

NEW ZEALAND POLICE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2000**

STATEMENT OF ACCOUNTING POLICIES

Statutory Authority

New Zealand Police is a Government Department as defined by Section 2 of the Public Finance Act 1989.

These are the financial statements of the New Zealand Police prepared pursuant to Section 35 of the Public Finance Act 1989.

Measurement System

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

Budget Figures

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) as amended by Supplementary Estimates and any transfer made by Order in Council under section 5 of the Public Finance Act 1989.

Revenue

Crown appropriation revenue is recognised on a straight-line basis over the year.

Valuation of Current Assets

Inventories are valued at the lower of cost (weighted average) and net realisable value.

Accounts receivable are stated at net realisable value.

Cash is defined as including petty cash holdings and bank accounts.

Non Current Assets

Valuation

Land and Buildings were revalued at 1 January 2000 by Beca Valuation Ltd.

Land and improvements were valued on the basis of market value for existing use assuming market related leasing arrangements. The value of fitout assets was established on a depreciated replacement cost basis from 1 January 1997. Fitout additions from 1 January 1997 have been valued on a historical cost basis. This method of valuation conforms with the Valuation Standards of the New Zealand Institute of Valuers. The revaluation is conducted on a 3 yearly cyclical basis. Land and Buildings are considered to be one functional class of asset and an Asset Revaluation Reserve is maintained for Land and Buildings as a class.

Capital Work in Progress is valued at historical cost and on completion will be transferred to the appropriate asset category.

Other non current assets are valued at depreciated historical cost, and comprise both individual items and composite assets.

A composite asset is a group of assets with characteristics in common or a group, which combines to form a functional asset with future service potential of more than one year, and an aggregate cost in excess of \$5,000.

Non current assets costing less than \$5,000, other than composite assets, are expensed in the year of purchase.

Provision is made for any permanent impairment in the value of non current assets.

Artifacts and Relics held in the Police museum are not valued.

Depreciation

Depreciation is charged on a straight line basis at the following rates:

Freehold Land	Not depreciated
Freehold Buildings	1 - 5%
Furniture/Fittings	10%
Office Equipment	20%
Computer Hardware and Systems	8-25%
Motor Vehicles	20%
Repeater Equipment	20%
Radio Equipment	25%
Control Equipment	20%
General Communications Equipment	25%
General Plant, Equipment and Instruments	20%
Weapons and Associated Equipment	20%
Launches	4.5%

Depreciation commences in the month of acquisition and is not charged in the month of sale.

Employee Entitlements

Provision is made in respect of New Zealand Police's liability for annual leave, shift workers leave, long service leave, and retirement leave. Provisions for annual leave and shift workers leave have been measured on a nominal basis using current rates of pay.

Provisions for long service leave and retirement leave have been measured on a present value basis, using current rates of pay adjusted for inflation and probability of entitlement being uplifted, discounted to net present values.

Sponsorship

Funds provided by third parties for sponsorship of specific projects are held in a Sponsorship Reserve until expensed at which point both the expenditure and matching revenue are recognised.

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 foreign 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 held or owing in foreign currency are translated at the exchange rate applicable on the last day of the accounting period.

Exchange differences arising are included in the Statement of Financial Performance.

Financial Instruments

Financial instruments used by New Zealand Police consist of term deposits, Crown receivable, accounts receivable, accounts payable and foreign currency forward contracts. New Zealand Police enters into the foreign currency forwards contracts to hedge currency transactions. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. Any exposure to gains or losses on these transactions is not offset as the value is not material. All financial instruments are recognised in the Statement of Financial Position.

Cost Allocation

Definition of Terms

- **Activity Management System (AMS)** the system used to record units of hours spent on tasks and activities by sworn and non sworn personnel.
- **Productive Hours** - AMS hours recorded by task and activity which make up the output classes.
- **Direct Costs** are costs which are causally linked to output classes and comprise 71% (71% 1998/99) of New Zealand Police operating expenditure.
- **Indirect Costs** are all other costs. These include property occupancy, training, support computer systems, depreciation and capital charge. Indirect costs amount to 29% (29% 1998/99) of New Zealand Police operating expenditure.

Method of Assigning Direct Costs to Outputs

Personnel expenditure is attributed to output classes based on the productive hours recorded in the AMS system. Traffic Camera direct costs have been attributed to Output Class 14: Strategy Traffic Safety Delivery. Other direct costs such as operational vehicle fleet costs, computer intelligence systems and

services (for example, forensic examinations) have causal linkages to output classes, but in the absence of specific drivers for these, they are allocated on the same basis as personnel. The method of assigning costs is consistent with previous years.

Method of Assigning Indirect Costs to Outputs.

Indirect costs are allocated to output classes on the basis of productive hours.

Taxation

Government Departments are exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

Goods and Service Tax (GST)

The Statement of Unappropriated Expenditure and the Statement of Appropriations are inclusive of GST. All other statements are GST exclusive. Accounts Receivable and Accounts Payable in the Statement of Financial Position are GST inclusive. 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 Accounts Payable or Accounts Receivable as appropriate.

Commitments

Future payments are disclosed as commitments at the point a contractual obligation arises, to the extent that there are unperformed obligations. Commitments relating to employment contracts are not disclosed.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses in the periods in which they are incurred.

Contingent Liabilities

Contingent Liabilities are disclosed at the point at which the contingency is evident.

Changes in Accounting Policies

There were no changes in accounting policies. All policies have been applied on a basis consistent with other years.

***Statement of Appropriations
for the Year Ended 30 June 2000***

	Year to 30 June (\$000)		
	Actual 2000	Final Voted 2000	Actual 1999
Appropriations for Departmental Output Classes – Mode B Gross (GST Inclusive)			
1 Policy Advice and Ministerial Support	1,185	1,089	1,344
2 Policing Support to the Community	54,741	54,168	60,431
3 Directed Patrol Activities	52,354	53,884	46,230
4 Police Primary Response Management	257,210	259,339	n/a
5 Case Management	224,674	224,779	n/a
6 Case Resolution	24,318	24,996	23,525
7 Enforcement of Court Orders	4,681	5,225	6,876
8 Custodial and Escort Services	21,044	21,083	27,218
9 Public and Personal Security	35,698	30,068	20,308
10 Vetting and Firearms Licensing	8,384	8,713	9,508
11 Lost and Found Property	3,905	3,930	4,266
12 Community Traffic Safety Services	7,832	7,889	8,973
13 Traffic Management Services	29,245	29,518	27,438
14 Strategic Traffic Safety Delivery	130,837	131,134	125,843
15 Traffic Prosecution Services and the Enforcement of Court Orders	5,565	6,077	10,172
Balance of 1998/99 Output Expenses (see note)	-	-	476,372
Total Appropriation for Departmental Output Classes	861,673	861,892	848,504

Note: Changes in Output and Output Class definitions were implemented from 1 July 1999. Where prior year figures could be meaningfully compared to the restructured outputs, the comparative figures have been restated.

Appropriations for Other Expenses (GST Inclusive)

Compensation for Confiscated Firearms	3	10	10
Loss on Sale of Property to Ngai Tahu	7,276	7,276	-
Devaluation of INCIS	65,580	66,000	-
Actuarial Valuation of Leave Balances	-	-	47,188
Total Appropriation for Other Expenses	72,859	73,286	47,198

**Appropriation for Capital Contribution
from the Crown**

	-	-	9,500
Appropriations for Crown Revenue Flows			
Non-Tax Revenue Infringement Fees	70,054	48,270	56,775
Sale of Unclaimed Property	383	369	384
Forfeit to Crown	256	-	132
Total Appropriation for Crown Revenue Flows	70,693	48,639	57,291

NOTES TO THE FINANCIAL STATEMENTS

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Performance
for the Year Ended 30 June 2000

	Note	Year to 30 June (\$000)		
		Actual 2000	Budget Total (Note 1) 2000	Actual 1999
Revenue				
Crown		757,518	757,518	738,624
Interest		2	-	1
Other Revenue	2	7,151	8,617	10,254
Total Revenue		764,671	766,135	748,879
Expenses				
Personnel	3	536,751	525,054	527,955
Operating	4	158,290	155,805	144,098
Depreciation		35,466	46,574	37,919
Capital Charge	5	35,582	38,691	44,922
Total Output Operating Expenses		766,089	766,124	754,894
Surplus (Deficit) from Outputs		(1,418)	11	(6,015)
Other Expenses	6	(72,859)	(73,286)	(47,197)
Net (Deficit)		(74,277)	(73,275)	(53,212)
Transfer to Provision for Repayment of Surplus to Crown		2	-	1
Net (Deficit) Transferred to Taxpayers' Funds		(74,279)	(73,275)	(53,213)

NOTES TO THE FINANCIAL STATEMENTS

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position
as at 30 JUNE 2000

		As at 30 June (\$000)		
	Note	Actual 2000	Final Voted 2000	Actual 1999
Current Assets				
Cash		31,872	34,664	27,090
Accounts Receivable	7	1,691	2,482	2,482
Prepayments		2,035	5,511	5,511
Properties Intended for Sale		-	-	3,500
Inventories	8	302	356	2,356
Total Current Assets		35,900	43,013	40,939
Less Current Liabilities				
Accounts Payable	9	34,735	51,803	51,802
Other Accrued Expenses	10	1,470	1,798	1,798
Employee Entitlements	11	75,272	121,655	71,306
Provision to Repay Surplus		2	1	1
Total Current Liabilities		111,479	175,257	124,907
Working Capital		(75,579)	(132,244)	(83,968)
Non Current Assets	12	397,287	399,905	502,905
Less Non Current Liabilities				
Employee Entitlements	11	55,050	-	50,350
Net Assets		266,658	267,661	368,587
Taxpayers' Funds				
Notional Capital	13	266,658	267,661	368,587
Revaluation Reserve	13	-	-	-
Total Taxpayers' Funds		266,658	267,661	368,587

NOTES TO THE FINANCIAL STATEMENTS

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Statement of Movement in Taxpayers' Funds (Equity)
for the Year Ended 30 June 2000

	Note	Year to 30 June (\$000)		
		Actual 2000	Final Voted 2000	Actual 1999
Taxpayers' funds at start of the year		368,587	368,587	412,500
Net (Deficit) for the year		(74,277)	(73,275)	(53,212)
Total recognised revenues and expenses for the year		(74,277)	(73,275)	(53,212)
Capital Contribution from Crown		-	-	9,500
Provision for Repayment of Surplus to Crown		(2)	(1)	(1)
Capital Transfer to NZ Defence Forces		-	-	(200)
Capital Withdrawals to Crown		(27,650)	(27,650)	-
Revaluation Reserves	13	-	-	-
Taxpayers' funds at end of the year		266,658	267,661	368,587

NOTES TO THE FINANCIAL STATEMENTS

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2000

		Year to 30 June (\$000)		
	Note	Actual 2000	Final Voted 2000	Actual 1999
Cash flows from Operating Activities				
Cash provided from:				
Supply of Outputs				
- To Crown		757,518	757,518	738,624
- To Others		7,827	8,617	14,400
Interest		2	-	1
		765,347	766,135	753,025
Cash was applied to:				
Produce Outputs				
- Personnel		(536,602)	(525,054)	(531,093)
- Operating		(147,050)	(153,805)	(140,636)
- Capital Charge		(35,582)	(38,691)	(44,922)
Other Expenses		(3)	(10)	(9)
		(719,237)	(717,560)	(716,660)
Net Cash flows from Operating Activities	14	46,110	48,575	36,365
Cash flows from Investing Activities				
Cash provided from:				
Sale of Non Current Assets		30,846	31,650	5,689
Cash was applied to:				
Purchase of Non Current Assets		(44,523)	(45,000)	(51,296)
Net Cash flows from Investing Activities		(13,677)	(13,350)	(45,607)
Cash flows from Financing Activities				
Cash provided from:				
Capital Contribution by Crown		-	-	9,500
Cash was applied to:				
Payment of Surplus to Crown		(1)	(1)	(257)
Capital Withdrawal		(27,650)	(27,650)	(200)
Net Cash flows from Financing Activities		(27,651)	(27,651)	9,043
Net(Decrease) / Increase in Cash Held		4,782	7,574	(199)
Add Opening Cash		27,090	27,090	27,289
Closing Cash		31,872	34,664	27,090
Cash Balance Consists of				
Cash at Bank		31,374	34,138	26,564
Petty Cash		435	447	447
Overseas Posts		63	79	79
Total Cash		31,872	34,664	27,090

NOTES TO THE FINANCIAL STATEMENTS

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**Statement of Unappropriated Expenditure
(GST Inclusive)**

for the Year Ended 30 June 2000

	Year to 30 June (\$000)		
	Actual 2000	Final Voted 2000	Variance 2000
Output Class			
1 Policy Advice and Ministerial Support	1,185	1,089	96
2 Policing Support to the Community	54,741	54,168	573
9 Public and Personal Security	35,698	30,068	5,630

EXPLANATIONS FOR UNAPPROPRIATED EXPENDITURE

This unappropriated expenditure has been approved by the Minister of Finance under section 12 of the Public Finance Act 1989.

Output Class 1

Policy Advice and Ministerial Support

Output Class 1 was over delivered by \$96,000 (8.8%) as a consequence of additional activity attributable to the change in Government and the Police review.

Output Class 2

Policing Support to the Community through Partnerships, Education, Crime Prevention and Youth Programmes

Output Class 2 was over delivered by \$573,000 (1.1%).

This over delivery largely resulted from additional activity in school education programmes such as “Dare To Make A Choice” and “Keeping Our Kids Safe”.

Output Class 9

Public and Personal Security

Output Class 9 was over delivered by \$5,630,000 (18.7%).

Increased activity in this output class came from activity for APEC and related state visits, America's Cup and VIP protection for the general election.

The focus in the APEC and America's Cup events was ensuring the smooth running of the operational elements, unfortunately the administrative elements were not so well managed resulting in this over expenditure.

With regard to the VIP protection for the general election, this item is demand driven and difficult to predict the levels of activity required. As a consequence the exact commitment required by New Zealand Police was not known when making budget allocations.

STATEMENT OF CONTINGENT LIABILITIES AS AT 30 JUNE 2000

New Zealand Police had contingent liabilities of \$48.321 million at 30 June 2000 (\$82.028 million at 30 June 1999) being legal claims against New Zealand Police lodged with the Crown Law Office but which had not yet been settled. Previous experience with such claims is that the majority are unsuccessful in total and those which are resolved in favour of the claimant are for amounts substantially less than the amount claimed.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying accounting policies and notes form part of these financial statements.

Statement of Commitments
as at 30 June 2000

	As at 30 June (\$000)	
	2000	1999
<i>Capital</i>		
<i>Works</i>		
Less Than One Year	723	778
One to Two Years	132	-
TOTAL WORKS	855	778
Motor Vehicles		
Less Than One Year	3,618	4,943
TOTAL MOTOR VEHICLES	3,618	4,943
Others		
Less Than One Year	361	310
TOTAL OTHER	361	310
TOTAL CAPITAL	4,834	6,031
<i>Operating</i>		
Accommodation Leases		
Less Than One Year	9,336	8,343
One to Two Years	7,237	3,586
Two to Five Years	18,960	5,082
Greater than Five years	38,542	6,458
Other Non-Cancellable Leases		
Less Than One Year	1,045	488
One to Two Years	379	267
Two to Five Years	249	259
Greater than Five years	178	-
TOTAL LEASES	75,926	24,483
Other Operating		
Less Than One Year	18,517	2,495
One to Two Years	12,263	112
Two to Five Years	4,352	-
TOTAL OTHER OPERATING	35,132	2,607
TOTAL COMMITMENTS	115,892	33,121

NOTES TO THE FINANCIAL STATEMENTS

The accompanying accounting policies and notes form part of these financial statements.

Notes to the Financial Statements
for the Year Ended 30 June 2000

1: Budget Composition

	Budget Forecasts \$000	Year to 30 June 2000 Supplementary Estimate Changes \$000	Budget Total \$000
<i>Revenue</i>			
Crown	727,869	29,649	757,518
Other	19,284	(10,667)	8,617
<i>Total Revenue</i>	<i>747,153</i>	<i>18,982</i>	<i>766,135</i>
Expenses			
Personnel	515,179	9,875	525,054
Operating	151,800	4,005	155,805
Depreciation	44,700	1,874	46,574
Capital Charge	35,463	3,228	38,691
<i>Total Output Operating Expenses</i>	<i>747,142</i>	<i>18,982</i>	<i>766,124</i>
Surplus from Outputs	11	-	11
Other Expenses	(10)	(73,276)	(73,286)
Net Surplus (Deficit)	1	(73,276)	(73,275)

MAJOR BUDGET VARIATIONS

Explanations for major variations from the initial Budget Night Estimates were outlined in the Supplementary Estimates. They were:

Crown Revenue

Additional appropriations were supplied to provide for an additional 90 non-sworn staff and to cover unavoidable cost increases. Crown Revenue was also increased to compensate for unavoidable reductions in revenue earned from services provided to third parties.

Other Revenue

Other revenue was reduced as a result of forecast reductions in the provision of services to third parties. The reduction in other revenue was matched by a corresponding increase in revenue Crown.

Personnel Expenditure

Additional appropriations were supplied to provide for an additional 90 non-sworn staff and to cover unavoidable cost increases.

Operating Expenditure

Additional appropriations were supplied to cover unavoidable cost increases.

Depreciation

The additional appropriation for unavoidable cost increases included provision for additional depreciation.

Capital Charge

The additional appropriation for unavoidable cost increases included provision for additional capital charge.

Other Expenses

Funding for other expenses was increased to provide for the loss on sale of Police stations at Christchurch, Dunedin and Queenstown arising from the settlement of a Treaty of Waitangi claim with Ngai Tahu, and for the write-down of hardware, software and network assets associated with the cancellation of the INCIS project.

	Year to 30 June (\$000)	
	2000	1999
2: Other Revenue		
Arms Licenses	1,356	1,165
Rentals	1,940	2,287
Drivers Licensing	1	3,194
Accident Information	248	235
Miscellaneous	1,464	1,499
Chargeable Police Services	1,022	643
Fines	24	22
Official Information Act	1	4
Sponsorship	102	519
College (Catering)	360	51
College (Facility Hire)	485	343
College (Non-Police Training)	148	292
Total Other Revenue	7,151	10,254
3: Personnel		
Salaries/Wages	462,935	454,518
Superannuation	57,857	54,876
Accident Insurance Costs	7,955	9,654
Fringe Benefit Tax	996	1,259
Staff Insurance	1,479	1,494
Staff Recruitment	177	214
Training	1,193	2,284
Transfer/Removal Expenses	1,796	1,480
Staff Transport Assistance	2,051	1,992
Other	312	184
Total Personnel	536,751	527,955

Year to 30 June (\$000)

	2000	1999
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4: Operating

Audit Fee	207	207
Other Fees paid to Auditor		
- Assurance related fees	-	66
- Consultancy fees	184	200
Property Rental	9,861	12,059
Equipment Rental	7,847	6,471
Vehicle/Aircraft/Launch Rentals	3,785	3,137
Other Property/Equipment Expenses	39,036	35,385
Computer Charges	28,944	17,792
Non-Capitalised Equipment Purchases	9,604	8,773
Printing	6,654	7,530
Travel	9,445	6,678
Communications	7,601	10,453
Professional Services	20,737	21,506
Other Services	1,231	1,249
Third Party Expenses	2,824	2,903
Bad Debts Expense	507	14
Changes in Doubtful Debts Provision	330	(18)
Physical Asset Write offs	125	40
Exchange Rate	(1)	(3)
Other Operating	9,043	9,573
Net loss on Sale of Non Current Assets	326	83
Total Operating	158,290	144,098

For the financial year ended 30 June 2000, costs for the review of New Zealand Police were \$4.838 million (\$7.490 million 1998/99) on redundancy costs and \$0.594 million (\$2.003 million 1998/99) on implementation costs. These costs are included in Personnel and Operating above.

5: Capital Charge

New Zealand Police pay a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the 1999/2000 year was 10%. (1998/99 11%).

6: Other Expenses

Compensation for Confiscated Firearms
Loss on Sale of Property to Ngai Tahu
Devaluation of INCIS
Actuarial Valuation of Leave Balances

Year to 30 June (\$000)		
Actual 2000	Budget 2000	Actual 1999
3	10	9
7,276	7,276	-
65,580	66,000	-
-	-	47,188
72,859	73,286	47,197

7: Accounts Receivable

Trade Debtors
Less: Provision for Doubtful Debts
Net Trade Debtors
Employee Advances and Debts
Sundry Debtors
Total

1,305	1,754
(463)	(133)
842	1,621
610	560
239	301
1,691	2,482

8: Inventories

Engineering Equipment
Clothing/Accoutrements/Other
Total

-	805
302	1,551
302	2,356

9: Accounts Payable

Trade Creditors
Accrued Expenses and Provisions
GST Payable
Total

22,146	16,433
6,303	29,979
6,286	5,390
34,735	51,802

10: Other Accrued Expenses

Sponsorship Reserve
Other
Total

133	134
1,337	1,664
1,470	1,798

As at 30 June (\$000)

2000

1999

11: Employee Entitlements**Current Liabilities**

Accrued Salaries and Wages	12,633	9,145
Annual Leave	45,571	41,695
Shift Leave	6,604	6,707
Retirement Leave	9,682	5,282
Long Service Leave	782	8,477
Total Current Portion	75,272	71,306
Non Current liabilities		
Long Service Leave	6,781	-
Retirement Leave	48,269	50,350
Total Non Current Portion	55,050	50,350
Total Employee Entitlements	130,322	121,656

An independent actuarial valuation was undertaken as at 30 June 2000 to estimate the present value of long service and retirement leave.

The key assumptions used in discounting to present values are:

- Discount rate 5.75% pa (1998/99 5.75% pa)
- Salary growth rate 2.75% pa (1998/99 2.75% pa)

As at 30 June (\$000)

2000

1999

12: Non Current Assets**Land**

At Valuation - 1 January 2000	66,183	70,504
At Cost	71	4,198

LAND BOOK VALUE

66,254 74,702

Buildings

At Valuation - 1 January 2000	303,071	323,750
At Cost	16,009	16,044
Accumulated Depreciation – at valuation	(99,460)	(93,223)
Accumulated Depreciation – at cost	(889)	(1,201)

BUILDINGS BOOK VALUE

218,731 245,370

Furniture/Fittings

At Cost	16,394	15,944
Accumulated Depreciation	(12,196)	(10,863)

FURNITURE/FITTINGS BOOK VALUE

4,198 5,081

Office Equipment

At Cost	6,125	6,099
Accumulated Depreciation	(5,690)	(5,352)

OFFICE EQUIPMENT BOOK VALUE

435 747

12: Non Current Assets (contd.)**Computer Hardware and Systems**

At Cost	99,142	158,254
Accumulated Depreciation	(55,515)	(54,761)

COMPUTER HARDWARE AND SYSTEMS BOOK VALUE

	43,627	103,493
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Motor Vehicles

At Cost	70,062	71,501
Accumulated Depreciation	(37,991)	(41,774)

MOTOR VEHICLES BOOK VALUE

	32,071	29,727
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Repeater Equipment

At Cost	23,385	23,436
Accumulated Depreciation	(20,785)	(19,193)

REPEATER EQUIPMENT BOOK VALUE

	2,600	4,243
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Radio Equipment

At Cost	20,704	18,175
Accumulated Depreciation	(18,480)	(17,833)

RADIO EQUIPMENT BOOK VALUE

	2,224	342
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Control Equipment

At Cost	12,518	12,518
Accumulated Depreciation	(11,948)	(11,468)

CONTROL EQUIPMENT BOOK VALUE

	570	1,050
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General Communications Equipment

At Cost	17,222	12,421
Accumulated Depreciation	(11,358)	(10,795)

GENERAL COMMUNICATIONS EQUIPMENT BOOK VALUE

	5,864	1,626
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General Plant, Equipment & Instruments

At Cost	39,211	42,585
Accumulated Depreciation	(30,646)	(30,343)

GENERAL PLANT, EQUIPMENT & INSTRUMENTS BOOK VALUE

	8,565	12,242
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Weapons & Associated Equipment

At Cost	2,394	2,330
Accumulated Depreciation	(2,248)	(2,164)

WEAPONS & ASSOCIATED EQUIPMENT BOOK VALUE

	146	166
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Launches

At Cost	5,022	4,985
Accumulated Depreciation	(2,028)	(1,428)

LAUNCHES BOOK VALUE

	2,994	3,557
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CAPITAL WORK IN PROGRESS

	9,008	20,559
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As at 30 June (\$000)
2000 1999

As at 30 June (\$000)

2000 1999

12: Non Current Assets (contd.)

TOTAL NON CURRENT ASSETS

At Cost and Valuation

706,521

803,303

Accumulated Depreciation

(309,234)

(300,398)

TOTAL NON CURRENT ASSETS

BOOK VALUE

397,287

502,905

Restrictions to Titles of Non Current Assets

Land and Buildings of which New Zealand Police have possession and use but for which legal title is not completely established amount to \$34.9 million (\$38.6 million 1998/99) and are included. In most cases titles will be established by gazette notice which will formally vest the titles in New Zealand Police.

All New Zealand Police Land and Buildings for disposal are subject to a consultative clearance process set up for the settlement of Maori land claims.

Capital Work in Progress is comprised of the following:

	As at 30 June (\$000)	
	2000	1999
Asian Pacific Economic Conference	-	667
Automated Fingerprint Imaging System	-	719
Blenheim Extensions	-	4
Computer Aided Resource Deployment System	56	2,136
Digital Trunk Radio	4,338	1,494
Eagle Helicopter Surveillance Equipment	-	711
Financial Information Management System	-	771
Hastings Fitout	-	262
Hastings Locker	-	250
Human Resource System	-	3
Integrated Communications System	-	1,592
INCIS	-	2,060
Kenepuru	-	296
Land Mobile Radio	156	851
Local Area Network Implementation	-	31
Lower Hutt	-	17
Motor Vehicles	49	-
Management Information System	-	1,158
OS/2 To NT Migration	893	-
OSH Upgrades	333	578
Police Enterprise Communications Network	59	-
Search Equipment	77	453
Staff Equipment	489	-
Status Monitoring And Calling System & Mobile Information Gateways	-	1,570
Systems Management Centre	360	392
Wanganui	-	838
Warnings, Infringements and Notices System	-	682
Other	2,198	3,024
Total	9,008	20,559

Carry value of INCIS

An external independent valuer, Innovus Ltd, has reassessed the carrying value of INCIS. This assessment has resulted in the INCIS hardware, software and network assets being written down by \$65.580 million to a revised value of \$32.752 million.

New Zealand Police obtained approval for this writedown in the current year's Estimates. This writedown is included within "Other Expenses" in the Statement of Financial Performance.

As at 30 June (\$000)

	2000	1999
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13: Taxpayers' Funds

Notional Capital

Balance as at 1 July	368,587	412,500
Net Deficit	(74,277)	(53,212)
Capital Transfer to NZ Defence Forces	-	(200)
Capital Withdrawals	(27,650)	-
Capital Contribution	-	9,500
	266,660	368,588
Provision for Repayment of Surplus to the Crown	(2)	(1)
Notional Capital as at 30 June	266,658	368,587

Revaluation Reserve

Balance as at 1 July	-	-
Revaluation as at 1 January 2000	-	-
Gains on revaluation realised (transferred to gain on sale)	-	-
Revaluation Reserve as at 30 June	-	-

The Land and Buildings were valued at 1 January 2000 in accordance with the accounting policy. As the valuation was not significantly different from the carrying value of the Land and Buildings at that date, no revaluation adjustment was made.

	Year to 30 June (\$000)	
	2000	1999
14: Cash Flow Statement Reconciliation with Operating Surplus		
(Deficit) from Statement of Financial Performance	(74,277)	(53,212)
Add (less) non-cash items		
Depreciation	35,466	37,919
Increase in Non Current Employee Entitlements	4,700	40,960
Other Expenses	72,856	-
Total non-cash items	113,022	78,879
Add(less)movements in working capital items		
Accounts Receivable	791	6,557
Prepayments	3,476	5,305
Inventories	2,054	1,284
Accounts Payable	(17,067)	12,565
Other Accrued Expenses	(328)	(1,415)
Employee Entitlements	3,966	3,084
Working capital movements - net	(7,108)	27,380
Add (Less) items classified as investing activities		
Non Current Asset Receivables	(115)	(2,411)
Non Current Asset Payables	14,262	(14,354)
Net (gain) loss on sale of Non Current Assets	326	83
Total investing activities items	14,473	(16,682)
Net Cash Flows from Operating Activities	46,110	36,365

15: Police Superannuation Scheme

The Police Superannuation Scheme is a defined contribution scheme. It was established under a Deed of Trust dated 12 November 1992 and is available for all members of New Zealand Police. As at 30 June 2000, 5,494 members (30 June 1999, 5,051 members) contributed to the Scheme.

The Scheme is administered by the appointed administration manager of the Global Retirement Trust, William M Mercer (NZ) Ltd. Assets of the Scheme are invested in the Global Retirement Trust.

New Zealand Police contributes to the Scheme at a fixed rate (being a percentage of the members' salaries) as determined by the Deed of Trust. Benefits paid out are limited to the value of contributions made and accumulated earnings (negative and positive). At no time will New Zealand Police be required to contribute additional funds to meet benefit payments.

16: Financial Instruments

New Zealand Police is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, trade debtors, trade creditors and foreign currency forward contracts.

Credit risk

Credit risk is the risk that a third party will default on its obligations to New Zealand Police, causing Police to incur a loss. In the normal course of its business, New Zealand Police incurs credit risk from trade debtors, and transactions with financial institutions and the New Zealand Debt Management Office (NZDMO).

New Zealand Police does not require any collateral or security to support financial instruments with financial institutions that New Zealand Police deals with, or with the NZDMO, as these entities have high credit ratings. For its other financial instruments, New Zealand Police does not have significant concentrations of credit risk.

Fair value

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Currency risk and interest rate risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates.

New Zealand Police uses foreign exchange forward contracts to manage foreign exchange exposures. As at 30 June 2000, 2 contracts were outstanding for NZD Value of \$252,748 (30 June 1999 nil).

Interest rate risk is the risk that New Zealand Police's return on the funds it has invested will fluctuate due to changes in market interest rates. Under section 47 of the Public Finance Act 1989, New Zealand Police cannot raise a loan without Ministerial approval and no such loans have been raised. Accordingly, there is no interest rate exposure on funds borrowed.

New Zealand Police has no significant exposure to interest rate risk on its financial instruments.

17: Related Party Transactions

New Zealand Police is a wholly owned entity of the Crown. The Government significantly influences the role of New Zealand Police as well as being its major source of revenue.

New Zealand Police enters into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an arm's length basis. These transactions are not considered to be related party transactions.

Apart from those transactions described above, New Zealand Police has not entered into any related party transactions.

18: Segmental Information

New Zealand Police operates primarily in one industry sector; the provision of police services. All activities are currently carried out from New Zealand.

19: Other Matters

All known liabilities have been included in the financial statements at 30 June 2000 with the exception of a claim for \$1.5 million, which has recently been filed by a service provider. New Zealand Police believe that no liability exists and this has been confirmed by independent legal advice.

20: Post balance date events

There were no significant events subsequent to balance date.

Report of the Audit Office

Deloitte Touche Tohmatsu

To the Readers of the Financial Statements of the New Zealand Police for the Year Ended 30 June 2000

We have audited the financial statements on pages 39 to 136. The financial statements provide information about the past financial and service performance of the New Zealand Police and its financial position as at 30 June 2000. This information is stated in accordance with the accounting policies set out on pages 114 to 117.

Responsibilities of the Chief Executive

The Public Finance Act 1989 requires the Chief Executive to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of the New Zealand Police as at 30 June 2000, the results of its operations and cash flows and service performance achievements for the year ended 30 June 2000.

Auditor's Responsibilities

Section 38(1) of the Public Finance Act 1989 requires the Audit Office to audit the financial statements presented by the Chief Executive. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed Mr P W Schumacher, of Deloitte Touche Tohmatsu, to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the New Zealand Police's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm carries out consulting assignments for the New Zealand Police. We have no other relationship with or interests in the New Zealand Police.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the New Zealand Police on pages 39 to 136:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 2000;
 - the results of its operations and cash flows for the year ended on that date; and
 - the service performance achievements in relation to the performance targets and other measures set out in the forecast financial statements for the year ended on that date.

Our audit was completed on 29 September 2000 and our unqualified opinion is expressed as at that date.



P W Schumacher
Deloitte Touche Tohmatsu
on behalf of the Controller and Auditor-General
Wellington, New Zealand