



NEW ZEALAND  
TRADE & ENTERPRISE

# Annual Report

2012/2013

This report is presented to the House of Representatives  
pursuant to section 150(3) of the Crown Entities Act 2004.

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

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# Foreword

2012/13 marked the second year of NZTE's three-year work programme to lift our performance and deliver better results.

This programme covers both internally and externally focused changes to enable us to better deliver on our purpose of unleashing the international potential of New Zealand businesses. Some key achievements for this year were:

- development and rollout of our 'NZTE Customer Way' delivery model, which is designed to deliver consistent performance, tailored to the specific strategy of an individual business
- launching of a new service 'Better by Capital', that assists New Zealand businesses plan, prepare, and access capital in order to fund their growth
- launching of our new NZTE website, as well as the delivery of other key IT projects that help us communicate better, share information, and put our collective knowledge to work.

We also continued with our suite of high-impact programmes in 2012/13. Here we work with groups of customers, who have a competitive advantage, who are able to co-invest, and who are willing to work together; so called 'coalitions of the willing'.

This work provides the platform for us to step up our game and improve service delivery for our customers. By ensuring we deliver the right services, at the right time and at the right place, we hope to drive improved results – for us and our customers.

Although our performance can be measured in lots of different ways, we use three main measures to track our success; do our customers think we are adding value to their businesses; are we helping our customers to generate export deals in international markets; and is our customers' export revenue growing.

**By ensuring we deliver the right services, at the right time and at the right place, we hope to drive improved results – for us and our customers.**

In 2012/13 the export revenue for our Focus 500 customers was \$22.3 billion compared to \$21.8 billion in 2011/12 – a growth of \$500 million or 2.3%. We helped our customers to generate \$694 million in export deals, and 87% of our Focus 500 customers said that NZTE added value to their business. In addition, 96% of our customers said they were satisfied with NZTE as a whole, compared with 90% last year.

2012/13 saw a further lift in the level of our employee engagement (78% up from 77% in 2011/12), more engaged employees translates to better service delivery to customers. This is also a reflection of our increased focus on realising the potential of our people.

In November 2013 we will be refreshing our overall strategy, and will continue to implement change using a 90 day improvement methodology. The overall intent will remain to add more value to both our internationalising businesses, and to New Zealand as a whole.



**Andrew Ferrier**  
Chair  
NZTE Board



**Charles Finny**  
NZTE Board



**Peter Chrisp**  
Chief Executive  
NZTE

25 October 2013

**We are committed to the cause  
of building a more productive  
and competitive economy.**

# ① Our achievements and outcomes

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During 2012/13 we continued our focus on increasing the international growth of New Zealand businesses.

We did this:

- Locally through the provision of a suite of services to grow better businesses in New Zealand
- Globally by connecting New Zealand's internationalising businesses through the leveraging of our international networks and the imprimatur of government.

We measure our success in achieving this by assessing a number of areas – the growth in our customers' international revenue, the impact of the investments we help secure, and how satisfied our customers are with our performance. These measures are reported fully in the statement of service performance section of this report.

## Strategy

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As mentioned in the foreword, during the last year we continued our commitment to unleashing the international potential of New Zealand businesses and began to develop a more targeted approach to our work. There are four strands to this approach all of which are closely aligned to the Government's Business Growth Agenda:

- Working with a dedicated number of individual companies who have the capacity and aspiration to grow internationally
- Focusing on specific groups of customers who are willing and able to work together to increase their internationalisation
- Delivering to companies the right portfolio of growth services
- Acting as one with the other public sector economic development agencies.

In order for us to deliver in these areas, we are also making a number of internal changes. Core areas include developing our people and ensuring we have a digital platform that supports the tools we need to work effectively with New Zealand businesses.

## Measuring our success

In order to contribute to the Government's goal of a stronger economy, NZTE committed to the key outcome of 'Increased business internationalisation for our customers'. During 2012/13 we progressed work on measuring the impact we can have on New Zealand's internationalising businesses by setting up measures to analyse the export growth rates for our intensively managed (Focus 500) customers.

Our Focus 500 customer portfolio is made up of a range of small, medium and large exporting businesses. Smaller companies tend to have higher growth rates as they are coming off a lower revenue base, while large more mature companies have much smaller, but more consistent growth rates. The average growth rate<sup>1</sup> of export revenue for companies within our Focus 500 for the 2012/13 year was 15.2%.

We have made good progress in improving the ways in which we measure our overall performance and in particular the economic impact of our activities. Having robust metrics and data will enable us to benchmark our performance and clearly demonstrate our impact on businesses and the wider New Zealand economy over time. In 2012/13 we also completed 10 case studies that evaluated the effectiveness of NZTE's intervention for 10 of our Focus 500 customers. We have also developed a new measure to gauge the potential (and in coming years the realised) Direct Economic Impact of our International Growth Fund grants, which showed a return of \$623.36m in 2012/13. We deliberately set ambitious targets in order to strive for the highest level of performance and deliver the best service to New Zealand businesses.

During 2012/13 we also continued to refine our monthly NZTE dashboard, which is used by our Board and leadership team to monitor organisational performance. The dashboard information is reported through a business intelligence portal and tracks 12 key performance indicators. Team-level dashboards have also been developed to provide operational performance information to support and improve decision-making capabilities.

## Customers

Over the past 12 months we have increasingly focused on working with New Zealand businesses that are committed to significant international growth. During 2012/13 we had an active customer portfolio of over 3,000 businesses with an intensive focus on a group of approximately 500 high growth potential companies (Our Focus 500) that were selected according to the customers' current and future potential, and the impact they can make on the wider economy. We work intensively with these 500 businesses with the long-term goal to double their growth.

We provided services to our other customers through a range of delivery mechanisms including a NZTE 'light touch' business service. In addition, NZTE also funded business capability building services to a wider range of New Zealand businesses through incubators and our Regional Partner Network.

We have continually refined our customer engagement model and processes to improve the value we deliver to our customers and achieve greater effectiveness and efficiency. We have also looked at new and innovative ways to actively identify newer businesses with the potential and desire to grow internationally.

Our customers have continued to report satisfaction with our service delivery, with 93% of our Focus 500 and Foundation customers rating our performance as excellent, very good or good.

In addition 96% of our customers were satisfied with NZTE as a whole in 2012/13 compared with 90% last year. Domestic NZTE business development services rated at 92% satisfaction for businesses accessing the Regional Partners Network, with 89% of businesses either having already implemented, or intending to implement business changes as a result of their engagement with the Regional Partners Network.

1. Average = mean. For the purpose of calculating average growth, we use the middle 95% of growth rates for F500 customers (i.e. we remove the top and bottom 2.5%). This is to remove extreme outliers that skew the data.

## Services

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NZTE delivers (or contracts for delivery) a range of services to support New Zealand businesses to develop capability, grow, and contribute to the country's economy at all stages on their path to internationalisation.

Our services are always evolving to make sure they are relevant and in line with what businesses need. We have refocused and rationalised our services during 2012/13 (and will continue to do so in the coming years) to ensure that they are meeting our customers' needs with the right level of service, at the right time, and adding measurable value.

The key is to assemble the right blend of services that deliver the growth results that customers are wanting to achieve at that point in time and then to refine and re-blend them as they continue on their journey. To assist in this we have produced an interactive 'Services Guide' for our customer-facing teams, which contains detailed information on our suite of services.

During 2012/13 we also developed a new service 'Better by Capital', which is designed to assist New Zealand businesses plan, prepare, and access capital in order to fund their growth. We also launched our new NZTE website which will provide the platform for an on-line customer service experience.

We have continued to work on attracting quality Foreign Direct Investment (FDI) into New Zealand and facilitating access to International investment funds. We did this by promoting New Zealand to international investors and raising awareness of the investment opportunities available. We provided information and support to potential investors and then facilitated the investments into New Zealand. As a result of our work in this area we successfully assisted in securing \$334.5 million worth of investment deals.

**Our customers have continued to report satisfaction with our service delivery, with 93% of our Focus 500 and Foundation customers rating our performance as excellent, very good or good.**

## High Impact Programmes

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Our High Impact Programmes (HIPs) or 'coalitions of the willing' had their second year of operation in 2012/13 working with approximately 500 customers. The current HIPs are multi-customer initiatives with two to five-year outlooks, and go beyond traditional NZTE customer engagement. While centred on NZTE customers, a HIP may also have a sector, regional or special event focus. At present we have eight HIPs underway:

- Agribusiness
- America's Cup
- Aviation
- China
- Health
- High Value Food
- Marine
- Wine.

The purpose of the HIPs is to increase the speed and scale of internationalisation for our customers. A HIP can take many shapes or forms and may have several characteristics. For example, it could:

- Be a multi-customer opportunity, which fosters or engages 'coalitions of the willing' and/or groups with a common interest
- Be a multi-year programme of work with significant commitment of finances and people
- Leverage our current NZTE customer portfolio.

HIPs must demonstrate direct benefits for in-portfolio customers, not just spill-over benefits. Our involvement should deliver a return beyond what it might be without our engagement, and drive us towards our Greatest Imaginable Challenge of doubling our customers' growth rate.

Some key achievements from our HIPs in 2012/13 include:

- During 2012/13 the America's Cup HIP team developed the leveraging programme for the 34th America's Cup in San Francisco, from July to September 2013. Sixty five companies signed up to participate in the opportunity and a venue was secured for off-base business networking and corporate events that featured a special menu using premium New Zealand produce and New Zealand wine and beverages. The financial benefits from this America's Cup HIP programme will be realised in the coming years.
- In October 2012 the Health HIP created and implemented the US Health Immersion Programme with a specific focus on military health. Thirteen New Zealand companies attended this week-long event in Washington DC where they were introduced to potential customers and many came away having identified significant new leads. One company estimated that the programme had uncovered NZ\$20 million of potential business opportunities.
- Some major international aircraft manufacturers have highlighted that they prefer a single point of contact within New Zealand to request quotes, place orders for manufacture, receive deliveries, and make payments to. In order to provide a solution for this the Aviation HIP is developing and supporting a specialist aviation parts supply chain. Marketing of the supply chain has started, targeting opportunities in Singapore (eg Singapore Technologies Aerospace which supply chain companies are tendering for) and the USA.
- The Wine HIP has engaged with over 50 New Zealand wineries to deliver a programme of events, media and inward visits with the objective of exposing key influencers in China, Germany, the Netherlands and Sweden to the diversity and quality of New Zealand wine. This activity resulted in putting the New Zealand wine story in front of over 4,000 trade and media influencers and introductions to potential new importers for five wineries. In addition they generated NZ\$3.4 million in equivalent advertising value and 14,000 social media followers with over 15 million views of posts, blogs and commentary on New Zealand wine by opinion leaders.

## NZ Inc and country strategies

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Throughout 2012/13 NZTE has worked with our many partners across the economic development landscape to give effect to the Government's economic goals. We are committed to the cause of building a more productive and competitive economy. Collaboration with our NZ Inc partners, both within government and in the business community, has been central to NZTE's purpose over the past year.

A key activity in 2012/13 was supporting the establishment of Callaghan Innovation and developing a strategic partnership with them to advance our shared goals. We work closely with Callaghan Innovation to enhance the innovation ecosystem, and to support and assist companies' progress from commercialisation to internationalisation.

Internationally, NZ Inc. (which includes NZTE, MFAT, Immigration New Zealand, Tourism New Zealand and the private sector) has taken a coordinated approach to promote New Zealand in international markets, and support the international growth of New Zealand businesses. Specifically NZTE has been working with MFAT, MBIE and other Government agencies to develop and implement a number of NZ Inc country and regional strategies for New Zealand's key markets.

In addition NZTE, Tourism New Zealand and Education New Zealand progressed the development of the New Zealand Story to create a uniquely New Zealand brand that will add value to our internationalising businesses. The New Zealand Story is designed to communicate our distinct and unique attributes to help New Zealand businesses gain a competitive advantage in international markets.

More Māori businesses are engaging in commercial opportunities in offshore markets, and we have continued to align our focus on Māori business with NZTE's customer strategy. In conjunction with Te Puni Kōkiri we encourage Māori businesses to take advantage of commercial opportunities and increase their presence in international markets, particularly China.

We have also been involved with several successful trade missions in 2012/13. This included a Prime Ministerial led mission to China comprising Government officials, businesses, and Ministers Steven Joyce, Tim Groser and Pita Sharples. This mission celebrated the 40th anniversary of diplomatic relations between China and New Zealand and the 5th anniversary of the Free Trade Agreement, and was the occasion for the signing of several agreements and business launches. The Prime Minister also led a group of 20 businesses to Latin America together with Minister Nathan Guy. This mission had a sector focus on agribusiness, technology and education, and uncovered more than 50 business leads. It was very intensive, and covered four countries – Mexico, Colombia, Chile and Brazil.

As a contributor to one of the Government's ambitious economic goals for New Zealand – to increase the ratio of exports to Gross Domestic Product from the current 30% to 40% by 2025, NZTE is working closely with NZ Inc agencies to deliver on the innovation and export arms of the Government's Business Growth Agenda (BGA). The BGA is aimed at boosting competitiveness, delivering higher incomes and higher living standards for New Zealanders.

**Collaboration with our NZ Inc partners, both within government and in the business community, has been central to NZTE's purpose over the past year.**

## Our Challenges

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To further deliver on our strategy NZTE developed a three-year performance improvement work programme, which was based around 10 Challenges. 2012/13 marked the second year for NZTE delivery of this programme. Through these challenges, our work programme covers both internally and externally focused changes to enable us to better deliver on our purpose of unleashing the international potential of New Zealand businesses.

In September 2012 we reviewed and refreshed the 10 challenges and consolidated them into a new framework of six challenges that are driving our work programme for the coming year. The focus areas for these six challenges are:

1. Delivering a high growth customer portfolio
2. Developing services designed for customer needs
3. Creating additional value by supporting collaboration amongst customers
4. Realising the potential of our people
5. Putting our knowledge to work for the customer
6. Delivering to customers as NZ Inc.

Late in 2012/13 we had our follow-up Performance Improvement Framework (PIF) review. This review found that "NZTE is far more focused, coherent, urgent and open than the organisation described in the 2011 PIF Review". The review made a number of recommendations for further improvement and these have been incorporated into the challenge work programme. This includes the addition of a seventh challenge - Capital, which seeks to ensure that capital plays a more central role in helping NZTE achieve its export challenge, with a focus on matching available capital to investment opportunities.

# ② Our organisation

## Organisational capability

As a professional services organisation, our people really are our greatest asset. We need the right people in the right roles, working to the best of their ability. To achieve this NZTE has been implementing our People and Capability Framework which has four pillars: *Attract, Perform, Develop, and Reward and Recognise.*

Some key projects we delivered this year to support this have been:

- A new recruitment strategy and employment brand – how we attract people with the right skills
- Organisation wide training on ‘The Customer Way’
- Roll-out of refreshed individual performance and development plans – everyone in the organisation has an individual plan that sets clear performance KPIs and also focuses on their development
- Implementing 90-day delivery plans throughout the organisation to ensure we maintain momentum
- Introducing new coaching and inspiring leadership workshops for our people managers.

## Lifting our professional services capability through the Customer Way

The Customer Way is all about the way NZTE works with our customers – taking a consistent, collaborative, problem solving approach to working with our customers in order to add value and accelerate international growth. In 2012/13 we launched ‘The Customer Way’ framework, which comprises the tools, practices and guidelines that we use when working with customers, as well as a capability building programme for our employees. We’ve implemented this approach internationally and have a 12 month programme of work being delivered by coaching, feedback and skills modules to continually refine and enhance the way we interact and deliver services to our customers.

## Our digital strategy

As a global operation it is vital we have the technology in place so our employees can work together as one-team to put our shared knowledge to work. In 2012/13 we delivered some major projects to support this, including development of a new intranet, rollout of lync video calling, and trialling a new document management system. We developed an IT dashboard to monitor real-time performance of our key IT systems and began implementation of an updated data security plan.

## Our people

NZTE has continued to realign core functions to ensure we are structured in the most effective and efficient way to deliver on our goals. In addition, we’ve focused on improving clarity of accountabilities and expectations through a new customer engagement approach. By realigning around how we best provide services to customers, we’ve focused on having the right capability in the right teams and locations to deliver on our customer-centric approach, both domestically and internationally. This ensures we are positioned to deliver on our organisational purpose, to unleash the international potential of New Zealand businesses to build the nation’s lasting prosperity.

NZTE ended the year with 523 full time equivalent (FTE) employees in New Zealand and internationally (FTE figures include permanent, fixed term, expat, locally engaged and seconded employees). In addition we were also actively recruiting for 24 FTE positions as at 30 June 2013. About 40 percent of our employees are located overseas and most are locally recruited.

### Number of FTEs

30-Jun-13	30-Jun-12	30-Jun-11	30-Jun-10
522.8	496.61	519.68	544.51

NZTE constantly monitors its employee data to ensure the organisation remains efficient and productive. We are focused on providing efficient and effective corporate services that meet the strategic needs of the organisation. Over the last year costs have been contained whilst service has improved. This is reflected in the improvement in our results in the third annual BASS survey (FY 2011/12) when compared with other members in our cohort.

## Culture Survey

NZTE's 2013 culture survey results showed significant improvement on the 2010 results across each of the survey's 12 sections. Our overall engagement index score in 2010 was 68.8, which has increased to 78.4 in 2013, against a private sector average of 74.2. NZTE's target for the 2013/14 performance year is an engagement index score of 80, with the big focus being fully utilising our people's knowledge and skills, and developing career paths. Our longer term aspiration is to achieve 82.7, the average of the top 25% of organisations in the Best Work Places Survey.

## Leadership development

NZTE's commitment to actively growing leadership and management skills is embedded in the strategic goal 'realise the potential of our people' and the principle that the most effective learning occurs through experience on the job, supplemented by learning through others and structured learning.

In the 2012/13 year NZTE has developed a new people and capability programme of work through to 2015. We've implemented a new three-month induction programme, and a new learning and development framework that encompasses 'the NZTE Way' of working. All managers have attended an internally designed and facilitated coaching workshop, with NZ managers also attending an inspirational leadership workshop.

We've developed a recruitment strategy with a refreshed employment brand and sourcing approach to ensure we attract quality talent. We've also run two Trade Commissioner Assessment and Development Centres to build our pipeline of internal capability.

## Individual performance management

All employees participate in NZTE's individual performance management system. Each individual's annual performance plan also includes a development plan where an employee and their manager identify specific learning and development requirements, which may be on-the-job or formal training. These plans contribute to building employee capability in support of NZTE's strategy. NZTE's individual performance plans recognise both delivery against key performance indicators, and behaviours, to further enhance our drive towards excellence.

## Being a good employer

NZTE is committed to being a good employer and an employer of choice, fulfilling our requirement under the 'Crown Entities Act 2004' to be a good employer. NZTE meets its obligations by having people policies that include the NZTE standards of integrity and conduct, equal employment opportunities, health and safety, recruitment and selection, flexible working arrangements, protected disclosures and anti-harassment safeguards. NZTE's health and safety initiatives include access to the Employee Assistance Support programme, workstation assessments and planning for pandemics. NZTE continues to have low levels of work-related accidents and injuries.

NZTE people are passionate about what they do, and our characters of 'One Team, Astute, Agile, Adventurous' reflect the behaviours and attributes we expect of, and encourage in, our employees.

In 2013/13 NZTE introduced the following value for money measure to gauge overall organisational efficiency.

PERFORMANCE MEASURE	Actual 2011/12	Forecast standard 2012/13	Actual 2012/13
<b>Quantity</b>			
NZTE performance is in the top 50% performers for our cohort for each metric in the annual Administrative & Support Services Benchmarking (BASS) report	N/A	For 85% of the metrics NZTE is in the top 50%	70%
Result is from the latest (2011/12) BASS report. While below target there has been a major focus on recruiting the right people, which has seen our cost of recruitment costs at a high level. There is also a one-off cost for our new Auckland office, which has seen our property costs rise in relation to our cohort.			

**NZTE people are passionate about what they do, and our characters of 'One Team, Astute, Agile, Adventurous' reflect the behaviours and attributes we expect of, and encourage in, our employees.**

## Governance and accountability

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### The role of the Board and committees

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.

During 2012/13, the Board consisted of Jon Mayson (Chairperson, term ended October 2012), Julie Christie, Peter Conway (term ended March 2013), Charles Finny, Peter Townsend, Karen Fistonich, Robin Hapi, Andrew Ferrier (Chairperson, term commenced November 2012) and Jennifer Kerr (term commenced June 2013). The chief executives of MBIE and MFAT are special advisers to the Board. In 2012/13 they were David Smol (Chief Executive, MBIE) or his delegate, Paul Stocks (Deputy Chief Executive, MBIE – Science, Skills and Innovation), and John Allen (Secretary, MFAT).

In December 2012 the Board adopted a more focused and strategic approach to Board meetings by implementing a programme of major themes across meetings, supported by individual deep dives into other key areas of the organisation and the traditional standing orders. The Board also changed the meeting schedule to hold seven full day face to face meetings with planned conference calls for urgent business in the off-meeting months.

Committees of the Board are convened to deal with specific matters. Current committees are the Audit and Risk Committee, and the Human Resources and Remuneration Committee which meet quarterly, and the International Growth Fund Committee (formerly the Programme Review Committee), which meets monthly or as required. A Terms of Reference, reviewed annually by the Board, guides each Committee. Other ad hoc committees may be formed from time to time to deal with specific issues.

The Board is guided by a charter that documents its intentions and general approach to the fulfilment of its governance responsibilities. It incorporates a code of conduct and rules regarding disclosure of interests.

## Board member meeting attendance

Board member	Board*	Audit & Risk Committee*	Human Resources & Remuneration Committee*	International Growth Fund Committee*
Andrew Ferrier <i>(term started November 2012)</i>	6/6		2/2	
Julie Christie	10/11			13/13
Charles Finny	10/11	3/3	2/3	
Karen Fistonich	11/11			13/13
Robin Hapi	9/11			12/13
Jennifer Kerr <i>(term started June 2013)</i>	1/1			
Peter Townsend	10/11	3/3	3/3	
Peter Conway <i>(term ended March 2013)</i>	8/8	3/3	2/3	
Jon Mayson <i>(term ended October 2012)</i>	3/5		0/1	

\* meetings attended / total meetings possible

## Delegation framework

Formal policy frameworks are in place relating to NZTE's principal operations and the delegation of financial authority to managers.

## Risk management and business continuity

NZTE reports organisational risk to the Audit and Risk Committee in alignment with its risk management policy. A comprehensive risk management framework is also in place.

Business continuity plans are in place and are reviewed and refreshed to reflect organisational changes and context.

# ③ Statement of responsibility

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The NZTE Board is responsible for the preparation of the annual financial statements and statement of service performance, and the judgements used in them.

The Board is also 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, the annual financial statements and statement of service performance for the year ended 30 June 2013 fairly reflect the financial position and operations of NZTE.

On behalf of the Board



**Andrew Ferrier**  
Chair  
NZTE Board

**Charles Finny**  
NZTE Board

25 October 2013

# ④ Statement of service performance

This statement of service performance reports against the performance measures in NZTE's Statement of Intent (SOI) 2012-15. It covers the period from 1 July 2012 to 30 June 2013.

The quantity measures in each output class display activity levels and provide context for the quality and effectiveness measures. Our emphasis is on ensuring that we have the highest quality portfolio of businesses and projects to focus our resources on rather than just the highest number.

## Output class 1 Services to develop business capability

Output Class 1 builds and enhances business and management capability through providing access to effective assessment, advice, training and mentoring.

Services are primarily delivered through the Regional Business Partner Network or other third party providers. These services contribute to NZTE's outcome - *increased business internationalisation for our customers* - by enhancing business management capability.

### Financial performance

Budget \$000	Revised budget \$000	Actual \$000	Percentage of revised budget used
14,905	13,752	13,226	96%

The budget for output class 1 decreased by \$1.2 million. This represents a funding transfer of \$0.9 million to output class 3, and \$0.253 million to the Ministry of Pacific Island Affairs for training. The actual expenditure was \$0.5 million below budget due to lower training programme and operating costs.

## Non-financial performance

ACTIVITY MEASURES	Actual 2011/12	Activity indicator 2012/13	Actual 2012/13
<b>Quantity</b>			
Number of businesses receiving business development services through the Regional Partner Network	5,749	2,500 (Demand driven)	2,751
PERFORMANCE MEASURES	Actual 2011/12	Performance standard 2012/13	Actual 2012/13
<b>Quality</b>			
Percentage of businesses that give a positive satisfaction rating to services provided through the Regional Partner Network	94%	Exceeds 2011/12 result	92%

In 2012/13 we maintained a high satisfaction rating although there was a slight decrease in satisfaction from 2011/12.

### Effectiveness

Percentage of businesses that have changed or intend to make changes to improve their business as a result of their interaction with a Regional Partner	90%	Exceeds 2011/12 result	89%
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As above.

A total of 2229 respondents were invited to respond to the survey that underpins the above two measures (compared with 1174 in 2011/12), with a response rate of 30.1% (20% in 2011/12).

## Output class 2 International business growth services

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Output Class 2 supports businesses to internationalise by identifying and exploiting market and investment opportunities; overcoming internationalisation barriers; providing customised advice and support; and enabling access to international business networks.

The objective of this funding is to assist businesses to develop and grow their international business and exports to generate economic benefits for New Zealand. NZTE's challenge is to identify and work with those businesses most likely to deliver the best return for New Zealand. For this reason, we are committed to targeting an active customer portfolio of 500 aspirational businesses (our Focus 500). We work intensively with our Focus 500 customers with the aim of supporting them to double their growth.

NZTE also works to raise the profile of New Zealand as an investment destination and attract quality Foreign Direct Investment (FDI) into New Zealand. This includes improving market access, management capabilities, growth prospects and other elements crucial to the success of internationalising high-value businesses.

These services contribute to NZTE's outcome - *increased business internationalisation for our customers* - by increasing the number of businesses that internationalise and increasing growth in exports.

### Financial performance

Budget \$000	Revised budget \$000	Actual \$000	Percentage of revised budget used
99,702	101,264	95,341	94%

The budget for output class 2 increased by \$1.5 million to fund a new market development initiative in China. Expenditure was below budget for the international offices due to lower personnel and operating costs. There were also lower programme costs across beachheads, lean training, better by design, and capital raising services.

## Non-financial performance

ACTIVITY MEASURES	Actual 2011/12	Activity indicator 2012/13	Actual 2012/13
<b>Quantity</b>			
Number of intensively account managed (F500) customers in NZTE's customer portfolio	N/A	475-525	456
The forecast standard is the average number of intensively account managed (F500) customers in NZTE's customer portfolio at the end of each quarter. This number steadily increased from 439 at the end of the September 2012 quarter to 468 at the end of the June 2013 quarter.			
Total number of customers in NZTE's customer portfolio (excluding those intensively account managed)	N/A	1,500-2,000 (Demand driven)	3,115
PERFORMANCE MEASURES	Actual 2011/12	Performance standard 2012/13	Actual 2012/13
<b>Quality</b>			
Percentage of intensively account managed (F500) customers that agree or strongly agree that NZTE has added value to their business	88%	Exceeds 2011/12 result	87%
In 2012/13 we maintained a high value add rating although there was a slight decrease from 2011/12. However, overall satisfaction with NZTE has increased from 90% in 2011/12 to 96% in 2012/13. The response rate for the survey was 90% (compared with 71% in 2011/12).			
Percentage of NZTE customers that agree or strongly agree that NZTE has added value to their business (excluding those intensively account managed)	N/A	Establishment of baseline in 2012/13	58%
This is a lower score reflecting the lighter touch services for this group, with a corresponding lower response rate of 39%.			

PERFORMANCE MEASURES	Actual 2011/12	Performance standard 2012/13	Actual 2012/13
<b>Effectiveness</b>			
Annual growth in international revenue for NZTE's intensively account managed customers	9.4% \$1,871 million <sup>2</sup>	Two percentage points higher than NZ's overall total export growth	5.7 percentage points higher than NZ's overall total export growth <sup>3</sup>
Total value of deals <sup>4</sup> effected with NZTE involvement	N/A	Establishment of baseline in 2012/13	\$694 million
Value of investment deals <sup>5</sup> in key sectors committed within the financial year	\$221 million <sup>6</sup>	Exceeds 2011/12 result	\$334.5 <sup>7</sup>
Case studies <sup>8</sup> completed that demonstrate positive net economic impact to New Zealand	N/A	10	10

2. Measure in 2011/12 was "Annual growth in export revenue for businesses that NZTE manages intensively".

3. Source: Customer financial data provided directly to NZTE for the period 1 April 2012 – 31 March 2013 (Result is for customers that were in NZTE's Focus 500 portfolio as at 30 June 2013), and Statistics New Zealand, National Accounts for the period 1 April 2012 – 31 March 2013.  
NZTE's intensively Managed customers experienced 2.3% export growth.

4. Deal is a sale of goods and services with a dollar value over a defined time period, achieved with the assistance of NZTE. The deal value should generally be calculated over a 12 month period, but the value can be calculated beyond this period in circumstances where it is specified in an agreed signed contract.

5. Where NZTE has an involvement with the investment.

6. Six investment deals with a total value of \$71.1 million are included in the 2012/13 figure, which were committed to prior to the commencement of the 2012/13 financial year but were received too late to be included in the 2011/12 result.

7. Six investment deals with a total value of \$71.1 million are included in this figure, which were committed to prior to the commencement of the financial year but were received too late to be included in the 2011/12 result.

8. These case studies were used to gauge the effectiveness of NZTE's interventions and were chosen in conjunction with the Ministry of Business, Innovation and Employment.

## Output class 3

### Services to support sector development and special events

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Output Class 3 secures and capitalises on significant economic development opportunities for New Zealand, with a focus on sectors and special events. NZTE works with groups of businesses, sectors and other government agencies on projects and activities that capitalise on significant economic growth opportunities for New Zealand.

NZTE has a portfolio of High Impact Programmes that will drive the best results for the New Zealand economy. These programmes work across multiple customers, targeting medium to long-term economic growth opportunities.

#### Financial performance

Budget \$000	Revised budget \$000	Actual \$000	Percentage of revised budget used
28,276	32,807	30,687	94%

The budget for output class 3 increased by \$4.5 million. This represents the funding transfer from the previous financial year to fund high impact programmes, and the transfer from class 1 during the financial year. The expenditure was lower than the revised budget for new high impact programmes commenced during the year, and the levels of expenditure incurred by existing programmes. The actual expenditure for the America's Cup business leveraging initiative was also lower than budget, which will be utilised in the 2013/14 financial year.

## Non-financial performance

ACTIVITY MEASURES	Actual 2011/12	Activity indicator 2012/13	Actual 2012/13
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### Quantity

Number of High Impact Programmes (HIPS) funded by NZTE	N/A	10	8 <sup>9</sup>
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As at 30 June 2013 NZTE had eight HIPs fully underway and one being scoped. One further HIP was scoped during the year but was not proceeded with.

PERFORMANCE MEASURES	Actual 2011/12	Performance standard 2012/13	Actual 2012/13
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### Quality

Percentage of deliverables achieved for High Impact Programmes	87%	85%	93%
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Overall 97% of deliverables (milestones) were achieved (93% on time and 4% later than the due date).

PERFORMANCE MEASURES	Actual 2011/12	Performance standard 2012/13	Actual 2012/13
Case studies completed that demonstrate positive net economic impact to New Zealand from High Impact Programmes	1	At least 3	None

NZTE has decided not to measure the effectiveness of the High Impact Programmes (HIPs), by way of three case studies as outlined in the 2012-15 SOI, as it is too early in the HIP lifecycles for case studies to provide a meaningful evaluation. At least one case study will be completed in the 2013/14 year for the HIPs, and this commitment has been included in our SOI 2013-16.

9. The China HIP is included in this count but is funded through Output Class 2.

## International Growth Fund (IGF)

The IGF supports high growth businesses to carry out additional market development and business capability activities required for internationalising and growth in new markets. This delivers benefits for both the business and the wider New Zealand economy.

### Financial performance

Budget \$000	Revised budget \$000	Actual \$000	Percentage of revised budget used
30,027	30,027	30,001	100%

### Non-financial performance

ACTIVITY MEASURES	Actual 2011/12	Activity indicator 2012/13	Actual 2012/13
<b>Quantity</b>			
Number of businesses receiving grant funding as part of a wider assistance package	85	60	73
PERFORMANCE MEASURES	Actual 2011/12	Performance standard 2012/13	Actual 2012/13
<b>Quality</b>			
Percentage of businesses that give their experience with the IGF a positive rating	80%	Exceeds 2011/12 result	92%
IGF grant applications are assessed and processed in accordance with specified criteria and guidelines	100%	100%	100%
<b>Effectiveness</b>			
Positive direct economic impact ratio for approved IGF grants	N/A	Establishment of baseline in 2012/13	\$4.50 for every \$1 invested <sup>10</sup>

10. Combined Government and Business investment.

## Regional Partnerships and Facilitation (Incubator Support Programme)

Provision of advice and grants to support the development of business incubators and regional clusters, and to support regional partnerships to develop and implement sustainable economic growth strategies.

### Financial performance

Budget \$000	Revised budget \$000	Actual \$000	Percentage of revised budget used
4,556	4,556	4,551	100%

### Non-financial performance

ACTIVITY MEASURES	Actual 2011/12	Activity indicator 2012/13	Actual 2012/13
<b>Quantity</b>			
Number of incubators funded	7	8	8
PERFORMANCE MEASURES	Actual 2011/12	Performance standard 2012/13	Actual 2012/13
<b>Quality</b>			
Number of business entities that meet the high growth standard <sup>11</sup> that have exited the incubator network	28	15	22

11. A high growth exit occurs when a business leaves the incubator with the following characteristics: is globally ambitious; has a well-thought out and executable business plan; has a thorough understanding of their target market; has a strong and experienced management team; has good independent governance.

## Sector Strategies and Facilitation (Strategic Investment Fund)

The Strategic Investment Fund co-funds feasibility studies. These studies are used to develop and present the business case for investment in New Zealand. It also provides assistance with the facilitation of specific sector initiatives, particularly in the areas of major events, and guarantees for significant projects to access funding through other government programmes and cash agents.

### Financial performance

Budget \$000	Revised budget \$000	Actual \$000	Percentage of revised budget used
1,204	1,204	1,068	89%

The expenditure was below budget, due to a lower level of feasibility studies undertaken by companies.

### Non-financial performance

ACTIVITY MEASURES	Actual 2011/12	Activity indicator 2012/13	Actual 2012/13
<b>Quantity</b>			
Number of Strategic Investment Fund (SIF) grants awarded	5	6	7

# ⑤ Financial statements

These financial statements cover all NZTE operating revenue, expenses, grant programmes, assets and liabilities for the year ended 30 June 2013.

## Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2013

Group Budget 2013 \$000		Notes	Group		Parent	
			Actual 2013 \$000	Actual 2012 \$000	Actual 2013 \$000	Actual 2012 \$000
	<b>Income</b>					
142,883	Revenue from Crown - operating	2	139,254	143,369	139,254	143,369
35,787	Revenue from Crown - grants	2	33,162	30,428	33,162	30,428
100	Client income		271	297	144	297
1,520	Other operating income	3	1,379	2,129	1,379	1,980
420	Finance income	4	739	3,335	736	3,335
<b>180,710</b>	<b>Total income</b>		<b>174,805</b>	<b>179,558</b>	<b>174,675</b>	<b>179,409</b>
	<b>Expenditure</b>					
71,567	Personnel costs	5	67,440	65,654	66,907	65,143
5,300	Depreciation and amortisation expense	12,13	5,099	5,082	4,741	4,671
-	Finance expense	6	2,115	3,330	2,115	3,327
35,787	Grant expense	7	33,162	30,428	33,162	30,428
68,056	Other operating expenses	8	66,676	72,259	67,246	72,764
<b>180,710</b>	<b>Total expenses</b>		<b>174,492</b>	<b>176,753</b>	<b>174,171</b>	<b>176,333</b>
-	<b>Total comprehensive income / (expense)</b>		<b>313</b>	<b>2,805</b>	<b>504</b>	<b>3,076</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 2013

Group Budget 2013 \$000		Group		Parent	
		Actual 2013 \$000	Actual 2012 \$000	Actual 2013 \$000	Actual 2012 \$000
20,894	<b>Equity at the beginning of year</b>	20,383	17,578	19,587	16,511
-	- Total comprehensive income / (loss)	313	2,805	504	3,076
20,894	<b>Equity at the end of year</b>	<b>20,696</b>	<b>20,383</b>	<b>20,091</b>	<b>19,587</b>

The accompanying notes form part of these financial statements.

## Statement of financial position

AS AT 30 JUNE 2013

Group Budget 2013 \$000	Notes	Group		Parent	
		Actual 2013 \$000	Actual 2012 \$000	Actual 2013 \$000	Actual 2012 \$000
	<b>Assets</b>				
	<b>Current assets</b>				
15,017	Cash and cash equivalents 9	13,345	13,996	13,267	13,892
17,632	Trade and other receivables 10	14,290	15,349	14,290	15,349
31,820	Crown debtor - grants 10	25,208	20,334	25,208	20,334
1,500	Prepayments	2,188	1,732	2,188	1,732
700	Deposits	576	330	576	330
-	Derivative financial asset 11	541	234	541	234
66,669	<b>Total current assets</b>	56,148	51,975	56,070	51,871
	<b>Non-current assets</b>				
38,620	Crown debtor - grants 10	29,338	25,880	29,338	25,880
7,672	Property, plant and equipment 12	7,762	8,727	7,410	8,026
5,696	Intangible assets 13	4,174	4,842	4,174	4,827
1,300	Deposits	1,193	1,584	1,193	1,584
53,288	<b>Total non-current assets</b>	42,467	41,033	42,115	40,317
<b>119,957</b>	<b>Total assets</b>	<b>98,615</b>	<b>93,008</b>	<b>98,185</b>	<b>92,188</b>
	<b>Liabilities</b>				
	<b>Current liabilities</b>				
20,004	Trade and other payables 15	14,955	17,442	14,892	17,419
4,700	Employee benefits and provisions 16	4,631	4,647	4,615	4,646
300	Finance and other liabilities 17	269	297	269	297
31,820	Provisions - grants 18	25,208	20,334	25,208	20,334
-	Intercompany payable	-	-	254	-
-	Derivative financial liabilities 19	773	621	773	621
56,824	<b>Total current liabilities</b>	45,836	43,341	46,011	43,317
	<b>Non-current liabilities</b>				
38,620	Provisions - grants 18	29,338	25,880	29,338	25,880
2,130	Employee benefits 16	1,638	1,794	1,638	1,794
1,489	Finance and other liabilities 17	1,107	1,610	1,107	1,610
42,239	<b>Total non-current liabilities</b>	32,083	29,284	32,083	29,284
<b>99,063</b>	<b>Total liabilities</b>	<b>77,919</b>	<b>72,625</b>	<b>78,094</b>	<b>72,601</b>
<b>20,894</b>	<b>Net assets</b>	<b>20,696</b>	<b>20,383</b>	<b>20,091</b>	<b>19,587</b>
<b>20,894</b>	<b>Equity</b>	<b>20,696</b>	<b>20,383</b>	<b>20,091</b>	<b>19,587</b>

The accompanying notes form part of these financial statements.

For and on behalf of the members of the Board, which authorised the issue of the financial statements on 25 October 2013.

  
**Andrew Ferrier**  
 Chair, NZTE Board

**Charles Finny**  
 NZTE Board

## Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2013

Group Budget 2013 \$000	Notes	Group		Parent	
		Actual 2013 \$000	Actual 2012 \$000	Actual 2013 \$000	Actual 2012 \$000
	<b>Cash flows from operating activities</b>				
142,883	Revenue from Crown - operating	140,187	144,157	140,187	144,157
35,787	Revenue from Crown - grants	24,830	26,182	24,830	26,182
1,620	Client and other income	1,629	2,503	1,502	2,344
420	Interest received	420	406	420	406
-	Payments to subsidiaries	-	-	(1,840)	(1,821)
(66,316)	Payments to suppliers	(69,670)	(76,144)	(68,182)	(74,751)
(71,567)	Payments to employees	(68,129)	(67,532)	(67,611)	(67,021)
(35,787)	Payments to grant recipients	(24,830)	(26,182)	(24,830)	(26,182)
-	Net Goods and Services Tax	(188)	(90)	(188)	(90)
-	Interest paid on finance lease liabilities	(8)	(14)	(8)	(14)
(1,740)	Capital charge paid	(1,550)	(1,471)	(1,550)	(1,471)
<b>5,300</b>	<b>Net cash flows from operating activities</b>	<b>20</b>	<b>2,691</b>	<b>2,730</b>	<b>1,739</b>
	<b>Cash flows from investing activities</b>				
-	Proceeds from sale of property, plant and equipment	90	8	67	8
(3,800)	Purchase of property, plant and equipment	(2,564)	(5,539)	(2,551)	(5,463)
(1,500)	Purchase of intangible assets	(896)	(1,358)	(896)	(1,358)
<b>(5,300)</b>	<b>Net cash flows used in investing activities</b>	<b>(3,370)</b>	<b>(6,889)</b>	<b>(3,380)</b>	<b>(6,813)</b>
	<b>Cash flows from financing activities</b>				
-	Capital contribution from the Crown	-	-	-	-
-	Landlord contribution to other lease liabilities	-	992	-	992
-	Repayment of financial leases	-	-	-	-
-	<b>Net cash flows from/(used in) financing activities</b>	<b>-</b>	<b>992</b>	<b>-</b>	<b>992</b>
-	Net increase in cash and cash equivalents	(679)	(4,082)	(650)	(4,082)
15,017	Cash and cash equivalents at beginning of year	13,996	18,079	13,892	17,973
-	Effect of exchange rate fluctuations on cash held	28	(1)	25	1
<b>15,017</b>	<b>Cash and cash equivalents at end of year</b>	<b>9</b>	<b>13,345</b>	<b>13,267</b>	<b>13,892</b>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department (IRD). 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 2013

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

#### Reporting entity

NZTE is a Crown Agency as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. NZTE's parent is the New Zealand Crown.

The consolidated financial statements of the Group consist of the parent entity, NZTE and NZTE Limited and the wholly owned foreign entity, New Zealand Trade and Enterprise Consulting (Shanghai) Co. Limited.

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

Accordingly, NZTE has designated itself as a public benefit entity, as defined under NZ International Accounting Standard 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 2013, and were approved on behalf of the Board on 25 October 2013.

#### 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 IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

##### Measurement base

The financial statements have been prepared on an historical cost basis, except derivative financial instruments, namely foreign exchange contracts, which 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.

#### Basis of Consolidation

The consolidated financial statements combine the financial statements of the parent and its subsidiaries on a line by line basis, adding together like items of assets, liabilities, equity, income and expenses. Investments in subsidiaries are carried at their cost of acquisition in the parent company's financial statements. All intra group transactions, balances, income and expenses are eliminated in full. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using accounting policies applied on a consistent basis.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at balance date.
- income and expenses for each Statement of Comprehensive Income are translated at exchange rates at the dates of the transactions.
- all resulting exchange differences are recognised in comprehensive income.

#### Changes in accounting policy

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

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

There is one standard, amendment, or interpretation issued but not yet effective that has not been early adopted, and that is relevant to the NZTE.

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, NZTE will be required to apply the Public Benefit Entity (Tier 1 reporting entity) of the public sector Public Benefit Entity Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. Therefore, the NZTE will transition to the new standards in preparing its 30 June 2015 financial statements. The NZTE has not assessed the implications of the new Accounting Standards Framework at this time.

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

The following significant accounting policies, which materially affect the measurement of financial results and financial position, have been applied consistently to all periods presented in these financial statements.

### Revenue

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

#### Revenue from the Crown - Operating

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.

#### Revenue from the Crown - Grants and Grant Expenditure

Grants are approved and administered by NZTE for a variety of purposes and periods.

When the grant application is approved they are recognized as an expense and liability with the corresponding revenue and asset being the grant receivable due from the Ministry of Business, Innovation and Employment.

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.

#### Finance income and costs

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through the Statement of Comprehensive Income, foreign currency gains, and gains on hedging instruments that are recognised in the Statement of Comprehensive Income. 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 the Statement of Comprehensive Income, impairment losses recognised on financial assets, except for trade receivables, and losses on hedging instruments that are recognised in the Statement of Comprehensive Income. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method.

#### Client Income

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

#### Other Operating Income

Other Operating Income includes rental income received for lease receipts under an operating sub-lease which are recognised as revenue on a straight-line basis over the lease term.

## Note 1: Statement of accounting policies for the year ended 30 June 2013 (continued)

### Capital charge

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

### Leases

#### Finance leases

Leases that transfer substantially to NZTE 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 Comprehensive Income 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 it is uncertain 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 Comprehensive Income 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 Comprehensive Income.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with both domestic and international banks, and 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 cash flows, 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 Comprehensive Income. 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 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.

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 Comprehensive Income. Fair values of all financial instruments are determined by a valuation technique using observable inputs provided by independent trading banks.

### Foreign currency transactions

Foreign currency transactions (including those for which forward exchange contracts were held) are translated into New Zealand dollars using the exchange rates prevailing at the date of transaction. 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 Comprehensive Income.

## 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 or 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 Comprehensive Income.

### 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 Comprehensive Income 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 asset classes 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% to 33%
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 licences 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 software development, employee costs and an appropriate portion of relevant overheads. Staff training costs, costs associated with maintaining computer software, and 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 when the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software (developed)	3 to 5 years	20% to 33%
Computer software (acquired)	4 to 5 years	20% to 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.

Value in use is depreciated replacement cost for an asset where its future economic benefits or service potential are not primarily dependent on its 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 Comprehensive Income.

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

## Note 1: Statement of accounting policies for the year ended 30 June 2013 (continued)

### 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 entitlements

#### 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, retirement 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
- the present value of estimated future cash flows.

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 scheme

#### Defined contribution schemes

Obligations for contributions to KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution superannuation schemes and are recognised as an expense in the Statement of Comprehensive Income as incurred.

#### 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.

#### Restructuring

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected, or for which implementation has already commenced.

#### Goods 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 IRD is included as part of receivables or payables in the Statement of Financial Position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

#### Income tax

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

### Cost of service statements

The cost of service statements, as reported in the Statement of Costs by Output Class, shows the net cost for the outputs of NZTE. It is represented by the costs of providing the output less all revenue that can be allocated to these activities. NZTE has derived the net cost of service for each of its significant activities 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 and usage information.

#### Criteria for direct and indirect costs

Direct costs are costs that are directly attributable to a significant activity.

"Indirect costs" are costs that 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.

### Critical accounting estimates and assumptions

In preparing these financial statements NZTE has made estimates and assumptions about 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 useful life and residual value estimates of property, plant and equipment requires NZTE to consider 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 Comprehensive Income, and the carrying amount of the asset in the Statement of Financial Position.

NZTE minimises the risk of this estimation uncertainty through:

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

NZTE has not made significant changes to past assumptions concerning useful lives and residual values.

### Critical judgements in applying NZTE's accounting policies

The following critical judgements have been exercised in applying NZTE's accounting policies for the period ended 30 June 2013.

#### Grant expenditure

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 classification

Determining whether a lease agreement is a finance or an operating lease requires NZTE to judge whether the agreement transfers substantially all the risks and rewards of ownership to NZTE. Areas where judgement is exercised include 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. If an asset is classified as a finance lease, it is recognised in the statement of financial position as property, plant and equipment. No such asset is recognised for an operating lease. NZTE has exercised its judgement on the appropriate classification of the finance lease.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

### Note 2: Revenue from Crown operating and 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.

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000

### Note 3: Other operating income

Rental income	646	579	646	579
Other income	733	1,550	733	1,401
<b>Total other operating income</b>	<b>1,379</b>	<b>2,129</b>	<b>1,379</b>	<b>1,980</b>

### Note 4: Finance income

Interest Income	420	406	420	406
Net Foreign exchange gains	319	2,929	316	2,929
<b>Total finance income</b>	<b>739</b>	<b>3,335</b>	<b>736</b>	<b>3,335</b>

### Note 5: Personnel costs

Wages and salaries	67,321	65,697	66,788	65,186
Contributions to superannuation plans	291	302	291	302
Increase/(decrease) in employee benefit provisions	(172)	(345)	(172)	(345)
<b>Total personnel costs</b>	<b>67,440</b>	<b>65,654</b>	<b>66,907</b>	<b>65,143</b>

### Note 6: Finance expenses

Interest paid on finance lease liabilities	8	14	8	14
Net losses from derivative financial instruments	2,107	3,109	2,107	3,109
Net foreign exchange losses	-	-	-	(3)
Foreign exchange losses - unrealised	-	207	-	207
<b>Total finance expense</b>	<b>2,115</b>	<b>3,330</b>	<b>2,115</b>	<b>3,327</b>

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000

### Note 7: Grant expense

Grants approved	35,621	35,258	35,621	35,258
less cessations	(2,459)	(4,830)	(2,459)	(4,830)
<b>Total grants expense</b>	<b>33,162</b>	<b>30,428</b>	<b>33,162</b>	<b>30,428</b>

### Note 8: Other operating expenses

Audit fees - for the audit of the financial statements	230	228	222	228
Audit fees - other than Audit New Zealand	8	8	8	8
Board fees	212	218	212	218
Development and implementation of high impact projects and other initiatives	6,390	12,230	6,390	12,230
Capability training and mentoring services	10,552	9,474	10,552	9,474
Impairment of trade receivables (doubtful debts)	-	19	-	19
Loss on disposal of property, plant and equipment	3	54	3	54
Operating lease expenses	12,413	13,861	12,413	13,861
Services provided by third parties	4,757	4,273	4,757	4,273
Sponsorship and promotional activity (including leveraging business opportunities from the Americas Cup 2013 and Rugby World Cup 2011)	8,424	9,860	8,424	9,860
Capital charge	1,550	1,471	1,550	1,471

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 2013 was 8.0 percent (2012: 8 percent).

### Note 9: Cash and cash equivalents

Cheque account	17	14	17	14
Call account	11,088	12,182	11,088	12,182
Foreign currency accounts	2,240	1,800	2,162	1,696
<b>Total cash and cash equivalents in the statement of cash flows</b>	<b>13,345</b>	<b>13,996</b>	<b>13,267</b>	<b>13,892</b>

The cheque account is interest bearing, the call account earns interest at rates set from time to time by NZTE bankers, Westpac Banking Corporation. Some foreign currency accounts earn interest at floating rates based on daily bank deposit rates.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000

### Note 10: Trade and other receivables

<b>Trade and other receivables</b>				
Crown debtor - operating	13,673	14,713	13,673	14,713
Trade receivables from non-related parties	595	636	595	636
GST receivable	22	-	22	-
<b>Total current trade and other receivables</b>	<b>14,290</b>	<b>15,349</b>	<b>14,290</b>	<b>15,349</b>
<b>Crown debtor - grants</b>				
Current portion of grants receivable	25,208	20,334	25,208	20,334
Non-current portion of grants receivable	29,338	25,880	29,338	25,880
<b>Total non-current trade and other receivables</b>	<b>54,546</b>	<b>46,214</b>	<b>54,546</b>	<b>46,214</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 \$2k (2012: \$2k) recognised in the current year.

Crown debtor grants are due from MBIE to pay grants administered by NZTE. MBIE pays funds to NZTE just before the grant is paid to the recipient.

### Note 11: Derivative financial assets

Current portion of derivative financial assets	541	234	541	234
<b>Total derivative financial assets</b>	<b>541</b>	<b>234</b>	<b>541</b>	<b>234</b>

The notional principal amounts of material outstanding forward exchange contracts at 30 June 2013 are as follows.

	Million	Million	Million	Million
Australian dollar	-	4	-	4
Euro	3	-	3	-
Great British pound	-	2	-	2
Hong Kong dollar	12	18	12	18
Singapore dollar	4	-	4	-
United States dollar	7	6	7	6

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

Comparatives have been presented to disclose the gain on the valuation of the derivative financial assets.

## Note 12: Property, plant and equipment

Group	Computer hardware \$000	Furniture and office equipment \$000	Leasehold improvements \$000	Motor vehicles \$000	Total \$000
<b>Year ended 30 June 2013</b>					
<b>Cost</b>					
At 1 July 2012	9,431	6,091	13,726	2,561	31,809
Additions	1,278	200	732	414	2,624
Disposals	(35)	(248)	(373)	(284)	(940)
Impairment	-	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>10,674</b>	<b>6,043</b>	<b>14,085</b>	<b>2,691</b>	<b>33,493</b>
<b>Year ended 30 June 2012</b>					
<b>Cost</b>					
At 1 July 2011	9,662	6,835	13,604	2,437	32,538
Additions	1,640	583	2,798	160	5,181
Disposals	(1,907)	(1,323)	(2,734)	(36)	(6,000)
Impairment	36	(4)	58	-	90
<b>Balance at 30 June 2012</b>	<b>9,431</b>	<b>6,091</b>	<b>13,726</b>	<b>2,561</b>	<b>31,809</b>
<b>Year ended 30 June 2013</b>					
<b>Accumulated depreciation and impairment loss</b>					
At 1 July 2012	6,999	5,182	8,829	2,072	23,082
Depreciation charge for the year	1,444	370	1,533	242	3,589
Eliminate on disposal	(38)	(245)	(372)	(285)	(940)
Impairment	-	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>8,405</b>	<b>5,307</b>	<b>9,990</b>	<b>2,029</b>	<b>25,731</b>
<b>Year ended 30 June 2012</b>					
<b>Accumulated depreciation and impairment loss</b>					
At 1 July 2011	7,586	6,050	10,039	1,664	25,339
Depreciation charge for the year	1,309	429	1,496	445	3,679
Eliminate on disposal	(1,896)	(1,297)	(2,706)	(37)	(5,936)
Impairment	-	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>6,999</b>	<b>5,182</b>	<b>8,829</b>	<b>2,072</b>	<b>23,082</b>
<b>At 30 June 2013</b>					
Cost	10,674	6,043	14,085	2,691	33,493
Accumulated depreciation and impairment	(8,405)	(5,307)	(9,990)	(2,029)	(25,731)
<b>Net carrying amount</b>	<b>2,269</b>	<b>736</b>	<b>4,095</b>	<b>662</b>	<b>7,762</b>
<b>At 30 June 2012</b>					
Cost	9,431	6,091	13,726	2,561	31,809
Accumulated depreciation and impairment	(6,999)	(5,182)	(8,829)	(2,072)	(23,082)
<b>Net carrying amount</b>	<b>2,432</b>	<b>909</b>	<b>4,897</b>	<b>489</b>	<b>8,727</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

### Note 12: Property, plant and equipment (continued)

Parent	Computer hardware \$000	Furniture and office equipment \$000	Leasehold improvements \$000	Motor vehicles \$000	Total \$000
<b>Year ended 30 June 2013</b>					
<b>Cost</b>					
At 1 July 2012	9,207	5,697	12,153	2,561	29,618
Additions	1,276	190	731	414	2,611
Disposals	(31)	(229)	(373)	(284)	(917)
Impairment	-	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>10,452</b>	<b>5,658</b>	<b>12,511</b>	<b>2,691</b>	<b>31,312</b>
<b>Year ended 30 June 2012</b>					
<b>Cost</b>					
At 1 July 2011	9,446	6,460	12,300	2,437	30,643
Additions	1,626	564	2,738	160	5,088
Disposals	(1,901)	(1,323)	(2,734)	(36)	(5,994)
Impairment	36	(4)	(151)	-	(119)
<b>Balance at 30 June 2012</b>	<b>9,207</b>	<b>5,697</b>	<b>12,153</b>	<b>2,561</b>	<b>29,618</b>
<b>Year ended 30 June 2013</b>					
<b>Accumulated depreciation and impairment loss</b>					
At 1 July 2012	6,784	4,887	7,849	2,072	21,592
Depreciation charge for the year	1,442	311	1,251	242	3,246
Eliminate on disposal	(34)	(245)	(372)	(285)	(936)
Impairment	-	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>8,192</b>	<b>4,953</b>	<b>8,728</b>	<b>2,029</b>	<b>23,902</b>
<b>Year ended 30 June 2012</b>					
<b>Accumulated depreciation and impairment loss</b>					
At 1 July 2011	7,409	5,843	9,314	1,664	24,230
Depreciation charge for the year	1,271	341	1,241	445	3,298
Eliminate on disposal	(1,896)	(1,297)	(2,706)	(37)	(5,936)
Impairment	-	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>6,784</b>	<b>4,887</b>	<b>7,849</b>	<b>2,072</b>	<b>21,592</b>

Parent	Computer hardware \$000	Furniture and office equipment \$000	Leasehold improvements \$000	Motor vehicles \$000	Total \$000
<b>At 30 June 2013</b>					
Cost	10,452	5,658	12,511	2,691	31,312
Accumulated depreciation and impairment	(8,192)	(4,953)	(8,728)	(2,029)	(23,902)
<b>Net carrying amount</b>	<b>2,260</b>	<b>705</b>	<b>3,783</b>	<b>662</b>	<b>7,410</b>
<b>At 30 June 2012</b>					
Cost	9,207	5,697	12,153	2,561	29,618
Accumulated depreciation and impairment	(6,784)	(4,887)	(7,849)	(2,072)	(21,592)
<b>Net carrying amount</b>	<b>2,423</b>	<b>810</b>	<b>4,304</b>	<b>489</b>	<b>8,026</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 2013, the net carrying amount of the leasehold improvements was \$101,000 (2012: \$225,000). The leasehold improvements secure NZTE's lease obligations.

The total amount of property, plant and equipment in work in progress is \$1,799,000 (2012: \$1,489,000).

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

### Note 13: Intangible assets

	Group		Parent	
	Computer software \$000	Total \$000	Computer software \$000	Total \$000
<b>Year ended 30 June 2013</b>				
<b>Cost</b>				
At 1 July 2012	12,141	12,141	12,021	12,021
Additions	925	925	925	925
Disposals	(83)	(83)	(83)	(83)
Impairment	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>12,983</b>	<b>12,983</b>	<b>12,863</b>	<b>12,863</b>
<b>Year ended 30 June 2012</b>				
<b>Cost</b>				
At 1 July 2011	10,986	10,986	10,866	10,866
Additions	1,204	1,204	1,204	1,204
Disposals	(49)	(49)	(49)	(49)
Impairment	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>12,141</b>	<b>12,141</b>	<b>12,021</b>	<b>12,021</b>
<b>Year ended 30 June 2013</b>				
<b>Accumulated amortisation and impairment loss</b>				
At 1 July 2012	7,299	7,299	7,194	7,194
Amortisation charge for the year	1,510	1,510	1,495	1,495
Eliminate on disposal	-	-	-	-
Impairment	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>8,809</b>	<b>8,809</b>	<b>8,689</b>	<b>8,689</b>
<b>Year ended 30 June 2012</b>				
<b>Accumulated amortisation and impairment loss</b>				
At 1 July 2011	5,902	5,902	5,827	5,827
Amortisation charge for the year	1,403	1,403	1,373	1,373
Eliminate on disposal	(6)	(6)	(6)	(6)
Impairment	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>7,299</b>	<b>7,299</b>	<b>7,194</b>	<b>7,194</b>
<b>At 30 June 2013</b>				
Cost	12,983	12,983	12,863	12,863
Accumulated amortisation	(8,809)	(8,809)	(8,689)	(8,689)
<b>Net carrying amount</b>	<b>4,174</b>	<b>4,174</b>	<b>4,174</b>	<b>4,174</b>
<b>At 30 June 2012</b>				
Cost	12,141	12,141	12,021	12,021
Accumulated amortisation	(7,299)	(7,299)	(7,194)	(7,194)
<b>Net carrying amount</b>	<b>4,842</b>	<b>4,842</b>	<b>4,827</b>	<b>4,827</b>

#### Restrictions

There are no restrictions on intangibles.

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000

#### Note 14: Investment in associate

NZTE has a 50 percent shareholding in The New Zealand Way Ltd. This company is the operating entity of a joint venture between NZTE and Tourism New Zealand.

The carrying value as at 30 June 2013 of \$75 (2012: \$75) represents NZTE's share in the issued and paid up capital of The New Zealand Way Ltd. The financial year end of The New Zealand Way Limited is 30 June.

The New Zealand Way owns the intellectual property to the Brand New Zealand fern mark and the website URL NewZealand.com.

#### Note 15: Trade and other payables

Payables due to non-related parties	13,643	16,127	13,580	16,104
Income in advance	62	119	62	119
FBT, GST, VAT and PAYE payable	1,250	1,196	1,250	1,196
<b>Total trade and other payables</b>	<b>14,955</b>	<b>17,442</b>	<b>14,892</b>	<b>17,419</b>

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

#### Note 16: Employee benefits and provisions

<b>Current liabilities</b>				
Salary and wages accrual	1,036	916	1,020	915
Annual leave	3,266	3,099	3,266	3,099
Sick leave	130	130	130	130
Provision for restructuring	199	502	199	502
Current portion retirement leave and other leave	-	-	-	-
<b>Total current employee benefits</b>	<b>4,631</b>	<b>4,647</b>	<b>4,615</b>	<b>4,646</b>
<b>Non-current liabilities</b>				
Long-service leave	73	98	73	98
Retirement leave and other leave	1,565	1,696	1,565	1,696
<b>Total non-current employee benefits</b>	<b>1,638</b>	<b>1,794</b>	<b>1,638</b>	<b>1,794</b>
<b>Movement in provision for restructuring</b>				
Opening balance	502	569	502	569
Additions for the year	199	477	199	477
Amounts used	(502)	(544)	(502)	(544)
Unused amounts reversed	-	-	-	-
<b>Closing balance</b>	<b>199</b>	<b>502</b>	<b>199</b>	<b>502</b>

NZTE continues to review and evaluate its organisational structure and skillsets to meet the performance of its responsibilities.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000

### Note 17: Finance and other liabilities

Current portion of finance lease liabilities	129	149	129	149
Non-current portion of finance lease liabilities	-	129	-	129
Other non-current financial liabilities	488	714	488	714
<b>Total financial liabilities</b>	<b>617</b>	<b>992</b>	<b>617</b>	<b>992</b>

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

Group and parent	Minimum lease payments 2013 Actual	Interest 2013 Actual	Principal 2013 Actual	Minimum lease payments 2012 Actual	Interest 2012 Actual	Principal 2012 Actual
	Less than one year	131	(2)	129	157	(8)
Between one and five years	-	-	-	131	(2)	129
More than five years	-	-	-	-	-	-
<b>Total finance lease liabilities</b>	<b>131</b>	<b>(2)</b>	<b>129</b>	<b>288</b>	<b>(10)</b>	<b>278</b>

#### Description of finance lease arrangements

NZTE has entered into a finance lease for leasehold improvements in its Wellington office premises. The net carrying amount of the leasehold interest is included within property, plant and equipment (note 12). Under the terms of the lease, no contingent rents are payable. The effective interest rates for the life of all finance leases are 6.19 percent to 11 percent. The finance lease for leasehold improvements is unsecured.

#### Landlord contribution to fit out - operating lease

Not later than one year	140	148	140	148
Later than one year and not later than five years	619	698	619	698
Later than five years	-	69	-	69
<b>Total non-cancellable operating leases</b>	<b>759</b>	<b>915</b>	<b>759</b>	<b>915</b>

NZTE subleases office space at Quay Street, Auckland. The total non-cancellable operating lease relates to the lease of two floors and represents the landlord contribution to the fitout. The lease expires 31 December 2018, with an option of one right of renewal for six years.

NZTE leases office space at William Street, Melbourne. The total non-cancellable operating lease relates to the lease of 202.3m<sup>2</sup> and represents the landlord contribution to the fitout. The lease expires on 31 May 2014, with an option of right of renewal for two further terms of three years.

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000

### Note 18: Provisions - grants

Current portion of grants payable	25,208	20,334	25,208	20,334
Non-current portion of grants payable	29,338	25,880	29,338	25,880
<b>Total grants payable</b>	<b>54,546</b>	<b>46,214</b>	<b>54,546</b>	<b>46,214</b>
<b>Movements in liabilities for grants</b>				
<b>Opening balance as at 1 July</b>	46,214	41,968	46,214	41,968
Grants approved during year ended 30 June	35,621	35,258	35,621	35,258
Less payments made against provisions	(24,830)	(26,182)	(24,830)	(26,182)
Less unused amounts due to cessations	(2,459)	(4,830)	(2,459)	(4,830)
Less adjustments made due to variation in estimated draw down rates	-	-	-	-
<b>Closing balance as at 30 June</b>	<b>54,546</b>	<b>46,214</b>	<b>54,546</b>	<b>46,214</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 2013. Payments against the 30 June 2013 provisions are expected to be made during the 2013/14 financial year or subsequent financial years in accordance with the grant claims received.

NZTE had no contingent liabilities in relation to crown grants as at 30 June 2013 (2012: nil).

### Note 19: Derivative financial liabilities

Current portion of derivative financial liabilities	773	621	773	621
<b>Total derivative financial liabilities</b>	<b>773</b>	<b>621</b>	<b>773</b>	<b>621</b>

The notional principal amounts of material outstanding forward exchange contracts at 30 June 2013 are as follows

	Million	Million	Million	Million
Australian dollar	4	4	4	4
Canadian dollar	1	1	1	1
Euro	-	3	-	3
Great British pound	2	2	2	2
Hong Kong dollar	-	18	-	18
Japanese yen	147	240	147	240
Singapore dollar	-	4	-	4

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

The comparatives have been presented to disclose the loss on the valuation of the derivative financial liabilities.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
<b>Note 20: Reconciliation of total comprehensive income / (loss) with net cash flows from operating activities</b>				
<b>Total comprehensive income / (loss)</b>	<b>313</b>	<b>2,805</b>	<b>504</b>	<b>3,076</b>
<b>Add non cash items:</b>				
Depreciation of property, plant and equipment	3,589	3,679	3,246	3,298
Amortisation of intangible assets	1,510	1,403	1,495	1,373
Net unrealised foreign exchange (gains) / losses	(164)	207	(164)	207
Increase/(decrease) in non-current employee entitlements	(156)	(336)	(156)	(336)
Fair value changes in derivatives	(155)	(2,929)	(155)	(2,929)
<b>Total non-cash items</b>	<b>4,624</b>	<b>2,024</b>	<b>4,266</b>	<b>1,613</b>
<b>Add / (less) items not classified as operating activity:</b>				
Net loss/(gain) on disposal of property, plant and equipment	3	54	3	54
Finance lease liability	(129)	(149)	(129)	(149)
<b>Add / (less) working capital movements:</b>				
(Increase)/decrease in trade and other receivables and prepayments	603	2,272	603	2,272
(Increase)/decrease in Crown debtor grants	(8,332)	(4,246)	(8,332)	(1,868)
Increase/(decrease) in trade payables	(2,707)	(5,182)	(2,486)	(5,123)
Increase/(decrease) in provisions grants	8,332	4,246	8,332	1,868
Increase/(decrease) in employee benefits	(16)	(9)	(31)	(4)
<b>Total working capital movements</b>	<b>(2,120)</b>	<b>(2,919)</b>	<b>(1,914)</b>	<b>(2,855)</b>
<b>Net cash flow from operating activities</b>	<b>2,691</b>	<b>1,815</b>	<b>2,730</b>	<b>1,739</b>

## Note 21: Financial risk management

NZTE's principal financial instruments (other than derivatives), comprise finance lease, cash and short-term deposits. The main purpose of these financial instruments is to fund NZTE's operations. 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 NZTE's policy, and has been throughout the period under review, 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, which are summarised below.

### a) Credit risk

In the normal course of business, NZTE is exposed to credit risk from cash and term deposits with banks, trade and other receivables, and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

Concentrations of credit risk from accounts receivable are limited due to the large number and variety of customers. MBIE is the largest single debtor (approximately 99 percent). As the government-funded purchaser, it is assessed to be a low risk, high-quality entity.

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

	Group				Parent			
	Gross receivable 2013 \$000	Impairment 2013 \$000	Gross receivable 2012 \$000	Impairment 2012 \$000	Gross receivable 2013 \$000	Impairment 2013 \$000	Gross receivable 2012 \$000	Impairment 2012 \$000
Trade and other receivables	14,292	(2)	15,349	(1)	14,292	(2)	15,349	(1)
Analysed as :-								
Not past due	14,288	-	15,299	-	14,288	-	15,299	-
Past due 0-30 days	3	-	9	-	3	-	9	-
Past due 31-120 days	-	-	38	-	-	-	38	-
Past due 121-364 days	1	(2)	3	(1)	1	(2)	3	(1)
Past due more than one year	-	-	-	-	-	-	-	-
<b>Total trade and other receivables</b>	<b>14,292</b>	<b>(2)</b>	<b>15,349</b>	<b>(1)</b>	<b>14,292</b>	<b>(2)</b>	<b>15,349</b>	<b>(1)</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

### Note 21: Financial risk management (continued)

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
In summary, trade receivables for NZTE are determined to be impaired as follows:				
Gross trade receivables	14,292	15,349	14,292	15,349
Individual impairment	(2)	(1)	(2)	(1)
<b>Total trade and other receivables net</b>	<b>14,290</b>	<b>15,348</b>	<b>14,290</b>	<b>15,348</b>
Movements in the provision for impairment of receivables are as follows:				
Balance at 1 July	(2)	(21)	(2)	(21)
Additional provisions made during the year	-	1	-	1
Receivables written-off during period	-	19	-	19
<b>Impairments at 30 June</b>	<b>(2)</b>	<b>(1)</b>	<b>(2)</b>	<b>(1)</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 2013 was between 0 percent and 3.44 percent (2012: 0 percent and 3.10 percent).

#### 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.

Group						
Call account	Note	Effective interest rate (%)	Total	0-1 year	1-2 years	2-5 years
2013	9	3.44	11,088	11,088	-	-
2012	9	3.10	12,182	12,182	-	-
Parent						
Call account	Note	Effective interest rate (%)	Total	0-1 year	1-2 years	2-5 years
2013	9	3.44	11,088	11,088	-	-
2012	9	3.10	12,182	12,182	-	-

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

### 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 United States dollar, Euro, Great British pound, Hong Kong dollar, Singapore dollar and Australian dollar. 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 before the financial year begins. 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 2013 was 62 percent (2012: 64 percent) of total overseas expenditure in foreign currencies.

#### Forecasted transactions

NZTE has not designated its forward exchange contracts as cash flow 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 comprehensive income. The net fair value of forward exchange contracts used as hedges of forecasted transactions at 30 June 2013 was \$232,000 (2012: \$387,000), comprising \$541,000 assets (2012: \$234,000) and liabilities of \$773,000 (2012: \$621,000) 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 Comprehensive Income. 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 2013 was \$232,000 (2012: \$387,000) recognised in fair value derivatives.

#### Sensitivity analysis

At 30 June 2013, it is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have decreased NZTE's total comprehensive income / (loss) by approximately (\$526,000) for the year ended 30 June 2013 (2012: (\$698,000)). 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.

Group	Note	Carrying amount 2013 \$000	Fair value 2013 \$000	Carrying amount 2012 \$000	Fair value 2012 \$000
<b>Financial assets loans and receivables</b>					
Cash and cash equivalents	9	13,345	13,345	13,996	13,996
Trade and other receivables and Crown debtor - grants	10	68,836	68,836	61,563	61,563
Deposits and prepayments		2,188	2,188	1,732	1,732
<b>Financial liabilities measured at amortised cost</b>					
Trade and other payables	15	14,955	14,955	17,442	17,442
Financial liabilities	17	617	617	992	992
Provisions	16,18	54,745	54,745	46,716	46,716
<b>Fair value through Statement of Comprehensive Income</b>					
Derivative financial assets	11	541	541	234	234
Derivative financial liabilities	19	773	773	621	621

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

### Note 21: Financial risk management (continued)

Parent	Note	Carrying amount 2013 \$000	Fair value 2013 \$000	Carrying amount 2012 \$000	Fair value 2012 \$000
<b>Financial assets – loans and receivables</b>					
Cash and cash equivalents	9	13,267	13,267	13,892	13,892
Trade and other receivables and Crown debtor – grants	10	68,836	68,836	61,563	61,563
Deposits and prepayments		2,188	2,188	1,732	1,732
<b>Financial liabilities measured at amortised cost</b>					
Trade and other payables	15	14,892	14,892	17,419	17,419
Financial liabilities	17	617	617	992	992
Provisions	16,18	54,745	54,745	46,716	46,716
<b>Fair value through Statement of Comprehensive Income</b>					
Derivative financial assets	11	541	541	234	234
Derivative financial liabilities	19	773	773	621	621

The carrying amounts of financial instruments included in the statement of financial position reflect the fair values of the financial instruments at balance date. These have all been determined by using a valuation technique using observable inputs provided by independent trading banks.

#### Estimation of fair values analysis

Major methods and assumptions used in estimating the fair values of financial instruments reflected in the table above are summarised below.

#### Derivatives

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

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

#### Finance lease liabilities

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

#### Trade and other receivables and payables

For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

#### Capital management

NZTE's capital is its equity, which comprises capital injections by the Crown and accumulated funds. 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, while remaining a going concern.

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000

## Note 22: Commitments at balance date

### Capital Commitments

Property, plant, and equipment	216	-	216	-
<b>Total capital commitments</b>	<b>216</b>	<b>-</b>	<b>216</b>	<b>-</b>

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred

### Non-cancellable operating lease commitments

Not later than one year	9,535	10,187	8,707	10,187
Later than one year and not later than five years	14,766	12,612	14,566	10,775
Later than five years	4,304	1,568	4,304	1,568
<b>Total non-cancellable operating lease commitments</b>	<b>28,605</b>	<b>24,367</b>	<b>27,577</b>	<b>22,530</b>

A significant portion of the total non-cancellable operating lease commitments are for office rental, international residential rental and information technology service agreements. The operating lease commitments expire from July 2013 to May 2021.

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

## Note 23: Contingent liabilities

NZTE has provisioned a potential low-risk employment related matter, and estimated that the maximum value of this contingent liability (not including costs) at 30 June 2013 is \$10,000 (2012: \$23,700 for employment related matters and potential contractual disputes).

NZTE has indemnities in place for the directors of NZTE's subsidiary companies, the general managers of NZTE's subsidiary company that is incorporated in China, and for the independent business people who provide advice to New Zealand businesses through NZTE's Beachheads programme. The indemnities were approved by the NZTE Board and NZTE has insurance in place to cover any liability that may arise under the terms of the indemnities.

NZTE has no contingent assets (2012: \$nil).

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

### Note 24: Related party disclosure

All related party transactions have been entered into on an arms' length basis.

NZTE is a Crown entity in terms of the Crown Entities Act 2004, and is a wholly owned entity of the Crown. The government significantly influences the roles of NZTE as well as being its major source of revenue.

#### Significant transactions with government-related entities

The Crown provides NZTE with actual funding of \$172 million (2012: \$174 million) for the specific purposes set out in its founding legislation and the scope of NZTE government appropriations.

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

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

NZTE also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2013 totalled \$7.3 million (2012: \$6.9 million). These purchases are for travel, electricity and office accommodation.

NZTE also provides goods and services to entities controlled, significantly influenced, or jointly controlled by the Crown. Receipts from these government-related entities for the year ended 30 June 2013 totalled \$1.6 million (2012: \$2.2 million). These receipts are for sublease of office space.

#### Key management personnel compensation

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Short-term employee benefits	2,226	2,157	2,226	2,157
Post-employment benefits (e.g. KiwiSaver)	35	29	35	29
Termination benefits	-	-	-	-
<b>Total compensation</b>	<b>2,261</b>	<b>2,186</b>	<b>2,261</b>	<b>2,186</b>

Key management personnel include the Board, Chief Executive, and the other six members of the Lead Team.

All transactions entered into with government departments and other Crown entities are conducted at arms' length on normal business terms. In overseas countries NZTE operates with other government agencies in securing cost-effective representation.

A number of companies in which NZTE 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 schedule below presents material-related party transactions for the year ended 30 June 2013, which were at arm's length on normal commercial terms. No permissions to act despite being interested in a matter, in terms of section 68 of the Crown Entities Act 2004, were granted in the year ended 30 June 2013. All items are shown exclusive of GST.

Name of Board member and entity	Relationship	Transaction	Amount (\$)	Balance outstanding as at 30 June 2013 (\$)
<b>Andrew Ferrier</b>				
<b>NZTE provided the following:</b>				
Orion Health	Director/ Shareholder	NZTE Judges Supreme Award provided by NZTE to Orion Health	100,000	-
Orion Health	Director/ Shareholder	International Growth Fund Grant provided by NZTE to Orion Health	353,029	-
<b>Charles Finny</b>				
<b>NZTE purchased the following:</b>				
Victoria University of Wellington	Council Member	Course fees for NZTE staff attending Victoria University courses	2,864	-
Latin America NZ Business Council	Board Member	Membership and course fees for NZTE staff paid to Latin America Business Council	1,649	-
Latin America NZ Business Council	Board Member	Sponsorship paid by NZTE to Latin America Business Council	1,400	-
Wellington Chamber of Commerce	Board Member	Corporate membership and registration fees for NZTE staff members at Wellington Chamber of Commerce	2,398	-
Wellington Chamber of Commerce	Board Member	Reimbursement of expenses for NZTE staff paid to Wellington Chamber of Commerce	6,367	-
<b>NZTE supplied and invoiced the following:</b>				
Education New Zealand	Chair	Reimbursement of expenses by Education NZ to NZTE	183,670	-
NZ Film Commission	Board Member	Reimbursement of expenses by NZ Film Commission to NZTE	4,276	-
Wellington Chamber of Commerce	Board Member	Reimbursement of expenses by Wellington Chamber of Commerce to NZTE	2,358	-
Latin America NZ Business Council	Board Member	Reimbursement of expenses by Latin America NZ Business Council to NZTE	2,358	-

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

### Note 24: Related party disclosure (continued)

Name of Board member and entity	Relationship	Transaction	Amount (\$)	Balance outstanding as at 30 June 2013 (\$)
<b>Peter Townsend</b>				
<b>NZTE purchased the following:</b>				
Canterbury Employers' Chamber of Commerce	Chief Executive	Reimbursement of expenses for NZTE staff paid to Canterbury Employers' Chamber of Commerce	394	-
Canterbury Employers' Chamber of Commerce	Chief Executive	Workshop facilitation fees paid by NZTE to Canterbury Employers' Chamber of Commerce	1,402	1,402
Canterbury Employers' Chamber of Commerce	Chief Executive	Membership and course fees for NZTE staff paid to Canterbury Employers' Chamber of Commerce	1,015	-
Canterbury Business Recovery Group	RPP SV Partner	Workshop Delivery paid by NZTE to Canterbury Business Recovery Group	4,200	-
<b>NZTE provided the following:</b>				
Canterbury Employers' Chamber of Commerce	Chief Executive	Capability Voucher Scheme provided by NZTE to Canterbury Employers' Chamber of Commerce	6,458	-
Canterbury Employers' Chamber of Commerce	Chief Executive	Sponsorship provided by NZTE to Canterbury Employers' Chamber of Commerce	500	-
Champion Canterbury Ltd	Chairman	Sponsorship provided by NZTE to Champion Canterbury Ltd	21,000	-
Canterbury Regional Business Partnership	RPP SV Partner	Regional Partner Network provided by NZTE to Canterbury Regional Business Partnership	732,000	61,000
Grow Mid Canterbury	Member	Capability Voucher Scheme provided by NZTE to Grow Mid Canterbury	35,555	-
<b>Robin Hapi</b>				
<b>NZTE provided the following:</b>				
Callaghan Innovation	Board Member	Conference and case study provided by NZTE to Callaghan Innovation	14,900	-
<b>NZTE purchased the following:</b>				
BERL	Board Chair	Annual subscription for NZTE staff paid by NZTE to BERL	1,000	-
<b>NZTE supplied and invoiced the following:</b>				
Callaghan Innovation	Board Member	Reimbursement of expenses by Callaghan Innovation to NZTE	180,366	-

Name of Board member and entity	Relationship	Transaction	Amount (\$)	Balance outstanding as at 30 June 2013 (\$)
<b>Karen Fistonich</b>				
<b>NZTE provided the following:</b>				
Villa Maria Estate Ltd	Director	International Growth Fund Grant provided by NZTE to Villa Maria Estate Ltd	314,978	-
<b>NZTE purchased the following:</b>				
Villa Maria Estate Ltd	Director	Reimbursement of conference expenses paid by NZTE to Villa Maria Estate Ltd	2,983	-
<b>NZTE supplied and invoiced the following:</b>				
Villa Maria Estate Ltd	Director	Reimbursement of expenses by Villa Maria Estate Ltd to NZTE	3,435	-
<b>Peter Conway</b>				
<b>NZTE purchased the following:</b>				
New Zealand Council of Trade Unions	Secretary	ICN advisory board attendance paid by NZTE to New Zealand Council of Trade Unions	3,000	-
<b>Jon Mayson</b>				
<b>NZTE purchased the following:</b>				
Comvita NZ Ltd	Shareholder	Better by Design Advisory Board Fees provided by NZTE to Comvita	3,500	-
<b>NZTE provided the following:</b>				
Comvita NZ Ltd	Shareholder	Better by Design Grant provided by NZTE to Comvita	26,121	-
Ziwipeak Ltd	Chairman	International Growth Fund Grant provided by NZTE to Ziwipeak	77,029	-
Pacific Edge	Shareholder	Strategic Investment Fund Grant provided by NZTE to Pacific Edge	127,420	-
<b>NZTE supplied and invoiced the following:</b>				
Comvita NZ Ltd	Shareholder	Cost recovery - US study tour paid by Comvita to NZTE	1,400	-
Comvita NZ Ltd	Shareholder	Cost recovery - Mission to China paid by Comvita to NZTE	730	-

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

### Note 25: Board member remuneration

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

Member	Group and Parent	
	2013 \$	2012 \$
Andrew Ferrier (term commenced 1 November 2012)	37,333	-
Charles Finny	24,674	24,500
Peter Townsend	26,777	26,812
Robin Hapi	26,950	25,626
Karen Fistonich	26,950	25,626
Julie Christie	28,175	28,106
Jennifer Kerr (term commenced 1 June 2013)	1,909	-
Peter Conway (term ended 31 March 2013)	20,213	26,950
Jon Mayson (term ended 31 October 2012)	18,667	56,000

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

NZTE has provided a deed of indemnity to Board members for certain activities undertaken in the performance of NZTE's functions.

NZTE has effected Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees.

No Board members received compensation or other benefits in relation to cessation as at 30 June 2013 (2012: \$nil).

### Note 26: Major budget variations

#### Explanation of major budget variations in the Statement of Financial Performance, Statement of Financial Position, and Statement of Cash Flows.

Revenue from the Crown-operating is below budget due to lower costs incurred for the capital raising programme development (better by Capital) being slower than planned, and high impact programme costs.

Revenue from the Crown - grants is below budget due to the impact of a reduced claim rate from previous years' grants approved. This also applies to the Grant expense.

Personnel costs are below budget due to translating expenditure incurred overseas into New Zealand dollars at a higher rate than the budget exchange rate, and lower staff numbers than planned.

Finance expenditure is above budget due to translating expenditure incurred overseas into New Zealand dollars at a higher rate than the foreign exchange derivatives contracted exchange rates. The difference between the translation rates, and foreign exchange derivatives contracted exchange rates, is disclosed as a finance expense.

Other operating expenditure is below budget due to lower costs incurred for the capital raising programme development (better by Capital) being slower than planned, and high impact programme costs.

The total comprehensive income for the year arises from the fair value of foreign exchange derivatives contracted for the 2012/13 financial year.

Cash and cash equivalents is below budget due to higher payments to suppliers due to timing of payments, especially vouchers for training suppliers, and funding grants for the Food and Beverage Taskforce initiative.

Trade and other receivables are below budget due to lower expenditure in June and the cessation of funding grants from operating expenditure.

Crown debtor - grants non-current assets, are lower than budget due to the timing of claims from customers. This also applies to Provisions - Grants non-current liabilities.

### Note 27: Reconciliation of output class costs to total expenses per Statement of Comprehensive Income

	Output class	2013 \$'000
<b>Outputs</b>		
Standardised Training and Advisory Services	1	13,226
Regional and Sector Development Services	2	95,341
Analysis and Development Services for Firms	3	30,687
<b>Total output costs</b>		<b>139,254</b>
<b>Plus:</b>		
Grants income		33,162
Client income		271
Other operating income		1,379
Finance income		739
Other Crown income		-
<b>Total Income</b>		<b>174,805</b>
<b>Plus:</b>		
Foreign exchange (gains) / losses		(313)
<b>Total expenses per statement of comprehensive income</b>		<b>174,492</b>

### Note 28: Events after balance date

There were no significant events after balance date that required the financial statements to be adjusted (2012: nil).

# ⑥ Independent auditor's report

## To the readers of New Zealand Trade and Enterprise and group's financial statements and non-financial performance information for the year ended 30 June 2013

The Auditor-General is the auditor of New Zealand Trade and Enterprise and group. The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of New Zealand Trade and Enterprise and group on her behalf.

### We have audited:

- the financial statements of New Zealand Trade and Enterprise and group on pages 27 to 57, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of New Zealand Trade and Enterprise and group that comprises the statement of service performance, which includes outcomes, on pages 17 to 26.

### Opinion

In our opinion:

- the financial statements of New Zealand Trade and Enterprise and group on pages 27 to 57:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect New Zealand Trade and Enterprise and group's:
    - financial position as at 30 June 2013; and
    - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of New Zealand Trade and Enterprise and group on pages 17 to 26
  - complies with generally accepted accounting practice in New Zealand; and

- fairly reflects New Zealand Trade and Enterprise and group's service performance and outcomes for the year ended 30 June 2013, including for each class of outputs:
  - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
  - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 25 October 2013. This is the date at which our opinion is expressed.

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

### Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of New Zealand Trade and Enterprise and group's financial statements and non-financial performance information that fairly reflect the matters to which they relate.

## AUDIT NEW ZEALAND

Mana Arotake Aotearoa

We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the New Zealand Trade and Enterprise and group's internal control.

An audit also involves evaluating:

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

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

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

### Responsibilities of the Board

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

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

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

The Board's responsibilities arise from the Crown Entities Act 2004 and the New Zealand Trade and Enterprise Act 2003.

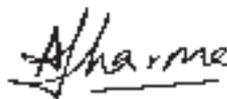
### Responsibilities of the Auditor

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

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



**Ajay Sharma**  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

# ⑦ Other statutory reporting requirements

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## Ministerial directions

(Sections 114 and 115 Crown Entities Act 2004)

No directions were given to NZTE in writing by a Minister under any enactment during the year ended 30 June 2013.

## Enforcement of Acts

(Section 20(3) Crown Entities Act 2004)

No natural person acts were enforced against NZTE in reliance on section 20 of the Crown Entities Act 2004 during the year ended 30 June 2013.

## Employee remuneration

The following table shows the number of NZTE employees who received remuneration and/or benefits (excluding redundancy and cessation payments) of \$100,000 or more during the year ended 30 June 2013.

The total remuneration paid to international locally engaged overseas employees has been converted to New Zealand dollars, based on the average exchange rate during the year ended 30 June 2013.

The International locally engaged information includes one employee who is employed on behalf of Zespri and met the earnings threshold.

During the year ended 30 June 2013, 12 domestic and expatriate employees received cessation payments totalling NZ\$438,379. This includes one employee who had redundancy provisions based on NZTE's expired 1988 terms and conditions. The value of their redundancy payments was NZ\$137,360.

During the year ended 30 June 2013, six international locally engaged employees received cessation payments totalling NZ\$339,334.

Total remuneration and benefits (\$)	2013			2012		
	Domestic New Zealand	Expatriates seconded overseas	International locally engaged	Domestic New Zealand	Expatriates seconded overseas	International locally engaged
100,000-109,999	20	-	11	26	-	9
110,000-119,999	33	-	9	41	-	8
120,000-129,999	24	-	9	14	-	8
130,000-139,999	7	-	8	7	1	10
140,000-149,999	11	2	8	10	-	8
150,000-159,999	7	1	3	3	1	3
160,000-169,999	3	1	1	3	1	4
170,000-179,999	2	1	1	4	1	1
180,000-189,999	4	3	1	4	4	1
190,000-199,999	2	4	1	1	3	-
200,000-209,999	2	3	3	1	-	1
210,000-219,999	2	1	-	3	7	2
220,000-229,999	1	4	1	2	2	-
230,000-239,999	-	2	-	-	2	-
240,000-249,999	-	1	-	1	-	-
250,000-259,999	-	1	-	1	-	-
260,000-269,999	-	1	-	-	3	-
270,000-279,999	-	3	-	-	2	-
280,000-289,999	1	1	-	-	1	-
290,000-299,999	1	-	-	-	1	-
300,000-309,999	1	1	-	-	-	-
310,000-319,999	-	-	-	1	-	-
320,000-329,999	-	-	-	-	-	-
330,000-339,999	-	-	-	-	-	-
340,000-349,999	-	-	-	-	-	-
350,000-359,999	1	1	-	-	-	-
360,000-369,999	-	-	-	-	1	-
370,000-379,999	-	-	-	-	-	-
380,000-389,999	-	-	-	-	-	-

Total remuneration and benefits (\$)	2013			2012		
	Domestic New Zealand	Expatriates seconded overseas	International locally engaged	Domestic New Zealand	Expatriates seconded overseas	International locally engaged
390,000-399,999	-	1	-	-	-	-
400,000-409,999	-	-	-	-	-	-
410,000-419,999	-	-	-	-	-	-
420,000-429,999	-	-	-	-	-	-
430,000-439,999	-	-	-	-	-	-
440,000-449,999	-	-	-	-	-	-
450,000-459,999	-	-	-	-	1	-
460,000-469,999	-	-	-	-	-	-
470,000-479,999	-	-	-	-	-	-
480,000-489,999	-	-	-	-	-	-
490,000-499,999	-	-	-	1	-	-
500,000-509,999	-	-	-	-	-	-
510,000-519,999	-	-	-	-	-	-
520,000-529,999	-	-	-	-	-	-
530,000-539,999	1	-	-	-	-	-





## ⑧ NZTE'S international network

NZTE operates a hub and spoke approach to international 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.



**New Zealand  
offices**





**NEW ZEALAND**  
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