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

Bank financial undertakings:

Group Coverage Total tangible assets of the University Group))	Must be not less than 90% of the Tangible assets of the Consolidated Group
Interest cover ratio (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
Leverage ratio (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.

Net surplus ratio (Surplus or deficit / Total Revenue)	At least 0.0% (break-even) each year consent remains in place
Interest cover ratio (EBIT to interest paid)	No less than 2.5 times each year consent remains in place
Net Leverage ratio (Commercial borrowing less non-trust cash and cash equivalents/ EBITDA)	No more than 2.5 times each year consent remains in place
Liquidity ratio (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.

Profitability and cash-flow	
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

Available liquidity	
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

Operational delivery	
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