

Forecast Financial Statements

Ministry of Justice

Statement of Forecast Financial Performance for the year ending 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Income					
Crown		351,332	401,263	401,263	441,892
Department(s)		6,435	5,720	5,720	5,697
Other revenue	1	32,923	32,908	32,908	33,357
Gains		-	-	-	-
Interest		1,410	-	-	-
Total Income		392,100	439,891	439,891	480,946
Expenses					
Personnel	2	169,200	190,258	188,702	207,964
Operating	3	133,741	162,002	160,828	171,271
Depreciation and amortisation		43,552	47,595	47,595	54,100
Capital charge	4	36,452	40,036	40,036	47,611
Finance costs		-	-	-	-
Other		107	-	-	-
Total Expenses		383,052	439,891	437,161	480,946
Net Surplus / (Deficit)		9,048	-	2,730	-

Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Balance at 1 July					
General funds		483,887	509,901	509,901	610,894
Revaluation reserve		-	23,741	23,741	23,741
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		483,887	533,642	533,642	634,635
Changes in Taxpayers' Funds					
Income and Expense for the Period					
Net surplus / (deficit) for the year		9,048	-	2,730	-
Total gains / (losses) taken to equity		24,633	-	-	-
Total Income and Expense for the Period		33,681	-	2,730	-
Other Changes					
Repayment of surplus		(8,868)	-	(2,730)	-
Capital contribution		26,705	100,993	100,993	41,514
Capital withdrawal		(1,773)	-	-	-
Other		10	-	-	-
Total Changes in Taxpayers' Funds		49,755	100,993	100,993	41,514
Balance at 30 June					
General funds		509,901	610,894	610,894	652,408
Revaluation reserve		23,741	23,741	23,741	23,741
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		533,642	634,635	634,635	676,149

Forecast Statement of Financial Position as at 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Assets					
Current Assets					
Cash and cash equivalents		22,271	75,956	78,686	60,621
Debtors and other receivables	5	59,321	54,317	54,317	44,317
Prepayments		2,590	3,600	3,600	3,600
Inventories		-	-	-	-
Other current assets		-	28	28	9
Total Current Assets		84,182	133,901	136,631	108,547
Non-current Assets					
Property, plant and equipment	6	438,382	451,089	469,079	520,422
Intangible assets		70,726	102,418	84,428	99,953
Other non-current assets		-	-	-	-
Total Non-current Assets		509,108	553,507	553,507	620,375
Total Assets		593,290	687,408	690,138	728,922
Liabilities					
Current Liabilities					
Creditors and other payables		13,690	15,473	15,473	15,473
Repayment of surplus		8,868	-	2,730	-
Employee entitlements		7,809	7,800	7,800	7,800
Other current liabilities		24,002	24,200	24,200	24,200
Total Current Liabilities		54,369	47,473	50,203	47,473
Non-current Liabilities					
Provisions		-	-	-	-
Employee entitlements		5,279	5,300	5,300	5,300
Other non-current liabilities		-	-	-	-
Total Non-current Liabilities		5,279	5,300	5,300	5,300
Total Liabilities		59,648	52,773	55,503	52,773
Taxpayers' Funds	7				
General funds		509,901	610,894	610,894	652,408
Revaluation reserve		23,741	23,741	23,741	23,741
Other reserves		-	-	-	-
Total Taxpayers' Funds		533,642	634,635	634,635	676,149
Total Liabilities and Taxpayers' Funds		593,290	687,408	690,138	728,922

Statement of Forecast Cash Flows for the year ending 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Cash Flows from Operating Activities					
Receipts from:					
Crown		353,849	406,263	406,263	451,892
Department(s)		7,159	5,711	5,711	5,697
Other		30,976	32,921	32,921	33,357
Interest		-	-	-	-
Payments to:					
Suppliers		(126,203)	(138,863)	(137,689)	(149,449)
Employees		(168,265)	(190,246)	(188,690)	(207,964)
Capital charge		(36,452)	(40,036)	(40,036)	(47,611)
Goods and services tax (net)		180	1,622	1,622	-
Other operating activities		(12,380)	(23,790)	(23,790)	(21,822)
Net Cash from Operating Activities	8	48,864	53,582	56,312	64,100
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		28	350	350	368
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
Purchase of:					
Property, plant and equipment		(47,079)	(48,769)	(66,759)	(93,638)
Intangible assets		(16,599)	(43,603)	(25,613)	(27,679)
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(63,650)	(92,022)	(92,022)	(120,949)
Cash Flow from Financing Activities					
Capital contribution		26,705	100,993	100,993	41,514
Other financing cash inflows		-	-	-	-
Repayment of surplus		(13,262)	(8,868)	(8,868)	(2,730)
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		13,443	92,125	92,125	38,784
Net Increase / (Decrease) in Cash		(1,343)	53,685	56,415	(18,065)
Cash at the beginning of the year		23,614	22,271	22,271	78,686
Cash at the end of the year		22,271	75,956	78,686	60,621

Department-Specific Accounting Policies

The Ministry of Justice has applied the accounting policies set out in Statement of Accounting Policies Standard included in this document, except as stated below.

Reporting Entity

These are the prospective financial statements of Ministry of Justice, prepared in accordance with section 38 of the Public Finance Act 1989.

Ministry of Justice is a Government Department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting Ministry of Justice is a public benefit entity.

Statement of Entity-Specific Accounting Policies

Property, Plant and Equipment

Asset capitalisation

Property, plant and equipment are initially recorded at cost of purchase.

These are capitalised

- if purchased individually and the cost price is greater than \$3,000
- if purchased as a group and the combined value is greater than \$5,000.

Capital work in progress is recognised as costs are incurred. Depreciation is not recorded until the asset is fully acceptance tested, operational and therefore capitalised.

The carrying amounts of plant, property and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Financial performance, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

Asset revaluation

Land and buildings are stated at fair value as determined by an independent registered valuer as at 30 June. Fair value is determined using market-based evidence. Revaluations are performed on a yearly basis although land and buildings are only physically inspected every three years. The last physical inspection was completed on 30 June 2006.

Any surplus on revaluation of a class of land or buildings is transferred directly to the applicable property, plant and equipment revaluation reserve within taxpayers' funds unless it offsets a previous decrease in value recognised in the *Statement of Financial Performance*, in which case, it is recognised in the *Statement of Financial Performance*.

A decrease in value relating to a class of land or buildings is recognised in the *Statement of Financial Performance* where it exceeds the surplus previously transferred to revaluation reserves.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Depreciation

Property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives after allowing for residual values (where appropriate by asset category). The estimated useful life of major asset categories is as follows:

- Buildings - up to 65 years.
- Fitout/Leasehold Improvements - up to 15 years.
- Computer Equipment - 4 to 7 years.
- Furniture and Fittings, Office equipment - 5 years.
- Motor Vehicles - 5 years.

Land and work in progress are not depreciated. The total cost of work in progress is transferred to the appropriate asset class on its completion and depreciated accordingly.

Leasehold improvements are depreciated over the remaining life of the lease or the estimated remaining lives of the improvements, whichever is shorter.

Disposal of property, plant and equipment

Where property, plant or equipment is disposed of, the gain or loss recognised in the *Statement of Financial Performance* is calculated as the difference between the sale price and the carrying amount. If an asset is sold that has contributed to the revaluation reserve, the related portion of the reserve is transferred to the general fund within taxpayers' funds.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the Statement of Financial Performance.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

Intangible assets

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only.

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Statement of Financial Performance on a straight-line basis over the useful life of the asset. Estimated useful lives are:

- Application Software - 4 to 7 years.
- Other Software - 4 to 7 years.

Realised gains and losses arising from the disposal of intangible assets are recognised in the Statement of Financial Performance in the period in which the transaction occurs. Unrealised gains and losses from changes in the value of intangible assets are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the Statement of Financial Performance, the gain is credited to the Statement of Financial Performance. Otherwise, gains are credited to an asset revaluation reserve for that asset. To the extent that there is a balance in the asset revaluation reserve for the intangible asset a revaluation loss is debited to the reserve. Otherwise losses are reported in the Statement of Financial Performance.

Employee Entitlements

Provision is made in respect of the Ministry's liability for annual, long service, sick and retirement leave. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Sick leave is recognised to the extent that absences in the coming year are expected to be greater than the entitlements earned in the coming year. Long service and retiring leave provisions have been calculated on an actuarial basis, based on the present value of expected future entitlements.

Superannuation

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

Cost Allocation

The Ministry derives the costs of outputs using a cost allocation system outlined below.

Cost Allocation Policy

Direct costs are charged to output classes as and when they occur. Indirect costs are accumulated and allocated to output classes based on cost drivers such as assessment of personnel time, building area occupied, or asset utilisation, which reflect an appropriate measure of resource consumption usage. Costs identified to overhead areas are accumulated and allocated to output classes based on resource consumption usage where possible (such as full-time equivalent staff numbers) or in proportion to the direct and indirect charges made to the output class.

Criteria for Direct and Indirect Costs

Direct costs are those costs that can be directly attributable to an output.

Indirect costs are those that cannot be identified in an economically feasible manner to a specific output.

Notes to the Financial Statements

Note 1 - Revenue Other

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Sale of Services to third Parties	32,923	31,802	31,802	32,251
Rental	-	161	161	161
Interest Revenue	-	945	945	945
Total	32,923	32,908	32,908	33,357

Note 2 - Personnel Costs

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Wage and salary	154,905	176,443	174,887	193,290
Government superannuation fund	439	490	490	437
State Sector Retirement Savings Schemes	1,654	3,354	3,354	3,471
ACC levies	730	1,053	1,053	1,053
Other personnel expenses	11,472	8,918	8,918	9,713
Total	169,200	190,258	188,702	207,964

Note 3 - Operating Expenses

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Audit fees	327	300	300	300
Consultants expenses	12,080	23,490	23,490	21,490
Rental and leasing costs	10,916	15,527	15,527	16,527
Other operating expenses	110,448	122,685	121,511	132,954
Total	133,741	162,002	160,828	171,271

Note 4 - Capital Charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds as at 30th June and 31st December each year. The Capital charge rate for the year ended 30 June 2009 is 7.5% (2008 7.5%).

Note 5 - Debtors and Receivables

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Sundry Debtors	4,321	4,317	4,317	4317
Debtor Crown	55,000	50,000	50,000	40,000
Total	59,321	54,317	54,317	44,317

Note 6 - Property, Plant and Equipment

	Land \$000	Buildings \$000	Leasehold improvements \$000	Furniture/office equipment \$000	Other \$000	Total \$000
Cost or revaluation						
Balance as at 1 July 2008	142,510	303,178	-	10,919	85,084	541,691
Additions by purchase	1,499	62,721	-	3,000	26,418	93,638
Additions internally developed	-	-	-	-	-	-
Revaluation increase	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-
Disposals	-	-	-	-	(368)	(368)
Balance as at 30 June 2009	144,009	365,899	-	13,919	111,134	634,961
Accumulated depreciation and impairment losses						
Balance as at 1 July 2008	-	26,677	-	4,465	41,470	72,612
Depreciation expense	-	30,173	-	775	10,979	41,927
Eliminate on disposal	-	-	-	-	-	-
Eliminate on revaluation	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Balance as at 30 June 2009	-	56,850	-	5,240	52,449	114,539
Carrying amount as at 30 June 2009	144,009	309,049	-	8,679	58,685	520,422

Note 7 - Taxpayers' Funds

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
General Funds				
Opening funds	483,887	509,901	610,894	610,894
Operating balance	9,048	-	2,730	-
Transfer to surplus repayment provision	(8,868)	-	(2,730)	-
Capital contribution	26,705	100,993	100,993	41,514
Other movement	(871)	-	-	-
Closing General Funds	509,901	610,894	610,894	652,408
Revaluation Reserve	23,741	23,741	23,741	23,741
Total Taxpayers' Funds	533,642	634,635	634,635	676,149

Note 8 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities for the Year Ended 30 June 2008

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Net surplus/(deficit)	-	-	2,730	-
Add/(less) non-cash items				
Depreciation and amortisation expense	43,659	47,595	47,595	54,100
Total non-cash items	43,659	47,552	47,595	54,100
Add/(less) movements in working capital items				
Dec in debtors and other receivables	2,489	3,994	3,994	10,000
Inc in creditors and payables	2,716	1,993	1,994	-
Net movements in working capital items	5,205	5,987	5,987	10,000
Net cash from operating activities	48,864	53,582	56,312	64,100