PART C:
ANNUAL FINANCIAL STATEMENTS

THE YEAR AT A GLANCE

IN 2012/13 THE DEPARTMENT OF CORRECTIONS:

Financial health

> scored above average against all nine principles in the recently introduced Chartered Institute of Public Finance and Accountancy Treasury Internal Controls Knowledge Survey (CIPFA TICK).

Financial improvements

> realised savings from efficiency initiatives and prison reconfiguration

> refined processes to achieve greater efficiencies.

Expenditure

> managed a $1.2 billion budget within two percent before expense transfers

> reinvested $10 million in Reducing Re-offending initiatives

> improved controls around contractors and consultants resulting in $2.8 million under spend against budget and previous years

> achieved a reduction in domestic travel expenditure of $1.0 million compared to budget.

Pressures

> absorbed increased wage and superannuation costs

> absorbed the cost of new initiatives such as the High Dependency Unit, Right Track and Working Prisons.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

2012 Actual $000		Notes	2013 Actual $000	2013 Main Estimates $000	2013 Supp. Estimates $000
	REVENUE				
1,132,967	Crown		1,140,554	1,153,956	1,140,554
10,609	Departmental revenue		290	431	683
35,920	Other revenue	2	38,883	30,998	39,656
443	Dividend revenue		418	–	–
–	Gains on biological assets		1,489	–	–
–	Gains on shares		3,364	–	–
1,179,939	**Total operating revenue**		**1,184,998**	**1,185,385**	**1,180,893**
	EXPENDITURE				
519,364	Personnel costs	3	516,048	553,332	529,518
326,466	Operating costs	4	332,609	305,057	335,855
144,304	Depreciation and amortisation	5	124,310	138,512	126,836
180,493	Capital charge	6	185,184	188,484	185,184
2,407	Earthquake related		1,331	–	3,500
4,089	Losses on biological assets	14	–	–	–
1,177,123	**Total operating expenses**		**1,159,482**	**1,185,385**	**1,180,893**
2,816	**Net surplus/(deficit)**		**25,516**[12]	–	–
	OTHER COMPREHENSIVE INCOME				
(25,856)	Revaluation gains/(losses) on land and buildings		(18,623)	–	(869)
–	Fair value through other comprehensive income		–	–	–
(25,856)	**Total other comprehensive income**		**(18,623)**	–	(869)
(23,040)	**Total comprehensive income**		**6,893**	–	**(869)**

Remeasurement gains are included in the Statement of Comprehensive Income under Other revenue.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 93).

12 Net surplus includes $4.8 million of revaluation gains and up to $14.5 million of expense transfers.

STATEMENT OF CHANGES IN TAXPAYERS' FUNDS

For the year ended 30 June 2013

2012 Actual $000		Notes	2013 Actual $000	2013 Main Estimates $000	2013 Supp. Estimates $000
2,261,627	**Taxpayers' funds at 1 July**		**2,314,805**	**2,346,672**	**2,314,805**
	Changes in taxpayers' funds during the year				
	Transfers from statement of comprehensive income				
2,816	Add/(deduct) net surplus/(deficit)		25,516	–	–
(25,856)	Increase/(decrease) in revaluation reserves	18	(18,623)	–	(869)
(23,040)	**Total comprehensive income**		**6,893**	–	**(869)**
	Adjustment for flows to and from the Crown				
95,965	Add capital contributions from the Crown during the year	18	–	19,500	–
(10,920)	Less capital returned to the Crown during the year	18	(6,190)	–	(3,350)
(8,827)	Provision for payment of surplus to the Crown		(20,663)	–	–
76,218	**Total adjustments for flows to and from the Crown**		**(26,853)**	**19,500**	**(3,350)**
2,314,805	**Taxpayers' funds at 30 June**		**2,294,845**	**2,366,172**	**2,310,586**

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 93).

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

2012 Actual $000		Notes	2013 Actual $000	2013 Main Estimates $000	2013 Supp. Estimates $000
	ASSETS				
	Current assets				
315,186	Cash and cash equivalents	7	123,192	267,459	200,255
2,043	Prepayments	8	4,894	3,025	3,025
72,815	Debtors and other receivables	9	327,662	70,995	170,995
4,972	Inventories	10	4,305	6,231	6,231
395,016	**Total current assets**		**460,053**	**347,710**	**380,506**
	Non-current assets				
5,560	Investments	11	8,837	5,590	5,590
2,015,461	Physical assets	12	1,986,655	2,135,258	2,034,933
47,842	Intangible assets	13	58,600	72,888	67,018
45,258	Biological assets	14	48,628	49,347	45,259
2,114,121	**Total non-current assets**		**2,102,720**	**2,263,083**	**2,152,800**
2,509,137	**Total assets**		**2,562,773**	**2,610,793**	**2,533,306**
	LIABILITIES				
	Current liabilities				
82,638	Creditors and other payables	15	95,015	83,802	79,101
68,053	Employee entitlements	16	72,267	66,622	66,622
19,695	Provisions	17	9,682	7,779	7,779
8,827	Provision for repayment of surplus to the Crown	18	20,663	–	–
179,213	**Total current liabilities**		**197,627**	**158,203**	**153,502**
	Non-current liabilities				
15,119	Employee entitlements	16	13,654	12,618	12,618
–	Other financial liabilities		56,647	73,800	56,600
15,119	**Total non-current liabilities**		**70,301**	**86,418**	**69,218**
194,332	**Total liabilities**		**267,928**	**244,621**	**222,720**
	TAXPAYERS' FUNDS				
1,755,069	General funds	18	1,753,732	1,780,580	1,751,719
559,736	Reserves	18	541,113	585,592	558,867
2,314,805	**Total taxpayers' funds**		**2,294,845**	**2,366,172**	**2,310,586**
2,509,137	**Total liabilities and taxpayers' funds**		**2,562,773**	**2,610,793**	**2,533,306**

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 93).

STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

2012 Actual $000		Notes	2013 Actual $000	2013 Main Estimates $000	2013 Supp. Estimates $000
	CASH FLOWS FROM OPERATING ACTIVITIES				
	Cash provided from:				
	Supply of outputs to				
1,152,343	Receipts from Crown *		918,252	1,153,956	1,040,554
12,454	Receipts from departments		513	2,922	1,984
34,772	Receipts from other revenue		38,944	30,998	40,175
(1,967)	Change in GST payable (net) *		(32,842)	–	–
	Cash disbursed to:				
(502,424)	Payments to employees		(513,299)	(549,133)	(530,902)
(331,260)	Payments to suppliers		(334,224)	(309,157)	(359,597)
(180,493)	Payments for capital charge		(185,184)	(188,484)	(185,184)
183,425	**Net cash flows from operating activities**	**19**	**(107,840)**	**141,102**	**7,030**
	CASH FLOWS FROM INVESTING ACTIVITIES				
	Cash provided from:				
443	Receipts from interest and dividends		418	–	–
1,715	Receipts from sale of physical, biological and intangible assets		771	1,000	535
	Cash disbursed to:				
(56,156)	Purchase of physical and biological assets		(56,387)	(113,639)	(84,665)
(23,746)	Purchase of intangible assets		(20,129)	(32,355)	(29,004)
(77,744)	**Net cash flows from investing activities**		**(75,327)**	**(144,994)**	**(113,134)**
	CASH FLOWS FROM FINANCING ACTIVITIES				
	Cash provided from:				
48,171	Capital injections *		–	19,500	–
	Cash disbursed to:				
(10,920)	Return of capital		–	–	–
(44,077)	Return of operating surpluses		(8,827)	(17,144)	(8,827)
(6,826)	**Net cash flows from financing activities**		**(8,827)**	**2,356**	**(8,827)**
98,855	**Net increase/(decrease) in cash**		**(191,994)**	**(1,536)**	**(114,931)**
216,331	Cash at the beginning of the year		315,186	268,995	315,186
315,186	**Cash at the end of the year**		**123,192**	**267,459**	**200,255**

* *For the 2011/12 comparative year, these amounts have been reclassified.*

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 93).

STATEMENT OF COMMITMENTS

As at 30 June 2013

2012 Actual $000		2013 Actual $000
	CAPITAL COMMITMENTS	
	Property, plant and equipment	
20,334	Less than one year	189,364
–	One to five years	80,685
20,334	**Total capital commitments**	**270,049**
	NON-CANCELLABLE OPERATING LEASE COMMITMENTS	
	Office accommodation	
11,016	Less than one year	12,309
29,231	One to five years	30,407
16,517	More than five years	21,180
56,764	**Total non-cancellable operating lease commitments**	**63,896**
77,098	**Total commitments**	**333,945**

Capital commitments

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

Non-cancellable operating lease commitments

The Department leases premises at many locations throughout New Zealand. The annual lease rentals are subject to regular reviews, usually ranging from two years to three years. The amounts disclosed above as future commitments are based on current rental rates.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 93).

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2013

QUANTIFIABLE CONTINGENT LIABILITIES

2012 Actual $000		2013 Actual $000
1,504	Legal proceedings	1,048
333	Personal grievances	195
1,837	**Total quantifiable contingent liabilities**	**1,243**

Legal proceedings

The Department was defending 30 (2012: 39) legal proceedings claims by prisoners and related/external parties as at 30 June 2013. They cover a range of areas, including breach of the New Zealand Bill of Rights Act 1990, seeking compensation or other redress for perceived/alleged instances of wrongful action or decision making by the Department and individuals.

Personal grievances

The Department was also defending 14 (2012: 17) employment related claims made by staff members as at 30 June 2013.

UNQUANTIFIED CLAIMS

Unquantified Contingent Assets

The Department has an unquantifiable contingent asset in relation to a current insurance claim. The insurance claim relates to the damage caused by the riot at the Spring Hill Corrections Facility which took place on 1 June 2013.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 93).

STATEMENT OF DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

For the year ended 30 June 2013

2012 Expenditure Actual $000		2013 Expenditure Actual $000	2013 Appropriation Voted $000
	VOTE: CORRECTIONS		
	Departmental output expenditure		
57,559	Information Services	58,842	62,042
4,622	Policy Advice and Ministerial Services	–	–
	Policy Advice and Ministerial Services MCOA	4,618	5,346
	– *Policy Advice*	3,621	4,225
	– *Ministerial Services*	997	1,121
–	Prison-based Custodial Services	742,859	749,569
753,802	Prison-based Custodial Services MCOA	–	–
164,752	– *Custody of Remand Prisoners*	–	–
589,050	– *Custody of Sentenced Prisoners*	–	–
153,567	Rehabilitation and Re-integration	145,923	152,174
193,842	Sentences and Orders served in the Community	203,233	207,062
7,720	Contract Management of Services Provided by Third Parties	4,007	4,700
1,171,112	**Total departmental output expenditure**	**1,159,482**	**1,180,893**
6,011	Re-measurements	–	–
1,177,123	**Total departmental operating expenditure**	**1,159,482**	**1,180,893**
	Appropriation for capital expenditure		
80,658	**Corrections – Permanent Legislative Authority**	**133,163**	**170,166**

Refer to Part B: Statement of Service Performance for detailed performance against each output class (pages 37 – 65).

The Department intends to utilise the full amount of funding included in the appropriation for capital expenditure.

Changes in Appropriation Structure

There were two changes to the appropriation structure compared to the previous year. The Policy Advice and Ministerial Services output class has been replaced by the Policy Advice and Ministerial Services MCOA (Multi Class Output Appropriation). The Prison-based Custodial Services MCOA has been replaced by the Prison-based Custodial Services output class.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 93).

STATEMENT OF UNAPPROPRIATED EXPENDITURE

For the year ended 30 June 2013

2012 Unappropriated Expenditure $000		2013 Actual Expenditure $000	2013 Appropriation Voted $000	2013 Unappropriated Expenditure $000
	VOTE: CORRECTIONS			
	Appropriations for output expenditure			
–	Information Services	58,842	62,042	–
–	Policy Advice and Ministerial Services	–	–	–
–	Policy Advice and Ministerial Services MCOA	4,618	5,346	–
–	– *Policy Advice*	*3,621*	*4,225*	–
–	– *Ministerial Services*	*997*	*1,121*	–
–	Prison-based Custodial Services	742,859	749,569	–
–	Prison-based Custodial Services MCOA	–	–	–
–	– *Custody of Remand Prisoners*	–	–	–
–	– *Custody of Sentenced Prisoners*	–	–	–
–	Rehabilitation and Re-integration	145,923	152,174	–
–	Sentences and Orders served in the Community	203,233	207,062	–
–	Contract Management of Services provided by Third Parties	4,007	4,700	–
-	**Total**	**1,159,482**	**1,180,893**	**–**

There was no unappropriated expenditure for the year ended 30 June 2013 (2012: nil).

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 93).

STATEMENT OF TRUST MONIES

For the year ended 30 June 2013

	As at 1 July 2012 $000	Contribution $000	Distribution $000	As at 30 June 2013 $000
Prison Trust Accounts	1,356	14,564	(14,164)	1,756
	1,356	**14,564**	**(14,164)**	**1,756**

Prison Trust Accounts represent funds held in trust at each prison, on behalf of prisoners, to account for prisoner earnings, reduced by purchases while in prison and other receipts/withdrawals of prisoner funds.

Money held in trust is not included in the Department's reported bank balances. Trust money is held on behalf of the prisoners in the bank accounts maintained by the prisons (one bank account per prison).

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 93).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Department of Corrections is a government department as defined by Section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

These are the financial statements of the Department of Corrections prepared pursuant to Section 45B of the Public Finance Act 1989.

The Department of Corrections has reported funds held in trust for prisoners, which it administers.

The Department of Corrections administers the corrections system in a way designed to improve public safety, reduce re-offending and contribute to the maintenance of a fair and just society. Under the New Zealand equivalents of International Financial Reporting Standards (NZ IFRS), the Department of Corrections is classified as a Public Benefit Entity (PBE). This has affected the selection of accounting policies required or permitted under the NZ IFRS.

The financial statements of the Department of Corrections are for the year ended 30 June 2013. Comparative figures for the year ended 30 June 2012 are provided.

The financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 30 September 2013.

BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirements to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and Treasury Instructions. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

The Department does not qualify for differential reporting exemptions.

Measurement base

The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain non-current assets.

Functional and presentation currency

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

Changes in accounting policies

There were two changes to the Department's accounting policies during the period. The first change relates to the timing of revaluations for land and buildings within the Department's Property, Plant and Equipment policy. Also, one new policy was added relating to service concession arrangements.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Department is classified as a Tier 1 reporting entity and will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards have been developed by the XRB based on Current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means the Department will transition to the new standards in preparing its 30 June 2015 financial statements.

The Department is yet to assess the implications of PAS which were published after balance date. Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities until the new Accounting Standards Framework comes into effect. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

ACCOUNTING POLICIES

The Department's accounting policies have been applied consistently to all periods presented in these financial statements.

REVENUE

Revenue – Crown

The Department derives revenue through the provision of outputs to the Crown.

Crown revenue is recognised at fair value of the consideration received or receivable when earned.

Revenue – Department

The Department derives revenue through the provision of goods and services to other departments. Departmental revenue is recognised at fair value of the consideration received or receivable when earned.

Other revenue – external sales of goods and services

The Department derives other revenue from the sale of goods and services to third parties. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised where:

> there are significant uncertainties regarding recovery of the consideration due, associated goods or possible return of goods;
> there is continuing management involvement with goods;
> the amount of revenue cannot be measured reliably;
> it is not probable that the economic benefits associated with the transaction will flow to the Department; and
> the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

Revenue – interest

Revenue from interest is recognised using the effective interest method, using the effective interest rate.

Revenue – dividends

Revenue from dividends is recognised when the shareholder's right to receive payment is established.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation are provided on a straight-line basis on all property, plant, equipment and intangible assets, other than freehold land and assets under construction, over their estimated economic useful lives. There is no allowance for residual values, except for 'motor vehicles – other', which have a residual value of 20 percent of cost. Revalued assets are depreciated or amortised on the revalued amount on a straight-line basis over their remaining useful lives.

Depreciation

The economic useful lives and associated depreciation rates of classes of assets have been estimated as follows:

Buildings		
Buildings – concrete	50 – 65 years	(2.0% to 1.5%)
Buildings – commercial	75 years	(1.3%)
Buildings – wood	25 years	(4.0%)
Buildings – fit-outs	3 to 20 years	(33.3% to 5.0%)
Hut complexes – concrete	50 years	(2.0%)
Hut complexes – wood	25 years	(4.0%)
Hut fit-outs	3 to 20 years	(33.3% to 5.0%)
Leasehold Improvements		
Leasehold improvements	10 years	(10.0%)
Plant and Equipment		
Plant and machinery	10 years	(10.0%)
Office equipment	5 years	(20.0%)
Tools and equipment	5 years	(20.0%)
Furniture and Fittings		
Furniture and fittings – office	5 years	(20.0%)
Furniture and fittings – prisoner	3 years	(33.3%)
Computer Hardware		
Information technology – network	5 years	(20.0%)
Information technology – specialised	3 to 10 years	(33.3% to 10.0%)
Information technology – PC based	3 years	(33.3%)
Motor Vehicles		
Motor vehicles – heavy duty	8 years	(12.5%)
Motor vehicles – other	5 years	(20.0%)

The useful life of buildings is reassessed following any revaluation.

Where the fixed term of a lease is for less than 10 years, excluding rights of renewal, leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

Amortisation

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

Computer Software		
Information technology – network	5 years	(20%)
Information technology – specialised	3 to 10 years	(33.3% to 10%)
Information technology – PC based	3 years	(33.3%)

OPERATING LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash held in bank accounts and is measured at face value.

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.

Impairment of a receivable is established when there is objective evidence that the Department 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 debt is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the total comprehensive income.

Subsequent recoveries of amounts previously written off are credited against the total comprehensive income.

Overdue receivables that are renegotiated are reclassified as current, not past due.

INVENTORIES

Inventories held for distribution, or consumption in the provision of services, that are not supplied on a commercial basis are measured at the lower of cost (calculated using the weighted average method) and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The replacement cost of the economic benefits or service potential of inventory held for distribution reflects any obsolescence or any other impairment.

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average cost method.

The write-down from cost to current replacement cost or net realisable value is recognised in total comprehensive income in the period when the write-down occurs.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings are stated at fair value as determined by an independent registered valuer. Fair value is determined using market-based evidence, except for prison buildings, which are valued at optimised depreciated replacement cost. Land and buildings are revalued at least every three years. Additions between revaluations are recorded at cost. The three-year cycle is subject to a reasonableness test on an annual basis to ensure it does not result in material differences in fair value.

The results of revaluing land and buildings are credited or debited to other comprehensive income and are accumulated to the asset revaluation reserve for that class of asset. Where a revaluation would result in a debit balance within an asset class in the revaluation reserve, the debit balance will be expensed in total comprehensive income. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in total comprehensive income, will be recognised first in total comprehensive income up to the amount previously expensed, and then recognised in other comprehensive income.

All other property, plant and equipment, or groups of assets forming part of a network, which are material in aggregate, costing more than $3,000 (GST exclusive) or deemed as valuable and/or attractive are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in total comprehensive income.

Discontinued operations, disposals, transfers and assets held for sale are shown at fair value prior to being sold or disposed.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised using the effective interest method.

Additions

The cost of an item of property, plant or 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 Department and the cost of the item can be measured reliably.

In most instances, an item of property, plant or equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

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 total comprehensive income. When revalued assets are sold or derecognised, the amounts included in asset revaluation reserves in respect of those assets are transferred to general funds.

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 Department and the cost of the item can be measured reliably.

SERVICE CONCESSION ARRANGEMENTS

Service concession arrangements are recognised as Assets Under Construction within Property, Plant and Equipment. As such, service concession arrangements are accounted for in accordance with the Department's policies, which comply with Property, Plant and Equipment NZ IAS 16 (PBE).

The Department recognises the asset and corresponding liability, as the asset is being progressively constructed. Service concession arrangements, whilst under construction, are measured at amortised cost.

Payments made under a service concession arrangement reduce the liability, pay for interest, reimburse the operator for the service provided and reimburse any other additional operational costs.

INTANGIBLE ASSETS

Intangible assets with finite lives are recorded at cost less any amortisation and impairment losses. Amortisation is charged to total comprehensive income on a straight-line basis over the useful life of the asset.

Intangible assets, or groups of intangible assets forming part of a network, which are material in aggregate, costing more than $3,000 (GST exclusive) or deemed as valuable and/or attractive are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in the total comprehensive income.

The disposals and assets held for sale are shown at fair value prior to being sold or disposed of.

Intangible assets are tested for impairment where an indicator arises.

Software acquisition and development

Acquired computer software licences are capitalised where appropriate on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Department are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

BIOLOGICAL ASSETS

The Department's biological assets are forests and livestock.

The Department recognises biological assets or agricultural produce when and only when:

> the Department controls the asset as a result of past events;

> it is probable that future economic benefits associated with the asset will flow to the Department; and

> the fair value or cost of the asset can be measured reliably.

Biological assets managed for harvesting into agricultural produce are recorded at fair value less costs to sell, with any realised gains or losses reported in total comprehensive income.

Forests

Forestry assets are independently revalued annually at fair value less costs to sell. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined post-tax rate.

Gains or losses, arising on initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell, are recognised in total comprehensive income.

The costs to maintain the forestry assets are included in total comprehensive income.

Livestock

Livestock assets are recorded at fair value less costs to sell.

Gains and losses at balance date, due to changes in the per head value of livestock and changes in livestock numbers, are recognised in total comprehensive income.

CAPITAL CHARGE

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

INVESTMENTS

Investments are classified as financial assets and are recognised initially at cost being the fair value of consideration given. All investments are subsequently carried at fair value. Any changes in fair value are recognised in total comprehensive income in the period in which they arise.

Fair value for investments is determined as follows:

> listed shares are valued at the quoted price at the close of business on the balance date; and

> non-listed shares are recognised at initial cost of investment and adjusted for performance of the business since that date.

Investments arise from the Department's business dealings with companies in the farming industry.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. An intangible asset that is not yet available for use at balance date is tested for impairment annually.

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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation reserve in equity for that same class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in total comprehensive income.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in total comprehensive income.

The Department accounts for reversals on a class basis. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss on the same class of asset was previously recognised in total comprehensive income, a reversal of that impairment loss is also recognised in total comprehensive income.

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements

Employee entitlements that the Department 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, retiring, long service and sick leave entitlements expected to be settled within 12 months.

The Department 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 Department anticipates it will be used by staff to cover those future absences.

The Department recognises a liability and an expense for performance payments where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis based on the present value of expected future entitlements.

The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows. A discount rate of 2.71 percent to 5.50 percent (2012: 2.43 percent to 4.29 percent), and a future salary growth rate of 3 percent (2012: 3 percent) were used. The discount rates are based on the table of the latest risk-free discount rates and CPI assumptions issued by the Treasury.

SUPERANNUATION SCHEMES

Defined contribution schemes

Obligations for contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are recognised as an expense in total comprehensive income as incurred.

Termination benefits

Termination benefits are recognised in the total comprehensive income statement, only when there is a demonstrable commitment either to terminate employment prior to the normal employment date or to provide such benefits as a result of a position becoming redundant. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Other termination benefits are reported at the present value of the estimated future cash outflows.

ONEROUS CONTRACTS

Where the benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligation under the contract, a provision is recognised. No provision has been recognised for the year ended 2013 (2012: nil). A provision would be stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

PROVISIONS

The Department recognises a provision for future expenditure of an uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as the result of a past event;
- it is probable that an outflow of future economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Accident Compensation Corporation (ACC) Partnership Programme

The Department participates in the ACC Partnership Programme whereby the Department accepts the management and financial responsibility of work-related illnesses and accidents of employees.

Under the ACC Partnership Programme, the Department is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to accidents and illnesses occurring up to the balance date for which the Department has responsibility under the terms of the Partnership Programme.

The liability for claims reported prior to balance date has been determined by assuming that the future experience for each current claim is consistent with historical claim information since the commencement of the programme. The liability for injuries or illnesses that have occurred up to balance date, but not yet reported or not enough reported, has been determined by reference to historical information of the time it takes to report injury or illness.

The liability is measured at the present value of the expected future payments to be made in respect of employee injuries and claims up to the reporting date using actuarial techniques.

COMMITMENTS

Future expenses and liabilities to be incurred on capital and operating contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the value of that penalty or exit cost.

CONTINGENT LIABILITIES

Contingent liabilities are disclosed at the point at which the contingency is evident and for each class of contingent liability at balance date, a brief description of the nature of the contingent liability is provided.

Contingent liabilities are not disclosed if the possibility of an outflow of resources embodying economic resources is remote.

TAXPAYERS' FUNDS

Taxpayers' Funds is the Crown's net investment in the Department and is measured as the difference between total assets and total liabilities.

Taxpayers' Funds is disaggregated and classified as general funds and revaluation reserves.

FOREIGN CURRENCY

Foreign currency transactions are converted into New Zealand Dollars at the exchange rate at the date of the transaction.

FINANCIAL INSTRUMENTS

The Department is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors and other receivables, creditors and other payables, and investments. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in total comprehensive income.

All financial instruments, except for those items covered by a separate accounting policy, are shown at their estimated fair value.

TAXATION

Income tax

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

Goods and services tax (GST)

The Statement of Financial Position is exclusive of GST except for creditors and other payables and debtors and other receivables, which are GST inclusive. All other financial statements are GST exclusive.

The net amount of GST payable to, or recoverable from, Inland Revenue at balance date is included in creditors, other payables, debtors, or other receivables.

Commitments and contingent liabilities are disclosed exclusive of GST. The movement in GST paid or received is recognised as a separate cash flow line item.

BUDGET FIGURES

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2013, 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. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparing these financial statements, the Department has made estimates, assumptions and critical judgements in applying accounting policies concerning the future. These estimates, assumptions, and critical judgements in applying accounting policies may differ from the subsequent actual results. Estimates, assumptions and critical judgements in applying accounting policies are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

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 disclosed below.

Employee entitlements – retiring and long service leave

Note 16 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

Revaluation of land and buildings

At each revaluation, the useful lives and residual values of the Department's land and buildings are reviewed. Assessing the appropriateness of useful lives and residual values of land and buildings requires consideration of a number of factors such as the physical condition, expected period of use by the Department, and expected proceeds from any disposal.

Reassessment of the useful lives or residual values will affect the depreciable amount of land and buildings, therefore impacting the depreciation expense recognised in total comprehensive income, and the carrying amount of land and buildings in the Statement of Financial Position.

NOTES

The notes that accompany the financial statements form part of the financial statements.

COST ACCOUNTING POLICIES

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

Cost allocation

Costs that are driven by prisoner or offender related activities are recognised as direct costs and assigned to outputs. Direct costs are charged to outputs based on actual consumption or activity analysis. Pre-established ratios have been used in some instances, which are reviewed at regular intervals.

Indirect costs are driven by organisational support functions and are not directly related to prisoner or offender activities. Indirect costs are allocated to outputs based on appropriate resource consumption and/or activity analysis.

Examples of cost groupings and suitable drivers:

Cost Type	Driver
National Office personnel costs	Direct established positions
Community Probation district office overheads	Programme/sentence delivery hours
Prison site overheads	Prison capacity
Prison site and regional rehabilitation overheads	Planned programme hours

CHANGES IN COST ACCOUNTING POLICIES

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

NOTE 2: OTHER REVENUE

2012 Actual $000		2013 Actual $000	2013 Main Estimates $000	2013 Supp. Estimates $000
32,223	Sale of goods	35,301	29,498	37,156
2,784	Board and rents	3,208	1,500	2,500
913	Profit on sale of assets	374	–	–
35,920	**Total other revenue**	**38,883**	**30,998**	**39,656**

NOTE 3: PERSONNEL COSTS

2012 Actual $000		2013 Actual $000	2013 Main Estimates $000	2013 Supp. Estimates $000
495,268	Salaries and wages	501,343	537,451	514,890
–	ACC Partnership Programme	903	–	–
557	Government Superannuation Fund contribution expense	444	550	630
9,690	State Sector Retirement Savings Scheme and KiwiSaver employer contribution	10,506	10,229	11,998
9,209	Restructuring costs	–	–	–
1,475	Annual leave	2,379	1,000	1,000
4,166	Retirement and long service leave	(626)	4,102	1,000
(1,001)	Sick leave	1,099	–	–
519,364	**Total personnel costs**	**516,048**	**553,332**	**529,518**

NOTE 4: OPERATING COSTS

2012 Actual $000		2013 Actual $000	2013 Main Estimates $000	2013 Supp. Estimates $000
16,435	Operating lease rentals	16,671	16,375	16,621
366	Audit fees for annual audit	361	358	361
88	Fees to auditors for other services	–	–	–
76,807	Facilities maintenance	79,237	68,694	81,750
52,810	Offender management costs	52,635	50,911	58,849
27,099	Computer costs	32,709	23,059	27,844
60,476	Contract management	66,123	59,153	69,887
36,438	Administration	31,008	35,779	34,485
63	Receivables written off during period	55	–	1
314	ACC Partnership Programme	–	–	–
9,995	Inventory expenses	10,062	–	–
43,720	Other operating costs	41,911	50,728	46,057
–	Donations	200	–	–
1,855	Loss on sale of property, plant and equipment	1,637	–	–
326,466	**Total operating costs**	**332,609**	**305,057**	**335,855**

* During the year the Department made a donation of $200.000 to Victoria University of Wellington. The donation was a partial contribution as part of a wider Justice Sector donation to establish a chair in Restorative Justice at Victoria University. Although Corrections will not directly benefit from the contribution, the Department's support will enable the establishment of a world-class programme of research, teaching and public engagement. The donation is considered a one-off event and not on-going, and was authorised by the Chief Executive.

NOTE 5: DEPRECIATION AND AMORTISATION

2012 Actual $000		2013 Actual $000	2013 Main Estimates $000	2013 Supp. Estimates $000
	DEPRECIATION			
116,972	Buildings	98,544	105,600	102,834
3,496	Leasehold improvements	3,954	–	–
4,561	Plant and equipment	3,757	7,234	4,722
526	Furniture and fittings	229	1,107	227
5,393	Computer hardware	4,284	5,173	3,428
4,727	Motor vehicles	4,858	7,916	5,901
135,675	**Depreciation charge**	**115,626**	**127,030**	**117,112**
	AMORTISATION			
8,629	Computer software	8,684	11,482	9,724
8,629	**Amortisation charge**	**8,684**	**11,482**	**9,724**
144,304	**Total depreciation and amortisation charge**	**124,310**	**138,512**	**126,836**

NOTE 6: CAPITAL CHARGE

The Department pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2013 was 8 percent per annum (2012: 8 percent).

NOTE 7: CASH AND CASH EQUIVALENTS

2012 Actual $000		2013 Actual $000
315,186	Cash and bank balances	123,192
315,186	**Total cash and cash equivalents**	**123,192**

The Department is required to maintain a positive balance in its bank accounts at all times. The Department has two departmental bank accounts with Westpac New Zealand Limited.

NOTE 8: PREPAYMENTS

2012 Actual $000		2013 Actual $000
	CURRENT PORTION	
2,043	Prepayments	4,894
2,043	**Total prepayments**	**4,894**

The Department classifies prepayments that are expected to be realised within 12 months as current.

NOTE 9: DEBTORS AND OTHER RECEIVABLES

2012 Actual $000		2013 Actual $000
	CURRENT PORTION	
67,510	Debtor Crown	323,157
67,510	**Debtor Crown**	**323,157**
3,950	Trade debtors – external	3,262
216	Employee advances	270
(162)	Less provision for impairment	(71)
4,004	**Trade debtors – external and employees**	**3,461**
1,301	Trade debtors – other government entities	1,044
1,301	**Trade debtors – other government entities**	**1,044**
72,815	**Total debtors and other receivables**	**327,662**

The carrying value of trade debtors approximates their fair value.

The Crown debtor of $323.157 million consists of $47.794 million of capital funding (no GST on capital injection) not drawn down and $275.363 million of operating funding (GST inclusive) not drawn down as a result of the timing of cash requirements.

The Department does not make loans to employees other than minor salary/travel advances. There were no loans outstanding to related parties.

There is minimal credit risk with respect to external receivables. The Department's standard terms of credit are that payment is due on the 20th of the month following the date of invoice. No further extension of credit is permitted.

All debtors, except for doubtful debts, are expected to be realised within 12 months and therefore classified as current.

The ageing profile of debtors and other receivables at year-end is detailed below:

	2012 $000 Gross	2012 $000 Impairment	2012 $000 Net	2013 $000 Gross	2013 $000 Impairment	2013 $000 Net
Not past due	70,775	–	**70,775**	**327,042**	–	**327,042**
Past due 1-30 days	1,130	–	**1,130**	**235**	–	**235**
Past due 31-60 days	763	–	**763**	**94**	–	**94**
Past due 61-90 days	120	–	**120**	**29**	–	**29**
Past due > 90 days	189	(162)	**27**	**333**	(71)	**262**
	72,977	**(162)**	**72,815**	**327,733**	**(71)**	**327,662**

As at 30 June 2013 and 2013, all overdue receivables were assessed for impairment and appropriate provisions applied. Movements in the provision for impairment of debtors and other receivables are as follows:

2012 Actual $000		2013 Actual $000
77	Balance at 1 July	162
85	Provisions made/released during the year	(91)
162	**Balance at 30 June**	**71**

The provision for impairment of debtors has been calculated based on expected losses for the Department's pool of debtors. Expected losses have been determined based on analysis of the Department's losses in previous periods, and review of specific debtors.

Those specific debtors that are insolvent are fully provided for. As at 30 June 2013 the Department has identified one debtor (2012: nil) that is insolvent.

NOTE 10: INVENTORIES

2012 Actual $000		2013 Actual $000
4,486	Inventory held for the provision of goods and services	3,719
486	Finished goods	586
4,972	**Total inventories**	**4,305**

The Department's inventory consists of supplies that are available for prisoner purchases, operational supplies and inventory held for use in prisoner employment. No inventories are pledged as security for liabilities.

The Department classifies inventories that are expected to be realised within 12 months as current.

NOTE 11: INVESTMENTS

2012 Actual $000		2013 Actual $000
	Non-current portion	
5,560	Investments	8,837
5,560	**Total investments**	**8,837**

Investments arise from the Department's business dealings with companies in the farming industry. These investments are classified as financial instruments and valued at fair value through total comprehensive income.

The Department classifies investments that are expected to be realised within 12 months as current.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

An independent valuer, Darroch Valuations, performed the most recent valuation of freehold land and buildings and the valuation was effective as at 30 June 2011. K Stewart FPINZ FNZIV certified this valuation.

The total fair value of freehold land and buildings valued by Darroch Valuations at 30 June 2011 totalled $1,990 million.

Some of the land holdings of the Department are subject to general Treaty of Waitangi claims. No reduction in value has been recognised in these financial statements but there may be restrictions on the Department disposing of the holdings except under Treaty claims procedures.

The Department classifies property, plant and equipment expected to be sold in the next 12 months as assets held for sale.

The Department constructs prison buildings, which are classified as assets under construction. Assets under construction are capitalised at the in-service date.

The Department reports transfers and disposals together for presentation purposes only.

The Department currently holds residential properties that were purchased in the 1960s. The Department holds these properties so that it is able to provide accommodation to staff working in prisons located in rural areas. The rental income that is received from these properties is incidental, as opposed to being held for investment purposes. The net carrying amount of these properties is $7.970 million (2012: $8.857 million). There are no restrictions over the title of the Department's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

Service concession arrangements

The Department has entered into a Project Agreement with SecureFuture Wiri Limited for the delivery of a new men's prison at Wiri through a Public Private Partnership. SecureFuture will design, build, finance, operate and maintain the prison. Under the agreement, the Department has provided existing Department owned land, adjacent to the Auckland Region Women's Corrections Facility, to the contractor on which to build the prison. The agreement is for a period of 25 years, after which responsibility for on-going maintenance, operation and ownership will revert to the Department. The Chief Executive of the Department of Corrections will be responsible for the safe, secure and humane containment of prisoners on that site. Under this agreement the Department pays a unitary charge to the contractor from when the prison becomes operational. This charge covers and is allocated between:

> **the construction of the prison** – these costs are not repriced and are recognised as a reduction against the service concession liability. Certain major capital expenditure incurred (such as reroofing, replacement of heating units) during the term of the agreement is paid for by the Department at the time it is provided by the contractor, and the unitary charge is adjusted at this time for these amounts;

> **the finance costs** – finance costs are repriced every five years and the amount the Department pays to the contractor is adjusted. Finance charges are recognised as an expense using the effective interest rate; and

> **the service costs** – these costs cover routine repairs and maintenance required to keep the prison operational and in good condition. A portion of these costs is indexed to Consumer Price Index and Labour Cost Index. This portion can be reset at year 5 and year 15 of the agreement. Any change in these service costs will result in a change to the amount the Department pays to the contractor. Service costs are recognised as an expense in the period incurred.

	Land	Buildings	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Computer Hardware	Motor Vehicles	Asset Under Construction Total	Total Physical Assets
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Cost or valuation									
Balance 1 July 2011	216,108	1,774,327	12,567	48,457	6,901	48,018	46,085	73,915	2,226,378
Additions	–	12,282	1,403	2,918	336	1,427	7,163	31,383	56,912
Revaluation increase/(decrease)	(2,803)	(23,053)	–	–	–	–	–	–	(25,856)
Disposals	(859)	(1,168)	(465)	(3,435)	(736)	(4,009)	(5,677)	–	(16,349)
Transfers	–	33,163	8,126	1,543	–	257	277	(43,366)	–
Cost or valuation at 30 June 2012	**212,446**	**1,795,551**	**21,631**	**49,483**	**6,501**	**45,693**	**47,848**	**61,932**	**2,241,085**
Add: Movements									
Additions	–	11,713	2,643	2,155	140	2,883	2,479	91,021	113,034
Revaluation increase/(decrease)	22	(25,488)	–	–	–	–	–	–	(25,466)
Disposals	(5,870)	(1,852)	(329)	(1,820)	(126)	(1,037)	(2,845)	(489)	(14,368)
Transfers	–	36,486	5,073	(46)	–	2	(1)	(41,654)	(140)
Cost or valuation at 30 June 2013	**206,598**	**1,816,410**	**29,018**	**49,772**	**6,515**	**47,541**	**47,481**	**110,810**	**2,314,145**
Accumulated depreciation and impairment losses									
Balance 1 July 2011	–	–	(5,305)	(30,387)	(6,171)	(36,969)	(24,700)	–	(103,532)
Depreciation expense	–	(116,972)	(3,497)	(4,561)	(526)	(5,393)	(4,727)	–	(135,676)
Disposals	–	1,406	453	3,041	744	3,998	4,780	–	14,422
Transfers	–	(28)	78	(40)	–	–	(10)	–	–
Impairment losses	–	(838)	–	–	–	–	–	–	(838)

	Land	Buildings	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Computer Hardware	Motor Vehicles	Asset Under Construction Total	Total Physical Assets
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Accumulated depreciation and impairment losses at 30 June 2012	**–**	**(116,432)**	**(8,271)**	**(31,947)**	**(5,953)**	**(38,364)**	**(24,657)**	**–**	**(225,624)**
Add: Movements									
Depreciation expense	–	(98,544)	(3,954)	(3,757)	(229)	(4,284)	(4,858)	–	(115,626)
Disposals	–	1,253	329	1,703	86	1,033	2,395	–	6,799
Transfers	–	–	–	114	–	–	–	–	114
Revaluation increase/(decrease)	–	6,847	–	–	–	–	–	–	6,847
Accumulated depreciation and impairment losses at 30 June 2013	**–**	**(206,876)**	**(11,896)**	**(33,887)**	**(6,096)**	**(41,615)**	**(27,120)**	**–**	**(327,490)**
Carry amounts per asset class									
At 30 June 2012	**212,446**	**1,679,119**	**13,360**	**17,536**	**548**	**7,329**	**23,191**	**61,932**	**2,015,461**
At 30 June 2013	**206,598**	**1,609,534**	**17,122**	**15,885**	**419**	**5,926**	**20,361**	**110,810**	**1,986,655**

** Transfers refer to movements between assets under construction and property, plant and equipment.*

NOTE 13: INTANGIBLE ASSETS

	Acquired Software $000	Internally Generated Software $000	Asset Under Construction $000	Total Intangible Assets $000
Cost or valuation				
Balance 1 July 2011	39,808	58,472	5,821	104,101
Additions	3,154	1,830	18,762	23,746
Disposals	(19,764)	(13,140)	–	(32,904)
Transfers	518	4,137	(4,655)	–
Cost or valuation at 30 June 2012	**23,716**	**51,299**	**19,928**	**94,943**
Add: Movements				
Additions	411	693	19,026	20,130
Disposals	–	–	(688)	(688)
Transfers	832	4,414	(5,246)	–
Cost or valuation at 30 June 2013	**24,959**	**56,406**	**33,020**	**114,385**
Accumulated depreciation and impairment losses				
Balance 1 July 2011	(33,299)	(38,128)	–	(71,427)
Amortisation expense	(3,130)	(5,499)	–	(8,629)
Disposals	19,753	13,202	–	32,955
Accumulated depreciation and impairment losses at 30 June 2012	**(16,676)**	**(30,425)**	**–**	**(47,101)**
Add: Movements				
Amortisation expense	(3,131)	(5,553)	–	(8,684)
Accumulated depreciation and impairment losses at 30 June 2013	**(19,807)**	**(35,978)**	**–**	**(55,785)**
Carrying amounts				
At 30 June 2012	**7,040**	**20,874**	**19,928**	**47,842**
At 30 June 2013	**5,152**	**20,428**	**33,020**	**58,600**

The Department develops and maintains internally generated software, which are classified as assets under construction and capitalised at the in-service date.

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

NOTE 14: BIOLOGICAL ASSETS

	Forests $000	Livestock $000	Total Biological Assets $000
Cost or valuation			
Balance at 1 July 2012	32,408	12,850	45,258
Purchases	–	279	279
Net gain/(loss) due to; regeneration, maturation, and changes in unit values	12,038	4,798	16,836
Sales/harvest	(7,082)	(6,663)	(13,745)
Cost or valuation at 30 June 2013	**37,364**	**11,264**	**48,628**
Net change	**4,956**	**(1,586)**	**3,370**
Change due to movement in quantity	2,330	(449)	1,881
Change due to movement in fair value	2,626	(1,137)	1,489
Carrying amounts			
At 30 June 2012	**32,408**	**12,850**	**45,258**
At 30 June 2013	**37,364**	**11,264**	**48,628**

There are no restrictions over the title of the Department's biological assets, nor are any biological assets pledged as security for liabilities.

FORESTS

The Tongariro forestland is owned by the Crown. The Department manages the forest as part of its prisoner employment-training programme. The Tongariro forest area is as follows:

Forest	Legal description	Legal area
Tongariro	Land rated as commercial forest	4,512ha
	Land rated as reserve	1,332ha
	Total legal area	**5,844ha**

The valuation of forests was undertaken by an independent registered valuer, PF Olsen and Company Limited, on 30 June 2013. J Schnell, registered forestry consultant (NZIF), completed this valuation.

The forest valuation was determined using the expectation value approach adopting the following valuation assumptions:

> a discount rate of 7 percent (2012: 7 percent) has been applied to post-tax cash flows;

> land values, improvements, protection or amenity planting have been excluded;

> the tree crop has been valued on a liquidation basis;

> an inflation rate of 3 percent (2012: 3 percent) has been applied;

> annual and forest operations costs are based on current industry costs for similar forests; and

> log prices are derived from average prices published by the Ministry for Primary Industries.

LIVESTOCK

The Department farms sheep, cattle, deer and pigs at various locations throughout New Zealand. At 30 June 2013, livestock on hand comprised 15,847 sheep (2012: 16,550); 1,388 beef cattle (2012: 1,935); 4,499 dairy cattle (2012: 4,377); 3,006 deer (2012: 2,833) and 7,507 pigs (2012: 7,092).

The valuation of livestock is based on the active market price and was undertaken by various independent livestock valuers.

FINANCIAL RISK MANAGEMENT STRATEGIES

The Department is not materially exposed to financial risks arising from changes in commodity prices. The Department reviews its outlook for timber and livestock prices regularly in considering the need for active financial risk management.

NOTE 15: CREDITORS AND OTHER PAYABLES

2012 Actual $000		2013 Actual $000
	CURRENT PORTION	
23,608	Trade creditors	26,414
49,929	Accrued expenditure	57,720
9,101	GST payable	10,881
82,638	**Total creditors and other payables**	**95,015**

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

The Department classifies creditors and other payables that are expected to be settled within 12 months as current.

NOTE 16: EMPLOYEE ENTITLEMENTS

2012 Actual $000		2013 Actual $000
	Current liabilities	
21,245	Retirement and long service leave	22,001
45,911	Annual leave	48,270
897	Sick leave	1,996
68,053	**Total current portion**	**72,267**
	Non-current liabilities	
15,119	Retirement and long service leave	13,654
15,119	**Total non-current portion**	**13,654**
83,172	**Total provision for employee entitlements**	**85,921**

Employee entitlements, expected 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 annual leave earned, but not taken, at balance date, retiring and long service leave entitlements expected to be settled within 12 months and sick leave.

The Department classifies employee entitlements as current that:

> are expected to be settled within 12 months after the balance date; and

> the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

The present value of the retirement and long service leave obligations depend on multiple factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rates and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

Independent valuer G R Lee BSc (FIA), a member of the New Zealand Society of Actuaries, from Aon New Zealand, conducted the revaluation of long service leave and retirement leave as at 30 June 2013. Aon New Zealand revalues the Department's non-current employment entitlements on a quarterly basis.

The major assumptions used in the 30 June 2013 valuation are that future salary growth rates are 3 percent (2012: 3 percent) per annum and discount rates ranged from 2.71 to 5.50 percent (2012: 2.43 percent to 4.29 percent) per annum.

In determining the appropriate discount rates, the valuer used the weighted averages of returns on government stock of different terms to maturity that match, as closely as possible, the estimated future cash outflows. The salary growth assumption is consistent with the results of the Aon Economists' Survey.

NOTE 17: PROVISIONS

2012 Total Provisions Actual $000		2013 Restructuring Actual $000	2013 Employee Accidents Actual $000	2013 Total Provisions Actual $000
	Current provisions			
7,775	Balance at 1 July	11,649	8,046	19,695
19,695	Additional provisions made during the year	–	184	184
(7,775)	Charged against provision for the year	(10,197)	–	(10,197)
19,695	**Current provisions**	**1,452**	**8,230**	**9,682**
–	**Non-current provisions**	–	–	–
19,695	**Total provisions**	**1,452**	**8,230**	**9,682**

EMPLOYEE ACCIDENTS

The provision relates to the estimation of the outstanding claims liability under the ACC Partnership Programme and ACC levies:

2012 Actual $000		2013 Actual $000
4,300	Outstanding claims liability	5,203
3,746	Outstanding ACC levies provision	3,027
8,046	**Total outstanding claims liability and ACC levies**	**8,230**

An external independent actuarial valuer, M Weaver (Fellow of the New Zealand Society of Actuaries) from Melville Jessup Weaver, provided an estimate of the outstanding claims liability as at 30 June 2013. The actuary attested that he was satisfied as to the nature, sufficiency and accuracy of the data used at the time that the estimate was calculated. However, additional information was received, subsequent to the valuation, that required an adjustment to the estimated outstanding claims liability. The estimated claims liability at 30 June is $5.203 million (2012: $4.300 million).

Key assumptions

The key assumptions used in determining the value of outstanding claims are:

> the development pattern of claims payments is the same for all loss periods. That is, the future claims pattern will reflect that which occurred in the past;

> the assumed loss ratios were determined by considering the observed loss ratios for developed loss quarters;

> the discount rates were based on government bond yields published by the Reserve Bank of New Zealand; and

> the Department will remain in the ACC Partnership Programme (ACCPP) for the foreseeable future. If the Department were to exit immediately, a risk margin of 12.00 percent (2012: 12.80 percent) would be added by ACC.

The estimated ACCPP outstanding claims liability as at 30 June 2013 included a provision for future claims handling expenses of 10 percent (2012: 10 percent) of expected future claims costs.

The Department has one very large open claim which has no precedent in the Department's ACCPP experience. As such, the triangulation method used will not include any provision for future payments of this magnitude and a specific provision was made for this claim.

Health and safety

The Department manages the risk of employee accidents by promoting a safe and healthy working environment. Specifically the Department:

> implements and monitors health and safety policies
> provides induction training on health and safety
> identifies work place hazards and implements appropriate safety procedures
> actively manages work place injuries to ensure employees return to work as soon as practical
> records and monitors work place injuries and near misses to identify risk areas; and
> implements mitigating actions.

NOTE 18: TAXPAYERS' FUNDS

Taxpayers' Funds comprise General Funds, Revaluation Reserves and Fair Value through Other Comprehensive Income Reserves.

2012 Actual $000		2013 Actual $000	2013 Main Estimates $000	2013 Supp. Estimates $000
	GENERAL FUNDS			
1,676,035	Balance at 1 July	1,755,069	1,761,080	1,755,069
2,816	Net operating surplus/(deficit)	25,516	–	–
95,965	Capital contribution from the Crown	–	19,500	–
(10,920)	Capital returned to the Crown	(6,190)	–	(3,350)
87,861	Total movement in general funds	19,326	19,500	(3,350)
(8,827)	Provision for repayment of surplus to the Crown	(20,663)	–	–
1,755,069	**Balance at 30 June**	**1,753,732**	**1,780,580**	**1,751,719**
	REVALUATION RESERVES			
583,325	Balance at 1 July	557,469	583,325	557,469
(25,856)	Revaluation gains/(losses)	(18,623)	–	(869)
557,469	**Balance at 30 June**	**538,846**	**583,325**	**556,600**
	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE			
2,267	Balance at 1 July	2,267	2,267	2,267
–	Revaluation gains/(losses)	–	–	–
–	Net write-back of revaluation gains/(losses)	–	–	–
2,267	**Balance at 30 June**	**2,267**	**2,267**	**2,267**
559,736	**Revaluation total**	**541,113**	**585,592**	**558,867**
2,314,805	**Total taxpayers' funds at 30 June**	**2,294,845**	**2,366,172**	**2,310,586**

The net surplus attributable to the Crown from the delivery of outputs must be repaid by 31 October each year. The Department has no restricted reserves.

REVALUATION RESERVES

2012 Actual $000		2013 Actual $000
	Asset Revaluation Reserve	
	Land	
138,052	**Revaluation reserves at 1 July**	**135,249**
(2,803)	Revaluation gains/(losses)	22
135,249	**Revaluation reserves at 30 June**	**135,271**
	Buildings	
445,273	**Asset revaluation reserves at 1 July**	**422,220**
(23,053)	Revaluation gains/(losses)	(18,645)
422,220	**Asset revaluation reserves at 30 June**	**403,575**
557,469	**Total Asset revaluation reserves at 30 June**	**538,846**
	Fair Value Through Equity Reserve	
2,267	Asset revaluation reserves at 1 July	2,267
2,267	**Asset revaluation reserves at 30 June**	**2,267**
559,736	**Asset revaluation reserves at 30 June**	**541,113**

NOTE 19: RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

2012 Actual $000		2013 Actual $000	2013 Main Estimates $000	2013 Supp. Estimates $000
2,816	**Net surplus/(deficit) before other comprehensive income**	**25,516**	–	–
	Add/(less) non-cash items			
144,304	Depreciation and amortisation	124,310	138,512	126,836
3,011	Non-current employee entitlements	(1,465)	–	–
6,011	Biological assets revaluation loss/(gain)			
	Other non-cash items	–	–	–
153,326	**Total non-cash items**	**122,845**	**138,512**	**126,836**
	(Increase)/Decrease in Working capital			
(23,675)	Debtors and other receivables	(253,949)	2,491	(99,162)
499	Inventories	667	–	(1,259)
(251)	Prepayments	(2,851)	–	–
(9,653)	Creditors and other payables	10,773	99	(7,469)
11,920	Provisions	(11,465)	–	(11,916)
1,629	Current employee entitlements	4,214	–	–
(19,531)	**Working capital movements – net**	**(252,611)**	**2,590**	**(119,806)**
	Add/(less) items classified as investing or financing activities			
–	Dividends	–	–	–
(1,922)	Biological assets revaluation loss/(gain)	(1,489)	–	–
–	Fair value loss/(gain) on shares	(3,364)	–	–
942	Net loss/(gain) on sale or disposal of property, plant and equipment	1,263	–	–
(980)	**Total investing activity items**	**(3,590)**	–	–
135,631	**Net cash flow from operating activities**	**(107,840)**	**141,102**	**7,030**

NOTE 20: CONTINGENCIES

Contingent liabilities and assets are separately disclosed in the Statement of Contingent Liabilities and Assets.

NOTE 21: RELATED PARTY DISCLOSURE

The Department is a wholly owned entity of the Crown. The Government significantly influences the strategic direction, operating intentions and business operations of the Department as well as being its major source of revenue.

The Department has entered into the following significant transactions with the Government, or other entities related to the Government, during the 2012/13 fiscal year:

> received Crown Revenue of $1,140.554 million (excluding GST) to fund the Department's operating activities;

> paid capital charge of $185.194 million to the New Zealand Government;

> purchased goods and services on normal commercial terms from other government entities: electricity from Meridian, Genesis and Mercury Energy, travel from Air New Zealand, legal services from Crown Law Office and postal services from New Zealand Post totalling $12.788 million;

> paid employer ACC levies to Accident Compensation Corporation totalling $2.507 million.

The Department entered into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an 'arm's length' basis that are not of a material nature.

The Department has entered into the following related party transactions:

> engineering supplies were purchased from Vulcan Steel. A shareholder/director of the company is the brother of a member of the Department's Executive Leadership Team. Purchases during the year totalled $0.189 million (2012: $0.034 million). There is a balance of $0.003 million (2012 $0.0004 million) outstanding at year end;

> legal services were purchased from Minter Ellison Rudd Watts. A partner of this legal firm is the brother of a member of the Department's Executive Leadership Team. He was not involved in providing any advice to the Department. Purchases during the year totalled $0.131 million (2012: $0.459 million). There is a balance of $ 0.022 million (2012 $0.032 million) outstanding at year end.

The Department has not entered into any commitments with these suppliers and transactions were conducted under normal commercial terms. Apart from those transactions described above, the Department has not entered into any related party transactions. The Department has determined key management personnel as the Chief Executive and the Executive Leadership Team.

The Treasury advises that responsible Minister Anne Tolley has certified that she has no related party transactions for the year ended 30 June 2013.

The personnel compensation relating to key management personnel is not disclosed as part of the related party disclosure note. Remuneration applicable to key management personnel is disclosed as part of the Key Management Personnel Compensation note.

NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION

Currently key management personnel include the Chief Executive, the Deputy Chief Executive, the National Commissioner(2012:nil) and three General Managers (2012:seven).

2012 Actual $000		2013 Actual $000
2,685	Salary and other short term benefits	2,469
98	Other long-term benefits	54
–	Termination benefits	185
2,783	**Total key management personnel compensation**	**2,708**

NOTE 23: POST-BALANCE DATE EVENTS

There were no post-balance date events that required adjustment to the financial statements.

NOTE 24: FINANCIAL INSTRUMENTS

The Department is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, debtors and trade creditors.

FAIR VALUE

The Department uses various methods in estimating the fair value of a financial instrument. Fair values are determined according to the following hierarchy:

> quoted market price – financial instruments with quoted market prices for identical instruments in active markets;

> valuation technique using market observable inputs – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable; and

> valuation technique with significant non-market observable inputs – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value on the balance date:

	Total $000	Quoted market price $000	Valuation technique – market observable inputs $000	Valuation technique – non-market observable inputs $000
As at 30 June 2013				
Local currency financial assets				
Cash and cash equivalents	123,192	123,192	–	–
Investments	8,837	8,837	–	–
Total local currency financial assets	**132,029**	**132,029**	**–**	**–**
As at 30 June 2013				
Local currency financial assets				
Cash and cash equivalents	315,816	315,816	–	–
Investments	5,560	5,258	302	–
Total local currency financial assets	**321,376**	**321,074**	**302**	**–**

MARKET RISK

Price Risk

Price risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate as a result of changes in market prices. The Department is exposed to price risk on its investments. The price risk is nominal as the investments are held by the Department as a result of business dealings with the farming industry and, as such, are not expected to be traded and are not used to support cashflows.

CURRENCY RISK

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

The Department does not enter into forward foreign exchange contracts, as it engages in few overseas transactions, and is therefore only nominally susceptible to foreign exchange risks.

INTEREST RATE RISK

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

Under Section 46 of the Public Finance Act 1989, the Department cannot raise a loan without Ministerial approval and no such loans have been raised. Accordingly, the Department has no interest bearing financial instruments and therefore has no exposure to interest rate risk.

CREDIT RISK

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

The Department is only permitted to deposit funds with Westpac New Zealand Limited, or with the NZDMO, as these entities have high credit ratings. For other financial instruments, the Department does not have significant concentrations of credit risk.

The Department's maximum credit risk exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (note 7), prepayments (note 8), debtors and other receivables (note 9) presented in the Statement of Financial Position. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

2012 Actual $000		2013 Actual $000
	Counterparties with credit ratings	
	Cash and cash equivalents	
315,815	AA	123,192
315,815	**Total cash and cash equivalents**	**123,192**
	Investments	
5,220	A+	8,837
340	Non-rated	–
5,560	**Total investments**	**8,837**
	Counterparties without credit ratings	
	Debtors and other receivables	
72,814	Existing counterparty with no defaults in the past	327,662
72,814	**Total debtors and other receivables**	**327,662**
	Prepayments	
2,043	Existing counterparty with no defaults in the past	4,894
2,043	**Total prepayments**	**4,894**

LIQUIDITY RISK

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

MANAGEMENT OF LIQUIDITY RISK

In meeting its liquidity requirements, the Department closely monitors its forecast cash requirements with expected cash draw downs from the NZDMO. The Department maintains a target level of available cash to meet liquidity requirements.

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES

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

2012 Actual $000		2013 Actual $000
	Creditors and other payables (note 15)	
82,638	Less than six months	95,015
82,638		**95,015**

The liability for the repayment of surplus to the Crown is not a financial liability as defined by NZ IAS 32 – *Financial Instruments Presentation*, as the obligation to pay arises from statute.

SENSITIVITY ANALYSIS

The Department does not have interest bearing assets or liabilities, nor does the Department deal in foreign currency.

Cash and Cash Equivalents:	No cash or cash equivalents earn interest, nor are they held in any term deposits.
Bank Overdraft:	The Department has no bank overdraft.
Secured Loans:	The Department has no secured loans.
Derivatives Held for Trading and Hedge Accounting:	The Department has no derivatives held for trading and does not engage in hedging activities.
Creditors and Other Payables:	The Department holds no significant creditors or other payables that are affected by foreign exchange rate movements.

CATEGORIES OF FINANCIAL INSTRUMENTS

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

2012 Actual $000		2013 Actual $000
	FINANCIAL ASSETS	
	Loans and receivables	
315,816	Cash and cash equivalents (note 7)	123,192
72,815	Debtors and other receivables (note 9)	327,662
388,631	**Total cash and receivables**	**450,854**
	Fair value through total comprehensive income	
5,560	Investments (note 11)	8,837
5,560	**Total investments**	**8,837**
394,191	**Total financial assets**	**459,691**
	FINANCIAL LIABILITIES	
	Measured at amortised cost	
82,638	Creditors and other payables (note 15)	95,015
82,638	**Total financial liabilities**	**95,015**

NOTE 25: CAPITAL MANAGEMENT

The Department's capital is its Taxpayers' Funds, which comprise General Funds and Revaluation Reserves. Taxpayers' Funds are represented by net assets.

In accordance with The Public Finance Act 1989 (The Act) the Department manages its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the New Zealand public.

The Department has in place asset management plans for major classes of assets detailing renewal and maintenance programmes.

The Act requires the Department to make adequate and effective provision in its long-term capital expenditure plans and that the Department acts in accordance with financial delegations from Cabinet to the Chief Executive through the Responsible Minister. The Act also requires that the Department complies with the requirements of the State Sector Act 1988, Treasury Instructions, and any other legislation governing its operations, when incurring any capital expenditure.

The objective of managing Taxpayers' Funds is to ensure the Department effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

NOTE 26: EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and Statement of Departmental Expenditure and Appropriations

Explanations for major variances from the 2012/13 Main and Supplementary Estimates are as follows:

Crown revenue was lower than Main Estimates due to funding from 2012/13 being transferred to the 2013/14 year. As part of the Department's Expenditure Review, savings have been generated from initiatives, specifically the reconfiguration of prison assets, realignment of national office and regional organisational structures, and improved efficiencies of corporate services. The transfer of these efficiency savings will enable the Department to meet cost pressures in 2013/14.

Other revenue was higher than Main Estimates due to increases in rental income, insurance proceeds and in Offender Employment income.

Personnel costs were lower than the Main and Supplementary Estimates because the Department carried vacancies throughout the year and due to the release of provision.

Operating costs were higher than the Main Estimates mostly due to an increase in rehabilitation and reintegration activities for offenders.

Cash was lower than the Main and Supplementary Estimates due to the reprioritisation of capital projects and deferred operating funding. As a consequence Crown Debtors was higher than the Main and Supplementary Estimates.

Physical assets and intangible assets were lower than the Main and Supplementary Estimates as a result of the reprioritisation of capital projects.

SCHEDULE OF NON-DEPARTMENTAL EXPENSES FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual $000		2013 Actual $000	2013 Main Estimates $000	2013 Supp. Estimates $000
	Expenditure			
150	Property development related costs	–	–	–
150	**Total non-departmental expenditure**	–	–	–

The schedule of non-departmental expenses shows expenditure managed by the Department on behalf of the Crown.

The creation of this appropriation was in relation to the development of the Mt Eden Corrections Facility. This was a single year appropriation for 2011/12 only.