

Financial Statements

MINISTRY PERFORMANCE 2010/2011

This section of the report details the Output Expense service performance and financial performance of the Ministry's departmental activities. It also provides a report on the non-departmental funds managed by the Ministry of Fisheries.

The Ministry receives Parliamentary appropriations to cover all its activities. A portion of the costs of these activities is recovered through the cost recovery provisions of the Fisheries Act 1996, by way of cost recovery levies and departmental transaction charges.

The amount recovered through cost recovery levies is classified as Crown Revenue and is accounted for through the non-departmental financial schedules included later in this report.

FINANCIAL OVERVIEW

The Ministry spent \$89.794 million in the 2010/11 financial year against an annual budget appropriation of \$95.957 million after Final Supplementary Estimates. The annual budget after Final Supplementary Estimates reduced by \$7.737 million from the original Statement of Intent budget of \$106.694 million as a result of various adjustments detailed in note 24. When further transfers of \$6.163 million from 2010/11 into 2011/12 are included, the final audited out-turn for 2010/11 gives an effective break even position across all departmental output expenses.

The carry forward amounts represent \$4.796 million of work originally planned to be undertaken in 2010/11, which will now be carried out in 2011/12, and a further \$1.367 million of merger costs carried forward.

Unless otherwise specified, all figures in this report are in \$000 and GST exclusive. The following tables provide a high-level view of the Ministry's expenditure for the year.

Departmental Carry Forward by Output

Table 1 shows expenditure in the Ministry's departmental output expenses.

Table 1

	Main Estimates	Final Estimates	Actual Expenditure	Carry Forward	Underspend
	\$000	\$000	\$000	\$000	\$000
Development of fisheries policy	9 050	10 282	10 140	142	0
Operational advice on sustainability and management controls in fisheries	58 196	50 051	44 646	5 405	0
Fisheries enforcement and monitoring	33 392	31 966	31 923	43	0
Aquaculture	2 784	3 211	2 719	492	0
South Pacific Regional Fisheries Management Organisation	272	447	366	81	0
Total	103 694	95 957	89 794	6 163	0

Departmental Output Expense Profile

Table 2 shows the trend in expenditure in the Ministry's departmental output expenses over the past four years.

Table 2

	2007/08 Actual \$000	2008/09 Actual \$000	2009/10 Actual \$000	2010/11 Actual \$000
Development of fisheries policy	0	0	0	10 140
Operational advice on sustainability and management controls in fisheries	0	0	0	44 646
Fisheries enforcement and monitoring	0	0	0	31 923
Aquaculture	0	0	0	2 719
Fisheries policy advice	6 667	8 078	8 549	0
Fisheries information	26 466	28 131	30 735	0
Fisheries operations	23 599	24 929	20 011	0
Fisheries compliance	29 737	31 914	32 391	0
Aquaculture settlement	1 626	2 118	695	0
South Pacific Regional Fisheries Management Organisation	324	449	327	366
Total	88 419	95 619	92 708	89 794

Research Services

Table 3 provides a high-level view of the expenditure on fisheries research by fishery type and other marine-related research over the past four years. The figures shown are direct costs and do not include any Ministry indirect costs that are apportioned to the individual research projects under the Ministry's cost allocation system.

Research costs have reduced in financial year 2010/11 as a result of the finalisation of the 10-year Deepwater Research contracts due to extended negotiations with NIWA. In addition, the Trawl Survey was delayed by a year due to the NIWA research vessel *Tangaroa* being refitted in Singapore, and variations to two Paua projects resulting in some major milestones moving to the 2011/12 financial year.

Table 3

	2007/08 Actual \$000	2008/09 Actual \$000	2009/10 Actual \$000	2010/11 Actual \$000
Antarctic and deepwater	2 779	1 195	4 085	2 243
Hoki and middle depths	3 662	4 599	6 123	2 676
Inshore finfish, eel and snapper	2 011	2 033	1 162	2 338
Highly migratory	915	837	826	460
Shellfish and rock lobster	2 719	2 903	2 355	1 459
Non-commercial fisheries	1 353	889	1 229	1 997
Aquatic environment	1 403	1 514	1 899	1 866
Other research	1 513	1 310	1 584	1 059
Subtotal	16 355	15 280	19 263	14 098
Biodiversity research	1 269	1 447	1 759	1 583
International Polar Year	0	760	839	936
Total	17 624	17 487	21 861	16 617

Industry Charges

Table 4 shows final cost recovery levies, inclusive of the settlement credit and prior years' under and over recoveries, and departmental charges for the Ministry for the period from 2007/08 through to 2010/11.

Table 4

	2007/08 Actual \$000	2008/09 Actual \$000	2009/10 Actual \$000	2010/11 Actual \$000
Final cost recovery levies	31 289	33 460	29 614	30 578
Transshipment and Observer charges	1 120	1 309	1 707	1 368
Permit fees	76	101	97	97
Marine farming, license fees, transfer and lease fees	(134)	92	7	7
Other	0	137	207	207
Cost recovery levies and charges	32 351	35 099	31 632	32 257
Total output expenditure	88 419	95 619	92 708	89 794

Capital Expenditure

Table 5 shows the Ministry's capital expenditure over the past four years. This programme covers the routine replacement of motor vehicles, the replacement of fisheries vessels and provides for the building and upgrade of new and replacement information systems to support the Ministry's operating environment.

Table 5

	2007/08 Actual \$000	2008/09 Actual \$000	2009/10 Actual \$000	2010/11 Actual \$000
Building and leasehold improvements	222	464	413	86
Office plant and equipment including computer systems	717	2 501	1 197	1 229
Motor vehicles and vessels	879	1 144	298	1 950
Total	1 818	4 109	1 908	3 265

Departmental Property, Plant and Equipment, and Intangible Assets

Table 6 shows the net book value of departmental property plant and equipment at 30 June 2011. This table also provides the comparable figures from 2008 through to 30 June 2011.

Table 6

	2008 Actual \$000	2009 Actual \$000	2010 Actual \$000	2011 Actual \$000
Land, buildings and leasehold improvements	5 462	5 267	5 058	4 521
Office plant and equipment	1 229	1 536	1 399	1 484
IT software	2 864	3 625	3 260	2 587
Motor vehicles and vessels	2 425	2 817	2 503	3 994
Total	11 980	13 245	12 220	12 586

Output Class Service Performance

Table 7 lists departmental output expenses by output for the year ended 30 June 2011 and comparative out-turn for 2010.

Table 7

	2011 Final Estimates	2011 Actual	2011 Actual as % of Final Estimates	2010 Actual
	\$000	\$000		\$000
Development of fisheries policy				
New Zealand Strategy and Framework	5 686	5 690	100.07	0
International Strategy and Framework	2 875	2 775	96.52	0
Standards and regulations	1 185	1 095	92.41	0
Ministerial services	536	580	108.21	0
Sub total	10 282	10 140	98.62	0
Operational advice on sustainability and management controls in fisheries				
Sustainability and management information (including Observers)	39 743	34 854	87.70	0
Deed of Settlement	5 619	5 012	89.20	0
Registry services and permits	4 689	4 780	101.94	0
Sub total	50 051	44 646	89.20	0
Fisheries enforcement and monitoring				
Commercial compliance	10 946	11 493	105.00	0
Other fisheries	15 189	14 776	97.28	0
Prosecutions managed	5 831	5 654	96.96	0
Sub total	31 966	31 923	99.87	0
Aquaculture				
Aquaculture settlement	1 455	1 211	83.23	0
Aquaculture development	1 756	1 508	85.88	0
Sub total	3 211	2 719	84.68	0
Fisheries Policy Advice				
Policy advice	0	0	0	7 433
Ministerial servicing	0	0	0	1 116
Sub total	0	0	0	8 549
Fisheries Information				
Research	0	0	0	30 735
Sub total	0	0	0	30 735
Fisheries Operations				
Sustainability and management controls	0	0	0	9 740
Deed of Settlement implemented	0	0	0	5 470
Registry services managed	0	0	0	4 801
Sub total	0	0	0	20 011
Fisheries Compliance				
Commercial fisheries compliance	0	0	0	9 918
Other fisheries compliance	0	0	0	15 359
Prosecutions managed	0	0	0	7 114
Sub total	0	0	0	32 391

	2011 Final Estimates \$000	2011 Actual \$000	2011 Actual as % of Final Estimates	2010 Actual \$000
Aquaculture Settlement				
Aquaculture settlement implemented	0	0	0	695
Sub total	0	0	0	695
South Pacific Regional Fisheries Management Organisation				
Interim Secretariat	447	366	81.88	327
Sub total	447	366	81.88	327
Grand total	95 957	89 794	93.58	92 708

■ Statement of Accounting Policies for the year ended 30 June 2011

Reporting Entity

The Ministry of Fisheries is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand. In addition, the Ministry has reported on activity undertaken on behalf of the Crown and trust monies which it administers.

The primary objective of the Ministry is to provide services to the public rather than making a financial return. Accordingly, the Ministry has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Ministry are for the year ended 30 June 2011. As the Ministry legally merged with the Ministry of Agriculture and Forestry on 1 July 2011, the financial statements were authorised for issue by the Director-General of the newly combined Ministry of Agriculture and Forestry on 30 September 2011.

Basis of Preparation

The financial statements of the Ministry have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP). These financial statements have been prepared in accordance with, and comply with, NZ IFRS as appropriate for public benefit entities.

The financial statements have been prepared on a disestablishment basis where all assets and liabilities, along with their prior year comparatives, have been shown as current. The assets and liabilities of the Ministry of Fisheries will be transferred to, and be relevant to, the Ministry of Agriculture and Forestry. For that reason, while the financial statements have been prepared on a disestablishment basis, no adjustments have been made to the measurement of assets and liabilities because of the disestablishment basis of preparation, other than some accelerated depreciation on selected software assets.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Ministry is New Zealand dollars.

Use of Accounting Estimates and Judgements

In preparing these financial statements the Ministry has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment for the newly combined Ministry of Agriculture and Forestry in the next year are discussed in notes: 15 Provisions and 16 Employee entitlements.

■ Specific Accounting Policies

Changes in Accounting Policies

The accounting policies of the Ministry have not changed since the last audited financial statements. All policies have been applied on a basis consistent with the previous financial year, however, due to the merger with the Ministry of Agriculture and Forestry all assets and liabilities are reported on a disestablishment basis and presented as short term.

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and are relevant to the Ministry of Fisheries, are:

- > NZ IFRS 9 Financial Instruments – This standard is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.
- > The standard applies to financial assets, their classification and measurement. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value. This standard is effective for reporting periods commencing on or after 1 January 2013.
- > NZ IAS 24 Related Party Disclosures (Revised 2009) – This standard makes amendments to NZ IAS 24 Related Party Disclosures and is effective for reporting periods commencing on or after 1 January 2011.
- > The amendments simplify the definition of a related party and provide a partial exemption from the disclosure requirements for government-related entities.

The Ministry of Fisheries has not yet assessed the impact of these new standards and therefore they have not been adopted early.

Revenue

Rendering of Services

The Ministry derives revenue through the provision of outputs to the Crown and for services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

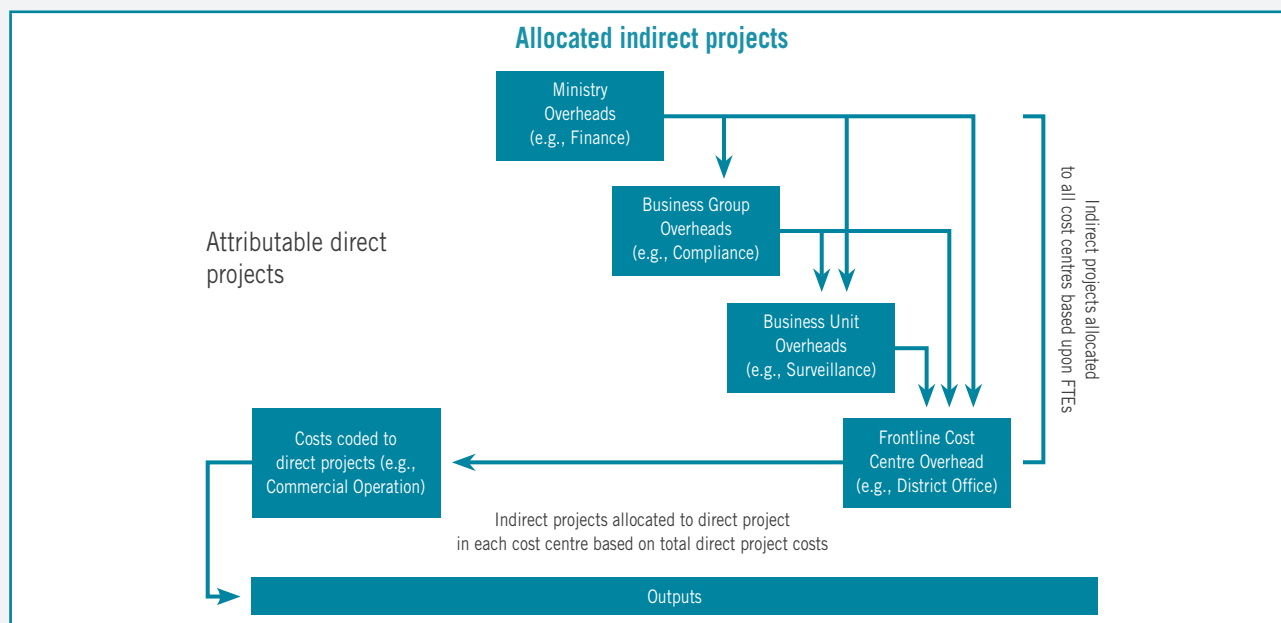
Capital Charge

The capital charge is recognised as an expense in the period to which the charge relates.

Cost Allocation

The Ministry has determined the cost of outputs using a specific cost allocation system. Costs that can be specifically attributed to an output are charged directly to that output. All other costs are assigned using the methodology set out below.

The Ministry's cost accounting policies have remained unchanged since the date of the last audited financial statements.



Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Debtors and Other Receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Impairment of a debtor is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the debtor. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the debtor is impaired. Bad debts are written off when identified and approved.

Property, Plant and Equipment

Property, plant and equipment consist of land, buildings, leasehold improvements, plant and equipment, motor vehicles, vessels and capital work in progress.

Motor vehicles and plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

For the purposes of these financial statements, land and buildings, although owned by the Crown, are deemed as being owned by the Ministry as principal occupier or user.

Only property, plant and equipment with a cost in excess of \$5 000 is capitalised.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

Disposals

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the comprehensive income statement.

Subsequent Costs

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

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land and work in progress, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives have been estimated as follows:

Buildings	10–100 years
Motor vehicles	up to 10 years
Vessels	4–25 years
Plant and equipment	up to 10 years

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvement, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible Assets

Software

Research costs are expensed as incurred.

Costs associated with maintaining computer software and related staff training costs are recognised as an expense when incurred.

Software development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and operationally feasible, future service potential is probable and the Ministry intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Gains and losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the comprehensive income statement when the asset is derecognised.

Subsequent Costs

Subsequent expenditure is capitalised only when it increases the future service potential embodied in the specific asset to which it relates. All other expenditure is recognised in the comprehensive income statement when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The asset is amortised over the period of expected future benefit. The amortisation charge for each period is recognised in the comprehensive income statement.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Software development costs: up to 10 years.

The amortisation period for an intangible asset with a finite useful life is reviewed at each financial year end.

Impairment of Non-financial Assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The total impairment loss is recognised in the comprehensive income statement.

Creditors and Other Payables

Creditors and payables are paid within the following 12 months and, due to their short-term nature, they are recognised at their nominal value, unless the effect of discounting is material.

Provisions

The Ministry recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made.

Employee Entitlements

Provision is made in respect of the Ministry's liability for annual leave, long service leave, retirement leave and sick leave.

Short-term Employee Entitlements

Employee entitlements that the Ministry expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date and sick leave.

The Ministry recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Ministry anticipates it will be used by staff to cover those future absences.

Long-term Employee Entitlements

Employee entitlements that are payable beyond 12 months, such as long service leave and retirement leave, are recognised for all employees on the basis of a six monthly actuarial valuation based on the present value of expected future entitlements.

Superannuation Schemes

Defined Contribution Schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, Kiwisaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised in the comprehensive income statement as incurred.

Financial Instruments

Non-derivative Financial Instruments

The Ministry is party to financial instruments as part of its normal operations. These financial instruments include cash, debtors and other receivables and creditors and other payables. All financial instruments are recognised in the statement of financial position, and all revenues and expenses in relation to financial instruments are recognised in the comprehensive income statement.

Foreign Currency

Foreign currency transactions (including those for which forward exchange rate contracts are held) are translated into New Zealand dollars using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the comprehensive income statement.

Statement of Cash Flows

Cash means cash balances on hand and held in bank accounts.

Operating activities include cash received from all income sources of the Ministry and the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise capital injections by, or repayment of capital to, the Crown.

Goods and Services Tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

Commitments

Expenses yet to be incurred on non-cancellable operating leases, fisheries and biodiversity research contracts and registry services contracts entered into on or before balance date are disclosed as commitments to the extent that they are equally unperformed obligations.

Contingent Liabilities

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

Taxpayers' Funds

Taxpayers' funds are the Crown's investment in the Ministry and are measured as the difference between total assets and total liabilities.

Budget Figures

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates process and any transfers made by Order in Council under section 26A of the Public Finance Act 1989.

■ Statement of Comprehensive Income for the year ended 30 June 2011

	Notes	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Income					
Crown	1	100 785	93 070	86 944	92 566
Department	2	1 982	1 695	1 688	2 037
Other revenue	3	927	1 192	1 162	971
Gains on sales	4	0	0	5	49
Total income		103 694	95 957	89 799	95 623
Expenditure					
Personnel costs	5	46 030	44 083	42 826	44 318
Operating costs	6	53 753	48 237	43 116	44 610
Depreciation and amortisation expense	7	2 910	2 639	2 854	2 779
Capital charge	8	1 001	998	998	1 001
Total expenditure	24	103 694	95 957	89 794	92 708
Net surplus / (deficit) and total comprehensive income		0	0	5	2 915

These financial statements should be read in conjunction with the statement of accounting policies on pages 48 to 53 and the notes to the financial statements on pages 59 to 70.

■ Statement of Changes in Taxpayers' Funds for the year ended 30 June 2011

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Balance at 1 July	13 275	13 275	13 275	13 361
Net surplus / (deficit) and total comprehensive income	0	0	5	2 915
Repayment of surplus to the Crown	0	0	(5)	(2 915)
Capital contribution	60	60	60	0
Capital withdrawal	0	0	0	(86)
Balance at 30 June	13 335	13 335	13 335	13 275

■ Statement of Financial Position as at 30 June 2011

	Notes	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Current assets					
Cash		1 589	1 759	293	1 760
Debtors and other receivables	10	21 784	19 204	22 806	26 204
Prepayments		742	865	2 766	865
Property, plant and equipment	11	10 177	10 649	9 999	8 960
Intangible assets	12	4 386	5 717	2 587	3 260
Total current assets		38 678	38 194	38 451	41 049
Current liabilities					
Creditors and other payables	13	18 297	15 461	16 489	15 461
Repayment of surplus to the Crown	14	0	0	5	2 915
Provisions	15	2 133	2 530	1 411	2 530
Employee entitlements	16	4 659	6 708	6 919	6 708
Unearned revenue		254	160	292	160
Total current liabilities		25 343	24 859	25 116	27 774
Net assets		13 335	13 335	13 335	13 275
Taxpayers' funds					
General funds	9	13 335	13 335	13 335	13 275
Total taxpayers' funds		13 335	13 335	13 335	13 275

These financial statements should be read in conjunction with the statement of accounting policies on pages 48 to 53 and the notes to the financial statements on pages 59 to 70.

Statement of Cash Flows

for the year ended 30 June 2011

	Notes	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Cash flows from operating activities					
Receipts from revenue Crown		100 785	100 070	90 373	87 879
Receipts from revenue department		1 982	1 695	1 865	1 915
Receipts from revenue other		927	1 192	1 071	1 261
Payments to suppliers		(61 865)	(57 238)	(52 161)	(55 971)
Payments to employees		(37 918)	(35 082)	(37 040)	(33 632)
Payments for capital charge		(1 001)	(998)	(998)	(1 001)
Goods and services tax (net)		0	0	1 503	182
Net cash from operating activities	17	2 910	9 639	4 613	633
Cash flows from investing activities					
Receipts from sale of property, plant and equipment		0	0	40	203
Purchase of property, plant and equipment		(3 306)	(3 052)	(2 710)	(1 214)
Purchase of intangible assets		0	(3 733)	(555)	(709)
Net cash from investing activities		(3 306)	(6 785)	(3 225)	(1 720)
Cash flows from financing activities					
Capital contribution from the Crown		0	60	60	0
Capital withdrawal		0	0	0	(86)
Repayment of surplus to the Crown		0	(2 915)	(2 915)	(1 839)
Net cash from financing activities		0	(2 855)	(2 855)	(1 925)
Net increase/(decrease) in cash		(396)	(1)	(1 467)	(3 012)
Cash at the beginning of the year		1 985	1 760	1 760	4 772
Cash at the end of the year		1 589	1 759	293	1 760

These financial statements should be read in conjunction with the statement of accounting policies on pages 48 to 53 and the notes to the financial statements on pages 59 to 70.

■ Statement of Commitments

as at 30 June 2011

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 not been paid for or recognised as a liability at 30 June 2011.

Operating Lease Commitments

The Ministry operates from premises that are leased on short-and long-term bases. The annual lease payments are subject to periodic review. The amounts disclosed below as future commitments are based on current agreements and rental rates.

Other Operating Commitments

There are fisheries and biodiversity research projects and registry services contracts that have been entered into in 2010/11 for which the service will be performed after 30 June 2011.

	2011 Actual \$000	2010 Actual \$000
Operating commitments		
Not later than one year	17 986	20 292
Later than one year and not later than two years	10 761	10 139
Later than two years and not later than five years	8 039	15 626
Later than five years	702	1 253
Total operating commitments	37 488	47 310
Capital commitments		
Property, plant and equipment	0	0
Intangible assets	0	0
Total capital commitments	0	0
Total commitments	37 488	47 310

The Ministry's operating leases have varying terms, escalation clauses and renewal rights.

■ Statement of Contingent Liabilities and Contingent Assets as at 30 June 2011

This statement discloses situations that exist at 30 June, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after 30 June 2011.

Quantifiable Contingent Liabilities

No quantifiable contingent liabilities exist at 30 June 2011 (2010: \$nil).

Unquantifiable Contingent Liabilities

No unquantifiable contingent liabilities exist at 30 June 2011.

Contingent Assets

The Ministry has no contingent assets (2010: \$nil).

■ Statement of Departmental Expenditure and Capital Expenditure against Appropriations

	2011 Appropriation* \$000	2011 Actual \$000	2010 Actual \$000
Vote Fisheries			
Appropriations for output expenses: annual appropriation			
Development of fisheries policy	10 282	10 140	–
Operational advice on sustainability and management controls in fisheries	50 051	44 646	–
Fisheries enforcement and monitoring	31 966	31 923	–
Aquaculture	3 211	2 719	–
Policy advice	–	–	8 549
Fisheries information	–	–	30 735
Fisheries operations	–	–	20 011
Fisheries compliance	–	–	32 391
Aquaculture settlement	–	–	695
Interim Secretariat – South Pacific Regional Fisheries Management Organisation	447	366	327
Total	95 957	89 794	92 708
Capital movement			
Capital injection	60	60	0
Capital withdrawal	–	–	(86)
Total capital movement	60	60	(86)

* Includes adjustments made in Supplementary Estimates and transfers under section 26A of the Public Finance Act 1989.

■ Statement of Departmental Unappropriated Expenditure for the year 30 June 2011

There has not been any unappropriated expenditure for the year ended 30 June 2011 (2010: \$nil).

■ Notes to the Financial Statements for the year 30 June 2011

1 Revenue Crown

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Development of fisheries policy	8 966	10 198	10 065	0
Operational advice on sustainability and management controls in fisheries	55 972	48 122	42 623	0
Fisheries enforcement and monitoring	32 915	31 394	31 393	0
Aquaculture	2 780	3 207	2 714	0
Policy advice	0	0	0	8 459
Fisheries information	0	0	0	30 044
Fisheries operations	0	0	0	19 908
Fisheries compliance	0	0	0	33 227
Aquaculture settlement	0	0	0	692
Interim secretariat SPRFMO	152	149	149	236
Total revenue Crown	100 785	93 070	86 944	92 566

2 Revenue Department

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Recovery of State Sector Retirement Savings Scheme costs	949	949	929	962
Observer charges	985	603	706	1 047
Other	48	143	52	28
Total revenue department	1 982	1 695	1 688	2 037

3 Other Revenue

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Marine farming, licence fees, transfer and lease fees	10	10	58	7
Trans-shipment and observer charges	627	714	847	660
Permit fees	170	170	70	97
Miscellaneous	120	298	187	207
Total other revenue	927	1 192	1 162	971

4 Gain on Sale of Property, Plant and Equipment

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Motor vehicles	0	0	1	30
Vessels	0	0	4	19
Net gain on sale of property, plant and equipment	0	0	5	49

5 Personnel Costs

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Salaries and wages	42 628	39 475	38 438	39 076
Other	3 402	4 608	4 388	5 242
Total personnel costs	46 030	44 083	42 826	44 318

6 Operating Costs

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Advertising, information and publicity	537	604	568	523
Asset operating costs	2 762	2 549	2 628	2 613
Communications	1 413	1 249	1 143	1 209
Computer consumables	1 541	1 391	1 529	1 041
Contract for services	36 365	32 536	27 498	29 776
Fees for audit of the financial statements	225	188	190	180
Fees to auditors for other services	0	9	8	2

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Legal	1 078	770	912	712
Operating lease rentals	4 034	3 707	3 703	3 856
Printed materials	713	552	448	453
Travel	3 974	4 137	3 753	3 834
Other operating costs	1 111	545	706	411
Total operating costs	53 753	48 237	43 116	44 610

7 Depreciation and Amortisation Expenses

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Buildings and leasehold improvements	618	621	623	622
Plant and equipment	311	542	243	614
Motor vehicles and vessels	932	500	433	469
Intangible assets (software)	1 049	976	1 555	1 074
Total depreciation expense	2 910	2 639	2 854	2 779

8 Capital Charge

The Ministry paid a capital charge to the Crown on its net taxpayers' funds as at 30 June 2011 and 31 December 2010. The capital charge rate for the year ended 30 June 2011 was 8.0 percent of net taxpayers' funds (2010: 7.5 percent).

9 Taxpayers' Funds

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Taxpayers' funds comprises				
General funds				
Balance at 1 July	13 275	13 275	13 275	13 361
Net surplus / (deficit) and total comprehensive income	0	0	5	2 915
Capital contribution	60	60	60	0
Capital withdrawal	0	0	0	(86)
Repayment of surplus to the Crown	0	0	(5)	(2 915)
General funds at 30 June	13 335	13 335	13 335	13 275

10 Debtors and Other Receivables

	2011 Actual \$000	2010 Actual \$000
Trade debtors	462	635
Less:		
Provision for doubtful debts	(125)	(109)
Net debtors	337	526
Receivables	407	188
Debtor: Crown funding	22 062	25 490
Total debtors and other receivables	22 806	26 204

Trade debtors are generally on 30 day terms. At 30 June 2011 and 2010, all overdue receivables have been assessed for impairment and appropriate provision applied, as detailed below.

	2011			2010		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	22 742	0	22 742	25 678	(5)	25 673
Past due 0–12 months	109	(53)	56	546	(23)	523
Past due 13–24 months	23	(21)	2	86	(78)	8
Past due 25–36 months	56	(50)	6	0	0	0
Past due > 36 months	1	(1)	0	3	(3)	0
Total	22 931	(125)	22 806	26 313	(109)	26 204

The provision for doubtful debts has been calculated based on forecast losses for the Ministry's pool of debtors. Forecast losses have been determined based on a review of specific debtors.

Movements in the provision for doubtful debts are as follows:

	2011 \$000	2010 \$000
Balance at 1 July	109	109
Additional provisions made during the year	16	3
Receivables written off during the period	0	(3)
Balance at 30 June 2011	125	109

11 Property, Plant and Equipment

	Land	Buildings and leasehold improvements	Plant and equipment	Motor vehicles and vessels	Total
	\$000	\$000	\$000	\$000	\$000
Deemed Cost					
Balance at 1 July 2009	147	6 871	3 878	4 183	15 079
Additions	0	413	488	298	1 199
Reclassification	0	0	0	0	0
Disposals	0	0	(84)	(391)	(475)
Balance at 30 June 2010	147	7 284	4 282	4 090	15 803
Balance at 1 July 2010	147	7 284	4 282	4 090	15 803
Additions	0	86	674	1 950	2 710
Reclassification	0	0	0	0	0
Disposals	0	0	(92)	(90)	(182)
Balance at 30 June 2011	147	7 370	4 864	5 950	18 331
Accumulated depreciation and impairment losses					
Balance at 1 July 2009	0	1 751	2 342	1 366	5 459
Depreciation	0	622	615	453	1 690
Reclassification	0	0	0	0	0
Disposals	0	0	(74)	(232)	(306)
Balance at 30 June 2010	0	2 373	2 883	1 587	6 843
Balance at 1 July 2010	0	2 373	2 883	1 587	6 843
Depreciation	0	623	584	433	1 640
Reclassification	0	0	0	0	0
Disposals	0	0	(87)	(64)	(151)
Balance at 30 June 2011	0	2 996	3 380	1 956	8 332
Carrying amounts					
At 1 July 2009	147	5 120	1 536	2 817	9 620
At 30 June 2010	147	4 911	1 399	2 503	8 960
At 30 June 2011	147	4 374	1 484	3 994	9 999

The total amount of property, plant, and equipment in the course of construction is \$2 196 000 (2010: \$84 000).

12 Intangible Assets

	Acquired software \$000	Internally generated software \$000	Total \$000
Cost			
Balance at 1 July 2009	5 233	7 052	12 285
Additions	106	603	709
Disposals	0	0	0
Balance at 30 June 2010	5 339	7 655	12 994
Balance at 1 July 2010	5 339	7 655	12 994
Additions	14	541	555
Disposals	(195)	(18)	(213)
Balance at 30 June 2011	5 158	8 178	13 336
Accumulated amortisation and impairment losses			
Balance at 1 July 2009	4 123	4 537	8 660
Amortisation expense	551	523	1 074
Disposals	0	0	0
Balance at 30 June 2010	4 674	5 060	9 734
Balance at 1 July 2010	4 674	5 060	9 734
Amortisation expense	427	787	1 214
Disposals	(192)	(7)	(199)
Balance at 30 June 2011	4 909	5 840	10 749
Carrying amounts			
At 1 July 2009	1 110	2 515	3 625
At 30 June 2010	665	2 595	3 260
At 30 June 2011	249	2 338	2 587

The total amount of intangible assets in the course of construction is \$202 000 (2010: \$493 000).

13 Creditors and Other Payables

	2011 Actual \$000	2010 Actual \$000
Creditors	9 937	9 131
Accrued expenses	6 552	6 330
Total creditors and other payables	16 489	15 461

Creditors and other payables are non-interest bearing and settled on 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.

14 Repayment of Surplus to the Crown

	2011 Actual \$000	2010 Actual \$000
Net surplus	5	2 915
Total creditors and other payables	5	2 915

The repayment of surplus is required to be paid by 31 October each year.

15 Provisions

	2011 Actual \$000	2010 Actual \$000
Current provisions are represented by:		
Onerous lease	986	314
Organisational change	0	1 142
Restructuring	425	0
Total current portion	1 411	1 456
Non-current provisions are represented by:		
Onerous lease	0	1 074
Total non-current portion	0	1 074
Total creditors and other payables	1 411	2 530

Movements in Provisions

Movements in each class of provision during the financial year are set out below.

	Onerous lease \$000	Organisational change \$000	Restructuring \$000	Total \$000
Consolidated				
At 1 July 2010	1 388	1 142	0	2 530
Arising during the year	986	0	425	1 411
Utilised	238	558	0	796
Unused amounts reversed	1 150	584	0	1 734
At 30 June 2011	986	0	425	1 411
Current 2011	986	0	425	1 411
Non-current 2011	0	0	0	0
At June 2011	986	0	425	1 411
Current 2010	314	1 142	0	1 456
Non-current 2010	1 074	0	0	1 074
At June 2010	1 388	1 142	0	2 530

Onerous Lease

In June 2009, the Chief Executive made a decision to release two floors of the Ministry's Head Office building at 101 The Terrace Wellington. In June 2011 the onerous lease was recalculated to reflect new information at hand. The following discount rates have been used to recalculate the present value of the cost of the onerous lease:

Year 1	2.84%	(3.48% for Year 1 in 2010 statements)
Year 2	3.81%	(4.45% for Year 2 in 2010 statements)
Year 3+	6.00%	(6.00% for Year 3+ in 2010 statements)

Organisational Change

At 30 June 2010, a provision of \$1.1 million was made to cover costs arising from internal restructuring within a number of the Ministry's business units which was announced and planned prior to balance date. It was anticipated that in all cases restructuring would be completed within 12 months of that balance date, however, during the period the merger between the Ministries of Fisheries and Agriculture and Forestry was announced that superseded all previous restructuring plans. The remainder of the provision was backed out during the period and a new provision for restructuring created.

Restructuring

As the merger between the Ministry of Fisheries and the Ministry of Agriculture and Forestry was announced during the reporting period, a new provision for restructuring was created at 30 June 2011 to account for known redundancies following an initial review of high level positions. Redundancy payments are expected to occur around November to December 2011 upon the completion of tier three appointments. Any displaced tier two personnel will be held in supernumerary positions until the outcome of tier 3 is finalised. The amounts provided for across the two organisations are expected to be very close in total to the final payments.

16 Employee Entitlements

	2011 Actual \$000	2010 Actual \$000
Current employee entitlements are represented by:		
Annual leave/TOIL/Sea & Alternate leave	2 661	2 625
Long service leave	608	347
Retirement leave	2 653	229
Sick leave	30	30
Payroll accrual	967	972
Total current portion	6 919	4 203
Non-current employee entitlements are represented by:		
Long service leave	0	176
Retirement leave	0	2 329
Total non-current portion	0	2 505
Total employee entitlements	6 919	6 708

Retirement Leave: Employees are entitled to retirement leave or approved early retirement, providing they have completed ten or more years of service and the retirement is the permanent cessation of regular paid employment with the Ministry.

Long Service Leave: Applies to those persons who have not had long service leave rolled into annual leave as at 30 June 2011. There are four possible options available to employees:

- > 10 working days after ten years and then a further 10 days after 20 years' service;
- > 5 working days after 5 years, then 1 day per year for 5 years and then 5 days every five years;

- > 5 days after 5 years, then 1 day per year for every subsequent year;
- > 10 days after 10 years, then 5 days for every 5 years.

Employee entitlements to long service leave and retirement leave are valued actuarially. The valuation at 30 June 2011 was completed using an actuarial calculation model supplied by the New Zealand Treasury. The present value of the retirement and long service leave obligations depends on several economic and demographic factors that are determined on an actuarial basis using a package of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any change to these assumptions is likely to impact on the carrying amount of the liability.

In determining the appropriate discount rate, the Ministry considered the interest rates on New Zealand government bonds which have terms to maturity that match, as far as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and on advice from an independent actuary. If the discount rate were to differ by plus/minus 1 percent from the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$210 000 lower/\$239 000 higher. If the salary inflation factor were to differ by plus/minus 1 percent from the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$257 000 higher/\$229 000 lower.

17 Reconciliation of Net Surplus to Net Cash from Operating Activities for the Year Ended 30 June 2011

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Net surplus	0	0	5	2 915
Add non-cash items:				
Depreciation and amortisation expense	2 910	2 639	2 854	2 779
Total non-cash items	2 910	2 639	2 854	2 779
Movements in working capital items:				
(Increase)/decrease in:				
– debtors and other receivables	0	7 000	3 398	(4 422)
– prepayments	0	0	(1 901)	(123)
Increase/(decrease) in:				
– creditors and other payables	0	0	1 028	1 153
– provisions	0	0	(1 119)	(1 457)
– employee entitlements	0	0	211	(84)
– unearned revenue	0	0	132	(94)
Net increase/(decrease) in working capital items	0	7 000	1 749	(5 027)
Add/(less) investing activity items:				
Net (gain)/loss on sale of property, plant and equipment and software	0	0	5	(34)
Total investing activity items	0	0	5	(34)
Net cash from operating activities	2 910	9 639	4 613	633

18 Related Party Transactions and Key Management Personnel

Related Party Transactions

The Ministry is a wholly owned entity of the Crown. The Government significantly influences the roles of the Ministry as well as being its major source of revenue.

The Ministry enters into transactions with other government departments, Crown entities and state-owned enterprises on an arm's length basis. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Ministry would have adopted if dealing with that entity at arm's length in the same circumstance are not disclosed.

Key Management Personnel Compensation

	2011 Actual \$000	2010 Actual \$000
Salaries and other short-term employee benefits	1 621	1 615
Termination benefits paid during the financial year	0	0
Total key management personnel compensation during the financial year	1 621	1 615
Other benefits existing as at balance date for key management personnel	0	0

Key management personnel include the Chief Executive, five Deputy Chief Executives and the Manager of the Office of the Chief Executive. The merger with Ministry of Agriculture and Forestry was announced 10 March from which point the Acting Chief Executive's pay was recognised in the financial accounts of MAF. The 2010 comparatives included the Chief Executive, five Deputy Chief Executives and the Manager of the Office of the Chief Executive.

19 Financial Instrument Risks

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a 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.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, credit risk arises from debtors and transactions with financial institutions. There is no collateral held as security against these financial instruments with financial institutions the Ministry deals with, as these entities have high credit ratings. For its other financial instruments, the Ministry 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.

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 Ministry's foreign exchange management policy requires the Ministry to manage material currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts. The Ministry's 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.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The Ministry has no significant exposure to either currency risk or interest rate risk.

Liquidity Risk

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

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

The table below analyses the Ministry's financial liabilities that will be settled based on the remaining period at 30 June 2011 to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Not Past Due	Less than 6 months	Between 6 months and one year	Total
	\$000	\$000	\$000	\$000
2010				
Creditors	8 807	324	0	9 131
Accrued expenses	6 330	0	0	6 330
Total	15 137	324	0	15 461
2011				
Creditors	9 675	262	0	9 937
Accrued expenses	6 552	0	0	6 552
Total	16 227	262	0	16 489

20 Categories of Financial Instruments

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

	2011 Actual \$000	2010 Actual \$000
Loans and receivables		
Cash	293	1 760
Debtors and other receivables	22 806	26 204
Total loans and receivables	23 099	27 964
Financial liabilities measured at amortised cost		
Creditors and other payables	16 489	15 461

21 Capital Management

The Ministry's capital is its equity (or taxpayers' funds), which comprise general funds. Equity is represented by net assets.

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely managed as a by-product of managing income, expenses, assets, liabilities and compliance with the Government Budget processes and with Treasury instructions.

The objective of managing the Ministry's equity is to ensure the Ministry effectively achieves its goals and objectives for which it was established and maintains these whilst the merger process works to determine the combined organisation's aims and targets.

22 Events after the Balance Date

On 24 August 2011, the newly combined Ministry of Agriculture and Forestry released proposals for consultation in relation to phase two of the newly combined organisation's merger reorganisation plan. The proposal included a net reduction of 241 employment positions from across the two entities, 97 of which were vacant at the time. At the time of completion of these financial statements, the outcome of the proposal was uncertain and the associated financial effects unquantifiable.

23 Segment Information

The Ministry undertakes fisheries management activities throughout New Zealand.

24 Major Budget Variations

Comprehensive Income Statement

The variations from the initial 2010/11 Budget Night (Main) Estimates to Supplementary Estimates were due to:

	\$000
1 The carry forward of fisheries research funding from 2009/10 into 2010/11	4 600
2 The carry forward of aquaculture funding from 2009/10 into 2010/11	1 080
3 The carry forward of development of fisheries policy funding from 2009/10 into 2010/11	650
4 An increase in funding for the Interim Secretariat – South Pacific Regional Fisheries Management Organisation	178
5 An increase in funding for Pacific fisheries development (funded from NZ Aid)	95
6 An increase in funding for international travel under the Trade Negotiation Fund	42
7 A decrease in funding for observer and research costs	(5 110)
8 A transfer in funding from 2010/11 to 2011/12	(6 226)
9 Baseline Alignment Proposal – Aquaculture transfer from 2010/11 to 2011/12, 2012/13 and 2013/14	(3 000)
10 A transfer to Vote Customs for an automated information system	(46)
Total	(7 737)

These movements are shown in the table below.

	Development of Fisheries Policy \$000	Operational advice on sustainability and management controls in fisheries \$000	Fisheries Enforcement and Monitoring \$000	Aquaculture \$000	SPRFMO \$000	Total \$000
Main Estimates	9 050	58 196	33 392	2 784	272	103 694
Expense transfers from 2009/10 into 2010/11	650	4 600	0	1 080	0	6 330
Interim Secretariat – SPRFMO	0	0	0	0	178	178
Pacific fisheries development	0	0	95	0	0	95
Trade Negotiation Fund	42	0	0	0	0	42
Return of observer & research costs	0	(5 110)	0	0	0	(5 110)
Expense transfers from 2010/11 into 2011/12	(242)	(5 984)	0	0	0	(6 226)
Aquaculture transfer from 2010/11 to 2011/12, 2012/13 and 2013/14	(345)	(1 433)	(1 151)	(71)	0	(3 000)
Transfer to Vote Customs for an Automated Information system	0	0	(46)	0	0	(46)
Ministry internal realignments	1 127	(218)	(324)	(582)	(3)	0
Total appropriations	10 282	50 051	31 966	3 211	447	95 957
Actual expenditure	10 140	44 646	31 923	2 719	366	89 794

■ Report on Vote Fisheries Non-departmental Funds Managed by the Ministry of Fisheries

These public funds include revenues received from the commercial fishing industry through cost recovery levies that recover the costs of fisheries-related conservation services and fisheries services.

The cost of fisheries services provided by the Ministry of Fisheries during the period 1 July 2010 to 30 June 2011 is being recovered from the commercial fishing sector over the period 1 October 2010 to 30 September 2011.

These costs are accounted for through the departmental financial statements included earlier in this report. Expenditure on conservation services is reported separately by DOC.

The following table shows actual cost recovery levies and departmental charges as a proportion of total departmental output expenditure for the period from 2007/08 through to 2010/11 and what is planned for 2011/12.

	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000
1 October cost recovery levies planned for each year (excluding the settlement credit and prior year's under and over recoveries)	32 785	35 686	34 121	34 574	33 625
Amount recoverable through levies after the application of the settlement credit and under and over recoveries from previous years	32 560	34 821	31 000	32 458	30 500

The following non-departmental statements and schedules record the income, expenses, assets, liabilities, contingent liabilities, contingent assets and trust accounts that the Ministry manages on behalf of the Crown.

■ Statement of Non-departmental Accounting Policies for the year ended 30 June 2011

Reporting Entity

These non-departmental schedules and statements present financial information on public funds managed by the Ministry on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should also be made to the Financial Statements of the Government.

Accounting Policies

The non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the Financial Statements of the Government and in accordance with relevant Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with NZ IFRS as appropriate for public benefit entities.

Budget Figures

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates and any transfers made by Order in Council under section 26A of the Public Finance Act 1989.

Revenue

Fines and Penalties

Revenue from fines and penalties are recognised when the infringement notice is issued.

Cost Recovery Levies

Cost recovery levies recover the costs of fisheries-related conservation services and fisheries services:

- > provided to manage the harvesting or farming of fisheries resources; or
- > provided to avoid, remedy, or mitigate a risk to, or an adverse effect on, the aquatic environment or the biological diversity of the aquatic environment.

The cost of fisheries services provided by the Ministry of Fisheries during the period 1 July 2010 to 30 June 2011 is primarily recovered from the commercial fishing sector over the period 1 October 2010 to 30 September 2011. Such revenue is reported in the financial period to which the revenue relates.

Deemed Value Charges

Revenue from deemed value charges is recognised three months after the end of the fishing year after completion of review processes.

Debtors and Other Receivables

Debtors and other receivables are recognised and carried at original invoice amount less provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the debtor is impaired.

Creditors and Other Payables

Creditors and other payables are stated at cost and, due to their short-term nature, they are not discounted.

Goods and Services Tax

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the government financial statements.

Schedule of Non-departmental Revenue and Expenditure

	Notes	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Revenue					
Cost recovery levies	1	34 326	32 402	26 040	33 729
Deemed value charges		2 500	4 300	3 808	2 724
Other revenue	2	425	4 205	4 347	2 049
Total revenue	3a	37 251	40 907	34 195	38 502
Expenditure					
Operating	4	1 110	12 608	1 605	3 266
Total expenditure	3b	1 110	12 608	1 605	3 266

These schedules should be read in conjunction with the notes on pages 75 to 78.

Schedule of Non-departmental Assets and Liabilities as at 30 June 2011

	Notes	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
ASSETS					
Current assets					
Cash	5	2 028	2 028	1 182	2 027
Debtors and other receivables	6	11 085	10 374	11 529	11 085
Prepayments	7	192	192	198	192
Total non-departmental current assets		13 305	12 594	12 909	13 304
LIABILITIES					
Current liabilities					
Creditors and other payables	8	9 368	9 368	9 539	9 368
Over and under recovered costs	9	7 922	7 922	14 005	7 922
Total current liabilities		17 290	17 290	23 544	17 290
Term liabilities	10	140	140	0	140
Total non-departmental liabilities		17 430	17 430	23 544	17 430

These schedules should be read in conjunction with the notes on pages 75 to 78.

■ Statement of Non-departmental Expenditure against Appropriations for the year ended 30 June 2011

	2011 Appropriation* \$000	2011 Actual \$000	2010 Actual \$000
Appropriations for other expenses incurred by the Crown: annual appropriation			
Settlements	11 473	625	2 449
Provision for bad debts/bad debt write off	0	0	200
Deemed value debt adjustment	0	0	238
Subscriptions to international organisations	400	391	373
Bad debt write off	711	578	5
Quota share/ACE administration costs	24	11	1
GST on expenses	0	0	0
Total	12 608	1 605	3 266

* Includes adjustments made in Supplementary Estimates and transfers under section 26A of the Public Finance Act 1989.

■ Statement of Non-departmental Unappropriated Expenditure for the year ended 30 June 2011

There has not been any unappropriated expenditure for the year ended 30 June 2011 (2010: \$nil).

■ Statement of Non-departmental Contingent Liabilities and Contingent Assets

This statement discloses situations that exist at 30 June 2011, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after 30 June 2011.

Quantifiable Contingent Liabilities

	2011 Actual \$000	2010 Actual \$000
Legal proceedings	0	100
Total quantifiable contingent liabilities	0	100

There are no quantifiable contingent liabilities as at balance sheet date. The prior year's balance related to legal proceedings in connection with a Ministry decision on the Tasman Interim Aquaculture Management Areas, which was subject to appeal and judicial review (\$0.100 million). This issue has been resolved during the period.

Unquantifiable Contingent Liabilities

The Ministry has contingent liabilities that cannot be quantified at 30 June 2011. These arise primarily from:

- a judicial review;
- a permitting decision relating to non-commercially harvested species;
- a Treaty of Waitangi claim.

Contingent Assets

The Ministry on behalf of the Crown has no contingent assets (2010: \$nil).

Notes to the Non-departmental Schedules for the year ended 30 June 2011

1 Cost Recovery Levies

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Fisheries services	33 273	30 523	24 167	32 357
Conservation services	1 053	1 879	1 873	1 372
Total	34 326	32 402	26 040	33 729

2 Other Revenue

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Sale of quota/ACE	100	2 320	2 358	110
Forfeitures and redemptions	150	1 700	1 765	1 371
Fisheries research catch	0	0	0	201
Infringement notices	125	125	150	222
Interest	30	60	73	94
Other	20	0	0	51
Total	425	4 205	4 347	2 049

3 Major Budget Variations

The variations from the initial 2010/11 Budget Night (Main) Estimates to Supplementary Estimates were due to:

	\$000
(a) Revenue	
Forfeitures and redemptions	1 550
Investment Income – trust account interest earned	30
Infringement notices Issued	0
Deemed values	1 800
Other revenue	(20)
Total	3 360
(b) Non-departmental expenditure	
Subscriptions to international organisations	25
Settlements	11 473
Total	11 498

4 Operating Expenditure

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Settlements	0	11 473	625	2 449
Increase/(decrease) in provision for bad/doubtful debts	0	0	0	200
Deemed value debt adjustment	0	0	0	238
Subscriptions to international organisations	375	400	391	373
Bad debt write-offs	711	711	578	5
Quota share/ACE administration costs	24	24	11	1
GST on expenses	0	0	0	0
Total operating expenditure	1 110	12 608	1 605	3 266

5 Cash

This comprises balances of the Crown bank accounts managed by the Ministry of Fisheries on the Crown's behalf pursuant to section 4 of the Public Finance Act 1989.

These balances represent funds drawn down from the New Zealand Debt Management Office at the Treasury for payments to be made on behalf of the Crown but not yet paid, proceeds from asset sales, revenue receipts not yet transferred to the Crown and GST payable to the Department of Inland Revenue on revenue invoiced on behalf of the Crown.

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Infringement receipts	0	0	203	27
Receipts on behalf of the Crown	0	0	191	120
Funding for payments on behalf of the Crown	2 028	2 028	788	1 880
Total cash	2 028	2 028	1 182	2 027

6 Debtors and Other Receivables

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Trade debtors	16 013	16 013	8 689	7 826
Less:				
Provision for doubtful debts	(4 928)	(5 639)	(5 636)	(4 772)
Net debtors	11 085	10 374	3 351	3 054
Accrued revenue	0	0	8 178	8 031
Total debtors and other receivables	11 085	10 374	11 529	11 085

Trade debtors are generally on 30 day terms. As at 30 June 2011 and 2010, all debtors have been assessed for impairment and appropriate provisions applied, as detailed below.

	2011			2010		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	11 332	0	11 332	10 870	0	10 870
Past due 1–12 months	996	(799)	197	722	(670)	52
Past due 13–24 months	0	0	0	2 011	(1 848)	163
Past due 25–36 months	2 037	(2 037)	0	2 143	(2 143)	0
Past due over 37 months	2 502	(2 502)	0	111	(111)	0
Total	16 867	(5 338)	11 529	15 857	(4 772)	11 085

The provision for doubtful debts has been calculated based on forecast losses for the Crown's pool of debtors. Forecast losses have been determined based on a review of specific debtors.

Movements in the provision for doubtful debts are as follows:

	2011 \$000	2010 \$000
Balance at 1 July	4 772	4 572
Additional provisions made during the year	566	200
Receivables written off during period	0	0
Balance at 30 June	5 338	4 772

7 Prepayments

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Subscriptions to international organisations	192	192	198	192
Total prepayments	192	192	198	192

8 Creditors and Other Payables

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Creditors	1	1	0	0
GST payable on receipts on behalf of the Crown	306	306	394	306
Accrued expenses	0	0	202	188
Commercial Aquaculture	9 061	9 061	8 943	8 874
Total prepayments	9 368	9 368	9 539	9 368

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.

The Maori Commercial Aquaculture Claims Act 2004 provides a full and final settlement of Māori contemporary claims to commercial aquaculture space created since 21 September 1992.

The Act establishes the Crown's obligation to provide iwi with the equivalent of 20 percent of the aquaculture space created between 21 September 1992 and 31 December 2004 (pre-commencement space) plus an additional obligation to provide 20 percent of all new space created. If the settlement cannot be achieved through a transfer of "space", then it must be resolved through a financial transfer to iwi.

During 2010/11, the Crown paid \$695 000 of this settlement to the Chatham Islands and the Kaipara Harbour iwi of the Crown's pre-commencement aquaculture space obligations.

On behalf of the Crown, the Ministry of Fisheries engaged Mr Lex Hayward to provide a valuation of the pre-commencement space obligations as at 30 June 2010. The previous year's valuations were used as a basis for the settlement provision as at 30 June 2011 with adjustments made inhouse based on the history of actual settlement payments since.

9 Over and Under-recovered Costs

Section 265 of the Fisheries Act 1996 creates a mandatory obligation on the Minister of Fisheries and Aquaculture to have regard to under- and over-recovery of costs of any conservation service or fisheries service in a previous financial year when recommending a cost recovery levy order for a current/future year.

This provision reflects the balance of the net over-and under-recovery of cost recovery levies for the period 1 October 1995 to 30 June 2011 to be applied against future cost recovery levy orders.

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Net over-recovery of costs	7 922	7 922	14 005	7 922
Total net over-recovered costs	7 922	7 922	14 005	7 922

10 Term Liabilities

	2011 Main Estimates \$000	2011 Supplementary Estimates \$000	2011 Actual \$000	2010 Actual \$000
Transfer of quota	140	140	0	140
Total term liabilities	140	140	0	140

■ Statement of Trust Monies for the year ended 30 June 2010

	Declared Overfishing Account ¹	Forfeit Property Account ²	Total
	\$000	\$000	\$000
Balance at 1 July 2010	1 213	1 112	2 325
Plus:			
– Contribution	3 197	798	3 995
– Revenue	37	20	57
Less:			
– Distribution	(3 332)	(1 789)	(5 121)
– Expenses	0	(57)	(57)
Balance at 30 June 2010	1 115	84	1 199

1. Funds held in relation to the deemed value of fish taken in excess of quota under the quota management system.
2. Proceeds received from the sale of seized/forfeited property that is disposed of in accordance with Ministerial/Court direction.