

## Appendix 2 - Bank and Tertiary Education Commission (TEC) financial ratios and limits

### Bank financial undertakings:

<b>Group Coverage</b> Total tangible assets of the University Group))	Must be not less than 90% of the Tangible assets of the Consolidated Group
<b>Interest cover ratio</b> (EBIT to net interest expenses)	Net interest expenses must not be less than 1.75x. Calculated on a rolling 12-month basis, tested semi annually
<b>Leverage ratio</b> (Net debt / net debt plus equity)	Must be not more than 35%. Tested on a quarterly basis

### Secretary of Education Borrowing Consent Covenants:

#### TEC Breach Covenants

The Ministry of Education consent establishes a number of key ratios which the University must operate within or will be considered “in breach” of the Consent conditions. If not corrected the consent becomes null and void.

<b>Net surplus ratio</b> (Surplus or deficit / Total Revenue)	At least 0.0% (break-even) each year consent remains in place
<b>Interest cover ratio</b> (EBIT to interest paid)	No less than 2.5 times each year consent remains in place
<b>Net Leverage ratio</b> (Commercial borrowing less non-trust cash and cash equivalents/ EBITDA)	No more than 2.5 times each year consent remains in place
<b>Liquidity ratio</b> (non-trust cash and cash equivalents plus any undrawn committed borrowing facilities/ cash outflow from operations)	At least 5.0% at year-end each year consent remains in place

#### TEC Monitoring Covenants

The Ministry of Education consent mandated the TEC to monitor key ratios for the University. If a Plan or Budget forecasts below specified thresholds for the indicators this must be reported to the TEC and plans made to bring the ratio/s back within required limits.

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***Profitability and cash-flow***

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**Net surplus ratio**

(Surplus or deficit / Total Revenue)

At least 3.0%

**Cash Flow from operations ratio**

(operating cash receipts / operating cash payments)

At least 115% during period of current consent

**Interest Payments**

Below \$2.0m per year

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***Available liquidity***

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**Cash and cash equivalents**

Forecast to be above \$15m

**Undrawn Borrowing facilities**

Forecast to exceed \$20m

**Debt cover ratio** (bank borrowings plus finance lease borrowing / net cash flow from operations)

No more than 2.5 during period of current Consent

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***Operational delivery***

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**On-shore EFTS**

Do not shrink by more than 1.5% over prior year

**Personnel costs**

Do not exceed 62% of total expenses

**Research Revenues**

Do not decline by more than 10% from a 3-year historical average