



# Education New Zealand Statement of Performance Expectations

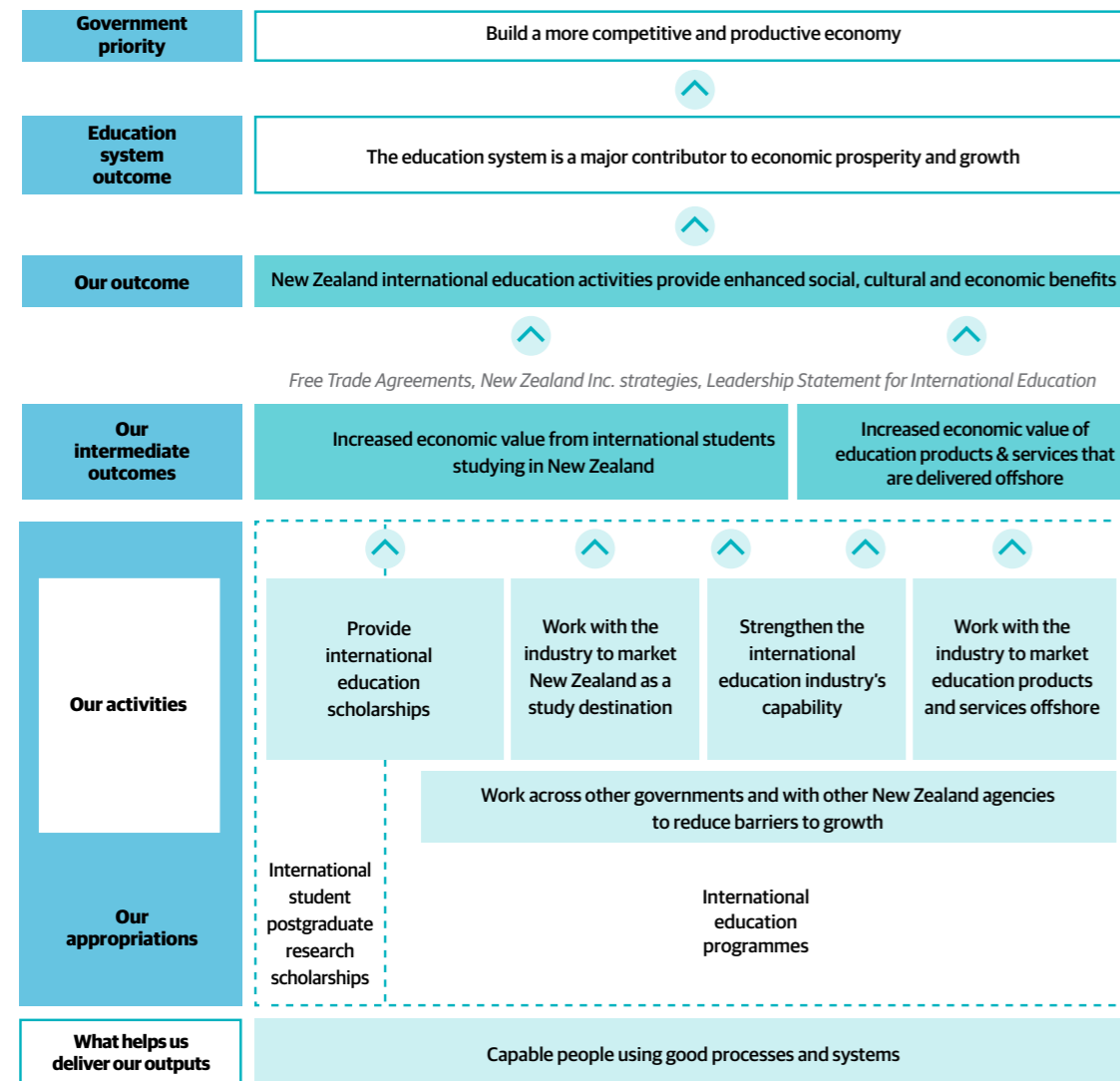
2014–2015

# Our outcomes framework

This outcomes framework shows how Education New Zealand's work contributes to the Government's goals for economic growth and the education system. It illustrates the link between our work (our outputs), the impact we have, and the Government's priority of building a more competitive and productive economy.

Together with the international education industry we are working to ensure the industry contributes to the New Zealand economy and the education system. We have identified two key areas (intermediate outcomes) that contribute to New Zealand having a more internationally competitive and productive economy. These are:

- › Increased economic value from international students studying in New Zealand;
- › Increased economic value of education products and services that are delivered offshore



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# Statement of responsibility

The Statement of Performance Expectations has been prepared in accordance with the requirements of sections 149E and 149G of the Crown Entities Act 2004.

The performance to be achieved by Education New Zealand for the year ending 30 June 2015 that is specified in this Statement of Performance Expectations is as agreed with the Minister for Tertiary Education, Skills and Employment.

Pursuant to the Crown Entities Act 2004, we acknowledge responsibility for the preparation of the statements of forecast service performance and forecast financial statements, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures.



**Charles Finny** | Board Chair  
22 May 2014

We acknowledge the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of Education New Zealand's performance and financial reporting.

We certify that the information contained in this report is consistent with the appropriations contained in the Estimates of Appropriations for the year ending 30 June 2015 that were laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed on behalf of the Board of Education New Zealand.



**Philip Broughton** | Board Member  
22 May 2014

# Part One:

## Statement of Performance Expectations

This Statement of Performance Expectations contains the information required by section 149E(2) of the Crown Entities Act 2004, to be reported against in Education New Zealand's Annual Report for 2014-2015 and also audited.

# Education New Zealand appropriations

The table below summarises Education New Zealand's appropriations. They are defined in the Budget 2014 Estimates of Appropriations for Vote Tertiary Education.

## Summary of appropriations

\$000	2014/15
<b>Vote Tertiary Education</b>	
<i>Non-departmental output expense</i>	
International education programmes	31,122
<i>Benefits and other unrequited expenses</i>	
International student postgraduate research scholarships	800
<b>Total baseline</b>	<b>31,922</b>

Note: The non-departmental appropriations have been increased by \$1.000 million in 2014/15 as a consequence of an expense transfer from 2011/12. Those funds represent the financial support that the Government is providing to help sustainable growth in the Canterbury region within the international education industry.

## Cost of service statements

### Total appropriations

\$000	SOI <sup>1</sup> budget 2013/14	Estimated actual 2013/14	Forecast 2014/15
<i>Revenue</i>			
Revenue from the Crown	32,422	32,422	31,922
Interest revenue	150	331	150
<b>Other revenue</b>	<b>550</b>	<b>846</b>	<b>550</b>
<b>Total revenue</b>	<b>33,122</b>	<b>33,599</b>	<b>32,622</b>
<b>Total expenditure</b>	<b>34,122</b>	<b>34,599</b>	<b>33,922</b>
<b>Surplus/(deficit)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,300)</b>

### International education programmes

\$000	SOI budget 2013/14	Estimated actual 2013/14	Forecast 2014/15
<i>Revenue</i>			
Revenue from the Crown	31,622	31,382	31,122
Interest revenue	150	331	150
<b>Other revenue</b>	<b>550</b>	<b>846</b>	<b>550</b>
<b>Total revenue</b>	<b>32,322</b>	<b>32,559</b>	<b>31,822</b>
<b>Total expenditure</b>	<b>33,322</b>	<b>33,559</b>	<b>33,122</b>
<b>Surplus/(deficit)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,300)</b>

### International student postgraduate research scholarships

\$000	SOI budget 2013/14	Estimated actual 2013/14	Forecast 2014/15
<i>Revenue</i>			
Revenue from the Crown	800	1,040	800
Interest revenue	-	-	-
<b>Other revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total revenue</b>	<b>800</b>	<b>1,040</b>	<b>800</b>
<b>Total expenditure</b>	<b>800</b>	<b>1,040</b>	<b>800</b>
<b>Surplus/(deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>

A fiscally neutral transfer was approved in the March 2014 baseline update to increase the benefit expense International Student Postgraduate Research Scholarships by \$0.240 million in 2013/14. This is fully funded by a reduction in non-departmental output expense International Education Programmes.

<sup>1</sup> The SOI referred to is Education New Zealand's Statement of Intent 2013-2016 unless otherwise stated.

# Performance framework

Our focus is on delivering a high level of activity in support of the education industry to achieve our outcomes and the government's goals for international education. The measures in these pages will help us assess how well we are delivering our work programme and contributing to 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 an increase in New Zealand's economic value from international students studying in New Zealand and delivering education products and services offshore.

Performance measure	2014/15 target
<b>Work with the industry to market New Zealand as a study destination</b>	
<i>Quantity</i>	
Number of referrals to institutional websites from ENZ's student portal in targeted markets. (SOI target for 2013/14: 40,000)	60,000
<i>Quality</i>	
Percentage of participating institutions that are satisfied or above with the quality of ENZ's promotional events. (Satisfaction survey ratings = Excellent, Mostly Happy, Satisfied, Some Concerns, Dissatisfied) (SOI target for 2013/14: 85%)	90%
<i>Please refer to the impact measure, the awareness of New Zealand as an international education destination is increased in targeted markets, on page 18 of the Statement of Intent 2014-2018 as a proxy measure for the quality of our work to increase awareness of New Zealand as a study destination. It is an impact measure to reflect the effectiveness of our work to market New Zealand as a study destination.</i>	
<b>Strengthen the international education industry's capability</b>	
<i>Quantity</i>	
Number of country or sector specific roadshows /conferences held to assist the industry in networking and to identify business opportunities. (SOI target for 2013/14: 5)	5

Performance measure	2014/15 target
<i>Quantity</i>	
Industry professional development programme: Number of professional development events/seminars held. (SOI target for 2013/14: 12)	12
<i>Quality</i>	
Industry professional development programme: Percentage of participants that are satisfied or above with the quality of ENZ's capability development programmes/seminars for their international education sector or sub-sector. (Satisfaction survey ratings = Excellent, Mostly Happy, Satisfied, Some Concerns, Dissatisfied) (SOI target for 2013/14: 80%)	85%
<i>Quality</i>	
Percentage of attendees that are satisfied or above with the quality of the ENZ-organised industry conference. (Satisfaction survey ratings = Excellent, Mostly Happy, Satisfied, Some Concerns, Dissatisfied) (SOI target for 2013/14: 80%)	85%
<i>Quality</i>	
International education growth fund: Percentage of applications that are assessed and processed in accordance with specified criteria and guidelines. (SOI target for 2013/14: 100%)	100%
<i>Timeliness</i>	
Deliver the agreed Christchurch Industry Support Programme. (SOI target for 2013/14: 2013/14 work programme is delivered by 30 June 2014.)	2014/15 work programme is delivered by 30 June 2015.
<i>Please refer to the impact measure, increase the number of new offshore collaborative industry projects set up in target markets to help grow international education, on page 21 of the Statement of Intent 2014-2018 as a proxy measure for the quality of our work to encourage the industry to work together. It is an impact measure to reflect the effectiveness of our work to encourage collaboration.</i>	
<b>Work across other governments and with other New Zealand agencies to reduce barriers to growth, and work with the industry to market education products and services offshore</b>	
<i>Quantity</i>	
Number of commercial introductions worked on with the New Zealand industry and foreign governments/education providers. (SOI target for 2013/14: 200)	250
<i>Quality</i>	
Number of leads established through commercial introductions. (New measure for 2014/15 to measure the effectiveness of the introductions made)	40

**Performance measure****2014/15 target**

Please refer to the impact measure, increase the number of deals made as a result of introductions (between governments or institutions) made by Education New Zealand, on page 21 of the Statement of Intent 2014-2018 as a proxy measure for the quality of our work across governments, and between New Zealand and offshore institutions, to result in new business for the industry. It is an impact measure to reflect the effectiveness of our work across governments and with the industry to market education products and services.

**Provide international education scholarships***Quantity*

Number of new and existing Prime Minister's Scholarships that are funded.

150-200

(SOI target for 2013/14: 20<sup>2</sup>)

*Quality*

Percentage of the Prime Minister's Scholarships recipients who record that the scholarship has benefited their future career aspirations.

90%

(New measure for 2014/15)

**International student postgraduate research scholarships**

This appropriation is limited to scholarships available to international students wishing to study in New Zealand.

Our role for this appropriation is largely administrative. We receive the scholarship applications, provide the applications to a selection panel made up of university representatives for their decision, notify successful and unsuccessful applicants, and provide funding to the institutions attended by the scholarship recipients. Fewer scholarships will be funded from 2014/15 to ensure expenditure remains within the appropriation's funding.

**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****2014/15 target****Provide international education scholarships***Quantity*

Number of new and existing New Zealand International Doctoral Research Scholarships funded.

20-30

(SOI target for 2013/14: 35-45)

<sup>2</sup> The budget for the Prime Minister's Scholarships increases from \$1.0 million in 2013/14 to \$2.0 million in 2014/15 which increases the number of scholarships able to be funded. The 2013/14 target for the number of scholarships funded assumed that fewer scholarships (for a longer study period) would be funded. In implementing the Prime Minister's Scholarships, more scholarships (for shorter study periods) have been funded.

# Part Two:

## Prospective Financial Statements

# Financial strategy

This financial strategy is an integral part of the overall organisational strategy. Education New Zealand will:

- › budget and manage operating expenditure to ensure the minimum level of retained earnings approved by the Board is maintained
- › ensure our working capital is managed to ensure we can pay our debts when they are due
- › budget and manage capital expenditure within available funding levels
- › have annual operating and capital budgets and subsequent budget update/reforecasts approved by the Board
- › operate within the financial delegations approved by the Board
- › operate prudently within organisation appropriate and robust internal controls
- › maintain a conservative investment strategy – investing in term deposits or interest bearing accounts with established organisations approved by the Board
- › utilise shared services where they are cost effective and improve effectiveness
- › have an effective ongoing relationship with Audit New Zealand.

Prospective statement of comprehensive income		
\$000	Estimated actual 2013/14	Forecast 2014/15
<b>Revenue</b>		
Revenue from the Crown – Operating	31,382	31,122
Revenue from the Crown – Scholarships	1,040	800
Interest revenue	331	150
Other revenue <sup>3</sup>	846	550
<b>Total revenue</b>	<b>33,599</b>	<b>32,622</b>
<b>Expenditure</b>		
Personnel	10,627	10,356
Other expenditure	22,544	22,280
Depreciation	388	486
Scholarship expenses	1,040	800
<b>Total expenditure</b>	<b>34,599</b>	<b>33,922</b>
<b>Net surplus/(deficit)<sup>4</sup></b>	<b>(1,000)</b>	<b>(1,300)</b>

<sup>3</sup> Generally, other revenue primarily represents costs recovered from education institutions for participation at offshore events.

<sup>4</sup> These deficits will be funded from retained earnings at 30 June 2014.

Prospective statement of movements in equity		
\$000	Estimated actual position Year ending 30 June 2014	Forecast Year ending 30 June 2015
<b>Equity</b>		
Equity as at 1 July	5,862	4,862
Net surplus/(deficit)	(1,000)	(1,300)
Equity as at 30 June	4,862	3,562

Prospective statement of financial position		
\$000	Estimated actual position as at 30 June 2014	Forecast financial position as at 30 June 2015
<b>Assets</b>		
Current assets	10,593	9,145
Fixed assets	1,507	1,541
<b>Total assets</b>	<b>12,100</b>	<b>10,686</b>
<b>Liabilities</b>		
Current liabilities	7,238	7,124
<b>Total liabilities</b>	<b>7,238</b>	<b>7,124</b>
<b>Net assets</b>	<b>4,862</b>	<b>3,562</b>
<b>Equity</b>	<b>4,862</b>	<b>3,562</b>

# Statement of accounting policies

## Reporting entity

Education New Zealand 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, Education New Zealand's ultimate parent is the New Zealand Crown. Education New Zealand is funded primarily by government through Vote Tertiary Education.

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

## Basis of preparation

### Statement of compliance

These prospective 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). This includes the requirement to comply with NZGAAP.

The financial statements comply with NZIFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. This includes New Zealand Reporting Standard No. 42: Prospective Financial Statements (FRS-42).

The prospective financial statements have been prepared for the special purpose of the Statement of Performance Expectations 2014-2015 of Education New Zealand to the Minister for Tertiary Education, Skills and Employment. They are not prepared for any other purpose and should not be relied upon for any other purpose.

These statements will be used in the Annual Report as the budgeted figures.

The Statement of Performance Expectations narrative informs the prospective financial statements and the document should be read as a whole.

The preparation of prospective financial statements in conformity with FRS-42 requires management to make good judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual financial results achieved for the period covered are likely to vary from the information presented and the variations may be material.

### Measurement base

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

### Functional and presentation currency

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

Prospective statement of cash flow		
\$000	Estimated actual 2013/14	Forecast 2014/15
<b>Cash flows from operating activities</b>		
Receipts from the Crown – Revenue	32,422	31,922
Other revenue	1,177	700
Payments to suppliers	(23,797)	(23,400)
Payments to employees	(10,600)	(10,400)
<b>Net cash flows from operating activities</b>	<b>(798)</b>	<b>(1,178)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,054)	(520)
<b>Net cash flows from investing activities</b>	<b>(1,054)</b>	<b>(520)</b>
<b>Net cash flows from financing activities</b>		
Net increase/(decrease) in cash and cash equivalents	(1,852)	(1,698)
Cash and cash equivalents at the beginning of the year	9,545	7,693
Cash and cash equivalents at the end of the year	7,693	5,995

## Notes to the prospective financial statements

The prospective financial statements are based on policies and approvals in place as at 1 March 2014 and are GST exclusive (except for payables and receivables which are GST inclusive). The forecasts are prepared under the Generally Accepted Accounting Practice (NZGAAP). Actual results may vary from the information presented here, and the variations may be material.

The prospective financial statements set out Education New Zealand's activities and planned performance. Use of this information for other purposes may not be appropriate.

These prospective financial statements have been prepared on the basis of assumptions as to future events that Education New Zealand reasonably expects to occur, associated with the actions that Education New Zealand reasonably expects to take, as at the date that this information was prepared.



## 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

Education New Zealand is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of Education New Zealand meeting its objectives as specified in this Statement of Performance Expectations. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

### Interest

Interest income is recognised using the effective interest method.

### Foreign currency

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

### Rental income

Lease receipts under an operating sub-lease are recognised as revenue on a straight-line basis over the lease term.

### Grant expenditure

Grants are approved and administered by ENZ for a variety of purposes and periods. When approved they are recognised as a liability. Subsequent payment of the grant amounts is dependent on the recipient meeting terms and conditions laid out in the grant contract between ENZ and the recipient. At balance date for each different grant type an assessment is made, based on historical data of the probability of the grant actually being taken up. The asset and liability are then adjusted to reflect the revised probable future payment. Grant cessations reflect grant entitlements not taken up.

### Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to Education New Zealand 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 prospective statement of comprehensive income.

### Cash and cash equivalents

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

### Debtors and other receivables

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

### Bank deposits

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

### Inventories

Inventories held for distribution are measured at cost (calculated using the First In First Out basis), adjusted, when applicable, for any loss of service potential. The loss of service potential of inventory held for distribution is determined on the basis of obsolescence. Where inventories are acquired at no cost or for nominal consideration the cost is the current replacement cost at the date of acquisition.

### Property, plant and equipment

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

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

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

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

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Education New Zealand and the cost of the item can be measured reliably.

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

### Depreciation

Depreciation is provided using the straight line basis at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Building fit out	The shorter of 10 years 10% straight line (SL) or the remaining term of the lease of the building that has been fitted out
Computers	4 years 25% SL
Office equipment	5 years 20% SL
Furniture and fittings	5 years 20% SL
Motor vehicles	4 years 25% SL

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

## Intangible assets:

### Software acquisition

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of Education New Zealand websites are recognised as an expense when incurred.

### Amortisation

Amortisation begins when the 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 prospective statement of comprehensive income.

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

Acquired computer software	3 years 33% SL
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### Impairment of non-financial 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

### Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

### Employee entitlements

Employee entitlements that Education New Zealand 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.

These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date, and sick leave. For some offshore employees this also includes accruals for severance payments as provided by local legislation.

Education New Zealand recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent Education New Zealand anticipates it will be used by employees to cover those future absences.

Education New Zealand recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

### Superannuation schemes

ENZ has obligations for contributions to KiwiSaver which is a defined contribution superannuation scheme. The contributions are recognised as an expense in the statement of comprehensive income as incurred.

### Reconciliation of forecast net surplus/(deficit) to net cash flow from operating activities

\$000	Estimated actual 2013/14	Forecast 2014/15
Net surplus/(deficit)	(1,000)	(1,300)
<b>Add/(less) non-cash items</b>		
Depreciation and amortisation expense	388	486
<b>Total non-cash items</b>	<b>388</b>	<b>486</b>
<b>Add/(less) movements in working capital items</b>		
(Increase)/decrease in debtors and receivables	(146)	(200)
(Increase)/decrease in prepayments	100	(50)
<b>Increase/(decrease) in creditors and other payables</b>	<b>(105)</b>	<b>(114)</b>
<b>Increase/(decrease) in employee entitlements</b>	<b>(35)</b>	<b>-</b>
<b>Net movement in working capital items</b>	<b>(186)</b>	<b>(364)</b>
<b>Net cash flow from operating activities</b>	<b>(798)</b>	<b>(1,178)</b>

### Goods and Services Tax (GST)

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

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

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

### Income Tax

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

### Output costs

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

### Cost allocation

Education New Zealand has derived the cost of service for each significant activity of Education New Zealand using the cost allocation system outlined below.

### Cost allocation policy

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

**Criteria for direct and indirect costs**

'Direct costs' are those costs directly attributable to a significant activity.

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

**Cost drivers for allocation of indirect cost**

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

**Critical accounting estimates and assumptions**

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

**General assumption – cost levels**

These figures have been based on the assumption that interest rates, foreign exchange rates and general cost levels, will remain at similar levels to those at the time of the Statement of Performance Expectations preparation.

**Property, plant and equipment useful lives and residual value**

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

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

Education New Zealand minimises the risk of this estimation uncertainty by:

- › physical inspection of assets
- › asset replacement programmes
- › review of second-hand market prices for similar assets
- › analysis of prior asset sales.

**Financial instruments**

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

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

**Statement of cash flows**

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Education New Zealand invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of Education New Zealand and records cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of Education New Zealand.

**Capital intentions**

Education New Zealand is forecasting to purchase office equipment, information technology items, building fit out, furniture and fittings, and motor vehicles during the period covered by this Statement of Performance Expectations.



# New Zealand Government

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