

Forecast Financial Statements

Ministry of Justice

Statement of Forecast Comprehensive Income 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
Income					
Crown		401,263	441,892	445,137	449,489
Department(s)		5,513	5,697	5,708	5,796
Other revenue	1	33,097	33,357	36,342	34,561
Gains		-	-	-	-
Interest		-	-	-	-
Total Income		439,873	480,946	487,187	489,846
Expenses					
Personnel	2	194,849	207,964	213,933	202,750
Operating	3	152,616	171,271	162,205	170,248
Depreciation and amortisation		49,741	54,100	58,116	61,822
Capital charge	4	40,103	47,611	50,883	55,026
Finance costs		-	-	-	-
Other		83	-	-	-
Total Expenses		437,392	480,946	485,137	489,846
Net Surplus / (Deficit)		2,481	-	2,050	-
Other comprehensive income		42,648	-	-	-
Total Comprehensive Income		45,129	-	2,050	-

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		509,901	610,894	611,077	666,529
Revaluation reserve		23,741	23,741	66,389	66,389
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		533,642	634,635	677,466	732,918
Changes in Taxpayers' Funds					
Comprehensive income for the period		45,129	-	2,050	-
Repayment of surplus		(2,481)	-	-	-
Capital contribution		100,993	41,514	53,402	25,602
Capital withdrawal		-	-	-	-
Other		183	-	-	-
Total Changes in Taxpayers' Funds		143,824	41,514	55,452	25,602
Balance at 30 June					
General funds		611,077	652,408	666,529	692,131
Revaluation reserve		66,389	23,741	66,389	66,389
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		677,466	676,149	732,918	758,520

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		108,764	60,621	101,013	68,051
Debtors and other receivables	5	53,099	44,317	43,100	43,100
Prepayments		2,697	3,600	2,697	2,697
Inventories		-	-	-	-
Other current assets		-	9	-	-
Total Current Assets		164,560	108,547	146,810	113,848
Non-current Assets					
Property, plant and equipment	6	507,405	520,422	562,871	609,925
Intangible assets		62,891	99,953	78,146	89,860
Other non-current assets		-	-	-	-
Total Non-current Assets		570,296	620,375	641,017	699,785
Total Assets		734,856	728,922	787,827	813,633
Liabilities					
Current Liabilities					
Creditors and other payables		17,285	15,473	17,285	17,489
Repayment of surplus		2,481	-	-	-
Employee entitlements		9,023	7,800	9,023	9,023
Other current liabilities		22,195	24,200	22,195	22,195
Total Current Liabilities		50,984	47,473	48,503	48,707
Non-current Liabilities					
Provisions		-	-	-	-
Employee entitlements		6,406	5,300	6,406	6,406
Other non-current liabilities		-	-	-	-
Total Non-current Liabilities		6,406	5,300	6,406	6,406
Total Liabilities		57,390	52,773	54,909	55,113
Taxpayers' Funds					
General funds		611,077	652,408	666,529	692,131
Revaluation reserve		66,389	23,741	66,389	66,389
Other reserves		-	-	-	-
Total Taxpayers' Funds		677,466	676,149	732,918	758,520
Total Liabilities and Taxpayers' Funds		734,856	728,922	787,827	813,633

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		406,264	451,892	455,136	449,489
Department(s)		5,585	5,697	5,708	5,796
Other		34,186	33,357	36,342	34,561
Interest		80	-	-	-
Payments to:					
Suppliers		(133,270)	(149,449)	(142,383)	(150,410)
Employees		(192,508)	(207,964)	(213,933)	(202,750)
Capital charge		(40,043)	(47,611)	(50,883)	(55,026)
Goods and services tax (net)		1,418	-	-	204
Other operating activities		(19,163)	(21,822)	(19,822)	(19,838)
Net Cash from Operating Activities	7	62,549	64,100	70,165	62,026
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		65	368	368	405
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
Purchase of:					
Property, plant and equipment		(61,859)	(93,638)	(101,796)	(94,606)
Intangible assets		(6,570)	(27,679)	(27,409)	(26,389)
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(68,364)	(120,949)	(128,837)	(120,590)
Cash Flow from Financing Activities					
Capital contribution		100,993	41,514	53,402	25,602
Other financing cash inflows		-	-	-	-
Repayment of surplus		(8,685)	(2,730)	(2,481)	-
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		92,308	38,784	50,921	25,602
Net Increase / (Decrease) in Cash		86,493	(18,065)	(7,751)	(32,962)
Cash at the beginning of the year		22,271	78,686	108,764	101,013
Cash at the end of the year		108,764	60,621	101,013	68,051

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.

Statement of Entity-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.

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

Authorisation Statement

These forecast financial statements were authorised for issue by the Secretary of Justice on 20 April 2009. The Secretary of Justice 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

Revenue Recognition

Revenue is measured at the fair value of consideration received.

Revenue Crown is recognised on the basis of the supply of outputs to the Crown.

Department and Other Revenue is from the supply of goods and services to other government departments and third parties.

Revenue from filing and similar fees is recognised when the obligation to pay the fee is incurred.

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental income.

Interest income is accrued using the effective interest rate method.

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 the estimated useful lives of these assets after allowing for residual values (where appropriate by asset category). The estimated useful life of major asset categories is as follows:

Asset category	Asset life (years)	Residual value
Buildings	Up to 65	Nil
Fit-out/Leasehold Improvements	Up to 15	Nil
Computer Equipment	4 - 7	Nil
Furniture and Fittings, Office Equipment	5	Nil
Motor Vehicles	5	30% of cost or fair value

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:

Asset category	Asset life (years)
Acquired Software	4 - 7
Internally Generated Software	4 - 7

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.

Commitments

Commitments are future payments and expenditure to be incurred on capital and operating contracts that have been entered into at balance date and are valued at known cost.

Contingent Liabilities

Contingent liabilities and contingent assets are recorded at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote.

Income Tax

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

Tax (GST)

The Statement of Financial Position is exclusive of GST, except for accounts payable and accounts receivable, which are GST inclusive. All other statements are GST exclusive.

The amount of GST owed to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is shown as a current asset or current liability as appropriate in the Statement of Financial Position.

Financial Instruments

The Ministry is party to financial instruments as part of its normal operations. These include bank accounts, debtors, creditors and foreign currency forward contracts. Apart from foreign currency forward contracts, all financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Financial Assets

Debtors and other receivables are recognised initially at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Loans and receivables issued with duration less than 12 months are recognised at their nominal value, unless the effect of discounting is material. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. Interest, impairment losses and foreign exchange gains and losses are recognised in the Statement of Financial Performance.

Cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from date of acquisition.

Financial Liabilities

Other financial liabilities are recognised initially at fair value less transaction costs, and are subsequently measured at amortised cost using the effective interest rate method (refer interest expense policy). Financial liabilities entered into with duration less than 12 months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses, are recognised in the Statement of Financial Performance as is any gain or loss when the liability is derecognised.

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. The Ministry has not adopted hedge accounting.

Movements in the fair value of derivative financial instruments are recognised in the Statement of Financial Performance.

Leases

Finance leases

Finance leases are leases, which effectively transfer to the Ministry substantially all the risks and benefits incidental to ownership of the leased item. 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 asset and corresponding lease liabilities are recognised in the Statement of Financial Position. The leased assets are depreciated over the period the Ministry is expected to benefit from their use.

Operating leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight line basis over the term of the lease. Leasehold improvements are capitalised, and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

Taxpayers' Funds

Taxpayers' funds represent the Crown's net investment in the Ministry. Taxpayers' funds is disaggregated and classified as general funds and property, plant and equipment revaluation reserves.

Notes to the Financial Statements

Note 1 - Revenue Other

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Filing Fees	26,173	27,000	27,000	27,000
Other	2,153	1,751	3,840	2,100
State sector retirement saving scheme recovery	2,662	3,500	3,841	3,800
Rent received	507	161	161	161
Interest	1,602	945	1,500	1,500
Total	33,097	33,357	36,342	34,561

Note 2 - Personnel Costs

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Wage and salary	162,710	193,290	196,268	182,164
Employer contributions to defined contribution plans	3,211	3,908	4,626	4,933
Other	28,928	10,766	13,039	15,653
Total	194,849	207,964	213,933	202,750

Note 3 - Operating Expenses

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Audit fees	332	300	332	348
Consultant expenses/Professional Services	32,850	21,490	19,490	19,490
Rental and leasing costs	14,640	16,527	15,524	17,019
Other operating costs	104,794	132,954	126,859	133,391
Total	152,616	171,271	162,205	170,248

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 2010 is 7.5% (2009 7.5%).

Note 5 - Debtors and Receivables

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Sundry Debtors	3,099	4,317	3,100	3,100
Debtor Crown	50,000	40,000	40,000	40,000
Total	53,099	44,317	43,100	43,100

Note 6 - Property, Plant and Equipment

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Land (At valuation)	159,727	144,009	161,226	161,701
Buildings (At valuation)	262,965	309,049	348,215	382,354
Plant & Equipment	22,051	8,679	23,509	37,672
Other	62,662	58,685	29,921	28,198
Total	507,405	520,422	562,871	609,925

Note 7 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Net surplus/(deficit)	2,481	-	2,050	-
Add/(less) non-cash items				
Depreciation and Amortisation expense	49,741	54,100	58,116	61,822
Total non-cash items	52,222	54,100	60,166	61,822
Add/(less) movements in working capital items				
Decrease in debtors and other receivables	8,045	10,000	9,999	-
Increase in creditors and payables	2,282	-	-	204
Net movements in working capital items	10,327	10,000	9,999	204
Net cash from operating activities	62,549	64,100	70,165	62,026