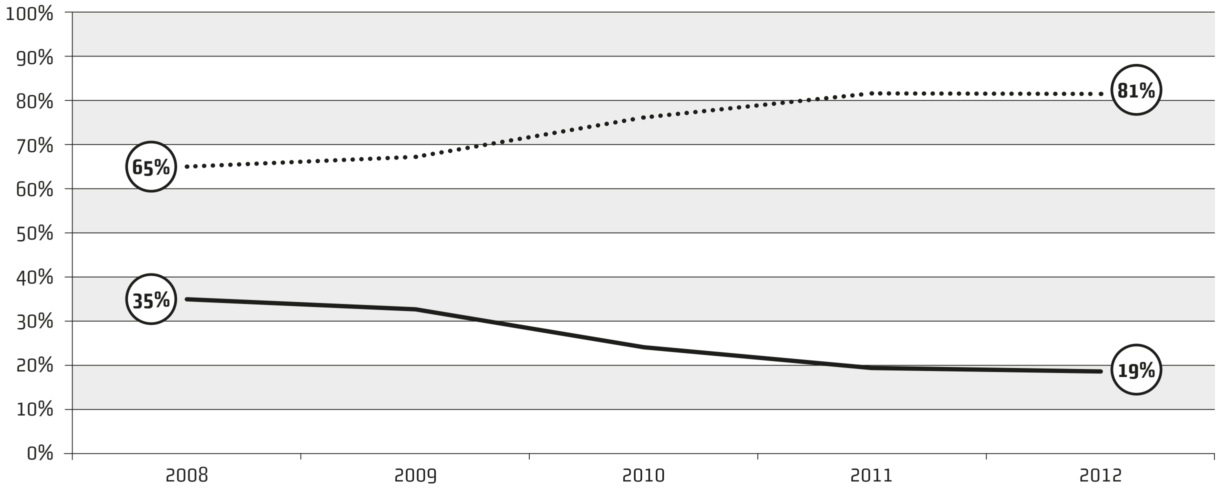
STUDENT STATISTICS

In 2012 Wintec's headcount of students (not EFTS) was 19,208 students with 18,010 domestic students and 1,198 international students.

TOTAL EQUIVALENT FULL TIME STUDENTS (EFTS) BY SOURCE OF FUNDING

	2008	2009	2010	2011	2012
Adult and Community Education	205	182	203	105	104
Student Achievement Component	4,898	4,818	4,918	4,945	5,009
Youth Guarantee & Trades Academy	-	-	59	112	116
Total TEC-funded	**5,103**	**5,000**	**5,181**	**5,162**	**5,229**
International	489	546	555	608	661
Industry Training Organisation	1,019	904	860	781	586
Other	202	192	206	235	226
Total non TEC-funded	**1,711**	**1,642**	**1,621**	**1,623**	**1,473**
TOTAL EFTS	**6,814**	**6,643**	**6,802**	**6,786**	**6,702**

TEC FUNDED* EFTS BY LEVEL OF STUDY



*Student Achievement Component, Youth Guarantee & Trades Academy

Level 1-3 Level 4+

TEC FUNDED* EQUIVALENT FULL TIME STUDENTS (EFTS) BY ETHNICITY

	2008	2009	2010	2011	2012
European	2,708 (55%)	2,888 (60%)	2,914 (59%)	2,941 (58%)	2,925(57%)
Māori	1,128 (23%)	1,172 (24%)	1,184 (24%)	1,216 (24%)	1,193 (23%)
Asian	506 (10%)	311 (6%)	381 (8%)	378 (7%)	407 (8%)
Pasifika	172 (4%)	148 (3%)	199 (4%)	214 (4%)	240 (5%)
Other	384 (8%)	299 (6%)	300 (6%)	308 (6%)	359 (7%)
Total	**4,898**	**4,818**	**4,978**	**5,057**	**5,125**

*Student Achievement Component, Youth Guarantee & Trades Academy.
Percentage figures have been rounded, therefore some columns may not add up to 100%.

INTERNATIONAL EQUIVALENT FULL TIME STUDENTS (EFTS) BY COUNTRY

	2008	2009	2010	2011	2012
China	272	312	297	308	321
India	147	154	154	125	133
Saudi Arabia	1	7	8	64	75
South Korea	17	15	18	19	28
Fiji	7	12	18	24	20
Philippines	3	5	8	8	12
Nepal	1	1	3	5	11
Malaysia	3	2	4	5	6
Taiwan	5	4	9	8	5
Other	33	34	36	42	50
Total	**489**	**546**	**555**	**608**	**661**

COMPULSORY STUDENT SERVICES FEES

Under the Ministerial Direction on Compulsory Student Services Fees for 2012, Wintec is required to disclose the services funded out of the compulsory student services fee and provide a statement of the fee income and expenditure for each type of student service. A breakdown of 2012 actual costs and income by service category is shown below.

Service Category	Total Cost $	Total Income $	Net Cost $
Health & Counselling Services	593,077	186,935	406,142
Student Services (Career information, advice and guidance, pastoral care)	408,286	–	408,286
Student Learning Services (Disabilities)	825,714	143,051	682,663
Total	**1,827,077**	**329,986**	**1,497,091**
		Less Health & Counselling Fee	434,088
		(Over)/Under Recovery	**1,063,003**

EQUAL OPPORTUNITIES

Wintec's Equal Employment Opportunity (EEO) policy states our commitment to giving all potential employees equal opportunities in relation to working at Wintec. Our EEO programme supports our commitment to redressing under-representation and issues of particular groups; in particular women, Māori, Pasifika, other ethnic minorities, older people and people with disabilities.

IN 2012 OUR EEO VISION WAS PROGRESSED THROUGH:

- **Continuing our participation in the Mainstream Employment programme, whereby we work with community agencies to facilitate employment at Wintec for people with significant disabilities.**
- **Being a member of the Equal Employment Opportunities (EEO) Trust, a not-for-profit organisation that provides EEO information to employers and raises awareness of diversity issues in New Zealand workplaces. As a member of the EEO Trust we aim to recruit, reward and develop employees on the basis of merit, recognising that effectively managing New Zealand's diverse population can lead to increased creativity, engagement and productivity.**

ETHNICITY OF EMPLOYEES – 2012

Ethnicity	%	Number	Female	Male
NZ European/ Pakeha	53.2%	439	266	173
Other European	9.5%	79	52	27
NZ Māori	8.5%	70	20	50
Other	5.0%	41	20	21
South African	1.6%	14	6	8
Indian	1.8%	15	8	7
Chinese	1.6%	14	6	8
Pasifika	1.2%	10	4	6
Other Asian	1.0%	9	3	6
No data provided	16.6%	134	78	56

EQUAL EDUCATION OPPORTUNITIES

Wintec's Student Learning Services helps deliver quality student-centred learning and disability support services.

Student Learning Services continued to offer a high level of advocacy, information and support to students who disclosed impairments in 2012. Forty-one staff provided 8390 hours of note-taker, reader-writer and peer tutor services to help improve participation, retention, completion and progression of students who required these services.

They also provided academic learning support to 2156 students in 2012, representing a slight increase from 2011. Services included workshops, writing and study skills courses, peer tutoring, one-on-one learning support, and learning consultations to identify individual learning needs.

Targeted support was offered to Māori and Pasifika students, as well as many international and New Zealand resident students for whom English is not their first language.

Te Kete Konae, our Māori and Pasifika support centre, continued to provide academic and learning support, pastoral care, cultural support, counselling, marketing and recruitment activities and information and advice related to studying at Wintec.

Our marae was opened in February by King Tūheitia, and in 2012 was used mainly by faculty staff for teaching and learning. All Wintec schools have used the marae in some way, and although it is only new, the marae was given a high satisfaction rating by students.

Academic delivery also commenced on local marae with the introduction of the National Certificate in Horticulture Level 2 at Ngāti Hauā in Morrinsville and Tūrangawaewae marae in Ngaruawahia . This followed the signing of a Memorandum of Understanding with Waikato Tainui in May, where short-term aims included a focus on the environment, development of a Māori youth strategy, health, and supply chain management.

Our staff and students also participated in a number of Māori and Pasifika community events, including Wintec celebrations of Matariki and Māori Language Week, as well as the annual marae graduation which was attended by more than 800 people.

OUR VALUES

Our values describe how we want to do things at Wintec; the sort of organisation we want to be.

Our staff try to live the values every day and we formally recognise staff who demonstrate these values at our annual staff awards.

Our values are Working Together, Challenge and Innovation, Valuing People, Customer Focus, Taking Ownership and Improvement and Opportunity.

FINANCIAL PERFORMANCE

Statement of Responsibility

The Council and management are responsible for the preparation of the Waikato Institute of Technology and Group's financial statements and statement of service performance, and for the judgements made in them.

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

In the Council and management's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Waikato Institute of Technology and Group for the year ended 31 December 2012.

Signed by:

Mary Cave-Palmer
Chair

23 April 2013

Paul Holloway
Chief Financial Officer

23 April 2013

Mark Flowers
Chief Executive

23 April 2013

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

AUDIT REPORT

To the readers of Waikato Institute of Technology and Group's financial statements and non financial performance information for the year ended 31 December 2012.

The Auditor-General is the auditor of Waikato Institute of Technology (the Institute) and Group. The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of the Institute and Group on her behalf.

We have audited:

- the financial statements of the Institute and Group on pages 35 to 80, that comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Institute and Group that comprises the statement of service performance on pages 81 to 99.

Opinion

In our opinion:

- the financial statements of the Institute and Group on pages 35 to 80:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Institute and Group's:
    - financial position as at 31 December 2012; and
    - financial performance and cash flows for the year ended on that date;
- the non-financial performance information of the Institute and Group on pages 81 to 99 fairly reflects the Institute and Group's service performance achievements measured against the performance targets adopted in the investment plan for the year ended 31 December 2012.

Our audit was completed on 23 April 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Institute and Group's preparation of the financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Institute and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

AUDIT REPORT (Continued)

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Institute and Group's financial position, financial performance and cash flows.

The Council is also responsible for preparing non-financial performance information that fairly reflects the Institute and Group's service performance achievements measured against the performance targets adopted in the investment plan.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

The Council's responsibilities arise from the Education Act 1989 and the Crown Entities Act 2004.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

Clarence Susan
Audit New Zealand
On behalf of the Auditor General
Tauranga, New Zealand

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012.

	Notes	CONSOLIDATED Actual 2012 $'000	Budget 2012 $'000	Actual 2011 $'000	PARENT Actual 2012 $'000	Budget 2012 $'000	Actual 2011 $'000
Income							
Government grants	3(a)	46,931	47,218	46,714	46,931	47,218	46,714
Student tuition fees	3(b)	29,677	28,790	26,297	29,677	28,790	26,297
Other income	3(c)	10,772	13,023	10,135	8,966	9,424	8,803
Finance income	3(d)	338	154	216	272	124	196
Total Income		**87,717**	**89,185**	**83,362**	**85,846**	**85,556**	**82,010**
Expenditure							
Personnel costs	3(e)	(48,467)	(49,373)	(47,584)	(46,333)	(46,600)	(46,682)
Depreciation and amortisation expense	8, 9	(6,416)	(7,016)	(6,028)	(6,393)	(7,016)	(5,963)
Other expenses	3(f)	(28,522)	(27,173)	(25,823)	(28,223)	(26,266)	(25,331)
Finance costs	3(d)	(695)	(656)	(658)	(691)	(653)	(654)
Total Expenditure		**(84,101)**	**(84,218)**	**(80,093)**	**(81,640)**	**(80,536)**	**(78,629)**
Share of associates surplus/(deficit)		-	-	-	-	-	-
Surplus/(Deficit)		**3,616**	**4,967**	**3,269**	**4,206**	**5,020**	**3,381**
Total surplus attributable to: The Waikato Institute of Technology		3,631	4,967	3,380	4,206	5,020	3,381
Non-controlling interest		(15)	-	(111)	-	-	-
Other Comprehensive Income							
Property revaluations		-	-	2,917	-	-	2,917
Impairment of assets		(1,111)	-	-	(1,111)	-	-
Total Other Comprehensive Income/ (Expense)		**(1,111)**	**-**	**2,917**	**(1,111)**	**-**	**2,917**
Total Comprehensive Income/ (Expense)		**2,505**	**4,967**	**6,186**	**3,095**	**5,020**	**6,298**
Total comprehensive income attributable to: The Waikato Institute of Technology		2,520	4,967	6,297	3,095	5,020	6,298
Non-controlling interest		(15)	-	(111)	-	-	-

Explanation of major variances against budget are provided in note 22.
The accompanying notes form part of these financial statements

FINANCIAL PERFORMANCE
1 2 3 4 5 6 7 8 9 10

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012.

		CONSOLIDATED			PARENT		
	Notes	Actual 2012 $'000	Budget 2012 $'000	Actual 2011 $'000	Actual 2012 $'000	Budget 2012 $'000	Actual 2011 $'000
ASSETS							
Current Assets							
Cash and cash equivalents	4	1,339	3,597	1,885	7	2,750	8
Debtors and other receivables	5	12,248	1,542	12,717	13,887	2,230	14,639
Inventories	6	354	11	356	353	11	356
Prepayments		-	138	155	-	138	155
		13,941	5,288	15,113	14,247	5,129	15,158
Assets held for sale	10	2,393	-	5,623	2,393	-	5,623
Total Current Assets		**16,334**	**5,288**	**20,736**	**16,640**	**5,129**	**20,781**
Non-Current Assets							
Financial assets	7	188	155	184	188	155	184
Property, plant and equipment	8	135,180	146,996	133,199	135,039	146,996	133,053
Assets held for sale	10	-	-	-	-	-	-
Intangible assets	9	6,448	-	5,275	5,601	-	5,275
Total Non-Current Assets		**141,817**	**147,151**	**138,658**	**140,828**	**147,151**	**138,512**
TOTAL ASSETS		**158,151**	**152,439**	**159,394**	**157,468**	**152,280**	**159,293**
LIABILITIES							
Current Liabilities							
Creditors and other payables	11	7,717	6,324	5,779	6,656	4,748	5,577
Employee entitlements	12	4,770	3,220	4,973	4,587	3,205	4,895
Provisions		-	-	-	-	-	-
Revenue in advance	13	15,545	2,685	15,141	15,293	2,685	15,111
Interest-bearing loans and borrowings	14	80	-	5,800	152	-	5,804
Total Current Liabilities		**28,112**	**12,229**	**31,692**	**26,687**	**10,638**	**31,386**

		CONSOLIDATED			PARENT		
	Notes	Actual 2012 $'000	Budget 2012 $'000	Actual 2011 $'000	Actual 2012 $'000	Budget 2012 $'000	Actual 2011 $'000
Non-Current Liabilities							
Interest-bearing loans and borrowings	14	7,160	14,000	7,240	7,160	14,000	7,240
Provisions		-	-	-	-	-	-
Employee entitlements	12	354	-	487	354	-	487
Total Non-Current Liabilities		**7,514**	**14,000**	**7,727**	**7,514**	**14,000**	**7,727**
TOTAL LIABILITIES		**35,626**	**26,229**	**39,419**	**34,201**	**24,638**	**39,113**
NET ASSETS		**122,525**	**126,210**	**119,975**	**123,267**	**127,642**	**120,180**
EQUITY							
General funds		103,761	109,184	100,127	104,424	110,616	100,217
Restricted reserves		137	126	145	137	126	145
Property revaluation reserve		18,706	16,900	19,817	18,706	16,900	19,817
Total equity attributable to the institute		**122,604**	**126,210**	**120,090**	**123,267**	**127,642**	**120,180**
Non-controlling interest		(79)	-	(115)	-	-	-
TOTAL EQUITY	15	**122,525**	**126,210**	**119,975**	**123,267**	**127,642**	**120,180**

Explanation of major variances against budget are provided in note 22.
The accompanying notes form part of these financial statements
These financial statements were approved for signing by the Council on 23 April, 2013.

Mary Cave-Palmer
Chair

Paul Holloway
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2012.

	CONSOLIDATED			PARENT		
	Actual 2012 $'000	**Budget 2012 $'000**	**Actual 2011 $'000**	**Actual 2012 $'000**	**Budget 2012 $'000**	**Actual 2011 $'000**
Balance at 1 January	119,975	121,243	113,258	120,180	122,622	113,863
Comprehensive income						
Surplus/(deficit)	3,616	4,967	3,269	4,206	5,020	3,381
Other comprehensive income	(1,111)	-	2,917	(1,111)	-	2,917
Total comprehensive income	**2,505**	**4,967**	**6,186**	**3,095**	**5,020**	**6,298**
Balance before non-comprehensive income at 31 December	**122,480**	**126,210**	**119,444**	**123,275**	**127,642**	**120,161**
Non-comprehensive income items						
Restricted reserves transfers	(8)	-	19	(8)	-	19
Capital contributions from owners	53	-	511	-	-	-
Suspensory loans from the Crown	-	-	-	-	-	-
Total non-comprehensive income items	**45**	**-**	**530**	**(8)**	**-**	**19**
Balance at 31 December	**122,525**	**126,210**	**119,975**	**123,267**	**127,642**	**120,180**
Total comprehensive income for year	**2,505**	**4,967**	**6,186**	**3,095**	**5,020**	**6,298**
Total comprehensive income attributable to:						
The Waikato Institute of Technology	2,520	4,967	6,297	3,095	5,020	6,298
Non-controlling interest	(15)	-	(111)	-	-	-

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

As at 31 December 2012.

	Notes	CONSOLIDATED Actual 2012 $'000	CONSOLIDATED Budget 2012 $'000	CONSOLIDATED Actual 2011 $'000	PARENT Actual 2012 $'000	PARENT Budget 2012 $'000	PARENT Actual 2011 $'000
Cash flows from operating activities							
Receipt of government grants		47,037	47,218	46,321	47,037	47,218	46,321
Receipt of student tuition fees		28,630	27,913	32,401	28,630	27,913	32,401
Interest income received		338	154	216	272	124	196
Receipt from research income		233	-	-	233	-	-
Dividend income		-	-	-	-	-	-
Receipt of other income		12,075	11,321	4,983	10,361	7,359	3,334
Payments to employees		(48,799)	(49,462)	(45,641)	(46,774)	(46,600)	(44,817)
Payments to suppliers		(26,788)	(27,510)	(27,639)	(27,130)	(26,266)	(26,924)
Interest paid		(695)	(653)	(658)	(691)	(653)	(654)
Goods and services tax (net)		(370)	-	616	(368)	-	609
Net cash flows from operating activities		**11,661**	**8,981**	**10,598**	**11,569**	**9,095**	**10,466**
Cash flows from investing activities							
Purchase of property, plant and equipment		(9,005)	(16,395)	(12,109)	(8,983)	(16,395)	(11,896)
Purchase of intangible assets		(1,828)	-	(2,951)	(1,281)	-	(2,951)
Acquisition of investments		-	-	-	-	-	-
Receipts from sale of investments		-	220	574	-	220	574
Proceeds from sale of property, plant and equipment		4,426	8,936	507	4,426	8,936	507
Net cash flows used in investing activities		**(6,406)**	**(7,239)**	**(13,979)**	**(5,838)**	**(7,239)**	**(13,766)**

STATEMENT OF CASH FLOWS (Continued)

As at 31 December 2012.

	CONSOLIDATED			PARENT		
	Actual 2012 $'000	Budget 2012 $'000	Actual 2011 $'000	Actual 2012 $'000	Budget 2012 $'000	Actual 2011 $'000
Cash flows from financing activities						
Capital contributions received from the Crown	-	-	-	-	-	-
Suspensory loans from the Crown	-	-	-	-	-	-
Proceeds from borrowings	-	-	724	-	-	724
Repayment of borrowings	(805)	-	(3,080)	(804)	-	(3,080)
Payment of finance leases	-	-	-	-	-	-
Net cash flows from financing activities	**(805)**	**-**	**(2,356)**	**(804)**	**-**	**(2,356)**
Net increase / (decrease) in cash and cash equivalents	4,450	1,742	(5,737)	4,927	1,856	(5,656)
Cash and cash equivalents at the beginning of the period	(3,111)	1,855	2,626	(4,992)	894	664
Cash and cash equivalents at the end of the period	**1,339**	**3,597**	**(3,111)**	**(65)**	**2,750**	**(4,992)**

The GST (net) component of operating activities reflects the net GST paid to and received from the Inland Revenue Department.

The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes. This also maintains consistency with the presentation basis of the other primary financial statements.

The accompanying notes form part of these financial statements

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

	CONSOLIDATED		PARENT	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Net Surplus / (deficit)	3,616	3,269	4,206	3,381
Add/(less) non-cash items				
Share of associates surplus/(deficit)	-	-	-	-
Depreciation and amortisation expense	6,416	6,028	6,393	5,963
Intangible asset write-off	-	-	-	-
(Gains)/losses on fair value of investment property	-	-	-	-
Increase/(decrease) in non-current employee entitlements	(133)	9	(133)	9
Bad debts	209	273	184	273
Impairment of fixed assets	-	-	-	-
Fair value impairment	-	-	-	-
Total non-cash items	**6,492**	**6,310**	**6,444**	**6,245**
Add/(less) items classified as investing or financing activities				
(Gains)/losses on disposal of property, plant and equipment	(333)	777	(333)	777
(Gains)/losses on disposal of investments classified as fair value through other comprehensive income	-	-	-	-
Total items classified as investing or financing activities	**(333)**	**777**	**(333)**	**777**
Add/(less) movements in working capital items				
(Increase) / decrease in inventories	2	(345)	2	(345)
(Increase) / decrease in debtors and other receivables	469	(11,360)	752	(11,678)
(Increase) / decrease in prepayments	155	(17)	155	(17)
Increase / (decrease) in creditors and other payables	1,058	(2,449)	469	(2,202)
Increase / (decrease) in revenue received in advance	404	11,793	182	11,763
Increase / (decrease) in provisions	-	-	-	-
Increase / (decrease) in current employee entitlements	(203)	2,620	(308)	2,542
Increase / (decrease) in trust funds	-	-	-	-
Net movements in working capital items	**1,885**	**242**	**1,252**	**63**
Net cash flows from operating activities	**11,661**	**10,598**	**11,569**	**10,466**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

1 REPORTING ENTITY

The Waikato Institute of Technology (the Institute) is a Tertiary Education Institution (TEI) domiciled in New Zealand and is governed by the Crown Entities Act 2004 and the Education Act 1989. It provides full-time and part-time tertiary education in New Zealand.

The consolidated financial statements include the following subsidiaries: SODA Inc. Limited, and the Wintec Foundation Trust. These entities are all incorporated in New Zealand. Refer to note 24 for further details of all entities included in the Group.

The primary objective of the Institute and Group is to provide tertiary education services for the benefit of the community rather than making a financial return. Accordingly, the Institute has designated itself and the Group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZIFRS).

The financial statements of the Institute for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Councillors on 23 April 2013. Council does not have the power to amend the statements after issue.

Basis of preparation

Statement of compliance
The financial statements of the Institute and Group 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 (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP and comply with NZ IFRS, as appropriate for public benefit entities.

Measurement basis
The financial statements have been prepared on a historical cost basis, except for investment properties, assets classified as held for sale and land and buildings that have been measured at fair value.

Functional and presentation currency
The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

The functional currency of the Institute and Group is New Zealand dollars (NZ $).

Changes in accounting policies
There have been no changes in accounting policies during the financial year.

The Institute has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect.

FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments on the Institute is that donations are no longer required to be separately disclosed and certain information about property valuations is no longer required to be disclosed. Note 8 has been updated for these changes.

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

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Institute is classified as a Tier 1 reporting entity and it will be required to apply full public sector Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB and are mainly based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods on or after 1 July 2014. This means the Institute expects to transition to the new standards in preparing its 31 December 2015 financial statements. As the PAS are still under development, the Institute is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Group financial statements are prepared by adding together items of assets, liabilities, equity, income and expenses on a line by line basis. All significant intergroup balances, transactions, income and expenses are eliminated on consolidation.
The Institute's investments in its subsidiaries are carried at cost in the parent's financial statements.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Institute as at balance date and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has power to govern the financial and operating policies of the entity, generally a company with a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Institute's investments in associates are carried at fair value in the Institute's parent financial statements and accounted for on an equity basis in the consolidated accounts. An associate is an entity over which the Institute has significant influence and that is neither a subsidiary nor an interest in a joint venture.
The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the surplus or deficit of the associate after the date of acquisition. The Group's share of the surplus or deficit of the associate is recognised in the Group surplus or deficit. Distributions received from an associate reduce the carrying amount of the investment in the Group financial statements.

Where the Group transacts with an associate, surplus or deficits are eliminated to the extent of the Group's interest in the relevant associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

Joint Venture

The Institute's jointly controlled entity interest is accounted for by proportionate consolidation in the Group financial statements. The Group combines its share of the joint venture's individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in the Institute and Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

Investments in jointly controlled entities are carried at cost in the Institute's parent entity financial statements.

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Institute and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Government grants
Government grants are recognised as revenue upon entitlement.

Student tuition fees
Student tuition fees are recognised as revenue on a stage of completion basis once the student has completed 10% of the course. Stage of completion is measured by reference to the days of course completed as a percentage of total days for each course.

Research income
Funding received for research which will provide reciprocal benefits to the research funding provider is recognised as revenue on a percentage completion basis. The percentage of completion is measured by reference to the research expenditure incurred in proportion to total expected to be incurred.

Funding received which provides no reciprocal benefit to the research funding provider is recognised as revenue when the funding is received.

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

Interest and dividends
Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Borrowing costs
The Institute and Group have elected to defer the adoption of the revised NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with the transitional provisions of NZ IAS 23 that are applicable to public benefit entities.

Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Leases
Operating leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Cash and equivalents
Cash in the balance sheet comprises cash at bank and in hand and short-term deposits with an original maturity of three months or less.

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

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

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

Bad debts are written off when identified.

Investments and other financial assets
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.

Recognition and de-recognition
Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Institute and Group have 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 income.

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

Financial assets at fair value through surplus or deficit
Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term or is part of a portfolio that is managed together and for which there is evidence of short-term profit taking.

Financial assets acquired principally for the purpose of selling in the short-term or as part of a portfolio classified as held for trading are classified as a current asset. After initial recognition financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

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. Related party receivables that are repayable on demand are classified as a non-current asset because repayment of the receivable is not expected within 12 months of balance date.

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 de-recognised are recognised in the surplus or deficit.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income are those that are designated as fair value through other comprehensive income or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance date. The Institute and Group designate in this category:

- Investments that it intends to hold long-term but which may be realised before maturity; and
- Shareholdings that it holds for strategic purposes.

After initial recognition these investments are measured at their fair value, with gains and losses recognised in other comprehensive income, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Impairment of financial assets
At each balance date, the Institute and Group assess whether there is any objective evidence that a financial asset or Group of financial assets is impaired. Any impairment losses are recognised in 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 and Group will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For other financial assets, impairment losses are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive income
For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment. For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Inventories
Inventories are valued at the lower of cost and net realisable value. Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Inventories held for resale-purchase cost on a first-in, first-out basis;

Materials and consumables to be utilised for rendering of services- purchase cost on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of activities less the estimated costs necessary to make the sale.

Property, plant and equipment
Property, plant and equipment consists of the following asset classes:

- land
- buildings
- computer hardware
- furniture and equipment
- library collection
- motor vehicles

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

Land is measured at fair value. Buildings and infrastructure are measured at fair value less accumulated depreciation and accumulated impairment losses.

All other assets are measured at cost, less accumulated depreciation and impairment losses.

Revaluation
Land, buildings and infrastructure are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

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 of property, plant and equipment is carried out on a class of asset basis.

The net revaluation results are credited or debited to other comprehensive income and 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 not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that off-sets 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 income.

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

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

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 at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

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

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

Class of assets	**Rate (pa)**
Land	0%
Furniture and equipment	5% - 33.33%
Motor vehicles	20%
Library	20%
Computer hardware	20% - 33.33%
Buildings	
Structure	1 - 84 years
Fit out	1 - 19 years
Services	1 - 22 years
Infrastructure	10 - 50 years

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

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

Held for sale
Property, plant and equipment is re-classified as a current asset held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The re-classification takes place when the asset is considered to be available for immediate sale in its present condition subject only to the usual and customary terms for sales of such assets and the sale is considered highly probable.

Intangible assets and goodwill
Computer software
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 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
Course development costs are recognised as an expense in the Statement of Comprehensive Income in the year in which they are incurred.

Intellectual Property Development
Research costs are recognised as an expense in the surplus or deficit in the year in which they are incurred.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

A summary of the policies applied to the Institute's intangible assets is as follows:

Computer Software	**Method**
Useful lives	Finite 2 - 10 years
Method used	Straight line method
Internally generated / acquired	Separately acquired

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

Goodwill
Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less accumulated impairment losses.

Impairment
The carrying values of plant and equipment other than those whose future economic benefits are not directly related to their ability to generate net cash are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Institute and Group would, if deprived of the asset, replace its remaining future economic benefits or service potential.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount. For revalued assets the impairment loss is recognised in other comprehensive income to the extent the impairment loss does not exceed the amount in the revaluation reserve in equity for that same class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

Assets held for educational and related matters and related activities are assessed for impairment by considering the assets for obsolescence, changes in useful life assessments, optimisation and other related matters.

Creditors and other payables
Short term creditors and other short term payables are recorded at their face value.

Interest-bearing loans and borrowing
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Institute or Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are expected to be settled within 12 months of the balance date.

Employee entitlements
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 renders the related service are measured at nominal values 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 for sick leave

is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent it will be used by staff to cover those future absences. A liability and an expense are recognised for bonuses and at risk components where contractually obliged or where there is a past practice that has created a constructive obligation.

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

Superannuation schemes
Defined contribution schemes
Obligations for contributions to KiwiSaver, the government superannuation fund, and other defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Provisions
A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits 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 expenditures 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".

Equity
Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components. The components of equity are:

- general funds;
- property revaluation reserve; and
- restricted reserves.

Property revaluation reserves
This reserve relates to the revaluation of property, plant, and equipment to fair value.

Restricted reserves
Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Institute. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Goods and services tax
All 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 and the Wintec Foundation is exempt from income tax, all other entities in the Group are liable for tax.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

Budget figures
The budget figures are those approved by the Council on 6 December 2011. 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.

Changes in accounting estimates
There have been no changes in accounting estimates during the period.

Key judgements, estimates and assumptions
In preparing these financial statements, the Institute and Group have 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:

Impairment of non-financial assets other than goodwill
The Institute and Group assess impairment of all assets at each reporting date by evaluating conditions specific to the Institute and Group and to the particular asset that may lead to impairment. These include programme performance, technology, economic and political environments and future programme expectations. If an impairment trigger exists the recoverable amount of the asset is determined. The Institute does not consider that the triggers for impairment testing have been significant enough and therefore no provision has been made during the financial year.

Classification of assets and liabilities as held for sale
The Institute classifies assets and liabilities as held for sale when its carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Institute must be committed to selling the asset either through entering into a contractual sale agreement or the activation of and commitment to a programme to locate a buyer and dispose of the assets and liabilities.

Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Property revaluations
Note 8 provides information about the estimates and assumptions exercised in the measurement of revalued land, buildings and infrastructure.

Capital management
The Institute and Group's capital is its equity, which comprises general funds, property revaluation and restricted reserves. Equity is represented by net assets.

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

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

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

Comparatives
Some of the 2011 comparatives have been changed for comparability. The overall effect on the Statement of Comprehensive Income and the Statement of Financial Position is nil.

3 REVENUE AND EXPENSES

	CONSOLIDATED		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
(a) Government grants				
Student Achievement Component (SAC) Funding	42,548	42,530	42,548	42,530
Tertiary Education Organisational Capability (TEOC) funding	-	-	-	-
Other grants	4,382	4,184	4,382	4,184
Total	**46,931**	**46,714**	**46,931**	**46,714**
(b) Student tuition fees				
Fees from domestic students	20,687	18,752	20,687	18,752
Fees from international students	8,990	7,545	8,990	7,545
Total	**29,677**	**26,297**	**29,677**	**26,297**
(c) Other Income				
Revenue from childcare operations	864	766	864	766
Revenue from other operating activities	9,575	9,369	7,769	8,037
Sub total	10,439	10,135	8,633	8,803
Gain on disposal of property, plant and equipment	333	-	333	-
Total	**10,772**	**10,135**	**8,966**	**8,803**

Included in revenue from other operating activities of $9.575m (group) and $7.769m (parent) is $0.112m which relates to operating lease receivables (2011: $0.158m).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

	CONSOLIDATED		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
(d) Finance (costs)/income				
Bank loans and overdrafts	**(692)**	**(615)**	**(688)**	**(613)**
Debt collection fees	-	(4)	(3)	(4)
Other finance costs	(3)	(39)	-	(37)
Total finance costs	**(695)**	**(658)**	**(691)**	**(654)**
Interest earned on bank deposits	338	216	272	196
Total finance income	**338**	**216**	**272**	**196**
(e) Employee benefits expense				
Wages and salaries	(48,670)	(44,892)	(46,641)	(44,068)
Defined contribution plan employer contributions	-	(72)	-	(72)
(Increase)/decrease in employee entitlements	203	(2,620)	308	(2,542)
Total	**(48,467)**	**(47,584)**	**(46,333)**	**(46,682)**

Employer contributions to defined contribution plans include contributions to Kiwisaver, the Defined Benefit Plan Contribution Scheme, and the Government Superannuation Fund.

(f) Other Expenses				
Loss on disposal of property, plant and equipment	-	(777)	-	(777)
Donations and koha	(113)	(8)	(11)	(8)
Bad debts	(209)	(273)	(184)	(273)
Aggregate research and development costs	(432)	(261)	(430)	(261)
Operating lease payments	(1,519)	(1,467)	(1,454)	(1,467)
Occupancy costs	(3,446)	(4,845)	(3,352)	(4,662)
Administration costs	(9,691)	(8,525)	(9,709)	(8,150)
Other costs	(13,112)	(9,667)	(13,082)	(9,732)
Total	**(28,522)**	**(25,823)**	**(28,223)**	**(25,331)**

4 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Cash at bank and in hand	1,339	1,885	7	8
Short-term deposits	-	-	-	-
Total	**1,339**	**1,885**	**7**	**8**

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the institute, and earn interest at the respective short-term deposit rates.

The carrying value of cash and cash equivalents recorded in the financial statements approximates their fair value.

Reconciliation of cash for the purpose of the cash flow statement
For the purpose of the cash flow statement, cash and cash equivalents compromise the following as at 31 December.

		CONSOLIDATED		PARENT	
	Notes	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Cash at bank and on hand		1,339	1,885	7	8
Short-term deposits		-	-	-	-
Bank overdrafts	14	-	(4,996)	7 2	(5,000)
Total		**1,339**	**(3,111)**	**(65)**	**(4,992)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

5 DEBTORS AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Student fees receivables	10,362	9,142	10,362	9,142
Related party receivables	-	835	2,657	2,759
Other receivables	2,596	3,540	1,578	3,538
Less provision for impairment	(710)	(800)	(710)	(800)
Total	**12,248**	**12,717**	**13,887**	**14,639**

Student fees are due before a course commences or are due upon enrolment if the course has already begun. Student fee receivables are non-interest bearing and are generally paid in full by course commencement date. Therefore, their carrying value approximates their fair value.

Other receivables are non-interest bearing and are generally settled on 30 day terms. Therefore, the carrying value of other receivables approximates their fair value.

The ageing profile of receivables as at 31 December 2012 and 2011 are detailed below:

	2012			2011		
	Gross $'000	**Impairment $'000**	**Net $'000**	**Gross $'000**	**Impairment $'000**	**Net $'000**
Not past due	6,373	-	6,373	10,325	-	10,325
Past due 1-30 days	3,102	-	3,102	3,394	-	3,394
Past due 31-60 days	1,655	-	1,655	293	-	293
Past due 61-90 days	255	-	255	607	-	607
Past due over 90 days	3,212	710	2,502	820	800	20
Total	**14,597**	**710**	**13,887**	**15,439**	**800**	**14,639**

All receivables greater than 30 days in age are considered to be past due.

There are provisions for impairment on receivables with overdue amounts.

Due to the large number of student fee receivables, the impairment assessment is performed on a collective basis, based on an analysis of past collection history and debt write-offs.

Movements in the provision for impairment of receivables are as follows:

	CONSOLIDATED	PARENT
	2012 $'000	2011 $'000
At 1 January	800	525
Additional provisions made during the year	184	-
Provisions reversed during the year	(274)	(41)
Receivables written-off during the year	-	316
Total	**710**	**800**

6 INVENTORIES

	CONSOLIDATED		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Held for resale	354	356	353	356
Total	**354**	**356**	**353**	**356**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

7 OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Non-current portion				
(i) Unlisted shares:- Shares in PINZ (at cost)	38	38	38	38
(ii) Special funds investments (term deposits)	150	146	150	146
Total	**188**	**184**	**188**	**184**

Fair Value

Unlisted Shares

Unlisted shares are held in non-commercial entities and are carried at cost less impairment because the fair value of the investment cannot be reliably determined using a standardised valuation technique or due to cost not being materially different to value.

Special Trust Funds

Special Trust Funds are restricted equity reserves held specifically in trust for the purpose of generating interest for students to access, upon application and meeting specified conditions.

Impairment

There were no impairment provisions for other financial assets. None of the financial assets are either past due or impaired.

8 PROPERTY, PLANT AND EQUIPMENT

2012	Cost 1/1/2012 $'000	Accumulated Depreciation 1/1/2012 $'000	Carrying Amount 1/1/2012 $'000	Additions** $'000	Disposals* $'000	Impairment Charge $'000	Depreciation Charge $'000	Revaluation Surplus $'000	Cost 31/12/2012 $'000	Accumulated Depreciation 31/12/2012 $'000	Carrying Amount 31/12/2012 $'000
Consolidated											
Land	16,460	-	16,460	3,230	(2,398)	-	-	-	17,292	-	17,292
Buildings	109,083	(300)	108,783	5,971	(1,559)	(1,111)	(2,959)	-	111,866	(2,740)	109,126
Computer hardware	5,163	(2,121)	3,042	1,490	-	-	(857)	-	6,654	(2,978)	3,676
Furniture and equipment	7,800	(4,483)	3,317	1,038	-	-	(933)	-	8,838	(5,416)	3,422
Motor vehicles	326	(243)	83	-	-	-	(35)	-	326	(278)	48
Library collection	3,415	(1,901)	1,514	686	-	-	(584)	-	4,101	(2,485)	1,616
Total Consolidated	**142,248**	**(9,048)**	**133,200**	**12,416**	**(3,957)**	**(1,111)**	**(5,368)**	**-**	**149,077**	**(13,897)**	**135,180**
Parent											
Land	16,460	-	16,460	3,230	(2,398)	-	-	-	17,292	-	17,292
Buildings	109,083	(300)	108,783	5,971	(1,559)	(1,111)	(2,959)	-	111,866	(2,740)	109,126
Computer hardware	5,163	(2,121)	3,042	1,490	-	-	(857)	-	6,654	(2,978)	3,676
Furniture and equipment	7,591	(4,420)	3,171	1,020	-	-	(910)	-	8,611	(5,330)	3,281
Motor vehicles	326	(243)	83	-	-	-	(35)	-	326	(278)	48
Library collection	3,415	(1,901)	1,514	686	-	-	(584)	-	4,101	(2,485)	1,616
Total Parent	**142,039**	**(8,985)**	**133,054**	**12,398**	**(3,957)**	**(1,111)**	**(5,345)**	**-**	**148,850**	**(13,811)**	**135,039**

* included in land additions is $3,230,000 relating to net movement of land transferred as assets held for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

2011	Cost 1/1/2011 $'000	Accumulated Depreciation 1/1/2011 $'000	Carrying Amount 1/1/2011 $'000	Additions** $'000	Disposals* $'000	Impairment Charge $'000	Depreciation Charge $'000	Revaluation Surplus $'000	Cost 31/12/2011 $'000	Accumulated Depreciation 31/12/2011 $'000	Carrying Amount 31/12/2011 $'000
Consolidated											
Land	9,438	-	9,438	3,180	(6,901)	-	-	10,743	16,460	-	16,460
Buildings	116,233	(5,898)	110,335	9,312	(89)	-	(2,950)	(7,826)	109,083	(300)	108,783
Computer hardware	2,737	(1,982)	755	3,108	(127)	-	(694)	-	5,163	(2,121)	3,042
Furniture and equipment	25,360	(22,478)	2,882	1,547	(17)	-	(1,095)	-	7,800	(4,483)	3,317
Motor vehicles	571	(413)	158	-	(26)	-	(49)	-	326	(243)	83
Library collection	10,469	(9,061)	1,408	867	(289)	-	(472)	-	3,415	(1,901)	1,514
Total Consolidated	**164,808**	**(39,832)**	**124,976**	**18,014**	**(7,449)**	**-**	**(5,260)**	**2,917**	**142,247**	**(9,048)**	**133,199**
Parent											
Land	9,438	-	9,438	3,180	(6,901)	-	-	10,743	16,460	-	16,460
Buildings	116,233	(5,898)	110,335	9,312	(89)	-	(2,950)	(7,826)	109,083	(300)	108,783
Computer hardware	2,737	(1,982)	755	3,108	(127)	-	(694)	-	5,163	(2,121)	3,042
Furniture and equipment	25,360	(22,478)	2,882	1,338	(17)	-	(1,032)	-	7,591	(4,420)	3,171
Motor vehicles	571	(413)	158	-	(26)	-	(49)	-	326	(243)	83
Library collection	10,469	(9,061)	1,408	867	(289)	-	(472)	-	3,415	(1,901)	1,514
Total Parent	**164,808**	**(39,832)**	**124,976**	**17,805**	**(7,449)**	**-**	**(5,197)**	**2,917**	**142,038**	**(8,985)**	**133,053**

* included in land disposals is $5,623,000 relating to land transferred to assets held for sale.

** included in land additions is $3,180,000 relating to 2010 assets held for sale reclassfied as land in 2011.

Valuation
The most recent valuations of land, buildings and infrastructure were performed by an independent registered valuer, Telfer Young (Waikato) Limlted. The valuation is effective as at 31 December 2011.

Land
Land is valued at fair value using market-based evidence based on its highest and best use with comparable land values. Adjustments have been made to the "unencumbered" land value for campus land where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

Restrictions on the Institute and Group's ability to sell land would normally not impair the value of the land because the Institute and Group 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. campuses) are valued at fair value using 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 obselescence due to over-design or surplus capacity.

- The replacement 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.

Heritage Assets:
Heritage assets of $215,124 (2011: $61,934) have been included in the Furniture and equipment and Library collection class of assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

Non-specialised buildings (for example, residential buildings) are valued at fair value using 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 associated lost rental during the time to undertake the strengthening work.

Infrastructure
Infrastructure assets such as roads, car parks, footpaths, underground utilities (for example, water supply and sewerage treatment systems), and site drainage have been independently valued at depreciated replacement cost. The valuations have been performed in accordance with the New Zealand Asset Valuation and Depreciation Guidelines issued by NAMS Group. The significant assumptions applied in the determining the depreciated replacement cost of infrastructure assets are similiar to those described above for specialised buildings.

Restrictions on title
Under the Education Act 1989, the Institute and Group are required to obtain consent from the Ministry of Education to dispose or sell of property where the value of the property exceeds an amount determined by the Minister.

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

Work in progress
The total amount of property, plant, and equipment in the course of construction is $5.826 million (2011 $6.209 million).

9 INTANGIBLE ASSETS

		CONSOLIDATED		PARENT	
	Purchased Goodwill $'000	Computer Software $'000	Total $'000	Computer Software $'000	Total $'000
Year ended 31 December 2012					
At 1 January 2012, net of accumulated amortisation	-	5,275	5,275	5,275	5,275
Additions	847	1,374	2,221	1,374	1,374
Disposals	-	-	-	-	-
Amortisation	-	(1,048)	(1,048)	(1,048)	(1,048)
At 31 December 2012, net of accumulated amortisation	**847**	**5,601**	**6,448**	**5,601**	**5,601**
At 1 January 2012					
Cost (gross carrying amount)	-	9,390	9,390	9,390	9,390
Accumulated amortisation	-	(4,115)	(4,115)	(4,115)	(4,115)
Net carrying amount	**-**	**5,275**	**5,275**	**5,275**	**5,275**
At 31 December 2012					
Cost (gross carrying amount)	847	10,764	11,611	10,764	10,764
Accumulated amortisation	-	(5,163)	(5,163)	(5,163)	(5,163)
Net carrying amount	**847**	**5,601**	**6,448**	**5,601**	**5,601**
Year ended 31 December 2011					
At 1 January 2011, net of accumulated amortisation	-	3,091	3,091	3,091	3,091
Additions	-	3,316	3,316	3,316	3,316
Disposals	-	(365)	(365)	(365)	(365)
Amortisation	-	(767)	(767)	(767)	(767)
At 31 December 2011, net of accumulated amortisation	**-**	**5,275**	**5,275**	**5,275**	**5,275**
At 1 January 2011					
Cost (gross carrying amount)	-	9,481	9,481	9,481	9,481
Accumulated amortisation	-	(6,390)	(6,390)	(6,390)	(6,390)
Net carrying amount	**-**	**3,091**	**3,091**	**3,091**	**3,091**
At 31 December 2011					
Cost (gross carrying amount)	-	9,390	9,390	9,390	9,390
Accumulated amortisation	-	(4,115)	(4,115)	(4,115)	(4,115)
Net carrying amount	**-**	**5,275**	**5,275**	**5,275**	**5,275**

There are no restrictions over the title of the Institute's and Group's intangible assets, nor is any intangible asset pledged as security for liabilities.
The total amount of intangible assets under development is nil (2011: $282,678).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

10 ASSETS HELD FOR SALE

Assets held for sale under non-current assets include 14.2ha of the Rotokauri campus which the Council has identified as surplus and available for sale. This includes the compulsory purchase of the land by New Zealand Transport Agency for the new road. It is expected that this land will be sold within the next 12 months.

	2012 $'000	2011 $'000
Assets held for sale		
Current assets	2,393	5,623
Non current assets	-	-
Total Assets held for sale	**2,393**	**5,623**

11 CREDITORS AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade payables	2,488	1,601	2,413	1,836
Other payables	5,229	4,178	4,243	3,741
Total	**7,717**	**5,779**	**6,656**	**5,577**

12 EMPLOYEE ENTITLEMENTS

	CONSOLIDATED		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Employee entitlements				
At 1 January	5,460	2,831	5,382	2,831
Additions during the year	3,593	5,580	3,361	5,482
Utilised during the year	(3,929)	(2,951)	(3,803)	(2,931)
At 31 December	**5,124**	**5,460**	**4,940**	**5,382**
Current portion	4,770	4,973	4,587	4,895
Non-current portion	354	487	354	487
Total	**5,124**	**5,460**	**4,940**	**5,382**

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand Government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining independent advice.

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 retirement gratuity liability would be an estimated $29,283 higher/lower (2011 $37,346).

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 retirement gratuity liability would be an estimated $100 higher/lower (2011 $90).

13 REVENUE IN ADVANCE

	CONSOLIDATED		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Student fees	15,083	14,910	15,083	14,910
Other revenue in advance	462	231	209	201
Total	**15,545**	**15,141**	**15,293**	**15,111**
Current portion	15,545	15,141	15,293	15,111
Non-current portion	-	-	-	-
Total	**15,545**	**15,141**	**15,293**	**15,111**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

14 BORROWINGS

	CONSOLIDATED		PARENT	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Current				
Bank overdraft	-	4,996	72	5,000
Secured loans	80	804	80	804
Total current portion	**80**	**5,800**	**152**	**5,804**
Non-current				
Secured loans	7,160	7,240	7,160	7,240
Finance leases	-	-	-	-
Total non-current portion	**7,160**	**7,240**	**7,160**	**7,240**
Total borrowings	**7,240**	**13,040**	**7,312**	**13,044**

Secured loans
Secured loans are issued using a customised average rate loan (CARL) facility which has portions of its principal drawn down at floating, capped, range, and/or fixed rates of interest. Interest rates are weighted and reset monthly, based according to the principal outstanding for each portion.

The Institute's current borrowings including the bank overdraft are $152,000 as at 31 December 2012 (2011 $5,804,000).

Security
The overdraft and secured loans are secured by a negative pledge agreement between the Bank of New Zealand and the Institute.
The maximum amount that can be drawn down against the overdraft facility is $5,000,000.

Secured loan covenants
The Institute is required to ensure that the following financial covenant ratios for secured loans are achieved during the year:
- *net surplus ratio of 3.0%.*
- *cash ratio of at least 111%.*
- *interest cover ratio of no less than 3 times.*
- *debt cover ratio of no more than 1.8 times.*
- *maintain access to $7.5m of liquidity for at least 275 days in any continuous 365 day period.*
- *maintain a liquidity ratio of 12%.*

Secured loans become repayable on demand in the event these covenants are breached or if the Institute fails to make interest and principal payments when they fall due. The Institute has complied with all covenants and loan repayment obligations during 2012.

The Institute and Group have no finance leases.

15 EQUITY

	CONSOLIDATED		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
General funds				
Balance at 1 January	100,127	96,292	100,218	96,837
Property revaluation reserve transfer on disposal	-	-	-	-
Surplus / (deficit) for the year	3,631	3,380	4,206	3,380
Capital contributions from owners	3	455	-	-
Capital contributions from the Crown	-	-	-	-
Suspensory loans from the Crown		-		-
Transfers to restricted reserves	-	-	-	-
Balance at 31 December	**103,761**	**100,127**	**104,424**	**100,217**
Property revaluation reserves				
Balance at 1 January	19,817	16,900	19,817	16,900
Land net revaluation gains/(losses)	-	10,743	-	10,743
Buildings net revaluation gains/(losses)	(1,111)	(7,826)	(1,111)	(7,826)
Infrastructure net revaluation gains/(losses)	-			
Balance at 31 December	**18,706**	**19,817**	**18,706**	**19,817**
Restricted reserves				
Balance at 1 January	145	126	145	126
Appropriation of net surplus		-		-
Application of trusts and bequests	(8)	19	(8)	19
Balance at 31 December	**137**	**145**	**137**	**145**
Non-controlling interest				
Balance at 1 January	(114)	(60)	-	-
Capital contributions from owners	50	57	-	-
Surplus / (deficit) for the year	(15)	(111)	-	-
Balance at 31 December	**(79)**	**(114)**	**-**	**-**
TOTAL EQUITY	**122,525**	**119,975**	**123,267**	**120,180**
Property revaluation reserves consists of:				
Land	17,103	17,103	17,103	17,103
Buildings	1,603	2,714	1,603	2,714
Total property revaluation reserves	**18,706**	**19,817**	**18,706**	**19,817**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

16 COMMITMENTS

Operating Lease Commitments
The Institute has entered into commercial leases on campus leases. The Institute is able to exit leases with a right of renewal at renewal date, and the disclosure has been made with the assumption that all rights of renewal will be exercised - as such, the commitment has been disclosed for the entire term of the lease.

The Institute has entered into commercial leases on certain motor vehicles and items of small machinery where it is not in the best interest of the Institute to purchase these assets.

These leases have an average life of between four and 10 years with renewal terms included in the contracts.

Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	CONSOLIDATED		PARENT	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Within one year	1,467	1,516	1,402	1,451
After one year but not more than five years	6,388	6,950	4,711	5,273
More than five years	18,046	20,863	17,616	20,433
Total non-cancellable operating leases	**25,901**	**29,329**	**23,729**	**27,157**

These commitments include the perpetually renewable lease with Tainui for the city campus land. The term of the lease is 20 years with further rights of renewal of 20 years.

Institute and Group as lessors

All leases are operating leases. The majority of these leases have a non-cancellable term of 36 months, with the exception of two leases that have a non-cancellable term of 72 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	CONSOLIDATED		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Within one year	112	202	112	202
After one year but not more than five years	392	469	392	469
More than five years	182	539	182	539
Total non-cancellable operating leases	**686**	**1,210**	**686**	**1,210**

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

Finance lease and hire purchase commitments
The Institute and Group have no finance leases or hire purchase contracts.

Capital commitments
At 31 December 2012 the Institute had $0.472m in commitments for the completion of contracted works to the Media Arts building (2011: $0.455 million).

In April 2008, the Institute entered into an agreement with Sport Waikato whereby it has the right to buy the building that Sport Waikato has built on the Wintec campus. Sport Waikato also has the right to require the Institute to buy the building. These rights are exercisable in April 2013. The purchase price at the time will be the market value of the building with a minimum purchase price of the certified construction cost.

Contingent Assets
The Institute and Group have no contingent assets (2011: nil).

Contingent Liabilities
The Institute and Group have no contingent liabilities (2011: $6,000).

17 RELATED PARTY DISCLOSURE

The Institute is the parent of the Group and controls seven entities and has significant influence over two others (refer note 24) .

The Institute and Group enter into transactions with government departments, state-owned enterprises and Crown entities. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Institute and Group would have adopted if dealing with that entity at arm's-length in the same circumstances have not been disclosed.

Related party transactions with subsidiaries.

	2012 $'000	2011 $'000
SUBSIDIARIES		
Wintec Foundation Trust		
Donations to the Institute	-	51
Debtor for services provided by the Institute	-	132
Loans and working capital owed to Wintec	1	133
SODA Inc. Limited		
Debtor for services provided by the Institute	455	525
Prima Learning Limited		
Services provided to the Institute	1,007	37
Services provided by the Institute	110	-
Debtor for services provided by the Institute	1	764
Creditor for services provided to the Institute	377	-
Loans and working capital owed to Wintec	2,250	1,765
Prima Innovation Limited		
Services provided to the Institute	-	-
Learning Works Limited		
Services provided to the Institute	50	170
Services provided by the Institute	-	1,031
Debtor for services provided by the Institute	-	6
Creditor services provided to the Institute	-	-
Wintec Education and Training Associates Limited		
No related party transactions were entered into during the year	-	-
Waikato International Limited		
No related party transactions were entered into during the year	-	-
BR Training Limited		
No related party transactions were entered into during the year	-	-

Significant transactions with government related entities
The government influences the roles of the Institute as well as being a major source of revenue.

The Institute has received funding and grants from the Tertiary Education Commission (TEC) totalling $46.931m (2011 $46.714m) to provide education and research services for the year ending 31 December 2012.

The Institute also leases at a nil rental amount buildings legally owned by the Crown.

Collectively but not individually significant transactions with government related entities
In conducting their activities the Institute and Group are required to pay various taxes and levies (such as GST, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers. The Institute is exempt from paying income tax and FBT.

The Institute purchases goods and services from entities related to the Crown and it also provides services to entities related to the Crown. The purchase and provision of goods and services to government-related entities for the year ended 31 December 2012 are small when compared to the Institute's total expenditure and revenue and have been conducted on an arm's-length basis. The purchase of goods and services included the purchase of electricity from Genesis, air travel from Air New Zealand and postal services from New Zealand Post. The provision of services to government-related entities mainly related to the provision of educational courses.

During the year, the Institute and Group purchased services from Hamilton City Council on which Council Chair, Gordon Chesterman is a Councillor. Gordon Chesterman resigned as Council Chair on 30 April 2012. The figures included relate to the entire year. These services cost $331,614 (2011 $183,814) and were supplied on normal commercial terms. There is a balance owing to Hamilton City Council at 31 December 2012 of $200 (2011 $163). Wintec provided services to Hamilton City Council of $5,708. Hamilton City Council owed Wintec $5,241 at 31 December 2012.

Wintec provided accommodation and other services to the value of $35,552 (2011 $43,415) to the Waikato Chamber of Commerce in Wintec House. Services were also received in 2012 to the value of $16,284 (2011 $19,762). There is a balance owing to the Institute at 31 December 2012 of $3,538 (2011 $95,641). Paul Holloway was a board member during 2011.

Maxine Moana-Tuwhangai is a member of the Waikato Tainui Parliament (Waikato Tainui Te Kauhanganui Inc.) who are the 100% shareholder of Tainui Group Holdings Limited. During the year Wintec paid rent of $1,395,611 to Tainui Group Holdings Limted. Wintec also entered into a contract with Tainui Group Holdings limited to sell 4 hectares of land at Rotokauri.

During the year, the Institute sponsored Netball Waikato. Lynnette Flowers, wife of Chief Executive Mark Flowers, is the Chair of Netball Waikato.

One Council member purchased an iPad at a subsidised rate.

Wintec had significant transactions with the University of Waikato during the year. These transations relate to the 2012 Certificate in University Preparation course and total $835,177 (excl. GST).

The Community Living Trust purchased a house from Wintec at a cost of $52,094. Merran Davis is the Dean at Wintec and Lynette Flowers is the wife of the CE: both are Officers of the Trust.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

Steven Tucker is Chair of the Wintec Finance and Audit Committee and Deputy CEO of Gallagher Group Ltd. During the year Wintec received $20,000 for advertising space in Wintec's magazine, $1,132 for venue hire and $1,488 for student fees from the Gallagher Group.

Mark Flowers is a director of Polytechnics International (NZ) Ltd. During 2012 Polytechnics International (NZ) Ltd paid Wintec $4,779 for directors fees and travel from Hamilton to Wellington for directors meetings.

Clint Baddeley is a Wintec Council member, as well as a Councillor for Waikato District Council. During the year Wintec received $604 from Waikato District Council for student fees.

Terms and conditions of transactions with related parties
Providing of ancillary services to and purchases from related parties are made in arm's-length transactions at both normal market prices and normal commercial terms.

Outstanding balances at 31 December 2012 and 2011 are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables.

	CONSOLIDATED		PARENT	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Key management personnel compensation				
Short term benefits (salary)	2,218	1,902	1,887	1,902
Employee welfare expenses	-	-	-	-
Post-employment benefits	-	-	-	-
Total	**2,218**	**1,902**	**1,887**	**1,902**

Key management personnel includes all members of the senior executive.

While Councillors are considered key management personnel, their fees have been separately presented in note 23.

18 CHILDCARE SUMMARY

	Actual 2012 $'000	Budget 2012 $'000	Actual 2011 $'000
Income			
Government grants (children under two)	217	170	154
Government grants (children over two)	75	124	110
Government grants (free Early Childhood Education)	290	251	224
Government grants (provisionally registered teachers)	-	-	6
Government grants (free subsidy)	43	36	33
Incentive grant	-	-	12
Fees Work and Income New Zealand (WINZ)	132	171	161
Other fees	106	69	67
Other Trading Income	**864**	**822**	**766**
Expenses			
Staffing	621	627	631
Other Costs	67	81	76
Other Trading Expenses	**689**	**708**	**707**
Trading Surplus	**176**	**114**	**60**

Provisionally registered teachers (PRT) support grant

There were no PRT grants received in 2012 (2011 $5,627).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

19 EVENTS AFTER THE BALANCE SHEET DATE

On the 22 February 2013 Wintec received $4.7m from the New Zealand Transport Authourity for Land that was compulsorily purchased from Wintec's Rotokauri campus for the new Avalon Drive expressway. This land has been classifed as held for sale in the 2011 and 2012 financial statements.

20 FINANCIAL INSTRUMENT CATEGORIES

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

	CONSOLIDATED		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
FINANCIAL ASSETS				
Loans and receivables				
Cash and cash equivalents	1,339	1,885	7	8
Debtors and other receivables	12,248	12,717	13,887	14,639
Other financial assets				
- Term deposits	-	-	-	-
- Loans to related parties	-	-	-	-
- Special funds investments	150	146	150	146
Total	**13,738**	**14,748**	**14,044**	**14,793**
Fair value through other comprehensive income				
Other financial assets				
- Government bonds	-	-	-	-
- Unlisted shares	38	38	38	38
- Listed shares	-	-	-	-
Total	**38**	**38**	**38**	**38**
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Bank overdraft	-	4,996	72	5,000
Creditors and other payables	7,717	5,779	6,656	5,577
Secured loans	7,240	8,044	7,240	8,044
Total	**14,957**	**18,819**	**13,968**	**18,621**

The Institute and Group do not have government bonds, derivatives or managed funds.

FINANCIAL INSTRUMENT RISKS

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

Market Risk

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Institute and Group do not hold any financial instruments which are exposed to price risk.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates create exposure to cash flow interest rate risk. The Institute does not generally enter into borrowing or investments with variable interest rates.

Credit Risk

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

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Institute and Group are not exposed to any significant currency risk.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest create exposure to fair value interest rate risk. The Institute and Group do not actively manage their exposure to fair value interest rate risk.

The Institute and Group limit the amount of credit risk exposure to any one financial institution for term deposits to no more than 40% of total investments held. The Group invests funds only with registered banks that have a Standard and Poor's credit rating of at least AA for short term and AA - for long-term investments.

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

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 counterparty default rates:

	CONSOLIDATED		PARENT	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
COUNTERPARTIES WITH CREDIT RATINGS				
Cash at bank and term deposits				
AA	-	-	-	-
AA-	1,339	(3,111)	(65)	(4,992)
Total cash at bank and term deposits	**1,339**	**(3,111)**	**(65)**	**(4,992)**
COUNTERPARTIES WITHOUT CREDIT RATINGS				
Loans to related parties				
Existing counterparty with no defaults in the past	-	-	-	-
Existing counterparty with defaults in the past	-	-	-	-
Total loans to related parties	**-**	**-**	**-**	**-**
Debtors and other receivables				
Existing counterparty with no defaults in the past	12,248	12,717	13,887	14,639
Existing counterparty with defaults in the past	-	-	-	-
Total debtors and other receivables	**12,248**	**12,717**	**13,887**	**14,639**

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Institute and Group will encounter difficulty raising liquid funds to meet commitments as they fall due. 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. Flexibility in funding is maintained by keeping committed credit lines available. The Institute and Group have a maximum amount that can be drawn down against their overdraft facility of $5m (2011 $5m). This facility can be used for a maximum period of 90 days in any twelve month period. The Institute and Group manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and matching the maturity profiles of financial assets and liabilities for 2012.

Contractual maturity analysis of financial liabilities, excluding derivatives

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

	Carrying amount $'000	Contractual cashflows $'000	<6 months $'000	6-12 months $'000	1-2 years $'000	2-3 years $'000	>3 years $'000
Institute 2012							
Bank overdraft	72	72	72	-	-	-	-
Creditors and other payables	6,656	6,656	6,656	-	-	-	-
Accrued pay	334	334	334	-	-	-	-
Secured loans	7,240	7,240	-	80	-	-	7,160
Total	**14,302**	**14,302**	**7,062**	**80**	**-**	**-**	**7,160**
Group 2012							
Bank overdraft	-	-	-	-	-	-	-
Creditors and other payables	7,717	7,717	7,717	-	-	-	-
Accrued pay	334	334	334	-	-	-	-
Secured loans	7,240	7,240	-	80	-	-	7,160
Total	**15,291**	**15,291**	**8,051**	**80**	**-**	**-**	**7,160**
Institute 2011							
Bank overdraft	5,000	5,000	5,000	-	-	-	-
Creditors and other payables	5,577	5,577	5,577	-	-	-	-
Accrued pay	819	819	819	-	-	-	-
Secured loans	8,044	8,044	-	-	-	-	8,044
Total	**19,440**	**19,440**	**11,396**	**-**	**-**	**-**	**8,044**
Group 2011							
Bank overdraft	4,996	4,996	4,996	-	-	-	-
Creditors and other payables	5,779	5,779	5,779	-	-	-	-
Accrued pay	819	819	819	-	-	-	-
Secured loans	8,044	8,044	-	-	-	-	8,044
Total	**19,638**	**19,638**	**11,594**	**-**	**-**	**-**	**8,044**

Contractual maturity analysis of derivative financial liabilities

The Institute and Group do not have derivative financial liabilities.

Contractual maturity analysis of financial assets

The table below analyses financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date:

	Carrying amount $'000	Contractual cashflows $'000	<6 months $'000	6-12 months $'000	1-2 years $'000	2-3 years $'000	>3 years $'000
Institute 2012							
Cash and cash equivalents	7	7	7	-	-	-	-
Debtors and other receivables	13,887	13,887	13,887	-	-	-	-
Government bonds	-	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-	-
Total	**13,894**	**13,894**	**13,894**	**-**	**-**	**-**	**-**
Group 2012							
Cash and cash equivalents	1,339	1,339	1,339	-	-	-	-
Debtors and other receivables	12,248	12,248	12,248	-	-	-	-
Government bonds	-	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-	-
Total	**13,587**	**13,587**	**13,587**	**-**	**-**	**-**	**-**
Institute 2011							
Cash and cash equivalents	8	8	8	-	-	-	-
Debtors and other receivables	14,639	14,639	10,325	4,294	20	-	-
Government bonds	-	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-	-
Total	**14,647**	**14,647**	**10,333**	**4,294**	**20**	**-**	**-**
Group 2011							
Cash and cash equivalents	1,885	1,885	1,885	-	-	-	-
Debtors and other receivables	12,717	12,717	8,403	4,294	20	-	-
Government bonds	-	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-	-
Total	**14,602**	**14,602**	**10,288**	**4,294**	**20**	**-**	**-**

Sensitivity analysis

The tables below illustrate the potential surplus or deficit and equity (excluding general funds) impact for reasonably possible market movements, with all other variables held constant, based on financial instrument exposures at the balance date.

	2012 $'000				2011 $'000			
	Surplus	-50bps Other equity	Surplus	+50pbs Other equity	Surplus	-50bps Other equity	Surplus	+50bps Other equity
INTEREST RATE RISK								
Institute								
Financial Assets								
Cash and cash equivalents	1		(1)		25		(25)	
Financial Liabilities								
Secured loans	36		(36)		40		(40)	
Total sensitivity	**37**		**(37)**		**65**		**(65)**	
INTEREST RATE RISK								
Group								
Financial Assets								
Cash and cash equivalents	7		(7)		25		(25)	
Financial Liabilities								
Secured loans	36		(36)		40		(40)	
Total sensitivity	**43**		**(43)**		**65**		**(65)**	

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 50bps is equivalent to a decrease in interest rates of 0.5%.

Interest on financial instruments, classified as floating rate, is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate until maturity of the instrument.

The other financial instruments of the Institute that are not included in the above tables are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

21 AUDITORS' REMUNERATION

	CONSOLIDATED		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Audit of financial statements	157	112	117	112
Prior year audit costs	22	-	22	-
Other services	6	-	6	-
Total	**185**	**112**	**145**	**112**

22 PERFORMANCE AGAINST BUDGET

Revenue
Revenue for the year was $85.8m, which is $0.2m favourable to budget and $3.8m higher than the prior year. The main contributing factors are:

- Tuition fees ($0.9m favourable and $3.4m favourable to the prior year) – due to a change in enrolment mix with higher funded Health enrolments and less enrolments in lower funded programmes.
- Other revenue ($0.45m unfavourable to budget). This is mostly attributable to a drop off in ITO fee revenue, due to lower student numbers in automotive and plumbing courses.

Operating Costs
Total operating costs for the period ending 31 December were $81.6m which is $1.1m unfavourable to budget and $3.0m unfavourable to the prior year.

Main operating expenditure variances are as follows:
- increase in consultancy and contractor costs associated with the increase of international students which is offset by higher revenue streams.
- higher Infrastructure costs primarily due to Siteworx and Facilities projects being transferred from work in progress to operating expenses.

Staffing Costs
Total staffing costs were $46.3m for the year, $0.3m less than budget, and the prior year due to lower than budgeted restructuring, superannuation and staff leave costs.

ICT Projects (Capital Expenditure)
ICT projects total $3.0m and are underspent by $1.0m for the year due to timing of ITS projects, including $0.75m carried forward to 2013.

Current Liabilities

Current liabilities amount to $26.7m against budget of $10.6m . The variance is mostly due to revenue in advance of budget variance of $12.6m . This is because of the way Wintec now presents its student debt and services in advance.

Statement of Cash Flows

Cash balances as at 31 December are negative $65k against a budget of $2.7m. This unfavourable variance can be explained as follows:

- Operating cash inflows increased $2.5m against budget due to increases in tuition fees and other income. These increases are partially offset by increased expenditure associated with higher revenue streams.
- Investment cash outflows decreased $1.4m against budget due to lower than budgeted purchases of property, plant and equipment and intangible assets, and proceeds for land sales being lower than expected.

Financing cash outflows were $0.8m higher than budgeted due to the repayment of some borrowings.

23 COUNCILLORS' FEES

The following fees were earned by members of Council during the year:

Council Member	ACTUAL 2012 $	ACTUAL 2011 $
Income		
Baddeley, Clint	16,000	18,073
Cave-Palmer, Mary (Chair)*	28,000	20,134
Chesterman, Gordon (former Chair)**	10,667	32,347
Cooper, Bryce	16,000	16,000
Moana-Tuwhangai, Maxine	16,000	4,710
Rink, Aaron	16,000	16,400
Tucker, Steve***	17,487	16,400
Yates, Dianne	16,000	16,000
Total Councillors' Fees	**136,153**	**140,064**

* appointed Council Chair effective 01 May 2012

** resigned from Council effective 30 April 2012

*** appointed Council Acting Deputy Chair effective 18 August 2012

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012.

24 DETAILS OF HOLDINGS IN SUBSIDARIES AND JOINT VENTURES

Subsidiary/Joint Venture	Percentage % Ownership	Balance Date	Business Activity
Wintec			
SODA Inc. Ltd**	60%	31/12	Creative industries business incubator
Motortrain Limited (Joint Venture)	25%	31/12	Developing training materials for motor industry training
Wintec Foundation			
Wintec Foundation		31/12	Charitable Trust
Prima Group Ltd***	100%	31/12	Investment Holding Company
Prima Learning Ltd*	100%	31/12	Developing and delivering training to industry
Prima Innovation Ltd*	100%	31/12	Identifying and commercialising intellectual property
Learning Works Ltd*	100%	31/12	Developing and delivering training to industry
Wintec Education and Training Associates Ltd*	100%	31/12	Investment Holding Company
Waikato International Ltd*	100%	31/12	Investment Holding Company
BR Training Ltd*	100%	31/12	Delivering training to industry

For reporting purposes the Wintec Foundation Trust is "controlled" by Wintec.

*100% owned by Prima Group Ltd

**60% owned by Wintec

***100% owned by Wintec Foundation

BR Training Ltd was purchased by Prima Learning Limited for $1m on 1 September 2012. The assets and liabilities purchased are listed below:

	$
Current assets	385,244
Non-current assets	31,152
Current Liabilities	(354,426)

During the year there have been the following changes to subsidiary names

Previous name	New name
Prima Group Limted	Prima Learning Limited
Prima Ltd	Prima Innovation Limited

A new company was also formed in 2012 and named Prima Group Limited.

2012 STATEMENT OF SERVICE PERFORMANCE

The Investment Plan is Wintec's funding agreement with the Tertiary Education Commission (TEC).

It contains key performance indicators (KPIs) designed to measure overall organisational performance and specific performance commitments agreed between Wintec and TEC for the period of the Investment Plan (2010 - 2012). The KPIs demonstrate Wintec's progress, and success, in: delivering quality provision which is relevant to the needs of the region's learners, communities, and employers; driving improved educational outcomes, improving infrastructure and facilities to enable quality teaching and learning, enhance work and social environments; increasing financial sustainability; and securing greater organisational efficiency. The Plan KPIs include the Educational Performance Indicators (EPIs) introduced by TEC in 2009 and released annually.

This is the last year of the sector's second Investment Plan. Base targets for the KPIs were established in 2010 for the entire Plan period. In some cases stretch targets beyond the levels agreed with TEC were set to ensure alignment with our strategic direction. Additional KPIs are developed through our annual business plan process to complement the Investment Plan KPIs. This complete set of indicators ensures a broad range of KPIs against which we measure the achievement of our strategic priorities.

PARTICIPATION AND PROVISION

Enrolments in 2012 reflected our focus on provision at level 4 and above (level 4+) and on foundation programmes that provide pathways to higher qualifications. Student Achievement Component (SAC) funded enrolments slightly increased from 2011, as did enrolments at level 4+.

Our strategy to shift the majority of provision from levels 1-3 toward higher levels of the framework (a shift of approximately 26% between 2009 and 2011), plus growth in enrolments at level 4+, has resulted in a balance of provision that we are confident meets TEC's requirements for more graduates at degree and postgraduate level. Our provision at levels 1-3 is likely to reduce further as a result of government policy, however more funding may shift to programmes for youth guarantee and trades academies in the future.

It was pleasing to see increased enrolments in priority vocational areas nationally as well as in areas that address regional economic and social needs. These include engineering (3% increase), computing (9% increase), and health-related degree and postgraduate qualifications such as nursing, midwifery and counselling (46% increase). Further work is underway to build enrolments in engineering, the priority trades and business qualifications at level 7 and above.

International enrolments continued to grow against sector trends. As with previous years, we set an ambitious growth target which, while not met, delivered a 9% increase on 2011 numbers. Our international enrolments have improved year-on-year since 2008.

Postgraduate student numbers grew by 21% in 2012, indicating that our strategy of the past two years to build postgraduate volumes and outcomes is starting to have a positive impact.

Overall participation rates were positive, especially at the priority area of level 4+ where there was a 2% increase on 2011. Participation by under 25s declined marginally against target. This percentage is above the 2011 ITP sector average for under 25s participation (51%*). We have increased numbers of youth in non-SAC-funded programmes such as Industry Training Organisation (ITO) contracts, youth guarantee and trades academies. Taking these into account, 64% of our domestic student population is under 25.

Māori participation rates fell slightly short of target (23% versus 25%). The target was met at levels 1-3; the decline in enrolments in this area is in line with our strategy for greater participation at level 4+. Participation at level 4+ was maintained at 2011 levels. To improve our performance in this area more student support is being implemented in 2013 to build on the range of existing initiatives around student retention. Five new kaiāwhina or student advisor roles are being established in 2013 to assist with earlier intervention on student learning. Our new marae, Te Kōpū Mānia o Kirikiriroa, is increasingly becoming an academic and social reference point for our Māori students. It is also used by our Māori employers and community members to discuss aspirations for our Māori graduates.

** Tertiary Education Performance Report*

PARTICIPATION AND PROVISION (Continued)

Indicator(s)		Audited 2011 Outcome	Target	2012 Outcome	Comment
Proportion of SAC eligible EFTS delivered at level 4+	Total	81%	80%+	83%	Result reflects strong growth in degree provision.
Proportion of SAC eligible EFTS enrolled who are aged under 25	Total	63%	≥68%	62%	Outcome mainly due to the decline in level 1-3 provision as per our strategy. Total EFTS for under 25s increased in real terms due to overall increase in enrolments.
	Level 1-3	13%	≥15%	11%	The target set in 2010 assumed on-going subcontracted provision which has since ceased. This affects participation at levels 1-3.
	Level 4 & above	50%	≥53%	51%	The number of under 25 enrolments grew in real terms in 2012.
Proportion of SAC eligible EFTS enrolled who are Māori	Total	24%	≥25%	23%	2012 enrolments at levels 1-3 reflects our strategy to shift provision to level 4+.
	Level 1-3	6%	≥6%	5%	Outcome is consistent with our strategy to reduce level 1-3 provision and increase provision at level4+.
	Level 4 & above	18%	≥19%	18%	2011 levels have been maintained, with more work to be done to reach targets in 2013 and beyond. The appointment of new kaiawhina/student advisors roles in 2013 aims to raise participation and educational outcomes for Māori.
Proportion of SAC Eligible EFTS enrolled who are Pasifika	Total	4%	≥4%	5%	Enrolments in this cohort, while small in comparison to total student enrolments exceed the proportion of the region's population who are Pasifika (3%).
	Level 1-3	1%	≥1%	1%	Target achieved.
	Level 4 & above	4%	≥3%	4%	Target achieved.
Number of international EFTS		608	≥680	662	A pleasing result despite not meeting the stretch target. The outcome reflects a 9% improvement on 2011 and is the fifth consecutive year we have grown international numbers. We intend to build on this in 2013 through increased partnership activity with offshore institutions and new markets.

Indicator(s)	Audited 2011 Outcome	Target	2012 Outcome	Comment
Percentage of SAC funded TEC students in employment or further study 6 months after completion	92%	≥90%	88%	Outcomes for this indicator have been declining since 2008 with 2011 being an exception to this trend. The employment market continues to be challenging for graduates but we are pleased that our retention rate increased again in 2012 to 70% (target is ≥ 54%).
Percentage of region's school leavers from preceding year attending Wintec in preceding or current year	19%	≥16%	17%	The Ministry of Education has altered its calculation method for school leavers and has advised that outcomes using new and old methodologies are not comparable. However applying the new methodology retrospectively to 2011 provides a result of 17%, indicating 2011 performance has been maintained in 2012.
Percentage of region's outlying school leavers from previous year attending Wintec in preceding or current year	13%	≥12%	10%	The new method of calculating a school leaver means the 2011 and 2012 outcomes cannot be directly compared. Target was set under the old methodology. Retrospectively applying the new methodology to 2011 gives a result of 11% indicating a slight decline in enrolments from the wider region.
Delivery of provision targeted to meet Youth Guarantee priorities		195 places delivered under Youth Guarantee and WTA by December 2012	237 places delivered	A good result as part of our strategic priority of improving outcomes for youth.
Delivery of provision targeting refugee, migrant, and English as an Additional Language communities		260 places delivered through Foundation for Focussed Training Opportunities, Refugee Study Grant and Intensive Literacy and Numeracy provision	317 places delivered	This strong result contributes positively to the development of foundation language, literacy and numeracy skills within our communities.
Delivery of community education targeting foundation, literacy and numeracy development		107 EFTS delivered under ACE by December 2012	104 EFTS	Adult and Community Education (ACE) EFTs have been used to deliver foundation and literacy and numeracy skills to a range of community groups within Hamilton and the wider region including our local Pasifika community, Otorohanga, Te Kuiti, Waihi and Thames.

EDUCATIONAL OUTCOMES

Educational performance remained strong in 2012. Wintec is one of only two Institutes of Technology and Polytechnics (ITPs) to be above the sector average for all Educational Performance Indicators (EPIs) since this reporting began in 2009.

The positive outcomes for successful course completions (SCC) overall, and at level 4+, have been repeated this year. Similarly, SCC rates at level 1-3 for all student groups have either maintained or improved upon, 2011 results. The majority of our enrolments are at level 4+, where targets for SCC were met in total, and for Māori, while the under 25 years-old group narrowly missed the target.

Good outcomes continue to be achieved for the under 25s. Participation at Wintec has grown in real terms again in 2012, although at a lesser rate than the student population overall. The outcomes for this group mainly reflect 2011 results with two out of three targets for SCC met and the third indicator narrowly missed.

Outcomes achieved by Māori, on the whole, have been maintained at 2011 levels of performance. It is pleasing to see that Māori participation has remained steady, particularly at level 4+, and continues to be higher than the proportion of tertiary education aged Māori in our regional population. SCC rates were steady, with two of the three targets met and one narrowly missed. There is still considerable work to be done to achieve parity between Māori and non-Māori outcomes. Some ambitious targets for lifting Māori outcomes have been set in this investment plan period as we seek to address this disparity. The disparity has lessened in recent years and our outcomes for Māori overall compare favourably with average sector outcomes. However, the step-change needed to realise TEC's, and our own, aspirations for better Māori outcomes is significant. A memorandum of understanding with Waikato Tainui was signed this year which will enable us to take a partnership approach to an agreed list of educational focus areas and marae based programme delivery in 2013.

Like our general student population, more than half of our Māori students are under 25 years. Initiatives to lift Māori achievement must be complemented by our focus on improving the educational outcomes for youth. The positive SCC results, combined with our excellent outcomes for retention and progression (which exceeded target by 16% and 5% respectively), provide a solid base for further initiatives driven by our youth strategy and the Māori consultation report. These will be implemented in 2013, and include the kaiāwhina/student advisor roles, as well as establishing youth and Māori capability development frameworks for staff to better engage with these student cohorts. Specialist support staff will be placed in areas where retention is identified as an issue to work alongside teaching staff to proactively intervene when needed. We will continue to partner with secondary schools to develop curriculum options for students studying vocational pathways within NCEA. We will grow our trades academies across the region, with another planned to open in Thames, and undertake additional programmes in agriculture, hospitality and hairdressing.

It was pleasing to see our international student retention rate was well above target. Our SCC rate for international fell slightly short of our target indicator by 1%. This is mainly due to poor performance by a particular group of students, who have been identified, and we are currently putting in place measures, such as bridging courses for science and maths leading to engineering qualifications, and pastoral care, to address this. As we diversify our international markets, we continue to explore the teaching, learning and support approaches that are best suited to our various international cohorts.

A range of new initiatives to support positive international student outcomes will be put in place in 2013, including bridging courses for science and maths leading to engineering qualifications and pastoral care approaches that are aligned to our distributed model for student support.

While many individuals gain positive personal outcomes from education without completing the qualification they are enrolled in, one of the most important goals of any tertiary education institution should be to ensure as many of its learners as possible are completing their qualifications so they can move into the workforce as highly capable and work-ready graduates.

As noted above, the SCC rate remains high, and the retention rate at Wintec has been steadily improving. Together these ought to lead to an improvement in qualification completion rates too. Our own analysis of likely underlying performance, on a cohort basis, suggests that actual qualification completions have improved over recent years. This outcome, however, is not reflected in the qualification completion rate indicator. The methodology underlying this EPI means it is unreliable – it is particularly susceptible to changes in enrolment levels across multi-year qualifications. At Wintec almost half of all provision is at degree level or higher, and the enrolments in programmes at these levels have been growing dramatically over the last 3 years. Further work on this indicator is planned by TEC.

While we have participation indicators for Pasifika students, we do not set separate outcomes indicators for them at the level of the Investment Plan. This is due to the relatively small numbers involved, (Pasifika comprise less than 3% of our region's population) which makes the resulting indicators extremely prone to fluctuations. We have a range of partnerships and support mechanisms in place at Wintec to support and improve Pasifika outcomes, which, like the Māori outcomes mentioned earlier also lag outcomes in general. We remain committed to achieve parity, as we do for our Māori learners.

Indicator(s)		Audited 2011 Outcome	Target	2012 Outcome	Comment
Successful course completion rate for all students (SAC eligible EFTS)	Total	79%	≥78%	79%	Target achieved.
	Level 1-3	68%	≥69%	68%	In 2013, the new kaiāwhina/student advisor roles will aim to improve learning and general support to students.
	Level 4 & above	81%	≥80%	81%	A positive result, especially given 83% of our students are enrolled at level 4+, which is a priority outcome area for TEC.
Successful course completion for students (SAC eligible EFTS) aged under 25	Total	77%	≥76%	76%	The new kaiāwhina/student advisor roles combined with other initiatives from our youth strategy will help improve outcomes and retention for youth, particularly under 18s.
	Level 1-3	68%	≥67%	69%	Result reflects a slight improvement on the 2011 outcome, suggesting youth support and literacy and numeracy embedding initiatives are starting to have a positive impact.
	Level 4 & above	79%	≥79%	78%	Result has narrowly missed target.
Successful course completion for Māori students (SAC eligible EFTS)	Total	70%	≥71%	70%	While the 2011 result has been maintained, the target has been missed by a small margin. In 2013, initiatives already mentioned such as the new kaiāwhina roles will aim to improve Māori outcomes through early intervention and targeted learning support.
	Level 1-3	57%	≥63%	59%	The improvement on the 2011 outcome suggests learning support and literacy and numeracy embedding initiatives implemented in 2012 aimed at Māori and youth are starting to produce positive results.
	Level 4 & above	74%	≥73%	73%	Target achieved.
Successful course completion rate – International students		87%	85%	84%	This outcome is largely driven by the poor performance of a single cohort of international students in engineering programmes. Learning interventions aimed specifically at better preparing these students and future cohorts for learning in science and maths-related subjects have been put in place.

EDUCATIONAL OUTCOMES (Continued)

Indicator(s)		Audited 2011 Outcome	Target	2012 Outcome	Comment
Student retention rate for all students (SAC EFTS)		58%	≥54%	70%	This outstanding result reflects our organisational focus placed on targeted student support for the last three years.
Qualification completion rate for all students (SAC eligible EFTS)	Total	58%	≥71%	63%	TEC are aware of the limitations of this indicator. Quality as measured by these indicators was, in the main, maintained at, or improved on, 2011 outcomes. Two indicators saw a marginal decline. As noted in previous years, this indicator has methodological flaws, and these are still being highlighted by particularly strong, and continuing, growth in degree programme EFTS since 2008. The outcomes for 2012 noted here are also likely to improve as a result of further reporting on results. (there was an increase of six percentage points between the 2011 annual report outcome and 2011 published result). Despite all the above Wintec continues to perform strongly against ITP sector results in terms of published EPI outcomes for this measure.
	Level 1-3	49%	≥58%	44%	
	Level 4 & above	60%	≥76%	67%	
Qualification completion for students (SAC eligible EFTS) aged under 25	Total	51%	≥62%	55%	
	Level 1-3	43%	≥51%	45%	
	Level 4 & above	53%	≥52%	57%	
Qualification completion for Māori students (SAC eligible EFTS)	Total	48%	≥65%	48%	
	Level 1-3	35%	≥55%	32%	
	Level 4 & above	52%	≥69%	53%	
Student progression for all students (SAC eligible student count) at levels 1-3		42%	≥40%	45%	This result, for the 2011 cohort progressing into 2012, is based on draft EPI outcome data and while subject to final confirmation by TEC it is unlikely to change.
Student retention rate – International students			85%	91%	A good outcome which aligns with our strong performance for retention across the organisation.

CUSTOMERS AND STAKEHOLDERS

Effective engagement with employers, industry and our community enables our provision of education to be driven by the needs of the region, and ensures our graduates are work-ready with relevant professional and vocational skills. All targets for this set of indicators were achieved or exceeded.

Annual surveys are used to gauge customer satisfaction and engagement with key stakeholder groups. Where surveys were conducted, targets have been exceeded for the third year in a row, indicating high levels of satisfaction are being maintained for our students and stakeholders.

Graduate Destination Survey: Wintec graduates are surveyed approximately six months after completion. All graduates who have successfully completed a Wintec programme that leads to a formal qualification the previous year are included in the survey which includes questions regarding employment, further study and the programme recently completed. Those with valid email addresses receive the online survey while the remainder are sent the postal version (excluding international graduates who historically have had low return rates from the postal version). In 2012 a total of 2244 graduates were surveyed and 1128 responses were received. The margin of error of the survey is 2.06%.

Employer and Industry Satisfaction and Employer Partnership Group Satisfaction: These are measured through an annual online survey of Wintec Employer Partnership Group members as well as employers identified through the graduate survey. Due to the development of a new Employer Partnership Strategy this survey was not conducted in 2012.

Student Satisfaction: Students in all Wintec programmes that lead to a formal qualification are surveyed on an annual basis. Both online and paper versions of the survey are available. Students are asked questions regarding their satisfaction with various elements of their programme of study (e.g. programme content, quality of teaching, programme organisation and management, facilities and resources, and overall satisfaction). A total of 6054 students were surveyed and 3411 responses received. The margin of error for the survey is +/- 1.1%.

Our student satisfaction levels remain above target and it was pleasing to see gains in student satisfaction with programme content. Students commented favourably on the industry-relevant and practical nature of Wintec programmes. Graduate satisfaction increased slightly in 2012 with graduates indicating higher levels of satisfaction with programme content, programme resources and facilities, and value for money. Graduate employment rates were down, reflecting the employment market at the time of survey, however, against the trend, the employment rate for our counselling graduates showed a 37.6% increase on the 2011 outcome.

Surveys related to employer and industry satisfaction were not conducted in 2012 while we undertook a review of our engagement mechanisms with employers and industry. We sought direct feedback instead through a structured process of individual and group meetings with employer and industry representatives. We have always placed considerable importance on effective engagement with these stakeholders to ensure our provision is informed by regional needs, facilitates interaction between our students and staff, and supports our focus on "real world" learning experiences for students is realised.

This review will lead to the development of a new employer engagement strategy to extend our networks and our Employer Partnership Groups (EPGs) to provide more opportunities for strategic contribution. This is alongside the practical, everyday input they have been so valuable in providing to date. Ensuring there is significant value created for people to engage with us will underpin the purpose of our new employer engagement strategy.

Engagement with community groups has strengthened in 2012 with a series of events held to celebrate partnerships and collaborations. Our relationship with Waikato Tainui this year resulted in the signing of a Memorandum of Understanding (MOU) which led to the redevelopment of a National Certificate in Horticulture for marae-based delivery.

The importance of creating community connections and the benefits they bring to our students, staff and community are shown in our strategic alliances with four not-for-profit community organisations: Habitat for Humanity Central North Island; Community Living; Child Matters; and Sport Waikato. Numerous opportunities for teaching and research projects, involving people across the organisations and Wintec, have taken place. Examples include the design, build and landscaping of client houses, development of customised software, short courses, staff exchanges and visiting expert programmes. Continued participation in the Hamilton City Council-facilitated Leadership Groups for Social Wellbeing and Active Communities Strategies are also providing regular alignment opportunities with the community.

CUSTOMERS AND STAKEHOLDERS (Continued)

Our relationships with secondary schools continue to strengthen across a wide range of secondary/tertiary initiatives. The region's secondary schools are actively engaged with us through one or more activities based around our trades academies (an additional trades academy was established in Te Kuiti this year), and also identify students for our youth guarantee, Secondary Tertiary Alignment Resource (STAR) and Gateway programmes. We have developed more specific taster programmes covering more schools and work is underway to map the Ministry of Education's vocational pathways through secondary schools to our qualifications to create seamless career pathways. In 2013 this work will continue, our STAR programmes will be refreshed, and as part of our youth strategy, a third trades academy will be opened in Thames. Youth guarantee and trades academy programmes will be extended to include qualifications in agriculture, hairdressing and hospitality.

Indicator(s)	Audited 2011 Outcome	Target	2012 Outcome	Comment
Student satisfaction	92%	≥90%	91%	Target achieved.
Graduate satisfaction	92%	≥80%	93%	Target achieved
Employer and industry satisfaction	92%	≥90%	n/a	It was decided not to run the Industry and Employer and the Employer Partnership Group (EPG) surveys in 2012 as we started on the development of a new Employer Engagement Strategy. Surveys will be run in 2013.
Employer Partnership Group (EPG) satisfaction	91%	≥90%	n/a	
Engagement with employers to gain feedback on provision and programme delivery		95% of required EPG meetings are held and all EPGs complete Annual Reports summarising activities and outcomes	100% meetings completed and reporting done	In line with the review of our engagement strategy with employers, Wintec led a number of strategic conversations with EPG chairs and groups throughout 2012. In some instances, with the agreement of EPG chairs, annual reports were replaced by interviews.
Engagement activities with community groups to inform activities and provision		At least 3 significant events held with community groups to guide provision and gain feedback on Wintec activities	23 events held	These events included the opening of the Agritec Education Hub, a Māori stakeholder consultation hui, Tainui community hui, two Hamilton City Council strategy group workshops, the Not For Profit alliance dinner, and a health symposium for district health boards focusing on e-portfolios. All these created links between community groups and our strategic direction.
Formal engagement with Waikato Tainui		At least 2 formal meetings with Waikato Tainui to drive enhanced collaboration and increased provision directed towards Māori	2 formal meetings and a number of informal hui held in 2012	MOU signed between Wintec and Tainui in May 2012 to work in partnership on an agreed list of educational focus areas and delivery of marae-based programmes. The National Certificate in Horticulture, level 2 was delivered on marae in 2012.

Indicator(s)	Audited 2011 Outcome	Target	2012 Outcome	Comment
Engagement with secondary schools		75% secondary schools involved in STAR, Gateway, YG or Trades Academies	91%	Only three of the 35 schools in the region are not engaged with Wintec's secondary/tertiary transition programmes.
Education and training delivered collaboratively with other tertiary providers within a network of provision		Minimum of 400 EFTS delivered through collaborative arrangements with other tertiary providers	467 EFTS	These EFTS were delivered collaboratively in 2012, including: 192 with the University of Waikato; 159 off-campus with other ITPs (WITT, NMIT, Tairawhiti/EIT) as part of the Bachelor of Applied Social Science; 10 with Te Wānanga O Aotearoa; and 106 EFTS delivered on campus in collaboration with Otago Polytechnic.
Increased collaboration with regional ITP partners		Collaborative opportunities with Bay of Plenty Polytechnic and Waiariki Institute of Technology assessed and any agreed actions identified (via Collaborative Assessment Report) and implemented as per agreed timeline	Opportunities assessed but not yet implemented	Discussions continue at CE and Council level regarding opportunities for collaboration. At a school-to-school level discussions have been occurring with Bay of Plenty Polytechnic with a view to both institutions supporting out-of-region delivery where demand warrants and exploring potential joint delivery opportunities in areas such as interior design, health, aquaculture and trades.
Engagement with Private Training Establishments (PTEs)		100% of PTEs identified in PTE engagement plan met at least once annually	94%	29 of 31 regional PTEs in Wintec's engagement plan were involved in engagement discussions during 2012. Additionally, a collaboration agreement was signed with a major Auckland-based PTE to deliver a Wintec building qualification in South Auckland.
Increased PTE pathway agreements		At least five 5 additional pathways formalised	5 additional pathways formalised	Pathways with five additional PTEs were formalised during the year as part of Wintec's on-going PTE engagement strategy. These clarify pathways for students from the PTEs to relevant study options at Wintec.
Increase the number of international strategic partners		At least four new strategic partnership MOU agreements signed by December 2012	12 agreements signed	Nine new agreements were signed in China, two in India, and one in Korea. These agreements represent positive progress on our strategy to increase, and diversify our international partnerships.

RESEARCH

Our research and commercialisation activity drives productivity in our region. Wintec has a history of reputable research and was one of only two ITPs to enter the first Performance Based Research Funding (PBRF) round in 2006. We are not funded by the Government to do the same sort of research as universities. In keeping with Government's expectations for ITPs to engage in applied research, we have established a reputation for providing practical solutions to industry-identified problems and for leading knowledge and technology transfer between ourselves and industry. The applied nature of our research activity also strengthens our reputation for quality research-informed vocational teaching to support degree and postgraduate teaching roles.

Over the last few years, we have been differentiating our approach to research to ensure we are creating value from the investment of resources into research activity with regard to reputation, employer engagement, technology transfer and PBRF outputs. For our organisation, research is not only a compliance activity for academic delivery of programmes at Level 7 and above, but also a way for our staff to remain current and relevant in their teaching, for us to deliver "work-ready", innovative graduates. It is also another way to link with industry through providing solutions to real-world problems.

Building institutional research capacity and capability within this context has been a focus for Wintec over the last three years. Emphasis has been placed on increasing staff engagement in research across a range of disciplines, and on encouraging emerging researchers from areas which have not traditionally undertaken formal research projects, such as the School of Trades and the Centre for Languages. Another area of focus has been to improve our reporting systems so that all research undertaken in Wintec, regardless of the size or the source of funding, is recorded. As our research strategy matures we will see the outputs for multi-year projects increasing and the number of smaller outputs, that can generally be undertaken within the calendar year, declining.

In 2012 we were successful in exceeding our gross output target (the number of research outputs *completed* in the year). At the same time two of our other output targets were below target. Three factors have meant the targets for PBRF weighted points and the average weighted PBRF points per output have not been met:

(i) Lower-level research projects previously undertaken outside the research reporting system are now reported and, in the main, these projects resulted in a lower average weighting of outputs;

(ii) the planned increase in emerging researchers has also contributed to larger volumes of lower weighted research outputs;

(iii) this was the first year of the new PBRF cycle, with more multi-year research outputs commencing. This reduces the number of higher-weighted outputs completed in the year and reported.

In essence the latter two points suggests our research strategy of building capability, and driving more, longer-term, and higher-value research activity is being effective. This is supported by extremely positive outcomes for the indicators for externally funded research and research in conjunction with industry, which represented a significant improvement on the 2011 results. These results can be attributed to the planned development of research facilities during 2012. These facilities enable greater engagement with industry and provide opportunities to attract commercial and industry partners, expand postgraduate provision and research opportunities for students.

To progress our research strategy in 2013, we will be driving four key initiatives.

- The introduction of a milestone management tool will provide more comprehensive and transparent reporting on the progress of outputs against plan, enabling better monitoring of and support for research activity.
- The implementation of two new indicators that will help us to better interpret growth in maturity of our research capability and ensure alignment with our strategic goals and focus sectors.
- The creation of capability development plans for all staff whose research activity is below the quality threshold for the new indicators.
- Our postgraduate strategy, which aims to align postgraduate qualifications and learning experiences for students with practical applied research projects. It will drive the development of Master's qualifications in applied industry research that will bring together employers, students, Wintec and external supervisors on industry-based research projects, either through our research facilities or in industry settings.

Indicator(s)	Audited 2011 Outcome	Target	2012 Outcome	Comment
Number of research outputs	545	408	483	In combination these indicators show that the expected shift via the School Research Plans to higher weighted outputs was not fully realised in 2012. This indicator measures research projects completed in a calendar year, not the amount research conducted during the year. As we progressively move from shorter, lower weighted research projects towards higher weighted ones, the time required to complete these projects will increase. Additionally, 2012 was the first year of the new PBRF cycle meaning more multi-year projects were commencing than concluding.
PBRF weighted points	1,622	1,303	1,268	
Average weighted PBRF points per output [2]	3.0	3.2	2.63	
Percentage of Research, Development and Transfer activity undertaken in collaboration with industry/community	32%	42%	49%	Industry related research activity continues to build at a steady rate. Projects undertaken by our Research Facilities are included in this measure.
PBRF research revenue	$607,000	$661,000	$709,555	All planned PBRF income has been received.
Value of external (non-PBRF) research contracts gained	$87,000	$150,000	$243,000	Research revenue continues to grow.
Research vouchers undertaken with industry	15	20% increase on 2011 levels in research vouchers commissioned by December 2012	47	This indicator measures the number of new research vouchers commissioned in a calendar year. Over time, as other research initiatives mature, growth for this measure will level off and the outcome will stabilise.

[2] The average weighted PBRF point per output is calculated by dividing the total weighted points by the number of research outputs

FINANCE, CAPITAL ASSETS AND PERFORMANCE

The following indicators represent the financial performance of the Wintec Parent. We intend to achieve a position of financial viability and on-going sustainability to support our reputation as an efficient, effective and modern organisation. We have set ourselves on a path of continuous modernisation and the targets set out below represent our expected revenue streams, expenditure, and debt facility.

The improved revenue streams are predominately driven by higher tuition fees and other revenue streams, and this has resulted in our better than target operating surplus. There has been some increase in costs associated with obtaining the increased revenue.

In 2012, we instigated a set of activities focused on energy efficiency and waste minimisation. Following a comprehensive external audit, our energy initiatives have achieved a 4% gas and power saving; we have increased the fuel efficiency and decreased the carbon emissions of our vehicle fleet; decreased our paper usage and increased our recycling. For 2013 we will target further savings in this area.

As part of our modernisation programme and commitment to providing quality technology services to our students, staff and community we met the target of getting wireless internet coverage throughout 85% of our campuses.

Indicator(s)	**Audited 2011 Outcome**	**Target**	**2012 Outcome**	**Comment**
Operating surplus before revaluations, land sales and asset disposals/ write downs (%)	5.1%	3.0% +	4.5%	Target exceeded though increased revenue stream from student fees (volume growth) and contained delivery costs.
EBITDA (Earnings before interest, tax, depreciation, amortisation and abnormals) ($m)	10.7	10.1	11.0	Achieved.
TEO risk rating against the Financial Monitoring Framework	Low	Low	Low	Current rating by TEC for 2011 is Low. We have forecast our 2012 position as low due to the improved operating surplus.
Percentage of agreed TEC SAC funding	100%	100%	100%	Achieved.
Domestic fees revenue ($m)	18.8	18.2	20.7	Increased proportion of students in higher-fee programmes than assumed in budget.
International fees revenue ($m)	7.5	8.5	9.0	Achieved.
ITO revenue ($m)	2.8	3.8	2.5	Combination of lower numbers and reduced class occurrences as ITO trainee numbers continued to decline in 2012.
Total revenue ($m)	81.2	83.6	85.8	Outcome due to higher fees revenue than assumed and the receipt of other revenues confirmed after the budget was set (which also resulted in higher than budgeted expenditure - see below).
Personnel ($m)	46.7	46.4	46.3	At target.

Indicator(s)	Audited 2011 Outcome	Target	2012 Outcome	Comment
Depreciation ($m)	6.0	7.0	6.4	Timing of capital spend has resulted in a lower depreciation spend.
Total expenditure ($m)	77.9	80.5	81.6	Mainly due to the addition of expenses related to additional revenues received that were not confirmed at the time the budget was set.
Depreciation as a percentage of expenditure	7.7%	8.7%	7.8%	Lower due to increased expenditure compared to budget as well as a lower depreciation charge than budget.
Debt/Equity	6.7%	11.0%	5.9%	Driven by higher equity through increase in valuations.
Net cashflow from operations	114%	111% +	115%	Above target due to positive cashflow.
Liquid assets	8.2%	12%	15.6%	Timing in cash receipts from land sales and corresponding reduction of overdraft facility has resulted in higher liquid assets.
Debt cover	0.7x	1.8x or less	0.7x	Lower term debt and reduction in overdraft facility.
Interest cover	7.8x	3x or more	6.2x	Lower borrowing and interest rates.
Working capital ratio	0.48:1	0.59:1	0.54:1	Primarily driven by cash receipts from land sales and reduction in overdraft facility. Ratio excludes land held for resale.
Maximum term borrowing ($m)	8.0	14.0	7.2	Lower debt levels due to proceeds received from asset sales.
Maximum aggregate borrowing ($m)	13.0	11.4	7.3	Primarily driven by cash receipts from land sales and reduction of overdraft facility.
Personnel as a % of revenue	54.7%	55.5%	52.6%	Represents the increased efficiency of delivery (average class size efficiencies) as the proportional increase in revenue is greater than the proportional cost of delivery.
Personnel as a % of expenditure	57.1%	57.6%	55.3%	
Full time equivalent (FTE)	$69,617	$71,528	$72,542	Higher average costs associated with wage negotiations and wage pressure on replacement staff starting salaries.
Capital Asset Management System (CAMS) performance		All CAMs attributes are rated at moderate or above by December 2012	85% of attributes self-rated as moderate or better	All but one attribute (asset management systems) rated as moderate or better. As part of the on-going improvements to our asset management systems, all asset management plans and the self-assessment have been completed and externally reviewed by SPM. The new asset system implementation is underway and will be in place by July 2013.

FINANCE, CAPITAL ASSETS AND PERFORMANCE (Continued)

Indicator(s)	Audited 2011 Outcome	Target	2012 Outcome	Comment
Average usage of teaching spaces across core hours		60%		This was not measured in 2012.
Improved utilisation of space		New space use and utilisation measures and targets approved by June 2012	Approved by Building and Assets Committee in April 2012	Achieved.
Implement wireless connectivity across Wintec campuses		85% coverage by Dec 2012	85%	Target achieved.
Improve energy management capabilities		Implement Building Management System across City and Rotokauri campuses in line with the EECA improvement plan by Dec 2012	BMS implemented in 2012	Predicted energy savings delivered – $46,793 in gas and power in the 12 months to June 2012. Building Management System Project completed and sent to EECA.
Maintain relative levels of energy usage		Total energy use index for both campuses (total energy use/student and staff numbers) is equal to or same as 2011 levels	4% improvement on 2011 levels	Achieved.
Reduction in deferred maintenance liability		Deferred maintenance is $5.5m or less at Dec 31 2012	$4.5m	Achieved.
Develop an organisational sustainability strategy		Complete sustainability project and report findings to Exec by June 2012	Report developed in June 2012 and findings endorsed by Exec in December 2012	Following on from the sustainability strategy paper, for 2013 we are focused on a range of operational initiatives in the energy, waste, transport and buildings area.
Implement sustainability auditing		Complete annual sustainability audits for fleet, energy management and waste management by November 2012	Audits completed September – November 2012	Annual sustainability audit resulted in recommendations that have enabled more efficient use of fleet, energy and waste management.

TEACHING AND LEARNING AND CAPABILITY DEVELOPMENT

Our students are successful because they learn industry-relevant skills in innovative ways and in educational settings that reflect "the real world". Our high-performing workforce is dedicated to creating and facilitating dynamic learning experiences to help our students become better learners. Our relationships with students and industry are critical to achieving this. Having relevant, high quality programmes underpins our contribution to the economic and social wellbeing of our region, and it is important we continually refresh these. We aim to deliver our programmes and courses in ways that complement our students' lifestyles and support workplace learning.

Through TEC data, our own analysis, and engagement with employers, we build up a picture of the types of skills and attributes our region or country needs from our graduates.

Work continued in 2012 to review processes for assessing programme performance and alignment with our strategy. Focus was placed on strengthening products and pathways in the TEC priority areas for science, technology, engineering and maths (STEM) and priority trades. This has resulted in the redevelopment of pathways to engineering qualifications, and the alignment of our level 2 foundation programme with the Ministry of Education's vocational pathways to support students' career choices.

We are involved with the New Zealand Qualifications Authority (NZQA) Targeted Review of Qualifications, particularly in the areas of trades, agriculture and horticulture to ensure that these programmes will meet the current and future demands of industry and our regional economy.

In 2013 a new self-assessment framework will be introduced to inform the development of a product strategy aimed at ensuring we have the right mix of products and services to deliver work-ready graduates sought after by our employers.

Building our capability and capacity in blended learning continues to be a key focus. Over the next year we will be working towards an ambitious goal of 100% of our courses having an interactive, online component. We are introducing new standards for blended learning course design, and are upgrading our learning management system to Moodle 2.3 to deliver greater functionality for staff and students alike. This is a significant step change in our approach to teaching and learning.

Employee engagement in 2012 was extremely positive with the best ever outcome for staff attendance at engagement focus groups. While uptake of technology by staff and attendance at professional development events was good, feedback suggests that staff want to be more confident in using learning technologies both existing and emerging. This will be a focus for us in 2013.

Indicator(s)	Audited 2011 Outcome	Target	2012 Outcome	Comment
Improve technology capability of our workforce		Improve academic staff confidence with learning technologies by 20% over 2011	Maintained at 2011 levels	While there has been an increase in staff uptake of learning technologies, self-reported confidence levels remain at 2011 levels. In 2013, KPIs for all courses will be required to have an interactive Moodle presence. This will drive a capability development plan for all staff focused on raising blended learning quality and tutor confidence. Our annual staff professional development in 2013 will contain workshops relating to blended learning.
Support increased mobility of staff through migration to staff laptops (Staff Laptop Scheme)		150 staff owned laptops	90 staff owned laptops	A review of this scheme part way through 2012 indicated there was a lack of awareness of improvements made to the scheme since it was first implemented in 2011 or of the benefits for staff.

TEACHING AND LEARNING AND CAPABILITY DEVELOPMENT (Continued)

Indicator(s)	Audited 2011 Outcome	Target	2012 Outcome	Comment
Improve overall management capability		85% of managers have completed Management Development Programme by December 2012	90%	Achieved.
Improve academic staff capability in adult teaching		Recorded CAT completions ≥85% CATE completions ≥65%	90% and 93% respectively	Achieved.
EFTS: Academic staff FTE ratio (excluding online EFTS)	19.5:1	18.9:1	19.0:1	At target with modest increase in class sizes.
Employee engagement	n/a	Action plan developed and implemented by December 2012	Action plan developed in 2012 with implementation commencing 2013.	More than 40% attendance at staff focus groups was achieved, a significant improvement over previous years. An action plan has been developed and communicated to staff with implementation over 18 months.
Review programme relevance, quality and outcomes		Programme Self-Assessment (PSA) is completed and recommendations for improvement are made by October 2012	PSA completed by August 2012 and recommendations for improvement made by October 2012	As a result of the review of PSA, a new process will be implemented in 2013 aimed at making self-assessment 'business as usual' and linking it to the business planning cycle.
Align organisational quality to NZ Business Excellence Foundation (NZBEF) best practice criteria		Review Wintec's OSA performance against six NZBEF categories and make recommendations for improvements in 2013 by December 2012	All six NZBEF best practice criteria evaluated by NZBEF evaluation team in September 2012 as part of the Business Achievement Award process.	Recommendations for improvements by NZBEF evaluators were provided to Executive team in December 2012. The opportunities for improvement were incorporated into 2013 functional area business plans for action. As a direct result of the NZBEF evaluation process, Wintec won a Business Achievement Award, awarded in December 2012.
Development of new product concepts		A minimum of 10 new product concepts are developed through the commercialisation framework by December 2012	17	These commercial courses were approved and delivered through the short course process in 2012.

Indicator(s)	Audited 2011 Outcome	Target	2012 Outcome	Comment
Increase the number of new ideas for organisational or product improvement		10% increase in the number of ideas submitted to Ideas Group	5% decrease on 2011 levels	139 idea submissions were received by the Ideas Group in 2012 indicating engagement by staff is being maintained. A targeted process for assessing commercial product ideas was introduced; if these submissions were taken into account the target would have been exceeded.
The proportion of level 1 – 3 courses offered that contain embedded literacy and numeracy	89%	100% of modules at level 1-3 contain embedded literacy and numeracy	94%	This outcome has improved on the 2011 result. However there are three categories of students accounting for the difference between actual and target: (i) students studying level 3 modules within level 5 and 6 qualifications; (ii) students in level 1-3 modules within programmes being taught out in 2012; and (iii) students in online modules. We will be monitoring these categories and looking for ways to increase student responsiveness.
Implement use of Literacy Assessment Tool		100% of Level 1-3 students are assessed	87%	This KPI was measured for the first time in 2012. Implementation has been comprehensive across the range of level 1-3 programmes. However this result was impacted by the same three categories of students noted above.
Increase the volume of provision containing blended and flexible learning content		80% of initiatives in Blended Learning Module Development Plan implemented by December 2012. 30% of all modules have a minimum of 20% blended content by December 2012	100% of the Blended Learning Module Development plan implemented by Blended Learning champions in 2012. 56% of all modules have a minimum 20% blended content in December 2012	The 2012 outcomes provided a solid platform for the step change in the quality of blended learning we are seeking in 2013.


GALLAGHER hub

ACKNOWLEDGEMENTS

ACKNOWLEDGEMENTS

WINTEC GRATEFULLY ACKNOWLEDGES THE SUPPORT OF:

Our 300 Employer Partnership Group members for all of their industry and community expertise and support, enabling us to ensure our qualifications and training are current and meet the needs of employers in the region.

The Gallagher Group for its on-going support of our activities.

Our international partners in China including Chengdu University, Hebei Normal University, Peking University Third Hospital, Shandong University of Technology, Shenzhen No 1 Vocational College, Shenzhen No. 2 Vocational and Technical School, BoLun Vocational and Technical School, Changsha University, Nanhai Information Technology School, Guangdong Commercial Technical School, Guandong Accounting and Finance School, Shandong University of Finance and Economics, Sichuan Conservatory of Music, Qingdao Technical College and Tianjin Light Industry Vocational Technical College.

Our partners at the Indian Institute of Technology, Kharagpur and NIWA.

Our international partners at Open University Malaysia, the Deans Council for Thailand, and Lourde College of Nursing.

Our international partners in South Korea, France, Austria, Finland, Sweden, Canada, China, Denmark and the Netherlands who provided student exchange opportunities.

Polytechnics International New Zealand Ltd (PINZ), the Saudi Arabian Cultural Mission (SACM), Technical and Vocational Training Corporation (TVTC), the Saudi Electrical Services Polytechnic.

Continuing cooperation and support from AgResearch for Wintec staff and students at the Agritec Centre, Tokanui.

The WECA (Waikato Engineering Careers Association) and Animal Ethics Committee members for their continuing support of Wintec.

Dairy NZ, Primary ITO and Dairy Training Ltd for involvement in a pilot project around farm business management training.

Opportunity Hamilton and Waikato Chamber of Commerce for their support and partnership in the business hub located at Wintec House.

Department of Corrections (Springhill Prison), Hauraki Coromandel Development Group, Aquaculture NZ, Seafood ITO, Otorohanga District Council & Otorohanga District Development Board for their support of our business development and regional engagement initiatives.

Hamilton City Council, for its participation in a range of projects including campus developments, SODA Inc., and a range of other planning and development activities.

The Otorohanga, Waitomo and Thames Coromandel District Councils for their support of our satellite campuses.

Habitat for Humanity, Community Living Trust, Child Matters and Sport Waikato as our strategic community partners for their ongoing engagement with Wintec.

SODA Inc. and its stakeholders and partners for their contribution to innovation and entrepreneurship in Waikato region.

Kíaute Pasifika for its student support and student placements in healthcare.

Waikato-based private training establishments (PTEs) who work with us to pathway students into Wintec.

Partnerships which include scholarships, internships and employment opportunities that benefit our students from a variety of ethnic groups including the Somali, Korean, Filipino, Pasifika and Chinese communities.

Department of Labour, Ministry of Social Development, New Zealand Trade and Enterprise for their support with a host of regional initiatives and planning and development advice.

Fairfax Ltd, for enabling our students to complete journalism internships.

Our Metro ITP partners: Unitec Institute of Technology, Manukau Institute of Technology, Christchurch Polytechnic Institute of Technology, Wellington Institute of Technology and Otago Polytechnic.

Our other ITP and Tertiary partners: Tairawhiti Polytechnic, Nelson Marlborough Institute of Technology and University of Waikato. Also Te Wananga o Aotearoa in particular for their pastoral and cultural support for the Māori TradesTraining initiative.

Waikato District Health Board, Hawkes Bay District Health Board and Bay of Plenty District Health Board for their assistance in delivery of education relating to health/nursing/midwifery in their regions.

Lakes District Health Board for their participation and support of the Waikato District Health Board Moodle project.

Waikato-Tainui and Tainui Group Holdings for their support with awards, scholarships and grants, their sponsorship of Spark, Wintec's annual international festival of media arts and design, and their invaluable advice and collaboration on our Māori Trade Training initiative.

Ngati Haua Trust (Morrinsville) and Tūrangawaewae marae (Ngaruawahia) for their support and venues in the delivery of our horticultural programmes on marae.

The many sponsors of our various events, scholarships and awards.

The many suppliers of goods and services to Wintec.

Te Puni Kokiri for advising on government policies on Māori and Pasifika development and its sponsorship of our Matariki Wearable Arts events.

The many Pasifika community groups in the region for their support of Pasifika initiatives and Pasifika students in general.

The many social service agencies and organisations who support our programmes and offer fieldwork practicum and work experience to our students.

All our Waikato and Regional Trades Academy secondary school partners.

Agriculture Industry Training Organisation (AGITO), Competenz Industry Training, Electrical Technology Industry Training Organisation (ETITO), Electrical Supply Industry Training Organisation (ESITO), Hospitality Standards Institute, Motor Industry Training Organisation (MITO) and Plumbing, Gasfitting, Drainlaying, Roofing Industry Training Organisation (PGDRITO).

Mighty River Power and Contact Energy for their support and engagement in teaching the electrical apprentice intake.

Our industry research partners including the Energy Efficiency and Conservation Authority (EECA), WEL Networks and Mighty River Power, Rheem, and Balance.

The Ministry of Social Development for their work with the Future Build Waikato programme.

www.wintec.ac.nz