

# Departmental Forecast Report

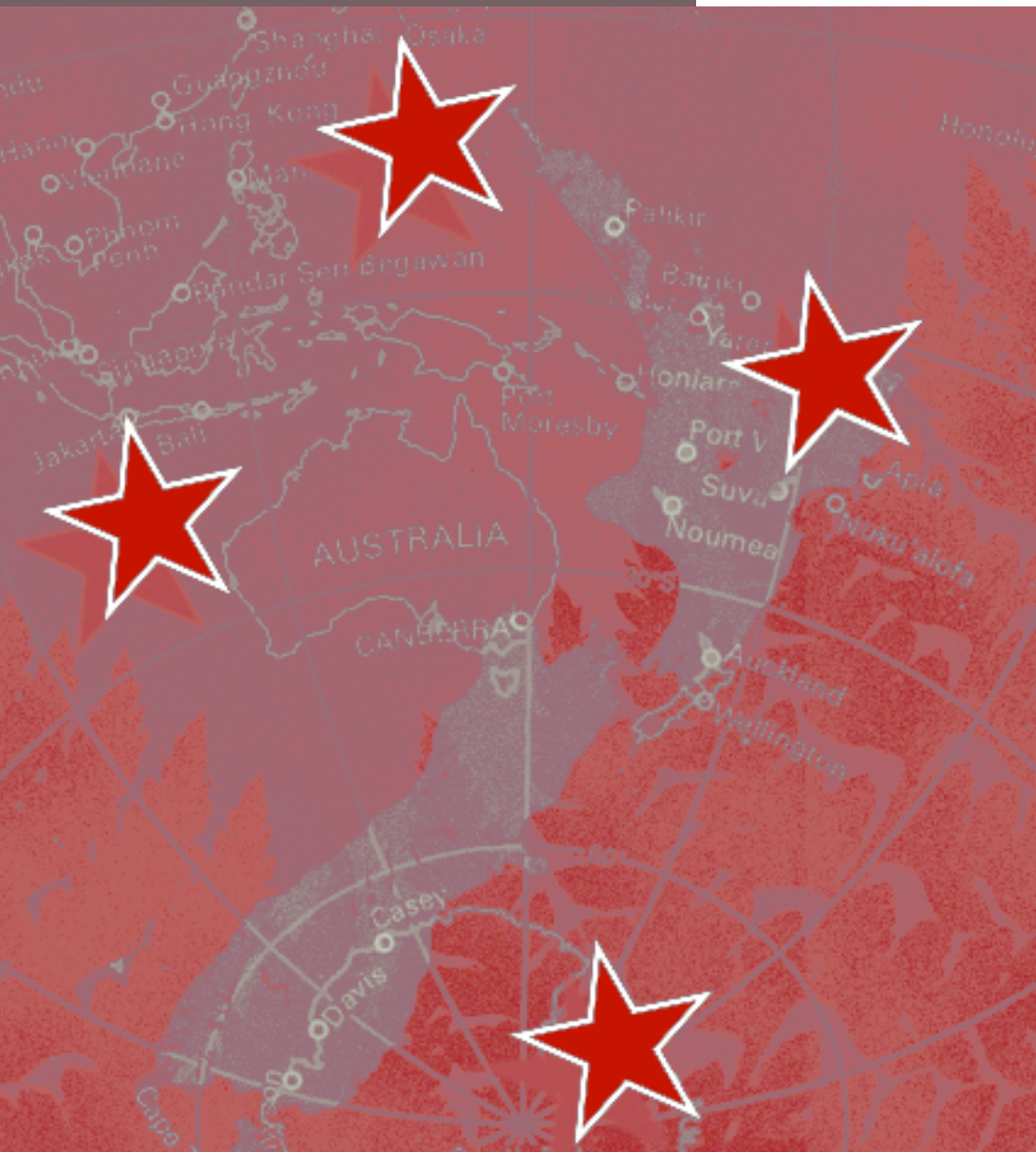
2001

*Presented to the House of Representatives  
Pursuant to Section 34A of the Public Finance Act 1989*



MINISTRY OF  
**DEFENCE**

MANATU KAUPAPA WAONGA



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# Statement of Responsibility

The forecast financial statements for the Ministry of Defence for the year ending 30 June 2002 contained in this report have been prepared in accordance with section 34A of the Public Finance Act 1989.

The Chief Executive of the Ministry of Defence acknowledges, in signing this statement, that he is responsible for the forecast financial statements contained in this report.

The financial performance forecast to be achieved by the Ministry for the year ending 30 June 2002 that is specified in the statement of objectives is as agreed with the Minister of Defence who is the Minister responsible for the financial performance of the Ministry of Defence.

The performance for each class of outputs forecast to be achieved by the Ministry for the year ending 30 June 2002 that is specified in the statement of objectives is as agreed with the Minister of Defence who is responsible for the Vote administered by the Ministry.

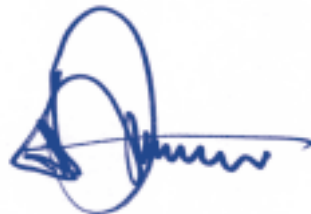
We certify that the information contained in this report is consistent with the appropriations contained in the Estimates for the year ending 30 June 2002 that are being laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed:



G C Fortune  
Chief Executive  
23 April 2001

Countersigned:



S J Patterson  
Chief Financial Officer  
23 April 2001

Part A

# Introduction and Highlights

*The Minister of Defence is the Responsible Minister for the Ministry of Defence*

## **Purpose**

The Ministry of Defence supports the Government in protecting New Zealand's territorial sovereignty and meeting its responsibilities for the maintenance of regional and global security.

## **Forecast Financial Statements**

These statements include:

- a statement of responsibility signed by the Secretary of Defence and the Chief Financial Officer in respect of the statements contained in this report;
- a forecast statement of financial performance for the Ministry of Defence for the year ending 30 June 2002;
- a forecast statement of financial position for the Ministry of Defence as at 30 June 2002;
- a statement of cash flows for the year ending 30 June 2002;
- two reconciliation statements, providing information on the movement in taxpayers' funds, and analysis of significant differences between net surplus/(deficit) in the statement of financial performance and net cash flows from operating activities in the statement of cash flows;
- a statement of objectives covering financial and output performance, including key financial measures, and quantity, quality, timeliness and cost information for the output classes to be supplied by the Ministry of Defence; and
- a statement of accounting policies.

## Financial Highlights

	2000/01		2001/02
	Budgeted \$000	Estimated actual \$000	Budget \$000
Revenue: Crown	8,304	8,304	8,321
Interest	58	58	30
Output expenses	8,304	8,304	8,321
Net surplus	58	58	30
Taxpayers' funds	1,555	1,555	1,555
Net cash flows from operating, investing and financing activities	(528)	(528)	(10)
Purchase or development of capital assets	383,690	383,690	184,491
Total Crown revenue and receipts	189,825	189,955	319,618

Part B

# Departmental Forecast Financial Statements

## Statement of Forecast Financial Performance

For the year ending 30 June 2002

	2000/01		2001/02
	Budgeted \$000	Estimated actual \$000	Budget \$000
<b>Revenue</b>			
Crown	8,304	8,304	8,321
Interest	58	58	30
<b>Total Revenue</b>	<b>8,362</b>	<b>8,362</b>	<b>8,351</b>
<b>Expenses</b>			
<i>Output Expenses:</i>			
Personnel	4,221	4,221	4,371
Operating	3,546	3,546	3,329
Depreciation	381	381	481
Capital charge	156	156	140
<b>Total Output Expenses</b>	<b>8,304</b>	<b>8,304</b>	<b>8,321</b>
<b>Net Surplus</b>	<b>58</b>	<b>58</b>	<b>30</b>

The accompanying accounting policies form part of these financial statements.

# Statement of Estimated Financial Position

As at 30 June 2001 and Forecast Financial Position as at 30 June 2002

	Actual Financial Position as at 30 June 2000 \$000	Estimated Financial Position as at 30 June 2001 \$000	Forecast Financial Position as at 30 June 2002 \$000
<b>Taxpayers' Funds</b>			
General funds	1,555	1,555	1,555
<b>Total Taxpayers' Funds</b>	<b>1,555</b>	<b>1,555</b>	<b>1,555</b>
<b>Represented by:</b>			
<b>Current Assets</b>			
Cash and bank balances	532	104	94
Short-term deposits with the Crown	1,300	1,200	1,200
Prepayments	108	14	14
Receivables and advances	25	2	2
<i>Total Current Assets</i>	1,965	1,320	1,310
<b>Non-current Assets</b>			
Property, plant and equipment	869	951	933
<i>Total Non-Current Assets</i>	869	951	933
<b>Total Assets</b>	<b>2,834</b>	<b>2,271</b>	<b>2,243</b>
<b>Current Liabilities</b>			
Payables and provisions	413	335	335
Provision for payment of surplus	505	58	30
Provision for employee entitlements	207	200	200
<i>Total Current Liabilities</i>	1,125	593	565
<b>Non-Current Liabilities</b>			
Provision for employee entitlements	154	123	123
<b>Total Liabilities</b>	<b>1,279</b>	<b>716</b>	<b>688</b>
<b>Net Assets</b>	<b>1,555</b>	<b>1,555</b>	<b>1,555</b>

The accompanying accounting policies form part of these financial statements.

# Statement of Cash Flows

For the year ending 30 June 2002

	2000/01		2001/02
	Budgeted \$000	Estimated actual \$000	Budget \$000
<b>Cash Flows from Operating Activities</b>			
<i>Cash provided from:</i>			
Supply of outputs to:			
Crown	8,304	8,304	8,321
Interest	58	58	30
<i>Cash disbursed to:</i>			
Cost of producing outputs:			
Output expenses	(7,757)	(7,757)	(7,700)
Capital charge	(156)	(156)	(140)
<b>Net Cash Flows from Operating Activities</b>	<b>449</b>	<b>449</b>	<b>511</b>
<b>Cash Flows from Investing Activities</b>			
<i>Cash provided from:</i>			
Sale of property, plant and equipment	28	28	37
<i>Cash disbursed to:</i>			
Purchase of property, plant and equipment	(500)	(500)	(500)
<b>Net Cash Flows from Investing Activities</b>	<b>(472)</b>	<b>(472)</b>	<b>(463)</b>
<b>Cash Flows from Financing Activities</b>			
<i>Cash disbursed to:</i>			
Payment of surplus to the Crown	(505)	(505)	(58)
<b>Net Cash Flows from Financing Activities</b>	<b>(505)</b>	<b>(505)</b>	<b>(58)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(528)</b>	<b>(528)</b>	<b>(10)</b>
Opening total cash balances at 1 July	1,832	1,832	1,304
<b>Closing Total Cash Balances</b>			
<b>at 30 June projected</b>	<b>1,304</b>	<b>1,304</b>	<b>1,294</b>

The accompanying accounting policies form part of these financial statements.

## Reconciliation of Net Cash Flows From Operating Activities to Net Surplus/(Deficit) in the Statement of Financial Performance

For the year ending 30 June 2002

	2000/01 Budgeted \$000	Estimated actual \$000	2001/02 Budget \$000
<b>Net Surplus</b>	<b>58</b>	<b>58</b>	<b>30</b>
<i>Add/(deduct) non-cash expenses/(revenues) from Statement of Financial Performance</i>			
Depreciation	381	381	481
<i>Add/(deduct) non-cash working capital reductions/(increases) from Statement of Financial Position</i>			
(Increase)/decrease in receivables and advances	23	23	–
(Increase)/decrease in prepayments	94	94	–
Increase/(decrease) in payables and provisions	(49)	(49)	–
Other items	(58)	(58)	–
<i>Items classified as investing activities</i>			
Net (gain)/loss on sale of property, plant and equipment	–	–	–
<b>Net Cash Flows from Operating Activities</b>	<b>449</b>	<b>449</b>	<b>511</b>

The accompanying accounting policies form part of these financial statements.

## Statement of Movements in Taxpayer's Funds (Equity)

For the year ending 30 June 2002

	Estimated Position as at 30 June 2001 \$000	Forecast Position as at 30 June 2002 \$000
Taxpayer's funds at start of period	1,555	1,555
Movements during the year (other than flows to and from the Crown)		
Add net surplus	58	30
<i>Total recognised revenues and expenses for the period</i>	58	30
(Deduct) distribution to the Crown during the period		
Provision for payment of surplus to the Crown	(58)	(30)
Taxpayer's Funds at the end of the period	1,555	1,555

## Forecast Details of Property, Plant and Equipment by Category

As at 30 June 2002

	30 June 2001 Estimated Actual Position \$000	30 June 2002 Projected Position		
		Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
Furniture and Fittings	45	1,234	1,174	60
Plant and Equipment	436	1,760	1,315	445
Motor Vehicles	16	30	15	15
Leasehold Improvements	333	521	108	413
Financial and Management Information Systems	121	539	539	–
<b>Total</b>	<b>951</b>	<b>4,084</b>	<b>3,151</b>	<b>933</b>

The accompanying accounting policies form part of these financial statements.

# Financial Performance Forecast

For the year ending 30 June 2002

	Unit	Budgeted	2000/01 Estimated actual	2001/02 Budget
<b>Operating Results</b>				
Interest	\$000	58	58	30
Output expenses	\$000	8,304	8,304	8,321
Operating surplus before capital charge	\$000	214	214	170
Net surplus (deficit)	\$000	58	58	30
<b>Working Capital</b>				
Net current assets	\$000	727	727	745
Working capital ratio	Ratio	2.23:1	2.23:1	2.32:1
Quick asset ratio	Ratio	2.23:1	2.23:1	2.32:1
Average creditors outstanding	Days	35	35	37
<b>Resource Utilisation</b>				
Property, plant and equipment:				
Total property, plant and equipment at year end	\$000	951	951	933
Additions as % of property, plant and equipment	%	53	53	54
Taxpayers' funds:				
Level at year end	\$000	1,555	1,555	1,555
<b>Forecast Net Cash Flows</b>				
Surplus/(deficit) operating activities	\$000	449	449	511
Surplus/(deficit) investing activities	\$000	(472)	(472)	(463)
Surplus/(deficit) financing activities	\$000	(505)	(505)	(58)
Net increase/(decrease) in cash held	\$000	(528)	(528)	(10)
<b>Human Resources</b>				
Estimated total staff (as at 30 June)	No.	55	55	55

# Statement of Objectives

## *Specifying the performance forecast for each class of outputs for the year ending 30 June 2002*

The Ministry of Defence has committed to provide output classes in 2001/2002 which meet the requirements of the Vote Minister for timeliness, quality specification and cost.

### Summary of Departmental Output Classes

Departmental output classes to be delivered by the Ministry, and associated revenue, expenses and surplus or deficit, are:

#### Output Operating Statements: 2001/2002

Departmental Output Class	Description	Revenue: Crown \$000	Revenue: Depts \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (deficit) \$000
D1 – Policy Advice	Policy advice, strategic planning and the management of international defence relationships.	3,116	–	–	3,116	–
D2 – Audit and Assessment of Performance	Evaluation of New Zealand Defence Force activities including the delivery of outputs, management systems and resource utilisation. Internal audits of the Ministry, and audits as required by s.3 of the Hazardous Substances and New Organisms Act 1996.	1,849	–	–	1,849	–
D3 – Management of Equipment Procurement	Management of procurement or refurbishment of items of equipment contributing to a capability of the New Zealand Defence Force, and liaison with the defence industry.	3,356	–	–	3,356	–
Total		8,321	–	–	8,321	–

## GST Status of Departmental Output Classes 2001/2002

Departmental Output classes	GST – Excl (DFR) \$000	GST \$000	GST – Incl (Vote) \$000
D1 — Policy Advice	3,116	389	3,505
D2 — Audit and Assessment of Performance	1,849	231	2,080
D3 — Management of Equipment Procurement	3,356	420	3,776
Total Departmental Output Classes	8,321	1,040	9,361

**Explanatory Notes:** The forecast financial statements in this report present expenses (and revenue) exclusive of GST, in accordance with generally accepted accounting practice. When appropriated by Parliament these expenses are inclusive of GST, in accordance with legislation. Thus:

- *the GST-exclusive* amounts for each departmental output class correspond to “total expenses” for 2001/2002 appearing in the Output Operating Statements appearing on page 00 of this report, while the aggregate amount for all three output classes corresponds to “total output expenses” for 2001/2002 in the Statement of Forecast Financial Performance on page 6 of this report; and
- *the GST-inclusive* amounts for each departmental output class correspond to the bolded annual appropriations for 2001/2002 appearing in Part B1 of Vote Defence in the Estimates of Appropriation (B.5).

# Vote Defence

## *Output Class D1 – Policy Advice*

### **Description**

Under this output class the Minister of Defence will purchase:

- advice on defence policy matters. This includes advice on:
  - changes in the strategic environment;
  - defence and security policies;
  - goals and outcomes, together with strategies for achievement;
  - the military capabilities required to meet defence policy goals, broad resource implications and the relative merits and risks associated with proposed capability options;
- management of bilateral and multilateral defence relations;
- responses to ministerial and parliamentary questions, Official Information Act inquiries, Ombudsman correspondence and public affairs advice.

### **Quantity And Timeliness**

The Ministry will:

- undertake analysis of significant issues that have an impact on the Government's defence and security policies;
- undertake capability reviews to identify the options for achieving the Government's defence policy goals;
- manage defence relationships with Australia and other regional countries;
- participate in the regional multilateral security dialogue;
- host the annual meeting of Australian and New Zealand Defence Ministers and senior officials;
- provide the following Ministerial services:
  - responses to Ministerial correspondence:  
replies to ministerial correspondence will be actioned within fourteen working days of receipt by the Ministry.

- responses to Parliamentary questions:  
Parliamentary questions will be actioned within time frames set by Standing Orders of the House of Representatives.
  - responses to Official Information Act requests:  
Official Information Act enquiries will be actioned within statutory requirements.
- produce publications in accordance with an agreed programme.

## Quality

Advice will meet the following quality standards:

- reports will state their purpose and address issues raised by the Minister;
- assumptions will be explicit, argument will be logical and supported by facts;
- forecasts will be supported by thorough analysis;
- a range of options will be presented and assessed for benefits, costs and consequences;
- consultation will be undertaken with interested parties, and objections to proposals will be identified;
- issues of implementation, technical feasibility, timing and consistency with other policies will be considered;
- reports and oral advice will be delivered within agreed or statutory time-frames.

Written and oral advice tendered to the Minister of Defence will accurately reflect revenue and expense implications (quantified where possible); and administrative implications and costs (quantified where possible).

The Ministry of Defence will maintain quality control procedures to support the policy advice delivered under this output.

## Cost

This output class will be provided within the appropriated sum of \$3.505 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total revenue: GST excl \$000	Revenue Crown GST excl \$000	Revenue other \$000
2001/02	3,505	3,116	3,116	3,116	–
2000/01	3,510	3,120	3,120	3,120	–

## *Output Class D2 – Audit and Assessment of Performance*

### **Description**

Under this output class the Minister of Defence will purchase:

- independent evaluations of the New Zealand Defence Force;
- independent reviews of the efficiency and effectiveness of New Zealand Defence Force management systems and resource utilisation;
- internal audits and reviews of the Ministry’s acquisition, policy and corporate activities;
- audits of the controls on hazardous substances under the control of the Minister of Defence, as required by the Hazardous Substances and New Organisms Act 1996.

### **Quantity And Timeliness**

During the year the Minister of Defence expects the Ministry to:

- complete satisfactorily an agreed programme of evaluations.
- conduct other assessments and audits of the New Zealand Defence Force as and when directed.

### **Quality**

The evaluations will have the following characteristics:

- evaluations will be conducted in accordance with prescribed practice;
- evaluations will be judged by target audiences as meeting the objective;
- reports will be accurate and all material facts will be included;
- findings and conclusions will be a logical derivation from the circumstances found;
- managerial review will be maintained throughout the evaluation process.

### **Cost**

This output class will be provided within the appropriated sum of \$2.080 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total revenue: GST excl \$000	Revenue Crown GST excl \$000	Revenue other \$000
2001/02	2,080	1,849	1,849	1,849	–
2000/01	2,084	1,852	1,852	1,852	–

## *Output Class D3 – Management of Equipment Procurement*

### **Description**

Under this output class the Minister of Defence will purchase:

- management of procurement, or refurbishment, on behalf of the Crown, of significant equipment contributing to a capability of the New Zealand Defence Force. This involves management of procurement functions from the initial identification of a requirement through ministerial approval-in-principle and commitments; the subsequent acquisition process, including project investigation, risk assessment, quality assurance, equipment selection, negotiation and execution of contract arrangements up to the point when the equipment is delivered to the New Zealand Defence Force; and the management of any warranty provisions. It also covers investigation of associated financing arrangements and on-sale to the New Zealand Defence Force;
- maintenance of an information base on industrial capability, and the provision of advice to industry on defence requirements.

### **Quantity**

The Ministry will:

- subject to individual Government approval, progress some or all of the following projects:
  - continuation of the ANZAC ship project
  - light operational vehicles for the Army
  - special operations communications systems
  - tactical communications for the Army
  - light armoured vehicles for the Army
  - maritime helicopters for the Navy
  - joint command and control system project definition study
  - life of type study of Air Force C-130H transport aircraft

- complete the following projects:
  - Orion aircraft autopilot for the Air Force
  - replace the wings and horizontal stabilisers on P-3 Orion surveillance aircraft for the Air Force
- maintain close links with New Zealand's industry and provide support for the Defence Industry Committee of New Zealand;
- ensure that New Zealand companies are given maximum opportunity to compete for work from projects managed by the Ministry;
- complete material for the Australia and New Zealand Industry Defence Equipment and Capability Catalogue database and update databases on industrial capability;
- conduct industry briefing sessions on current defence projects and activities.

## **Quality and Timeliness**

Delivery of this output will be subject to the following quality standards:

### *relevance*

- all contracts will meet the Government's requirements;

### *best price*

- prices agreed for projects will be based on a competitive tender process, or where tendering is not possible, will be based on either independent benchmarks, or full cost disclosure by the provider;

### *risk management*

- any significant variations or potential risks will be identified, together with corrective actions required or taken;

### *accuracy*

- payments will be made at the agreed sum to the correct supplier and no payments will be made in excess of the agreed sum;

### *timely*

- all contracts will be negotiated in a timely manner and payments will be made on time if the provider is meeting the terms of the contract;
- new capabilities and major refurbishment will be acquired within approved budgets, to the quality standards negotiated for each project and within the agreed delivery schedule;
- contract awards will be subject to considerations of through-life cost, quality, delivery schedule and local industrial participation;

- initiatives will be undertaken to harmonise and implement joint industrial policy with the Australian Department of Defence;
- defence industry advice reports will clearly state their purpose and address any issues raised by the Minister;
- assumptions behind advice will be explicit; argumentation will be logical and supported by facts;
- evidence will be given of adequate consultation with interested parties, where applicable, and possible objections to proposals will be identified;
- problems of implementation, technical feasibility, timing and consistency with other policies will be considered.

The Ministry is also responsible for providing general defence industry advice. The principal forum for providing this advice is the Tradenz Joint Action Group, which will be asked to confirm annually that the Ministry has provided adequate industry advice in support of Tradenz export activity.

### Cost

This output class will be provided within the appropriated sum of \$3.776 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total revenue: GST excl \$000	Revenue Crown GST excl \$000	Revenue other \$000
2001/02	3,776	3,356	3,356	3,356	–
2000/01	3,749	3,332	3,332	3,332	–

# Statement of accounting policies

*The forecast financial statements comply with the Public Finance Act 1989*

## **1. Reporting Entity**

The Ministry of Defence is a Government Department as defined by section 2 of the Public Finance Act 1989.

These are the forecast financial statements of the Ministry of Defence, prepared pursuant to section 34A of the Public Finance Act 1989.

## **2. Measurement System**

These forecast financial statements have been prepared on the basis of historical cost modified by certain items with specific accounting policies outlined below.

## **3. Accounting Policies**

The following accounting policies have been applied:

### **Departmental**

#### ***Revenue Recognition***

Crown Revenue is recognised when earned and is reported in the financial period to which it relates.

#### ***Interest Income***

Interest income is recognised in the period in which it is earned.

#### ***Expenses***

Expenses are recognised when incurred and are reported in the financial period to which they relate.

### ***Depreciation***

Depreciation of property, plant and equipment is provided on a straight line basis so as to allocate cost of the property, plant and equipment, less any estimated residual value, over their useful lives. Revalued property, plant and equipment is depreciated on the revalued amount on a straight line basis over the remaining useful lives. The estimated economic useful lives are:

office equipment	3–10 years
office furniture	5–10 years
computer equipment	3 years
motor vehicles	3 years
financial and management information systems	5 years

The cost of leasehold improvements is capitalised and amortised over the estimated useful lives of the improvements.

### ***Foreign Currencies***

Foreign currency transactions are converted at the New Zealand dollar exchange rate at the date of the transaction. Where a forward exchange contract has been used to establish the price of a transaction, the forward rate specified in that forward exchange contract is used to convert that transaction to New Zealand dollars. Consequently no exchange gain or loss resulting from the difference between the forward exchange contract rate and the spot exchange rate on date of settlement is recognised.

### ***Receivables***

Receivables are recorded at estimated realisable value, after providing for doubtful debts.

### ***Property, Plant and Equipment***

The initial cost of property, plant and equipment is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

All property, plant and equipment costing more than \$2000 is capitalised and recorded at historical cost.

### ***Taxation***

Government Departments are exempt from the payment of income tax in terms of the Income Tax Act 1976. Accordingly, no charge of income tax has been provided for.

### ***Goods and Services Tax (GST)***

The Statement of Forecast Financial Performance, Statement of Movements in Equity, Statement of Cash Flows, are exclusive of GST. The Statement of Estimated Financial Position is also exclusive of GST except for the amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Payables and provisions or Receivables and advances (as appropriate).

### ***Provision for Employee Entitlements***

Annual, long service, resigning, and retirement leave are recognised as they accrue to employees.

### ***Cost Accounting***

The Ministry has derived the costs of outputs using a cost allocation system which is outlined below:

- **Criteria For Direct and Indirect Costs**  
“Direct costs” are those costs directly attributed to an output. “Indirect Costs” are those costs that cannot be identified in an economically feasible manner, with a specific output.
- **Direct Costs Assigned to Outputs**  
Direct costs are charged directly to outputs. Depreciation and capital charge are charged on the basis of asset utilisation. Personnel costs are charged by a predetermined percentage of time to be incurred. Property and other premises costs are charged on the basis of floor area occupied for the production of each output.
- **Basis for Assigning Indirect and Corporate Costs to Outputs**  
Indirect costs are assigned to outputs based on a predetermined budgetary percentage fixed for the year for each output.

## **Crown**

### ***Crown Activities***

The management of procurement or refurbishment of military equipment are reflected through the Crown Statement of Cash Flows. These activities are not reflected in the Crown Statement of Forecast Financial Performance because the military equipment procured or refurbished are not traded but sold at cost to the New Zealand Defence Force.

***Goods and Services Tax (GST)***

The GST inputs arising on the procurement or refurbishment of military equipment are not recoverable. Accordingly these costs have been expensed in the Crown Statement of Forecast Financial Performance.

***Crown Work in Progress***

Invoices for progress payments, and other add-on costs incurred in the procurement or refurbishment of various items of equipment on behalf of the Crown, are recognised at the time the liability arises.

***Foreign Currency***

Foreign currency transactions are converted at the New Zealand dollar exchange rate at the date of the transaction. Where a forward exchange contract has been used to establish the price of a transaction, the forward rate specified in that forward exchange contract is used to convert that transaction to New Zealand dollars. Consequently no exchange gain or loss resulting from the difference between the forward exchange contract rate and the spot exchange rate on date of settlement is recognised.

Monetary assets and liabilities are translated to New Zealand dollars at the closing mid-point exchange rate. The resulting unrealised exchange gain or loss is recognised in the Crown Statement of Forecast Financial Performance. Other exchange gains or losses, whether realised or unrealised, are recognised in the Crown Statement of Forecast Financial Performance in the period to which they relate.

**4. Changes in Accounting Policies**

There have been no changes in accounting policies since the date of the last audited financial statements.

Part C

# Additional information

## Crown Forecast Financial Statements

The Ministry procures and refurbishes, on behalf of the Crown, items of equipment contributing to a capability of the New Zealand Defence Force. This activity is recorded in the following Crown Forecast Financial Statements.

### Crown Statement of Forecast Financial Performance

For the Year Ending 30 June 2002

	2000/01		2001/02
	Budgeted \$000	Estimated actual \$000	Budget \$000
<b>Crown Revenue</b>			
Interest	750	880	650
<b>Total Crown revenue</b>	<b>750</b>	<b>880</b>	<b>650</b>
<b>Crown Expenses</b>			
GST input tax expensed	41,202	41,202	14,158
<b>Total Crown expenses</b>	<b>41,202</b>	<b>41,202</b>	<b>14,158</b>
<b>Net (Deficit) – Crown operations</b>	<b>(40,452)</b>	<b>(40,322)</b>	<b>(13,508)</b>

The accompanying accounting policies form part of these financial statements.

## Crown Statement of Estimated Financial Position

As at 30 June 2001 and Forecast Financial Position as at 30 June 2002

	Actual Financial Position as at 30 June 2000 \$000	Estimated Financial Position as at 30 June 2001 \$000	Forecast Financial Position as at 30 June 2002 \$000
<b>Crown Funds</b>			
Opening balance at 1 July	261,583	170,651	281,529
Net (deficit) – Crown operations	(79,032)	(40,322)	(13,508)
Funds received from NZ Debt Management Office	243,000	305,000	157,000
Funds paid to NZ Debt Management Office	(252,529)	(153,800)	(319,618)
Crown/Department asset transfer	(2,371)	–	–
<b>Total Crown Funds</b>	<b>170,651</b>	<b>281,529</b>	<b>105,403</b>
<b>Represented by:</b>			
<b>Current Assets</b>			
Cash	80,712	40,266	21,022
Short-term deposits	28,103	17,257	9,010
Debtors and receivables	22,728	–	–
Work in progress	80,179	233,592	84,957
<i>Total Current Assets</i>	211,722	291,115	114,989
Total Assets	211,722	291,115	114,989
<b>Current Liabilities</b>			
Creditors and payables	41,071	9,586	9,586
<i>Total Current Liabilities</i>	41,071	9,586	9,586
<b>Net Assets – Crown</b>	<b>170,651</b>	<b>281,529</b>	<b>105,403</b>

The accompanying accounting policies form part of these financial statements.

# Crown Statement of Cash Flows

For the year ending 30 June 2002

	2000/01		2001/02
	Budgeted \$000	Estimated actual \$000	Budget \$000
<b>Cash Flows from Operating Activities</b>			
Cash provided from:			
Interest	750	880	650
Cash disbursed to:			
GST input tax expensed	(41,202)	(41,202)	(14,158)
<b>Net Cash Flows from Operating Activities</b>	<b>(40,452)</b>	<b>(40,322)</b>	<b>(13,508)</b>
<b>Cash Flows from Investing Activities</b>			
Cash provided from:			
Military equipment sold at cost to New Zealand Defence Force	153,050	153,050	318,968
GST on sales	19,484	19,484	39,871
Cash disbursed for:			
Purchase of military equipment	(315,220)	(315,220)	(170,333)
GST paid to IRD	(19,484)	(19,484)	(39,871)
<b>Net Cash Flows from Investing Activities</b>	<b>(162,170)</b>	<b>(162,170)</b>	<b>148,635</b>
<b>Cash Flows from Financing Activities</b>			
Cash provided from:			
New Zealand Debt Management Office for funding purchase or development of military equipment			
Cash disbursed for:	305,000	305,000	157,000
Payments to New Zealand Debt Management Office	(153,800)	(153,800)	(319,618)
<b>Net Cash Flows from Financing Activities</b>	<b>151,200</b>	<b>151,200</b>	<b>(162,618)</b>
Net increase (decrease) in cash held	(51,422)	(51,292)	(27,491)
Add opening cash and deposits	108,815	108,815	57,523
<b>Closing Total Cash Balances at 30 June projected</b>	<b>57,393</b>	<b>57,523</b>	<b>30,032</b>

The accompanying accounting policies form part of these financial statements.

## Crown Reconciliation of **Net Cash Flows from Operating Activities to Net Surplus/(Deficit) in the Statement of Financial Performance**

For the year ending 30 June 2002

	2000/01		2001/02
	Budgeted \$000	Estimated actual \$000	Budget \$000
<b>Net (Deficit) – Crown operations</b>	<b>(40,452)</b>	<b>(40,322)</b>	<b>(13,508)</b>
<i>Add/(deduct) non-cash working capital reductions/(increases) from Statement of Financial Position</i>			
(Increase)/decrease in inventories	(153,413)	(153,413)	148,635
(Increase)/decrease in receivables and advances	22,728	22,728	–
Increase/(decrease) in payables and provisions	4,541	(31,485)	–
Other items	126,144	162,170	(148,635)
<b>Net Cash Flows from Operating Activities</b>	<b>(40,452)</b>	<b>(40,322)</b>	<b>(13,508)</b>

The accompanying accounting policies form part of these financial statements.

### Procurement Matters

Australia and New Zealand have a common defence industry base established by the ANZAC Ship Treaty. To ensure that defence industry policy is harmonised to the greatest extent possible and to maximise the potential for joint or collaborative procurement, the Deputy Secretary (Acquisition), New Zealand Ministry of Defence and the Chief of Defence Acquisition of the Australian Department of Defence will meet once each year. In addition, Ministry of Defence procurement staff will participate in the Australian Defence Procurement Conference and meet with their Australian counterparts.

### Crown Appropriation

The 2001/2002 appropriation is for the following significant projects:

	\$000
Continuation of ANZAC ship project	38,883
Orion aircraft life extension project	7,954
Maritime helicopters	28,705
Orion aircraft auto pilot	510
Very low-level air defence	5,389
Tactical communications	60,334
Light armoured vehicles	28,140
Other projects	418
GST on defence equipment	14,158
<b>Total</b>	<b>184,491</b>

### Quality Management

The Ministry will maintain ISO 9001 certification.