

Forecast Financial Statements

New Zealand Customs Service

Statement of Forecast Comprehensive Income for the year ending 30 June 2010

| | | 2007/08 | 2008/09 | | 2009/10 |
|-----------------------------------|------|-----------------|----------------------------|------------------------------|-------------------|
| | Note | Actual \$000 | In 2008 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Income | | | | | |
| Crown | | 84,216 | 82,349 | 82,474 | 82,300 |
| Department(s) | | 2,666 | 2,168 | 2,977 | 2,574 |
| Other revenue | 1 | 31,434 | 39,315 | 36,475 | 39,415 |
| Gains | | - | - | - | - |
| Interest | | - | - | - | - |
| Total Income | | 118,316 | 123,832 | 121,926 | 124,289 |
| Expenses | | | | | |
| Personnel | | 75,240 | 82,869 | 80,522 | 82,873 |
| Operating | 2 | 33,083 | 30,093 | 33,934 | 30,932 |
| Depreciation and amortisation | | 7,064 | 7,900 | 6,000 | 7,456 |
| Capital charge | | 2,895 | 2,970 | 2,970 | 3,028 |
| Finance costs | | - | - | - | - |
| Other | | 24 | - | - | - |
| Total Expenses | | 118,306 | 123,832 | 123,426 | 124,289 |
| Net Surplus / (Deficit) | | 10 | - | (1,500) | - |
| Other comprehensive income | | - | - | - | - |
| Total Comprehensive Income | | 10 | - | (1,500) | - |

Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2010

| | Note | 2007/08 | 2008/09 | | 2009/10 |
|--|------|-----------------|----------------------------|------------------------------|-------------------|
| | | Actual \$000 | In 2008 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Balance at 1 July | | | | | |
| General funds | | 38,402 | 39,602 | 39,602 | 38,102 |
| Revaluation reserve | | - | - | - | - |
| Other reserves | | - | - | - | - |
| Taxpayers' Funds Opening Balance | | 38,402 | 39,602 | 39,602 | 38,102 |
| Changes in Taxpayers' Funds | | | | | |
| Comprehensive income for the period | | 10 | - | (1,500) | - |
| Repayment of surplus | | (10) | - | - | - |
| Capital contribution | | 1,200 | - | - | 12,211 |
| Capital withdrawal | | - | - | - | (108) |
| Other | | - | - | - | - |
| Total Changes in Taxpayers' Funds | | 1,200 | - | (1,500) | 12,103 |
| Balance at 30 June | | | | | |
| General funds | | 39,602 | 39,602 | 38,102 | 50,205 |
| Revaluation reserve | | - | - | - | - |
| Other reserves | | - | - | - | - |
| Taxpayers' Funds Closing Balance | | 39,602 | 39,602 | 38,102 | 50,205 |

Forecast Statement of Financial Position as at 30 June 2010

| | | 2007/08 | 2008/09 | | 2009/10 |
|---|------|-----------------|----------------------------|------------------------------|-------------------|
| | Note | Actual \$000 | In 2008 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | | 23,521 | 19,938 | 21,361 | 19,919 |
| Debtors and other receivables | 3 | 3,670 | 4,326 | 4,347 | 4,347 |
| Prepayments | | 427 | 1,088 | 500 | 500 |
| Inventories | | - | - | - | - |
| Other current assets | | - | - | - | - |
| Total Current Assets | | 27,618 | 25,352 | 26,208 | 24,766 |
| Non-current Assets | | | | | |
| Property, plant and equipment | 4 | 24,404 | 26,303 | 24,205 | 35,642 |
| Intangible assets | 5 | 3,936 | 4,627 | 4,335 | 6,443 |
| Other non-current assets | | - | - | - | - |
| Total Non-current Assets | | 28,340 | 30,930 | 28,540 | 42,085 |
| Total Assets | | 55,958 | 56,282 | 54,748 | 66,851 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Creditors and other payables | | 5,554 | 6,948 | 5,354 | 5,354 |
| Repayment of surplus | | 10 | - | - | - |
| Employee entitlements | 7 | 6,908 | 6,404 | 6,808 | 6,808 |
| Other current liabilities | | 32 | 128 | 32 | 32 |
| Total Current Liabilities | | 12,504 | 13,480 | 12,194 | 12,194 |
| Non-current Liabilities | | | | | |
| Provisions | 6 | 200 | 200 | 200 | 200 |
| Employee entitlements | | 3,652 | 3,000 | 4,252 | 4,252 |
| Other non-current liabilities | | - | - | - | - |
| Total Non-current Liabilities | | 3,852 | 3,200 | 4,452 | 4,452 |
| Total Liabilities | | 16,356 | 16,680 | 16,646 | 16,646 |
| Taxpayers' Funds | | | | | |
| General funds | | 39,602 | 39,602 | 38,102 | 50,205 |
| Revaluation reserve | | - | - | - | - |
| Other reserves | | - | - | - | - |
| Total Taxpayers' Funds | | 39,602 | 39,602 | 38,102 | 50,205 |
| Total Liabilities and Taxpayers' Funds | | 55,958 | 56,282 | 54,748 | 66,851 |

Statement of Forecast Cash Flows for the year ending 30 June 2010

| | | 2007/08 | 2008/09 | | 2009/10 |
|---|------|-----------------|----------------------------|------------------------------|-------------------|
| | Note | Actual \$000 | In 2008 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Cash Flows from Operating Activities | | | | | |
| Receipts from: | | | | | |
| Crown | | 84,226 | 82,349 | 82,464 | 82,300 |
| Department(s) | | 2,967 | 2,168 | 2,977 | 2,574 |
| Other | | 31,116 | 38,715 | 35,808 | 39,415 |
| Interest | | - | - | - | - |
| Payments to: | | | | | |
| Suppliers | | (31,178) | (30,476) | (34,090) | (31,315) |
| Employees | | (74,795) | (82,186) | (80,139) | (82,490) |
| Capital charge | | (2,895) | (2,970) | (2,970) | (3,028) |
| Goods and services tax (net) | | (37) | - | - | - |
| Other operating activities | | (29) | - | - | - |
| Net Cash from Operating Activities | 8 | 9,375 | 7,600 | 4,050 | 7,456 |
| Cash Flow from Investing Activities | | | | | |
| Receipts from: | | | | | |
| Sale of property, plant and equipment | | 73 | 300 | 300 | 300 |
| Sale of intangible assets | | - | - | - | - |
| Sale of other non-current assets | | - | - | - | - |
| Purchase of: | | | | | |
| Property, plant and equipment | | (5,153) | (9,905) | (5,100) | (17,413) |
| Intangible assets | | - | - | (1,400) | (3,888) |
| Other non-current assets | | (17) | - | - | - |
| Net Cash from Investing Activities | | (5,097) | (9,605) | (6,200) | (21,001) |
| Cash Flow from Financing Activities | | | | | |
| Capital contribution | | 1,200 | - | - | 12,211 |
| Other financing cash inflows | | - | - | - | - |
| Repayment of surplus | | - | - | (10) | - |
| Capital withdrawal | | - | - | - | (108) |
| Other financing cash outflows | | - | - | - | - |
| Net Cash from Financing Activities | | 1,200 | - | (10) | 12,103 |
| Net Increase / (Decrease) in Cash | | 5,478 | (2,005) | (2,160) | (1,442) |
| Cash at the beginning of the year | | 18,043 | 21,943 | 23,521 | 21,361 |
| Cash at the end of the year | | 23,521 | 19,938 | 21,361 | 19,919 |

Statement of Significant Assumptions

These forecast financial statements have been compiled on the basis of existing government policies and Ministerial expectations at the time the statements were finalised.

The main assumptions are as follows:

- The department's activities will remain substantially the same as for the previous year.
- Personnel costs are based on up to 1260 full-time equivalents.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.
- Estimated year end information for 2008/09 is used as the opening position for the 2009/10 forecasts.

These assumptions are adopted as at 20th April 2009.

Statement of Entity-Specific Accounting Policies

The New Zealand Customs Service (Customs) has applied the accounting policies set out in Statement of Common Accounting Policies in this document, except as stated below.

Reporting Entity

Customs is a government department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting, Customs is a public benefit entity.

Customs mitigates risks to the New Zealand economy and society posed by international movement of people, goods and craft, facilitation of legitimate trade and travel, and collection of revenue to support government's social economy and fiscal objectives. In addition, Customs reports on Crown activities and trust monies which it administers.

Authorisation Statement

These forecast financial statements were authorised for issue by Customs on 20th April 2009. Customs is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosure.

Specific Accounting Policies

Capitalisation

The capitalisation thresholds are set out below:

- Intangible assets (computer software) \$1,000.
- All other property plant and equipment \$500.

Depreciation

The estimated useful lives of property, plant and equipment are set out below:

- Launch and watercraft - 10 years.
- Computer equipment/hardware - 4 years.
- Motor vehicles - 5 years.
- Furniture and office equipment - 5 years.

- Plant and equipment - 5-10 years.
- Intangible assets (computer software) - 5-10 years.

The cost of leasehold improvements is capitalised and amortised over the unexpired period of the lease or over the estimated remaining useful lives of the improvements, whichever is shorter.

Cost Allocation

Customs has determined the costs of outputs using a cost allocation system, which is outlined below.

Cost allocation policy

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

Criteria for direct and indirect costs

"Direct Costs" are those costs directly attributed to an output. "Indirect Costs" are those costs that cannot be identified in an economically feasible manner with a specific output.

Direct costs assigned to outputs

Direct costs are charged directly to outputs, where appropriate. This includes depreciation and occupancy costs.

Basis for assigning indirect and corporate costs to outputs

Indirect costs are assigned to outputs based on a proportion of direct staff costs usage for each output.

Notes to the Financial Statements

Note 1 - Other Revenue

| | 2007/08 | 2008/09 | | 2009/10 |
|---|-----------------|----------------------------|------------------------------|-------------------|
| | Actual \$000 | In 2008 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Sale of Publications | 185 | 181 | 181 | 181 |
| Compliance Activity - Officers' Time | 492 | 462 | 462 | 462 |
| Compliance Activities - Other | 284 | 305 | 305 | 305 |
| Overseas Aid Projects | 762 | 398 | 1178 | 736 |
| Information Processing | 377 | 169 | 558 | 37 |
| Cost Recoveries - Other | 974 | 1,120 | 1,120 | 1,120 |
| Import Entry Transaction Fees | 23,253 | 23,595 | 20,595 | 23,595 |
| Goods Cost Recovery | 6,559 | 13,996 | 13,496 | 13,996 |
| State Sector Retirement Savings Scheme Recoveries | 1,214 | 1,257 | 1,557 | 1,557 |
| Less: Departmental revenue | 2,666 | 2,168 | 2,977 | 2,574 |
| Total other revenue | 31,434 | 39,315 | 36,475 | 39,415 |

Note 2 - Operating Expenses

| | 2007/08 | 2008/09 | | 2009/10 |
|--|-----------------|----------------------------|------------------------------|-------------------|
| | Actual \$000 | In 2008 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Operating expenses include: | | | | |
| Net loss on sale of fixed assets | 1 | - | - | - |
| Bad debts written-off | 22 | - | - | - |
| Increase (decrease) in provision for doubtful debts | -18 | - | - | - |
| Audit fees to auditors for audit of financial statements | 210 | 230 | 230 | 230 |
| Audit fees to auditors for NZ IFRS transition | 16 | - | - | - |
| Fees to auditors for other services provided | 9 | - | - | - |
| Operating lease rentals | 5,565 | 5,885 | 6,035 | 6,135 |
| Occupancy costs (excluding rentals) | 1,604 | 1,282 | 1,682 | 1,782 |
| Computer equipment costs | 2,073 | 1,456 | 1,844 | 1,844 |
| Communication costs | 1,842 | 2,049 | 1,942 | 1,990 |
| Net Foreign exchange losses | 11 | 215 | 11 | 11 |
| Consultants' fees | 2,445 | 790 | 2,990 | 890 |
| Overseas travel | 1,163 | 863 | 900 | 600 |
| Domestic travel | 2,646 | 2,551 | 2,951 | 2,200 |
| Other operating costs | 15,494 | 14,772 | 15,349 | 15,250 |
| Total | 33,083 | 30,093 | 33,934 | 30,932 |

Note 3 - Debtors and Other Receivables

| | 2007/08 | 2008/09 | | 2009/10 |
|---------------------------------------|-----------------|----------------------------|------------------------------|-------------------|
| | Actual \$000 | In 2008 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Trade debtors | 273 | 421 | 421 | 421 |
| Less: Provision for doubtful debts | -18 | -5 | -5 | -5 |
| Net trade debtors | 255 | 416 | 416 | 416 |
| Receivables | 700 | 1,354 | 1,375 | 1,375 |
| Debtor - Import Entry Transaction Fee | 1,591 | 1,491 | 1,491 | 1,491 |
| Debtor - Crown | 125 | 115 | 115 | 115 |
| Debtor - Goods Cost Recovery | 999 | 950 | 950 | 950 |
| Total debtors and receivables | 3,670 | 4,326 | 4,347 | 4,347 |

Note 4 - 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 2009 | - | - | 5,211 | 2,710 | 46,160 | 54,081 |
| Additions by purchase | - | - | 8,000 | 1,050 | 8,363 | 17,413 |
| Additions internally developed | - | - | - | - | - | - |
| Revaluation increase | - | - | - | - | - | - |
| Transfers between classes | - | - | - | - | - | - |
| Disposals | - | - | - | - | 800 | 800 |
| Balance as at 30 June 2010 | - | - | 13,211 | 3,760 | 53,723 | 70,694 |
| Accumulated depreciation and impairment losses | | | | | | |
| Balance as at 1 July 2009 | - | - | 2,788 | 2,075 | 25,013 | 29,876 |
| Depreciation expense | - | - | 1,233 | 311 | 4,132 | 5,676 |
| Eliminate on disposal | - | - | - | - | 500 | 500 |
| Eliminate on revaluation | - | - | - | - | - | - |
| Transfers between classes | - | - | - | - | - | - |
| Impairment losses | - | - | - | - | - | - |
| Balance as at 30 June 2010 | - | - | 4,021 | 2,386 | 28,645 | 35,052 |
| Carrying amount as at 30 June 2010 | - | - | 9,190 | 1,374 | 25,078 | 35,642 |

Note 5 - Intangible Assets

| | Acquired software \$000 | Internally generated software \$000 | Other \$000 | Total \$000 |
|---|----------------------------|---|----------------|----------------|
| Cost | | | | |
| Balance as at 1 July 2009 | 3,110 | 18,567 | - | 21,677 |
| Additions by purchase | 300 | 3,588 | - | 3,888 |
| Additions internally developed | - | - | - | - |
| Disposals | - | - | - | - |
| Balance as at 30 June 2010 | 3,410 | 22,155 | - | 25,565 |
| Accumulated amortisation and impairment losses | | | | |
| Balance as at 1 July 2009 | 785 | 16,557 | - | 17,342 |
| Amortisation expense | 95 | 1,685 | - | 1,780 |
| Disposals | - | - | - | - |
| Impairment losses | - | - | - | - |
| Balance as at 30 June 2010 | 880 | 18,242 | - | 19,122 |
| Carrying amount as at 30 June 2010 | 2,530 | 3,913 | - | 6,443 |

Note 6 - Provision

| | 2007/08 | 2008/09 | | 2009/10 |
|---------------------|-----------------|----------------------------|------------------------------|-------------------|
| | Actual \$000 | In 2008 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Make good provision | 200 | 200 | 200 | 200 |
| Total | 200 | 200 | 200 | 200 |

Note 7 - Employee Entitlements

| | 2007/08 | 2008/09 | | 2009/10 |
|------------------------------------|-----------------|----------------------------|------------------------------|-------------------|
| | Actual \$000 | In 2008 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Current Liabilities | | | | |
| Personnel accruals | 2,319 | 1,819 | 2,119 | 2,219 |
| Annual leave | 3,579 | 3,579 | 3,479 | 3,379 |
| Retirement and long service leave | 1,010 | 1,010 | 1,210 | 1,210 |
| Total current portion | 6,908 | 6,404 | 6,808 | 6,808 |
| Non-current Liabilities | | | | |
| Retirement and long service leave | 3,652 | 3,000 | 4,252 | 4,252 |
| Total non-current portion | 3,652 | 3,000 | 4,252 | 4,252 |
| Total employee entitlements | 10,560 | 9,404 | 11,060 | 11,060 |

Note 8 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities for the year ending 30 June 2010

| | 2007/08 | 2008/09 | | 2009/10 |
|---|-----------------|----------------------------|------------------------------|-------------------|
| | Actual \$000 | In 2008 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Net surplus/(deficit) | 10 | - | -1,500 | - |
| Add/(less) non-cash items | | | | |
| Depreciation and amortisation expense | 7,064 | 7,900 | 6,000 | 7,456 |
| Other non-cash items | - | - | - | - |
| Total non-cash items | 7,064 | 7,900 | 6,000 | 7,456 |
| Add/(less) items classified as investing or financing activities | | | | |
| (Gains)/losses on disposal property, plant and equipment | 1 | - | - | - |
| Total items classified as investing or financing activities | 1 | - | - | - |
| Add/(less) movements in working capital items | | | | |
| (Inc)/Dec in debtors and other receivables | 70 | -656 | -677 | - |
| (Inc)/Dec in prepayments | 665 | -661 | -73 | - |
| Inc/(Dec) in creditors and other payables | 201 | 2,775 | -200 | - |
| Inc/(Dec) in employee entitlements | 1,453 | -1,844 | 500 | - |
| Inc/(Dec) in other short term liabilities | -89 | 86 | - | - |
| Net movements in working capital items | 2,300 | -300 | -450 | - |
| Net cash from operating activities | 9,375 | 7,600 | 4,050 | 7,456 |