
ANNUAL REPORT

2016-2017



YEAR AT A GLANCE

1,000,000

social media followers

15

regions supported

+ 7,245

International student numbers increased 6% to 131,609 in 2016

244,538

referrals to institutions from studyinnewzealand.govt.nz

International students enrolled with over

800

New Zealand education providers

The value of the international education industry in 2016 was

\$4.5b

Funded study abroad for

332

New Zealanders

Released

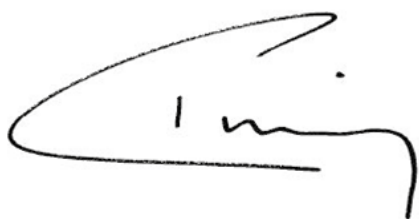
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regional economic impact reports

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In accordance with the Crown Entities Act 2004, we approve this Annual Report on behalf of Education New Zealand's Board.



Charles Finny | Board Chair
30 October 2017



Philip Broughton | Board Member
30 October 2017

BOARD CHAIR'S FOREWORD

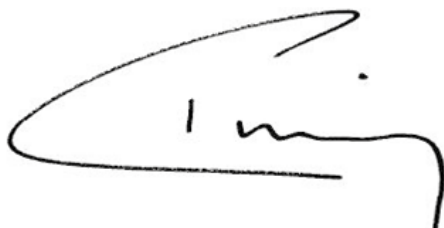
It is a great privilege to be writing the foreword to another Annual Report for Education New Zealand. As I write we have just completed the largest ever international education conference in New Zealand with 735 attendees. It was a fantastic event that filled me with enthusiasm.

This annual report is rightly a good news story. We have continued to grow earnings and student numbers from abroad. A year ago, we consciously took the heat out of our second biggest market – India. We have successfully re-balanced that market and are seeing much better visa approval rates for Indian students. More Indian students are now coming to study at university in New Zealand.

The overall decline in student numbers from India has been more than compensated for by the growth in other markets. China remains our largest market but diversification efforts by the international education industry are bearing good fruit. They will continue over the next few years.

Our growth in earnings has not just been achieved by growing student numbers. We are constantly moving up the value chain. This must also continue in the years ahead.

There remain challenges for the industry. International education is a very competitive space. There are inherent tensions in “getting the settings right” around international education, and it is important to balance the competing priorities in



Charles Finny | Board Chair

different areas. We need to ensure that our policy settings are the ones that benefit New Zealand.

New Zealand has a high quality education sector. It is important that we maintain these standards. I thank the New Zealand Qualifications Authority for their continued vigilance.

We also need to ensure that the industry is valued and appreciated throughout New Zealand. Progress has been made in encouraging a wider regional dispersal of our international student body but we need to do this even better. Can I note here how pleased I am to see the strong growth in student numbers in Christchurch. Dealing with the impact of the earthquakes in Canterbury was one the immediate challenges faced by Education New Zealand at its formation.

Our work is not just about encouraging international students to come to New Zealand. We are working with the industry to realise opportunities offshore and we are encouraging, through our growing scholarship programmes, an increasingly international experience for New Zealand students. And over the past year, we have continued to explore ways to use information technologies even more effectively as a marketing tool. Expect more on this front in the year ahead too.

Finally can I thank the Board for their support and dedication. Grant McPherson and his team have had another excellent year. Support from the wider government process has been tremendous. I appreciate this greatly.



CHIEF EXECUTIVE'S FOREWORD

International education delivers economic, social, educational and cultural benefits to New Zealand education providers, students and communities. Globally, the number of internationally mobile students is forecast to continue increasing. In 2016¹, international education was New Zealand's fourth largest export.

While students from all around the world are attracted to New Zealand, growing numbers of New Zealanders are heading offshore for part of their education. Through initiatives like the Prime Minister's Scholarships for Asia and Latin America, we're giving New Zealand students the opportunity to develop international skills for the future by studying overseas.

Education New Zealand, along with other government agencies, has worked hard to improve international student wellbeing this past year to ensure New Zealand delivers both a high quality education and positive student experience for international students. We combined this work into our student marketing work to focus on the student experience – from recruitment to post-study. While education providers have the first

responsibility for the student experience, all Kiwis play a part too.

To do this, we have committed to telling the international education story in New Zealand to build a deeper understanding of the international education industry. The benefits of international education have long been known to many educators, students, and homestay families from around New Zealand, and we have been helping them to share their stories with the rest of New Zealand. In this way, the international education story is being told like never before. Thanks to the local lens provided by the regional economic evaluations, New Zealanders can see how international education adds socially, culturally and economically to their own community.

I would like to acknowledge the work of other government agencies who are committed to supporting to the industry. I would also like to thank international education providers for their focus and engagement in international education during the year. We will continue to work with the industry and with other government agencies to grow a sustainable international education that benefits New Zealand.



Grant McPherson | Chief Executive

¹ This Annual Report includes financial year and calendar year information. With the exception of Part Four, dates such as 2016/17 relate to a financial year while a calendar year is shown

as a single year, such as 2016. All information in Part Four relates to a financial year.

PART ONE

International education



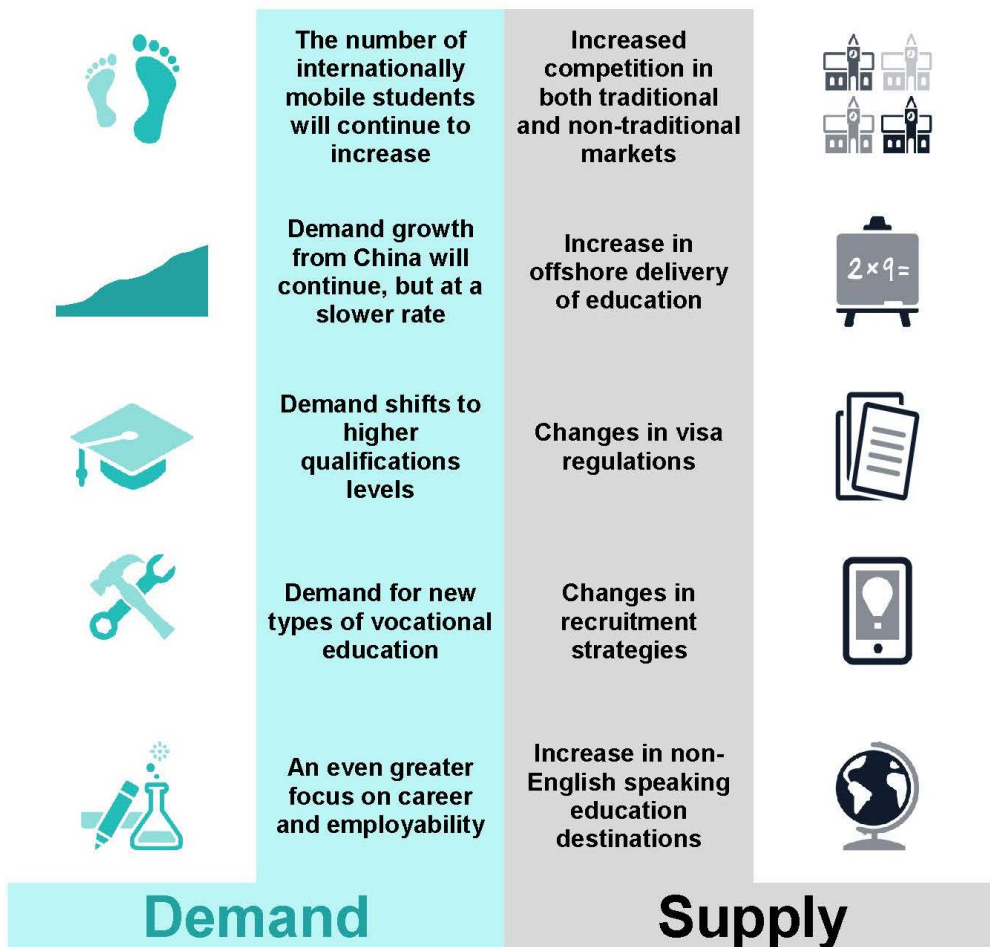
THE INTERNATIONAL EDUCATION LANDSCAPE 2016/17

International education strengthens New Zealand’s cultural, social and economic links with the world. Stronger international connections between New Zealand and other countries encourage diversity and acceptance of other cultures, creating social wellbeing and increasing the vibrancy of communities. International education helps forge enduring friendships and relationships, providing strong networks for research and business, access to new ideas,

solutions, and opportunities. It helps New Zealanders develop the cultural and language skills needed for our nation’s growing diversity and engagement in an increasingly mobile and connected world.

International education is a significant contributor to New Zealand’s prosperity. It is our fourth most valuable export and supports 33,000 jobs for skilled New Zealanders across the country.

Factors affecting global supply and demand

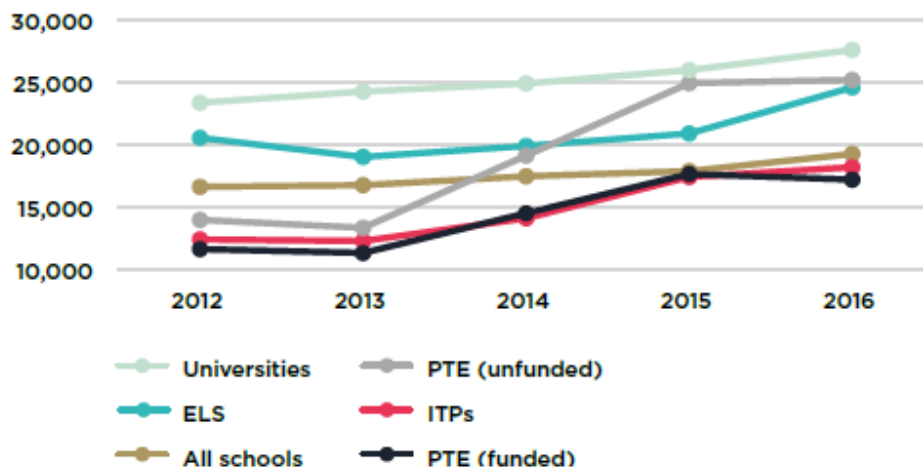


INTERNATIONAL EDUCATION IN NEW ZEALAND

In 2016, 131,609² international students were enrolled with a New Zealand provider, a six percent increase on the previous year. Enrolments increased in all sectors except private training

establishments (PTEs) where there has been rebalancing in the India student market. The largest increases came in the primary school and English language (ELS) sectors.

Number of international students with New Zealand providers by sector (2012 - 2016)



The value of the industry

The economic value of New Zealand's international education industry in 2016 was estimated to be \$4.5 billion³ – up \$200 million⁴ from 2015.

The value of the industry grew due to increased student numbers, changing composition of courses (such as the rebalancing in the India student

market), increased average value per student and increases in living costs.

The New Zealand international education industry earned \$1.08 billion (excluding GST) in tuition fee revenue from international students in 2016. This is \$54 million more than in 2015 and a record result for the industry.

² Source: Export Education Levy and Tertiary Single Data Return, Ministry of Education.

³ Education New Zealand: *New Zealand International Student Enrolments – 2016 Full Year*.

⁴ Infometrics/National Research Bureau: *The Economic Impact of International Education in New Zealand 2015/16 and*

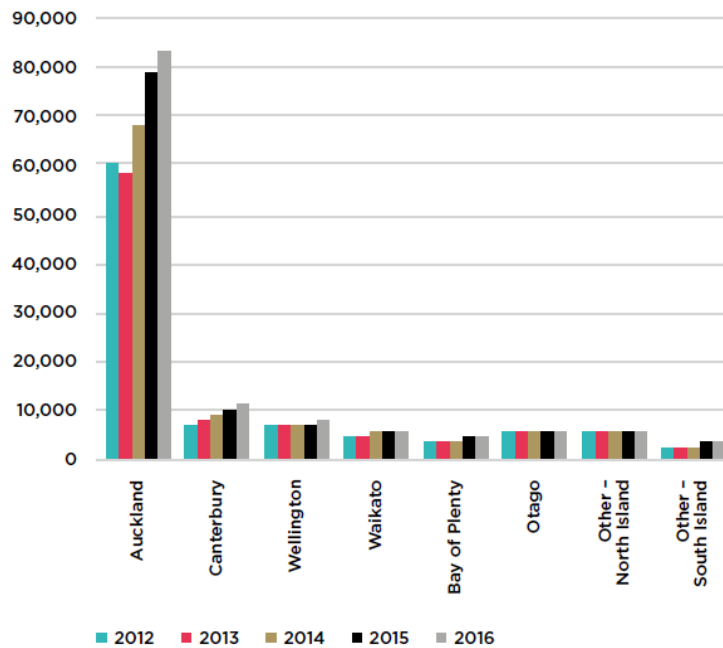
Infometrics/Covec: Development and Implementation of a new Valuation Methodology for New Zealand's Education Services Exports. The reports were produced for ENZ and are available on IntelliLab (<https://intellilab.enz.govt.nz/>)

International students studying throughout New Zealand

Of the international students studying in New Zealand in 2016, 63 percent studied in Auckland, 8 percent in Canterbury and 6 percent in Wellington.

All of New Zealand’s regions had an increase in international student numbers in 2016, with the strongest growth occurring in the Wellington region (up 10 percent), Canterbury (up 8 percent) and the Auckland region (up 6 percent).

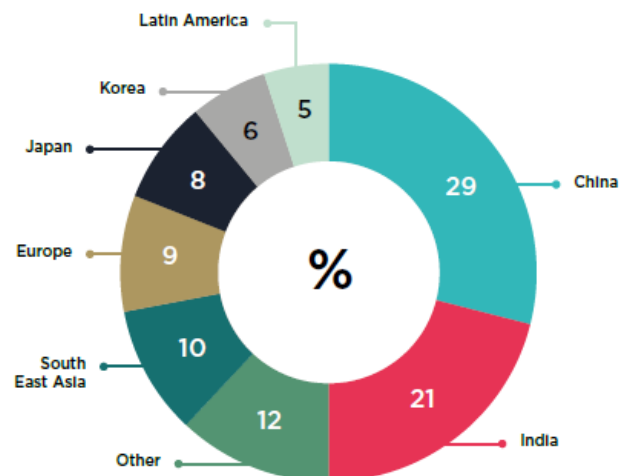
Regional distribution of international students in New Zealand (2012 - 2016)



International students by market (2016)

Market diversity

While China continued to contribute the largest share of international students to New Zealand in 2016 (29% of total enrolments) there were encouraging signs of growth from a broader range of markets, which reflects the investment made by education providers and ENZ into market diversification.



WHO WE ARE AND WHAT WE DO

Our purpose is to take New Zealand's education experiences to the world for enduring economic, social and cultural benefits.

ENZ is a Crown Agency responsible for promoting New Zealand education to an international audience. Our role is to support industry through a range of marketing, promotion and representation functions to give effect to the Government's goals for international education.

To promote New Zealand offshore, we work closely with other NZ Inc. agencies such as the Ministry of Foreign Affairs and Trade, Ministry of Business, Innovation and Employment, Tourism New Zealand, and New Zealand Trade and Enterprise. We also work with other education agencies, such as the Ministry of Education, the New Zealand Qualifications Authority and the Tertiary Education Commission.

We have staff around the world to support marketing, promotion and representation in our priority markets.

We work with New Zealand's diverse international education industry, made up of universities, wānanga, institutes of technology and polytechnics (ITPs), industry training organisations (ITOs), PTEs, ELSs and schools. We also work with education providers, publishers, consultancy services and education technology businesses who deliver their services offshore.

The 2016 Performance Improvement Framework review of ENZ endorsed our foundation approach to our establishment and acknowledged that ENZ has since become the New Zealand expert in international education. We provide industry, other agencies and decision makers with authoritative, targeted information and intelligence that gives New Zealand a competitive edge and provides a strategic influence on the government's agenda for international education.



HOW WE ARE FUNDED

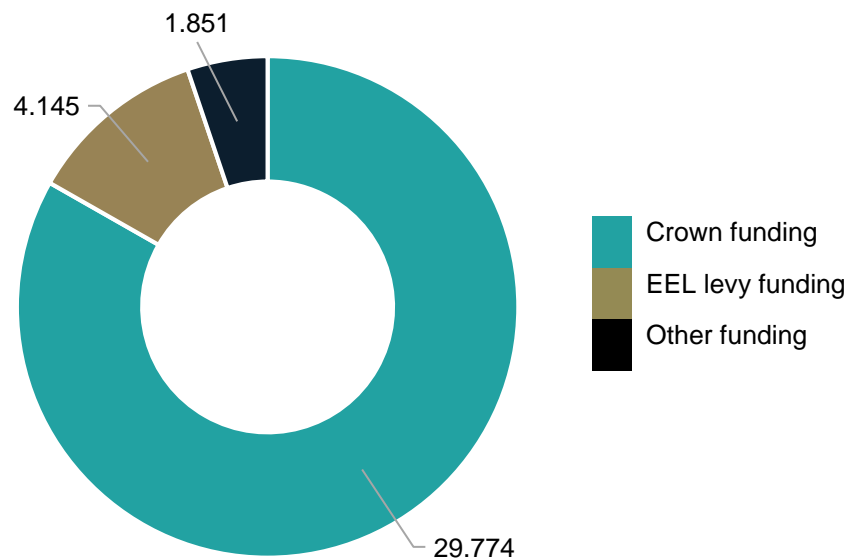
The majority of ENZ's funding comes from the Crown through Vote Tertiary Education.

In 2016/17, we also received a total of \$4.145 million of funding from the Export Education Levy (EEL), which is administered by the Ministry of Education.

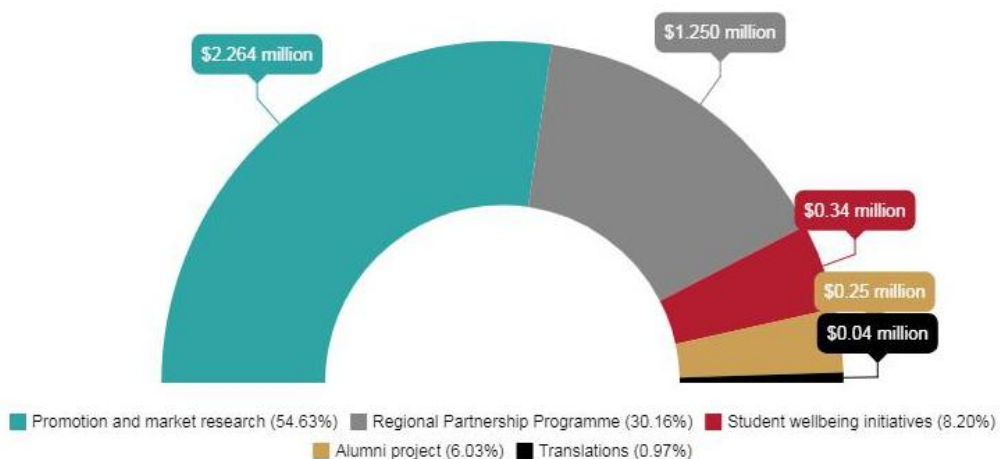
Information about specific ENZ projects delivered with EEL funding is provided in the 'Our Achievements' section of this report.

Further information on EEL income and expenditure is detailed in the Export Education Levy Annual Reports, which can be found on the Ministry of Education's website.

How we are funded (\$million)



Activities funded from EEL levy in 2016/17



PART TWO

Our performance





OUR OUTCOMES FOR 2016/17

Together with the international education industry and other government agencies, we are working to ensure that New Zealand maximises the social, cultural and economic benefits of international education. We also work with other government agencies to deliver on the Government's priorities for the education system and economic growth.

ENZ supports the Government's priority of responsibly managing the Government's finances by ensuring we deliver our work programme efficiently and effectively, and by delivering value for money.

A new International Education Strategy to 2025

We worked with the Ministry of Education to lead the development of a new International Education Strategy⁵ to replace the Leadership Statement for International Education.⁶ The draft strategy is guided by the following principles:

- **Student-centred** – understanding and delivering what students want so we can better meet and exceed expectations and grow New Zealand's reputation and industry.
- **Integrity** – delivering on promises, preventing unethical or illegal activity and protecting the New Zealand brand.

- **Collaboration** – driving collective effort across the industry throughout New Zealand and within government to grow value, build New Zealand's brand and maintain integrity.

The Government launched the draft strategy for public consultation on 30 June 2017.

Business Growth Agenda

International education is New Zealand's fourth most valuable export and is one of the core elements identified to help achieve the Business Growth Agenda's (BGA) export markets goal of increasing the ratio of exports to gross domestic product to 40 percent by 2025. International education also contributes to the BGA goals for innovation and for skilled and safe workplaces.

Our 2016/17 outcomes

ENZ's outcome framework is closely aligned with the BGA, the Leadership Statement for International Education, and the Tertiary Education Strategy. Our 2016/17 priorities are outlined in our Statement of Intent 2016-2020 and Statement of Performance Expectations 2016-2017. Our work was organised into one intermediate outcome: Increasing economic value from New Zealand's international education industry.

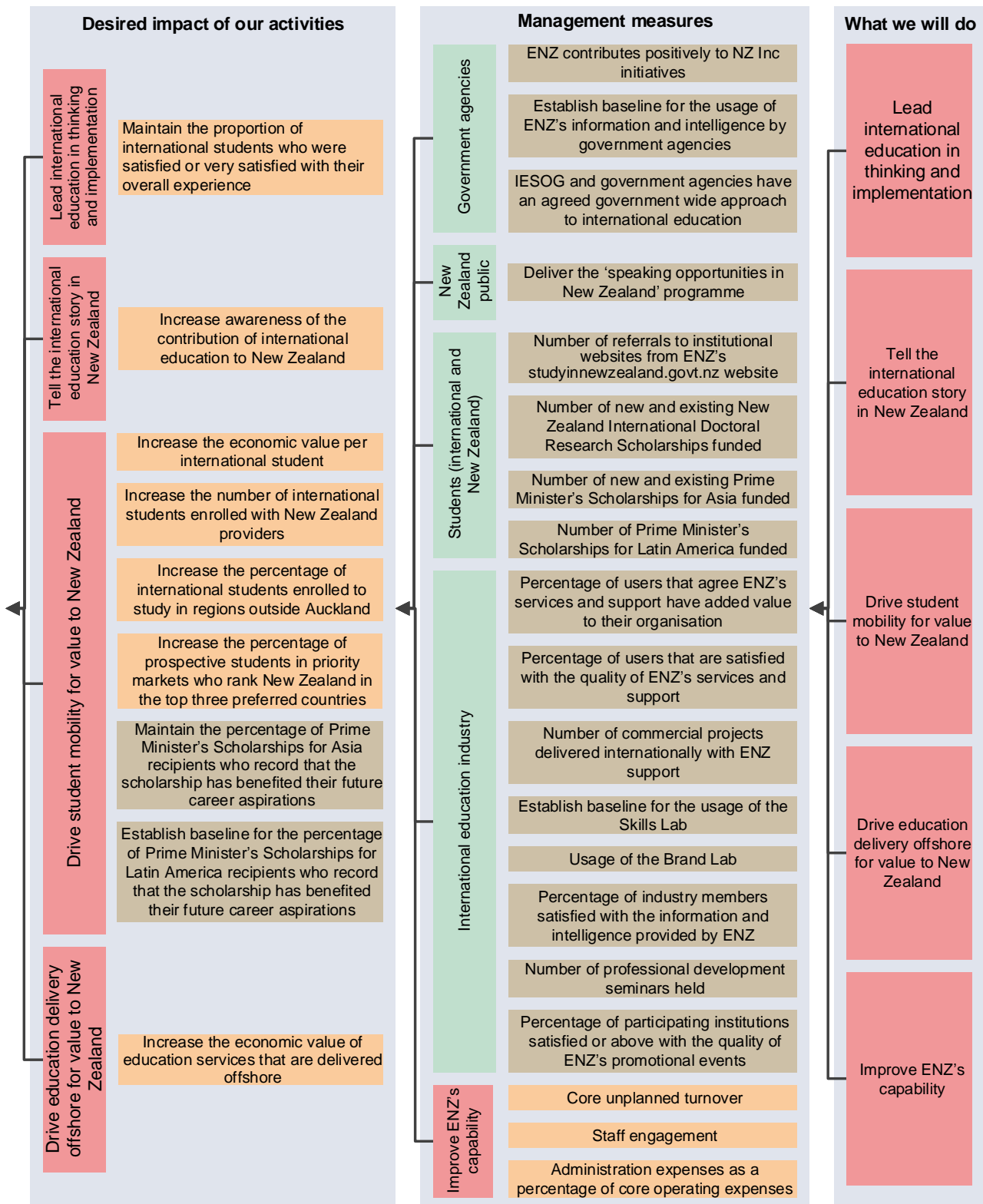
⁵ <https://enz.govt.nz/assets/Uploads/Draft-NZIES-for-consultation.pdf>

⁶ <https://enz.govt.nz/assets/Uploads/Leadership-Statement-for-International-Education.pdf>



Free trade agreements, Leadership Statement for International Education, Education system blueprint, Tertiary Education Strategy

KEY	ENZ goals	Statement of Intent impact measures	Statement of Performance Expectations performance measures
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OUR ACHIEVEMENTS

Our outcome: New Zealand international education activities provide enhanced social, cultural and economic benefits

In order to achieve our intended outcome, and our four-year excellence horizon, we identified five strategic themes⁷ that shape our activities as the 'go to' agency for international education. This section of our Annual Report highlights key achievements for 2016/17 within each of these themes.

Lead international education in thinking and implementation

We take a strategic focus to influence policy alignment across regulatory agencies in support of international education. Through the International Education Senior Officials Group (IESOG⁸), we worked with other agencies involved in international education to align our work programmes and ensure advice to Ministers was effectively 'joined up'. This is particularly important for immigration and education policies and settings as they can significantly affect New Zealand's competitiveness and ability to attract international students.

New Zealand International Education Strategy

Over 2016/17, ENZ and the Ministry of Education led the development of a comprehensive strategy for international education. The draft New Zealand International Education Strategy was released for public consultation on 30 June 2017.

In developing the strategy, we worked closely with other agencies and IESOG to ensure alignment across government. Once finalised, the strategy will

ensure government activity is coordinated to advance international education.

Student experience

A consistently high quality international student experience – from recruitment through to advocacy activities after graduation – is essential for a sustainable international education industry. ENZ was highly engaged in the development and consultation process of the International Student Wellbeing Strategy, led by the Ministry of Education and launched in June 2017.

In 2016/17, ENZ appointed a Director of Student Experience who has been developing our overall student experience approach. This involves:

- working with providers, regional agencies and other stakeholders to share insights and understanding of the key drivers of the New Zealand student experience
- delivering programmes in conjunction with regional economic development agencies, local government, employers, providers and agencies to improve the global employability of skilled graduates
- improving our understanding of New Zealand's labour market needs
- continuing to develop an integrated student journey across attraction, study and advocacy
- bringing the international student voice into key decision-making within ENZ.

⁷ ENZ's fifth strategic theme, a commitment to continuous improvement of organisational capability, is detailed on page 30 in the 'Our Organisational Development' section.

⁸ IESOG is made up of representatives from the Ministry of Business, Innovation and Employment, the Ministry of Education, the Ministry of Foreign Affairs and Trade, ENZ, the New Zealand Qualifications Authority and the Tertiary Education Commission.

In 2016/2017, ENZ received \$290,000 of contestable EEL⁹ funding to undertake four student wellbeing projects:

Study Auckland – International Student Experience programme development and delivery

We partnered with Auckland Tourism, Events and Economic Development (ATEED)/Study Auckland on a design thinking project to understand student experience from the students' perspective. The aim of the project is to shape stronger, more positive experiences for those studying in Auckland. The project identified four major themes: ease of access to information, enabling work pathways, social connectivity and shared values, and these now inform the student experience priorities of ATEED and ENZ.

Building a student experience programme across New Zealand

We interviewed and surveyed international students about their New Zealand experience and the factors that contribute to a positive student experience. Student feedback is valuable for informing ENZ's work to enhance international student wellbeing and when promoting the New Zealand education brand offshore.

Streamlining orientation information

To address international students' priority need for easily accessible and relevant information online, we conducted an in-depth content audit of information sites, mapped out student information needs and identified examples of best practice resources for students. We have engaged digital experts to advise us on how best to deliver information and content to students via mobile technologies.

Review of training resources for agents

Online learning consultants were commissioned to provide a top-level peer review of ENZ's online agent training programme with a focus on current best practice in user experience, interactivity, learning psychology, 'look and feel' and technology. The report's findings will guide redevelopment of the agent training programme in 2017/18.



⁹ Additional detail about these projects can be found in the *Export Education Levy Annual Report 2016/17* on the Ministry of Education's website.

Lead information and intelligence provision

Our research and market intelligence identifies potential growth opportunities for the industry and enables us to monitor the effectiveness of our strategies and activities.

Intelligence portal

Throughout 2016/17, we worked on the development of an intelligence portal, IntelliLab, designed to provide New Zealand’s international education providers direct access to high-quality information and market intelligence.

The first phase of IntelliLab is a one-stop-shop of existing ENZ intelligence, research products and third-party market intelligence reports. This gives providers fast, easy access to intelligence that will better inform their work. Subsequent development phases planned for 2017/18 will focus on providing more sophisticated tools and market insights.

Tell the international education story in New Zealand

Many New Zealanders are unaware of the benefits of international education for New Zealand students and communities. Students studying outside their own country increase international connections between countries by building lifelong friendships and networks, and strengthen their understanding of other cultures. We have continued to ‘tell the story’ and build New Zealanders’ awareness of the value of international education.

Regional economic impact reports

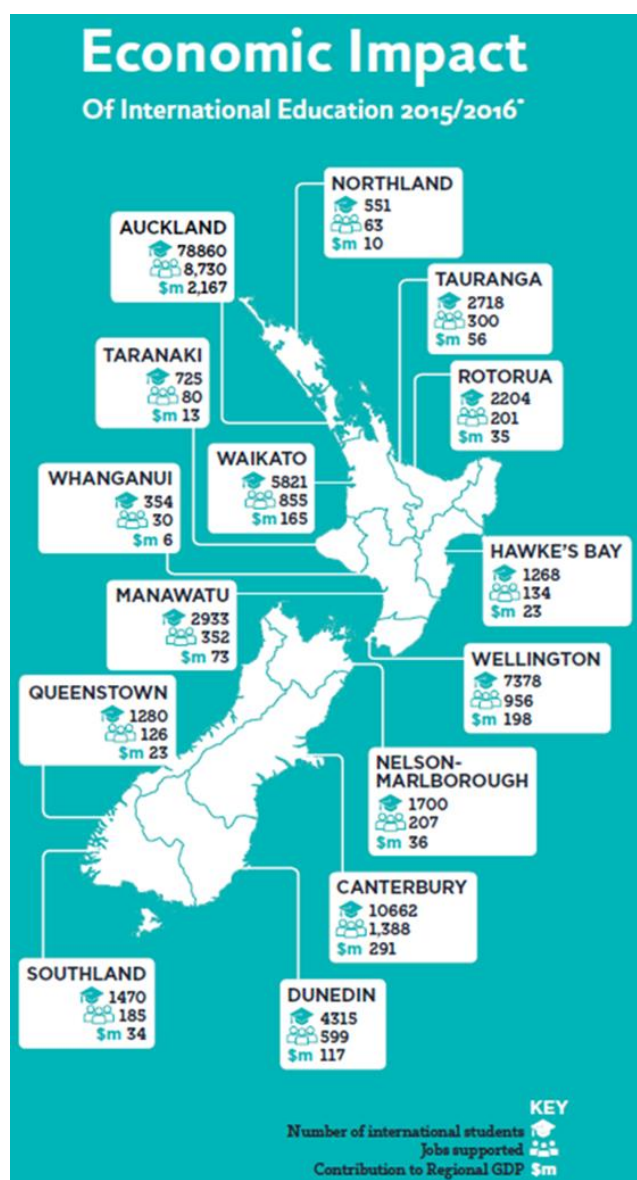
In October 2016, we commissioned Infometrics to produce a series of Regional Economic Impact Reports¹⁰ for the regions of Northland, Bay of Plenty (including Tauranga and Rotorua), Taranaki, Manawatu-Whanganui, Hawke’s Bay, Nelson-Marlborough-Tasman, Otago (including Dunedin and Queenstown) and Southland.

In addition to providing valuable regional insight and intelligence, the release of ENZ’s Regional

Economic Impact reports proved highly effective in raising awareness of the benefits to New Zealand communities from international education.

Approximately 25 media articles were generated as a result of the reports being released.

We continue to work closely with regional coordinators to provide them with the skills and tools to develop their own authentic and compelling stories and messages that speak to the economic, social and cultural benefits of international education.



¹⁰ The reports are available on IntelliLab (<https://intellilab.enz.govt.nz/>)

In 2016/17, ENZ received contestable EEL¹¹ funding of \$90,000 to undertake two projects on the social value and public perceptions of international education.

Researched public perceptions on international education

ENZ commissioned research into shifts in attitude and public perceptions about international education, if any, over the past year. In 2017, 56% of people agreed or strongly agreed that international education benefits New Zealand's economy and our economic growth, compared to 57% in 2016 (not a statistically significant difference). The results indicate that the majority of New Zealanders continue to support international education and international students despite recently energised public debate around immigration and international education. There was a slight weakening of support in three of the 14 indicators measured. A new indicator, 'opportunity for exchange of different perspectives and experience in New Zealand's classrooms and lecture rooms' has 61% support at rating 7 or higher on a 10-point scale. This indicator had the highest level of endorsement with 24% giving a rating of 9 or 10.

Values research

In 2016/17 ENZ commissioned research to better understand the broader social, cultural, educational and economic value of international education to New Zealanders at an individual, community and New Zealand-wide level. The research will be used to inform how ENZ 'tells the story' of international education in New Zealand, to build a positive narrative and enhance social licence with New Zealanders. The research report includes qualitative and secondary research, and the final report is due to be provided to ENZ in August 2017.

Drive student mobility for value to New Zealand

Database marketing project

In 2016/17, we began a phased approach to implementing our database marketing strategy. The project sets out to improve the conversion rate from prospective students who are 'active considerers' through to enrolment at a New Zealand institution.

Phase One of the database marketing project was completed in 2016/17. It saw the aggregation of all our existing marketing databases into one data hub of prospective students, essentially providing a data aggregator for the industry. This enables institutions to leverage our global student audience and investment in global marketing, while at the same time reducing acquisition costs through economies of scale. It also provides improved data and analytics to focus marketing and promotional

investment on those channels and activities with the best return on investment (ROI).

The next phases of the project in 2017/18 will include the use of data to create a seamless student journey from attraction to study and through to alumni. This will provide students with a better digital experience and increase the average value of students through improved profiling and matching with providers who meet their specific needs. The database marketing project underpins key shifts identified in ENZ's 2016 Performance Improvement Framework (PIF) review, in particular:

- Strengthening and building on our work to understand the student customer and develop critical insights into customer preference and experience to benefit growth of the industry
- Modelling interdependent sector leadership and innovation.

¹¹ Additional detail about these projects can be found in the *Export Education Levy Annual Report 2016/17* on the Ministry of Education's website.

studyinnewzealand.govt.nz



33,479



15,648



869,087



65,540



17,996



161

Social media milestone

ENZ's 'Study in New Zealand' reached the significant social media milestone of one million followers across Weibo, WeChat, Facebook, Twitter, Instagram and Snapchat in June 2017. Student attraction through social media has been a deliberate marketing focus, resulting in a social media community that has tripled since 2015.

Growing a social media follower base is important for attracting and moving potential students through ENZ's marketing funnel. Social media users who discover a page (including those who might not be aware of New Zealand education) are more likely to follow it if it has a large existing follower base.

Brand Lab upgrade

ENZ's Brand Lab was developed as an online resource for education providers. It enables them to promote their individual offerings in a way that is consistent with the New Zealand education brand. In May 2017, ENZ launched an upgraded Brand Lab with new, more user-friendly features.

The new Brand Lab gives users guidance around the different types of marketing assets available, and how these can be used to promote the benefits of a New Zealand education. It also has improved search functionality and a suite of new assets including:

- videos for different markets and languages
- Think New brand imagery and stories

- university sector imagery
- 30 student stories (case studies)
- infographics for social media
- sector stories translated in local languages for different markets
- new images that can be downloaded in either low- or high-resolution versions

Regional Partnership Programme

Auckland is an important destination for international education in New Zealand, with two thirds of international students enrolled there. However, we want to ensure that all of New Zealand accrues the widest possible benefits from international education and working with the regions continued to be a strong focus for ENZ in 2016/17.

Through our Regional Partnership Programme, we work with international education providers, local government and regional economic development agencies, and communities throughout New Zealand to support and encourage regional growth in international education.

ENZ invested a total of \$3.5 million in the Regional Partnership Programme between 2013 and 2016, plus additional one-off funding from the EEL fund of \$2 million between September 2015 and 30 June 2017. The additional funding was used to expand the scope of growth activities and the range of participating regions from seven to fifteen, focused on non-metro centres.

Tauranga Strategy Launch

One of the highlights of the Regional Partnership Programme in 2016/17 was the official launch of Tauranga's International Education Strategy 2017-2022 in May 2017. Tauranga was the first region in ENZ's Regional Partnership Programme and the successful partnership that began between Education Tauranga, Priority One and ENZ in 2013 led to a successful model for engagement between ENZ and other regions.

Tauranga's strategy has at its core the vision 'To be a New Zealand leader in international education and leverage the social, cultural and economic benefits of the sector to enhance our region's future prosperity.'

The strategy seeks to achieve three broad outcomes:

- 35% increase in student enrolments by 2022
- Creating a sector that is sustainable and balanced to protect against volatility
- Solidifying relationships, locally and internationally, that positively contribute to the Tauranga region's social, cultural and economic cohesion.

Student enrolments in the Bay of Plenty grew by 35% between 2012 and 2016. International education delivers an economic value of \$56 million to Tauranga and supports 504 jobs¹².

Scholarships for international students

Dream NEW

ENZ and New Zealand universities ran a successful campaign for a new scholarship designed to increase awareness of New Zealand as a study destination for students in Europe. The 'Dream NEW' scholarship targets confident, adventurous European university students and promotes New Zealand's forward-thinking education, creativity and innovation.

Jointly funded by ENZ and Universities New Zealand, the inaugural round of "Dream NEW" offered eight scholarship places for a semester of study abroad – one at each New Zealand university. A total of 368 applications from students in 21 European countries were received, with five of the successful recipients coming from Germany, and one each from Italy, Poland and Sweden.

Three New Zealand ITPs are participating in the 2017 round of the Dream NEW scholarship – Otago Polytechnic, Ara Institute and Eastern Institute of Technology.

The Gilman Scholarship

In January 2017, ENZ signed an agreement with the United States Department of State's Bureau of Educational and Cultural Affairs (ECA) to cooperate around the Benjamin A. Gilman International Scholarship Program (the Gilman). The Gilman is a prestigious, competitive and selective scholarship aimed at students of limited financial means. It is promoted to universities and colleges across the United States and over 10,000 students apply for the 2,800 scholarships each year.

Announced by Sir Richard Taylor at the NAFSA (Association of International Educators) conference in Los Angeles in May 2017, the agreement is the first government-to-government arrangement of its kind in support of the scholarship. The partnership is an important step in our efforts to both diversify and grow the cohort of United States study abroad students in New Zealand.

In 2016, 22 Gilman scholars were selected for New Zealand, up from eight in 2015. ENZ's agreement with ECA means there is scope to increase this number further and, at the same time, raise New Zealand's profile in the United States as a quality education destination.

¹² Infometrics: *The Economic Value of International Education in the Bay of Plenty 2015/16*



“Getting lost in my own thoughts was my favourite part of all the hiking I did this semester. When you’re surrounded by such intense beauty you can’t help but feel thankful and so filled with joy.”

- Alicia Cotsoradis, 2016 Go Overseas Scholarship recipient

Go Overseas

Since 2015, ENZ has partnered with US online study abroad advisory service, Go Overseas, the ‘Trip Advisor’ of the study abroad world. The partnership provides one full-tuition scholarship of US\$15,000 to study in New Zealand for a semester. Go Overseas promotes the scholarship during a six-week campaign in September/October through its study abroad channels, which include 1,500 United States universities and over 2,600 study abroad staff.

In 2016, ENZ launched a pilot Snapchat campaign in the United States to coincide with the announcement of the Go Overseas Scholarship winner, Alicia Cotsoradis from De Pauw University. Alicia was an ENZ Snapchat ‘Kiwi Ambassador’ during her time at the University of Otago in the first semester of 2017, providing an

authentic student voice for ENZ’s social media marketing.

Scholarships for New Zealand students

ENZ expanded the Prime Minister’s Scholarship programme for international study in 2016 with the establishment of the Prime Minister’s Scholarship for Latin America (PMSLA). These scholarships enable New Zealanders to enhance their international skills through study across a wide range of courses, and to build life-long friendships and networks in Latin America. The presence of skilled New Zealanders studying at education providers offshore also helps to promote understanding of the strength of New Zealand’s education system and raise awareness in Latin America of New Zealand as a preferred education destination. In the inaugural year of the PMSLA, ENZ awarded 58 scholarships for young New Zealanders to undertake study in Argentina, Brazil, Chile, Colombia, Mexico and Peru.

In-market activity

We worked with NZ Inc. agencies to position and promote New Zealand as an education destination, and to promote the delivery of New Zealand education in offshore markets. Our aim is to ensure that New Zealand's education offering is well regarded, well known and well considered by potential international students. The New Zealand Education Story and 'Think New' brand are a significant part of this work.

We prioritised our international student attraction markets for 2016/17 into four categories:

- **Promote:** This is a group of countries and regions where we made strategic investment aimed at delivering strong growth.
- **Rebalance:** In this category are China and India, which are major sources of students and will stay that way for the foreseeable future.
- **Explore:** Specific countries were scoped for short to medium term growth opportunities, to inform our future investment.
- **Project based:** These are countries where our investment was targeted on a specific project.

We regularly review and prioritise markets to ensure we continue to gain the best value for New Zealand. Activities in our priority markets are

driven by our annual Country Activity Planning, which focuses on delivering 'value + volume + growth'.

Following are example highlights from two of our 2016/17 priority markets - India and the United States.

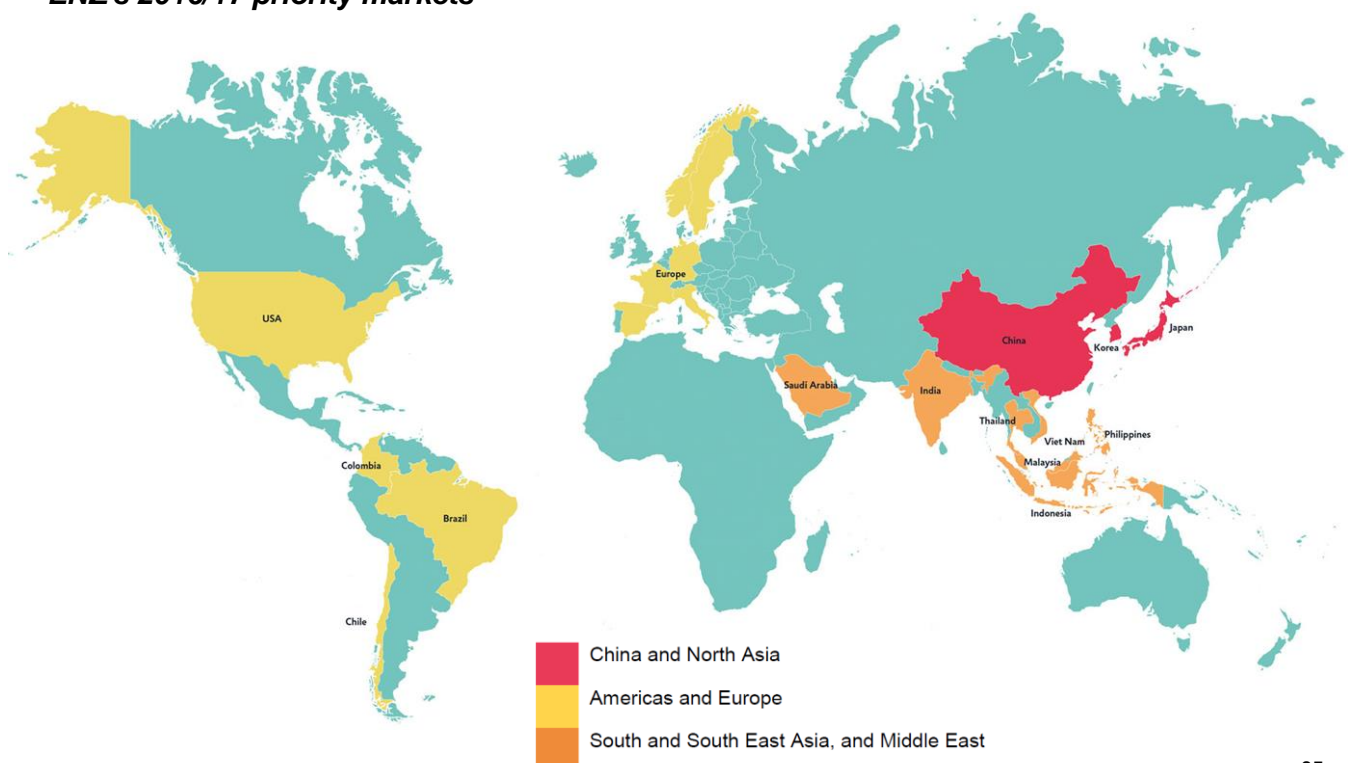
'Volume to Value' Campaign - India

ENZ's focus in India has been to enhance New Zealand's education brand position to attract more high-quality students from south India, as well as more students wanting to study at level seven and above in New Zealand institutions, particularly at graduate and postgraduate level.

ENZ won gold for its 'From Volume to Value' campaign in India at the PR Awards Asia 2017. The award was in the category 'South Asia PR Campaign of the Year' recognising the campaign's overall impact and success. Other category winners at these prestigious awards included Airbnb, Ford, Panasonic, Huawei and the World Wildlife Fund.

ENZ's 'From Volume to Value' campaign supported a 20% increase in university enrolments from India and saw New Zealand move up in preference ranking from seven to three as a study destination for Indian students.

ENZ's 2016/17 priority markets





New Zealand Pavilion at NAFSA 2017

NAFSA: Association of International Educators – United States

NAFSA, the largest business-to-business international education conference in the world, was held from 28 May to 2 June 2017 in Los Angeles.

ENZ’s platinum sponsorship of the opening plenary session ensured New Zealand had a strong, co-ordinated presence and a high profile at NAFSA. Sir Richard Taylor addressed an audience of over 6,000 and highlighted New Zealand’s unique strengths as a study abroad destination. Sir Richard also announced the Gilman scholarship partnership between ENZ and the United States Department of State Bureau of Educational and Cultural Affairs.

To expand United States perceptions of New Zealand beyond tourism and adventure, New Zealand’s presence at NAFSA showcased Kiwi innovation and creativity linked to the Think New brand campaign line ‘New Ideas Grow Better Here’. On the New Zealand pavilion, ENZ supported a co-ordinated delegation of 13 New Zealand

institutions, including all eight universities. Each institution chose a creative or innovative student project to highlight, ranging from a fully recyclable electric car to New Zealand’s first virtual reality movie. The projects were exhibited on the pavilion and printed in ENZ’s NAFSA guidebook, which was distributed to all conference delegates.

ENZ was also platinum sponsor of the NAFSA Film Festival. The event showcased a New Zealand feature film followed by a panel discussion, which included New Zealand alumni who subsequently worked for Weta Digital, the Sundance Institute and Paramount Studios in Los Angeles. The panel members spoke about the influence that a New Zealand education had on their careers in creative industries.

Support education delivery offshore for value to New Zealand

Many countries are increasingly delivering education services to international students through various forms of transnational education (TNE). Examples of these include online learning programmes, partnerships with local institutions to

deliver joint qualifications, and offshore campuses or regional hubs. In contrast, New Zealand's industry delivers most of its services to fee paying international students attending 'bricks and mortar' institutions onshore in New Zealand.

The growth potential of New Zealand's international education sectors and sub sectors varies, both in scale and size. For many education providers, growth will require the capacity to deliver international education services offshore.

In 2016/17, we commissioned an offshore delivery plan to identify when and how we should work with the industry to expand the delivery of education offshore. The plan identified two roles for ENZ:

- Leadership: exploration, coordination and support in partnership with institutions and other agencies

- Intelligence: extending intelligence and insight capability to encompass international deliver opportunities

Impact measures

Overall our impact measures showed positive results for 2016/17 with particularly strong growth in economic value. The value of New Zealand's international education industry has increased by 50% since the sector was last formally measured, and the average value per student has increased by 30% since 2014.

We still have work to do to achieve our ambitious targets for further improving student satisfaction and awareness of the contribution of international education to New Zealand. We will continue to focus on promoting international student wellbeing and on telling the international education story to New Zealand communities.

Measure	Baseline	Target	Result
Increase the gross economic value ¹³ of the New Zealand international education industry.	2008: \$2.51b ¹⁴ <i>Trend</i> 2012: \$2.60b ¹⁵ 2014: \$2.85b ¹⁶	2018: Increase value to \$3.77b.	2015/16: \$4.29 b ¹⁷
Commentary: The 2018 target has been exceeded. The economic contribution to New Zealand from international education increased by 50 per cent since the sector was last formally measured in 2014.			
Increase the percentage of prospective students in priority markets who rank New Zealand in the top three preferred countries.	2015/16: 11%	2016/17: Increase the percentage who rank New Zealand in the top three preferred countries compared to 2015/16.	2016/17: 13%
Commentary: The 2016/17 target has been achieved.			
Increase the economic value of education services that are delivered offshore.	2016: \$242m	2018: Increase value to \$298m.	2016/17: Not measured
Commentary: The economic value of education services that are delivered offshore will next be measured in 2018/2019.			

¹³ The gross economic value is defined as the contribution to New Zealand's GDP.

¹⁴ Infometrics, NRB and Skinnerstrategic: *The Economic Impact of Export Education* https://www.educationcounts.govt.nz/_data/assets/pdf_file/0007/35368/EconomicImpactReport08.pdf

¹⁵ Infometrics: *The Economic Impact of the International Education Industry 2012/13*

¹⁶ Infometrics: *The Economic Impact of International Education 2014*

¹⁷ Infometrics: *The Economic Impact of International Education in New Zealand 2015/16*

Measure	Baseline	Target	Result
Increase the economic value per international student.	2012: \$25,370 <i>Trend</i> 2014: \$25,540	2018: Increase value per international student compared to 2015	2015/16: \$33,460

Commentary: The 2018 target of increasing the value per international student compared to 2015 has been achieved.

Increase the number of international students enrolled with New Zealand providers.	2012: 98,688 <i>Trend</i> 2013: 97,107 2014: 110,281 2015: 124,357	2016: Increase international student numbers by 6,800 compared to 2015.	2016: 131,609 international students
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Commentary: The 2016 target was achieved. There was an increase of 7,252 international students (6%) compared to 2015.

Increase the percentage of international students enrolled to study in regions outside Auckland.	2012: 39% <i>Trend</i> 2013: 40% 2014: 38% 2015: 37%	2016: Increase the proportion of international students enrolled to study in regions outside Auckland compared to 2015.	2016: 37%
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Commentary: The 2016 target was not achieved with no change in the percentage of international students enrolled outside Auckland since 2015.

Increase awareness of the contribution of international education to New Zealand.	2015/16: 57% ¹⁸	2016/17: Increase awareness compared to 2015/16.	2016/17: 56%
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Commentary: The 2016/17 target was not achieved but the difference was not statistically significant. Overall, New Zealander's perceptions of international education have remained relatively stable since 2016 despite increased public debate around immigration and international education in the lead up to the 2017 election.

	Sector	Baseline		Trend		Target		Result ²⁰
		2011/12	2013	2014	2015	2018	2016	
Maintain the proportion of international students who were satisfied ¹⁹ or very satisfied with their overall experience.	Secondary school	94%	-	-	93%	93%	-	
	Private training establishments	87%	-	88%	-	88%	88%	
	English language schools	88%	-	89%	-	89%	88%	
	Institutes of technology	89%	89%	-	88%	88%	-	
	Universities	89%	88%	-	90%	90%	-	

Commentary: The 2016/17 target of maintaining the proportion of PTE students satisfied with their overall experience has been achieved while the target of maintaining the proportion of ELS students satisfied with their overall experience has not quite been achieved.

¹⁸ Unravel Research: *New Zealanders' Perceptions of International Education*, 24 June 2016.

¹⁹ Survey ratings are Very Satisfied, Satisfied, Dissatisfied, Very Dissatisfied.

²⁰ ENZ undertakes student satisfaction surveys on two to three education sectors per year.

OUR ORGANISATIONAL DEVELOPMENT

In 2016/17 ENZ continued to develop its people and build and improve systems, processes and infrastructure to deliver its work programme and support the international education industry.

Monitoring organisational capability

Measure	Baseline	Target	Result
Employee engagement.	<p>2013/14: ENZ ranked in the top third of government agencies.</p> <p>2014/15: ENZ ranked in the top quartile of government agencies.</p>	Be in the top quartile of the staff engagement performance index for public sector organisations as measured by an employee engagement survey.	The results of the August 2016 staff engagement survey placed ENZ in the top quartile of the staff engagement performance index for the public sector.
Core unplanned turnover.	<p>Year ended 30 June 2014: 9%</p> <p>Year ended 30 June 2015: 11%</p> <p>Year ended 30 June 2016: 10%</p>	No more than 11%.	7%
Administration expenses as a percentage of core operating expenses.	<p>2013/14: 11%</p> <p>2014/15: 14%</p> <p>2015/16: 15%</p>	Between 13-18%.	15.8%

Continuous improvement of ENZ's capability

ENZ needs to have the right capability in the right locations to deliver on our activities including our leadership and intelligence roles and telling the international education story. To do this, we aim to continuously improve our capability and capacity and strengthen our systems and processes.

Investment model

We have begun to move from a cost model to an investment model where we allocate our resources in order to achieve the maximum impact for a given level of risk. Initially, this has been focused on ENZ's international student attraction activities in our priority markets.

Improved data and analytics for our 'always on' digital marketing and social media activity is providing evidence-based return on investment (ROI) information and enabling us to compare our performance with industry benchmarks. The database marketing project, currently in its first phases, is also providing improved analytics to focus marketing and promotional investment on channels and activities with the best return on investment. Continued refinement and robust review of our Country Activity Planning is also sharpening our investment focus.

Our technology and systems

We now have in place the infrastructure required to be a globally connected and communicating organisation, including new global data connections and a customer relationship management system. These have improved the sharing of information and knowledge and encouraged greater collaboration, particularly between ENZ's onshore and offshore staff.

Technology underpins the delivery of our services globally. We will continue to implement our roadmap for ICT. Successful implementation of the roadmap for ENZ will mean that ENZ is 'business led, technology enabled'.

ENZ considers its requirements to implement the New Zealand Business Number²¹ as it reviews and makes changes to IT systems. The new customer relationship management system that ENZ implemented in 2016/17 does not use identifiers other than a legal entity's name.

Global operating model

We continue to develop our approach to ensure we have a global team with the flexibility and agility to ensure ENZ is fit for purpose. This includes ensuring we have people with the appropriate capabilities in the right locations to deliver on the organisational demands highlighted in ENZ's PIF review.

PIF progress

Since the PIF review, ENZ has moved to a strategic and influencing role by appointing an Engagement Manager to strengthen inter-agency relationships. We have also strengthened our skills and expertise in market insights and the student experience, with international students as one of the customer groups we focus on.

Organisational redesign

ENZ implemented a customer-driven operating model to ensure we are configured to deliver on our four year excellence horizon. Three of ENZ's teams are now clustered according to the customers they serve: international and New Zealand students; international education industry; and, ENZ's government partners.

²¹ As set out in the *Direction to Support a Whole-of-Government Approach*, Given to the House of Representatives

by the Minister of State Services and the Minister of Finance Under Section 107 of the Crown Entities Act 2004.

OUR PEOPLE

Good employer matters

ENZ recognises the need for a diverse workforce to deliver services effectively to our customers. We provide equal employment opportunities to make the most of the talents of all of our people.

Our status as a good employer is assessed against the seven 'good employer' elements set out by the Human Rights Commission. We have continued to ensure that all elements are in place and working well through our People Strategy. We continue to evolve our People Strategy to ensure it is appropriate to the needs and business model of ENZ. The key elements of the current Strategy are:

1. planning and resourcing
2. employee engagement and performance improvement
3. developing our people
4. recognising and rewarding our people.

Leadership, accountability and culture

Our Ways of Working create the foundation for ENZ – they are integrated into our performance framework, culture and daily interactions. The three pillars of our Ways of Working are:

- Think Bold
- Think Open
- Think Team

In 2016/17 we led a number of staff engagement initiatives to maintain and improve staff wellbeing and ENZ's productivity. We carried out our fourth annual staff engagement survey and we will develop and implement solutions for areas of improvement identified through the survey. We continued to use a Team Management Index to identify the working preferences of staff and to enhance our ability to work together.

Recruitment, selection and induction

ENZ's human resources/organisational development team use their well-established

relationships with external organisations and online media to assist with staff recruitment and selection. Equal employment opportunity principles are applied throughout the selection process and have resulted in the rich ethnic mix of staff as shown in our staff profile. A robust induction programme also forms an integral part of training new staff.

Employee development, promotion and exit

Professional learning and development form part of staff annual performance agreements. The agreements are put into place at the beginning of the financial year and are reviewed as part of the performance and remuneration review process at the end of each year.

As a smaller agency, opportunities for career development within ENZ are somewhat restricted but we place a heavy emphasis on developing our people with new on-the-job opportunities. Some of the opportunities available to staff include internal and external secondments (particularly with our NZ Inc. partners), project work, tertiary study assistance, coaching and mentoring, formal training programmes and on-the-job training.

Exit interviews are offered to departing staff. The intention of these exit interviews is to continually improve the workplace environment and experience for staff. The interviews have not indicated any trends causing concern about ENZ's culture or the development opportunities available to staff.

Flexibility and work design

ENZ accepts its responsibility to act as a good employer and tries to build flexibility into employees' work practices. It is reasonably common for staff to change their hours or location of work to accommodate the needs of their families, temporarily or longer term, and family friendly

practices are reflected in a clause in our standard employment agreement.

Flexible working arrangements have been offered to male and female staff in equal proportion where they have needed to alter their work hours or location to meet family responsibilities.

Remuneration, recognition and conditions

All staff are employed on individual employment agreements. The standard terms and conditions are regularly reviewed to ensure they are legally compliant. While ENZ does not have collective employment arrangements, two staff belong to the Public Service Association.

Permanent employees and fixed term staff on long-term agreements participate in regular performance reviews. Self-assessments, performance planning and the identification of development and learning opportunities are integral to this process. Remuneration is reviewed annually, taking into account market conditions, performance and affordability. Staff have the ability to receive an increase to their remuneration and in rare instances a lump sum payment in recognition of their performance over the previous 12 months.

Harassment and bullying prevention

ENZ is committed to providing a work environment that is free from any form of workplace harassment including bullying. Our workplace harassment policy provides expectations, clear guidelines and processes to assist managers and staff in the resolution of any workplace harassment complaints raised by any staff member.

Safe and healthy environment

ENZ regards developing a safe and healthy working environment as integral to our positive workplace culture. Staff rated the organisation very highly in our staff engagement survey for initiatives in this area. All staff worldwide have 24/7 access to EAP services. We also provide on-call medical and safety expertise to staff travelling internationally for work anywhere in the world.

Our focus on flexible work hours and locations has assisted with managing stress issues.

Sick and annual leave usage is monitored monthly and managers, assisted by our HR team, work closely to support staff who need to put leave plans in place.

An equal employment opportunities workplace

ENZ actively seeks to be a good employer through our values, our recruitment, retention and development policies and our engagement with staff. We actively support staff in their professional development, and we will continue to focus on talent management, succession planning and retention.

Review programmes and policies

Our HR policies are reviewed regularly to ensure compliance with legislation and to maintain their relevance. Over the last year we had a particular focus on policies relating to health and safety, and to our leave policies.

Throughout the year, we remind staff about certain policies to ensure their visibility. Of particular focus this year have been the Protected Disclosures Policy and the Disclosure of Interest Policy.

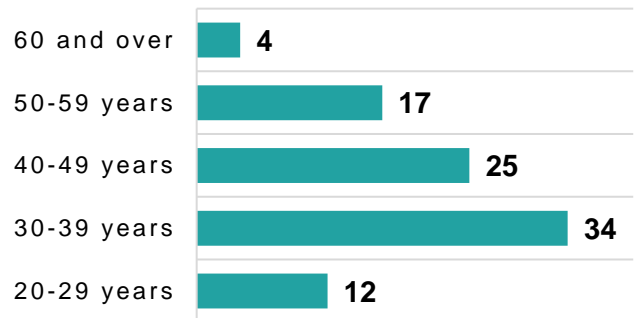
Our workforce profile



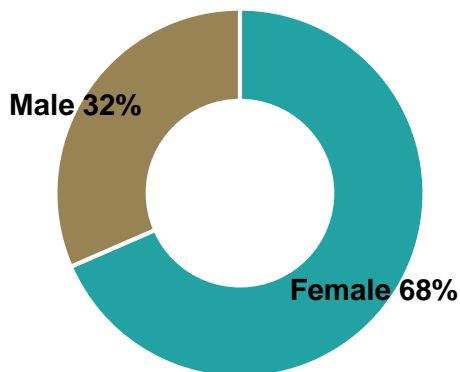
88.4

Full time equivalent staff

Age profile



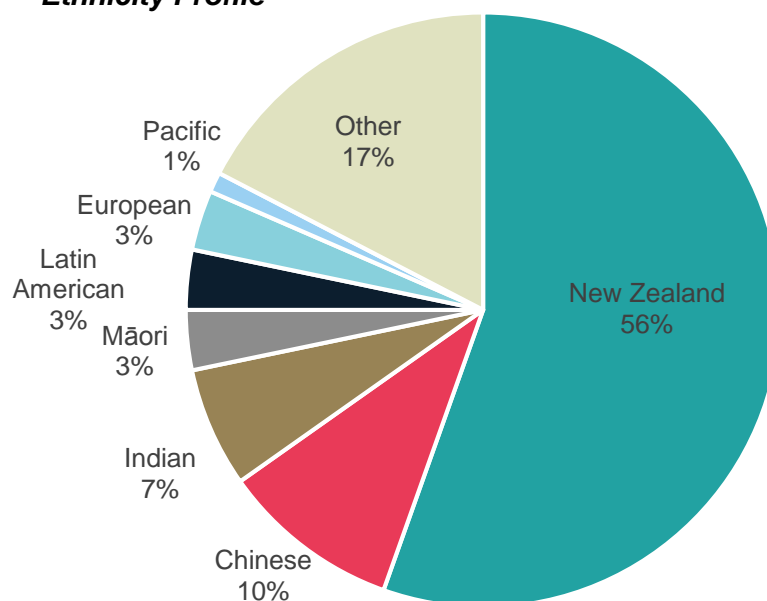
Gender Profile



Disability profile

No current ENZ staff members have reported a disability. Staff are invited to disclose any disabilities once they have been accepted for employment so we can make any necessary adjustments to the work environment. Our offices are accessible to people with disabilities.

Ethnicity Profile²²



²² Voluntarily reported by staff.

STATEMENT OF RESPONSIBILITY

We are responsible for the preparation of Education New Zealand's financial statements and statement of performance, and for the judgements made in them.

We are responsible for any end-of-year performance information provided by Education New Zealand under section 19A of the Public Finance Act 1989.

We 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 our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of Education New Zealand for the year ending 30 June 2017.

Signed on behalf of the Board:



Charles Finny | Board Chair

30 October 2017



Philip Broughton | Board Member

30 October 2017

PART THREE

Statement of Performance

This Statement of Performance reports against the performance measures in ENZ's Statement of Performance Expectations 2016-2017. It covers the period from 1 July 2016.



Total appropriations

\$000	2016/17 Actual	2016/17 Budget	*2016/17 Revised Budget
Revenue			
Revenue – Crown	33,919	34,672	33,539
Revenue – Other	1,851	1,610	2,610
Total Revenue	35,770	36,282	36,149
Expenditure	36,743	37,467	37,334
Deficit	(973)	(1,185)	(1,185)

International education programmes

\$000	2016/17 Actual	2016/17 Budget	*2016/17 Revised Budget
Revenue			
Revenue – Crown	29,819	30,372	29,439
Revenue – Other	1,851	1,610	2,610
Total Revenue	31,670	31,982	32,043
Expenditure	33,033	32,982	33,049
Deficit	(1,363)	(1,000)	(1,000)

Awards for outbound New Zealand students

\$000	2016/17 Actual	2016/17 Budget	2016/17 Revised Budget
Revenue			
Revenue – Crown	3,300	3,500	3,300
Total Revenue	3,300	3,500	3,300
Expenditure	3,229	3,500	3,300
Surplus	71	-	-

Scholarships for inbound international students

\$000	2016/17 Actual	2016/17 Budget	2016/17 Revised Budget
Revenue			
Revenue – Crown	800	800	800
Total Revenue	800	800	800
Expenditure	481	985	985
Surplus	319	(185)	(185)

*The revised budget equals the total appropriation. After the Supplementary estimates were finalised an additional \$0.380m of Export Education Levy revenue was funded.

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



STATEMENT OF PERFORMANCE

Our focus is on delivering a high level of activity in support of the international education industry to achieve our outcomes and the government's goals for international education.

International education programmes

This appropriation is limited to the delivery of services in respect of international education, including promotion, information, research and professional development, both in New Zealand and overseas, for the purpose of managing and increasing the flow of international students and promoting international education linkages.

What is intended to be achieved with this appropriation?

This appropriation is intended to achieve enhanced social, cultural and economic benefits to New Zealand through New Zealand international education activities.

Performance measure	Target 2016/17	Actual 2016/17	Status 2016/17	Actual 2015/16
ENZ contributes positively to NZ Inc. initiatives. ²³	≥2015/16 result	66% positive ratings ²⁴	✓	50% positive ratings
Usage of ENZ's information and intelligence by government agencies.	Establish baseline	4.9 ²⁵	✓	New measure in 2016/17
International Education Senior Officials' Group and government agencies have an agreed government wide approach to international education.	Approach agreed by 30 June 2017.	Draft strategy for public consultation agreed by agencies.	✗ ²⁶	New measure in 2016/17
Deliver the 'tell the international education story in New Zealand' programme.	Deliver programme by 30 June 2017.	Strategy and action plan delivered.	✓	New measure in 2016/17

²³ This measure is also reporting back on the end of year performance information set out in the Vote Tertiary Education Estimates 2016/17.

²⁴ Survey ratings = Positively contributes, Contributes, Partially contributes, Does not contribute positively, Unsure of ENZ's contribution.

²⁵ ENZ's average rating was 4.9 on a 7 point scale, with 5 being good and 7 being excellent.

²⁶ The agreed government wide approach for international education in New Zealand is set out in the draft *International Education Strategy for New Zealand*, which was released for public consultation on 30 June 2017. ENZ's *Statement of Performance Expectations 2017-2018* includes a performance measure for an agreed government wide approach for international education by the revised date of 30 June 2018 to enable the strategy to be finalised.

Performance measure	Target 2016/17	Actual 2016/17	Status 2016/17	Actual 2015/16
Number of referrals to institutional websites from ENZ's studyinnewzealand.govt.nz website. ²⁷	80,000	244,538	✓	123,538
Percentage of users that are satisfied with the quality of ENZ's services and support.	≥2015/16 result	77%	✗ ²⁸	80.4%
Percentage of users that agree ENZ's services and support have added value to their organisation. ²⁷	≥2015/16 result	75%	✓	66.7%
Number of commercial projects delivered internationally with ENZ support. ²⁷	15-20	16	✓	New measure in 2016/17
Usage of the Skills Lab.	Establish baseline	462 registered users	✓	New measure in 2016/17
Usage of the Brand Lab.	50,000 downloads	48,433 downloads	✗ ²⁹	New measure in 2016/17
Percentage of industry members satisfied with the information and intelligence provided by ENZ.	Overall rating = good	An average of 26% ranked an ENZ intelligence and information service as one of the five most important of ENZ's services.	✗ ³⁰	New measure in 2016/17
Number of professional development seminars held.	12	16	✓	12
Percentage of participating institutions that are satisfied or over with the quality of ENZ's promotional events.	90%	89%	✗ ³¹	91%

²⁷ This measure is also reporting back on the end of year performance information set out in the Vote Tertiary Education Estimates 2016/17.

²⁸ The ELS, school and 'other' sectors were less satisfied than in 2016 while the ITP, PTE and university sectors were more satisfied. The 'other' sector is made up of industry members not included in the school, ELS, ITP, PTE and university sectors.

²⁹ The new Brand Lab was launched in May and a number of existing users are yet to re-register to use the new system.

³⁰ The Industry Survey did not ask about satisfaction with the individual services provided by ENZ. Of the services used by each respondent, they were asked to rank the top five services and support in order of importance. The information and intelligence services included in the Industry Survey were international education snapshot reports, international student barometer, market factsheets, market overviews and student visa dashboards.

³¹ A few events including some agent seminars and alumni networking events influenced overall satisfaction with the promotional events.

Awards for outbound New Zealand students

This appropriation is limited to awards granted to provide assistance to scholars, researchers and teachers to undertake placements abroad and to participate in reciprocal education exchange arrangements with partner countries in selected areas of priority study, teaching and research. ENZ receives funding through this appropriation to fund the Prime Minister's Scholarships for Asia and the Prime Minister's Scholarships for Latin America.

What is intended to be achieved with this appropriation?

This appropriation is intended to achieve access to wider international educational opportunities for skilled New Zealanders to enhance their existing skills.

Performance measure	Target 2016/17	Actual 2016/17	Status 2016/17	Actual 2015/16
Number of new and existing Prime Minister's Scholarships for Asia funded.	450-550	328	✘ ³²	283
Number of Prime Minister's Scholarships for Latin America funded.	Up to 50	49	✓	New measure in 2016/17
Percentage of the Prime Minister's Scholarships for Asia recipients who record that the scholarship has benefitted their future career aspirations.	95%	95%	✓	100%
Percentage of the Prime Minister's Scholarships for Latin America recipients who record that the scholarship has benefitted their future career aspirations.	Establish baseline	Not measured	✘ ³³	New measure in 2016/17

Scholarships for inbound international students

This appropriation is limited to awards granted to scholarships available to international students wishing to study in New Zealand. ENZ receives funding through this appropriation to fund the New Zealand International Doctoral Research Scholarships. The administration costs for running this scholarship sit within the International Education Programmes appropriation.

What is intended to be achieved with this appropriation?

This appropriation is intended to achieve an increase in New Zealand's economic value from international students studying in New Zealand.

Performance measure	Target 2016/17	Actual 2016/17	Status 2016/17	Actual 2015/16
Number of new and existing New Zealand International Doctoral Research Scholarships funded.	10-20	23	✓	21

³² The number of scholarships funded is determined by the mix of applicants who are approved and the length of study per scholarship. Fewer scholarships were funded in 2016/17 because the cost per scholarship was slightly higher than previous rounds.

³³ The survey of recipients was not completed before 30 June because only three of the 49 recipients had completed their study by this date. The survey will start in the first quarter of 2017/18 when a larger sample can be surveyed.

PART FOUR

Annual Financial Statements



STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2017

\$000	Note	2017 Actual	2017 Budget	2016 Actual
Revenue				
Revenue from the Crown – Operating	1	29,819	30,372	31,638
Revenue from the Crown – Scholarships	1	4,100	4,300	800
Other revenue	2	1,655	1,400	2,159
Interest revenue		196	210	293
Total revenue		35,770	36,282	34,890
Expenditure				
Personnel costs	3	11,688	10,815	10,473
Other expenses	4	20,925	21,950	23,751
Scholarship expenses	5	3,710	4,485	2,343
Depreciation and amortisation expenses	9, 10	420	217	458
Total expenditure		36,743	37,467	37,025
Deficit		(973)	(1,185)	(2,135)
Other comprehensive revenue / (expense)		-	-	-
Total comprehensive revenue / (expense)		(973)	(1,185)	(2,135)

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

Revenue from the Crown – operating includes \$4.145 million funded from the Export Education Levy (2015/16: \$3.781 million). The Export Education Levy Annual Report is published by the Ministry of Education [www.educationcounts.govt.nz] and is tabled in Parliament.

Revenue from the Crown – scholarships funds the International Student Scholarship Scheme (New Zealand International Doctoral Research Scholarship (NZIDRS), Prime Minister’s Scholarships for Asia (PMSA) and Prime Minister’s Scholarships for Latin America (PMSLA).

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

\$000	Note	2017 Actual	2017 Budget	2016 Actual
Assets				
Current assets				
Cash and cash equivalents	6	552	734	420
Receivables	7	76	250	155
Investments	8	4,500	4,500	6,000
Prepayments		740	100	300
Total current assets		5,868	5,584	6,875
Non-current assets				
Property, plant and equipment	9	399	535	535
Intangible assets	10	312	513	460
Total non-current assets		711	1,048	995
Total assets		6,579	6,632	7,870
Liabilities				
Current liabilities				
Payables	11	3,176	3,000	3,651
Employee entitlements	12	589	400	521
Provisions	13	257	1,000	171
Total current liabilities		4,022	4,400	4,343
Non-current liabilities				
Employee entitlements	12	46	-	43
Provisions	13	53	-	53
Total non-current liabilities		99	-	96
Total liabilities		4,121	4,400	4,439
Net assets		2,458	2,232	3,431

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

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

\$000	Note	2017 Actual	2017 Budget	2016 Actual
Balance at 1 July		3,431	3,417	5,566
Comprehensive revenue and expense				
Total comprehensive revenue / (expense)		(973)	(1,185)	(2,135)
Balance at 30 June		2,458	2,232	3,431

Equity relates solely to accumulated funds.

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

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

30 JUNE 2017

\$000	Note	2017 Actual	2017 Budget	2016 Actual
Cash flows from operating activities				
Receipts from the Crown - Operating		29,819	30,372	31,638
Receipts from the Crown – Scholarships		4,100	4,300	800
Receipts from other revenue		1,597	1,400	2,201
Payments to suppliers		(27,505)	(26,594)	(28,229)
Payments to employees		(9,559)	(10,815)	(8,580)
Goods and services tax (GST)		136	-	(56)
Net cash flows from operating activities	14	(1,412)	(1,337)	(2,226)
Cash flows from investing activities				
Payments for new term deposits		(2,000)	-	(2,000)
Interest received		181	210	246
Purchase of property, plant and equipment		(72)	(165)	(109)
Purchase of intangible assets		(65)	(150)	(125)
Receipt from maturity of term deposits		3,500	1,500	4,000
Net cash flows from investing activities		1,544	1,395	2,012
Net cash flows from financing activities				
Net increase/(decrease) in cash and cash equivalents		132	58	(214)
Cash and cash equivalents at the beginning of the year		420	676	634
Cash and cash equivalents at the end of the year		552	734	420

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

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of accounting policies

Reporting entity

Education New Zealand (ENZ) is a Crown entity as defined by the Crown Entities Act 2004 and was established on 1 September 2011 under the Education Act 1989 (the Education Amendment Act 2011). As such ENZ's ultimate parent is the New Zealand Crown. ENZ is funded primarily by government through Vote Tertiary Education.

ENZ's primary objective is to provide services to the New Zealand public as opposed to that of making a financial return. Accordingly, ENZ has designated itself as a public benefit entity (PBE) for the purposes of New Zealand Equivalents to International Public Sector Accounting Standards (IPSAS). ENZ is domiciled in New Zealand. ENZ's statutory functions are set out in appendix one.

These financial statements are for the year ended 30 June 2017, and were approved by the Board on 25 October 2017.

Basis of preparation

ENZ's financial statements have been prepared on a going concern basis.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 and Education Act 1989 (the Education Amendment Act 2011), which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared and presented in accordance with Tier 1 PBE accounting standards. ENZ qualifies under the Tier 1 reporting framework as it is a public

benefit entity with total annual expenditure in excess of \$30 million.

These financial statements comply with PBE accounting standards.

Measurement base

ENZ's financial statements have been prepared on an historical cost basis.

Presentation currency and rounding

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

Standards issued and not yet effective and not early adopted

In January 2017, the External Reporting Board issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The main changes under the standard are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The timing of ENZ adopting PBE IFRS 9 will be guided by the Treasury's decision on when the Financial Statements of Government will

adopt PBE IFRS 9. Treasury have advised that they will be adopting IFRS 9 in 2018/19, therefore ENZ will adopt IFRS 9 in 2018/19.

Significant accounting policies

The following accounting policies, which significantly affect the measurement of financial performance and of financial position, have been consistently applied.

Revenue

Revenue is measured at fair value and is recognised as income when earned and is reported in the financial period to which it relates.

Revenue from the Crown

ENZ is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of ENZ meeting the objectives specified in our Statement of Intent and Statement of Performance Expectations.

Recovery for events and fairs

We recover some of the cost of events that promote education in New Zealand, e.g. education fairs and agent seminars, from participants.

Interest revenue

Interest revenue is recognised using the effective interest method.

Co-funding expenditure

Co-funding arrangements are approved and administered by ENZ for a variety of industry development purposes and periods. Subsequent payment of the co-funding amounts is dependent on the recipient meeting terms and conditions laid out in the co-funding contract between ENZ and the recipient.

At balance date each individual co-funding arrangement is assessed to determine the extent to which the conditions attached to the funding have been satisfied and therefore the amount of funds that will be granted. Co-funding arrangements with unfulfilled

conditions are recognised as a future commitment – see Note 13 Provisions.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the spot exchange rate at the date of the transaction.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to ENZ are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive revenue and expense.

Cash and cash equivalents

Cash and cash equivalents included an on-call account held with the bank.

Receivables

Short term receivables are measured at face value, less any provision for impairment.

Investments

Bank term deposits

Investments in term deposits are with registered banks and are measured at the amount invested.

Property, plant and equipment

Property, plant, and equipment asset classes consist of leasehold improvements and make-good, computer hardware, furniture and office equipment and motor vehicles.

Property, plant and equipment are shown at cost, less accumulated depreciation and impairment losses.

Additions

The initial, and any subsequent cost, of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to ENZ and the cost of the item can be measured reliably.

Work in progress (assets under construction) is recognised at cost.

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

The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive revenue and expense as incurred.

Disposals

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive revenue and expense.

Depreciation

Depreciation is provided on a straight line basis at rates that will write down the cost (or valuation) of the assets over their useful economic lives. The useful economic lives and associated depreciation rates of major asset classes have been estimated as follows:

Leasehold improvements & make-good	The lesser of either 10 years, with an annual depreciation rate of 10%, or over the remaining term of the lease of the building that has been fitted out
Computer hardware	3 years 33.3% per annum
Furniture & office equipment	5 years 20% per annum
Motor vehicles	4 years 25% per annum

Intangible assets

Software development

Costs that are directly associated with the development of software are recognised as an intangible asset. These costs include software

development, employee costs and any directly attributable overheads.

Costs associated with maintaining computer software and the development and maintenance of ENZ websites are recognised as an expense when incurred.

Amortisation

Amortisation begins when the intangible asset is available for use. The amortisation charge for each period is recognised in the statement of comprehensive revenue and expense. The useful economic life and associated amortisation rate of the major class of intangible asset owned by ENZ has been estimated as follows:

Internally developed software	4 years 25% per annum
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Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, and where the carrying values exceed the estimated recoverable amount, an asset is written down to its recoverable amount. Losses resulting from impairment are reported in the statement of comprehensive revenue and expense.

Payables

Payables are recorded at their face value.

Employee entitlements

Short term employee entitlements

Employee entitlements that ENZ expects to be settled within 12 months of balance date are based on accrued entitlements at current rates of pay. This includes salaries and wages accrued up to balance date and annual leave earned, but not yet taken, at balance date.

ENZ recognises a liability and an expense for a bonus where there is a likelihood it will be paid.

Long term employee entitlements

Employee entitlements which are expected to be settled beyond 12 months are reported at current value. This includes post-employment benefits payable to some employees upon cessation of employment.

Superannuation schemes

Defined contribution schemes

Our obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and recognised in the statement of comprehensive revenue and expense.

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 and 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.

Lease make-good

Where there is an indication or expectation from the lessor that a building is to be returned to its original condition at the end of the lease period, a provision for the estimated cost to make good the premise is made – see Note 13 Provisions. Lease make-good provisions are recorded at cost and are recognised on a straight-line basis over the period of the lease.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract.

Scholarships

ENZ approves and administers the granting of a number of scholarships, both for New Zealand students to study abroad and for international students to study in New Zealand.

Scholarship costs are recognised as expenditure when the conditions of the arrangement are fulfilled.

Equity

ENZ's capital is equity, which is comprised of accumulated funds. Equity is represented by net assets.

Goods and services tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated 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, Inland Revenue is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, Inland Revenue (including the GST relating to investing activities), is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

We are a public authority and consequently are exempt from income tax. Accordingly, no provision has been made for income tax.

Budget

The budget was approved by the Board and presented in ENZ's Statement of Performance Expectations 2016-2017. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

The budget was revised during the year – see Note 21 Explanation of major variances against budget for further information.

Critical accounting judgments, estimates and assumptions

In preparing these financial statements we have made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

ENZ has exercised judgment when recognising expenditure on co-funding agreements, to

determine if conditions of the arrangement have been fulfilled. Unfulfilled conditions are treated as future commitments – see Note 13 Provisions for further information on co-funding commitments.

A provision has been made for future restoration costs relating to make-good clauses on office rental leases. The calculation of this provision requires assumptions as to the extent, if any, that landlords will enforce the lease make-good clauses and estimates of the cost of restoration. These uncertainties may result in future actual expenditure differing from amounts currently provided. Provisions are periodically reviewed and updated, based on information available at the time. The carrying amounts are disclosed in Note 13 Provisions.

2. Other revenue

\$000	2017 Actual	2016 Actual
Other revenue under exchange transactions		
Recovery for events and fairs	1,297	1,062
Other revenue	20	1,049
Total other revenue under exchange transactions	1,317	2,111
Other revenue under non-exchange transactions		
Other revenue	338	48
Total other revenue under non-exchange transactions	338	48
Total other revenue	1,655	2,159

3. Personnel costs

\$000	2017 Actual	2016 Actual
Salaries and wages	9,304	8,419
Other personnel related costs	688	715
Contractors	1,373	1,074
Restructuring costs	82	-
Employer contributions to KiwiSaver	206	190
Increase in annual leave	32	32
Increase in post-employment benefits	3	43
Total personnel costs	11,688	10,473

Employee remuneration

Remuneration range	2017 Actual	2016 Actual
\$100,000 – \$109,999	5	6
\$110,000 – \$119,999	4	3
\$120,000 – \$129,999	7	6
\$130,000 – \$139,999	4	7
\$140,000 – \$149,999	3	3
\$150,000 – \$159,999	2	1
\$160,000 – \$169,999	3	1
\$170,000 - \$179,999	1	-
\$180,000 – \$189,999	1	1
\$190,000 – \$199,999	1	1
\$200,000 - \$209,999	1	-
\$210,000 – \$219,999	1	2
\$220,000 – \$229,999	-	2
\$230,000 - \$239,999	2	-
\$240,000 - \$249,999	1	-
\$250,000 – \$259,999	-	1
\$270,000 – \$279,999	-	1
\$330,000 – \$339,999	1	1
\$360,000 - \$369,999	1	-
\$390,000 - \$399,999	1	-
Total employees	39	36

During the year four staff members received compensation and other benefit payments in relation to cessation totalling \$167,249 (2015/16: three staff members received \$105,197).

4. Other expenses

\$000	2017 Actual	2016 Actual
Audit fees to Audit New Zealand for audit of financial statements	66	65
Board member remuneration	129	128
Advertising, events and fairs	7,544	9,023
Research, policy and other advice	4,975	5,844
Co-funding arrangements	2,446	2,848
Operating lease expenses	273	312
Loss on disposal of property, plant and equipment	1	1
English language training programmes ³⁴	-	894
Other operating expenses	4,055	3,076
Staff travel	1,436	1,560
Total other expenses	20,925	23,751

Asset disposals

There was one asset sale in 2016/17 that resulted in a minor loss on asset disposal (2015/16: three).

Operating leases

ENZ entered a six year agreement to lease Wellington premises from 1 August 2014. The lease expires on 31 July 2020, with one right of renewal of six years. The future aggregate minimum lease and sub-lease payments to be made under non-cancellable operating leases were as follows:

\$000	2017 Actual	2016 Actual
Not later than one year	319	295
Later than one year and not later than five years	631	906
Later than five years	-	-
Total non-cancellable operating leases	950	1,201

³⁴ Funded by Ministry of Foreign Affairs and Trade

5. Scholarship expenses

\$000	2017 Actual	2016 Actual
New Zealand International Doctoral Research Scholarships	481	505
Prime Minister's Scholarships for Asia	2,822	1,838
Prime Minister's Scholarships for Latin America	407	-
Total scholarship expenses	3,710	2,343

New Zealand International Doctoral Research Scholarships (NZIDRS) enable international students to come to New Zealand to undertake or continue PhD study. These scholarships are funded through the Scholarships for inbound international students appropriation.

Prime Minister's Scholarships for Asia (PMSA) and Prime Minister's Scholarships for Latin America (PMSLA) are granted to scholars, researchers and teachers to undertake placements abroad and to participate in reciprocal education exchange arrangements with partner countries in selected areas of priority study, teaching and research. These scholarships are funded through the Awards for outbound New Zealand students appropriation, which was a new appropriation in 2016/17. In 2015/16 Prime Minister's Scholarships for Asia expenses were included in Other Expenses Note 4, and are now included in Scholarship Expenses Note 5 as a result.

6. Cash and cash equivalents

The on-call account earned interest at rates set by the bank. ENZ had cash and cash equivalents at 30 June 2017 of \$0.552 million (30 June 2016: \$0.420 million). Cash at bank was non-interest bearing.

7. Receivables

\$000	2017 Actual	2016 Actual
Receivables under exchange transactions		
Interest receivable from bank	16	47
Receivables from the sale of services	-	4
Total receivables under exchange transactions	16	51
Receivables under non-exchange transactions		
Receivables from scholarships	60	-
Goods and services tax (GST) receivable	-	104
Total receivables under non-exchange transactions	60	104
Total receivables	76	155

The ageing profile of receivables at 30 June 2017 was:

\$000	2017 Actual	2016 Actual
Not past due	76	152
Past due by 1 – 30 days	-	-
Past due by 31 – 60 days	-	3
Total	76	155

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

There were no movements in the provision for impairment of receivables in 2016/17 (2015/16: nil).

8. Investments

Our investments were term deposits with maturity dates no greater than 180 days. The carrying amounts of investments represent their fair value. There was no impairment provision. ENZ had investments of \$4.5 million at 30 June 2017 (30 June 2016: \$6.0 million).

9. Property, plant and equipment

Movements for each class of property, plant and equipment were as follows:

\$000	Furniture & office equipment	Computer hardware	Motor vehicles	Leasehold improvements & make-good	Assets under construction	Total
Cost						
Balance at 1 July 2015	104	488	204	305	11	1,112
Additions/transfers at cost	12	81	-	27	(11)	109
Disposals	(15)	(18)	-	-	-	(33)
Balance at 30 June 2016	101	551	204	332	-	1,188
Balance at 1 July 2016	101	551	204	332	-	1,188
Additions/transfers at cost	10	62	-	-	-	72
Disposals	(4)	(1)	-	-	-	(5)
Balance at 30 June 2017	107	612	204	332	-	1,255
Accumulated depreciation						
Balance at 1 July 2015	35	290	39	47	-	411
Depreciation expense	18	151	51	54	-	274
Elimination on disposal	(14)	(18)	-	-	-	(32)
Balance at 30 June 2016	39	423	90	101	-	653
Balance at 1 July 2016	39	423	90	101	-	653
Depreciation expense	20	79	51	57	-	207
Elimination on disposal	(3)	(1)	-	-	-	(4)
Balance at 30 June 2017	56	501	141	158	-	856
Carrying amounts						
Balance at 1 July 2015	69	198	165	258	11	701
Balance at 1 July 2016	62	128	114	231	-	535
Balance at 30 June 2017	51	111	63	174	-	399

Capital commitments

At 30 June 2017 ENZ had nil commitments in respect of property, plant and equipment (30 June 2016: nil).

10. Intangible assets

ENZ's intangible assets are all classified as internally developed software. At 30 June 2017 the assets in this class consisted of the student website, our internal intranet and operating environment.

There have been no indicators that the useful economic lives of our internally developed software assets will be materially different to that estimated when they became available for use.

Movements for the internally developed software asset class were as follows:

\$000	Internally developed software	Total
Cost		
Balance at 1 July 2015	715	715
Additions	125	125
Balance at 30 June 2016	840	840
Balance at 1 July 2016	840	840
Additions	65	65
Disposals	-	-
Balance at 30 June 2017	905	905
Accumulated amortisation and impairment losses		
Balance at 1 July 2015	196	196
Amortisation expense	184	184
Balance at 30 June 2016	380	380
Balance at 1 July 2016	380	380
Amortisation expense	213	213
Balance at 30 June 2017	593	593
Carrying amounts		
Balance at 1 July 2015	519	519
Balance at 1 July 2016	460	460
Balance at 30 June 2017	312	312

Capital commitments

At 30 June 2017 ENZ had nil commitments in respect of intangible assets (30 June 2016: nil).

11. Payables

\$000	2017 Actual	2016 Actual
Payables under exchange transactions		
Creditors	962	2,285
Accrued expenses	274	667
Total payables under exchange transactions	1,236	2,952
Payables under non-exchange transactions		
Fringe benefit tax payable	46	6
Goods and services tax (GST) payable	33	-
Co-funding payable	645	403
Scholarships payable	1,216	290
Total payables under non-exchange transactions	1,940	699
Total payables	3,176	3,651

12. Employee entitlements

\$000	2017 Actual	2016 Actual
Current Portion		
Accrued salaries and wages	97	61
Annual leave	492	460
Total current portion	589	521
Non-current portion		
Post-employment benefits	46	43
Total non-current portion	46	43
Total employee entitlements	635	564

13. Provisions

\$000	2017 Actual	2016 Actual
Current portion		
Co-funding arrangements	257	171
Total current portion	257	171
Non-current portion		
Lease make-good	53	53
Total non-current portion	53	53
Total provisions	310	224

Movements for each class of provision were as follows:

\$000	Co-funding arrangements	Lease make-good	Total
Cost			
Balance at 1 July 2015	661	53	714
Additional provisions made	2,756	-	2,756
Amounts used	(3,246)	-	(3,246)
Balance at 30 June 2016	171	53	224
Balance at 1 July 2016	171	53	224
Additional provisions made	2,430	-	2,430
Amounts used	(2,344)	-	(2,344)
Balance at 30 June 2017	257	53	310

Co-funding arrangements

See Note 1, Statement of Accounting Policies: Co-funding expenditure, for further information.

Co-funding commitments

As at 30 June 2017, ENZ had commitments relating to co-funding arrangements of \$0.388 million (30 June 2016: \$1.258 million), with

substantially all payments to be made within one year.

Lease make-good

ENZ is required to return any leased premise to its original state at the expiry of the lease. See Note 1 Statement of Accounting Policies: Critical accounting judgments, estimates and assumptions, for further information.

14. Reconciliation of net deficit to net cash flow from operating activities

\$000	2017 Actual	2016 Actual
Deficit	(973)	(2,135)
Add non-cash items		
Depreciation and amortisation expense	420	458
Total non-cash items	420	458
Add/(Less) items classified as investing or financing activities		
Interest received	(181)	(246)
Loss on disposal of property, plant and equipment	1	1
Total items classified as investing or financing activities	(180)	(245)
Add/(Less) movements in statement of financial position items		
(Increase)/Decrease in receivables	(24)	128
(Increase) in prepayments	(440)	(61)
Increase/(Decrease) in payables	(508)	98
Increase/(Decrease) in provisions	86	(490)
Increase in employee entitlements	71	77
(Increase)/Decrease in Goods and Services tax (GST)	136	(56)
Net movements in working capital items	(679)	(304)
Net cash flow from operating activities	(1,412)	(2,226)
Net movements in working capital items	(304)	(58)
Net cash flow from operating activities	(2,226)	(399)

15. Contingent assets and liabilities

ENZ had nil contingent assets as at 30 June 2017 (30 June 2016: nil).

ENZ had nil contingent liabilities as at 30 June 2017 (30 June 2016: nil).

16. Related party transactions

ENZ is a wholly owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those it is reasonable to expect that we would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (e.g. Government

departments and Crown funded tertiary institutions) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Related party transactions required to be disclosed

There were no material related party transactions required to be disclosed.

Key management personnel remuneration

ENZ's key management personnel are the Board, Chief Executive and the Senior Leadership team.

The remuneration to key management personnel during 2016/17 was:

\$000	2017 Actual	2016 Actual
Board members	129	128
Leadership team	2,390	1,558
Total key management personnel remuneration	2,519	1,686

The full time equivalent (FTE) of key management personnel during 2016/17 was:

FTE	2017 Actual	2016 Actual
Board member full-time equivalent personnel	0.89	0.88
Leadership team full-time equivalent personnel	8.96	6.91
Total full-time equivalent personnel	9.85	7.79

The full-time equivalent for Board members was determined using the number of days of commitment to ENZ per annum, as set out in each member's letter of appointment to the Board. The full-time equivalent for the ten members of the Leadership team, including the Chief Executive, was determined using the contracted hours, as set out in each member's employment agreement.

17. Board member remuneration

\$000	2017 Actual	2016 Actual
C Finny (Chair)	32	32
N Barns	6	16
P Broughton	16	16
J Morris	16	16
R Leggat	16	16
F Valintine	5	16
V Spackman	16	16
K Rolleston	11	-
L Sissons	11	-
Total Board member remuneration	129	128

Members of the Stakeholder Advisory Committee are appointed by the Minister for Tertiary Education, Skills and Employment. Membership is voluntary with no remuneration.

We have Director's and Officer's Liability and Professional Indemnity insurance cover in respect of the possible liability or costs of Board members and employees.

No Board members received compensation or other benefits in relation to cessation.

18. Events after balance date

There were no significant events after balance date that required the financial statements to be adjusted.

19. Financial instruments

ENZ, as part of its everyday operations, is party to financial instruments that have been recognised in our financial statements. These financial instruments include accounts payable and accounts receivable, cash and short term deposits.

All financial instruments are recognised in the statement of financial position, and revenues and expenses in relation to all financial instruments are recognised in the statement of comprehensive revenue and expense.

A. Financial instrument categories

The carrying amounts of financial assets and liabilities were:

\$000	2017 Actual	2016 Actual
Cash, receivables and investments		
Cash and cash equivalents	552	420
Receivables	76	155
Investments	4,500	6,000
Total cash, receivables and investments	5,128	6,575
Payables		
Payables	3,176	3,651
Total payables	3,176	3,651

B. Financial instrument risks

Our activities expose us to the following financial instrument risks: market risk, credit risk and liquidity risk. We have policies and procedures to manage the risks associated with financial instruments. These policies and procedures do not allow us to enter into any transactions that are speculative in nature.

Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

We limit our exposure to fair value interest rate risk by placing funds in bank term deposits with maturity dates no greater than 180 days. We do not actively manage our exposure to fair value interest rate risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

We only maintain a bank account denominated in New Zealand dollars. However, we do purchase goods and services overseas that require us to enter into transactions denominated in foreign currencies. This activity exposes us to currency risk. We do not actively manage our exposure to currency risk.

Credit risk

Credit risk is the risk that a third party will default on its obligations causing us to incur loss.

In the normal course of business we are exposed to credit risk from cash and term deposits held with banks and receivables. For each of these the maximum credit exposure is best represented by the carrying amount in the

statement of financial position. There have been no defaults in the payment of interest or return of principal on our term deposits.

ENZ limits its credit risk by only placing funds in an on-call account or term deposits held with banks registered in New Zealand that have a minimum Standard and Poor's credit rating of AA-.

Credit quality of financial assets

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.

The credit quality of ENZ's financial assets as at 30 June 2017 was:

\$000	2017 Actual	2016 Actual
Counterparties with credit ratings AA-		
Cash at bank and term deposits	5,052	6,420
Receivables	16	47
Total counterparties with credit ratings AA-	5,068	6,467
Counterparties without credit ratings		
Receivables with no defaults in the past	60	108
Total counterparties without credit ratings	60	108

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that ENZ will not have sufficient cash on hand to meet commitments as they fall due. We manage liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Contractual maturity analysis of financial liabilities

Our financial liabilities were payables. All of our payables fell due within three months. The carrying amount of payables was equivalent to the contractual cash flows, as ENZ expected to make all payments by the due date.

20. Capital management

ENZ's capital is equity, which is comprised of accumulated funds. Equity is represented by net assets.

ENZ is subject to the financial management and accountability provisions of the Crown Entities Act 2004. The act imposes restrictions in relation to borrowings, acquisition of

securities, issuing guarantees and indemnities and the use of derivatives. ENZ has complied with the provisions of the act for the year ended 30 June 2017.

ENZ manages its financial dealings prudently, enabling the business to meet its objectives.

21. Explanation of major variances against budget

Explanations for major variances from our budgeted figures presented in the Statement of Performance Expectations 2016-2017 are as follows:

Revenue from the Crown – Operating budget was revised for the following changes:

- Additional Export Education Levy revenue of \$0.630m was approved by Ministry of Education to enable ENZ to undertake additional activities relating to student wellbeing initiatives, student alumni activities, translating orientation information and reviewing agent training resources.

- Funding for NZ Story of \$0.383m was transferred to New Zealand Trade and Enterprise.
- Budgeted revenue received from Ministry of Foreign Affairs and Trade to fund English language training programmes for Korean students under the Free Trade Agreement \$1.000m was reclassified to Revenue – Other.

Within the total appropriation revenue of \$0.200m was transferred from the Awards for outbound New Zealand students appropriation to the International Education Programmes appropriation to administer scholarships.

Actual Revenue – Other was different to the revised budget mainly due to:

- The Ministry of Foreign Affairs and Trade funding for English language training programmes for Korean students was

deferred to 2017/18 consequently there was no revenue.

Actual expenditure was different to the revised budget. This was due to the impact of the organisation redesign, the timing of other expenditure and:

The Scholarships for inbound international students (NZIDRS) appropriation expenditure was \$0.504m or 51% lower than the budgeted expenditure of \$0.985m due to a prudent approach around the number of multi-year scholarships being awarded, plus student factors such as the increasing need for recipients to take temporary study breaks and a number of withdrawals. We are developing a proposal to repurpose the inbound NZIDRS scholarship fund so that it more effectively supports our strategic goals for international education.

INDEPENDENT AUDITOR'S REPORT

To the readers of Education New Zealand's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of Education New Zealand (ENZ). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of ENZ on his behalf.

Opinion

We have audited:

- the financial statements of ENZ on pages 42 to 62, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of ENZ on pages 27 to 28 and 36 to 40.

In our opinion:

- the financial statements of ENZ on pages 42 to 62:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards.

- the performance information on pages 27 to 28 and 36 to 40:
 - presents fairly, in all material respects, ENZ's performance for the year ended 30 June 2017, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - what has been achieved with the appropriations; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 30 October 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards

and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of ENZ for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable the preparation financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of ENZ for assessing its ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of ENZ, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or

error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to ENZ's Statement of Performance Expectations 2016 – 2017 and Statement of Intent 2016 – 2020.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of ENZ's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within ENZ's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ENZ's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause ENZ to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information

included on pages 2 to 34, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of ENZ in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in ENZ.



Karen Young

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

APPENDIX ONE: OUR STATUTORY FUNCTIONS

ENZ's functions are specified in section 270 of the Education Act 1989. Our statutory functions are to:

- deliver strategies, programmes and activities for promoting, together with providers and other government agencies, New Zealand education overseas
- promote New Zealand as an educational destination for international students
- promote the provision of New Zealand education and training services overseas
- manage, in collaboration with other government agencies, activities undertaken by representatives appointed to act on behalf of the New Zealand Government in relation to international education
- carry out research on international education markets and marketing strategies
- administer any international programmes or activities that are consistent with the Government's policy on international education
- provide information, advice, and assistance to providers on strategies to promote industry coordination and professional development
- provide information to international students about living and studying in New Zealand
- work with other agencies to ensure that international students are adequately supported while living and studying in New Zealand
- foster collaborative networks with former international students.

APPENDIX TWO: OUR BOARD

ENZ's Board is made up of between five and seven members appointed by the Minister for Tertiary Education, Skills and Employment (this portfolio includes international education). The Board is responsible for the governance of the organisation, including setting its strategic directions and its monitoring performance.

The Board regularly meets to carry out governance functions and address major challenges that are affecting, or have the potential to affect, the industry.

On the Board's behalf, the Audit and Risk Committee monitors the financial and risk management of ENZ.

The Human Resources/Organisation Development Committee assists the Board in fulfilling its responsibilities regarding human resources and organisational development policies and practices.

A number of special advisers to the Board help guide and shape the Board's work and ensure connections with the strategic direction of other agencies. The special advisers are:

- the Chief Executive of the Ministry of Education
- the Chief Executive of the Ministry of Foreign Affairs and Trade
- the Deputy Chief Executive Labour, Science and Enterprise from the Ministry of Business, Innovation and Employment
- the Deputy Chief Executive Immigration New Zealand from the Ministry of Business, Innovation and Employment.

The Board receives feedback from the industry through holding sector 'deep dive' sessions at Board meetings. The sessions provide the Board with in-depth analysis of a sector from members of that sector and enables the Board to examine issues with greater depth.

Diagram 1: Governance of ENZ at 30 June 2017



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