



# Annual Report

FOR THE YEAR ENDED 30 JUNE 2004



# Annual Report of New Zealand Trade and Enterprise for the year ended 30 June 2004

THIS FIRST REPORT TO PARLIAMENT BY  
NEW ZEALAND TRADE AND ENTERPRISE COVERS  
THE 12-MONTH PERIOD 1 JULY 2003 TO 30 JUNE 2004.



PRESENTED TO  
THE HOUSE OF REPRESENTATIVES  
PURSUANT TO SECTION 44A OF  
THE PUBLIC FINANCE ACT 1989.

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## Our Vision, Mission and Goals

### Our Mission

New Zealand Trade and Enterprise (NZTE) is the New Zealand Government's trade and economic development agency.

Our mission is to improve the international competitiveness and sustained profitability of New Zealand businesses.

NZTE offers the New Zealand business community a single organisation that can provide a range of high-quality, responsive and expert services to businesses throughout their life cycles, from start-ups to internationally competitive exporting companies.

### Our Vision

NZTE's vision is to be seen as one of the world's leading trade and economic development agencies.

We will achieve this through our offices in New Zealand and overseas by:

- assisting New Zealand business to be successful internationally and increasing the net economic contribution of business to New Zealand;
- providing a range of high-quality, responsive services and programmes that help to stimulate and grow internationally competitive businesses; and
- working in partnership with sectors, regions and businesses, and with private and public sector allies to achieve these objectives.

### Our Goals

NZTE will pursue three strategic goals:

- improving New Zealand's business environment for enterprise and growth;
- increasing the international connections of New Zealand businesses; and
- building New Zealand business capability.

These goals reinforce each other. They recognise that businesses require the managerial capabilities and environment to engage in international markets, and that this engagement is necessary to identify and respond to opportunities that will create business growth and sustained profitability.

## Introduction from the Chairman

As I reflect on the first year of operation for the Government's newly formed economic development agency I am pleased with what has been achieved, but recognise that this is the start of a journey and there is still a great deal to achieve. NZTE was formed from the merger of Trade New Zealand and Industry New Zealand. The aim of the merger was to create a one-stop shop for New Zealand businesses to assist them to grow and achieve success on an international stage, and ultimately raise the New Zealand economy back into the top half of the OECD rankings. Tasked with this challenge the new organisation set about defining what our key priorities are in order to achieve our objectives. As a Board, we agreed that in order to achieve we needed values and a strategy that clearly articulated to staff and stakeholders why we are here, and how we are going to work with our clients.

The result of this thinking was the Global Services Review. As a global organisation faced with the reality of limited resources we undertook to review not only where we worked, but how we work. The result of the review was the development of a revised NZTE strategy. The new approach is aimed at maximising NZTE's impact on economic development. NZTE will be looking at how it can assist key sectors of the New Zealand economy to obtain higher returns.

This will involve continuing to work with as many firms as possible to improve their capability – particularly their ability to work effectively internationally. It will additionally require NZTE to address (or help others to address) sector-wide issues that may be preventing higher growth, for example a lack of supporting infrastructure or lack of skills.

One of the key sector-wide issues that has been identified across the New Zealand economy is the limited level of effective participation in the modern globalised business world.

The new approach aims to address this problem by encouraging more New Zealand businesses to establish more effective and long-term relationships offshore. These will be the sorts of relationships that will provide access to customers, capital, skills, technology and in turn higher margins, and enable New Zealand businesses to compete on the international stage.

I would like to take this opportunity to acknowledge the senior management team and the staff who have made this process such a success.

I would also like to acknowledge the ongoing support and guidance of our Ministers, the Hon Jim Anderton and the Hon Jim Sutton. The Board, management and I are now looking forward to building on and strengthening our current relationship with Ministers to further achieve the objectives of NZTE.



**P V Lough**  
CHAIRMAN

## Commentary from the Chief Executive

New Zealand Trade and Enterprise is in the privileged position of working with New Zealand business to help improve the international competitiveness and sustained profitability of New Zealand businesses. We achieve this by:

- assisting New Zealand business to be successful internationally and increasing the net economic contribution of business to New Zealand;
- providing a range of high-quality, responsive services and programmes that help to stimulate and grow internationally competitive businesses; and,
- working in partnership with sectors, regions and businesses, and with private and public sector allies to achieve these objectives.

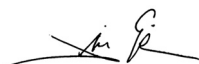
Following the merger of Trade New Zealand and Industry New Zealand the challenge for NZTE has been to maintain delivery of the activities and services mandated by our Ministers and achieve the priorities we set in our strategic plan to position the organisation for the future. On the whole I believe that our year-end performance is a positive reflection of the hard work and dedication shown by the organisation to achieve our objectives for the year. When going through a change process it is easy to lose sight of the positives. Although there are still areas requiring improvement we have achieved a great deal.

The coming year will provide new challenges as we look ahead to the implementation phase of the Global Services Review. This is a significant exercise, made up of a number of key projects. Our priorities for the coming year will include:

- the development of a cost allocation model;
- upgrading NZTE's global information technology (IT) network;

- the development and implementation of the Market Development Assistance Scheme; and
- reviewing our service range with a view to simplifying as appropriate and identifying what activities could be handled differently.

Finally I would like to take this opportunity to thank our Ministers the Hon Jim Anderton and the Hon Jim Sutton and the NZTE Board of Directors for their guidance over the year. I would also like to acknowledge the dedication of my management and staff, whose work will ensure NZTE is recognised as a world-class organisation.



**Tim Gibson**

CHIEF EXECUTIVE

## Review of the Year

NZTE's first year of operation has built on much of the work undertaken prior to the merger of Trade New Zealand and Industry New Zealand as staff and stakeholders continue to adapt to the new integrated operating environment. The year end has provided an opportunity to reflect on some of the key lessons from the first year, giving the organisation a clearer picture of required levels of service delivery and alignment to ensure the best possible use of resources.

Highlights for 2003/04 include:

- The Pacific Business Trust (PBT) commenced delivery of a pilot Enterprise Training programme targeted at Pacific peoples. The outcomes sought from the programme are increased management capability and productivity in businesses operated by Pacific peoples in New Zealand, and an increase in the number of businesses being established by Pacific peoples.
- An NZTE knowledge management project is set to receive funding in 2005 from the APEC Working Group on Trade Promotion after receiving endorsement from the group's recent meeting in New Zealand. The project involves benchmarking knowledge – and information-sharing processes and technologies currently applied by APEC Trade Promotion Organisations (TPOs). This will lead to the preparation of best practice guides and a Knowledge Management toolkit. The project will involve survey and follow-up work with a range of APEC TPOs, and publication of a comparative study and series of guides. The objective is to improve collaboration and knowledge-sharing as a means of improving capability at TPO and individual enterprise level. From NZTE's perspective, we will gain direct benefit from better information about systems and processes being used in a range of globally operating agencies with a similar mandate.
- Seven major regional initiatives (MRIs) were approved in 2003/04, totalling \$12,618,268. The seven MRIs approved covered five sectors. Sectors include tourism in Northland, Wanganui/ Rangitikei and Ruapehu, niche manufacturing in Taranaki, food and beverage in Nelson/ Tasman (seafood) and Tairāwhiti (meat and horticultural crops), aviation in Marlborough and information and communications technology (ICT) in Southland.
- NZTE facilitated the APEC Innovation Showcase, which formed part of the APEC Science Ministers' Event in March. This was the first meeting in six years of the Science Ministers from the 21 APEC economies. NZTE managed the business component of the event, which included an innovation showcase exhibition, symposia, visits to local businesses and a tailored business exchange programme. The last was organised in conjunction with Investment New Zealand and NZTE's offshore offices to introduce selected high-growth companies to appropriate overseas investors and distribution and technology partners. The overseas delegation included representatives from Brunswick Corporation, Itoshu, Samsung and Roche. Of 129 appointments, 43 produced a successful outcome (or probable future business engagement) with a further six producing a favourable outcome (or possible future business engagement).
- As part of the Growth and Innovation Framework (GIF) Budget initiative \$35m was allocated over the next five years to the establishment of the Market Development Assistance Scheme (MDAS). The intent of the MDAS is to encourage more New Zealand firms to enter offshore markets. We are currently working through the process of developing the implementation of the MDAS. We anticipate the scheme will be launched in October.

- Investment New Zealand work with the Auckland-based production office and offshore studios, Walden Media and Walt Disney, on their screen adaptation of the first of CS Lewis's Chronicles of Narnia, *The Lion, The Witch and The Wardrobe*. Production is expected to expend NZ\$100m and Walden Media has acquired the rights to five of the seven books of the Chronicles of Narnia for screen adaptation, to be directed by New Zealander Andrew Adamson (director of *Shrek 1 and 2*).
- The Economic Development Group of Ministers and related government departments agreed to the Terms of Reference and criteria for the Australia New Zealand Biotechnology Partnership Fund. Implementation work was completed in 2003/04 and grants from this fund became available to companies on 1 July 2004. The fund will support New Zealand and Australian firms opening up market opportunities and developing products for the market.
- During 2003/04 NZTE clients commissioning services from the offshore network were surveyed following the completion of the work, to determine their level of satisfaction with NZTE's performance and the relevance of the outcomes of the work. Overall, 98% of responses gave the work a rating of 5, or "very good".
- BIO 2004 was very successful for NZTE as demonstrated by the numerous company activities, meetings, partnership presentations, venture capital presentations and other strategic meetings held in San Francisco. Participation by 36 client companies (over 80 individuals) was facilitated by NZTE including two BIO educational seminars, assistance with trade exhibition displays, meeting co-ordination and securing invitations for key networking functions for the New Zealand delegation.

The number of visitors to the New Zealand pavilion is estimated to be over 400. The New Zealand biotech industry was also featured in a number of talks during conference sessions. All of these aspects contributed to raising the profile of New Zealand biotechnology.

- In 2003/04 11 applications for incubator funding were approved, totalling \$3.1m. \$2.7m of the total approved will be used to help cover incubators' operational costs and best practice initiatives. Incubators housing high-growth potential companies with export opportunities are targeted for support.

In addition to grants for individual incubators a further \$250,000 has been set aside for funding special incubator projects, designed to further enhance the incubators' ability to offer services to international best practice standards. This fund will be managed by NZTE and Incubators New Zealand Association. The remaining \$150,000 was allocated to the Incubators New Zealand Association for operational costs and costs associated with two annual national summits.

## Governance

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

NZTE assists New Zealand businesses of all types and sizes to improve capability, international competitiveness and profitability. Special importance is placed on growing businesses and sectors with the potential for high growth and in which New Zealand has international competitive advantages.

NZTE also has a specialist investment promotion agency – Investment New Zealand – which matches high-growth New Zealand companies with potential international investors. Its objective is to increase both the quality and quantity of foreign direct investment in New Zealand.

### The Role of the Board and Committees

The nine-member Board is appointed by the Ministers responsible for NZTE. Two special advisors to the Board are the Chief Executives of the Ministry of Economic Development and the 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.

Day-to-day operation is delegated to the Chief Executive, who in turn delegates certain authorities to managers. Appropriate sub-delegations to other staff are also established.

Committees of the Board are convened to deal with specific governance matters. The principal committees are the Audit and Risk,

Grant and Remuneration Committees which meet regularly. In addition to those principal sub-committees, other ad hoc committees may be formed from time to time to deal with specific issues.

### Delegation Framework

There are formal policy frameworks in place relating to NZTE's principal operations, delegation of financial authority to managers, risk management and meeting Ministerial instructions.

The Board's delegation of the conduct of the day-to-day affairs of NZTE to the Chief Executive is made within this framework.

### Risk Management

Risk management is a core component of NZTE's corporate governance, providing the Board (via the Audit and Risk Committee) and management with assurance that management and internal controls and systems are in place and operating effectively.

The risk management function incorporates an advisory role and an internal audit role based on the joint Australia/New Zealand Standard (AS4360).

## Board of Directors

### Phil Lough – Chairman

Mr Lough was Chief Executive of the Sealord Group Limited from 1994 until 2002. He was previously Deputy Chief Executive of the New Zealand Dairy Board and held various senior positions there for almost 20 years. His current directorships include; Port Nelson Limited, Tatua Dairy Co-operative, Crop and Food Research and Livestock Improvement Corporation.

### Mike Andrews

Mike Andrews has 30 years' experience with Fletcher Challenge spanning roles in forestry, building materials, steel, rural, pulp and paper and energy activities and including 11 years as Executive Director and three as Chief Executive. He is currently a Director of Tenon.

His previous positions include Chair of the New Zealand Business Council for Sustainable Development, member of the World Business Council for Sustainable Development and member of the World Economic Forum. He was also Director of the World Forestry Centre. Mr Andrews was appointed to the Trade New Zealand Board of Directors in June 2002, and was the Chair of the previous Industry New Zealand Board.

### Craig Boyce

Mr Boyce has held senior positions in the meat industry for over 20 years in New Zealand and Australia and was Chief Executive for South Island retailer Smiths City Group Limited from 1990 to 2000.

He is now Chairman of TVNZ, Smiths City, Connexionz and Snowy Peak. He is also a Director of Bernard Matthews New Zealand, Christchurch City Holdings, Datacom, Progressive Leathers and Orion Group. Mr Boyce was on the previous Industry New Zealand Board.

### Ken Douglas

Mr Douglas (ONZ, LLB Hons, JP) is past President of the New Zealand Council of Trade Unions and President of the Asia Pacific Regional Organisation (APRO) International Confederation of Free Trade Unions. He was also a member of the Governing Body of the International Labour Organisation.

His expertise extends beyond New Zealand into Asia and the Pacific. He is a Trustee and Board member of the Asia 2000 Foundation, Chair of Positively Wellington Business and Deputy Chair of New Zealand Post. Mr Douglas is also a Director of Air New Zealand, Health Care New Zealand and Instep NZ Limited and a Porirua City Councillor. He was on all the previous Trade New Zealand Boards and a Board member of all its predecessors.

### Craig Ellison

Mr Ellison has been an active participant in the New Zealand fishing industry, including representation on the New Zealand Fishing Industry Board and having been a past President of the New Zealand Fishing Industry Association. Of Ngai Tahu descent, he has been a Commissioner with the Treaty of Waitangi Fisheries Commission (Te Ohu Kai Moana) since 1993 and has been the Deputy Chair since 2000.

He is Chair of the New Zealand Seafood Standards Council, Prepared Foods Limited and Charisma Developments. He is also a Director of Airways Corporation of New Zealand, and on the boards of a number of fishery companies. He was the Convenor of the Pacific Economic Co-operation Council Fisheries Task Force. Mr Ellison was on the previous Trade New Zealand Board.

**Emily Loughnan**

Ms Loughnan is a Director of Click Suite, an interactive media and Internet company. She is currently a member of the Prime Minister's Growth and Innovation Advisory Board and is a trustee of Positively Wellington Business.

Ms Loughnan's background is in creative development and management, with career experience in television and technology. She brings to the Board valued cluster development and small company export experience.

**Peter Menzies**

Mr Menzies was Chief Executive of Mainzeal Group Limited from 1970 to 1990 and Chairman from 1987 to 1992. Since then he has been a company director and consultant.

He is currently a Council member of the University of Auckland and Director of Auckland Uniservices, Dam Watch Services Limited, New Zealand Seed Fund and Neuronz Limited.

**Jenny Morel**

Jenny Morel is a partner of venture capital fund manager, No 8 Ventures Management Limited. She founded Morel & Co, an investment bank that specialises in high growth companies, was a member of the Government's ICT Taskforce and is a Trustee of the Hi Growth Project and Hi Tech Association.

She has served on many company boards including New Zealand Rail, the Rural Bank, Trust Bank, AgResearch, AgVax Developments, CentrePort and Interlock Group.

Ms Morel was Wellington Chairman and a National Councillor of the Institute of Directors from 1992 to 1997. She holds qualifications in science and economics and has experience in the finance industry in the United Kingdom and New Zealand.

**Wendy Pye**

Wendy Pye is the owner and Managing Director of one of New Zealand's successful exporters of educational materials worldwide. Ms Pye was leader of the Prime Minister's Business Delegation to China in 2001, has been a member of the New Zealand APEC Business Advisory Council since 2000 and is a member of the task force for the redevelopment of the New Zealand racing industry 2002.

She brings extensive experience to the Board as one of New Zealand's most successful exporters. In 2004 she was inducted into the Business Hall of Fame as a publisher and entrepreneur.

**Special Advisors**

There are two Special Advisors to the Board: Simon Murdoch, Secretary of the Ministry of Foreign Affairs and Trade and Geoff Dangerfield, Chief Executive of the Ministry of Economic Development.

## Senior Management

### Tim Gibson – Chief Executive

Tim Gibson took over as Chief Executive of New Zealand Trade and Enterprise in April 2003. Prior to joining Mr Gibson was the Managing Director of Kapiti Cheeses Limited. Before that he was Managing Director of New Zealand Milk (Europe), where he led the formation of the Anchor/Lurpak joint venture with Arla Foods.

He has also been Group Manager, Global Strategy for the Dairy Board, and Regional Chief Executive, North Asia, based in Tokyo. Prior to joining the Dairy Board Mr Gibson held senior roles in a well known New Zealand manufacturer, Donaghys.

Mr Gibson is a graduate of the University of Otago. He has also studied at Insead (France), IMD (Switzerland) and Harvard (USA). Mr Gibson is a director of the Alliance Group and a Trustee of the Asia 2000 Foundation. He is also an advisor to the University of Otago Business School.

### Cheryl Crooks – Group General Manager Human Resources

Cheryl Crooks is responsible for the development and implementation of the NZTE Human Resources Strategy.

She has had an extensive career in human resource management. She was the Director Human Resources for NZTE, and previously the Human Resources Manager at Industry New Zealand.

Prior to NZTE, Ms Crooks worked at the Ministry of Agriculture and Fisheries and the Ministry of Fisheries, where she was the Human Resources Manager.

Her areas of expertise are change management, employee relations and organisation development.

Ms Crooks has been involved in human resources work since she graduated from Victoria University, with a degree in English Literature and Art History.

### Don Christiansen – Chief Executive Investment New Zealand/Group General Manager Wood Processing, Investment, Europe and Middle East

Don Christiansen joined Investment New Zealand as Chief Executive in February 2003. He holds a Bachelor of Arts in History and Latin, and a Bachelor of Commerce in Accounting and Economics, both of which were attained at the University of Auckland.

Mr Christiansen was previously the International Executive Partner of KPMG International, based in Amsterdam. This role involved the international management of the firm, including partners who are working offshore. He was formerly the National Chairman of KPMG New Zealand. Mr Christiansen retired as Chief Executive of KPMG International on 30 September 2001, but retained some residual management responsibilities until January 2003 to assist KPMG internationally in a directorship as Chairman of the Middle East region and Director of India. He also continued to act as an advisor on corporate governance matters throughout the Asia Pacific region and to KPMG International generally.

Mr Christiansen is an Honorary Trustee of the Anglican Women and Children's Trust and also a Trustee for the Wanganui Opera School.

### **Jack Stephens – Group General Manager Business Capability**

Up until 1997, Jack Stephens had spent much of his career working offshore as a trade commissioner in Australia, the Pacific and Indonesia, culminating in a term as Regional Manager for the Middle East/South Asia based in Dubai. In the early 1990s he also spent four years as Trade New Zealand's Business Development Manager, Forest Products.

For the past three years Mr Stephens has managed NZTE's global network of 38 trade offices. He has a Bachelor of Commerce (Marketing) and a Diploma in Export.

As Group General Manager Business Capability, Mr Stephens' role is to ensure that New Zealand businesses wishing to internationalise are provided with a range of business support including training and grant assistance, along with access to international business services.

### **Jo Bransgrove – Group General Manager Corporate**

Jo Bransgrove commenced her career in finance with Price Waterhouse and IBM before moving into management roles at the Commerce Commission and as Chief Executive of the Cancer Society. In December 2002, after 15 months' living in Argentina, Ms Bransgrove joined Industry New Zealand as Chief Financial Officer to lead the finance team and prepare for the merger of Industry New Zealand and Trade New Zealand to form NZTE.

Ms Bransgrove was appointed Group General Manager Corporate in July 2003, managing Finance, IT, Legal and Board Governance, as well as Board Secretarial duties.

Ms Bransgrove is a chartered accountant and holds an MBA, BCA and Post Graduate Diploma in Corporate Management.

### **Jonathan Kings – Group General Manager International Operations Europe, the Middle East and Africa**

Jonathan Kings, formerly Group General Manager Strategy, is on a two-year secondment with the OECD that starts in November. Prior to that he will be based in London assisting with the development of the Europe, Middle East and Africa region.

Mr Kings was part of the original Industry New Zealand establishment team and from June 2002 was responsible for establishing the core corporate functions of the organisation.

Prior to joining Industry New Zealand Mr Kings was Chief Executive of rbz Group, a trans-Tasman strategy consulting company. He is a specialist in mergers and acquisitions, organisational change management and governance issues.

Mr Kings was also heavily involved in the deregulation and privatisation of the New Zealand electricity industry.

### **Julian Moore – Group General Manager Marketing**

Julian Moore specialises in strategic marketing planning and brand management. He has a background in retail and commercial banking, having started his career with Midland Bank (UK). Mr Moore moved into marketing with Midland in 1989 and emigrated to New Zealand in 1991 to join the Trust Bank Group as Product Development Manager.

Mr Moore left Trust Bank to head up a brand renewal project for AMP and in 1995 he was appointed Marketing Director of Prudential. He was subsequently General Manager, Marketing of Colonial New Zealand and then AXA New Zealand.

Mr Moore joined Industry New Zealand in 2002 to head up the Brand New Zealand and Business and Enterprise Culture programmes and took up his current position of Group General Manager Marketing, NZTE on the merger of Industry New Zealand and Trade New Zealand in July 2003.

### **Neil Maxwell – Group General Manager Specialised Manufacturing, Creative, Tourism, Auspac and South Asia**

Neil Maxwell has considerable experience in both the private and public sectors in New Zealand and overseas.

He was a partner in Ernst & Young for 13 years, as well as holding the position of Managing Director of the Hong Kong management consultancy practice for a period of five years.

Mr Maxwell was also the Vice President directing the strategic alliance relationship between CGEY and Oracle Corporation in Asia Pacific. In addition, he has held the position of Deputy Director of Planning and Forecasting for the Ministry of Energy.

Mr Maxwell has a PhD in Systems Engineering, and has attended the Senior Executive Programme at Stanford University.

### **Peter Healy – Group General Manager Regional Economic Development**

Peter Healy has extensive experience in local economic development, managing projects and agencies in New Zealand and the Pacific. He has been a director of a dairy company and a number of not-for-profit agencies associated with local economic development.

Mr Healy was Trade Commissioner to India, Nepal, Sri Lanka, Bhutan and Bangladesh between 1997 and 2002. On his return to New Zealand, Peter worked as the Sector Specialist Horticulture and Organics at Trade New Zealand. Peter has a BA and a Bachelor of Town and Regional Planning.

### **Peter Lennox – Group General Manager ICT, Biotechnology, Americas**

Peter Lennox has an MBA from Glasgow University, Scotland as well as a Master of Science. He has a background in biotechnology, and formerly held the position of Director, Biotechnology for Industry New Zealand. Prior to that he was a Senior Director for Scottish Biotechnology.

### **Rod MacKenzie – Group General Manager North Asia, Food and Beverage and Education**

Rod MacKenzie is responsible for the North Asia region and the development/delivery of global strategies for the Food and Beverage and Education sectors.

Mr MacKenzie is a specialist in international marketing and was Senior Trade Commissioner for North America (1996-2001) as well as General Manager Marketing and eBusiness for Trade New Zealand.

Prior to joining Trade New Zealand in 1996, Mr MacKenzie was the inaugural Chief Executive of The New Zealand Way. He has also many years' experience in the private sector as a director and senior public relations and marketing consultant.

Before being appointed Group General Manager, Mr MacKenzie was NZTE's General Manager Market Services and, prior to that, Acting Chief Executive of Trade New Zealand.

## Statement of Responsibility FOR THE YEAR ENDED 30 JUNE 2004

The Board of New Zealand Trade and Enterprise is responsible for the preparation of the annual financial statements and the judgements used in them.

The Board of New Zealand Trade and Enterprise is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board of New Zealand Trade and Enterprise the annual financial statements for the year ended 30 June 2004 fairly reflect the financial position and operations of New Zealand Trade and Enterprise.



**P V Lough**

CHAIRMAN 28 OCTOBER 2004



**C R Ellison**

DIRECTOR 28 OCTOBER 2004



**T D Gibson**

CHIEF EXECUTIVE 28 OCTOBER 2004

## Financial Commentary

The financial statements for the year ending 30 June 2004 represent the first year of operations for NZTE. For this reason, there are no comparative figures. The budget amounts included in the financial statements are extracted from the Statement of Intent.

The operations and financial position of NZTE represent the merger of the New Zealand Trade Development Board and Industry New Zealand. On 1 July 2003 the legislation that formed NZTE included the transfer of the assets, liabilities and equity of the New Zealand Trade Development Board and Industry New Zealand.

Revenue from the Crown totalled \$122.9m, compared with the budget of \$123.3m. The total available funding increased above the original budget by \$7.9m, primarily due to the new GIF initiatives (\$4.8m) and promotion of The Lord of the Rings overseas (\$3.1m). Due to the timing of the GIF funding, \$2.5m was not utilised and approval has been received to transfer the funding to the financial year commencing 1 July 2004.

Client income represents revenue from clients for services provided, such as advice on overseas markets. Other revenue primarily comprises interest and rent recoveries.

Total expenses for the year are \$124.9m, \$3.7m or 3% below the budget. This is due to the following contribution factors. Personnel expenses are \$2.8m or 5% below the budget, primarily due to the cost controls exercised over the financial year. Whilst operating expenses are in line with budget, the additional budget received during the year for GIF and The Lord of the Rings promotional activity was offset by below-budget expenditure in marketing, and investment promotion. Depreciation expenditure at \$1m below budget was affected by a lower investment in new and replacement fixed assets than budgeted.

The equity held by the Crown in NZTE includes the new capital injection received in August 2003, to fund working capital in NZTE.

Total current assets are \$11.8m above budget primarily due to below-budget investment in fixed assets resulting in higher cash balances and higher recoveries for expenditure from our funding agency due to the timing of expenditure compared with budget.

The total current liabilities of \$16.1m are \$6.9m above budget due to the impact of the timing of payments being later than budgeted, and higher expenditure in the latter part of the financial year.

The Statement of Cash Flows includes the cash flow received from the Crown in respect of the grant programme administered by NZTE and paid to recipients of the grants. The cash received from the Crown for operations and paid to suppliers and employees includes all receipts and payments from 1 July 2003 including amounts relating to assets and liabilities transferred from the New Zealand Trade Development Board and Industry New Zealand.



## TO THE READERS OF NEW ZEALAND TRADE AND ENTERPRISE'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

The Auditor-General is the auditor of New Zealand Trade and Enterprise. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of New Zealand Trade and Enterprise, on his behalf, for the year ended 30 June 2004.

### Unqualified opinion

In our opinion the financial statements of New Zealand Trade and Enterprise on pages 18 to 43

- comply with generally accepted accounting practice in New Zealand; and fairly reflect:
  - New Zealand Trade and Enterprise's financial position as at 30 June 2004;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 28 October 2004, and is the date at which our opinion is expressed.

The basis of the 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 our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements 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. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. 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 statement disclosures are adequate.

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

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

## Responsibilities of the Board and the Auditor

The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of New Zealand Trade and Enterprise as at 30 June 2004. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The Board's responsibilities arise from the Public Finance Act 1989 and the New Zealand Trade and Enterprise Act 2003.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989.

## Independence

When carrying out the audit we followed the independence requirements of the AuditorGeneral, 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.



**S B Lucy**

AUDIT NEW ZEALAND  
ON BEHALF OF THE AUDITOR-GENERAL  
WELLINGTON, NEW ZEALAND  
28 OCTOBER 2004

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2004

### Reporting Entity

New Zealand Trade and Enterprise is a Crown Entity established on 1 July 2003 under the New Zealand Trade and Enterprise Act 2003.

These financial statements have been prepared in accordance with the New Zealand Trade and Enterprise Act 2003 and the Public Finance Act 1989.

In addition, New Zealand Trade and Enterprise has reported the funding administered on behalf of the Crown as notes to the Financial Statements.

### Measurement Base

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

### Accounting Policies

The following particular accounting policies which materially affect the measurement of financial performance and financial position have been applied.

- **Revenue**

New Zealand Trade and Enterprise derives revenue primarily through the provision of outputs to the Crown and for services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

- **Leases**

Operating leases are recorded by expensing the lease payment in the period it is incurred. In these leases, the lessor effectively retains the risks and benefits of ownership of the leased assets.

Finance Leases which effectively transfer to New Zealand Trade and Enterprise substantially all the risks and benefits incident to ownership of the leased item are classified as finance leases. These leases are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the Statement of Financial Position. The leased assets are depreciated over the period that New Zealand Trade and Enterprise is expected to benefit from their use.

- **Accounts Receivable**

Accounts receivable are stated at their estimated net realisable value after providing for doubtful accounts. Bad debts are written off in the year they are identified.

- **Property, Plant and Equipment**

Property, plant and equipment from the New Zealand Trade Development Board and Industry New Zealand have been transferred to New Zealand Trade and Enterprise at the carrying value. All subsequent additions are recorded at cost. The costs of purchased assets is the value of the consideration given to acquire the assets and the value of other directly attributed costs required to place the asset in service.

Any write-down of an item to its recoverable amount is recognised in the Statement of Financial Performance.

- **Depreciation and Amortisation**

Depreciation or amortisation of fixed assets is calculated on a straight-line basis to allocate the cost of assets, less the estimated residual value, over their useful lives. The calculations are performed using the following standard for useful lives:

- Leasehold Improvements – Lesser of the lease period or four to eight years (12.5% to 25%)
- Furniture and Fittings – Four to five years (20% to 25%)
- Office Equipment – Four to five years (20% to 25%)
- Motor Vehicles – Four to five years (20% to 25%)
- Computer Equipment – Three years (33%)
- Computer Software – Three to four years (25% to 33%)

## STATEMENT OF ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 30 JUNE 2004

Capitalised project costs comprise direct project costs only. The costs of these development projects are accumulated as work in progress until the project is completed. After completion, the costs are transferred to the appropriate fixed asset category. Capital work in progress is not depreciated.

### • Provision for Employee Entitlements

Provision is made in respect of New Zealand Trade and Enterprise's liability for annual leave, long service leave and retirement leave allowances, both in New Zealand and overseas.

Allowances are calculated as the estimated amount payable to employees on the basis of statutory and contractual requirements. Annual leave and other entitlements expected to be settled within 12 months of the reporting date are measured on an actual entitlement basis, calculated from current salary rates. Long service leave and retirement leave are measured on an actuarial basis, calculated from the present value of expected future entitlement.

### • Taxation

New Zealand Trade and Enterprise is a public authority in terms of the Income Tax Act 1994 and consequently is exempt from the payment of income tax.

### • Goods & Services Tax

The figures shown in these financial statements are GST exclusive except for accounts receivable and accounts payable, which are shown GST inclusive.

### • Associate Companies

Associates are investees (but not subsidiaries) in which New Zealand Trade and Enterprise has the capacity to affect substantially, but not unilaterally determine, the operating and/or financial policy decisions. Associates have been reflected in the financial statements on an equity accounting basis which recognises New Zealand Trade and Enterprises' share of retained surpluses in the Statement of Financial Performance and its share of post acquisition increases or decreases in net assets in the Statement of Financial Position. The investment is recorded at the lower of carrying value and recoverable amount.

### • Financial Instruments

New Zealand Trade and Enterprise is party to financial instruments as part of its normal operations. These financial instruments include:

- Cash and Bank
- Debtors
- Investments
- Creditors
- Forward Foreign Exchange Contracts (unrecognised items)

New Zealand Trade and Enterprise enters into the foreign exchange contracts to hedge currency transactions. Any exposure to gains or losses on these contracts is generally offset by a related loss or gain on the item being hedged.

Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

All financial instruments other than Forward Exchange Contracts relating to future periods are recognised in the Statement of Financial Position.

### • Foreign Currencies

Transactions in foreign currencies are converted to New Zealand dollars at the rate of exchange ruling at the date of the transaction. Where transactions have been hedged by forward exchange contracts they have been converted at the forward rates specified in those contracts. At balance date, foreign currency monetary assets are converted at the rate ruling at balance date with exchange variations arising from the translation process being credited or charged to the Statement of Financial Performance based on the balances of the respective accounts. Exchange gains / (losses) whether realised or unrealised, are charged to the Statement of Financial Performance.

## STATEMENT OF ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 30 JUNE 2004

- **Commitments**

Commitments that may result in material changes to the financial position of the company are to be disclosed in the financial statements. These commitments include operating and capital commitments arising from non-cancellable contractual obligations.

- **Budget Figures**

The Board approves the budget figures at the beginning of each financial year. These figures are prepared in accordance with generally accepted accounting practices and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements

- **Statement of Cashflows**

The following definitions are used in the statement of cashflows:

- Cash is considered to be cash on hand, bank account balances, on call deposits and foreign currencies held in banks.
- Operating activities are all activities other than investing and financial activities. The cash inflows include cash received from the sale of goods and services and other sources of revenue that support New Zealand Trade and Enterprise operating activities. Cash outflows include payments made to employees, suppliers and for indirect taxes.
- Investing activities are those relating to the purchase and sale of non-current assets and investments.
- Financing activities are those activities that result in a change in the equity capital structure of New Zealand Trade and Enterprise and those activities relating to the cost of servicing the equity capital.

- **Cost of Service Statements**

The cost of service statements, as reported in the Statement of Objectives and Service Performance, report the net cost of services for the outputs of New Zealand Trade and Enterprise and are represented by the costs of providing the output less all the revenue that can be allocated to these activities.

- Cost allocation
 

New Zealand Trade and Enterprise has derived the net cost of service for each significant activity of New Zealand Trade and Enterprise 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 is allocated as overheads using appropriate cost drivers such as actual usage and full time equivalents.

For the year ended 30 June 2004, indirect costs accounted for 19.5% of New Zealand Trade and Enterprise's total costs.

- **Comparatives and Merger**

New Zealand Trade and Enterprise was formally created by the New Zealand Trade and Enterprise Act 2003 effective from 1 July 2003 by merging the operations of Industry New Zealand and the New Zealand Trade Development Board, which respectively ceased on 30 June 2003. All of the assets, liabilities, equity and personnel of these two entities at 30 June 2003 were transferred on 1 July 2003 to this new entity. As this is the first year of operations, there are no comparatives for the prior year.

### Changes in Accounting Policies

As this is the first year of operations, there are no changes to accounting policies.

## STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

This Statement of Service Performance provides the key performance measures and targets for the services delivered by NZTE in 2003/04. Because this was the first year of operation for NZTE, some measures were still being developed and some targets were "to be reported" (TBR).

### Output Class 1: Enabling Services: Facilitating the development and implementation of sector and regional strategies

#### Description

This output class includes services that will support collaboration, linkages and the development and implementation of strategies between and among sectors, regions, clusters of businesses and government aimed at exploiting opportunities for growth and overcoming constraints to growth.

Facilitating the recognition, development and implementation of sector and regional strategies and linkages between firms and groups of firms will enhance New Zealand's growth prospects in both the medium and the long term.

PERFORMANCE MEASURES	2003/04 ACTUAL	2003/04 SOI TARGET
<b>Quantity</b>		
Number of new sector strategies/task forces facilitated/engaged with	5	TBR
Number of sector strategy reports, including scoping studies and industry issues papers, developed and communicated	11	TBR
Number of Beachhead facilities operating/in development	4	1-2
Number of companies participating in Beachhead facilities	34	TBR
Number of Export Networks	197	TBR
Report on progress of strategy implementation programmes for priority sectors, including government interface, and any major sector initiatives	Completed	TBR
Number of MRI projects approved/supported	7	6
Number of clusters receiving NZTE funding	42	30
Number of incubators supported	11	14
Import replacement value	\$20.6m	TBR
Number of separate purchase opportunities notified to potential suppliers	1,362	1,500
Total investment amount generated for clients for both domestic and international clients	\$263m	\$225-300m
<b>Cost</b>		
Total output class to be provided within (GST inclusive)	\$40,355,000	\$31,856,000

**STATEMENT OF SERVICE PERFORMANCE** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 2004

## Output Class 2: Enabling Services – Promotion of New Zealand Business

### Description

Output class 2 provides for the promotion of New Zealand's products and services both on- and offshore to attract investors and to support the development of international trade by New Zealand businesses. It also provides for services 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 internationalisation and global connectedness.

PERFORMANCE MEASURES	2003/04 ACTUAL	2003/04 SOI TARGET
Number of offshore sector events supported (e.g. Biotech 2004)	11	TBR
Brand research monitoring completed	Completed	30 June 2004
Number of major events actively facilitated	9	12
Number of Industry Sector Awards approvals	13	6
Number of Enterprise Skills and Activities approvals	15	TBR
<b>Cost</b>		
Total output class to be provided within (GST inclusive)	\$9,116,000	\$21,866,000

## Output Class 3: Foundation Services – Business Information and Advice

### Description

This output class provides for the delivery of a range of business assistance services targeted at a wide business audience 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 through the provision of information and training services where appropriate.

PERFORMANCE MEASURES	2003/04 ACTUAL	2003/04 SOI TARGET
Number of businesses receiving appraisal services (via contact centre, e.g. the committed and capable test). Note all callers are appraised to some extent; the key activity for this measure is the application of a specific appraisal tool	178	TBR
Number of businesses receiving general/capability advice per month (via the contact centre)	1,982	TBR
Number of businesses receiving export/consultancy information per month (via the contact centre)	2,374	TBR
Number of individuals/businesses receiving advice/information via the investment readiness help desk (external)	1,343	50,000*
<b>Cost</b>		
Total output class to be provided within (GST inclusive)	\$8,016,000	\$9,870,000

\* Note that this target was recorded in the Statement of Intent and OA at 50,000 in error. NZTE is currently negotiating with the Ministry of Economic Development to have the target revised to the correct figure of 1,000.

**STATEMENT OF SERVICE PERFORMANCE** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 2004

**Output Class 4: Foundation Services – Training and Capability Building**

**Description**

Output class 4 provides for the development, procurement and/or delivery of training services to build and enhance the management capabilities of small businesses, entrepreneurs, start-ups and new exporters.

<b>PERFORMANCE MEASURES</b>	<b>2003/04 ACTUAL</b>	<b>2003/04 SOI TARGET</b>
Number of businesses receiving training	12,361	12,000
Number of individuals receiving pre-training appraisals	9,131	8,500
Number of individuals receiving training (including follow-ups)	15,690	14,500
Number of Maori clients	2,515	TBR
Number of Pacific Island clients	808	TBR
Number of women clients	8,218	TBR
<b>Cost</b>		
Total output class to be provided within (GST inclusive)	\$12,780,000	\$10,568,000

**Output Class 5: Growth Services – Customised Information and Advice**

**Description**

This output class provides 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 for growth and/or address constraints to growth.

<b>PERFORMANCE MEASURES</b>	<b>2003/04 ACTUAL</b>	<b>2003/04 SOI TARGET</b>
Number of businesses receiving in-depth appraisal services	123	100
Number of high-growth businesses receiving customised management information/advice	345	400
Number of medium-growth businesses receiving NZTE assistance	1,083	1,700
Number of clients invoiced for market intelligence services	1,375	TBR
Revenue generated from the provision of market intelligence reports	\$2.818m	TBR
Client satisfaction with International Market Intelligence Services	89%	TBR
<b>Cost</b>		
Total output class to be provided within (GST inclusive)	\$25,220,000	\$25,516,000

**STATEMENT OF SERVICE PERFORMANCE** CONTINUED

FOR THE YEAR ENDED 30 JUNE 2004

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**Output Class 6: Growth Services – Facilitating Business Opportunities****Description**

This output class provides services relating to the identification, qualification and pursuit of business opportunities. The services provided are customised to support and assist businesses with medium to high growth potential and objectives to achieve that potential. While there is provision for the identification of business opportunities within New Zealand, the outputs purchased are largely focused on international market opportunities. Where appropriate businesses will be referred to other government and non-government services.

<b>PERFORMANCE MEASURES</b>	<b>2003/04 ACTUAL</b>	<b>2003/04 SOI TARGET</b>
Number of missions*		
Number of NZTE clients participating in missions*		TBR
Number of trade fairs supported by NZTE by offshore region	183	TBR
Number of NZTE clients attending trade fairs	1,336	TBR
Number of visitor buyer programmes supported by the offshore offices	206	TBR
Number of businesses receiving diagnosis	230	TBR
Number of deals brokered	7	TBR
Value of deals brokered	\$2.5m	TBR
<b>Cost</b>		
Total output class to be provided within (GST inclusive)	\$27,357,000	\$27,359,000

\* This measure was combined with the World Class New Zealander (WCNZ) (output 1.2) measure for missions to avoid double counting. As a result of the realignment of NZTE services grants for WCNZ missions were transferred to the Enterprise Development Fund, which are reported under output 7.1.

**STATEMENT OF SERVICE PERFORMANCE** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 2004

**Output Class 7: Grant Management and Policy Support**

**Description**

NZTE will administer a number of grant schemes on behalf of the Crown. This output class provides for the purchase of services that will ensure the delivery of grants as per agreed policy guidelines and criteria. It also provides for a range of services that support government policy development particularly related to the development of "economic and regional development" and ongoing NZTE delivery.

<b>PERFORMANCE MEASURES</b>	<b>2003/04 ACTUAL</b>	<b>2003/04 SOI TARGET</b>
Regional Partnership Grants	\$16.991m	\$16.875m
Incubator Awards	\$3.100m	\$3.100m
Clusters Fund	\$1.039m	\$0.843m
Major Events Support Fund	\$1.119m	\$1.125m
Strategic Investment Fund	\$0.874m	\$3.975m
Growth Services Fund	\$9.691m	\$10.125m
Enterprise Development Fund	\$7.188m	\$8.613m
Payments are made only when recipient has met all contractual requirements	•	100%
NZTE meets its contractual obligations to recipients	•	100%
Extent to which the implementation of BIZtraining Quality Plans is subject to external inspection by NZTE to assure their full implementation by end 2003	Completed	Periodic
Contract payments are processed within 10 working days of completed and valid claim documentation	93%	100%
Number of Ministerials**	335	TBR
Number of Official Information Act requests processed	11	TBR
Number of briefing papers/reports prepared for Ministers	79	TBR
<b>Cost</b>		
Total output class to be provided within (GST inclusive)	\$3,124,000	\$3,683,000

\* NZTE has internal controls in place to ensure that contractual conditions have been satisfied prior to payments being made to recipients. It has been impractical to date to develop a system to provide evidence of 100% compliance.

\*\* Includes both coded and general Ministerial requests.

**STATEMENT OF SERVICE PERFORMANCE** CONTINUED

FOR THE YEAR ENDED 30 JUNE 2004

**Output Class 8: Integration****Description**

This output class provides for the range of activities and costs NZTE will need to undertake/incur to fully integrate the services, systems and processes of Trade New Zealand and Industry New Zealand. In addition to service development, systems and process, this output class provides for any staff costs incurred as a result of the integration.

<b>PERFORMANCE MEASURES</b>	<b>2003/04 ACTUAL</b>	<b>2003/04 SOI TARGET</b>
<b>Cost</b>		
Total output class to be provided within (GST inclusive)	\$3,072,000	\$4,129,000*

\* The approved final amount was determined following the completion of the Industry New Zealand final audit.

The finalised figure for this output class is \$3,129,000.

**Output Class 9: New Zealand participation at Expo 2005, Aichi, Japan****Description**

NZTE will provide services to enable New Zealand's participation at Expo 2005 (Aichi, Japan), in recognition of the importance of New Zealand's economic and political relationship with Japan. The Expo will run from March to September 2005 and have a New Zealand presence, in terms of both community and private sector engagement. New Zealand's participation will consist of the design, build and operation of a single module pavilion; and the undertaking of communication and partnership activities.

<b>PERFORMANCE MEASURES</b>	<b>2003/04 ACTUAL</b>	<b>2003/04 SOI TARGET</b>
<b>Cost</b>		
Total output class to be provided within (GST inclusive)	\$671,000	\$0

**STATEMENT OF SERVICE PERFORMANCE** CONTINUED

FOR THE YEAR ENDED 30 JUNE 2004

**Quality and Timeliness**

In addition to the high-level indicators above, each year NZTE will commission a client/stakeholder survey to be conducted by an independent research company to measure the quality and timeliness of service to NZTE clients.

<b>OUTPUTS</b>	<b>ORIGINAL SOI BUDGET (\$ MILLION GST INCLUSIVE)</b>	<b>REVISED SOI BUDGET (\$ MILLION GST INCLUSIVE)</b>
Output 1	\$31,856,000	\$48,336,000
Output 2	\$21,866,000	\$10,390,000
Output 3	\$9,870,000	\$8,116,000
Output 4	\$10,568,000	\$12,929,000
Output 5	\$25,516,000	\$25,516,000
Output 6	\$27,359,000	\$27,580,000
Output 7	\$3,683,000	\$3,742,000
Output 8	\$4,129,000*	\$3,129,000
Output 9	\$0	\$2,500,000

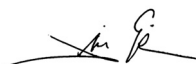
\* The approved final amount was determined following the completion of the Industry New Zealand final audit. The finalised figure for this output class is \$3,129,000.


**P V Lough**

CHAIRMAN  
28 OCTOBER 2004


**C R Ellison**

DIRECTOR  
28 OCTOBER 2004


**T D Gibson**

CHIEF EXECUTIVE  
28 OCTOBER 2004

**STATEMENT OF FINANCIAL PERFORMANCE**

FOR THE YEAR ENDED 30 JUNE 2004

<b>BUDGET 2004 \$000</b>		<b>NOTES</b>	<b>ACTUAL 2004 \$000</b>
<b>REVENUE</b>			
123,338	Crown operating		122,935
3,450	Client income		2,782
0	Other revenue		1,157
0	Interest Income		293
126,788	Total Revenue		127,167
<b>EXPENSES</b>			
54,488	Personnel		51,603
67,195	Operating	1	67,341
6,992	Depreciation	5	6,018
128,675	Total Expenses		124,962
<b>(1,887)</b>	<b>Net Operating (Deficit) / Surplus</b>		<b>2,205</b>

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

**STATEMENT OF MOVEMENTS IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2004

<b>BUDGET 2004 \$000</b>		<b>ACTUAL 2004 \$000</b>
16,197	Equity as at 1 July 2003	12,200
(1,887)	Net operating (Deficit) / Surplus for the year	2,205
<b>(1,887)</b>	<b>Total Recognised Revenue and Expenses</b>	<b>2,205</b>
4,997	Capital contributions by the Crown	4,997
<b>19,307</b>	<b>Equity as at 30 June 2004</b>	<b>19,402</b>

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

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

BUDGET 2004 \$000	NOTES	ACTUAL 2004 \$000
<b>EQUITY</b>		
19,307	General funds	19,402
Represented by:		
<b>CURRENT ASSETS</b>		
3,563	Cash and bank accounts	10,165
12,017	Accounts receivable	17,434
1,700	Deposits and prepayments	1,545
17,280	Total Current Assets	29,144
<b>NON-CURRENT ASSETS</b>		
11,209	Property, plant and equipment	8,291
0	Investment in associate	0
11,209	Total Non Current Assets	8,291
28,489	Total Assets	37,435
<b>CURRENT LIABILITIES</b>		
5,455	Accounts payable	13,740
3,727	Employee entitlements	2,289
0	Current portion term liabilities	110
9,182	Total Current Liabilities	16,139
<b>NON-CURRENT LIABILITIES</b>		
0	Employee entitlements	1,834
0	Term liabilities	60
0	Total Non-Current Liabilities	1,894
9,182	Total Liabilities	18,033
19,307	<b>Net Assets</b>	19,402

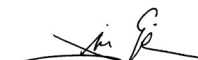
For and on behalf of the Board of Directors, which authorised the issue of the financial statements on 28 October 2004



**P V Lough**  
CHAIRMAN



**C R Ellison**  
DIRECTOR



**T D Gibson**  
CHIEF EXECUTIVE

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

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

BUDGET 2004 \$000	NOTES	ACTUAL 2004 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash was provided from:		
122,469	Revenue from crown	116,921
3,787	Client and other income	3,229
0	Interest received	293
(1,024)	Net goods and services tax	427
125,232	Total cash received	120,870
Cash was applied to:		
(134,047)	Payments to suppliers and employees	(126,480)
(134,047)	Total cash applied	(126,480)
(8,815)	Net Cash Flows from Operating Activities	(5,610)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash was provided from:		
0	Sale of property, plant and equipment	140
0	Total cash received	140
Cash was applied to:		
(6,106)	Purchase of property, plant and equipment	(2,500)
(6,106)	Total cash applied	(2,500)
(6,106)	Net Cash Flows from Investing Activities	(2,360)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash was provided from:		
4,997	Capital contribution from the Crown	4,997
4,997	Total cash received	4,997
4,997	Net cash flows from financing activities	4,997
(9,924)	Net increase (decrease) in cash held	(2,972)
13,487	Plus opening cash from Industry NZ and NZ Trade Development	13,287
	Effect of exchange rate changes on cash	(150)
<b>3,563</b>	<b>Closing Cash Balance</b>	<b>10,165</b>
<b>3,563</b>	<b>Cash and Bank Accounts</b>	<b>10,165</b>

The Statement includes cash transactions from the operations of Industry New Zealand and the New Zealand Trade Development Board, which were transferred to New Zealand Trade and Enterprise as part of the assets and liabilities on 1 July 2003, in accordance with the New Zealand Trade and Enterprise Act 2003.

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

## STATEMENT OF COMMITMENTS

AS AT 30 JUNE 2004

At balance date New Zealand Trade and Enterprise had commitments in respect of:

<b>OPERATING COMMITMENTS</b>	<b>ACTUAL 2004 \$000</b>
Non-cancellable operating lease commitments payable:	
No later than one year	9,901
Between one and two years	5,343
Between two and five years	4,797
More than five years	5,695
	25,736

Non-cancellable operating lease commitments are for office rental, offshore residential rental, office equipment and information technology service agreements.

	<b>ACTUAL 2004 \$000</b>
Non-cancellable contracts:	
No later than one year	4,492
Between one and two years	1,770
Between two and five years	1,050
More than five years	0
	7,312
<b>Total non-cancellable operating commitments</b>	<b>33,048</b>

Non-cancellable contracts include contracts for sponsorships and the supply of goods or services.

### CAPITAL COMMITMENTS

There are no capital commitments as at 30 June 2004.

Note 16 details Grant Commitments on behalf of the Crown as at 30 June 2004.

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

## STATEMENT OF CONTINGENT LIABILITIES

AS AT 30 JUNE 2004

New Zealand Trade and Enterprise is dealing with a small number of low risk unresolved personal grievance claims by former employees dating back to the merger of the New Zealand Trade Development Board and Industry New Zealand on 30 June 2003. The maximum value of these Contingent Liabilities is estimated as \$25,000 as at 30 June 2004.

Note 16 details Grant Contingent Liabilities on behalf of the Crown as at 30 June 2004

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

### Note 1

OPERATING EXPENSES	2004 \$000
Audit fees	149
Bad debts written off	23
Board fees	222
Capital charge	1,299
Change in provision for bad debts	11
Development and implementation of sector strategies including the Growth and Innovation Framework	6,438
Enterprise training and mentoring services	12,967
Finance charges on finance leases	25
Foreign exchange losses – realised	524
Foreign exchange losses – unrealised	150
Property, plant and equipment written off	53
Rental expense on operating leases	10,539
Services provided by third parties	4,019
Sponsorship, Brand NZ, enterprise culture and offshore promotions	11,081

New Zealand Trade and Enterprise pays a capital charge on its Equity to the Crown as at 30 June and 31 December each year. The capital charge rate for the year was 8.5%.

New Zealand Trade and Enterprise effected Directors' and Officers' liability insurance. A premium of \$12,342 was paid for this insurance for the period 1 July 2003 to 30 June 2004.

### Note 2

CASH AND BANK ACCOUNTS	CHEQUE \$000	CALL \$000	FOREIGN CURRENCY \$000	TOTAL 2004 \$000
New Zealand Trade and Enterprise bank accounts	1,022	7,684	1,459	10,165
Interest rates received for bank accounts				0.00% – 5.75%

### Note 3

ACCOUNTS RECEIVABLE	2004 \$000
Crown debtor – operating	15,289
Trade debtors	1,547
Less provision for doubtful debts	(53)
	1,494
Sundry debtors	651
	17,434

**NOTES TO THE FINANCIAL STATEMENTS** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 2004

**Note 4**

<b>DEPOSITS AND PREPAYMENTS</b>	<b>2004 \$000</b>
Deposits	572
Prepayments	973
	1,545

**Note 5**

<b>PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>COST</b>	<b>ACCUMULATED DEPRECIATION</b>	<b>NET BOOK VALUE 2004</b>	<b>DEPRECIATION EXPENSE 2004</b>
<b>DESCRIPTION</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Computer hardware	3,023	1,619	1,404	1,619
Computer software	4,125	2,495	1,630	2,495
Furniture, fixtures, fittings	1,368	418	950	418
Leased telecommunication assets	250	100	150	100
Leasehold improvements	2,930	720	2,210	720
Motor vehicle	1,341	400	941	400
Office equipment	1,272	266	1,006	266
	14,309	6,018	8,291	6,018

The cost of the assets is equal to the carrying value at which they were transferred to New Zealand Trade and Enterprise at the date of establishment, plus additions less disposals to date.

**Note 6**

**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 2004 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.

The New Zealand Way Brand provides marketing opportunities to those companies which meet quality and environmental standards. The Brand is promoted as a mark of outstanding quality and superior service and unique New Zealand characteristics.

**Note 7**

<b>ACCOUNTS PAYABLE</b>	<b>2004 \$000</b>
Creditors and accruals	13,147
Goods and services tax	593
	13,740

**NOTES TO THE FINANCIAL STATEMENTS** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 2004

**Note 8**

<b>EMPLOYEE ENTITLEMENTS</b>	<b>2004 \$000</b>
Annual leave	2,141
Long service and retirement leave	1,982
	4,123
Represented by:	
Current	2,289
Non-current	1,834
Total	4,123

**Note 9**

<b>TERM LIABILITIES</b>	<b>2004 \$000</b>
Analysis of finance lease liabilities	
Payable no later than one year	123
One to two years	62
less future finance charges	(15)
Recognised as a liability	170

The effective interest rates for the life of the finance leases are 11%. The finance leases are secured over the assets to which they relate.

	<b>2004 \$000</b>
Represented by:	
Current	110
Non-current	60
Total	170

**NOTES TO THE FINANCIAL STATEMENTS** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 2004

**Note 10**

<b>RECONCILIATION OF THE NET SURPLUS FROM OPERATIONS WITH THE NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2004 \$000</b>
Net (deficit) / surplus from operations	2,205
Add / (less) non-cash items:	
Depreciation	6,018
Unrealised foreign exchange losses	150
Net loss / (gain) on disposal of property, plant and equipment	(1)
Total non-cash items	6,167
Add / (less) working capital movements	
Increase in receivables & prepayments	(5,572)
Decrease in payables	(9,247)
Increase in employee entitlements	837
Total working capital movements	(13,982)
Net cash flow from operating activities	(5,610)

**Note 11**

**SEGMENTAL REPORTING**

New Zealand Trade and Enterprise's primary functions are to:

- contribute to a supportive environment for sustainable economic development
- provide a conduit for input and advice for organisations on programmes to implement the Government's policies for economic, industry and regional development
- enhance industry and regional enterprise and entrepreneurial capabilities
- contribute to increased exports from and investments in New Zealand

New Zealand Trade and Enterprise maintains offices in New Zealand and overseas to deliver the comprehensive services provided. However all activities are coordinated from New Zealand.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2004

### Note 12

#### RELATED PARTY TRANSACTIONS

New Zealand Trade and Enterprise is a wholly owned entity of the Crown. The Government significantly influences the roles 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 arms length on normal business terms. In overseas countries New Zealand Trade and Enterprise operates with other government agencies in securing cost effective representation. These transactions are not considered related party transactions.

A number of companies in which the New Zealand Trade and Enterprise directors have an interest are members of industry groups.

All transactions with these industry groups are on the same basis as all other industry groups. These transactions are not considered related party transactions.

The following schedule presents material related party transactions, for the year ended 30 June 2004, which were at arms length on normal commercial terms. All items are shown as GST exclusive except for grant payments, which are shown as GST inclusive.

NAME OF DIRECTOR & ENTITY	RELATIONSHIP	TRANSACTION	BALANCE OUTSTANDING AS AT 30 JUNE	
			AMOUNT \$	2004 \$
<b>Michael Andrews</b>				
NZTE purchased/provided the following:				
Tenon	Director	Enterprise Network Grant	3,030	
<b>Craig Boyce</b>				
NZTE purchased/provided the following:				
Connexionz	Chair	UK Beachhead claim and Enterprise Network Grant	4,392	
Datacom Group Ltd	Director	Computer support services	251,714	
Richmond Ltd	Director	Enterprise Network Grant	2,935	
Television New Zealand	Chair	Television Coverage	228,936	
NZTE supplied and invoiced the following:				
Connexionz	Chair	Course Fee Recovery	16,392	Nil
Richmond Ltd	Director	Advice and Research	9,509	Nil
<b>Ken Douglas</b>				
NZTE purchased/provided the following:				
New Zealand Post Ltd	Board Member	Postal Services	49,911	
Porirua City Council (Innovation Greenhouse Porirua)	Councilor	Incubator Award Grant	100,000	
Asia 2000	Board Member & Trustee	Advice and Sponsorship	92,418	
Wellington Economic Development Trust (Positively Business Wellington)	Trustee	Major Regional Initiative Grant	1,172,779	
Wellington Economic Development Trust		Regional Development and other Grants	141,234	
NZTE supplied and invoiced the following:				
Wellington Economic Development Trust	Trustee	Advice and Research	11,441	Nil

**NOTES TO THE FINANCIAL STATEMENTS** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 2004

**Note 12 continued**

NAME OF DIRECTOR & ENTITY	RELATIONSHIP	TRANSACTION	BALANCE OUTSTANDING AS AT 30 JUNE 2004	
			AMOUNT \$	2004 \$
<b>Craig Ellison</b>				
NZTE purchased/provided the following:				
		Professional fees for advice on the Exporter Education Programme	4,031	
NZ Paua Management Company Limited	Director	Growth Services Grant	40,122	
Seafood Industry Council	Alternate Director	Sponsorship and Assistance	81,000	
Te Ohu Kai Moana (Treaty of Waitangi Fisheries Commission)	Deputy Chair	Sponsorship of Maori Commercial Fisheries Conference	5,000	
NZTE supplied and invoiced the following:				
Prepared Foods Limited	Chair	Information and Research	50,337	Nil
<b>Phil Lough</b>				
NZTE purchased/provided the following:				
SMI Limited (Seabed Mapping International)	Chair and Shareholder	World Class NZ and Growth Services Grants	11,120	
NZ Institute for Crop and Food Research	Director	Cluster Development Grant	25,000	
Massey University Foundation (Massey University & Massey University E-Centre)	Trustee	Incubator Development Grant and Assistance	304,151	
NZTE supplied and invoiced the following:				
Livestock Improvement Corp Ltd	Director	Advice and Information	2,700	Nil
Massey University	Trustee	Advice and Information	22,052	8,746
NZ Institute for Crop and Food Research	Director	Advice and Information	2,178	1,685
Tatua Co-operative Dairy Company	Director	Advice and Information	8,820	135
<b>Emily Loughnan</b>				
NZTE purchased/provided the following:				
Wellington Economic Development Trust (Positively Business Wellington)	Trustee	Major Regional Initiative Grant	1,172,779	
Wellington Economic Development Trust		Regional Development and other Grants	141,234	
NZTE supplied and invoiced the following:				
Wellington Economic Development Trust	Trustee	Advice and Research	11,440	Nil
<b>Peter Menzies</b>				
NZTE purchased/provided the following:				
University of Auckland	Council Member	Enterprise Skills and Culture Fund	35,556	
Auckland Uniservices Limited	Director	Assistance	54,987	
NZTE supplied and invoiced the following:				
University of Auckland	Council Member	Advice and Information	17,049	718
Auckland Uniservices	Director	Advice and Information	10,338	3,033

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2004

### Note 12 continued

NAME OF DIRECTOR & ENTITY	RELATIONSHIP	TRANSACTION	BALANCE OUTSTANDING AS AT 30 JUNE	
			AMOUNT \$	2004 \$
<b>Jenny Morel</b>				
NZTE purchased/provided the following:				
Hi Growth Project Trust	Trustee	GIF Sector Industry and Project Grants	450,000	
Hi Tech Association	Trustee	Sponsorship and Assistance	45,739	
NZTE supplied and invoiced the following:				
Argent Networks Ltd	Chair	Advice and market assistance	13,060	12,618
<b>Wendy Pye</b>				
NZTE supplied and invoiced the following:				
Wendy Pye Ltd	Director and Shareholder	Advice and Information	13,636	11,596

### Note 13

#### FINANCIAL INSTRUMENTS

New Zealand Trade and Enterprise is a party to financial instruments as part of its normal operations. These financial instruments include bank accounts, deposits, accounts receivable and payables. New Zealand Trade and Enterprise has a series of policies providing risk management for interest rates, operating and capital expenditures denominated in foreign currency. New Zealand Trade and Enterprise is risk averse and seeks to minimise its exposure from its treasury activities. Its policies do not allow for any transactions which are speculative in nature to be entered into. Revenues and expenses are recognised in the Statement of Financial Performance.

#### CURRENCY RISK

Currency risk is the risk that the amount due to/from debtors, creditors and other monetary assets in foreign currencies will fluctuate because of changes in foreign exchange rates.

New Zealand Trade and Enterprise has offices overseas and undertakes transactions denominated in foreign currencies. As a result of these activities exposures in foreign currency arise. It is the New Zealand Trade and Enterprise policy to hedge foreign currency risks and use forward and spot foreign exchange contracts to manage this exposure. Amounts of forward foreign exchange transactions outstanding at balance date are as follows:

	2004 \$000
Forward foreign exchange contracts	28,146

**NOTES TO THE FINANCIAL STATEMENTS** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 2004

## Note 13 continued

### CREDIT RISK

Credit risk is the risk that a third party will default on its obligations to New Zealand Trade and Enterprise, causing it to incur a loss.

In the normal course of business New Zealand Trade and Enterprise incurs credit risk from trade debtors and financial institutions. There are no significant concentrations of credit risk from trade debtors and exposures to them are monitored on a regular basis. New Zealand Trade and Enterprise does not require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with.

To the extent that New Zealand Trade and Enterprise has a receivable from another party there is a credit risk in the event of non-performance of that counter party. Financial instruments that potentially subject New Zealand Trade and Enterprise to credit risk principally consist of bank balances. The Board places its investments with institutions that have a high credit rating. There is no significant concentration of credit risk.

Maximum exposures to credit risk at balance date, being the carrying amount in the Statement of Financial Position are:

	2004 \$000
Cash and bank accounts	10,165
Accounts receivable	17,434

### INTEREST RATE RISK

Interest rate risk is the risk that New Zealand Trade and Enterprise return on the 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 2004 was between 0% and 5.75%.

### FAIR VALUE

The fair value of financial instruments is approximately equivalent to the carrying amount disclosed in the Statement of Financial Position except for forward foreign currency contracts, as follows:

	2004 CARRYING AMOUNT \$000	2004 FAIR VALUE \$000
Foreign currency contracts – current	24,776	23,835
Foreign currency contracts – non current	3,370	3,341

**NOTES TO THE FINANCIAL STATEMENTS** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 2004

**Note 14****EMPLOYEES REMUNERATION**

The following table discloses the number of New Zealand Trade and Enterprise employees who received remuneration, payments and/or benefits including redundancy payments of \$100,000 or more during the year ending 30 June 2004

<b>TOTAL REMUNERATION AND BENEFITS \$'000</b>	<b>2004 NZ</b>	<b>2004 SECONDED OFFSHORE*</b>	<b>2004 LOCALLY ENGAGED**</b>
100-109,999	18	2	3
110-119,999	20	4	4
120-129,999	13	3	6
130-139,999	7	6	0
140-149,999	4	4	2
150-159,999	2	3	0
160-169,999	5	4	0
170-179,999	2	3	0
180-189,999	2	0	0
190-199,999	2	0	2
200-209,999	3	2	0
210-219,999	0	0	0
220-229,999	3	0	0
230-239,999	0	0	0
240-249,999	1	0	0
250-259,999	0	0	0
260-269,999	0	0	1
270-279,999	0	0	0
280-289,999	0	0	0
290-299,999	0	0	0
300-309,999	1	0	0
390-399,999	1	0	0

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 seconded employees disclosed, 20 receive a base salary of less than \$100,000, but receive allowances to reimburse the costs of being an expatriate that take the total paid to more than \$100,000. When these employees return to New Zealand, they will be paid their base salary only.

\*\* 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 2004.

During the year ending 30 June 2004, 32 employees received redundancy payments totalling \$775,164.

The Chief Executive's remuneration and benefits are in the \$390,000 to \$399,999 band.

**NOTES TO THE FINANCIAL STATEMENTS** CONTINUED  
FOR THE YEAR ENDED 30 JUNE 2004

## Note 15

### BOARD FEES

Board members earned the following fees during the year.

MEMBER	2004 TOTAL \$
Michael Andrews	20,475
Craig Boyce	20,475
Phil Lough (Chair)	63,000
Peter Menzies	19,500
Jenny Morel	19,500
Emily Loughnan	19,500
Ken Douglas	19,500
Craig Ellison	20,475
Wendy Pye	19,500

## Note 16

### FUNDS ADMINISTERED ON BEHALF OF THE CROWN

During the year the Board administered grants funds of \$27.901m (GST Incl) on behalf of the Crown. The funds were kept in a separate bank account as agents for the Crown and are not included in the Statement of Financial Position. Details of grant approvals by class of grant are contained in the Statement of Service Performance.

## Note 17

### GRANT COMMITMENTS AND CONTINGENT LIABILITIES ON BEHALF OF THE CROWN

NO LATER THAN ONE YEAR	2004 \$000
Enterprise Development Fund	4,004
Growth Investment Fund	193
Growth Services Fund	7,741
Regional Development Programme	25,192
Sector Strategies and Facilitation	2,190
Total Grant Commitments	39,320
<b>BETWEEN ONE AND TWO YEARS</b>	<b>2004 \$000</b>
Sector Strategies and Facilitation	100
Total Grant Commitments	100

Funding commitments consist of unpaid/uninvoiced expenditure on contracts existing as at 30 June 2004. Payments are expected to be made during 2004/2005 or after recipients have met agreed performance standards.

New Zealand Trade and Enterprise had no Contingent Liabilities in relation to Crown Grants as at 30 June 2004

**Note 18****MAJOR BUDGET VARIATIONS****STATEMENT OF FINANCIAL PERFORMANCE, STATEMENT OF FINANCIAL POSITION, AND STATEMENT OF CASHFLOWS**

Other revenue of \$1.1 million was not anticipated at the time of preparation of the budget.

The personnel expenses budget was prepared based on certain assumptions prior to the actual formation of New Zealand Trade and Enterprise and finalisation of the organisational structure. Actual expenses were \$2.9 million below budget.

The increase in cash and bank balances reflects lower property, plant and equipment purchases and the timing of payments of accounts payable compared with those budgeted. These are also reflected in the Statement of Cash Flows with the net cash outflow from investing activities approximately \$3.5 million less than budget, and the net cashflow from operating activities is approximately \$3 million less than budget.

The increase in accounts payable is due to the timing of expenses which also impacts accounts receivable, due from the Crown. This has a corresponding impact on the timing of cash received as Revenue from crown and Payments to suppliers and employees disclosed in the Statement of Cashflows.

Employee entitlements were all budgeted as current liabilities. However the total actual costs which are \$0.4 million greater than budget have been disclosed according to whether they are current or non current.

**Note 19****EVENTS SUBSEQUENT TO BALANCE DATE**

There were no events subsequent to balance date that required adjustment to the financial statements.

## Good Employer Compliance

New Zealand Trade and Enterprise is committed to being a good employer and an integrated model of equal employment opportunities is applied in all policies and procedures.

Human resources activities and new initiatives for the 2003/04 year reflected the needs of a new organisation. The focus of the employee transition process was on retaining key skills and capabilities and this was completed successfully.

The good employer objectives for 2003/04 centred on key policies, processes and systems which were made available to staff via the NZTE intranet. These included a new performance management system that supports the strategic direction of NZTE and recognises the importance of our Values – “Inspire, Energise and Deliver”. A Remuneration policy that linked performance and market benchmarks was developed to ensure recruitment and retention of high performing employees.

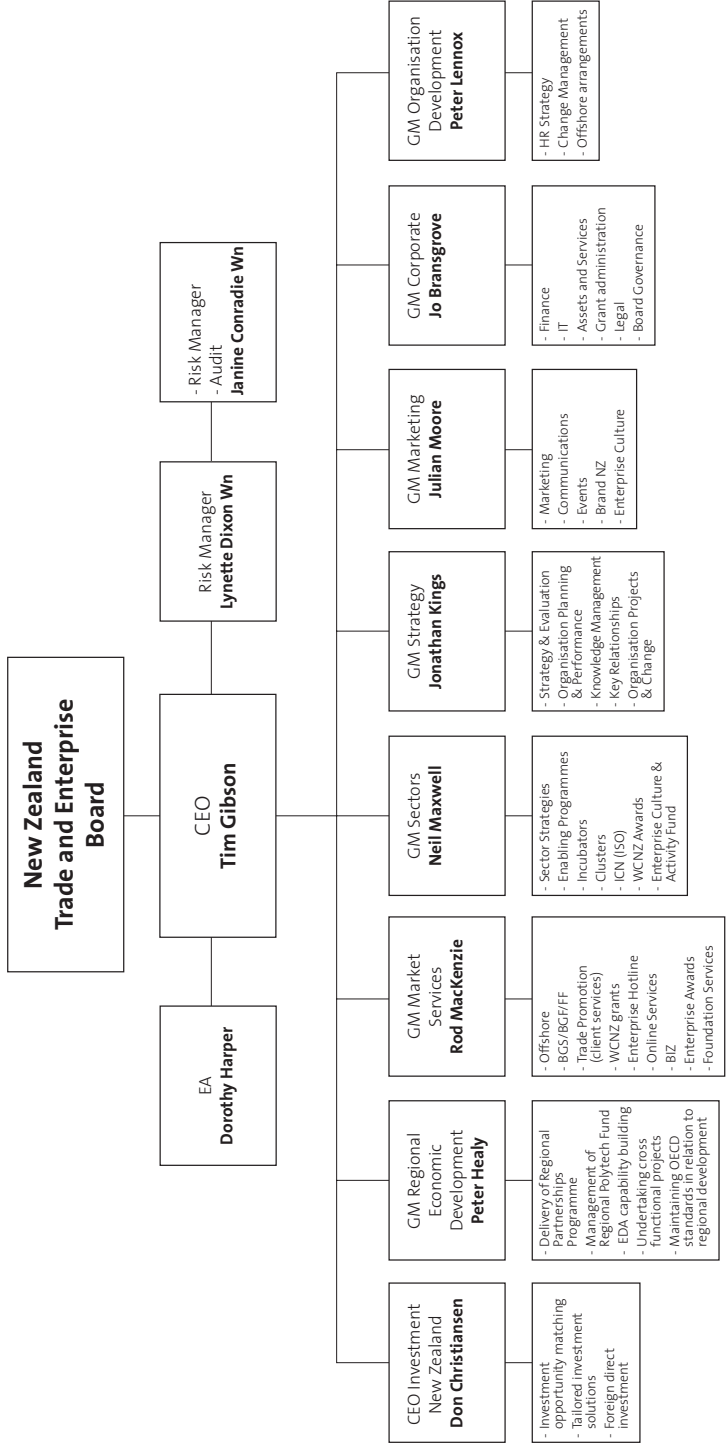
Ongoing consultation with employees, and with the PSA who represent a small number of them, allowed us to manage the transition to and development of the new organisation with minimal employment relationship issues.

A range of training initiatives for client facing staff, and individualised training and development programmes for all employees were provided.

A new Code of Conduct was written, and this reinforced NZTE’s commitment to honour recognised good employer principles.

Health and Safety activities included the provision of ergonomically appropriate work stations, ongoing hazard identification, and for onshore staff flu vaccinations were made available at NZTE’s expense.

# Organisational Structure



**New Zealand Trade and Enterprise Board**

**CEO Tim Gibson**

**EA Dorothy Harper**

**Risk Manager Lynette Dixon Wn**

**Risk Manager - Audit Janine Conradie Wn**

**CEO Investment New Zealand Don Christiansen**

- Investment opportunity matching solutions
- Tailored investment
- Foreign direct investment

**GM Regional Economic Development Peter Healy**

- Delivery of Regional Partnerships Programme
- Management of Regional Polytech Fund
- EDA capability building
- Undertaking cross functional projects
- Maintaining OECD standards in relation to regional development

**GM Market Services Rod MacKenzie**

- Offshore
- BCS/BCF/FF
- Trade Promotion (client services)
- WCNZ grants
- Enterprise Hotline
- Online Services
- BIZ
- Enterprise Awards
- Foundation Services

**GM Sectors Neil Maxwell**

- Sector Strategies
- Enabling Programmes
- Incubators
- Clusters
- ICN (ISO)
- WCNZ Awards
- Enterprise Culture & Activity Fund

**GM Strategy Jonathan Kings**

- Strategy & Evaluation
- Organisation Planning & Performance
- Knowledge Management
- Key Relationships
- Organisation Projects & Change

**GM Marketing Julian Moore**

- Marketing
- Communications
- Events
- Brand NZ
- Enterprise Culture

**GM Corporate Jo Bransgrove**

- Finance
- IT
- Assets and Services
- Grant administration
- Legal
- Board Governance

**GM Organisation Development Peter Lennox**

- HR Strategy
- Change Management
- Offshore arrangements



