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Generally Accepted Accounting Practice (GAAP) Series Tables

Forecast Financial Statements

These forecasts have been prepared in accordance with the Public Finance Act 1989.

They are based on the accounting policies and assumptions that follow. As with all such assumptions, there is a degree of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends.

The forecasts have been prepared in accordance with the Statement of Responsibility and reflect the judgements and information known at the time they were prepared. They reflect all Government decisions and circumstances communicated to 8 May 2006.

Finalisation dates and key assumptions that underpin the preparation of the GAAP tables are outlined at the start of the Fiscal Outlook chapter on page 82.

10 year trend information

| Summary indicators | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------------------|--------|--------|--------|--------|--------|----------|----------|----------|----------|----------|
| (% of GDP) | Actual | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast | Forecast | Forecast |
| Revenue | | | | | | | | | | |
| Core Crown | 32.1 | 31.7 | 33.1 | 33.0 | 34.5 | 36.3 | 35.1 | 34.2 | 33.5 | 34.2 |
| Tax Revenue | 29.3 | 28.8 | 30.2 | 29.9 | 30.9 | 31.7 | 31.7 | 30.8 | 30.1 | 30.8 |
| Total Crown | 38.4 | 39.7 | 43.2 | 42.4 | 44.4 | 47.4 | 45.4 | 44.3 | 43.5 | 44.1 |
| Expenses | | | | | | | | | | |
| Core Crown | 31.0 | 30.2 | 31.7 | 29.2 | 30.6 | 32.3 | 32.7 | 32.6 | 32.5 | 32.3 |
| Total Crown | 37.3 | 37.8 | 41.9 | 37.3 | 40.4 | 42.1 | 41.9 | 41.8 | 41.6 | 41.3 |
| Operating balance | 1.1 | 1.9 | 1.5 | 5.2 | 4.1 | 5.4 | 3.6 | 2.6 | 2.0 | 2.9 |
| OBERAC | 1.8 | 2.2 | 4.2 | 4.7 | 5.9 | 4.5 | 3.6 | 2.6 | 2.0 | 2.9 |
| OBERAC (excl NZSF returns) | 1.8 | 2.2 | 4.2 | 4.5 | 5.6 | 4.2 | 3.2 | 2.1 | 1.4 | 2.2 |
| Net Worth | 9.7 | 14.9 | 18.0 | 24.9 | 33.1 | 37.4 | 40.2 | 40.6 | 40.5 | 41.4 |
| Gross sovereign-issued debt | 31.0 | 28.7 | 27.4 | 25.0 | 23.2 | 23.0 | 21.9 | 21.9 | 20.7 | 19.4 |
| Net core Crown debt | 16.9 | 15.3 | 13.3 | 10.7 | 7.1 | 5.8 | 5.8 | 6.1 | 7.1 | 7.2 |
| NZS Fund Balance | 0.0 | 0.5 | 1.4 | 2.8 | 4.3 | 6.4 | 8.0 | 9.4 | 10.8 | 12.4 |

Statement of Accounting Policies and Forecast Assumptions

General Accounting Policies and Forecast Assumptions

General accounting policies

Accounting policy

These Forecast Financial Statements comply with generally accepted accounting practice. With the adoption of NZ IFRS from 1 July 2007, actual results from this date will be prepared in accordance with NZ IFRS. FRS-29 (Prospective Financial Statements) requires prospective information to be prepared in accordance with the financial standards that will be effective in these periods, which will be NZ IFRS for periods beginning 1 July 2007. However, as the impact of the transition to NZ IFRS has not been fully identified and clarified, the forecast financial statements in the 2006 *Budget Update* have been prepared under current financial reporting standards.

The measurement base applied is historical cost adjusted for revaluations of property, plant and equipment (where appropriate), commercial forests and marketable securities & deposits and equity investments held for trading purposes.

Revaluations are made to reflect the forecast service potential or economic benefit obtained through control of the assets. The accrual basis of accounting has been used.

Forecast assumptions

For forecast purposes, no revaluations of property, plant and equipment are projected beyond the current year.

Specific Accounting Policies and Forecast Assumptions

Forecast periods

The reporting periods covered by these Forecast Financial Statements are the years ending 30 June 2006, 30 June 2007, 30 June 2008, 30 June 2009 and 30 June 2010.

Certain state-owned enterprises and Crown entities have different reporting periods from the Crown.

The forecasts for 30 June 2006 have generally been prepared using actual data to 28 February or 31 March 2006 (in some instances). Transactions for the remainder of the year are forecast in accordance with the Crown's accounting policies and forecast assumptions.

Changes in accounting policies

There has been a change in the accounting policy for student loans to better reflect their value under the new no-interest policy. Further information on the nature of the change was disclosed in the 2005 *Half Year Economic and Fiscal Update* (refer to the Student Loan Policy box on page 39) and the impact of the change is reflected in Note 10 on page 173.

All other policies have been applied on a consistent basis during the forecast period.

Changes in forecast assumptions

Changes to the forecast assumptions used for the forecasts published in the 2006 *Budget Economic and Fiscal Update* are outlined on page 82.

Detailed accounting policies and forecast assumptions

The specific accounting and forecasting policies are reproduced in full on Treasury's website at <http://www.treasury.govt.nz/forecasts/befu/2006/>.

Reporting Entity as at 8 May 2006

These Forecast Financial Statements are for the Crown reporting entity as specified in Part III of the Public Finance Act 1989. This comprises Ministers of the Crown and the following entities:

| Departments | Departments | State-owned enterprises |
|--|---|---|
| Agriculture and Forestry Archives New Zealand Building and Housing Child, Youth and Family Services Conservation Corrections Crown Law Culture and Heritage Customs Defence Economic Development Education Education Review Office Environment Fisheries Foreign Affairs and Trade Government Communications Security Bureau Health Inland Revenue Internal Affairs | Justice Labour Land Information New Zealand Māori Development National Library New Zealand Defence Force Office of the Clerk Pacific Island Affairs Parliamentary Counsel Office Parliamentary Service Police Prime Minister and Cabinet Research, Science and Technology Security Intelligence Service Serious Fraud Office Social Development State Services Commission Statistics Transport Treasury Women's Affairs | Agriquality Limited Airways Corporation of New Zealand Limited Animal Control Products Limited Asure New Zealand Limited Electricity Corporation of New Zealand Limited Genesis Power Limited Landcorp Farming Limited Learning Media Limited Meridian Energy Limited Meteorological Service of New Zealand Limited Mighty River Power Limited New Zealand Post Limited New Zealand Railways Corporation Quotable Value Limited Solid Energy New Zealand Limited Terralink Limited (in liquidation) Timberlands West Coast Limited Transmission Holdings Limited Transpower New Zealand Limited |
| Others Government Superannuation Fund New Zealand Superannuation Fund Reserve Bank of New Zealand | | Air New Zealand Limited (included for disclosure purposes as if it were a SOE) |

| Crown entities | |
|--|---|
| Accident Compensation Corporation | New Zealand Film Commission |
| Accounting Standards Review Board | New Zealand Fire Service Commission |
| Alcohol Advisory Council of New Zealand | New Zealand Historic Places Trust (Pouhere Taonga) |
| Arts Council of New Zealand Toi Aotearoa | New Zealand Lotteries Commission |
| Broadcasting Commission | New Zealand Qualifications Authority |
| Broadcasting Standards Authority | New Zealand Sports Drug Agency |
| Career Services | New Zealand Symphony Orchestra |
| Charities Commission | New Zealand Teachers Council |
| Children's Commissioner | New Zealand Tourism Board |
| Civil Aviation Authority of New Zealand | New Zealand Trade and Enterprise |
| Commerce Commission | New Zealand Venture Investment Fund Limited |
| Crown Health Financing Agency | Office of Film and Literature Classification |
| Crown research institutes (9) | Pharmaceutical Management Agency |
| District health boards (21) | Police Complaints Authority |
| Earthquake Commission | Privacy Commissioner |
| Electoral Commission | Public Trust |
| Electricity Commission | Radio New Zealand Limited |
| Energy Efficiency and Conservation Authority | Retirement Commissioner |
| Environmental Risk Management Authority | School boards of trustees (2,468) |
| Families Commission | Securities Commission |
| Foundation for Research, Science and Technology | Social Workers Registration Board |
| Government Superannuation Fund Authority | Sport and Recreation New Zealand |
| Guardians of New Zealand Superannuation | Standards Council |
| Health and Disability Commissioner | Takeovers Panel |
| Health Research Council of New Zealand | Te Reo Whakapuaki Irirangi (Te Māngai Pāho) |
| Health Sponsorship Council | Te Taura Whiri i te Reo Māori (Māori Language Commission) |
| Housing New Zealand Corporation | Television New Zealand Limited |
| Human Rights Commission | Tertiary Education Commission |
| Land Transport New Zealand | Tertiary education institutions (33) |
| Law Commission | Testing Laboratory Registration Council |
| Legal Services Agency | Transit New Zealand |
| Maritime New Zealand | Transport Accident Investigation Commission |
| Mental Health Commission | |
| Museum of New Zealand Te Papa Tongarewa Board | |
| New Zealand Antarctic Institute | |
| New Zealand Artificial Limb Board | |
| New Zealand Blood Service | |
| Organisations named or described in Schedule 4 to the Public Finance Act 1989 | |
| Agriculture and Marketing Research and Development Trust | New Zealand Lottery Grants Board |
| Asia New Zealand Foundation | Ngai Tahu Ancillary Claims Trust |
| Fish and game councils (12) | Pacific Co-operation Foundation |
| Leadership Development Centre Trust | Pacific Islands Business Development Trust |
| New Zealand Fish and Game Council | Research and Education Advanced Network New Zealand Limited |
| New Zealand Game Bird Habitat Trust Board | Reserves boards (24) |
| New Zealand Government Property Corporation | Road Safety Trust |

Forecast Statement of Financial Performance

for the years ending 30 June

| (\$ million) | Note | 2006 | | | | | | |
|---|----------|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| | | 2005 Actual | Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| Revenue | | | | | | | | |
| Taxation revenue | 1 | 46,624 | 48,102 | 49,607 | 50,669 | 52,109 | 53,637 | 57,709 |
| Levies, fees, fines and penalties | 1 | 3,115 | 3,206 | 3,128 | 3,179 | 3,229 | 3,302 | 3,367 |
| Total Revenue Levied through the Crown's Sovereign Power | 1 | 49,739 | 51,308 | 52,735 | 53,848 | 55,338 | 56,939 | 61,076 |
| Sales of goods and services | 2 | 11,331 | 11,850 | 12,585 | 12,715 | 13,126 | 13,796 | 14,364 |
| Investment income | 3 | 3,814 | 3,322 | 6,190 | 3,687 | 3,993 | 4,378 | 4,757 |
| Other revenue | 4 | 2,181 | 2,290 | 2,577 | 2,361 | 2,385 | 2,447 | 2,519 |
| Total Revenue Earned through the Crown's Operations | | 17,326 | 17,462 | 21,352 | 18,763 | 19,504 | 20,621 | 21,640 |
| Total Crown Revenue | | 67,065 | 68,770 | 74,087 | 72,611 | 74,842 | 77,560 | 82,716 |
| Expenses | | | | | | | | |
| By input type | | | | | | | | |
| Subsidies and transfer payments | 5 | 15,844 | 17,002 | 17,047 | 18,189 | 19,445 | 20,111 | 21,094 |
| Personnel expenses | 6 | 13,562 | 14,483 | 14,846 | 15,136 | 15,368 | 15,580 | 15,664 |
| Operating expenses | 7 | 25,314 | 27,123 | 29,644 | 29,820 | 30,537 | 31,322 | 31,726 |
| New operating spending up to Budget 2006 | 8 | .. | 271 | 7 | 320 | 146 | 189 | 209 |
| Forecast new operating spending | 8 | .. | .. | .. | .. | 1,416 | 3,284 | 5,197 |
| Finance costs | | 2,760 | 2,792 | 2,792 | 2,854 | 3,087 | 3,053 | 2,973 |
| Net foreign-exchange (gains)/losses | | (17) | .. | (198) | .. | .. | .. | .. |
| Movement in total GSF liability | 15 | 1,410 | (24) | 409 | (17) | (57) | (100) | (132) |
| Movement in total ACC liability | 16 | 2,037 | 597 | 1,187 | 674 | 690 | 693 | 706 |
| Total Crown expenses | | 60,910 | 62,244 | 65,734 | 66,976 | 70,632 | 74,132 | 77,437 |
| Revenues less Expenses | | 6,155 | 6,526 | 8,353 | 5,635 | 4,210 | 3,428 | 5,279 |
| Net surplus of TEIs | | 133 | 139 | 133 | 133 | 133 | 133 | 133 |
| Operating balance (including minority interest) | | 6,288 | 6,665 | 8,486 | 5,768 | 4,343 | 3,561 | 5,412 |
| Minority interest | | (41) | .. | .. | .. | .. | .. | .. |
| Operating Balance | | 6,247 | 6,665 | 8,486 | 5,768 | 4,343 | 3,561 | 5,412 |

The revenues and expenses are GST exclusive.

The accompanying Notes and Accounting policies are an integral part of these Statements.

Forecast Statement of Financial Performance (continued)

for the years ending 30 June

Below is an analysis of total Crown expenses and core Crown expenses by functional classification. This information reconciles to segmental information within the Statement of Segments.

| (\$ million) | 2006 | | | | | | 2010 |
|--|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 Actual | Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | |
| Total Crown expenses by functional classification | | | | | | | |
| Social security and welfare | 18,522 | 18,173 | 18,744 | 19,706 | 20,969 | 21,716 | 22,511 |
| GSF pension expenses | 2,442 | 1,019 | 1,710 | 1,051 | 1,048 | 1,040 | 1,027 |
| Health | 8,444 | 9,330 | 9,284 | 10,305 | 10,217 | 10,288 | 10,309 |
| Education | 8,619 | 9,163 | 10,852 | 9,892 | 10,149 | 10,205 | 10,329 |
| Core government services | 2,085 | 2,009 | 2,011 | 2,031 | 2,080 | 2,104 | 2,110 |
| Law and order | 2,131 | 2,364 | 2,418 | 2,604 | 2,642 | 2,670 | 2,676 |
| Defence | 1,229 | 1,290 | 1,317 | 1,405 | 1,433 | 1,535 | 1,622 |
| Transport and communications | 5,948 | 6,520 | 6,201 | 6,853 | 7,200 | 7,520 | 7,739 |
| Economic and industrial services | 4,859 | 5,411 | 6,340 | 5,896 | 6,181 | 6,388 | 6,567 |
| Primary services | 1,128 | 1,236 | 1,190 | 1,198 | 1,210 | 1,226 | 1,226 |
| Heritage, culture and recreation | 2,032 | 1,810 | 2,253 | 1,900 | 1,907 | 1,948 | 1,982 |
| Housing and community development | 697 | 739 | 761 | 851 | 868 | 887 | 881 |
| Other | 31 | 117 | 52 | 110 | 79 | 79 | 79 |
| Finance costs | 2,760 | 2,792 | 2,792 | 2,854 | 3,087 | 3,053 | 2,973 |
| Net foreign-exchange (gains)/losses | (17) | .. | (198) | .. | .. | .. | .. |
| New operating spending up to Budget 2007 | .. | 271 | 7 | 320 | 146 | 189 | 209 |
| Forecast new operating spending | .. | .. | .. | .. | 1,416 | 3,284 | 5,197 |
| Total Crown Expenses | 60,910 | 62,244 | 65,734 | 66,976 | 70,632 | 74,132 | 77,437 |
| Core Crown expenses by functional classification | | | | | | | |
| Social security and welfare | 14,682 | 15,611 | 15,702 | 16,956 | 18,044 | 18,628 | 19,246 |
| GSF pension expenses | 2,442 | 1,019 | 1,710 | 1,051 | 1,048 | 1,040 | 1,027 |
| Health | 8,813 | 9,666 | 9,563 | 10,732 | 10,673 | 10,787 | 10,834 |
| Education | 7,930 | 8,681 | 10,039 | 9,068 | 9,337 | 9,431 | 9,508 |
| Core government services | 2,217 | 2,098 | 2,198 | 2,301 | 2,337 | 2,332 | 2,312 |
| Law and order | 1,977 | 2,177 | 2,233 | 2,393 | 2,428 | 2,436 | 2,429 |
| Defence | 1,275 | 1,341 | 1,378 | 1,457 | 1,492 | 1,591 | 1,676 |
| Transport and communications | 1,635 | 1,895 | 1,910 | 2,524 | 2,642 | 2,811 | 2,771 |
| Economic and industrial services | 1,444 | 1,679 | 1,725 | 1,721 | 1,839 | 1,801 | 1,769 |
| Primary services | 394 | 445 | 446 | 441 | 438 | 437 | 428 |
| Heritage, culture and recreation | 991 | 786 | 1,162 | 812 | 793 | 797 | 804 |
| Housing and community development | 163 | 214 | 214 | 278 | 277 | 250 | 243 |
| Other | 32 | 117 | 52 | 110 | 79 | 79 | 79 |
| Finance costs | 2,274 | 2,245 | 2,156 | 2,090 | 2,169 | 2,080 | 1,995 |
| Net foreign-exchange (gains)/losses | (35) | .. | (50) | .. | .. | .. | .. |
| New operating spending up to Budget 2007 | .. | 271 | 7 | 320 | 146 | 189 | 209 |
| Forecast new operating spending | .. | .. | .. | .. | 1,416 | 3,284 | 5,197 |
| Total Core Crown Expenses | 46,234 | 48,245 | 50,445 | 52,254 | 55,158 | 57,973 | 60,527 |

The accompanying Notes and Accounting policies are an integral part of these Statements.

Forecast Statement of Cash Flows

for the year ending 30 June

| (\$ million) | 2006 | | | | | | |
|---|-----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| | 2005 Actual | Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| Cash Flows from Operations | | | | | | | |
| Cash was Provided from | | | | | | | |
| Total tax receipts (refer Note 1) | 46,867 | 48,106 | 49,460 | 50,738 | 52,194 | 53,710 | 57,782 |
| Total other sovereign receipts (refer Note 1) | 2,974 | 2,995 | 3,136 | 3,047 | 3,152 | 3,225 | 3,363 |
| Interest | 1,642 | 1,346 | 1,546 | 1,422 | 1,536 | 1,604 | 1,623 |
| Dividends | 66 | 73 | 84 | 90 | 97 | 103 | 108 |
| Sales of goods and services | 11,517 | 12,118 | 12,884 | 13,089 | 13,464 | 14,110 | 14,705 |
| Other operating receipts | 2,186 | 2,194 | 2,767 | 2,393 | 2,355 | 2,446 | 2,522 |
| Total Cash Provided from Operations | 65,252 | 66,832 | 69,877 | 70,779 | 72,798 | 75,198 | 80,103 |
| Cash was Disbursed to | | | | | | | |
| Subsidies and transfer payments | 15,717 | 17,236 | 17,167 | 18,665 | 19,966 | 20,660 | 21,427 |
| Personnel and operating payments | 35,052 | 37,911 | 39,594 | 41,670 | 42,240 | 43,064 | 43,878 |
| Finance costs | 2,294 | 2,471 | 2,477 | 2,441 | 2,622 | 2,687 | 2,665 |
| Forecast new operating spending | .. | 271 | 7 | 320 | 1,562 | 3,473 | 5,406 |
| Total Cash Disbursed to Operations | 53,063 | 57,889 | 59,245 | 63,096 | 66,390 | 69,884 | 73,376 |
| Net Cash Flows from Operations | 12,189 | 8,943 | 10,632 | 7,683 | 6,408 | 5,314 | 6,727 |
| Cash Flows from Investing Activities | | | | | | | |
| Cash was Provided from | | | | | | | |
| Sale of physical assets | 316 | .. | 1,824 | .. | .. | .. | .. |
| Total Cash Provided | 316 | .. | 1,824 | .. | .. | .. | .. |
| Cash was Disbursed to | | | | | | | |
| Purchase of physical assets | 4,862 | 6,553 | 6,359 | 6,713 | 5,226 | 5,147 | 4,215 |
| Net increase in advances | 1,061 | 1,943 | 1,764 | 1,808 | 1,685 | 536 | 420 |
| Net purchase/(sale) of marketable securities, deposits and other equity investments | 6,677 | 2,086 | 6,024 | (527) | 2,078 | (617) | 432 |
| Forecast new capital spending | .. | 100 | .. | 256 | 456 | 450 | 699 |
| Total Cash Disbursed | 12,600 | 10,682 | 14,147 | 8,250 | 9,445 | 5,516 | 5,766 |
| Net Cash Flows from Investing Activities | (12,284) | (10,682) | (12,323) | (8,250) | (9,445) | (5,516) | (5,766) |
| Net Cash Flows from Operating and Investing Activities | (95) | (1,739) | (1,691) | (567) | (3,037) | (202) | 961 |
| Cash Flows from Financing Activities | | | | | | | |
| Cash was Provided from | | | | | | | |
| Issue of circulating currency | 188 | .. | 211 | .. | .. | .. | .. |
| Net (repayment)/issue of Government stock ¹ | (951) | (647) | 17 | (656) | 2,200 | (262) | (892) |
| Total Cash Provided | (763) | (647) | 228 | (656) | 2,200 | (262) | (892) |
| Cash was Disbursed to | | | | | | | |
| Net (issue)/repayment of foreign-currency borrowing | (1,913) | (1,518) | 415 | (412) | 55 | 118 | 229 |
| Net repayment/(issue) of other New Zealand-dollar borrowing | 829 | (497) | (1,483) | (394) | (1,085) | (701) | (291) |
| Total Cash Disbursed | (1,084) | (2,015) | (1,068) | (806) | (1,030) | (583) | (62) |
| Net Cash Flows from Financing Activities | 321 | 1,368 | 1,296 | 150 | 3,230 | 321 | (830) |
| Net Movement in Cash | 226 | (371) | (395) | (417) | 193 | 119 | 131 |
| Opening Cash Balance | 3,450 | 2,817 | 3,710 | 3,319 | 2,902 | 3,095 | 3,214 |
| Foreign-exchange (losses)/gains on opening cash | 34 | .. | 4 | .. | .. | .. | .. |
| Closing Cash Balance | 3,710 | 2,446 | 3,319 | 2,902 | 3,095 | 3,214 | 3,345 |

¹ Net issues of Government stock include movements within government stock holdings of entities such as NZS Fund, GSF, ACC and EQC. The Bonds Reconciliation at the end of these forecasts outlines NZDMO issues of Government stock.

The accompanying Notes and Accounting policies are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the year ending 30 June

| (\$ million) | 2006 | | | | | | |
|---|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| | 2005 Actual | Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| Reconciliation Between the Forecast Net Cash Flows from Operations and the Operating Balance | | | | | | | |
| Net Cash Flows from Operations | 12,189 | 8,943 | 10,632 | 7,683 | 6,408 | 5,314 | 6,727 |
| <i>Items included in the operating balance but not in net cash flows from operations</i> | | | | | | | |
| Valuation Changes | | | | | | | |
| (Increase)/decrease in pension liabilities | (1,410) | 24 | (409) | 17 | 57 | 100 | 132 |
| (Increase)/decrease in ACC liability | (2,037) | (597) | (1,187) | (674) | (690) | (693) | (706) |
| Decrease/(increase) in NPF guarantee | (53) | .. | .. | .. | .. | .. | .. |
| Unrealised net foreign-exchange (losses)/gains | 4 | .. | 42 | (4) | (2) | 17 | 14 |
| Non-cash movements in investments | 528 | 500 | 1,352 | 548 | 507 | 534 | 573 |
| Unrealised losses arising from changes in the value of commercial forests | (23) | .. | .. | .. | .. | .. | .. |
| Total Valuation Changes | (2,991) | (73) | (202) | (113) | (128) | (42) | 13 |
| Physical Asset Movements | | | | | | | |
| Depreciation | (2,528) | (2,744) | (2,715) | (2,918) | (3,067) | (3,176) | (3,248) |
| Gain/(loss) on sale of Southern Hydro | .. | .. | 630 | .. | .. | .. | .. |
| (Loss)/gain on sale of assets | (2) | .. | .. | .. | .. | .. | .. |
| Total Physical Asset Movements | (2,530) | (2,744) | (2,085) | (2,918) | (3,067) | (3,176) | (3,248) |
| Other Non-cash Items | | | | | | | |
| Student Loans | (188) | (45) | (1,740) | (167) | (177) | (167) | (152) |
| Amortisation of goodwill | (97) | (94) | (89) | (89) | (88) | (87) | (87) |
| Accrued income from NZS Fund | 492 | 467 | 1,123 | 675 | 848 | 1,044 | 1,265 |
| Other | 133 | 139 | 133 | 133 | 133 | 133 | 133 |
| Total Other Non-cash Items | 340 | 467 | (573) | 552 | 716 | 923 | 1,159 |
| Movements in Working Capital | | | | | | | |
| Increase/(decrease) in taxes receivable | (202) | (82) | 50 | 22 | (196) | (214) | (202) |
| Increase/(decrease) in other receivables | 498 | 149 | (500) | 307 | 399 | 524 | 778 |
| Increase/(decrease) in inventories | 58 | 82 | 76 | 161 | 210 | 106 | 57 |
| Decrease/(increase) in payables | (1,115) | (77) | 1,088 | 74 | 1 | 126 | 128 |
| Total Movements in Working Capital | (761) | 72 | 714 | 564 | 414 | 542 | 761 |
| Operating Balance | 6,247 | 6,665 | 8,486 | 5,768 | 4,343 | 3,561 | 5,412 |

The accompanying Notes and Accounting policies are an integral part of these Statements.

Forecast Statement of Movement in Equity

for the year ending 30 June

| (\$ million) | 2006 | | | | | | |
|---|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 Actual | Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| Opening Net Worth | 35,463 | 41,972 | 49,983 | 58,485 | 64,253 | 68,596 | 72,157 |
| Operating balance for the year | 6,247 | 6,665 | 8,486 | 5,768 | 4,343 | 3,561 | 5,412 |
| Minority interest in operating balance | 41 | .. | .. | .. | .. | .. | .. |
| Increase in minority interest | 35 | .. | .. | .. | .. | .. | .. |
| Net revaluations | 8,197 | .. | 16 | .. | .. | .. | .. |
| Total Recognised Revenues and Expenses | 14,520 | 6,665 | 8,502 | 5,768 | 4,343 | 3,561 | 5,412 |
| Closing Net Worth | 49,983 | 48,637 | 58,485 | 64,253 | 68,596 | 72,157 | 77,569 |

The accompanying Notes and Accounting policies are an integral part of these Statements.

Forecast Statement of Financial Position

as at 30 June

| (\$ million) | Note | 2006 | | | | | | |
|--|------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| | | 2005 Actual | Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| Assets | | | | | | | | |
| Cash and bank balances | 9 | 3,710 | 2,446 | 3,319 | 2,902 | 3,095 | 3,214 | 3,345 |
| Marketable securities, deposits & equity investments | 9 | 33,062 | 32,730 | 42,016 | 43,232 | 47,032 | 48,191 | 50,849 |
| Advances | 10 | 8,536 | 10,453 | 8,930 | 10,021 | 11,441 | 11,861 | 12,105 |
| Receivables | 11 | 10,883 | 10,205 | 10,433 | 10,534 | 10,636 | 10,844 | 11,212 |
| Inventories | | 946 | 1,021 | 1,022 | 1,182 | 1,232 | 1,288 | 1,289 |
| Other investments | 12 | 221 | 234 | 267 | 286 | 303 | 325 | 325 |
| Property, plant and equipment | 13 | 67,494 | 65,092 | 70,109 | 73,863 | 76,107 | 77,947 | 78,839 |
| TEI investment | | 5,010 | 4,657 | 5,150 | 5,301 | 5,435 | 5,569 | 5,702 |
| Commercial forests | | 232 | 251 | 232 | 232 | 232 | 232 | 232 |
| Intangible assets (including goodwill) | | 737 | 633 | 521 | 398 | 307 | 230 | 160 |
| Forecast new capital spending | | .. | 100 | .. | 256 | 712 | 1,162 | 1,861 |
| Total Assets | | 130,831 | 127,822 | 141,999 | 148,207 | 156,532 | 160,863 | 165,919 |
| Liabilities | | | | | | | | |
| Payables and provisions | 14 | 14,451 | 13,986 | 13,275 | 13,559 | 13,884 | 14,106 | 14,430 |
| Currency issued | | 3,197 | 3,214 | 3,408 | 3,408 | 3,408 | 3,408 | 3,408 |
| Borrowings - sovereign guaranteed | | 28,645 | 26,179 | 30,025 | 28,560 | 29,987 | 29,188 | 27,820 |
| Borrowings - non-sovereign guaranteed | | 8,219 | 9,976 | 8,864 | 9,828 | 11,425 | 12,179 | 12,293 |
| Provision for GSF pension liability | 15 | 14,952 | 14,079 | 15,361 | 15,344 | 15,287 | 15,187 | 15,055 |
| Provision for ACC outstanding claims liability | 16 | 11,384 | 11,751 | 12,581 | 13,255 | 13,945 | 14,638 | 15,344 |
| Total Liabilities | | 80,848 | 79,185 | 83,514 | 83,954 | 87,936 | 88,706 | 88,350 |
| Total Assets less Total Liabilities | | 49,983 | 48,637 | 58,485 | 64,253 | 68,596 | 72,157 | 77,569 |
| Net Worth | | | | | | | | |
| Taxpayer funds | | 21,780 | 28,179 | 30,281 | 36,049 | 40,392 | 43,953 | 49,365 |
| Revaluation reserve | 17 | 27,988 | 20,458 | 27,989 | 27,989 | 27,989 | 27,989 | 27,989 |
| Minority Interest | | 215 | .. | 215 | 215 | 215 | 215 | 215 |
| Net Worth | | 49,983 | 48,637 | 58,485 | 64,253 | 68,596 | 72,157 | 77,569 |

The accompanying Notes and Accounting policies are an integral part of these Statements.

Forecast Statement of Financial Position (continued)

as at 30 June

Below is an analysis of the NZS Fund and Gross and Net Debt information. The notes to the accounts provide breakdown of other key items.

| (\$ million) | 2006 | | | | | | |
|---|--------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 Actual | Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| New Zealand Superannuation Fund | | | | | | | |
| Within MSDs & equity investments is the NZS Fund (except for cross holdings of investments with other parts of the Crown, for example the NZS Fund will hold NZ Government Stock). The following information includes all investments and income, including cross-holdings of NZ Government Stock and accrued interest on such stock. | | | | | | | |
| Opening balance | 3,956 | 6,474 | 6,555 | 10,015 | 12,739 | 15,826 | 19,335 |
| Gross contribution | 2,107 | 2,337 | 2,337 | 2,049 | 2,239 | 2,465 | 2,651 |
| Income after tax | 492 | 467 | 1,123 | 675 | 848 | 1,044 | 1,265 |
| NZS Fund balance | 6,555 | 9,278 | 10,015 | 12,739 | 15,826 | 19,335 | 23,251 |

Gross and Net Debt Information

Definitions of debt:

Total Crown gross debt is the total borrowings (both sovereign-guaranteed and non-sovereign guaranteed) of the total Crown. This equates to the amount in the total Crown balance sheet and represents the complete picture of whole-of-Crown debt obligations to external parties.

The balance sheet splits total Crown debt into sovereign-guaranteed and non-sovereign-guaranteed debt. This split reflects the fact that debt held by SOEs and Crown entities is not explicitly guaranteed by the Crown. Any such debt that may be guaranteed is included in the sovereign-guaranteed total. No debt of SOEs and Crown entities is currently guaranteed by the Crown.

Gross sovereign-issued debt is debt issued by the sovereign (i.e., core Crown) and includes Government stock held by the NZS Fund, GSF, ACC or EQC for example. In other words, the gross sovereign-issued debt does not eliminate any internal cross-holdings. The Government's debt objective uses this measure of debt.

Total Crown (refer to the Forecast Statement of Segments)

| | | | | | | | |
|---|-------------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Crown gross debt | 36,864 | 36,155 | 38,889 | 38,388 | 41,412 | 41,367 | 40,113 |
| Core Crown sovereign guaranteed borrowings excl cross holdings of NZS Fund and GSF | 33,777 (1,268) | 32,000 (663) | 34,576 (1,376) | 33,356 (1,657) | 35,108 (1,974) | 34,641 (2,332) | 33,619 (2,729) |
| Gross sovereign-issued debt | 35,045 | 32,663 | 35,952 | 35,013 | 37,082 | 36,973 | 36,348 |

Core Crown

| | | | | | | | |
|-----------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Gross sovereign issued debt | 35,045 | 32,663 | 35,952 | 35,013 | 37,082 | 36,973 | 36,348 |
| Financial assets | (33,078) | (34,564) | (39,556) | (41,028) | (44,851) | (45,766) | (48,039) |
| | 1,967 | (1,901) | (3,604) | (6,015) | (7,769) | (8,793) | (11,691) |
| NZS Fund and GSF financial assets | 8,804 | 11,537 | 12,620 | 15,224 | 18,165 | 21,494 | 25,202 |
| Net Core Crown Debt | 10,771 | 9,636 | 9,016 | 9,209 | 10,396 | 12,701 | 13,511 |

The accompanying Notes and Accounting policies are an integral part of these Statements.

Forecast Statement of Borrowings

for the years ending 30 June

| (\$ million) | 2006 | | | | | | |
|---|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2005 Actual | Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| Sovereign Guaranteed Debt | | | | | | | |
| New Zealand-Dollar Debt | | | | | | | |
| Government stock | 16,058 | 14,858 | 16,814 | 15,982 | 17,881 | 17,259 | 15,983 |
| Treasury bills | 5,245 | 4,364 | 5,262 | 5,259 | 5,308 | 5,308 | 5,309 |
| Loans and foreign-exchange contracts | (6,123) | 1,427 | (9,030) | (10,131) | (10,727) | (10,880) | (10,930) |
| Retail stock and other | 583 | 674 | 513 | 482 | 462 | 437 | 411 |
| Total New Zealand-Dollar Debt | 15,763 | 21,323 | 13,559 | 11,592 | 12,924 | 12,124 | 10,773 |
| Foreign-Currency Debt | | | | | | | |
| United States dollars | 7,906 | 84 | 8,808 | 9,309 | 9,509 | 9,509 | 9,507 |
| Japanese yen | 252 | 382 | 508 | 508 | 508 | 508 | 507 |
| European and other currencies | 4,724 | 4,390 | 7,150 | 7,151 | 7,046 | 7,047 | 7,033 |
| Total Foreign-Currency Debt | 12,882 | 4,856 | 16,466 | 16,968 | 17,063 | 17,064 | 17,047 |
| Total Sovereign Guaranteed Debt | 28,645 | 26,179 | 30,025 | 28,560 | 29,987 | 29,188 | 27,820 |
| Non-Sovereign Guaranteed Debt | | | | | | | |
| New Zealand | 5,601 | 7,259 | 6,762 | 7,827 | 9,548 | 10,433 | 10,773 |
| United States dollars | 1,541 | 2,221 | 1,962 | 1,988 | 1,863 | 1,737 | 1,517 |
| Japanese yen | 324 | .. | .. | .. | .. | .. | .. |
| European and other currencies | 753 | 496 | 140 | 13 | 14 | 9 | 3 |
| Total Non-Sovereign Guaranteed Debt | 8,219 | 9,976 | 8,864 | 9,828 | 11,425 | 12,179 | 12,293 |
| Total Borrowings (Gross Debt) | 36,864 | 36,155 | 38,889 | 38,388 | 41,412 | 41,367 | 40,113 |
| Less | | | | | | | |
| Financial Assets (including restricted assets) | | | | | | | |
| Marketable Securities, Deposits and Equity Investments | | | | | | | |
| New Zealand dollars | 6,487 | 11,774 | 7,402 | 5,213 | 5,613 | 3,104 | 1,746 |
| United States dollars | 9,733 | 3,633 | 11,019 | 11,608 | 11,959 | 12,128 | 12,311 |
| Japanese yen | 789 | 417 | 1,037 | 1,173 | 1,327 | 1,503 | 1,698 |
| European and other currencies | 4,455 | 3,202 | 7,010 | 7,255 | 7,451 | 7,796 | 8,164 |
| Reserve Position at IMF | 702 | 662 | 281 | 275 | 268 | 261 | 254 |
| NZ equity investments | 2,385 | 2,698 | 3,160 | 3,643 | 4,171 | 4,730 | 5,340 |
| Foreign equity investments | 8,511 | 10,344 | 12,107 | 14,065 | 16,243 | 18,669 | 21,336 |
| Total | 33,062 | 32,730 | 42,016 | 43,232 | 47,032 | 48,191 | 50,849 |
| Advances and Cash | | | | | | | |
| Student loans | 6,465 | 7,195 | 5,472 | 5,868 | 6,260 | 6,629 | 6,959 |
| Other advances | 2,071 | 3,258 | 3,458 | 4,153 | 5,181 | 5,232 | 5,146 |
| Cash | 3,710 | 2,446 | 3,319 | 2,902 | 3,095 | 3,214 | 3,345 |
| Total | 12,246 | 12,899 | 12,249 | 12,923 | 14,536 | 15,075 | 15,450 |
| Total Financial Assets | 45,308 | 45,629 | 54,265 | 56,155 | 61,568 | 63,266 | 66,299 |
| Borrowings less Financial Assets | (8,444) | (9,474) | (15,376) | (17,767) | (20,156) | (21,899) | (26,186) |
| Net New Zealand-dollar debt | (13) | 1,252 | (3,432) | (3,562) | (3,342) | (2,181) | (3,193) |
| Net foreign-currency debt | (8,431) | (10,726) | (11,944) | (14,205) | (16,814) | (19,718) | (22,993) |
| Borrowings less Financial Assets | (8,444) | (9,474) | (15,376) | (17,767) | (20,156) | (21,899) | (26,186) |

The accompanying Notes and Accounting policies are an integral part of these Statements.

Statement of Actual Commitments

as at 31 March

| (\$ million) | As at 31 March 2006 | As at 30 June 2005 |
|--|---------------------------|--------------------------|
| Capital Commitments | | |
| Specialist military equipment | 626 | 825 |
| Land and buildings | 1,309 | 1,440 |
| Other property, plant and equipment | 2,870 | 2,432 |
| Other capital commitments | 229 | 69 |
| Investments | 125 | 125 |
| Total Capital Commitments | 5,159 | 4,891 |
| Operating Commitments | | |
| Non-cancellable accommodation leases | 2,166 | 1,972 |
| Other non-cancellable leases | 2,395 | 2,606 |
| Non-cancellable contracts for the supply of goods and services | 4,011 | 1,721 |
| Other operating commitments | 2,808 | 4,054 |
| TEIs | 1,052 | 1,052 |
| Total Operating Commitments | 12,432 | 11,405 |
| Total Commitments | 17,591 | 16,296 |
| Total Commitments by Institutional Segment | | |
| Core Crown | 7,408 | 2,627 |
| Crown entities | 6,719 | 10,061 |
| State-owned enterprises | 3,464 | 3,608 |
| Total Commitments | 17,591 | 16,296 |

The accompanying Notes and Accounting policies are an integral part of these Statements.

Statement of Actual Contingent Liabilities

as at 31 March

| (\$ million) | As at 31 March 2006 | As at 30 June 2005 |
|---|---------------------------|--------------------------|
| Guarantees and indemnities | 151 | 149 |
| Uncalled capital | 2,558 | 2,233 |
| Legal proceedings and disputes | 652 | 586 |
| Other quantifiable contingent liabilities | 1,946 | 1,502 |
| Total Quantifiable Contingent Liabilities | 5,307 | 4,470 |
| Total Quantifiable Contingent Liabilities by Institutional Segment | | |
| Core Crown | 5,177 | 4,330 |
| Crown Entities | 15 | 36 |
| State-owned enterprises | 115 | 104 |
| Total Quantifiable Contingent Liabilities | 5,307 | 4,470 |
| Quantifiable Contingent Assets | | |
| Core Crown - Education and Transport | 111 | 107 |
| Total Quantifiable Contingent Assets | 111 | 107 |

The accompanying Notes and Accounting policies are an integral part of these Statements.

A detailed Statement of Contingent Liabilities and Assets (quantified and unquantified) is outlined on pages 146 to 148 of the Specific Fiscal Risk chapter.

The Statement of Specific Risks (quantified and unquantified) is outlined on pages 134 to 145 of the Specific Fiscal Risk chapter.

Forecast Statement of Segments

Statement of Financial Performance (institutional form)

for the year ended 30 June 2005

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|---------------|----------------|-------------------------|----------------------------|---------------|
| | 2005 \$m | 2005 \$m | 2005 \$m | 2005 \$m | 2005 \$m |
| Revenue | | | | | |
| Taxation revenue | 47,118 | - | - | (494) | 46,624 |
| Other sovereign levied income | 647 | 2,561 | - | (93) | 3,115 |
| Sales of goods and services | 790 | 1,706 | 9,275 | (440) | 11,331 |
| Investment income | 2,811 | 1,297 | 332 | (626) | 3,814 |
| Other revenues | 699 | 17,247 | 658 | (16,423) | 2,181 |
| Total revenue | 52,065 | 22,811 | 10,265 | (18,076) | 67,065 |
| Expenses by input type | | | | | |
| Subsidies and transfer payments | 14,295 | 1,549 | - | - | 15,844 |
| Personnel expenses | 4,738 | 7,075 | 1,755 | (6) | 13,562 |
| Operating expenses | 23,553 | 12,033 | 7,180 | (17,452) | 25,314 |
| Finance costs | 2,273 | 288 | 376 | (177) | 2,760 |
| FX losses/(gains) | (35) | 63 | (45) | - | (17) |
| GSF and ACC liability revaluation movements | 1,410 | 2,037 | - | - | 3,447 |
| Total expenses | 46,234 | 23,045 | 9,266 | (17,635) | 60,910 |
| Expenses by functional classification | | | | | |
| Social security and welfare | 14,682 | 4,274 | - | (434) | 18,522 |
| Health | 8,813 | 7,478 | - | (7,847) | 8,444 |
| Education | 7,930 | 6,161 | 13 | (5,485) | 8,619 |
| Other functional classifications | 12,570 | 4,781 | 8,922 | (3,691) | 22,582 |
| Forecast new operating spending | - | - | - | - | - |
| Finance costs and FX losses/(gains) | 2,239 | 351 | 331 | (178) | 2,743 |
| Total expenses | 46,234 | 23,045 | 9,266 | (17,635) | 60,910 |
| TEI's and Minority Interest | - | 133 | (41) | - | 92 |
| Operating balance | 5,831 | (101) | 958 | (441) | 6,247 |

Statement of Financial Position (institutional form)

as at 30 June 2005

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|---------------|-----------------|-------------------------|----------------------------|----------------|
| | 2005 \$m | 2005 \$m | 2005 \$m | 2005 \$m | 2005 \$m |
| Assets | | | | | |
| Financial assets | 33,078 | 15,637 | 3,990 | (7,397) | 45,308 |
| Physical assets | 21,987 | 32,252 | 13,255 | - | 67,494 |
| Investment in SOEs and CEs (including TEIs) | 23,823 | 5,010 | - | (23,823) | 5,010 |
| Other assets | 8,637 | 2,533 | 2,431 | (582) | 13,019 |
| Total assets | 87,525 | 55,432 | 19,676 | (31,802) | 130,831 |
| Liabilities | | | | | |
| Borrowings | 33,777 | 3,867 | 6,617 | (7,397) | 36,864 |
| Other liabilities | 25,442 | 16,745 | 2,979 | (1,182) | 43,984 |
| Total liabilities | 59,219 | 20,612 | 9,596 | (8,579) | 80,848 |
| Net worth | 28,306 | 34,820 | 10,080 | (23,223) | 49,983 |
| Taxpayer funds | 19,504 | 19,288 | 6,211 | (23,223) | 21,780 |
| Revaluation reserves | 8,802 | 15,532 | 3,654 | - | 27,988 |
| Minority Interest | - | - | 215 | - | 215 |
| Net worth | 28,306 | 34,820 | 10,080 | (23,223) | 49,983 |
| Analysis of financial assets and borrowings | | | | | |
| Advances and cash | 9,373 | 2,098 | 2,902 | (2,127) | 12,246 |
| MSDs and equity investments | 23,705 | 13,539 | 1,088 | (5,270) | 33,062 |
| Total financial assets | 33,078 | 15,637 | 3,990 | (7,397) | 45,308 |
| Borrowings - Sovereign guaranteed | 33,777 | - | - | (5,132) | 28,645 |
| Borrowings - Non-sovereign guaranteed | - | 3,867 | 6,617 | (2,265) | 8,219 |
| Total borrowings | 33,777 | 3,867 | 6,617 | (7,397) | 36,864 |
| Borrowings less financial assets | 699 | (11,770) | 2,627 | - | (8,444) |
| Net Crown debt | 10,771 | | | | |
| Gross sovereign-issued debt | 35,045 | | | | |

Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.

Forecast Statement of Segments (continued)

Forecast Statement of Financial Performance (institutional form) for the year ended 30 June 2006

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|---------------|----------------|-------------------------|----------------------------|---------------|
| | 2006 \$m | 2006 \$m | 2006 \$m | 2006 \$m | 2006 \$m |
| Revenue | | | | | |
| Taxation revenue | 50,102 | - | - | (495) | 49,607 |
| Other sovereign levied income | 661 | 2,602 | - | (135) | 3,128 |
| Sales of goods and services | 846 | 1,700 | 10,501 | (462) | 12,585 |
| Investment income | 4,282 | 2,074 | 1,008 | (1,174) | 6,190 |
| Other revenues | 761 | 18,896 | 965 | (18,045) | 2,577 |
| Total revenue | 56,652 | 25,272 | 12,474 | (20,311) | 74,087 |
| Expenses by input type | | | | | |
| Subsidies and transfer payments | 15,348 | 1,699 | - | - | 17,047 |
| Personnel expenses | 5,536 | 7,483 | 1,832 | (5) | 14,846 |
| Operating expenses | 27,046 | 13,135 | 8,601 | (19,131) | 29,651 |
| Finance costs | 2,156 | 298 | 472 | (134) | 2,792 |
| FX losses/(gains) | (50) | (99) | (49) | - | (198) |
| GSF and ACC liability revaluation movements | 409 | 1,187 | - | - | 1,596 |
| Total expenses | 50,445 | 23,703 | 10,856 | (19,270) | 65,734 |
| Expenses by functional classification | | | | | |
| Social security and welfare | 15,702 | 3,623 | - | (581) | 18,744 |
| Health | 9,563 | 8,124 | - | (8,403) | 9,284 |
| Education | 10,039 | 6,654 | 15 | (5,856) | 10,852 |
| Other functional classifications | 13,028 | 5,103 | 10,418 | (4,296) | 24,253 |
| Forecast new operating spending | 7 | - | - | - | 7 |
| Finance costs and FX losses/(gains) | 2,106 | 199 | 423 | (134) | 2,594 |
| Total expenses | 50,445 | 23,703 | 10,856 | (19,270) | 65,734 |
| Net surplus TEIs | - | 133 | - | - | 133 |
| Operating balance | 6,207 | 1,702 | 1,618 | (1,041) | 8,486 |

Forecast Statement of Financial Position (institutional form) as at 30 June 2006

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|----------------|-----------------|-------------------------|----------------------------|-----------------|
| | 2006 \$m | 2006 \$m | 2006 \$m | 2006 \$m | 2006 \$m |
| Assets | | | | | |
| Financial assets | 39,556 | 16,990 | 4,835 | (7,116) | 54,265 |
| Physical assets | 22,876 | 33,265 | 13,968 | - | 70,109 |
| Investment in SOEs and CEs (including TEIs) | 24,311 | 5,150 | - | (24,311) | 5,150 |
| Other assets | 8,444 | 2,177 | 2,441 | (587) | 12,475 |
| Total assets | 95,187 | 57,582 | 21,244 | (32,014) | 141,999 |
| Liabilities | | | | | |
| Borrowings | 34,576 | 4,067 | 7,362 | (7,116) | 38,889 |
| Other liabilities | 26,084 | 16,693 | 3,155 | (1,307) | 44,625 |
| Total liabilities | 60,660 | 20,760 | 10,517 | (8,423) | 83,514 |
| Net worth | 34,527 | 36,822 | 10,727 | (23,591) | 58,485 |
| Taxpayer funds | 25,714 | 21,286 | 6,872 | (23,591) | 30,281 |
| Revaluation reserves | 8,813 | 15,536 | 3,640 | - | 27,989 |
| Minority Interest | - | - | 215 | - | 215 |
| Net worth | 34,527 | 36,822 | 10,727 | (23,591) | 58,485 |
| Analysis of financial assets and borrowings | | | | | |
| Advances and cash | 8,233 | 2,129 | 4,310 | (2,423) | 12,249 |
| MSDs and equity investments | 31,323 | 14,861 | 525 | (4,693) | 42,016 |
| Total financial assets | 39,556 | 16,990 | 4,835 | (7,116) | 54,265 |
| Borrowings - Sovereign guaranteed | 34,576 | - | - | (4,551) | 30,025 |
| Borrowings - Non-sovereign guaranteed | - | 4,067 | 7,362 | (2,565) | 8,864 |
| Total borrowings | 34,576 | 4,067 | 7,362 | (7,116) | 38,889 |
| Borrowings less financial assets | (4,980) | (12,923) | 2,527 | - | (15,376) |
| Net Crown debt | 9,016 | | | | |
| Gross sovereign-issued debt | 35,952 | | | | |

Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.

Forecast Statement of Segments (continued)

Forecast Statement of Financial Performance (institutional form)

for the year ended 30 June 2007

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|---------------|----------------|-------------------------|----------------------------|---------------|
| | 2007 \$m | 2007 \$m | 2007 \$m | 2007 \$m | 2007 \$m |
| Revenue | | | | | |
| Taxation revenue | 51,268 | - | - | (599) | 50,669 |
| Other sovereign levied income | 673 | 2,645 | - | (139) | 3,179 |
| Sales of goods and services | 790 | 1,726 | 10,643 | (444) | 12,715 |
| Investment income | 2,752 | 1,140 | 442 | (647) | 3,687 |
| Other revenues | 707 | 20,049 | 916 | (19,311) | 2,361 |
| Total revenue | 56,190 | 25,560 | 12,001 | (21,140) | 72,611 |
| Expenses by input type | | | | | |
| Subsidies and transfer payments | 16,344 | 1,845 | - | - | 18,189 |
| Personnel expenses | 5,477 | 7,845 | 1,817 | (3) | 15,136 |
| Operating expenses | 28,360 | 13,777 | 8,490 | (20,487) | 30,140 |
| Finance costs | 2,090 | 319 | 583 | (138) | 2,854 |
| FX losses/(gains) | - | - | - | - | - |
| GSF and ACC liability revaluation movements | (17) | 674 | - | - | 657 |
| Total expenses | 52,254 | 24,460 | 10,890 | (20,628) | 66,976 |
| Expenses by functional classification | | | | | |
| Social security and welfare | 16,956 | 3,325 | - | (575) | 19,706 |
| Health | 10,732 | 8,400 | - | (8,827) | 10,305 |
| Education | 9,068 | 6,954 | 15 | (6,145) | 9,892 |
| Other functional classifications | 13,088 | 5,462 | 10,292 | (4,943) | 23,899 |
| Forecast new operating spending | 320 | - | - | - | 320 |
| Finance costs and FX losses/(gains) | 2,090 | 319 | 583 | (138) | 2,854 |
| Total expenses | 52,254 | 24,460 | 10,890 | (20,628) | 66,976 |
| Net surplus TEIs | - | 133 | - | - | 133 |
| Operating balance | 3,936 | 1,233 | 1,111 | (512) | 5,768 |

Forecast Statement of Financial Position (institutional form)

as at 30 June 2007

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|----------------|-----------------|-------------------------|----------------------------|-----------------|
| | 2007 \$m | 2007 \$m | 2007 \$m | 2007 \$m | 2007 \$m |
| Assets | | | | | |
| Financial assets | 41,028 | 17,923 | 4,940 | (7,736) | 56,155 |
| Physical assets | 23,621 | 34,443 | 15,799 | - | 73,863 |
| Investment in SOEs and CEs (including TEIs) | 24,733 | 5,301 | - | (24,733) | 5,301 |
| Other assets | 8,508 | 2,498 | 2,468 | (586) | 12,888 |
| Total assets | 97,890 | 60,165 | 23,207 | (33,055) | 148,207 |
| Liabilities | | | | | |
| Borrowings | 33,356 | 4,290 | 8,478 | (7,736) | 38,388 |
| Other liabilities | 26,074 | 17,418 | 3,346 | (1,272) | 45,566 |
| Total liabilities | 59,430 | 21,708 | 11,824 | (9,008) | 83,954 |
| Net worth | 38,460 | 38,457 | 11,383 | (24,047) | 64,253 |
| Taxpayer Funds | 29,647 | 22,921 | 7,528 | (24,047) | 36,049 |
| Revaluation reserves | 8,813 | 15,536 | 3,640 | - | 27,989 |
| Minority Interest | - | - | 215 | - | 215 |
| Net worth | 38,460 | 38,457 | 11,383 | (24,047) | 64,253 |
| Analysis of financial assets and borrowings | | | | | |
| Advances and cash | 9,121 | 2,064 | 4,526 | (2,788) | 12,923 |
| MSDs and equity investments | 31,907 | 15,859 | 414 | (4,948) | 43,232 |
| Total financial assets | 41,028 | 17,923 | 4,940 | (7,736) | 56,155 |
| Borrowings - Sovereign guaranteed | 33,356 | - | - | (4,796) | 28,560 |
| Borrowings - Non-sovereign guaranteed | - | 4,290 | 8,478 | (2,940) | 9,828 |
| Total borrowings | 33,356 | 4,290 | 8,478 | (7,736) | 38,388 |
| Borrowings less financial assets | (7,672) | (13,633) | 3,538 | - | (17,767) |
| Net Crown debt | 9,209 | | | | |
| Gross sovereign-issued debt | 35,013 | | | | |

Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.

Forecast Statement of Segments (continued)

Forecast Statement of Financial Performance (institutional form) for the year ended 30 June 2008

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|---------------|----------------|-------------------------|----------------------------|---------------|
| | 2008 \$m | 2008 \$m | 2008 \$m | 2008 \$m | 2008 \$m |
| Revenue | | | | | |
| Taxation revenue | 52,722 | - | - | (613) | 52,109 |
| Other sovereign levied income | 696 | 2,661 | - | (128) | 3,229 |
| Sales of goods and services | 774 | 1,771 | 11,033 | (452) | 13,126 |
| Investment income | 2,912 | 1,130 | 549 | (598) | 3,993 |
| Other revenues | 677 | 20,573 | 914 | (19,779) | 2,385 |
| Total revenue | 57,781 | 26,135 | 12,496 | (21,570) | 74,842 |
| Expenses by input type | | | | | |
| Subsidies and transfer payments | 17,472 | 1,973 | - | - | 19,445 |
| Personnel expenses | 5,509 | 8,006 | 1,858 | (5) | 15,368 |
| Operating expenses | 30,065 | 14,183 | 8,818 | (20,967) | 32,099 |
| Finance costs | 2,169 | 330 | 741 | (153) | 3,087 |
| FX losses/(gains) | - | - | - | - | - |
| GSF and ACC liability revaluation movements | (57) | 690 | - | - | 633 |
| Total expenses | 55,158 | 25,182 | 11,417 | (21,125) | 70,632 |
| Expenses by functional classification | | | | | |
| Social security and welfare | 18,044 | 3,501 | - | (576) | 20,969 |
| Health | 10,673 | 8,634 | - | (9,090) | 10,217 |
| Education | 9,337 | 7,043 | 15 | (6,246) | 10,149 |
| Other functional classifications | 13,373 | 5,674 | 10,661 | (5,060) | 24,648 |
| Forecast new operating spending | 1,562 | - | - | - | 1,562 |
| Finance costs and FX losses/(gains) | 2,169 | 330 | 741 | (153) | 3,087 |
| Total expenses | 55,158 | 25,182 | 11,417 | (21,125) | 70,632 |
| Net surplus TEIs | - | 133 | - | - | 133 |
| Operating balance | 2,623 | 1,086 | 1,079 | (445) | 4,343 |

Forecast Statement of Financial Position (institutional form) as at 30 June 2008

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|----------------|-----------------|-------------------------|----------------------------|-----------------|
| | 2008 \$m | 2008 \$m | 2008 \$m | 2008 \$m | 2008 \$m |
| Assets | | | | | |
| Financial assets | 44,851 | 19,050 | 5,975 | (8,308) | 61,568 |
| Physical assets | 23,557 | 35,425 | 17,125 | - | 76,107 |
| Investment in SOEs and CEs (including TEIs) | 24,979 | 5,435 | - | (24,979) | 5,435 |
| Other assets | 8,849 | 2,646 | 2,517 | (590) | 13,422 |
| Total assets | 102,236 | 62,556 | 25,617 | (33,877) | 156,532 |
| Liabilities | | | | | |
| Borrowings | 35,108 | 4,638 | 9,974 | (8,308) | 41,412 |
| Other liabilities | 26,044 | 18,156 | 3,577 | (1,253) | 46,524 |
| Total liabilities | 61,152 | 22,794 | 13,551 | (9,561) | 87,936 |
| Net worth | 41,084 | 39,762 | 12,066 | (24,316) | 68,596 |
| Taxpayer Funds | 32,271 | 24,226 | 8,211 | (24,316) | 40,392 |
| Revaluation reserves | 8,813 | 15,536 | 3,640 | - | 27,989 |
| Minority Interest | - | - | 215 | - | 215 |
| Net worth | 41,084 | 39,762 | 12,066 | (24,316) | 68,596 |
| Analysis of financial assets and borrowings | | | | | |
| Advances and cash | 9,912 | 2,114 | 5,536 | (3,026) | 14,536 |
| MSDs and equity investments | 34,939 | 16,936 | 439 | (5,282) | 47,032 |
| Total financial assets | 44,851 | 19,050 | 5,975 | (8,308) | 61,568 |
| Borrowings - Sovereign guaranteed | 35,108 | - | - | (5,121) | 29,987 |
| Borrowings - Non-sovereign guaranteed | - | 4,638 | 9,974 | (3,187) | 11,425 |
| Total borrowings | 35,108 | 4,638 | 9,974 | (8,308) | 41,412 |
| Borrowings less financial assets | (9,743) | (14,412) | 3,999 | - | (20,156) |
| Net Crown debt | 10,396 | | | | |
| Gross sovereign-issued debt | 37,082 | | | | |

Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.

Forecast Statement of Segments (continued)

Forecast Statement of Financial Performance (institutional form)

for the year ended 30 June 2009

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|---------------|----------------|-------------------------|----------------------------|---------------|
| | 2009 \$m | 2009 \$m | 2009 \$m | 2009 \$m | 2009 \$m |
| Revenue | | | | | |
| Taxation revenue | 54,315 | - | - | (678) | 53,637 |
| Other sovereign levied income | 722 | 2,708 | - | (128) | 3,302 |
| Sales of goods and services | 779 | 1,823 | 11,643 | (449) | 13,796 |
| Investment income | 3,252 | 1,199 | 559 | (632) | 4,378 |
| Other revenues | 660 | 20,901 | 913 | (20,027) | 2,447 |
| Total revenue | 59,728 | 26,631 | 13,115 | (21,914) | 77,560 |
| Expenses by input type | | | | | |
| Subsidies and transfer payments | 18,020 | 2,091 | - | - | 20,111 |
| Personnel expenses | 5,586 | 8,106 | 1,893 | (5) | 15,580 |
| Operating expenses | 32,387 | 14,444 | 9,237 | (21,273) | 34,795 |
| Finance costs | 2,080 | 346 | 790 | (163) | 3,053 |
| FX losses/(gains) | - | - | - | - | - |
| GSF and ACC liability revaluation movements | (100) | 693 | - | - | 593 |
| Total expenses | 57,973 | 25,680 | 11,920 | (21,441) | 74,132 |
| Expenses by functional classification | | | | | |
| Social security and welfare | 18,628 | 3,666 | - | (578) | 21,716 |
| Health | 10,787 | 8,641 | - | (9,140) | 10,288 |
| Education | 9,431 | 7,044 | 15 | (6,285) | 10,205 |
| Other functional classifications | 13,574 | 5,983 | 11,115 | (5,275) | 25,397 |
| Forecast new operating spending | 3,473 | - | - | - | 3,473 |
| Finance costs and FX losses/(gains) | 2,080 | 346 | 790 | (163) | 3,053 |
| Total expenses | 57,973 | 25,680 | 11,920 | (21,441) | 74,132 |
| Net surplus TEIs | - | 133 | - | - | 133 |
| Operating balance | 1,755 | 1,084 | 1,195 | (473) | 3,561 |

Forecast Statement of Financial Position (institutional form)

as at 30 June 2009

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|-----------------|-----------------|-------------------------|----------------------------|-----------------|
| | 2009 \$m | 2009 \$m | 2009 \$m | 2009 \$m | 2009 \$m |
| Assets | | | | | |
| Financial assets | 45,766 | 20,085 | 6,120 | (8,705) | 63,266 |
| Physical assets | 23,200 | 36,156 | 18,591 | - | 77,947 |
| Investment in SOEs and CEs (including TEIs) | 25,123 | 5,569 | - | (25,123) | 5,569 |
| Other assets | 9,219 | 2,838 | 2,630 | (606) | 14,081 |
| Total assets | 103,308 | 64,648 | 27,341 | (34,434) | 160,863 |
| Liabilities | | | | | |
| Borrowings | 34,641 | 4,730 | 10,701 | (8,705) | 41,367 |
| Other liabilities | 25,829 | 18,929 | 3,811 | (1,230) | 47,339 |
| Total liabilities | 60,470 | 23,659 | 14,512 | (9,935) | 88,706 |
| Net worth | 42,838 | 40,989 | 12,829 | (24,499) | 72,157 |
| Taxpayer Funds | 34,025 | 25,453 | 8,974 | (24,499) | 43,953 |
| Revaluation reserves | 8,813 | 15,536 | 3,640 | - | 27,989 |
| Minority Interest | - | - | 215 | - | 215 |
| Net worth | 42,838 | 40,989 | 12,829 | (24,499) | 72,157 |
| Analysis of financial assets and borrowings | | | | | |
| Advances and cash | 10,372 | 2,104 | 5,679 | (3,080) | 15,075 |
| MSDs and equity investments | 35,394 | 17,981 | 441 | (5,625) | 48,191 |
| Total financial assets | 45,766 | 20,085 | 6,120 | (8,705) | 63,266 |
| Borrowings - Sovereign guaranteed | 34,641 | - | - | (5,453) | 29,188 |
| Borrowings - Non-sovereign guaranteed | - | 4,730 | 10,701 | (3,252) | 12,179 |
| Total borrowings | 34,641 | 4,730 | 10,701 | (8,705) | 41,367 |
| Borrowings less financial assets | (11,125) | (15,355) | 4,581 | - | (21,899) |
| Net Crown debt | 12,701 | | | | |
| Gross sovereign-issued debt | 36,973 | | | | |

Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.

Forecast Statement of Segments (continued)

Forecast Statement of Financial Performance (institutional form) for the year ended 30 June 2010

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|---------------|----------------|-------------------------|----------------------------|---------------|
| | 2010 \$m | 2010 \$m | 2010 \$m | 2010 \$m | 2010 \$m |
| Revenue | | | | | |
| Taxation revenue | 58,430 | - | - | (721) | 57,709 |
| Other sovereign levied income | 726 | 2,766 | - | (125) | 3,367 |
| Sales of goods and services | 779 | 1,863 | 12,170 | (448) | 14,364 |
| Investment income | 3,576 | 1,289 | 566 | (674) | 4,757 |
| Other revenues | 646 | 20,994 | 894 | (20,015) | 2,519 |
| Total revenue | 64,157 | 26,912 | 13,630 | (21,983) | 82,716 |
| Expenses by input type | | | | | |
| Subsidies and transfer payments | 18,883 | 2,211 | - | - | 21,094 |
| Personnel expenses | 5,621 | 8,123 | 1,925 | (5) | 15,664 |
| Operating expenses | 34,160 | 14,657 | 9,624 | (21,309) | 37,132 |
| Finance costs | 1,995 | 354 | 823 | (199) | 2,973 |
| FX losses/(gains) | - | - | - | - | - |
| GSF and ACC liability revaluation movements | (132) | 706 | - | - | 574 |
| Total expenses | 60,527 | 26,051 | 12,372 | (21,513) | 77,437 |
| Expenses by functional classification | | | | | |
| Social security and welfare | 19,246 | 3,845 | - | (580) | 22,511 |
| Health | 10,834 | 8,649 | - | (9,174) | 10,309 |
| Education | 9,508 | 7,103 | 15 | (6,297) | 10,329 |
| Other functional classifications | 13,538 | 6,101 | 11,534 | (5,264) | 25,909 |
| Forecast new operating spending | 5,406 | - | - | - | 5,406 |
| Finance costs and FX losses/(gains) | 1,995 | 353 | 823 | (198) | 2,973 |
| Total expenses | 60,527 | 26,051 | 12,372 | (21,513) | 77,437 |
| Net surplus TEIs | - | 133 | - | - | 133 |
| Operating balance | 3,630 | 994 | 1,258 | (470) | 5,412 |

Forecast Statement of Financial Position (institutional form) as at 30 June 2010

| (\$ million) | Core Crown | Crown entities | State-owned enterprises | Inter-segment eliminations | Total Crown |
|--|-----------------|-----------------|-------------------------|----------------------------|-----------------|
| | 2010 \$m | 2010 \$m | 2010 \$m | 2010 \$m | 2010 \$m |
| Assets | | | | | |
| Financial assets | 48,039 | 21,189 | 6,283 | (9,212) | 66,299 |
| Physical assets | 22,846 | 36,419 | 19,574 | - | 78,839 |
| Investment in SOEs and CEs (including TEIs) | 25,140 | 5,702 | - | (25,140) | 5,702 |
| Other assets | 9,766 | 3,275 | 2,663 | (625) | 15,079 |
| Total assets | 105,791 | 66,585 | 28,520 | (34,977) | 165,919 |
| Liabilities | | | | | |
| Borrowings | 33,619 | 4,851 | 10,855 | (9,212) | 40,113 |
| Other liabilities | 25,703 | 19,646 | 4,019 | (1,131) | 48,237 |
| Total liabilities | 59,322 | 24,497 | 14,874 | (10,343) | 88,350 |
| Net worth | 46,469 | 42,088 | 13,646 | (24,634) | 77,569 |
| Taxpayer Funds | 37,656 | 26,552 | 9,791 | (24,634) | 49,365 |
| Revaluation reserves | 8,813 | 15,536 | 3,640 | - | 27,989 |
| Minority Interest | - | - | 215 | - | 215 |
| Net worth | 46,469 | 42,088 | 13,646 | (24,634) | 77,569 |
| Analysis of financial assets and borrowings | | | | | |
| Advances and cash | 10,727 | 2,115 | 5,840 | (3,232) | 15,450 |
| MSDs and equity investments | 37,312 | 19,074 | 443 | (5,980) | 50,849 |
| Total financial assets | 48,039 | 21,189 | 6,283 | (9,212) | 66,299 |
| Borrowings - Sovereign guaranteed | 33,619 | - | - | (5,799) | 27,820 |
| Borrowings - Non-sovereign guaranteed | - | 4,851 | 10,855 | (3,413) | 12,293 |
| Total borrowings | 33,619 | 4,851 | 10,855 | (9,212) | 40,113 |
| Borrowings less financial assets | (14,420) | (16,338) | 4,572 | - | (26,186) |
| Net Crown debt | 13,511 | | | | |
| Gross sovereign-issued debt | 36,348 | | | | |

Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.

Notes to the Forecast Financial Statements

| (\$ million) | 2006 | | | | | | |
|--|---------------|----------------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 Actual | 2006 Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| NOTE 1: Revenue Collected Through the Crown's Sovereign Power | | | | | | | |
| Income Tax Revenue (accrual) | | | | | | | |
| Individuals | | | | | | | |
| Source deductions | 18,324 | 19,240 | 19,817 | 20,534 | 21,513 | 22,513 | 23,804 |
| Other persons | 4,103 | 4,051 | 4,309 | 4,393 | 4,478 | 4,357 | 4,777 |
| Refunds | (876) | (874) | (952) | (962) | (984) | (984) | (984) |
| Fringe benefit tax | 441 | 456 | 453 | 425 | 444 | 468 | 492 |
| Total Individuals | 21,992 | 22,873 | 23,627 | 24,390 | 25,451 | 26,354 | 28,089 |
| Corporate Tax | | | | | | | |
| Gross companies tax | 7,537 | 7,798 | 8,049 | 7,966 | 7,790 | 7,698 | 9,197 |
| Refunds | (232) | (162) | (206) | (205) | (210) | (215) | (220) |
| Non-resident withholding tax | 927 | 793 | 1,003 | 874 | 943 | 996 | 1,042 |
| Foreign-source dividend withholding payments | 188 | 176 | 191 | 220 | 225 | 230 | 235 |
| Total Corporate Tax | 8,420 | 8,605 | 9,037 | 8,855 | 8,748 | 8,709 | 10,254 |
| Other Income Tax | | | | | | | |
| Resident withholding tax on interest income | 1,501 | 1,459 | 1,863 | 2,079 | 2,062 | 2,009 | 2,054 |
| Resident withholding tax on dividend income | 59 | 63 | 65 | 56 | 58 | 61 | 63 |
| Estate and gift duties | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Total Other Income Tax | 1,562 | 1,524 | 1,930 | 2,137 | 2,122 | 2,072 | 2,119 |
| Total Income Tax | 31,974 | 33,002 | 34,594 | 35,382 | 36,321 | 37,135 | 40,462 |
| Goods and Services Tax | | | | | | | |
| Gross goods and services tax | 17,378 | 17,479 | 17,811 | 18,542 | 19,335 | 20,331 | 21,273 |
| Refunds | (7,180) | (7,115) | (7,448) | (8,028) | (8,448) | (8,828) | (9,168) |
| Total Goods and Services Tax | 10,198 | 10,364 | 10,363 | 10,514 | 10,887 | 11,503 | 12,105 |
| Other Taxation | | | | | | | |
| Petroleum fuels excise | 823 | 902 | 897 | 914 | 936 | 961 | 991 |
| Tobacco excise ² | 842 | 850 | 853 | 145 | 150 | 154 | 157 |
| Customs duty | 947 | 1,048 | 1,009 | 1,773 | 1,806 | 1,793 | 1,805 |
| Road user charges | 713 | 796 | 756 | 793 | 840 | 896 | 947 |
| Alcohol excise | 491 | 505 | 513 | 537 | 562 | 581 | 599 |
| Gaming duties | 281 | 288 | 254 | 256 | 259 | 263 | 267 |
| Motor vehicle fees | 217 | 219 | 221 | 223 | 229 | 237 | 244 |
| Energy resources levies | 73 | 72 | 64 | 58 | 51 | 46 | 64 |
| Approved issuer levy (AIL) and cheque duty | 65 | 56 | 83 | 74 | 68 | 68 | 68 |
| Total Other Indirect Taxation | 4,452 | 4,736 | 4,650 | 4,773 | 4,901 | 4,999 | 5,142 |
| Total Indirect Taxation | 14,650 | 15,100 | 15,013 | 15,287 | 15,788 | 16,502 | 17,247 |
| Total Tax Revenue Collected | 46,624 | 48,102 | 49,607 | 50,669 | 52,109 | 53,637 | 57,709 |
| Other Sovereign Revenues (accrual) | | | | | | | |
| ACC levies | 2,119 | 2,097 | 2,151 | 2,189 | 2,203 | 2,247 | 2,309 |
| Fire Service levies | 249 | 242 | 250 | 253 | 255 | 255 | 255 |
| EQC levies | 80 | 82 | 82 | 83 | 85 | 87 | 89 |
| Other levies | 667 | 785 | 645 | 654 | 686 | 713 | 714 |
| Total Other Sovereign Revenues | 3,115 | 3,206 | 3,128 | 3,179 | 3,229 | 3,302 | 3,367 |
| Total Sovereign Revenue | 49,739 | 51,308 | 52,735 | 53,848 | 55,338 | 56,939 | 61,076 |

² From 2006/07 a larger portion of tobacco products will be supplied by imports. This will increase customs duty at the expense of tobacco excise duty.

Notes to the Forecast Financial Statements

| (\$ million) | 2006 | | | | | | |
|---|---------------|----------------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 Actual | 2006 Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| NOTE 1: Receipts Collected Through the Crown's Sovereign Power | | | | | | | |
| Income Tax Receipts (cash) | | | | | | | |
| Individuals | | | | | | | |
| Source deductions | 18,380 | 19,240 | 19,775 | 20,534 | 21,513 | 22,513 | 23,804 |
| Other persons | 4,640 | 4,611 | 4,933 | 5,189 | 5,417 | 5,295 | 5,715 |
| Refunds | (1,365) | (1,410) | (1,565) | (1,780) | (1,912) | (1,922) | (1,922) |
| Fringe benefit tax | 432 | 452 | 447 | 421 | 442 | 462 | 486 |
| Total Individuals | 22,087 | 22,893 | 23,590 | 24,364 | 25,460 | 26,348 | 28,083 |
| Corporate Tax | | | | | | | |
| Gross companies tax | 8,365 | 8,444 | 8,478 | 8,602 | 8,431 | 8,299 | 9,844 |
| Refunds | (735) | (812) | (753) | (746) | (776) | (738) | (787) |
| Non-resident withholding tax | 949 | 779 | 996 | 874 | 943 | 996 | 1,042 |
| Foreign-source dividend withholding payments | 185 | 175 | 191 | 220 | 225 | 230 | 235 |
| Total Corporate Tax | 8,764 | 8,586 | 8,912 | 8,950 | 8,823 | 8,787 | 10,334 |
| Other Income Tax | | | | | | | |
| Resident withholding tax on interest income | 1,498 | 1,459 | 1,871 | 2,078 | 2,061 | 2,008 | 2,053 |
| Resident withholding tax on dividend income | 60 | 63 | 65 | 56 | 58 | 61 | 63 |
| Estate and gift duties | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Total Other Income Tax | 1,560 | 1,524 | 1,938 | 2,136 | 2,121 | 2,071 | 2,118 |
| Total Income Tax | 32,411 | 33,003 | 34,440 | 35,450 | 36,404 | 37,206 | 40,535 |
| Goods and Services Tax | | | | | | | |
| Gross goods and services tax | 16,729 | 16,928 | 17,580 | 18,183 | 18,976 | 19,972 | 20,914 |
| Refunds | (6,719) | (6,563) | (7,229) | (7,669) | (8,089) | (8,469) | (8,809) |
| Total Goods and Services Tax | 10,010 | 10,365 | 10,351 | 10,514 | 10,887 | 11,503 | 12,105 |
| Other Taxation | | | | | | | |
| Petroleum fuels excise | 812 | 902 | 897 | 914 | 936 | 961 | 991 |
| Tobacco excise | 838 | 850 | 853 | 145 | 150 | 154 | 157 |
| Customs duty | 968 | 1,048 | 1,009 | 1,773 | 1,806 | 1,793 | 1,805 |
| Road user charges | 714 | 792 | 756 | 793 | 840 | 896 | 947 |
| Alcohol excise | 483 | 505 | 513 | 537 | 562 | 581 | 599 |
| Gaming duties | 287 | 289 | 267 | 257 | 260 | 264 | 268 |
| Motor vehicle fees | 205 | 224 | 226 | 223 | 229 | 237 | 244 |
| Energy resources levies | 73 | 72 | 67 | 58 | 52 | 47 | 63 |
| Approved issuer levy (AIL) and cheque duty | 66 | 56 | 81 | 74 | 68 | 68 | 68 |
| Total Other Indirect Taxation | 4,446 | 4,738 | 4,669 | 4,774 | 4,903 | 5,001 | 5,142 |
| Total Indirect Taxation | 14,456 | 15,103 | 15,020 | 15,288 | 15,790 | 16,504 | 17,247 |
| Total Tax Receipts Collected | 46,867 | 48,106 | 49,460 | 50,738 | 52,194 | 53,710 | 57,782 |
| Other Sovereign Receipts (cash) | | | | | | | |
| ACC levies | 2,052 | 2,063 | 2,215 | 2,105 | 2,174 | 2,222 | 2,272 |
| Fire Service levies | 249 | 242 | 250 | 253 | 255 | 255 | 255 |
| EQC levies | 81 | 82 | 82 | 83 | 84 | 85 | 86 |
| Other levies | 592 | 608 | 589 | 606 | 639 | 663 | 750 |
| Total Other Sovereign Receipts | 2,974 | 2,995 | 3,136 | 3,047 | 3,152 | 3,225 | 3,363 |
| Total Sovereign Receipts | 49,841 | 51,101 | 52,596 | 53,785 | 55,346 | 56,935 | 61,145 |

Notes to the Forecast Financial Statements

| (\$ million) | 2006 | | | | | | |
|--------------|-------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 Actual | Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |

NOTE 2: Sale of Goods and Services

The Statement of Segments shows the sale of goods and services as a total for each area of the Crown Estate (ie, total sales for core Crown, Crown entities and SOEs). The total for Crown entities includes such items as lottery sales, housing rental, CRI sales and so on. The total sales of SOEs represents the majority of their income from electricity generation and distribution services, postal services, advertising, air travel sales and so on.

NOTE 3: Investment Income

| | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| NZS Fund investment income | 646 | 580 | 1,445 | 856 | 1,075 | 1,323 | 1,604 |
| Interest income | 1,617 | 1,446 | 1,919 | 1,873 | 1,979 | 2,042 | 2,041 |
| Gains/(losses) on marketable securities deposits | 866 | 593 | 1,779 | 599 | 549 | 579 | 624 |
| Dividends | 87 | 69 | 65 | 71 | 78 | 81 | 89 |
| Gain on sale of Southern Hydro | .. | .. | 630 | .. | .. | .. | .. |
| Student loans | 498 | 547 | 335 | 269 | 297 | 336 | 380 |
| Other investment income | 100 | 87 | 17 | 19 | 15 | 17 | 19 |
| Total Investment Income | 3,814 | 3,322 | 6,190 | 3,687 | 3,993 | 4,378 | 4,757 |

NOTE 4: Other Revenue

| | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Unrealised (losses)/gains arising from changes in the value of commercial forests | (23) | .. | .. | .. | .. | .. | .. |
| GSF contributions | 102 | 84 | 88 | 75 | 67 | 58 | 49 |
| Petroleum royalties | 51 | 43 | 61 | 55 | 45 | 36 | 32 |
| Cost recovery income from Fisheries | 30 | 30 | 27 | 30 | 30 | 30 | 30 |
| Other | 2,021 | 2,133 | 2,401 | 2,201 | 2,243 | 2,323 | 2,408 |
| Total Other Revenue | 2,181 | 2,290 | 2,577 | 2,361 | 2,385 | 2,447 | 2,519 |

NOTE 5: Subsidies and Transfer Payments

| | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Social assistance grants | | | | | | | |
| New Zealand Superannuation | 6,083 | 6,392 | 6,415 | 6,782 | 7,158 | 7,492 | 7,902 |
| ACC payments | 1,549 | 1,687 | 1,699 | 1,845 | 1,973 | 2,091 | 2,211 |
| Unemployment Benefit | 831 | 800 | 714 | 783 | 920 | 937 | 985 |
| Domestic Purposes Benefit | 1,547 | 1,501 | 1,493 | 1,504 | 1,547 | 1,568 | 1,582 |
| Family Support | 846 | 1,312 | 1,355 | 1,725 | 2,052 | 2,074 | 2,072 |
| Student allowances | 359 | 398 | 351 | 364 | 377 | 384 | 390 |
| Other social assistance grants | 4,182 | 4,430 | 4,524 | 4,922 | 5,121 | 5,268 | 5,415 |
| Subsidies | 118 | 125 | 115 | 140 | 134 | 134 | 134 |
| Other transfer payments | | | | | | | |
| Official development assistance | 297 | 320 | 346 | 88 | 126 | 126 | 367 |
| Other | 32 | 37 | 35 | 36 | 37 | 37 | 36 |
| Total Subsidies and Transfer Payments | 15,844 | 17,002 | 17,047 | 18,189 | 19,445 | 20,111 | 21,094 |

Notes to the Forecast Financial Statements

| (\$ million) | 2006 | | | | | | |
|--------------|-------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 Actual | Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |

NOTE 6: Personnel Expenses

The Statement of Institutional Segments shows the personnel expenses as a total for each area of the total Crown (ie, total personnel expenses for core Crown, Crown entities and SOEs).

| | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| GSF pension costs (excluding liability movement) | 1,032 | 1,043 | 1,301 | 1,068 | 1,105 | 1,140 | 1,159 |
| Other pension expenses | 108 | 123 | 129 | 131 | 129 | 130 | 130 |
| Other personnel expenses | 12,422 | 13,317 | 13,416 | 13,937 | 14,134 | 14,310 | 14,375 |
| Total Personnel Expenses | 13,562 | 14,483 | 14,846 | 15,136 | 15,368 | 15,580 | 15,664 |

NOTE 7: Operating Expenses

Operating expenses relate to those expenses incurred in the course of undertaking the functions and activities of every entity included in the Crown financial statements, excluding those separately identified in the Statement of Financial Performance and other notes. Items disclosed separately are those required by accounting standards (and are expanded on further in the annual Crown financial statements). These include depreciation, rental costs and goodwill amortised.

Other operating costs is the large residual. Most of it represents the payment made for services provided by third parties (roading maintenance for example) or for raw materials (fuel, medicines or inventory for example). It also includes other day-to-day operating costs.

Depreciation expense (by class of asset):

| | | | | | | | |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Buildings | 793 | 857 | 863 | 900 | 943 | 982 | 985 |
| Electricity distribution network | 106 | 111 | 109 | 118 | 123 | 132 | 143 |
| Electricity generation assets | 166 | 212 | 204 | 216 | 245 | 289 | 318 |
| Specialist military equipment (SME) | 189 | 191 | 186 | 216 | 249 | 273 | 299 |
| State highways | 225 | 265 | 228 | 236 | 244 | 252 | 259 |
| Aircraft (ex SME) | 101 | 187 | 198 | 246 | 225 | 185 | 168 |
| Other plant and equipment | 850 | 856 | 872 | 913 | 959 | 981 | 995 |
| Other assets | 98 | 65 | 55 | 73 | 79 | 82 | 81 |
| Total depreciation costs | 2,528 | 2,744 | 2,715 | 2,918 | 3,067 | 3,176 | 3,248 |

Other operating items:

| | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Rental and leasing costs | 789 | 754 | 777 | 787 | 810 | 838 | 864 |
| Change in provision for doubtful debts | 984 | 512 | 246 | 254 | 243 | 248 | 213 |
| Write off of bad debts | 93 | 63 | 59 | 61 | 64 | 67 | 70 |
| Goodwill amortised | 97 | 94 | 89 | 89 | 88 | 87 | 87 |
| Grants paid | 1,267 | 350 | 1,073 | 1,162 | 1,315 | 1,435 | 1,409 |
| Lottery prize payments | 350 | 337 | 358 | 371 | 386 | 402 | 419 |
| Loss/(gain) on sale of assets | 2 | .. | .. | .. | .. | .. | .. |
| Write down of existing student loans to fair value | .. | .. | 1,479 | .. | .. | .. | .. |
| Write down of new loans to fair value | .. | .. | 300 | 381 | 408 | 430 | 451 |
| Other operating expenses | 19,204 | 22,269 | 22,548 | 23,797 | 24,156 | 24,639 | 24,965 |
| Total operating expenses | 25,314 | 27,123 | 29,644 | 29,820 | 30,537 | 31,322 | 31,726 |

NOTE 8: Forecast New Operating Spending

| | | | | | | | |
|---|-----------|------------|----------|------------|--------------|--------------|--------------|
| New operating spending up to Budget 2006 | .. | 271 | 7 | 320 | 146 | 189 | 209 |
| Forecast new operating spending | .. | .. | .. | .. | 1,416 | 3,284 | 5,197 |
| Total Forecast for Future New Spending | .. | 271 | 7 | 320 | 1,562 | 3,473 | 5,406 |

The forecast new operating spending represents an amount that indicates in broad terms the potential spending increases that could be introduced in each future budget round. The forecasts include \$1.94 billion for Budget 2007, \$1.98 billion for Budget 2008 and \$2.02 billion for Budget 2009. The remaining amounts are lower as some spending has already been allocated (e.g. as part of Health sector funding packages, the Defence funding package, Official Development Assistance and some Education funding), leaving indicative totals of around \$1.4 billion for Budget 2007, \$1.9 billion for Budgets 2008 and 2009.

Notes to the Forecast Financial Statements

| (\$ million) | 2006 | | | | | | |
|--------------|-------------|----------------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 Actual | 2006 Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |

NOTE 9: Cash and Marketable Securities, Deposits & Equity Investments

By category:

| | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Cash | 3,710 | 2,446 | 3,319 | 2,902 | 3,095 | 3,214 | 3,345 |
| Marketable securities and deposits | 21,464 | 19,026 | 26,468 | 25,249 | 26,350 | 24,531 | 23,919 |
| Equity investments (e.g. shares) | 10,896 | 13,042 | 15,267 | 17,708 | 20,414 | 23,399 | 26,676 |
| Reserve position at the International Monetary Fund | 702 | 662 | 281 | 275 | 268 | 261 | 254 |
| Total MSDs and Equity Investments | 33,062 | 32,730 | 42,016 | 43,232 | 47,032 | 48,191 | 50,849 |
| Total Cash and MSDs & Equity Investments | 36,772 | 35,176 | 45,335 | 46,134 | 50,127 | 51,405 | 54,194 |

By portfolio management:

| | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Reserve Bank and DMO managed funds | 14,776 | 12,997 | 18,714 | 16,693 | 16,783 | 13,910 | 12,120 |
| New Zealand Superannuation Fund | 5,571 | 8,350 | 9,240 | 11,765 | 14,633 | 17,901 | 21,559 |
| Government Superannuation Fund | 3,233 | 3,187 | 3,370 | 3,449 | 3,522 | 3,583 | 3,633 |
| ACC portfolio | 5,987 | 5,757 | 7,398 | 7,940 | 8,486 | 9,016 | 9,529 |
| EQC portfolio | 1,675 | 1,649 | 2,241 | 2,390 | 2,550 | 2,724 | 2,913 |
| Other holdings | 1,820 | 790 | 1,053 | 995 | 1,058 | 1,057 | 1,095 |
| Total MSDs and Equity Investments | 33,062 | 32,730 | 42,016 | 43,232 | 47,032 | 48,191 | 50,849 |

The asset values above are net of any cross-holdings. For example the asset portfolios of the NZS Fund, GSF, EQC and ACC currently all hold amounts of NZ Government Stock. For financial reporting purposes these amounts are eliminated within the consolidated financial statements. The total portfolios are shown below, along with commentary on the restricted nature of some of the assets (for example the GSF assets are only available for the payment of GSF benefits – because of the restricted nature of these assets they are excluded from the definition of net debt).

Nature of financial assets – some are restricted in their purpose

Within the financial assets above, several portfolios are restricted in their nature in that they are only available to meet very specified purposes and are not available (by statute or other reasons) for general use by the Crown. It is for this reason that such assets are excluded from the definition of net debt – one of the Crown's key fiscal policy indicators.

New Zealand Superannuation Fund

The assets of the NZS Fund is the Government's means of building up assets to partially pre-fund future NZS expenses and may only be used for NZ Superannuation. The Government's contributions to the NZS Fund are calculated over a 40-year rolling horizon to ensure Superannuation entitlements over the next 40 years can be met.

Government Superannuation Fund

The GSF Authority administers the financial assets of the GSF totalling around \$3.5 billion (30 June 2005). These assets result from contributions by employees built up through time and can only be applied to the ongoing payment of GSF benefits (as provided by the GSF Act). Also refer Note 15 Outstanding Liability associated with GSF benefits.

EQC – Natural Disaster Fund (NDF)

The EQC is New Zealand's primary provider of seismic disaster insurance to residential property owners. EQC administers the NDF, comprising capital and reserves. EQC draws on the NDF money to pay out claims for damage caused by natural disasters.

ACC portfolio

The ACC manages the ACC scheme. At present there is a substantial outstanding claims liability associated with past claims in excess of \$11.4 billion (30 June 2005) and it is expected to increase. To manage the payment of these claims in the future, ACC is building up a matching portfolio of assets. The target is to have the residual claims fully funded by 2014. Also refer Note 16 Outstanding Claims Liability.

Individual portfolio information (including cross holdings of NZ Government Stock)

| | | | | | | | |
|----------------------|-------|-------|--------|--------|--------|--------|--------|
| NZS Fund | 6,555 | 9,278 | 10,242 | 13,038 | 16,216 | 19,835 | 23,884 |
| GSF financial assets | 3,521 | 3,587 | 3,744 | 3,833 | 3,913 | 3,981 | 4,037 |
| ACC portfolio | 8,123 | 8,314 | 8,798 | 9,443 | 10,092 | 10,722 | 11,332 |
| EQC portfolio | 4,557 | 4,837 | 5,273 | 5,638 | 6,018 | 6,425 | 6,860 |

Notes to the Forecast Financial Statements

| (\$ million) | 2006 | | | | | | |
|---|---------------|----------------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 Actual | 2006 Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| NOTE 10: Advances | | | | | | | |
| Student loans (see analysis below) | 6,465 | 7,195 | 5,472 | 5,868 | 6,260 | 6,629 | 6,959 |
| Kiwibank deposits | 1,575 | 2,615 | 2,871 | 3,425 | 4,261 | 4,261 | 4,261 |
| Residential care loans | 77 | 88 | 79 | 75 | 71 | 67 | 63 |
| Maori development rural lending | 51 | 48 | 57 | 63 | 70 | 76 | 83 |
| Other | 368 | 507 | 451 | 590 | 779 | 828 | 739 |
| Total Advances | 8,536 | 10,453 | 8,930 | 10,021 | 11,441 | 11,861 | 12,105 |
| Analysis of Student Loans | | | | | | | |
| Stock | | | | | | | |
| Nominal loan balance | | | 8,189 | 8,784 | 9,372 | 9,923 | 10,418 |
| Adjustment to fair value | | | (2,717) | (2,916) | (3,112) | (3,294) | (3,459) |
| Total Student Loan Balance | | | 5,472 | 5,868 | 6,260 | 6,629 | 6,959 |
| Movements | | | | | | | |
| Opening balance | | | 6,465 | 5,472 | 5,868 | 6,260 | 6,629 |
| Fair value adjustment on 31 October balance | | | (1,479) | .. | .. | .. | .. |
| New lending over the year | | | 1,042 | 1,157 | 1,237 | 1,304 | 1,368 |
| Fair value write down for new lending | | | (299) | (381) | (408) | (429) | (451) |
| Repayments | | | (574) | (634) | (717) | (824) | (948) |
| Impairments | | | (18) | (15) | (17) | (18) | (19) |
| Interest charged | | | 240 | 87 | 83 | 89 | 95 |
| Residual fair value change | | | 95 | 182 | 214 | 247 | 285 |
| Closing Student Loan Balance | | | 5,472 | 5,868 | 6,260 | 6,629 | 6,959 |
| Analysis of Student Loans (as previously disclosed) | | | | | | | |
| Outstanding balance | | | | | | | |
| Total loans outstanding (including interest) | 7,499 | 8,178 | | | | | |
| Total provisions (capital and interest) | (1,034) | (983) | | | | | |
| Total Student Loans | 6,465 | 7,195 | | | | | |
| Movement during the year | | | | | | | |
| Opening balance | 5,995 | 6,594 | | | | | |
| Amount advanced in current year | 971 | 1,040 | | | | | |
| Interest accrued on outstanding loan balances | 498 | 547 | | | | | |
| Repayment of base capital | (313) | (402) | | | | | |
| Repayment of accrued interest | (259) | (253) | | | | | |
| Interest written off and movement in provision for interest write-offs and doubtful debts | (435) | (339) | | | | | |
| Other movements | 8 | 8 | | | | | |
| Closing Balance | 6,465 | 7,195 | | | | | |
| NOTE 11: Receivables | | | | | | | |
| Taxes receivable | 5,641 | 5,585 | 5,691 | 5,607 | 5,495 | 5,393 | 5,293 |
| Accounts receivable | 4,610 | 4,305 | 4,465 | 4,706 | 4,940 | 5,257 | 5,730 |
| Receivable from the sale and purchase of Maui gas | 121 | 70 | 75 | 32 | 13 | 5 | .. |
| Prepayments | 511 | 245 | 202 | 189 | 188 | 189 | 189 |
| Total Receivables | 10,883 | 10,205 | 10,433 | 10,534 | 10,636 | 10,844 | 11,212 |
| NOTE 12: Other Investments | | | | | | | |
| International Bank for Reconstruction and Development | 74 | 72 | 76 | 76 | 76 | 76 | 76 |
| Asian Development Bank | 79 | 78 | 81 | 81 | 81 | 81 | 81 |
| Other | 68 | 84 | 110 | 129 | 146 | 168 | 168 |
| Total Other Investments | 221 | 234 | 267 | 286 | 303 | 325 | 325 |

Notes to the Forecast Financial Statements

| (\$ million) | 2006 | | | | | | |
|---|---------------|----------------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 Actual | 2006 Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| NOTE 13: Property, Plant and Equipment | | | | | | | |
| By Type | | | | | | | |
| Gross Carrying Value | | | | | | | |
| Land (valuation) | 11,693 | 9,962 | 11,488 | 11,801 | 12,001 | 12,180 | 12,285 |
| Properties intended for sale (valuation) | 470 | 476 | 454 | 454 | 463 | 467 | 475 |
| Buildings (valuation) | 19,457 | 21,204 | 21,171 | 22,487 | 23,209 | 24,147 | 24,706 |
| Electricity distribution network (valuation) | 2,123 | 2,231 | 2,358 | 2,668 | 3,068 | 3,729 | 4,509 |
| Electricity generation assets (valuation) | 7,260 | 7,032 | 7,155 | 8,428 | 9,457 | 10,529 | 11,025 |
| Aircraft (ex SME) (valuation) | 1,139 | 2,880 | 2,138 | 2,566 | 2,797 | 2,986 | 3,136 |
| State highways (valuation) | 14,909 | 14,258 | 15,867 | 16,757 | 17,628 | 18,455 | 19,323 |
| Specialist military equipment (valuation) | 3,032 | 3,710 | 3,511 | 4,013 | 4,244 | 4,364 | 4,532 |
| Other plant and equipment (cost) | 8,987 | 9,813 | 9,150 | 10,211 | 10,848 | 11,597 | 12,216 |
| Other assets (valuation) | 6,751 | 5,316 | 6,808 | 7,250 | 7,626 | 7,599 | 7,765 |
| Total Gross Carrying Value | 75,821 | 76,882 | 80,100 | 86,635 | 91,341 | 96,053 | 99,972 |
| Accumulated Depreciation | | | | | | | |
| Buildings | 1,324 | 2,917 | 1,986 | 2,883 | 3,546 | 4,486 | 5,454 |
| Electricity distribution network | 187 | 313 | 297 | 421 | 551 | 689 | 838 |
| Electricity generation assets | 169 | 767 | 319 | 525 | 761 | 1,041 | 1,350 |
| Aircraft (ex SME) | .. | 371 | 198 | 444 | 669 | 854 | 1,022 |
| State highways | .. | 499 | 453 | 689 | 933 | 1,185 | 1,444 |
| Specialist military equipment | 621 | 838 | 800 | 1,017 | 1,266 | 1,539 | 1,837 |
| Other plant and equipment | 5,595 | 5,776 | 5,568 | 6,420 | 7,127 | 7,925 | 8,795 |
| Other assets | 431 | 309 | 370 | 373 | 381 | 387 | 393 |
| Total Accumulated Depreciation | 8,327 | 11,790 | 9,991 | 12,772 | 15,234 | 18,106 | 21,133 |
| Net Carrying Value | | | | | | | |
| Land (valuation) | 11,693 | 9,962 | 11,488 | 11,801 | 12,001 | 12,180 | 12,285 |
| Properties intended for sale (valuation) | 470 | 476 | 454 | 454 | 463 | 467 | 475 |
| Buildings (valuation) | 18,133 | 18,287 | 19,185 | 19,604 | 19,663 | 19,661 | 19,252 |
| Electricity distribution network (valuation) | 1,936 | 1,918 | 2,061 | 2,247 | 2,517 | 3,040 | 3,671 |
| Electricity generation assets (valuation) | 7,091 | 6,265 | 6,836 | 7,903 | 8,696 | 9,488 | 9,675 |
| Aircraft (ex SME) (valuation) | 1,139 | 2,509 | 1,940 | 2,122 | 2,128 | 2,132 | 2,114 |
| State highways (valuation) | 14,909 | 13,759 | 15,414 | 16,068 | 16,695 | 17,270 | 17,879 |
| Specialist military equipment (valuation) | 2,411 | 2,872 | 2,711 | 2,996 | 2,978 | 2,825 | 2,695 |
| Other plant and equipment (cost) | 3,392 | 4,037 | 3,582 | 3,791 | 3,721 | 3,672 | 3,421 |
| Other assets (valuation) | 6,320 | 5,007 | 6,438 | 6,877 | 7,245 | 7,212 | 7,372 |
| Total Net Carrying Value | 67,494 | 65,092 | 70,109 | 73,863 | 76,107 | 77,947 | 78,839 |
| By Holding | | | | | | | |
| Freehold assets | 66,282 | 64,751 | 69,087 | 72,839 | 75,084 | 76,925 | 77,818 |
| Leasehold assets | 1,212 | 341 | 1,022 | 1,024 | 1,023 | 1,022 | 1,021 |
| Net carrying value | 67,494 | 65,092 | 70,109 | 73,863 | 76,107 | 77,947 | 78,839 |
| NOTE 14: Payables and Provisions | | | | | | | |
| Accounts payable and accruals | 8,593 | 8,957 | 7,131 | 7,380 | 7,673 | 7,856 | 8,172 |
| Taxes repayable | 2,778 | 2,326 | 2,742 | 2,742 | 2,742 | 2,742 | 2,742 |
| Provisions | 466 | 541 | 488 | 514 | 543 | 566 | 575 |
| Provision for Kyoto Protocol | 310 | .. | 582 | 582 | 582 | 582 | 582 |
| National Provident Fund guarantee | 944 | 891 | 944 | 944 | 944 | 944 | 944 |
| Provisions for employee entitlements | 1,360 | 1,271 | 1,388 | 1,397 | 1,400 | 1,416 | 1,415 |
| Total Payables and Provisions | 14,451 | 13,986 | 13,275 | 13,559 | 13,884 | 14,106 | 14,430 |

Notes to the Forecast Financial Statements

NOTE 15: GSF Liability

The Government Superannuation Fund past service liability (the GSF liability) has been calculated by the Government Actuary as at 28 February 2006 (the valuation date) for inclusion within the 2006 *Budget Update*. The GSF liability arises from closed schemes for past and present public sector employees (set out in the GSF Act 1956). A projected Aggregate Funding method, based on 28 February 2006 membership data, was used for the valuation. This method requires the benefits payable from the GSF in respect of past service to be calculated and then discounted back to the valuation date.

The GSF liability included in the 2006 *Budget Update* was calculated using discount rates derived from the market yield curve as at 28 February 2006. This resulted in a long-term after-tax discount rate of 3.8% (unchanged from 30 June 2005). The principal long-term financial assumptions used in the calculation were an inflation rate of 2.25% and an annual salary increases rate, before any promotional effects, of 3.0%.

The 2005/06 movement in the net unfunded liability is \$162 million (reflecting an increase in the GSF liability of \$409 million and an increase in the net assets of \$247 million). There are essentially three components driving this change, being changes to the economic assumptions applied since 30 June 2005, actual GSF experience to 28 February 2006 and the expected net movement in contributions, investment income and benefit payments. The change in underlying economic assumptions accounted for \$443 million of the increase in the net unfunded liability. The net unfunded liability decreased by \$34 million due to actual GSF experience to 28 February 2006 and finally the net unfunded liability is expected to decrease \$247 million due to movements in expected contributions, investment income and benefit payments. The changes from 2006/07 onwards reflect the expected net movement in investment income, contributions and benefit payments only.

Presentation approach

The projected GSF liability is included within total liabilities of the Crown. The Government Superannuation Fund has a portfolio of assets that partially offset the GSF liability. The assets (less cross holdings of NZ Government stock) are included in the asset portion of the Crown's overall balance sheet. The component parts are shown in the reconciliation below.

| (\$ million) | 2006 | | | | | | |
|--|---------------|----------------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 Actual | 2006 Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| GSF liability and asset information | | | | | | | |
| GSF liability | | | | | | | |
| Opening GSF liability | 13,542 | 14,103 | 14,952 | 15,361 | 15,344 | 15,287 | 15,187 |
| Net projected change | 1,410 | (24) | 409 | (17) | (57) | (100) | (132) |
| Closing GSF liability | 14,952 | 14,079 | 15,361 | 15,344 | 15,287 | 15,187 | 15,055 |
| Less net assets available to the GSF scheme | | | | | | | |
| Opening net asset value | 3,375 | 3,510 | 3,521 | 3,768 | 3,857 | 3,934 | 4,002 |
| Investment valuation changes | | | 455 | 186 | 183 | 184 | 178 |
| Contribution and other income less membership payments | 146 | 77 | (208) | (97) | (106) | (116) | (122) |
| Closing net asset value | 3,521 | 3,587 | 3,768 | 3,857 | 3,934 | 4,002 | 4,058 |
| Net unfunded liability of the GSF schemes | | | | | | | |
| Opening unfunded liability | 10,167 | 10,593 | 11,431 | 11,593 | 11,487 | 11,353 | 11,185 |
| Net projected change | 1,264 | (101) | 162 | (106) | (134) | (168) | (188) |
| Net unfunded liability | 11,431 | 10,492 | 11,593 | 11,487 | 11,353 | 11,185 | 10,997 |

Notes to the Forecast Financial Statements

NOTE 16: ACC Claims Liability

Calculation information

PricewaterhouseCoopers Actuarial Pty Ltd have prepared the independent actuarial estimate of the ACC outstanding claims liability as at 31 March 2006. This estimate includes the expected future payments relating to accidents that occurred prior to balance date (whether or not the associated claims have been reported to, or accepted by, ACC) and also the expected administrative expenses of managing these claims.

The key economic variables that impact on changes to the valuation are the long-term Labour Cost Index (LCI) of 2.5% (2.3% at 30 June 2005), average weekly earnings of 3.3% (3.1% at 30 June 2005) and the discount rate of 5.77% (5.75% at 30 June 2005). Other key variables in each valuation is the assumed rate at which long-term claimants will leave the scheme over the period. This assessment is largely based on scheme history.

The forecasts are based on currently approved levy rates. ACC claims expenditure is forecast to increase at a greater rate than levy revenue at those levy rates. As a consequence, ACC's net reserves position is forecast to deteriorate from 2008 to 2010. Levy rates are reviewed annually to ensure that new claims are fully funded and that the required components within the claims liability relating to older claims are fully-funded by 2014.

Explanation of change

The total change in the gross ACC liability compared to the expected movement for 2005/06 from the 30 June 2005 estimate is an increase of \$572 million. Changes in claim experience and modelling accounted for \$446 million of the increase and the remainder reflects the impact of changes in economic assumptions (mainly an increase in future inflation assumptions).

Presentation approach

The projected gross liability is included within total liabilities. The ACC has available to it a portfolio of assets that partially offset the gross liability. The assets (less cross holdings of NZ Government stock) are included in the asset portion of the Crowns' overall balance sheet.

| (\$ million) | 2006 | | | | | | |
|--|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| | 2005 Actual | Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| ACC liability and asset information | | | | | | | |
| Gross ACC liability | | | | | | | |
| Opening gross liability | 9,347 | 11,154 | 11,384 | 12,581 | 13,255 | 13,945 | 14,638 |
| Net projected change | 2,037 | 597 | 1,187 | 674 | 690 | 693 | 706 |
| Transfer from other insurer | | | 10 | .. | .. | .. | .. |
| Closing gross liability | 11,384 | 11,751 | 12,581 | 13,255 | 13,945 | 14,638 | 15,344 |
| Less net assets available to ACC | | | | | | | |
| Opening net asset value | 5,969 | 6,902 | 7,217 | 8,813 | 9,615 | 10,264 | 10,888 |
| Net projected change | 1,248 | 823 | 1,596 | 802 | 649 | 624 | 614 |
| Closing net asset values | 7,217 | 7,725 | 8,813 | 9,615 | 10,264 | 10,888 | 11,502 |
| Net ACC reserves (net liability) | | | | | | | |
| Opening reserves position | (3,378) | (4,252) | (4,167) | (3,768) | (3,640) | (3,681) | (3,750) |
| Net projected change | (789) | 226 | 399 | 128 | (41) | (69) | (92) |
| Closing reserves position (net liability) | (4,167) | (4,026) | (3,768) | (3,640) | (3,681) | (3,750) | (3,842) |

NOTE 17: Revaluation reserves

Asset Revaluation Reserves

| | | | | | | | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Opening Balance | 19,838 | 20,458 | 27,988 | 27,989 | 27,989 | 27,989 | 27,989 |
| Net revaluations | | | | | | | |
| Land and buildings | 3,368 | .. | 32 | .. | .. | .. | .. |
| State highways | 1,417 | .. | .. | .. | .. | .. | .. |
| Electricity generation assets | 1,986 | .. | .. | .. | .. | .. | .. |
| Other assets | 1,426 | .. | (16) | .. | .. | .. | .. |
| Total Net Revaluations | 8,197 | .. | 16 | .. | .. | .. | .. |
| Transfer to taxpayer funds | (47) | .. | (15) | .. | .. | .. | .. |
| Closing Balance | 27,988 | 20,458 | 27,989 | 27,989 | 27,989 | 27,989 | 27,989 |

Notes to the Forecast Financial Statements

| (\$ million) | 2006 | | | | | | |
|--|--------------|----------------------|---------------|----------------|----------------|----------------|----------------|
| | 2005 Actual | 2006 Previous Budget | 2006 Forecast | 2007 Forecast | 2008 Forecast | 2009 Forecast | 2010 Forecast |
| NOTE 18: Core Crown | | | | | | | |
| Reconciliation of Core Crown Forecast Net Cash Flows from Operations with Forecast Net Cash Proceeds from Domestic Bonds (flows of the NZS Fund and GSF are excluded) | | | | | | | |
| Core Crown Cash Flows from Operations | | | | | | | |
| Total tax receipts | 47,571 | 48,911 | 50,325 | 51,499 | 53,040 | 54,679 | 58,860 |
| Total other sovereign receipts | 478 | 503 | 487 | 503 | 536 | 560 | 646 |
| Interest, profits and dividends | 1,446 | 1,059 | 1,756 | 1,035 | 953 | 1,010 | 1,023 |
| Sale of goods & services and other receipts | 1,272 | 1,239 | 1,493 | 1,387 | 1,349 | 1,341 | 1,329 |
| Subsidies and transfer payments | (14,409) | (15,548) | (15,468) | (16,820) | (17,993) | (18,569) | (19,216) |
| Personnel and operating expenses | (25,815) | (27,577) | (28,563) | (30,815) | (31,306) | (31,809) | (31,655) |
| Finance costs | (1,983) | (1,992) | (1,954) | (1,781) | (1,808) | (1,821) | (1,780) |
| Forecast new operating spending | .. | (271) | (7) | (320) | (1,562) | (3,473) | (5,406) |
| Net Cash Flows from Core Crown Operations | 8,560 | 6,324 | 8,069 | 4,688 | 3,209 | 1,918 | 3,801 |
| Net purchase of physical assets | (1,372) | (2,128) | (1,988) | (1,953) | (1,200) | (980) | (962) |
| Net increase in advances | (628) | (781) | (975) | (957) | (933) | (583) | (513) |
| Net purchase of investments | (583) | (448) | (514) | (441) | (291) | (146) | (77) |
| Contribution to the NZS Fund | (2,107) | (2,337) | (2,337) | (2,049) | (2,239) | (2,465) | (2,651) |
| Purchase of Reserve Bank reserves | (766) | (500) | (500) | (500) | (200) | .. | .. |
| Forecast new capital spending | .. | (100) | .. | (256) | (456) | (450) | (699) |
| Available to Repay Debt/(Required to be Financed) | 3,104 | 30 | 1,755 | (1,468) | (2,110) | (2,706) | (1,101) |
| Financed by: | | | | | | | |
| Other net sale/(purchase) of marketable securities and deposits | (3,119) | 332 | (2,663) | 2,493 | 148 | 2,864 | 1,783 |
| Total Operating and Investing Activities | (15) | 362 | (908) | 1,025 | (1,962) | 158 | 682 |
| Used in: | | | | | | | |
| Net (repayment)/issue of other | | | | | | | |
| New Zealand-dollar borrowing | (1,455) | (1,000) | 414 | (1,132) | (616) | (178) | (75) |
| Decrease/(increase) in cash | (93) | 174 | 259 | (23) | (1) | (3) | 16 |
| Issue of circulating currency | 188 | .. | 211 | .. | .. | .. | .. |
| Net issue/(repayment) of foreign-currency borrowing | 1,905 | 838 | (277) | 502 | 95 | 1 | (15) |
| | 545 | 12 | 607 | (653) | (522) | (180) | (74) |
| Net Cash Inflow/(Outflow) to be Offset by Domestic Bonds | 530 | 374 | (301) | 372 | (2,484) | (22) | 608 |
| Gross Cash Proceeds from Domestic Bonds | | | | | | | |
| Domestic bonds (market) | 2,146 | 2,200 | 2,682 | 2,438 | 2,484 | 2,472 | 2,394 |
| Domestic bonds (non-market) | 459 | 375 | 568 | 406 | .. | 288 | 454 |
| Total Gross Cash Proceeds from Domestic Bonds | 2,605 | 2,575 | 3,250 | 2,844 | 2,484 | 2,760 | 2,848 |
| Repayment of domestic bonds (market) | (2,797) | (2,574) | (2,574) | (2,777) | .. | (2,450) | (3,002) |
| Repayment of domestic bonds (non-market) | (338) | (375) | (375) | (439) | .. | (288) | (454) |
| Net Cash (Repayments of)/Proceeds from Domestic Bonds | (530) | (374) | 301 | (372) | 2,484 | 22 | (608) |