

**Annual Report**  
**of the**  
**Asia New Zealand Foundation**  
**for the year ended 30 June 2018**

*Presented to the House of Representatives  
pursuant to the Crown Entities Act 2004  
and the Public Finance Act 1989*



Asia New Zealand  
**Foundation**

## **THE MINISTER OF FOREIGN AFFAIRS**

In accordance with the Crown Entities Act 2004 and the Public Finance Act 1989, I present, on behalf of the Asia New Zealand Foundation Board of Trustees, the annual report on the operations of the Foundation for the year ended 30 June 2018.

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

HON JOHN LUXTON CNZM QSO  
**Chairman**

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## **MISSION STATEMENT**

The Asia New Zealand Foundation's mission is to build and sustain New Zealanders' knowledge and understanding of the countries, people, cultures and languages of Asia, so they can develop more extensive and effective economic and cultural relationships in the region.

## **CHAIRMAN'S REPORT**

The 2017/18 year was a time the Asia New Zealand Foundation started realising the benefits that have resulted from the changes initiated over the last couple of years.

While the last twelve months have gone quite quickly, the Foundation packed those months with various activities aimed at helping New Zealanders to grow their knowledge, connections and confidence with Asia. We have endeavoured to achieve this through our six programme areas namely business, education, media, arts, research & engagement, and leadership & entrepreneurship.

I was personally involved in some of these initiatives. In August last year, I led a high level Track II delegation of New Zealand experts to China. We met and exchanged views with Chinese academics and officials about the emerging regional economic architecture. We also discussed how China's Belt and Road Initiative has developed since it was first introduced.

In June this year, upon the invitation of one of our Asia-based honorary advisers — Singapore's Defence Minister Dr Ng Eng Hen, Foundation executive director Simon Draper and I attended the 2018 Shangri-La Dialogue in Singapore, the foremost security and defence dialogue for the Asia-Pacific.

The Foundation's participation in these dialogues is important in that they build and enhance our connections with our partners in the region which is at the heart of what we do as organisation.

Earlier this year, we gathered both our Asia and New Zealand-based honorary advisers in Auckland for our first joint meeting. I am pleased to report we had a high level of interest and turnout. We took this opportunity to update them on the work of the Foundation and to seek their advice on how we can further enhance our work in forging stronger ties between New Zealand and the region.

Let me take this opportunity once again to express my heartfelt thanks to those who joined us despite their very busy schedules. The attendance of these prominent advisers in Asia and New Zealand is a testament not only to the enduring bonds of friendship we have with them but also to the high regard to which they hold the Foundation.

Next year, the Foundation will be celebrating its 25th anniversary and I am pleased to report it is in a strong position.

I congratulate our executive director Simon Draper for his leadership and thank all the staff for their commitment and dedication.

There is no question New Zealand's present and future — economically, socially, culturally, will continue to intertwine with Asia. And this reality means the work of the Foundation — that is equipping New Zealanders to thrive in Asia, will remain relevant in the foreseeable future.

Many thanks to the members of the board for their contribution. Finally, on behalf of the Foundation, we express our gratitude to Minister of Foreign Affairs the Hon Winston Peters for his support. No better acknowledgement of our achievements and the importance of the work we do than the increase in funding the Foundation received. We take this as a sign of the government's trust and confidence in the Foundation.

A handwritten signature in black ink, appearing to read 'John Luxton', with a stylized flourish at the end.

HON JOHN LUXTON CNZM QSO  
**Chairman**

## **EXECUTIVE DIRECTOR'S REPORT**

If we are to describe the Asia New Zealand Foundation's performance for the 2017/18 financial year, it will be as the year we started 'reaping the harvest'. The Foundation has had a long period of stability in the delivery of its programmes. The last three years, however, have seen the Foundation shifting in a number of ways as a result of changes we instituted — from governance changes to changes in the way we deliver our programmes.

For this year's report, I would like to present the highlights of those gains based on the four pillars of our new organisational strategy which are: deepening connections, growing awareness and knowledge, growing confidence, and organisational performance.

### **Deepening connections**

Under our Track II or 'informal diplomacy' programme, we deepened our connections with key partners in Asia — giving insights to participants and strengthening the Foundation's brand in the wider international relations eco-system. Our annual dialogues with partners in the Association of Southeast Asian Nations (ASEAN), India, Taiwan and Vietnam continued their established pattern of free and frank dialogue on challenges facing the Asia-Pacific region. We launched an inaugural Mekong Think Tank Forum where a Foundation delegation engaged with experts from the region. Many thanks to our Thailand-based Honorary Adviser Thitinan Pongsidhurak who played a key role in organising the forum and also to the Ministry of Foreign Affairs and Trade for their support.

The Foundation led a Track II delegation to China in September to discuss trade and economic issues with Chinese experts and officials. The visit not only provided an opportunity to connect with Chinese partners but also for New Zealand participants to observe contemporary China first-hand, which is always helpful for their commentary and scholarship.

Under our entrepreneurship programme, we continued to strengthen connections between entrepreneurs in New Zealand and Southeast Asia through our ASEAN Young Business Leaders Initiative (YBLI). We engaged 29 young business leaders and as a result, promising business leads were signed, business relationships were formed, and market knowledge was shared during engagements both in New Zealand and Southeast Asia. A number of articles highlighting these successes were run in the New Zealand media.

In the culture programme, we continued working with our partners — the Auckland Tourism, Events and Economic Development (ATEED), the Wellington City Council, and Christchurch NZ, as a founding sponsor for two of the biggest cultural events in the country — the Lantern and Diwali festivals.

### **Growing awareness and knowledge**

To help grow awareness and knowledge about Asia, we continued to publish topical research reports that provide insights into the growing ties between New Zealand and Asia. The Foundation's annual survey on 'New Zealanders' Perception of Asia and Asian Peoples' received excellent media coverage particularly regarding New Zealanders' knowledge of Asia. This data has helped guide the Foundation's work, particularly around the positive role of individual experience as a conduit for growing knowledge and understanding of Asia. We are progressing a similar research into perceptions of Asia and Asian peoples in Te Ao Māori — and we are excited about bringing these findings to light in late 2018.

In addition, the Foundation launched two other important pieces of research — *Losing Momentum* and *Starting Strong*, which spoke to the challenge of raising global citizens in New Zealand. These reports have generated some good discussions, and have provided helpful collateral for our engagement with the education and business sectors in growing an 'Asia-capable' workforce. We were also pleased to support a research piece on the Filipino community in Wellington.

The Foundation facilitated and contributed to onshore roundtables and discussions relevant to New Zealand's relationship with Asia. A number of these focussed on the Belt and Road Initiative, including what its opportunities and risks might be for New Zealand. We were also a contributing sponsor of the New Zealand China Council's 'The Belt and Road Initiative – A Strategic Pathway'.

The Foundation has been actively finding ways to encourage the next generation of New Zealand scholars embarking on postgraduate studies to consider Asia in their careers including through postgraduate research grants, Track II simulations in universities, and opportunities to participate in Track II dialogues on and offshore.

In September, the Foundation launched the Asia Media Centre as a resource for New Zealand media to access expertise on Asia and its relationship with New Zealand. The media centre helps to showcase New Zealand-based expertise on Asia and shed light on some of the untold stories about the Asia-New Zealand relationship. By June 2018, the Asia Media Centre had published more than 170 articles, videos, infographics or other resources; produced more than 25 newsletters for the media; and had more than 100 experts listed on its site. The Asia Media Centre also held its first event, 'Setting the Scene for 2018', which brought together more than 50 journalists and experts in Wellington to discuss emerging issues in the Asia-Pacific.

As part of our leadership programme, our Leadership Network welcomed 48 new members. This year's applications increased by 67 per cent helped by a successful social media campaign. The calibre of this newest intake is impressive and diverse, coming from a wide range of sectors and industries. We took delegations of network members to South Korea and the Philippines to build their knowledge of these countries and also hosted onshore Leadership Network events focussed on refugee issues, media, and leadership as relating to Asia.

With our education programme as lead, the Foundation has started mapping out a "Think Asia" pathway to help equip young New Zealanders with Asia-relevant knowledge and experiences as they pass through the education system and on to early employment. This pathway includes elements such as language learning, careers advice, and internships in Asia — but also less formal experiences like Experience Asia events for which we have seen increased demand in schools.

### **Growing confidence**

To help grow young New Zealanders' confidence about Asia, we sent 18 business interns to different Asian countries as part of our business internship programme. This includes three newly established internships which are Mitsubishi Electric in Tokyo, Air New Zealand also in Tokyo, the CJ Cultural Foundation in Seoul.

In the education space, we took groups of educators to Singapore, Indonesia, and Japan. The Japan trip for physical education teachers was particularly important, given the major upcoming sports events in Japan such as the Olympics and Rugby World Cup. We brought the participants to Japan not only to increase their confidence to teach their students about Japanese society but also for them to gain greater awareness of opportunities for their students to study, work and play sport there.

The newly established Asia Media Centre supplements the Foundation's established media programme, which supports New Zealand journalists to travel to Asia for reporting assignments, internships and fellowships. In 2017-18, the Foundation supported 17 projects by New Zealand journalists. Highlights included TVNZ's Sunday programme reporting on conservation projects in North Korea; The Nation's reporting on Timor Leste; and the attendance of three journalists at the International Media Conference in Singapore. 1 News reporter Katie Bradford participated in the Jefferson Fellowship, which saw her travel to Singapore, Malaysia and the Philippines to learn about the rise of populism, identity and the state of democracy in Southeast Asia.

## **Organisational performance**

Finally, we conducted a review of our arts and culture programme to ensure it aligns with our strategic objectives and remains relevant. As a result, we are making some changes, including renaming it from “arts and culture” to “Arts Programme” to minimise confusion with cultural festivals. We are updating the programme objective to Bringing Asia into the mainstream of New Zealand art’ – which we hope to achieve by working with major galleries and festivals, and inspiring New Zealand artists to grow their understanding of Asia.

Seeing all these gains of the Foundation in the last 12 months have been truly most satisfying. Let me take this opportunity to recognise the staff for the fantastic work they do. Given the size of the Foundation, the quality and quantity of work we produce is something we should all be proud of.

I also acknowledge the support of our partners especially of the Ministry of Foreign Affairs and Trade for their assistance in our various outreach activities in the region.

Admittedly, our task ‘to equip New Zealanders to thrive in Asia’ is far from complete. However, with the additional investment from government coupled with the seeds of positive changes we have planted, I believe the stage is set for an exciting new phase in the Foundation’s work. I look forward to seeing the consolidation of these gains in the coming years which will mark a new era of growing knowledge, growing connections, and growing confidence of New Zealanders so they can thrive in and with Asia.



SIMON J DRAPER  
**Executive Director**

# **GOVERNANCE AND ACCOUNTABILITY STATEMENT**

## **Role of the board**

The Minister of Foreign Affairs (the Responsible Minister) has appointed a governing board. The board's governance responsibilities include:

- Communicating with the Responsible Minister and other stakeholders to ensure their views are reflected in the Foundation's planning
- Delegating responsibility to the executive director for the achievement of specific objectives
- Monitoring organisational performance and the achievement of objectives
- Accounting to the Responsible Minister on plans and progress against them
- Maintaining effective systems of internal control
- Setting strategic direction
- Approving policies
- Delegating authority to the executive director

## **Structure of the Asia New Zealand Foundation**

### ***ASIA NEW ZEALAND FOUNDATION OPERATIONS***

The board has appointed the executive director to manage all of the Foundation's operations. All other employees of the Foundation have been appointed by the executive director. The board directs the executive director by setting policy and delegating responsibility and authority for the achievement of objectives.

### ***BOARD COMMITTEES***

The board may set up committees to provide a more detailed level of focus on particular issues. Committees are delegated responsibility for governance, policy-making and monitoring of the organisation's progress towards meeting objectives stated in policies. Committees do not involve themselves in operational matters. The board maintains an audit and risk committee that meets each year with the external auditor.

### ***QUALITY ASSURANCE***

The executive director is responsible for reporting to the board, which in turn reports to the Responsible Minister on the achievement of objectives. These are set out in the organisation's strategic plan that is approved by the board.

A new trust deed was introduced in early 2017 which amends the structure of the board to be more in line with best practice. In November 2016 the board disestablished the executive committee as the new smaller board will meet more frequently in its place.

## **Governance philosophy**

### ***BOARD MEMBERSHIP***

Board members are appointed by the Responsible Minister. The board is composed of members who have diverse skills and experience in order to bring a wide range of thought to bear on policy issues. Once appointed, all members are required to act in the best interests of the Foundation.

### ***CONNECTION WITH STAKEHOLDERS***

The board acknowledges its responsibility to keep in touch with stakeholders, including the Responsible Minister.

### ***DIVISION OF RESPONSIBILITY BETWEEN THE BOARD AND MANAGEMENT***

A key to the efficient running of the Foundation is that there is a clear division between the roles of the board and those of management. The board concentrates on setting policy and strategy then monitors progress towards meeting objectives. Management is concerned with implementing policy and strategy. The board clearly demarcates these roles by ensuring that the delegation of responsibility and authority to the executive director is concise and complete.

### ***ACCOUNTABILITY***

The board held four meetings during 2017/18 to monitor progress toward its strategic objectives and to ensure that the affairs of the Foundation were being conducted in accordance with the board's policies.

### ***DECLARATIONS OF INTEREST***

The board maintains an interests register and ensures that board members are aware of their obligations to declare interests.

### ***INTERNAL CONTROLS***

While many of the board's functions have been delegated, the overall responsibility for maintaining effective systems of internal control rests with the board. Internal controls include the policies, systems and procedures established to provide assurance that specific objectives of the board will be achieved. The board has acknowledged its responsibility by signing the Statement of Responsibility.

### ***RISK MANAGEMENT***

The board acknowledges that it is ultimately responsible for the management of risks to the Foundation. The board has charged the executive director with operating a risk management programme.

### ***LEGISLATIVE COMPLIANCE***

The board acknowledges its responsibility to ensure that the organisation complies with all legislation. The board has delegated responsibility to the executive director for the development and operation of a programme to systematically identify compliance issues and ensure that all staff are aware of legislative requirements that are particularly relevant to them.

## **STATEMENT OF RESPONSIBILITY**

### **FOR THE YEAR ENDED 30 JUNE 2018**

The board of the Foundation accepts responsibility for the preparation of the financial statements and statement of performance and the judgements made in them.

The board of the Foundation accepts responsibility for any end-of-year performance information provided by the Foundation under section 19A of the Public Finance Act 1989.

The board of the Foundation accepts responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the board of the Foundation, the financial statements and statement of performance for the year ended 30 June 2018 fairly reflect the financial position and operations of the Foundation.

Signed on behalf of the board:

HON JOHN LUXTON  
**Chairman**  
25 October 2018

SIMON MURDOCH  
**Deputy Chairman**  
25 October 2018

## **STATEMENT OF PERFORMANCE**

In 2017/18 the government provided the Foundation with funding for one output under the output class:

### **'Promotion of Asian Skills and Relationships'.**

This output can be summarised as follows:

***The provision of services that build and sustain New Zealanders' knowledge and understanding of and relationships with Asia.***

### **Mission**

The output is focused on the following mission:

- Equip New Zealanders to thrive in Asia

### **Goals**

In the output agreement the goals to achieve are:

- **Informed Public**  
New Zealanders are able to make informed judgements about the country's linkages with Asian countries and people from Asia
- **Experienced Opinion Leaders**  
Opinion leaders and decision-makers in New Zealand have direct experience of Asia
- **Connected Schools**  
All New Zealand students are equipped culturally, linguistically and vocationally to be successful in the Asian century
- **Respected in the Region**  
The Foundation is welcomed by counterparts in Asia and its activities reinforce New Zealand's political, economic and social objectives in the region

The Asia New Zealand Foundation has also been contracted by the Ministry of Foreign Affairs and Trade to deliver the ASEAN Young Business Leaders Initiative. This is not funded by the output agreement but relevant to the delivery of its mission.

## STATEMENT OF PERFORMANCE (CONTINUED)

Financial performance under this output is summarised below.

	Actual 2018 \$	Budget 2018* \$	Actual 2017 \$
<b>Revenue</b>			
Crown output agreement	4,000,000	4,000,000	4,000,000
Other revenue	802,292	680,957	802,610
<b>Total revenue</b>	<b>4,802,292</b>	<b>4,680,957</b>	<b>4,802,610</b>
<b>Total expenses</b>	<b>5,050,473</b>	<b>5,511,191</b>	<b>5,105,035</b>
<b>Net surplus/(deficit) for the period</b>	<b>(248,181)</b>	<b>(830,234)</b>	<b>(302,425)</b>

Output agreement funding is provided through the Ministry of Foreign Affairs and Trade.

### Performance measures and results

The output agreement specifies the mission and goals to be achieved with the funding provided. Performance measures have been established, and results are detailed below. Please note that activities funded from other revenue and reserves may also contribute to the same output agreement outcome.

Measure	Result						
Level of New Zealand public awareness of the importance of Asia to New Zealand	<p>An attitudinal research project, <i>New Zealanders' Perceptions of Asia and Asian Peoples</i>, has been undertaken since 1994.</p> <p>The results of the 2017/18 survey showed that 79 percent of New Zealanders saw the Asian region as important to New Zealand's future (second only to Australia). This is an increase from the previous year's result of 70%.</p> <p>This year's survey was extended to test New Zealanders' knowledge of Asia. We learned that eight out of 10 New Zealanders thought Asia was important to New Zealand in economic, social and cultural terms – but two-thirds of us said we knew little or nothing about Asia. Despite low knowledge of Asia, the region is viewed as the second most important for New Zealand's future after Australia.</p>						
	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; border-top: 1px solid black;">2017/18 goal: maintain</td> <td style="width: 25%; border-top: 1px solid black;">2017/18 actual:</td> <td style="width: 25%; border-top: 1px solid black; text-align: right;">79%</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">2016/17 actual:</td> <td style="border-top: 1px solid black; text-align: right;">70%</td> </tr> </table>	2017/18 goal: maintain	2017/18 actual:	79%		2016/17 actual:	70%
2017/18 goal: maintain	2017/18 actual:	79%					
	2016/17 actual:	70%					

\* Budget is unaudited.

## STATEMENT OF PERFORMANCE (CONTINUED)

Measure	Result
<p>Informing the public:</p> <ul style="list-style-type: none"> <li data-bbox="193 548 555 1176">• Public forums</li> <li data-bbox="193 1205 555 1489">• Visits to <a href="http://www.asianz.org.nz">www.asianz.org.nz</a> website</li> <li data-bbox="193 1518 555 1960">• Research Reports</li> <li data-bbox="193 1989 555 2056">• National speakers' bureau</li> </ul>	<p>Through public forums, research reports and its website the Foundation has continued to create the national conversation on the relationship with Asia. Activities in this measure reach a wide audience across New Zealand with the Foundation's identified stakeholders as the main target.</p> <p>2017/18 goal: eight public forums  2017/18 actual: Ten public forums - South Island Lantern Business Forum, Christchurch; Asia After Five (series of 10 events); Start up secrets – from Saigon to the deep south, Dunedin; Farming for the future – Social entrepreneurship in Southeast Asia, Christchurch; Bear, Bull, Belt and Road – Reflections on China's economy and trade policy directions, Auckland; Starting Strong: Launch of Asian under fives report, Wellington; Taking on the World, Singapore; Where to now? The future impact of social enterprise, Wellington; Agribusiness in Southeast Asia, Hamilton; and business workshop on distributor engagement in Korea, Auckland.</p> <p>2016/17 actual: five public forums - Lantern Business Forum, Auckland and South Island Lantern Business Forum, Christchurch; Asia After Five (series of 11 events); Sri Lanka Prime Minister's public address at Parliament; Wellington on a Plate; and business workshop (series of four)</p> <p>2017/18 goal: 10% increase year to year  2017/18 actual: 15%</p> <p>During the year the Foundation invested more resource into video reporting on its website as a goal to reach a younger audience. Members of the Foundation's Leadership Network, educators and grantees were supported to contribute to website content.</p> <p>2017/18 goal: three reports published and distributed  2017/18 actual: five reports published and distributed - <i>Losing momentum - School Leavers' Asia Engagement</i>; <i>Making a Community: Filipinos in Wellington</i>; <i>Starting Strong: Nurturing the potential of our Asian under-fives</i>; <i>New Zealanders' Perceptions of Asia and Asian Peoples 2017 Annual Survey</i>; and <i>Belt and Road Initiative - A Strategic Pathway</i>.</p> <p>2016/17 actual: four reports published and distributed - <i>India and New Zealand: Growing our connectivity</i>; <i>India and New Zealand: The ties that bind us</i>; <i>Perceptions of Asia and Asian Peoples in New Zealand 2016</i>; and <i>Asian Investment in New Zealand</i>.</p> <p>2016/17 goal: two presentations per month (24)  2016/17 actual: 28 presentations</p>

## STATEMENT OF PERFORMANCE (CONTINUED)

Measure	Result
Targeting opinion leaders: <ul style="list-style-type: none"> <li data-bbox="193 353 539 1272">• Leadership Network</li> </ul>	<p>The Leadership Network grew to over 450 members during the 2018 induction. Applications for the contested membership increased by 72%. The Foundation continues to be pleased with the commitment and engagement of its membership. The demand for members to be involved in a wide range of activities across NZ Inc provides opportunities for them to grow their Asia expertise and networks, develop leadership qualities and connect to each other to form a strong resource for New Zealand.</p> <p>2017/18 goal: membership engagement annual census – 75% response 2017/18 actual: 75%</p> <p>2016/17 actual: 85%</p> <p>2017/18 goal: 30% of Leadership Network members using the individual Leadership Pathway 2017/18 actual: 34%</p> <p>2016/17 actual: 30%</p> <p>2016/17 goal: agreements established with two international partner organisations 2016/17 actual: achieved – Cricket Live Foundation (agreed June 2017); and Just Peoples (agreed June 2017)</p>
<ul style="list-style-type: none"> <li data-bbox="193 1279 539 2074">• Track II dialogues</li> </ul>	<p>The Foundation continued adding value to the Track II dialogue series by hosting post-dialogue briefings, roundtable discussions and events to find a wider audience. This includes attracting a new generation of international relations and other Track II practitioners and the media.</p> <p>2017/18 goal: conduct seven Track II dialogues 2017/18 actual: seven Track II dialogues conducted: Indian Council for World Affairs at Delhi; Diplomatic Academy of Vietnam at Hanoi, ASEAN and Australia at Kuala Lumpur; Prospect Foundation of Taiwan; Mekong in Khon Kaen and China Track II dialogues held with various think tanks across the region and a series of Track II simulations held across New Zealand.</p> <p>2016/17 actual: seven Track II dialogues conducted: Indian Council for World Affairs; Diplomatic Academy of Vietnam, ASEAN and Australia at Kuala Lumpur; Prospect Foundation at Taiwan; Asan Institute for Policy Studies at Seoul; Thailand Institute of Security and International Studies at Bangkok; and Track 1.5 dialogue held with Japanese think tanks in Japan.</p>

## STATEMENT OF PERFORMANCE (CONTINUED)

Measure	Result
Enabling schools: <ul style="list-style-type: none"><li data-bbox="201 394 507 483">• Asia New Zealand Foundation school network</li></ul>	2017/18 goal: increase number of schools within Asia New Zealand Foundation's school network by 5% 2017/18 actual: 5% (731 schools)  2016/17 actual: 18% (698 schools)

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2018

	Note	Actual 2018 \$	Budget 2018* \$	Actual 2017 \$
<b>Revenue</b>				
Revenue from the Crown	2	4,483,571	4,439,000	4,374,726
Project funding	2	25,000	25,000	101,554
Interest revenue	2	161,163	139,957	171,205
Core sponsorship		70,000	70,000	70,000
Other revenue		62,558	7,000	85,125
<b>Total revenue</b>		<b>4,802,292</b>	<b>4,680,957</b>	<b>4,802,610</b>
<b>Expense</b>				
Personnel costs	3	2,308,466	2,369,592	2,095,629
Project expense	4	90,000	92,000	198,115
Depreciation and amortisation	9, 10	70,932	92,881	124,508
Other expense	5	2,581,075	2,956,718	2,686,783
<b>Total expense</b>		<b>5,505,473</b>	<b>5,511,191</b>	<b>5,105,035</b>
<b>Surplus/(Deficit)</b>		<b>(248,181)</b>	<b>(830,234)</b>	<b>(302,425)</b>
<b>Other comprehensive revenue and expense</b>		-	-	-
<b>Total comprehensive revenue and expense</b>		<b>(248,181)</b>	<b>(830,234)</b>	<b>(302,425)</b>

Explanations of significant variances against budget are detailed in note 22.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Actual 2018 \$	Budget 2018* \$	Actual 2017 \$
<b>Balance at 1 July</b>	<b>4,365,979</b>	<b>4,352,391</b>	<b>4,668,404</b>
Total comprehensive revenue and expense for the year	(248,181)	(830,234)	(302,425)
<b>Balance at 30 June</b>	<b>4,117,798</b>	<b>3,552,157</b>	<b>4,365,979</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

\* Budget is unaudited.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Actual 2018 \$	Budget 2018* \$	Actual 2017 \$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	253,813	262,000	366,810
Trade and other receivables	7	149,750	135,000	144,400
Investments	8	2,850,000	3,000,000	2,950,000
<b>Total current assets</b>		<b>3,253,563</b>	<b>3,397,000</b>	<b>3,461,210</b>
<b>Non-current assets</b>				
Property, plant and equipment	9	177,062	163,000	219,044
Intangible assets	10	-	-	-
Investments	8	1,250,000	600,000	1,350,000
<b>Total non-current assets</b>		<b>1,427,062</b>	<b>763,000</b>	<b>1,569,044</b>
<b>Total assets</b>		<b>4,680,625</b>	<b>4,160,000</b>	<b>5,030,254</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	11	236,321	320,000	297,151
Employee entitlements	12	128,256	85,000	163,412
Lease incentive	13	25,555	25,555	25,555
GST		44,962	25,000	22,862
<b>Total current liabilities</b>		<b>435,094</b>	<b>455,555</b>	<b>508,980</b>
<b>Non-current liabilities</b>				
Lease incentive	13	20,233	45,788	45,788
Provisions	14	107,500	136,500	109,507
<b>Total non-current liabilities</b>		<b>127,733</b>	<b>182,288</b>	<b>155,295</b>
<b>Total liabilities</b>		<b>562,827</b>	<b>637,843</b>	<b>664,275</b>
<b>NET ASSETS</b>		<b>4,117,798</b>	<b>3,522,157</b>	<b>4,365,979</b>
<b>EQUITY</b>				
General funds	16	2,690,923	2,092,961	2,922,577
Managed Fund Korea	16	787,906	788,657	788,429
Managed Fund Japan	16	638,969	640,539	654,973
<b>TOTAL EQUITY</b>		<b>4,117,798</b>	<b>3,522,157</b>	<b>4,365,979</b>

Explanations of major variances against budget are provided in note 22.

The accompanying accounting policies and notes form an integral part of these financial statements.

\* Budget is unaudited.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Actual 2018 \$	Budget 2018* \$	Actual 2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Supply of outputs to the Crown		4,000,000	4,000,000	4,000,000
Additional Crown funding		553,571	509,000	374,726
Other revenue		79,088	11,500	358,658
Revenue on behalf of funds		26,500	26,500	-
		<b>4,659,159</b>	<b>4,547,000</b>	<b>4,733,384</b>
<b>Cash was distributed to:</b>				
Payments to suppliers		(2,664,946)	(3,007,600)	(3,098,042)
Payments to employees		(2,348,456)	(2,388,284)	(2,088,678)
Payments on behalf of funds		(97,000)	(92,000)	(58,000)
Net GST (paid)/received		24,143	(25,000)	(8,030)
		<b>(5,086,259)</b>	<b>(5,512,884)</b>	<b>(5,252,750)</b>
<b>Net cash outflow from operating activities</b>		<b>(427,100)</b>	<b>(965,884)</b>	<b>(519,366)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Interest received		147,772	118,000	169,646
Investments maturing		2,950,000	3,000,000	3,700,000
		<b>3,097,772</b>	<b>3,118,000</b>	<b>3,869,646</b>
<b>Cash was distributed to:</b>				
Acquisition of investments		(2,750,000)	(2,300,000)	(3,350,000)
Purchase of property, plant and equipment		(33,669)	(26,500)	(69,854)
Purchase of intangibles		-	-	-
		<b>(2,783,669)</b>	<b>(2,326,500)</b>	<b>(3,419,854)</b>
<b>Net cash inflow/(outflow) from investing activities</b>		<b>314,103</b>	<b>791,500</b>	<b>449,792</b>
Net (decrease)/increase in cash and cash equivalents		(112,997)	(174,384)	(69,574)
Plus opening cash		366,810	436,384	436,384
<b>Closing cash and cash equivalents</b>	6	<b>253,813</b>	<b>262,000</b>	<b>366,810</b>

The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from Inland Revenue. The GST (net) component has been presented as a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements. Explanations of major variances against budget are provided in note 22.

The accompanying accounting policies and notes form an integral part of these financial statements.

\* Budget is unaudited.

# **NOTES TO THE FINANCIAL STATEMENTS**

## **Note 1: Statement of accounting policies for the year ended 30 June 2018**

### **Reporting entity**

The Asia New Zealand Foundation (the Foundation) is a Schedule 4 entity in terms of the Public Finance Act 1989. These financial statements have been prepared in accordance with the Public Finance Act 1989 and Crown Entities Act 2004. In addition, the Foundation has reported on the funding administered on behalf of the Crown in the statement of performance.

The Foundation is a trust whose primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

The Foundation has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements for the Foundation are for the year ended 30 June 2018 and were approved on 25 October 2018 by the audit and risk committee under delegated authority from the Board of Trustees.

### **Basis of preparation and statement of compliance**

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

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

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards and applied disclosure concessions. The criteria under which the Foundation is eligible to report in accordance with Tier 2 standards are: Foundation expenditure is less than \$30 million; and it is not publicly accountable.

These financial statements comply with PBE accounting standards.

The financial statements are presented in New Zealand dollars, being the functional currency of the Foundation. All values are rounded to the nearest dollar.

### **Summary of significant accounting policies**

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

### **Foreign currency**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising from the settlement of these transactions are recognised in the surplus or deficit.

## **Note 1: Statement of accounting policies for the year ended 30 June 2018 (continued)**

### **Goods and Services Tax (GST)**

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable, which are stated with GST included. Where GST is not recoverable as an input tax, 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 and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Income tax**

The Foundation is a registered charity with Charities Services and consequently has been granted exemption from income tax. Accordingly, no charge for income tax has been provided for.

### **Budget figures**

The budget figures are those approved by the board prior to the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Foundation for the preparation of the financial statements.

### **Cost of service statement**

The Foundation has a single output. Therefore, all costs shown in the cost of service statement, as reported in the statement of performance, are allocated directly to that output.

### **Critical accounting estimates and assumptions**

In preparing these financial statements, the Foundation 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 to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:

- *Useful lives and residual values of property, plant and equipment* – refer to note 8.
- *Impairment of non-financial assets* – refer to note 8.
- *Carrying amount of make-good provision for the Auckland and Wellington offices* – refer to note 13

### **Critical judgements in applying the Foundation's accounting policies**

Management has exercised the following critical judgements in applying the Foundation's accounting policies for the year ended 30 June 2018:

- *Grants received* - refer to note 2
- *Lease classification* – refer to note 5
- *Financial asset classification* – refer to note 8

## **Note 2: Analysis of revenue**

The specific accounting policies for significant revenue items are explained below:

### ***Revenue from the Crown***

Output agreement funding: The Foundation derives revenue through the provision of outputs to the Crown. A schedule detailing the timing of this revenue stream is agreed with the Ministry of Foreign Affairs and Trade at the beginning of the year. The Foundation considers there are no conditions attached to this funding and it is recognised as revenue on receipt.

Additional revenue from the Crown: The Foundation has renewed the contract through to June 2020 to continue to provide the ASEAN Young Business Leaders Initiative programme. The Foundation considers there are no conditions attached to this funding and it is recognised as revenue on receipt. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Additional revenue from the Crown: The Foundation signed a contract with Victoria University of Wellington on behalf of the Southeast Asia Centre of Asia-Pacific Excellence to provide a pilot programme to develop enduring partnerships between schools in New Zealand and Singapore in December 2017. The Foundation considers there are no conditions attached to this funding and it is recognised as revenue on receipt. The fair value of revenue from Victoria University of Wellington has been determined to be equivalent to the amounts due in the funding arrangements. 0002-3415 JV00-0002-3415

### ***Interest revenue***

Interest revenue is recognised using the effective interest method.

### ***Other revenue***

The Foundation also receives revenue from core sponsorship and specific project funding from third parties. The Foundation considers there are no conditions attached to this funding and it is recognised as revenue on receipt.

### ***Other grants***

Non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation, the grant is initially recorded as revenue in advance and recognised as revenue when conditions of the grant are satisfied.

### **Critical judgements in applying the Foundation's accounting policies**

#### ***Grants received***

The Foundation must exercise judgement when recognising grant revenue to determine if the conditions of the grant contract have been satisfied. This judgement is based on the facts and circumstances that are evident for each grant contract.

## Note 2: Analysis of revenue (continued)

	2018	2017
	\$	\$
<b>REVENUE FROM THE CROWN</b>		
<i>From the Ministry of Foreign Affairs and Trade</i>		
Output agreement	4,000,000	4,000,000
Additional funding (ASEAN Young Business Leaders Initiative)	303,428	304,726
Additional funding	180,143	70,000
<b>Total revenue from the Crown</b>	<b>4,483,571</b>	<b>4,374,726</b>
<b>PROJECT FUNDING</b>		
Lantern Festivals	-	64,410
Diwali Festivals	-	37,144
Japan Fund	25,000	-
<b>Total project funding</b>	<b>25,000</b>	<b>101,554</b>
<b>INTEREST REVENUE</b>		
Net gains on held-to-maturity investments	156,376	162,260
Other interest	4,787	8,945
<b>Total interest revenue</b>	<b>161,163</b>	<b>171,205</b>

The total revenue of \$4,802,292 (2017 – \$4,802,610) includes total non-exchange revenue of \$4,638,833 (2017 – \$4,610,874).

## Note 3: Personnel costs

	2018	2017
	\$	\$
Salaries and wages	2,285,280	2,029,242
KiwiSaver employer contributions	58,341	46,778
Increase/(decrease) in employee benefit liabilities	(35,155)	19,609
<b>Total personnel costs</b>	<b>2,308,466</b>	<b>2,095,629</b>

<b>Key management personnel compensation</b>	<b>2018</b>	<b>2017</b>
<b>Board Members</b>		
Remuneration	\$36,000	\$11,336
Full-time equivalent members	6.5	13.8
<b>Key management personnel</b>		
Remuneration	\$480,773	\$445,045
Full-time equivalent members	2	2
<b>Total key management personnel remuneration</b>	<b>\$516,773</b>	<b>\$456,381</b>
<b>Total full-time equivalent personnel</b>	<b>8.5</b>	<b>15.8</b>

Key management personnel include the executive director, deputy executive director and members of the Board of Trustees. Full-time equivalent is based on the number of months during the year members have been with the Foundation. 2017 Board remuneration was for the period 1 March 2017 to 30 June 2017, and was paid to six members under the new trust deed.

### Note 3: Personnel costs (continued)

<b>Employee remuneration</b>	<b>2018</b>	<b>2017</b>
<b>Total remuneration paid</b>		
\$100,000 – 109,999	1	2
\$110,000 – 119,999	1	-
\$120,000 – 129,999	3	2
\$150,000 – 159,999	-	1
\$170,000 – 179,999	-	1
\$180,000 – 189,999	1	-
\$190,000 – 199,999	-	1
\$200,000 – 209,999	1	-
\$240,000 – 249,999	-	1
\$270,000 – 279,999	1	-

### Note 4: Project expense

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Lantern Festivals	-	106,790
Diwali Festivals	-	64,325
Managed Fund Korea	27,000	27,000
Managed Fund Japan	63,000	-
<b>Total project expense</b>	<b>90,000</b>	<b>198,115</b>

### Note 5: Other expense

#### Grant expenditure

Discretionary grants are those grants that the Foundation has no obligation to award on receipt of the grant applications. These grants are only recognised as expenditure when the successful applicants have been notified of the Foundation's approval.

#### Operating leases

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

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

#### Critical judgements in applying the Foundation's accounting policies

##### *Determining Lease classification*

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Foundation.

Judgement is required for various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include the renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as plant and equipment, whereas for an operating lease no such asset is recognised.

The Foundation has exercised its judgement on the appropriate classification of equipment leased and determined the lease arrangement as an operating lease.

**Note 5: Other expense (continued)**

	2018	2017
	\$	\$
Fees paid to auditor		
- Audit fees for financial statements' audit	27,144	26,532
Grants awarded	574,982	569,577
Operating lease payments	265,672	259,264
Board of Trustees' expenses (Note: fees paid to Trustees detailed in note 3)	48,478	47,426
Telecommunications	8,081	18,963
Insurance premiums	10,785	10,160
Impairment charges	-	92,107
Reversal of impairment charges	(92,107)	-
Loss on disposal	92,107	-
Other operating expense	1,645,933	1,662,754
<b>Total other expense</b>	<b>2,581,075</b>	<b>2,686,783</b>

Project expense also includes grants awarded of \$90,000 (2017 – \$27,000).

**Operating leases as lessee**

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2018	2017
	\$	\$
Not later than one year	239,813	238,229
Later than one year and not later than five years	387,710	566,290
Five years or more	362,757	84,986
<b>Total</b>	<b>990,280</b>	<b>889,505</b>

Operating leases include the premises' leases for the Wellington and Auckland offices and a photocopier lease. The Wellington office lease expires in April 2020 with no right of renewal. The Foundation has taken up the right of renewal for the Auckland office, extending the lease to November 2023 and have added an additional right of renewal for an additional five years taking the lease out to November 2028.

There are no restrictions placed on the Foundation by any of its leasing arrangements.

**Note 6: Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held on call with banks, and term deposits with original maturities of three months or less.

	2018	2017
	\$	\$
Cash at bank	253,813	366,810
<b>Total cash and cash equivalents</b>	<b>253,813</b>	<b>366,810</b>

*Assets recognised in a non-exchange transaction that are subject to restrictions.*

The Foundation holds unspent grant funding received, included in cash at bank, of \$40,090 (2017 – \$3,752) that is subject to restrictions. The restrictions generally specify how the grant is required to be spent in providing the specified deliverables of the grant arrangement.

## Note 7: Trade and other receivables

Trade and other receivables are recorded at their face value, less any provision for impairment. All receivables greater than 30 days in age are considered to be past due.

A receivable is considered impaired when there is evidence that the Foundation will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amount expected to be collected.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	112	1,398
Interest receivable	116,607	103,217
Prepayments	33,031	39,785
<b>Total trade and other receivables</b>	<b>149,750</b>	<b>144,400</b>
Total receivables comprises:		
Receivables from the sale of goods and services (exchange transactions)	149,750	143,277
Receivables from grants (non-exchange transactions)	-	1,123

There is no impairment provision for trade receivables.

## Note 8: Investments

The Foundation classifies its financial assets as either held-to-maturity investments or loans and receivables.

Held-to-maturity investments are term deposits with fixed or determinable payments and fixed maturities that the Foundation has the positive intention and ability to hold until maturity. After initial recognition, they are measured at amortised cost using the effective interest method. Gains or losses when assets are impaired or derecognised are recognised in the surplus or deficit. Investments in this category include term deposits with maturities in excess of three months.

Purchases and sales of investments are recognised on the trade-dates, the dates on which the Foundation commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred.

Management determines the classification of its financial assets at initial recognition and reviews the classifications at each reporting date.

### **Critical judgements in applying the Foundation's accounting policies**

#### *Financial asset classification*

There are four classification categories for financial assets. Determining the Foundation's investments fit into the 'held to maturity' category requires judgement as to whether there are fixed or determinable payments and 'fixed maturity' that the Foundation has the positive intent and ability to hold to maturity.

The Foundation has exercised its judgement on the appropriate classification of its financial assets as held to maturity.

## Note 8: Investments (continued)

	2018	2017
	\$	\$
<b>Current portion</b>		
<i>Held to maturity</i>		
Term deposits maturing in the following 12 months	2,850,000	2,950,000
<b>Non-current portion</b>		
<i>Held to maturity</i>		
Term deposits maturing in over 12 months	1,250,000	1,350,000
<b>Total investments</b>	<b>4,100,000</b>	<b>4,300,000</b>

The carrying value of term deposits with terms greater than three months approximates their amortised cost using the effective interest method.

There is no impairment provision for investments.

## Note 9: Property, plant and equipment

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

### **Additions**

The cost of an item of property, plant or equipment is recognised as an asset if, and only if, the future service potential associated with the item will flow to the Foundation and the cost of the item can be measured reliably.

Where an asset is acquired through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

### **Disposals**

Gains and losses on disposals are measured by comparing the proceeds with the carrying value of the assets. Gains and losses on disposal are reported net in the surplus or deficit.

### **Subsequent costs**

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

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

### **Depreciation**

Depreciation is provided on a straight-line basis on all property, plant and equipment, at rates that will write off the costs of the assets to their estimated residual values over their useful lives. Only items or groups of items purchased with a value above \$500 are capitalised. Those under \$500 are expensed.

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

Leasehold improvements	5 – 9 years	11 – 18%
Furniture and fittings	3.8 – 9 years	11 – 26%
Office equipment	3.5 – 6.7 years	15 – 29%
Computer equipment	2.8 – 4 years	25 – 36%
Festival equipment	2 – 7 years	14 – 50%

## **Note 9: Property, plant and equipment (continued)**

The residual value and useful life of an asset are reviewed, and adjusted if applicable, at the end of each financial year. The cost of leasehold improvements is capitalised and depreciated over the un-expired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

### **Impairment of property, plant and equipment and intangible assets**

The Foundation does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

#### ***Non-cash-generating assets***

The property, plant and equipment and intangible assets that have finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of the asset's fair value less costs to sell and value in use. The value in use is the present value of the asset's remaining service potential. The impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

### **Critical accounting estimates and assumptions**

#### *Estimating useful lives and residual values of property, plant and equipment*

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

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

#### *Impairment of non-financial assets*

At each balance date the Foundation reviews all its non-financial assets for impairment. As a result of this review, the Foundation wrote the carrying amount of festival equipment down to zero in 2017 (2017 – \$92,107), this impairment has been reversed in 2018 following the gifting of these assets to Councils.

An incorrect estimate in the impairment calculation will impact the impairment charge/reversal of impairment charge in the statements of comprehensive revenue and expense, and the carrying amount of festival equipment in the statement of financial position.

## Note 9: Property, plant and equipment (continued)

	Leasehold improvements \$	Computer equipment \$	Festival equipment \$	Furniture & fittings \$	Office equipment \$	Total \$
At 1 July 2017						
Cost	425,576	119,139	547,625	124,790	34,179	1,251,309
Accumulated depreciation and impairment charges	(291,639)	(85,855)	(547,625)	(93,453)	(13,693)	(1,032,265)
<b>Net book value</b>	<b>133,937</b>	<b>33,284</b>	-	<b>31,337</b>	<b>20,486</b>	<b>219,044</b>
Additions	-	8,997	-	13,765	10,907	33,669
Disposals	(4,719)	(11,474)	(528,139)	(2,896)	-	(547,228)
Accumulated depreciation eliminated on disposal	-	11,474	436,032	2,896	-	450,402
Depreciation charge	(38,047)	(18,520)	-	(9,573)	(4,792)	(70,932)
Impairment losses	-	-	-	-	-	-
Reversal of impairment losses	-	-	92,107	-	-	92,107
<b>Closing net book value</b>	<b>91,171</b>	<b>23,761</b>	-	<b>35,529</b>	<b>26,601</b>	<b>177,062</b>
At 30 June 2018						
Cost	420,857	116,662	19,486	135,659	45,086	737,750
Accumulated depreciation and impairment charges	(329,686)	(92,901)	(19,486)	(100,130)	(18,485)	(560,688)
<b>Net book value</b>	<b>91,171</b>	<b>23,761</b>	-	<b>35,529</b>	<b>26,601</b>	<b>177,062</b>

A 2017 impairment charge of \$92,107 was reversed this year (2017 – Nil) following the gifting of festival equipment to Councils in Auckland, Wellington and Christchurch.

There were no capital commitments as at 30 June 2018 (2017 – Nil).

## Note 10: Intangible assets

### *Software acquisition and development*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the development and maintenance of the Foundation's website are recognised as an expense when incurred.

Staff training costs are recognised as an expense when incurred.

### *Amortisation*

The carrying value of software with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is ready for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit. The useful life and associated amortisation rate of a major class of intangible assets have been estimated as follows:

Computer software	3 years	33%
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## Note 10: Intangible assets (continued)

	<b>2018</b>
	<b>\$</b>
<b>Software at 1 July 2017</b>	
Cost	67,816
Accumulated amortisation	(67,816)
<b>Opening carrying value</b>	<b>-</b>
Additions	-
Disposals	-
Accumulated amortisation eliminated on disposal	-
Amortisation charge	-
<b>Closing carrying value</b>	<b>-</b>
<b>Balance at 30 June 2018</b>	
Cost	67,816
Accumulated amortisation	(67,816)
<b>Closing carrying value</b>	<b>-</b>

## Note 11: Trade and other payables

Trade and other payables are recorded at their face value. Trade payables are typically on 30 payment terms.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Payables under exchange transactions</b>		
Trade payables	112,211	80,169
Accrued expenses	17,543	46,166
<b>Total payables under exchange transactions</b>	<b>129,754</b>	<b>126,335</b>
<b>Payables under non-exchange transactions</b>		
Grants payable	106,567	170,816
<b>Total payables under non-exchange transactions</b>	<b>106,567</b>	<b>170,816</b>
<b>Total trade and other payables</b>	<b>236,321</b>	<b>297,151</b>

## Note 12: Employee entitlements

Employee benefits that the Foundation expects to be settled within 12 months of the end of the period in which the employee render services are measured based on accrued entitlements at current rates of pay.

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

The Foundation recognises a liability for sick leave to the extent that 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 the balance date, to the extent that the Foundation anticipates it will be used by staff to cover those future absences.

The Foundation recognises a liability and expense for bonuses where they are contractually obliged, or where there is past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

## Note 12: Employee entitlements (continued)

### *Defined contribution superannuation schemes*

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

	<b>2018</b>	<b>2017</b>
	\$	\$
Accrued salaries and wages	46,939	43,279
Annual leave	81,317	120,133
<b>Total employee entitlements</b>	<b>128,256</b>	<b>163,412</b>

No liability has been recognised for sick leave, as the Foundation does not anticipate future absences to be significant.

## Note 13: Lease incentive

### **Operating leases**

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Lease incentive</b>		
Opening balance	71,343	96,898
Lease incentive used during the year	(25,555)	(25,555)
<b>Closing balance</b>	<b>45,788</b>	<b>71,343</b>

The lease incentive was received for the Wellington office and is recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Lease incentive</b>		
Current portion	25,555	25,555
Non-current portion	20,233	45,788
<b>Total balance</b>	<b>45,788</b>	<b>71,343</b>

## Note 14: Provisions

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

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

### Critical accounting estimates and assumptions

At each balance date, the Foundation reviews the carrying amount of the make-good provision for the Auckland and Wellington offices. The carrying amount is based on information provided by third parties and takes into account relevant market factors.

An incorrect estimate of the make-good calculation will affect the depreciation expense in the surplus or deficit, and the carrying amount of the leasehold improvements asset in the statement of financial position.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current provisions</b>		
<i>Lease make-good provision</i>		
Opening balance	109,507	107,648
Additional provisions made during the year	-	1,859
Unused amounts reversed	(2,007)	-
<b>Closing balance</b>	<b>107,500</b>	<b>109,507</b>

The property lease agreements in both Wellington and Auckland require the Foundation to reinstate the office spaces to their original condition upon expiry. This would include removing partitioning, redecorating and replacing carpets. The Wellington office lease expires in April 2020 with no right of renewal. The right of renewal has been taken up for the Auckland office, with the lease now expiring in November 2023 and an additional five-year right of renewal has been added, taking it to November 2028 if taken.

## Note 15: Contingent liabilities and assets

There were no contingent liabilities or assets as at 30 June 2018 (2017 – Nil).

## Note 16: Capital management

The Foundation's capital is its equity. Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Accumulated surplus/(deficit)
- Managed funds (Japan and Korea)

Managed funds are historical funds held by the Foundation for specific activities. While there is no contractual obligation to use these funds for specific purposes, the board has agreed it has a moral responsibility to use the funds for the purpose originally intended and not for any other means.

The Trust deed requires the Board of Trustees to manage the Foundation's revenue, expenses, assets, liabilities, investments and general financial dealings prudently. The Trust's equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing the Trust's equity is to ensure that the Trust achieves its objectives and purpose effectively, whilst remaining a going concern.

The table below shows the split of total comprehensive revenue and expense for the year, split between the equity components based on activity.

<b>Equity</b>	<b>1 July 2017</b>	<b>Surplus/(Deficit)</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
General funds	2,922,577	(231,654)	2,690,923
Managed Fund Korea	788,429	(523)	787,906
Managed Fund Japan	654,973	(16,004)	638,969
<b>Total equity</b>	<b>4,365,979</b>	<b>(248,181)</b>	<b>4,117,798</b>

## Note 17: Related party transactions

The Foundation is an entity of the Crown under the Schedule 4 of the Public Finance Act 1989.

Related party disclosures have not been made for transactions with related parties that are within normal supplier or client/recipient relationships on terms and conditions no more or less favourable than those that it is reasonable to expect the Foundation would have adopted in dealing with the parties at arm's length in the same circumstances. Further, transactions with other government agencies (for example government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and are undertaken on the normal terms and conditions for such transactions.

There have been no related party transactions in the year ending 30 June 2018 (2017 – Nil).

## Note 18: Events after the balance date

There have been no significant events after the balance date.

## Note 19: Financial instrument categories

The carrying amounts of financial assets and liabilities in each financial instrument category are as follows:

	2018 \$	2017 \$
<b>Financial assets</b>		
<i>Loans and receivables</i>		
Cash and cash equivalents	253,813	366,810
Trade and other receivables	116,719	104,615
	<u>370,532</u>	<u>471,425</u>
<i>Held to maturity</i>		
Investments	4,100,000	4,300,000
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost</i>		
Trade and other payables (excluding grants received subject to conditions)	236,321	297,151

## Note 20: ASEAN Young Business Leaders Initiative

Expenditure relating to the ASEAN Young Business Leaders Initiative (current contract was signed with the Ministry of Foreign Affairs and Trade on 5 October 2015) is as follows:

	2018 \$	2017 \$
Contribution towards personnel costs and overhead costs	134,000	134,000
Programme costs	157,802	194,640
<b>Total expenditure</b>	<b>291,802</b>	<b>328,640</b>

Contribution towards personnel costs and overhead costs and programme costs are included in the statement of comprehensive revenue and expense in the line items 'Personnel costs' and 'Other expenditure'.

## Note 21: Donated services

The Foundation receives in-kind donations of services from many organisations. Following the transition to the PBE accounting standards, the Foundation is no longer required to include them in the surplus or deficit.

The Foundation is able to measure reliably some of these services, and a summary is provided below:

	2018 \$	2017 \$
Lantern Festivals	-	27,671
Diwali Festivals	-	9,638
Management services	10,487	16,789
<b>Total donated services</b>	<b>10,487</b>	<b>54,098</b>

## **Note 22: Explanation of significant variances against budget**

2017/18 was the first year of the Foundation's new strategic plan, in which the vision is 'A New Zealand confident in and with Asia' and the value proposition is 'We equip New Zealanders to be more confident and engaged with Asia by enabling deeper connections, awareness and knowledge'.

### *Statement of comprehensive revenue and expense*

The Foundation budgeted a full-year deficit of \$830,234. The final result is a deficit of \$248,181, a variance of \$582,053.

Variances in income largely offset each other, either by changes in related expenditure or increases in other income streams resulting in higher than budgeted income, in particular the new contract for services with the Southeast Asia Centre of Asia-Pacific Excellence.

Expenditure was underspent by \$460,718 due to savings across all programmes and larger savings in Track II engagement. The timing of the Foundations website rebuild has resulted in timing savings, project to be finished in early 2018/19.

### *Statement of financial position*

The variance in assets relates to investment balances and is a result of our lower than budgeted deficit.

## **ORGANISATION INFORMATION**

### **Board of Trustees**

**Chairman:** Hon John Luxton CNZM QSO

**Deputy Chairmen:** Hon Steve Maharey CNZM and Simon Murdoch CNZM

**Trustees:** Dr Brook Barrington, Danny Chan, Lyn Lim, Rav Manji and Simon Watt

### **Board of Honorary Advisers**

**Chairman:** Hon Winston Peters, Minister of Foreign Affairs, (Hon Gerry Brownlee)

**China:** Professor Zhou Guangzhao, Li Xiaolin

**Hong Kong:** Dr Victor K Fung

**India:** Dr Raghupati Singhanian

**Indonesia:** Amris Hassan

**Japan:** Hirofumi Nakasone

**Malaysia:** Tan Sri Rafidah Aziz

**Philippines:** Guillermo M. Luz

**Singapore:** Dr Ng Eng Hen, Stanley Tan ONZM

**South Korea:** Professor Han Sung-Joo, Heekyung Jo Min

**Thailand:** Dr Supachai Panitchpakdi, Dr Thitinan Pongsudhirak, Dr Pavida Pananond

**Vietnam:** Pham Thi My Le

**New Zealand:** Dr Alan Bollard CNZM, Hon Philip Burdon, Trish Carter, Peter Chin CNZM, Rob Fyfe, Traci Houpapa, Raymond Huo MP, Emertius Prof Manying Ip CNZM, Ian Kennedy, Melissa Lee MP, Richard Long ONZM, Rt Hon Sir Don McKinnon, Peter Miskimmin, Mitchell Pham, Hon Simon Power QSO, Rt Hon Sir Anand Satyanand GNZM QSO KStJ, Dr Farib Sos MNZM

*Footnote: names denoted within the brackets have either retired or left the organisation within the past 12 months*

## **Asia New Zealand Foundation staff**

**Executive Director:** Simon J Draper

**Deputy Executive Director:** Adele Mason

**Director, Business:** Felicity Roxburgh (James Penn)

**Director, Strategic Communications and Media:** Mark Russell

**Director, Culture:** (Jennifer King MNZM)

**Director, Education:** Jeff Johnstone

**Director, Engagement and Research:** Pip McLachlan

**Senior Adviser, Research:** Dr James To

**Programme Manager (Entrepreneurship and Leadership):** Adam McConnochie

**Media Centre Manager:** Rebecca Palmer

**Senior Communications Adviser:** Janryll Fernandez

**Website Manager:** Ned Wotherspoon

**Digital Content Editor:** Francine Chen

**Researcher (AMC):** Dr Rebecca Townsend

**Educators Network Manager:** Sean O'Connor

**Education Adviser:** Yasheeka Bertram

**Project Officer, Culture:** (Monica Turner)

**Project Officer, Leadership:** Masina Taulapapa

**Accountant:** Sunita Soma

**Executive Assistant:** Paula McLaughlin

**Receptionist/Accounts Assistant:** Elizabeth Basalaj

**Team Administrator:** Bo Bae Lee

*Footnote: names denoted within the brackets have either retired or left the organisation within the past 12 months*

## SUPPORTERS

The Foundation has sought to build partnerships with the New Zealand government and the business community. We receive contributions from the following partners:

### Partners:

Ministry of Foreign Affairs and Trade and New Zealand Trade and Enterprise.

### The Foundation also acknowledges support from the following organisations:

AFS Intercultural Programs, Air New Zealand, Anzco Foods (Taiwan), Asan Institute for Policy Studies (Korea), Asian Infrastructure Investment Bank, Auckland University of Technology, Balmoral School, BECA (Indonesia), Bell Gully, Bishop Viard College, Brandon Intermediate School, Busan Center for Creative Economy and Innovation, COMET Auckland, Chinese Language Foundation, Creative New Zealand, *Deccan Herald*, Embassy of the Republic of Korea, Fieldays, Foreign Press Center (Japan), Frontier Magazine (Myanmar), Fusion Systems (Japan), Hong Kong International Arbitration Centre, Hutt City Libraries, Indian Council for World Affairs, Indonesia-NZ Society Inc, Industrial Technology Research Institute (Taiwan), International Languages Exchanges and Pathways, *International New York Times* Hong Kong, Journalists Association of Korea, Korean Kiwi Business Chamber, KPMG (Vietnam), Kyushu Railway Company (Japan), Linwood College, Mairehau High School, Northcote Intermediate School, New Zealand Consulate General in Chendu, NZ UniCareer Hub, Onehunga High School, Orient Europharma (Taiwan), Owairaka District School, *The Philippine Star*, Rangitoto College, Royal Oak Intermediate School, *Shanghai Daily*, Shirley Boys' High School, Shuttlerock (Japan), Skanray (India), South Wellington Intermediate School, St Mary's College, Taiwan USA Industrial Cooperation Promotion Office (Taiwan), The Office of Ethnic Communities, Titahi Bay Intermediate School, University of Canterbury Confucius Institute, Upper Hutt College and Whangarei Primary School.

### The Foundation also acknowledges support from the following individuals:

Graeme Acton, Prof Rob Ayson, Prof Rouben Azizian, Prof Sekhar Bandyopadhyay, Prof Anne-Marie Brady, Assoc Prof David Capie, Sally Chen, Dr Shine Choi, Eric Chuah, Prof Kevin Clements, John Crowley, Dr Gavin Ellis, Dr Tracey Epps, Assoc Prof Stephen Epstein, Charles Finny, Dr Patrick Flamm, Dr Hongzhi Gao, Dr Xiang Gao, Derek Gill, Paddy Gough, Dr Richard Grant, Prof Natasha Hamilton Hart, Stephenie Honey, Prof Xiaoming Huang, Dr Tadashi Iwami, Dr Van Jackson, Dr Nicholas Khoo, Dr Emerald King, Dr Koji Kobayashi, Dr Mark Lanteigne, Dr SungYong Lee, Dr Adrian Macy, Dr Kate McMillan, Assoc Prof Joanna Mossop, Anuja Nadkarni, Dr Stephen Noakes, Fran O'Sullivan, Dr Manjeet Pardesi, Kirsten Paterson, Sarah Paterson, Prof Robert Patman, Kirsten Patterson, Colin Peacock, David Pine, Steven Price, Emertius Prof Roberto Rabel, Jeremy Rees, Prof David Robie, Dr Mark Rolls, Dr Tara Ross, Sam Sachdeva, Assoc Prof Rob Scollay, Dr Rahul Sen, Dr Ria Shibata, Sandeep Singh, Dr Changzoo Song, Dylan Stent, Mark Stevens, Dr Reuban Steff, Dr Naimah Talib, Prof Alex Tan, Lincoln Tan, Graeme Waters, Bernie Whelan, Dr Chris Wilson, Assoc Prof Jason Young, Prof. Leigh-Anne Yuh and members of the Leadership Network.

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### **Auditor**

Audit New Zealand, Wellington, on behalf of the Auditor-General

### **Banker**

ANZ Bank, Wellington

### **Solicitor**

Bell Gully, Wellington

### **Insurer**

NZI, Wellington