



Report of the New Zealand Trade Development Board for the year ended 30 June 2002

The New Zealand Trade Development Board Annual Report for the year ended 30 June 2002. This 14th report to Parliament by the New Zealand Trade Development Board covers the 12 month period 1 July 2001 to 30 June 2002.

PRESENTED TO THE HOUSE OF
REPRESENTATIVES PURSUANT TO SECTION 39
OF THE PUBLIC FINANCE ACT 1989

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The role of Trade New Zealand is part of a wider Government strategy to increase New Zealand's economic prosperity. Trade New Zealand's core work is to assist New Zealand businesses to internationalise, through achieving export success and forming strategic alliances. As a nation, we must get the fundamentals right to succeed in the international marketplace. In particular, we need companies with the capability and commitment to meet the challenges of trading internationally. Through its global network, Trade New Zealand provides market intelligence that helps exporters reduce the cost and risk of selling goods and services around the world.

Our Vision, Mission and Role

OUR VISION

Leading New Zealand businesses to the world.

OUR MISSION

We use our global network, information and intelligence to enhance the ability of New Zealand businesses to convert opportunities into sustainable and profitable foreign exchange earnings.

OUR ROLE

We work to assist New Zealand exporters and businesses by:

- Providing leadership that results in a broader export base
- Identifying international market opportunities that fit New Zealand export capabilities and assisting clients to convert them to export successes
- Delivering professional market development and research consultancy services to our clients
- Working with allies to develop New Zealand's export capability and investment in New Zealand.

OUR BUSINESS PRINCIPLES

- We deliver a range of integrated international service lines complementary to services available from other providers.
- We work with New Zealand taxable entities that have the commitment and capability to engage in international business.
- Resources are allocated to support profitable business opportunities with preference for industry segments and markets with demonstrable potential for development and foreign exchange growth.

LONG-TERM STRATEGIC OBJECTIVE

Trade New Zealand will assist more New Zealand businesses to achieve more international success relative to our resources.

INTRODUCTION FROM THE CHAIRMAN

A big year for Trade New Zealand

2001/02 was a big year for Trade New Zealand, in terms of both current delivery and future possibilities.

The organisation once more delivered above projections in nearly all its output agreements with the Government. In addition, the Board and Government began discussions on the future as part of a new agency created by merging with Industry New Zealand, our more recently-formed sister organisation.

New Zealand's prosperity depends on successful international trade and, with the continuing difficulties that commodity exports face in terms of trade barriers, the role of Trade New Zealand is even more critical. In the last decade or so our export base has expanded to include a host of niche sectors that previously were only domestically focused – if they existed at all. These exporters have slowly grown their share of our foreign exchange earnings which, aggregated up, are now very substantial.

The companies are largely small to medium sized and they do not have the capacity to have their own representation offshore, despite their incredible potential to fulfil a dazzling array of market opportunities. Trade New Zealand is their ally, their eyes and ears in the markets. The outcomes for the 2001/02 year indicate that this partnership has been very successful for many companies.

Trade New Zealand's delivery is characterised by innovation, focus and responsiveness. This year the inherent quality of its process, systems, strategy and leadership also received external recognition through a Baldrige Achievement (Silver) Award by the New Zealand Business

Excellence Foundation. The Directors are determined that this quality will be passed on to the new organisation which we are now in the process of forming with Industry New Zealand. This new agency will eliminate an element of confusion that has crept into the market since the advent of Industry New Zealand and will leverage off the capability development and trade promotion activities to be a powerful partner to New Zealand business.

Meanwhile, we must also ensure that the management and staff of the existing agency are able to focus on delivering our normal business and, wherever possible, enhancing it. The Board has resolved to ensure that there is minimal disruption from any change.

This past year has been very hard for all members of the organisation, in particular the senior management team. On behalf of the Board I would like to express our sincere thanks and congratulations for all your efforts. It was an outstanding result in all areas. I should also acknowledge the strong support of our two Ministers, the Hon Jim Sutton and the Hon Pete Hodgson.

Early next year Fran Wilde will retire as CEO of Trade New Zealand. On joining the Board I quickly realised that Fran had transformed Trade New Zealand into one of the world's top TPOs. Fran's leadership has been outstanding, as has her ability to progress difficult issues. I wish her well in the next phase of her career.



D W S Moloney
CHAIRMAN 25 October 2002

INTRODUCTION FROM THE CHIEF EXECUTIVE OFFICER

Encouraging Innovation and Flexibility

The year under review has been the best ever for Trade New Zealand – the culmination of a major five-year commitment to overhaul our organisation so we could better service New Zealand's international business community.

Our measures of client success as a result of our work with them have all moved up. We assisted 605 paying clients to achieve success and clients reported foreign exchange earnings of \$2.41 billion as a result of our work. But this is only the tip of the iceberg. Trade New Zealand works with many more New Zealand businesses that are at different stages of internationalisation. Many are not invoiced for our services, yet derive substantial benefit from them. These companies include members of export networks and hundreds of businesses at the early stages of their decision making on market entry or expansion.

We also provide a huge range of informal advice and mentoring to New Zealand businesses, both in New Zealand and in our 37 international offices. Clients tell us that this advice is an invaluable addition to their business efforts.

Upgrading delivery year after year is a big ask for staff and has not been without challenge. There is a fine line between developing and deploying good systems and encouraging innovation and flexibility. On one side of this line is bureaucracy and on the other side is enhanced performance through efficient and intuitive systems.

I believe we have managed this challenge in a way that has led to flexibility and empowerment within Trade New Zealand. The results have been major improvements in outcomes and also some exciting innovations. Principal amongst the latter for this year has been the final work on MarketNewZealand.com, our new e-business portal.

This system, which went live just after the end of the year under review, has taken more than two years to develop. It provides a single, coherent, online approach to our identifying of opportunities in global markets and our distributing those opportunities to clients. It also provides for immediate, relevant, online information and market intelligence for clients, tailored to their individual business interests.

One of the strengths of Trade New Zealand is our intimate knowledge of our clients and the capability of New Zealand business, and the opportunity we get to apply this knowledge when assessing new trade or investment opportunities. Almost every part of our business could be delivered by alternative private sector providers. But none would be able to replicate the vertical integration of our delivery or our deep institutional knowledge of New Zealand capability.

The exchange of staff between offices both in New Zealand and offshore assists with this key value driver. Another factor is our organisational culture, which encourages open communication and the sharing of knowledge, supported by our systems and processes.

These characteristics are highly valued by clients and are a significant factor for Trade New Zealand at this time, which is one of major change for us. During the year our investment promotion agency, Investment New Zealand, was merged with the investment team of Industry New Zealand and now the Government has announced the creation of a new agency, which will include both us and Industry New Zealand. It is critical that the merger retains the best of what has been built up over the 14 years of Trade New Zealand's existence. At the time of writing we are heavily engaged in merger discussions and I am confident that the new organisation will draw from the best of the existing features plus present a unique opportunity to deliver significant enhancements.

The best is often not measurable, but I am proud to say we have gained an external endorsement of our progress. In 1998 we adopted the international business excellence framework known as the Baldrige criteria. We chose this system to give us a clear idea of areas of weakness that we could improve and to allow us to benchmark against international best practice.

This year we requested an external assessment from the New Zealand Business Excellence Foundation and, as a result, earned an Achievement (Silver) Award. This is a rare accolade for a government agency. Only two New Zealand companies have earned Gold Awards and two others Silver Awards, with Trade New Zealand being the first one from the public sector. It is a huge tribute to the extraordinary efforts of our staff since our strategic review in 1997.

This will be my last annual report, since I have decided to leave Trade New Zealand when my present contract finishes. I want to thank all those with whom I have worked in the last five years. Our Ministers have all been enthusiastic supporters of our mission, regardless of party politics, and this top-level support has been invaluable. Our Directors, likewise, have provided strategic direction, appropriate questioning and dedicated oversight of our delivery. Then there are our staff. Each year I have thanked them in our Annual Report and this year can say I am proud to have worked with them. It never ceases to amaze me that a smallish organisation from a very small country can attract such high-calibre people. Many thanks to you all for your commitment, passion and quality.

The last group to acknowledge are our clients. Our annual Export Awards honour the best of them. But behind the winners are hundreds – thousands – more. Each day these stalwarts face the frustration, difficulties and risks of international business, yet few of them are known to most New Zealanders. There are no street parades or cups in their honour but, through a combination of persistence and flair, they bring home our foreign exchange earnings and ensure our prosperity. It has been a privilege to lead an organisation that works on their behalf.



F H Wilde

CHIEF EXECUTIVE OFFICER 26 October 2002

REVIEW OF THE YEAR

Internationalising New Zealand Business

Trade New Zealand continued its focus on the internationalisation of New Zealand businesses, the success of which is assessed against a range of outcome-based measures.

The demand for the organisation's services continued to grow and the effectiveness of these services was clearly reflected in the results for the year.

Foreign exchange earnings realised as a direct result of Trade New Zealand's assistance to exporting companies amounted to \$2.41 billion for the year. This was a substantial increase over previous years' results, despite it being the first year the organisation has limited its foreign exchange reporting to the 12 months under review.

Six hundred and five companies reported export successes as a result of Trade New Zealand assistance. It should be noted that 16 companies accounted for just over 50% of the foreign exchange result for the year. That, to some extent, reflects the profile of New Zealand's exporting community, with a small number of companies responsible for the overwhelming majority of export receipts.

Trade New Zealand provided services to 737 new clients, an encouraging indicator of the relevance of its offerings and the effectiveness of its promotion of the benefits of exporting. This figure does not include the estimated thousands of companies that made use of the online market intelligence services provided through the organisation's web site.

Six hundred and five companies reported export successes as a result of Trade New Zealand assistance.

Additionally, Trade New Zealand monitors the spread of New Zealand's global export activity. This helps identify potential new markets for other exporters and guides the organisation's strategy for resource deployment.

Over the past five years, Trade New Zealand has implemented a range of business processes and a structure that have allowed it to align more closely with the needs of its clients. Its success has been reflected in the consistently high client satisfaction rating with, for the second consecutive year, 75% of the organisation's clients reporting that they were "fully satisfied" with the services they received.

Internally, Trade New Zealand has adopted the Baldrige quality criteria as a measure of its own effectiveness. During the year, the organisation undertook an external audit of its rating against the criteria, the first time that it has sought an independent view.

The New Zealand Business Excellence Foundation assessed Trade New Zealand using the Baldrige criteria, placing it amongst the top echelons of New Zealand companies and giving it an Achievement (Silver) Award. Only two other companies in New Zealand have received this award and two companies have been awarded the Gold standard.

The assessors noted that Trade New Zealand was a highly service-oriented company with its greatest asset being its people. "Leaders set company direction, role model values within the work environment, and train and support staff to perform. There is a strong focus on openness and trust, which has resulted in a skilled, empowered workforce who take pride in their organisation's vision and performance."

A review of the offshore network was undertaken during the year and deployment of the organisation's resources was measured against the market demand from both New Zealand and overseas. Work also progressed on increasing the flexibility of the offshore network to accommodate change in markets and exporter requirements.

Trade New Zealand is a highly service-oriented company with its greatest asset being its people.

A significant milestone was achieved during the year with the launch of the first stage of Trade New Zealand's e-business programme. This involved the completion of a database structure that enables exporting companies to profile themselves online and classify their products and services. Utilising the Kompass classification system, the database forms the foundation for an online matching system which international buyers are able to use to select new suppliers from New Zealand. Over 1600 companies profiled themselves online during the year and 7189 products and services were classified.

The second phase of the e-business project was substantially completed by the end of the financial year. The launch of this phase, a website called MarketNewZealand.com, is planned for November 2002. The site will become an integral part of Trade New Zealand's communication with international buyers and for the provision of market intelligence, export-related news and events and profiles of exporting sectors and market opportunities for New Zealand companies.

Investment New Zealand also had a very successful year, reporting \$107 million foreign direct investment achieved as a result of its strategies and an estimated 615 jobs created as a result of overseas involvement in New Zealand businesses. Client satisfaction for the team was high, with 88% of clients reporting that they were "fully satisfied" with the services received from the team. This marks the last report on the activities of Investment New Zealand as part of Trade New Zealand. The team was merged with Industry New Zealand's investment group on 1 July 2002.

The exporting community heavily supported the annual Trade New Zealand Export Awards and the Export Conference. Twenty-five companies received Export Awards during the course of the year and the Exporter of the Year award was presented in front of 530 conference attendees to Auckland-based Navman NZ Limited.

Trademark, Trade New Zealand's bi-monthly export magazine, was launched in October 2001 aimed at promoting exporting, exploring related issues and highlighting the success of leading New Zealand exporters.

Overall, the year was one in which Trade New Zealand built on the significant work carried out over the past five years.

Its performance provides a solid platform for further improvement in the year ahead.

\$107 million foreign direct investment achieved as a result of Investment New Zealand strategies.

Investment New Zealand

Investment New Zealand had another highly successful and productive year, with its results of 615 jobs created as a result of assistance and forex exchange earned by businesses assisted to locate to New Zealand, well exceeding set targets.

This success was underpinned by the continuation of a matrix strategy targeted simultaneously at the sector and market levels.

The Government's new Growth and Innovation Framework provided a specific focus for investment attraction, with particular emphasis on the areas of information and communication technologies (ICT), biotechnology and creative industries.

Market focus remained strongly on North America and Asia. The team's offshore presence was expanded in the US, and the establishment of the Phase Z.0 Technology Park in Singapore provided specific opportunities for the facilitation of links between New Zealand technology companies and overseas investors. Australia and Western Europe were also vital markets in the investment attraction strategy.

The strong partnership between Investment New Zealand and Trade New Zealand again reaped benefits for both organisations. The use of Trade New Zealand's global network proved invaluable in investment lead generation and as a source of market intelligence.

GROWTH AND EXPANSION

In response to market opportunities Investment New Zealand expanded to 17 staff. New roles created included event management and sector-specific business development consultants.

The team achieved excellent results. Notable successful investment cases included those in the ICT, specialised manufacturing and creative sectors. The other outstanding achievement of this financial period was the promotional activity organised by Investment New Zealand leveraging off the release of *The Lord of the Rings: The Fellowship of the Ring* and the resulting positive reinforcement of New Zealand as a premier film-production location. Offshore promotion of the forthcoming America's Cup was also sustained through the year.

Marketing collateral was enhanced and extended with the creation of professional and concise business cases, downloadable from Investment New Zealand's web site. These augment the highly successful brand image and provide potential investors with key benefits and compelling arguments for international investment in particular sectors within New Zealand.

The end of this financial year saw a period of transition for Investment New Zealand, with the decision by the Government to create a new Investment Promotion Agency co-located with Industry New Zealand. This new agency will maintain the strong identity and brand imagery on which Investment New Zealand has built throughout this financial year and increase the capability of New Zealand to attract foreign direct investment.

2001-2002

Governance

Board of Directors

Trade New Zealand was established as a Crown entity under the New Zealand Trade Development Board Act 1988 with the purpose of fostering the development and expansion of New Zealand's foreign exchange earnings.

The Minister directly responsible for Trade New Zealand is the Minister for Trade Negotiations, the Hon Jim Sutton. In addition, the Associate Minister of Foreign Affairs and Trade, the Hon Pete Hodgson, is responsible for export capability development in New Zealand.

The Trade New Zealand Board consists of no more than eight members from the private sector, appointed by the Minister responsible for Trade New Zealand and, ex officio, the Chief Executives of the Ministry of Foreign Affairs & Trade and the Ministry of Economic Development. The Board appoints the Chief Executive, who is also ex officio a Director.

Under the Public Finance Act, Trade New Zealand reports to the Government through an annual Statement of Intent, quarterly Statements of Service Performance and an Annual Report. It negotiates a separate Purchase Agreement with the Minister (which provides the basis for the Minister's agreement to provide funding).

David Moloney (Chairman) (OBE, BCA) retired as a Director of the Interlock Group in October 2001 after 18 years service. Prior to joining Interlock he was in the New Zealand Army, serving in the Infantry and the SAS. Mr Moloney saw active service in Borneo and Viet Nam and was awarded the OBE in 1980 for service in Zimbabwe. He retired in 1983 with the rank of Colonel. Mr Moloney is Deputy Chairman for the New Zealand Qualifications Authority, Chairman of the New Zealand College of Management, past President of the New Zealand Manufacturers' Federation and a Board member of Industry New Zealand. He is a Fellow of the New Zealand Institute of Management and the Royal Society for the Encouragement of Arts, Manufacture and Commerce.

Mike Andrews was an Executive Director of Fletcher Challenge from 1990 until 2001. He has 30 years of experience in Fletcher Challenge's businesses, spanning roles in forestry, building materials, steel, rural, pulp and paper and energy activities, and was CEO from 1997 to 2001. He is also Chair of Rubicon Limited and a Director of Fletcher Challenge Forests. His previous positions include Chair of the New Zealand Business Council for Sustainable Development, member of the World Business Council for Sustainable Development and member of the World Economic Forum. He was also Director of the World Forestry Centre. Mr Andrews was appointed to the Board of Directors in June 2002.

John Blackham is Managing Director of software company XSol Ltd. He has been involved with the computer industry since the late 1960s, co-founding software company Fact International Ltd and initiating New Zealand's first software trade body, the Software Export Association. He is a member of the Government's ICT Taskforce and the UNITEC NZCIE Advisory Board. Mr Blackham is a founder of the Intellectual Capital Foundation (NZInC) which promotes new strategies for venture financing, legislation, education and the use of new technology in societal development.

Graham Boulton (NZCM) is Managing Director and principal shareholder of Consolidated Marketing Industries Ltd, a specialist in the manufacturing and marketing of New Zealand natural fibre knitwear and accessories. More than 90% of Consolidated's turnover is generated from exports. He is also Managing Director and principal shareholder of Consolidated Marketing Distribution Ltd and a member of the Possum Industry Association. He has been an active member of the Export Institute of New Zealand for 25 years, including two terms as National President. Mr Boulton was made a Fellow of EINZ in 1986. He was a founding Chairman of Focus New Zealand, the pilot vehicle for the creation of the New Zealand Trade Development Board. He was awarded the New Zealand Commemorative Medal for Services to Exporting in 1990.

Ken Douglas (ONZ, LLB Hons, JP) is Past President of the New Zealand Council of Trade Unions and President of the Asia Pacific Regional Organisation (APRO) International Confederation of Free Trade Unions. He was also a member of the Governing Body of the International Labour Organisation. His expertise extends beyond New Zealand into Asia and the Pacific, bringing a unique perspective to the work of Trade New Zealand. He is a Trustee and Board member of the Asia 2000 Foundation, a Board member of New Zealand Post and Air New Zealand, and a Porirua City Councillor.

Craig Ellison (BSc, DipSci, MSc) has a strong background in resource management, including post-graduate work in marine biology. Of Ngai Tahu affiliation, he has contributed to a successful small family fishing business and is actively involved in a wide range of industry groups. He has been a Commissioner with the Waitangi Fisheries Commission (Te Ohu Kai Moana) since 1993. Other positions he currently holds include Director of Otakou Fisheries Ltd, Independent Chairman of the Seafood Standards Council and Convenor of the Pacific Economic Cooperation Council Fisheries Task Force. He is immediate past President of the New Zealand Fishing Industry Association.

Bronwyn Monopoli (BAgrSc, BBS, FCA, MBE) manages her own chartered accounting business specialising in servicing the rural sector. She is a Director of the New Zealand Tourism Board, the New Zealand Wool Board and the New Zealand Merino Company Limited, and a Trustee of the Wearable Arts Development Charitable Trust and the Cawthron Institute. Bronwyn also chairs the Primary Sector Committee of the Institute of Chartered Accountants of New Zealand. Ms Monopoli was a Director until May 2002.

Peter Mony (MBA, Bsc Hons, Elec Dipl) spent 15 years in South Africa in the mineralogical, groundwater and geophysics fields in his own businesses and as a senior research scientist with De Beers Ltd. He has consulted internationally to software development companies and was Vice President of the New Zealand Software Exporters' Association in the late 1990s. He has run his own organically certified farm in Canterbury and consults to the organics industry on export issues. Mr Mony has also worked in and with a number of New Zealand small and medium-sized exporters. He is a Director of Maxtel Software Ltd and a member of the Ministerial Panel on Business Compliance Costs. He and his wife Jenni own The Devereux Boutique Hotel in Auckland.

Sara Poore (MBA) is a freelance management consultant with more than ten years' experience. She is also a trained mediator and facilitator. She works with an international client base across a broad range of industries, including professional services, manufacturing, meat processing, fishing, public service, finance, telecommunications, education and engineering. She previously worked in general management. She has a strong marketing and sales background and has been involved in publishing with Woolrest Corporation in New Zealand, the UK and the US.

Hon Fran Wilde (Chief Executive) (QSO, BA) was appointed Chief Executive of Trade New Zealand in April 1997. She is a former Mayor of Wellington and Government Minister, with portfolios including Minister of Tourism and Associate Minister of Foreign Affairs and Trade. Ms Wilde's business activities prior to joining Trade New Zealand included consultancy and board work. She is currently a Director of the ANZ Banking Group (NZ) Ltd, Chair of Lambton Harbour Management Ltd and on the trust boards of the Asia 2000 and Project K. She also chairs the New Zealand International Festival of the Arts.

EX OFFICIO DIRECTORS

Ex officio Director Neil Walter is Chief Executive of the Ministry of Foreign Affairs and Trade.

Ex officio Director Geoff Dangerfield is Chief Executive of the Ministry of Economic Development.

Rod MacKenzie (BMus, Dip Bus Admin) is General Manager Marketing with responsibility for the Marketing, Communications and E-business activities of Trade New Zealand. Prior to taking this position Mr MacKenzie was Senior Trade Commissioner for North America and Chief Executive of The New Zealand Way Ltd.

BOARD COMMITTEES

The Board's standing committees include the Audit and Risk Committee, the Audit E-business Sub-Committee and the Performance Review Committee, which meet regularly.

SENIOR MANAGEMENT

Tim Harris (Dip Int Mktg, Dip Mgmt) is General Manager Client Services, responsible for nine New Zealand-based teams of account managers providing Trade New Zealand services and client relationship management to the country's exporters. Mr Harris is an electrician by trade.

Gary Langford (BCA, BA, CA, CMA, FCIS) is Director of Investment New Zealand, responsible for a team of sector-based investment specialists, whose focus is to facilitate international direct investment and industry relocation to New Zealand. He has broad senior management experience both onshore and offshore, in sectors such as dairy, building and packaging.

Peter Smith (BA (Hons), CA, MCT) is General Manager Corporate Services responsible for Finance, Assets and Services, Human Resources and Training and Development. Mr Smith was previously Finance Manager for Trade New Zealand. Prior to that he was Manager Business Services at the New Zealand Association of Credit Unions and Treasury Manager for the BOC Group plc in England.

Jack Stephens (BCom, Dip Export) is General Manager Market Services responsible for Trade New Zealand's offshore operations including staff in 37 cities around the world. He also manages a team of onshore market specialists and research analysts. Mr Stephens has spent much of his career offshore as Trade Commissioner in Australia, the Pacific and Indonesia and as Senior Trade Commissioner in the Middle East/South Asia.

Financial Report

Financial Performance

We are pleased to report an operating surplus of \$1.3 million for the year ending 30 June 2002.

Revenue

Total income for the year of \$76.9 million was \$6.5 million higher than the previous year. This largely reflects additional Government funding targeted at specific initiatives in investment, e-business and promotional activities associated with *The Lord of the Rings: The Fellowship of the Ring* and the America's Cup.

An 8.7% increase was achieved in client revenue over the previous year.

Compared with budget, higher than anticipated interest income was received as a result of changes in the timing of cash flows during the year. Other income was also higher than forecast mainly due to one-off items and cost recoveries such as disbursements.

Operating Costs

Total operating costs for the year of \$75.6 million were \$5.7 million higher than the previous year.

Offshore expenditure was \$3.7 million lower than budgeted, mainly due to the effect of exchange rate movements during the year and deferred expenditure for the e-business initiative offshore.

Onshore expenditure was \$4.4 million higher than budgeted, reflecting the allocation of additional resources to meet client demand, coupled with expenditure on initiatives leveraging off *The Lord of the Rings: The Fellowship of the Ring* and America's Cup.

In addition, enhancements to the global computer network were implemented to improve service delivery.

Additional Export Network funding of \$600,000 was also provided to meet client demand.

Depreciation was lower than budgeted, largely due to timing differences in capital purchases relating to the e-business initiative.

Capital Expenditure

The net book value of our property, plant and equipment increased by \$3.8 million to \$10.4 million.

Capital purchases totalling \$7.1 million included \$3.2 million spent on computer hardware and software development associated with the e-business initiative. The balance of expenditure covered replacement of desktop computers, leasehold improvements in the Auckland office to facilitate co-location with Industry New Zealand, and routine replacement of office equipment and motor vehicles.

Reserves

During the year, the Government funded the capital expenditure component of the e-business initiative by means of a \$4 million capital contribution. This contribution, combined with the operating surplus for the year, increased closing reserves to \$14.3 million. In 1998 it was agreed that Trade New Zealand would repatriate any capital over and above a \$7 million equity threshold. After adjusting for subsequent capital contributions \$800,000 will be repaid to the Crown in the 2002/03 year.

FOR THE YEAR ENDED 30 JUNE 2002

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STATEMENT OF RESPONSIBILITY FOR THE YEAR ENDED 30 JUNE 2002

The Board and Management of the New Zealand Trade Development Board are responsible for:

the preparation of the annual financial statements and the judgements made herein, and

establishing and maintaining a system of internal control to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board and Management, the financial statements for the year ended 30 June 2002 fairly reflect the financial position and operations of the New Zealand Trade Development Board.



D W S Moloney
CHAIRMAN 25 October 2002



F H Wilde
CHIEF EXECUTIVE OFFICER 25 October 2002

Auditor's Report

Report of the Auditor-General to the readers of the Financial Statements of the New Zealand Trade Development Board for the Year ended 30 June 2002

We have audited the financial statements on pages 19 to 39. The financial statements provide information about the past financial and service performance of the New Zealand Trade Development Board and its financial position as at 30 June 2002. This information is stated in accordance with the accounting policies set out on pages 22 to 24.

Responsibilities of the Board of Directors

The Public Finance Act 1989 and the New Zealand Trade Development Board Act 1988 require the Board of Directors (the Board) to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of the New Zealand Trade Development Board as at 30 June 2002, the results of its operations and cash flows and service performance achievements for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and Section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Gavin Leake, of Ernst & Young to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

the significant estimates and judgements made by the Board in the preparation of the financial statements; and

whether the accounting policies are appropriate to the New Zealand Trade Development Board's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with, or interests in the New Zealand Trade Development Board.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the New Zealand Trade Development Board on pages 19 to 39:

comply with generally accepted accounting practice in New Zealand; and

fairly reflect:

the New Zealand Trade Development Board financial position as at 30 June 2002.

the results of its operations and cash flows for the year ended on that date; and

its service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date.

Our audit was completed on 25 October 2002 and our unqualified opinion is expressed as at that date.



G J LEAKE Ernst & Young

On behalf of the Auditor-General
Auckland, New Zealand.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2002

2002			2002	2001
Budget \$000		NOTE	Actual \$000	Actual \$000
	Revenue			
	Funding Vote: Ministry of Foreign Affairs and Trade			
68,843			68,741	63,636
3,850	Client Income		3,697	3,402
-	Income Other Government Agencies		1,487	-
-	Export Network Fund Income	4	-	1
500	Interest Income		807	1,108
558	Other Income		2,132	2,189
-	The New Zealand Way Limited	8	-	14
<u>73,751</u>			<u>76,864</u>	<u>70,350</u>
	Expenditure			
28,542	New Zealand Operating Expenses	2	32,916	30,360
38,879	Overseas Operating Expenses	3	35,193	34,239
3,700	Export Network Fund Expenditure	4	4,311	3,628
4,430	Depreciation	5	2,966	2,215
-	The New Zealand Way Limited	8	1	-
-	Net Foreign Exchange (Gain)/Loss		224	(492)
<u>75,551</u>			<u>75,611</u>	<u>69,950</u>
<u>(1,800)</u>	Net Operating Surplus/(Deficit)		<u>1,253</u>	<u>400</u>

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NEW ZEALAND TRADE DEVELOPMENT BOARD ANNUAL REPORT 2002

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2002

2002		2002	2001
Budget \$000		Actual \$000	Actual \$000
9,062	Total Equity at 1 July	9,061	9,706
(1,800)	Net Operating Surplus/(Deficit) for the Year	1,253	400
<u>(1,800)</u>	Total Recognised Revenue and Expenses	1,253	400
3,966	Capital Investment by the Crown	3,966	1,681
-	Refund to the Crown	(780)	(2,726)
<u>11,228</u>	Total Equity at 30 June	<u>13,500</u>	<u>9,061</u>

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2002

2002		NOTE	2002	2001
Budget \$000			Actual \$000	Actual \$000
	Current Assets			
1,000	Cash and Bank		947	1,041
1,175	Accounts Receivable	6	2,080	1,920
2,120	Deposits and Prepayments		2,045	2,407
8,561	Investments	7	13,131	15,865
<u>12,856</u>			<u>18,203</u>	<u>21,233</u>
	Non-Current Assets			
-	Investment in Joint Venture	8	-	-
-	Investment in Subsidiary	9	-	-
11,322	Property, Plant and Equipment	10	10,375	6,622
<u>11,322</u>			<u>10,375</u>	<u>6,622</u>
<u>24,178</u>	Total Assets		<u>28,578</u>	<u>27,855</u>
	Current Liabilities			
9,228	Accounts Payable and Accruals	11	11,733	14,592
1,380	Employee Entitlements	12	1,389	1,382
272	Finance Lease Liability	13	-	535
<u>10,880</u>			<u>13,122</u>	<u>16,509</u>
	Non-Current Liabilities			
2,070	Employee Entitlements	12	1,956	2,015
-	Finance Lease Liability	13	-	270
<u>2,070</u>			<u>1,956</u>	<u>2,285</u>
<u>12,950</u>	Total Liabilities		<u>15,078</u>	<u>18,794</u>
<u>11,228</u>	Equity		<u>13,500</u>	<u>9,061</u>
<u>24,178</u>	Total Liabilities and Equity		<u>28,578</u>	<u>27,855</u>

For and on behalf of the Board of Directors, which authorised the issue of the financial report on 25th October 2002



D W S Moloney
CHAIRMAN 25 October 2002



F H Wilde
CHIEF EXECUTIVE 25 October 2002

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2002

2002		NOTE	2002	2001
Budget \$000			Actual \$000	Actual \$000
	Cash Flow From Operating Activities			
	Cash was provided from:			
68,843	Funding Vote: Ministry of Foreign Affairs and Trade		68,741	63,230
-	Income Other Government Agencies		1,487	-
3,850	Client Income		3,271	3,462
-	Export Network Fund Income		-	30
500	Interest Received		940	985
1,303	Other Income		2,632	1,937
<u>74,496</u>			<u>77,071</u>	<u>69,644</u>
	Cash was disbursed to:			
31,161	Payments to New Zealand Suppliers and Employees		34,531	25,513
38,557	Payments to Overseas Suppliers and Employees		34,599	35,478
3,700	Payments to Suppliers and Industry for Export Networks		4,200	3,433
148	Interest Paid		172	279
<u>73,566</u>			<u>73,502</u>	<u>64,703</u>
930	Net Cash Flow From Operating Activities	14	3,569	4,941
	Cash Flow From Investing Activities			
	Cash was provided from:			
-	Sale of Property, Plant and Equipment		191	189
4,209	Decrease in Short-Term Investments		2,000	-
<u>4,209</u>			<u>2,191</u>	<u>189</u>
	Cash was applied to:			
7,300	Purchase of Property, Plant and Equipment		7,141	3,973
-	Increase in Short-Term Investments		-	4,000
<u>7,300</u>			<u>7,141</u>	<u>7,973</u>
(3,091)	Net Cash Flow From Investing Activities		(4,950)	(7,784)
	Cash Flow From Financing Activities			
	Cash was provided from:			
3,966	Capital Contribution from the Crown		3,966	1,681
<u>3,966</u>			<u>3,966</u>	<u>1,681</u>
	Cash was applied to:			
385	Finance Lease Payments		555	414
2,726	Refund to the Crown		2,726	-
<u>3,111</u>			<u>3,281</u>	<u>414</u>
855	Net Cash Flow From Financing Activities		685	1,267
(1,306)	Net (Decrease) in Cash Held		(696)	(1,576)
3,906	Add Opening Cash Brought Forward		3,906	5,130
-	Effect of Exchange Rate Changes on Cash		(132)	352
<u>2,600</u>	Ending Cash Carried Forward		<u>3,078</u>	<u>3,906</u>
1,000	Cash and Bank		947	1,041
1,500	Investments – Call	7	2,064	2,785
100	Investments – Foreign Currencies	7	67	80
<u>2,600</u>			<u>3,078</u>	<u>3,906</u>

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2002

REPORTING ENTITY

Pursuant to the New Zealand Trade Development Board Act 1988, the New Zealand Trade Development Board was established on 1 December 1988. With effect from that date, the New Zealand Trade Development Board replaced and assumed the responsibilities of the New Zealand Market Development Board.

The financial statements have been prepared in accordance with the Public Finance Act 1989, as amended, and the Financial Reporting Act 1993.

MEASUREMENT BASE

The measurement base adopted is that of historical cost.

ACCOUNTING POLICIES

The following particular accounting policies that materially affect the measurement of income and expenditure and the financial position have been applied.

I. Budget Figures

The budget figures are those approved by the Board at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

II. Revenue

The New Zealand Trade Development Board derives revenue through the provision of outputs to the Crown, for services to third parties and income from its investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

III. Accounts Receivable

Accounts receivable are shown at their estimated net realisable value.

IV. Investments

Investments are stated at the lower of cost or market value.

V. Joint Venture

The financial statements for the year include The New Zealand Way Limited, a 33% owned company, by disclosing the Board's share of net expenditure as a single line on the Statement of Financial Performance.

VI. Property, Plant and Equipment

Property, plant and equipment are recorded at cost less aggregate depreciation. Depreciation is calculated using the straight line method based on the following estimated useful lives:

Office equipment	5 years
Office and residential furniture	5 years
Computer software and equipment	3 years
Leasehold improvements	5 years
Motor vehicles	5 years

Capital work in progress is not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

STATEMENT OF ACCOUNTING POLICIES CONTINUED
FOR THE YEAR ENDED 30 JUNE 2002

VII. Employee Entitlements

Provision is made in respect of the New Zealand Trade Development Board's liability for annual leave, long service leave and retirement allowances.

Annual leave and overseas retirement allowances have been calculated on an actual entitlement basis at current rates of pay. Long service leave and New Zealand retirement leave have been calculated on an actuarial basis.

VIII. Leases

Finance Leases

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

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

IX. Foreign Currencies

Transactions in foreign currencies are converted at the exchange rates ruling on the date of the transactions. Where transactions have been hedged by forward exchange contracts they have been converted at the forward rates specified in those contracts. Account balances in foreign currencies at balance date are translated to New Zealand dollars at the exchange rates ruling at balance date. Exchange gains/(losses), both realised and unrealised, are charged to the Statement of Financial Performance.

X. GST

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

XI. Taxation

The New Zealand Trade Development Board is exempt from income tax under section 10 of the First Schedule of the New Zealand Trade Development Board Act 1988.

XII. Statement of Cash Flows

The following are the definitions and explanations used in the Statement of Cash Flows:

- cash includes bank balances, on-call deposits and foreign currencies held.
- cash flows from operating activities arise from all income sources of the New Zealand Trade Development Board and payments made for the supply of goods and services.
- cash flows from investing activities arise from the purchase and sale of fixed assets and term investments.
- cash flows from financing activities arise from changes in the equity and debt structure of the New Zealand Trade Development Board.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 30 JUNE 2002

XIII. Financial Instruments

The New Zealand Trade Development Board is party to financial instruments as part of its everyday operations.

These financial instruments include:

- Cash and bank
- Debtors
- Investments
- Creditors
- Forward foreign exchange contracts (unrecognised items)

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

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

All financial instruments other than forward exchange contracts are recognised in the Statement of Financial Position.

XIV. Computer Software and Web Design costs

Generally costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product which will be controlled by the entity and have a benefit exceeding the cost beyond one year are recognised as an asset. Computer software developments are recognised as assets and amortised over their useful life but not exceeding a period of three years.

XV. Discontinued Activities

Discontinued activities are clearly distinguishable activities of the New Zealand Trade Development Board that have been either transferred out of the organisation or terminated before the earlier of three months after balance date and the date that the financial statements are approved. In order for the activities to be classified as discontinued, they must have a material effect on the nature and focus of the business, and represent a material reduction in either operating facilities or turnover.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year. The policies have been applied on a basis consistent with previous years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

1. DISCONTINUED OPERATIONS

In April 2002 the New Zealand Government announced the creation of a new expanded Investment Promotion Agency within Industry New Zealand (a Government owned Crown Entity established pursuant to the Industry New Zealand Act 2000).

Investment New Zealand, which has been funded under a separate output class within the New Zealand Trade Development Board since its inception, has been transferred to Industry New Zealand as part of the formation of this new agency with effect from 1 July 2002.

As at 30 June 2002 no assets or liabilities relating to the discontinued operation have been transferred to Industry New Zealand.

	DISCONTINUED OPERATIONS		CONTINUED OPERATIONS	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Financial Performance				
Revenue	4,846	4,071	72,018	66,279
Expenditure	5,063	4,132	70,548	65,818
Net Operating Surplus/(Deficit)	(217)	(61)	1,470	461
Financial Position				
Total Assets	60	19	28,518	27,836
Total Liabilities	660	322	14,418	18,472
Cash flows				
Cash Flows From Operating Activities	94	95	3,475	4,846
Cash Flows From Investing Activities	-	-	(4,950)	-
Cash Flows Used in Financing Activities	-	-	685	-

The financial performance of the discontinued operation in the 2002 and 2001 years relates to the trading activities of Investment New Zealand.

2. NEW ZEALAND OPERATING EXPENSES

	2002 \$000	2001 \$000
Payments to Auditors:		
Audit Fees – Statutory Audit	38	54
Audit Fees – Overseas Operations	11	11
Bad Debts Written Off	18	36
Change in Bad Debt Provision	(40)	54
Board Fees	153	153
Profit on Disposal of Assets	(170)	(172)
Rent	1,578	1,283
Salaries and Wages	12,846	11,148
Interest Paid	172	279
Other Administrative and Operating Expenses	18,310	17,514
	<u>32,916</u>	<u>30,360</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2002

3. OVERSEAS OPERATING EXPENSES	2002	2001
	\$000	\$000
Rent	8,144	8,451
Salaries and Wages	14,360	12,985
Other Administrative and Operating Expenses	12,689	12,803
	<u>35,193</u>	<u>34,239</u>

4. EXPORT NETWORK FUND INCOME AND EXPENDITURE	2002	2001
	\$000	\$000
Revenue	-	1
Expenditure	4,311	3,628
Net Cost	<u>4,311</u>	<u>3,627</u>

The Export Network Fund financially assists groups of exporters to target growth opportunities in offshore markets.

5. DEPRECIATION	2002	2001
	\$000	\$000
Office Equipment	136	121
Office and Residential Furniture	171	179
Computer Software and Equipment	1,750	1,024
Leasehold Improvements	558	572
Motor Vehicles	351	319
Total Depreciation	<u>2,966</u>	<u>2,215</u>

6. ACCOUNTS RECEIVABLE	2002	2001
	\$000	\$000
Trade Receivables	1,531	1,006
The New Zealand Way Limited	74	73
Other Receivables	475	841
	<u>2,080</u>	<u>1,920</u>

7. INVESTMENTS

Investments are term deposits with major trading banks. They are all current, maturing within one year.

	TERM	CALL	FOREIGN	2002	2001
	\$000	\$000	CURRENCIES	TOTAL	TOTAL
			\$000	\$000	\$000
Trade New Zealand Investments	11,000	2,064	67	13,131	15,865
	<u>11,000</u>	<u>2,064</u>	<u>67</u>	<u>13,131</u>	<u>15,865</u>

Interest Rates Received for Term Investments

5.60%-5.70%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2002

8. INVESTMENT IN JOINT VENTURE

	2002	2001
	\$	\$
The New Zealand Way Limited	50	50

The investment as at 30 June 2002 represents the New Zealand Trade Development Board's share in the issued and paid-up capital of The New Zealand Way Limited.

This company was incorporated on 16 July 1992 to manage the 50/50 joint venture between the New Zealand Trade Development Board and the New Zealand Tourism Board. In February 2002 Industry New Zealand joined the venture and purchased 50 newly issued shares in the company. The New Zealand Way Limited now has a share capital of 150, with the New Zealand Trade Development Board, the New Zealand Tourism Board, and Industry New Zealand being equal partners.

The company has the objective of building and sustaining an umbrella brand for New Zealand exporters and the tourism industry which, by emphasising and embodying quality, eco-efficiency, marketing innovation and leadership, and unique New Zealand characteristics, adds value to the products and services that carry the brand.

The New Zealand Way Limited is funded by the New Zealand Trade Development Board, the New Zealand Tourism Board and Industry New Zealand on a basis agreed by the joint venture partners.

The operating results for The New Zealand Way Limited for the year ended 30 June are:

	2002	2001
	\$000	\$000
Income		
Sundry Income	114	167
Expenditure		
Marketing and Registration Expenses	50	36
Administration Expenses	81	104
	<u>131</u>	<u>140</u>
Net Operating Surplus/(Deficit)	<u>(17)</u>	<u>27</u>
New Zealand Trade Development Board's Share	<u>(1)</u>	<u>14</u>

The net assets of The New Zealand Way Limited as at 30 June 2002 are \$150 (2001 – \$100).

9. INVESTMENT IN SUBSIDIARY

	2002	2001
	\$	\$
New Zealand Trade Development Servicos S/C Ltda	-	-

New Zealand Trade Development Servicos S/C Ltda is a limited liability company incorporated in Sao Paulo, Brazil on 9 October 1998 to facilitate the New Zealand Trade Development Board's representation in Sao Paulo. The activities of the New Zealand Trade Development Board no longer need to be conducted through a limited liability company and New Zealand Trade Development Servicos S/C Ltda is now dormant. All expenditure incurred by the company is included under overseas operating expenditure in the Statement of Financial Performance.

The net assets of New Zealand Trade Development Servicos S/C Ltda as at 30 June 2002 are \$0 (2001 – \$4,000). The company bank account was closed in May 2002.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2002

10. PROPERTY, PLANT AND EQUIPMENT

	2002			2001		
	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	COST	ACCUMULATED DEPRECIATION	BOOK VALUE
	\$000	\$000	\$000	\$000	\$000	\$000
Owned:						
Office Equipment	1,337	760	577	973	657	316
Office and Residential Furniture	1,506	963	543	1,266	795	471
Computer Software and Equipment	8,562	2,140	6,422	3,653	519	3,134
Leasehold Improvements	4,159	2,553	1,606	3,450	2,042	1,408
Motor Vehicles	2,171	944	1,227	2,042	953	1,089
	17,735	7,360	10,375	11,384	4,966	6,418
Leased:						
Computer Equipment	-	-	-	2,442	2,238	204
	-	-	-	2,442	2,238	204
	17,735	7,360	10,375	13,826	7,204	6,622

11. ACCOUNTS PAYABLE AND ACCRUALS

	2002	2001
	\$000	\$000
Trade Payables	5,492	5,528
Other Payables	371	216
Refund Payable to the Crown	780	2,726
Accruals	5,090	6,122
	11,733	14,592

12. EMPLOYEE ENTITLEMENTS

	2002	2001
	\$000	\$000
Annual Leave	1,211	1,278
Long Service Leave	116	135
Retirement Leave and Allowances	2,018	1,984
	3,345	3,397
Current	1,389	1,382
Non Current	1,956	2,015
	3,345	3,397

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2002

13. FINANCE LEASE LIABILITY

	2002	2001
	\$000	\$000
Total Minimum Lease Payments Due:		
Not Later Than One Year	-	660
Later Than One Year but Not Later Than Two Years	-	305
	-	965
Future Lease Finance Charges	-	(160)
	-	805
Net Finance Lease Liability	-	805
Represented by:		
Current	-	535
Non-Current	-	270
	-	805

14. RECONCILIATION OF NET OPERATING SURPLUS/(DEFICIT) TO CASH FLOW FROM OPERATING ACTIVITIES

	2002	2001
	\$000	\$000
Reported Net Operating Surplus	1,253	400
Add/Less Non-Cash Items:		
Depreciation	2,966	2,215
Foreign Exchange (Gain)/Loss	224	(492)
Profit on Disposal of Property, Plant and Equipment	(170)	(172)
	3,020	1,551
Add/Less Movements in Working Capital Items:		
Increase/(Decrease) in Accounts Receivable	172	(538)
(Increase)/Decrease in Deposits and Prepayments	270	(1,382)
Increase/(Decrease) in Accounts Payable	(1,094)	4,643
Increase/(Decrease) in Employee Entitlements	(52)	267
	(704)	2,990
Net Cash Flow from Operating Activities	3,569	4,941

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2002

15. SEGMENTAL REPORTING

The New Zealand Trade Development Board's primary function is to facilitate growth in foreign exchange earnings by New Zealand businesses. It provides services to individual exporters and implements Export Networks in conjunction with the various sectoral interest groups. To provide a comprehensive service, the New Zealand Trade Development Board maintains offices in a number of overseas countries. However, all activities are co-ordinated from New Zealand.

16. FINANCIAL INSTRUMENTS

(A) Nature of activities and management policies with respect to financial instruments

i) Currency Risk

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

The New Zealand Trade Development Board has offices overseas and undertakes transactions denominated in foreign currencies. As a result of these activities exposures in foreign currency arise. It is the New Zealand Trade Development Board's policy to hedge foreign currency risks and use forward and spot foreign exchange contracts to manage this exposure.

Amounts of forward foreign exchange transactions outstanding at balance date are as follows:

	2002 \$000	2001 \$000
Forward Foreign Exchange Contracts	22,237	23,809

ii) Credit Risk

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

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

iii) Interest Rate Risk

Interest rate risk is the risk that the New Zealand Trade Development Board's return on the funds it has invested will fluctuate due to changes in market interest rates.

All investments are held on a short-term basis, thus minimising any interest rate risk.

B) Fair Value

The estimated fair values of the New Zealand Trade Development Board's financial assets and liabilities which differ from the carrying amount disclosed in the Statement of Financial Position, are as follows.

	2002 \$000	2001 \$000
Forward Foreign Exchange Contracts:		
- Carrying Value	-	-
- Fair Value (Loss)	(2,727)	(705)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2002

17. CAPITAL AND OPERATING COMMITMENTS	2002	2001
	\$000	\$000
Capital Commitments		
Committed but Not Contracted For	-	910
Contracted but Not Provided For	-	-
	<hr/>	<hr/>
	-	910
	<hr/> <hr/>	<hr/> <hr/>
Operating Lease Commitments		
Non-cancellable operating lease rentals are payable as follows:		
i) Not Later Than One Year	7,403	8,442
ii) Later Than One Year and Not Later Than Two Years	2,807	3,284
iii) Later Than Two Years and Not Later Than Five Years	3,295	3,663
iv) Later Than Five Years	-	1,071
	<hr/>	<hr/>
	13,505	16,460
	<hr/> <hr/>	<hr/> <hr/>

Included in the above are residential leases that have escape clauses that limit rental payment to no more than two to three months.

18. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2002 (2001 — Nil).

19. RELATED PARTY TRANSACTIONS

The New Zealand Trade Development Board is a wholly owned entity of the Crown. The Government influences the roles of the New Zealand Trade Development Board as well as being its major source of revenue.

All transactions entered into with government departments, crown entities and state-owned enterprises are conducted at arm's length on normal business terms. In overseas countries the New Zealand Trade Development Board operates with other government agencies in securing cost-effective representation. These transactions are not considered related party transactions.

A number of companies in which the New Zealand Trade Development Board Directors have an interest are members of Industry Groups. All transactions with these Industry Groups are on the same basis as all other Industry Groups. These transactions are not considered related party transactions.

Material related party transactions for the year ended 30 June 2002

During the year the New Zealand Trade Development Board purchased the following services at arms length on normal commercial terms:

- Travel services at a cost of \$1,106,000 from Air New Zealand. Ken Douglas is a Board member of Air New Zealand.
- Postal services at a cost \$31,000 from New Zealand Post. Ken Douglas is a Board member of New Zealand Post.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2002

During the year the New Zealand Trade Development Board provided the following grants and sponsorships at arm's length on normal commercial terms:

- Sponsorship of the Asia 2000 Foundation at a cost of \$140,000. Ken Douglas and Fran Wilde are Board members of the Asia 2000 Foundation.
- Sponsorship of the New Zealand Tourism Board at a cost of \$62,000. Bronwyn Monopoli is a Director of the New Zealand Tourism Board.
- Export assistance to MASTIP Technologies Limited at a cost of \$52,000. Sara Poore is an advising consultant to MASTIP Technologies Limited.
- Export assistance to Moana Pacific Fisheries Limited at a cost of \$20,000. Craig Ellison is Chairman of Moana Pacific Fisheries Limited.
- Export assistance to Prepared Foods Limited at a cost of \$39,000. Craig Ellison is a Director of Prepared Foods Limited.
- Export assistance to the Export Institute of New Zealand Inc at a cost of \$4,000. Graham Boulton is a member of the Export Institute of New Zealand Inc.
- Contribution to the data-sharing project to Industry New Zealand at a cost of \$12,000. Michael Andrews is the Chairman of Industry New Zealand and David Moloney is a Board member.
- Export assistance to Fletcher Challenge Forests Limited at a cost of \$2,000. Michael Andrews is a Director of Fletcher Challenge Forests Limited.

During the year the New Zealand Trade Development Board supplied, invoiced and was paid for the following services at arm's length on normal commercial terms:

- Export advice to the New Zealand Tourism Board at a cost of \$119,000. Bronwyn Monopoli is a Director of the New Zealand Tourism Board.
- Export advice to Fletcher Challenge Forests Limited at a cost of \$43,000. Michael Andrews is a Director of Fletcher Challenge Forests Limited.
- Export advice to Prepared Foods Limited at a cost of \$23,000. Craig Ellison is a Director of Prepared Foods Limited.
- Export advice to MASTIP Technologies Limited at a cost of \$6,000. Sara Poore is an advising consultant to MASTIP Technologies Limited.
- Export advice to The New Zealand Merino Company Limited at a cost of \$4,000. Bronwyn Monopoli is a Director of The New Zealand Merino Company Limited.
- Support and sponsorship to Industry New Zealand at a cost of \$25,000. Michael Andrews is the Chairman of Industry New Zealand and David Moloney is a Board member.

During the year the New Zealand Trade Development Board conducted banking business at arm's length on normal commercial terms with the ANZ Banking Group. Fran Wilde is a Director of the ANZ Banking Group (NZ) Limited.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2002

20. EMPLOYEES' REMUNERATION

The number of employees who received remuneration and benefits (including redundancy) of \$100,000 or more during the year:

\$	NUMBER OF EMPLOYEES			
	2002		2001	
	NZ	OVERSEAS	NZ	OVERSEAS
100,000 - 109,999	7	1	3	
110,000 - 119,999	4	3	2	1
120,000 - 129,999	2	2	2	3
130,000 - 139,999	2	1	2	2
140,000 - 149,999			2	1
150,000 - 159,999	4			
160,000 - 169,999				
170,000 - 179,999		1	1	
180,000 - 189,999				
190,000 - 199,999				
200,000 - 209,999				
210,000 - 219,999				
220,000 - 229,999				
230,000 - 239,999			1	
240,000 - 249,999	1		1	
250,000 - 259,999	1			
360,000 - 369,999	1			

The Chief Executive's remuneration and benefits are in the \$250,000 - 259,999 band (2001—\$240,000 - 249,999 band).

21. BOARD FEES

Board members earned the following fees during the year:

	2002	2001
	\$	\$
M Andrews	1,417	-
J Blackham	17,000	17,000
G Boulton	17,000	4,250
K Douglas	17,000	17,000
C Ellison	17,000	4,250
W Gallagher	-	12,750
S Macken	-	12,750
R Mann	-	12,750
D Moloney (Chairman)	34,000	8,500
B Monopoli	15,583	17,000
P Mony	17,000	4,250
S Poore	17,000	4,250
J Pope	-	25,500
G Robertson	-	12,750

The Chief Executives of the New Zealand Trade Development Board, the Ministry of Foreign Affairs and Trade and the Ministry of Economic Development are all ex officio Directors and do not receive Board fees.

22. EVENTS AFTER BALANCE DATE

On 20 September 2002 the Government announced its decision in principle to create a new organisation fully integrating the business and export development services currently provided by the New Zealand Trade Development Board and Industry New Zealand. It is expected that the new organisation will be formally created by July 2003.

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2002

INTRODUCTION

In 2001/02 the Government funded Trade New Zealand to deliver four non-departmental output classes, each with a number of key performance indicators by which to assess Trade New Zealand's performance:

- International Business Consultancy
- Facilitation of Investment and Business Location
- Promotion of Exporting
- Policy Support.

OUTPUT CLASS 1: INTERNATIONAL BUSINESS CONSULTANCY

DESCRIPTION

Under this output class the Minister will purchase a range of consultancy services which assist individual exporters and export networks to identify and capitalise on business opportunities in offshore markets. Our services to New Zealand exporters and potential exporters are designed to increase the number of businesses exporting in a profitable and sustainable way. Our services to international customers are designed to create new opportunities for New Zealand businesses to broaden and deepen their market reach. Commissioned services are part-funded by clients and targeted to their specific requirements; other services are provided free of charge and hence fully subsidised by the Government.

OUTCOMES

The key objective was to achieve an increase in the foreign exchange earnings on which the New Zealand Trade Development Board has been credited as having positive influence.

PERFORMANCE MEASURES	2001/02 ACTUAL	2001/02 SOI TARGET
QUANTITY		
Foreign exchange earned by clients as a result of Trade New Zealand assistance (\$m)	2,412	800
Number of clients who achieved export success as a result of Trade New Zealand assistance	605	450
Spread of export successes (exports by clients in different markets – one per annum per market per client)	1,704	900
Number of clients who commissioned assistance through Trade New Zealand including new clients	1,512	1,500
Number of new and invoiced clients	737	400
Client revenue (\$m)	3,697	3,850
QUALITY		
Client satisfaction	75.2	75
COST		
Total Output Class 1 (\$000)	68,636	69,748

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE CONTINUED

FOR THE YEAR ENDED 30 JUNE 2002

VARIANCE REPORT

Foreign Exchange Earned by Clients

In the 12 months to 30 June 2002, clients credited Trade New Zealand with assisting them to earn \$2.412 billion in the 2001/02 financial year. Trade New Zealand's full year target as specified in its Statement of Intent (SOI) is \$800 million and the results are at least three times the agreed target. It should be noted that 16 clients (from a total of 605) accounted for just over 50% of the total forex earned. With a small number of clients having such a significant impact on the overall forex result it is difficult to establish a target.

The Number of Clients Achieving Export Success and Spread of Export Success

The number of clients achieving export success for the 2001/02 financial year is 605 versus the target of 450. The spread of export success, a new measure for 2001/02, is 1,703 against a full year target of 900. It should be noted that our education clients account for the bulk of firms exporting to more than six to eight markets, and this has had an impact on the overall results in 2001/02.

Number of New and Invoiced clients

Trade New Zealand provided foundation services (free of charge) and/or fee-paying services for 737 new clients in the 2001/02 financial year. In the 2001/02 financial year Trade New Zealand has invoiced 1,512 clients, exceeding the target by 12 clients.

Client Revenue

Trade New Zealand earned client revenue of \$3.697 million for the 2001/02 financial year, up 8.7% on 2000/01. However revenue did fall slightly below the SOI target of \$3.850 million. The target when set in early 2001 was based on the assumption that we would charge clients for e-business related services. Trade New Zealand in consultation with the Minister decided not to charge for its e-business services in 2001/02 given the focus on smaller companies and the fact that much of the information provided at this stage is generic market intelligence.

Client Satisfaction

Trade New Zealand's client satisfaction rating for the year-ended 2001/02 was 75.2%, slightly ahead of our full year target.

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE CONTINUED

FOR THE YEAR ENDED 30 JUNE 2002

OUTPUT CLASS 2: FACILITATION OF INVESTMENT AND BUSINESS LOCATION

DESCRIPTION

Under this output class the Minister purchased a range of facilitation services relating to the attraction of business and capital to New Zealand.

These services were primarily aimed at attracting offshore companies to set up in New Zealand, promoting increased direct investment flows to New Zealand and linking overseas capital providers and New Zealand exporters.

In 2002/03 Trade New Zealand will no longer report against this output class as at 1 July 2002 Investment New Zealand's functions were transferred to the new Investment Promotion Agency under the oversight of Industry New Zealand.

OUTCOME

An increase in jobs and foreign exchange earned as a result of New Zealand Trade Development Board assistance with corporate location inward direct investment.

PERFORMANCE MEASURES	2001/02 ACTUAL	2001/02 SOI TARGET
QUANTITY		
Number of jobs created in New Zealand as a result of Trade NZ assistance with corporate location and inward direct investment	615	450
Foreign exchange earned by businesses which have located in New Zealand in the last two years with Trade NZ assistance (\$m)	106.6	90
QUALITY		
Client satisfaction (%)	88%	75%
COST		
Total Output Class 2 (\$000)	5,063	4,044

VARIANCE REPORT

Jobs and Foreign Exchange Earnings

Investment New Zealand actively worked with a range of companies to attract foreign direct investment to New Zealand. The figures reported are derived from a survey of its clients. The results represent successes in the screen production, ICT, specialised manufacturing and call centre sectors and include a strategic alliance in biotechnology research.

The investment team has significantly exceeded its job creation target for the year by 165 jobs.

Client satisfaction

Colmar Brunton surveys the Investment team's client satisfaction levels every six months. The satisfaction levels for the year ended 30 June 2002 were 88% against the target of 75%, a positive variance of 13%.

Cost

Additional funding was received during the year from Tourism New Zealand for a The Lord of the Rings special initiative.

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE CONTINUED
FOR THE YEAR ENDED 30 JUNE 2002

OUTPUT CLASS 3: PROMOTION OF EXPORTING

DESCRIPTION

Under this output class the Minister will purchase a range of services which are aimed at building New Zealand's commitment to exporting and encouraging more companies to enter exporting.

Outputs included promoting exporting through the media, publishing news on Trade New Zealand's web site and highlighting export success and promoting the benefits of exporting through a range of activities, including an ongoing programme of export awards.

OUTCOME

The key objective was to increase the public profile of the role of exporting in the New Zealand economy.

PERFORMANCE MEASURES	2001/02	2001/02
	ACTUAL	SOI TARGET
QUANTITY		
Establish a robust system to measure the number of unique users of the electronic news service	See below	
Run an export award programme which will identify and award 24 companies/organisations for excellence in exporting	25	Identify Award winners
Equivalent advertising value of positive media coverage generated by or about Trade NZ (\$000)	1,660	900
QUALITY & TIMELINESS		
Overall client satisfaction with Export News or new electronic news service as measured by a professional survey company	See below	
COST		
Total Output Class 3 (\$000)	1,116	1,055

VARIANCE REPORT

Electronic News Service

Development of a new online news service as part of the e-business project has been completed with final testing underway. The release of this online news service will occur in the 2002/03 financial year. In the interim, news has been published regularly on the organisation's corporate web site. A robust system of measuring unique users is being established and client satisfaction with the new service will be measured in the coming year.

In addition, Trade New Zealand is continuing to publish Trademark, a bi-monthly magazine promoting exporting. Some 10,000 copies of the fifth issue were distributed in June, from a database managed by the publishers.

Export Award Programme

The Export Awards dinner was held on 15 May to present the Supreme Exporter of the Year and category winners and was attended by the Prime Minister and Hon Pete Hodgson. Twenty-five companies received awards throughout the year.

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE CONTINUED

FOR THE YEAR ENDED 30 JUNE 2002

Equivalent Advertising Value of Positive Media Coverage Generated By or About Trade New Zealand

Trade New Zealand achieved \$1.66 million versus a target of \$900,000 for the 12 months to 30 June 2002, a positive variance of \$760,000. This large variance is in part due to the impact of several international and national events during the year, and also reflects a more strategic and targeted approach to our external communications. Trade New Zealand provided the New Zealand media with commentary on the impact of the 11 September terrorist attacks on our exports. Our work with the inaugural New Zealand Fashion Week, together with the release of the first film of *The Lord of the Rings* trilogy and associated coverage, boosted the result. There was a great deal of media interest in Trade New Zealand's strategy to leverage *The Lord of the Rings* internationally. Most recently the first Trade New Zealand export conference, and the Trade New Zealand Export Awards, attracted a substantial amount of media interest.

Overall Client Satisfaction with Electronic News Service

Satisfaction with online news service and Trademark was measured using the Colmar Brunton survey. A reader survey in the April/May issue of Trademark produced a positive response while focus groups and a small phone survey conducted by Colmar Brunton in June provided some useful feedback on the magazine and online news service to drive ongoing improvements.

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE CONTINUED

FOR THE YEAR ENDED 30 JUNE 2002

OUTPUT CLASS 4: POLICY SUPPORT

DESCRIPTION

Under this output class the Minister will purchase a range of services that provide support in respect of the Minister's portfolio responsibilities relating to Trade New Zealand and the export community.

These services include:

- Providing briefing, information and advice as required
- Providing co-ordination and support for policy advice services provided by other government agencies that affect exporters, Trade New Zealand, and New Zealand's export trade and investment regime
- Organising visits, meetings and participation in events
- Drafting responses to correspondence, Parliamentary questions and requests under the Official Information Act (OIA)
- Working with non-government agencies, both domestic and international, to inform the policy development process.

PERFORMANCE MEASURES	2001/02 ACTUAL	2001/02 SOI TARGET
QUANTITY		
Policy support outputs, including briefing papers, notes and draft replies for Ministers, will be supplied as required and agreed between the Minister and the Board in 2001/02	Yes	Yes
QUALITY		
Draft responses acceptable to the Minister	98%	95%
Briefing notes and advice provided to the satisfaction of the Minister	95%	95%
TIMELINESS		
Draft Ministerial replies provided within 15 days	100%	100%
Draft replies to Parliamentary questions provided within time required	89%	100%
Draft OIA responses provided in accordance with the Act	83%	100%
Advisory support and information for Ministers, other government agencies, select committees, Cabinet committees and Parliament provided as required and within agreed timeframes	100%	100%
COST		
Total Output Class 4 (\$000)	796	703

Parliamentary Questions

Trade New Zealand received and answered 36 Parliamentary questions during the year. In just four cases we failed to meet the deadline, but in all cases the response was provided within 24 hours of the deadline.

OIA Requests

Trade New Zealand received six OIA requests during the year. The delivery of just one of these requests was delayed, however the extended time required to complete the request was agreed with the person requesting the information.

AS AT OCTOBER 2002

Organisational Structure

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