



## PART 4

# Financial Statements

### 4.1 Financial Statements for the year ended 30 June 2008

#### Statement of Accounting Policies

##### Statutory Authority

The Police's financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989. For the purposes of financial reporting the Police are a public benefit entity.

Police is a government department domiciled in New Zealand.

##### Reporting period

The reporting period for these financial statements is the year ended 30 June 2008.

##### Statement of Compliance

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to IFRS (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities. These are the Police's first financial statements complying with NZ IFRS and NZ IFRS 1 has been applied.

An explanation of how the transition to NZ IFRS has affected the reported financial position, financial performance, and cash flows of the Police is provided in note 26.

##### Accounting policies/ measurement system

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS balance sheet as at 1 July 2006 for the purposes of the transition to NZ IFRS.

The measurement base applied is historical cost modified by the revaluation of certain assets and liabilities as identified in this statement of accounting policies.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the nearest thousand.

##### Judgements and Estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### Retirement, long service leave and sick leave

Note 17 provides an analysis of the exposure and assumptions in relation to estimates and uncertainties surrounding retirement, long service leave and sick leave.

##### Property, Plant and Equipment

Critical judgements in determining the remaining life of buildings and plant have been made by Beca Valuation Ltd as part of the property revaluation.

## Budget Figures

The Budget figures are those included in the Department's Statement of Intent for the year ended 30 June 2008, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates.

## Revenue- Operations, interest, rental income and donated or subsidised assets

If revenue has been earned in exchange for the provision of outputs (products or services) to third parties, this is recorded as revenue from operations. Revenue from the supply of services is measured at the fair value of consideration received. Revenue from the supply of services is recognised at balance date on a straight-line basis over the specified period for the services unless an alternative method better represents the stage of completion of the transaction.

## Interest Income

Interest income is accrued using the effective interest rate method. The effective interest rate discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

## Rental income

Rental income is recognised in the Statement of Financial Performance on a straight-line basis over the term of the lease.

## Donated or subsidised assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue in the Statement of Financial Performance.

## Interest Expense

Interest expense is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

## Valuation of Current Assets

Cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from date of acquisition.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at fair value plus transaction costs. Receivables issued with duration less than 12 months are recognised at their nominal value. Allowances for estimated irrecoverable amounts are recognised when

there is objective evidence that the asset is impaired.

Inventories are recorded at the lower of cost (calculated using weighted average method) and net realisable value.

Due to the short-term nature of current assets their fair value approximates to their carrying value.

## Property, Plant & Equipment (PP&E)

### Valuation

Items of plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration the asset will be recognised initially at fair value, where fair value can be reliably determined, with the fair value of the asset received, less costs incurred to acquire the asset, also recognised as revenue in the Statement of Financial Performance.

Revaluations are carried out for a number of classes of property, plant and equipment to reflect the service potential or economic benefit obtained through control of the asset. Revaluations are based on the fair value of the asset, with changes reported by class of asset.

### Land & Buildings

Land and buildings are recorded at fair value less impairment losses and, for buildings, less depreciation accumulated since the assets were last revalued. Fair value is determined by an independent valuer using market-based evidence, unless insufficient market-based evidence exists, in which case they are valued at optimised depreciated replacement cost.

### Other PPE – at cost

Other property, plant and equipment, which include motor vehicles and office equipment, are recorded at cost less accumulated depreciation and accumulated impairment losses.

Classes of property, plant and equipment that are revalued are revalued at least every five years or whenever the carrying amount differs materially to fair value. Unrealised gains and losses arising from changes in the value of property, plant and equipment are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the Statement of Financial Performance for the asset class, the gain is credited to the Statement of Financial Performance. Otherwise, gains are credited to an asset revaluation reserve for that class of asset. To the extent that there is a balance in the asset revaluation reserve for the asset class any loss is debited to the reserve. Otherwise, losses are reported in the Statement of Financial Performance.

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 and losses arising from disposal of property,

plant and equipment are recognised in the Statement of Financial Performance in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

The carrying amounts of plant, property and equipment are reviewed at least 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 Financial Performance, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

### Assets Held for Sale

Non-current assets or disposal groups are separately classified where their carrying amount will be recovered through a sale transaction rather than continuing use; that is, where such assets are available for immediate sale and where sale is highly probable. These assets are recorded at the lower of their carrying amount and fair value less costs to sell.

### Depreciation

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its estimated useful life. Typically, the depreciation rates for classes of property, plant and equipment are as follows:

Class of Asset	Depreciation rate
Freehold land	Not depreciated
Buildings	2.5-10%
Plant and equipment	15-50%
Vessels	4.5-25%
Furniture / fittings	10%
Motor vehicles	17%
Communication and computer assets	20-25%

### Employee Entitlements

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Financial Performance when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported as the present value of the estimated future cash outflows.

### Termination Benefits

Termination benefits are recognised in the Statement of Financial Performance only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

### Sponsorship

Funds provided by third parties for sponsorship of specific projects are initially recorded as revenue in advance and recognised as revenue at the point the expenditure associated is incurred.

### Foreign Currency

Transactions in foreign currencies are initially translated at the foreign exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at balance date are translated to New Zealand dollars at the foreign exchange rate at balance date. Foreign exchange gains or losses arising from translation of monetary assets and liabilities are recognised in the Statement of Financial Performance.

### Financial Instruments

The Police is party to financial instruments as part of its normal operations. Financial instruments used by the Police consist of cash and cash equivalents, accounts receivable, accounts payable and foreign currency forward contracts. Police enters into the foreign currency forward contracts to mitigate exposure to foreign exchange movements.

Financial assets designated at fair value through profit or loss and are recorded at fair value with any realised and unrealised gains or losses recognised in the Statement of Financial Performance. Gains or losses reported in the Statement of Financial Performance include any interest component. Transaction costs are expensed as they are incurred.

Where a derivative held for trading is used to hedge the foreign exchange exposure of a monetary asset or liability, the effects of the hedge relationship are automatically reflected in the Statement of Financial Performance so hedge accounting is not necessary.

Other financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method (refer interest expense policy). Financial liabilities entered into with duration less than 12 months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses, are recognised in the Statement of Financial Performance as is any gain or loss when the liability is released. There are no material risks arising from the financial instruments held by Police.

## Intangible assets

Intangible assets are initially recorded at cost. The cost of intangible assets acquired in a business combination is their fair values at date of acquisition. 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.

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses.

Amortisation is charged to the Statement of Financial Performance on a straight-line basis over the useful life of the asset.

Class of Asset	Depreciation rate
Software	20-25%

Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Financial Performance in the period in which the transaction occurs. Unrealised gains and losses arising from changes in the value of intangible assets are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the Statement of Financial Performance, the gain is credited to the Statement of Financial Performance. Otherwise, gains are credited to an asset revaluation reserve for that asset. To the extent that there is a balance in the asset revaluation reserve for the intangible asset a revaluation loss is debited to the reserve. Otherwise, losses are reported in the Statement of Financial Performance.

Intangible assets with finite lives are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable to determine if there is any indication of impairment. 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 Financial Performance, unless the asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

## Cost Allocation

The Department has determined the cost of outputs using the cost allocation system outlined below.

Costs are allocated to output expenses based upon activity profiles assigned to staff positions. For support services which do not directly deliver outputs, the allocation of cost is based on an assessed consumption of that service.

The cost allocation policy has changed since the date of the last audited financial statements. The key change relates to the use of actual salary rates for costing, rather than average salary rates as were applied previously.

Service delivery has not changed as a result of this cost allocation policy change.

The effect of the changes on individual output expenses is tabled below with the result fiscally neutral to the Crown.

Output expense	% change
Policy Advice and Ministerial Servicing	51.1%
General Crime Prevention Services	(9.6%)
Specific Crime Prevention Services and Maintenance of Public Order	(17.5%)
Police Primary Response Management	0.3%
Investigations	2.3%
Case Resolution and Support to Judicial Process	26.0%
Road Safety Programme	0.0%

## Taxation

Police is exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for taxation has been provided for.

## Goods and Services Tax (GST)

All 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 by 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 expenses and liabilities to be incurred on contracts that have been entered into at balance date are reported as commitments to the extent that they are equally unperformed obligations.

## Finance Leases

Finance leases transfer to Police as lessee substantially all the risks and rewards incident on the ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The capitalised values are amortised over the period in which the Police expects to receive benefits from their use.

## Operating Leases

Operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

## Contingent Liabilities

Contingent liabilities are recorded in the Statement of Contingent Liabilities at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote.

## Comparative Information

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

## Insurance Contract

The future cost of ACC claims liabilities is revalued annually based on the latest actuarial information. Movements of the liability are reflected in the Statement of Financial Performance. Financial assets backing the liability are designated at fair value through profit and loss.

## Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued that are not yet effective (application date 1 January 2009 for both) and have not been early adopted, and which are relevant to Police include:

NZ IFRS 8 Operating segments

NZ IAS 1 Presentation of Financial Statements

The impacts will be on disclosure only.

## Statement of Appropriations for the Year Ended 30 June 2008

Actual		Actual	Main Estimates	Changes during the year	Supp Estimates
2007		2008	2008	2008	2008
\$000		\$000	\$000	\$000	\$000
<b>Appropriations for Departmental Output Expenses</b>					
1,646	Policy Advice and Ministerial Servicing	2,668	1,822	(94)	1,728
93,970	General Crime Prevention Services	90,573	102,188	1,781	103,969
95,970	Specific Crime Prevention Services and Maintenance of Public Order	90,718	95,157	13,790	108,947
334,207	Police Primary Response Management	365,719	369,726	750	370,476
303,179	Investigations	346,235	335,777	612	336,389
66,129	Case Resolution and Support to Judicial Process	93,508	72,650	2,090	74,740
236,321	Road Safety Programme	257,032	257,731	2,624	260,355
<b>1,131,242</b>	<b>Total Appropriations for Departmental Output Expenses</b>	<b>1,246,453</b>	<b>1,235,051</b>	<b>21,553</b>	<b>1,256,604</b>
<b>Appropriations for Other Expenses</b>					
2	Compensation for Confiscated Firearms	2	10	-	10
100	United Nations Drug Control programme	100	100	-	100
<b>102</b>	<b>Total Appropriation for Other Expenses</b>	<b>102</b>	<b>110</b>	<b>-</b>	<b>110</b>
<b>34,409</b>	<b>Appropriation for Capital Contribution from the Crown</b>	<b>34,469</b>	<b>31,955</b>	<b>3,434</b>	<b>35,389</b>
<b>Appropriations for Non-Departmental Expense Flows</b>					
-	Other Expense to be incurred by the Crown – Telecommunication Interception Capability	-	-	920	920
<b>Appropriations for Non-Departmental Revenue Flows</b>					
81,372	Non-Tax Revenue Infringement Fees	84,931	75,631	3,500	79,131
927	Sale of Unclaimed Property	294	369	-	369
238	Forfeit to Crown	100	-	-	-
1	Investment Income	24	-	-	-
<b>82,538</b>	<b>Total Appropriations for Non- Departmental Revenue</b>	<b>85,349</b>	<b>76,000</b>	<b>3,500</b>	<b>79,500</b>

The accompanying notes form part of the financial statements

## Statement of Financial Performance for the Year Ended 30 June 2008

Actual 2007 \$000		Note	Actual 2008 \$000	Main Estimates 2008 \$000	Supp Estimates 2008 \$000
<b>Revenue</b>					
1,114,195	Crown		1,222,756	1,217,788	1,222,756
22,087	Other Revenue	2	30,065	17,263	33,848
52	Interest		7	-	-
745	Gains	3	1,064	-	-
<b>1,137,079</b>	<b>Total Revenue</b>		<b>1,253,892</b>	<b>1,235,051</b>	<b>1,256,604</b>
<b>Expenditure</b>					
807,642	Personnel	4	900,536	885,567	907,874
233,140	Operating	5	253,371	258,166	248,236
52,505	Depreciation and amortisation expenses	6	59,448	56,800	65,212
31,191	Capital Charge	7	34,159	34,518	35,282
<b>1,124,478</b>	<b>Total Operating Expenses</b>		<b>1,247,514</b>	<b>1,235,051</b>	<b>1,256,604</b>
12,601	Surplus (Deficit) from Outputs		6,378	-	-
2	Less: Other Expenses	8	3	10	10
<b>12,599</b>	<b>Net Surplus (Deficit)</b>		<b>6,375</b>	<b>(10)</b>	<b>(10)</b>

Explanations of significant variances against budget are detailed in note 1.

The accompanying notes form part of the financial statements

### Statement of Movements in Taxpayers' Funds for the Year Ended 30 June 2008

Actual		Actual	Main	Supp
2007		2008	Estimates	Estimates
\$000	Note	\$000	2008	2008
		\$000	\$000	\$000
<b>285,826</b>	<b>Taxpayers' Funds as at 01 July</b>	<b>327,042</b>	<b>335,036</b>	<b>324,985</b>
12,599	Net Surplus (Deficit) for the year	6,375	(10)	(10)
(5,792)	Provision for repayment of surplus to Crown	(6,375)	-	-
34,409	Capital Contribution	34,469	31,955	35,389
<b>327,042</b>	<b>Total Recognised Revenues and Expenses for the year</b>	<b>361,511</b>	<b>366,981</b>	<b>360,364</b>
<b>121,134</b>	<b>Revaluations Reserves as at 01 July</b>	<b>121,604</b>	<b>121,604</b>	<b>121,604</b>
470	Revaluations gains/ (losses)	-	-	-
<b>121,604</b>		<b>121,604</b>	<b>121,604</b>	<b>121,604</b>
<b>448,646</b>	<b>Total Taxpayers' Funds as at 30 June</b>	<b>483,115</b>	<b>488,585</b>	<b>481,968</b>
	Revaluation reserves consist of:			
59,419	Land revaluation reserve	59,419	59,419	59,419
62,185	Building revaluation reserve	62,185	62,185	62,185
<b>121,604</b>	<b>Total revaluation reserves</b>	<b>121,604</b>	<b>121,604</b>	<b>121,604</b>

The accompanying notes form part of the financial statements



## Statement of Financial Position as at 30 June 2008

Actual			Actual	Main	Supp
2007			2008	Estimates	Estimates
\$000	Note		\$000	2008	2008
			\$000	\$000	\$000
<b>Assets</b>					
<b>Current Assets</b>					
41,213	Cash		31,995	92,292	111,848
103,042	Accounts Receivable	9	120,041	1,270	63,770
3,174	Prepayments		6,222	5,347	3,347
35	Inventories	10	38	160	160
1,717	Non-Current assets held for sale	12	1,717	-	-
<b>149,181</b>	<b>Total Current Assets</b>		<b>160,013</b>	<b>99,069</b>	<b>179,125</b>
<b>Non-Current Assets</b>					
565,378	Property, Plant and Equipment	13	609,112	595,442	568,656
23,053	Intangibles	14	29,854	23,553	23,553
<b>588,431</b>	<b>Total Non-Current Assets</b>		<b>638,966</b>	<b>618,995</b>	<b>592,209</b>
<b>737,612</b>	<b>Total Assets</b>		<b>798,979</b>	<b>718,064</b>	<b>771,334</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
61,680	Accounts Payable	15	70,018	45,673	62,660
9,404	Other Accrued Expenses	16	11,415	6,400	9,450
98,782	Employee Entitlements	17	104,404	88,409	97,452
8,275	Provision for Repayment of Surplus to the Crown		14,650	-	-
<b>178,141</b>	<b>Total Current Liabilities</b>		<b>200,487</b>	<b>140,482</b>	<b>169,562</b>
<b>Non-Current Liabilities</b>					
110,825	Employee Entitlements	17	115,377	88,997	119,804
<b>110,825</b>	<b>Total Non-Current liabilities</b>		<b>115,377</b>	<b>88,997</b>	<b>119,804</b>
<b>288,966</b>	<b>Total Liabilities</b>		<b>315,864</b>	<b>229,479</b>	<b>289,366</b>
<b>448,646</b>	<b>Net Assets</b>		<b>483,115</b>	<b>488,585</b>	<b>481,968</b>
<b>Taxpayers' Funds</b>					
327,042	General Funds		361,511	366,981	360,364
121,604	Property, plant and equipment revaluation reserves		121,604	121,604	121,604
<b>448,646</b>	<b>Total Taxpayers' Funds</b>	<b>20</b>	<b>483,115</b>	<b>488,585</b>	<b>481,968</b>

The accompanying notes form part of the financial statements

## Statement of Cash Flows for the Year Ended 30 June 2008

Actual		Actual	Main	Supp
2007		2008	Estimates	Estimates
\$000	Note	\$000	\$000	\$000
<b>Cash Flows from Operating Activities</b>				
<b>Cash provided from:</b>				
Supply of Outputs to:				
1,070,726	- Crown	1,208,800	1,217,935	1,162,852
20,469	- Others	28,767	17,263	31,399
<b>1,091,195</b>		<b>1,237,567</b>	<b>1,235,198</b>	<b>1,194,251</b>
<b>Cash was applied to:</b>				
Produce outputs:				
(803,657)	- Personnel	(890,340)	(734,537)	(672,371)
(214,246)	- Operating	(250,618)	(411,659)	(387,729)
(31,191)	- Capital Charge	(34,159)	(34,518)	(35,282)
(2)	- Other Expenses	(3)	(10)	(10)
<b>(1,049,096)</b>		<b>(1,175,120)</b>	<b>(1,180,724)</b>	<b>(1,095,392)</b>
<b>42,099</b>	<b>Net Cash Flows from Operating Activities</b>	<b>62,447</b>	<b>54,474</b>	<b>98,859</b>
<b>Cash Flows from Investing Activities:</b>				
<b>Cash provided from:</b>				
52	Interest Income	7	-	-
4,823	Sale of Non-Current assets	2,841	3,000	3,000
<b>Cash was applied to:</b>				
(84,641)	Purchase of Property, plant & equipment	(108,982)	(101,023)	(66,113)
-	- Purchase of Intangible Assets	-	(500)	(500)
<b>(79,766)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(106,134)</b>	<b>(98,523)</b>	<b>(63,613)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Cash provided from:</b>				
34,409	Capital Contribution	34,469	31,955	35,389
<b>Cash was applied to:</b>				
-	- Repayment of Surplus to the Crown	-	-	-
<b>34,409</b>	<b>Net Cash Flows from Financing activities</b>	<b>34,469</b>	<b>31,955</b>	<b>35,389</b>
<b>(3,258)</b>	<b>Net Increase (Decrease) in Cash Held</b>	<b>(9,218)</b>	<b>(12,094)</b>	<b>70,635</b>
44,471	Add Opening Cash	41,213	104,386	41,213
<b>41,213</b>		<b>31,995</b>	<b>92,292</b>	<b>111,848</b>
<b>Cash Balance Consists of</b>				
40,307	Cash at Bank	31,072	91,592	111,148
748	Petty Cash	748	520	520
158	Overseas Posts	175	180	180
<b>41,213</b>	<b>Total Cash</b>	<b>31,995</b>	<b>92,292</b>	<b>111,848</b>

During the period, the Department did not acquire any property, plant and equipment by means of finance leases. (2007: nil).

The accompanying notes form part of the financial statements

### Statement of Unappropriated Expenditure for the Year Ended 30 June 2008

Output Expense	Actual 2008 \$000	Appropriation 2008 \$000	Unappropriated Expenditure 2008 \$000	Unappropriated Expenditure 2007 \$000
Policy Advice and Ministerial Servicing	2,668	1,728	940	-
Investigations	346,235	336,389	9,846	-
Case Resolution and Support to Judicial Process	93,508	74,740	18,768	-

### Expenses and Capital Expenditure Interim Authority under Imprest Supply approved under Section 26C of the Public Finance Act 1989

As a result of the Department implementing a change in its cost allocation policy, unappropriated expenditure was forecast with interim authority to spend under imprest supply sought and confirmed under Section 26C.

The unappropriated expenditure detailed above is the result of implementing the change in cost allocation policy.

### Statement of Trust Monies for the Year Ended 30 June 2008

	Opening Balance \$000	Capital Increase \$000	Capital Distribution \$000	Cash Receipts \$000	Cash Expenditure \$000	Closing Balance \$000
Bequests, Donations and Appeals	62	-	-	300	(201)	161
Reparation	8	-	-	10	(9)	9
Money in Custody	8,843	-	-	5,494	(2,568)	11,769
Found Money	184	-	-	160	(30)	314
<b>Total</b>	<b>9,097</b>	<b>-</b>	<b>-</b>	<b>5,964</b>	<b>(2,808)</b>	<b>12,253</b>

The trust account holds funds retained by Police on behalf of other parties.

Bequests, donations and appeals are monies contributed by third parties for projects managed by Police.

Reparation money is money received from offenders to be paid to victims.

Money in custody is monies seized during operations and money held for suspects in custody.

Found money is money that has been handed in by members of the public, that Police holds pending the rightful owner coming forward to claim it.

The accompanying notes form part of the financial statements

## Statement of Contingent Liabilities and Contingent Assets as at 30 June 2008

Unquantifiable Contingent Liabilities: Nil (2007: Nil).

### Quantifiable Contingent Liabilities

Actual 2007 \$000		Actual 2008 \$000
1,223	Legal Proceedings and Disputes	548
62	Personal Grievances	33
<b>1,285</b>		<b>581</b>

### Legal proceedings

Legal proceedings represent claims lodged with the Crown Law office, but which had not been settled. Previous experience with such claims is that the majority are unsuccessful in total and those that are resolved in favour of the claimant are for amounts substantially less than the amount claimed.

### Personal grievances:

Personal grievances represent amounts claimed by employees of Police for personal grievances cases, for various reasons.

Police has no contingent assets (2007: nil).

The accompanying notes form part of the financial statements

## Statement of Commitments as at 30 June 2008

### Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have been paid for or not recognised as a liability at the balance sheet date.

### Non-cancellable operating lease commitments

The Police leases property, plant and equipment in the normal course of its business.

The majority of these leases are for premises and photocopiers, which have a non-cancellable leasing period ranging from 1 to 18 years.

### Other non-cancellable commitments

The Police have entered into non-cancellable contracts for computer maintenance, cleaning and other service contracts.

Actual		Actual
2007		2008
\$000		\$000
<b>Capital Commitments</b>		
<b>Works</b>		
43	Less than One Year	12,915
<b>43</b>	<b>Total works</b>	<b>12,915</b>
<b>Motor Vehicles</b>		
12,042	Less Than One Year	5,004
<b>12,042</b>	<b>Total Motor Vehicles</b>	<b>5,004</b>
<b>Others</b>		
963	Less Than One Year	-
<b>963</b>	<b>Total Others</b>	<b>-</b>
<b>13,048</b>	<b>Total Capital Commitments</b>	<b>17,919</b>
<b>Operating</b>		
<b>Accommodation Leases</b>		
13,011	Less than One Year	13,159
11,755	One to Two Years	12,508
29,701	Two to Five Years	31,343
56,443	Greater Than Five Years	53,614
<b>Other Non-cancellable Leases</b>		
19	Less Than One Year	418
6	One to Two Years	414
-	Two to Five Years	641
<b>110,935</b>	<b>Total Leases</b>	<b>112,097</b>
<b>Other Operating</b>		
15,626	Less Than One Year	32,474
9,963	One to Two Years	17,325
2,315	Two to Five Years	4,353
20	Greater Than Five Years	71
<b>27,924</b>	<b>Total Other Operating</b>	<b>54,223</b>
<b>138,859</b>	<b>Total Operating</b>	<b>166,320</b>
<b>151,907</b>	<b>Total Commitments</b>	<b>184,239</b>

The accompanying notes form part of the financial statements

## Notes to the Financial Statement for the Year Ended 30 June 2008

### 1. Budget Composition

	Main Estimates	Supplementary Estimates Changes	Budget Total
	\$000	\$000	\$000
<b>Revenue</b>			
Crown	1,217,788	4,968	1,222,756
Other	17,263	16,585	33,848
Interest	-	-	-
Gains on Sale of Non-Current assets	-	-	-
<b>Total Revenue</b>	<b>1,235,051</b>	<b>21,553</b>	<b>1,256,604</b>
<b>Expenditure</b>			
Personnel	885,567	22,307	907,874
Operating	258,166	(9,930)	248,236
Depreciation and Amortisation Expenses	56,800	8,412	65,212
Capital Charge	34,518	764	35,282
<b>Total Output Operating Expenses</b>	<b>1,235,051</b>	<b>21,553</b>	<b>1,256,604</b>
Surplus (Deficit) from Outputs	-	-	-
Less: Other Expenses	10	-	10
<b>Net Surplus (Deficit)</b>	<b>(10)</b>	<b>-</b>	<b>(10)</b>

Explanations for major variances from the initial Budget Estimates were outlined in the Supplementary Estimates. These were

#### Crown Revenue

- Road Safety Programme Tyre deflation and Intel analyst initiatives \$1.351 million
- Deployments to the Solomon islands \$1.400 million
- Deployments to Timor-Leste \$1.866 million
- Police Land Mobile Radio network \$0.400 million

#### Other Revenue

- Deployments to the Solomon islands \$5.250 million
- Deployments to Timor-Leste \$3.486 million
- Deployment to Bougainville: Papua New Guinea \$1.421 million
- Re-forecasted revenue firearms licences \$1.570 million
- Department of Corrections for holding remand prisoners \$1.860 million
- Grossing up of revenue from NZ Fire Service for use of the Information Technology services of Police \$1.973 million
- Accident Compensation Corporation funding for rural drink drive and community initiatives to reduce alcohol related harm schemes \$0.787 million

## 2. Other Revenue

Actual 2007 \$000	Actual 2008 \$000
5,846 Arms Licences	4,547
1,393 Chargeable Police Services	3,221
2,538 Department of Corrections Remand Prisoners	1,642
1,660 Other	2,458
4,541 Overseas Deployments	11,911
929 Pacific Island Chiefs of Police Secretariat Support	722
778 Pacific Peoples Domestic Violence Programme	998
1,165 Property Rentals	1,237
849 Royal NZ Police College: Catering Facility Hire and Non-Police Training	379
120 Sponsorship	352
2,268 State Sector Retirement Superannuation Scheme: SSC Contribution	2,598
<b>22,087 Total Other Revenue</b>	<b>30,065</b>

## 3. Gains

Actual 2007 \$000	Actual 2008 \$000
702 Net Gain on Disposal of Property, plant & equipment	1,028
43 Net Foreign Exchange Gains	36
<b>745</b>	<b>1,064</b>

During the year Police disposed of Land & Buildings in the following addresses, which were found to be surplus to requirement. Permission was obtained to dispose of them.

Address	Gain \$
174 Wainui Road, Gisborne	50,693
5 Iti Street, Otaki	107,848
18 Severn Street, Oamaru	(58,714)
	<b>99,827</b>

In addition, a gain of \$863,325 was made from sale of motor vehicles.

#### 4. Personnel

<b>Actual 2007 \$000</b>		<b>Actual 2008 \$000</b>
4,971	Accident Compensation Costs	7,997
1,664	Fringe Benefit Tax	1,533
686,413	Salaries/Wages	765,856
1,680	Staff Insurance	1,831
880	Staff Recruitment	1,047
1,923	Staff Transport Assistance	970
82,919	Superannuation	90,811
3,673	Training	4,910
3,091	Transfer/ Removal Expenses	3,097
19,879	Increase/ (Decrease) in Employee Entitlements	21,542
549	Other	942
<b>807,642</b>	<b>Total Personnel</b>	<b>900,536</b>

#### 5. Operating

<b>Actual 2007 \$000</b>		<b>Actual 2008 \$000</b>
259	Audit Fees	296
35	Assurance Related Services	77
15	Bad Debt Expenses	(4)
207	Changes in Doubtful Debt Provision	189
19,275	Clothing, Equipment and Consumables	21,514
21,587	Communications	22,164
19,893	Computer Charges	20,405
1,613	Equipment Rental	1,958
21,624	ESR Forensic Science Services	20,456
43	Foreign Exchange Rate Loss	-
10,725	Other Operating Expenses	11,515
3	Physical Assets Write-offs	21
8,134	Printing	8,127
23,098	Professional Services	27,397
3,685	Professional Services - Non Government Organisations	3,881
15,941	Property Rentals	17,826
26,662	Property Utilities, Rates and Maintenance	30,522
5,317	Third Party Expenses	5,311
21,849	Travel	23,839
7,521	Vehicle/ Aircraft/ Launch Rentals	8,018
25,654	Vehicle Expenses	29,859
<b>233,140</b>	<b>Total Operating</b>	<b>253,371</b>



Professional services have been reclassified at 30 June 2008 to separately disclose ESR Science Services and Professional Services Non-Government Organisations.

Other property/ equipment expenses has been reclassified and renamed at 30 June 2008 to separately disclose vehicle expenses.

Other Services and Other Operating have been merged into Other Operating Expenses.

The following operating expenses have been renamed for clarity:

- Non-Capitalised Equipment Purchases renamed Clothing, Equipment and Consumables.
- Other Property /Equipment Expenses renamed Property Utilities, Rates and Maintenance.

## 6. Depreciation & Amortisation of Intangibles

Actual 2007 \$000		Actual 2008 \$000
11,760	Buildings	12,865
19,381	Plant and Equipment and Communication Assets	21,679
148	Vessels	277
276	Furniture and Fittings	276
15,292	Motor Vehicles	16,696
5,648	Amortisation of Intangibles	7,655
<b>52,505</b>	<b>Total Depreciation</b>	<b>59,448</b>

## 7. Capital Charge

Police pays a capital charge to the Crown on its taxpayers' funds as at 30<sup>th</sup> June and 31 December each year. The capital charge rate for the year ended 30 June 2008 was 7.5% (2007: 7.5%).

## 8. Other Expenses

Actual 2007 \$000		Actual 2008 \$000
2	Compensation for Confiscated Firearms	3
<b>2</b>	<b>Total Other Expenses</b>	<b>3</b>

## 9. Accounts Receivable

Actual 2007 \$000		Actual 2008 \$000
3,970	Trade Debtors	4,132
477	Sundry Debtors and Employee Debts	1,802
(413)	Less: Provision for Doubtful Debts	(602)
4,034	Net Debtors	5,332
99,008	Debtors Crown	114,709
<b>103,042</b>	<b>Total Accounts Receivable</b>	<b>120,041</b>

The carrying value of debtors and other receivables approximate their fair value.

As at 30 June 2008 and 30 June 2007, all overdue receivables have been assessed for impairment and appropriate provision applied, as detailed below:

	2007			2008		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Past due	4,034	-	4,034	5,332	-	5,332
Overdue 180 days	413	413	-	602	602	-
<b>Total</b>	<b>4,447</b>	<b>413</b>	<b>4,034</b>	<b>5,934</b>	<b>602</b>	<b>5,332</b>

Those past due less than 180 days are not impaired as there is no loss expected.

The provision for doubtful debts has been calculated based on expected losses for the Department's pool of debtors. Expected losses have been determined based on the Department's review of its debtors against its doubtful debts policy.

#### Movements in the provision for doubtful debts are as follows:

Actual 2007 \$000	Actual 2008 \$000
206 Balance at 1 July	413
222 Additional provisions made during the year	225
(15) Debts written off during the period	(36)
<b>413</b>	<b>602</b>

## 10. Inventories

Actual 2007 \$000	Actual 2008 \$000
35 Accoutrements/ Other	38
<b>35 Total Inventories</b>	<b>38</b>

The carrying value of inventories held for distribution at 30 June 2008 is nil (2007: nil).

The write down of inventories held for distribution was nil (2007: nil).

No inventories are pledged as securities for liabilities.

## 11. Derivatives Financial Instruments

The fair value of outstanding forward exchange contracts at 30 June 2008 was Nil. (2007: US\$250,937).

## 12. Non-current assets held for sale

Actual 2007 \$000	Actual 2008 \$000
<b>Non-Current Assets held for sale consists of:</b>	
367 Buildings	367
1,350 Land	1,350
<b>1,717</b>	<b>1,717</b>

The property at 351-361 Church Street, Palmerston North held for sale on 30 June 2007 is still unsold. It continues to be classified as an asset held for sale as at 30 June 2008. The sale is expected to be completed by 30 December 2008.

### 13. Property, Plant & Equipment

As at 30 June 2008:

Cost:	Land	Buildings	Furniture & Fittings	Plant, Equip. & Comm. Assets	Motor Vehicles	Vessels	Total
Opening Balance	132,357	312,709	19,000	308,708	104,413	6,141	883,328
Additions	5,974	40,308	1,913	25,326	27,705	511	101,737
Disposals and Transfers	(346)	(273)	(4,829)	(1,840)	(12,177)	-	(19,465)
<b>Closing Balance</b>	<b>137,985</b>	<b>352,744</b>	<b>16,084</b>	<b>332,194</b>	<b>119,941</b>	<b>6,652</b>	<b>965,600</b>
<b>Accumulated Depreciation:</b>							
Opening Balance	-	13,148	13,801	234,494	53,675	2,832	317,950
Depreciation for the year	-	12,865	276	21,679	16,696	277	51,793
On Disposals and Transfers	-	(27)	(433)	(1,831)	(10,964)	-	(13,255)
<b>Closing Balance</b>	<b>-</b>	<b>25,986</b>	<b>13,644</b>	<b>254,342</b>	<b>59,407</b>	<b>3,109</b>	<b>356,488</b>
<b>Closing Book Value</b>	<b>137,985</b>	<b>326,758</b>	<b>2,440</b>	<b>77,852</b>	<b>60,534</b>	<b>3,543</b>	<b>609,112</b>

As at 30 June 2007:

Cost:	Land	Buildings	Furniture & Fittings	Plant, Equip. & Comm. Assets	Motor Vehicles	Vessels	Total
Opening Balance	132,787	317,068	16,222	279,931	99,145	3,730	848,883
Additions	203	23,926	3,770	32,842	15,945	2,411	79,097
Transfer to held for sale	(1,350)	(380)	-	-	-	-	(1,730)
Disposals and Transfers	717	(27,905)	(992)	(4,065)	(10,677)	-	(42,922)
<b>Closing Balance</b>	<b>132,357</b>	<b>312,709</b>	<b>19,000</b>	<b>308,708</b>	<b>104,413</b>	<b>6,141</b>	<b>883,328</b>
<b>Accumulated Depreciation:</b>							
Opening Balance	-	29,333	14,196	215,391	48,300	2,684	309,904
Depreciation For the year	-	11,760	276	19,381	15,290	150	46,857
Transfer to held for sale	-	(13)	-	-	-	-	(13)
On Disposals and Transfers	-	(27,932)	(671)	(278)	(9,915)	(2)	(38,798)
<b>Closing Balance</b>	<b>-</b>	<b>13,148</b>	<b>13,801</b>	<b>234,494</b>	<b>53,675</b>	<b>2,832</b>	<b>317,950</b>
<b>Closing Book Value</b>	<b>132,357</b>	<b>299,561</b>	<b>5,199</b>	<b>74,214</b>	<b>50,738</b>	<b>3,309</b>	<b>565,378</b>

Land and buildings have been valued at fair value as at 1 July 2006 by Beca Valuation Ltd.

The total amount of property, plant and equipment in the course of construction is \$84.557 million. (2007: \$88.345 million). The net carrying amount of office equipment held under finance lease is nil (2007: nil).

Impairment losses of \$21,000 have been recognised for impairment of vehicle that has been sent to Niue, equipment lost when on call out and land and buildings at Sutton Street, Frasertown, which is no longer used as a police station.

### Restrictions to Titles of Non-Current Assets

As at 30 June 2008 land and buildings of which Police has possession and use, but for which legal title is not completely established, amounted to \$9.801 million (30 June 2007: \$9.077 million).

In most cases titles will be established by gazette notice, which will formally vest the titles in Police.

All surplus land and buildings are subject to the Crown land disposal process as specified by the Public Works Act 1981.

### 14. Intangible Assets: Acquired Software:

Actual 2007 \$000		Actual 2008 \$000
<b>Cost</b>		
78,885	Opening Balance	84,684
5,799	Additions	14,456
-	Disposals	-
<b>84,684</b>	<b>Balance at 30 June</b>	<b>99,140</b>
<b>Accumulated Amortisation and Impairment Losses</b>		
55,983	Opening Balance	61,631
5,648	Amortisation during the year	7,655
<b>61,631</b>	<b>Balance at 30 June</b>	<b>69,286</b>
<b>23,053</b>	<b>Book Value</b>	<b>29,854</b>

There are no restrictions over the title of the intangible assets, nor are the assets pledged as security for liabilities.

## 15. Accounts Payable

Actual 2007 \$000	Actual 2008 \$000
16,184 Trade Creditors	10,685
25,153 Accrued Expenses and Provisions	38,397
8,601 PAYE Payable	9,683
11,742 GST Payable	11,253
<b>61,680 Total Accounts Payable</b>	<b>70,018</b>

The payables are non-interest bearing and are normally settled on 30 days terms; therefore the carrying value approximates their fair value.

## 16. Other Accrued Expenses

Actual 2007 \$000	Actual 2008 \$000
438 Sponsorship Reserve	98
8,966 Accident Compensation and Accredited Employer Programme Provisions	11,317
<b>9,404 Total Other Accrued Expenses</b>	<b>11,415</b>

## 17. Employee Entitlements

Actual 2007 \$000	Actual 2008 \$000
<b>Current Liabilities</b>	
30 Accrued Salaries and Wages	35
75,336 Annual Leave	80,269
1,400 Long Service Leave	2,535
1,331 Sick Leave	1,155
12,700 Retirement Leave	11,662
7,985 Shift Leave	8,748
<b>98,782 Total Current Portion</b>	<b>104,404</b>
<b>Non-Current Liabilities</b>	
11,371 Long Service Leave	11,963
92,560 Retirement Leave	96,474
6,894 Sick Leave	6,940
<b>110,825 Total Non-Current Portion</b>	<b>115,377</b>
<b>209,607 Total Employee Entitlements</b>	<b>219,781</b>

An independent actuarial valuation was undertaken by Aon Consulting New Zealand Ltd as at 30 June 2008 to estimate the present value of long service and retirement leave.

The present value of the retirement and long service leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating these liabilities include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability. The interest rates on NZ Government bonds with terms of maturity that match closely to the estimated future cash outflows have been considered in determining the discount rate. The historical salary patterns have been considered in determining the salary inflation factor after obtaining advice from an independent actuary.

If the salary inflation factor were to increase by 1% from the estimate with all other factors held constant the carrying amount of the liability would increase by \$8.793 million. If the salary inflation factor were to decrease by 1%, the liability would decrease by \$7.850 million.

## 18. Finance Leases

Actual 2007 \$000	Actual 2008 \$000
1,223 Not later than one year	1,575
492 One year and not later than five years	1,795
17 Later than five years	-
<b>1,732 Total Lease Payments</b>	<b>3,370</b>

## 19. Capital Work-in-Progress

Actual 2007 \$000	Actual 2008 \$000
44,377 Buildings	52,276
4,396 Furniture & Fittings	301
37,161 Plant and Equipment	31,686
2,411 Other	294
<b>88,345</b>	<b>84,557</b>

## 20. Taxpayers' Funds

Actual 2007 \$000	Actual 2008 \$000
<b>General Funds</b>	
285,826 General Funds Balance at 1 July	327,042
2,483 Repayment of Surplus to the Crown	8,275
<b>288,309 Taxpayers' Funds at 1 July</b>	<b>335,317</b>
12,599 Net Surplus (Deficit) for the year	6,375
34,409 Capital Contribution	34,469
121,604 Asset Revaluation Reserve	121,604
<b>456,921</b>	<b>497,765</b>
(8,275) Provision for Repayment of Surplus to the Crown	(14,650)
<b>448,646 General Funds as at 30 June</b>	<b>483,115</b>

## 21. Reconciliation of Net Surplus to Net Cash Flow from Operating Activities

Actual 2007 \$000		Actual 2008 \$000
12,599	<b>Net Surplus (Deficit)</b>	6,375
	Add (Less) non-Cash Items	
52,505	Depreciation and Amortisation Expenses	59,448
52,505	<b>Total Non-Cash items</b>	59,448
	<b>Add (Less) Items Classified as Investing or Financing Activities:</b>	
(702)	Gains (Losses) on disposal of Property, plant and equipment	(1,028)
	<b>Add (Less) Movements in Working Capital Items:</b>	
10,025	Increase (Decrease) in Accounts Payable	8,338
(1,618)	(Increase) Decrease in Accounts Receivable	(1,298)
3,915	Increase (Decrease) in Employee Entitlements	7,353
(43,469)	(Increase) Decrease in Debtor Crown	(15,701)
3	(Increase) Decrease in Inventories	(3)
393	(Increase) Decrease in Prepayments	(3,048)
8,448	Increase (Decrease) in Other Accrued Expenses	2,011
(22,303)	<b>Net Working Capital Movements</b>	(2,348)
42,099	<b>Net Cash Flows from Operating Activities</b>	62,447

## 22. Related Party Transactions

Police is a wholly owned entity of the Crown. The Government is the major source of revenue.

Police entered into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an arm's length basis. Where these parties are acting in the course of their normal dealings with Police, related party disclosures have not been made.

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

## Key Management Personnel Compensation

Actual 2007 \$000		Actual 2008 \$000
5,130	Salaries and other short term employee benefits	5,114
1,447	Other long-term benefits	1,410
6,577		6,524

Key management personnel are the Police executive committee which comprises the Commissioner, Deputy Commissioners, Assistant Commissioners, District commanders and General Managers.

## 23. Segmental Information

Police operates in one industry sector: the provision of policing services. Activities are primarily carried out from New Zealand. Police operates a number of overseas posts and deployments; however the annual cost of these activities is approximately 1.69% of Vote Police.

## 24. Post Balance Date Events

There were no significant events subsequent to balance date that had a material impact on the financial statements.

## 25. Provisions

Police self-insures for ACC purposes. An independent actuarial assessment of ongoing costs relating to outstanding claims has been prepared by Davies Financial & Actuarial Limited as at 30 June 2008, resulting in a provision for work-related accidents of \$2.553 million (30 June 2007: \$2.624 million).

Personnel disputes that have arisen with a likelihood of settlement have been provided for, along with personnel settlements payable under collective contract provisions that are unable to be paid until the financial year is complete. 30 June 2008 \$2.463 million (30 June 2007 \$3.123 million).

	Balance at the Beginning of the Year	Amount Used	Not Required	Additional Amount	Balance at End of Year
	\$000	\$000	\$000	\$000	\$000
Work Related Accidents	2,624	(71)	-	-	2,553
Provision for Personnel Contract Settlement	3,123	(1,775)	(235)	1,350	2,463
	<b>5,747</b>	<b>(1,846)</b>	<b>(235)</b>	<b>1,350</b>	<b>5,016</b>



## 26. Explanation of transition to NZ IFRS

	Note	Previous NZ GAAP 1 July 2006 \$000	Effect on Transition to NZ IFRS 1 July 2006 \$000	NZ IFRS 1 July 2006 \$000	Previous NZ GAAP 1 July 2007 \$000	Effect on Transition to NZ IFRS 1 July 2007 \$000	NZ IFRS 1 July 2007 \$000
<b>Assets</b>							
<b>Current Assets</b>							
Cash and Cash Equivalents		44,471	-	44,471	41,213	-	41,213
Debtors and Other Receivables	9	57,955	-	57,955	103,042	-	103,042
Prepayments		3,567	-	3,567	3,174	-	3,174
Inventories	10	38	-	38	35	-	35
Non-Current Assets Held for Sale	12	-	2,400	2,400	-	1,717	1,717
<b>Total Current Assets</b>		<b>106,031</b>	<b>2,400</b>	<b>108,431</b>	<b>147,464</b>	<b>1,717</b>	<b>149,181</b>
<b>Non-current Assets</b>							
Property, Plant & Equipment	13	561,881	(25,302)	536,579	590,148	(24,770)	565,378
Intangible Assets	14	-	22,902	22,902	-	23,053	23,053
<b>Total Non-Current Assets</b>		<b>561,881</b>	<b>(2,400)</b>	<b>559,481</b>	<b>590,148</b>	<b>(1,717)</b>	<b>588,431</b>
<b>Total Assets</b>		<b>667,912</b>	<b>-</b>	<b>667,912</b>	<b>737,612</b>	<b>-</b>	<b>737,612</b>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Accounts Payable	15	47,081	-	47,081	61,680	-	61,680
Repayment of Surplus		2,483	-	2,483	8,275	-	8,275
Other Accrued Expenses	16	8,911	-	8,911	9,404	-	9,404
Employee Entitlements	17	90,990	304	91,294	97,451	1,331	98,782
<b>Total Current Liabilities</b>		<b>149,465</b>	<b>304</b>	<b>149,769</b>	<b>176,810</b>	<b>1,331</b>	<b>178,141</b>
<b>Non-Current Liabilities</b>							
Employee Entitlements	17	88,997	22,186	111,183	96,472	14,353	110,825
<b>Total Non-Current Liabilities</b>		<b>88,997</b>	<b>22,186</b>	<b>111,183</b>	<b>96,472</b>	<b>14,353</b>	<b>110,825</b>
<b>Total Liabilities</b>		<b>238,462</b>	<b>22,490</b>	<b>260,952</b>	<b>273,282</b>	<b>15,684</b>	<b>288,966</b>
<b>Net Assets</b>		<b>429,450</b>	<b>(22,490)</b>	<b>406,960</b>	<b>464,330</b>	<b>(15,684)</b>	<b>448,646</b>
<b>Taxpayers' Funds</b>							
General Funds	20	308,316	(22,490)	285,826	342,726	(15,684)	327,042
Property, Plant and Equipment		121,134	-	121,134	121,604	-	121,604
<b>Total Taxpayers' Funds</b>		<b>429,450</b>	<b>(22,490)</b>	<b>406,960</b>	<b>464,330</b>	<b>(15,684)</b>	<b>448,646</b>

		Previous NZ GAAP	Effect on Transition to NZ IFRS	NZ IFRS
	Note	30 June 2007 \$000	30 June 2007 \$000	30 June 2007 \$000
<b>Revenue</b>				
Crown		1,114,195	-	1,114,195
Other Revenue	2	22,087	-	22,087
Interest		52	-	52
Gains	3	745	-	745
<b>Total Revenue</b>		<b>1,137,079</b>	<b>-</b>	<b>1,137,079</b>
<b>Expenditure</b>				
Personnel	4	814,449	(6,807)	807,642
Operating	5	233,140	-	233,140
Depreciation and Amortisation Expenses	6	52,505	-	52,505
Capital Charge	7	31,191	-	31,191
<b>Total Operating Expenses</b>		<b>1,131,285</b>	<b>(6,807)</b>	<b>1,124,478</b>
Surplus (Deficit) from Outputs		5,794	6,807	12,601
Less: Other Expenses	8	2	-	2
<b>Net Surplus (Deficit)</b>		<b>5,792</b>	<b>6,807</b>	<b>12,599</b>

### Personnel Costs - Retirement and Long Service Leave

This represents an increase in the Retirement and Long Service Leave provision, which was not recognised under previous NZ GAAP.

### Intangibles

Under GAAP software was included under Plant, Equipment and Communication Assets. These have been re-classified as Intangibles under IFRS. The net book value of such assets on 30 June 2007 was \$23.053 million (2007: \$22.902 million).

### Statement of Cash Flows

There have been no material adjustments to the Statement of Cash Flows on transition to NZ IFRS.

## 27. Financial instrument risks

The Departments activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The department has series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

### Market risk

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Departments foreign exchange management policy requires the Department to manage currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts to hedge the entire foreign currency risk exposure. The Departments policy has been approved by the Treasury and is in accordance with the requirements of the treasury guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure.

#### Credit risk

Credit risk is the risk that a third party will default on its obligation to the Department, causing the Department to incur a loss.

The Department is only permitted to deposit funds with Westpac, a registered bank, and enter into foreign exchange forward contracts with Westpac or the New Zealand Debt Management Office. These entities have high credit ratings. For its other financial instruments the Department does not have significant concentrations of credit risk.

The Department's maximum exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and net debtors. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

#### Liquidity risk

Liquidity risk is the risk that the Department will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements the Department closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Department maintains a target level of available cash to meet its liquidity requirements.

The table below analyses the Department's financial liabilities that will be settled based on the remaining period of the balance sheet to the contractual date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 6 months	Between 6 months to 1 year	Between 1 year and 5 years	Over 5 years
	\$000	\$000	\$000	\$000
<b>2008</b>				
Creditors and payables	70,018	-	-	-
<b>2007</b>				
Creditors and payables	61,681	-	-	-

## 28. Categories of Financial Instruments

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

<b>Actual 2007 \$000</b>		<b>Actual 2008 \$000</b>
<b>Loans and Receivables</b>		
41,213	Cash and Cash Equivalents	31,995
103,042	Debtors and Other Receivables (Note 9)	120,041
<b>144,255</b>	<b>Total Loans and Receivables</b>	<b>152,036</b>
<b>Financial Liabilities Measured at Amortised Cost</b>		
61,680	Creditors and Other Payables (Note 15)	70,018
<b>61,680</b>	<b>Total Financial Liabilities</b>	<b>70,018</b>

## Non- Departmental Statement of Compliance

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to IFRS (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities. These are the Police's first consolidated financial statements complying with NZ IFRS and NZ IFRS 1 has been applied.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these financial statements and schedules also refer to the Crown Financial statements 2007/08.

## Schedule of Revenue and Expenses for the Year Ended 30 June 2008

Actual		Actual	Main Estimates	Supp Estimates
2007		2008	2008	2008
\$000		\$000	\$000	\$000
82,605	Revenue	85,349	76,000	79,500
<b>82,605</b>	<b>Total Non-Departmental Revenue <sup>(1)</sup></b>	<b>85,349</b>	<b>76,000</b>	<b>79,500</b>
100	Expenses	100	100	100
<b>100</b>	<b>Total Non-Departmental Expenses</b>	<b>100</b>	<b>100</b>	<b>100</b>


Note 1 Refer to the Statement of Appropriation on page 50 for the analysis of revenue.

## Schedule of Assets and Liabilities as at 30 June 2008

Actual		Actual	Main Estimates	Supp Estimates
2007		2008	2008	2008
\$000		\$000	\$000	\$000
<b>Current Assets</b>				
291	Cash	327	6	291
300	Accounts Receivable	300	200	200
<b>591</b>	<b>Total Non-Departmental Assets</b>	<b>627</b>	<b>206</b>	<b>491</b>
200	Accounts Payable	200	100	100
391	Funds held on behalf of Crown	427	106	391
<b>591</b>	<b>Total Non-Departmental Liabilities</b>	<b>627</b>	<b>206</b>	<b>491</b>

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated Financial Statements for the Government for the year ended 30 June 2008.

## 4.2 Audit Report



**AUDIT REPORT**

**TO THE READERS OF  
NEW ZEALAND POLICE'S  
FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2008**

The Auditor-General is the auditor of New Zealand Police (Police). The Auditor-General has appointed me, Grant Taylor, using the staff and resources of Ernst and Young, to carry out the audit on his behalf. The audit covers the financial statements, statement of service performance and schedules of non-departmental activities included in the annual report of Police for the year ended 30 June 2008.

**Unqualified Opinion**

In our opinion:

- ▶ The financial statements of Police on pages 45 to 73:
  - ▶ comply with generally accepted accounting practice in New Zealand; and
  - ▶ fairly reflect:
    - ▶ Police's financial position as at 30 June 2008; and
    - ▶ the results of its operations and cash flows for the year ended on that date.
- ▶ The statement of service performance of Police on pages 24 to 44:
  - ▶ complies with generally accepted accounting practice in New Zealand; and
  - ▶ fairly reflects for each class of outputs:
    - ▶ its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - ▶ its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.
- ▶ The schedules of non-departmental activities on pages 55 and 73 fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by Police on behalf of the Crown for the year ended 30 June 2008.

The audit was completed on 30 September 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Commissioner and the Auditor, and explain our independence.

**Basis of Opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.



The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- ▶ determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- ▶ verifying samples of transactions and account balances;
- ▶ performing analyses to identify anomalies in the reported data;
- ▶ reviewing significant estimates and judgements made by the Commissioner;
- ▶ confirming year-end balances;
- ▶ determining whether accounting policies are appropriate and consistently applied; and
- ▶ determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

#### **Responsibilities of the Commissioner and the Auditor**

The Commissioner is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of Police as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, Police's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. In addition, the schedules of non-Police activities must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by Police on behalf of the Crown for the year ended 30 June 2008. The Commissioner's responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

#### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have provided independent quality assurance services relating to the radio network replacement project. Other than the audit and these services we have no relationship with or interests in New Zealand Police.

Grant Taylor  
Ernst and Young  
On behalf of the Auditor-General  
Wellington, New Zealand