

2011/12

EDUCATION NEW ZEALAND

Annual Report



OUR PURPOSE

*Taking New Zealand education experiences to the world
for enduring economic, social and cultural benefits*

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EDUCATION NEW ZEALAND

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BOARD CHAIR'S FOREWORD

It has been a great honour to be the inaugural Chair of Education New Zealand, the new Crown agency.

It has been a challenging 10 months. We had much groundwork to cover to develop a strategy to deliver on the Government's goals, develop a structure to deliver on this strategy and recruit a Chief Executive. We had to keep business as usual going at the same time as we merged three cultures into one, recruited a CEO, and developed a suitable structure for the delivery of strategy. This has had a significant impact on our ability to spend the full funding allocated for our first financial year. We are grateful to the Government for agreeing in principle to transfer this funding to the next financial year.

I am pleased with the progress that has been achieved over this period. We have kept our domestic and international businesses running, we have developed a good strategy, we have restructured and we have recruited a CEO. He has been with us for the final five months of the period in review. I am particularly pleased by the work that we have done with regard to Christchurch, our re-invigorated China strategy, and the programme of activity we have begun in Indonesia – a market of enormous potential but which New Zealand has largely left to Australia in recent years.

Aside from our promotional programme, and our support for expanded education services offshore, a critical task for Education New Zealand is relationship building. We need to develop excellent relations with New Zealand's education institutions and businesses. It is these institutions and companies that deliver the value that makes up the Government's goals for the sector.

Likewise we need the best possible relations with the governments and institutions in our key education markets.

And we need to work as closely as possible with the rest of government – the Ministries of Foreign Affairs and Trade, Business, Innovation and Employment, Education, Trade and Enterprise, Tourism, Immigration, the Qualifications Authority, Tertiary Education Commission and others.

I am delighted with the relationships that we have developed and maintained since our establishment. We have been helped in this regard by our stakeholder advisory committee and our special advisors to the Board.

I would like to thank Grant McPherson and his team for their dedication and professionalism over the past 10 months and my fellow Board members for their hard work, vision and insight. In particular, I wish to thank Elizabeth Valintine who left the Board in July. I wish her all the best for the future.

A handwritten signature in black ink, appearing to read 'C. Finny', written in a cursive style.

Charles Finny
Board Chairman



CHIEF EXECUTIVE'S FOREWORD

What an incredible journey the past 18 months has been. I have been privileged to be part of this journey for the last five months. Education New Zealand (ENZ) has come a long way from considering what needed to be done for international education, through extensive consultation with the industry to capture their views, to the establishment of ENZ as a Crown entity on 1 September 2011, and to finally completing our first 10 months.

Over that period the importance of international education to New Zealand, the opportunities that are available and the challenges we face have become better understood. Through our engagement with industry and other government agencies, I get a sense that we are all up for the challenge.

Improving New Zealand's performance in international education brings significant benefits to New Zealand as well as the international partners we deal with. Success provides an economic return for New Zealand, including jobs and helping to fund the delivery of our educational experiences. With foreign exchange earnings of \$2.7 billion – one of New Zealand's largest export services groups – it attracts nearly 100,000 students and directly creates around 12,000 full-time jobs. Approximately \$109 million of this value is generated by non-student recruitment activity.

Our country gains through strong linkages, long-term relationships, and the sharing of experiences and knowledge. Improved performance in international education also allows us to highlight the strengths of New Zealand and our education system: the quality of our programmes, which are highly valued around the world; the style of our learning environment; our lifestyle experiences; and our welcoming approach. We are also able to showcase that New Zealand education providers have something to offer the world – both in New Zealand and overseas.

It is fortunate that when ENZ was created the Government set the industry ambitious targets through the Leadership Statement. Industry and Government must collaborate to meet these targets – working together to leverage strengths, identify and capture opportunities, and provide excellent education experiences both in New Zealand and overseas.

Clarifying our purpose and strategy

It was important for the new organisation to develop strategic priorities. The first step was to clarify our purpose. To do this we again worked with key stakeholders to jointly create our Purpose Statement – the cornerstone of what we are doing. We are here to take New Zealand education experiences to the world for enduring economic, social and cultural benefits.

From this statement ENZ set six strategic priorities that have been included in the Statement of Intent 2012-15. These are important principles that will guide our work and ensure a focus on collaboration, partnership and capability.

Delivering on our strategy

ENZ's organisational structure and activities flow from our strategy. At the outset the challenge was to fill the gaps in organisational capability – including staff, culture, systems and processes – and put in place a new management team and structure.



A new structure was developed in May 2012. By the end of the 2011-12 year we were appointing general managers and subject-matter experts.

The team has achieved an incredible amount in the short “build phase”, setting the organisation up for the 2012-13 year. We are well on the way to having the capability, tools and relationships required to add value to the industry, while instilling a focus on activities where ENZ is best placed to make an impact.

Business as usual and new initiatives

While building the organisation for the future, ENZ also continued to deliver events, promotional activities and other work programmes to support the industry.

During the 10 months of operation, ENZ has set up booths and answered queries at 42 international education fairs across Europe, Asia and Latin America. Satisfaction with our performance remained high amongst fair participants. While remaining focused on business-as-usual activities, ENZ has also investigated and experimented with fresh ways of doing things. Many of these activities will bear fruit in 2012-13 and beyond.

Understanding the student lifecycle, from a student's early interest in New Zealand through to employment, is a key tool for ENZ and the industry. We have commissioned research on this lifecycle that shows that there is no single barrier to growth; rather, there are a number of small and overarching challenges and barriers. The next piece of work is to identify how each government agency can work better with students at their key decision-making points.

Social media has played an increasingly major role in promoting New Zealand education offshore. Facebook campaigns proved particularly successful and we will significantly enhance our digital platforms in 2012-13.

Business as usual will not produce the scale of change required. To meet our challenging targets, ENZ and the industry have to find new and better ways of making the most of New Zealand's international education opportunity.

Christchurch

It was important that we were part of the effort to rebuild the international education industry in Christchurch. Canterbury remains the second most popular destination for international students in New Zealand – a healthy regional industry is necessary for a healthy national one.

As a result, ENZ has focused on supporting Christchurch to recover from the impact of the city's earthquakes in 2010 and 2011. In March the Government announced a dedicated \$5 million fund, administered by ENZ, to help promote Christchurch offshore and rebuild the city's education capability over the next four years. Christchurch has set an example for the industry regarding the power of collaboration. If a positive thing has come out of the quakes, it is that the regional industry has collaborated better to open up opportunities for growth.

Financials

With the establishment of ENZ came additional funding to support the achievement of the industry targets. For the year ended June 2012 we did not utilise the total funding available, as we moved our approach from providing support for activity to providing support for results. This required us to work with the industry to explain that we are keen on working with them on proposals that lead to key outcomes.



In the early establishment phase, ENZ was aware of the need to develop a comprehensive approach to the way we invested our funds. We have been in discussions with both the Ministry of Education and the Minister for Tertiary Education, Skills and Employment regarding the transfer of funding not used in 2012 to 2013 and beyond.

Both have been supportive of our plan and have agreed to the transfers. This means that funding is still available for the use of the industry. ENZ needs to work closely with industry to ensure that this money is used in the best possible way.

Higher profile for international education

The visibility of international education as an important part of New Zealand's social, cultural and economic fabric has increased markedly. ENZ has been involved in many key Government initiatives. We have supported ministers and other government agencies in the development of the Business Growth Agenda – Better Export Markets and been involved in developing specific international education goals in the NZ Inc. strategies for China and India.

Support has also been provided for ministerial visits to Indonesia and the Middle East, which have provided an important platform from which to explore business opportunities. In addition, we have partnered with Tourism New Zealand and New Zealand Trade and Enterprise to work with education industry participants and other New Zealand businesses to develop the New Zealand Story. These are incredibly exciting initiatives.

Acknowledgements

Finally, I'd like to acknowledge the Education New Zealand Trust, New Zealand Trade and Enterprise, the Ministry of Foreign Affairs and Trade, the Ministry of Education and the ENZ establishment team who laid the groundwork to build upon.

I must also acknowledge my debt to my predecessor Lester Wolfreys who led ENZ for the first five months of its existence.

I also owe a debt of gratitude to ENZ staff who have, throughout these 10 months, shown a willingness to go the extra mile despite extensive change and uncertainty. The first 10 months have provided the platform from which we must push on. There is much to do.

The opportunities are there. The commitment is there. It is up to us together to make things happen.

A handwritten signature in black ink, appearing to read 'Grant McPherson'.

Grant McPherson
Chief Executive



ABOUT EDUCATION NEW ZEALAND

Education New Zealand (ENZ) was set up as a Crown agency on 1 September 2011. Its role is to support the international education industry to give effect to the Government's international education policies, through a range of marketing, promotion and representation functions. ENZ assumed the functions previously undertaken by the Education New Zealand Trust, the Ministry of Education's international liaison team and New Zealand Trade and Enterprise's education marketing team.

We are pleased to present this Annual Report that reflects progress over the 10 months since ENZ was established.

Our functions

ENZ's statutory functions are specified in section 270 of the Education Amendment Act 2011. These 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.

Governance

ENZ is governed by a Board and reports to the Minister responsible for International Education (currently the Minister for Tertiary Education, Skills and Employment). The Ministry of Education is our monitoring agency.

There are a number of special advisors to the Board, who help to guide and shape our work and ensure connections with the strategic direction of other agencies. These people are:

- › John Allen – Chief Executive, Ministry of Foreign Affairs and Trade
- › Nigel Bickle – Deputy Chief Executive for Immigration, Department of Labour¹
- › Anne Jackson – Deputy Secretary, Ministry of Education.²

The Minister has also formed a stakeholder advisory committee that has informed the work planning and strategic direction in 2011-12. The ENZ Board is working closely with this committee to ensure the needs of the sector are taken into account in any strategic planning.

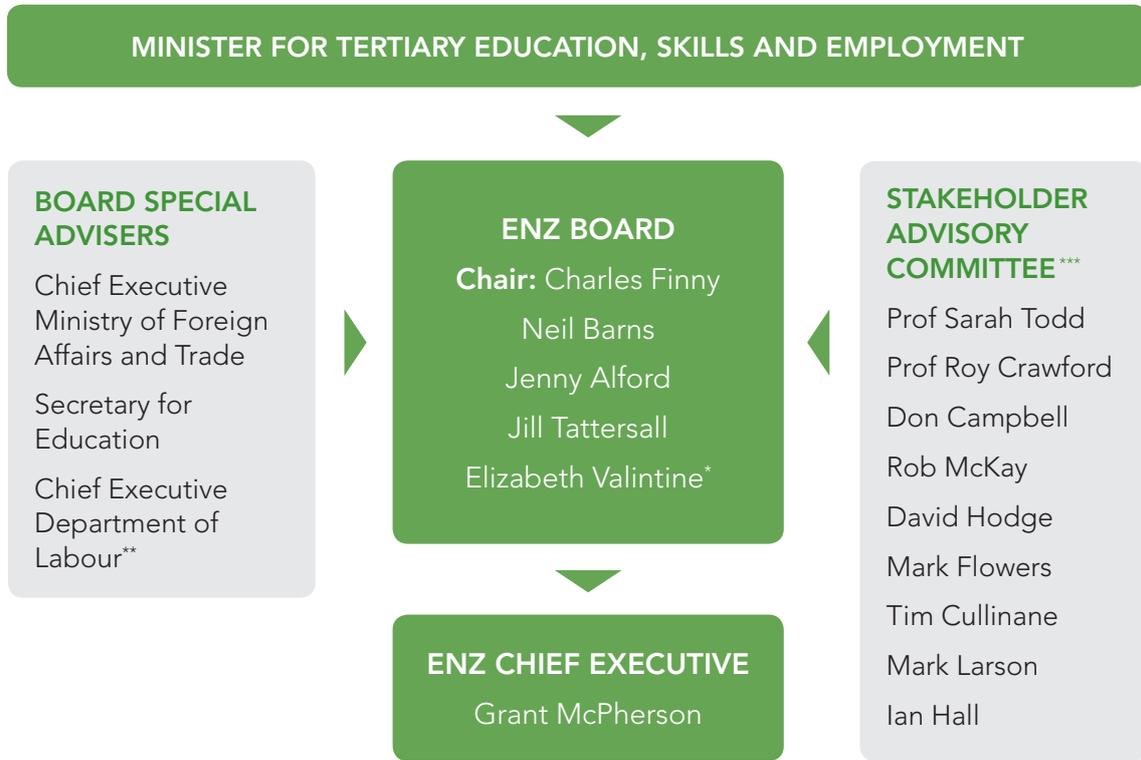
The Audit and Risk Committee monitors the financial and risk management of ENZ.

¹ From 1 July, Ministry of Business, Innovation and Employment.

² Delegate for Lesley Longstone, Secretary for Education.



Education New Zealand governance framework



* Elizabeth Valintine left the ENZ Board on 16 July 2012. Three additional Board members have been appointed in 2012-13: Richard Leggat, Philip Broughton and John Morris.

** Now a representative from the Ministry of Business, Innovation and Employment.

*** Members of the Stakeholder Advisory Committee are individually appointed by the Minister for Tertiary Education, Skills and Employment.

PART ONE

About International Education





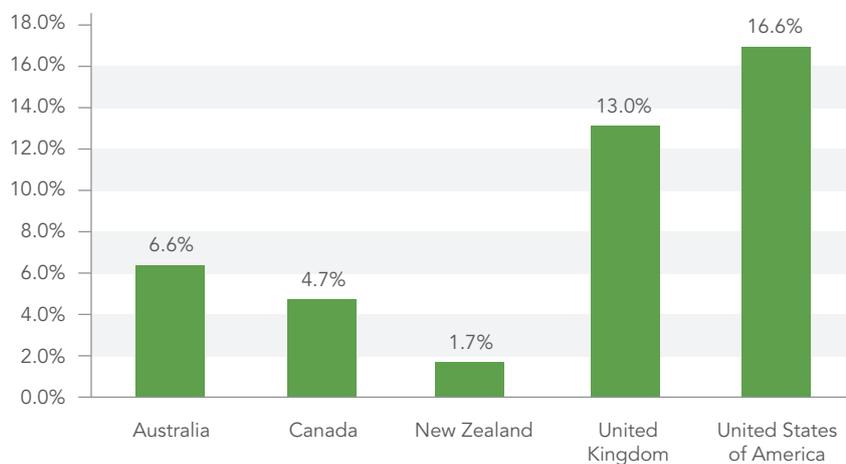
International education³ is an important enabler in strengthening economic, cultural and social links around the world. In the increasingly difficult and complex international political, social and economic climate the profile and importance of international education has been highlighted.

In its 2012 report, the OECD⁴ estimates that more than four million tertiary students were educated outside their home country in 2010 and that the global demand for international education could be expected to rise to almost eight million by 2025.

In the 2011 calendar year, approximately 100,000⁵ international fee paying students studied in New Zealand, at nearly 900 institutions. While there are no figures showing the relative shares of the total global education market,⁶ New Zealand's share of the global tertiary education market amongst has been reasonably static at just under 2%.

INTERNATIONAL EDUCATION MARKET SHARES

Distribution of foreign students in tertiary education, 2010 (OECD 'Education at a Glance', 2012)



The international education industry in New Zealand accounts for 11,900 full-time equivalent staffing positions. This sector is estimated to contribute in excess of \$2 billion annually to the New Zealand economy and is ranked as one of New Zealand's most valuable service exports, along with tourism and commercial services. It equates to wood, fuels and mining in terms of overall contribution to the economy.

International education is not just about economic value. It contributes to internationalisation, research, innovation, trade and tourism. International education encourages the migration of highly skilled people and helps to grow links amongst trading partners. International students contribute to New Zealand's global perspective and diversity.

Due to a number of factors, there is an increasing expectation that international education will be delivered in the student's country of origin. This creates some challenges for New Zealand providers, which will require creativity, innovation and tenacity to overcome.

In summary, thinking globally adds to the economic viability of the education sector and the New Zealand economy generally in tight financial times, as well as adding to New Zealand's cultural, academic and social variety and richness.

³ International Education includes all aspects of education that cross international boundaries. It includes attracting foreign students to study in New Zealand and the delivery of courses offshore. It also involves the export of other education services including consultancy and products into international markets.
⁴ OECD "Education at a Glance 2012"
⁵ This figure includes approximately 16% primary and secondary school students.
⁶ Although tertiary international education data is collated and published regularly, each country differs in the way it collects data on the school and private education sectors. A straight comparison of total market share between countries is therefore problematic.

The international education landscape 2011-12

The last year has been challenging for the world international education market. The impact of the financial crisis in Europe and North America has continued to be felt. A proliferation of new Asian and European education institutions, course options and regional education hubs in or close to some of New Zealand’s traditional markets for international students has meant there is less impetus for students to search further abroad for education solutions.

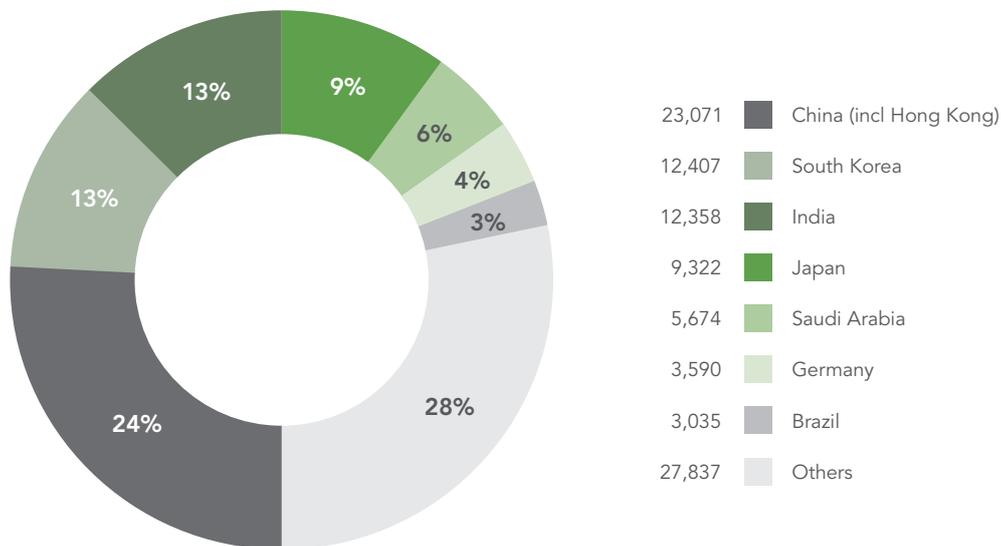
Across the world, institutions are struggling to fill places.⁷ Universities in the United Kingdom, Europe and Asia are facing a “student recruitment crisis” and some are significantly short of their targets. In a bid to make up their student numbers, some institutions are lowering entry requirements, increasing fee discounts and scholarships, and providing greater incentives for agents.

Closer to home, the past year has been a difficult one for the international student sector. In Australia in the year to June 2012, there were 389,356 enrolments by full-fee-paying international students on a student visa. This represents an 8.5 percent decline on the same period in 2011 and contrasts with the average YTD June growth rate for enrolments since 2002, of 6.6 percent per year.⁸

The New Zealand context 2011-12

Given the difficult international environment in 2011-12, and the impact of the Christchurch earthquake, the New Zealand industry has continued to perform relatively well.

ORIGIN OF INTERNATIONAL FEE-PAYING STUDENTS CALENDAR YEAR 2011



The latest Export Education Levy data⁹ confirms there were 1 percent fewer international fee-paying student enrolments during the first four months of 2012 compared to the same period in 2011 (59,964 enrolments, down from 60,758). There were decreases of 2 percent in schools and 3 percent in private training establishments, while university and polytechnic enrolments rose by 1 percent.

The impact of the Christchurch earthquake on international enrolments has been significant. However, outside of Canterbury there has been some strong sector growth. For example, enrolments in Auckland in the first four months rose by 6 percent and in Waikato by 9 percent, compared to the same four months in 2011.

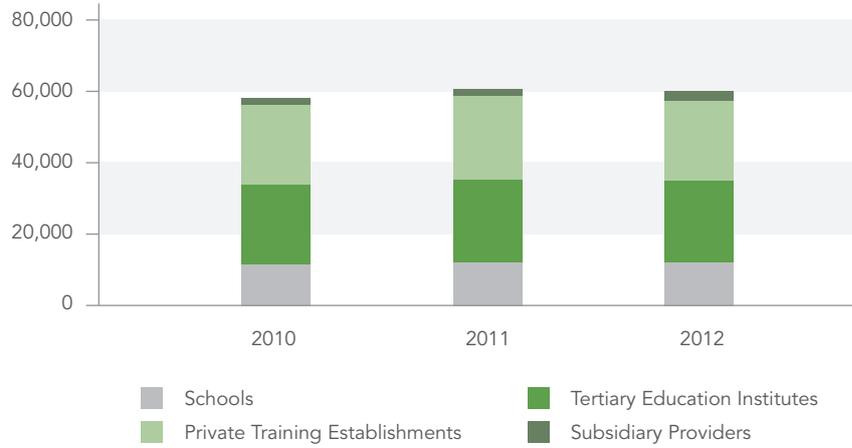
⁷ Report by the 11tenGroup, as cited in the “Times Higher Education”, 21 August 2012.

⁸ Austrade International student data summary, June 2012.

⁹ Export Education levy data is collected every four months and summarised annually for the past calendar year. The latest report is for the four months January - April 2012, available at <http://www.educationcounts.govt.nz/statistics/international/international-students-in-new-zealand>

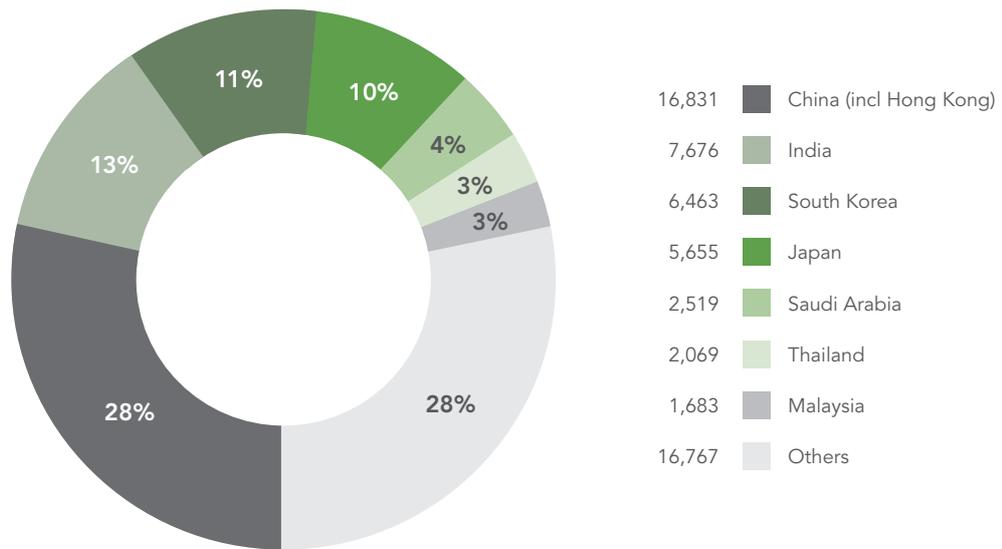


NEW ZEALAND INTERNATIONAL STUDENT NUMBERS JANUARY TO APRIL 2012



Source: Ministry of Education

ORIGIN OF INTERNATIONAL FEE-PAYING STUDENTS JANUARY TO APRIL 2012



Offshore delivery

While delivering courses in New Zealand will continue to be the major source of revenue for the international education sector, opportunities for growth will increasingly come from non-traditional methods of delivery and offshore provision of goods and services.

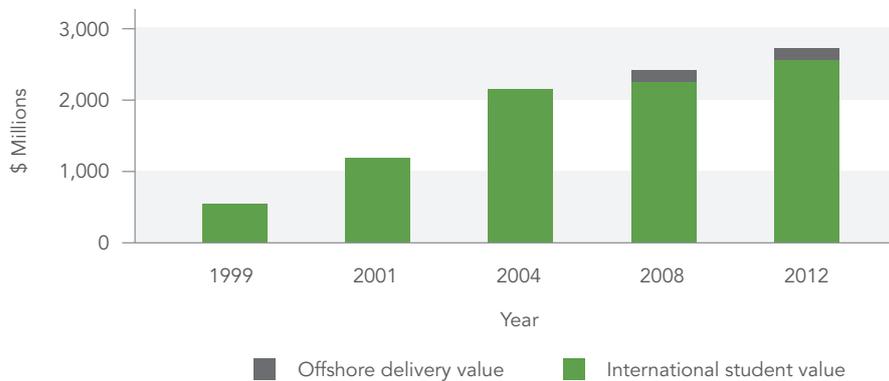
This part of the international education sector is growing, and institutions and businesses are realising the breadth and scale of the offshore opportunity. ENZ has spent much of 2011-12 getting a better picture of this sector and identifying the types of support industry requires from us if it is to generate \$500 million annually in revenue by 2025. In 2012-13 ENZ will be rolling out a new business support package to guide and inform interactions with this sector. It will include a range of tools such as mentoring, research, capability building and advice, and is designed to cater more effectively to the broad range of providers, their products and their business development needs.

The value of the sector 2011-12

One of the critical objectives for ENZ is to assist industry to grow the value of international education to New Zealand to \$5 billion by 2025. ENZ has been working to identify a baseline figure against which growth can be measured. ENZ commissioned an update of a 2008 study into the value of international education, which concluded that it was currently worth \$2.7 billion in foreign exchange earnings to the New Zealand economy.¹⁰

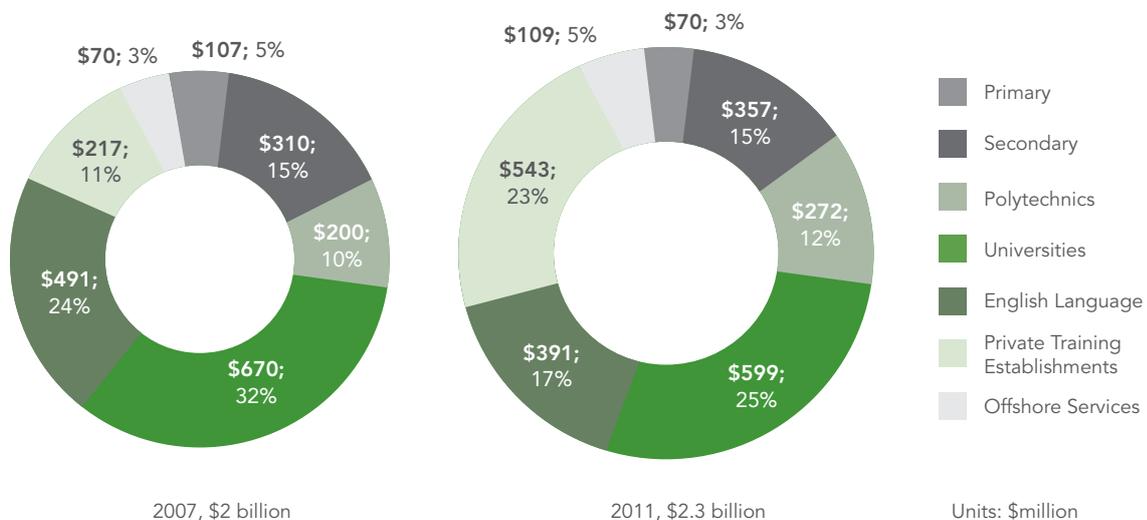
Student-related spending accounts for over 95 percent of this figure, and offshore provision of education services is 4.7 percent or \$109 million. The value of this sector has been steadily increasing, as shown by the table below.

ECONOMIC VALUE



The total economic value of the international education sector in New Zealand.
Source: *Economic value studies 1999-2012*

The contribution of each sector to the total value in 2011-12 is shown in the figure below. The largest percentage growth is expected in offshore services, which is expected to grow to \$500 million or 10 percent of the total target by 2025. The challenge for ENZ and the industry is to continue to grow the total value of the industry, without compromising returns to any one part of the sector.



The contribution in 2011-12 of each sector to the total value of international education.
Source: *Infometrics reports 2008 and 2012*

¹⁰ *Economic value in 2011 update study, Infometrics, May 2012 available at: <http://www.educationnz.org.nz/resources/>*

PART TWO

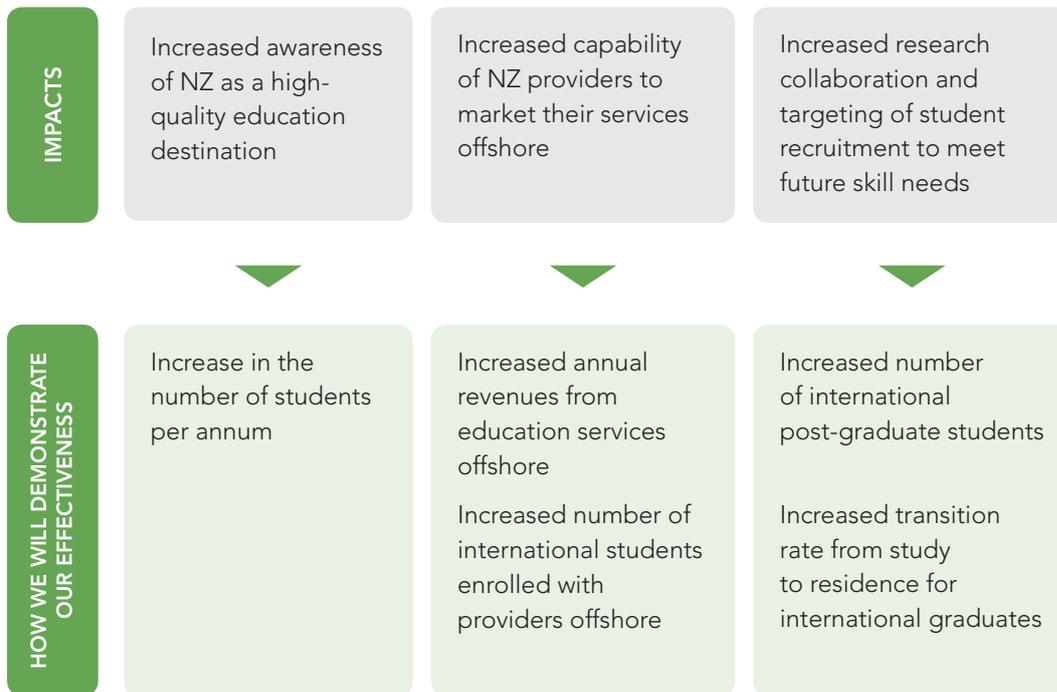
Operational Review 2011/12



OBJECTIVES FOR 2011-12

ENZ set out specific objectives for the 2011-12 year, as specified in our Statement of Intent 2011-14. Progress against these is shown in detail in Part Three.

The sections of the 2011-14 outcomes framework to which ENZ's contribution is more direct are shown below.



Progress towards achieving impacts

ENZ has a range of targets that will guide our work out to 2025, including those in the "Leadership Statement for International Education" and in the NZ Inc strategies for China, India and Association of South East Asian Nations (ASEAN). ENZ also contributes to the targets in the Building Export Markets progress report of the Business Growth Agenda.

Our outcomes and objectives are medium to long term by nature. In terms of student attraction, it can take time to identify national and international factors impacting on industry and emerging positive and negative trends and then respond accordingly to make a difference. However, ENZ has set itself annual milestones to ensure that New Zealand is on track towards its long-term goals.

The initial engagement between the Board and ENZ staff and industry has led to a set of strategic priorities, which are reflected in the Statement of Intent 2012-15.

These are to:

- › work with industry to meet 2025 targets
- › develop and implement a comprehensive marketing and promotion strategy
- › support Christchurch
- › develop and implement an industry support package
- › emphasise collaboration and partnership
- › build organisational capability.



A collaborative effort is required to deliver on the targets across the international education industry and with a range of New Zealand agencies.¹¹ A whole-of-government approach to international education gives New Zealand a comparative advantage in many markets. Misalignment of policies and procedures across different government departments can be a problem when doing business with a country.

New Zealand is small compared with many of its competitors, and many international opportunities are too large for any one provider. By collaborating in key markets, New Zealand providers and businesses can show that they are unified and have the necessary scale to tackle major opportunities.

REBUILDING CHRISTCHURCH THROUGH EXPORT EDUCATION

A significant part of ensuring Christchurch's successful economic recovery is rebuilding the export market for education.

Notwithstanding the enormous human cost of this event, the impact on the international education industry in Christchurch continues to be felt. In January to April 2012, international student enrolments reduced by 37 percent on the same period in the previous year.

ENZ has committed around \$5 million, phased over four years, to a targeted programme assisting Christchurch to rebuild its export education market. Collaboration has been a hallmark of the rebuilding efforts and this has extended to the education sector. Highlights in 2011-12 include regional education missions to Japan, Thailand and Hong Kong, and a Vietnamese school study trip to Christchurch.

Building our organisation

A fundamental activity during 2011-12 has been implementing the formal establishment of ENZ as a Crown agency and putting in place the staff, systems and processes to enable delivery of education targets in the future.

ENZ developed its People Strategy 2011-15¹² to ensure the organisation can plan resourcing requirements, attract the right capability, engage employees and enhance performance.

Performance against specific organisational targets in the 2011-14 Statement of Intent (SOI) is shown in the table on the next page.

¹¹ The Ministries of Education, Foreign Affairs and Trade, Business, Innovation and Employment and New Zealand Trade and Enterprise, the New Zealand Qualifications Authority and the Tertiary Education Commission. Our Board special advisors and stakeholder advisory committee are important contributors to success.

¹² See Annex A.

Performance Measure	1 July 2011-30 June 2012 Target	2011-12 Result	Actual Results
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Strategy development and planning

Develop specific targets and performance measures, including short-term targets, for the Government's goals for international education.	Develop strategy in consultation with industry and Government by 30 June	Achieved	Interim internal targets have been set for 2015 for brand awareness and value of the sector. These have been shared with Government as part of the development of the 2012-15 SOI. The Stakeholder Advisory Committee has been consulted on these targets.
Set out specific approaches that ENZ will take in each geographical market and with respect to key groups and end-users.	Country plans developed by 31 March	Achieved	NZ Inc strategies have been developed for China, India and South East Asia, and set out the high-level objectives for each country and region in terms of student numbers and increased volume and value of education services. ENZ has developed country plans that sit underneath these strategies. A market prioritisation matrix has been developed to inform decision-making about focus countries.

Efficiency and effectiveness

Fixed ratio of marketing, promotions and representation expenses to administration expenses, using shared back office services model where possible.	Agree ratio and align expenditure by 30 June	Achieved	Ratio agreed as per letters of expectation with Minister. ENZ will not have a fully staffed new organisational structure until October 2012. However the new structure is configured to a 75/25 percent ratio of front office to back office. New budgets will reflect this ratio. ENZ aims to move towards a 1:1 ratio of onshore to offshore staff in 2013-14. We are working with education sector leaders on shared back office services.
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Number and distribution of staff

ENZ staff are located in Wellington, Christchurch and throughout the world.

As at 30 June 2012, ENZ employed 37 full time equivalent staff (FTE)¹³ (excluding casual and contractors). Of these, 13 are located in various offshore locations and 24 in Wellington or Christchurch. As part of designing ENZ, we have focussed on building our capability in New Zealand while maintaining existing capacity and capability offshore. As we balance our domestic engagement and support for local industry with implementing increased international activity, we will adjust the ratio of onshore to offshore staff to reflect our need to be market led.

Our turnover rate for 2011-12 was 22 percent. Where possible, ENZ accommodates approaches from staff for flexible work arrangements. This currently includes part-time employment, flexible and fixed working hours.

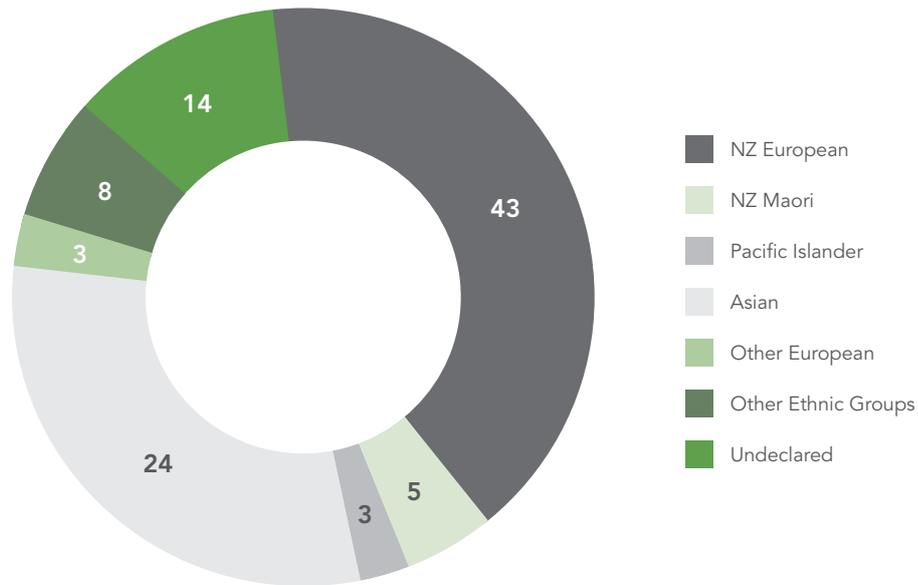
¹³ Full-time equivalent (FTE) is based on 40 hours per week.



Equal opportunities

ENZ has 73 percent female and 27 percent male staff. Our ethnic breakdown is shown in the diagram below.

ENZ STAFF ETHNICITY 2011-12



Good employer matters

ENZ supports good employer principles. Our People Strategy has been developed to ensure ENZ meets its obligations as a good employer. Current operating procedures, processes and policies include the ENZ code of conduct, flexible working arrangements, measures to prevent harassment and bullying, and policies that support employee development. ENZ's health and safety initiatives include access to the employee assistance programme and workstation assessments. Health and safety risks are identified, isolated and minimised. The organisation has trained first-aid staff and maintains awareness of civil defence procedures. Recruitment processes adhere to EEO principles.

ENZ's policies can be accessed by onshore staff at any time through shared drives. ENZ is currently developing its intranet, and all policies and processes and procedures relating to Human Resources will be published on the intranet.

ENZ continues to have low levels of work-related accidents and injuries.



OUR OUTPUTS

OUTPUT 1: INTERNATIONAL EDUCATION PROGRAMMES

International marketing and promotions

Offshore marketing events

ENZ has continued to deliver a large number of offshore marketing events to support the international education industry to recruit students and raise the profile of New Zealand as a centre of educational excellence. These include New Zealand education events initiated and managed by ENZ, as well as strategic participation in international education fairs which were organised and managed by other education organisations. (Part Three provides more detail on the level of activity conducted.)

Our offshore staff have worked hard to deliver a large amount of activity. For example, in addition to coordinating New Zealand events, they have set up booths and answered queries at 42 international education fairs across Europe, Asia and Latin America during the year. They have also responded to invitations to speak at schools and other events, and delivered 49 speeches about the New Zealand education system and its benefits. Participation in these events assists with raising the level of general awareness of New Zealand as a quality education destination, an important precursor to tailored marketing activities.

Satisfaction levels with offshore marketing events remain high, with 90 percent of participants rating the organisation of the most recent event as satisfactory or above and 76 percent rating the value of participating in an event as satisfactory or above.

Promotional events

ENZ has also delivered a large amount of promotional activity through market specific branding, online marketing, competitions and generic promotional activity through our specialist agents. Market-specific websites allow the organisation to tailor its digital approach to students in various sectors along with their families and other decision makers.

ENZ recognises the importance of digital communication and social media to international students who are "Generation Y" and beyond. This is one of the reasons ENZ will significantly revamp its digital platform in 2012-13.

In 2011-12 ENZ ran digital campaigns in the lead-up to offshore events. ENZ uses search engine marketing to drive potential students to the campaigns and analytics to determine the effectiveness of these campaigns. The campaigns in Malaysia and Indonesia in February 2012 were particularly successful. They enabled ENZ and the industry to leverage other events to raise the profile of New Zealand and direct traffic to relevant agency and industry sites.

Industry and Government

ENZ is the lead agency for informing and influencing the education industry to take up international opportunities for growth. In 2011-12 ENZ focused on getting to know the industry better and listening to what key players saw as the barriers and opportunities, as well as their views on how we can help.

In 2011-12 members of the ENZ Board and key ENZ management staff embarked on an engagement programme with the sector and regional groups. Strategic planning with key stakeholders resulted in the development of a purpose statement and a set of beliefs to guide our work.



While face-to-face is ENZ's preferred communication channel, staff use the newsletter "E-News" to share market intelligence, trends and developments. In 2011-12 ENZ sent out 11 issues of "E-News". In 2012-13 ENZ will be examining the effectiveness and appropriateness of current industry communication channels.

A key industry support activity is working with other government organisations to ensure that all policies are aligned and there are no unintentional barriers in place.

THE NEW ZEALAND AVIATION SECTOR

The New Zealand aviation sector is well placed to deliver on its new training concept vision. It is developing a collaborative approach to international marketing, which is reaping rewards in India.

In March 2012, four air trainers undertook a programme in Delhi, Mumbai and Hyderabad, and participated on the New Zealand stand at the Indian Aviation Show in Hyderabad. While the aviation show produced some good business leads, New Zealand trainers also engaged with specialist agents and educated them about pilot training in New Zealand.

A number of these agents were appointed as representatives and have forged productive ongoing relationships.

The collaborative effort of the Hawke's Bay aviation cluster is a good example of the style that ENZ encourages. The cluster includes Napier and Hastings City Councils, Business Hawke's Bay, Hawke's Bay Airport, Air Hawke's Bay and Tourism Hawke's Bay. They are working together to market Hawke's Bay internationally as an aviation student destination, possibly through institutional links with sister cities.

Understanding student experience

The quality of student experience is critical to New Zealand's ability to continue to attract students in the future. Therefore, in 2011-12 ENZ initiated several activities that address the following functions outlined in founding legislation to:

- › 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.

These activities are described in more detail below.

i-graduate international barometer

In collaboration with the Ministry of Education, ENZ commissioned the i-graduate international student barometer survey during 2011-12. The survey (last conducted in 2007) was conducted over 2011 and 2012, due to the impact of the Christchurch earthquakes.

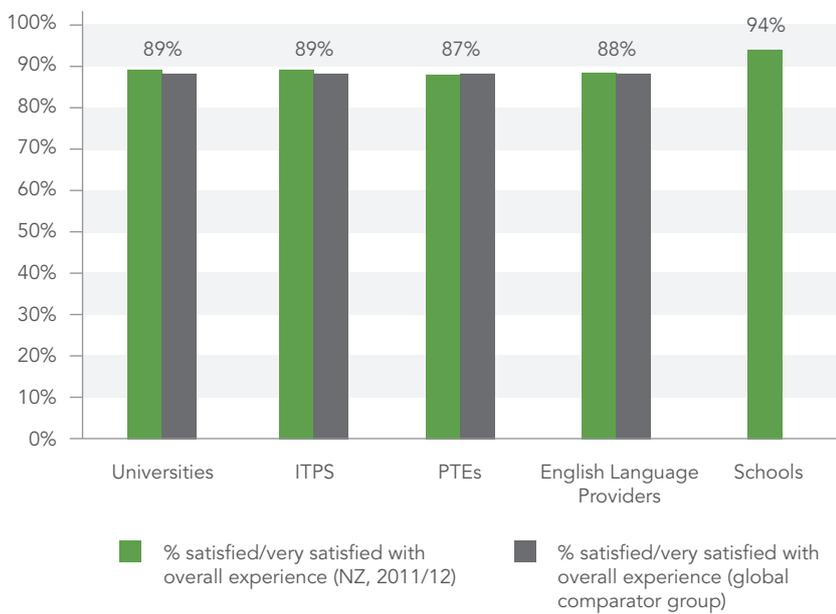
In 2011, 5,886¹⁴ responses were received from students at universities and 1,143 from polytechs. In 2012, 4,803 responses were collated and analysed from international students in secondary schools, PTEs and English language schools.

¹⁴ Due to the Christchurch earthquake, two universities were surveyed in 2012, taking the final total of university responses to 6,300.

The survey shows that New Zealand institutions are on a par with their international counterparts on many aspects of student experience, with 89 percent of international students surveyed satisfied or very satisfied with their experiences here. The students surveyed were least satisfied with the following aspects of their experience – areas in which New Zealand institutions also rank lower than their international counterparts:

- › Opportunities to earn money while studying
- › Living and accommodation costs
- › Internet access
- › Transport links
- › Financial support
- › Careers advice

PERCENTAGE OF INTERNATIONAL STUDENTS SATISFIED/VERY SATISFIED WITH THEIR OVERALL EXPERIENCE



Source: i-graduate survey 2011/12

In 2012-13 ENZ will be working with industry and the Ministry of Education to identify what these surveys mean for New Zealand and the issues that can be addressed.

Mapping the student journey

To gain a better understanding of student experience in New Zealand and key leverage and decision-making points, ENZ developed a set of student lifecycle maps. These allow for a better understanding of the value chain for international students by mapping out the processes and agencies involved at each step, and identifying areas for improved coordination, aligned policy and shared goals.

In 2012-13 ENZ will use this information to address some of the barriers and ensure key decision points are leveraged more effectively.



International liaison

ENZ represents the New Zealand Government on a range of diplomatic matters relating to education diplomacy. These include bilateral joint work programmes that are established and progressed to develop mutual economic, educational and developmental gains.

Trade agreements increasingly feature measures governing trade in private education services (for example, China, ASEAN, Malaysia, Hong Kong). ENZ actively supports these agreements.

Already there are 22 government-to-government bilateral education arrangements in place and up to five more are in the process of negotiation. ENZ has continued to progress the associated work programmes. Highlights in 2012 have included ministerial education missions to the USA and the Gulf Co-operation Council, and visits by education delegations from Vietnam and Oman.

MINI-MISSION TO INDONESIA BUILDS OUR EDUCATION PROFILE



Visitors to the successful Indonesian education fair

In an effort to build New Zealand's education profile and presence in Indonesia, Education New Zealand ran a four-day programme of events in Indonesia from 22-25 February 2012.

Events included:

- › a three-day road show (22-24 February) by five New Zealand providers (four universities and one PTE) to five Indonesian schools and one university in Jakarta and Bandung

- › a media roundtable with Ambassador David Taylor
- › an education fair for potential Indonesian students.

There are currently around 600 Indonesian students in New Zealand. The events in Jakarta and Bandung highlighted the potential to increase this number significantly in the short term. The events were very successful and allowed New Zealand providers to build their profile in Indonesia.

International student scholarship scheme

ENZ has a separate appropriation for the International Doctoral Research Scholarships (NZIDRS) programme. In 2011 ENZ selected 10 international students as recipients of the NZIDRS. These recipients came from Canada, France, India, Italy, Kenya, Pakistan, the United Kingdom and the USA. Doctoral research subjects cover a range of disciplines, including sciences, engineering, anthropology and philosophy.

At any one time there are 35 to 45 students on NZIDRS in New Zealand. The following extract from a post-doctoral student report is typical of the experience offered:

In 2009 I was presented with the opportunity to complete my graduate studies at the New Zealand School of Music, Victoria University, Wellington. Accepting this offer was made possible in large part through the generous support and funding of NZIDRS. The scholarship allowed me to support myself financially, focus on my research and to publish and travel internationally in order to present my work. In addition to my scholastic endeavours, my time in New Zealand also allowed me to make many new friends, to try new foods and to travel and explore the country.

During this initial period I was working on my research and was able to find support from the school of music, the computer science school and the school of engineering. I was also able to visit the University of Auckland to attend the Austral-Asian conference on Sonic Arts. These resources allowed me to complete a new multi-touch project and finish the design of a new musical interface called the Chronome.

After getting settled, I quickly began to make new friends and find opportunities to play my music out at local Wellington venues... I had the opportunity to apply my research in live computer music during these shows and set up projection mapped live computer graphics along with the musical performance.

In my last year in New Zealand, I had the opportunity to travel the South Island... This was one of the most incredible journeys I have ever taken and will forever be in my memories. Upon returning from this trip, I began preparing for a major performance of the Machine Orchestra in both Auckland and Wellington. The Wellington performance was held at the Michael Fowler Centre. This performance was taped, with segments being broadcast on both the evening news and the NZ radio. The NZ radio interviews led to an offer for me to come and discuss current topics in music technology.

This is only a short list of the many adventures that I was able to have while staying in NZ.



The photo above shows the student Owen Vallis' Wellington performance at the Michael Fowler Centre.

In the 2012 NZIDRS selection round, 290 applications have been received. Selections will be made by an independent panel in October 2012.

PART THREE

Statement of Service Performance



This section reports on actual performance for the 10 months ending 30 June 2012 against the performance standards set out in the 2011-2014 Statement of Intent.

Education New Zealand Appropriation 1: International Education Programmes	2011/12 Actual (10 months) (\$'000)	2011/12 Budget (10 months) (\$'000)	Variance (\$'000)
Revenue			
Revenue – Crown*	10,223	18,223	(8,000)
Revenue – Other**	5,144	795	4,349
Total Revenue	15,367	19,018	(3,651)
Expenditure***			
	9,774	18,387	(8,613)
Surplus			
	5,593	631	4,962

* Revenue – Crown: \$4m of funding was transferred from 2011/12 to 2012/13 and outyears to fund activities related to the recovery of Christchurch. In addition a further \$4m for in-principle expense transfer was transferred from 2011/12 to 2012/13 to develop and implement initiatives to build awareness of New Zealand education opportunities which converts to increased student enrolments and export education revenue.

** Revenue – Other: Of the \$5.1m of revenue, \$2.980 million reflects the transfer of Education New Zealand Trust's net assets into Education New Zealand.

*** That expenditure is lower than forecast reflects the transfer of activities from 2011/12 to 2012/13 and outyears.

Education New Zealand Appropriation 2: International Student Scholarship Scheme	2011/12 Actual (10 months) (\$'000)	2011/12 Budget (10 months) (\$'000)	Variance (\$'000)
Revenue			
Revenue – Other	-	-	-
Total Revenue	1,333	1,333	-
Expenditure			
	1,180	1,398	(218)
Surplus/(Deficit)			
	153	(65)	218



Statement of Service Performance¹⁵

INTERNATIONAL MARKETING AND PROMOTIONS			
Performance Measure	Target	Actual Performance	
Offshore marketing events: Number of events in target countries per year			
Promotional Activity Calendar of Events (PACE) (New Zealand-specific promotional events such as student fairs for prospective students to link directly with a range of education providers).	10	Achieved	33 events across Asia, South America and Europe (see note 15).
Cluster events (events designed to support education providers within a specific sector or speciality to make connections with offshore providers and market study options to students).	8-10	Achieved	17 cluster events held (see note 15). ENZ has responded to requests by sector and regional groups for tailored events to encourage collaborative activities.
International education fairs (student fairs organised by other international marketing associations in which New Zealand may have a booth or presence).	5	Achieved	29 international education fairs attended (see note 15).
Education provider hosted (events hosted by offshore education providers attended by ENZ staff, education agents, education institutions).	16	Achieved	66 speeches or presentations offshore (see note 15).
Feedback from New Zealand education providers through satisfaction surveys on the quality of hosting, representation and return on investment from their involvement in offshore marketing events.	85% rate as satisfactory or above	Considered achieved	Overall rates for 2012 events year to date are just under 85%.
Offshore promotional events			
Develop baseline measures of online presence and level of current engagement by target country. Increase online presence and engagement in target markets by 10%.	Baseline developed by 30 June 2012	Achieved for target countries	Baselines developed for target markets (China, India and Indonesia).
Increase numbers of students from target countries who register with ENZ for direct marketing.	Determine baseline and set target increases for each market	Achieved for target countries	Provisional target increases of 10% have been determined for key markets.
Review of New Zealand Specialist Agent programme to lead to increase of students from agents in key markets.	Completed by 30 June 2012	Partially complete	A revised agent agreement and accreditation framework have been developed. A review of the delivery of training is underway. ¹⁶
Percentage of New Zealand Specialist Agents re-accredited in accordance with ENZ performance criteria.	85%	Not Achieved	In 2011-12 we have conducted renewal workshops in 10 countries. 157 agents participated and were renewed. ¹⁷ Percentage renewed was 28.1%.
Number of inbound agent familiarisation visits to targeted regions from high-value markets per year.	6	Achieved	Agent visits from 9 countries have been held. An Indian high school principal's visit has also been held.

¹⁵ Our 2011-12 targets were set based on past experience and on early indications of what ENZ was going to do and when. In some cases we have underestimated the level of activity because there was no past information to base predictions on. In others we have not anticipated that, as a result of our greater sense of strategic direction, we would review activities and change focus during the ten months. In 2012-13 we will show trend information and establish more accurate targets based on the information collected this year.

¹⁶ In 2012-13 we will take the review further to examine the role of agents in our marketing and promotion channels.

¹⁷ There are 558 specialist agents, from 290 agencies. We are reviewing the New Zealand Specialist Agent programme to ensure it is fit for purpose and have therefore taken a cautious approach to new training and re-accreditation.

INTERNATIONAL MARKETING AND PROMOTIONS

Performance Measure	Target	Actual Performance
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Industry and Government

Industry capability development			
Strengthen industry collaboration (by discipline, sector and region) to help grow international education in key markets in line with New Zealand's economic agenda, supported by the Export Education Innovation Programme (EEIP). ¹⁸	Enhanced industry support programme launched by 30 June 2012	Work programme revised and achieved	A new comprehensive business model to support industry has been developed in conjunction with NZTE. This model allows ENZ to identify potential, either in a provider or in a proposition and tailor the support package provided. The programme will be implemented in 2012-13.
Develop a database of industry market strategies to enable suitable matching of industry capability/aspirations with emerging opportunities, in conjunction with NZTE.	Database developed by 30 June 2012	Achieved	Comprehensive industry survey developed by 30 June 2012. Survey information is currently being input into a database.
Develop and deliver industry professional development programme, designed to increase the capability of different industry providers to target suitable markets, undertake marketing activity and develop their capability to operate offshore.	Stakeholder needs analysis complete by April. 3 workshops held by 30 June	Not achieved	Engagement with the Stakeholder Advisory Committee in May 2012 was used to test the proposed programme and verify initial needs analysis. The focus in 2011-12 is populating the database. The populated database will be utilised to collate stakeholder needs and growth aspirations.

Evidence base and information provision

Commission research to better inform industry and government marketing and promotions strategies and investment decisions, including to:			
determine the economic value of international education nationally and by region.	Completed by 30 June 2012	Completed	An interim update of the 2008 economic value study was completed in 2012. ¹⁹
improve market intelligence and understanding of purchaser behaviour in high-value and emerging markets.	Research completed on 5 key markets	Not achieved	Market research was completed, analysed and distributed on the Taiwanese market. ²⁰ The research programme is focusing on priority markets, sectors and segments.
develop and maintain web-based student support "one stop shop" information to direct students to pastoral assistance, and for use by ENZ to provide advice to students and their families in a crisis or major event.	Initial site structure and content published online by 30 June 2012	Partly achieved	A stocktake of student support information was undertaken and where possible the www.newzealandeducated.com website was updated and redirected to information provided by other agencies.

¹⁸ EEIP was a key industry support platform and involved industry bids for a contestable fund to support offshore initiatives. In 2011-12 ENZ reviewed the way it supports industry and decided to put EEIP on hold, pending a needs analysis process and industry consultation.

¹⁹ A full study will be commissioned in 2012-13.

²⁰ A contract has been concluded for Indonesian and Indian market research, to be conducted in 2012-13. Proposals will be sought for China market research in 2012-13.



INTERNATIONAL MARKETING AND PROMOTIONS

Performance Measure	Target	Actual Performance	
Government and agency relationships			
Develop formal inter-agency framework and agreements with clearly allocated responsibility to share information and address operational and policy issues constraining or inhibiting growth in international education.	With MoE, NZQA, Immigration New Zealand, and regional international education and economic development agencies	Partly achieved	We have prioritised key agencies and developed draft Memoranda of Understanding (MoUs) with the Ministry of Foreign Affairs and Trade (MFAT), New Zealand Qualifications Authority (NZQA) and Ministry of Education (MoE) around international education activities. We have also signed a MOU with Immigration New Zealand concerning New Zealand specialist agent fast-track student visa processing. ²¹ Regional cooperation is occurring on an operational basis (eg Christchurch programme with the Canterbury Development Corporation). Engagement has continued with Grow Wellington and Auckland Tourism Events and Economic Development on the Auckland education strategy.
Contribute to New Zealand Inc strategy development for key markets and support the implementation of objectives for international education.	ASEAN, China, India	Achieved	ENZ was involved in regular meetings and the development of the strategies.

International Liaison

Education Diplomacy			
Number of joint working group (JWG) meetings held with target countries.	5 by 30 June 2012	Not achieved	The Indonesia joint working group was held in February. ²²
International education country strategy objectives and targets achieved through Joint Working Groups (JWGs).	40% of objectives achieved	Achieved	Overall progress is approximately 48% achieved. ²³
Cooperation agreements negotiated with governments in key markets.	2	Achieved	Cooperation agreements have been signed with Vietnam (renewal in April 2012) and Oman (Higher Education in April 2012 and Education in May 2012).

Scholarships

Number of new scholarships awarded.	10	Achieved	10 scholarships awarded.
Number of existing scholarship recipients funded.	60-70	Achieved	65 scholarships funded during 2011-12.
Develop and maintain a web-based register of international government-funded scholarships and New Zealand scholarships for study internationally.	Register of scholarships to study in New Zealand – completed by 30 June 2012	Not Achieved	Staggered process underway to support a strategic review of scholarships in 2012-13.

²¹ Joint work programmes are being developed with NZ Inc agencies where possible.

²² We are re-examining our approach to JWGs to ensure we have a clear agenda before we proceed with each JWG. This new approach is being discussed with MoE, NZQA and other agencies.

²³ To date 40% of objectives for India have been achieved and 50-60% of outcomes agreed in the 2010 China JWG have been achieved. Progress is slower on the Malaysia (Dec 2009) and Thailand (June 2011 progress 48%) JWG targets. Vietnamese targets (agreed December 2010) are only about 10% complete. Indonesia targets were agreed in February 2012 and 94% of the objectives have been achieved.

PART FOUR

Annual Financial Statements





STATEMENT OF RESPONSIBILITY

For the 10 months ended 30 June 2012.

In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of Education New Zealand's financial statements and statement of service performance, and for the judgements made in them.

The Board of Education New Zealand has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of Education New Zealand for the 10 months ended 30 June 2012.

Signed on behalf of the Board:

A handwritten signature in black ink, appearing to read 'Finny'.

Charles Finny
Board Chairman

24 October 2012

A handwritten signature in black ink, appearing to read 'Barns'.

Neil Barns
Chair Audit and Risk Committee

24 October 2012

INDEPENDENT AUDITOR'S REPORT

To the readers of Education New Zealand's financial statements and statement of service performance for the 10 months ended 30 June 2012.

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 statement of service performance of ENZ on her behalf.

We have audited:

- › the financial statements of ENZ on pages 32 to 55, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 10 months ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- › the statement of service performance of ENZ on pages 24 to 27.

OPINION

In our opinion:

- › the financial statements of ENZ on pages 32 to 55:
 - comply with generally accepted accounting practice in New Zealand;
 - and fairly reflect ENZ's:
 - financial position as at 30 June 2012; and
 - financial performance and cash flows for the 10 months ended on that date.
- › the statement of service performance of ENZ on pages 24 to 27:
 - complies with generally accepted accounting practice in New Zealand; and
- › fairly reflects, for each class of outputs for the 10 months ended 30 June 2012, ENZ's:
 - service performance compared with the forecasts in the statement of forecast service performance for the financial year; and
 - actual revenue and output expenses compared with the forecasts in the statement of forecast service performance from 1 September 2011.

Our audit was completed on 24 October 2012. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of ENZ's



financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of ENZ's internal control.

An audit also involves evaluating:

- › the appropriateness of accounting policies used and whether they have been consistently applied;
- › the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- › the adequacy of all disclosures in the financial statements and statement of service performance; and
- › the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing financial statements and a statement of service performance that:

- › comply with generally accepted accounting practice in New Zealand;
- › fairly reflect ENZ's financial position, financial performance and cash flows; and
- › fairly reflect its service performance.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Education Amendment Act 2011.

RESPONSIBILITIES OF THE AUDITOR

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

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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

Karen Young

Karen Young
Audit New Zealand

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE 10 MONTHS ENDED 30 JUNE 2012

Education New Zealand was established on 1 September 2011, therefore this Statement covers a period of 10 months, and there is no prior year comparative data for 2011/12.

	Notes	Actual	Budget
		2012	2012
		\$000	\$000
Revenue			
Revenue from the Crown – operating	3	10,223	18,223
Revenue from the Crown – scholarships	3	1,333	1,333
Other income	4	4,958	735
Interest income		186	60
Total revenue		16,700	20,351
Expenditure			
Personnel costs	5	4,334	4,803
Other expenses	6	5,382	13,552
Scholarship expenses	7	1,180	1,398
Depreciation expense	11	58	32
Total expenditure		10,954	19,785
Net surplus		5,746	566
Other comprehensive income		-	-
Total comprehensive income		5,746	566

Explanations of major variances against budget are provided in note 24.

The accompanying notes form part of these financial statements.



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

Education New Zealand was established on 1 September 2011, therefore this Statement covers a period of 10 months, and there is no prior year comparative data for 2011/12.

	Notes	Actual	Budget
		2012	2012
		\$000	\$000
Assets			
Current assets			
Cash and cash equivalents	8	10,151	4,000
Debtors and other receivables	9	1,223	1,000
Investments	10	2,500	-
Pre-payments		81	-
Total current assets		13,955	5,000
Non-current assets			
Property, plant and equipment	11	178	80
Total non-current assets		178	80
Total assets		14,133	5,080
Liabilities			
Current liabilities			
Creditors and other payables	12	7,703	2,014
Employee entitlements	13	474	-
Provisions	14	122	-
<i>Total current liabilities</i>		8,299	2,014
Total liabilities		8,299	2,014
Net assets		5,834	3,066
Equity			
General funds	15	5,746	566
Transfer of assets from Ministry of Education	15	88	2,500
Total equity		5,834	3,066

Explanations of major variances against budget are provided in note 24.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE 10 MONTHS ENDED 30 JUNE 2012

Education New Zealand was established on 1 September 2011, therefore this Statement covers a period of 10 months, and there is no prior year comparative data for 2011/12.

	Notes	Actual	Budget
		2012	2012
		\$000	\$000
Balance at 1 September		-	-
Comprehensive income			
Net surplus		5,746	566
Other comprehensive income		-	-
Total comprehensive income		5,746	566
Owner transactions			
Transfer of assets from Ministry of Education		88	2,500
Balance at 30 June	15	5,834	3,066

Explanations of major variances against budget are provided in note 24.

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS AS AT 30 JUNE 2012

Education New Zealand was established on 1 September 2011, therefore this Statement covers a period of 10 months, and there is no prior year comparative data for 2011/12.

Contingent liabilities

Education New Zealand has no contingent liabilities as at 30 June 2012.

Contingent assets

Education New Zealand has no contingent assets as at 30 June 2012.

The accompanying notes form part of these financial statements.



STATEMENT OF CASH FLOWS FOR THE 10 MONTHS ENDED 30 JUNE 2012

Education New Zealand was established on 1 September 2011, therefore this Statement covers a period of 10 months, and there is no prior year comparative data for 2011/12.

	Notes	Actual	Budget
		2012	2012
		\$000	\$000
Cash flows from operating activities			
Receipts from the Crown – operating		14,223	18,223
Receipts from the Crown – scholarships		1,333	1,333
Receipts from other revenue		4,026	(265)
Interest received		123	60
Payments to suppliers		(6,617)	(12,936)
Payments to employees		(4,022)	(4,803)
Goods and services tax (net)		(651)	-
Net cash flow from operating activities	16	8,415	1,612
Cash flows from investing activities			
Payments for new term deposits		(2,500)	-
Purchase of property, plant and equipment		(121)	(112)
Receipt from maturity of term deposits		4,357	-
Net cash flow from investing activities		1,736	(112)
Cash flows from financing activities			
Capital contribution	15	-	2,500
Net cash flow from financing activities		-	2,500
Net increase/(decrease) in cash and cash equivalents		10,151	4,000
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year	8	10,151	4,000

The GST (net) component of operating activities reflects the net GST paid to the Inland Revenue Department (IRD). The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes. The net GST paid to the IRD includes the GST relating to investing activities.

Explanations of major variances against budget are provided in note 24.

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). ENZ is domiciled in New Zealand. 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 public 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 for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for ENZ are for the 10 months ended 30 June 2012, and were approved by the Board on 24 October 2012.

Basis of preparation

Statement of compliance

The financial statements of ENZ have been prepared in accordance with the requirements of the Crown Entities Act 2004 and Education Act 1989 (the Education Amendment Act 2011), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities, and they comply with NZ IFRS.

Measurement base

The financial statements have been prepared on a historical cost basis, except for some non-financial assets and liabilities which are stated at fair value.

Functional and presentation currency

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

Changes in accounting policies

There have been no significant changes in accounting policies during the 10 months ended 30 June 2012.

ENZ has adopted the following revisions to accounting standards during the 10 months, which have had only a presentational or disclosure effect:

- › Amendments to NZ IAS 1 Presentation of Financial Statements. The amendments introduce a requirement to present, either in a statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. ENZ has decided to present this analysis in note 15.
- › FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments). The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction.



Standards, amendments and interpretations issued that are not yet effective, and have not been early adopted

Standards, amendments and interpretations issued that have not been early adopted, and which are relevant to ENZ, are:

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

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, ENZ is classified as a Tier 2 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current international Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means ENZ expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, ENZ is unable to assess the implications of the new Accounting Standards Framework at this time.

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

Significant accounting policies

Revenue

Revenue is measured at the fair value of consideration received or receivable.

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 its objectives as specified in the Statement of Intent. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

Interest

Interest income is recognised using the effective interest method.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term, highly liquid investments, with original maturities of three months or less.

Debtors and other receivables

Debtors and other receivables are measured at fair value, less any provision for impairment.

Investments

Bank deposits

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

For bank deposits, impairment is established when there is objective evidence that ENZ will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank will enter into receivership or liquidation, and default in payments are considered indicators that the deposit is impaired.

Property, plant and equipment

Property, plant and equipment asset classes consist of computers, furniture and fittings, office equipment and motor vehicles.

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to ENZ and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Disposals

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

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to ENZ and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as they are incurred.

Depreciation

Depreciation is provided using the straight line (SL) basis at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.



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

Computers	1.25 – 4 years	80 – 25% SL
Furniture and fittings	5 years	20% SL
Office equipment	1.6 – 5 years	63.2 – 20% SL
Motor vehicles	0.75 – 4 years	100 – 25% SL
Intangible assets	3 – 5 years	33.3 – 20%

This year there is a wide range in the estimated useful lives and associated depreciation rates. On 1 September 2011 some assets that were previously owned by the Education New Zealand Trust (the Trust) and by the Ministry of Education were transferred to ENZ. Those assets are being depreciated over their remaining useful lives and, therefore, their useful lives are lower and associated depreciation rates are higher than the assets that have been purchased by ENZ since 1 September 2011. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Impairment of property, plant and equipment

Property, plant and equipment 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount. The impairment loss is recognised in the surplus or deficit.

Creditors and other payables

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

Employee entitlements

Employee entitlements that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, and annual leave earned but not yet taken at balance date.

A liability and expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Annual leave and resigning leave are classified as a current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the in the surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.



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

Restructuring

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected, or for which implementation has already commenced.

Equity

Equity is measured as the difference between total assets and total liabilities.

Equity is disaggregated and classified into the following components:

- › general funds; and
- › fair value through other comprehensive income reserves.

Fair value through other comprehensive reserves

This reserve comprises the cumulative net change in the fair value of fair value through other comprehensive income assets.

Goods and Services Tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of goods and service tax (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, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

ENZ is a public authority and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

Budget figures

The budget figures are derived from the Statement of Intent as approved by the Board on 23 April 2012. 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.

Output costs

The output costs, as reported in the statement of objectives and service performance, report the cost of services for the outputs of ENZ and represent the costs of providing the output.

Cost allocation

ENZ has derived the net cost of service for each significant activity of ENZ using the cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on the pro-rata costs of the activities.



Criteria for direct and indirect costs

“Direct costs” are those costs directly attributable to a significant activity.

“Indirect costs” are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Cost drivers for allocation of indirect cost

The cost of internal services not directly charged to activities is allocated to significant activities based on the pro-rata costs of the activities.

Critical accounting estimates and assumptions

In preparing these financial statements, ENZ has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances. As ENZ is a new organisation, these estimates and assumptions will be reviewed on an ongoing basis.

Property, plant and equipment useful lives and residual value

At balance date, ENZ reviewed the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires ENZ to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by ENZ, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the statement of comprehensive income, and carrying amount of the asset in the statement of financial position.

ENZ minimises the risk of this estimation uncertainty by:

- › physical inspection of assets
- › asset replacement programmes.

2. ESTABLISHMENT OF EDUCATION NEW ZEALAND

ENZ was established under the Education Act 1989 (the Education Amendment Act 2011) and commenced operations on 1 September 2011 when it assumed functions previously undertaken by the Trust, the Ministry of Education's international liaison team, and New Zealand Trade and Enterprise's education marketing team.

On 1 September 2011 the net assets of \$2.98 million from the Trust were transferred to ENZ as a donation paid and included in the statement of comprehensive income. The Ministry of Education transferred \$88,000 of physical assets to ENZ on 1 September 2011.

The net asset position is detailed as follows:

	<i>Education New Zealand Trust</i>	<i>Ministry of Education</i>	<i>Total 1 Sep 2011</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Assets			
Cash and cash equivalents	2,433	-	2,433
Debtors and other receivables	622	-	622
Investments	4,344	-	4,344
Property, plant and equipment	27	88	115
Total assets	7,426	88	7,514
Liabilities			
Creditors and other payables	4,355	-	4,355
Employee entitlements	91	-	91
Total liabilities	4,446	-	4,446
Net assets	2,980	88	3,068

3. REVENUE FROM THE CROWN

ENZ has been provided with funding from the Crown for specific purposes as set out in the Education Amendment Act 2011 and the scope of the relevant Crown appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding.

ENZ received funding from the Crown for scholarships as set out in the Statement of Intent, and the scope of the relevant Crown appropriation.



4. OTHER INCOME

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Recovery for events and fairs, and agents, accreditation	1,053	735
Education New Zealand (ENZ) Trust Income	903	-
Trust donation on transfer 1 September 2011	2,980	-
Sundry income	22	-
Total other income	4,958	735

Other income included donations from the Trust on 1 September 2011 as a result of transfer of assets and liabilities to ENZ of \$2.98 million. It also included \$0.657 million of revenue in advance from the Trust on 1 September 2011. This was reclassified as revenue in ENZ's financial statements. The Trust recognised income in advance of services rendered, whereas ENZ's policy is to recognise revenue as received or receivable.

5. PERSONNEL COSTS

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Salaries and wages	2,581	4,803
Other personnel-related costs	514	-
Contractors	1,016	-
Restructuring costs	122	-
Defined contribution plan employer contributions	39	-
Increase/(decrease) in employee entitlements	62	-
Total personnel costs	4,334	4,803

Employer contributions to defined contribution plans are contributions to KiwiSaver.

6. OTHER EXPENSES

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Fees to Audit New Zealand for audit of financial statements	43	30
Board members, fees	92	160
Advertising, events and fairs	2,098	-
Research, policy and other advice	1,083	11,806
Ministry of Foreign Affairs and Trade support service charges	468	-
ENZ Trust operating expenses	307	-
Operating lease expenses	127	120
Other operating expenses	573	592
Staff travel	591	844
Total other expenses	5,382	13,552

7. SCHOLARSHIP EXPENSES

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Scholarship payments	1,111	1,333
Administration costs	69	65
Total scholarship expenses	1,180	1,398

During 2011/12 ENZ received \$1,333,000 of revenue from the Crown to fund the costs of scholarships that were provided to some international students commencing and/or continuing their studies in New Zealand universities.

8. CASH AND CASH EQUIVALENTS

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Cash at bank and on hand	5,138	4,000
Term deposits with maturities less than 3 months	5,013	-
Total cash and cash equivalents	10,151	4,000

Cash at bank is non-interest bearing. The on-call account and term deposits earn interest at rates set from time to time by ENZ's bankers, ANZ National Bank Limited. The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.



9. DEBTORS AND OTHER RECEIVABLES

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Debtors and other receivables	614	1,000
GST receivable	641	-
Less: provision for impairment	32	-
Total debtors and receivables	1,223	1,000

The carrying value of receivables approximates their fair value.

The ageing profile of receivables at year end is detailed below:

	<i>Gross</i>	<i>Impairment</i>	<i>Net</i>
	\$000	\$000	\$000
Not past due	1,100	-	1,100
Past due 1 – 30 days	52	-	52
Past due 31 – 60 days	4	-	4
Past due 61 – 90 days	21	-	21
Past due over 90 days	78	32	47
Total	1,255	32	1,223

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

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

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Balance at 1 September	32	-
Additional provisions made during the year	-	-
Receivables written off during the year	-	-
Balance at 30 June	32	-

10. INVESTMENTS

	<i>Actual</i>	<i>Budget</i>
	<i>2012</i>	<i>2012</i>
	<i>\$000</i>	<i>\$000</i>
Current portion		
Term deposits	2,500	-
Total current portion	2,500	-
Non-current portion		
Term deposits	-	-
Total non-current portion	-	-
Total investments	2,500	-

There is no impairment provision for investments.

The carrying amounts of term deposits with maturities less than 12 months approximate their fair value.

11. PROPERTY, PLANT AND EQUIPMENT

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

	<i>Furniture & Office Equipment</i>	<i>Computer Hardware</i>	<i>Motor Vehicles</i>	<i>Total</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Cost or valuation				
Balance at 1 September 2011	-	-	-	-
Additions at cost	83	38	-	121
Additions at fair value	27	44	44	115
Balance at 30 June 2012	110	82	44	236
Accumulated depreciation and impairment losses				
Balance at 1 September 2011	-	-	-	-
Depreciation expense	30	14	14	58
Balance at 30 June 2012	30	14	14	58
Carrying amounts				
At 1 September 2011	-	-	-	-
At 30 June 2012	80	68	30	178



Additions at cost include assets that were previously owned by the Trust and by the Ministry of Education that were transferred to ENZ on 1 September 2011 at their net book value.

The assets that were transferred to ENZ are being depreciated over their remaining useful lives and, therefore, their useful lives are lower and associated depreciation rates are higher than the assets that have been purchased by ENZ since 1 September 2011.

ENZ does not own land or buildings.

12. CREDITORS AND OTHER PAYABLES

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Creditors	1,139	2,014
Accrued expenses	678	-
Return of unspent funding to Ministry of Education	4,865	-
Revenue-in-advance	976	-
Other payables	45	-
Total creditors and other payables	7,703	2,014

Creditors and other payables are non-interest bearing and are normally settled on less than 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

13. EMPLOYEE ENTITLEMENTS

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Current portion		
Accrued salaries and wages	127	-
Provision for resigning leave	96	-
Annual leave	251	-
Total current portion	474	-
Total employee entitlements	474	-

14. PROVISIONS

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Current provision		
Restructuring	122	-
Total current portion	122	-
Total provisions	122	-

Movements for each class of provisions are as follows:

	<i>Restructuring</i>
	\$000
Balance at 1 September 2011	-
Provisions made	122
Balance at 30 June 2012	122

ENZ's Board approved a detailed and formal restructuring plan, which was announced at the beginning of June 2012. The restructuring commenced during that month. The restructuring plan and associated payments were completed by 30 September 2012. The provision represents the estimated cost for redundancy payments arising from the restructure.

15. EQUITY

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
General funds		
Balance at 1 September	-	-
Net surplus	5,746	566
Capital contribution	-	2,500
Transfer of assets from Ministry of Education	88	-
Balance at 30 June	5,834	3,066



16. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Net surplus	5,746	566
Add/(less) non-cash items		
Income-in-advance to income	(657)	-
Depreciation and amortisation expense	58	32
Total non-cash items	(599)	32
Add/(less) movements in working capital items		
(Increase)/Decrease in debtors and receivables	(932)	(1,000)
(Increase)/Decrease in prepayments	(81)	-
Increase/(Decrease) in creditors and other payables	4,362	2,014
Increase/(Decrease) in provisions	122	-
Increase/(Decrease) in employee entitlements	190	-
Return of unspent levy funding for the Trust	258	-
(Increase)/decrease in GST	(651)	-
Net movements in working capital items	3,268	1,014
Net cash flow from operating activities	8,415	1,612

17. CAPITAL COMMITMENTS AND OPERATING LEASES

Capital commitments

ENZ did not have any capital commitments at balance date.

Operating leases as lessee

Operating commitments are for office rent for the Wellington office. The future aggregate minimum lease payments to be made under non-cancellable operating leases are as follows:

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Not later than one year	149	-
Later than one year and not later than five years	209	-
Later than five years	-	-
Total non-cancellable operating leases	358	-

ENZ leases its Wellington premises. The lease expires on 26 November 2014, with two rights of renewal of three years each. ENZ leases office premises in overseas locations from the Ministry of Foreign Affairs and Trade. The lease periods vary, with some leases expiring between 31 March 2015 and 30 March 2019. In other instances there is a three years default period. These leases are not reflected above because the arrangements are included in the memorandum of understanding for support services with the Ministry of Foreign Affairs and Trade.

18. RELATED PARTY TRANSACTIONS

All related party transactions have been entered into on an arm's length basis.

ENZ is a wholly owned entity of the Crown. The Government significantly influences the role of ENZ in addition to being its major source of revenue.

Significant transactions with government-related entities

ENZ has been provided with funding from the Crown of \$11.56 million during the 10 months ended 30 June 2012 for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations. The debtor-Crown at year end is \$Nil.

Collectively, but not individually, significant, transactions with government-related entities

In conducting its activities, ENZ is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. ENZ is exempt from paying income tax.

ENZ also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Purchases from these government-related entities for the 10 months ended 30 June 2012 totalled \$2.25 million. There is a balance outstanding of \$0.21 million at year end. These purchases included the purchase of electricity from Genesis Energy, air travel from Air New Zealand, \$1.43 million to tertiary education providers for scholarships, and \$0.54 million in total to New Zealand Trade and Enterprise and the Ministry of Foreign Affairs and Trade for payment for services (including support services) delivered overseas.

ENZ received reimbursement for expenses incurred on behalf of entities controlled, significantly influenced or jointly controlled by the Crown. Receipts from these government-related entities for the 10 months ended 30 June 2012 totalled \$0.533 million. There is a balance of \$0.148 million outstanding at year end. These reimbursements included receipts from the tertiary education providers for costs incurred on their behalf in relation to events overseas

Key management personnel

A number of companies and organisations in which ENZ Board members have an interest are members of industry groups. If a member of the Board has an interest in a transaction relating to ENZ, that interest is disclosed. That member does not take part in the decisions relating to that transaction or in the decisions relating to other proposals in the genre to which that transaction relates.

The following transactions were entered into during the year with key management personnel:

- › ENZ paid \$160,010 to Victoria University for scholarships, an entity that the Board Chair C Finny is a council member of. The balance outstanding at year end is \$Nil.
- › ENZ received reimbursement of expenses of \$38,322 from Victoria University, an entity that the Board Chair C Finny is a council member of. The reimbursements were for costs incurred on the University's behalf in relation to events promoting the University at overseas events. The balance outstanding at year end is \$15,290.



- ENZ received reimbursement of expenses of \$21,323 from Bay of Plenty Polytechnic, an entity that Board member N Barns is the deputy chair of. The reimbursements were for costs incurred on the Polytechnic's behalf in relation to events promoting the Polytechnic at overseas events. The balance outstanding at year end is \$4,865.

There are no related party transactions with key management personnel other than compensation as noted below. The following transactions were entered into during the year with key management personnel:

KEY MANAGEMENT PERSONNEL COMPENSATION	
	<i>Actual</i>
	2012
	\$000
Board fees, salaries and other short-term employee benefits	886
Post-employment benefits	8
Other long-term benefits	-
Termination benefits	23
Total key management personnel compensation	917

Key management personnel include all Board members, the Chief Executive, and 9 members of the ENZ Leadership Team, of which 4 left during the year. ENZ has affected expatriate insurance cover on its managers based in overseas countries.

19. BOARD MEMBER REMUNERATION

The total value of remuneration (fees) paid or payable to each Board member during the 10 months was:

	<i>Actual</i>
	2012
	\$000
C Finny (Chair)	39
J Alford	13
N Barns	13
J Tattersall	13
E Valintine	13
Total Board member remuneration	91

Stakeholder Advisory Committee members are appointed by the Minister for Tertiary Education, Skills and Employment as voluntary members with no remuneration. The Audit and Risk Committee is a sub-committee of the New Zealand Education Board and the board members are not paid separately in addition to the board fees.

ENZ has provided a deed of indemnity to Directors for certain activities undertaken in the performance of ENZ's functions. ENZ has affected Director's and Officer's Liability and Professional Indemnity insurance cover in respect of the liability or costs of Board members and employees. No Board members received compensation or other benefits in relation to cessation.

20. EMPLOYEE REMUNERATION

	<i>Actual</i>
	2012
Total remuneration paid or payable:	
\$100,000 – 109,999	1
\$110,000 – 119,999	1
\$120,000 – 129,999	1
\$130,000 – 139,000	1
\$140,000 – 149,000	1
Total employees	5

During the 10 months ended 30 June 2012, one employee received compensation and other benefits, totalling \$23,000, in relation to ceasing employment.

21. EVENTS AFTER BALANCE DATE

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

22. FINANCIAL INSTRUMENTS

22A. Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	<i>Actual</i>	<i>Budget</i>
	2012	2012
	\$000	\$000
Loans and receivables		
Cash and cash equivalents	10,151	4,000
Debtors and other receivables	1,223	1,000
Investments – term deposits	2,500	-
Total loans and receivables	13,874	5,000
Financial liabilities measured at amortised cost		
Creditors and other payables (excluding income in advance)	7,703	2,014
Total financial liabilities measured at amortised cost	7,703	2,014



22B. Financial instrument risks

ENZ's activities expose it to a variety of financial instrument risks, including credit risk and liquidity risk. ENZ has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Credit risk

Credit risk is the risk that a third party will default on its obligations to ENZ, causing it to incur loss. Due to the timing of its cash inflows and outflows, ENZ invests surplus cash with a registered bank.

ENZ has processes in place to review the credit quality of customers prior to the granting of credit. In the normal course of business, ENZ is exposed to credit risk from cash and term deposits with banks, debtors and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

ENZ has experienced no defaults of interest or principal payments for term deposits. ENZ holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

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:

	<i>Actual</i>
	<i>2012</i>
	<i>\$000</i>
Counterparties with credit ratings	
Cash at bank and term deposits	
AA-	12,651
Total cash at bank and term deposits	12,651
Counterparties without credit ratings	
Debtors and other receivables	1,223
Existing counterparty with defaults in the past	-
Total debtors and other receivables	1,223

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that ENZ will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the ability to close out market positions.

ENZ mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Contractual maturity analysis of financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	<i>Carrying amount</i>	<i>Contractual cash flows</i>	<i>Less than 6 months</i>	<i>6-12 months</i>	<i>Later than 1 year</i>
	\$000	\$000	\$000	\$000	\$000
Creditors and other payables	7,703	7,703	7,703	-	-
Total	7,703	7,703	7,703	-	-

23. CAPITAL MANAGEMENT

ENZ's capital is its equity, which comprises accumulated funds. Equity is represented by net assets. ENZ is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation [see section 29 on page 42]. ENZ manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that the CSE effectively achieves its objectives and purpose, while remaining a going concern.

24. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variances from ENZ's budgeted figures in the Statement of Intent are as follows:

Statement of comprehensive income:

Revenue from the Crown – operating is below budget. This revenue was reduced twice during the year, firstly due to the transfer of \$4 million of funding from 2011/12 to 2012/13 and outyears for the recovery of Christchurch; and secondly, by a further \$4 million in respect of an in-principle expense transfer into 2012/13.

Other income is higher than budget, which is largely attributable to:

- › Higher than budgeted recovery of costs for marketing events.
- › Transfer of \$2.98 million of net assets received as donation from ENZ on 1 September 2011. This item was budgeted for as a capital contribution.
- › Reclassification of \$0.657 million of revenue in advance from the Trust as revenue (refer note 4).

Personnel costs are below budget largely due to staff vacancies.

Other expenses are below budget due to the transfer of \$8 million of budgeted expenditure to 2012/13 and outyears and to the timing of some expenditure.



Statement of financial position

Cash and cash equivalents are higher than budget for the reasons above. Investments are higher than budget due to funds being invested in short-term term deposits.

Creditors and other payables are above budget mainly due to \$4.6 million owing to the Ministry of Education resulting from the in-principle expense transfer detailed above.

Equity is above budget due to the operating surplus being higher than budget.

Statement of changes in cash flows

The net cash flow from operating activities is higher than budget largely due to operating expenditure being lower than budget.

The net cash flow from investing activities is higher than budget due to term deposits being higher than budget.

ENZ PEOPLE STRATEGY 2011-15

The People Strategy has four high-level goals.

	OUTCOME AREA	ACTIVITY	2011-12 PROGRESS
Goal 1	Planning resourcing requirement and attracting capability	Organisation Design	<p>In 2012 ENZ made changes to its organisational structure to ensure it has the capability to deliver on our purpose and achieve our objectives.</p> <p>We will continue to refine what we do, where we focus, how we work, but also how we organise ourselves and what capabilities we need.</p>
Goal 2	Employee engagement and performance improvement	Performance Management Framework	<p>A Performance Management Framework has been developed to link our strategic goals to individual performance.</p> <p>Implementation of the Performance Management Framework is planned for September/October 2012.</p>
		Induction programme	<p>An induction programme is being developed to ensure new employees are clear about expectations in their role and understand how their work links to ENZ's strategic goals.</p> <p>Implementation of the Induction Programme is planned for September 2012.</p>
Goal 3	Develop our people	Individual Development Plans	<p>Our performance plan includes individual development goals, action plans and timelines.</p> <p>ENZ endorses the Lominger 70%/20%/10% approach to effective learning and development.</p> <p>Implementation of the Individual Development Plans is planned for September/October 2012.</p>
Goal 4	Recognising, retaining and rewarding our people	Remuneration, recognition and rewards	ENZ has developed a Remuneration Policy that outlines ENZ's remuneration principles, practices and processes for all employees.
	Developing our HR operating procedures, processes and policies	Policies and Procedures Development	We currently have a mixture of policies from three predecessor organisations. ENZ will continue to review, develop and implement policies that support the culture of ENZ and meet our legislative requirements and good employer principles.



Industry website:
www.educationnz.govt.nz

Student website:
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