

Forecast Financial Statements

New Zealand Defence Force

Statement of Forecast Comprehensive Income for the year ending 30 June 2012

		2009/10	2010/11		2011/12
	Note	Actual \$000	In 2010 Budget \$000	Estimated Actual \$000	Budgeted \$000
Income					
Crown		2,201,375	2,253,969	2,224,144	2,283,623
Department(s)		15,344	25,142	25,830	24,117
Other revenue		6,693	8,777	8,777	8,777
Gains	1	13,430	-	(3,250)	(2,750)
Interest		14	100	100	100
Total Income		2,236,856	2,287,988	2,255,601	2,313,867
Expenses					
Personnel		837,276	862,172	867,013	857,559
Operating	2	573,436	607,297	606,181	630,468
Depreciation and amortisation		342,306	382,695	336,647	374,769
Capital charge		428,864	435,724	423,693	453,721
Finance costs		-	-	-	-
Other		23,994	-	-	-
Total Expenses	3	2,205,876	2,287,888	2,233,534	2,316,517
Net Surplus / (Deficit)		30,980	100	22,067	(2,650)
Other comprehensive income	6	(154,782)	-	(5,547)	-
Total Comprehensive Income		(123,802)	100	16,520	(2,650)

Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2012

	Note	2009/10	2010/11		2011/12
		Actual \$000	In 2010 Budget \$000	Estimated Actual \$000	Budgeted \$000
Balance at 1 July					
General funds		3,618,986	3,619,899	3,713,286	3,716,671
Revaluation reserve		2,101,943	2,101,943	1,939,440	1,933,893
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		5,720,929	5,721,842	5,652,726	5,650,564
Changes in Taxpayers' Funds					
Comprehensive income for the period		(123,802)	100	16,520	(2,650)
Repayment of surplus		(38,614)	(100)	(25,317)	(100)
Capital contribution		94,384	-	6,635	38,235
Capital withdrawal		(171)	-	-	-
Other		-	-	-	-
Total Changes in Taxpayers' Funds		(68,203)	-	(2,162)	35,485
Balance at 30 June					
General funds		3,713,286	3,619,899	3,716,671	3,752,156
Revaluation reserve		1,939,440	2,101,943	1,933,893	1,933,893
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		5,652,726	5,721,842	5,650,564	5,686,049

Forecast Statement of Financial Position as at 30 June 2012

	Note	2009/10	2010/11		2011/12
		Actual \$000	In 2010 Budget \$000	Estimated Actual \$000	Budgeted \$000
Assets					
Current Assets					
Cash and cash equivalents		93,031	10,863	78,289	24,000
Debtors and other receivables	4	227,166	15,800	233,793	241,052
Prepayments		39,573	35,000	37,000	37,000
Inventories	5	88,216	110,704	111,433	121,012
Other current assets		850	-	-	-
Total Current Assets		448,836	172,367	460,515	423,064
Non-current Assets					
Property, plant and equipment	6	5,297,306	5,606,120	5,232,389	5,261,680
Intangible assets	7	11,975	15,025	9,975	6,975
Other non-current assets	5	199,030	185,595	206,946	224,737
Total Non-current Assets		5,508,311	5,806,740	5,449,310	5,493,392
Total Assets		5,957,147	5,979,107	5,909,825	5,916,456
Liabilities					
Current Liabilities					
Creditors and other payables		174,947	180,015	151,982	149,601
Repayment of surplus		38,614	100	25,317	100
Employee entitlements		34,247	26,150	35,737	35,737
Other current liabilities		10,216	-	256	273
Total Current Liabilities		258,024	206,265	213,292	185,711
Non-current Liabilities					
Provisions		-	-	-	-
Employee entitlements		43,706	51,000	43,315	42,315
Other non-current liabilities		2,691	-	2,654	2,381
Total Non-current Liabilities		46,397	51,000	45,969	44,696
Total Liabilities		304,421	257,265	259,261	230,407
Taxpayers' Funds					
General funds		3,713,286	3,619,899	3,716,671	3,752,156
Revaluation reserve		1,939,440	2,101,943	1,933,893	1,933,893
Other reserves		-	-	-	-
Total Taxpayers' Funds		5,652,726	5,721,842	5,650,564	5,686,049
Total Liabilities and Taxpayers' Funds		5,957,147	5,979,107	5,909,825	5,916,456

Statement of Forecast Cash Flows for the year ending 30 June 2012

	Note	2009/10	2010/11		2011/12
		Actual \$000	In 2010 Budget \$000	Estimated Actual \$000	Budgeted \$000
Cash Flows from Operating Activities					
Receipts from:					
Crown		2,149,212	2,417,376	2,224,144	2,276,364
Department(s)		15,086	25,142	25,587	24,117
Other		5,908	8,777	3,243	8,777
Interest		14	100	100	100
Payments to:					
Suppliers		(582,641)	(625,609)	(667,165)	(668,176)
Employees		(834,591)	(863,521)	(857,238)	(849,939)
Capital charge		(428,864)	(435,724)	(423,693)	(453,721)
Goods and services tax (net)		4,792	(4,781)	(8,118)	(637)
Other operating activities		(538)	-	-	-
Net Cash from Operating Activities	8	328,378	521,760	296,860	336,885
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		16,759	-	1,207	-
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		241,688	-	-	-
Purchase of:					
Property, plant and equipment		(323,926)	(542,943)	(276,830)	(404,092)
Intangible assets		(3,307)	(3,000)	(4,000)	-
Other non-current assets		(249,868)	-	-	-
Net Cash from Investing Activities		(318,654)	(545,943)	(279,623)	(404,092)
Cash Flow from Financing Activities					
Capital contribution		94,384	-	6,635	38,235
Other financing cash inflows		-	-	-	-
Repayment of surplus		(24,005)	(18,100)	(38,614)	(25,317)
Capital withdrawal		(171)	-	-	-
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		70,208	(18,100)	(31,979)	12,918
Net Increase / (Decrease) in Cash		79,932	(42,283)	(14,742)	(54,289)
Cash at the beginning of the year		13,099	53,146	93,031	78,289
Cash at the end of the year		93,031	10,863	78,289	24,000

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 2010/11 budgeted figures are based on management's judgments, estimates and assumptions of the final 2010/11 outcome and are used as the opening position for 2011/12 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 21 April 2011. 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. 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. Valuations are determined or reviewed by an independent registered valuer.

Specialist Military Equipment with a net carrying value of \$2 million or more, or groups of like assets with a total carrying value of \$4 million or more are subject to revaluation. All other specialist military equipment is recorded at historical cost.

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

	2009/10	2010/11		2011/12
	Actual \$000	In 2010 Budget \$000	Estimated Actual \$000	Budgeted \$000
Clearing accumulated disposal costs	(2,485)	-	(3,250)	(2,750)
Realised foreign exchange gains	9,414	-	-	-
Unrealised foreign exchange gains	-	-	-	-
Gains on liability reduction	6,501	-	-	-
Total Gains	13,430	-	(3,250)	(2,750)

Note 2 - Operating Expenses

	2009/10	2010/11		2011/12
	Actual \$000	In 2010 Budget \$000	Estimated Actual \$000	Budgeted \$000
Materials	188,409	162,952	208,250	232,225
Repairs and Maintenance	97,922	88,128	88,797	92,831
Premises cost	63,978	69,522	68,318	75,876
Operating lease rentals	47,061	48,045	47,791	47,967
Domestic travel	14,827	15,390	15,274	11,894
Overseas travel	18,878	22,101	18,596	19,674
Consultants' fees	5,596	2,199	4,139	2,133
Other operating expenses	136,765	198,960	155,016	147,868
Total Operating Expenses	573,436	607,297	606,181	630,468

Note 3 - Reconciliation of Departmental Expenses and Appropriations

	2009/10	2010/11		2011/12
	Actual \$000	In 2010 Budget \$000	Estimated Actual \$000	Budgeted \$000
Appropriations for Output expenses				
Total for Vote: Defence Force - Annual Expenses	2,222,367	2,279,461	2,250,307	2,308,387
Total for Vote: Veterans' Affairs - Defence Force	8,327	8,427	8,444	8,130
Total Appropriations for output expenses	2,230,694	2,287,888	2,258,751	2,316,517
Appropriations for other expenses				
Asset Write-Offs	3,300	-	-	-
Maintenance of Assets Awaiting Sale	-	-	2,750	2,250
Disposal of Decommissioned Assets	-	-	500	500
Revaluation Losses	90,000	-	-	-
Total Appropriations for other expenses	93,300	-	3,250	2,750
Adjustments				
Remeasurements	23,425	-	-	-
Appropriation amounts unused	(139,058)	-	(25,217)	-
Other expense appropriation not treated as departmental expense	(2,485)	-	(3,250)	(2,750)
Total departmental expenses [as per Statement of Comprehensive Income]	2,205,876	2,287,888	2,233,534	2,316,517

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 4 - Debtors and Other Receivables

	2009/10	2010/11		2011/12
	Actual \$000	In 2010 Budget \$000	Estimated Actual \$000	Budgeted \$000
Debtor Crown	213,407	-	213,407	220,666
Debtors and other receivables	13,759	15,800	20,386	20,386
Total debtors and other receivables	227,166	15,800	233,793	241,052

Note 5 - Inventory

	2009/10	2010/11		2011/12
	Actual \$000	In 2010 Budget \$000	Estimated Actual \$000	Budgeted \$000
Inventory: Current	88,216	110,704	111,433	121,012
Inventory: Non - current	199,030	185,595	206,946	224,737
Total Inventory	287,246	296,299	318,379	345,749

Note 6 - 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 2011	707,291	1,189,769	4,006,986	258,814	72,993	6,235,853
Additions by purchase	-	54,530	308,687	10,493	27,350	401,060
Balance at 30 June 2012	707,291	1,244,299	4,315,673	269,307	100,343	6,636,913
Accumulated depreciation						
Balance as at 1 July 2011	-	49,395	747,219	168,968	37,882	1,003,464
Depreciation expense	-	50,096	296,613	17,073	7,987	371,769
Balance at 30 June 2012	-	99,491	1,043,832	186,041	45,869	1,375,233
Net PPE at 30 June 2012	707,291	1,144,808	3,271,841	83,266	54,474	5,261,680

The Forecast Financial Statements include the revaluation decrease of \$154.782 million as at 30 June 2010 for the Land, Buildings and Specialist Military Equipment asset classes that are subject to revaluation. This revaluation decrease is included in opening asset class values as at 1 July 2010. It is Government policy not to budget for revaluations in asset values.

Note 7 - Intangible Assets

	Acquired software \$000	Internally generated software \$000	Other \$000	Total \$000
Cost				
Balance as at 1 July 2011	36,094	-	-	36,094
Additions by purchase	-	-	-	-
Additions internally developed	-	-	-	-
Disposals	-	-	-	-
Balance as at 30 June 2012	36,094	-	-	36,094
Accumulated amortisation and impairment losses				
Balance as at 1 July 2011	26,119	-	-	26,119
Amortisation expense	3,000	-	-	3,000
Disposals	-	-	-	-
Impairment losses	-	-	-	-
Balance as at 30 June 2012	29,119	-	-	29,119
Carrying amount as at 30 June 2012	6,975	-	-	6,975

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

	2009/10	2010/11		2011/12
	Actual \$000	In 2010 Budget \$000	Estimated Actual \$000	Budgeted \$000
Net surplus / (deficit)	30,980	100	22,067	-2,650
Add / (less) non cash items				
Depreciation and amortisation expense	342,306	382,695	336,647	374,769
Increase / (decrease) in the provision for stock obsolescence	(815)	-	-	-
Increase / (decrease) in provision for doubtful debt	(519)	-	-	-
Increase / (decrease) in non-current employee entitlements	(5,373)	-	-	(1,000)
Asset write offs	2,485	-	3,250	2,750
Realised foreign exchange gain / (loss)	(13,605)	-	-	-
Other non cash items	(2,485)	-	(3,250)	(2,750)
Total non cash items	321,994	382,695	336,647	373,769
Add / (less) items classified as investing or financing activities				
(Gains) / losses on disposal of Property, Plant and Equipment	889	-	-	-
Total items classified as investing or financing activities	889	-	-	-
Add / (less) movements in working capital items				
(Increase) / decrease in debtors and receivables	(7,883)	163,407	786	(4,483)
(Increase) / decrease in interest	35	-	-	-
(Increase) / decrease in inventories	(14,679)	(12,661)	(31,133)	(27,370)
(Increase) / decrease in prepayments	(1,423)	-	2,573	0
Increase / (decrease) in creditors and other payables	(10,792)	-	(24,863)	(1,744)
Increase / (decrease) in GST payables	4,792	(4,781)	(8,118)	(637)
Increase / (decrease) in provisions	343	-	-	-
Increase / (decrease) in current employee entitlements	4,122	(7,000)	(1,099)	-
Net movements in working capital	(25,485)	138,965	(61,854)	(34,234)
Net cash from operating activities	328,378	521,760	296,860	336,885