

# *Forecast Financial Statements*

*Ministry of Economic  
Development*

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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		85,033	84,138	83,324	73,200
Department(s)		2,792	2,700	2,697	566
Other revenue	1	54,091	65,500	54,948	65,650
Gains		-	-	-	-
Interest		-	-	-	-
<b>Total Income</b>		141,916	152,338	140,969	139,416
<b>Expenses</b>	8				
Personnel		64,467	69,210	66,889	68,003
Operating	2, 7	76,384	70,212	70,641	61,800
Depreciation and amortisation		8,394	10,338	8,366	8,732
Capital charge		1,698	2,882	2,496	3,096
Finance costs		176	-	-	-
Other		(523)	16	5	5
<b>Total Expenses</b>		150,596	152,658	148,397	141,636
<b>Net Surplus / (Deficit)</b>		(8,680)	(320)	(7,428)	(2,220)
Other comprehensive income		317	-	-	-
<b>Total Comprehensive Income</b>		(8,363)	(320)	(7,428)	(2,220)

## 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		24,918	34,418	28,642	31,209
Revaluation reserve		-	-	317	317
Other reserves		-	-	-	-
<b>Taxpayers' Funds Opening Balance</b>		<b>24,918</b>	<b>34,418</b>	<b>28,959</b>	<b>31,526</b>
<b>Changes in Taxpayers' Funds</b>					
Comprehensive income for the period		(8,363)	(320)	(7,428)	(2,220)
Repayment of surplus		(1,161)	(2,680)	(5,158)	(980)
Capital contribution		13,565	7,000	13,241	2,000
Capital withdrawal		-	-	(6,494)	-
Other		-	-	8,406	-
<b>Total Changes in Taxpayers' Funds</b>		<b>4,041</b>	<b>4,000</b>	<b>2,567</b>	<b>(1,200)</b>
<b>Balance at 30 June</b>					
General funds		28,642	38,418	31,209	30,009
Revaluation reserve		317	-	317	317
Other reserves		-	-	-	-
<b>Taxpayers' Funds Closing Balance</b>		<b>28,959</b>	<b>38,418</b>	<b>31,526</b>	<b>30,326</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		5,101	15,143	13,629	6,319
Debtors and other receivables	3	26,468	23,637	24,638	24,046
Prepayments		63	74	67	9
Inventories		-	-	-	-
Other current assets		3,186	-	-	-
<b>Total Current Assets</b>		<b>34,818</b>	<b>38,854</b>	<b>38,334</b>	<b>30,374</b>
<b>Non-current Assets</b>					
Property, plant and equipment	4	10,217	9,269	8,113	8,591
Intangible assets	5	22,100	27,231	21,090	23,880
Other non-current assets		-	-	-	-
<b>Total Non-current Assets</b>		<b>32,317</b>	<b>36,500</b>	<b>29,203</b>	<b>32,471</b>
<b>Total Assets</b>		<b>67,135</b>	<b>75,354</b>	<b>67,537</b>	<b>62,845</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Creditors and other payables		16,503	17,685	13,325	14,266
Repayment of surplus		1,161	2,680	5,158	980
Employee entitlements		7,240	7,701	8,185	8,335
Other current liabilities		8,903	3,756	5,131	4,111
<b>Total Current Liabilities</b>		<b>33,807</b>	<b>31,822</b>	<b>31,799</b>	<b>27,692</b>
<b>Non-current Liabilities</b>					
Provisions	6	602	360	295	360
Employee entitlements		3,767	4,754	3,917	4,467
Other non-current liabilities		-	-	-	-
<b>Total Non-current Liabilities</b>		<b>4,369</b>	<b>5,114</b>	<b>4,212</b>	<b>4,827</b>
<b>Total Liabilities</b>		<b>38,176</b>	<b>36,936</b>	<b>36,011</b>	<b>32,519</b>
<b>Taxpayers' Funds</b>					
General funds		28,642	38,418	31,209	30,009
Revaluation reserve		317	-	317	317
Other reserves		-	-	-	-
<b>Total Taxpayers' Funds</b>		<b>28,959</b>	<b>38,418</b>	<b>31,526</b>	<b>30,326</b>
<b>Total Liabilities and Taxpayers' Funds</b>		<b>67,135</b>	<b>75,354</b>	<b>67,537</b>	<b>62,845</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>					
<b>Receipts from:</b>					
Crown		80,262	74,838	92,830	75,200
Department(s)		2,312	2,700	2,787	566
Other		51,503	66,618	55,805	64,010
Interest		-	-	-	-
<b>Payments to:</b>					
Suppliers		(76,326)	(70,135)	(74,938)	(61,529)
Employees		(64,619)	(68,298)	(65,568)	(67,797)
Capital charge		(1,698)	(2,882)	(2,496)	(3,096)
Goods and services tax (net)		-	-	-	-
Other operating activities		-	-	-	-
<b>Net Cash from Operating Activities</b>		<b>(8,566)</b>	<b>2,841</b>	<b>8,420</b>	<b>7,354</b>
<b>Cash Flow from Investing Activities</b>					
<b>Receipts from:</b>					
Sale of property, plant and equipment		297	-	-	-
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
<b>Purchase of:</b>					
Property, plant and equipment		(1,685)	(3,779)	(4,376)	(3,006)
Intangible assets		(8,544)	(11,001)	(7,596)	(8,500)
Other non-current assets		-	-	-	-
<b>Net Cash from Investing Activities</b>		<b>(9,932)</b>	<b>(14,780)</b>	<b>(11,972)</b>	<b>(11,506)</b>
<b>Cash Flow from Financing Activities</b>					
Capital contribution		13,565	7,000	13,241	2,000
Other financing cash inflows		-	-	-	-
Repayment of surplus		(1,063)	(780)	(1,161)	(5,158)
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
<b>Net Cash from Financing Activities</b>		<b>12,502</b>	<b>6,220</b>	<b>12,080</b>	<b>(3,158)</b>
<b>Net Increase / (Decrease) in Cash</b>		<b>(5,996)</b>	<b>(5,719)</b>	<b>8,528</b>	<b>(7,310)</b>
Cash at the beginning of the year		11,097	20,862	5,101	13,629
<b>Cash at the end of the year</b>		<b>5,101</b>	<b>15,143</b>	<b>13,629</b>	<b>6,319</b>

## 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 with 53% of activities funded by the Crown.
- Personnel costs are based on 785 staff positions (755 full time equivalents).
- Operating costs are based on historical experience adjusted for time limited funding (where applicable) otherwise 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 4 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 budget through new initiatives, or technical adjustments.

The Government is committed to merging the Ministry of Economic Development into the Ministry of Business, Innovation and Employment. The forecast consolidated financial statements for the new Ministry have yet to be prepared as a number of decisions are still pending. As a result there will likely be material differences between the forecast financial statements that are outlined and the 2012/13 actual financial statements

## Statement of Entity-Specific Accounting Policies

The Ministry of Economic Development 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 Economic Development, prepared in accordance with section 38 of the Public Finance Act 1989, and cover all the activities of the Ministry of Economic Development as set out in the 2011/12 Estimates of Annual Appropriations and Departmental Budgets, including Votes: Economic Development, Commerce, Communications, Consumer Affairs, Energy, and Tourism.

The Ministry of Economic Development is a Government Department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) the Ministry of Economic Development is a public benefit entity.

### Authorisation Statement

These forecast financial statements were authorised for issue by the Chief Executive on 4 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

The following particular accounting policies that materially affect the measurement of financial results and financial position have been applied:

### *Property, Plant and Equipment*

Property, plant and equipment consists of buildings, leasehold improvements, computer equipment, furniture, office equipment, testing equipment and vehicles.

Capitalisation thresholds applied are set out below.

- IT Equipment / Hardware \$2,000.
- All other property, plant and equipment \$2,000.

Items of property, plant and equipment are capitalised and are initially recorded at cost. An individual asset that is less than \$2,000 but part of a group of similar assets will also be capitalised. Apart from leasehold improvements, the carrying amounts of property, plant and equipment are reviewed 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 Comprehensive Income, unless the asset is carried at a revalued amount, in which case any impairment loss is first treated as a revaluation decrease.

Leasehold improvements are stated at net current values determined by an independent registered valuer. Leasehold improvements are revalued at least every five years or whenever the carrying amount differs materially to fair value.

Accumulated depreciation at revaluation date may be either restated proportionately or eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount. The elimination approach is applied unless otherwise indicated.

Realised gains arising from sales of property, plant and equipment are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs. Unrealised gains arising from changes in the value of property, plant and equipment are recognised at balance date. To the extent gains reverse losses previously charged to the Statement of Comprehensive Income, the gains are credited to the Statement of Comprehensive Income. Otherwise, gains are credited to an asset revaluation reserve for that class of assets.

Realised losses arising from sale of property, plant and equipment are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs.

Unrealised losses arising from changes in the value of property, plant and equipment are recognised in the period in which they occur. Unrealised losses are first applied against the revaluation reserve for that class of asset. The balance, if any, is charged to the Statement of Comprehensive Income.

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

## *Depreciation*

Depreciation of property, plant and equipment, other than leasehold improvements and work in progress, is provided on a straight line basis so as to allocate the depreciable amount of assets over their useful lives. The depreciable amount is the cost or revalued amount less the residual value. The estimated useful lives are:

- Buildings - 20 years.
- Leasehold improvements - 10 years.
- Computer equipment - 4 years.
- Furniture and fittings - 5 years.
- Office equipment - 5 years.
- Testing equipment - 10 years.
- Motor vehicles - 5 years.

All property, plant and equipment other than motor vehicles (\$5,000) are assumed to have no residual value.

The cost (or valuation) of leasehold improvements is capitalised and amortised over the unexpired period of the lease, or the estimated useful life of the improvements, whichever is the shorter.

Capital work in progress is recognised as costs are incurred. Depreciation is not recorded until the asset is fully operational.

## *Intangible Assets*

Intangible assets are initially recorded at cost. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and development expenditure can be reliably measured. Expenditure incurred on research of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

Capitalisation thresholds applied are:

- Purchased software \$5,000.
- Internally developed software \$20,000.

Bespoke software (custom built in-house major registry applications) developed in-house (including work undertaken by IT outsource partners) with a total development cost below this threshold is expensed. In these cases, any expenditure is to be treated as "software - minor enhancements".

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

### *Amortisation*

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses. Amortisation of intangible assets is charged to the Statement of Comprehensive Income on a straight line basis so as to allocate the carrying value of the assets over their useful lives. The estimated useful lives are:

- Purchased software - 4 years.
- Internally developed software - 4 to 6 years.

Intangible assets with finite lives are reviewed at least annually to determine if there is any indication of impairment. Any intangible asset with an indefinite life is also tested for impairment annually. Where an intangible 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 Comprehensive Income, unless the asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

### *Cost Allocation*

The Ministry has derived costs shown in these statements using a costing system that directly charged those costs attributable to outputs on the basis of resource consumption. Costs that bear no direct relationship to outputs are classified as indirect. These indirect costs are confined to corporate support costs.

The following are the cost drivers employed to assign direct and indirect costs to outputs for the major cost groupings:

Cost Groupings	Cost Drivers
<b>Direct Costs</b>	
Accommodation	Amount of floor space occupied
Cafeteria administration	Staff numbers
Depreciation on leasehold improvements	Amount of floor space occupied
Depreciation on furniture and fittings	Amount of floor space occupied
Other personnel and operating	Direct charging
<b>Indirect Costs</b>	
Corporate support costs and time	Assessed usage and staff numbers

# 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
Fees and fines	44,717	57,956	44,734	49,952
Electrical levies	4,390	3,083	3,601	4,305
Inter-departmental revenue	3,091	2,550	5,512	7,800
Petroleum fuels monitoring levy	2,367	2,863	2,855	2,857
Gas levies	683	903	636	630
LPG levies	-	665	-	665
Sale of publications	4	30	2	-
Miscellaneous	1,631	510	305	7
<b>Total other revenue</b>	<b>56,883</b>	<b>68,200</b>	<b>57,645</b>	<b>66,216</b>

## Note 2 - Operating Expenses

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Operating expenses include:</b>				
Consultants' fees	15,961	7,189	13,868	8,450
Overseas travel	1,971	1,741	1,878	1,493
Domestic travel	2,302	1,633	2,586	1,770
Other	55,733	52,407	52,309	50,087
<b>Total operating expenses</b>	<b>75,967</b>	<b>62,970</b>	<b>70,641</b>	<b>61,800</b>

## Note 3 - Debtors and Other Receivables

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Debtor Crown	18,506	18,300	17,406	15,406
Debtors other	7,962	5,411	7,132	8,640
<b>Total debtors and other receivables</b>	<b>26,468</b>	<b>23,711</b>	<b>24,638</b>	<b>24,046</b>

**Note 4 - Property, Plant and Equipment**

	Buildings \$000	Plant and equipment \$000	Computer equipment \$000	Furniture and fittings \$000	Motor vehicles \$000	Total \$000
<b>Cost or revaluation</b>						
Balance as at 1 July 2012	-	9,963	13,798	3,912	1,114	28,787
Additions by purchase	-	700	2,500	100	200	3,500
Additions internally developed	-	-	-	-	-	-
Revaluation increase	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-
Disposals	-	(140)	(250)	(25)	(100)	(515)
Balance as at 30 June 2013	-	10,523	16,048	3,987	1,214	31,772
<b>Accumulated depreciation and impairment losses</b>						
Balance as at 1 July 2012	-	4,281	11,885	3,840	668	20,674
Depreciation expense	-	1,125	1,241	84	156	2,606
Eliminate on disposal	-	(140)	(250)	(25)	(100)	(515)
Eliminate on revaluation	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Balance as at 30 June 2013	-	5,266	12,876	3,899	724	22,765
Carrying amount as at 30 June 2013	-	5,257	3,172	88	490	9,007

**Note 5 - Intangible Assets**

	Acquired software \$000	Total \$000
<b>Cost</b>		
Balance as at 1 July 2012	46,466	46,466
Additions by purchase	8,500	8,500
Additions internally developed	-	-
Disposals	(850)	(850)
Balance as at 30 June 2013	54,116	54,116
<b>Accumulated amortisation and impairment losses</b>		
Balance as at 1 July 2012	25,376	25,376
Amortisation expense	6,126	6,126
Disposals	(850)	(850)
Impairment losses	-	-
Balance as at 30 June 2013	30,652	30,652
Carrying amount as at 30 June 2013	23,464	23,464

**Note 6 - Provisions**

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Non-current</b>				
Rental	602	601	477	7
Total provisions	602	601	477	7

**Note 7 - 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)	(8,680)	(320)	(7,428)	(2,220)
<b>Add/(less) non-cash items</b>				
Depreciation and amortisation expense	8,394	10,338	8,366	8,732
Bad debts written off	21	16	5	5
Unrealised FX losses	176	-	-	-
Property, plant and equipment revaluation losses	(559)	-	-	-
Memorandum Account adjustment to Debtor Crown	-	-	8,406	-
Total non-cash items	8,032	10,354	16,777	8,737
<b>Add/(less) items classified as investing or financing activities</b>				
(Gains)/losses on disposal property, plant and equipment	51	-	-	-
Total items classified as investing or financing activities	51	-	-	-
<b>Add/(less) movements in working capital items</b>				
(Inc)/Dec in debtors and other receivables	(3,554)	(584)	735	(1,408)
Inc/(Dec) in debt provisions	(36)	-	(5)	-
(Inc)/Dec in debtor Crown	(4,771)	(9,300)	1,100	2,000
(Inc)/Dec in prepayments	47	56	(4)	58
Inc/(Dec) in creditors and other payables	(459)	590	(3,765)	943
Inc/(Dec) in employee entitlements	212	362	945	150
Inc/(Dec) in unearned income	486	1,084	222	(1,022)
Net movements in working capital items	(8,075)	(7,792)	(772)	721
<b>Add/(less) movements in non-current liabilities</b>				
Inc/(Dec) in non-current provisions	393	49	(307)	(434)
Inc/(Dec) in employee entitlements	(287)	550	150	550
Net movements in non-current liabilities	106	599	(157)	116
Net cash from operating activities	(8,566)	2,841	8,420	7,354

**Note 8 - Reconciliation of Departmental Expenses and Appropriations**

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Appropriations for output expense</b>				
Total for Vote Commerce	63,330	63,863	61,950	61,927
Total for Vote Communications	13,351	14,933	12,984	14,159
Total for Vote Consumer Affairs	7,367	7,058	7,210	6,828
Total for Vote Energy	30,784	34,682	30,060	27,237
Total for Vote Tourism	7,091	7,862	7,826	7,586
Total for Vote Economic Development	27,294	23,933	27,083	22,072
Total appropriations for output expenses	149,217	152,331	147,113	139,809
<b>Appropriations for other expenses</b>				
Energy and Resource Information Services	1,379	1,827	1,284	1,827
Total appropriations for other expenses	1,379	1,827	1,284	1,827
<b>Adjustments</b>				
Appropriation amounts unused	-	(1,500)	-	-
Total departmental expenses [as per statement of financial performance]	150,596	152,658	148,397	141,636