

# *Forecast Financial Statements*

*Ministry of Foreign Affairs  
and Trade*

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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		292,748	331,091	325,698	386,807
Department(s)		12,019	11,731	12,212	12,819
Other revenue		3,190	2,260	2,260	2,080
Gains	1	6,017	-	10,000	-
Interest		104	100	100	100
<b>Total Income</b>		<b>314,078</b>	<b>345,182</b>	<b>350,270</b>	<b>401,806</b>
<b>Expenses</b>					
Personnel		143,556	171,183	162,231	182,948
Operating	2	105,882	127,634	131,608	158,458
Depreciation and amortisation		15,773	19,643	17,798	20,900
Capital charge		25,135	26,622	26,508	39,400
Finance costs		-	-	-	-
Other		3,056	-	-	-
<b>Total Expenses</b>	9	<b>293,402</b>	<b>345,082</b>	<b>338,145</b>	<b>401,706</b>
<b>Net Surplus / (Deficit)</b>		<b>20,676</b>	<b>100</b>	<b>12,125</b>	<b>100</b>
Other comprehensive income	3	-	-	176,917	-
<b>Total Comprehensive Income</b>		<b>20,676</b>	<b>100</b>	<b>189,042</b>	<b>100</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		330,987	348,156	348,421	358,447
Revaluation reserve		-	-	-	176,917
Other reserves		-	-	-	-
<b>Taxpayers' Funds Opening Balance</b>		330,987	348,156	348,421	535,364
<b>Changes in Taxpayers' Funds</b>					
Comprehensive income for the period		20,676	100	189,042	100
Repayment of surplus		(22,711)	(100)	(2,099)	(100)
Capital contribution		19,469	10,000	-	40,000
Capital withdrawal		-	-	-	(171)
Other		-	-	-	-
<b>Total Changes in Taxpayers' Funds</b>		17,434	10,000	186,943	39,829
<b>Balance at 30 June</b>					
General funds		348,421	358,156	358,447	398,276
Revaluation reserve		-	-	176,917	176,917
Other reserves		-	-	-	-
<b>Taxpayers' Funds Closing Balance</b>		348,421	358,156	535,364	575,193

## Forecast Statement of Financial Position as at 30 June 2010

	Note	2007/08	2008/09		2009/10
		Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents		66,802	29,253	25,051	61,314
Debtors and other receivables	4	36,726	2,004	49,654	1,883
Prepayments		3,654	3,906	3,654	3,654
Inventories		-	-	-	-
Other current assets		2,622	18	12,622	12,622
<b>Total Current Assets</b>		<b>109,804</b>	<b>35,181</b>	<b>90,981</b>	<b>79,473</b>
<b>Non-current Assets</b>					
Property, plant and equipment	5	290,525	351,774	479,210	506,860
Intangible assets	6	11,222	14,195	15,801	27,463
Other non-current assets		2,839	2,278	2,839	2,839
<b>Total Non-current Assets</b>		<b>304,586</b>	<b>368,247</b>	<b>497,850</b>	<b>537,162</b>
<b>Total Assets</b>		<b>414,390</b>	<b>403,428</b>	<b>588,831</b>	<b>616,635</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Creditors and other payables		17,238	14,565	17,238	17,238
Repayment of surplus		22,711	100	12,125	100
Employee entitlements		13,755	12,673	13,755	13,755
Other current liabilities	7	877	9,017	(1,039)	(1,039)
<b>Total Current Liabilities</b>		<b>54,581</b>	<b>36,355</b>	<b>42,079</b>	<b>30,054</b>
<b>Non-current Liabilities</b>					
Provisions		-	-	-	-
Employee entitlements		11,388	8,917	11,388	11,388
Other non-current liabilities		-	-	-	-
<b>Total Non-current Liabilities</b>		<b>11,388</b>	<b>8,917</b>	<b>11,388</b>	<b>11,388</b>
<b>Total Liabilities</b>		<b>65,969</b>	<b>45,272</b>	<b>53,467</b>	<b>41,442</b>
<b>Taxpayers' Funds</b>					
General funds		348,421	358,156	358,447	398,276
Revaluation reserve		-	-	176,917	176,917
Other reserves		-	-	-	-
<b>Total Taxpayers' Funds</b>		<b>348,421</b>	<b>358,156</b>	<b>535,364</b>	<b>575,193</b>
<b>Total Liabilities and Taxpayers' Funds</b>		<b>414,390</b>	<b>403,428</b>	<b>588,831</b>	<b>616,635</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>	8				
<b>Receipts from:</b>					
Crown		257,905	365,934	312,770	434,578
Department(s)		12,019	11,731	12,212	12,819
Other		3,294	2,360	2,360	2,180
Interest		-	-	-	-
<b>Payments to:</b>					
Suppliers		(106,379)	(128,180)	(132,110)	(158,960)
Employees		(143,059)	(170,637)	(161,729)	(182,446)
Capital charge		(25,135)	(26,622)	(26,508)	(39,400)
Goods and services tax (net)		119	-	-	-
Other operating activities		(1,859)	-	(1,916)	-
<b>Net Cash from Operating Activities</b>		(3,095)	54,586	5,079	68,771
<b>Cash Flow from Investing Activities</b>					
<b>Receipts from:</b>					
Sale of property, plant and equipment		6,803	300	300	300
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
<b>Purchase of:</b>					
Property, plant and equipment		(19,802)	(60,180)	(27,961)	(46,246)
Intangible assets		(4,361)	(8,453)	(6,484)	(14,266)
Other non-current assets		-	-	-	-
<b>Net Cash from Investing Activities</b>		(17,360)	(68,333)	(34,145)	(60,212)
<b>Cash Flow from Financing Activities</b>					
Capital contribution		19,469	10,000	-	40,000
Other financing cash inflows		-	-	-	-
Repayment of surplus		(3,328)	(6,000)	(12,685)	(12,125)
Capital withdrawal		-	-	-	(171)
Other financing cash outflows		-	-	-	-
<b>Net Cash from Financing Activities</b>		16,141	4,000	(12,685)	27,704
<b>Net Increase / (Decrease) in Cash</b>		(4,314)	(9,747)	(41,751)	36,263
Cash at the beginning of the year		71,116	39,000	66,802	25,051
<b>Cash at the end of the year</b>		66,802	29,253	25,051	61,314

# Statement of Significant Assumptions

## 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 935 full time equivalents and 420 full-time equivalents for local staff at overseas posts.
- 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 22 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 Foreign Affairs and Trade 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 Foreign Affairs and Trade, prepared in accordance with section 38 of the Public Finance Act 1989.

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

### Authorisation Statement

These forecast financial statements were authorised for issue by Simon Murdoch and Paul Helm on 22 April 2009. The Ministry of Foreign Affairs and Trade 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

#### *Going Concern*

The accounting policies set out below have been applied consistently to all period presented in these statements. These statements have been prepared on a going concern basis.

## *Property, Plant and Equipment*

### **Revaluations**

#### **Land and Buildings**

Land and buildings are revalued at least every three years, or whenever the carrying amount differs materially to fair value. A revaluation was last completed on 31 October 2008.

#### **Other PPE - at cost**

Other property, plant and equipment, which include leasehold improvements, furniture and fittings, computer equipment, motor vehicles and office equipment, are recorded at cost less accumulated depreciation and accumulated impairment losses.

Capitalisation thresholds applied are set out below.

- Laptops and Works of Art - \$2,000.
- All other property, plant and equipment - \$3,000.

### *Depreciation*

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

- Buildings - structure 35 to 60 years.
- Buildings - fit outs - 3 to 20 years.
- Buildings - services - 3 to 20 years.
- Leasehold improvements - Period of the Ministry's expected occupancy with a maximum of 15 years.
- IT Equipment/Hardware - 3 to 8 years.
- Motor vehicles - 8 years.
- Furniture and fittings - 6 years and 8 months.
- Equipment - 4 to 20 years.
- Plant and Machinery - 10 years.

### *Intangible Assets*

Capitalisation thresholds applied are:

- Purchased software - \$5,000.
- Internally developed software - \$10,000.

The estimated useful lives of intangible assets are set out below:

- Purchased software - 3 to 8 years.
- Internally developed software - 3 to 8 years.

### *Cost Allocation*

The Ministry has determined the cost of outputs using the cost allocation system outlined below.

## *Definition of Terms*

"Operational Cost Centre" is a unit that produces outputs. All overseas posts and regional and functional divisions in Wellington are Operational Cost Centres.

"Support Service Cost Centre" is a unit that provides Support Services to Operational Cost Centres.

"Output Allocation Factor" is a ratio calculated from an estimate of time each officer spends on producing specified outputs.

"Direct Costs" are those costs directly attributed to outputs.

"Indirect Costs" are those costs directly attributed to Operational Cost Centres.

"Corporate Costs" are those costs of Support Service Cost Centres attributed to Operational Cost Centres as overhead.

### **Basis for assigning Corporate Costs to Operational Cost Centres**

This is a two-stage process:

(i) Reciprocal costing methodology is used to recognise the services provided between Support Services Cost Centres.

(ii) Corporate Costs are then allocated to the other Operational Cost Centres based on head count.

Corporate Costs account for approximately 15 percent (2007:15 percent) of the Ministry's costs.

### **Basis for allocating Indirect Costs to Outputs**

Output Allocation Factors are used to allocate Indirect Costs to outputs.

Indirect Costs account for approximately 75 percent (2007:74 percent) of the Ministry's costs.

### **Direct Costs assigned to Outputs**

Direct Costing is used mainly for Management of ODA, Trade Access Support Programmes, Overseas Visitor Programmes, Pacific Security Fund and some local staff pension schemes.

Direct Costing makes up approximately 10 percent (2007:11 percent) of the Ministry's costs.

## *Foreign Currency*

Foreign exchange gains and losses resulting from settlement of such transactions (the difference between the rate at which the transaction was recorded and the rate at which the foreign currency for that transaction was purchased or sold) and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the Statement of Financial Performance.

Transactions in foreign currencies are initially translated at the foreign exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated into New Zealand dollars at a foreign exchange rate which materially represents the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated into New Zealand dollars at the exchange rate applicable at the fair value date.

The associated foreign exchange gains or losses follow the fair value gains to the Statement of Financial Performance.



### *Derivatives*

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively. Movements in the value of derivatives are recognised in the Statement of Financial Performance.

### *Revenue*

Revenue is derived through the provision of outputs to the Crown and from services to third parties. Revenue from the Crown is recognised in the forecast statement of financial performance when it is drawn down from Treasury. This is applied evenly throughout the year. All other revenue is recognised in the forecast statement of financial performance when earned.

## Notes to the Financial Statements

### Note 1 - Gains

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Unrealised Gain on the Remeasurement of Foreign Exchange Contracts.	6,017	-	10,000	-
<b>Total</b>	<b>6,017</b>	<b>-</b>	<b>10,000</b>	<b>-</b>

### Note 2 - Operating Expenses

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Operating expenses include:				
Audit fees	405	276	307	305
Consultants' fees	3,879	4,824	6,877	5,845
Overseas travel	6,802	7,786	7,426	9,461
Domestic travel	2,088	2,497	2,634	2,993
Other	92,708	112,251	114,364	139,854
<b>Total Operating Expenses</b>	<b>105,882</b>	<b>127,634</b>	<b>131,608</b>	<b>158,458</b>

### Note 3 - Other Comprehensive Income

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Land and buildings were revalued at fair value as at 31 October 2008.	-	-	176,917	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>176,917</b>	<b>-</b>

### Note 4 - Debtors and other receivables

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Debtor Crown	34,843	-	47,771	-
Debtors other	1,883	2,004	1,883	1,883
<b>Total debtors and other receivables</b>	<b>36,726</b>	<b>2,004</b>	<b>49,654</b>	<b>1,883</b>

**Note 5 - Property, Plant and Equipment**

	Land \$000	Buildings \$000	Leasehold improvements \$000	Furniture/office equipment \$000	Other \$000	Total \$000
<b>Cost or revaluation</b>						
Balance as at 1 July 2009	302,590	138,700	39,349	39,887	30,153	550,679
Additions by purchase	-	31,746	8,000	3,050	3,450	46,246
Disposals	-	-	-	(430)	(1,070)	(1,500)
<b>Balance as at 30 June 2010</b>	<b>302,590</b>	<b>170,446</b>	<b>47,349</b>	<b>42,507</b>	<b>32,533</b>	<b>595,425</b>
<b>Accumulated depreciation and impairment losses</b>						
Balance as at 1 July 2009	-	4,679	20,607	29,580	16,603	71,469
Depreciation expense	-	7,136	3,634	4,125	3,401	18,296
Reverse accumulated depreciation - disposal	-	-	-	(400)	(800)	(1,200)
<b>Balance as at 30 June 2010</b>	<b>-</b>	<b>11,815</b>	<b>24,241</b>	<b>33,305</b>	<b>19,204</b>	<b>88,565</b>
<b>Carrying amount as at 30 June 2010</b>	<b>302,590</b>	<b>158,631</b>	<b>23,108</b>	<b>9,202</b>	<b>13,329</b>	<b>506,860</b>

**Note 6 - Intangible Assets**

	Acquired software \$000	Internally generated software \$000	Other \$000	Total \$000
<b>Cost</b>				
Balance as at 1 July 2009	15,565	6,851	-	22,416
Additions by purchase	8,266	6,000	-	14,266
Disposals	-	(300)	-	(300)
<b>Balance as at 30 June 2010</b>	<b>23,831</b>	<b>12,551</b>	<b>-</b>	<b>36,382</b>
<b>Accumulated amortisation and impairment losses</b>				
Balance as at 1 July 2009	4,275	2,340	-	6,615
Amortisation expense	1,404	1,200	-	2,604
Disposals	-	(300)	-	(300)
<b>Balance as at 30 June 2010</b>	<b>5,679</b>	<b>3,240</b>	<b>-</b>	<b>8,919</b>
<b>Carrying amount as at 30 June 2010</b>	<b>18,152</b>	<b>9,311</b>	<b>-</b>	<b>27,463</b>

**Note 7 - Other current liabilities**

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Derivatives in loss - departmental	782	8,148	(1,134)	(1,134)
Derivatives in loss - third parties	95	151	95	95
Other	-	718	-	-
<b>Total</b>	<b>877</b>	<b>9,017</b>	<b>(1,039)</b>	<b>(1,039)</b>

**Note 8 - Reconciliation of Net Surplus to New 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
<b>Net surplus/(deficit)</b>	<b>20,676</b>	<b>100</b>	<b>12,125</b>	<b>100</b>
<b>Add/(less) non-cash items</b>				
Depreciation and amortisation expense	15,773	19,643	17,798	20,900
Net loss (gain) on derivative financial instruments	(11,940)	-	22,927	-
Remeasurement	2,978	-	-	-
<b>Total non-cash items</b>	<b>6,811</b>	<b>19,643</b>	<b>40,725</b>	<b>20,900</b>
<b>Add/(less) movements in working capital items</b>				
(Inc)/Dec in debtors and other receivables	(35,786)	34,843	(47,771)	47,771
(Inc)/Dec in prepayments	(440)	-	-	-
Inc/(Dec) in creditors and other payables	252	-	-	-
Inc/(Dec) in current provisions	2,559	-	-	-
Inc/(Dec) in employee entitlements	2,084	-	-	-
<b>Net movements in working capital items</b>	<b>(31,331)</b>	<b>34,843</b>	<b>(47,771)</b>	<b>47,771</b>
<b>Add/(less) movements in non-current liabilities</b>				
Inc/(Dec) in employee entitlements	749	-	-	-
<b>Net cash from operating activities</b>	<b>(3,095)</b>	<b>54,586</b>	<b>5,079</b>	<b>68,771</b>

**Note 9 - Reconciliation of Departmental Expenses and Appropriations**

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Appropriations for output expenses</b>				
Total for Vote: MFAT	259,801	307,499	301,280	363,010
Total for Vote: ODA	30,626	37,583	36,865	38,696
Total appropriations for output expenses	290,427	345,082	338,145	401,706
<b>Adjustments</b>				
Remeasurements	2,978	-	-	-
Other	(3)	-	-	-
<b>Total departmental expenses (as per statement of financial performance)</b>	<b>293,402</b>	<b>345,082</b>	<b>338,145</b>	<b>401,706</b>