

Annual Report
of the
Asia New Zealand Foundation
for the year ended 30 June 2013

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



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 2013.

A handwritten signature in dark ink, appearing to read 'P Burdon', is positioned above the printed name.

HON PHILIP BURDON
Chairman

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MISSION STATEMENT

The Asia New Zealand Foundation 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

There is no question that young New Zealanders are growing up in a world that is very different from the one of my generation.

Between 1986 and 2006, the number of New Zealand residents born in Asian countries increased almost seven-fold. By 2026, people of Asian descent are projected to make up 16 percent of New Zealand's population. Nearly two-thirds of the growth will happen in the Auckland region.

New Zealand's trading partners have also changed dramatically. In one quarter China became our number one export destination, having overtaken Australia in May 2013, and our second-largest tourist market in terms of visitor spending.

While China increasingly makes newspaper headlines here, it's fair to say that most New Zealanders know little about the lives of ordinary Chinese people – and vice versa. Changing this is crucial if New Zealand is to be considered an equal partner to China as the relationship matures.

It is also crucial, as New Zealanders come to terms with the increasingly important role that China plays in our lives, that we don't overlook other Asian countries and peoples. Our own Asian population is very diverse, made up of New Zealand-born people of Asian descent combined with migrants from all over Asia and beyond. This diversity of ethnicities puts New Zealand in an excellent position for building strong links across the whole region.

In October 2012 Australia launched the *Australia in the Asian Century* white paper, which sets out 25 targets to achieve by 2025, enabling Australia to make the most of Asia's increased economic power. The objectives cover virtually every facet of Australian life, including trade, education, culture, tourism, diplomacy and sport.

While Australia is much larger than New Zealand and geographically closer to Asia, the region is no less important to us. And like the young people of Australia today, young New Zealanders will need a broad spectrum of cross-cultural skills to meet the opportunities and challenges presented by the 'Asian century'.

We are heartened to see that many of the targets set out in the Australian white paper are ones towards which the Asia New Zealand Foundation has already been working here in New Zealand.

In particular, the Australian white paper notes the need for extensive people-to-people links. Don McKinnon and I initiated the Asia New Zealand Foundation – then known as the Asia 2000 Foundation of New Zealand – in 1994, after identifying the need to increase New Zealanders' understanding of, and connections with, the countries and peoples of Asia.

In the past 19 years the Foundation has been passionately pursuing this through a variety of programmes in business, culture, education, media, research and the Young Leaders' Network.

The Foundation today has well established business, arts and journalism exchange programmes between New Zealand and Asia. Our Track II (informal diplomacy) programme has been enhancing the understanding of strategic and security issues in the region. And on the leadership front, our Young Leaders Network has more than 400 talented young people throughout New Zealand and Asia who are helping to forge New Zealand's relationships with Asia.

Much of the media coverage of the *Australia in the Asian Century* white paper has focused on the planned requirement for every Australian school to teach a priority Asian language – Chinese, Hindi, Bahasa Indonesian or Japanese.

Here in New Zealand the number of students studying European languages dwarfs those studying Asian languages. Ministry of Education figures show that 22,379 secondary students were studying French last year – significantly more than those studying Japanese (12,473) and Chinese (2,849) combined.

It is certainly time for New Zealand to commit to Asian language learning. However, languages are only part of the picture. Asia-literacy also encompasses understanding the histories, geographies, peoples and cultures of Asia.

To this end, the Foundation has been promoting more content about Asia across the entire school curriculum. Our initiatives include National Certificate of Educational Achievement (NCEA) teaching and learning resources for everything from business studies to social studies, and a Principals Asia Aware Network. Our Business Education Partnership programme pairs New Zealand companies doing business in Asia with local schools and provides opportunities for educators to experience Asia.

During the year, 14 honorary advisers from across Asia – China and Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Thailand and Vietnam – continued to provide knowledge, expertise and vital connections at the most senior levels to support the Foundation in its efforts to facilitate closer links between New Zealand and Asia.

In December 2012 we welcomed to the Foundation our new executive director, John McKinnon, who replaced Dr Richard Grant in the role. I am delighted that the board of the Asia New Zealand Foundation has found such a capable person to carry on the work of the Foundation.

Mr McKinnon is a distinguished career diplomat and government official. He has wide professional experience in dealing with Asian countries through his work at both the Ministry of Foreign Affairs and Trade and the Ministry of Defence, where he recently finished his term as Secretary of Defence. He is well versed in all aspects of New Zealand's relations with Asia and in international security issues, and he speaks and reads Chinese.

I would also like to acknowledge the outstanding contribution of Adele Mason, deputy executive director, who successfully held the fort for eight months during the executive director changeover.

May I also take this opportunity to thank departing board members Ruth DeSouza and Jim van der Poel for their significant contribution, and extend a very warm welcome to our new board member Simon Watt. Mr Watt is a partner in the Wellington office of law firm Bell Gully, and has a longstanding interest in Asia and connection to the Foundation.

My thanks to the Prime Minister, the Minister of Foreign Affairs, other ministers and parliamentarians from all parties who have participated in and supported the Foundation's activities throughout the year, and to our honorary advisers, to my fellow members of the board of trustees and to our business partners for their continued support.

Finally, my appreciation to the Ministry of Foreign Affairs and Trade, New Zealand Trade and Enterprise and the Robertson Foundation for their commitment to the Foundation.

A handwritten signature in dark ink, appearing to read 'P Burdon', with a stylized flourish at the end.

HON PHILIP BURDON

Chairman

24 September 2013

EXECUTIVE DIRECTOR'S REPORT

I have had a busy, challenging, yet highly rewarding time since joining the Asia New Zealand Foundation as executive director in late 2012.

As the leading organisation supporting New Zealand's engagement with Asia, the Foundation is involved in a wide array of programmes and partnerships in business, education, culture, media, research and the Young Leaders Network, designed to strengthen our involvement with, and understanding of, the peoples and countries of Asia. Some of this work I was already familiar with from my previous jobs. Some was new to me.

Earlier this year I attended, for the first time, the hugely successful Chinese Lantern Festivals. In both Auckland and Christchurch I was struck by the popularity of these events, the diversity of the crowds and the friendly atmosphere. They are very powerful statements of how New Zealanders welcome and embrace other cultures.

It is a credit to the dedicated team at the Asia New Zealand Foundation and our wide network of partners that New Zealand's connections with Asia are continuing to develop and diversify.

The Foundation's annual tracking study – *New Zealanders' Perceptions of Asia and Asian Peoples* – provides valuable insights into how New Zealanders feel about changes to New Zealand's society and population.

The tracking study is a significant piece of research that the Foundation has been carrying out since 1997. It shows that awareness of the importance of Asia to New Zealand has generally increased over time, with some fluctuations that are influenced by current affairs. Nevertheless, the results demonstrate the continued need to increase interactions between New Zealanders of different backgrounds.

Importantly, in the last tracking study published in March 2013, more than half of the survey respondents believed that New Zealand needed to do more to help young people to engage confidently with Asia, and to help New Zealanders to better understand Asian cultures and traditions.

In the past several months I have been meeting key partners and stakeholders in the Foundation's various programmes, to discuss ways to extend the work we do to New Zealanders who might not otherwise have exposure to Asian peoples and cultures. Our refreshed website will be a vehicle for informed reporting and commentary on Asia and on New Zealand's links with it.

In education, our *Asia Aware Students Survey*, published in May 2013, highlighted the need for Asia literacy initiatives to be included at more schools.

The report found that most secondary school students recognised the importance of Asia but lacked confidence about engaging with the region and its peoples. This is clearly something that will need to change if young New Zealanders are to develop global knowledge, succeed in the world and get good jobs, and it will be an area on which we will be focusing in the new financial year.

One of our vehicles for doing so is the Principals Asia Aware Network. This has grown significantly in the past couple of years and now has more than 250 members nationwide. In May I attended regional meetings of this network and was impressed by the dedication of principals to helping their students learn more about the cultures, peoples and languages of Asia. The next step will be to expand this successful network into more regions across New Zealand.

The Foundation has also been looking at ways to help build connections between schools here and in Asia. One such tool is Skype links between schools here and in Asia – similar to the Building Relationships Through Intercultural Dialogue and Growing Engagement (BRIDGE) project in Australia. We see this as a valuable way to spark curiosity about Asia amongst New Zealand children.

Wellington's Te Aro School is already well along this path, Skyping with Mutiara Harapan, a bilingual school in Jakarta, in a relationship that has been facilitated by the New Zealand Indonesia Association.

Being willing to learn a foreign language is one important dimension of what we call 'Asia awareness'. In March this year, the Royal Society of New Zealand launched its *Languages in Aotearoa New Zealand* paper, which called for Asian languages to be available to all New Zealand children to learn. As one of the submitters to the Royal Society's paper, the Foundation views language as a vital part of building real connections with the region. While numbers learning Chinese have increased in recent years, there has been a decline in the much larger number learning Japanese, and other Asian languages, including Korean and Indonesian, scarcely feature at all.

The Business Education Partnership is an important initiative linking schools with companies doing business in Asia. There remains strong demand from schools for Asia-focused business relationships and professional development opportunities for business studies and other teachers.

Through the ASEAN (Association of Southeast Asian Nations) Young Business Leaders Initiative, separately funded by the government and now in its second year, the Foundation facilitates constructive interactions between New Zealand businesses and businesses in Asia. This programme brings entrepreneurs from Southeast Asia to New Zealand for tailored business and professional development visits.

The Foundation supports Asia-relevant professional development for journalists, teachers, artists and many others through its grant programmes. The Foundation supports New Zealand journalists to research stories in Cambodia, China, Hong Kong, Indonesia, Japan, Malaysia, Myanmar, Singapore, South Korea, Sri Lanka and Vietnam. Many of New Zealand's most talented journalists have been working on exchange at leading media agencies across Asia.

The culture programme has facilitated a number of artist-in-residence programmes and exchange programmes to Asia.

The Foundation's Young Leaders Network expanded its community of talented young people in 2012/13 and, thanks to new funding from the Robertson Foundation, is now very well supported, able to expand its range of programmes to engage existing and new members. This expansion is informed by the first comprehensive survey of the network's membership in its six-year history.

I have met many of these young leaders in my first eight months in this job. They are impressive, all with a deep interest in seeing how this country can advance its links with Asia. When I look at these young people and what they are doing, and their aspirations for the future, I am optimistic about New Zealand's future engagement with Asia.

I would like to take this opportunity to thank the dedicated team at the Asia New Zealand Foundation for continuing to deliver such outstanding results.

May I also thank our board members and honorary advisers for their guidance and support, along with members of parliament and our core sponsors and external partners for their continued support and commitment.

A handwritten signature in black ink, reading "John McKinnon". The signature is fluid and cursive, with the first name "John" and last name "McKinnon" clearly legible.

JOHN MCKINNON
Executive Director
24 September 2013

A detailed list of the 2012/13 grants can be found on the Asia New Zealand Foundation's website at www.asianz.org.nz/about-us/governance/annual-report

John McKinnon became executive director of the Asia New Zealand Foundation in December 2012. He replaced Dr Richard Grant, who left the Foundation in March 2012.

THE YEAR IN REVIEW

In the past financial year, 2012/13, the Asia New Zealand Foundation has continued to raise awareness of Asia in New Zealand and strengthen New Zealand's engagement with the peoples and countries of Asia, through its range of business, education, culture, media, research and young leaders programmes.

Following is a snapshot of the past year's programmes and achievements.

BUSINESS

The Foundation, through its Business Leaders Seminar Series, offered a number of outstanding networking opportunities to New Zealand businesspeople during 2012/13. In partnership with ANZ Bank, Southland Chamber of Commerce, the BizDojo in Auckland and Dunedin City Council, five business-networking functions were held in various centres across New Zealand. Notable speakers included Singapore Prime Minister Lee Hsien Loong, Jerel Kwek, chief executive officer of Addiction Foods Pte Ltd, a premium pet food exporter, and Dr Alan Le Serve, a business development consultant with experience in South Asia and Southeast Asia.

In May the Foundation supported the ASEAN New Zealand Combined Business Council and Export New Zealand to travel to Jakarta, Indonesia on a trade mission, in which 52 business leaders from New Zealand were matched with potential partners to strengthen trade relationships between the two countries.

Earlier in the year the Foundation provided a grant to the ASEAN New Zealand Combined Business Council to bring New Zealand Trade and Enterprise Beachheads Advisor, Noke Kiryoan to New Zealand as keynote speaker at the Indonesia Forum.

A professional development workshop held in Auckland brought together business studies teachers who had attended the 2011 and 2012 Shanghai Forums. The networking event gave participants an opportunity to share their experiences and the changes they had implemented in their schools and classrooms as a result of visiting Shanghai.

Under its three-year ASEAN Young Business Leaders Initiative, the Foundation brought 18 young business professionals and entrepreneurs from the 10 ASEAN countries to New Zealand for 10-day working visits. During their visits the young business leaders met local businesspeople, learnt about the New Zealand business environment and enhanced their knowledge through short-term professional development.

EDUCATION

In 2012/13 the Foundation's education programme continued to deliver a range of initiatives focused on developing 'Asia-aware' students.

In July 2012, nine educators attended the Korea studies workshop. Included in the programme were visits to schools and industries, and lectures on Korean history and culture.

Thirteen school principals visited Singapore as part of an educational leadership delegation to learn about the Singapore education system and this multicultural Asian neighbour.

The Foundation held biannual Principals Asia Aware Network meetings during the year, and as part of its commitment to promote more content about Asia across the entire school curriculum, the Foundation developed and published NCEA Levels 2 and 3 Asia-related resources in six subject areas – English, media studies, business studies, geography, history and social sciences.

In partnership with the Ministry of Foreign Affairs and Trade, the Foundation organised 11 Christchurch secondary students to accompany Prime Minister the Rt Hon John Key on a trip to Japan.

The Foundation also organised an Asia Aware Symposium to align with the Australian Primary Principals Association and the New Zealand Principals Federation Trans Tasman Conference in Melbourne in September.

CULTURE AND THE ARTS

Each year the Foundation's festivals, exhibitions and performances bring tens of thousands of New Zealanders into contact with the rich cultural traditions of Asia. 2012/13 was no exception, with crowds packing out venues in Wellington, Auckland and Christchurch for the annual Chinese Lantern Festivals and Diwali Festivals of Lights.

The Foundation worked with Auckland Tourism Events and Economic Development and the Chinese Ministry of Culture on the Lantern Festivals in Auckland and Christchurch, and with the Indian Council for Cultural Relations on the Diwali Festivals of Lights in Wellington and Auckland.

The Wellington Festival of Japan, held in conjunction with the Japanese Embassy and Wellington City Council, was another highlight this year, as was the Southeast Asian Night Market in Wellington, in partnership with ASEAN and Wellington City Council.

The Foundation's grants programme continued to help galleries and museums to host Asia-related exhibitions. This year 70 grants went to assist with arts projects locally and internationally.

The grants programme enabled Auckland Art Gallery to bring Japanese artist Ryoji Ikeda to Auckland for the 5th Auckland Triennial, presented by eminent curator Hou Hanru. Wellington post-punk pop band So So Modern was able to stage a tour to Japan, China, Taiwan, Macau and Hong Kong, where it played at some of the most prestigious events and festivals in China and Japan, such as the Midi Festival – China's biggest music festival, and the Hacienda Festival in Japan.

Other exciting events held with the assistance of Asia New Zealand Foundation grants included Whangarei Art Museum's *Dragon Ascendant* exhibition, featuring artworks by some of the talented Chinese and Korean artists who are living and working in New Zealand, the Auckland Theatre Company's unique interactive performance – *Walk, Eat, Talk* – a two-day event that showcased Dominion Road and the people who live there, and performances by Japanese artists Gamarjobat and Gabez at the World Buskers Festival in Christchurch.

The culture programme also facilitated five international artist-in-residence programmes to China, India, Korea, Japan, and Taiwan. New Zealand artists lived and worked in the host countries for two to three months, producing work and researching projects.

The Korea, Japan and Taiwan residencies, funded by Creative New Zealand, were reciprocal arrangements, with artists from those countries being hosted by Whitireia Polytechnic, Unitec and Otago Polytechnic.

The third annual Curators Tour to Asia saw three New Zealand curators travel to China, Korea and Japan for three weeks.

MEDIA

The Foundation continued to support journalism graduates and working journalists on work placements to the *International Herald Tribune* in Hong Kong and *Deccan Herald*, *Shanghai Daily*, *The Phnom Penh Post*, *Jakarta Globe*, *China Daily Online* and *The Philippine Star*.

The Foundation also established a new placement with *Korea JoongAng Daily*, began a relationship with Indonesia's *Metro TV*, and funded a journalist on a self-arranged internship at Japan's Kyodo news agency.

Shanghai Daily online journalist Kajia Deng visited New Zealand on a four-week exchange programme, hosted by 3 News. *The Dominion Post* also hosted a *Shanghai Daily* journalist for 10 days.

Through its membership of the Australian Consortium for 'In-Country' Indonesian Studies, the Foundation enabled three young journalists to participate in a six-week journalism professional practicum in Jakarta.

For the second year, the Foundation advertised a grant to enable a senior journalist's participation in the East-West Center's Spring Jefferson Fellowship programme. Fairfax political journalist Andrea Vance was chosen for this programme, which in 2013 focused on leadership and political changes in China, Japan and Myanmar.

The Foundation's Kiwi Asian Journalism Scholarship continued to support young Asian New Zealand journalism trainees. The 2013 recipient is Genevieve Ng, who is completing her studies at the New Zealand Broadcasting School in Christchurch.

The media programme brought three senior journalists to New Zealand to speak to journalists and other stakeholders. *The Philippine Star* editor Ana-Marie Pamintuan visited in the lead-up to the state visit of President Benigno Aquino III and met with political journalists, journalism educators and the New Zealand Journalists Training Organisation.

The Foundation held a one-day seminar for New Zealand journalists, featuring two visiting speakers from Asia – Hong Kong journalist Irene Jay Liu, data editor for Thomson Reuters, and Indonesian journalist Rullah Malik, executive producer of international news for *Metro TV*.

The Foundation also hosted a delegation of six senior journalists from China, on a visit arranged by the All-China Journalists Association.

RESEARCH

As part of the Foundation's ongoing research on New Zealand and Southeast Asia, the final reports in a series of *Outlook* papers on New Zealand's relationship with ASEAN were released during 2012/13. Completing this series was a paper by Dr David Capie of Victoria University of Wellington on the changing regional security architecture in Southeast Asia and its implications for New Zealand, and a paper by Emeritus Professor Gary Hawke of Victoria University of Wellington on regional economic architecture in Southeast Asia.

In March 2013 the Foundation released its annual *New Zealanders' Perceptions of Asia and Asian Peoples* tracking study, which measures New Zealanders' understanding of the peoples and countries of Asia.

Colmar Brunton continued its annual survey of the Foundation's stakeholders to measure its effectiveness, and in April 2013 released a major survey of Asia awareness among New Zealand's senior secondary school students.

Longitudinal research on Asia-aware schools, by Scanlan Communications Limited, continued during the year and will be published in the second half of 2013.

Through our involvement in Track II unofficial diplomacy, we led, contributed to and participated in dialogues on regional issues in the Asia-Pacific, including participating in a New Zealand Institute of International Affairs-hosted Track II dialogue in Tokyo, Japan, in July, and in the ASEAN – Australia – New Zealand trilateral dialogue in Kuala Lumpur, Malaysia, in December.

The Foundation also participated in the International Institute for Strategic Studies Asia Security Summit – The Shangri La Dialogue in Singapore in May 2013, and the ASEAN-ISIS (Institute of Strategic and International Studies) Asia Pacific Roundtable in Kuala Lumpur, Malaysia in June 2013.

YOUNG LEADERS NETWORK

During the year the Foundation worked to consolidate the professional development opportunities available to Young Leaders Network members to ensure they are equipped with the skills and knowledge needed to build links between New Zealand and Asia.

One of the highlights of 2012/13 was the launch of the Hui Speaker Series, which comprises short, sector-specific events that bring experts from many different sectors together with Young Leaders Network members.

Another key area of focus was streamlining communications for network members. The establishment of a LinkedIn group offers a forum for members and Foundation staff to share news and opportunities, and is a way for young leaders to connect.

During the year the network offered members the opportunity to participate in a range of exciting offshore events. Eighteen young leaders attended the fifth annual Offshore Forum in Hong Kong, which delivered a range of activities with Hong Kong and New Zealand-connected businesses across a variety of industries.

Other opportunities included participation in the Asia-Pacific Economic Cooperation (APEC) Voices of the Future Conference in Vladivostok, Russia, the Fifth DREaM International Students Summer Programme in Indonesia, and a Track II dialogue meeting in Kuala Lumpur, Malaysia.

Young Leaders also undertook internships with a range of organisations in Asia, including UNESCO in Bangkok, KPMG in Vietnam and ANZ in Cambodia.

Locally, young leaders participated in a variety of networking events, business and political briefings, development and community outreach, including participation in roundtable sessions with government officials, diplomats and visiting academics.

The network also provided funds to support the establishment of a Chinese Language Network – New Zealand’s first Mandarin-English Toastmasters club.

COMMUNICATIONS

The Foundation’s website at www.asianz.org.nz continued to be the main medium for communication, offering articles, resources, published research, an events calendar, stories from our grant recipients and details of our various funding opportunities.

In the past year the Foundation has been working on upgrading its website operating system, and launching a cleaner website display and structure.

The Foundation also stepped up its use of social media and in the past 12 months has been working to promote more conversations between the Foundation and its followers on its social media channels – Twitter, Facebook and LinkedIn.

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 has established an executive committee to assist in strategy planning, managing and monitoring the performance of the executive director and monitoring organisational performance and reporting. In addition 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.

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 three meetings during 2012/13 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 ultimately 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 on page 18 of this report.

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 2013

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

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

In the opinion of the board of the Foundation the financial statements and statement of objectives and service performance for the year ended 30 June 2013 fairly reflect the financial position and operations of the Foundation.

Signed on behalf of the Board:



HON PHILIP BURDON
Chairman
24 September 2013



RICHARD NOTTAGE
Deputy Chairman
24 September 2013

INDEPENDENT AUDITOR'S REPORT

**TO THE READERS OF THE
ASIA NEW ZEALAND FOUNDATION'S
FINANCIAL STATEMENTS AND STATEMENT OF OBJECTIVES
AND SERVICE PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2013**

The Auditor-General is the auditor of the Asia New Zealand Foundation (the Foundation). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of the Foundation on her behalf.

We have audited:

- the financial statements of the Foundation on pages 26 to 47, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Foundation that comprises the statement of service performance on pages 22 to 25.

Opinion

In our opinion:

- the financial statements of the Foundation on pages 26 to 47:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Foundation's:
 - financial position as at 30 June 2013; and
 - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Foundation on pages 22 to 25:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Foundation's service performance for the year ended 30 June 2013, including for each class of outputs:
 - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and

- its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 24 September 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Foundation's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Trustees;
- the appropriateness of the reported non-financial performance information within the Foundation's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Trustees

The Board of Trustees is responsible for preparing financial statements and non-financial performance information that:

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

The Board of Trustees is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Board of Trustees is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

The Board of Trustees's responsibilities arise from the Public Finance Act 1989 and the Foundation's Trust Deed.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE

In 2012/13 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.

Outcomes

The output is focused on the following outcomes:

- Contribute to New Zealand's increased economic development
- Build New Zealand's relationships and profile in the region
- Prepare New Zealanders to increase their engagement with Asia

Activities

In the output agreement, the following activities are identified:

- Prioritising the business objective of securing New Zealand's long-term competitive and sustainable economic engagement in Asia
- Introducing new capacity-building measures for businesses and supporting complementary Asia awareness programmes through closer engagement with the education sector
- Ensuring that the Asia New Zealand Foundation is the leading agency and partner of choice for promoting the knowledge of Asia in New Zealand and for Track II engagement between New Zealand and Asia
- The Young Leaders Network and associated programmes
- Initiatives and research to ensure the transfer of Asia knowledge across New Zealand
- Enabling other organisations to adopt complementary Asia-related agendas and build networks
- Developing knowledge of Asia in media and arts
- Ensuring high-level links between New Zealand and Asia through a board of honorary advisers

Not funded by the output agreement, but relevant to the delivery of its mission, the Asia New Zealand Foundation has also been contracted by the Ministry of Foreign Affairs and Trade to deliver an ASEAN Young Business Leaders Initiative. This is a three-year project from 1 September 2011.

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE (CONTINUED)

Financial performance under this output is summarised below.

| | Actual 2013 \$ | Budget 2013 \$ | Actual 2012 \$ |
|---|----------------------|----------------------|----------------------|
| Revenue | | | |
| Crown output agreement | 4,000,000 | 4,000,000 | 4,000,000 |
| Other revenue | 1,532,355 | 1,315,211 | 2,273,368 |
| Total revenue | 5,532,355 | 5,315,211 | 6,273,368 |
| Total expenses | 4,877,567 | 5,315,211 | 5,763,588 |
| Net surplus/(deficit) for the period | 654,788 | - | 509,780 |

Of this surplus, \$131,597 (2012 – \$312,285) relates to the ASEAN Young Business Leaders Initiative. This surplus is tagged to activity to be completed in future reporting periods.

Performance measures and results

The output agreement specifies certain activities and outcomes to be achieved with the funding provided. For each activity and outcome, 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.

The following table reports on these performance measures:

| Measure | Result | | |
|--|---|-------------------|---------------------|
| Level of Asia literacy and engagement with Asia by the Foundation's constituents | <p>An on-line survey developed by Colmar Brunton, <i>Measuring the Success of the Asia New Zealand Foundation</i>, has been undertaken since 2008/09. This survey is designed to measure the impacts of the Foundation's programmes and requests information to document evidence of increased activity and engagement with Asia.</p> <p>In the 2012/13 year 86% of stakeholders said that, in the previous 12 months, the Foundation had helped them to engage with the peoples and countries of Asia or that they had plans to do things new or differently as a result of their involvement with the Foundation.</p> <table> <tr> <td>2012/13 goal: 80%</td><td>2012/13 actual: 86%</td></tr> </table> | 2012/13 goal: 80% | 2012/13 actual: 86% |
| 2012/13 goal: 80% | 2012/13 actual: 86% | | |

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE (CONTINUED)

| 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>Results of the 2012/13 survey showed that 77% of New Zealanders saw the Asian region as important to New Zealand’s future (second only to Australia). Asia’s perceived importance had declined by six percentage points since the high of 2011/12.</p> <table><tr><td>2012/13 goal: 83%</td><td>2012/13 actual:</td><td>77%</td></tr></table> | 2012/13 goal: 83% | 2012/13 actual: | 77% |
| 2012/13 goal: 83% | 2012/13 actual: | 77% | | |
| Greater capability for New Zealand business and Track II sectors to engage with Asia (supporting New Zealand’s trade interests in Asia) | <p>The Asia New Zealand Foundation business programme continues to develop its activities across the Foundation’s work areas, in particular the Young Leaders Network, to provide professional development opportunities for young New Zealanders in Asia. These opportunities are identified and implemented with private-sector and international organisation partners, with new opportunities being established.</p> <p>The Foundation continues to position itself as the leading Track II organisation in New Zealand with respect to Asia in the political and security areas. With the inclusion of new dialogues with Korea, Myanmar and Taiwan, the Track II programme covers most of the Asian region. New processes have been put in place to ensure wider participation from New Zealand experts and academics and to introduce a new generation of New Zealanders to Track II diplomacy.</p> <p>The Young Leaders Network (current membership of nearly 400) is fully incorporated into the ASEAN Young Business Leaders Initiative project that is managed by the Foundation. This network is a priority for the Foundation. It offers a range of opportunities both in New Zealand and offshore to equip members with the skills and knowledge required to build links between New Zealand and Asia, and the Foundation works to ensure that network members are engaged across all programme areas.</p> | | | |

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE (CONTINUED)

| Measure | Result |
|--|---|
| Government priorities in Asia supported through the Foundation's programmes (stakeholder satisfaction with consultation processes and alignment of programmes in support of government priorities on scale of 1 = not satisfactory to 5 = very satisfactory) | <p>A formal consultation with government stakeholders was introduced from 2010/11. The Foundation has regular contact with relevant government departments and has cooperated in NZ Inc activities, including country strategies.</p> <p>Consultation is with New Zealand Trade and Enterprise, the Ministry of Education, Creative New Zealand, the Ministry of Business, Innovation and Employment, Statistics New Zealand, the Office of Ethnic Affairs and Education New Zealand. The Ministry of Foreign Affairs and Trade is consulted through its role as the monitoring agency.</p> <hr/> <p>2012/13 goal: Average of 3 2012/13 actual: 4</p> <hr/> |

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

| | Note | Actual 2013 \$ | Budget 2013 \$ | Actual 2012 \$ |
|--|-------|----------------------|----------------------|----------------------|
| Income | | | | |
| Crown revenue | 2 | 4,480,000 | 4,502,892 | 4,480,000 |
| Project funding | 2 | 505,272 | 393,933 | 1,233,390 |
| Interest income | | 127,862 | 91,950 | 103,692 |
| Core sponsorship | | 70,000 | 70,000 | 70,000 |
| Donated income | 2 | 167,485 | 230,000 | 207,183 |
| Management income | 2 | 19,636 | 17,936 | 19,547 |
| Other revenue | | 162,100 | 8,500 | 159,556 |
| Total income | | 5,532,355 | 5,315,211 | 6,273,368 |
| Expenditure | | | | |
| Personnel costs | 3 | 1,612,307 | 1,664,129 | 1,663,082 |
| Project expenditure | 4 | 705,677 | 757,136 | 1,494,779 |
| Depreciation and amortisation | 9, 10 | 147,556 | 170,455 | 171,381 |
| Other expenditure | 5 | 2,412,027 | 2,723,491 | 2,434,346 |
| Total expenditure | | 4,877,567 | 5,315,211 | 5,763,588 |
| Net surplus for the year | | 654,788 | - | 509,780 |
| Other comprehensive income | | - | - | - |
| Total comprehensive income for the year | | 654,788 | - | 509,780 |

Explanations of significant variances against budget are detailed in note 27.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

| | Actual 2013 \$ | Budget 2013 \$ | Actual 2012 \$ |
|---|----------------------|----------------------|----------------------|
| Accumulated funds as at 1 July | 2,499,472 | 2,099,788 | 1,989,692 |
| Total comprehensive income for the year | 654,788 | - | 509,780 |
| Accumulated funds as at 30 June | 3,154,260 | 2,099,788 | 2,499,472 |

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

| | Note | Actual 2013 \$ | Budget 2013 \$ | Actual 2012 \$ |
|--------------------------------------|------|----------------------|----------------------|----------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 6 | 271,588 | 255,400 | 253,853 |
| Trade and other receivables | 7 | 130,112 | 140,600 | 183,293 |
| Investments | 8 | 4,575,000 | 2,500,000 | 3,790,000 |
| Total current assets | | 4,976,700 | 2,896,000 | 4,227,146 |
| Non-current assets | | | | |
| Property, plant and equipment | 9 | 526,842 | 549,150 | 533,491 |
| Intangible assets | 10 | 1,208 | - | - |
| Investments | 8 | - | 750,000 | - |
| Total non-current assets | | 528,050 | 1,299,150 | 533,491 |
| Total assets | | 5,504,750 | 4,195,150 | 4,760,637 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | 11 | 528,741 | 345,000 | 425,291 |
| Employee entitlements | 12 | 127,061 | 65,000 | 130,650 |
| GST | | 24,128 | 30,000 | 17,294 |
| Total current liabilities | | 679,930 | 440,000 | 573,235 |
| Non-current liabilities | | | | |
| Provisions | 13 | 98,642 | 81,865 | 88,360 |
| Lease incentive | 14 | 173,565 | 175,000 | 199,120 |
| Funds managed | | | | |
| Japan Fund | 15 | 611,514 | 608,617 | 608,748 |
| Korea Fund | 16 | 786,839 | 789,880 | 791,702 |
| Total non-current liabilities | | 1,670,560 | 1,655,362 | 1,687,930 |
| Total liabilities | | 2,350,490 | 2,095,362 | 2,261,165 |
| NET ASSETS | | 3,154,260 | 2,099,788 | 2,499,472 |
| ACCUMULATED FUNDS | | | | |
| General funds | | 3,154,260 | 2,099,788 | 2,499,472 |
| TOTAL ACCUMULATED FUNDS | | 3,154,260 | 2,099,788 | 2,499,472 |

Explanations of major variances against budget are provided in note 27.

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

| | Note | Actual 2013 \$ | Budget 2013 \$ | Actual 2012 \$ |
|---|------|----------------------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash was provided from: | | | | |
| Supply of outputs to the Crown | | 4,000,000 | 4,000,000 | 4,000,000 |
| Additional Crown funding | | 480,000 | 222,000 | 480,000 |
| Other income | | 799,866 | 166,832 | 873,455 |
| Income on behalf of funds | | 28,425 | 85,285 | 28,500 |
| | | 5,308,291 | 4,474,117 | 5,381,955 |
| Cash was distributed to: | | | | |
| Payments to suppliers | | (2,865,216) | (3,026,636) | (3,195,932) |
| Payments to employees | | (1,612,386) | (1,546,531) | (1,678,501) |
| Payments on behalf of funds | | (105,685) | (77,532) | (64,056) |
| Net GST paid | | 10,103 | 80,000 | (7,519) |
| | | (4,573,184) | (4,570,699) | (4,946,008) |
| Net cash outflow from operating activities | 17 | 735,107 | (96,582) | 435,947 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash was provided from: | | | | |
| Interest received | | 152,543 | 91,950 | 190,814 |
| Cash received for purchase of property, plant and equipment | | 11,293 | - | - |
| Investments maturing | | 5,240,000 | 4,000,000 | 4,430,000 |
| | | 5,403,836 | 4,091,950 | 4,620,814 |
| Cash was distributed to: | | | | |
| Acquisition of investments | | (6,025,000) | (3,900,000) | (4,890,000) |
| Purchase of property, plant and equipment | | (94,708) | (100,000) | (63,887) |
| Purchase of intangibles | | (1,500) | - | - |
| | | (6,121,208) | (4,000,000) | (4,953,887) |
| Net cash inflow/(outflow) from investing activities | | (717,372) | 91,950 | (333,073) |
| Net (decrease)/increase in cash and cash equivalents | | 17,735 | (4,632) | 102,874 |
| Plus opening cash | | 253,853 | 260,032 | 150,979 |
| Closing cash and cash equivalents | 6 | 271,588 | 255,400 | 253,853 |

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 27.

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 : Statement of accounting policies for the year ended 30 June 2013

Reporting entity

Asia New Zealand Foundation (the Foundation) is a 4th schedule 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 objectives and service 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 is a public benefit entity in terms of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and as such has applied the appropriate clauses in those standards.

The financial statements for the Foundation are for the year ended 30 June 2013, and were approved by the audit and risk committee under delegated authority from the Board of Trustees on 24 September 2013.

Measurement base and statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. The financial statements have been prepared on a historical cost basis and are presented in New Zealand dollars, being the functional currency of the Foundation. All values are rounded to the nearest dollar.

They comply with New Zealand equivalents to IFRS (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for public benefit entities.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

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

Standards, amendments and interpretations issued but not yet effective that have not been early adopted and that are relevant to the Foundation include:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through three main phases and is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied to public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a tier strategy) developed by the External Reporting Board. Under this new Accounting Standards Framework, the Foundation is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards. The effective date for the new standards is for reporting periods after 1 July 2014. This means the Foundation expects to transition to the new standards when preparing its 30 June 2015 financial statements. The Foundation has yet to assess the implications of the new Accounting Standards Framework at this time.

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

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Revenue

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

Outputs to the Crown

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 and income is recognised according to this schedule.

Interest income

Interest income is recognised using the effective interest method.

Other revenue

The Foundation also receives revenue from core sponsorship and specific project funding from third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

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 grants are initially recorded as revenue in advance and recognised as revenue when conditions of the grant are satisfied.

Donated assets and services

The Foundation also receives revenue from donated goods. Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets donated to the Foundation are recognised as revenue when control over the assets is obtained.

The Foundation receives revenue from donated services. These are valued using either a third-party valuation or a similar service as a proxy, and are included in the statement of comprehensive income. The total value of donated services is shown as both income and expenditure in the statement of comprehensive income. Services donated to the Foundation are recognised as revenue when the services have been delivered.

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.

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 statement of comprehensive income.

Income tax

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

Leases

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.

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.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted using the effective interest method.

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 statement of comprehensive income. Investments in this category include term deposits with maturities in excess of three months.

Purchases and sales of investments are recognised on 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.

Property, plant and equipment

Property, plant and equipment are shown at cost or valuation, 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 at no cost, or nominal cost, 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 statement of comprehensive income.

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.

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 | 5.5 – 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% |

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

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 the 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 statement of comprehensive income. The useful lives and associated amortisation rates of major classes of intangible assets has been estimated as follows:

| | | |
|-------------------|---------|-----|
| Computer software | 3 years | 33% |
|-------------------|---------|-----|

Impairment of non-financial assets

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 in the statement of comprehensive income for the amount by which an asset's carrying amount exceeds its recoverable amount.

Trade and other payables

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

Employee entitlements

Employee benefits that the Foundation expects to be settled within 12 months of the balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include accrued salaries and wages, 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.

Defined contribution superannuation schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of comprehensive income when incurred.

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.

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 irrecoverable as an input tax, it is recognised as part of the related asset or expense. 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.

Budget figures

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

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 a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, plant and equipment useful lives and residual values

At each balance date the Foundation 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 the Foundation to consider a number of factors, such as the physical condition of the asset, the expected period of use of the asset by the Foundation and the expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the statement of comprehensive income, and the carrying amount of the asset in the statement of financial position. The Foundation minimises the risk of this estimation uncertainty by:

- Physical inspections of assets
- Asset replacement programmes

The Foundation has made two minor changes to past assumptions concerning useful lives and residual values. The first has increased the useful life of new festival equipment to seven years, as festival lanterns are providing benefits for longer than the original five-year depreciation period.

Secondly, an allowance has been made to depreciate the Foundation's new server (computer equipment) over four years based on advice received from third parties.

Impairment of non-financial assets

At each balance date the Foundation reviews all its non-financial assets for impairment. Where an event or change in circumstances indicates that the carrying amount may not be recoverable, an impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount.

As a result of this review, the Foundation had written down the carrying value of festival equipment to \$95,649, an impairment charge of \$29,000 in 2012 (2013 – Nil). Following a compliance exercise this impairment of \$29,000 has been reversed (2012 – Nil).

An incorrect estimate in the impairment calculation will affect the impairment charge expense or the impairment charge reversal in the statement of comprehensive income, and the carrying amount of the festival equipment asset in the statement of financial position.

Provisions

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 in the make-good calculation will affect the depreciation expense in the statement of comprehensive income, and the carrying amount of the leasehold improvements asset in the statement of financial position.

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 2013:

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.

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.

Cost of service statements

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

Managed funds

The Foundation has two funds that it manages. Each one is described below.

Japan Fund

This fund is included as part of the Foundation's investments and interest is allocated to the fund throughout the year. The Foundation charges a 10 percent management fee based on total expenditure in the year.

Korea Fund

This fund is included as part of the Foundation's investments and interest is allocated to the fund throughout the year. The Foundation charges a 10 percent management fee based on total expenditure in the year.

Management fees for funds managed

Fees are charged at a flat rate of 10 percent of total expenditure incurred during the year.

Note 2 : Analysis of revenue

| | 2013 | 2012 |
|---|------------------|------------------|
| | \$ | \$ |
| CROWN REVENUE | | |
| <i>From the Ministry of Foreign Affairs and Trade</i> | | |
| Output agreement | 4,000,000 | 4,000,000 |
| Additional funding (ASEAN Regional Young Business Leaders Initiative) | 480,000 | 480,000 |
| Total Crown revenue | 4,480,000 | 4,480,000 |
| PROJECT FUNDING | | |
| Lantern Festivals | 343,882 | 838,432 |
| Diwali Festivals | 69,500 | 302,832 |
| Singapore Scholarships | 91,890 | 92,126 |
| Total project funding | 505,272 | 1,233,390 |
| DONATED INCOME | | |
| <i>Donated services</i> | | |
| Management services | 18,143 | 29,260 |
| Lantern Festivals | 100,844 | 147,458 |
| Diwali Festivals | 37,205 | 30,465 |
| <i>Donated assets</i> | | |
| Lantern Festivals | 11,293 | - |
| Total donated income | 167,485 | 207,183 |
| MANAGEMENT INCOME | | |
| Singapore Scholarships | 10,210 | 10,236 |
| Korea Fund | 3,530 | 2,960 |
| Japan Fund | 5,896 | 6,351 |
| Total management income | 19,636 | 19,547 |

Note 3 : Personnel expenses

| | 2013 | 2012 |
|--|------------------|------------------|
| | \$ | \$ |
| Salaries and wages | 1,591,993 | 1,655,082 |
| KiwiSaver employer contributions | 23,903 | 22,864 |
| Decrease in employee benefit liabilities | (3,589) | (14,864) |
| Total personnel expenses | 1,612,307 | 1,663,082 |

Note 4 : Project expenditure

| | 2013 | 2012 |
|----------------------------------|----------------|------------------|
| | \$ | \$ |
| Lantern Festivals | 458,406 | 1,022,317 |
| Diwali Festivals | 148,373 | 368,611 |
| Singapore Scholarships | 98,898 | 103,851 |
| Total project expenditure | 705,677 | 1,494,779 |

Note 5 : Other expenditure

| | 2013 | 2012 |
|---|------------------|------------------|
| | \$ | \$ |
| Fees paid to auditor | | |
| - Audit fees for financial statements' audit | 24,090 | 21,808 |
| Grants awarded | 787,921 | 598,936 |
| Operating lease payments | 211,989 | 211,078 |
| Board of Trustees' expenses (Note: no fees were paid to the trustees) | 34,384 | 63,569 |
| Telecommunications | 29,160 | 31,824 |
| Insurance premiums | 11,672 | 9,290 |
| Reversal of impairment charges | (29,000) | - |
| Impairment charges | - | 29,000 |
| Other operating expenditure | 1,341,811 | 1,468,841 |
| Total other expenditure | 2,412,027 | 2,434,346 |

Note 6 : Cash and cash equivalents

| | 30 June 2013 | 30 June 2012 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Cash at bank | 271,588 | 253,853 |
| Total cash and cash equivalents | 271,588 | 253,853 |

Note 7 : Trade and other receivables

| | 30 June 2013 | 30 June 2012 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Trade receivables | 5,962 | 7,471 |
| Interest receivable | 88,885 | 53,477 |
| Prepayments | 35,265 | 122,345 |
| Total trade and other receivables | 130,112 | 183,293 |

Fair value

Trade receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of trade receivables approximates their fair value.

The status of trade receivables as at 30 June 2013 and 30 June 2012 is detailed below:

| | 2013 | 2012 |
|--------------------------------|--------------|--------------|
| | \$ | \$ |
| Not past due | 5,962 | 2,731 |
| Past due 1 – 30 days | - | 4,740 |
| Total trade receivables | 5,962 | 7,471 |

Note 8 : Investments

| | 30 June 2013 \$ | 30 June 2012 \$ |
|---|--------------------|--------------------|
| Current portion | | |
| <i>Held to maturity</i> | | |
| Term deposits maturing in the following 12 months | 4,575,000 | 3,790,000 |
| Non-current portion | | |
| <i>Held to maturity</i> | | |
| Term deposits maturing in over 12 months | - | - |
| Total investments | 4,575,000 | 3,790,000 |

The carrying value of term deposits with terms greater than three months approximates their amortised cost using the effective interest method. There were no impairment provisions for investments.

Maturity analysis and effective interest rates

The maturity dates for held-to-maturity investments are as follows:

| Maturity | <12 months | >12 months |
|--|--------------------------|--------------------------|
| 2013 | | |
| Term deposits | 4,575,000 | - |
| Average maturity | 339 days | - |
| Weighted average effective interest rate | 4.24% | - |
| 2012 | | |
| Term deposits | 3,790,000 | - |
| Average maturity | 255 days | - |
| Weighted average effective interest rate | 4.11% | - |

The carrying amount of term deposits approximates their amortised cost using the effective interest method. An increase or decrease in interest rates during the period would not affect the measurement of the investments and hence there would be no impact on the surplus/deficit or equity.

Note 9 : Property, plant and equipment

| | Leasehold improvements \$ | Computer equipment \$ | Festival equipment \$ | Furniture & fittings \$ | Office equipment \$ | Total \$ |
|--|---------------------------------|-----------------------------|-----------------------------|-------------------------------|---------------------------|----------------|
| 2013 | | | | | | |
| At 1 July 2012 | | | | | | |
| Cost | 400,434 | 134,835 | 458,256 | 114,681 | 41,391 | 1,149,597 |
| Accumulated depreciation and impairment charges | (73,799) | (96,783) | (362,607) | (52,374) | (30,543) | (616,106) |
| Net book value | 326,635 | 38,052 | 95,649 | 62,307 | 10,848 | 533,491 |
| Additions | 6,752 | 45,765 | 59,103 | - | - | 111,620 |
| Disposals | - | (57,076) | (17,544) | - | - | (74,620) |
| Reversal of impairment charge | - | - | 29,000 | - | - | 29,000 |
| Accumulated depreciation eliminated on disposal | - | 57,075 | 17,540 | - | - | 74,615 |
| Depreciation charge | (45,581) | (26,654) | (53,095) | (15,516) | (6,418) | (147,264) |
| Closing net book value | 287,806 | 57,162 | 130,653 | 46,791 | 4,430 | 526,842 |
| At 30 June 2013 | | | | | | |
| Cost | 407,186 | 123,524 | 528,815 | 114,681 | 41,391 | 1,215,597 |
| Accumulated depreciation and impairment charges | (119,380) | (66,362) | (398,162) | (67,890) | (36,961) | (688,755) |
| Net book value | 287,806 | 57,162 | 130,653 | 46,791 | 4,430 | 526,842 |
| 2012 | | | | | | |
| At 1 July 2011 | | | | | | |
| Cost | 385,279 | 128,108 | 431,024 | 132,060 | 45,375 | 1,121,846 |
| Accumulated depreciation | (16,170) | (89,079) | (284,173) | (55,138) | (27,123) | (471,683) |
| Net book value | 369,109 | 39,029 | 146,851 | 76,922 | 18,252 | 650,163 |
| Additions | 15,155 | 28,205 | 34,847 | 2,170 | - | 80,377 |
| Disposals | - | (21,478) | (7,615) | (19,549) | (3,984) | (52,626) |
| Impairment charges | - | - | (29,000) | - | - | (29,000) |
| Accumulated depreciation eliminated on disposal | - | 16,129 | 7,615 | 19,166 | 3,475 | 46,385 |
| Depreciation charge | (57,629) | (23,833) | (57,049) | (16,402) | (6,895) | (161,808) |
| Closing net book value | 326,635 | 38,052 | 95,649 | 62,307 | 10,848 | 533,491 |
| At 30 June 2012 | | | | | | |
| Cost | 400,434 | 134,835 | 458,256 | 114,681 | 41,391 | 1,149,597 |
| Accumulated depreciation and impairment charges | (73,799) | (96,783) | (362,607) | (52,374) | (30,543) | (616,106) |
| Net book value | 326,635 | 38,052 | 95,649 | 62,307 | 10,848 | 533,491 |

An impairment of \$29,000 for festival equipment, recognised in 2012 following a report on the 2012 Lantern Festival by Energy Safety New Zealand, has been reversed (2012 – \$0). A compliance exercise has been completed, and all festival equipment is now compliant. The reversal of the impairment charge has been recognised in the statement of comprehensive income in the line item “Other expenses”.

Note 10 : Intangible assets

| | 30 June 2013 \$ | 30 June 2012 \$ |
|---|--------------------|--------------------|
| Software at 1 July | | |
| Cost | 70,964 | 70,964 |
| Accumulated amortisation | (70,964) | (61,391) |
| Opening carrying value | - | 9,573 |
| Additions | 1,500 | - |
| Disposals | - | - |
| Accumulated amortisation eliminated on disposal | - | - |
| Amortisation charge | (292) | (9,573) |
| Closing carrying value | 1,208 | - |
| Balance at 30 June | | |
| Cost | 72,464 | 70,964 |
| Accumulated amortisation | (71,256) | (70,964) |
| Closing carrying value | 1,208 | - |

Note 11 : Trade and other payables

| | 30 June 2013 \$ | 30 June 2012 \$ |
|---------------------------------------|--------------------|--------------------|
| Trade payables | 81,608 | 152,426 |
| Grants payable | 307,905 | 127,099 |
| Revenue in advance | 75,000 | 34,000 |
| Accrued expenses | 64,228 | 111,766 |
| Total trade and other payables | 528,741 | 425,291 |

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

Note 12 : Employee entitlements

| | 30 June 2013 \$ | 30 June 2012 \$ |
|---|--------------------|--------------------|
| Accrued salary and wages | 54,370 | 47,996 |
| Annual leave | 72,691 | 82,654 |
| Total employee benefit liabilities | 127,061 | 130,650 |

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

Note 13 : Provisions

| | 30 June 2013 \$ | 30 June 2012 \$ |
|--|--------------------|--------------------|
| Non-current provisions | | |
| <i>Lease make-good provision</i> | | |
| Opening balance | 88,360 | 68,402 |
| Additional provisions made during the year | 10,282 | 19,958 |
| Closing balance | 98,642 | 88,360 |

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.

Note 14 : Lease incentive

| | 30 June 2013 \$ | 30 June 2012 \$ |
|--------------------------------------|--------------------|--------------------|
| Lease incentive | | |
| Opening balance | 199,120 | 224,676 |
| Lease incentive used during the year | 25,555 | 25,556 |
| Closing balance | 173,565 | 199,120 |

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.

Note 15 : Japan Fund

| | 2013 \$ | 2012 \$ |
|--|----------------|----------------|
| Balance at 1 July | 608,748 | 608,617 |
| Income | | |
| Interest apportioned | 26,119 | 26,492 |
| Donation from Nakashimoto Scholarship Foundation | 26,500 | 26,500 |
| Grants returned | - | 2,000 |
| Total income | 52,619 | 54,992 |
| Less: expenditure | | |
| Grants awarded | 18,909 | 23,500 |
| Nakashimoto Scholarship grants awarded | 25,000 | 25,000 |
| Administration expenses | 5,944 | 6,361 |
| Total expenditure | 49,853 | 54,861 |
| Balance at 30 June | 611,514 | 608,748 |

Note 16 : Korea Fund

| | 2013 \$ | 2012 \$ |
|---------------------------------|----------------|----------------|
| Balance at 1 July | 791,702 | 789,880 |
| Income | | |
| Interest apportioned | 33,969 | 34,382 |
| Total income | 33,969 | 34,382 |
| Less: expenditure | | |
| Grants and scholarships awarded | 35,000 | 29,600 |
| Administration expenses | 3,832 | 2,960 |
| Total expenditure | 38,832 | 32,560 |
| Balance at 30 June | 786,839 | 791,702 |

Note 17 : Reconciliation of the net surplus from operations with the net cash flows from operating activities

| | 2013 \$ | 2012 \$ |
|---|------------------|------------------|
| Net surplus from operations | 654,788 | 509,780 |
| Add/(less) non-cash items: | | |
| Depreciation and amortisation | 147,556 | 171,382 |
| Fund management income | (7,926) | (7,811) |
| Increase lease provision | 10,282 | 4,802 |
| Property, plant and equipment impairment charges | (29,000) | 29,000 |
| Other non-cash items | (19,391) | (29,304) |
| Total non-cash items | 101,521 | 168,069 |
| Add/(less) movements in working capital items: | | |
| Decrease/(increase) in receivables | (33,899) | 111,046 |
| Decrease/(increase) in prepayments | 87,080 | (56,452) |
| (Decrease)/increase in payables | (77,356) | 15,132 |
| (Decrease)/increase in grants payable | 180,806 | (111,532) |
| (Decrease)/increase in employee entitlements | (3,589) | (14,864) |
| (Decrease)/increase in GST liability | 6,834 | (12,836) |
| Net working capital movements | 159,876 | (69,506) |
| Add/(less) investing activities | | |
| Cash received for purchase of property, plant and equipment | (11,293) | - |
| Interest received | (152,543) | (190,814) |
| | (163,836) | (190,814) |
| Add/(less) movements in funds managed: | | |
| Payments made on behalf of funds | (105,685) | (44,456) |
| Interest received on behalf of funds | 60,018 | 60,874 |
| Other income received on behalf of funds | 28,425 | 2,000 |
| Net movement in funds managed | (17,242) | 18,418 |
| NET CASH FROM OPERATING ACTIVITIES | 735,107 | 435,947 |

Note 18 : Capital commitments and operating leases

| | 30 June 2013 \$ | 30 June 2012 \$ |
|---|--------------------|--------------------|
| Capital commitments | | |
| Festival equipment | - | 17,343 |
| Operating leases as lessee | | |
| Not later than one year | 202,465 | 202,681 |
| Later than one year and not later than five years | 766,627 | 798,413 |
| Five years or more | 308,793 | 480,084 |
| Total | 1,277,885 | 1,481,178 |

Operating leases include a photocopier lease and the premises leases for the Wellington and Auckland offices.

Note 19 : Contingent liabilities

There were no contingent liabilities as at 30 June 2013 (2012 – Nil).

Note 20 : Related party transactions

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

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

Significant transactions with government-related entities

The Foundation has been provided with funding from the government through the Ministry of Foreign Affairs and Trade of \$4.480 million (2012 – \$4.480 million) for specific purposes as set out in the output agreement and other partnership arrangements.

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

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

The Foundation also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2013 totalled \$166,698 (2012 – \$200,261). These purchases included the purchase of electricity from Genesis and Meridian, air travel from Air New Zealand and postal services from New Zealand Post.

Key management personnel

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

- New Zealand Trade and Enterprise (NZTE) contributed \$70,000 as core sponsorship to the Foundation. Board member Peter Chrisp is the chief executive officer of NZTE and board member John Allen is an ex-officio member of the board of NZTE.

| Key management personnel compensation | 2013 | 2012 |
|---|----------------|----------------|
| | \$ | \$ |
| Salaries and other short-term employee benefits | 330,648 | 950,893 |
| Total | 330,648 | 950,893 |

Key management personnel include the executive director, deputy executive director and members of the Board of Trustees. The 2012 comparatives included five programme directors.

| Employee remuneration | 2013 | 2012 |
|--------------------------------|-------------|-------------|
| Total remuneration paid | | |
| \$100,000 – 109,999 | 2 | 1 |
| \$130,000 – 139,999 | - | 1 |
| \$140,000 – 149,999 | 2 | 1 |
| \$180,000 – 189,999 | 1 | 1 |
| \$210,000 – 219,999 | - | 1 |

Note 21 : Events after the balance date

There were no significant events after the balance date.

Note 22 : Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

| | 30 June 2013 | 30 June 2012 |
|--|---------------|---------------|
| | \$ | \$ |
| Financial assets | | |
| <i>Loans and receivables</i> | | |
| Cash and cash equivalents | 271,588 | 253,853 |
| Trade and other receivables | 130,112 | 183,293 |
| | <hr/> 401,700 | <hr/> 437,146 |
| <i>Held to maturity</i> | | |
| Investments | 4,575,000 | 3,790,000 |
| Financial liabilities | | |
| <i>Financial liabilities at amortised cost</i> | | |
| Trade and other payables | 528,741 | 425,291 |

Note 23 : Financial instrument fair value hierarchy

The Foundation does not recognise any financial instruments at fair value (2012 – Nil).

Note 24 : Financial instrument risks

The Foundation has a series of policies to manage the risks associated with interest rates, operating and capital expenditure denominated in foreign currencies, and the concentration of credit. The Foundation is risk averse and seeks to minimise exposure from its treasury activities. Its policies do not allow any transactions that are speculative in nature.

Market risk

The interest rates on the Foundation's investments are disclosed in note 8.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Foundation's exposure to fair value interest rate risk is limited to its bank deposits, which are held at fixed rates of interest.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Foundation currently has no variable interest rate investments (2012 – Nil).

The Foundation's investment policy requires investment maturity dates to be spread based on operational and investment fund requirements; this limits exposure to short-term interest rate movements.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Foundation has minimal exposure to currency risk.

Sensitivity analysis

As at the balance date, if market interest rates had decreased by 50 basis points with all other variables held constant, the surplus for the year would have remained unchanged, as investments are held-to-maturity financial assets with fixed payments and maturity.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Foundation, causing the Foundation to incur a loss. Financial instruments that potentially subject the Foundation to risk consist principally of cash, investments and trade receivables.

The Foundation places its investments with institutions that have Standard & Poor's credit ratings of at least A. It also reduces its exposure to risk by limiting the amount that can be invested in any one institution. The Foundation believes that these policies reduce the risk of any loss that could arise from its investment activities. The Foundation does not require any collateral or security to support financial instruments.

Maximum exposure to credit risk

The Foundation's maximum credit exposure for each class of financial instrument is as follows:

| | 2013 | 2012 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank and investments | 4,846,138 | 4,043,453 |
| Trade and other receivables | 94,847 | 60,948 |
| Total | 4,940,985 | 4,104,401 |

Credit quality of financial assets

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

| Counterparties with credit ratings | 2013 | 2012 |
|---|------------------|------------------|
| | \$ | \$ |
| Cash at bank and investments | | |
| AA | - | 1,177,875 |
| AA- | 3,596,138 | 2,865,578 |
| A+ | 1,250,000 | - |
| Total | 4,846,138 | 4,043,453 |

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

In meeting its liquidity requirements the Foundation maintains a target level of investments that mature within specified timeframes.

Contractual maturity analysis of financial liabilities

The table below analyses the Foundation's financial liabilities into relevant maturity groupings based on the remaining periods at the balance date to the contractual maturity dates. The amounts disclosed are the contractual undiscounted cash flows:

| | 2013 | 2012 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Trade and other payables | | |
| Less than one year | 453,741 | 391,291 |
| Total | 453,741 | 391,291 |

Note 25 : Capital management

The Foundation's capital is its equity, which comprises trust capital and retained surpluses. Equity is represented by net assets.

The Trust deed requires the Board of Trustees to manage its revenues, 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.

Note 26 : ASEAN Regional Young Business Leaders Initiative

Expenditure relating to the ASEAN Regional Young Business Leaders Initiative (contract signed with the Ministry of Foreign Affairs and Trade on 1 September 2011) is as follows:

| | 2013 | 2012 |
|----------------------------------|----------------|----------------|
| | \$ | \$ |
| Personnel costs | 133,917 | 85,012 |
| Establishment and overhead costs | 6,958 | 17,536 |
| Programme costs | 207,528 | 65,167 |
| Total expenditure | 348,403 | 167,715 |

Establishment and overhead costs and programme costs are included in the statement of comprehensive income in the line item "Other expenses".

Note 27 : Explanation of significant variances against budget

2012/13 was the second year of working towards the Foundation's outcomes in the strategic plan.

Statement of comprehensive income

There were variations to budget in all programme areas, as the Foundation received assistance from many partner organisations that resulted in overall savings against budget. The variance in project funding relates largely to greater contributions towards the Christchurch Lantern Festival. Other revenue is also higher than budgeted following additional funding confirmations received after budget approval.

Statement of financial position

The variance in investments and net assets is explained by the Foundation's current and prior financial years' unbudgeted surpluses. It should be noted that \$443,882 is tagged to the ASEAN Regional Young Business Leaders Initiative.

ORGANISATION INFORMATION

Board of trustees

Chairman: Hon Philip Burdon

Deputy Chairmen: Ken Douglas ONZ and Richard Nottage CNZM

Trustees: John Allen, Trish Carter, Peter Chin CNZM, Peter Chrisp, Raymond Huo MP, Professor Manying Ip, Melissa Lee MP, Richard Long ONZM, Rt Hon Sir Donald McKinnon ONZ, GCVO, Hon Simon Power, Vino Ramayah, David Rishworth, Sir Ken Stevens KNZM, Wally Stone, Simon Watt and Bryan Williams CNZM MBE

Board of honorary advisers

Chairman: Hon Murray McCully, Minister of Foreign Affairs

China: Professor Zhou Guangzhao; Li Xiaolin

Hong Kong: Dr Victor K Fung

India: Dr Raghupati Singhania

Indonesia: Amris Hassan

Japan: Hirofumi Nakasone

Malaysia: Tan Sri Leo Moggie

Philippines: Roberto Romulo

Singapore: Dr Ng Eng Hen; Stanley Tan ONZM

South Korea: Professor Han Sung-joo

Thailand: Dr Ajva Taulananda; Dr Supachai Panitchpakdi

Vietnam: Ton-Nu-Thi Ninh

Asia New Zealand Foundation staff

Executive Director, John McKinnon QSO

Deputy Executive Director, Adele Mason

Director, Culture, Jennifer King MNZM

Director, Communications, John Saunders

Director, Business, James Penn

Director, Research, Dr Andrew Butcher

Media Adviser, Rebecca Palmer

Web Content Manager, Paula Travaglia

Schools Coordinator, Brenda Bell

Young Leaders Network Coordinator, Melanie Crawford

Business Education Partnership Coordinator, Fiona Haiko

Project Officer, Culture, Monica Turner

Project Officer, Young Leaders Network, Anna-marie Luke

Accountant, Sunita Soma

Executive Assistant, Paula McLaughlin

Administration Assistant, Deborah Dredge

Auckland Office Manager, Liyang Ma

Project Manager, ASEAN Young Business Leaders Initiative, Adam McConnochie

SPONSORS

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.

Sponsors:

The following made major monetary or in-kind contributions to specific Asia New Zealand Foundation 2012/13 projects:

Diwali Festival 2012

The Diwali Festival of Lights was held in partnership with Auckland Tourism, Events and Economic Development (ATEED) in Auckland and Wellington City Council in Wellington. Main sponsors of the Asia New Zealand Foundation were Radio Tarana, The Radio Network, the Lion Foundation, ANZ Bank and the Indian Council for Cultural Relations.

Chinese Lantern Festival 2013

The Lantern Festival was held in partnership with ATEED in Auckland and supported by Christchurch City Council in Christchurch. Main sponsors of the Asia New Zealand Foundation were the New Zealand Lotteries Commission, the Lion Foundation, the Southern Trust, Cathay Pacific, Christchurch Casino, Pub Charity, Whale Watch, Orion NZ Ltd, Meadow Mushrooms Ltd, the Hong Kong Economic and Trade Office, the Canterbury Community Trust, the Infinity Foundation, Trust Aoraki Ltd, the Mainland Foundation, Glass Packaging Forum Inc, The Trusts Community Foundation, the Dragon Community Trust, the China Travel Service, Cosco, The Radio Network and the Chinese Ministry of Culture.

Singapore Scholarship Programme

The Lee Foundation (Singapore) and Stanley Tan (Singapore).

Japan Fund

Nakashimoto Company Limited Fund.

The Foundation also acknowledges support from the following organisations:

ANZ Bank, Bell Gully, the China Center for International Economic Exchanges, *China Daily Online*, Conventions & Incentives New Zealand, Creative New Zealand, *Deccan Herald*, *International Herald Tribune* Hong Kong, ITRI (Industrial Technology Research Institute) Taiwan, *Jakarta Globe*, *Korea JoongAng Daily*, KPMG New Zealand, MediaWorks (TV3), the New Zealand Embassy Jakarta, New Zealand Merino, the New Zealand Principals' Federation, New Zealand Trade and Enterprise, *The Philippine Star*, *The Phnom Penh Post*, Priority One, the Robertson Foundation's Aotearoa Fund, *Shanghai Daily*, The George hotel, the United States State Department, the Wellington Club and Korean contributors of the Korea Studies Programme.

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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

