Transport Accident Investigation Commission
Te Komihana Tirotiro Aitua Waka

Statement of Intent
2012 – 2015

May 2012

Prepared in accordance with
section 139 of the Crown Entities Act 2004

Contents

About this Statement of Intent

This Statement of Intent has been prepared in accordance with requirements of the Crown Entities Act 2004. It sets out the Commission's medium term intentions and undertakings for the House of Representatives, and provides performance indicators for the 2012/13 fiscal year against which performance can be measured. The statement has been developed as part of the Commission's annual strategic planning cycle and takes into account the Minister of Transport's annual Letter of Expectations to the Commission.

Contribution to the New Zealand transport system

Transport system overall goal

A transport system that maximises economic and social benefits for New Zealand and minimises harm

System high level outcomes

Reduces the harms from transport

Meets future transport needs and endures shocks

System indicators of outcome achievement (adapted)

Participants' behaviours and equipment and infrastructure design (including policy and regulation) lowers risk

If things go wrong it will be for unavoidable reasons, remedy will be timely, disruptions will be minimised.

These columns are derived from the Ministry of Transport's transport system strategy

Requires from the Commission

Inquiries properly conducted

Inquiry and entity information accessible shared and accessible

Responsive, reciprocal stakeholder relationships developed and maintained

Sound, cost-effective Crown entity performance

Capable staff developed and maintained

Achieved through these operating intentions

Develop and maintain inquiry and investigation best practice

Communication more about we do, learn and recommend in order to help improve transport safety

Grow stakeholder relationships for their mutual benefit, particularly in achieving safety transport

Continuously improve operating efficiency

Major accident preparedness

Drawn from the Commission's mission

Safer transport through investigation, learning and influence.

Delivering on the Commission's goal

No repeat accidents – ever!

Strategic commentary – Vision, mission, measures, priorities

The Transport Accident Investigation Commission seeks to contribute to a vision (outcome) of:

"No repeat accidents – ever!"

Like any vision, it is an aspirational one and unlikely to be achieved absolutely due to accident risk that is either deliberately accepted or cannot be eliminated. It aligns with our statutory purpose "…to determine the circumstances and causes of accidents and incidents with a view to avoiding similar occurrences in future…"

While the Commission acts independently it is a part of the New Zealand and international transport system. The facing table reprises the Commission's strategic intentions set out in this document and shows how they support wider priorities for the New Zealand transport system described by the Ministry of Transport in its own Statement of Intent.

We intend to assess progress towards our vision in the medium term by monitoring accident rates. In the year ahead we intend to assemble a basket of relevant accident rates to do this with and to establish a baseline for on-going trend monitoring.

This trend monitoring will provide further input and impetus to dialogue with the wider sector which have differing policy, regulatory, operational and personal responsibilities for improving transport safety, and thus contributing towards the vision.

The Commission's particular contribution in this mix is captured by its mission statement (overarching objective) of **"Safer transport through investigation, learning and influence."**

We intend to assess the extent to which we are delivering on this in the medium term by following up on how safety issues identified in our inquiries are resolved through continuing monitoring of safety recommendation implementations, extending it to include safety actions (steps taken by others following an event but before completion of an inquiry to address a safety issue that would have otherwise necessitated a recommendation). This will be supplemented by maintenance of a "Watch List" (to be published for the first time this year) which will highlight emerging or active safety issues or impediments to investigation where priority or progress to resolve them has been insufficient in the Commission's view. We will also continue annual historical impact reviews which take a type of accident within a single transport mode and attempts to assess the impact of the Commission's inquiry on these over a period of years.

To accomplish its mission and to satisfy these requirements of its empowering legislation, stakeholders, and Commissioners and staff, the organisation is focused on delivering on the following operating intentions in 2012-13:

- **Inquiries properly conducted**
- **Sound, cost-effective Crown entity performance**
- **Capable staff developed and maintained**
- **Inquiry and entity information shared and accessible**
- **Responsive, reciprocal stakeholder relationships developed and maintained**

This Statement of Intent sets out the significant measures by which progress towards these can be judged.

John Marshall QC
Chief Commissioner

The Transport Accident Investigation Commission

The principal purpose of the Transport Accident Investigation Commission (the Commission) is "to determine the circumstances and causes of accidents and incidents with a view to avoiding similar occurrences in the future, rather than to ascribe blame to any person" - Transport Accident Investigation Commission Act 1990 (the Act).

The Act gives the Commission powers and protections to enable accident investigation as its primary inquiry tool, supported by the general powers and processes of the Commissions of Inquiry Act 1908, including the use of submission and hearing processes, and requirements for the observance of natural justice. The Commission decides which aviation, marine or rail occurrences it enquires into based on the circumstances of an event and the likelihood of safety-related findings or recommendations to emerge (although the Minister of Transport may also direct it to open an inquiry). The Commission determines how it conducts its inquiries and is independent in deliberations.

The Commission is also an independent Crown entity under the Crown Entities Act 2004. The Commission operates independent of executive government and other government agencies, while fostering no-surprises and collegial relationships in the transport and other sectors consistent with its mandate, and with a state sector ethos and governance and management styles.

The Commission is the primary means by which New Zealand fulfils international aviation and maritime obligations[1] to conduct safety and prevention focused investigations of qualifying incidents and accidents that are independent of other responses to an event, particularly the apportionment of blame or liability.

The Wellington-based Commission is a board of three Commissioners which employs the Chief Executive who in turn employs a Chief Investigator of Accidents, nine investigators, and seven corporate staff. Specialist expertise and corporate services are contracted in as required.

Operating environment

The Commission is a small component of the New Zealand transport sector with the unique and important role of conducting investigation independently of any other interest for the purpose of helping to improve safety, and not to attribute blame or liability.

This role is consistent with, and contributory to, the Government's desired outcomes for a safer transport system that contributes to economic and social wellbeing, and is prepared to deal with shocks such as a major accident.

Safer operation of the transport system is a complex product of many influences including: human preparedness and performance; vehicle design, construction, maintenance and performance; and physical, policy, regulatory, social and economic environments. The responsibility for transport safety and its improvement is shared between the many state, commercial and community organisations, and individuals, including passengers and the consigners of freight.

Transport is an international enterprise and system. Transport safety issues and their identification and rectification are shared through reasons of trade, systems, vehicles, participants, training and experience (including in accident investigation), international convention, and foreign policy (including aid and development assistance priorities).

The current economic climate means that all routine cost pressures on the Commission must continue to be managed within existing funding for the foreseeable future. In any case, a recent three-year investment programme in technology and people for the Commission is being realised with new office systems, competency and efficiency in core investigation and corporate processes.

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[1] Annex 13 to the charter of the International Civil Aviation Organization. Casualty Code of the International Maritime Organization.

Current significant challenges or risks

The operating environment and organisational management pose several significant challenges or risks which are either addressed in the setting of operating intentions or which may impact on the achievement of these intentions.

- The Commission is receiving increasing requests for international assistance to either conduct or assist with investigations in jurisdictions without sufficient capacity to conduct them alone. There are also increasing incidents in international waters with a New Zealand connection, such as accidents involving ships fishing New Zealand quota, which the Commission might like to investigate in its own right but which its legislation does not enable.
- The continuing computerisation of transport operations and their monitoring provides the opportunity for more sophisticated data modelling to analyse safety-related indicators, occurrences and to help establish emerging risks. The continuing internationalisation of transport operations provides the opportunity for more readily transferable knowledge. These opportunities can only be realised by evolving knowledge management and research capability.
- An expensive investigation challenge (such as an aircraft jet engine strip-down), or a major inquiry (such as a mass fatality event), or an inquiry which required extensive hearing processes might require a reprioritisation of existing resources away from other work and/or application to the government for supplementary funding.
- When a new inquiry is opened is largely outside the Commission's control, and the immediate investigation needs of a new inquiry can disrupt work on existing ones. Similarly, random clustering or a string of more complex inquiries (particularly within a single transport mode) can impact on organisational work flow and output.
- The Commission has three investigator positions in each transport mode. While staff turnover is low, occasional vacancies and the subsequent needs to reassign investigations and to recruit, induct and train new staff can disrupt organisational work flow and output within a mode.
- The realisation of safety improvements flowing from the Commission's inquiries can only be achieved by the actions of a wider range of transport sector participants. This challenges the Commission to ensure it builds and maintains appropriate relationships with stakeholders to facilitate this, in addition to securing optimal co-operation during an inquiry.

Inquiries to be completed

Conducting inquiries in aviation, marine and rail safety occurrences is the Commission's core business. The Commission has over recent years traded quantity (down from 55) in exchange for more in-depth inquiries selected for a stronger emphasis on systemic or potentially new safety issues not already well known or being addressed. Volume, complexity, workflow and staffing issues can all impact on timeliness, and keeping duration of inquiries within acceptable targets is a focus. The Statement of Forecast Service Performance (on page 11) sets out a range of measures related to the completion of about 30 inquiries anticipated for the year.

Organisational capacity

The Commission intends to continue to develop the capacity of the organisation with a focus on improving policies, processes and capabilities so that organisational efficiency and effectiveness can be enhanced (and routine cost pressures met) from within existing resources.

Areas of on-going work delivering on the operating intentions set out in the strategic commentary, and expected deliverables for the year, are:

- The Commission is often asked to assist in other jurisdictions, and needs help itself from time to time. In 2011-12 the Commission was developing an international strategy which seeks to ensure relationships and engagements are developed in the best interests of the Commission, New Zealand, and the other involved state(s), and to streamline the associated processes and keep them consistent with TAIC's legal mandate and resourcing. This year a menu of engagement options and associated implementation procedures will be developed following consultation with domestic and international stakeholders.
- Inquiries generate and deal with a large amount of evidence, administration, and procedure. In 2011-12 an Accident Investigation Information Management System (AIIMS) was introduced on the Commission's information technology platform to provide workspace, filing, procedural and project management support to the conduct of investigations and their supervising inquiries. This year the focus will be on ensuring that the expected benefits from the system are realised through emphases on training, support and evaluation of its introduction and use.
- The Commission expects to manage all routine cost pressures from within its current baseline funding. It continuously seeks efficiencies to meet cost pressures and to improve service delivery where possible. This year it intends to continue to participate in cross-government purchasing and shared services initiatives when these are appropriate.
- A major transport accident in New Zealand would have a significant social and economic impact. The Commission, as well as other sector participants, must be ready to deal with one. This year, the Commission will continue to work with other agencies to ensure that New Zealand is well placed to deal with the needs of victims and their families following a major accident. It will also begin planning for a significant major accident exercise to take place in 2013-14.
- Over recent years the Commission has increased its emphases on systemic inquiries and identifying emerging safety issues. Further developing its research and data management related capacity and relationships with, particularly, other Crown entities in the transport sector, is needed to help provide a sound foundation for this approach. This year it intends to scope and complete, should it prove practicable, the automation of receipt and processing of safety occurrences from regulators which is currently a labour intensive process.
- While the Commission is able to report on its performance relative to previous years and has an informal sense of how well it performs alongside international peers, there is no formal benchmarking programme in place domestically or internationally. In order to enhance and focus performance assessment of the Commission, we intend to establish a formal benchmarking programme assessing practice and efficiency against relevant international and domestic organisations. This year the programme will be established, with the intention of establishing baseline data next year, with the system fully implemented the year later.
- As noted in the strategic commentary, the Commission relies on other sector participants to take the steps needed to improve transport safety, including addressing safety issues identified by the Commission. This year stakeholder relationship management responsibilities and performance expectations will be formally defined and assigned to relevant staff as part of the Commission's attention to improving its business intelligence and influence.
- The Commission has a rolling programme of internal policy and processes review. This year's focus will be on developing and introducing a contemporary business continuity policy with supporting processes and tools.

Relationship with the Minister of Transport

The Commission maintains a "no surprises" relationship with the Minister (or a delegated Associate Minister) consistent with its statutory independence, particularly for the selection, conduct and product of its inquiries. Standard elements of the relationship include the:

- Statement of Intent and subsequent quarterly and annual reporting against it
- monthly meetings of the Chief Commissioner with the Minister
- inclusion of significant recent or forthcoming activity in the Ministry of Transport's weekly critical issues report to the Minister ad hoc briefings of appropriate ministerial staff about significant recent or forthcoming activity.

Statement of Forecast Service Performance

The following table summarises the measures the Commission will use to gauge its performance against output targets:

Measure	Projected 2011/12	2012/13	2013/14	2014/15
Cost				
Average lifetime cost per inquiries closed	$252	$129k	$129k	$129k
Quantity				
Inquiries closed	30	30	30	30
Reports published	30	30	30	30
Timeliness				
Average age of inquiries in progress (working days)	300	300	250	220
Percentage closed under 220 days	0%	20%	40%	60%
Percentage closed under 310 days	22%	30%	60%	80%
Percentage closed under 440 days	33%	100%	100%	100%
Quality				
Historical Impact Review (qualitative measure)	See below	See below	See below	See below
Stakeholder Survey (qualitative measure)	Not Available	See below	See below	See below
Lack of successful Judicial Review of the inquiry process	-	-	-	-
Lack of successful review by the Ombudsman's Office	-	-	-	-

These measures are defined and the targets are explained below.

Cost

"*Average lifetime cost of inquiries closed*" is a measure of the Commission's efficiency and value for money. For each of the inquiries closed in the period, the approximate cost of that inquiry over its lifetime is calculated. The Commission is developing tools to better measure the actual costs of inquiries, including hours spent on each inquiry. The average of this figure for all the inquiries closed in the period indicates the expense involved in producing that period's output.

The Commission aims to have the average lifetime cost of inquiries closed not exceed a proportional share of the Commission's total budget for a year. The figure of $129k represents the Commission's total funding divided across the number of inquiries the Commission aims to produce. As this is a new measure, the Commission is still developing its understanding of how this figure changes in response to the Commission's output, and what fluctuations in the figure may mean.

Quantity

The Commission's workload fluctuates depending on the number of occurrences in New Zealand that have significant implications for transport safety. The Commission can control its launch rates, but only to a degree, as there will be cases that it will have little discretion on, major accidents being one example. However, the Commission can manage its workload and control its launch rate for those discretionary occurrences; those where it might make findings and safety recommendations, but the cost of the inquiry outweighs the value (increase in transport safety).

"*Inquiries closed*" and "*Reports Published*" are both measures of the Commission's output. "Inquiries closed" counts the number of investigations, foreign or domestic, that the Commission has conducted and closed to its satisfaction. Not all of the Commission's investigations result in a report being published, especially when the Commission is assisting an overseas investigation agency.

"Reports published" counts the number of reports on inquiries that the Commission has published in the period. Because the Commission sometimes publishes an interim or preliminary report prior to a final report, this figure does not correspond exactly to the number of inquiries closed.

The Commission's production figures are somewhat dependent on random variation in occurrence rates. Major occurrences, which require special attention and extra resources, significantly disrupt the Commission's work flow. The figure of 30 inquiries closed and 30 reports published represents what the Commission believes it should achieve if it is applying its launch criteria consistently, if its staff are working to full capacity, and if there are no major occurrences during the period. Launching complex and demanding inquiries, or decreased staff capacity, may influence this figure downward.

Timeliness

"*Average age of inquiries in progress*" is the average number of working days that each of the Commission's currently-open inquiries has been open. It is calculated at the end of each period. This number gives an indication of the Commission's work flow. A high average age means that the Commission has not had sufficient turnover of inquiries, and a backlog or queue may be forming. The average age of inquiries is currently high, and the Commission aims to reduce this over time.

The time taken to complete an inquiry depends on several factors. Most notably it depends on the complexity and scope of the inquiry, and how effectively the Commission is working on the investigation. The industry standard, as defined by the International Civil Aviation Organisation, is that all inquiries should be completed within two years (440 working days). Many less complex inquiries should be possible to close within 220 working days.

"*Percentage published less than 220 days*" calculates the number of reports published in the period that took fewer than 220 working days to complete, as a percentage of the total number of reports published in the period.

The Commission aims to improve in this measure. Currently very few of the Commission's inquiries are published in less than 220 working days. The Commission intends to achieve a gradual improvement in this measure. The figure of 50% of inquiries published in less than 220 working days represents what the Commission believes is the average percentage of its inquiries that warrant no more than 220 days of work. If the Commission is completing fewer than 50% of its inquiries within 220 days, it may indicate that either the Commission is not working on its inquiries effectively, or that the percentage of complex cases is unusually high.

"*Percentage published fewer than 310 and 440 days*" is calculated in the same way as the figure for 220 days. The Commission aims to eventually achieve the industry standard of no inquiries taking longer than 440 days. Internationally, many organisations do not meet this target. However, the Commission believes that it is possible.

Quality

Historical impact reviews are case studies of a specific area or occurrence type that the Commission has inquired into. The Commission conducts a review of a different area each year. As well as assessing the impact of the Commission's inquiries, they look at the quality of the inquiries by reviewing the Commission's findings and recommendations with the benefit of hindsight. In a previous review, the Commission found that some of its inquiries and recommendations in the reviewed area were of too narrow a scope to have a significant impact on transport safety. Future reviews will assess this aspect of quality, as well as others.

The Commission's *stakeholder surveys* are still in development, but these are intended to examine not just the influence of the Commission's inquiries, but also their quality in terms of communication, access, and fairness. The Commission will be designing the survey questions so as to enable a measure against what it is aiming to achieve in these areas. Targets for this quality measure are still under development.

Lack of successful Judicial and Ombudsman's office reviews inquiries are considered to have been conducted in accordance with statutory mandates if they are not successfully contested.

The Commission continues to investigate other measures of quality.

Other matters required to be addressed

Processes in relation to acquisitions (3.8)

Not applicable as the Commission does not intend shares or interest in any company or other entity.

Statement of accounting policies

Reporting entity

The Commission is an independent Crown entity established under the Transport Accident Investigation Commission Act 1990.The Commission is also a Public Benefit Entity (PBE) for the Purposes of NZIFRS.

The Commission investigates aviation, marine and rail accidents and incidents, the circumstances of which have, or are likely to have, significant implications for transport safety. The Commission publishes recommendations and reports on accidents and incidents in order to avoid similar occurrences in the future.

The Commission also represents New Zealand at accident investigations conducted by overseas authorities in which New Zealand has a specific interest, conducted by overseas authorities, and exchanges accident and incident information with overseas government accident investigation authorities.

The Commission's accident investigation capability is occasionally extended, on a cost recovery basis where possible, to Pacific Island states with no similar agency.

The Prospective Financial Statements of the Commission are for the years 2012-2015. The Prospective Financial Statements were authorised for issue by the Board on 30 April 2012.

Accounting policies and changes in accounting policies

Accounting policies

Overall considerations

The Prospective Financial Statements have been prepared in accordance with the Transport Accident Investigation Commission Act 1990 and the Crown Entities Act 2004, which includes the requirement to comply with New Zealand's generally accepted accounting practice ("NZ GAAP").

The Prospective Financial Statements have been prepared on a historical cost basis.

The Prospective Financial Statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars.

Changes in accounting policies

The accounting policies are consistent with those used in previous Prospective Financial Statements.

It should be noted that the External Reporting Board is consulting on a new accounting standards framework for public benefit entities.

It is expected that all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2014 will not be applicable to full public benefit entities. This means that the financial reporting requirements for public benefit entities are expected to be effectively frozen in the short term. Accordingly, no disclosure has been made about new or amended NZ IFRS.

Particular accounting policies

The following particular accounting policies that materially affect the measurement of financial performance and financial position have been applied:

(a) *Budget figures*

The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Commission for the preparation of the Prospective Financial Statements.

(b) *Revenue*

Revenue from Crown

The Commission derives revenue through the provision of outputs to the Crown, for services to third parties and income from its investments. Such revenue is recognised at fair value when earned and is reported in the financial period to which it relates.

Interest

Interest income is recognised as it accrues on bank account balances, on-call and short-term deposits.

(c) *Financial Instruments*

The Commission's financial instruments comprise cash and cash equivalents, trade and other receivables and creditors and other payables. A financial instrument is recognised when the Commission becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all the substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial instruments are initially recognised at their fair value and classified into one of the following categories. Financial assets and financial liabilities are measured subsequently as described below.

Financial Assets

For the purpose of subsequent measurement, are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit and loss;
- held to maturity investments; and
- available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except those at fair value through the profit and loss are subject to review for impairment at least each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Commission's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted using the effective interest rate method.

Financial Liabilities

The Commission's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest rate method, except for financial liabilities, held for trading or designated at fair value through profit and loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss. The Commission does not currently have any financial liabilities held for trading or designated at fair value through profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(e) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the asset’s carrying value and the present value of estimated future cash flows, discounted using the effective interest rate method.

(f) Property, plant and equipment are shown at cost less accumulated depreciation and impairment losses

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

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 the Prospective Statement of Comprehensive Income.

Depreciation

Depreciation is provided on a straight line basis at rates that will write the assets off over their estimated useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimates as follows:

Fixed Asset Type	Useful Life (Years)	Depreciation Rate %
Buildings (store)	5 - 50	2% to 20%
Computer equipment	2.0 – 10	10% to 67%
Furniture and equipment	1.24 – 20	5.13% to 80.4%
Software (AIIMS)	2.08 – 3	0% to 48%

(g) Intangible assets

Software acquisition

Acquired computer software licenses are capitalised 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.

Amortisation

Computer software licenses are amortised on a straight-line basis over their estimated useful life of 3 years. Amortisation begins when the asset is available for use and ceases at the date the asset is disposed of. The amortisation charge is recognised in the Prospective Statement of Comprehensive Income.

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment at each financial reporting date and 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.

(h) GST

All items in the Prospective Financial Statements are stated exclusive of GST except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

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 Prospective 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 Prospective Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

(i) Forecast of cash flows

Cash comprises monies held in the Commission’s bank accounts and short term deposits.

Financing activities comprise the change in equity and debt capital structure of the Commission.

Investing activities relate to the sale and purchase of fixed assets.

Operating activities include all transactions and other events that are not investing or financing activities. Interest received is included in operating activities.

(j) Employee entitlements

Employee entitlements that the Commission 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 to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within the next 12 months, and sick leave.

The Commission recognises a liability for sick leave to the extent that compensated 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 sick leave entitlement that can be carried forward at balance date, to the extent the Commission anticipates it will be used by staff to cover those future absences.

(k) Superannuation scheme

Defined contribution scheme

Obligations for contributions to Kiwisaver are accounted for as a defined contribution superannuation scheme and is recognised as an expense in the Prospective Statement of Comprehensive Income as incurred.

(l) Taxation

The Commission is a public authority in terms of the Income Tax Act 2004 and consequently is exempt from income tax.

(m) 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 incurred over the lease term of the lease in the Prospective Statement of Comprehensive Income.

Lease incentives received are recognised in the Prospective Statement of Comprehensive Income over the lease term as an integral part of the total lease term.

The Commission has a lease for Level 11, Cigna House which is surplus to requirement. The Commission has a tenant signed until the expiry of the lease, in May 2015. As a result of the sub-lease the Commission will incur a loss. A provision of $181,000 has been provided for in the financial statement to cover the net present value of this loss. The provision is for the future discounted rental payments not of anticipated rental income.

(n) Financial instrument risks

The Commission has policies to manage the risks associated with financial instruments. The Commission is risk averse and seeks to minimise exposure from its treasury activities. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Commission's exposure to fair value interest rate risk is limited to its short-term bank deposits which are held at fixed rates of interest.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates expose the Commission to cash flow interest rate risk. The Commission has no variable interest rate investments.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Commission is not exposed to currency risk, as it does not enter into foreign currency transactions.

Credit risk

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

Due to the timing of its cash inflows and outflows, the Commission invests surplus cash with registered banks. The Commission's investment policy limits the amount of credit exposure to any one institution.

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

The Commission has no significant concentrations of credit risk as it does not have any credit customers and only invests funds with registered banks with specified credit ratings.

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty raising liquid funds to meet commitments as the fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate amount of committed credit facilities and the ability to close out market positions. The Commission aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Commission maintains a target level of investments that must mature within specified timeframes.

The Commission holds cash with Kiwi Bank, National Bank and Bank of New Zealand.

Critical accounting estimates and assumptions

In preparing these Prospective Financial Statements the Commission has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectation 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:

Property, plant and equipment useful lives and residual values

At each balance date the Commission reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Commission to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Commission, and expected disposal proceeds from the future sale of the asset.

The total cost of the sub-lease of Cigna House has been estimated and included in the current year's lease, rental and outgoings expense. This cost has been calculated by discounting the future net cash outflows of the sub-lease at a discount rate of 5%.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Prospective Statement of Comprehensive Income, and carrying amount of the asset in the Prospective Statement of Financial Position. The Commission minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- analysis of prior asset sales.

The Commission has not made any significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying the Commission's accounting policies

Management has exercised the following critical judgements in applying the Commission's accounting policies.

Lease classification

Determining whether a lease agreement is finance or an operating lease requires judgment as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission. Judgment is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognized in the Prospective Statement of Financial Position as property, plant and equipment, whereas for an operating lease no such asset is recognized.

The Commission has exercised its judgment on the appropriate classification of equipment leases and, has determined that the lease arrangement with Fuji Xerox is a finance lease.

2012 Forecasts and Projection to 2015

2012 forecast and projection to 2015 Prospective Statement of comprehensive income					
Figures exclude GST unless specified					
	Actual	Forecast	Forecast	Forecast	Forecast
Year ending:	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15
Revenue:	$000	$000	$000	$000	$000
Crown	3,938	3,938	3,865	3,865	3,865
Other/lease	122	126	126	126	126
Cost recoveries	-	45	-	-	-
Gifted Income	87	-	-	-	-
Profit on sale of fixed assets					
Interest on deposits	39	30	23	27	32
Total revenue	**4,186**	**4,139**	**4,014**	**4,018**	**4,023**
Expenses:					
Audit	16	19	19	19	19
Capital Charge	90	-	-	-	-
Commissioners' fees (excluding expenses)	144	137	139	140	141
Depreciation	114	163	135	135	135
Personnel costs	2,005	2,071	2,219	2,186	2,173
Lease, rentals and outgoings	777	818	802	802	803
Other losses (Fraud and costs)	85	-	-	-	-
Loss on sale of fixed assets	-	-	-	-	-
Other operating costs	767	716	700	736	752
Total expenses	**3,998**	**3,924**	**4,014**	**4,018**	**4,023**
Surplus (deficit)	**188**	**215**	**-**	**-**	**-**

2012 forecast and projection to 2015

Prospective Statement of financial position

	Actual	Forecast	Forecast	Forecast	Forecast
Year ending:	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15
Assets	$000	$000	$000	$000	$000
Current Assets					
Cash and Cash Equivalent	1,028	706	636	656	689
Prepayments	18	15	40	40	40
Trade and other Receivables	2	10	20	20	20
Non-Current Assets					
Total Non-Current Assets	849	1,193	1,165	1,100	1,008
Total Assets	1,897	1,924	1,861	1,816	1,757
Liabilities					
Current Liabilities					
Trade and other payables	126	85	70	70	70
Employee benefits	155	105	95	95	95
Finance Lease	14	38	6	-	-
Non-Current Liabilities					
Finance Lease	44	6	-		
Provision for rental loss	181	98	98	59	-
Total liabilities	520	332	269	224	165
Taxpayers' funds	**1,377**	**1,592**	**1,592**	**1,592**	**1,592**
Taxpayer's funds as a percentage of total assets.	**73%**	**83%**	**86%**	**88%**	**91%**
Ratio of current assets to current liabilities	**3**	**2.2**	**2.6**	**3.2**	**4.5**
Ratio of fixed assets to total assets.	**0.4**	**0.6**	**0.6**	**0.6**	**0.6**
Taxpayers' funds:					
Taxpayers' funds at beginning of year	1,189	1,377	1,592	1,592	1,592
Surplus (deficit) for year	188	215	-	-	-
Capital injection	-	-	-	-	-
Taxpayers' funds at end of year	**1,377**	**1,592**	**1,592**	**1,592**	**1,592**

2012 forecast and projection to 2015 Prospective statement of Cash flow					
	Actual	Forecast	Forecast	Forecast	Forecast
Year ending:	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15
Cash flows from operating activities:	$000	$000	$000	$000	$000
Cash provided from:					
Supply of outputs - to Crown	3,938	3,938	3,865	3,865	3,865
Supply of outputs - to other	129	171	126	126	126
Interest	48	30	23	27	32
Cash disbursed to:					
Cost of producing outputs	-3,872	-3,924	-4,014	-3,928	-3,920
Payment of capital charge to Crown	-90	-	-	-	-
Net cash flows from operating activities	**153**	**215**	**0**	**90**	103
Cash flows from investing activities:					
Cash provided from:	-	-	-	-	-
Sale of investments	-	-	-	-	-
Cash disbursed to:					
Purchase of fixed assets	-451	-507	-70	-70	-70
Net cash flows from investing activities	**-451**	**-507**	**-70**	**-70**	**-70**
Cash flows from financing activities:					
Cash provided from:					
Capital contribution from Crown	-	-	-	-	-
Cash disbursed to:					
Payment to finance lease	-33	-30	0	0	0
Net cash flows from financing activities	-33	-30	0	0	0
Net increase (decrease) in cash held -	-331	-322	-70	20	33
Cash at beginning of period	1,359	1,028	706	636	656
Gain (loss) effect of exchange rate changes	-	-	-	-	-
Cash at end of period	**1,028**	**706**	**636**	**656**	**689**

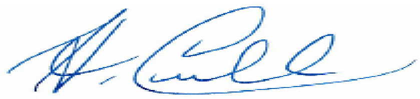
2012 forecast and projection to 2015

Prospective Capital expenditure

	Actual	Forecast	Forecast	Forecast	Forecast
Year ending:	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15
Fixed asset programme	$000	$000	$000	$000	$000
Revenue Capital	-	-	-	-	-
Depreciation	114	163	135	135	135
AIMS Hardware and Software	586	422	-	-	-
Computer equipment	30	35	30	30	30
Investigation, Furniture & fittings, office equipment	30	50	40	40	40
Total acquisition cost	**646**	**507**	**70**	**70**	**70**
Average total acquisition cost over forecast 5 years	-	-	-	-	273
Capital expenditure as a percentage of fixed assets	76%	42%	6%	6%	7%
Average capital expenditure as a % of fixed assets over forecast 5 years					28%
Sale value of surplus capital items	-	-	-	-	-
Profit/(loss) on sale of surplus capital items	-	-	-	-	-
Average sale value over forecast 5 years					-
Average net cost of fixed assets					273

John Marshall QC

Chief Commissioner



Helen Cull QC

Deputy Chief Commissioner

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