

Forecast Financial Statements

Land Information New Zealand

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

| | | 2010/11 | 2011/12 | | 2012/13 |
|-----------------------------------|------|-----------------|----------------------------|------------------------------|-------------------|
| | Note | Actual \$000 | In 2011 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Income | | | | | |
| Crown | | 49,624 | 47,991 | 49,491 | 47,430 |
| Department(s) | | 1,923 | 3,217 | 1,035 | 2,053 |
| Other revenue | 1 | 42,208 | 60,242 | 59,752 | 61,278 |
| Gains | | - | - | - | - |
| Interest | | - | - | - | - |
| Total Income | | 93,755 | 111,450 | 110,278 | 110,761 |
| Expenses | | | | | |
| Personnel | | 38,365 | 36,809 | 35,872 | 35,897 |
| Operating | 2 | 55,695 | 69,664 | 51,415 | 54,399 |
| Depreciation and amortisation | | 5,771 | 5,118 | 5,729 | 5,729 |
| Capital charge | | 2,774 | 2,473 | 2,950 | 2,950 |
| Finance costs | | - | - | - | - |
| Other | | 929 | 1 | - | - |
| Total Expenses | | 103,534 | 114,065 | 95,966 | 98,975 |
| Net Surplus / (Deficit) | | (9,779) | (2,615) | 14,312 | 11,786 |
| Other comprehensive income | | - | - | - | - |
| Total Comprehensive Income | | (9,779) | (2,615) | 14,312 | 11,786 |

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 | | 38,350 | 36,567 | 40,647 | 42,075 |
| Revaluation reserve | | - | - | - | - |
| Other reserves | | - | - | - | - |
| Taxpayers' Funds Opening Balance | | 38,350 | 36,567 | 40,647 | 42,075 |
| Changes in Taxpayers' Funds | | | | | |
| Comprehensive income for the period | | (9,779) | (2,615) | 14,312 | 11,786 |
| Repayment of surplus | | - | - | - | - |
| Capital contribution | | 12,000 | - | - | - |
| Capital withdrawal | | - | - | (12,884) | (8,750) |
| Other | | 76 | - | - | - |
| Total Changes in Taxpayers' Funds | | 2,297 | (2,615) | 1,428 | 3,036 |
| Balance at 30 June | | | | | |
| General funds | | 40,647 | 33,952 | 42,075 | 45,111 |
| Revaluation reserve | | - | - | - | - |
| Other reserves | | - | - | - | - |
| Taxpayers' Funds Closing Balance | | 40,647 | 33,952 | 42,075 | 45,111 |

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 | | 8,544 | 3,733 | 17,544 | 11,303 |
| Debtors and other receivables | | 5,471 | 4,562 | 7,971 | 12,723 |
| Prepayments | | 528 | 789 | 528 | 528 |
| Inventories | | 1,011 | 1,294 | 1,011 | 1,011 |
| Other current assets | | - | - | - | - |
| Total Current Assets | | 15,554 | 10,378 | 27,054 | 25,565 |
| Non-current Assets | | | | | |
| Property, plant and equipment | | 3,499 | 7,786 | 6,085 | 5,565 |
| Intangible assets | | 38,523 | 36,851 | 37,160 | 38,071 |
| Other non-current assets | | - | - | - | - |
| Total Non-current Assets | | 42,022 | 44,637 | 43,245 | 43,636 |
| Total Assets | | 57,576 | 55,015 | 70,299 | 69,201 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Creditors and other payables | | 9,816 | 8,396 | 19,967 | 15,833 |
| Repayment of surplus | | - | - | - | - |
| Employee entitlements | | 4,505 | 7,843 | 5,649 | 5,649 |
| Other current liabilities | | 166 | 231 | 166 | 166 |
| Total Current Liabilities | | 14,487 | 16,470 | 25,782 | 21,648 |
| Non-current Liabilities | | | | | |
| Provisions | | - | - | - | - |
| Employee entitlements | | 2,442 | 4,593 | 2,442 | 2,442 |
| Other non-current liabilities | | - | - | - | - |
| Total Non-current Liabilities | | 2,442 | 4,593 | 2,442 | 2,442 |
| Total Liabilities | | 16,929 | 21,063 | 28,224 | 24,090 |
| Taxpayers' Funds | | | | | |
| General funds | | 40,647 | 33,952 | 42,075 | 45,111 |
| Revaluation reserve | | - | - | - | - |
| Other reserves | | - | - | - | - |
| Total Taxpayers' Funds | | 40,647 | 33,952 | 42,075 | 45,111 |
| Total Liabilities and Taxpayers' Funds | | 57,576 | 55,015 | 70,299 | 69,201 |

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 | | 52,029 | 47,542 | 46,308 | 42,678 |
| Department(s) | | 715 | 2,902 | 1,412 | 1,412 |
| Other | | 42,357 | 61,228 | 58,191 | 61,735 |
| Interest | | - | - | - | - |
| Payments to: | | | | | |
| Suppliers | | (53,970) | (68,781) | (51,392) | (53,151) |
| Employees | | (41,359) | (32,838) | (35,713) | (36,961) |
| Capital charge | | (2,583) | (2,473) | (2,950) | (2,950) |
| Goods and services tax (net) | | (254) | 325 | 96 | - |
| Other operating activities | | - | - | - | - |
| Net Cash from Operating Activities | 3 | (3,065) | 7,905 | 15,952 | 12,763 |
| Cash Flow from Investing Activities | | | | | |
| Receipts from: | | | | | |
| Sale of property, plant and equipment | | 769 | - | - | - |
| Sale of intangible assets | | - | - | - | - |
| Sale of other non-current assets | | - | - | - | - |
| Purchase of: | | | | | |
| Property, plant and equipment | | (1,707) | (2,979) | (3,106) | - |
| Intangible assets | | (2,412) | (2,360) | (3,846) | (6,120) |
| Other non-current assets | | - | - | - | - |
| Net Cash from Investing Activities | | (3,350) | (5,339) | (6,952) | (6,120) |
| Cash Flow from Financing Activities | | | | | |
| Capital contribution | | 12,000 | - | - | - |
| Other financing cash inflows | | - | - | - | - |
| Repayment of surplus | | - | - | - | - |
| Capital withdrawal | | - | - | - | (12,884) |
| Other financing cash outflows | | - | - | - | - |
| Net Cash from Financing Activities | | 12,000 | - | - | (12,884) |
| Net Increase / (Decrease) in Cash | | 5,585 | 2,566 | 9,000 | (6,241) |
| Cash at the beginning of the year | | 2,959 | 1,167 | 8,544 | 17,544 |
| Cash at the end of the year | | 8,544 | 3,733 | 17,544 | 11,303 |

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 499 full time equivalent staff positions
- operating costs are based upon historical experience. The general historical pattern is expected to continue, and
- estimated year-end information for 2011/12 is used as the opening position for the 2012/13 forecasts.

These assumptions were 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:

- any significant change in property market transaction volumes from that currently forecast could materially impact LINZ's revenue from survey and titles transactions, and
- expenditure against the land tenure multi-year appropriation is dependent upon lessee acceptance of proposals. A number of proposals will be put before 2011/12 year-end but may not be accepted until the 2012/13 year. This could materially impact the expenditure recorded in 2011/12.

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 Sue Gordon, Acting Chief Executive of Land Information New Zealand on 17 April 2012. 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 groups 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 it is 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 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 are as follows:

- leasehold property improvements - over term of lease
- motor vehicles five to seven years
- computer hardware two to twenty years
- plant and equipment three to eleven years, and
- furniture and fittings four to eleven 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.

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.

Work in progress

The value of work in progress is the total of direct costs incurred that are attributed to incomplete capital projects.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Performance.

The useful lives of intangible assets have been estimated at between three and 20 years.

Impairment of Non-financial Assets

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 as 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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 its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable 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 pay for performance 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 cash flows. The discount rate is based on rates supplied by the Treasury. 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.

- Costs that are directly related to an output are allocated directly to that output.
- Costs that are not directly related to a single output fall into two categories:
 - 1 overhead costs, which cannot be directly attributed to the production of outputs, are allocated to Direct Cost Producing Cost Centres (DCPCC)
 - 2 costs that partially relate to the production of outputs are those incurred within DCPCC that are not sufficiently direct to allocate directly.

Cost-drivers such as the number of full-time equivalent (FTE) staff, and floor usage were used when allocating costs in both of the above instances.

Notes to the Financial Statements

Note 1 - Other Revenue

| | 2010/11 | 2011/12 | | 2012/13 |
|--------------------------|-----------------|----------------------------|------------------------------|-------------------|
| | Actual \$000 | In 2011 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Title fees | 19,768 | 31,928 | 35,886 | 38,430 |
| Search fees | 10,234 | 9,076 | 455 | 455 |
| Survey fees | 5,524 | 4,676 | 5,859 | 5,859 |
| Other goods and services | 6,682 | 14,562 | 17,552 | 16,534 |
| Total | 42,208 | 60,242 | 59,752 | 61,278 |

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 for financial statement audit | 179 | 128 | 198 | 198 |
| Leasing and renting costs | 3,418 | 5,110 | 3,288 | 3,288 |
| Other operating expenses | 52,098 | 64,426 | 47,929 | 50,913 |
| Total | 55,695 | 69,664 | 51,415 | 54,399 |

Note 3 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities for the year ending 30 June

| | 2010/11 | 2011/12 | | 2012/13 |
|--|-----------------|----------------------------|------------------------------|-------------------|
| | Actual \$000 | In 2011 Budget \$000 | Estimated Actual \$000 | Budgeted \$000 |
| Net surplus/(deficit) | (9,779) | (2,615) | 14,312 | 11,786 |
| <i>Add/(less) non-cash items</i> | | | | |
| Depreciation and assets written off | 1,145 | 1,123 | 520 | 520 |
| Amortisation of intangibles | 4,626 | 3,995 | 5,209 | 5,209 |
| Total non-cash items | 5,771 | 5,118 | 5,729 | 5,729 |
| <i>Add back items classified as investing activity</i> | | | | |
| Net loss/(gain) on sale of plant, property and equipment | 949 | (1) | - | - |
| <i>Working capital movement</i> | | | | |
| (Increase)/Decrease in receivables and prepayments | 445 | (8,438) | 4,183 | 4,752 |
| (Increase)/Decrease in inventory | 333 | - | - | - |
| Increase/(Decrease) in payables | 1,387 | 9,487 | 161 | - |
| Increase/(Decrease) in provision | (2,171) | 4,027 | (255) | - |
| <i>Net working capital movement</i> | (6) | 5,403 | 4,089 | 4,752 |
| Net cash from operating activities | (3,065) | 7,905 | 15,952 | 12,763 |