
ANNUAL REPORT

2017-2018

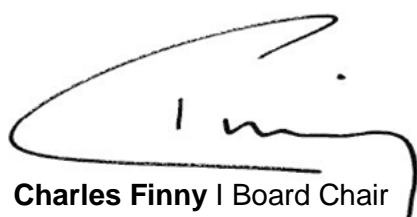




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In accordance with the Crown Entities Act 2004, we approve this Annual Report on behalf of Education New Zealand's Board.



Charles Finny | Board Chair
31 October 2018



Victoria Spackman | Board Member
31 October 2018

BOARD CHAIR'S FOREWORD

This will most probably be the last foreword I write for an Education New Zealand Annual Report as I am due to stand down from my position on the Board at the end of February 2019.

I will leave Education New Zealand very proud of what it has achieved. The international education sector has virtually doubled in size in the seven years that Education New Zealand has existed as a Crown Entity, well ahead of the 2025 target that was set by the Government of the time. Many in the sector and outside said that achievement of this goal was not possible.

My view is that there is still considerable potential to grow the earnings from the sector, both from activities onshore and offshore. I am therefore delighted to see that the Government has agreed to include further growth as one of the targets in the newly agreed International Education Strategy. Long term I see no reason why international education should not become the biggest services export sector for New Zealand.

The past year has been a year of consolidation as the market waited for some certainty around immigration policy settings and as we adjusted our strategy in the important Indian market.

There is still much work for Education New Zealand to do. New Zealand remains very dependent on two markets – China and India. The sector needs to keep focusing on these important markets while developing other large markets. We have too great a concentration of students in Auckland. The rest of New Zealand could benefit

more from a more even spread of international students around the country.

We need to focus even more on the quality of the education being received by all international students in New Zealand. Working with the New Zealand Qualifications Authority we need to move fast to act if there is any sign of poor-quality provision. Likewise ensuring that international students enjoy all aspects of their time in New Zealand is an important goal.

There is an enormous opportunity also for our education institutions and companies to operate beyond New Zealand. Many are doing this very successfully but there is enormous potential to do more. Education New Zealand needs to focus hard on how to support this activity even more effectively.

New Zealand is a trading nation. We cannot insulate ourselves from the outside world. We need to understand what is happening offshore and respond to the trends that are emerging. This is why our education system, at all levels, has a strong international focus. Education New Zealand supports this focus in many ways. We encourage international students to spend time at our schools, institutes of technology and polytechnics, universities, wānanga and private training establishments and share their experiences and outlook with our domestic students. And we enable many New Zealand students to travel abroad to undertake some of their study in other countries. It is wonderful to see such strong interest in our

Prime Minister's Scholarship Programmes to Asia and Latin America.

Education New Zealand would achieve very little without the support of the wider government. Support from the Ministry of Education, Ministry of Business, Innovation and Employment, the New Zealand Qualifications Authority, the Tertiary Education Commission, Ministry of Foreign Affairs and Trade, New Zealand Trade and Enterprise, Tourism New Zealand and others is critical. The support of local government and economic development agencies throughout New Zealand is also essential. I thank these Ministries, Agencies, Mayors and Councils for their support.



Charles Finny | Board Chair

I thank the education sector for its support and enthusiasm for international education. Ultimately it is the sector that delivers many of the targets that Education New Zealand is pursuing.

Can I thank Chief Executive Grant McPherson and his team in New Zealand and around the world for another excellent year. The Board also deserves praise for another year of dedicated service and I particularly wish to acknowledge the contribution of retiring Board members Philip Broughton, Richard Leggat and John Morris.

Finally, can I thank Minister Hipkins, and before him, Minister Goldsmith, for the support that they gave the work of Education New Zealand in the financial year ended 30 June 2018.



CHIEF EXECUTIVE'S FOREWORD

Last year, 125,000 international students chose New Zealand as the launch pad for their leap into life. New Zealand benefits in so many ways from the ambition and outlook these international students bring to classrooms, campuses and communities. We know they are often the bravest of their generation, the most enterprising, the hungriest for success.

International students embrace New Zealand's can-do culture – our ability to think and innovate our way through issues. They are attracted to New Zealand's open society that encourages curiosity, new ideas and a fresh way of looking at things. They are also drawn to the spirit of warmth, respect and manaakitanga that New Zealand provides. At its best, New Zealand gives students learning that sets them up for life. Our education system is world-leading in the way that it enables teachers to give students the skills they need for the future.

New Zealand's world-leading status was confirmed this year with an independent report from the Economist Intelligence Unit ranking New Zealand as number one in the world for preparing students for the future.

This is in part because New Zealanders believe that everybody has an equal opportunity to succeed, and that education is the gateway to the world. Whether it's New Zealand children heading overseas to study or international students coming

here, we all benefit from stronger connections between New Zealand and the world.

The new International Education Strategy reflects this theme of global citizenship. Education New Zealand is proud to have led the development of the strategy with our Ministry of Education colleagues, and we are excited about the opportunities to strengthen and grow high-quality, high-value international education in New Zealand.

I would like to acknowledge the work of other government agencies who are committed to supporting the international education sector in New Zealand. I would also like to thank international education providers for their focus and engagement in international education during the year.

While education providers play a large role in the experience their students will have in New Zealand, we know all Kiwis have a part to play. We're focused on continuing to tell the international education story in New Zealand to ensure we all understand the wider benefits and everyone can see how international education adds socially, culturally and economically to all of our communities.

We remain committed to our work with the sector and with other government agencies to achieve a thriving and globally connected New Zealand through world-class international education.



Grant McPherson | Chief Executive

PART ONE

International education



INTERNATIONAL EDUCATION IN NEW ZEALAND

International education strengthens New Zealand’s cultural, social and economic links with the world. It helps forge enduring friendships and relationships, providing strong networks for research and business, access to new ideas, solutions and opportunities. It helps New Zealanders develop the cultural and language skills needed for our nation’s growing diversity and engagement in an increasingly connected world.

International education is also an important service export for New Zealand, making a significant economic contribution and adding to the diversity of our export industries. It is our fourth most

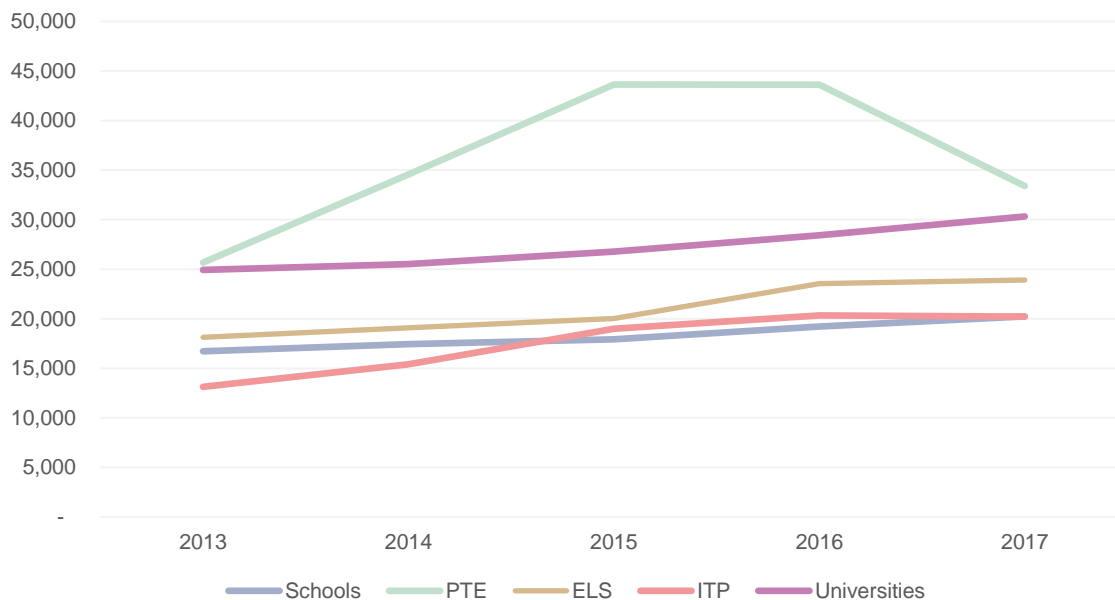
valuable export and supports over 47,000 jobs for New Zealanders across the country.

The economic value of New Zealand’s international education sector in 2018 was \$5.1 billion¹ – up \$800 million² from 2015/16.

The growth in economic value despite an overall decrease in student enrolment numbers³ reflects the work undertaken by government agencies and education providers to focus on value and quality.

The New Zealand international education sector earned \$1.1 billion⁴ (excluding GST) in tuition fee revenue from international students in 2017.

New Zealand international student enrolments by sector



¹ m.e. consulting: *Economic valuation of international education in New Zealand* and PwC: *The value of New Zealand’s education exports 2018*.

² Infometrics/National Research Bureau: *The Economic Impact of International Education in New Zealand 2015/16* and Infometrics/Covec: *Development and Implementation of a new Valuation Methodology for New Zealand’s Education Services Exports*.

³ International students are non-residents of New Zealand and have expressly entered New Zealand with the intention of study or have enrolled with a New Zealand provider offshore. ENZ counts international PhD students, exchange students, NZ Aid students, foreign research postgraduate students and full fee-paying international students as international students.

⁴ *Export Education Levy and Tertiary Single Data Return*, Ministry of Education.

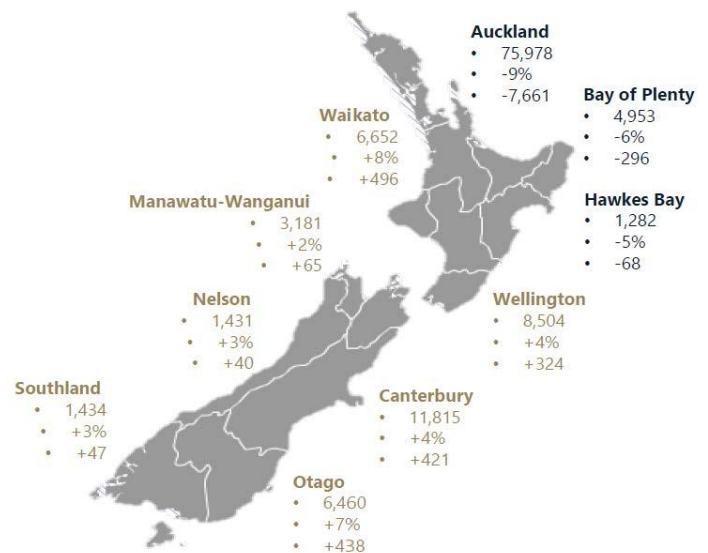
International students studying with New Zealand providers

In 2017/18⁵, there was continued rebalancing of international student enrolments in New Zealand, with changes in the composition of education provider type, students' country of origin and location of study.

In 2017, 125,392⁶ international students were enrolled with a New Zealand education provider, an overall decrease of 5% on the previous year. This was driven by a 26% decrease in the unfunded⁷ private training establishment (PTE) sector and a 17% decrease in the funded PTE sector, and partially offset by increases in the school (+9%) and university (+7%) sectors. International student enrolments at institutes of technology and polytechnics (ITP) decreased by 1%, and English language school (ELS) enrolments decreased by 2% between 2016 and 2017.

International students studying throughout New Zealand

Ten of New Zealand's regions had an increase in international student numbers in 2017, with the strongest growth occurring in the Waikato region (+8%), Otago (+7%), Canterbury (+4%) and Wellington (+4%). International student

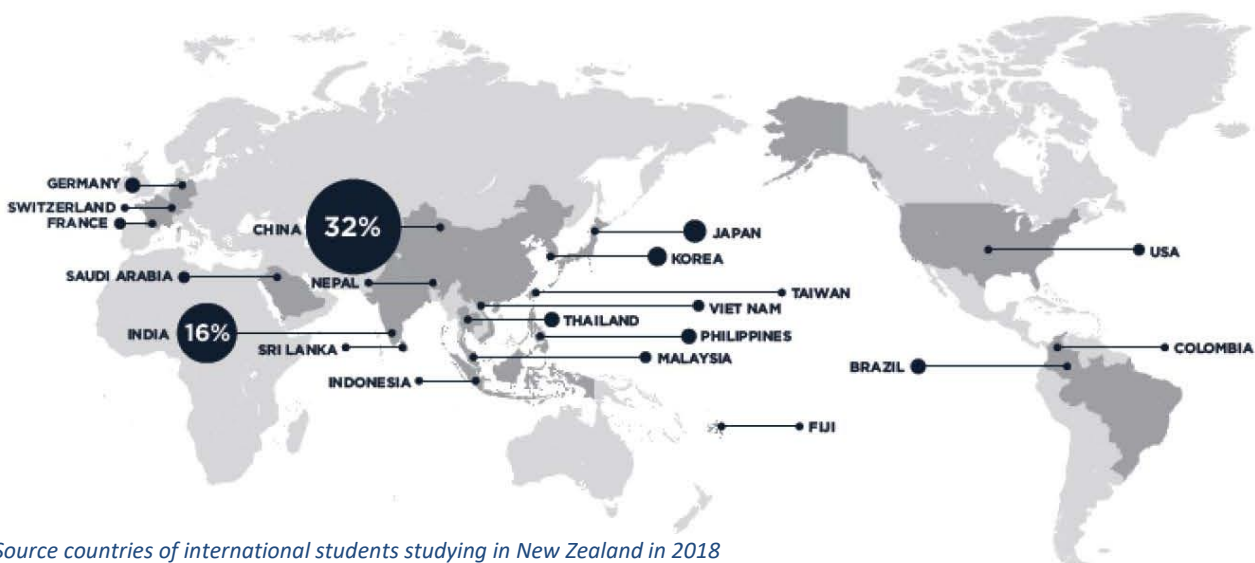


enrolments in Auckland were down by 9% overall, due to decreased PTE and ELS enrolments.

Of the international students studying in New Zealand in 2017, 61% studied in Auckland. Canterbury had the next largest share with 8%, and Wellington had 7% of total international student enrolments.

Market diversity

China again contributed the largest share of international students to New Zealand in 2017 (32% of total enrolments) but there has also been growth from a broader range of markets, which reflects the investment made by education



Source countries of international students studying in New Zealand in 2018

⁵ This report includes financial year and calendar year information. With the exception of Part Four, dates such as 2017/18 refer to a financial year and a single year, such as 2017, refers to the calendar year. All information in Part Four relates to the financial year.

⁶ Export Education Levy and Tertiary Single Data Return, Ministry of Education.

⁷ 'Funded' or 'unfunded' refers to whether the PTE receives government funding.

providers and Education New Zealand (ENZ) into market diversification.

Key student markets with increased levels of enrolment in 2017 included Brazil (+7%), China (+6%), the United States (+7%) and Viet Nam (+15%).

There was an overall 28% decline in the India student market driven largely by a significant decrease (-7,590) in PTE enrolments. This was partially offset by a 19% increase in the number of Indian students enrolled at New Zealand universities.

New Zealanders studying offshore

We administer the Prime Minister’s Scholarships for Asia and the Prime Minister’s Scholarships for Latin America, which enable New Zealanders to enhance their international skills through a period of study in those regions. In 2017/18, we funded Prime Minister’s scholarships for 325 New Zealand students.

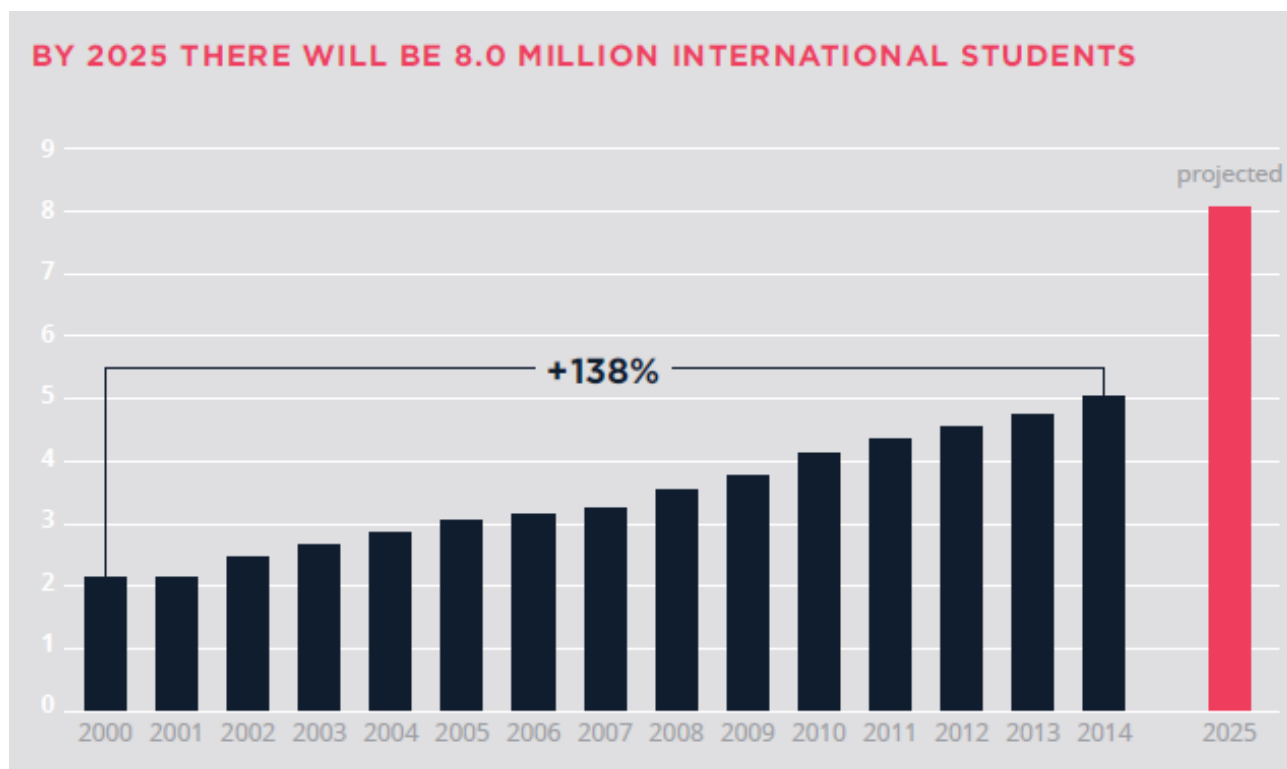
A changing global picture

International education operates in a global environment and is highly sensitive to regional and

global demographic, economic and political changes that affect the flow of international students.

There has been unprecedented demand for international education in the past five years. Currently there are an estimated five million internationally mobile students and this number is expected to increase to eight million by 2025. Global over-demand for quality education is expected to last another 7-10 years, but beyond that a number of factors are likely to result in over-supply.

To ensure that the contribution the international education sector makes to New Zealand is sustainable, we will need to attract students from a wider range of markets and ensure that our education offering is world-class, responsive and student-centred. Within an increasing competitive global market there still remain many opportunities for high-quality, high-value growth. New Zealand must stay alert to emerging opportunities in both new and established markets, and in a range of products and services, in order to grow the sector sustainably over the longer term.



Studyportals: Asia Rising, 2017

WHO WE ARE AND WHAT WE DO

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

ENZ is a Crown Agency and the only New Zealand government agency solely focused on international education. Our role is to provide a range of marketing, promotion and representation functions to give effect to the Government's goals for international education. The Ministry of Education and the Ministry of Business, Innovation and Employment are our monitoring agencies.

In New Zealand, we have staff in Auckland, Wellington and Christchurch. Offshore we have staff in Brazil, Chile, China, Germany, India, Indonesia, Japan, Malaysia, Republic of Korea (Korea), Saudi Arabia, Singapore, Taiwan, Thailand, the United States of America and Viet Nam. ENZ's offshore staff are usually co-located with the Ministry of Foreign Affairs and Trade or with New Zealand Trade and Enterprise.

Our statutory functions are shown in Appendix One.

Who we work with

We work with New Zealand's diverse international education providers, including universities, ITPs, industry training organisations, PTEs, ELS and schools. We also work with education agents, and organisations that export education services, such as publishers, consultancy services and education technology businesses.

We engage with international students at all stages of the student journey – from those who are just beginning to dream about a New Zealand study experience through to alumni enjoying successful careers all around the globe.

How we are funded

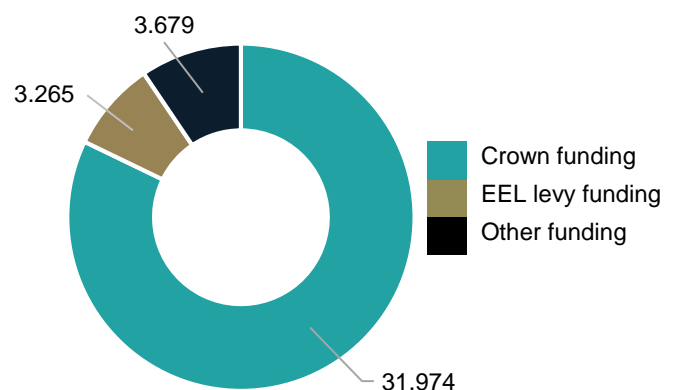
The majority of ENZ's funding comes from the Crown through Vote Tertiary Education.

In 2017/18, we also received a total of \$3.265 million of funding from the Export Education Levy (EEL), which is administered by the Ministry of Education. Further information on EEL income and expenditure is detailed in the Export Education Levy Annual Reports, which can be found on the Ministry of Education's website.

We use our share of EEL funding to support:

- promotions and marketing in priority markets
- market intelligence and brand health research
- regional development of international education
- workshops and seminars for the international education sector.

How we are funded (\$million)





PART TWO

Our performance



OUR OUTCOMES FOR 2017/18

We support the Government's commitment to measure success and wellbeing broadly, alongside economic benefits. Together with the international education sector and other government agencies, we work to ensure that New Zealand maximises the social, cultural and economic benefits of international education. We also work with other government agencies to deliver on the Government's priorities for the education system and sustainable economic growth.

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

Our 2017/18 outcomes

ENZ's outcome framework for 2017/18 was closely aligned with the Leadership Statement for International Education,⁸ and the Tertiary Education Strategy. Our 2017/18 priorities are

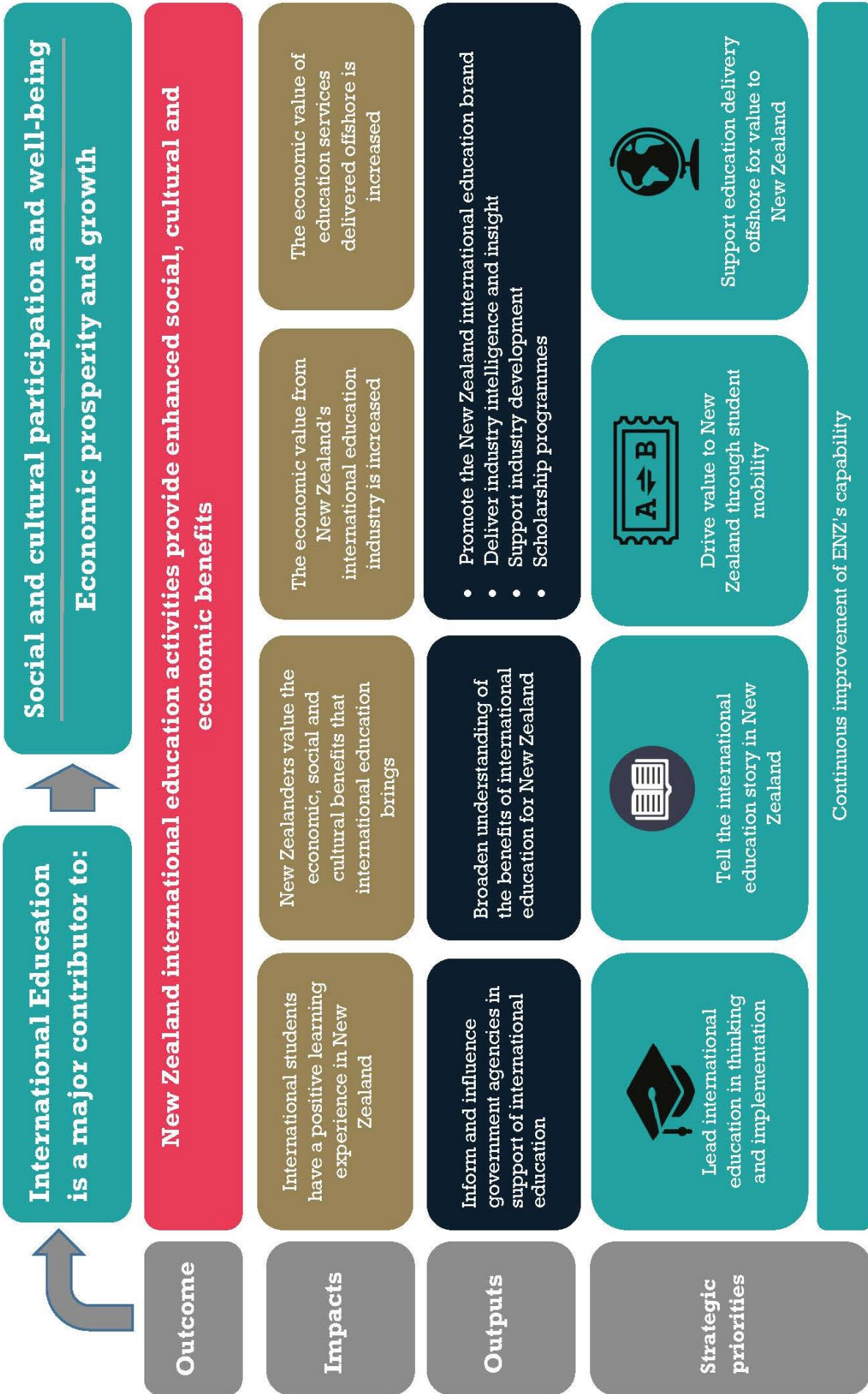
outlined in our Statement of Intent 2017-2021 and Statement of Performance Expectations 2017-2018. Our outcome 'New Zealand international education activities provide enhanced social, cultural and economic benefits' contributes to the Government's goals for economic growth and for the education system.

International Education Strategy 2018-2030

During 2017/18 we worked with the Ministry of Education to lead the development of a new International Education Strategy⁹ to replace the Leadership Statement for International Education. The International Education Strategy sets out the responsibilities of ENZ and each of the other education agencies for delivering key actions and programmes of work.

⁸ <https://enz.govt.nz/assets/Uploads/Leadership-Statement-for-International-Education.pdf>

⁹ <https://enz.govt.nz/assets/Uploads/International-Education-Strategy-2018-2030.pdf>



OUR ACHIEVEMENTS

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

In order to achieve our intended outcome, and our four-year excellence horizon, we identified five strategic themes¹⁰ to shape our activities as the 'go to' agency for international education. This section of our Annual Report highlights key achievements for 2017/18 within each of these themes.

Lead international education in thinking and implementation

International education intersects with a range of government portfolios, particularly education, immigration, tourism, trade and export growth and foreign affairs. We take a strategic focus to influence policy alignment across regulatory agencies in support of international education and the Government's broader strategic objectives. We worked with other agencies involved in international education to align our work programmes and ensure advice to Ministers was effectively 'joined up'.

International Education Strategy 2018-2030

Throughout 2017/18, ENZ and the Ministry of Education led the development of a new, comprehensive Government strategy for international education to replace the 2011 Leadership Statement for International Education. The International Education Strategy 2018-2030 aims to create an environment where international education can thrive and provide economic, social and cultural benefits for all New Zealand. It builds on New Zealand's quality education system and focuses on delivering both good education outcomes for international students and global opportunities for New Zealand students and education institutions.



The strategy sets out three goals:

- **Excellent education and student experience** – providing high-quality education and making sure that international students feel welcome, safe and well while they are in New Zealand.
- **Sustainable growth** – supporting diversification of products, services and markets, and making sure that all of New Zealand's regions share the benefits of international education.
- **Developing global citizens** – providing opportunities for all students to develop the skills, knowledge and capabilities to be global citizens, and helping New Zealanders to understand and embrace the benefits of international education at home and overseas.

¹⁰ ENZ's fifth strategic theme, a commitment to continuous improvement of organisational capability, is outlined on pages 24-25 in the 'Our Organisational Development' section.

The Minister of Education officially launched the International Education Strategy 2018-2030 in August 2018.

Student experience

A consistently high-quality international student experience – from student attraction through to advocacy activities after graduation – is essential for a sustainable international education sector. We work with education providers, regional agencies and other stakeholders to share insights about the factors that impact on a student's experience of New Zealand, and to bring the international student voice into key decision-making.

We have continued to integrate student-centred thinking across our activities in 2017/18, including:

- Development of a student experience approach, focusing on high impact areas of employability, inclusion and mental health.
- Integration of our 'student journey' lens across all attraction, study and advocacy activities.
- Initial design and development of a digital student experience platform. This online platform will make information from government agencies more student-friendly and contribute to improving the experience for all students studying in New Zealand.
- National research,¹¹ undertaken in partnership with Kantar TNS, on the experience of international students in New Zealand.

Lead information and intelligence provision

Our research and market intelligence identify potential growth opportunities for the sector and enable us to monitor the effectiveness of our strategies and activities.

At the New Zealand International Education Conference 2017, we launched an intelligence portal, [IntelliLab](#), which provides New Zealand's international education providers direct access to high-quality information and market intelligence. Further development phases were completed in



Student Numbers
Student focused information, including monthly visa dashboards, monthly visa trends, trimesterly students dashboards, annual snapshot, and self-service tools (the dashboards may be viewed without registering).



Sectors
Education provider focused information for all levels of providers, including funded and unfunded providers.



Markets
Market focused information, including market fact sheets, and Economist Intelligence Unit country profiles.



NZ Regions
Regionally focused information, including protected briefings for regional partners.



Economic Impact
The economic value of international education nationally (regional valuations are found on the NZ Regions page).



Other Research
Other information, or research primarily conducted by, or for, ENZ, on international education.

2017/18 to refine IntelliLab tools and provide increasingly sophisticated market insights.

Throughout 2017/18 we delivered over 300 intelligence products on IntelliLab, including interactive visa and enrolment tools and dashboards, presentations, market fact sheets, videos and research undertaken on ENZ's behalf.

Tell the international education story in New Zealand

The benefits of international education have become more widely recognised by New Zealanders over the past year¹² reflecting our work in 'telling the story' of international education in New Zealand. In 2017/18 we contributed to almost 200 positive media stories about the social, cultural and economic benefits of international education to New Zealand's students, education institutions and communities.

Alongside our programme of proactive public relations activity, we also undertake research to provide evidence of the many ways that international education contributes to New Zealand's economy and society.

¹¹ *Understanding the International Student Experience in New Zealand*, available on [IntelliLab](#).

¹² Kantar TNS: *Understanding New Zealanders' perceptions of international education, 2018*

In May 2018, ENZ published [*Beyond the economic – how international education delivers broad value for New Zealand*](#) containing case studies in which New Zealanders with direct experience of international students discuss the contribution they make to: a secondary school (cultural and educational value), an engineering business (business, innovation and workforce), a New Zealand Embassy (international trade), and a tourism operation (tourism and travel).

The purpose of the research we undertake is to reflect on and grow awareness of the broader benefits of international education to New Zealand, in addition to the economic impact which ENZ already measures.

Drive student mobility for value to New Zealand

Database marketing

During 2017/18 we continued to evolve our database marketing programme with the development of [MyStudyNZ](#). This tool generates a personalised list of study matches for prospective students, based on the information they provide when setting up their MyStudyNZ profile.

During the year we also integrated our events registration and events management activity with the marketing database. Students attending events can check-in with participating education providers using a QR code – ensuring a seamless experience for the student and giving education

providers the relevant student information to ensure a personalised service.

Through collaboration with Immigration New Zealand, our database marketing programme now matches student registrations to actual visas granted, enabling us to monitor conversion, return on investment and effectiveness of different acquisition channels. We have over 100,000 leads in our database and are seeing successful conversion to student visas.

A focus for 2018/19 is to integrate our database marketing programme with the development of a digital student experience platform, ensuring we continue to engage with students throughout their study experience.

Future Proof campaign

ENZ launched a global [‘Future Proof’](#) campaign in 2018 to promote New Zealand’s number one ranking in the Economist Intelligence Unit’s Worldwide Educating for the Future Index. The campaign emphasised New Zealand’s strengths including:

- an education system that develops in-demand skills such as critical thinking, creativity, independence and team work
- diverse learning experiences inside and outside the classroom, and practical, hands-on approaches that teach students how to use their knowledge in real-world situations
- a modern, progressive and open-minded society.



The campaign reached over 30 million people with nearly 12 million engagements¹³ across ENZ's digital and social media channels. This is the largest qualified audience that ENZ has achieved in a single campaign.

The 'Future Proof' campaign is part of a media framework that ENZ developed in 2017 which can be rolled out globally. It integrates ENZ's social media communities and digital channels, and it is the first campaign to be integrated with ENZ's database marketing platform.

Regional Partnership Programme

We want all of New Zealand to share the widest possible benefits from international education. Through our Regional Partnership Programme, we have worked with international education providers, local government and regional economic development agencies, and communities in 15 regions throughout New Zealand to grow international student enrolments outside of Auckland by 30% since 2013¹⁴.

Supporting the development of targeted regional strategies is a key part of our work. One of the highlights of the Regional Partnership Programme in 2017/18 was the official launch of the most recent of these, the Tai Tokerau Northland International Education Strategy 2017-2027.

Tai Tokerau Northland Strategy launch

The Tai Tokerau Northland International Education Strategy 2017-2027 was led by Northland Inc and supported by ENZ.

The aim of the 10-year strategy is to create a sense of belonging and wellbeing for Northland's international students, while outlining specific and sustainable growth targets. This includes boosting international secondary student numbers to 400, primary and intermediate school enrolments to 200 and tripling the economic value of international education in the region to \$30 million.

"We have a responsibility to prepare Northland students to think and learn like global citizens; one of the best ways to achieve this is to bring the world to them, by growing our international education sector"

Tai Tokerau Northland International Education Strategy

The Tai Tokerau Northland International Education Strategy describes both the region's unique value proposition for international students, and the benefits that international education can bring to Northland students.

Scholarships

Our scholarship activity in 2017/18 continued to provide opportunities to leverage publicity and increase awareness in key markets of New Zealand's quality education offerings. Scholarship campaigns also provide valuable market insights, which can inform future promotion and recruitment efforts.

We also worked to develop new opportunities for New Zealand education providers arising from government scholarship programmes in Brazil, Japan, Malaysia and Saudi Arabia. In addition to promoting New Zealand education, participation in these programmes helps strengthen government-to-government relationships and supports New Zealand institutions in building relationships with international partners.

Scholarships for international students

We ran a successful in-market campaign for a new scholarship for school students in Europe. The "Follow the Kiwi" scholarship was designed to promote the New Zealand school sector in Europe and, in particular, increase awareness of New Zealand as a study destination for high school students from Germany, Italy and France.

¹³ Campaign content actively viewed by the target audience.

¹⁴ Refer to page 23 for performance measure reporting for international students enrolled to study outside Auckland.

ENZ provided three Follow the Kiwi scholarships to study at a New Zealand high school for a minimum of 10 weeks. Each scholarship provided \$15,000 to contribute to tuition, school-related costs and living expenses. Students submitted a motivational letter, video or photo collage saying why and what they wanted to study in New Zealand.



Prime Minister Jacinda Ardern supporting the Follow the Kiwi social media campaign during her visit to Berlin in April 2018.

Go Overseas

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

Following the success of the United States campaign, in 2017 we launched a pilot scholarship for the European market. The campaign saw a good response for its first year, with around 1,500 applications from Denmark, France, Germany, Italy, Netherlands, Spain and the United Kingdom.

The Go Overseas scholarship campaigns aim to get students engaged and excited about New Zealand as an education destination, so that even if they don’t win they are still invested in studying here. The programme delivers participating New Zealand institutions with qualified leads with whom they can actively engage.

Scholarships for New Zealand students

ENZ administered the Prime Minister’s Scholarship for Asia (PMSA) and the Prime Minister’s Scholarship for Latin America (PMSLA). These scholarships enable New Zealanders to enhance their international skills through study across a wide range of courses, and to build life-long friendships and networks in Asia or Latin America. The presence of skilled New Zealanders studying at education providers offshore also helps to promote understanding of the strength of New Zealand’s education system and raise awareness of New Zealand as a preferred education destination. In 2017/18 ENZ awarded 253 scholarships for young New Zealanders to undertake study in Asia, and 72 scholarships for study in Latin America.



Māori Studies and Māori Visual Arts students from Massey University were recipients of the Prime Minister’s Scholarship for Latin America. During their four-week cultural exchange in Medellin, Colombia, the group painted this mural with indigenous students at the University of Antioquia.

In-market activity

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

We prioritised our international student attraction markets for 2018 into three categories:

- **Promote:** This is a group of countries and regions where we made strategic investment aimed at delivering strong growth - Brazil, China, Colombia, Europe (France, Germany, Italy, Netherlands, Spain, Switzerland, United Kingdom), India, Indonesia, Japan, Korea, Philippines, Thailand, Viet Nam, United States.
- **Project based:** These are countries where our investment was targeted on a specific project – Chile, Malaysia, Saudi Arabia.
- **Explore:** Primarily research and intelligence gathering to assess prospects in countries where there is potential for long term growth - Mexico.

We regularly review and prioritise markets to ensure we continue to gain the best value for New Zealand. Activities in our priority markets are driven by our annual Country Activity Planning.

Following are example highlights from two of our 2018 priority markets - China and Brazil.

Entrepreneurship campaign – China

ENZ's focus in China has been to enhance New Zealand's education brand position to attract more high-quality students to the university and ITP sectors.

In June 2018, we began a multi-phased digital and social media campaign to promote New Zealand's high-quality entrepreneurship education products¹⁵ in the Chinese market. This used the Chinese social media channel WeChat, and leveraged our global 'Future Proof' campaign.

The promotion drew on Chinese alumni stories from entrepreneurship education programmes at the Southern Institute of Technology, University of Otago, University of Canterbury and Massey University, alongside insight from industry experts on New Zealand's entrepreneurship education approach.

The campaign generated over 2,800 new WeChat followers for our Study in New Zealand community, with the highest engagement coming from Guangzhou, Chengdu, Hangzhou and Suzhou. A targeted audience of over 250,000 prospective students have watched the promotion's video, demonstrating high levels of engagement with New Zealand's entrepreneurship education and the career opportunities it provides for graduates.

Academic Cooperation Seminar – Brazil

We hosted an Academic Cooperation Seminar in Sao Paulo to promote greater collaboration between New Zealand and Brazilian universities. Five New Zealand universities and 17 Brazilian universities were represented at the forum, which was held to capitalise on the Programme for Internationalisation of Brazilian Postgraduate Programs (InPRINT)¹⁶. This Brazilian government programme assists Brazilian universities to internationalise and provides a unique opportunity to establish long term linkages between Brazilian and New Zealand universities. ENZ secured New Zealand's inclusion on the list of recommended programme partners and to date Lincoln and Massey Universities have been included as partners in projects. More projects are expected to be approved, which would greatly enhance New Zealand's engagement with the region.

Support education delivery offshore for value to New Zealand

With the forecast for slowing and then eventual decline in outbound students from China in 7-10 years' time, increased involvement in offshore education delivery provides an opportunity to sustain long term sector value.

In 2017/18, we undertook a feasibility study¹⁷ to determine the best approach to increasing New Zealand's involvement in offshore education delivery.

¹⁵ Entrepreneurship products include a range of programmes such as the Master of Business Administration, Master of Entrepreneurship, Postgraduate Diploma in Business Enterprise and the Bachelor of Commerce.

¹⁶ InPRINT is a successor to the earlier undergraduate programme in Brazil known as 'Science without Borders' and will receive USD \$350 million of funding over the next four years.

¹⁷ *Increasing New Zealand's involvement in Offshore Education: Feasibility, Options and Analysis.*

Growing New Zealand's involvement in offshore education and training is a two-challenge problem:

- Growing our understanding of education demand and supply globally, and
- Using this deeper understanding of global demand and supply to unlock sustainable approaches and models that can scale and generate benefits for New Zealand.

The recommended approach starts with small, demand-side actions focused on understanding what type of education products learners want. This would then be matched with supply-side actions focusing on understanding where we can realistically make shifts to better meet the market.

Once we have developed a deeper understanding of demand and supply dynamics, we can turn our attention to challenge two. This entails testing prototypes and implementing pilots in order to

learn by doing, and then refining our ideas. Our goal is to find approaches or models that we can sustainably scale up to unlock the full potential for benefits to New Zealand.

Impact measures

Overall our impact measures showed excellent results for 2017/18. It was particularly pleasing to achieve our ambitious targets for student satisfaction, and to have improved awareness of the contribution of international education to New Zealand through our 'telling the story' work.

Growth in economic value exceeded the target set for 2018 and the average value per student has increased by 22% since 2016.

We will continue to focus on supporting a diverse, high-value and high-quality international education sector that shares sustainable benefits across all of New Zealand.

Measure	Baseline	Target	Result
Increase the economic value from New Zealand's international education industry. ¹⁸	2008: \$2.51b ¹⁹ <i>Trend</i> 2012: \$2.60b ²⁰ 2014: \$2.85b ²¹ 2016: \$4.29b ²²	2018: Increase value to \$4.5b	2018: \$5.1b ²³

Commentary: The 2018 target has been exceeded. The economic contribution to New Zealand from international education increased by \$0.8b since the sector was last formally measured in 2016.

Maintain the proportion of international students who were satisfied ²⁴ or very satisfied with their overall experience. ¹⁸	Sector	Baseline	Trend				Target	Result
		2011/12	2013	2014	2015	2016	2019	2017
	Secondary school	94%	-	-	93%	-	93%	-
	PTE	87%	-	88%	-	88%	88%	-
	ELS	88%	-	89%	-	88%	89%	-
	ITP	89%	89%	-	88%	-	88%	89%
	University	89%	88%	-	90%	-	90%	90%

Commentary: The target was achieved for the two education sectors measured in 2017²⁵. As this measure is reported on a calendar basis, there is no result for 2018.

¹⁸ This measure is also reporting on the end of year performance information set out in the Vote Tertiary Education Estimates 2017/18.

¹⁹ Infometrics, NRB and Skinnerstrategic: [The Economic Impact of Export Education](#)

²⁰ Infometrics: *The Economic Impact of the International Education Industry 2012/13*.

²¹ Infometrics: *The Economic Impact of International Education 2014*.

²² Infometrics: *The Economic Impact of International Education in New Zealand 2015/16* and Infometrics/Covec: Development and Implementation of a new Valuation Methodology for New Zealand's Education Services Exports.

²³ m.e. consulting: *Economic Valuation of International Education in New Zealand 2018* and PwC: *The value of New Zealand's education exports 2018*.

²⁴ Survey ratings are Very Satisfied, Satisfied, Dissatisfied, Very Dissatisfied.

²⁵ ENZ undertakes student satisfaction surveys on two to three education sectors per year.

Measure	Baseline	Target	Result
Increase awareness of the contribution of international education to New Zealand.	2015/16: 57% <i>Trend</i> 2016/17: 56%	2017/18: Increase awareness compared to 2016/17.	2017/18: 63% ²⁶
Commentary: The 2017/18 target was achieved. The benefits of international education to New Zealand have become more widely recognised over the past year, with 63% of survey respondents either agreeing or strongly agreeing that international education brings benefits to New Zealand's economy.			
Increase the economic value per international student ²⁷	2012: \$25,370 <i>Trend</i> 2014: \$25,540 2016: \$32,100	2018: Increase value per international student compared to 2016.	2018: \$39,290
Commentary: The 2018 target of increasing the value per international student has been achieved. The economic value per international student has increased by 22% compared to 2016.			
Increase the number of international students enrolled to study outside Auckland.	2013: 38,118 ²⁸ <i>Trend</i> 2014: 41,408 ²⁸ 2015: 45,582 ²⁸ 2016: 48,000 ²⁸	2017: Increase the number of international students enrolled to study outside Auckland compared to 2016.	2017: 49,414 ²⁸
Commentary: The 2017 target was achieved. There was an increase of 1,414 international students (3%) compared to 2016.			
Increase the percentage of prospective students in priority markets who rank New Zealand in the top three preferred countries.	2015/16: 11% <i>Trend</i> 2016/17: 13%	2017/18: Increase the percentage who rank New Zealand in the top three preferred countries compared to 2016/17.	2017/18: 15%
Commentary: The 2017/18 target has been achieved.			
Increase the economic value of education services that are delivered offshore. ²⁹	2016: \$242m	2018: Increase value to \$298m.	2018: \$300m ³⁰
Commentary: The 2018 target has been met. The economic contribution to New Zealand from education services exports education has increased since last formally measured in 2016.			

²⁶ Kantar TNS: *Understanding New Zealanders perceptions of international education*, 2018.

²⁷ Calculated by dividing the total economic value of international education in New Zealand by the number of international students.

²⁸ Export Education Levy and Tertiary Single Data Return for 2017, Ministry of Education.

²⁹ This measure is also reporting back on the end of year performance information set out in the Vote Tertiary Education Estimates 2017/18.

³⁰ PwC: *The value of New Zealand's education exports 2018*. Estimated to be between \$250m and \$300m.

OUR ORGANISATIONAL DEVELOPMENT

In 2017/18 ENZ continued to develop its people and build and improve systems, processes and infrastructure to deliver its work programme and support the international education industry.

Monitoring organisational capability

Measure	Baseline	Target	Result
Employee engagement.	<p>2013/14: ENZ ranked in the top third of government agencies.</p> <p>2014/15: ENZ ranked in the top quartile of government agencies.</p> <p>2016/17: ENZ ranked in the top quartile of government agencies.</p>	Be in the top quartile of the staff engagement performance index for public sector organisations as measured by an employee engagement survey.	The 2018 staff engagement survey placed ENZ in the top quartile of the staff engagement performance index for the public sector.
Core unplanned turnover.	<p>Year ended 30 June 2014: 9%</p> <p>Year ended 30 June 2015: 11%</p> <p>Year ended 30 June 2016: 10%</p> <p>Year ended 30 June 2017: 7%</p>	No more than 11%.	9.9%
Administration expenses as a percentage of core operating expenses.	<p>2013/14: 11%</p> <p>2014/15: 14%</p> <p>2015/16: 15%</p> <p>2016/17: 16%</p>	Between 13-18%.	15%
Identify and actively manage a targeted portfolio of markets that drives current opportunities and creates future market positions:	New measure in 2017/18		
<ul style="list-style-type: none"> Country Activity Plans (CAPs) document business activity and investment for each 'promote' and 'explore' market 		100%	100%
<ul style="list-style-type: none"> Country team reviews completed three times per annum 		100%	100%

Continuous improvement of ENZ's capability

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

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

Global operating model

We continued work on refining our Global Operating Model, including a new hub model in South East Asia, to ensure the right resources get to the right places in market. Our new South East Asia office in Singapore was formally opened by Minister Hipkins in March 2018.

The South East Asia region includes five of ENZ's priority markets (Indonesia, Malaysia, Philippines, Thailand and Viet Nam). In 2017/18 ENZ appointed a dedicated South East Asia Regional Manager (based in Singapore) to provide greater momentum across these important markets. The Singapore hub has provided greater flexibility for ENZ to shift resources between markets and take advantage of growth opportunities.

Investment model

We are continuing to adopt an investment model where we seek to prioritise our resources in order to achieve maximum impact. We use a business

case process to assess the rationale, risks, return on investment and resource implications for significant investment decisions.

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

Our technology and systems

We have made good progress implementing our roadmap for ICT. We have invested in the infrastructure required to be a globally connected and communicating organisation. This has improved the sharing of information and knowledge and encouraged greater collaboration, particularly between ENZ's onshore and offshore staff. ENZ will continue to invest in our foundational ICT systems as well as the wider digital ecosystem to deliver further efficiency and productivity benefits.

ENZ has met with the New Zealand Business Number (NZBN) team and confirmed that we can meet the initial requirements of the NZBN implementation over the next 12 months. We will continue to work with the NZBN team to identify other benefits for us and the organisations we transact with.

OUR PEOPLE

Good employer matters

ENZ is proud of having built a diverse workforce to deliver excellence to our customers. We provide equal employment opportunities to ensure we harness the talents of all of our people.

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

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

Leadership, accountability and culture

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

- Think Bold
- Think Open
- Think Team

In 2017/18 the focus of our staff engagement initiatives was to maintain and improve staff wellbeing and ENZ's productivity, following our fifth annual staff engagement survey. In this survey our overall engagement levels improved for the fifth successive year. We continued to use a Team Management Index to identify the working preferences of staff and to enhance our ability to work together.

Recruitment, selection and induction

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

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

Employee development, promotion and exit

Professional learning and development form part of staff annual performance agreements and are regularly reviewed and updated throughout the year, both by direct managers and at Leadership Team level.

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

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

Flexibility and work design

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

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

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

Remuneration, recognition and conditions

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

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

Harassment and bullying prevention

ENZ is committed to providing a work environment that is free from any form of workplace harassment including bullying. Our workplace harassment policy provides expectations, clear guidelines and processes to assist managers and staff in the resolution of any workplace harassment complaints raised by any staff member. In response to the “Me Too” movement we have provided awareness-raising seminars to all staff in the last 12 months.

Safe and healthy environment

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

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

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

The ENZ Board takes a very active interest in staff wellbeing and are briefed about this at every Board meeting.

An equal employment opportunities workplace

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

Review programmes and policies

Our HR policies are reviewed regularly to ensure compliance with legislation and to maintain their relevance.

Throughout the year, we remind staff about certain policies to ensure their visibility. Of particular focus this year have been the Workplace Harassment Policy and the Safety and Wellbeing Policy.

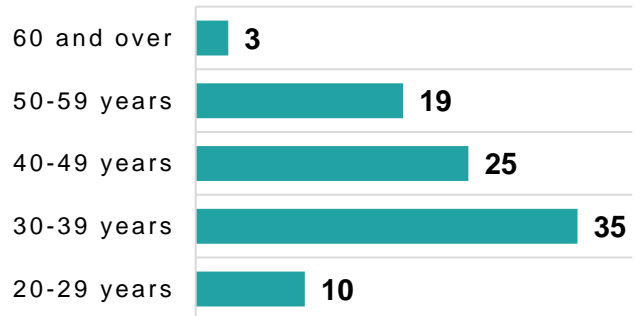
Our workforce profile



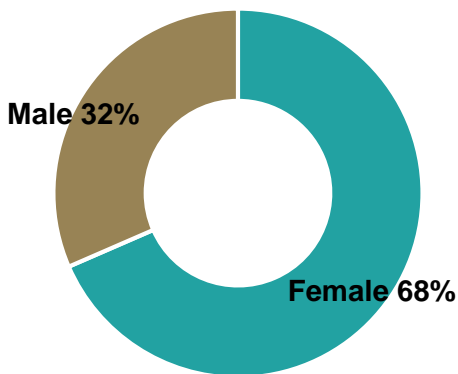
88.9

Full time equivalent staff

Age profile



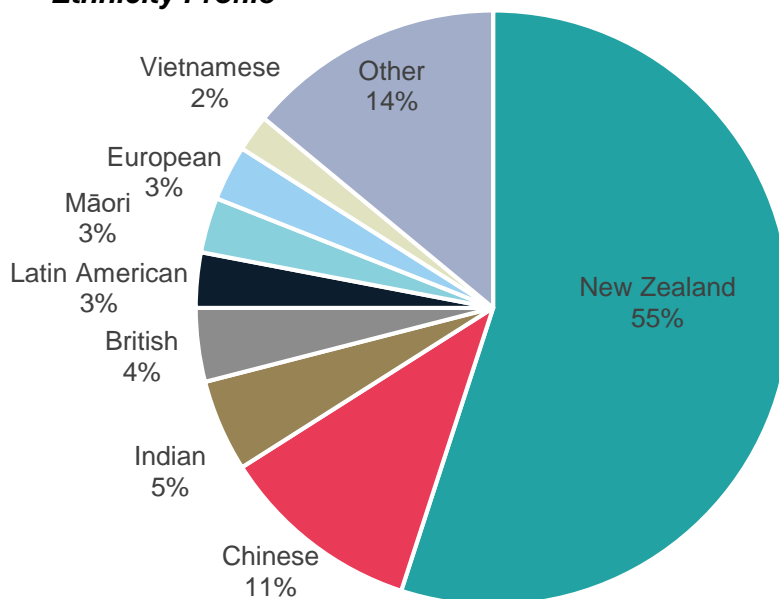
Gender Profile



Disability profile

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

Ethnicity Profile³¹



³¹ Voluntarily reported by staff. The 'Other' category comprises 1% each of American, Arabic, Australian, German, Filipino, Japanese, Jordanian, Korean, Malaysian, Norwegian, Polish, South African, Taiwanese and Thai.



STATEMENT OF RESPONSIBILITY

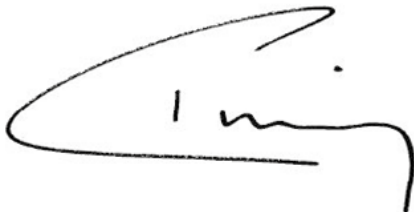
We are responsible for the preparation of Education New Zealand's financial statements and statement of performance, and for the judgements made in them.

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

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of Education New Zealand for the year ended 30 June 2018.

Signed on behalf of the Board:



Charles Finny | Board Chair

31 October 2018



Victoria Spackman | Board Member

31 October 2018

PART THREE

Statement of Performance

This Statement of Performance reports against the performance measures in ENZ's Statement of Performance Expectations 2017-2018. It covers the period from 1 July 2017.



Total appropriations

\$000	2017/18 Actual	2017/18 Budget	*2017/18 Revised Budget
Revenue – Crown	35,239	35,622	35,239
Revenue – Other	3,679	2,906	2,906
Total Revenue	38,918	38,528	38,145
Expenditure	38,982	38,528	38,145
Deficit	(64)	-	-

International education programmes

\$000	2017/18 Actual	2017/18 Budget	*2017/18 Revised Budget
Revenue – Crown	30,689	31,072	30,689
Revenue – Other	3,679	2,906	2,906
Total Revenue	34,368	33,978	33,595
Expenditure	34,416	33,978	33,595
Deficit	(48)	-	-

Awards for outbound New Zealand students

\$000	2017/18 Actual	2017/18 Budget	*2017/18 Revised Budget
Revenue – Crown	3,750	3,750	3,750
Total Revenue	3,750	3,750	3,750
Expenditure	3,782	3,750	3,750
Deficit	(32)	-	-

Scholarships for inbound international students

\$000	2017/18 Actual	2017/18 Budget	*2017/18 Revised Budget
Revenue – Crown	800	800	800
Total Revenue	800	800	800
Expenditure	784	800	800
Surplus	16	-	-

*The revised budget equals the total appropriation. Crown Revenue was revised during 2017/18 as funding for the NZ Story of \$0.383m was transferred from Education New Zealand's International education programmes appropriation to New Zealand Trade and Enterprise.

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



STATEMENT OF PERFORMANCE

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

International education programmes

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

What is intended to be achieved with this appropriation?

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

Performance measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Status 2017/18
International Education Senior Officials' Group and government agencies have an agreed government wide approach to international education.	Draft strategy for public consultation agreed by agencies.	Approach agreed by 30 June 2018.	Final draft of the International Education Strategy for New Zealand 2018-2030 was released for consultation on 2 June 2018 ³²	✓
Usage of ENZ's information and intelligence by government agencies.	4.9 ³³	≥2016/17	112 registered ³⁴ users from government agencies	✓
Percentage of industry members satisfied with the information and intelligence provided by ENZ.	26% of industry users ranked an ENZ intelligence and information service as one of the five most important of ENZ's services ³⁵ .	Overall rating = good or higher ³⁶	87% of industry users rated ENZ's information and intelligence as 'good' or higher	✓

³² The International Education Strategy for New Zealand 2018-2030 was officially released by the Minister of Education on 10 August 2018.

³³ In 2016/17, ENZ measured *satisfaction*, rather than *usage*, of government agencies with ENZ's information and intelligence. This used a 7-point scale, with 5 being good and 7 being excellent.

³⁴ The number of government agency users registered for IntelliLab, ENZ's intelligence portal, as at 27 June 2018.

³⁵ The 2016/17 Industry Survey did not ask about satisfaction with the individual services provided by ENZ. Of the services used by each respondent, they were asked to rank the top five services and support in order of importance.

³⁶ Survey ratings = Excellent, Very good, Good, Neither good nor poor, Poor, Very poor, Dreadful

Performance measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Status 2017/18
Number of key messages about the benefits to New Zealand from international education delivered through third parties. ³⁷	New measure in 2017/18	Establish baseline ³⁸	198	✓
Number of referrals to institutional websites from ENZ's studyinnewzealand.govt.nz website.	244,538	120,000 ³⁹	166,887	✓
Percentage of active visits ⁴⁰ on ENZ's studyinnewzealand.govt.nz website.	New measure in 2017/18	Establish baseline (target 50%)	76%	✓
Number of registrations to ENZ's Student Membership Programme studyinnewzealand.govt.nz website.	New measure in 2017/18	Establish baseline (target 60,000 – 100,000)	83,512	✓
Usage of the Skills Lab.	462 registered users	≥2016/17 result	476 registered users	✓
Usage of the Brand Lab.	48,433 downloads	50,000 downloads	15,081 downloads	✗ ⁴¹
Percentage of users that are satisfied with the quality of ENZ's services and support.	77%	≥2016/17 result	75%	✗ ⁴²
Percentage of users that agree ENZ's services and support have added value to their organisation. ⁴³	75%	≥2016/17 result	71%	✗ ⁴⁴
Develop and document an agreed approach for supporting growth in delivery of education services offshore.	New measure in 2017/18	Approach agreed by 31 December 2017.	Approach agreed on 7 June 2018.	✗ ⁴⁵

³⁷ Third parties include media, opinion leaders and broadcast publication.

³⁸ In 2016/17, approximately 25 media articles reflecting ENZ's key messages about the benefits of international education were published by third parties.

³⁹ The reduced target for this activity compared to previous years is a result of resource and focus being redirected to matching prospective students with education providers through ENZ's database marketing programme (refer to page 18).

⁴⁰ 'Active visits' are defined as those where the visitor interacts with website content, e.g. clicking links, scrolling, viewing multiple pages or video. A rate of 20% is considered an indicator of quality website by industry standards.

⁴¹ This is a demand-driven activity. Once a user has downloaded content (videos, posters, images, templates etc) from the Brand Lab they have an unlimited ability to reuse it. A significantly lower level of activity is now forecast as the Brand Lab resource matures.

⁴² The result for ENZ's managed customers (large education providers, peak bodies and regional partners) is 83%.

⁴³ This measure is also reporting back on the end of year performance information set out in the Vote Tertiary Education Estimates 2017/18.

⁴⁴ The result for ENZ's managed customers (large education providers, peak bodies and regional partners) is 84%.

⁴⁵ The activity was completed, but not within the targeted timeframe.

Awards for outbound New Zealand students

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

What is intended to be achieved with this appropriation?

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

Performance measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Status 2017/18
Number of new and existing Prime Minister's Scholarships for Asia funded.	328	450-550	253	x ⁴⁶
Number of Prime Minister's Scholarships for Latin America funded.	49	≥2016/17 result	72	✓
Percentage of the Prime Minister's Scholarships for Asia recipients who record that the scholarship has benefitted their future career aspirations.	95%	95%	96%	✓
Percentage of the Prime Minister's Scholarships for Latin America recipients who record that the scholarship has benefitted their future career aspirations.	Not measured ⁴⁷	95%	98%	✓

Scholarships for inbound international students

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

What is intended to be achieved with this appropriation?

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

Performance measure	Actual 2016/17	Target 2017/18	Actual 2017/18	Status 2017/18
Number of new and existing New Zealand International Doctoral Research Scholarships funded.	23	10-20	28 ⁴⁸	✓

⁴⁶ The number of scholarships funded is determined by the mix of applicants who are approved and the length of study per scholarship. Fewer scholarships were funded in 2017/18 because the cost per scholarship was higher than previous rounds.

⁴⁷ The survey of recipients was not completed in 2016/17 because only three of the 49 recipients had completed their study by year end.

⁴⁸ A number of students in 2017/18 have previously had extensions.

PART FOUR

Annual Financial Statements



Statement of comprehensive revenue and expense for the year ended 30 June 2018

\$000	Note	2018 Actual	2018 Budget	2017 Actual
Revenue				
Revenue from the Crown – Operating		30,689	31,072	29,819
Revenue from the Crown – Scholarships		4,550	4,550	4,100
Other revenue	2	3,478	2,706	1,655
Interest revenue		201	200	196
Total revenue		38,918	38,528	35,770
Expenditure				
Personnel costs	3	11,495	11,688	11,688
Other expenses	4	22,575	21,924	20,925
Scholarship expenses	5	4,566	4,550	3,710
Depreciation and amortisation expenses	9, 10	346	366	420
Total expenditure		38,982	38,528	36,743
Deficit		(64)	-	(973)
Other comprehensive revenue / (expense)		-	-	-
Total comprehensive revenue / (expense)		(64)	-	(973)

Revenue from the Crown – operating includes \$3.265 million funded from the Export Education Levy (2016/17: \$4.145 million). The Export Education Levy Annual Report is published by the Ministry of Education and is tabled in Parliament.

Revenue from the Crown – scholarships funds the New Zealand International Doctoral Research Scholarship, Prime Minister’s Scholarships for Asia and Prime Minister’s Scholarships for Latin America.

Explanations of major variances against budget are provided in note 21. The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2018

\$000	Note	2018 Actual	2018 Budget	2017 Actual
Assets				
Current assets				
Cash and cash equivalents	6	2,866	891	552
Receivables	7	682	250	76
Investments	8	4,000	5,000	4,500
Prepayments		449	100	740
Total current assets		7,997	6,241	5,868
Non-current assets				
Property, plant and equipment	9	409	290	399
Intangible assets	10	172	100	312
Total non-current assets		581	390	711
Total assets		8,578	6,631	6,579
Liabilities				
Current liabilities				
Payables	11	5,268	3,000	3,176
Employee entitlements	12	670	400	589
Provisions	13	161	500	257
Total current liabilities		6,099	3,900	4,022
Non-current liabilities				
Employee entitlements	12	32	-	46
Provisions	13	53	-	53
Total non-current liabilities		85	-	99
Total liabilities		6,184	3,900	4,121
Net assets		2,394	2,731	2,458

Explanations of major variances against budget are provided in note 21. The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2018

\$000	Note	2018 Actual	2018 Budget	2017 Actual
Balance at 1 July		2,458	2,731	3,431
Comprehensive revenue and expense				
Total comprehensive revenue / (expense)		(64)	-	(973)
Balance at 30 June		2,394	2,731	2,458

Equity relates solely to accumulated funds.

Explanations of major variances against budget are provided in note 21. The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2018

\$000	Note	2018 Actual	2018 Budget	2017 Actual
Cash flows from operating activities				
Receipts from the Crown - Operating		30,689	31,072	29,819
Receipts from the Crown – Scholarships		4,550	4,550	4,100
Receipts from other revenue		3,558	2,706	1,597
Payments to suppliers		(26,259)	(26,474)	(27,505)
Payments to employees		(10,124)	(11,688)	(9,559)
Goods and services tax (GST)		(533)	-	136
Net cash flows from operating activities	14	1,881	166	(1,412)
Cash flows from investing activities				
Payments for new term deposits		(1,000)	-	(2,000)
Interest received		113	200	181
Purchase of property, plant and equipment		(231)	(165)	(72)
Receipt from sale of property, plant & equipment		81	-	-
Purchase of intangible assets		(30)	-	(65)
Receipt from maturity of term deposits		1,500	-	3,500
Net cash flows from investing activities		433	35	1,544
Net cash flows from financing activities				
Net increase / (decrease) in cash and cash equivalents		2,314	201	132
Cash and cash equivalents at the beginning of the year		552	690	420
Cash and cash equivalents at the end of the year		2,866	891	552

Explanations of major variances against budget are provided in note 21. The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of accounting policies

Reporting entity

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

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

These financial statements are for the year ended 30 June 2018 and were approved by the Board on 30 October 2018.

Basis of preparation

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

Statement of compliance

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

The financial statements have been prepared and presented in accordance with Tier 1 PBE accounting standards. ENZ qualifies under the

Tier 1 reporting framework as it is a public benefit entity with total annual expenditure in excess of \$30 million.

The financial statements comply with PBE accounting standards.

Measurement base

The financial statements have been prepared on an historical cost basis.

Presentation currency and rounding

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

Standards issued and not yet effective and not early adopted

Financial Instruments

In January 2017, the XRB issued PBE IFRS 9 *Financial Instruments*. This replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IFRS 9 is effective for financial years beginning on or after 1 January 2021, with earlier application permitted. The main changes under the standard relevant to ENZ are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for the financial assets based on expected losses, which might result in the earlier recognition of impairment assets.

The Treasury has decided that the Financial Statements of the Government will early adopt PBE IFRS 9 for the 30 June 2019 financial year. ENZ will give consideration to early adoption of PBE IFRS 9 for the 30 June 2019 financial year to be consistent with Crown's accounting policy for financial instruments. ENZ has not yet assessed in detail the impact of the new standard. Based on an initial assessment, ENZ anticipates that the standard will not have a material effect on ENZ's financial statements.

Significant accounting policies

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

Revenue

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

Revenue from the Crown

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

Recovery for conference, events and fairs

We recover some of the cost of the New Zealand International Education Conference and other events that promote education in New Zealand (education fairs and agent seminars) from participants.

Interest revenue

Interest revenue is recognised using the effective interest method.

Co-funding expenditure

Co-funding arrangements are approved and administered by ENZ for a variety of industry development purposes and periods. Subsequent payment of the co-funding amounts is dependent

on the recipient meeting terms and conditions laid out in the co-funding contract between ENZ and the recipient.

At balance date each individual co-funding arrangement is assessed to determine the extent to which the conditions attached to the funding have been satisfied and therefore the amount of funds that will be granted. Co-funding arrangements with unfulfilled conditions are recognised as a future commitment – see note 13 Provisions.

Foreign currency transactions

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

Operating leases

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

Cash and cash equivalents

Cash and cash equivalents include cash held on-call with the bank.

Receivables

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

Investments

Bank term deposits

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

Property, plant and equipment

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

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

Additions

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

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

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

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

Disposals

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

Depreciation

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

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

Furniture & office equipment	5 years 20% per annum
Motor vehicles	4 years 25% per annum

Intangible assets

Software development

Costs that are directly associated with the development of software are recognised as an intangible asset. These costs include software development, employee costs and any directly attributable overheads.

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

Amortisation

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

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

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

Payables

Payables are recorded at their face value.

Employee entitlements

Short term employee entitlements

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

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

Long term employee entitlements

Employee entitlements which are due to be settled beyond 12 months which include provisions for post-employment benefits payable to some employees upon cessation of employment are reported at current value.

Superannuation schemes

Defined contribution schemes

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

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, and it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Lease make-good

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

recognised on a straight-line basis over the period of the lease.

Scholarships

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

Scholarship costs are recognised as expenditure on awarding of the scholarship.

Equity

Equity is comprised of accumulated funds and is measured as the difference between total assets and total liabilities.

Goods and services tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Budget

The budget was approved by the Board and presented in ENZ's Statement of Performance Expectations 2017-2018. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are

consistent with those adopted by the Board in preparing these financial statements.

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

Critical accounting judgments, estimates and assumptions

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

ENZ has exercised judgment when recognising expenditure on co-funding agreements, to determine if conditions of the arrangement have been fulfilled. Unfulfilled conditions are treated as future commitments – see note 13 Provisions.

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

2. Other revenue

\$000	2018 Actual	2017 Actual
Other revenue under exchange transactions		
Recoveries for conference, events and fairs	1,275	1,297
Gain on sale of property, plant and equipment	51	-
Other revenue	1,814	20
Total other revenue under exchange transactions	3,140	1,317
Other revenue under non-exchange transactions		
Other revenue	338	338
Total other revenue under non-exchange transactions	338	338
Total other revenue	3,478	1,655

Sale of property, plant and equipment

Two motor vehicles were sold during 2017/18 which both resulted in a gain on sale (2016/17: nil).

Other revenue

Other revenue included the Ministry of Foreign Affairs and Trade funding for English language training programmes for Korean students.

3. Personnel costs

\$000	2018 Actual	2017 Actual
Salaries and wages	9,929	9,304
Other personnel related costs	684	688
Contractors	593	1,373
Restructuring costs	-	82
Employer contributions to KiwiSaver	228	206
Increase in annual leave	75	32
Increase / (Decrease) in post-employment benefits	(14)	3
Total personnel costs	11,495	11,688

4. Other expenses

\$000	2018 Actual	2017 Actual
Audit fees to Audit New Zealand for audit of financial statements	70	66
Board member remuneration	128	129
Advertising, events and fairs	7,811	7,544
Research, policy and other advice	4,386	4,975
Staff travel	1,430	1,436
Operating lease expenses	336	273
Loss on disposal of property, plant and equipment	-	1
Loss on disposal of intangible assets	15	-
Co-funding arrangements	1,885	2,446
English language training programmes	1,905	-
Other operating expenses	4,609	4,055
Total other expenses	22,575	20,925

Operating leases

ENZ entered a six-year agreement to lease Wellington premises from 1 August 2014. The lease expires on 31 July 2020, with one right of renewal of six years.

Disposal of intangible assets

ENZ is currently developing a new corporate intranet, the remaining book value on the existing corporate intranet was written down to nil in 2017/18 which resulted in a minor loss (2016/17: one asset disposal resulted in a minor loss).

The future aggregate minimum lease and sub-lease payments to be made under non-cancellable operating leases were as follows:

\$000	2018 Actual	2017 Actual
Not later than one year	309	319
Later than one year and not later than five years	323	631
Later than five years	-	-
Total non-cancellable operating leases	632	950

5. Scholarship expenses

\$000	2018 Actual	2017 Actual
New Zealand International Doctoral Research Scholarships	784	481
Prime Minister's Scholarships for Asia	2,766	2,822
Prime Minister's Scholarships for Latin America	1,016	407
Total scholarship expenses	4,566	3,710

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

Prime Minister's Scholarships for Asia and Latin America are granted to scholars, researchers and teachers to undertake placements abroad and to participate in reciprocal education exchange arrangements with partner countries in selected areas of priority study, teaching and research. These scholarships are funded through the Awards for outbound New Zealand students appropriation.

6. Cash and cash equivalents

The on-call account earned interest at rates set by the bank. ENZ had cash and cash equivalents at 30 June 2018 of \$2.866 million (30 June 2017: \$0.552 million).

7. Receivables

\$000	2018 Actual	2017 Actual
Receivables under exchange transactions		
Interest receivable from bank	88	16
Receivables from the sale of services	94	-
Total receivables under exchange transactions	182	16
Receivables under non-exchange transactions		
Receivables from scholarships	-	60
Goods and services tax (GST) receivable	500	-
Total receivables under non-exchange transactions	500	60
Total receivables	682	76

The ageing profile of receivables at 30 June 2018 was:

\$000	2018 Actual	2017 Actual
Not past due	682	76
Past due by 1 – 30 days	-	-
Past due by 31 – 60 days	-	-
Total	682	76

All receivables greater than 30 days in age were considered to be past due. The GST receivable was due to a timing difference and was refunded in July.

There were no movements in the provision for impairment of receivables in 2017/18 (2016/17: nil).

8. Investments

Our investments were term deposits with maturity dates no greater than 180 days. The carrying amounts of investments represent their fair value. There was no impairment provision. ENZ had investments of \$4.0 million at 30 June 2018 (30 June 2017: \$4.5 million).

9. Property, plant and equipment

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

\$000	Furniture & office equipment	Computer hardware	Motor vehicles	Leasehold improvements & make-good	Total
Cost					
Balance at 1 July 2016	101	551	204	332	1,188
Additions/transfers at cost	10	62	-	-	72
Disposals	(4)	(1)	-	-	(5)
Balance at 30 June 2017	107	612	204	332	1,255
Balance at 1 July 2017	107	612	204	332	1,255
Additions/transfers at cost	-	231	-	-	231
Disposals	-	(149)	(135)	-	(284)
Balance at 30 June 2018	107	694	69	332	1,202
Accumulated depreciation					
Balance at 1 July 2016	39	423	90	101	653
Depreciation expense	20	79	51	57	207
Elimination on disposal	(3)	(1)	-	-	(4)
Balance at 30 June 2017	56	501	141	158	856
Balance at 1 July 2017	56	501	141	158	856
Depreciation expense	20	72	33	66	191
Elimination on disposal	-	(149)	(105)	-	(254)
Balance at 30 June 2018	76	424	69	224	793
Carrying amounts					
Balance at 1 July 2016	62	128	114	231	535
Balance at 1 July 2017	51	111	63	174	399
Balance at 30 June 2018	31	270	-	108	409

Capital commitments

As at 30 June 2018, ENZ had nil commitments in respect of property, plant and equipment (30 June 2017: nil).

10. Intangible assets

ENZ's intangible assets are all classified as internally developed software. At 30 June 2018 the assets in this class consisted of the student website, and operating environment. ENZ's new corporate intranet is currently being developed and was recorded in assets under construction

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

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

\$000	Internally developed software	Assets under construction	Total
Cost			
Balance at 1 July 2016	840	-	840
Additions	65	-	65
Balance at 30 June 2017	905	-	905
Balance at 1 July 2017	905	-	905
Additions	-	30	30
Disposals	(88)	-	(88)
Balance at 30 June 2018	817	30	847
Accumulated amortisation			
Balance at 1 July 2016	380	-	380
Amortisation expense	213	-	213
Balance at 30 June 2017	593	-	593
Balance at 1 July 2017	593	-	593
Amortisation expense	155	-	155
Elimination on disposal	(73)	-	(73)
Balance at 30 June 2018	675	-	675
Carrying amounts			
Balance at 1 July 2016	460	-	460
Balance at 1 July 2017	312	-	312
Balance at 30 June 2018	142	30	172

Capital commitments

As at 30 June 2018, ENZ had nil commitments in respect of intangible assets (30 June 2017 nil).

11. Payables

\$000	2018 Actual	2017 Actual
Payables under exchange transactions		
Creditors	2,629	962
Accrued expenses	703	274
Income received in advance	163	-
Total payables under exchange transactions	3,495	1,236
Payables under non-exchange transactions		
Fringe benefit tax payable	10	46
Goods and services tax (GST) payable	-	33
Co-funding payable	403	645
Scholarships payable	1,360	1,216
Total payables under non-exchange transactions	1,773	1,940
Total payables	5,268	3,176

12. Employee entitlements

\$000	2018 Actual	2017 Actual
Current Portion		
Accrued salaries and wages	103	97
Annual leave	567	492
Total current portion	670	589
Non-current portion		
Post-employment benefits	32	46
Total non-current portion	32	46
Total employee entitlements	702	635

13. Provisions

\$000	2018 Actual	2017 Actual
Current portion		
Co-funding arrangements	161	257
Total current portion	161	257
Non-current portion		
Lease make-good	53	53
Total non-current portion	53	53
Total provisions	214	310

Movements for each class of provision were as follows:

\$000	Co-funding arrangements	Lease make-good	Total
Cost			
Balance at 1 July 2016	171	53	224
Additional provisions made	2,430	-	2,430
Amounts used	(2,344)	-	(2,344)
Balance at 30 June 2017	257	53	310
Balance at 1 July 2017	257	53	310
Additional provisions made	2,047	-	2,047
Amounts used	(2,143)	-	(2,143)
Balance at 30 June 2018	161	53	214

Co-funding arrangements

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

Co-funding commitments

As at 30 June 2018, ENZ had commitments relating to co-funding arrangements of \$0.184 million (30 June 2017: \$0.388 million), with substantially all payments to be made within one year.

Lease make-good

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

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

\$000	2018 Actual	2017 Actual
Deficit	(64)	(973)
Add non-cash items		
Depreciation and amortisation expense	346	420
Total non-cash items	346	420
Add / (Less) items classified as investing or financing activities		
Interest received	(113)	(181)
(Gain) / Loss on disposal of property, plant and equipment	(51)	1
Loss on disposal of intangible assets	15	-
Total items classified as investing or financing activities	(149)	(180)
Add / (Less) movements in statement of financial position items		
(Increase) / Decrease in receivables	(606)	(24)
(Increase) / Decrease in prepayments	291	(440)
Increase / (Decrease) in payables	2,625	(508)
Increase / (Decrease) in provisions	(96)	86
Increase / (Decrease) in employee entitlements	67	71
(Increase) / Decrease in Goods and Services tax (GST)	(533)	136
Net movements in working capital items	1,748	(679)
Net cash flow from operating activities	1,881	(1,412)

15. Contingent assets and liabilities

ENZ had no contingent assets as at 30 June 2018 (30 June 2017: none).

ENZ had no contingent liabilities as at 30 June 2018 (30 June 2017: none).

16. Related party transactions

Education New Zealand is a wholly owned entity of the Crown.

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

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

Related party transactions required to be disclosed

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

Key management personnel remuneration

ENZ's key management personnel are the Board, Chief Executive and the Senior Leadership team. The remuneration to key management personnel during 2017/18 was:

\$000	2018 Actual	2017 Actual
Board members	128	129
Leadership team	2,604	2,390
Total remuneration	2,732	2,519

The full time equivalent (FTE) of key management personnel during 2017/18 was:

FTE	2018 Actual	2017 Actual
Board member FTE	0.88	0.89
Leadership team FTE	10.00	8.96
Total FTE	10.88	9.85

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

17. Remuneration

Board remuneration

\$000	2018 Actual	2017 Actual
C Finny (Chair)	32	32
P Broughton	16	16
R Leggat	16	16
J Morris	16	16
V Spackman	16	16
K Rolleston	16	11
L Sissons	16	11
N Barns	-	6
F Valentine	-	5
Total remuneration	128	129

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

Employee remuneration

During the year 39 employees received remuneration and other benefits that exceeded \$100,000 per annum as follows:

Remuneration range	2018 Actual	2017 Actual
\$100,000 – 109,999	4	5
\$110,000 – 119,999	3	4
\$120,000 – 129,999	10	7
\$130,000 – 139,999	5	4
\$140,000 – 149,999	2	3
\$150,000 – 159,999	1	2
\$160,000 – 169,999	1	3
\$170,000 – 179,999	3	1
\$180,000 – 189,999	-	1
\$190,000 – 199,999	-	1
\$200,000 – 209,999	2	1
\$210,000 – 219,999	1	1
\$230,000 – 239,999	2	2
\$250,000 – 259,999	1	1
\$330,000 – 339,999	-	1
\$340,000 – 349,999	1	-
\$350,000 – 359,999	1	-
\$360,000 – 369,999	-	1
\$390,000 – 399,999	-	1
\$400,000 – 409,999	1	-
Total employees	39	39

During the year one staff member received compensation and other benefit payments in relation to cessation totalling \$36,667 (2016/17: four staff members received \$167,249).

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

18. Events after balance date

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

19. Financial instruments

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

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

A. Financial instrument categories

The carrying amounts of financial assets and liabilities were:

\$000	2018 Actual	2017 Actual
Cash, receivables and investments		
Cash and cash equivalents	2,866	552
Receivables	682	76
Investments	4,000	4,500
Total cash, receivables and investments	7,548	5,128
Payables		
Payables	5,268	3,176
Total payables	5,268	3,176

B. Financial instrument risks

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

Market risk

Fair value interest rate risk

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

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

Currency risk

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

ENZ only maintains an on-call bank account denominated in New Zealand dollars. However, we do purchase goods and services overseas that require us to enter into transactions denominated in foreign currencies. This activity exposes us to currency risk. ENZ does not actively manage our exposure to currency risk.

Credit risk

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

In the normal course of business ENZ is exposed to credit risk from cash and term deposits held with banks and receivables. For each of these the maximum credit exposure is best represented by the carrying amount in the statement of financial position. There have been no defaults in the payment of interest or return of principal on our term deposits.

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

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings.

The credit quality of ENZ's financial assets as at 30 June 2018 was:

\$000	2018 Actual	2017 Actual
Counterparties with credit ratings AA-		
Cash at bank and term deposits	6,866	5,052
Receivables	88	16
Total counterparties with credit ratings AA-	6,954	5,068
Counterparties without credit ratings		
Receivables with no defaults in the past	594	60
Total counterparties without credit ratings	594	60

Liquidity risk

Management of liquidity risk

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

Contractual maturity analysis of financial liabilities

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

20. Capital management

Equity is comprised of accumulated funds and is measured as the difference between total assets and total liabilities.

ENZ is subject to the financial management and accountability provisions of the Crown Entities Act 2004. The act imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives. ENZ has complied with the provisions of the act for the year ended 30 June 2018.

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

21. Explanation of major variances against budget

Explanations for major variances from our budgeted figures presented in the Statement of Performance Expectations 2017-2018 are as follows:

Revenue from the Crown – Operating budget was revised during 2017/18 as funding for the NZ Story of \$0.383m was transferred from ENZ's International education programmes appropriation to New Zealand Trade and Enterprise.

Actual Revenue – Other mainly differed from budget because the Ministry of Foreign Affairs and Trade funding for English language training programmes for Korean students was increased as the third and final tranche of the agreement was brought forward into 2017/18.

Actual expenditure was different to budgeted expenditure because the items above are pass-through costs.

INDEPENDENT AUDITOR'S REPORT

To the readers of Education New Zealand's financial statements and performance information for the year ended 30 June 2018

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

Opinion

We have audited:

- the financial statements of ENZ on pages 38 to 57 that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of ENZ on pages 22 to 23 and 32 to 36.

In our opinion:

- the financial statements of ENZ on pages 38 to 57:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and

- the performance information on pages 22 to 23 and 32 to 36:
 - presents fairly, in all material respects, ENZ's performance for the year ended 30 June 2018, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - what has been achieved with the appropriations; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2018. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to ENZ's Statement of Performance Expectations 2017-2018 and Statement of Intent 2017-2021.

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

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

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

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accounting estimates and related disclosures made by the Board.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 2 to 21, 24 to 31 and 61 to 63, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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



Ajay Sharma

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

APPENDIX ONE: OUR STATUTORY FUNCTIONS

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

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

APPENDIX TWO: GLOSSARY AND ABBREVIATIONS

ELS	English language school
ENZRA	Education New Zealand Recognised Agency
EVA	Economic value analysis
ITP	Institute of technology and polytechnic
NZ Inc.	The collaboration of New Zealand government agencies, particularly when operating offshore
PTE	Private training establishment
Student mobility	Student mobility refers to students moving from their home country to another country (or countries) to study

APPENDIX THREE: OUR BOARD

ENZ's Board is made up of between five and seven members appointed by the Minister of Education. The Board is responsible for the governance of the organisation, including setting its strategic directions and its monitoring performance.

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

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

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

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

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

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



Diagram 1: Governance of ENZ at 30 June 2018

Charles Finny (Chair)

Charles Finny is a partner at Saunders Unsworth Ltd. He was CEO of the Wellington Regional Chamber of Commerce (2005-2010) and worked as a diplomat and trade official including postings in China, Taiwan and Singapore. Charles is a member of the Board of New Zealand Trade and Enterprise, Woolyarns and Kawarau Estate Limited and is a former Chair of the Local Government Forum.

Philip Broughton

Philip Broughton is a chartered accountant, mentor and business advisor. He is a consultant with Polson Higgs and has held roles as President of the Otago Southland Employers Association, Chairman of Well Dunedin Health Trust, Deputy Chair of the Advertising Standards Complaints Board and President of Business New Zealand. Philip's term on the ENZ Board finished on 31 August 2018.

Richard Leggat

Richard Leggat has experience in business, marketing and e-commerce. He worked for apparel manufacturer Lane Walker Rudkin before working as a share broker in New Zealand and London. Richard's governance experience includes roles on the boards of Tourism New Zealand, New Zealand Post, Paunuku Development Auckland, chair of the NZ Cycle Trail, director of Cycling New Zealand and director of Snow Sports NZ. Richard's term on the ENZ Board finished on 31 August 2018.

Steve Maharey

Steven Maharey is an independent director and consultant on a wide range of social and political issues. He was previously the Vice-Chancellor of Massey University and was a Member of Parliament and Senior Minister in the New Zealand Government (1999-2008). Steve joined ENZ's Board on 1 September 2018.

John Morris

John Morris is a secondary education specialist and runs his own education consultancy. He has held a number of leadership and governance roles including Headmaster at Auckland Grammar School, Chairman of the Association of Cambridge Schools in New Zealand, member of the Partnership Schools' Authorisation Board and the Tertiary Education Commission Board and a

Director of Academic Colleges Group. John's term on the ENZ Board finished on 31 August 2018.

Lyn Provost

Lyn Provost was Controller and Auditor-General from October 2009 until 2017, and from 2001 to 2009 she was the first female and civilian Deputy Commissioner of New Zealand Police. Lyn is currently a member of the International Auditing and Assurance Board. Lyn joined ENZ's Board on 1 September 2018.

Karen Rolleston

Karen Rolleston is the Chief Executive at Telco Technology Services and former New Zealand Chief Executive for 3P Learning Ltd, a global Australian online education company specialising in literacy and numeracy programs for schools and students. Karen has held directorship roles with Limestone Risk Management Ltd, 2Touch Technologies and Interactive Whiteboards Australia Pty Ltd.

Dr Linda Sissons

Dr Linda Sissons is the Chief Executive of the Primary Industry Training Organisation and prior to that she was interim Chief Executive of Taratahi Agricultural Training Centre (2015-2016), Chief Executive of the Wellington Institute of Technology (2001-2015) and of Hutt Valley Polytechnic (1999-2001). Dr Sissons is currently the Chair of the Board of Governors of the Commonwealth of Learning.

Victoria Spackman

Victoria Spackman is Director Creative and Director Te Auaha New Zealand Institute of Creativity at WelTec and Whitireia Polytechnics. She is also a director and co-owner of the screen and visitor experience company the Gibson Group and was its Chief Executive. In June 2016, Victoria was made an Officer of the New Zealand Order of Merit for services to theatre, film and television.

Rachael Tuwhangai

Rachael is Managing Director of Niu Digital, an app and web development company, and of Maori and Pasifika Support Services (MAPSS). Rachael has previously served on the board of NZQA and is a current Member of Council for Manukau Institute of Technology. She is a former lecturer of the University of Auckland in Teacher Education. Rachel joined ENZ's Board on 1 September 2018.

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