

# *Forecast Financial Statements*

*Ministry of Foreign Affairs  
and Trade*

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## Statement of Forecast Comprehensive Income for the year ending 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Income</b>					
Crown		365,623	400,845	383,415	393,259
Department(s)		12,696	13,119	12,435	12,076
Other revenue		2,627	1,990	2,715	2,715
Gains	1	170	-	-	-
Interest		34	100	100	100
<b>Total Income</b>		<b>381,150</b>	<b>416,054</b>	<b>398,665</b>	<b>408,150</b>
<b>Expenses</b>					
Personnel		163,796	167,539	168,869	158,950
Operating	2	134,244	180,870	152,783	183,192
Depreciation and amortisation		28,272	27,252	25,481	20,959
Capital charge		37,772	40,293	40,182	44,949
Finance costs		-	-	-	-
Other		9,666	-	-	-
<b>Total Expenses</b>		<b>373,750</b>	<b>415,954</b>	<b>387,315</b>	<b>408,050</b>
<b>Net Surplus / (Deficit)</b>		<b>7,400</b>	<b>100</b>	<b>11,350</b>	<b>100</b>
Other comprehensive income	3	-	-	60,038	-
<b>Total Comprehensive Income</b>		<b>7,400</b>	<b>100</b>	<b>71,388</b>	<b>100</b>

## Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Balance at 1 July</b>					
General funds		407,455	407,380	403,759	403,759
Revaluation reserve		98,066	98,066	98,066	158,104
Other reserves		-	-	-	-
<b>Taxpayers' Funds Opening Balance</b>		<b>505,521</b>	<b>505,446</b>	<b>501,825</b>	<b>561,863</b>
<b>Changes in Taxpayers' Funds</b>					
Comprehensive income for the period		7,400	100	71,388	100
Repayment of surplus		(11,021)	(100)	(11,350)	(100)
Capital contribution		-	20,000	-	-
Capital withdrawal		(75)	-	-	-
Other		-	-	-	-
<b>Total Changes in Taxpayers' Funds</b>		<b>(3,696)</b>	<b>20,000</b>	<b>60,038</b>	<b>-</b>
<b>Balance at 30 June</b>					
General funds		403,759	427,380	403,759	403,759
Revaluation reserve		98,066	98,066	158,104	158,104
Other reserves		-	-	-	-
<b>Taxpayers' Funds Closing Balance</b>		<b>501,825</b>	<b>525,446</b>	<b>561,863</b>	<b>561,863</b>

## Forecast Statement of Financial Position as at 30 June 2013

		2010/11	2011/12		2012/13
	Note	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents		49,416	30,185	40,902	51,288
Debtors and other receivables	4	103,156	83,353	114,911	81,106
Prepayments		9,001	6,023	9,001	9,001
Inventories		-	-	-	-
Other current assets		151	1,156	151	151
<b>Total Current Assets</b>		<b>161,724</b>	<b>120,717</b>	<b>164,965</b>	<b>141,546</b>
<b>Non-current Assets</b>					
Property, plant and equipment	5	395,375	433,802	450,485	461,402
Intangible assets	6	6,433	14,455	8,449	9,701
Other non-current assets		7,192	7,274	7,192	7,192
<b>Total Non-current Assets</b>		<b>409,000</b>	<b>455,531</b>	<b>466,126</b>	<b>478,295</b>
<b>Total Assets</b>		<b>570,724</b>	<b>576,248</b>	<b>631,091</b>	<b>619,841</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Creditors and other payables		16,880	16,663	16,880	16,880
Repayment of surplus		11,021	100	11,350	100
Employee entitlements		17,497	16,282	17,497	17,497
Other current liabilities	7	6,200	3,690	6,200	6,200
<b>Total Current Liabilities</b>		<b>51,598</b>	<b>36,735</b>	<b>51,927</b>	<b>40,677</b>
<b>Non-current Liabilities</b>					
Provisions		6,832	2,536	6,832	6,832
Employee entitlements		10,469	11,531	10,469	10,469
Other non-current liabilities		-	-	-	-
<b>Total Non-current Liabilities</b>		<b>17,301</b>	<b>14,067</b>	<b>17,301</b>	<b>17,301</b>
<b>Total Liabilities</b>		<b>68,899</b>	<b>50,802</b>	<b>69,228</b>	<b>57,978</b>
<b>Taxpayers' Funds</b>					
General funds		403,759	427,380	403,759	403,759
Revaluation reserve		98,066	98,066	158,104	158,104
Other reserves		-	-	-	-
<b>Total Taxpayers' Funds</b>		<b>501,825</b>	<b>525,446</b>	<b>561,863</b>	<b>561,863</b>
<b>Total Liabilities and Taxpayers' Funds</b>		<b>570,724</b>	<b>576,248</b>	<b>631,091</b>	<b>619,841</b>

## Statement of Forecast Cash Flows for the year ending 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Cash Flows from Operating Activities</b>	8				
<b>Receipts from:</b>					
Crown		328,549	395,291	371,660	435,814
Department(s)		12,696	13,119	12,435	12,076
Other		1,962	2,090	2,815	2,815
Interest		-	-	-	-
<b>Payments to:</b>					
Suppliers		(139,793)	(181,463)	(153,317)	(183,726)
Employees		(163,649)	(166,946)	(168,335)	(158,416)
Capital charge		(37,772)	(40,293)	(40,182)	(44,949)
Goods and services tax (net)		967	-	-	-
Other operating activities		-	-	-	-
<b>Net Cash from Operating Activities</b>		2,960	21,798	25,076	63,614
<b>Cash Flow from Investing Activities</b>					
<b>Receipts from:</b>					
Sale of property, plant and equipment		1,735	37,986	300	37,986
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
<b>Purchase of:</b>					
Property, plant and equipment		(18,088)	(72,998)	(18,484)	(68,114)
Intangible assets		(2,234)	(7,000)	(4,385)	(3,000)
Other non-current assets		-	-	-	-
<b>Net Cash from Investing Activities</b>		(18,587)	(42,012)	(22,569)	(33,128)
<b>Cash Flow from Financing Activities</b>					
Capital contribution		-	20,000	-	-
Other financing cash inflows		-	-	-	-
Repayment of surplus		(3,084)	(10,100)	(11,021)	(20,100)
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
<b>Net Cash from Financing Activities</b>		(3,084)	9,900	(11,021)	(20,100)
<b>Net Increase / (Decrease) in Cash</b>		(18,711)	(10,314)	(8,514)	10,386
Cash at the beginning of the year		68,127	40,499	49,416	40,902
<b>Cash at the end of the year</b>		49,416	30,185	40,902	51,288

## 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 899 full time equivalents and 426 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 2011/12 is used as the opening position for the 2012/13 forecasts.

These assumptions are adopted as at 17 April 2012.

Factors that could lead to material differences between the forecast financial statements and the 2012/13 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 the Ministry of Foreign Affairs and Trade, prepared in accordance with section 38 of the Public Finance Act 1989.

The 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 the Ministry of Foreign Affairs and Trade is a public benefit entity.

### Authorisation Statement

These are the prospective financial statements of the Ministry of Foreign Affairs and Trade, prepared in accordance with section 38 of the Public Finance Act 1989.

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## 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 2011.

##### **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.

### **Direct costs assigned to outputs**

Those direct costs that can be specifically attributed to an output are charged direct to that output.

Direct Costing is used mainly for Services for Other New Zealand Agencies, Trade Access Support Programmes, Pacific Security Fund and some local staff pension schemes.

Direct Costing makes up approximately 11 percent (2011/12: 13 percent) of the Ministry's costs.

### **Basis for allocating indirect costs to outputs**

All other costs are assigned through a methodology that pools indirect costs in a cost pool and assigns input costs to outputs.

Corporate Costs are allocated to Operational Cost Centres based on headcount.

Corporate Costs account for approximately 19 percent (2011/12: 20 percent) of the Ministry's costs.

Indirect Costs account for approximately 70 percent (2011/12: 66 percent) of the Ministry's costs.



Operational Cost Centre indirect costs including share of Corporate Costs are then assigned to outputs on the basis of an Output Allocation Factor.

### *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

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Gain on sale of assets	170	-	-	-
<b>Total Gains</b>	170	-	-	-

## Note 2 - Operating Expenses

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Operating expenses include:				
Audit fees	400	352	294	320
Consultants' fees	7,436	5,087	7,604	9,525
Overseas travel	6,283	9,674	7,372	7,591
Domestic travel	2,466	3,053	4,804	2,780
Other	117,659	162,704	132,709	162,976
<b>Total Operating Expenses</b>	134,244	180,870	152,783	183,192

## Note 3 - Other Comprehensive Income

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Land and buildings were revalued at fair value as at 31 October 2011	-	-	60,038	-
<b>Total</b>	-	-	60,038	-

## Note 4 - Debtors and Other Receivables

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Debtor Crown	100,875	81,779	121,380	78,825
Debtor Other	2,281	1,574	2,281	2,281
<b>Total debtors and other receivables</b>	103,156	83,353	123,661	81,106

**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 2012	307,200	101,084	52,475	48,297	45,582	554,638
Additions by purchase	7,500	38,159	10,500	7,157	4,798	68,114
Disposals	(29,500)	(8,986)	(1,000)	(7,030)	(1,070)	(47,586)
<b>Balance as at 30 June 2013</b>	<b>285,200</b>	<b>130,257</b>	<b>61,975</b>	<b>48,424</b>	<b>49,310</b>	<b>575,166</b>
<b>Accumulated depreciation and impairment losses</b>						
Balance as at 1 July 2012	-	5,651	31,642	36,850	30,010	104,153
Depreciation expense	-	8,373	3,600	2,702	4,536	19,211
Eliminate on disposal	-	(800)	(1,000)	(7,000)	(800)	(9,600)
<b>Balance as at 30 June 2013</b>	<b>-</b>	<b>13,224</b>	<b>34,242</b>	<b>32,552</b>	<b>33,746</b>	<b>113,764</b>
<b>Carrying amount as at 30 June 2013</b>	<b>285,200</b>	<b>117,033</b>	<b>27,733</b>	<b>15,872</b>	<b>15,564</b>	<b>461,402</b>

**Note 6 - Intangible Assets**

	Acquired software \$000	Internally generated software \$000	Other \$000	Total \$000
<b>Cost</b>				
Balance as at 1 July 2012	5,678	15,904	-	21,582
Additions by purchase	500	2,500	-	3,000
Disposals	(100)	(200)	-	(300)
<b>Balance as at 30 June 2013</b>	<b>6,078</b>	<b>18,204</b>	<b>-</b>	<b>24,282</b>
<b>Accumulated amortisation and impairment losses</b>				
Balance as at 1 July 2012	2,420	10,713	-	13,133
Amortisation expense	623	1,125	-	1,748
Disposals	(100)	(200)	-	(300)
<b>Balance as at 30 June 2013</b>	<b>2,943</b>	<b>11,638</b>	<b>-</b>	<b>14,581</b>
<b>Carrying amount as at 30 June 2013</b>	<b>3,135</b>	<b>6,566</b>	<b>-</b>	<b>9,701</b>

**Note 7 - Other Current Liabilities**

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Loss on derivatives - departmental	5,608	3,677	5,608	5,608
Loss on derivatives - third parties	592	13	592	592
<b>Total other current liabilities</b>	<b>6,200</b>	<b>3,690</b>	<b>6,200</b>	<b>6,200</b>

**Note 8 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities**

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Net surplus/(deficit)</b>	7,400	100	20,100	100
<b>Add/(less) non-cash items</b>				
Depreciation and amortisation expense	28,272	27,252	25,481	20,959
Net loss (gain) on derivative financial instruments	3,514	-	-	-
<b>Total non-cash items</b>	31,786	27,252	25,481	20,959
<b>Add/(less) items classified as investing or financing activities</b>				
Gain (loss) on disposal property, plant and equipment	(136)	-	-	-
<b>Total items classified as investing or financing activities</b>	31,650	27,252	25,481	20,959
<b>Add/(less) movements in working capital items</b>				
(Inc)/Dec in debtors and other receivables	(37,773)	(5,554)	(20,505)	42,555
(Inc)/Dec in prepayments	(2,904)	-	-	-
Inc/(Dec) in creditors and other payables	(71)	-	-	-
Inc/(Dec) in current provisions	4,658	-	-	-
<b>Add/(less) movements in working capital items</b>	(36,090)	(5,554)	(20,505)	42,555
<b>Net cash from operating activities</b>	2,960	21,798	25,076	63,614