

Forecast Financial Statements

New Zealand Defence Force

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
Income					
Crown		2,224,144	2,283,623	2,149,668	2,383,053
Department(s)		19,087	24,117	19,289	18,700
Other revenue		5,797	8,777	11,215	11,215
Gains	1	9,539	(2,750)	(2,850)	(250)
Interest		32	100	10	10
Total Income		2,258,599	2,313,867	2,177,332	2,412,728
Expenses					
Personnel		852,844	857,559	817,936	820,056
Operating	2, 3	584,061	630,468	584,142	760,548
Depreciation and amortisation		333,381	374,769	325,119	375,352
Capital charge		423,693	453,721	452,975	457,012
Finance costs		408	-	-	-
Other		39,933	-	-	-
Total Expenses	4	2,234,320	2,316,517	2,180,172	2,412,968
Net Surplus / (Deficit)		24,279	(2,650)	(2,840)	(240)
Other comprehensive income		404	-	2,552	-
Total Comprehensive Income		24,683	(2,650)	(288)	(240)

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
Balance at 1 July					
General funds		3,713,286	3,716,671	3,738,455	3,774,040
Revaluation reserve		1,939,440	1,933,893	1,917,399	1,919,951
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		5,652,726	5,650,564	5,655,854	5,693,991
Changes in Taxpayers' Funds					
Comprehensive income for the period		24,683	(2,650)	(288)	(240)
Repayment of surplus		(28,190)	(100)	(10)	(10)
Capital contribution		6,635	38,235	38,435	11,800
Capital withdrawal		-	-	-	-
Other		-	-	-	-
Total Changes in Taxpayers' Funds		3,128	35,485	38,137	11,550
Balance at 30 June					
General funds		3,738,455	3,752,156	3,774,040	3,785,590
Revaluation reserve		1,917,399	1,933,893	1,919,951	1,919,951
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		5,655,854	5,686,049	5,693,991	5,705,541

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
Assets					
Current Assets					
Cash and cash equivalents		81,387	24,000	17,957	29,750
Debtors and other receivables	5	343,167	241,052	351,628	230,231
Prepayments		27,351	37,000	37,000	37,000
Inventories	6	105,386	121,012	114,762	117,772
Other current assets		256	-	-	-
Total Current Assets		557,547	423,064	521,347	414,753
Non-current Assets					
Property, plant and equipment	7	5,219,461	5,261,680	5,239,726	5,341,150
Intangible assets	8	8,608	6,975	4,342	8,000
Other non-current assets	6	194,706	224,737	213,128	218,718
Total Non-current Assets		5,422,775	5,493,392	5,457,196	5,567,868
Total Assets		5,980,322	5,916,456	5,978,543	5,982,621
Liabilities					
Current Liabilities					
Creditors and other payables		203,227	149,601	204,273	200,392
Repayment of surplus		28,190	100	10	10
Employee entitlements		38,767	35,737	38,767	38,767
Other current liabilities		12,781	273	1,465	1,591
Total Current Liabilities		282,965	185,711	244,515	240,760
Non-current Liabilities					
Provisions		-	-	-	-
Employee entitlements		34,966	42,315	34,966	32,966
Other non-current liabilities		6,537	2,381	5,071	3,354
Total Non-current Liabilities		41,503	44,696	40,037	36,320
Total Liabilities		324,468	230,407	284,552	277,080
Taxpayers' Funds					
General funds		3,738,455	3,752,156	3,774,040	3,785,590
Revaluation reserve		1,917,399	1,933,893	1,919,951	1,919,951
Other reserves		-	-	-	-
Total Taxpayers' Funds		5,655,854	5,686,049	5,693,991	5,705,541
Total Liabilities and Taxpayers' Funds		5,980,322	5,916,456	5,978,543	5,982,621

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
Cash Flows from Operating Activities					
Receipts from:					
Crown		2,104,148	2,276,364	2,140,977	2,504,450
Department(s)		19,424	24,117	19,289	18,700
Other		5,810	8,777	11,701	11,215
Interest		32	100	10	10
Payments to:					
Suppliers		(559,757)	(668,176)	(637,561)	(778,354)
Employees		(853,436)	(849,939)	(808,921)	(813,000)
Capital charge		(423,693)	(453,721)	(452,975)	(457,012)
Goods and services tax (net)		(508)	(637)	(3,363)	(5,572)
Other operating activities		(538)	-	-	-
Net Cash from Operating Activities	9	291,482	336,885	269,157	480,437
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		3,835	-	2,742	-
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		214,156	-	-	-
Purchase of:					
Property, plant and equipment		(259,381)	(404,092)	(340,058)	(471,776)
Intangible assets		(2,251)	-	(5,516)	(8,658)
Other non-current assets		(227,506)	-	-	-
Net Cash from Investing Activities		(271,147)	(404,092)	(342,832)	(480,434)
Cash Flow from Financing Activities					
Capital contribution		6,635	38,235	38,435	11,800
Other financing cash inflows		-	-	-	-
Repayment of surplus		(38,614)	(25,317)	(28,190)	(10)
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		(31,979)	12,918	10,245	11,790
Net Increase / (Decrease) in Cash		(11,644)	(54,289)	(63,430)	11,793
Cash at the beginning of the year		93,031	78,289	81,387	17,957
Cash at the end of the year		81,387	24,000	17,957	29,750

Statement of Significant Assumptions

These statements have been compiled on the basis of government policies and the New Zealand Defence Force (NZDF) Output Plan agreements with the Minister for Defence at the time the statements were finalised.

The 2011/12 budgeted figures are based on management's judgments, estimates and assumptions of the final 2011/12 outcome and are used as the opening position for 2012/13 forecasts.

Key assumptions underlying this forecast are:

- There will be no significant change in government policies or the New Zealand Defence Force's Output Plan agreement with the Minister of Defence.
- Ministry of Defence payments reflect the forecast payments for acquisition projects which have been approved by Cabinet. Should additional projects be approved during the year, there may be some payments for these projects during the year.
- There will be no major changes in exchange rates.
- The capital charge rate for the year ending 30 June 2012 is assumed to be 8.0% per annum.

Statement of Entity-Specific Accounting Policies

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

New Zealand Defence Force is a Government Department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting New Zealand Defence Force is a public benefit entity. In addition the financial statements include information on the activities that NZDF administers on behalf of Vote Veterans' Affairs Defence Force.

In these financial statements the New Zealand Defence Force is also referred to as the NZDF, and Veterans' Affairs New Zealand is also referred to as VANZ.

Authorisation Statement

These forecast financial statements were authorised for issue by the Chief of Defence Force on 27 April 2012. The Chief of Defence Force as the Chief Executive of the New Zealand Defence Force 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

Property, Plant and Equipment

Capitalisation thresholds applied are set out below:

- IT Equipment / Hardware \$5,000.

- All other property, plant and equipment \$5,000.

Depreciation

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

- Buildings 5 - 100 years.
- Leasehold improvements 2 - 20 years.
- IT Equipment / Hardware 2 - 5 years.
- Motor vehicles 10 - 15 years.
- Furniture and office equipment 5 - 20 years.
- Specialist Military Equipment 5 - 55 years.
- Other Plant and Equipment 5 - 50 years.

Revaluation

Land, Buildings and Specialist Military Equipment asset classes are subject to revaluation every 5 years. Valuations use a market-based approach where possible. Where reliable market evidence is unavailable optimised depreciated replacement cost (ODRC) is used to calculate fair value.

Intangible Assets

Capitalisation thresholds applied are:

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

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

- Purchased software 3 - 20 years.
- Internally developed software 3 - 20 years.

Inventories

Inventories are held for distribution or consumption in the provision of services and are comprised of munitions, technical spares and consumable items.

Inventory intended to be kept for more than one year has been classified as non-current inventory.

Inventories are recorded at weighted average cost and the cost of inventory reflects any obsolescence or other impairment.

Cost Allocation

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

- Direct costs of a force element (for example, a squadron, a frigate, a battalion) are attributed directly to an appropriate output.
- Support unit costs are charged to outputs using drivers that reflect the use of that activity to produce outputs.
- Overhead costs are charged to outputs using the percentage of that outputs gross operating budget (exclusive of capital charge) to the total gross budget (exclusive of capital charge) for all outputs.

The allocation rules are reviewed if there is significant organisational change to alter the continued appropriateness of the rules.

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
Clearing accumulated disposal costs	(2,015)	(2,750)	(2,850)	(250)
Realised foreign exchange gains	11,554	-	-	-
Unrealised foreign exchange gains	-	-	-	-
Gains on liability reduction	-	-	-	-
Total Gains	9,539	(2,750)	(2,850)	(250)

Note 2 - Operating Expenses

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Materials	205,847	232,225	305,486	312,825
Repairs and Maintenance	86,516	92,831	72,308	85,397
Premises cost	67,245	75,876	70,072	90,379
Operating lease rentals	44,633	47,967	51,176	58,815
Domestic travel	13,941	11,894	14,195	13,749
Overseas travel	16,507	19,674	19,980	21,450
Consultants' fees	4,387	2,133	240	3,292
Audit Fees	350	350	350	360
Other Audit Services	30	-	-	-
Increase/(decrease) in provision for doubtful debts	186	-	-	-
Realised foreign exchange losses	24,431	-	-	-
Unrealised foreign exchange losses	9,286	-	-	-
Loss on sale of property, plant and equipment	8,091	-	-	-
Other operating expenses	102,611	147,518	50,335	174,281
Total Operating Expenses	584,061	630,468	584,142	760,548

Note 3 - Retention of Underspends (RoU)

The 2011/12 and 2012/13 operating expenses include the impact of the \$135.000 million Retention of Underspends (RoU) transferred from 2011/12. The 2012/13 funding is available to further sustain and enhance capability depending on future decisions including Budget 2013, and their related outyear transfer values.

Note 4 - Reconciliation of Departmental Expenses and Appropriations

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Appropriations for Output expenses				
Total for Vote: Defence Force - Annual Expenses	2,250,307	2,308,387	2,177,505	2,404,239
Total for Vote: Veterans' Affairs - Defence Force	11,167	10,353	10,890	10,502
Total Appropriations for output expenses	2,261,474	2,318,740	2,188,395	2,414,741
Appropriations for other expenses				
Maintenance of Assets Awaiting Sale	2,750	2,250	2,250	-
Disposal of Decommissioned Assets	500	500	600	250
Total Appropriations for other expenses	3,250	2,750	2,850	250
Adjustments				
Remeasurements	33,717	-	-	-
Appropriation amounts unused	(59,383)	-	(6,000)	-
Veterans' Affairs Non Departmental Expenses	(2,723)	(2,223)	(2,223)	(1,773)
Other expense appropriation not treated as departmental expense	(2,015)	(2,750)	(2,850)	(250)
Total departmental expenses [as per Statement of Comprehensive Income]	2,234,320	2,316,517	2,180,172	2,412,968

This note reconciles the expenses reported in the forecast Statement of Comprehensive Income with the corresponding departmental appropriations appearing in the Estimates of Appropriations.

Note 5 - Debtors and Other Receivables

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Debtor Crown	333,403	220,666	342,094	220,697
Debtors and other receivables	9,764	20,386	9,534	9,534
Total debtors and other receivables	343,167	241,052	351,628	230,231

Note 6 - Inventory

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Inventory: Current	105,386	121,012	114,762	117,772
Inventory: Non - current	194,706	224,737	213,128	218,718
Total Inventory	300,092	345,749	327,890	336,490

Note 7 - Property, Plant and Equipment

	Land \$000	Buildings \$000	Specialist Military Equipment \$000	Plant & Equipment \$000	Office & Computer Equipment \$000	Total \$000
Cost or Revaluation						
Balance as at 1 July 2012	710,400	1,314,183	4,133,355	269,351	72,800	6,500,089
Additions by purchase	-	55,669	391,195	22,790	2,122	471,776
Balance at 30 June 2013	710,400	1,369,852	4,524,550	292,141	74,922	6,971,865
Accumulated depreciation						
Balance as at 1 July 2012	-	92,820	956,787	165,565	45,191	1,260,363
Depreciation expense	-	45,873	305,523	13,842	5,114	370,352
Balance at 30 June 2013	-	138,693	1,262,310	179,407	50,305	1,630,715
Net PPE at 30 June 2013	710,400	1,231,159	3,262,240	112,734	24,617	5,341,150

Note 8 - Intangible Assets

	Acquired software \$000	Internally generated software \$000	Other \$000	Total \$000
Cost				
Balance as at 1 July 2012	37,559	-	-	37,559
Additions by purchase	8,658	-	-	8,658
Additions internally developed	-	-	-	-
Disposals	-	-	-	-
Balance as at 30 June 2013	46,217	-	-	46,217
Accumulated amortisation and impairment losses				
Balance as at 1 July 2012	33,217	-	-	33,217
Amortisation expense	5,000	-	-	5,000
Disposals	-	-	-	-
Impairment losses	-	-	-	-
Balance as at 30 June 2013	38,217	-	-	38,217
Carrying amount as at 30 June 2013	8,000	-	-	8,000

Note 9 - 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
Net surplus / (deficit)	24,683	(2,650)	(288)	(240)
Add / (less) non cash items				
Depreciation and amortisation expense	333,381	374,769	325,119	375,352
Increase / (decrease) in the provision for stock obsolescence	29,153	-	-	-
Increase / (decrease) in provision for doubtful debt	25	-	-	-
Increase / (decrease) in non-current employee entitlements	(5,700)	(1,000)	-	(2,000)
Asset write offs	-	2,750	2,850	250
Realised foreign exchange gain / (loss)	1,894	-	-	-
Other non cash items	-	(2,750)	(2,850)	(250)
Total non cash items	358,753	373,769	325,119	373,352
Add / (less) items classified as investing or financing activities				
(Gains) / losses on disposal of Property, Plant and Equipment	8,091	-	-	-
Total items classified as investing or financing activities	8,091	-	-	-
Add / (less) movements in working capital items				
(Increase) / decrease in debtors and receivables	(106,961)	(4,483)	(82,851)	106,858
(Increase) / decrease in interest	-	-	-	-
(Increase) / decrease in inventories	(41,999)	(27,370)	27,798	8,600
(Increase) / decrease in prepayments	12,222	0	9,649	-
Increase / (decrease) in creditors and other payables	24,315	(1,744)	(6,907)	(1,691)
Increase / (decrease) in GST payables	(508)	(637)	(3,363)	(5,572)
Increase / (decrease) in provisions	3,863	-	-	-
Increase / (decrease) in current employee entitlements	9,385	-	-	(870)
Net movements in working capital	(99,683)	(34,234)	(55,674)	107,325
Net cash from operating activities	291,844	336,885	269,157	480,437