

# *Forecast Financial Statements*

*Ministry of Defence*

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## 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
<b>Income</b>					
Crown		9,398	9,398	9,688	10,308
Department(s)	1	233	203	1,654	203
Other revenue		-	-	-	-
Gains		-	-	-	-
Interest		-	-	-	-
<b>Total Income</b>		<b>9,631</b>	<b>9,601</b>	<b>11,342</b>	<b>10,511</b>
<b>Expenses</b>					
Personnel		6,204	6,622	6,612	7,193
Operating	2	2,754	2,352	4,202	2,762
Depreciation and amortisation		262	371	272	300
Capital charge		256	256	256	256
Finance costs		-	-	-	-
Other		-	-	-	-
<b>Total Expenses</b>	8	<b>9,476</b>	<b>9,601</b>	<b>11,342</b>	<b>10,511</b>
<b>Net Surplus / (Deficit)</b>	9	<b>155</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other comprehensive income		-	-	-	-
<b>Total Comprehensive Income</b>		<b>155</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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
<b>Balance at 1 July</b>					
General funds		3,416	3,416	3,416	3,416
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Taxpayers' Funds Opening Balance</b>		3,416	3,416	3,416	3,416
<b>Changes in Taxpayers' Funds</b>					
Comprehensive income for the period		155	-	-	-
Repayment of surplus		(155)	-	-	-
Capital contribution		-	-	-	-
Capital withdrawal		-	-	-	-
Other		-	-	-	-
<b>Total Changes in Taxpayers' Funds</b>		-	-	-	-
<b>Balance at 30 June</b>					
General funds		3,416	3,416	3,416	3,416
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Taxpayers' Funds Closing Balance</b>		3,416	3,416	3,416	3,416

## 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
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents		1,917	1,318	1,642	1,322
Debtors and other receivables	3	195	250	245	431
Prepayments		14	13	15	25
Inventories		-	-	-	-
Other current assets		-	-	-	-
<b>Total Current Assets</b>		<b>2,126</b>	<b>1,581</b>	<b>1,902</b>	<b>1,778</b>
<b>Non-current Assets</b>					
Property, plant and equipment	4	2,510	2,662	2,563	2,433
Intangible assets	5	148	143	198	348
Other non-current assets		-	-	-	-
<b>Total Non-current Assets</b>		<b>2,658</b>	<b>2,805</b>	<b>2,761</b>	<b>2,781</b>
<b>Total Assets</b>		<b>4,784</b>	<b>4,386</b>	<b>4,663</b>	<b>4,559</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Creditors and other payables	6	628	317	617	445
Repayment of surplus		155	-	-	-
Employee entitlements	7	375	425	400	450
Other current liabilities		-	-	-	-
<b>Total Current Liabilities</b>		<b>1,158</b>	<b>742</b>	<b>1,017</b>	<b>895</b>
<b>Non-current Liabilities</b>					
Provisions		-	-	-	-
Employee entitlements	7	210	228	230	248
Other non-current liabilities		-	-	-	-
<b>Total Non-current Liabilities</b>		<b>210</b>	<b>228</b>	<b>230</b>	<b>248</b>
<b>Total Liabilities</b>		<b>1,368</b>	<b>970</b>	<b>1,247</b>	<b>1,143</b>
<b>Taxpayers' Funds</b>					
General funds		3,416	3,416	3,416	3,416
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Total Taxpayers' Funds</b>		<b>3,416</b>	<b>3,416</b>	<b>3,416</b>	<b>3,416</b>
<b>Total Liabilities and Taxpayers' Funds</b>		<b>4,784</b>	<b>4,386</b>	<b>4,663</b>	<b>4,559</b>

## 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
<b>Cash Flows from Operating Activities</b>					
<b>Receipts from:</b>					
Crown		9,398	9,398	9,688	9,398
Department(s)		250	203	1,654	203
Other		-	-	-	-
Interest		-	-	-	-
<b>Payments to:</b>					
Suppliers		(2,735)	(2,759)	(4,847)	(2,716)
Employees		(6,095)	(6,278)	(6,359)	(6,749)
Capital charge		(256)	(256)	(256)	(256)
Goods and services tax (net)		-	-	120	120
Other operating activities		-	-	-	-
<b>Net Cash from Operating Activities</b>		<b>562</b>	<b>308</b>	<b>-</b>	<b>-</b>
<b>Cash Flow from Investing Activities</b>					
<b>Receipts from:</b>					
Sale of property, plant and equipment		-	-	-	-
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
<b>Purchase of:</b>					
Property, plant and equipment		(323)	(350)	(275)	(320)
Intangible assets		(26)	-	-	-
Other non-current assets		-	-	-	-
<b>Net Cash from Investing Activities</b>		<b>(349)</b>	<b>(350)</b>	<b>(275)</b>	<b>(320)</b>
<b>Cash Flow from Financing Activities</b>					
Capital contribution		-	-	-	-
Other financing cash inflows		-	-	-	-
Repayment of surplus		(740)	(244)	-	-
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
<b>Net Cash from Financing Activities</b>		<b>(740)</b>	<b>(244)</b>	<b>-</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash</b>		<b>(527)</b>	<b>(286)</b>	<b>(275)</b>	<b>(320)</b>
Cash at the beginning of the year		2,444	1,604	1,917	1,642
<b>Cash at the end of the year</b>		<b>1,917</b>	<b>1,318</b>	<b>1,642</b>	<b>1,322</b>

## 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 70 staff positions.
- 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 3 April 2009.

Factors that could lead to material differences between the forecast financial statements and the 2009/10 actual financial statements include:

- Changes to the baseline budget through new initiatives, or technical adjustments.

## Statement of Entity-Specific Accounting Policies

The Ministry of Defence 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 Defence, prepared in accordance with section 38 of the Public Finance Act 1989.

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

### Authorisation Statement

These forecast financial statements were authorised for issue by the Secretary of Defence on 3 April 2009. The Ministry of Defence is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements presented and all other required disclosures.

### Specific Accounting Policies

#### *Property, Plant and Equipment*

The capitalisation threshold for property, plant and equipment is \$5,000.

#### *Depreciation*

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

- Leasehold improvements - 18 years.
- IT equipment / hardware - 3-5 years.
- Furniture and office equipment - 7 years.

### *Intangible Assets*

The capitalisation threshold for intangible assets is \$5,000.

The estimated useful life of intangible assets is 3 years.

### *Cost Allocation*

The Ministry derives the cost of outputs using a cost allocation system that is outlined below:

#### **Criteria for direct and indirect costs**

"Direct costs" are those costs directly attributable 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 assigned to outputs by charging payments to specific job numbers. Selection of "general cost" job numbers within an output class will treat the expense as a direct cost to the output even though a specific job within the output class has not been identified.

#### **Basis for assigning indirect and corporate costs to outputs**

Indirect costs are assigned to outputs by charging payments to a corporate job number. The accounting system is programmed to allocate job costs to three output classes on a predetermined percentage for each expense item. The percentage number is an assessment of services to be provided to each output class in the ensuing year.

# Notes to the Financial Statements

## Note 1 - Other Revenue - Department

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Employer superannuation subsidy recovery	163	203	203	203
New Zealand Defence Force pre-acquisition costs	52	-	1,451	-
Pay and Employment Equity Review Recovery	18	-	-	-
<b>Total Other Revenue</b>	<b>233</b>	<b>203</b>	<b>1,654</b>	<b>203</b>

## Note 2 - Operating Expenses

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Consultants' fees	250	140	1,298	879
Domestic travel	76	87	91	91
Overseas travel	295	248	234	234
Other	2,133	1,877	2,579	1,558
<b>Total Operating Expenses</b>	<b>2,754</b>	<b>2,352</b>	<b>4,202</b>	<b>2,762</b>

## Note 3 - Debtors and Other Receivables

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Debtor Crown	99	250	245	431
Debtor Other	96	-	-	-
<b>Total Debtors and Other Receivables</b>	<b>195</b>	<b>250</b>	<b>245</b>	<b>431</b>



**Note 4 - Plant, Property and Equipment**

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Cost or Revaluation</b>				
Opening balance as at 1 July	3,663	3,913	3,751	4,026
Additions by purchase	103	375	275	320
Disposals	(15)	(150)	-	(200)
<b>Closing balance as at 30 June</b>	<b>3,751</b>	<b>4,138</b>	<b>4,026</b>	<b>4,146</b>
<b>Accumulated depreciation</b>				
Opening balance as at 1 July	1,030	1,306	1,241	1,463
Depreciation expense	211	320	222	250
Disposals	-	(150)	-	-
<b>Closing balance as at 30 June</b>	<b>1,241</b>	<b>1,476</b>	<b>1,463</b>	<b>1,713</b>
<b>Net Plant Property and Equipment at 30 June</b>	<b>2,510</b>	<b>2,662</b>	<b>2,563</b>	<b>2,433</b>

**Note 5 - Intangible Assets**

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Cost</b>	527	572	588	688
Additions by purchase or reclassification	61	83	100	200
<b>Closing balance as at 30 June</b>	<b>588</b>	<b>655</b>	<b>688</b>	<b>888</b>
<b>Accumulated amortisation and impairment losses</b>				
Opening balance as at 1 July	389	461	440	490
Amortisation expense	51	51	50	50
<b>Closing balance as at 30 June</b>	<b>440</b>	<b>512</b>	<b>490</b>	<b>540</b>
<b>Carrying amount as at 30 June</b>	<b>148</b>	<b>143</b>	<b>198</b>	<b>348</b>

**Note 6 - Current Liabilities**

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Creditors and Other Payables	169	130	372	200
Accrued Expenses	316	67	125	125
GST payable	121	120	120	120
Accrued expenses for property, plant and equipment	22	-	-	-
<b>Total</b>	<b>628</b>	<b>317</b>	<b>617</b>	<b>445</b>

**Note 7 - Employee Entitlements**

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Salaries payable	-	78	-	-
Annual Leave	360	332	383	433
Sick leave	15	15	17	17
<b>Total current employee entitlements</b>	<b>375</b>	<b>425</b>	<b>400</b>	<b>450</b>
Long service, retirement and resigning leave	210	228	230	248
<b>Total non current employee entitlements</b>	<b>210</b>	<b>228</b>	<b>230</b>	<b>248</b>
<b>Total Employee Entitlements</b>	<b>585</b>	<b>653</b>	<b>630</b>	<b>698</b>

**Note 8 - Reconciliation of Departmental Expenses and Appropriations**

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Appropriations for output expenses				
Total for Vote Defence	9,476	9,601	11,342	10,511
<b>Total</b>	<b>9,476</b>	<b>9,601</b>	<b>11,342</b>	<b>10,511</b>

**Note 9 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities for the year ending 30 June 2009**

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Net Surplus/(deficit)</b>	<b>155</b>	-	-	-
<b>Add/(less) non-cash items</b>				
Depreciation and amortisation expense	262	371	272	300
Net gains on derivative financial instruments	22	-	-	-
<b>Total non-cash items</b>	<b>284</b>	<b>371</b>	<b>272</b>	<b>300</b>
<b>Add/(less) items classified as savings or financing activities</b>				
<b>Total items classified as investing or financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Add/(less) movements in working capital items</b>				
(Inc)/Dec in debtors and other receivables	11	-	(50)	5
(Inc)/Dec in prepayments	(1)	-	(1)	(2)
(Inc)/Dec in creditors and other payables	108	(108)	(176)	(308)
(Inc)/Dec in employee entitlements	5	25	(25)	(20)
<b>Net movements in working capital items</b>	<b>123</b>	<b>(83)</b>	<b>(252)</b>	<b>(325)</b>
<b>Add/(Less) movements in non-current liabilities</b>	-			
(Inc)/Dec in employee entitlements	-	20	(20)	25
<b>Net movement in non-current liabilities</b>	-	<b>20</b>	<b>(20)</b>	<b>25</b>
<b>Net cash from operating activities</b>	<b>562</b>	<b>308</b>	-	-