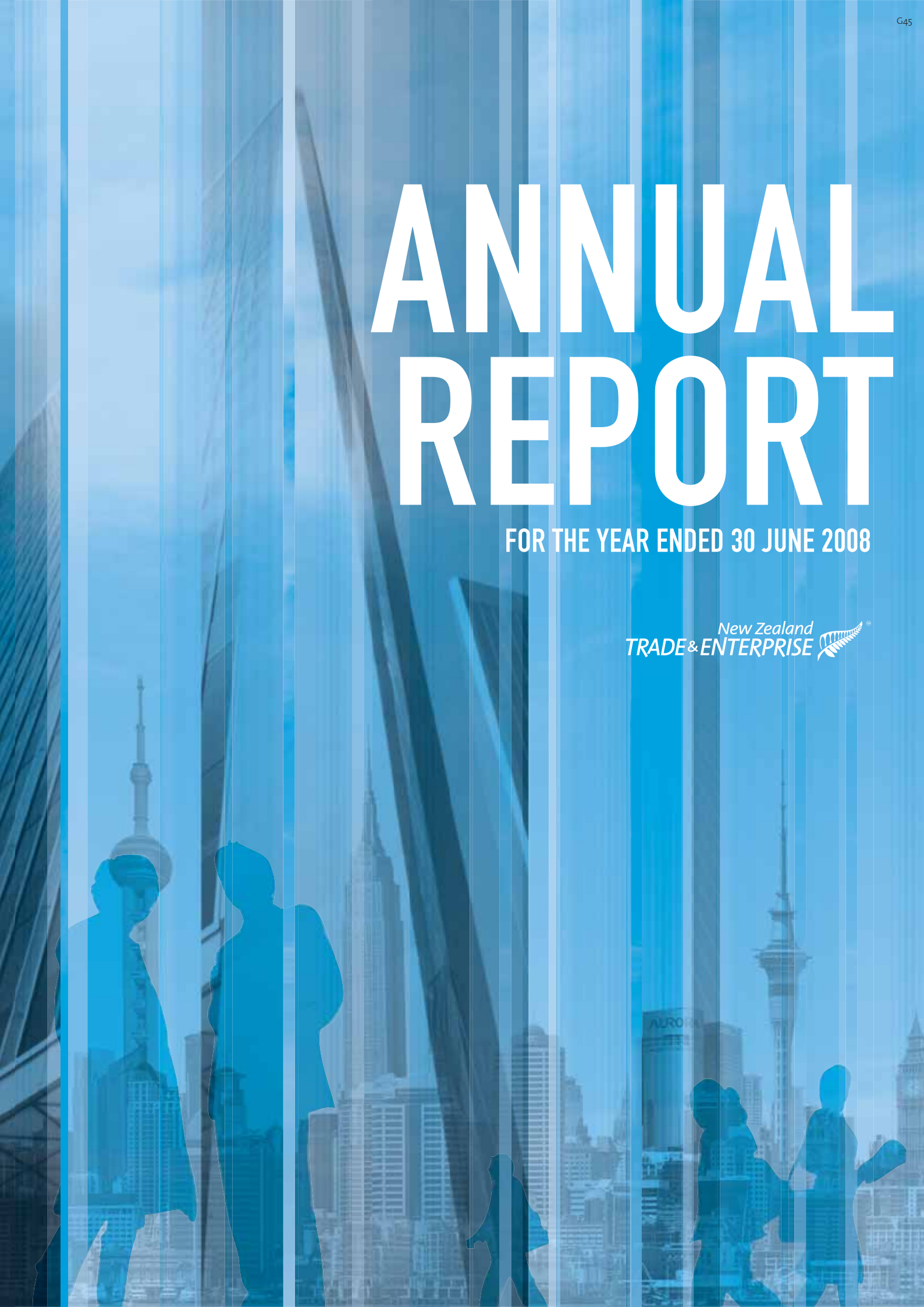


# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2008

New Zealand  
**TRADE & ENTERPRISE** 



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### ABOUT NZTE

NZTE is the Government's national economic development agency. We use our knowledge of, and contacts in, overseas markets to connect New Zealand businesses with trade and investment opportunities. We work to stimulate economic growth by helping to boost export earnings, strengthening regional economies and delivering economic development assistance to industries and individual businesses.

[www.nzte.govt.nz](http://www.nzte.govt.nz)

[www.marketnewzealand.com](http://www.marketnewzealand.com)

[www.newzealand.com](http://www.newzealand.com)

[www.investmentnz.govt.nz](http://www.investmentnz.govt.nz)

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# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2008

## NEW ZEALAND EXPORTERS TODAY FACE VERY DIFFERENT OPPORTUNITIES FROM A DECADE OR TWO AGO.

Taking advantage of these opportunities requires a different mindset and new ways of operating.

The most successful New Zealand firms have shown that a variety of business models can bring international achievement. What unites these firms is a global approach that directly benefits their New Zealand operations.

The country needs more of this cleverness if it is to thrive in an increasingly competitive world trade environment.

The activities of New Zealand Trade and Enterprise (NZTE) focus on supporting the growth of globally competitive New Zealand firms that operate successfully in international markets.

*New Zealand*  
**TRADE & ENTERPRISE** 

# FROM THE BOARD AND CHIEF EXECUTIVE

**FIVE YEARS AGO NEW ZEALAND TRADE AND ENTERPRISE (NZTE) WAS ESTABLISHED.**

The Government wanted to deliver a higher level of economic growth and realised that a 'business as usual' approach was not going to be enough. More attention was required to build international connections, business capability, and the environment for enterprise and growth. It's been our job in the past five years to develop an agency capable of helping lift the development and performance of New Zealand firms.

In July 2003 it was clear to the new Board and senior management team that the traditional way New Zealand firms were exporting was not enough to lift our economic performance. Five years later we believe there is a perceptible shift in how New Zealand firms operate in world markets. While there is still some way to go before a significant number of our clients have greater engagement in international markets, there are some excellent success stories.

We have taken steps to realign our own programmes and systems. NZTE's programmes and services are now closely matched to the needs of companies keen to grow globally, and we have a better understanding of what an internationally successful New Zealand business looks like. Our knowledge of how best to help New Zealand business compete internationally means we are able to tailor programmes and investment based on what we know works most effectively.

We have also advanced, beyond any other economic development agency that we are aware of, a way of measuring the impact of what we do. First indications are that firms who are engaged with NZTE out-perform their counterparts who are not.

Compared to other countries, New Zealand is not yet well integrated into the global economy. Under the Globally Competitive Firms policy, we are expanding programmes to offer tailored and targeted support for firms to develop international operations. Over the coming years, programmes will deliver increasingly integrated and sophisticated in-market support; allow for intensive engagement with larger firms already operating

internationally; manage the development of those with the potential to do so; and support experience-based management education to inspire executives and build capability.

Increasing the international connections of New Zealand firms, building business capability, and improving the environment for enterprise and growth remain our strategic goals. But as the global environment changes, we are introducing more flexibility around our services and how we deliver them to meet those goals.

We have put more money into key initiatives, such as Beachheads, Better by Design and Path to Market, that are closely aligned with our strategy of growing globally competitive firms. New Zealand firms acknowledge that these programmes have a significant impact on their ability to compete internationally.

Through Better by Design, more than 100 New Zealand companies are using design to build their brands and differentiate their products in international markets. Since its establishment, Better by Design has helped clients achieve an average increase in export revenue of 23 percent.

The Beachheads programme is a prime example of how we can tailor our support to meet market needs. New Zealand companies call on the advice, expertise and connections provided by Beachheads advisors to help them understand international customer needs, assess market opportunities, develop strategies to compete, and form key in-market relationships.

This year we have established Beachheads advisory boards in China and India. In regions where developing relationships are particularly important, the boards will help New Zealand companies slot into critical local business networks.

In June, New Zealand became the first OECD country to negotiate a Free Trade Agreement with China, providing local businesses with preferential entry to one of the world's fastest growing markets. NZTE is preparing and supporting firms to take advantage of this opportunity.

As the deal was signed, [www.chinafta.govt.nz](http://www.chinafta.govt.nz) went live, supported by a roadshow to help firms understand and navigate the business environment in China. We will open a New Zealand concept centre in Shanghai in late 2008 to support our businesses to build connections and capability and promote the New Zealand brand in China.

Work has also begun on our participation in Expo 2010 in Shanghai, which is projected to be the largest world expo ever, attracting 70 million visitors.

Benchmarking international perceptions of New Zealand has been an important focus this year with the publication of findings from research in the United Kingdom, United States, Australia, China and Japan. Knowing how we are perceived in international markets is crucial to the success of our business. One finding is that we are seen as 'high in human values but low in business acumen'. We are using the findings to drive how we portray ourselves internationally. The findings will also be used by the providers of our export education and capability building programmes, which work to lift New Zealand businesses to international standards and help them get established in world markets.

Increasingly, global opportunities for New Zealand require collaboration across traditional sector boundaries, and our work programme reflects this shift.

Sustainability is one of the 21st century's defining issues and a significant commercial opportunity. New Zealand can present itself both as a sustainable nation and as a source of sustainable solutions for other countries. We have been working to identify opportunities in international markets and to help firms understand and respond to the challenges of sustainability.

We work closely with other organisations to support networks of world class firms, research institutions and tertiary education organisations. In particular, we work with the Foundation for Research, Science and Technology, and the Tertiary Education Commission.

We are committed to helping more New Zealand companies to grow and internationalise. We help companies to learn the skills they need to grow; and we celebrate success and inspire others to follow.

A major initiative in New Zealand this year was the launch of [www.business.govt.nz](http://www.business.govt.nz), the new whole-of-government website that brings together information and tools to help start, manage and grow a business in New Zealand.

Export Year 2007 raised awareness of exporting in the business community and created a solid platform from which we can continue to build our export performance.

It was a very valuable demonstration of public/private partnership and provided a focus for business people to learn from each other about the challenges and opportunities of operating in international markets.

Specialist manufacturers have been benefiting from NZTE assistance to improve their productivity by implementing 'lean thinking' and through Manufacturing+ sessions to help them create more value from their business models. Encouragingly, this work is starting to spill over into other sectors that NZTE also works with.

Our organisation is in very good heart. The follow-up report on our administration of grant programmes by the Office of the Auditor-General showed that we are operating effectively and efficiently. The fact that we are highly regarded internationally for the work we do is testament to the expertise, commitment and dedication of NZTE staff worldwide.

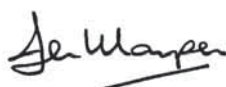
We would also like to thank NZTE's Board of Directors for their continuing guidance and their willingness to share their experience and independent business expertise.

This year our foundation Chair, Phil Lough, stepped down. Phil provided leadership and valuable commercial insights into our development.

We acknowledge the support and guidance of our Ministers, the Hon Phil Goff, the Hon Trevor Mallard, and the Hon Pete Hodgson, during the past year.

For us all, though, it is the positive support we receive from New Zealand businesses that makes NZTE a successful public/private partnership. The energy, innovation and determination shown by businesses we come into contact with leaves us confident about the future and our ability to work together to build a sustainable economic future for New Zealand.

The next five years will bring new challenges and new demands, as we continue to support New Zealand companies to do business around the world.



J I Mayson  
CHAIR  
September 2008



T D Gibson  
CHIEF EXECUTIVE  
September 2008



A R Isaac  
BOARD MEMBER  
September 2008

# STRATEGIC GOALS

NZTE has three strategic goals that shape our work programme. These are to:

- Increase the international connections of New Zealand firms
- Build business capability
- Improve the environment for enterprise and growth.

By concentrating on these goals we aim to stimulate economic growth for New Zealand.

## INCREASING INTERNATIONAL CONNECTIONS

New Zealand is a small market. Businesses that prosper do so by looking beyond New Zealand's shores to develop larger, higher value markets where they can sell their products and services at higher margins.

They do this in many ways – by becoming exporters, by supplying exporters or overseas businesses, by investing offshore, and by taking steps to become global players in the sectors they operate in.

NZTE helps make their way smoother, by working to:

- develop understanding of offshore markets and players
- increase the sustained value added from engaging in international markets
- increase demand for New Zealand products and services
- facilitate access to global value chains
- attract and sustain value-adding foreign direct investment in New Zealand.

The programmes and services we provide to help New Zealand firms to increase international connections include:

**Beachheads:** Helps high-growth potential exporters to establish and expand in new markets by providing access to business networks, information and advice.

**International consultancy:** Through its network of international offices, NZTE provides a range of services to help businesses with market development.

**Market intelligence:** Through its international offices, NZTE keeps exporters up to date with the latest intelligence from global markets.

**Online trade enquiries:** [www.marketnewzealand.com](http://www.marketnewzealand.com) enables businesses with proven export track records to profile themselves to international customers and receive online trade enquiries.

**Path to Market:** Helps export-ready companies fast-track their entry into specific markets.

**Sector initiatives:** NZTE works with high growth potential sectors to improve international competitiveness and encourage initiatives that achieve export-led growth.

**Strategic initiatives:** NZTE's strategic initiatives focus on areas of long-term growth potential for New Zealand industries in offshore markets. They focus on connecting with global opportunities and addressing barriers to growth.

## BUILDING BUSINESS CAPABILITY

Most companies start small – many with just an idea, or a single contract, and one or two motivated people. To grow, they need to acquire new knowledge and skills, connect with customers and business partners in New Zealand and overseas, acquire or develop new technology, and raise capital.

Several NZTE programmes help businesses to gain the capabilities they need to get started and grow. In particular we:

- improve the skill base of New Zealand entrepreneurs, business owners and managers with potential to internationalise
- increase the capacity of the New Zealand economy by increasing the accessibility of growth financing, investment and resources to build capability
- facilitate access to and use of the best ideas and technologies.

The programmes and services we provide to help businesses build capability include:

**Better by Design:** Assistance for exporters to use design and branding to differentiate themselves and achieve higher margins in global markets.

**BIZ:** Business information centres and freephone service.

**Business incubators:** Advice, mentoring, and access to networks and skills, in shared premises with other high-potential companies.

**Business mentoring:** Advice and guidance from experienced businesspeople.

**E-business Guide:** Online guide to help businesses learn how to make the most of the internet.

**Enterprise Development Grants:** For capability building and development of new international markets.

**Enterprise training:** Business management training, coaching and exporter education.

**Escalator:** Information and guidance on capital-raising.

**Growth Services Fund:** Support for high-growth-potential businesses to purchase advice, expertise and market development services.

**Industry Capability Network:** Working to identify New Zealand companies that can contribute to major projects.

**www.business.govt.nz:** Online information and tools designed specifically for small and medium-sized businesses, and the people that advise and support them.

## IMPROVING THE ENVIRONMENT FOR ENTERPRISE AND GROWTH

To reach their potential, businesses need a positive environment: one that celebrates success, minimises regulatory barriers, and provides access to investment capital.

NZTE works closely with its partner agencies and businesses to address issues affecting the business environment. In particular, we work to:

- integrate economic development activities
- influence the development of a supportive regulatory and policy environment
- celebrate and promote New Zealand business success
- foster positive attitudes to business, enterprise and growth domestically and promote a positive image of New Zealand internationally.

Our programmes and services to improve the environment for enterprise and growth include:

**Attracting investment:** Investment New Zealand, a specialist team within NZTE, helps international corporate investors to relocate to New Zealand, establish greenfields operations, or work with New Zealand businesses on global ventures.

**bright magazine:** Discussing business opportunities, linking readers with inspirational and aspirational companies, and informing exporters about developing markets in bi-monthly *bright* magazine, which is circulated to nearly 18,000 readers.

**Enterprise Culture and Skills Activities Fund:** Supporting a wide range of projects that foster business knowledge and enterprising attitudes among young people.

**New Zealand Export Awards:** Recognising outstanding achievement and growth by New Zealand exporters.

**New Zealand New Thinking marketing programme:** Building international recognition for New Zealand's creativity, innovation and technology.

**Regional Strategy Fund:** NZTE's Regional Strategy Fund replaced elements of its Regional Partnerships Programme in July 2007. The fund helps 14 regions across New Zealand to improve the quality of their business environment through the development and implementation of regional economic development strategies. It works alongside MED's contestable Enterprising Partnerships Fund, which focuses on substantial regional projects.

**World Class New Zealand:** Connecting high-potential New Zealand sectors with the best in international talent, and celebrating individual New Zealanders who make outstanding contributions to the country's development.



# GOING GLOBAL

In 2007/08 NZTE piloted seven new strategic initiatives that focus on areas of long-term growth potential. They have been developed based on New Zealand's capability, as well as the opportunities presented by offshore markets; and each encompasses a range of projects, delivered on and offshore.

## 1. CREATING VALUE FROM THE PRIMARY SECTOR

Accelerating the growth of globally successful firms from the primary sector by shifting the emphasis from exporting to broader international engagement.

## 2. GLOBALISATION OF NEW ZEALAND TECHNOLOGY

Working with the private sector to build strategic global partnerships that will accelerate the development and commercialisation of emerging technologies, and get the most value from New Zealand's leadership position.

## 3. INTEGRATED HEALTHCARE

Drawing on New Zealand's strengths in world-class medical research, health IT and medical technology, and on a growing bioactives industry, to apply technology to provide integrated healthcare solutions for targeted markets.

## 4. DESIGNER LIFESTYLE

Assisting the New Zealand wool industry to take advantage of global demand for sustainable materials and processes, and to capture greater market share and opportunities in growing lifestyle-driven markets. (now known as Lifestyle/ wool industry).

## 5. GLOBAL TRANSFORMATION OF THE MANUFACTURING SECTOR

Helping manufacturers to build globally recognised brands that are based on a reputation for creativity, design excellence, integrated technology and high quality customised solutions. This includes a focus on improving productivity and connecting firms to large, defined opportunities overseas.

## 6. ENTERTAINMENT – CONTENT-DRIVEN EXPERIENCE

Building industry capability around content development and supporting New Zealand creative content firms to break into markets and develop partnerships.

## 7. SUSTAINABILITY

Encouraging New Zealand businesses to realise that sustainability is changing the global business environment and helping them participate sustainably and profitably in overseas markets.

## HIGHLIGHTS FROM OUR YEAR'S WORK AROUND THE WORLD ON NZTE'S STRATEGIC INITIATIVES INCLUDE:

### CREATING VALUE FROM THE PRIMARY SECTOR

- 1 The China retail development project has helped companies to profile their products in high-end supermarkets in Shanghai and Beijing at minimum cost and low market-entry risk. Several companies involved are now pursuing commercial opportunities in the China retail market as a result.
- 2 NZTE has helped food and beverage and agritech companies to invest and expand into the South American market. Several companies have invested in Chile, Brazil and Argentina and others are now undertaking feasibility studies.

### GLOBALISATION OF NEW ZEALAND TECHNOLOGY

- 3 NZTE has helped to define market leadership opportunities for the high temperature superconductor (HTS) technology sector in several niche areas. Wellington-based HTS-110 Ltd has supplied a HTS beamline magnet for use in Germany's advanced synchrotron radiation facility; and another has been commissioned by the Bragg Institute, part of the Australian Nuclear Science and Technology Organisation (ANSTO). More orders are expected to follow these sales.
- 4 In December 2007 Industrial Research Limited and General Cable Asia Pacific announced the establishment of General Cable Superconductors, a joint venture to develop and manufacture HTS cables in New Zealand. The ability to turn HTS wire into cable opens up a range of potential applications and markets.

### INTEGRATED HEALTHCARE

- 5 The New Zealand pavilion at MEDICA 2008 raised the industry's profile and showcased the capabilities of 14 New Zealand medical technology and health IT companies. Medica is the world's largest medical trade fair, held each year in Dusseldorf. A New Zealand-hosted function at the



event attracted nearly 100 technology leaders, and the business matching service resulted in significant business opportunities and partnerships for participating companies.

- 6 The Hon Trevor Mallard led a delegation of 11 high growth potential organisations to BIO Japan in September 2007. Japan is the world's second largest bioactives market, and the majority of the companies attending held meetings to discuss their functional ingredients, dietary supplements and nutraceutical goods with Japanese corporations. These meetings were highly productive and some have led to early-stage commercial interactions.
- 7 The British Columbia and New Zealand Ministries of Health signed an international agreement to share information and innovation in health services, including encouraging joint commercial pilot projects. *For details see the Americas highlights on p 10.*

#### DESIGNER LIFESTYLE

- 8 A new company structure has been established to sell New Zealand wool internationally, as part of NZTE's work to improve the return for coarse wool. *For details see the creative industries and services sector highlights on p 16.*

#### GLOBAL TRANSFORMATION OF THE MANUFACTURING SECTOR

- 9 NZTE's competitive (or lean) manufacturing programme was funded for three years from the 2005 Aichi Leveraging Fund. During that time there has been growing interest by companies to use competitive methods to improve their productivity. Competitive manufacturing workshops have been run for industry clusters such as Hamilton's aviation cluster and the topic has been introduced into NZTE's Enterprise Training Programme.
- 10 Manufacturing+ is a strategy for helping New Zealand businesses look at their operations in a holistic and consumer-focused way. NZTE organised seven Manufacturing+ workshops around New Zealand to introduce manufacturers to the value creation model that forms the basis of the strategy. Another 20 companies, including some outside of the traditional manufacturing sector, have followed up the workshops with in-house strategy sessions to help them get the most value from their business globally.

- 11 NZTE has helped several manufacturing and technology companies to take advantage of government procurement opportunities in North America, particularly in the area of homeland security. NZTE also hosted a forum for New Zealand companies to learn how best to engage with the US public sector and share best practice. This has resulted in several multi-million dollar deals for New Zealand companies in North America.

#### ENTERTAINMENT – CONTENT-DRIVEN EXPERIENCE

- 12 Five internationally competitive New Zealand animation companies pitched to major US film studios and networks including Disney, Cartoon Network and National Geographic during a series of business events arranged by NZTE in Los Angeles in June 2008. The different perspective and fresh ideas they demonstrated impressed the US participants, and discussion about business deals is ongoing. The NZ→LA events profiled New Zealand's capability across key creative industries.
- 13 X Media Lab brought local and international digital media experts together under the banner of 'commercialising ideas'. The two-day workshop provided New Zealand companies with the opportunity to get input into projects and strategies and develop relationships with international experts in digital media. NZTE supported the event as part of its strategy to up-skill and globally network the New Zealand digital sector.

#### SUSTAINABILITY

- 14 NZTE assisted firms to understand and respond to the opportunities and challenges of sustainability in an international context. This included gathering international market intelligence about the size and scope of markets for sustainable products and services, and publishing the information online for the use of New Zealand firms.
- 15 Sustainability has been incorporated into NZTE's services, including Enterprise Training, Better by Design and Manufacturing+ programmes. NZTE is also moving its own operations towards sustainability.



## NZTE'S INTERNATIONAL NETWORK

NZTE operates a hub and spoke approach to offshore locations. This ensures depth and expertise in markets while retaining operational flexibility. Hub offices are permanent locations housing the regional director and trade commissioner, and investment, sector and market specialists. Hubs support the regionally located spokes. Spoke offices are intended to be flexible, with their duration and resourcing reflecting changing market opportunities.

- Creating value from the primary sector **1 2**
- Globalisation of New Zealand technology **3 4**
- Integrated healthcare **5 6 7**
- Designer lifestyle **8**
- Global transformation of the manufacturing sector **9 10 11**
- Entertainment – content-driven experience **12 13**
- Sustainability **14 15**



#### HUBS

Auckland  
Hamburg  
Hong Kong  
Los Angeles  
Singapore



#### SPOKES

Ankara  
Bangkok  
Beijing  
Buenos Aires  
Dubai  
Guangzhou  
Ho Chi Minh City  
Jakarta  
Karachi  
Kuala Lumpur  
London

Madrid  
Manila  
Melbourne  
Mexico City  
Milan  
Mumbai  
New Delhi  
New York  
Noumea  
Papeete  
Paris  
Riyadh

Santiago  
Sao Paulo  
Seoul  
Shanghai  
Suva  
Sydney  
Taipei  
Tokyo  
Vancouver  
Washington DC

# MARKET OVERVIEWS AND HIGHLIGHTS

## THE AMERICAS



Despite the global economic challenges of 2008, the Americas remain markets in which smart Kiwi companies can excel. A unique offering, a focused business plan, the capital to sustain market entry, and ability to forge networks are among the critical success factors.

The United States is New Zealand's second largest export market and an important source of foreign investment, while South American nations are increasing their engagement with New Zealand companies – particularly in the agri-business sector.

Securing influential connections at targeted trade events, driving value from trade missions, and establishing forums through which to profile innovative New Zealand companies are among the major activities that NZTE undertook in the Americas in the year to June 2008.

### HIGHLIGHTS

#### **Trade missions: South America, Vancouver and Seattle:**

The size and growth of opportunities in the food value chain in Argentina, Uruguay, Brazil and Chile were made evident to 11 companies and organisations that participated in a trade mission to South America in September-October 2007. The following month, NZTE organised a trade mission to North America's Pacific north-west region. Both missions were led by Trade Minister Phil Goff and Export Year Business Champion Ken Stevens.

**North American Beachheads conference:** Recruiting for success, building a brand and tapping into expat expertise were among the topics reviewed at the North American Beachheads conference held in California in October 2007. Fifteen Beachheads clients had the opportunity to review companies' specific needs, share ideas and experiences, and gain insights from expert advisors.

#### **National Restaurant Association 2008 show (NRA):**

A steady stream of visitors learned about New Zealand's quality food and beverages at the NRA Show in Chicago in May 2008, attracted by the programme of events for potential customers and the design quality of the two-storey stand. Eight VIP tasting sessions for targeted media and restaurant chains resulted in positive coverage and new

contracts for some of the 18 participating companies and representative bodies.

**BIO 2008:** The New Zealand presence at BIO 2008 in San Diego was the strongest ever, with 100 people representing 44 companies attending North America's huge biotechnology show in June 2008. NZTE's Americas team arranged more than 50 meetings for participating companies with potential business partners. Media interest in Kiwi innovation increased, with more than 20 interviews conducted. NZTE also represented New Zealand in a high-profile international panel discussion on using biotechnology to build sustainable industries.

**Canada health mission:** Strong connections and new business deals were forged between New Zealand and British Columbia's health sectors during events co-ordinated by NZTE's Canada team in May 2008. Twenty-five New Zealand companies and health agencies demonstrated solutions in capacity creation, chronic disease management, community care, decision support, and primary care integration.

**Los Angeles entertainment sector showcase:** *see details in the Going Global highlights on p 7.*

## AUSTRALIA AND THE PACIFIC



As New Zealand's largest trading partner, Australia continues to play a lead role in the internationalisation of New Zealand businesses, with proximity, tariff-free access and similarities in business culture providing solid opportunities for New Zealand companies.

NZTE's Australian strategy has three areas of focus: to increase the success rate of new and emerging exporters; to increase the number of New Zealand-owned Australasian businesses; and to continue to increase the level of Australia/New Zealand collaboration to pursue third market opportunities.

### HIGHLIGHTS

**Path to Market programme:** Export Year funding saw 26 New Zealand companies from the food and beverage, ICT and specialised manufacturing sectors visit Australia as part of NZTE's acclaimed Path to Market programme, which assists capable emerging exporters to quickly and successfully evaluate the Australian market. A winner in the VERO Excellence in Business Support Awards in 2008, the comprehensive programme includes 'dragon's den' style business pitching and an in-market visit to meet industry experts, attend relevant industry events, and participate in business development programmes organised by NZTE.

**Support network for new exporters:** NZTE has developed key industry relationships and established a support network for New Zealand companies entering the Australian market, consisting of over 30 Australia-based organisations that can provide business development advice and mentoring for New Zealand companies.

**Defence engagement strategy:** NZTE has been active in the defence sector, raising New Zealand's profile with key industry influencers and assisting New Zealand companies to access these relationships and other major opportunities in the defence market. New Zealand had a major presence at the Pacific Maritime and Naval Defence Expo and other key industry trade shows and conferences; and sponsored events involving members of the Defence Materiel Organisation. NZTE negotiated the inclusion of New Zealand companies in the new Australian Defence Industry

Capability E-Portal, to be used by major Australian and international defence companies as the primary resource for defence capability information.

**Air warfare destroyer project:** NZTE negotiated New Zealand's inclusion in the industry consultation process for the air warfare destroyer project, which included participation in two roadshows in New Zealand that were attended by over 45 companies. NZTE also negotiated the inclusion of New Zealand companies in an otherwise Australian trade mission to Spanish air warfare destroyer ship designer Navantia. This mission will enable capable New Zealand companies to promote their products and services directly to the ship designers.

**Trans-Tasman biotechnology partnerships:** *see details in the biotechnology sector highlights on p 15.*

## EUROPE, MIDDLE EAST AND AFRICA



In spite of global economic trends, the Middle East's economies remain buoyant and continue to expand, attracting an increasing number of New Zealand exporters. NZTE is working to make the most of opportunities in the ICT, food and beverage, education and specialised manufacturing sectors. Europe's reputation as a discerning, sophisticated market continues, with consumers willing to pay premium prices for high end, luxury products. European businesses are looking for the latest niche solutions to increase efficiencies, reduce costs and win

consumer share. NZTE is expanding its UK Beachheads programme to cover continental Europe, in order to better assist New Zealand companies targeting this region.

### HIGHLIGHTS

**Promoting health technologies:** NZTE Milan is partnering in a two-year research project with Milan Polytechnic, Italy's Association of Health, and eight other commercial partners to look at the role of IT in healthcare. This is providing a unique opportunity to build strategic relationships with all the major developers and purchasers of health IT in Italy. Orion Health and Zephyr are already benefiting from the association.

Asklepios, Europe's largest private clinic chain, has set up a reference hospital site as part of its Future Hospitals Programme and is looking for new health technologies to optimise efficiencies for roll-out across the group. NZTE organised a presentation by four leading New Zealand health IT companies to Asklepios. This workshop created recognition of New Zealand's leadership in health IT and discussions are ongoing regarding a pilot at the Asklepios reference site in the future.

**Growing food and beverage exports to the Middle East:** NZTE has been creating new market opportunities in the Gulf region for New Zealand food service exporters through its strategic relationships with airline product buyers, executive chefs, and key distributors, and its profile-raising initiatives such as Taste New Zealand. NZTE has also made the most of its relationship with the Emirates Culinary Guild, giving New Zealand exporters the opportunity to present to decision-makers within the food service sector. New Zealand company Canary Enterprise Limited has seen sales into the region increase significantly, with assistance from NZTE.

**Facilitating closer client relationships:** In February 2008 NZTE held a client focus session in Hamburg, inviting key European clients to give feedback on NZTE's services. This has led to a greater focus on client needs, with NZTE working as one integrated team across Europe – engaging with 60 high growth potential companies and building strategic relationships with a select 30.

**Rugby World Cup 2007:** NZTE delivered six corporate hosting events for New Zealand companies and their clients at selected All Black games in France and the United Kingdom during the Rugby World Cup. The companies unanimously stated that these events helped to strengthen relationships with new and existing clients. NZTE also organised a 'Cooking Course with the All Blacks' to promote New Zealand food and beverage. This was broadcast to a potential audience of 137 million viewers around the world. Collectively, NZTE's Rugby World Cup activities helped to facilitate between NZ\$8.1 and NZ\$11.4 million of additional business in Europe.

**Marine market development:** Following on from profiling New Zealand marine prowess at the America's Cup, NZTE completed an 18-month study on market development strategies for the marine equipment and accessories industry, culminating in discussions with more than 20 companies. Based on strong commitment from 13 of these, NZTE is developing a project to address both demand creation and order fulfilment barriers faced by these companies.

## NORTH ASIA



North Asian markets continue to grow between four and 10 percent a year and offer considerable opportunities for New Zealand businesses. The year to June 2008 saw the strengthening of trade relationships between New Zealand and China, Japan and South Korea, as evidenced by the visit of Prime Minister Helen Clark and several government Ministers to the region. The signing of the New Zealand-China Free Trade Agreement, the agreement to commence preparatory talks towards the negotiation of a free trade agreement with South Korea, and the agreement to launch a study into the implications of a Japan-New Zealand Economic Partnership Agreement, will only increase the opportunities that the region provides.

### HIGHLIGHTS

**New Zealand-China Free Trade Agreement:** The signing of the New Zealand-China Free Trade Agreement (FTA) in April 2008 marks a watershed in our relationship with the world's fourth largest economy. The FTA is China's first with a developed country and New Zealand's most important since Closer Economic Relations with Australia 25 years ago.

Prime Minister Helen Clark, Trade Minister Phil Goff and Education Minister Chris Carter led a 250-strong delegation, the largest ever trade mission from New Zealand, to Beijing for the signing and associated activities. Several members of the delegation also joined Ministers Goff and Carter on a mission to Hangzhou – a source of excellent high value business opportunities in eastern China. NZTE was involved in all activities, including the organisation of a business symposium, which highlighted the intricacies of business in China, and a comprehensive media engagement programme, which helped to promote New Zealand as a valued business partner for China.

NZTE has developed a suite of materials, including a website, and held a series of well-attended roadshows in New Zealand (jointly with the Ministry of Foreign Affairs and Trade) providing information on doing business in China. NZTE is implementing an FTA leveraging programme, which aims to build New Zealand business knowledge and capability.

**Re-energising Japan-New Zealand relations:** Prime Minister Helen Clark and Trade Minister Phil Goff led a delegation of New Zealand business leaders to a meeting of the business, political and academic elite of New Zealand and Japan in Tokyo in May 2008. The Japan-New Zealand Partnership Forum generated considerable dialogue to re-energise the trade relationship between the two countries. It looked at, among other things, the role and importance of innovation and synergies between New Zealand achievements in food technology, digital design, and environmental products, and Japan's capabilities as a world leader in producing and commercialising new concepts. Several recommendations that came from the Forum are incorporated in NZTE's strategy for supporting New Zealand business in Japan.

The Forum was preceded by New Zealand Paradise Week in Tokyo in November 2007 – a showcase of New Zealand's key sectors including tourism, food and beverage and fashion; and a strong New Zealand showing at tradeshow Foodex and BIO Japan. The events were hugely successful in raising New Zealand's profile in Japan.

**Investment:** There is growing interest from the region in investing in New Zealand, with total investment of about NZ\$15 billion over the 2007/08 year (Source: Statistics New Zealand). NZTE has also organised two high profile investor visits from Japan and Korea to New Zealand.

**Food and beverage tradeshow:** NZTE hosted New Zealand's largest ever presence at two of the main food and beverage tradeshow in the region – Food and Hotel China in Shanghai and Foodex Japan in Tokyo. The New Zealand presence was supported by a uniquely designed and strongly branded pavilion, quality presentations from exhibitors, several on-stand VIP functions for key trade influencers and media, off-stand activity for select hotel/restaurant/industry audiences and kapa haka performances to provide a distinctively New Zealand flavour. A number of exhibitors secured firm contracts and leads for new business as a result of their participation.

**China Beachheads Advisory Board:** A strong board of advisors has been recruited for NZTE's China Beachheads programme, launched earlier this year. The Board Chair, expatriate New Zealander David Mahon, has more than 20 years' experience in China.

**Concept centres:** Following the success of New Zealand Focus (NZTE's first concept centre) in Hong Kong, NZTE will launch a concept centre in Shanghai in the 08/09 year and commence preparatory work on a centre in Tokyo. The Shanghai centre will be a business-to-business initiative designed to build the New Zealand brand and help businesses build connections and a long-term presence in China.



## SOUTH AND SOUTH EAST ASIA



South and South East Asia continues to experience growth, with the average economy increasing at around six percent per year. In order to build New Zealand business engagement with the region, NZTE has focused on adding value to significant promotional opportunities and trade missions, both in New Zealand and overseas. Trade agreements and greater acceptance of different business models by New Zealand companies, including partnerships, joint ventures and other alliances, have also broadened market access in the area. To take advantage of these developments, NZTE is increasing its investment in India, putting New Zealand companies in a better position to understand the opportunities arising in line with the economic development needs of this rapidly growing market.

### HIGHLIGHTS

**New markets for New Zealand pine:** NZTE organised a mission to India for the wood, building and interiors sector (*for details see the sector highlights on p 19*) and, in association with NZTE and the Malaysian Timber Council, eight New Zealand pine exporting companies attended a series of seminars and one-on-one business meetings in Johor, Kuala Lumpur and Penang as part of a mission to promote the use of New Zealand pine in the growing Malaysian market.

**E-learning in Thailand and Malaysia:** NZTE and a number of New Zealand firms (under the umbrella of Innovation New Zealand Education or iNZed) have been working together to match New Zealand's e-learning capability with opportunities in South and South East Asia. iNZed have completed their first project in Thailand with the Office of the Basic Education Commission of the Thai Ministry of Education, providing examples of ICT usage in Thai secondary and primary schools. The Ministry of Education and Northern Corridor Implementation Authority (NCIA) in Malaysia continues to make good progress with the e-learning project; and NZTE is working with Polytechnics International NZ to respond to a nursing training opportunity.

**Trade shows:** After extensive research by NZTE into opportunities in the aviation sector, an industry delegation travelled to India to participate in the Airports and Airlines Expo. More than 150 Indian aviation students are now enrolled in New Zealand aviation training institutes. Work is also progressing around other areas of interest, such as airport baggage handling systems and air traffic control. Food Hotel Asia 2008 is the region's largest hospitality trade show. NZTE organised functions, meetings and media

opportunities for the companies participating on the New Zealand stand. Companies that attended have advised of a number of positive business opportunities arising from the show and supporting events.

**Prime Minister's mission:** In July 2007 the Prime Minister and a business delegation visited Malaysia and Indonesia to raise the profile of New Zealand's expertise in education, ICT, biotechnology, agricultural research and related technology sectors. Relationships forged during this mission have since led to a number of collaborations with the Malaysian government in the education and biotechnology sectors, along with educational training opportunities with the Sampoerna Foundation (a non-profit philanthropic organisation dedicated to improving the education sector in Indonesia).

**Asia expansion:** NZTE extended its reach in the Indian market when it opened the doors to its new Mumbai office in February. Six New Zealand companies were accepted into the South East Asia Beachheads programme and four into the India programme, and several companies were identified for future acceptance. A number of well-connected and established business players joined the Beachheads advisory boards during the year. Roadshows in New Zealand have focused on trade and investment opportunities in Vietnam and India.

**Education in Vietnam:** *see details in the education sector highlights on p 16.*

# SECTOR OVERVIEWS AND HIGHLIGHTS

## BIOTECHNOLOGY

NZTE works to accelerate the development and growth of an integrated and internationally acclaimed New Zealand biotechnology sector. New Zealand leads the world in many niche biotechnology application and commercialisation areas, and has strong relationships with investors, collaborators and markets.

### HIGHLIGHTS

**Sustainable marketing of natural products:** NZTE linked 40 retailers and distributors in Taiwan to representatives from seven New Zealand natural products companies via a video conference in April 2008. NZTE staff in Taiwan presented an overview of New Zealand's nutraceutical capabilities, after which the New Zealand companies gave presentations about their products. Samples had been sent to Taiwan in advance for the conference and a subsequent networking event. Feedback on using video conference sessions in this way has been positive and several of the New Zealand companies have been pursuing opportunities from it.

**BIO 2008 in San Diego:** *see details in the Americas highlights on p 10.*

**New Zealand companies in touch with North America:** NZTE's North American biotechnology team used a 'narrowcasting' technique to convey information about New Zealand companies and business opportunities to selected contacts in the region, by targeted emailing of information to a pre-qualified database. This method has proved to be highly efficient and has generated several business leads while raising the profile of the sector among key decision-makers.

**Supporting New Zealand products in international clinical trials:** Five New Zealand biotechnology companies have had funding approved from NZTE's Growth Services Fund to help them undertake clinical trials for healthcare products, pharmaceuticals and diagnostic technologies.

**ANZBPF project funding increased:** The Australia New Zealand Biotechnology Partnership Fund (ANZBPF) encourages trans-Tasman collaboration and assists companies in commercialising their ideas, as well as providing opportunities for both countries to work together on entering new markets. Three large-scale trans-Tasman biotechnology projects were awarded a total of \$3.8 million in grants under the Fund in 2007/08. Improvements were also made to the Fund, including expanding the criteria to allow existing trans-Tasman partnerships to apply for new projects and raising the co-funding threshold to \$2 million for any one application. NZTE also introduced a two-tiered application system to allow for a simpler one-step application for smaller grants and maintain a more robust two-step process for larger grants.

**NZBio 2008 conference:** NZTE organised several international delegations for the NZBio 2008 conference in late March, to share their expertise and meet business contacts. Delegates from Manitoba took part in a business-to-business programme and a Japanese expert in health ingredients and cosmeceuticals presented an NZTE seminar series during the conference. A representative from the Ministry of Economic Affairs in Taiwan also attended, as did a party of UK health firms and research organisations.

## CREATIVE INDUSTRIES AND SERVICES

NZTE's work with this sector focuses on fostering connections with global networks, identifying international opportunities and assisting New Zealand companies to grow through the introduction of design-led processes and innovative technologies.

### HIGHLIGHTS

**Better by Design:** Better by Design continues to increase New Zealand's export earnings by assisting companies to grow in international markets and improve their financial performance. This year the programme focused on attracting both larger-scale companies and companies across a broader range of sectors, including tourism and food and beverage. Villa Maria, Fitzroy Yachts, Tait Electronics, Kea Campers, Skyline Enterprises and First Light Foods were just some of the 26 companies that entered the programme. An external review concluded that Better by Design's services 'are driving real changes in business through design'.

**Working with the wool industry:** NZTE has continued to work with the wool industry to improve economic returns for New Zealand wool: changing the sales model to emphasise the premium quality of the product; and sharing ideas, contacts and marketing. Opportunities for high-end luxury wool products in the automotive and hospitality

industries continue to be developed. A relationship is being developed with a major United States based carpet manufacturer and the industry is working with Volvo to develop a range of products. Opportunities are being sought to diversify this activity to other market sectors.

**NZ→LA 08:** *see details in the Going Global highlights on p 7.*

**X Media Lab:** *see details in the Going Global highlights on p 7.*

**AnimfxNZ 2007:** The second annual AnimfxNZ symposium brought together international guests chosen for what they could offer the New Zealand digital entertainment industry. New Zealand company representatives were given maximum access to the international VIPs' expertise, through a series of one-on-one meetings. The symposium has helped cement a collaborative approach for the industry, which sees companies working together to seize export opportunities.

## EDUCATION

NZTE focuses on building New Zealand's capability to deliver education products and services to corporate, industry and government markets. We have been solidifying industry support for this strategy by further defining New Zealand's current capabilities – focusing on strengths in specialised areas (agriculture, aviation, education system development, and tourism and hospitality), holding a second international education summit, and identifying and developing opportunities in South and South East Asia and the Middle East.

### HIGHLIGHTS

**International Knowledge Services Summit:** This second summit brought together representatives from key sectors to discuss how to respond to significant commercial opportunities identified offshore by NZTE. The Summit re-confirmed the industry's commitment to developing new areas of business in agriculture, aviation, tourism and hospitality, and education system development.

**Airports and Airlines Expo, New Delhi:** *see details in the South and South East Asia highlights on p 14.*

**Formation of New Zealand aviation consortium:** NZTE, in partnership with Aviation New Zealand, has facilitated the formation of an aviation flight training consortium to develop customised training packages for major overseas airlines. A collaborative approach is essential in this sector to overcome issues of scale.

**Partnering with Vietnamese universities:** New Zealand has been selected to assist Vietnam to increase its English

language capability. In response to a request for assistance with retraining up to 50,000 Vietnamese teachers, NZTE held education forums in Hanoi and Ho Chi Minh City in partnership with the Ministry of Foreign Affairs and Trade and the New Zealand Ministry of Education. As a result, two New Zealand universities are partnering with two Vietnamese universities to develop and deliver masters programmes in English language teacher training.

**Middle Eastern education reform:** Schools engaged in Qatar's Supreme Education Council are performing 40 percent better than those outside the government's reform programme, thanks to the work of New Zealand company Cognition Consulting. As a result, their expertise is being sought by other Middle Eastern countries. NZTE is working closely with Cognition as they develop a model for internationalising their business in the region.

## FOOD AND BEVERAGE

Over the past year, work has continued on developing and expanding high value channels in key markets around the Pacific Rim. NZTE has been working to build excellence and innovation in the sector, with a focus including sustainability, traceability and research and development.

### HIGHLIGHTS

**China retail development project:** see details in the *Going Global highlights* on p 6.

**North American channel development:** NZTE has fostered relationships with selected high-end retail and restaurant chains, and with key distribution and logistics partners, in the United States, Canada and Mexico to provide more sophisticated access channels in the market. Development of a strategic relationship with American natural and organic giant Whole Foods Market has resulted in five companies securing national product listings in the United States. Companies have also negotiated distribution contracts with United Natural Foods, the largest natural products distributor in North America. The combined value of initial orders exceeded NZ\$1.2 million.

**Food value chain:** Food and beverage and agricultural technology companies have extended their business operations beyond New Zealand by investing in or joining strategic partnerships in South America. This has also given them greater access to high value global markets. NZTE has assisted their investment in the region by providing market intelligence, identifying partnership opportunities, addressing barriers, and promoting and supporting trade.

**Excellence and innovation:** NZTE is involved in a suite of projects using technology to build excellence and innovation in the food and beverage sector. The Farmgate project uses on-farm technology to improve productivity and strengthen New Zealand's reputation in both farm systems and traceability. Through its support for various industry groups, NZTE is involved in a number of other research and development projects. These projects position New Zealand at the leading edge of areas such as functional foods and food traceability, and global consumer demand for smart, safe, sustainably produced food and beverage products.

**Food and Beverage Taskforce:** In response to Taskforce recommendations, NZTE has delivered three major food and beverage showcase events in China, Japan and the United States; supported the market development response to the national aquaculture strategy; and contributed to studies toward a national product development infrastructure. Participation in Food & Hotel China (Shanghai) and Foodex Japan (Tokyo) has significantly raised the profile of New Zealand as a food and beverage supplier to these key North Asia markets. At the National Restaurant Association Show 2008 in Chicago, 20 leading food and beverage firms participated on the NZTE-led pavilion where VIP 'Taste New Zealand' promotions were provided to a number of key restaurant chain targets.

### TRADE AND MINISTERIAL MISSIONS LED BY NZTE 2007/2008

MISSION	MINISTER	DATE	SECTOR
Valencia – America's Cup leveraging programme	Hon Trevor Mallard	June /July 2007	Food and beverage/ specialised manufacturing
Malaysia	Rt Hon Helen Clark	July 2007	Multi sector
Japan – BIO Japan	Hon Trevor Mallard	September 2007	Biotechnology
Argentina, Uruguay, Brazil and Chile – food value chain	Hon Phil Goff	September/ October 2007	Food and beverage/ agritechnology/ biotechnology
France – Rugby World Cup leveraging programme	Hon Trevor Mallard	September/ October 2007	Food and beverage/ specialised manufacturing
Guam – industry forum	Hon Luamanuvao Winnie Laban	October 2007	Specialised manufacturing
North America	Hon Phil Goff	November 2007	Specialised manufacturing
India – wood processing/opening of Mumbai Office	Hon Jim Anderton	March 2008	Wood, building and interiors
Germany – CeBIT	Hon Pete Hodgson	March 2008	Information and communications technology (ICT)
China – signing of China-NZ FTA	Rt Hon Helen Clark, Hon Phil Goff and Hon Chris Carter	April 2008	Food and beverage/ specialised manufacturing/ education/ creative/ ICT
USA – Bio, San Diego	Hon Pete Hodgson	June 08	Biotechnology

## INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

NZTE is helping New Zealand ICT companies to improve their capabilities in product development, commercialisation and exporting. NZTE uses international networks to identify niche market opportunities, and help ICT companies to enter and develop offshore markets and develop a global presence. The long-term objective is to create an environment in which New Zealand ICT companies accelerate their international success and become world-class businesses.

### HIGHLIGHTS

**CeBIT 2008:** CeBIT is the world's largest ICT business to business trade show, with more than 5,845 exhibitors from 77 countries and close to half a million visitors. The NZTE pavilion at CeBIT 2008 hosted 13 New Zealand ICT companies, Immigration New Zealand and an ICT recruitment company. Highlights from CeBIT 2008 include the generation of 1,363 leads for New Zealand companies and the estimated generation of over \$34 million economic benefit in the 12-month period following the event.

**International payment collaboration:** NZTE has played an integral role in the establishment of New Zealand Payments Inc (NZP), an industry body set up 18 months ago to support New Zealand payment companies looking to internationalise. NZP's first joint international effort was at the Cards Asia Conference in Singapore, where a 'soft' launch for the industry body was held at an NZTE co-sponsored workshop. Companies that attended gained market exposure and the opportunity to build strategic relationships with potential partners and customers. The industry has now taken ongoing ownership of NZP.

**Delivering on geospatial potential:** The presentation of traditional data in a geographic or location context is rapidly becoming widespread. NZTE has initiated projects to assess New Zealand capability in this area and help establish a

community of interest. New Zealand has world-leading capability in land information management, a wealth of quality spatial land information and an innovative specialist industry that is not being fully utilised. NZTE has recently retained the services of the Hon Gary Nairn, former Australian Special Minister of State and architect of the Australian geospatial strategy, to advise on how we can strengthen the economic benefit of applying geospatial information more effectively.

**Applying technology on the farm:** NZTE partially funded the Farmgate project, which seeks to demonstrate how ICT technologies can lead to better management of sheep, beef and deer farms. A number of technologies were trialled on two farms, one located outside Dunedin and the other on Waikato hill country. Two trials had significant outcomes: dry conditions over summer and autumn were better managed following the integration of soil moisture and temperature data into feed planning software; and the application of DNA testing to rams and analysis of sire performance against the records of 400 lambs at slaughter showed a wide variation in ram performance, the causes of which are being further investigated.

## SPECIALISED MANUFACTURING

NZTE's vision is for New Zealand manufacturing to be recognised as a high performing sector, and a major and growing contributor to the New Zealand economy. This will occur as it increases its contribution to New Zealand's per capita gross domestic product growth, foreign exchange earnings and profitability.

### HIGHLIGHTS

**New Zealand maritime careers initiative:** Launched by NZTE, marine recruitment company Viking Maritime Recruitment (NZ) and cruise line Holland America, this initiative aims to make New Zealand a destination of choice for international training in maritime careers. First steps include encouraging more New Zealand students to consider maritime careers, and the development of relationships between employers here and internationally with New Zealand training providers.

**National Project Office:** The National Project Office has been established by the New Zealand heavy engineering,

fabrication and construction industry, with assistance from NZTE. The Office's main role will be to identify and assist with the formation of New Zealand consortia within manufacturing and high technology industries to collaborate on winning overseas project tenders. The Office will also assist such consortia with the tender process and marketing.

**Launch of Aviation New Zealand:** NZTE assistance led to the creation of Aviation New Zealand, a new organisation that is developing an export strategy and assisting companies involved in aviation exports. Aviation New Zealand aims to

bring the export sector together and enable New Zealand to take advantage of significant emerging global aviation opportunities. Since its launch, Aviation New Zealand and NZTE have worked together at the Airport and Airline Expo in New Delhi, India. *For details see the South and South East Asia highlights on p 14.*

**International marine trade events:** NZTE worked with industry export body New Zealand Marine at three international marine shows: Monaco Yacht Show, the Fort Lauderdale International Boat Show, and the Marine and Equipment Trade Show (METS) in Amsterdam. METS was a particular success, with 16 New Zealand companies exhibiting on the country's stand and 10 New Zealand

companies 'walking' the show. New Zealand's increasing presence at METS highlights our growing reputation in the marine hardware, equipment and services sector.

**New technologies for New Zealand manufacturers:** NZTE introduced 40 manufacturers to the benefits of using titanium-based powders in their products, as part of a wider project encouraging the development of titanium powder technology in New Zealand. Nearly all the companies selected for visits were interested in using the titanium powders to help increase the life of their products, to make them more economical to manufacture and to add value to their businesses.

## TOURISM

NZTE's tourism strategy focuses on identifying opportunities to take New Zealand companies overseas to grow their businesses, building business capability domestically to help companies take advantage of this growing industry, and encouraging collaboration within the industry.

### HIGHLIGHTS

**Growing markets:** NZTE has identified an opportunity for collaboration in the spa and wellness area of the tourism industry, focused on lifting quality and consistency and promoting this growing area in key markets. NZTE is also working with the Maori Tourism Council to increase profile and grow Maori businesses' share of the tourism market.

**Planning for the future:** NZTE is a participant in the development and implementation of the New Zealand Tourism Strategy 2015.

**Building business capability:** Key tourism industry stakeholders are working with NZTE to identify opportunities to build business capability, via focused sector training delivered through NZTE's Enterprise Training Programme.

## WOOD, BUILDING AND INTERIORS

In a world of increasing environmental concerns, New Zealand pine is a sustainable option for high-quality clear wood and value-added products used in construction, interiors, furniture, landscaping, and packaging. NZTE is working with the industry to develop markets that have growth potential for value-added wood products, for example Australia, India, China, and Malaysia.

### HIGHLIGHTS

**New Zealand wood products and solutions to India:** In March 2008, a group of leading businesses in the wood and building sectors joined a trade mission to New Delhi and Mumbai, led by Minister of Forestry Jim Anderton. During the mission, Lockwood opened its first show home in India. Lockwood is using the show home, which is located in

Gurgaon, about 20 kilometres outside New Delhi, to target India's growing middle class. The mission also included technical seminars about New Zealand pine and one-on-one meetings between the New Zealand firms and potential customers in India.

## INVESTMENT NEW ZEALAND

Investment New Zealand (INZ), a division of NZTE, assists international corporates to explore investing in, and working with, New Zealand companies on global ventures; and helps existing overseas investors to develop their business activities in New Zealand, to ensure economic benefits are maximised. INZ is also focused on supporting a vibrant capital market in New Zealand, which can provide finance for business growth. NZTE's investment managers are based in New Zealand and in key locations around the world.

### HIGHLIGHTS

**Growing venture capital (VC):** Ensuring local companies have access to New Zealand based VC funding at an early stage in their growth cycle has been a focus for INZ. The objective has been to promote New Zealand VC funds and encourage joint ventures with foreign firms. INZ assisted US fund Comventures to establish a \$65 million fund in New Zealand to focus on digital media. INZ has also established an international network of VC fund managers, with a focus on the Silicon Valley; organised meetings between New Zealand companies and international fund managers in the United States; hosted individuals from the United States and Japanese VC communities in New Zealand; and worked to support VC funds backed by the NZ Venture Investment Fund.

**Partnering with India in ICT:** Several Indian multinationals are exploring partnerships with New Zealand companies in the high technology sector. Leading Indian IT solutions company CMC established a partnership with the Massey University e-Centre business incubator, which assists start-up technology companies. CMC has subsequently formed distribution partnerships with five New Zealand companies, including Christchurch's Jade Software. CMC is now deploying a customised version of the Jade student management software in their education and training centres throughout India.

**Made in New Zealand:** INZ promotes New Zealand's screen production expertise to key players in international markets. Promenade Pictures from Los Angeles has entered a co-production with New Zealand's Huhu Studios to produce the 'Epic Stories of the Bible', a series of 12 animated films. Each film will be created by Huhu and Promenade, and produced, marketed and distributed worldwide by Promenade in a joint ownership arrangement. The first film to be completed, *The Ten Commandments*, was released in 2007. The total project is worth more than US\$150 million.

**Support for outward investment:** In July 2007, Cabinet approved a change to NZTE's mandate, to support outward investment by New Zealand firms on a case-by-case basis. INZ developed a pilot programme, which resulted in a proposed outward investment model to (i) assist firms to ascertain their readiness to expand into international markets through investment; (ii) help companies make faster and better informed decisions on location, relative competitive positioning; and appropriate business and financial models; and (iii) provide access to networks of in-market experts – to cover subject matters such as tax, IP, human resources – to assist businesses to adapt to local business conditions. In December 2007, Ministers Goff and Hodgson added support for outward investment as a specific function of NZTE.

## VISITING MEDIA PROGRAMME

NZTE's Visiting Media Programme brings international media to New Zealand, with the goal of raising New Zealand's profile as a nation of new ideas and new thinking in target markets and sectors.

### HIGHLIGHTS

**In focus across Asia:** CNBC's daily business show *Squawk Box*, which broadcasts to a targeted audience of business decision-makers across Asia and the United States, Australia and Europe, sent anchor Martin Soong to New Zealand in October 2007. Soong was live on air from Auckland and Wellington every morning for a week, interviewing company leaders and business commentators. The show's focus was New Zealand: innovative companies and products, the business climate, the stock market, foreign exchange, policy and prospects.

**Super-yacht superpower:** After a visit to Auckland to attend trade show Yacht Vision, leading marine publication *Yachting World* headlined New Zealand as a sailing superpower with one of the most effective super-yacht business clusters in the world.

**Innovation and quality:** Following his visit to New Zealand, Takao Kawata, the editor in chief of *Biotechnology Japan*, introduced the work and products being developed by New Zealand companies and research organisations, highlighting the quality of the natural environment and New Zealand's strength in developing innovative functional ingredients.

**Agricultural leadership:** New Zealand's agricultural sector was profiled in Uruguay's *El Observador* by leading South American agri-bio journalist Leonardo Bolla, who canvassed the efficiency of New Zealand's dairy sector, the high level of technology, innovative developments and infrastructure.

**Premium position:** A leading aquaculture strategy, premium brands and sustainable farming informed the taste of New Zealand for Susan Kirk, who profiled the country in Australian food industry magazine *Global Food and Wine*.

**Fresh New Zealand:** Chinese business magazine *Modern Weekly* visited New Zealand to interview innovative companies working in China, after the signing of the Free Trade Agreement between the two countries.



# EXPORT YEAR 2007

Export Year 2007 was a joint initiative between government and the private sector that focused on increasing New Zealand's long-term export performance by supporting both new and existing exporters and encouraging businesses to globalise their operations. NZTE was the Government's main implementation agency for Export Year 2007, working alongside the Ministry of Economic Development and the Ministry of Foreign Affairs and Trade. Private sector organisations involved in the Export Year initiative included business and industry organisations, education providers, unions, and commercial enterprises.

## HIGHLIGHTS

**Expansion of the Path to Market programme:** Five natural products companies went to Hong Kong under an Export Year funded Path to Market initiative. *For more information see highlights from Australia and the Pacific on p 11.*

**Education and capability building initiatives:** NZTE revised and expanded the content of the Exporter Education Programme, with over 1,500 assessments, workshops and coaching sessions for participants from close to 700 companies. We also supported the launch of the New Zealand School of Export and piloted the internationally accredited tertiary level Certificate and Diploma in International Trade; and supported Business Mentors New Zealand to recruit and train over 100 mentors with export experience.

**Event and trade mission support:** In October 2007, Associate Economic Development Minister Luamanuvao Winnie Laban led an Export Year trade mission to Guam, accompanied by 13 businesses. *For details of other Export Year trade missions, see Americas highlights on p 10.*

**Communications programme:** NZTE carried out a communications programme focused on raising export aspirations among people in business and informing people about grants, training and coaching available to them. Training courses, assessments, exporter news, market information, and other resources and tools were promoted through a dedicated website; and updated exporter guides were published on [www.marketnewzealand.com](http://www.marketnewzealand.com). Key events received Export Year sponsorship, including Action Asia, Export NZ Regional Awards, the Agri Pavilion at the Royal Show, and the United States New Zealand Partnership Forum.

**Boost to the market development scheme (EDG-MD):** In support of Export Year, Budget 2007 included an additional \$87.8 million over four years for the Market Development component of Enterprise Development Grants (EDG-MD). A total of 204 applications for EDG-MD grants worth a total of NZ\$14.83 million (excluding GST) were approved during the period from 1 July 2007 through to 30 November 2007, the official end of Export Year.

**CEO/ founder forums:** Export Year 2007 Business Champion Ken Stevens hosted five forums for the CEOs and founders of export firms, delivered around the country in July and August 2007, attracting 149 participants to examine opportunities and share insights into challenges that exporters face.

## PRIVATE SECTOR LEADERSHIP

Ken Stevens, Chairman of Glidepath Group, was appointed as Export Year 2007 Business Champion. Glidepath designs, manufactures and installs airport baggage handling systems. It has factories in Auckland, the United States and China, and offices in Australia, Dubai, Canada, Chile, and Peru.

Ken Stevens was a member of the private sector Business Reference Group that advised government agencies involved in Export Year. Other members were drawn from Business New Zealand, Export New Zealand, the Economic Development Association of New Zealand, Employers and Manufacturers Association (Northern) Inc, the New Zealand Council of Trade Unions, the New Zealand Pacific Business Council, the Auckland Chamber of Commerce, the Canterbury Employers' Chamber of Commerce, and the Wellington Chamber of Commerce.

At the conclusion of Export Year, the Business Reference Group and government jointly published a document titled *Export Year 2007: Platform for the Future*. The document set out mutually agreed public and private sector visions for New Zealand's future engagement in the global economy and identified steps to help reach the visions, including:

- continuing to raise awareness among all New Zealanders of the importance of exporting
- educating current and future exporters
- positioning New Zealand as a world-leading producer of products and services of integrity
- strengthening the connections between New Zealand businesses and the global economy
- building the long-term domestic capability of New Zealand businesses
- committing to an ongoing and enduring partnership between government and business to ensure the work instigated during Export Year 2007 continues.

The Export Year Private Sector Reference Group has now become the Global Business Focus Group, and, along with MED, has assumed responsibility for overseeing development of policy and initiatives outlined in the *Export Year 2007: Platform for the Future* document.

# GOVERNANCE

NZTE is a Crown Entity established under the New Zealand Trade and Enterprise Act 2003. It is the New Zealand Government's economic development agency, formed on 1 July 2003 from the merger of Trade New Zealand and Industry New Zealand.

## THE ROLE OF THE BOARD AND COMMITTEES

The NZTE Board currently has eight members, appointed by the Ministers responsible for NZTE: Jon Mayson (Chairperson), Peter Conway, Craig Ellison, Jane Hunter, Alan Isaac, Peter Maire, Peter Menzies, and Lorraine Witten.

Former Chairperson of the Board Phil Lough retired at the end of March 2008.

Two special advisers to the Board are the Chief Executives of MED and MFAT: Geoff Dangerfield, Chief Executive, Ministry of Economic Development (from 1 July 2008 David Smol) and Simon Murdoch, Secretary, Ministry of Foreign Affairs and Trade.

The Board is the governing body of NZTE, with the authority, in NZTE's name, to exercise the powers and perform the

functions of NZTE. All decisions relating to the operation of NZTE are made by or under the authority of the Board, in accordance with the New Zealand Trade and Enterprise Act 2003 and the Crown Entities Act 2004.

The Board meets nine times per year, and at other times when required. Committees of the Board are convened to deal with specific matters. The current committees are the Audit and Risk, Programme Review (formerly called Grants) and Human Resources and Remuneration committees (the latter meets on an ad hoc basis). Those committees meet regularly, and other ad hoc committees may be formed to deal with specific issues.

The tables below provide details of attendance by Board Members at Board and Committee meetings.

## BOARD MEETING ATTENDANCE JULY 2007-JUNE 2008

NAME	JULY	AUGUST	SEPTEMBER	NOVEMBER	DECEMBER	FEBRUARY	MARCH	MAY	JUNE
Phil Lough (Chair to 31.3.08)	X	X	X	X	X	X	X	–	–
Jon Mayson (Chair from 1.4.08)	–	–	–	–		X	X	X	X
Peter Conway	X	X	X	X	X	X	X	X	X
Craig Ellison	X	X	–	X	X	X	X	–	X
Jane Hunter	X	X	X	X	X	X	X	X	–
Alan Isaac	X	X	X	X	X	X	X	X	X
Peter Maire	X	–	X	–	X	X	X	X	X
Peter Menzies	X	X	–	X	X	X	X	–	X
Lorraine Witten	X	–	X	–	X	X	X	X	X

## PROGRAMME REVIEW COMMITTEE MEETING ATTENDANCE JULY 2007- JUNE 2008

NAME	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	FEBRUARY	MARCH	APRIL	MAY	JUNE
Craig Ellison	X	X	–	X	X	X	X	X	–	X
Peter Conway	X	X	X	X	X	X	X	X	X	X
Lorraine Witten	X	–	X	X	X	X	X	X	X	–

## AUDIT & RISK COMMITTEE MEETING ATTENDANCE JULY 2007-JUNE 2008

NAME	AUGUST	DECEMBER	APRIL	JUNE
Alan Isaac	X	X	X	X
Jane Hunter	X	X	X	–
Peter Menzies	–	X	X	X

### GOVERNANCE REVIEW

Between August and October 2007, NZTE carried out a review of its governance processes. This resulted in recommendations to refine existing processes. As a result NZTE has now adopted a Board Charter incorporating a code of conduct and updated rules regarding disclosure of interests.

### DELEGATION FRAMEWORK

Formal policy frameworks are in place relating to NZTE's principal operations and delegation of financial authority to managers. This has recently been reviewed and streamlined as an outcome of the governance review.

### RISK MANAGEMENT

NZTE is committed to managing risk proactively, through our Risk Management Framework and Policy, our Audit and Assurance function, and through our Project Management Office.

Our Risk Management Framework is based on the Australian/ New Zealand Risk Management Standard. The Framework ensures consistency of approaches and techniques when identifying, measuring, prioritising, managing, and reporting risks. During 2007/08 we increased our risk reporting at Board and senior management level; and continued our work towards a culture where a common risk language and approach

is adopted by all staff and good risk management practices are applied to strategic planning, management reporting and assurance. This involved putting in place a risk management process that gives our managers a clear view of their risks so they can manage them consistently and actively.

The Audit and Assurance function includes internal audit, advisory and fraud investigation services. It is a core component of NZTE's corporate governance, providing the Board (via the Audit and Risk Committee) and senior management with assurance that robust processes, internal controls and other risk mitigation strategies are in place and are operating effectively.

The Project Management Office monitors significant organisational programmes and projects on a monthly basis. As part of its formal reporting to senior management, the Project Management Office comments on project and programme risk, and on the controls in place to mitigate key risks. Our project methodology uses the NZTE Risk Management Framework and all project and programme managers are expected to identify, mitigate and monitor risk.

Our work over the next year will continue to build on ways that we can minimise risk to the organisation.

# ORGANISATIONAL CAPABILITY

## PERFORMANCE MEASUREMENT FRAMEWORK

NZTE is implementing a Performance Measurement Framework (PMF) to help demonstrate the organisation's success and manage internal performance.

The PMF is a wide-reaching initiative that touches all of NZTE's high growth potential clients and all NZTE staff. The PMF is a long-term initiative. Trends in growth and internationalisation may not be evident for a further two to three years. Internally, the PMF is a change agent: it requires people to change their behaviour to align with the strategy. In the past year, NZTE ran a PMF pilot involving five teams.

**Demonstrating NZTE success:** In the past year NZTE has conducted two client surveys:

- Impact-07 Firm Performance survey
- Impact-07 Business Practices survey

NZTE now has data for 2005/06 and 2006/07, which provides the start of longitudinal analysis of NZTE clients. During the past year NZTE has also contributed to the Longitudinal Business Database (IBULDD) being developed by MED and Statistics New Zealand. NZTE has a strong interest in this work, as it will enable us to compare clients against similar firms that NZTE has not engaged with.

**Managing internal performance:** Internally, the PMF focuses on five themes (a balanced scorecard approach) to align the organisation's behaviour with the strategy and deliver to NZTE goals. They are:

- maximising value from resources
- growing high value relationships
- accelerating innovation
- efficient delivery
- creating a high performing culture.

NZTE is introducing performance measures on an iterative basis, to drive behaviour and help people manage their own performance, that of their teams and the organisation as a whole. Performance data links to an individual then rolls up to reporting team and enterprise level.

Each month the senior executive team receives a PMF Scorecard and leads discussions with their colleagues to identify new measures and discuss the organisation's performance.

## BUILDING CAPABILITY

The focus of the Human Resources Business Plan for 2007/08 is to continue to build the leadership capability within NZTE. This continues the work programme that was

commenced in 2005/06. Leadership development was identified as a priority through the 2004 culture survey.

The culture survey results from late 2007 showed a significant improvement in our leadership capability of 20 percent. This improvement demonstrates the value of a sustained and long-term effort in the area of leadership capability. This brings NZTE's leadership almost to a best practice level.

Because of this level of improvement, it was decided to continue with the current programme for another 12 months to bring our leadership result to a best practice level. This will be measured in 2009 when NZTE repeats the culture survey of all staff.

NZTE's leadership development programme applies to all managers within New Zealand and offshore and includes:

**360° feedback:** For the 2007/08 year NZTE has completed the data collection across the organisation and we now have two years of data to reinforce the key areas of focus for development to continue to enhance our leadership capability.

The areas of strengths for our leaders are:

- commitment
- intellectual capability
- achieving outcomes
- strategic focus.

**NZTE mentoring programme:** NZTE continued with this programme in 2007. Following nominations, 16 participants were confirmed on the programme. In total 35 staff have participated in NZTE's Mentoring Programme. Of those people who participated in the programme, one-third have been promoted.

**Succession planning and talent management:** For the 2007/08 year NZTE has completed the data collection across the organisation for succession planning and has been working on succession management with a cross section of its talent pool.

**Toolkit and training for managers:** Since May 2007, 49 people – or 51 percent of NZTE's managers – have participated in manager toolkit workshops.

All staff participate in PERCAPITA!, NZTE's individual performance management system, which includes a component on training and development to enhance staff capability to support NZTE's strategy. Individual gaps in knowledge or skills are identified and development

interventions implemented. This is complemented by NZTE's corporate training initiatives, which include project management, seminar series and plain English writing. NZTE was a finalist in the 2007 Plain English Awards.

### NZTE RECRUITMENT AND SELECTION

NZTE manages its own internet recruitment site. For the 2007/08 financial year, the career centre:

- received 82,122 visitors
- advertised 214 vacancies
- received 3,337 registrations
- received 4,124 applications.

This is the fourth year the internet-based career centre has been in operation. NZTE continues to be an employer of choice in a challenging recruitment market, with an average of 19 applications per position. Over the past 12 months there has been an average of 225 visitors per day to the career centre and a 43 percent increase in applications received.

### GOOD EMPLOYER MATTERS

NZTE is required under the Crown Entities Act 2004 to be a good employer. NZTE has a range of programmes and policies to ensure that the organisation is a good employer and that we offer equal employment opportunities. Under those provisions, policies are made available to all staff on the intranet. Policies relating to employment at NZTE are reviewed annually to ensure that they remain relevant to staff in a global environment and meet legislative requirements. The review process includes participation from staff focus groups.

### FLEXIBILITY AND WORK DESIGN

NZTE monitors work/ life balance to ensure staff have adequate time for rest and recreation and there is a balance between NZTE's requirements and employees' needs. All staff have access to NZTE's leave policy, which is reviewed regularly with a cross-section of staff. Where possible, NZTE's practice is to accommodate approaches from staff for flexible work arrangements. This currently includes part-time employment, flexible and fixed working hours, work from home or alternate office locations, and graduated return to work.

### REMUNERATION, RECOGNITION AND CONDITIONS

NZTE has an equitable, transparent remuneration policy, which is publicised each year during NZTE's annual performance review process.

### HARASSMENT AND BULLYING PREVENTION

Through its induction programme, NZTE provides training and support on policy and procedures in relation to harassment and bullying. All staff have access to this policy, which is reviewed regularly with a cross-section of staff.

### HEALTH AND SAFETY

All staff at NZTE have access to NZTE's Health and Safety policy. A cross-section of staff make up our Health and Safety committee. NZTE creates an environment that supports health, safety and well-being. Initiatives include access to the Employee Assistance Programme, workstation assessments and minimisation of risks.

### NZTE DEMOGRAPHICS

**Permanent staffing:** As at 30 June 2008, the permanent staffing<sup>1</sup> level at NZTE was 567.53 full time equivalents (FTEs). This is an increase of five percent over the previous financial year. This increase has occurred as a result of the introduction of new initiatives or changes to programmes. Our permanent staff are located at NZTE offices worldwide, with the highest concentration of numbers being in Wellington (173.68 FTEs) and Auckland (123.47 FTEs).

**Retention:** The average length of service for NZTE is 4.03 years. This has not changed significantly since NZTE was established. Like the wider public sector, NZTE has experienced skill shortages in strategy, IT and finance. Staff turnover to 30 June 2008 was 24.08 percent, a four percent increase in turnover on last year. This increase is consistent with the range for the public sector, which is five to 33 percent.

**Ethnicity:** The New Zealand European ethnic group continues to be the dominant group within NZTE at 36.20 percent, but this is slightly lower than last year. Other ethnic group breakdowns are: Asian 8.30 percent; Maori 2.56 percent; Other European 6.33 percent; Other Groups 1.51 percent; Pacific Peoples 0.60 percent. Just over 36 percent of staff have not provided ethnicity information.

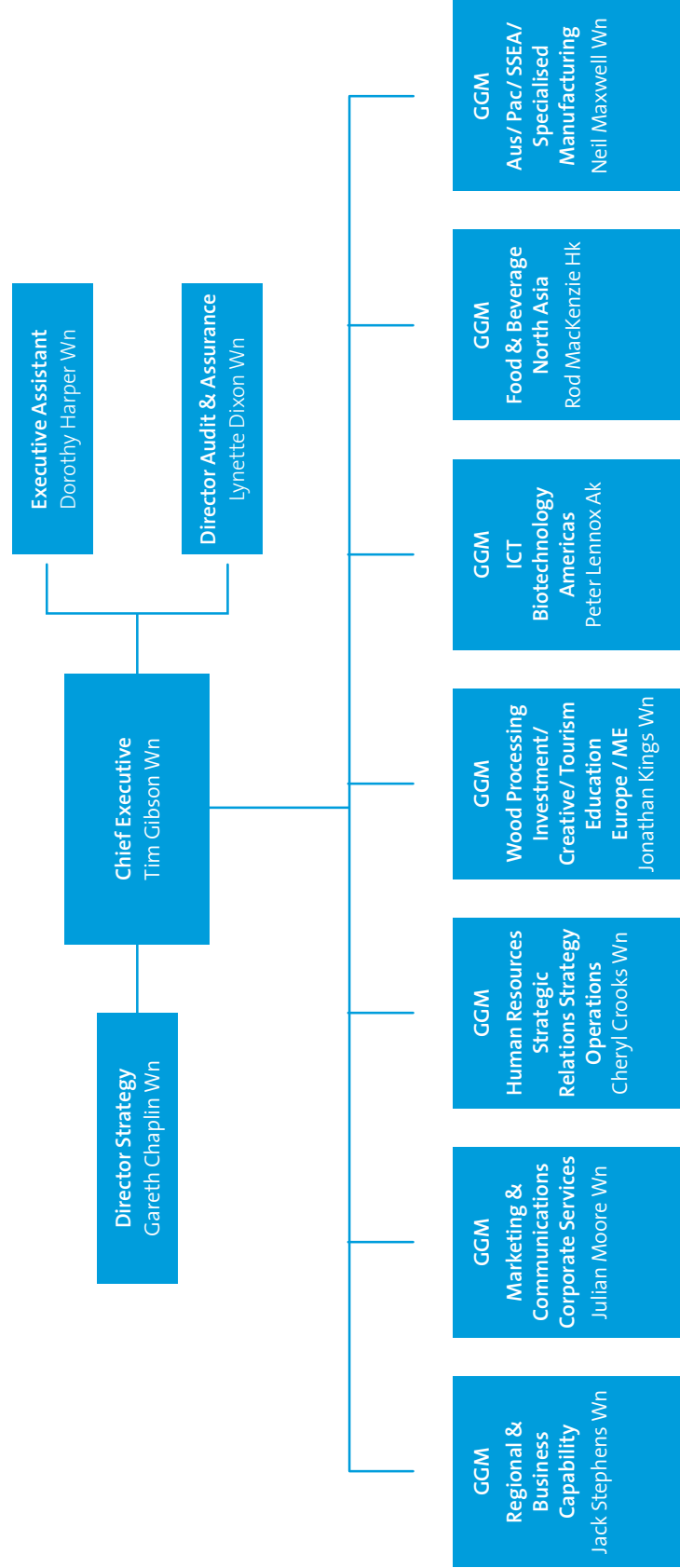
**Gender:** The gender ratio in NZTE is currently 59.23 percent female/ 40.77 percent male. This has not changed significantly since NZTE was established.

<sup>1</sup> This excludes fixed term, casual, contractors, consultants and executive lease.

# ORGANISATIONAL STRUCTURE

(AS AT 30 JUNE 2008)

## NEW ZEALAND TRADE AND ENTERPRISE BOARD



# FINANCIAL STATEMENTS

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# STATEMENT OF RESPONSIBILITY

The Board of New Zealand Trade and Enterprise (NZTE) is responsible for the preparation of the annual financial statements, and statement of service performance, and the judgments used in them.

The Board of NZTE is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board of NZTE the annual financial statements and statement of service performance for the year ended 30 June 2008 fairly reflect the financial position and operations of NZTE.

On behalf of the Board:



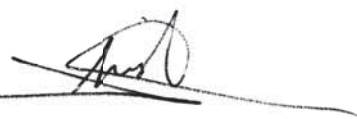
**A R Isaac**  
**BOARD MEMBER**

15 September 2008



**P F Menzies**  
**BOARD MEMBER**

15 September 2008



**T D Gibson**  
**CHIEF EXECUTIVE**

15 September 2008

## FINANCIAL COMMENTARY

The financial statements for the financial year ended 30 June 2008 have been prepared in accordance with the adoption of the New Zealand equivalent of the International Financial Reporting Standards (NZ IFRS).

Comparative numbers from the prior year have been adjusted to comply with the new accounting policies. In addition, revenue, expenditure, assets and liabilities in respect of the grant programmes administered by NZTE have been included.

Budget comparatives are from the NZTE Statement of Intent, issued at the beginning of the financial year.

Revenue received from the Crown for the 2007/08 year totalled \$155.1 million, an increase of \$12.1 million compared to the previous year. The majority of the increase is a result of the following new initiatives and changes in funding:

- new Food and Beverage Taskforce funding of \$3.0 million
- an increase in funding for activities in China and India of \$1.7 million
- an increase in funding to cover overseas cost increases and changes in taxation of staff working overseas, totalling \$6.3 million.

Client income represents revenue received from clients for advice and in-market support services provided by our overseas office network. Other operating income includes rent received, conference revenue and other cost recoveries.

Finance income comprises interest received on short term deposits and the net change in the fair value of the foreign exchange hedges at 30 June 2008. In accordance with Crown requirements, where effective hedges can be achieved NZTE has entered into foreign exchange hedge contracts in respect of its overseas costs for the financial year commencing 1 July 2008. Under the NZ IFRS, NZTE records either an asset or a liability and corresponding finance income and expense – being the difference between the contracted and spot value of the outstanding foreign exchange hedges at 30 June each year. The net year-on-year movement is either income or an expense, depending on the valuation. The current year result is income of \$1.2 million.

Total expenditure for the year is \$216.8 million (including grant expenditure), compared to \$214.5 million last year. This increase in total expenditure is not in line with the revenue increase, due to the finance expense last year that included the impact of the net change in the fair value of the foreign exchange hedges of \$6.5 million.

Personnel expenditure increased from \$61.9 million to \$66.8 million. The majority of the increase relates to the effect of overseas salary cost increases and the impact noted above of the change in taxation of New Zealand staff working overseas.

Grant expenditure totals \$57.6 million, a small decrease of \$0.8 million. This is, however, \$26.1 million below budget. This below budget expenditure is because:

- Market Development Grant expenditure was \$10.8 million below budget
- applications for the revised Regional Strategy Fund were \$3.2 million below budget (applications are expected to increase significantly in the next financial year)
- applications for the Growth Services Fund and Capability Building Grants were \$5.7 million below budget (this funding was utilised for other initiatives within NZTE)
- the Strategic Investment Fund budget was revised to \$1.5 million (the remaining \$2.0 million was transferred to the Ministry of Economic Development) and actual expenditure was \$0.4 million.

The net surplus for the year is \$1.0 million, compared to a deficit last year of \$8.4 million. The surplus for the year under review is due to the revaluation of the overseas net assets, held in currencies other than New Zealand dollars, and the net gain arising from the movement in the fair value of the foreign exchange contracts at 30 June 2008. The deficit last year of \$8.4 million was primarily due to the net loss arising from the movement in the fair value of the foreign exchange contracts at 30 June 2007.

Equity for the year increases by the \$1.0 million surplus to \$19.1 million.

The 2007/08 budget included an equity injection from the Crown of \$1.4 million, but use of this funding has been deferred until the 2008/09 financial year. The Crown has approved transfer of the amount to the 2008/09 financial year.

Trade and other receivables are \$0.6 million less than the 2006/07 year, due to a lower amount owed by the Crown.

The estimated amount NZTE will request from the Crown to meet claims from grant recipients in the 2008/09 financial year is recorded as Crown debtor – grants. Some grants are approved for spending over longer periods than one year and the non current asset portion of the Crown debtor – grants represents the estimated amount to be received from the Crown and paid to grant recipients beyond the end of the next financial year.

Investment in property, plant and equipment totalled \$4.1 million for the year. An investment of \$0.6 million was made in New Zealand to replace motor vehicles that were either leased or fully depreciated. This also provided the opportunity to reduce the number of vehicles required. Expenditure totalling \$0.7 million was made to replace key overseas computer hardware infrastructure assets at the four overseas hub sites.

Non-current liabilities for employee benefits represent long service and retirement leave, primarily for overseas employees due to local statutory requirements.

# STATEMENT OF SERVICE PERFORMANCE

This Statement of Service Performance covers the period from 1 July 2007 to 30 June 2008 and uses performance measures specified in NZTE's Statement of Intent 2007-2010. NZTE also has an Output Agreement with the purchasing Ministers, which provides more detailed performance measures on specific activities and programmes. This Statement of Service Performance includes reporting against the performance measures in the Statement of Intent 2007-2010 only.

## OUTPUT CLASS 1

### ENABLING SERVICES: FACILITATING THE DEVELOPMENT AND IMPLEMENTATION OF SECTOR AND REGIONAL STRATEGIES

Output Class one covers the cost of purchasing services that will support collaboration, linkages, and the development and implementation of strategies between and among sectors, regions and clusters of businesses and government aimed at exploiting opportunities for growth and overcoming constraints to growth. This appropriation enhances New Zealand's growth prospects both in the medium and long-term through the provision of various sector initiatives, sector programmes, regional development and foundation activities in New Zealand, and targeted offshore regions.

### FINANCIAL PERFORMANCE

BUDGET AS PER STATEMENT OF FORECAST SERVICE PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2008, \$000	REVISED BUDGET \$000	ACTUAL \$000	COMMENTARY
48,808	54,613	52,645	The increase in budget is due to new funding for the Food and Beverage Taskforce initiative, additional funding for Better by Design programme and overseas cost increases. Also, Growth and Innovation Funding of Industry Bodies was transferred from Grant funding. Actual performance is below the revised budget due to delays in strategic initiative activity, now planned for the 2008/09 financial year, and lower overseas cost increases than expected.

### NON-FINANCIAL PERFORMANCE

PERFORMANCE MEASURES	2007/08 CONTRIBUTION TO 3 YEAR PERFORMANCE EXPECTATIONS	STATUS AND ACHIEVEMENTS
Strategic Initiatives		
Deliver eight strategic initiatives and related sector projects (as below)	See below	In 2007/08 we piloted a new model for defining and resourcing our sector development activities. This model created the strategic initiatives, which are multi-year activities that seek to address systemic barriers to growth within or across sectors, and to capture sector or cross-sector global opportunities. This cross-sectoral, market-focused approach is consistent with the Government's economic transformation agenda – notably the decision to position cross-government investment in specific areas of focus where New Zealand has long-term growth potential. See below for details of each strategic initiative.

PERFORMANCE MEASURES	2007/08 CONTRIBUTION TO 3 YEAR PERFORMANCE EXPECTATIONS	STATUS AND ACHIEVEMENTS
Creating Value from the Primary Sector		
<ul style="list-style-type: none"> <li>Increased use of new technologies to support the commercial activities of New Zealand food companies in international markets</li> <li>Increased number of New Zealand businesses using consolidated channels</li> <li>Creation of a commercially successful aquaculture sector</li> </ul>	Increased market penetration by New Zealand food companies into China, Japan and North America markets	<b>Achieved</b> A number of opportunities and deals were supplied to New Zealand companies through NZTE projects and showcases in North Asia and North America. Some examples include: <ul style="list-style-type: none"> <li>China Retail Channel Development Project (CRCDP): a New Zealand company signed a contract with a CRCDP in-market partner distribution company</li> <li>Food Hotel Asia (Singapore): New Zealand companies that attended reported strong sales as a result of attending this event</li> <li>National Restaurant Association Show (Chicago): early estimates place the value of this event to NZTE clients at \$7 million</li> <li>EXPO ANTAD 2008 (Mexico): Estimated that \$0.5 million of new business resulted from this event</li> <li>National Products Expo West (Anaheim, California): one company signed a national contract with Whole Foods.</li> </ul> Over 120 NZTE clients are committed to North Asia and North America market development projects in the food and beverage and agritech sectors.
	Consolidated distribution channels established in North Asia and North America	<b>Achieved</b> The focus of the China Retail Channel Development, North America Channel Development and Food Value Chains has shifted to more intensive work with smaller, more committed groups of companies.
Globalisation of New Zealand Technology		
<ul style="list-style-type: none"> <li>Developed industry vision to focus activity</li> <li>Stimulate industry collaboration</li> </ul>	<ul style="list-style-type: none"> <li>Joint industry and NZTE agreement on three strategic areas of focus for major emerging technology initiatives for future development</li> </ul>	<b>Achieved</b> Cross agency collaboration with the Foundation for Research, Science and Technology and the Tertiary Education Commission has been established. The Payments Forum was established and three companies participated in Card Asia in Singapore. Geospatial capability assessment is complete and collaborative opportunities are being developed.
Integrated Healthcare		
Ensure that New Zealand industry is participating effectively in the global shift from disease care to health management	Clustering medical technology capability	<b>Achieved</b> NZTE has helped strengthen the Medical Technologies Special Interest Group, part of NZBio, facilitating networking and strategy sessions through the year, and partly funding a capability study. It has also provided support to the Health IT Cluster and Natural Products New Zealand. NZTE has facilitated domestic capability building so that companies can compete better in international markets. For example, regulatory workshops for bioactives (Japan and Australia focus) and medical technologies (ISO Standards) were held. NZTE helped facilitate a consortium of companies and institutions that gives New Zealand bioactive companies access to a one-stop pre-clinical trials infrastructure.
	Building strategic relationships with offshore organisations and companies	<b>Achieved</b> NZTE organised and facilitated a New Zealand pavilion at MEDICA that raised the industry's profile and showcased the capabilities of 14 New Zealand medical technology and health IT companies. A successful in-market workshop was held and the business matching service resulted in a number of significant business opportunities and partnerships for participating companies. The British Columbia and New Zealand Ministries of Health signed an international agreement to encourage the development of joint commercial pilot projects and the sharing of information and innovation in health services. This agreement can be credited in part to NZTE's efforts in the health space and followed a series of NZTE-led workshops in British Columbia.

PERFORMANCE MEASURES	2007/08 CONTRIBUTION TO 3 YEAR PERFORMANCE EXPECTATIONS	STATUS AND ACHIEVEMENTS
Designer Lifestyle		
Additional businesses will enter new international markets	Increase number of businesses entering new international markets	<b>Ongoing</b> The hospitality show held in the United States in May 2008 established over 50 new leads from key hotel chains focusing on a sustainable luxury product offering to a number of key contacts in the industry.
	Increase number of businesses engaged in self-sustaining collaborative partnerships	<b>Achieved</b> Branding work commenced at a global level with a major United States based carpet manufacturer.
Ensuring Value from the Global Transformation of the Manufacturing Sector		
NZTE facilitates growth in the Manufacturing Sector Groups leading to increased NEB	A defined segment of New Zealand's top manufacturing exporters review their business models based on the Manufacturing+ model	<b>Achieved</b> A total of 95 companies participated in group and in-house training workshops to review their business models. Feedback from participants was positive with several having implemented key changes as a result of the Manufacturing+ model.
Entertainment – Content-Driven Experience		
<ul style="list-style-type: none"> <li>Contribution of this area to New Zealand's economy</li> <li>New Foreign Direct Investment raised</li> <li>Increased number of businesses entering new international markets</li> </ul>	Additional businesses enter new international markets	<b>Achieved</b> NZTE works with companies in the entertainment sector in a variety of ways including one-on-one client engagement; facilitating access to NZTE's range of programmes such as Beachheads, EDG-MD and EDG-CB and Better by Design; and collective strategic development projects. Several New Zealand businesses entered new international markets as a result of NZTE's work. Some examples include: <ul style="list-style-type: none"> <li>an animation studio signed a deal with a US motion picture production company to deliver a series of biblically themed movies (approximately NZ\$18 million over three years)</li> <li>a game development studio signed a deal worth US\$12 million to produce the console gaming element of a Warner Brothers movie.</li> <li>a production company secured more than NZ\$2.5 million of business from North Asia</li> <li>a NZ\$1.2 million contract was delivered with a US mobile phone company</li> <li>audio content from a variety of New Zealand artists has been licensed for use in leading US entertainment properties.</li> </ul>
Sustainability		
Encourage New Zealand businesses to consider the economic benefits of becoming more sustainable	New Zealand businesses have an increased awareness of the economic benefits of becoming more sustainable	<b>Achieved</b> NZTE shifted business perceptions on sustainability through existing communication channels as well initiating efforts to incorporate sustainability into NZTE's programmes and services to clients. Some examples include: <ul style="list-style-type: none"> <li>NZTE launched the sustainability webpage on <a href="http://www.nzte.govt.nz/sustainability">www.nzte.govt.nz/sustainability</a></li> <li>Enterprise Breakfasts on sustainability were held in Auckland and Nelson</li> <li>NZTE and MFAT jointly developed food and beverage key messages, supporting proof points and case studies on sustainability for organisations and businesses to use overseas</li> <li>joint NZTE/MFAT quarterly market intelligence on sustainability for the food and beverage sector</li> <li>a draft set of sustainability questions for inclusion in an online assessment tool for Incubators was developed</li> <li>four Enterprise Training workshops on sustainability were delivered by Landcare Research. Seven regional workshops on sustainability were delivered to Enterprise Training presenters. A requirement has been established from 1 July 2008 to ensure that sustainability is incorporated into the Enterprise Training workshops.</li> </ul> These achievements in New Zealand along with activities underway in a variety of global regions are helping to position New Zealand companies in international markets in response to a growing demand for sustainable products and services.

PERFORMANCE MEASURES	2007/08 CONTRIBUTION TO 3 YEAR PERFORMANCE EXPECTATIONS	STATUS AND ACHIEVEMENTS
Beachheads		
Operate established Beachheads programmes in the following locations: – United States – Singapore – London – Dubai – Tokyo	Beachhead projects will be approved, managed and monitored according to project management guidelines	<b>Achieved</b> The Beachheads programme was reviewed through an internal audit during the year. Note that project methodology was not part of this review. However, all NZTE projects are approved, managed and monitored according to NZTE Project Management Office guidelines.
	Attract 30 new companies into the Beachheads programme by 30 June 2008	<b>Exceeded</b> A total of 43 new companies have been accepted into the programme as of 30 June 2008.
	At least 80% of clients applying to the New Zealand Advisory Board will be accepted into the programme	<b>Exceeded</b> 90% of clients applying to the New Zealand Advisory Board were accepted into the programme in 2007/08. This compares to the 85% of applicant companies that were accepted into the programme in 2006/07.
Regional Partnership Programme		
Facilitation of the development of regional strategies	3 to 5 regions will renew their strategies	<b>Achieved</b> The Regional Partnership Programme was replaced by two new funds, one of which is the Regional Strategy Fund. NZTE will facilitate and fund 14 regions to develop and implement regional economic development strategies through the Regional Strategy Fund. Five of the 14 regions have developed comprehensive regional strategies and implementation plans including Northland, Auckland, Hawkes Bay, Wellington and Southland.

## OUTPUT CLASS 2

### ENABLING SERVICES: PROMOTION OF NEW ZEALAND BUSINESS AND DEVELOPMENT OF INVESTMENT OPPORTUNITIES

Output Class two covers the cost of purchasing services for the promotion of New Zealand's products and services both on and offshore, to attract and facilitate investment. The services are also aimed at building a supportive business environment in New Zealand, by fostering and supporting a culture of entrepreneurship and business success and by promoting the benefits and value of international engagement.

### FINANCIAL PERFORMANCE

BUDGET AS PER STATEMENT OF FORECAST SERVICE PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2008, \$000	REVISED BUDGET \$000	ACTUAL \$000	COMMENTARY
28,629	29,883	28,613	Additional funding was received for web development. However, actual expenditure was slower than planned. This is the primary reason for the underspend in this class.

## NON-FINANCIAL PERFORMANCE

PERFORMANCE MEASURES	2007/08 PERFORMANCE EXPECTATION	STATUS AND ACHIEVEMENTS
Marketing of New Zealand Businesses to Develop their Capability and Focus on Exporting		
Number of marketing campaigns implemented around sector-related or strategic initiative events	2-6	<b>Exceeded</b> NZTE's Marketing and Communications team produced marketing campaigns covering the following sectors/strategic initiatives: <ul style="list-style-type: none"> <li>• Food and Beverage – including Food and Hotel China, National Restaurants Association (USA) and Foodex Japan</li> <li>• Biotechnology – including BIO 08 (San Diego)</li> <li>• ICT – including CeBIT 08 (Hannover)</li> <li>• Manufacturing – including the Dubai, Monaco and Fort Lauderdale boat shows</li> <li>• Entertainment – including Adfest (Thailand) and Cannes Lion</li> <li>• Designer Lifestyle – including Australian Fashion Week (Sydney)</li> <li>• Sustainability – including Globe 2008 (Vancouver)</li> <li>• Rugby World Cup (events in UK and France)</li> <li>• China Free Trade Agreement Roadshow (New Zealand)</li> </ul>
Percentage of positive and/or balanced articles, in line with brand, placed in international media channels for identified priority events/activities	90%	<b>Exceeded</b> 100%. Media coverage is captured and measured for NZTE by contracted media monitoring agencies around specified in-market campaigns. All media coverage captured in the region concerned around the campaigns was positive or neutral.
Investment Promotion and Attraction		
Business cases for feasibility study grants (consistent with the Strategic Investment Fund) will be developed in accordance with Cabinet criteria and internal operating guidelines	2-6	<b>Achieved</b> Business cases were developed and four feasibility study grants were awarded. Six feasibility studies were approved in 2006/07 with one study cancelled. Six feasibility studies were approved in 2005/06.
Build and maintain case loads	Complete 2-5 high quality foreign direct investment proposals	<b>Exceeded</b> Nine FDI proposals were completed: <ul style="list-style-type: none"> <li>• four in the entertainment sector</li> <li>• one in manufacturing</li> <li>• two in IT services</li> <li>• one in biotechnology</li> <li>• one in the financial sector.</li> </ul> This compares to the seven FDI cases confirmed in 2006/07, and five FDI cases confirmed in 2005/06.
Client satisfaction on specific cases will be measured through surveys of individual clients	Good or better rating	<b>Achieved</b> Investment New Zealand surveyed its clients after success was achieved. Ratings of client experience with the agency were 6 or higher on a scale of 1 (extremely dissatisfied) to 8 (extremely satisfied).
Export Year 2007 (Strategic Initiative)		
Develop regional plans for Export Year 2007 that will outline Export Year 2007 activities and events in the regions and involve key stakeholders in these plans	Eight or more regional plans developed	<b>Achieved</b> A total of 12 regional plans were developed and have been implemented. We were the lead delivery agency of the Export Year 2007 initiative between the Government and the private sector, which aimed to increase New Zealand's long-term export performance. Several of the initiatives identified in the Export Year Reference Group's Platform for the Future year-end report have been advanced, including the regional plans.
Increased awareness of exporting by New Zealand businesses	Number of businesses with increased awareness of exporting	<b>Completed</b> An Export Year question was inserted in the NZTE Impact 07 survey conducted in May 2008. For those who participated in Export Year activities, 57% saw the impact on their business as positive or very positive.



## OUTPUT CLASS 3

### FOUNDATION SERVICES – BUSINESS INFORMATION AND ADVICE

Output Class three covers the cost of purchasing services for the delivery of a range of business assistance services targeted at a wide business audience, but with a particular focus on smaller firms, entrepreneurs, start-ups and new exporters. The services are largely focused on building and supporting the development of management skills and capabilities such as raising capital, business management and exporting, through the provision of information and advice.

### FINANCIAL PERFORMANCE

BUDGET AS PER STATEMENT OF FORECAST SERVICE PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2008, \$000	REVISED BUDGET \$000	ACTUAL \$000	COMMENTARY
10,317	11,545	11,161	Actual expenditure was below budget due to lower costs in New Zealand and overseas.

### NON-FINANCIAL PERFORMANCE

PERFORMANCE MEASURES	2007/08 PERFORMANCE EXPECTATION	STATUS AND ACHIEVEMENTS
Generic Business Assistance		
Calls to NZTE 0800 hotline services	12,000 – 18,000	<b>Not met</b> A total of 8,471 calls were handled through the frontline service. The call rate continues to be steady though lower than previous years (down approximately 20%). However there has been increased use of the biz service and the online web service. NZTE does not advertise the services but the number is prominent on all our collateral.
Enquiries logged to the biz service (calls, email, and walk-in)	15,000 (from current baseline of 17,500)	<b>Exceeded</b> A total of 20,539 enquiries were logged to the biz service this year, which compares to the 18,320 jobs logged by this service in 2006/07, and the 19,515 jobs logged in 2005/06. 'Jobs logged' refers to an inquiry from a client made by phone, fax, or personal visit that resulted in an action by biz service staff. The action could be a referral to assistance or the provision of information.
Number of unique visitors to biz.org/business.govt	275,000 (from current baseline of 200,000)	<b>Exceeded</b> A total of 300,162 unique visitors to biz.org/business.govt.nz in 2007/08.
biz portal launched	By 1 October 2007	<b>Exceeded</b> The biz portal team developed the website www.business.govt.nz which replaced the previous www.biz.org.nz website. The aim of this new website is to be a key source of business information for small to medium size businesses. The website was officially launched by the Minister for Small Business, Lianne Dalziel on 15 August 2007.
Call responsiveness rate through the 0800 hotline service	95%	<b>Achieved</b> Call responsiveness has averaged 95%. The number of lost or abandoned calls has been consistently well below the industry average. This means a continued high level of availability and responsiveness to enquiries, i.e. 95% of calls to NZTE will be answered within a 30 second wait time, usually less.

PERFORMANCE MEASURES	2007/08 PERFORMANCE EXPECTATION	STATUS AND ACHIEVEMENTS
Generic International Market Development Assistance		
Number of business clients managed by the Business Services and Onshore Regional teams	3,800	<b>Not met</b> 1,374 clients were managed. The number of managed clients reduced over the first six months of 2008 due to an increased focus on high growth potential clients.
Provision of online information on international market developments	8,000-10,000 New Zealand businesses will access online information on international market developments	<b>Unable to measure</b> NZTE is unable to measure the exact number of businesses that accessed online information, however a total of 120,784 unique visitors accessed information via the website by 30 June 2008. Information includes market profiles, exporter guides, country briefs and city guides. The site received 145,702 visits in 2006/07, and 131,981 in 2005/06.
The relevance of the generic market intelligence services will be peer reviewed by the International Market Managers (based in New Zealand)	All Tier 1 Market Profiles will be reviewed and updated once a year	<b>Achieved</b> All documents are peer reviewed and edited before publishing, to ensure firms that are considering entering export markets receive the most relevant and accurate information.

## OUTPUT CLASS 4

### FOUNDATION SERVICES – TRAINING AND CAPABILITY BUILDING

Output Class four covers the cost of purchasing services for the delivery of training to build and enhance the management capabilities of small businesses, entrepreneurs, start-ups and new exporters.

### FINANCIAL PERFORMANCE

BUDGET AS PER STATEMENT OF FORECAST SERVICE PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2008, \$000	REVISED BUDGET \$000	ACTUAL \$000	COMMENTARY
12,078	12,078	12,050	Actual expenditure is in line with the budget.

### NON-FINANCIAL PERFORMANCE

PERFORMANCE MEASURES	2007/08 PERFORMANCE EXPECTATION	STATUS AND ACHIEVEMENTS
Training and Capability Building		
Businesses receiving training	48,000 training services are provided to eligible clients annually	<b>Achieved</b> A total of 51,988 services were provided to eligible clients. Services include the interactions that all clients have had with the training programmes. For example, attendance at two workshops by the same client counts as two interactions or services. The total services count includes capability assessment and follow-up sessions, distance learning enrolments, one-to-one sessions plus workshop attendance.
Owners/managers of businesses rate training as 'good' or 'very good'	Mean rating greater than 4 on a scale of 0-5	<b>Achieved</b> The mean rating was 4.64.
Complete the annual audit programme on selected training providers	By 30 June 2008	<b>Achieved</b> NZTE undertook compliance audits on the contracted Enterprise Training Programme providers in eight regions: Northland, Auckland, Waikato, Bay of Plenty, Taranaki, Manawatu-Wanganui, Marlborough and Canterbury.

## OUTPUT CLASS 5

### GROWTH SERVICES – CUSTOMISED INFORMATION AND ADVICE

Output Class five covers the cost of purchasing services for the development and delivery of customised information and advice to New Zealand businesses that are committed to achieving medium to high growth. The services are aimed at assisting companies to identify and respond to opportunities and address constraints to achieving their growth objectives.

### FINANCIAL PERFORMANCE

BUDGET AS PER STATEMENT OF FORECAST SERVICE PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2008, \$000	REVISED BUDGET \$000	ACTUAL \$000	COMMENTARY
13,065	14,099	13,489	There was an increase in the budget due to new funding for overseas cost increases. Actual performance is below the revised budget due to higher revenue earned and lower costs than expected.

### NON-FINANCIAL PERFORMANCE

PERFORMANCE MEASURES	2007/08 PERFORMANCE EXPECTATION	STATUS AND ACHIEVEMENTS
Customised Management Information and Advice		
NZTE will actively manage high growth potential clients	500 clients managed	<b>Achieved</b> NZTE client managers provide high growth potential (HGP) clients with advice and referrals to NZTE's offshore services, sector facilitation activities and projects, and other appropriate NZTE and government programmes and services. As at 30 June 2008 NZTE was managing 438 HGP clients. The number fluctuates depending on the involvement of HGP clients in these services. For example, as at 30 October 2007, NZTE was managing 583 HGP clients.
International Market Intelligence		
NZTE will deliver market intelligence reports to clients through its offshore network	800-1,200 reports delivered	<b>Exceeded</b> A total 1,761 reports were delivered throughout the regions: <ul style="list-style-type: none"> <li>• North Asia: 522 reports (120 paid, 402 unpaid)</li> <li>• South and South East Asia: 677 reports (170 paid, 507 unpaid)</li> <li>• Americas: 166 reports (68 paid, 98 unpaid)</li> <li>• Europe, Middle East and Africa: 243 reports (88 paid, 155 unpaid)</li> <li>• Australia and Pacific: 153 reports (14 paid, 139 unpaid).</li> </ul>
Client satisfaction will be measured by a client satisfaction survey	Client satisfaction rating of "good" or "very good"	<b>Achieved</b> 82% of businesses indicated that dealings with NZTE in 2007 had a positive or very positive impact on their business.

## OUTPUT CLASS 6

### GROWTH SERVICES: IDENTIFICATION AND LEVERAGING OF NEW BUSINESS OPPORTUNITIES

Output Class six covers the cost of purchasing services relating to the identification, qualification and facilitation of international business opportunities. The services provided are customised to support and assist New Zealand businesses with medium to high growth potential. The services are largely focused on facilitating and leveraging international market opportunities through the hub and spoke network of offshore offices.

#### FINANCIAL PERFORMANCE

BUDGET AS PER STATEMENT OF FORECAST SERVICE PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2008, \$000	REVISED BUDGET \$000	ACTUAL \$000	COMMENTARY
30,127	32,354	30,567	Increase in revised budget due to new funding for overseas cost increases. Actual expenditure below revised budget due to delay in commencement of the new concept centre in Shanghai and lower costs than expected.

#### NON-FINANCIAL PERFORMANCE

PERFORMANCE MEASURES	2007/08 PERFORMANCE EXPECTATION	STATUS AND ACHIEVEMENTS
Online trade enquiries registered	600-800	<b>Not met</b> 268 online trade enquiries were registered. This number is below target, as regions increasingly deal with enquiries directly rather than registering them online. This compares to the 486 online trade enquiries registered in 2006/07, and 709 online trade enquiries registered in 2005/06.
NZTE will facilitate clients to participate in ministerial missions	As agreed with MFAT	<b>Achieved</b> NZTE led 11 Ministerial trade missions with accompanying client delegations in 2007/08. <i>Refer to the table on page 17 for details.</i>
NZTE through its offshore (hub and spoke) network will work closely with the Ministry of Foreign Affairs and Trade posts in markets to provide relevant assistance to internationalising firms	Annual performance agreed as satisfactory by the Ministry of Foreign Affairs and Trade (MFAT)	<b>Achieved</b> NZTE works closely with the Ministry of Foreign Affairs and Trade (MFAT) posts offshore to provide relevant assistance to internationalising firms. MFAT reviews NZTE's offshore performance throughout the year through the provision of feedback and comment on the NZTE's Four-Monthly Reports to Ministers. The NZTE Four-Monthly Reports are agreed as satisfactory by the Ministry of Economic Development and the Ministry of Foreign Affairs and Trade.
Deliberate cultivation of long-term relationships with an influential person, business or organisation that can significantly improve NZTE's ability to maintain or improve global competitiveness	The global network will manage 10-20 strategic relationships	<b>Achieved</b> NZTE's global network managed over 20 strategic relationships.

## OUTPUT CLASS 7

### GRANT ADMINISTRATION AND MANAGEMENT

NZTE administers a number of grant schemes for businesses on behalf of the Crown. This appropriation covers the cost of purchasing services that will ensure the delivery of business assistance grants as consistent with agreed policy guidelines and Cabinet criteria. In addition a range of services will be purchased that support government policy development particularly related to the development of economic and regional development and ongoing NZTE delivery.

#### FINANCIAL PERFORMANCE

BUDGET AS PER STATEMENT OF FORECAST SERVICE PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2008, \$000	REVISED BUDGET \$000	ACTUAL \$000	COMMENTARY
4,691	5,370	5,211	There was an increase in the budget due to new funding for the China Free Trade Agreement leveraging activity. Actual performance was below budget due to lower costs than planned.

## NON-FINANCIAL PERFORMANCE

PERFORMANCE MEASURES	2007/08 PERFORMANCE EXPECTATION	STATUS AND ACHIEVEMENTS
Client Satisfaction	Clients receiving grants rate the quality of service delivery as good	<b>Not met</b> Clients were asked a question in the 2007/08 Client Impact Survey regarding their dealings with NZTE during 2007, including their satisfaction with the advice, grants and/or training received. A total of 82% of clients indicated that their engagement with NZTE had a positive or very positive impact on their business. Grants administration was not included in the annual Client Value Survey for 2007/08 as the Ministry of Economic Development is undertaking a separate evaluation of the Market Development Assistance Fund as well as separate work on the Growth Services Range, including the Growth Services Fund.
Grant applications processing	Adherence with specified criteria, guidelines and procedure manuals	<b>Achieved</b> NZTE received a favourable follow-up audit report from the Office of the Auditor-General (OAG) earlier this year. The OAG provided assurance to Parliament that NZTE is effectively administering grant programmes in line with specific criteria, guidelines and procedure manuals.

## OUTPUT CLASS 8

### NEW ZEALAND'S PARTICIPATION AT EXPO 2010 SHANGHAI, CHINA

Output Class eight provides funding for New Zealand's participation at Expo 2010 in Shanghai, China. This recognises the importance of New Zealand's bilateral relationship with China. The Expo will run from 1 May 2010 to 31 October 2010 and will have a New Zealand presence, in terms of both community and private sector engagement.

## FINANCIAL PERFORMANCE

BUDGET AS PER STATEMENT OF FORECAST SERVICE PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2008, \$000	REVISED BUDGET \$000	ACTUAL \$000	COMMENTARY
1,600	1,600	722	The actual costs represent initial planning expenditure for the Expo that will occur in 2010. The timing of expenditure at this stage of the project varies from the budget.

## NON-FINANCIAL PERFORMANCE

PERFORMANCE MEASURES	2007/08 PERFORMANCE EXPECTATION	STATUS AND ACHIEVEMENTS
Complete the design phase and start building development for the 2010 Shanghai Expo	By 30 June 2008	<b>Achieved</b> The design concept and detailed budget were approved by Cabinet in December 2007, and accepted by the Expo Bureau in March 2008. The construction contractor will be selected in 2008/09.

## GRANTS AND AWARDS ADMINISTERED ON BEHALF OF THE CROWN

GRANT PROGRAMME	NUMBER OF GRANTS APPROVED FOR YEAR ENDED 30 JUNE 08	GRANTS EXPENDITURE \$MILLION
Growth Services Fund	29	5.8
GIF Sector Project Fund	0	0
GIF Industry Governed Bodies Fund	0	0
Australia New Zealand Biotechnology Partnership Fund (ANZBPF)	7	4.0
Enterprise, Culture and Skills Activities Fund (ECSA)	13	1.5
Enterprise Development Fund (EDG-CB)	455	2.7
Market Development Assistance Fund (EDG-MD)	751	40.5
Regional Partnerships and Facilitation	30	4.3
Strategic Investment Fund (SIF)	5	0.4
TOTAL	1290	59.2

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2008

BUDGET		NOTE	ACTUAL	ACTUAL
2008			2008	2007
\$000's			\$000's	\$000's
<b>Income</b>				
149,315	Revenue from Crown – operating	2	155,086	142,956
83,652	Revenue from Crown – grants	2	57,571	58,396
1,000	Client income		990	1,321
2,300	Other operating income	3	2,440	2,898
430	Finance income	4	1,804	535
236,697	<b>Total income</b>		<b>217,891</b>	<b>206,106</b>
<b>Expenditure</b>				
64,508	Personnel costs	5	66,775	61,944
4,118	Depreciation and amortisation expense	11,12	3,934	4,444
1,824	Finance expense	6	2,850	8,290
83,652	Grant expense	7	57,571	58,396
82,595	Other operating expenses	8	85,718	81,385
236,697	<b>Total expenses</b>		<b>216,848</b>	<b>214,459</b>
–	<b>Surplus/(deficit) for the year</b>		<b>1,043</b>	<b>(8,353)</b>

Explanations of significant variances against budget are detailed in note 26  
The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

BUDGET		NOTE	ACTUAL	ACTUAL
2008			2008	2007
\$000's			\$000's	\$000's
21,239	Equity at the beginning of year		18,084	25,877
–	Surplus/(deficit) for the year		1,043	(8,353)
21,239	<b>Total income and expense for the year</b>		<b>19,127</b>	<b>17,524</b>
1,420	Capital contributions		–	560
22,659	<b>Equity at the end of year</b>		<b>19,127</b>	<b>18,084</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2008

BUDGET		NOTE	ACTUAL	ACTUAL
2008			2008	2007
\$000's			\$000's	\$000's
<b>Assets</b>				
<b>Current assets</b>				
10,496	Cash and cash equivalents	9	10,790	10,598
18,125	Trade and other receivables	10	19,167	19,800
55,086	Crown debtor – grants	10	48,293	41,186
2,500	Deposits and prepayments		2,569	2,336
<b>86,207</b>	<b>Total current assets</b>		<b>80,819</b>	<b>73,920</b>
<b>Non-current assets</b>				
45,070	Crown debtor – grants	10	39,512	33,698
11,247	Property, plant and equipment	11	7,698	6,814
1,108	Intangible assets	12	1,510	2,168
<b>57,425</b>	<b>Total non-current assets</b>		<b>48,720</b>	<b>42,680</b>
<b>143,632</b>	<b>Total assets</b>		<b>129,539</b>	<b>116,600</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
14,881	Trade and other payables	14	15,449	15,602
2,630	Employee benefits	15	3,464	3,083
100	Financial liabilities	16	124	124
55,086	Provisions – grants	17	48,293	41,186
–	Derivative financial liabilities	18	368	1,521
<b>72,697</b>	<b>Total current liabilities</b>		<b>67,698</b>	<b>61,516</b>
<b>Non-current liabilities</b>				
45,070	Provisions – grants	17	39,512	33,698
2,500	Employee benefits	15	2,508	2,480
706	Financial liabilities	16	694	822
<b>48,276</b>	<b>Total non-current liabilities</b>		<b>42,714</b>	<b>37,000</b>
<b>120,973</b>	<b>Total liabilities</b>		<b>110,412</b>	<b>98,516</b>
<b>22,659</b>	<b>Net assets</b>		<b>19,127</b>	<b>18,084</b>
<b>22,659</b>	<b>Equity</b>		<b>19,127</b>	<b>18,084</b>

The accompanying notes form part of these financial statements.

For and on behalf of the Board of Directors, which authorised the issue of the financial statements on the day of 15 September 2008.

A R Isaac BOARD MEMBER

P F Menzies BOARD MEMBER

T D Gibson CHIEF EXECUTIVE

# STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2008

BUDGET		NOTE	ACTUAL	ACTUAL
2008			2008	2007
\$000's			\$000's	\$000's
<b>Cashflows from operating activities</b>				
149,315	Revenue from Crown – operating		155,417	139,554
58,380	Revenue from Crown – grants		44,650	33,696
3,430	Client and other income		3,618	4,907
300	Interest received		651	535
(82,071)	Payments to suppliers		(85,498)	(79,274)
(65,032)	Payments to employees		(66,444)	(60,843)
(58,380)	Payments to grant recipients		(44,650)	(33,696)
–	Goods and services tax (net)		(66)	(865)
–	Interest paid on finance lease liabilities		(34)	(38)
(1,824)	Capital charge paid		(2,248)	(1,664)
<b>4,118</b>	<b>Net cashflows from operating activities</b>	<b>19</b>	<b>5,396</b>	<b>2,312</b>
<b>Cashflows from investing activities</b>				
–	Proceeds from sale of property, plant and equipment		199	(26)
(6,620)	Purchase of property, plant and equipment		(4,121)	(881)
–	Purchase of intangible assets		(1,072)	(670)
<b>(6,620)</b>	<b>Net cashflows used in investing activities</b>		<b>(4,994)</b>	<b>(1,577)</b>
<b>Cashflows from financing activities</b>				
1,420	Capital contribution from the Crown		–	560
–	Payment of principal finance lease liabilities		(128)	(119)
<b>1,420</b>	<b>Net cashflows from/(used in) financing activities</b>		<b>(128)</b>	<b>441</b>
(1,082)	Net increase in cash and cash equivalents		274	1,176
11,578	Cash and cash equivalents at beginning of year		10,598	9,449
–	Effect of exchange rate fluctuations on cash held		(82)	(27)
<b>10,496</b>	<b>Cash and cash equivalents at end of year</b>	<b>9</b>	<b>10,790</b>	<b>10,598</b>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. GST has been presented on a net basis as the gross amounts do not provide meaningful information for financial reporting purposes.

The accompanying notes form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 1 : STATEMENT OF ACCOUNTING POLICIES

### REPORTING ENTITY

New Zealand Trade & Enterprise ('NZTE') is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. NZTE's ultimate parent is the New Zealand Crown.

NZTE's primary objective is to encourage and promote economic development and investment opportunities in New Zealand, as opposed to that of making a financial return.

Accordingly, NZTE has designated itself as a public benefit entity as defined under NZ IAS 1 for the purposes of New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS').

The financial statements for NZTE are for the year ended 30 June 2008, and were approved on behalf of the Board on 15 September 2008.

### BASIS OF PREPARATION

#### Statement of Compliance

The financial statements of NZTE have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ('NZ GAAP'). The financial statements comply with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

#### First year of preparation under NZ IFRS

This is the first set of financial statements prepared using NZ IFRS, and comparatives for the year ended 30 June 2007 have been restated to NZ IFRS accordingly. Reconciliations of equity and surplus/(deficit) for the year ended 30 June 2007 under NZ IFRS to the balances reported in the 30 June 2007 financial statements are detailed in note 28. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2006 for the purposes of the transition to NZ IFRS.

#### Measurement base

The financial statements have been prepared on a historical cost basis, except derivative financial instruments, namely foreign exchange contracts, are stated at fair value.

#### Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of NZTE is New Zealand dollars.

#### 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 which are relevant to NZTE include:

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with the Crown in its capacity as 'owner'. The revised standard gives NZTE the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). NZTE intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

### SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS Statement of Financial Position at 1 July 2006 for the purposes of the transition to NZ IFRS.

#### REVENUE

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

##### Revenue from the Crown

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

##### Interest

Interest income is recognised using the effective interest method.

##### Rental income

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

##### Provision of services

Revenue derived through the provision of services to third parties is recognised in proportion to the stage of completion at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 1 : STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### CAPITAL CHARGE

The capital charge is recognised as an expense in the period to which the charge relates.

### BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

### GRANT EXPENDITURE

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

### LEASES

#### Finance leases

Leases that transfer to NZTE substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred, are classified as finance leases. At the commencement of the lease term, NZTE recognises finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance expense is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether NZTE will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Lease incentives received are recognised in the Statement of Financial Performance over the lease term as an integral part of the total lease charge.

#### Operating leases

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

### FINANCE INCOME AND COSTS

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit

or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, except for trade receivables, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

### CASH AND CASH EQUIVALENTS

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

### TRADE AND OTHER RECEIVABLES

Debtors 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.

Impairment of a receivable is established when there is objective evidence that NZTE will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

### INVESTMENT IN ASSOCIATE

Associates are those entities in which NZTE has significant influence, but not control, over the financial and operating policies. Where material, associates are accounted for using the equity method.

### INVESTMENTS

At each balance sheet date NZTE assesses whether there is any objective evidence that an investment is impaired.

### ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS, HEDGING ACTIVITIES AND FOREIGN CURRENCY TRANSACTIONS

NZTE uses derivative financial instruments to hedge its exposure to foreign exchange risk arising from its operational activities. NZTE does not hold or issue these financial instruments for trading purposes. NZTE has not adopted hedge accounting.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 1 : STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the Statement of Financial Performance.

### FOREIGN CURRENCY

Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment asset classes consist of computer hardware, leasehold improvements, furniture and office equipment, and motor vehicles. Property, plant and equipment are shown at cost, less any accumulated depreciation and impairment losses.

#### Leased assets

Leases where NZTE assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

#### Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to NZTE and the cost of the item can be measured reliably. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

#### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Financial Performance.

#### Subsequent costs

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

The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Financial Performance as they are incurred.

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Computer equipment	3 years	33%
Furniture and office equipment	4 to 5 years	20% to 25%
Leasehold improvements	up to 9 years	11%
Motor vehicles	4 years	25%

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

### INTANGIBLE ASSETS

#### Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use by NZTE, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the development and maintenance of NZTE websites are recognised as an expense when incurred.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Performance. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Developed computer software	3 years	33%
Acquired computer software	4 years	25%

### IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 1 : STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where NZTE would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the Statement of Financial Performance.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the Statement of Financial Performance.

### TRADE AND OTHER PAYABLES

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

### EMPLOYEE BENEFITS

#### Short-term employee entitlements

Employee entitlements that NZTE expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave. NZTE recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent NZTE anticipates it will be used by staff to cover those future absences.

#### Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis.

The calculations are based on :

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cashflows. The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

### SUPERANNUATION SCHEMES

#### Defined contribution schemes

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the Statement of Financial Performance as incurred.

#### Defined benefit schemes

NZTE makes contributions to the DBP Contributors Scheme (the Scheme), which is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the Scheme the extent to which the surplus/ (deficit) will affect future contributions by individual employers, as there is no prescribed basis for allocation. The Scheme is therefore accounted for as a defined contribution scheme.

### PROVISIONS

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

### GOOD AND SERVICE TAX (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cashflow in the Statement of Cashflows. Commitments and contingencies are disclosed exclusive of GST.

### INCOME TAX

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

### BUDGET FIGURES

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by NZTE for the preparation of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 1 : STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### COST OF SERVICE STATEMENTS

The cost of service statements, as reported in the Statement of Service Performance, report the net cost for the outputs of NZTE and are represented by the costs of providing the output less all the revenue that can be allocated to these activities. NZTE has derived the net cost of service for each significant activity of NZTE using the cost allocation system outlined below.

#### Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

#### Criteria for direct and indirect costs

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

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

#### Cost drivers for allocation of indirect costs

The cost of internal services not directly charged to activities are allocated as overheads using appropriate cost drivers such as actual usage and full time equivalents.

### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements NZTE 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. 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 value

At each balance date NZTE 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 NZTE to consider a number of factors, such as the physical condition of the asset, expected period of use of the asset by NZTE and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the Statement of Financial Performance, and carrying amount of the asset in the Statement of Financial Position.

NZTE minimises the risk of this estimation uncertainty by:

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

NZTE has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in Note 11.

#### Retirement and long service leave

Note 15 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

### CRITICAL JUDGEMENTS IN APPLYING NZTE'S ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying NZTE's accounting policies for the period ended 30 June 2008:

#### Leases 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 NZTE. Judgement is required on 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 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 property, plant and equipment, whereas for an operating lease no such asset is recognised. NZTE has exercised its judgement on the appropriate classification of equipment leases and has determined a number of lease arrangements are finance leases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 2 : REVENUE FROM CROWN – OPERATING & REVENUE FROM CROWN – GRANTS

NZTE received funding from the Crown for the specific purposes of NZTE as set out in the Output Agreement, and the scope of the relevant government appropriations.

NZTE received funding from the Crown for grants as set out in the Statement of Intent, and the scope of the relevant government appropriations.

	ACTUAL 2008 \$000's	ACTUAL 2007 \$000's
<b>NOTE 3 : OTHER OPERATING INCOME</b>		
Rental income	197	174
Other income	2,243	2,724
<b>Total other operating income</b>	<b>2,440</b>	<b>2,898</b>
<b>NOTE 4 : FINANCE INCOME</b>		
Interest income	651	535
Net gains from derivative financial instruments	1,153	–
<b>Total finance income</b>	<b>1,804</b>	<b>535</b>
<b>NOTE 5 : PERSONNEL COSTS</b>		
Wages and salaries	65,823	61,354
Payments to superannuation plans	543	414
Increase/(decrease) in employee benefit provisions	409	176
<b>Total personnel costs</b>	<b>66,775</b>	<b>61,944</b>
<b>NOTE 6 : FINANCE EXPENSE</b>		
Interest expense – capital charge	1,435	1,638
Interest paid on finance lease liabilities	34	38
Net losses from derivative financial instruments	–	6,474
Net foreign exchange losses	1,381	140
<b>Total finance expense</b>	<b>2,850</b>	<b>8,290</b>

### Interest expense – capital charge

NZTE pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2008 was 7.5% (2007: 7.5%).

	ACTUAL 2008 \$000's	ACTUAL 2007 \$000's
<b>NOTE 7 : GRANT EXPENSE</b>		
Grants approved	73,722	79,400
less adjustment for variation in estimated drawdown rates	(14,520)	(16,028)
Grant expense before cessations	59,202	63,372
less cessations	(1,631)	(4,976)
<b>Total grant expense</b>	<b>57,571</b>	<b>58,396</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	ACTUAL 2008 \$000's	ACTUAL 2007 \$000's
<b>NOTE 8 : OTHER OPERATING EXPENSES</b>		
Audit fees – for the audit of the financial statements	160	152
Audit fees – IFRS audit	7	15
Board fees	224	189
Development and implementation of sector strategies including the Growth and Innovation Framework	18,443	12,923
Enterprise training and mentoring services	13,769	14,478
Intangibles written off	601	504
Impairment of trade receivables (bad and doubtful debts)	24	–
Loss on disposal of property, plant and equipment	10	14
Operating lease expenses	11,934	11,608
Services provided by third parties	5,980	6,635
Sponsorship, Brand New Zealand and offshore promotions	11,274	10,652
<b>NOTE 9 : CASH AND CASH EQUIVALENTS</b>		
Cheque account	808	407
Call account	7,793	8,779
Foreign currency accounts	2,189	1,412
<b>Total cash and cash equivalents in the statement of cashflows</b>	<b>10,790</b>	<b>10,598</b>

The cheque account is non-interest bearing, the call account earns interest at rates set from time to time by NZTE's bankers, Bank of New Zealand Limited. Some foreign currency accounts earn interest at floating rates based on daily bank deposit rates.

	ACTUAL 2008 \$000's	ACTUAL 2007 \$000's
<b>NOTE 10 : TRADE AND OTHER RECEIVABLES</b>		
Crown debtor – operating	18,244	18,616
Trade receivables from non-related parties	766	737
Sundry debtors	157	447
<b>Total current trade and other receivables</b>	<b>19,167</b>	<b>19,800</b>
<b>Crown debtor – grants</b>		
Current portion of grants receivable	48,293	41,186
Non-current portion of grants receivable	39,512	33,698
<b>Total non-current trade and other receivables</b>	<b>87,805</b>	<b>74,884</b>

Trade receivables from non-related parties are non-interest bearing and are generally on 30-day terms. Trade receivables are shown net of provision for doubtful debts amounting to \$36k (2007: \$10k) recognised in the current year.

Crown debtor – grants are due from the Ministry of Economic Development (MED) to pay grants administered by NZTE. Funds are paid by the MED to NZTE just prior to the grant being paid to the recipient.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 11 : PROPERTY, PLANT AND EQUIPMENT

	COMPUTER HARDWARE	FURNITURE AND OFFICE EQUIPMENT	LEASEHOLD IMPROVE- MENTS	MOTOR VEHICLES	TOTAL
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Year ended 30 June 2008</b>					
At 1 July 2007 net of accumulated depreciation	884	1,622	3,904	404	6,814
Additions	1,591	373	1,011	1,208	4,183
Disposals	(1)	(7)	(1)	(10)	(19)
Depreciation charge for the year	(829)	(742)	(1,406)	(303)	(3,280)
<b>Balance at 30 June 2008</b>	<b>1,645</b>	<b>1,246</b>	<b>3,508</b>	<b>1,299</b>	<b>7,698</b>
<b>Year ended 30 June 2007</b>					
At 1 July 2006 net of accumulated depreciation	1,330	2,112	5,305	674	9,421
Additions	434	339	150	79	1,002
Disposals	(2)	(14)	–	(26)	(42)
Depreciation charge for the year	(878)	(815)	(1,551)	(323)	(3,567)
<b>Balance at 30 June 2007</b>	<b>884</b>	<b>1,622</b>	<b>3,904</b>	<b>404</b>	<b>6,814</b>
<b>At 30 June 2008</b>					
Cost	6,143	5,104	9,076	2,011	22,334
Accumulated depreciation and impairment	(4,498)	(3,858)	(5,568)	(712)	(14,636)
<b>Net carrying amount</b>	<b>1,645</b>	<b>1,246</b>	<b>3,508</b>	<b>1,299</b>	<b>7,698</b>
<b>At 30 June 2007</b>					
Cost	5,056	4,977	8,114	1,627	19,774
Accumulated depreciation and impairment	(4,172)	(3,355)	(4,210)	(1,223)	(12,960)
<b>Net carrying amount</b>	<b>884</b>	<b>1,622</b>	<b>3,904</b>	<b>404</b>	<b>6,814</b>

### Restrictions

There are no restrictions on property, plant and equipment.

### Leased assets

NZTE leases leasehold improvements under a finance lease agreement. At 30 June 2008, the net carrying amount of the leasehold improvements was \$760k (2007: \$898k). The leasehold improvements secure NZTE's lease obligations.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 12: INTANGIBLE ASSETS

	COMPUTER SOFTWARE	TOTAL
	\$000's	\$000's
<b>Year ended 30 June 2008</b>		
At 1 July 2007 net of accumulated amortisation	2,168	2,168
Additions	597	597
Disposals	(601)	(601)
Amortisation charge for the year	(654)	(654)
<b>Balance at 30 June 2008</b>	<b>1,510</b>	<b>1,510</b>
<b>Year ended 30 June 2007</b>		
At 1 July 2006 net of accumulated amortisation	2,377	2,377
Additions	668	668
Amortisation charge for the year	(877)	(877)
<b>Balance at 30 June 2007</b>	<b>2,168</b>	<b>2,168</b>
<b>At 30 June 2008</b>		
Cost	3,251	3,251
Accumulated amortisation and impairment	(1,741)	(1,741)
<b>Net carrying amount</b>	<b>1,510</b>	<b>1,510</b>
<b>At 30 June 2007</b>		
Cost	4,280	4,280
Accumulated amortisation and impairment	(2,112)	(2,112)
<b>Net carrying amount</b>	<b>2,168</b>	<b>2,168</b>

### Restrictions

There are no restrictions on intangibles.

## NOTE 13 : INVESTMENT IN ASSOCIATE

New Zealand Trade and Enterprise has a 50% shareholding in The New Zealand Way Limited. This Company is the operating entity of a joint venture between New Zealand Trade and Enterprise and Tourism New Zealand.

The carrying value of \$75 as at 30 June 2008 represents New Zealand Trade and Enterprise's share in the issued and paid up capital of The New Zealand Way Limited. The financial year-end of The New Zealand Way Limited is 30 June. (Year ended 30 June 2007 – \$75)

The New Zealand Way owns the intellectual property to the Brand NZ fern mark.

	ACTUAL 2008 \$000's	ACTUAL 2007 \$000's
<b>NOTE 14 : TRADE AND OTHER PAYABLES</b>		
Payables due to non-related parties	13,597	12,700
Income in advance	440	346
FBT, GST and PAYE payable	1,412	1,743
Capital charge due to the Crown	–	813
<b>Total trade and other payables</b>	<b>15,449</b>	<b>15,602</b>

Creditors and other payables are non interest bearing and are normally settled on 20th of month following invoice terms, therefore the carrying value of trade and other payables approximates fair value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 15 : EMPLOYEE BENEFITS

### Current liabilities

Salary and wages accrual	654	473
Annual leave	2,679	2,479
Sick leave	131	131
<b>Total current employee benefits</b>	<b>3,464</b>	<b>3,083</b>

### Non-current liabilities

Long-service leave	44	54
Retirement leave and other leave	2,464	2,426
<b>Total non-current employee benefits</b>	<b>2,508</b>	<b>2,480</b>

## NOTE 16 : FINANCIAL LIABILITIES

Current portion of finance lease liabilities	124	124
Non-current portion of finance lease liabilities	694	822
<b>Total financial liabilities</b>	<b>818</b>	<b>946</b>

### Finance lease liabilities

Finance lease liabilities are payable as follows:

	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL
	2008	2008	2008	2007	2007	2007
	Actual	Actual	Actual	Actual	Actual	Actual
Less than one year	153	(29)	124	158	(34)	124
Between one and five years	763	(69)	694	789	(96)	693
More than five years	–	–	–	131	(2)	129
<b>Total finance lease liabilities</b>	<b>916</b>	<b>(98)</b>	<b>818</b>	<b>1,078</b>	<b>(132)</b>	<b>946</b>

### Description of leasing arrangements

NZTE has entered into a finance lease for the leasehold improvements in the office premises at Wellington, New Zealand. The net carrying amount of the leasehold interest is included within property plant and equipment, in note 11. Under the terms of the lease no contingent rents are payable. The effective interest rates for the life of all the finance leases are 6.19% to 11%. The finance leases for office equipment are secured over the assets to which they relate. Finance leases for leasehold improvements are unsecured.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	ACTUAL 2008 \$000's	ACTUAL 2007 \$000's
<b>NOTE 17 : PROVISIONS – GRANTS</b>		
Current portion of grants payable	48,293	41,186
Non-current portion of grants payable	39,512	33,698
<b>Total grants payable</b>	<b>87,805</b>	<b>74,884</b>
<b>Movements in the liabilities for grants are:</b>		
<b>Opening Balance as at 1 July</b>	<b>74,884</b>	<b>50,185</b>
Grants approved during year ended 30 June	73,722	79,400
Less payments made against provisions	(44,650)	(33,697)
Less unused amounts due to cessations	(1,631)	(4,976)
Less adjustments made due to variation in estimated draw down rates	(14,520)	(16,028)
<b>Closing balance as at 30 June</b>	<b>87,805</b>	<b>74,884</b>

Details of grant approvals by class of grant are contained in the Statement of Service Performance. All values are GST exclusive.

The provision represents the estimated liability across a range of grant programmes as at 30 June. Payments against the 30 June 2008 provisions are expected to be made during the 2008/09 financial year or subsequent financial years in accordance with the grant claims received.

New Zealand Trade and Enterprise had no Contingent Liabilities in relation to Crown Grants as at 30 June 2008 (2007: nil)

## NOTE 18 : DERIVATIVE FINANCIAL LIABILITIES

Current portion of derivative financial liabilities	368	1,521
<b>Total derivative financial liabilities</b>	<b>368</b>	<b>1,521</b>

The notional principal amounts of material outstanding forward exchange contracts at 30 June 2008 are USD \$6.5m (2007 : USD \$6.2m), EUR € 2.9m (2007 : EUR € 2.4m), GBP £1.6m (2007 : GBP £ 1.4m), HKD \$25.9m (2007 : HKD \$18.6m), SGD \$4.3m (2007 : SGD \$3.1m) and AUD \$2.8m (2007 : AUD \$2.3m).

The fair value of forward exchange contracts has been determined using a discounted cashflow valuation methodology based on quoted market rates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 19 : RECONCILIATION OF THE NET SURPLUS FROM OPERATIONS WITH THE NET CASHFLOWS FROM OPERATING ACTIVITIES

	ACTUAL	ACTUAL
	2008	2007
	\$000's	\$000's
<b>Net (deficit) / surplus from operations</b>	<b>1,043</b>	<b>(8,353)</b>
<b>Add back non cash items:</b>		
Depreciation of property, plant and equipment	3,280	3,567
Amortisation of intangible assets	654	877
Unrealised foreign exchange losses	82	27
Increase/(Decrease) in non-current employee entitlements and finance lease liability	47	(173)
Fair value changes in derivatives	(1,153)	6,474
<b>Total non-cash items</b>	<b>2,910</b>	<b>10,772</b>
<b>Add back items classified as investing activity:</b>		
Net loss/(gain) on disposal of property, plant and equipment	611	(49)
<b>Add / less working capital movements:</b>		
(Increase)/Decrease in trade & other receivables & prepayments	216	(3,377)
(Increase)/Decrease in crown – debtor grants	(7,107)	(13,584)
Increase/(Decrease) in trade payables	235	3,041
Increase/(Decrease) in provisions – grants	7,107	13,584
Increase/(Decrease) in employee benefits	381	278
<b>Total working capital movements</b>	<b>832</b>	<b>(58)</b>
<b>Net cashflow from operating activities</b>	<b>5,396</b>	<b>2,312</b>

## NOTE 20 : FINANCIAL RISK MANAGEMENT

NZTE's principal financial instruments, other than derivatives, comprise finance leases, cash and short term deposits. The main purpose of these financial instruments is to fund NZTE's operations and hedge exposure to foreign exchange variations. NZTE has various other financial instruments such as trade debtors and trade creditors which arise directly from its operations.

NZTE also enters into derivative transactions consisting principally of forward currency contracts. The purpose of these is to manage the currency risks arising from NZTE's operations and its sources of finance.

It is, and has been throughout the period under review, NZTE's policy that no trading in financial instruments shall be undertaken.

The main risks arising from NZTE's financial instruments are credit risk, interest rate risk and foreign currency risk. The Board reviews and agrees to policies for managing each of these risks and they are summarised below.

### (a) Credit risk

Financial instruments, which potentially subject NZTE to concentrations of risk, consist principally of cash, short-term deposits and accounts receivable.

NZTE places its cash and short-term deposits with high-quality financial institutions hence the risk is low.

Concentrations of credit risk from accounts receivable are limited due to the large number and variety of customers. The Ministry of Economic Development is the largest single debtor (approximately 99 percent). It is assessed to be a low risk and high-quality entity due to its nature as the government funded purchaser.

At the balance sheet date there were no significant other concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 20 : FINANCIAL RISK MANAGEMENT (CONTINUED)

The status of trade receivables for the Group at the reporting date is as follows:

	GROSS RECEIVABLE	IMPAIRMENT	GROSS RECEIVABLE	IMPAIRMENT
	2008	2008	2007	2007
	\$000's	\$000's	\$000's	\$000's
Trade and other receivables	19,203	(36)	19,812	(12)
Analysed as:				
Not past due	19,071	–	19,554	–
Past due 0-30 days	38	–	108	–
Past due 31-120 days	46	(4)	115	–
Past due 121-360 days	48	(32)	6	–
Past due more than 1 year	–	–	29	(12)
<b>Total trade and other receivables</b>	<b>19,203</b>	<b>(36)</b>	<b>19,812</b>	<b>(12)</b>

In summary, trade receivables for the Group are determined to be impaired as follows:

	2008	2007
	\$000's	\$000's
Gross trade receivables	19,203	19,812
Individual impairment	(36)	(12)
<b>Total trade and other receivables net</b>	<b>19,167</b>	<b>19,800</b>

Individually impaired trade receivables relate to insolvent customers or debts in recovery assessed as uncollectible. In the case of insolvency the Group generally writes off the receivable in full unless there is clear evidence that a receipt is highly probable.

### (b) Interest rate risk

Interest rate risk is the risk that NZTE's return on funds it has invested will fluctuate due to changes in market interest rates. All investments are held on a short term basis, thus minimising any interest rate risk. The effective interest rate on short term deposits as at 30 June 2008 was between 0% and 8.25% (2007: 0% and 8.0%)

### Effective interest rates and repricing analysis

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

2008 ACTUAL						
	Note	Effective interest rate %	Total	0-1 year	1-2 yrs	2-5 yrs
Call account	9	8.13	7,793	7,793	–	–
2007 ACTUAL						
	Note	Effective interest rate %	Total	0-1 year	1-2 yrs	2-5 yrs
Call account	9	8.00	8,779	8,779	–	–

The other financial instruments that are not included in the above table are non-interest bearing.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 20 : FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Foreign currency risk

NZTE has offices overseas and undertakes transactions denominated in foreign currencies. As a result of these activities, exposures in foreign currency arise. The currencies giving rise to this risk are primarily the USD, EUR, GBP, HKD, SGD and the AUD. It is NZTE policy to hedge foreign currency risks and use forward and spot foreign exchange contracts to manage this exposure. In accordance with Crown policy the foreign exchange contracts are completed approximately nine months prior to commencement of the financial year. The appropriation from the Crown for the financial year is primarily based on the same foreign exchange contracted rates. The total foreign exchange exposure hedged during the year ended 30 June 2008 was 73% of total overseas expenditure in foreign currencies.

### Forecasted transactions

NZTE has not designated its forward exchange contracts as cashflow hedges, accordingly fair value movements in outstanding forward exchange contracts are accounted for either as a net gain or loss from derivative financial instruments directly in the Statement of Financial Performance. The net fair value of forward exchange contracts used as hedges of forecasted transactions at 30 June 2008 was \$368k (2007: \$1,521k), comprising assets of \$471k (2007: \$0k) and liabilities of \$839k (2007: \$1,521k) that were recognised in fair value derivatives.

### Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the Statement of Financial Performance. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of 'finance income and finance expense' (see Notes 4 and 6). The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 30 June 2008 was \$368k (2007: \$1,521k) recognised in fair value derivatives.

### Sensitivity analysis

In managing interest rate and currency risks NZTE aims to reduce the impact of short-term fluctuations on NZTE's earnings. Over the longer-term however, permanent changes in foreign exchange rates would have an impact on earnings.

At 30 June 2008, it is estimated that a general increase of one percentage point in the value of NZD against other foreign currencies would have decreased NZTE's surplus before tax by approximately \$333k for the year ended 30 June 2008 (2007: \$261k). The forward exchange contracts have been included in this calculation.

### Fair values

The fair values together with the carrying amounts shown in the Statement of Financial Position are as follows:

	Note	CARRYING AMOUNT 2008 Actual	FAIR VALUE 2008 Actual	CARRYING AMOUNT 2007 Actual	FAIR VALUE 2007 Actual
<b>Financial Assets</b>					
Cash and cash equivalents	9	10,790	10,790	10,598	10,598
Trade and other receivables and Crown debtor-grants	10	106,972	106,972	94,684	94,684
Deposits and prepayments		2,569	2,569	2,336	2,336
<b>Financial Liabilities</b>					
Trade and other payables	14	15,449	15,449	15,602	15,602
Financial liabilities	16	818	818	946	946
Provisions	17	87,805	87,805	74,884	74,884
Derivative financial liabilities	18	368	368	1,521	1,521

The carrying amounts of financial instruments included in the Statement of Financial Position reflect the fair values of the financial instruments at balance date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 20 : FINANCIAL RISK MANAGEMENT (CONTINUED)

### Estimation of fair values analysis

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

### Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

Where discounted cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

### Finance lease liabilities

The fair value is estimated as the present value of future cashflows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

### Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

### Capital Management

NZTE's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets. NZTE is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and use of derivatives. NZTE manages its equity as a by-product of prudently managing revenue, expenses, assets, liabilities, investments, and general financial dealings to ensure that NZTE effectively achieves its objectives and purpose, whilst remaining a going concern.

## NOTE 21 : COMMITMENTS

	ACTUAL	ACTUAL
	2008	2007
	\$000's	\$000's
At balance date NZTE had commitments of:		
<b>Total non-cancellable operating commitments</b>		
<b>Non-cancellable operating lease commitments</b>		
Not later than one year	12,334	8,638
Later than one year and not later than five years	18,091	12,515
Later than five years	1,720	2,807
<b>Total non-cancellable operating lease commitments</b>	<b>32,145</b>	<b>23,960</b>

Commitments are for office rental, offshore residential rental, office equipment and information technology service agreements.

### Non-cancellable contracts

Not later than one year	9,153	6,289
Later than one year and not later than five years	2,652	6,530
<b>Total non-cancellable contracts</b>	<b>11,805</b>	<b>12,819</b>
Contracts include sponsorships and the supply of goods and services.		
<b>Total capital commitments approved and contracted</b>	<b>19,690</b>	<b>68</b>

Capital commitments include \$19.6m (2007 : nil) that relate to the construction of a pavilion for the 2010 Shanghai Expo.

## NOTE 22 : CONTINGENT LIABILITIES

NZTE is dealing with a small number of low risk unresolved personal grievance claims by former employees. The estimated maximum value of these contingent liabilities (not including costs) is estimated at \$22,740 at 30 June 2008. (2007 : nil)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 23 : RELATED PARTY DISCLOSURE

### Ownership

NZTE is a crown entity in terms of the Crown Entities Act 2004, and is owned by the Crown.

### Compensation

The key management personnel's compensation is as follows:

	ACTUAL 2008 \$000's	ACTUAL 2007 \$000's
Short-term employee benefits	2,904	2,572
<b>Total key management personnel's compensation</b>	<b>2,904</b>	<b>2,572</b>

Key management personnel include all board members, the Chief Executive and the remaining eight members of the Senior Management Team.

New Zealand Trade and Enterprise is a wholly owned entity of the Crown. The Government significantly influences the role of New Zealand Trade and Enterprise as well as being its major source of revenue.

All transactions entered into with government departments and other crown entities are conducted at arm's length on normal business terms. In overseas countries New Zealand Trade and Enterprise operates with other government agencies in securing cost effective representation.

A number of companies in which the New Zealand Trade and Enterprise board members have an interest are members of industry groups. All transactions with these industry groups are on the same basis as all other industry groups and are not considered related party transactions.

The following schedule presents material related party transactions, for the year ended 30 June 2008 which were at arm's length on normal commercial terms. No permissions to act, despite being interested in a matter, in terms of s.68 Crown Entities Act 2004, were granted in the year ended 30 June 2008. All items are shown GST exclusive.

NAME OF DIRECTOR & ENTITY	RELATIONSHIP	TRANSACTION	AMOUNT \$	BALANCE OUTSTANDING AS AT 30 JUNE 2008 \$
<b>Craig Ellison</b>				
<i>NZTE provided the following:</i>				
National Institute of Water & Atmospheric Research	Director	ANZ Bio Partnership Fund Grant	8,889	–
<i>NZTE purchased the following:</i>				
Absolute Foods Ltd	Director	Advice & Information	889	–
<i>NZTE supplied and invoiced the following:</i>				
Absolute Foods Ltd	Director	Advice & Information and Market Visit Programme	11,900	–
Airways International Ltd	Director	Market Visit Programme	9,088	–
Prepared Foods Ltd	Director	Advice & Information and Market Visit Programme	8,690	–
<b>Jane Hunter</b>				
<i>NZTE provided the following:</i>				
Hunters Wines (NZ) Ltd	Director	Enterprise Development Fund – Market Development Grant	20,781	–



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 23 : RELATED PARTY DISCLOSURE (CONTINUED)

NAME OF DIRECTOR & ENTITY	RELATIONSHIP	TRANSACTION	AMOUNT	BALANCE OUTSTANDING AS AT 30 JUNE 2008
			\$	\$
<b>Phillip Lough</b>				
<i>NZTE provided the following:</i>				
Provenco Group	Shareholder	Strategic Investment Fund Grant	66,131	–
Methven Limited	Director	Beachheads Rent Reimbursement	16,260	–
<i>NZTE purchased the following:</i>				
Fisher & Paykel Appliance Holdings Limited	Shareholder	Advisory Meeting Fees	3,556	–
Methven Limited	Director	Design Integration Funding	63,448	–
Massey University	Trustee	Market Visit Programme	2,000	–
<i>NZTE supplied and invoiced the following:</i>				
Methven Limited	Director	Foundation services and market monitoring	3,200	–
Fisher & Paykel Appliance Holdings Limited	Shareholder	NZ Focus Centre Cost Recovery & Licence Fees	85,172	–
Fisher & Paykel Healthcare Corporation Ltd	Shareholder	Dubai Beachheads Participation Fee	39,000	–
<b>Peter Maire</b>				
<i>NZTE provided the following:</i>				
Rakon NZ Ltd	Director/Shareholder	US Beachheads Rent Reimbursement	10,351	–
<i>NZTE supplied and invoiced the following:</i>				
Rakon NZ Ltd	Director/Shareholder	Overseas Exhibition Costs	300	–
<b>Jon Mayson</b>				
<i>NZTE supplied and invoiced the following:</i>				
Ziwipeak Ltd	Director	Advice & Information	3,600	–
<b>Peter Menzies</b>				
<i>NZTE provided the following:</i>				
Protemix Corporation Ltd	Shareholder	Strategic Investment Fund Grant	42,930	–
<i>NZTE purchased the following:</i>				
Xsol Limited	Shareholder	Renewal of software licences	3,000	–
<i>NZTE supplied and invoiced the following:</i>				
Pumpkin Patch Limited	Shareholder	Market Visit Programme	2,150	–
<b>Lorraine Witten</b>				
<i>NZTE provided the following:</i>				
Open Cloud	Trustee	Growth Services Funds Grant	36,264	–
Open Cloud	Trustee	Enterprise Development Fund – Market Development Grant	88,889	–
Run The Red Ltd	Business Advisor	Enterprise Development Fund – Market Development Grant	47,672	–
Run The Red Ltd	Business Advisor	Growth Services Funds Grant	6,194	–
<i>NZTE purchased the following:</i>				
RMA Solutions	Director/Shareholder	NZ Beachheads Advisory Board Meeting Fees	1,000	–

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 24 : BOARD MEMBER REMUNERATION

#### Remuneration

Board members earned the following remuneration (fees) during the year.

	ACTUAL	ACTUAL
	2008	2007
Member	\$	\$
Peter Conway	23,550	9,750
Craig Ellison	25,106	21,450
Jane Hunter	22,218	19,500
Alan Isaac	24,440	21,450
Phil Lough (Chair to 31 March 2008)	42,000	56,000
Peter Maire	22,218	19,500
Jon Mayson (Board member from 20 February 2008 & Chair from 1 April 2008)	16,819	–
Peter Menzies	24,440	21,450
Lorraine Witten	23,550	19,500

There have been no payments made to committee members, appointed by the Board, who are not board members during the financial year.

### NOTE 25 : EMPLOYEE REMUNERATION

The following table discloses the number of New Zealand Trade and Enterprise employees who received remuneration and/or benefits excluding cessation payments of \$100,000 or more during the year ending 30 June 2008 and 30 June 2007.

TOTAL REMUNERATION AND BENEFITS	2008	2008	2008	2007	2007	2007
\$	NZ	Seconded Offshore*	Locally Engaged Offshore**	NZ	Seconded Offshore*	Locally Engaged Offshore**
100 - 109,999	45	–	8	35	1	13
110 - 119,999	25	–	12	19	1	10
120 - 129,999	9	–	10	10	1	6
130 - 139,999	15	1	7	10	1	8
140 - 149,999	4	–	6	7	1	5
150 - 159,999	5	–	2	3	3	5
160 - 169,999	3	1	2	2	5	2
170 - 179,999	2	4	1	2	7	3
180 - 189,999	3	–	3	4	2	2
190 - 199,999	1	7	2	1	2	–
200 - 209,999	1	6	–	–	–	–
210 - 219,999	–	2	–	–	1	–
220 - 229,999	–	4	–	–	–	–
230 - 239,999	–	–	–	2	–	–
240 - 249,999	–	1	–	2	2	–
250 - 259,999	2	1	–	–	–	–
260 - 269,999	1	–	–	1	2	–
270 - 279,999	2	–	–	2	1	–
280 - 289,999	1	2	–	–	–	–
300 - 309,999	–	1	–	–	–	–
310 - 319,999	–	1	–	–	–	–
410 - 419,999	–	1	–	–	–	–
450 - 459,999	–	–	–	1	–	–
470 - 479,999	1	–	–	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 25 : EMPLOYEE REMUNERATION (CONTINUED)

Locally engaged employees in overseas offices and the allowances of New Zealand employees seconded to overseas offices have been included in these totals.

\* Of the offshore expatriate employees disclosed, five receive a base salary of less than \$100,000 but receive allowances to reimburse the costs associated with being an expatriate employee. This takes the total paid to more than \$100,000. When these employees return to New Zealand they will be paid their base salary only. Note that for expatriate employees, base salary may be less than \$100,000, however the allowances that reimburse costs for such staff living offshore take the overall payments to this amount. Note these allowances cease when the employee returns to New Zealand.

\*\* The total remuneration paid to locally engaged overseas employees has been converted to NZ dollars based on the average exchange rate during the year ending 30 June 2008. This includes salary and any cessation payments.

During the year ending 30 June 2008, 10 onshore employees received cessation payments totalling \$372,500.

During the year ending 30 June 2008, 11 locally engaged employees received cessation payments totalling \$560,264.

The Chief Executive's remuneration and benefits are in the \$470,000 to \$479,999 band.

Due to legislative changes, from 1 April 2007 allowances paid to expatriate staff became taxable. NZTE increased these allowances so that employees received the same net amount.

## NOTE 26 : MAJOR BUDGET VARIATIONS

Explanation of major budget variations

Statement of Financial Performance, Statement of Financial Position, and Statement of Cashflows.

Revenue from the Crown – operating, is above budget due to increased funding approved during the year to support the Food and Beverage Taskforce, the China Free Trade Agreement and the Better by Design programme. GIF Industry Bodies funding was transferred from grant expenditure to operating expenditure during the year.

Revenue from the Crown – grants as well as grant debtors and provisions, are below budget due to funding being transferred to operating expenditure from the following grant programmes: Growth Services Fund, Enterprise Development Grant – Capability Building, GIF Sector Project Fund and the GIF Industry Bodies fund. Funding from the Strategic Investment Fund was transferred back to the Ministry of Economic Development. Expenditure was below budget for the Enterprise Development Grant – Market Development, and the Regional Strategy Fund due to lower applications for the revised Regional Grant programme.

Personnel costs are above budget due to increases in inflationary costs overseas and increased salary costs.

The net operating surplus arises from the revaluation of overseas net assets, primarily bank accounts, and the gain arising from the derivative financial instruments.

Capital contributions from the Crown are below budget due to a delay in the commencement of the Shanghai Concept Centre capital expenditure development.

Crown debtor – grants, are lower than budget due to below budget expenditure in respect of the Enterprise Development Grant – Market Development.

Property, plant and equipment is below budget due to lower capital expenditure than planned and a delay in the commencement of the Shanghai Concept Centre construction.

Provisions – grants (both current and non-current) are below budget due to below budget expenditure on the Enterprise Development Grant – Market Development.

## NOTE 27 : EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events subsequent to balance date that required adjustment to the financial statements (2007 : nil).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 28 : EXPLANATION OF TRANSITION TO NZ IFRS

These are NZTE's first financial statements prepared in accordance with NZ IFRS.

The accounting policies set out in the Notes to the Financial Statements have been applied in preparing financial statements for the year ended 30 June 2008, the comparative information presented for the year ended 30 June 2007 and in the preparation of an opening NZ IFRS Balance Sheet at 1 July 2006 (NZTE's date of transition).

In preparing its opening NZ IFRS Balance Sheet and restating the 2007 financial statements, NZTE has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to NZ IFRS has affected NZTE's financial position, financial performance and cashflows is set out in the following tables and the notes that accompany the tables.

#### Reconciliation of equity

	Note	TRANSITION BALANCE SHEET			COMPARATIVE BALANCE SHEET		
		1 July 2006			30 June 2007		
		Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
		ooo's	ooo's	ooo's	ooo's	ooo's	ooo's
<b>Current assets</b>							
Cash and cash equivalents		9,449	—	9,449	10,598	—	10,598
Trade and other receivables		16,003	—	16,003	19,800	—	19,800
Crown debtor – grants	a	—	27,602	27,602	—	41,186	41,186
Deposits and prepayments		2,687	—	2,687	2,336	—	2,336
Derivative financial liabilities	b	—	4,953	4,953	—	—	—
<b>Total current assets</b>		<b>28,139</b>	<b>32,555</b>	<b>60,694</b>	<b>32,734</b>	<b>41,186</b>	<b>73,920</b>
<b>Non-current assets</b>							
Crown debtor – grants	a	—	22,583	22,583	—	33,698	33,698
Property, plant and equipment	c	12,753	(3,332)	9,421	11,152	(4,338)	6,814
Intangible assets	c	—	2,377	2,377	—	2,168	2,168
<b>Total non-current assets</b>		<b>12,753</b>	<b>21,628</b>	<b>34,381</b>	<b>11,152</b>	<b>31,528</b>	<b>42,680</b>
<b>Total assets</b>		<b>40,892</b>	<b>54,183</b>	<b>95,075</b>	<b>43,886</b>	<b>72,714</b>	<b>116,600</b>
<b>Current liabilities</b>							
Trade and other payables		12,827	(266)	12,561	16,075	(473)	15,602
Employee benefits	d	2,408	397	2,805	2,479	604	3,083
Financial liabilities		119	—	119	124	—	124
Provisions – grants	e	—	27,602	27,602	—	41,186	41,186
Derivative financial liabilities	b	—	—	—	—	1,521	1,521
<b>Total current liabilities</b>		<b>15,354</b>	<b>27,733</b>	<b>43,087</b>	<b>18,678</b>	<b>42,838</b>	<b>61,516</b>
<b>Non-current liabilities</b>							
Provisions – grants	e	—	22,583	22,583	—	33,698	33,698
Employee benefits		2,582	—	2,582	2,480	—	2,480
Financial liabilities		946	—	946	822	—	822
<b>Total non-current liabilities</b>		<b>3,528</b>	<b>22,583</b>	<b>26,111</b>	<b>3,302</b>	<b>33,698</b>	<b>37,000</b>
<b>Total liabilities</b>		<b>18,882</b>	<b>50,316</b>	<b>69,198</b>	<b>21,980</b>	<b>76,536</b>	<b>98,516</b>
<b>Net assets</b>		<b>22,010</b>	<b>3,867</b>	<b>25,877</b>	<b>21,906</b>	<b>(3,822)</b>	<b>18,084</b>
<b>Equity</b>							
Crown Equity	f	22,010	3,867	25,877	21,906	(3,822)	18,084
<b>Total equity</b>		<b>22,010</b>	<b>3,867</b>	<b>25,877</b>	<b>21,906</b>	<b>(3,822)</b>	<b>18,084</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 28 : EXPLANATION OF TRANSITION TO NZ IFRS (CONTINUED)

#### Explanatory notes – Reconciliation of equity

##### a. Crown debtor – grants

The adjustments to trade and other receivables are as follows:

	1 July 2006	30 June 2007
	\$000's	000's
Crown debtor grants – current	27,602	41,186
Crown debtor grants – non-current	22,583	33,698
<b>Total adjustment to crown debtors grants</b>	<b>50,185</b>	<b>74,884</b>

Crown debtor – grants are due from the Ministry of Economic Development (MED) to reimburse grants approved within appropriation and administered by NZTE. NZTE has applied IPSAS 23, Revenue from Non-Exchange Transactions, which requires that an entity shall recognise an asset in respect of a grant if it meets the definition of an asset and satisfies the recognition criteria. Approved grants are reimbursed by the MED as grant milestones are achieved, accordingly total approved grants are recognised as a receivable from the MED subject to adjustments, based on historical data, for the probability of the grant actually being taken up.

##### b. Derivative financial liabilities

The fair value of financial derivatives, namely foreign exchange contracts, were not recognised in the Statement of Financial Position under previous NZ GAAP. NZ IFRS requires financial derivatives to be recognised in the Statement of Financial Position at fair value. In accordance with the transitional provisions of NZ IFRS 1, as NZTE was not hedge accounting under previous NZ GAAP, the fair value movements of forward exchange contracts subsequent to the date of transition to NZ IFRS are recognised directly through the Statement of Financial Performance.

##### c. Intangible assets

The adjustments to intangible assets are as follows:

	1 July 2006	30 June 2007
	\$000's	000's
Reclassification of software from property, plant and equipment	3,332	1,006
Writedown of NZTE websites	(955)	(1,215)
<b>Total adjustment to intangible assets</b>	<b>2,377</b>	<b>(209)</b>

Computer software has been reclassified as an intangible asset in accordance with NZ IAS 38 Intangible Assets where it was previously classified as property, plant and equipment. In addition \$955k and \$1,215k of costs associated with the NZTE websites were reclassified from capital WIP to operating expenditure. This did not however give rise to an impairment but rather a reclassification of costs from capital to operating.

##### d. Employee benefits

The adjustments to employee benefits are as follows:

	1 July 2006	30 June 2007
	\$000's	000's
Transfer of employee benefits from accounts payable	266	207
Sick leave accrual	131	–
<b>Total adjustment to employee benefits</b>	<b>397</b>	<b>207</b>

In accordance with NZ IAS 19, Employee Benefits, accrued salaries have been reclassified from accounts payable to employee benefits. In addition sick leave was not recognised as a liability under previous NZ GAAP, however NZ IAS 19 requires NZTE to recognise employees unused sick leave entitlements that can be carried forward at balance date to the extent that NZTE anticipates it will be used by staff to cover future absences.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 28 : EXPLANATION OF TRANSITION TO NZ IFRS (CONTINUED)

#### e. Provisions – grants

The adjustments to provisions are as follows:

	1 July 2006	30 June 2007
	\$000's	000's
Current portion of grants payable	27,602	41,186
Non-current portion of grants payable	22,583	33,698
<b>Total adjustment to provisions</b>	<b>50,185</b>	<b>74,884</b>

Grants are approved and administered by NZTE for a variety of purposes and payable over more than one accounting period. Grants when they are approved meet the definition of a provision under NZIAS 37 as a liability uncertain as to timing and amount. Payment of grant amounts is conditional upon milestones being achieved so an assessment has been made based on historical data of the probability of the grant actually being taken up.

#### f. Equity

The adjustments to general funds are as follows:

	1 July 2006	30 June 2007
	\$000's	000's
Derivative financial instruments	4,953	(6,474)
Intangible assets spend reclassified to operating expenditure	(955)	(1,215)
Employee benefits	(131)	0
<b>Total adjustment to equity</b>	<b>3,867</b>	<b>(7,689)</b>

### Reconciliation of deficit for the year ended 30 June 2007

The following table shows the changes in NZTE surplus, resulting from the transition from previous NZ GAAP to NZ IFRS for the year ending 30 June 2007.

	Note	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
Revenue from Crown – operating		142,956	–	142,956
Revenue from Crown – grants	a	–	58,396	58,396
Client income		1,321	–	1,321
Other operating income		2,898	–	2,898
Finance income		535	–	535
<b>Total income</b>		<b>147,710</b>	<b>58,396</b>	<b>206,106</b>
Personnel costs		61,944	–	61,944
Depreciation and amortisation expense		4,444	–	4,444
Finance expense	b	1,816	6,474	8,290
Grant expense	a	–	58,396	58,396
Other operating expenses	c	80,170	1,215	81,385
<b>Total expenses</b>		<b>148,374</b>	<b>66,085</b>	<b>214,459</b>
<b>Surplus/(deficit) for the year</b>		<b>(664)</b>	<b>(7,689)</b>	<b>(8,353)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

## NOTE 28 : EXPLANATION OF TRANSITION TO NZ IFRS (CONTINUED)

### Explanatory notes – Reconciliation of deficit

#### a. Revenue from Crown Grants

Grants are approved and administered by NZTE for a variety of purposes. Upon being approved they are recognised as a liability with a reciprocal asset being the grant receivable due from the Ministry of Economic Development. Subsequently progressive payments of the approved grant, subject to the fulfilment of agreed milestones, gives rise to recognition of grant expenditure with a reciprocal amount being recovered from the Ministry of Economic Development which is recorded as Revenue from crown – grants.

#### b. Finance costs – net loss on derivative financial instruments

The transition effect represents fair value movements associated with forward foreign exchange contracts, which are required to be recognised in the Statement of Financial Performance. Under NZ GAAP unrecognised gains and losses on forward foreign exchange contracts were deferred (off balance sheet) and were subsequently recognised as an adjustment to the value of the relevant asset.

#### c. Operating Expenses – write down of NZTE website

The NZTE website development expenditure was reviewed at the conclusion of each accounting year and expenditure reclassified to operating as the website is largely designed to inform stakeholders rather than as a tool to deliver future service potential.

### Statement of Cashflows

On transition to NZ IFRS website development expenditure, previously recorded as an investing activity, has been reclassified to operating activities. The effect of this has been to reduce cashflows applied to the purchase of intangible assets by \$1,215k and increase cashflows for payments to suppliers by \$1,215k.

Under NZ IFRS the payment of principal on finance lease liabilities is now shown within financing activities. The effect of this has been to reduce payments to suppliers within operating activities by \$119k and increase cashflows to the payment of principal on finance lease liabilities within financing activities by \$119k.

## AUDIT REPORT

### TO THE READERS OF NEW ZEALAND TRADE AND ENTERPRISE'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of New Zealand Trade and Enterprise. The Auditor-General has appointed me, Robert Manktelow, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance included in the annual report of New Zealand Trade and Enterprise for the year ended 30 June 2008.

#### UNQUALIFIED OPINION

##### In our opinion:

- The financial statements of New Zealand Trade and Enterprise on pages 40 to 65:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - New Zealand Trade and Enterprise's financial position as at 30 June 2008; and
    - the results of its operations and cashflows for the year ended on that date.
- The statement of service performance of New Zealand Trade and Enterprise on pages 30 to 39:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 15 September 2008, and is the date at which our opinion is expressed.

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

#### BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.



Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statements and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

#### **RESPONSIBILITIES OF THE BOARD AND THE AUDITOR**

The Board is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of New Zealand Trade and Enterprise as at 30 June 2008 and the results of its operations and cashflows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, New Zealand Trade and Enterprise's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the Crown Entities Act 2004 and the New Zealand Trade and Enterprise Act 2003.

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

#### **INDEPENDENCE**

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

Other than the audit, we have no relationship with or interests in New Zealand Trade and Enterprise.



Robert Manktelow  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

## MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE

This audit report relates to the financial statements and statement of service performance of New Zealand Trade and Enterprise for the year ended 30 June 2008 included on New Zealand Trade and Enterprise's website. New Zealand Trade and Enterprise's Board is responsible for the maintenance and integrity of New Zealand Trade and Enterprise's website. We have not been engaged to report on the integrity of New Zealand trade and Enterprise's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which

may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 16 September 2008 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

## OTHER STATUTORY REPORTING REQUIREMENTS

### MINISTERIAL DIRECTIONS

#### (S.114 AND 115 CROWN ENTITIES ACT 2004)

On 11 December 2007 Ministers Goff and Hodgson gave NZTE a direction in writing pursuant to section 112 of the Crown Entities Act 2004 and section 9(1)(e) of the New Zealand Trade and Enterprise Act 2003, to add support for outward investment as a specific function.

### ENFORCEMENT OF ACTS

#### (S.20 (3) CROWN ENTITIES ACT 2004)

No natural person acts were enforced against NZTE, in reliance on s.20 Crown Entities Act 2004, during the year ending 30 June 2008.

# NZTE FIVE YEARS ON

Since its establishment in 2003, New Zealand Trade and Enterprise has worked closely with industry to grow New Zealand's economy and build the country's trading relationship with the world. Highlights from our work include...

## 2003/04

- Investment New Zealand works closely with Walden Media to bring *The Chronicles of Narnia: The Lion, the Witch and the Wardrobe* to New Zealand.
- Pratt & Whitney and Air New Zealand open a joint venture V2500 engine service facility, which becomes an international centre of excellence for the American aerospace engine powerhouse.
- The \$150 million BioPacificVentures investment programme, the largest life sciences fund in Australasia, is established, boosting the biotechnology sector.

## 2004/05

- The 'New Zealand New Thinking' campaign is launched, positioning New Zealand as a creative, innovative and technologically advanced country.
- The New Zealand Focus Centre opens in Hong Kong, showcasing New Zealand products to the lucrative North Asian market and providing a contact point for trade and other business-related enquiries.
- Four Major Regional Initiatives are publicly launched, building on regional strengths in industries such as screen production (Auckland), aviation (Waikato), engineering (Eastern Bay of Plenty) and food and beverage (Tairāwhiti).

## 2005/06

- The world's leading glass manufacturer O-I, which makes over half the world's glass packaging products, announces a \$US47 million expansion of its manufacturing facility in Auckland.
- Eleven New Zealand ICT companies are profiled at Hewlett Packard's Cooltown Innovation Centre in Singapore, leading to individual deals with HP and its client base.
- New Zealand food and beverage companies are promoted at key trade shows including Fine Food, Australia; Natural Products Expo West, USA; Food and Hotel China; Foodex, Japan; Gulfood, UAE; and Food and Hotel Asia in Singapore.

## 2006/07

- A pilot programme with five schools in Malaysia matches New Zealand's e-learning capability with Malaysia's drive to improve its education system and teaching methods.
- The New Zealand marine industry's profile is raised and exporters to Europe benefit from New Zealand's high profile challenge for the America's Cup in Valencia.
- Manufacturing +, a strategy for New Zealand manufacturers, is launched and workshops are rolled out across the country.

