Forecast Financial Statements

Land Information New Zealand

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		54,548	57,308	53,589	54,708
Department(s)		2,225	939	2,078	1,619
Other revenue		47,161	52,489	38,007	49,174
Gains		-	-	-	-
Interest		-	-	-	-
Total Income		103,934	110,736	93,674	105,501
Expenses					
Personnel		43,246	44,118	45,864	44,126
Operating	1	63,030	66,014	58,994	66,370
Depreciation and amortisation		9,704	8,268	7,664	6,047
Capital charge		2,937	2,956	2,918	2,956
Finance costs		-	-	-	-
Other		-	-	-	-
Total Expenses		118,917	121,356	115,440	119,499
Net Surplus / (Deficit)		(14,983)	(10,620)	(21,766)	(13,998)
Other comprehensive income		-	-	-	-
Total Comprehensive Income		(14,983)	(10,620)	(21,766)	(13,998)

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

	Note	2007/08 Actual $000	2008/09 In 2008 Budget $000	2008/09 Estimated Actual $000	2009/10 Budgeted $000
Balance at 1 July					
General funds		38,904	38,904	39,238	37,777
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		38,904	38,904	39,238	37,777
Changes in Taxpayers' Funds					
Comprehensive income for the period		(14,983)	(10,620)	(21,766)	(13,998)
Repayment of surplus		-	-	-	-
Capital contribution		15,317	10,620	20,305	13,998
Capital withdrawal		-	-	-	-
Other		-	-	-	-
Total Changes in Taxpayers' Funds		334	-	(1,461)	-
Balance at 30 June					
General funds		39,238	38,904	37,777	37,777
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		39,238	38,904	37,777	37,777

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		299	1,075	1,345	2,046
Debtors and other receivables		9,770	4,665	8,310	6,529
Prepayments		1,196	1,245	784	1,245
Inventories		-	-	-	-
Other current assets		-	-	-	-
Total Current Assets		11,265	6,985	10,439	9,820
Non-current Assets					
Property, plant and equipment		7,031	5,882	4,211	5,161
Intangible assets		47,223	50,154	46,313	43,618
Other non-current assets		-	-	-	-
Total Non-current Assets		54,254	56,036	50,524	48,779
Total Assets		65,519	63,021	60,963	58,599
Liabilities					
Current Liabilities					
Creditors and other payables		16,657	13,817	13,295	10,861
Repayment of surplus		-	-	-	-
Employee entitlements		4,805	4,000	5,161	5,161
Other current liabilities		111	1,000	30	100
Total Current Liabilities		21,573	18,817	18,486	16,122
Non-current Liabilities					
Provisions		-	-	-	-
Employee entitlements		4,708	5,300	4,700	4,700
Other non-current liabilities		-	-	-	-
Total Non-current Liabilities		4,708	5,300	4,700	4,700
Total Liabilities		26,281	24,117	23,186	20,822
Taxpayers' Funds					
General funds		39,238	38,904	37,777	37,777
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
Total Taxpayers' Funds		39,238	38,904	37,777	37,777
Total Liabilities and Taxpayers' Funds		65,519	63,021	60,963	58,599

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

	Note	2007/08 Actual $000	2008/09 In 2008 Budget $000	2008/09 Estimated Actual $000	2009/10 Budgeted $000
Cash Flows from Operating Activities					
Receipts from:	2				
Crown		46,440	49,786	55,193	56,356
Department(s)		2,546	939	2,069	1,652
Other		45,398	49,865	37,791	49,344
Interest		-	-	-	-
Payments to:					
Suppliers		(59,921)	(103,383)	(62,581)	(69,496)
Employees		(43,267)	-	(45,265)	(43,895)
Capital charge		(3,540)	(2,956)	(2,918)	(2,956)
Goods and services tax (net)		(451)	-	386	-
Other operating activities		-	-	-	-
Net Cash from Operating Activities		(12,795)	(5,749)	(15,325)	(8,995)
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		-	-	-	-
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
Purchase of:					
Property, plant and equipment		(8,105)	(7,333)	(3,934)	(4,302)
Intangible assets		-	-	-	-
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(8,105)	(7,333)	(3,934)	(4,302)
Cash Flow from Financing Activities					
Capital contribution		15,253	10,620	20,305	13,998
Other financing cash inflows		-	-	-	-
Repayment of surplus		-	-	-	-
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		15,253	10,620	20,305	13,998
Net Increase / (Decrease) in Cash		(5,647)	(2,462)	1,046	701
Cash at the beginning of the year		5,946	3,537	299	1,345
Cash at the end of the year		299	1,075	1,345	2,046

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 upon 539 full time equivalent staff positions.
- Operating costs are based upon 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 were adopted as at 31 March 2009.

Factors that could lead to material differences between the forecast financial statements and the 2008/09 actual financial statements include:

- Any significant change in property market transaction volumes from that currently forecast could materially impact LINZ's revenue from survey and titles transactions.
- Expenditure against the land tenure multi-year appropriation is dependant upon lessee's acceptance of proposals. A number of proposals will be put before 2008/09 year-end, but may not be accepted until the 2009/10 year. This could materially impact the expenditure recorded in 2008/09.

Statement of Entity-Specific Accounting Policies

Land Information New Zealand 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 Land Information New Zealand, prepared in accordance with section 38 of the Public Finance Act 1989.

Land Information New Zealand is a Government Department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting Land Information New Zealand is a public benefit entity.

Authorisation Statement

These forecast financial statements are authorised for issue by Colin MacDonald, Chief Executive of Land Information New Zealand on 22 April 2009. The Chief Executive 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

Surplus Leased Accommodation

The provision for surplus leased accommodation represents the Department's liability under lease agreements for surplus leased space. The provision is calculated on a net present value of the rental payable less any revenue expected to be collected. The liability created is then amortised over the term of the lease.

Property, Plant and Equipment

Property, plant and equipment consists of leasehold improvements, furniture and office equipment, computer hardware, and motor vehicles. Property, plant and equipment is shown at cost less accumulated depreciation and impairment losses.

Individual assets, or group of assets, are capitalised if their cost is greater than $3,000. The value of an individual asset that is less than $3,000 and is part of a similar group of assets, is capitalised.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the department and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Financial Performance.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when is it probable that future economic or service potential associated with the item will flow to the department and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than non-current work in progress at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The estimated useful lives of major classes of assets and resulting rates are set out below:

- Leasehold property improvements Over lease term
- Motor vehicles 5 to 7 years
- Computer Hardware 3 to 20 years
- Plant and equipment 4 to 10 years
- Furniture and fittings 4 to 10 years

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

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Work in progress

The value of non-current work in progress is the capitalised direct cost of incomplete capital projects.

Intangible Assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Department, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred.

Amortisation

The useful lives and associated amortisation rates of intangible assets have been estimated as three to five years.

Impairment of Non-financial Assets

Intangible assets that are not yet available for use at the balance sheet date are tested for impairment annually.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds it recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Financial Performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Financial Performance.

Employee Entitlements

Short-term employee entitlements

Employee entitlements that the Department expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Department recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Department anticipates it will be used by staff to cover those future absences.

The Department recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information, and
- the present value of the estimated future cashflows. A weighted average discount rate of 5.75% and a salary inflation factor of 3% were used. The discount rate is based on the capital charge rate. The inflation factor is based on the expected long-term increase in remuneration for employees.

Statement of Cost Accounting Policies

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

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.

(1) Costs that are directly related to an output are allocated directly to that output.

(2) Costs that are not directly related to a single output fall into two categories:

- Costs that are not related to the production of outputs are defined as overhead costs. These are allocated to Direct output Producing Cost-Centres (DOPCC's) using, as a proxy for consumption, cost drivers such as full-time equivalent staff (FTE), floor area, and estimated usage.
- Costs that are partially related to the production of outputs are those incurred within DOPCC's that are not sufficiently direct to allocate directly.

All costs that fall into either category under (2) above are allocated from DOPCC's to outputs using a proxy for estimated resource usage, such as FTE staff time.

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All costs that fall into either category under (2) above are allocated from DOPCC's to outputs using a proxy for estimated resource usage, such as FTE staff time.

Notes to the Financial Statements

Note 1 - Operating Expenses

	2007/08	2008/09		2009/10
	Actual $000	In 2008 Budget $000	Estimated Actual $000	Budgeted $000
Consultants' fees	2,019	1,311	1,404	1,200
Overseas travel	223	169	145	100
Domestic travel	1,958	1,330	1,360	1,200
Audit fees	249	201	213	250
Doubtful debts	24	24	24	25
Other	58,557	62,979	55,848	63,595
Total	63,030	66,014	58,994	66,370

Note 2 - 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)	(14,983)	(10,620)	(21,766)	(13,998)
Add/less non- cash items				
Depreciation and amortisation expense	9,704	8,268	7,664	6,047
Total non-cash items	9,704	8,268	7,664	6,047
Add/less items classified as investing or financing activities				
(Gains)/losses on disposal of property, plant and equipment	(51)	-	-	-
Add/(less) movements in working capital items				
(Inc)/Dec in debtors and other receivables	(8,827)	-	680	(789)
(Inc)/Dec in prepayments	-	-	(412)	461
Inc/(Dec) in creditors and other payables	1,437	(3,397)	(1,807)	(609)
Inc/(Dec) in current provisions	(75)	-	316	(107)
Inc/(Dec) in current employee entitlements	-	-	-	-
Net movements in working capital items	(7,465)	(3,397)	(1,223)	(1,044)
Net cash from operating activities	(12,795)	(5,749)	(15,325)	(8,995)