
Additional Information

The following information forms part of the Budget Economic and Fiscal Update 2007 (*Budget Update*), released by the Treasury on 17 May 2007. This information provides users of the *Budget Update* with further detail and should be read in conjunction with the published document. The information contains:

- Detailed economic forecast information – these tables provide some more detailed breakdowns of the economic forecasts
- Additional fiscal indicators – estimates of the cyclically-adjusted balance and fiscal impulse
- Core Crown reconciliations – additional core Crown information including a reconciliation of the operating balance to net core Crown debt and core Crown net cash flows from operations to the operating balance
- Tax tables – detailed tax revenue and receipts tables comparing Treasury’s forecasts with IRD’s forecasts
- Contingent liabilities and contingent assets – write-ups of the nature of each item in the tables outlined in the *Budget Update* Specific Fiscal Risks chapter
- Crown accounting policies – outline of the specific Crown accounting policies and forecast assumptions. The published GAAP tables only provide a summary.
- Old GAAP tables – 2006 actual, 2007 previous budget and 2007 estimated actual financial statements in the Old GAAP format. The published GAAP tables in the *Budget Update* are shown in a new format resulting from the transition to New Zealand International Financial Reporting Standards (“New GAAP”).

Detailed Economic Forecast Information

The following tables provide additional detail on the economic forecasts presented in the *Budget Update*.

Table 1: Real Gross Domestic Product

Chain-volume series expressed in 1995/96 prices

	Actual			Seasonally Adjusted	
	\$ million	Annual % change	Annual Average % change	\$million	Quarterly % change
2004Q1	30,103	4.7	3.5	30,361	1.9
2004Q2	29,945	5.3	4.0	30,625	0.9
2004Q3	30,436	4.3	4.2	30,783	0.5
2004Q4	32,180	3.6	4.5	30,911	0.4
2005Q1	30,851	2.5	3.9	31,102	0.6
2005Q2	30,756	2.7	3.3	31,426	1.0
2005Q3	31,117	2.2	2.8	31,460	0.1
2005Q4	32,663	1.5	2.2	31,417	-0.1
2006Q1	31,392	1.8	2.0	31,637	0.7
2006Q2	31,089	1.1	1.6	31,749	0.4
2006Q3	31,486	1.2	1.4	31,832	0.3
2006Q4	33,339	2.1	1.5	32,088	0.8
2007Q1	32,126	2.3	1.7	32,377	0.9
2007Q2	31,926	2.7	2.1	32,603	0.7
2007Q3	32,435	3.0	2.5	32,792	0.6
2007Q4	34,195	2.6	2.7	32,912	0.4
2008Q1	32,788	2.1	2.6	33,043	0.4
2008Q2	32,453	1.7	2.3	33,142	0.3
2008Q3	32,906	1.5	1.9	33,267	0.4
2008Q4	34,734	1.6	1.7	33,430	0.5
2009Q1	33,415	1.9	1.6	33,675	0.7
2009Q2	33,241	2.4	1.8	33,947	0.8
2009Q3	33,827	2.8	2.2	34,199	0.7
2009Q4	35,790	3.0	2.6	34,447	0.7
2010Q1	34,427	3.0	2.8	34,696	0.7
2010Q2	34,236	3.0	3.0	34,962	0.8
2010Q3	34,875	3.1	3.0	35,258	0.8
2010Q4	36,935	3.2	3.1	35,549	0.8
2011Q1	35,550	3.3	3.1	35,827	0.8
2011Q2	35,349	3.3	3.2	36,099	0.8

Source: Statistics New Zealand, The Treasury

Table 2: Consumer Price Index

Base: June 1999 quarter (=1000)

	Index	Quarterly % change	Annual % change
2004Q1	928	0.4	1.5
2004Q2	935	0.8	2.4
2004Q3	941	0.6	2.5
2004Q4	949	0.9	2.7
2005Q1	953	0.4	2.8
2005Q2	962	0.9	2.8
2005Q3	973	1.1	3.4
2005Q4	979	0.7	3.2
2006Q1	985	0.6	3.3
2006Q2	1000	1.5	4.0
2006Q3	1007	0.7	3.5
2006Q4	1005	-0.2	2.6
2007Q1	1011	0.6	2.6
2007Q2	1018	0.7	1.8
2007Q3	1024	0.6	1.7
2007Q4	1031	0.7	2.6
2008Q1	1038	0.6	2.7
2008Q2	1044	0.6	2.6
2008Q3	1050	0.6	2.5
2008Q4	1056	0.6	2.4
2009Q1	1063	0.6	2.4
2009Q2	1069	0.6	2.3
2009Q3	1075	0.6	2.3
2009Q4	1081	0.6	2.3
2010Q1	1088	0.6	2.4
2010Q2	1094	0.6	2.3
2010Q3	1100	0.5	2.3
2010Q4	1105	0.5	2.2
2011Q1	1111	0.5	2.2
2011Q2	1117	0.5	2.1

Source: Statistics New Zealand, The Treasury

Table 3: Gross Domestic Expenditure and Income

March Year	2006			2007			2008			2009			2010			2011		
	Actual	%vol	\$ mill	Estimate	%vol	\$ mill	Forecast	%vol	\$ mill	Forecast	%vol	\$ mill	Forecast	%vol	\$ mill	Forecast	%vol	\$ mill
Consumption:																		
- Private	93,182	1.7	97,551	2.9	3.2	102,576	1.9	1.6	106,530	2.2	1.6	110,371	2.0	1.6	114,304	1.9	1.9	114,304
- Public	28,545	4.4	30,864	3.5	4.1	32,662	1.7	3.9	34,818	2.6	4.0	36,968	2.1	3.5	39,006	1.9	1.9	39,006
Gross Fixed Capital Formation:																		
- Residential	10,399	-2.3	10,705	5.3	3.4	11,405	3.1	-1.9	11,278	0.8	-0.5	11,313	0.9	0.9	11,553	1.2	1.2	11,553
- Market *	24,312	-4.6	23,644	1.9	5.8	24,319	-2.7	0.2	24,475	0.5	1.4	25,253	1.7	4.2	26,780	1.8	1.8	26,780
- Non-market **	2,599	-3.4	2,629	4.6	4.1	2,899	5.8	-0.5	3,033	5.2	-1.7	3,138	5.3	-0.3	3,295	5.3	5.3	3,295
- Total all sectors	37,310	-4.0	36,977	3.2	4.9	38,623	-0.4	-0.3	38,786	0.7	0.8	39,705	1.5	3.3	41,628	1.5	1.5	41,628
Change in Stocks	696		-24			-17			-106			-188			-215			-215
Gross National Expenditure	159,733	-0.8	165,368	2.7	-0.3	173,843	-5.9	1.3	180,027	2.2	2.0	186,856	3.4	1.8	194,725	3.0	3.0	194,725
Exports	43,290	3.1	47,448	6.4	0.4	47,465	-0.4	3.5	50,943	3.6	4.1	57,438	8.3	4.1	63,226	5.7	5.7	63,226
Imports	47,469	-1.2	50,397	7.4	4.8	49,808	-5.7	2.2	53,442	5.0	0.4	59,356	10.6	1.6	64,120	6.3	6.3	64,120
Expenditure on GDP	155,554	2.1	162,419	2.3	2.9	171,500	2.6	1.6	177,528	1.9	2.7	184,938	1.4	3.0	193,831	1.7	1.7	193,831
Statistical Discrepancy	331		358			417			445			480			480			480
Gross Domestic Product	155,885		162,777			171,893			177,944			185,384			194,311			194,311
Compensation of employees	67,968		72,473	6.6		75,992	4.9		79,666	4.8		83,346	4.6		87,549	5.0		87,549
Operating Surplus, net:																		
- Agriculture	4,010		4,612	15.0		5,119	11.0		5,528	8.0		6,026	9.0		6,448	7.0		6,448
- Other	42,847		42,442	-0.9		45,142	6.4		44,893	-0.6		45,860	2.2		47,764	4.2		47,764
- Total all sectors	46,857		47,053	0.4		50,261	6.8		50,421	0.3		51,886	2.9		54,212	4.5		54,212
Consumption of fixed capital	21,069		22,228	5.5		23,450	5.5		24,740	5.5		26,101	5.5		27,536	5.5		27,536
Indirect Taxes	20,531		21,564	5.0		22,730	5.4		23,657	4.1		24,591	3.9		25,554	3.9		25,554
Less subsidies	540		540	0.0		540	0.0		540	0.0		540	0.0		540	0.0		540
Gross Domestic Product	155,885		162,777	4.4		171,893	5.6		177,944	3.5		185,384	4.2		194,311	4.8		194,311

* Includes Local Government and Non-profit Organisations

** Central Government (includes Crown Entities but not SOEs)

Source: Statistics New Zealand, The Treasury

Tables 4 & 5: Labour Market Indicators

Annual Average Percentage Change						
March Year	2006	2007	2008	2009	2010	2011
	Actual	Estimate	Forecast	Forecast	Forecast	Forecast
Real GDP (production basis)	2.0	1.7	2.6	1.6	2.8	3.1
Working Age Population	1.3	1.4	1.4	1.3	1.2	1.1
Labour Force	2.5	1.6	1.2	1.7	0.9	1.1
Employment - Full Time Equivalents*	2.7	1.8	0.8	1.0	0.5	1.3
Labour Productivity*	0.1	-0.4	1.3	2.8	1.9	1.6
Labour Productivity **	-0.1	0.8	1.8	0.9	2.2	1.7
CPI (annual percentage change)	3.3	2.6	2.7	2.4	2.4	2.2
Average Ordinary Time Hourly Wages	4.7	4.8	4.1	4.0	4.0	3.6
Average Weekly Earnings	3.7	5.1	3.6	3.5	3.9	3.7
Real Wages	1.4	1.5	1.8	1.5	1.6	1.3
Compensation of Employees	6.8	6.7	3.0	4.2	5.2	5.1
Unit Labour Costs (Hours worked basis)	4.8	3.9	2.2	3.1	1.7	1.8
Real Unit Labour Costs	1.4	0.3	-0.9	-1.3	-0.6	-0.3

* Full time equivalent basis

** Hours worked basis

Source: Statistics New Zealand, The Treasury

Number (000's)						
As at March Quarter	2006	2007	2008	2009	2010	2011
	Actual	Estimate	Forecast	Forecast	Forecast	Forecast
Total Population	4,134	4,176	4,215	4,253	4,290	4,326
Natural Increase	31	29	28	27	27	26
Net Migration	10	13	12	11	10	10
Annual Change	41	42	40	38	37	36
Working Age Population	3,203	3,247	3,291	3,332	3,371	3,409
Annual Change	43	44	44	41	39	38
Not in the labour force	1,000	1,036	1,036	1,049	1,067	1,077
Annual Change	-16	36	1	12	18	9
Labour Force	2,203	2,212	2,255	2,283	2,304	2,332
Annual Change	59	8	43	29	21	28
Total Employment	2,108	2,118	2,158	2,171	2,193	2,222
Annual Change	53	10	39	14	21	30
Unemployment	95	93	97	113	113	111
Annual Change	6	-2	4	16	-1	-2
Participation Rate (%sa)	68.5	67.9	68.3	68.3	68.1	68.2
Unemployment Rate (%sa)	3.9	3.8	3.9	4.5	4.4	4.3

Source: Statistics New Zealand, The Treasury

Table 6: Current Account

Year ended March	Percent of Nominal GDP											
	2006 Actual	2007 Estimate	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast	2006 Actual	2007 Estimate	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Exports Goods	31,485	35,189	35,030	37,881	42,847	46,494						
annual % Change	1.2	11.8	-0.5	8.1	13.1	8.5						
Imports Goods	35,737	38,521	38,178	40,671	44,925	48,445						
annual % Change	7.1	7.8	-0.9	6.5	10.5	7.8						
Balance on Goods	-4,252	-3,332	-3,148	-2,790	-2,078	-1,951	-2.7	-2.1	-1.8	-1.6	-1.1	-1.0
Exports Services	11,806	12,251	12,387	13,000	14,555	16,729						
annual % change	-0.3	3.8	1.1	5.0	12.0	14.9						
Imports Services	11,732	11,882	11,639	12,780	14,442	15,687						
annual % change	5.1	1.3	-2.0	9.8	13.0	8.6						
Balance on services	73	368	748	220	113	1,042	0.0	0.2	0.4	0.1	0.1	0.5
Balance on goods & services	-4,179	-2,963	-2,401	-2,569	-1,965	-909	-2.7	-1.8	-1.4	-1.4	-1.1	-0.5
Int'l investment income and transfers balance	-10,742	-10,970	-10,276	-10,024	-10,880	-11,191	-6.9	-6.8	-6.0	-5.6	-5.9	-5.8
Current account balance	-14,922	-13,933	-12,677	-12,593	-12,845	-12,101	-9.6	-8.6	-7.4	-7.1	-6.9	-6.2

Source: Statistics New Zealand, The Treasury

Table 8: Imports - SNA Basis

Breakdown of imports												
March Years	Capital Goods (VFD)		Mineral Fuel* (VFD)		Intermediate Goods** (VFD)		Consumption Goods (VFD)		Total	Total	Total	
	%v	\$ mn	%v	\$ mn	%v	\$ mn	%v	\$ mn				%v	$ mn	%v	$ mn
2003	6.0	5,669	3.7	2,996	6.2	13,646	13	7621	7.2	40,094	7.6	7621
2004	30.6	6,198	0.1	2,763	8.5	13,412	10.3	7649	12.7	40,255	-9	7649
2005	16.8	6,626	13.7	3,811	10.1	14,482	10.5	8125	12.4	44,531	-3.9	8125
2006	16.4	7,336	0.3	5,251	-1.3	14,383	8.1	8703	4.1	47,469	-1	8703
2007	-3.6	7,093	-7.7	5,916	-1.6	15,725	6.3	9569	-1.2	50,397	3.4	9569
2008	1.3	6,117	8.6	6,364	6.3	15,722	4.4	9531	4.8	49,808	-4.6	9531
2009	3.4	6,347	2.0	7,039	2.0	16,706	3.2	10278	2.2	53,442	4.6	10278
2010	-0.7	6,765	0.7	7,856	0.7	18,477	1.9	11530	0.4	59,356	10.1	11530
2011	1.8	7,247	1.6	8,442	1.6	19,916	2.9	12530	1.6	64,120	5.6	12530

* Consists of 'Fuels and Lubricants' and 'Petrol and Aviation Gas'

** Consists of 'Intermediate Goods' excluding 'Fuels and Lubricants' and 'Passenger Cars'

*** Consists of 'Consumption Goods' and 'Passenger Motor Cars'

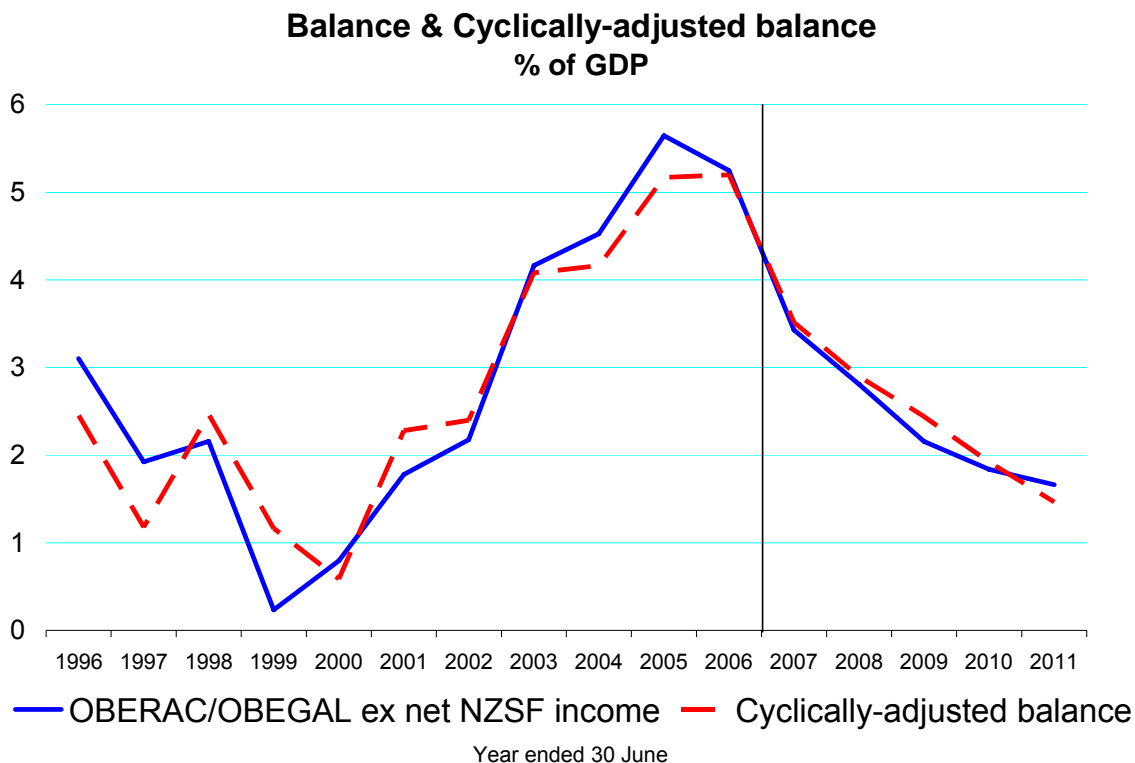
Source: Statistics New Zealand, The Treasury

Estimates of the Cyclically-Adjusted Balance and Fiscal Impulse

Cyclically-adjusted balance

The cyclically-adjusted balance (CAB) provides an estimate of what a particular fiscal balance would be if the economy was operating on trend.¹ The adjustment incorporates estimates of the responsiveness of different tax types, and unemployment, to changes in output. No adjustments are made for prices being above or below trend levels. Because it is based on a number of assumptions and is sensitive to new information, the estimate is subject to some uncertainty.

In the figure below the cyclically-adjusted balance is calculated for a measure of the operating balance that excludes the net income of the NZS Fund. As discussed in the *2007 Fiscal Strategy Report*, a focus on this measure is relevant because after-tax returns are retained in the NZS Fund. For the period prior to 2007 the measure is the OBERAC excluding the net return of the NZS Fund. For the year ending June 2007 and the remaining forecast years it is the OBEGAL excluding net NZS Fund revenue. Over the past few years the cyclically-adjusted estimate has been below the actual fiscal measure. This pattern is expected to reverse over the forecast period as actual output is forecast to move below trend output.

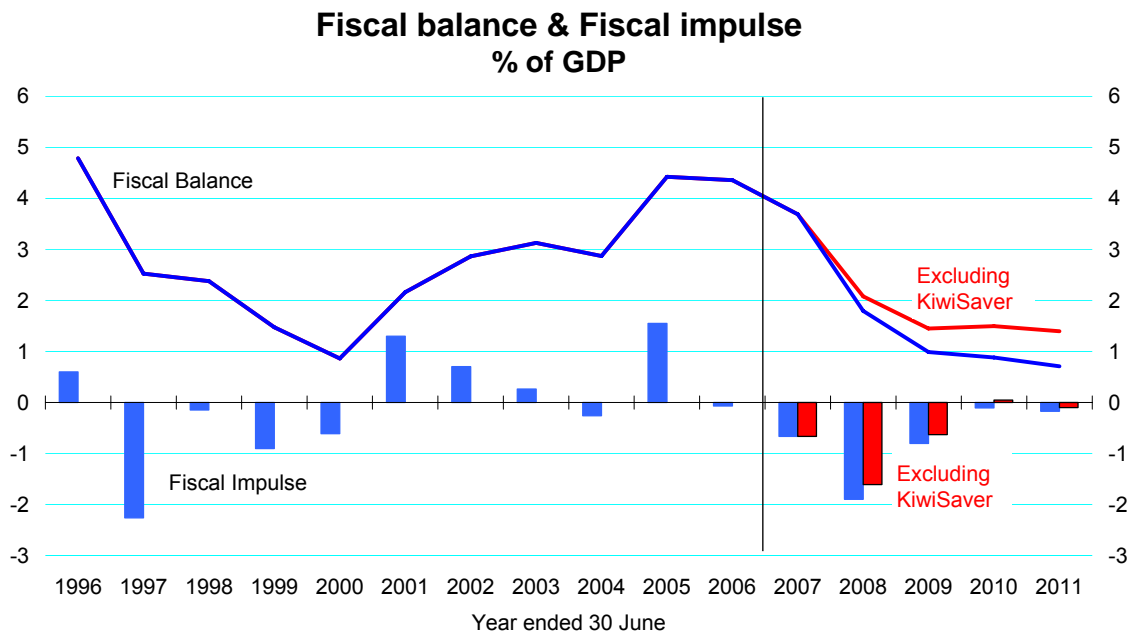


Source: The Treasury

¹ Trend output is estimated here using a Hodrick-Prescott (HP) filter.

Fiscal balance and fiscal impulse

Fiscal impulse is a summary indicator of whether changes in fiscal policy are adding to, or subtracting from, changes in aggregate demand. Fiscal impulse is calculated as the change in a cyclically-adjusted, exclusive of net interest, cash balance - the “Fiscal Balance” in the figure below. To capture changes in discretionary fiscal policy the focus is on the core Crown with cyclical influences (ie, so-called automatic fiscal stabilisers) and net interest payments removed. To capture the role of capital spending the indicator is derived from cash flow information. The indicator incorporates judgments about which components of capital spending are likely to affect aggregate demand. A positive fiscal impulse represents an increase in the fiscal balance relative to the previous year. Although they are cash based, the fiscal balance and the fiscal impulse do not correspond to reported fiscal indicators such as “residual cash” due to cyclical-adjustments and because selected items of capital are excluded from the calculations. The role of fiscal impulse in the context of the short-term economic and fiscal outlook is discussed in the *2007 Fiscal Strategy Report*.



Source: The Treasury

Indicators of fiscal impulse based on fiscal aggregates have limitations. At best they can only provide an indication of the first round impact of changes in fiscal policy. They focus only on the net impact of tax and spending changes and so do not take into account the composition of changes in fiscal policy (which may be relevant for the assessment of inflationary impacts).

Ex post estimates of fiscal impulse may differ from the *ex ante* estimate because of revisions to the cyclically-adjusted component of the fiscal balance and the implementation of spending plans (ie, timing delays in departmental spending, both operating and capital). The estimates of fiscal impulse can and do change between economic updates. One reason for this is that estimates of the impulse for the year ahead (and so the change in the fiscal balance) are affected by the top-down adjustment applied for underspend that is made to the current year.

Treasury’s approach to estimating the cyclically-adjusted balance and fiscal impulse is set out in Treasury Working Papers 01/10 and 02/30. The 2002 *December Update* discussed some of the alternative techniques used to estimate trend output (see pages 38 - 40).

June Year % of GDP	OBERAC OBEHAL (ex net NZSF income)	Cyclically adjusted balance	Fiscal balance	Fiscal impulse	Fiscal balance (ex KiwiSaver)	Fiscal impulse (ex KiwiSaver)
1996	3.1	2.5	4.8	0.6	4.8	0.6
1997	1.9	1.2	2.5	-2.3	2.5	-2.3
1998	2.2	2.5	2.4	-0.1	2.4	-0.1
1999	0.2	1.2	1.5	-0.9	1.5	-0.9
2000	0.8	0.6	0.9	-0.6	0.9	-0.6
2001	1.8	2.3	2.2	1.3	2.2	1.3
2002	2.2	2.4	2.9	0.7	2.9	0.7
2003	4.2	4.1	3.1	0.3	3.1	0.3
2004	4.5	4.2	2.9	-0.3	2.9	-0.3
2005	5.6	5.2	4.4	1.6	4.4	1.6
2006	5.2	5.2	4.4	-0.1	4.4	-0.1
2007	3.4	3.5	3.7	-0.7	3.7	-0.7
2008	2.8	2.9	1.8	-1.9	2.1	-1.6
2009	2.2	2.4	1.0	-0.8	1.5	-0.6
2010	1.8	1.9	0.9	-0.1	1.5	0.0
2011	1.7	1.5	0.7	-0.2	1.4	-0.1

Source: The Treasury

Reconciliation of Operating Balance to Net Crown Debt

(\$ million)	2006 ¹	2007	2008	2009	2010	2011
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Operating balance	11,473	6,327	6,431	5,569	5,310	5,366
Add/(less) valuation items	(2,825)	-	-	-	-	-
Less NZS Fund contributions	(2,337)	(2,049)	(2,103)	(2,194)	(2,312)	(2,458)
Less after-tax income of the NZS Fund	(969)	(1,006)	(965)	(1,150)	(1,351)	(1,573)
Available after NZS Fund requirements	5,342	3,272	3,363	2,225	1,647	1,335
Decrease/(increase in net debt)	4,433	2,706	385	(874)	(688)	(642)
Difference	(909)	(566)	(2,979)	(3,100)	(2,335)	(1,977)

This difference comprises:

Non-cash elements of the Operating Balance:

SOE/CE retained surplus net of						
dividends (excluding valuation issues)	(1,833)	(526)	(1,968)	(1,902)	(1,680)	(1,585)
Depreciation	1,066	1,073	1,177	1,217	1,248	1,307
Pension liabilities movement	279	30	-	-	-	-
Amortisation of intangible assets	47	114	140	147	156	144
Student loan influences	1,671	454	166	160	155	148

Cash elements not in the Operating Balance:

Issue of circulating currency	165	273	178	186	196	206
Net purchase of physical assets						
including capital contingency provision	(1,826)	(1,952)	(1,987)	(1,768)	(1,985)	(1,937)
Net capital injections	(389)	(456)	(636)	(349)	(229)	(108)
Other movements	(89)	424	(49)	(791)	(196)	(152)
(909)	(566)	(2,979)	(3,100)	(2,335)	(1,977)	

¹ Operating Balance used for 2006 Actual is OBERAC

Source: The Treasury

Reconciliation of Core Crown Net Cash Flows from Operations to Total Crown Operating Balance

	2006 Actuals	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Core Crown Net Cash Flows from Operations	8,859	7,932	5,038	3,323	3,551	3,772
<i>Items included in the operating balance but not in net cash flows from operations</i>						
Valuation changes						
(Increase)/decrease in pension liabilities	(279)	(30)	-	-	-	-
National Provident Fund guarantee	(54)	-	-	-	-	-
Revaluation of commercial forests	15	-	-	-	-	-
Total valuation changes	(318)	(30)	-	-	-	-
Property, plant & equipment asset movements						
Depreciation	(1,066)	(1,073)	(1,177)	(1,217)	(1,248)	(1,307)
Total property, plant & equipment movements	(1,066)	(1,073)	(1,177)	(1,217)	(1,248)	(1,307)
Other Non-cash Items						
Student loans	(1,671)	(454)	(166)	(160)	(155)	(148)
Receivables write down	-	(1,204)	-	-	-	-
Amortisation of intangible assets	(47)	(114)	(140)	(147)	(156)	(144)
Accrued income on NZS Fund	969	1,006	965	1,150	1,351	1,573
Total Other Non-cash Items	(749)	(766)	659	843	1,040	1,281
Total other investing and financing items	368	(111)	(106)	(46)	(12)	(125)
Movements in Working Capital						
(Decrease)/increase in other receivables	3,290	(330)	91	675	(45)	(109)
Increase/(decrease) in inventories	34	33	13	46	10	-
Decrease/(increase) in payables	(1,148)	146	(54)	43	335	269
Total movements in working capital	2,176	(151)	50	764	300	160
Core Crown Operating Balance	9,270	5,801	4,464	3,667	3,631	3,781
SOE/CE surpluses	2,203	526	1,967	1,902	1,679	1,585
Total Crown Operating Balance	11,473	6,327	6,431	5,569	5,310	5,366

Source: The Treasury

Tax Revenue Tables

Table 1 – Treasury and Inland Revenue forecasts of tax revenue

Tax revenue	2005/06	2006/07		2007/08		2008/09		2009/10		2010/11	
	Actual	Forecast		Forecast		Forecast		Forecast		Forecast	
\$ million		Treasury	IRD	Treasury	IRD	Treasury	IRD	Treasury	IRD	Treasury	IRD
Direct tax											
Individuals											
PAYE	19,225	20,725	20,610	21,950	21,880	23,276	23,140	24,648	24,535	26,131	26,030
Other persons tax	4,940	4,474	4,465	4,553	4,556	4,774	4,803	5,169	5,066	5,529	5,418
Refunds	(953)	(1,085)	(1,130)	(1,102)	(1,150)	(1,130)	(1,190)	(1,205)	(1,220)	(1,260)	(1,250)
Fringe benefit tax	450	455	480	474	504	498	522	519	540	546	565
Subtotal: Individuals	23,662	24,569	24,425	25,875	25,790	27,418	27,275	29,131	28,921	30,946	30,763
Company tax (net)	9,797	8,776	8,894	8,809	8,895	8,179	8,136	8,576	8,243	9,091	8,591
Withholding taxes on:											
Resident interest income	1,879	2,156	2,200	2,340	2,491	2,441	2,566	2,362	2,523	2,376	2,627
Non-resident income	1,096	1,142	1,134	1,005	994	1,002	990	1,020	1,017	1,009	1,051
Super fund contributions	711	594	640	669	670	714	700	751	740	799	775
Foreign-source dividends	160	146	170	102	128	86	127	86	131	86	135
Resident dividend income	74	89	78	92	79	114	102	249	238	296	286
Subtotal: Withholding tax	3,920	4,127	4,222	4,208	4,362	4,357	4,485	4,468	4,649	4,566	4,874
Total income tax	37,379	37,472	37,541	38,892	39,047	39,954	39,896	42,175	41,813	44,603	44,228
Other: Estate and gift duties	3	4	3	2	3	2	3	2	3	2	3
Total direct tax	37,382	37,476	37,544	38,894	39,050	39,956	39,899	42,177	41,816	44,605	44,231
Indirect tax											
GST											
GST (Customs)	5,079	5,382	5,451	5,335	5,519	5,723	5,802	6,312	6,388	6,780	6,917
GST (IRD)	9,054	9,399	9,378	10,395	10,031	10,698	10,445	10,801	10,554	11,014	10,716
Subtotal: GST	14,133	14,781	14,829	15,730	15,550	16,421	16,247	17,113	16,942	17,794	17,633
Excise duties on:											
Alcoholic drinks	516	559	550	586	566	614	580	641	594	670	607
Tobacco products	834	244	245	148	155	150	160	152	165	154	170
Petroleum fuels	852	881	845	903	865	921	885	938	905	955	925
Subtotal: excise duties	2,202	1,684	1,640	1,637	1,586	1,685	1,625	1,731	1,664	1,779	1,702
Other indirect tax											
Customs duty	1,083	1,760	1,725	1,865	1,810	1,849	1,770	1,873	1,860	1,921	1,950
Road user charges	731	785	790	877	830	933	870	988	915	1,043	965
Gaming duties	301	269	277	256	278	257	286	257	291	258	296
Motor vehicle fees	221	220	225	219	230	228	235	233	240	239	245
Approved issuer levy	75	79	84	72	86	72	80	72	82	72	80
Exhaustible resource levy	73	49	55	34	45	34	40	34	35	64	50
Cheque duty	8	7	7	7	6	7	6	7	5	7	5
Subtotal: Other indirect tax	2,492	3,169	3,163	3,330	3,285	3,380	3,287	3,464	3,428	3,604	3,591
Total indirect tax	18,827	19,634	19,632	20,697	20,421	21,486	21,159	22,308	22,034	23,177	22,926
Total tax	56,209	57,110	57,176	59,591	59,471	61,442	61,058	64,485	63,850	67,782	67,157
Total tax (% of GDP)	35.9%	34.6%	34.7%	34.4%	34.3%	34.3%	34.1%	34.5%	34.1%	34.6%	34.2%
less Core Crown eliminations											
Core Crown income tax	209	499	499	349	349	424	424	507	507	598	598
GST on Crown expenses and departmental outputs	3,556	4,058	4,058	4,235	4,235	4,428	4,428	4,781	4,781	4,899	4,899
Crown SSCWT	..	307	307	285	285	295	295	305	305	311	311
Crown AIL	..	15	15	15	15	15	15	15	15	15	15
Core Crown taxation	52,444	52,231	52,297	54,707	54,587	56,280	55,896	58,877	58,242	61,959	61,334
Core Crown tax (% of GDP)	33.5%	31.7%	31.7%	31.6%	31.5%	31.4%	31.2%	31.5%	31.1%	31.6%	31.3%
less Total Crown eliminations											
Income tax from SOEs and CEs	445	534	534	493	493	546	546	564	564	563	563
Lottery duty	26	38	38	41	41	43	43	45	45	46	46
Total Crown taxation	51,973	51,659	51,725	54,173	54,053	55,691	55,307	58,268	57,633	61,350	60,725
Total Crown tax (% of GDP)	33.2%	31.3%	31.4%	31.3%	31.2%	31.1%	30.9%	31.2%	30.8%	31.3%	31.0%
Nominal GDP	156,562	164,868	164,868	173,187	173,187	179,132	179,132	186,985	186,985	196,177	196,177

Sources: Inland Revenue, The Treasury

Table 2 – Treasury and Inland Revenue forecasts of tax receipts (cash)

Tax receipts \$ million	2005/06	2006/07		2007/08		2008/09		2009/10		2010/11	
	Actual	Forecast		Forecast		Forecast		Forecast		Forecast	
		Treasury	IRD	Treasury	IRD	Treasury	IRD	Treasury	IRD	Treasury	IRD
Direct tax											
Individuals											
PAYE	19,187	20,723	20,610	21,950	21,880	23,276	23,140	24,648	24,535	26,131	26,030
Other persons tax	4,883	5,296	5,145	5,430	5,355	5,568	5,520	6,105	5,880	6,510	6,230
Refunds	(1,503)	(1,858)	(1,840)	(2,017)	(1,990)	(2,065)	(2,050)	(2,185)	(2,080)	(2,287)	(2,110)
Fringe benefit tax	450	469	476	470	504	493	525	515	541	541	560
Subtotal: Individuals	23,017	24,630	24,391	25,833	25,749	27,272	27,135	29,083	28,876	30,895	30,710
Company tax (net)	8,444	8,780	8,849	8,939	9,130	7,638	7,542	8,512	8,103	9,028	8,462
Withholding taxes on:											
Resident interest income	1,862	2,154	2,200	2,340	2,491	2,441	2,566	2,362	2,523	2,376	2,627
Non-resident income	1,093	1,092	1,084	981	994	983	990	995	1,017	1,031	1,051
Super fund contributions	710	594	640	669	670	714	700	751	740	799	775
Foreign-source dividends	157	148	152	102	128	86	127	86	131	86	135
Resident dividend income	74	91	74	92	79	114	102	249	238	296	286
Subtotal: Withholding tax	3,896	4,079	4,150	4,184	4,362	4,338	4,485	4,443	4,649	4,588	4,874
Total income tax	35,357	37,489	37,390	38,956	39,241	39,248	39,162	42,038	41,628	44,511	44,046
Other: Estate and gift duties	2	4	3	2	3	2	3	2	3	2	3
Total direct tax	35,359	37,493	37,393	38,958	39,244	39,250	39,165	42,040	41,631	44,513	44,049
Indirect tax											
GST											
GST (Customs)	5,014	5,370	5,451	5,335	5,519	5,723	5,802	6,312	6,388	6,780	6,917
GST (IRD)	9,031	9,454	9,378	10,395	10,031	10,698	10,445	10,801	10,554	11,014	10,716
Subtotal: GST	14,045	14,824	14,829	15,730	15,550	16,421	16,247	17,113	16,942	17,794	17,633
Excise duties on:											
Alcoholic drinks	514	559	550	586	566	614	580	641	594	670	607
Tobacco products	842	244	250	148	155	150	160	152	165	154	170
Petroleum fuels	847	881	845	903	865	921	885	938	905	955	925
Subtotal: Excise duties	2,203	1,684	1,645	1,637	1,586	1,685	1,625	1,731	1,664	1,779	1,702
Other indirect tax											
Customs duty	1,074	1,760	1,725	1,865	1,810	1,849	1,770	1,873	1,860	1,921	1,950
Road user charges	729	785	790	877	830	933	870	988	915	1,043	965
Gaming duties	301	274	277	256	278	257	286	257	291	258	296
Motor vehicle fees	199	220	225	219	230	228	235	233	240	239	245
Approved issuer levy	72	78	84	72	86	72	80	72	82	72	80
Exhaustible resource levy	73	53	55	35	45	34	40	34	35	61	50
Cheque duty	8	7	7	7	6	7	6	7	5	7	5
Subtotal: Other indirect tax	2,456	3,177	3,163	3,331	3,285	3,380	3,287	3,464	3,428	3,601	3,591
Total indirect tax	18,704	19,685	19,637	20,698	20,421	21,486	21,159	22,308	22,034	23,174	22,926
Total tax	54,063	57,178	57,030	59,656	59,665	60,736	60,324	64,348	63,665	67,687	66,975
Total tax (% of GDP)	34.5%	34.7%	34.6%	34.4%	34.5%	33.9%	33.7%	34.4%	34.0%	34.5%	34.1%
less Core Crown eliminations											
Core Crown income tax	..	387	387	349	349	424	424	507	507	598	598
GST on Crown expenses and departmental outputs	3,556	4,035	4,035	4,253	4,253	4,432	4,432	4,790	4,790	4,905	4,905
Crown SSCWT	..	283	283	285	285	295	295	305	305	311	311
Crown AIL	..	15	15	15	15	15	15	15	15	15	15
Core Crown taxation	50,507	52,458	52,310	54,754	54,763	55,570	55,158	58,731	58,048	61,858	61,146
Core Crown tax (% of GDP)	32.3%	31.8%	31.7%	31.6%	31.6%	31.0%	30.8%	31.4%	31.0%	31.5%	31.2%
less Total Crown eliminations											
Income tax from SOEs and CEs	765	412	412	447	447	478	478	587	587	560	560
Lottery duty	28	38	38	41	41	43	43	45	45	46	46
Total Crown taxation	49,714	52,008	51,860	54,266	54,275	55,049	54,637	58,099	57,416	61,252	60,540
Total Crown tax (% of GDP)	31.8%	31.5%	31.5%	31.3%	31.3%	30.7%	30.5%	31.1%	30.7%	31.2%	30.9%

Sources: Inland Revenue, The Treasury

Contingent Liabilities and Contingent Assets

The Specific Fiscal Risks chapter in the published 2007 *Budget Update* includes tables listing quantifiable and unquantified contingent liabilities and contingent assets as at 31 March 2007. Following are the detailed write-ups outlining the nature of the items in the tables in the *Specific Fiscal Risks* chapter.

	31 March 2007	31 December 2006
	\$m	\$m
Guarantees and indemnities	521	520
Uncalled capital	2,203	2,228
Legal proceedings and disputes	931	1,052
Other contingent liabilities	2,019	2,004
Total Quantifiable Contingent Liabilities	5,674	5,804
Total Quantifiable Contingent Assets	103	106

Quantifiable Contingent Liabilities

Guarantees and indemnities

Guarantees and indemnities are disclosed in accordance with FRS 15 *Provisions, Contingent Liabilities and Contingent Assets*. In addition, guarantees given under Section 56 of the Public Finance Act 1989 are disclosed in accordance with Section 27(f) of the same act.

Cook Islands – Asian Development Bank (ADB) loans

Before 1992, the New Zealand Government guaranteed the Cook Islands' borrowing from the ADB. These guarantees have first call on New Zealand's Official Development Assistance.

\$13 million at 31 March 2007 (\$15 million at 31 December 2006)

Indemnification of receivers and managers – Terralink Limited

The Crown has issued a Deed of Receivership indemnity to the appointed receivers of Terralink Limited against claims arising from the conduct of the receivership.

\$10 million at 31 March 2007 (\$10 million at 31 December 2006).

Indemnification of touring exhibitions

The Crown has a contingent liability for damages and losses under the scheme for indemnifying touring exhibitions.

\$349 million at 31 March 2007 (\$349 million at 31 December 2006).

Ministry of Justice – Treaty settlements, tax liabilities

Under Deeds of Settlement completed in the Treaty settlement process the Crown has indemnified the appropriate governance entity against any goods and services tax or income tax liability arising from the payment of tangible redress.

\$105 million at 31 March 2007 (\$105 million at 31 December 2006).

Ministry of Transport – funding guarantee

The Minister of Finance has issued a guarantee of \$10 million to the Transport Accident Investigation Commission. The guarantee allows the Commission to assure payment to suppliers of specialist salvage equipment in the event of the Commission initiating an urgent investigation of any future significant transport accident.

\$10 million at 31 March 2007 (\$10 million at 31 December 2006).

Post Office Bank (PostBank) – guaranteed deposits

In the sale of PostBank to ANZ Banking Group Limited (ANZ), the Crown agreed to continue its guarantee, under the Post Office Bank Act 1987, of certain PostBank deposits lodged with the Bank before 1 July 1988. ANZ agreed to indemnify the Crown for the cost of any liability that may arise from the Crown guarantee. The amount guaranteed reduces as deposits mature.

\$10 million at 31 March 2007 (\$10 million at 31 December 2006).

Guarantees and indemnities of SOEs and Crown entities

\$19 million at 31 March 2007 (\$19 million at 31 December 2006).

Other Guarantees and indemnities

\$5 million at 31 March 2007 (\$2 million at 31 December 2006).

Uncalled capital

The Crown's uncalled capital subscriptions are as follows:	Uncalled capital at 31 March 2007 \$m	Uncalled capital at 31 December 2006 \$m
Asian Development Bank	1,039	1,051
European Bank for Reconstruction and Development	13	13
International Bank for Reconstruction and Development	1,151	1,164

Legal proceedings and disputes

The amounts under quantifiable contingent liabilities for legal proceedings and disputes are shown exclusive of any interest and costs that may be claimed if these cases were decided against the Crown.

Where contingent liabilities have arisen as a consequence of legal action being taken against the Crown, the amount shown is the amount claimed and thus the maximum potential cost. It does not represent either an admission that the claim is valid or an estimation of the possible amount of any award against the Crown.

Health – legal claims

Claims against the Crown in respect of people allegedly contracting hepatitis C through contaminated blood and blood products.

\$90 million at 31 March 2007 (\$90 million at 31 December 2006).

Tax in dispute

Represents the outstanding debt of those tax assessments raised, against which an objection has been lodged and legal action is proceeding.

\$715 million at 31 March 2007 (\$836 million at 31 December 2006).

Other legal claims against SOEs and Crown entities

\$25 million at 31 March 2007 (\$25 million at 31 December 2006).

Other legal claims

\$101 million at 31 March 2007 (\$101 million at 31 December 2006).

Other quantifiable contingent liabilities

International finance organisations

The Crown has lodged promissory notes with the following international finance organisation:

	31 March 2007 \$m	31 December 2006 \$m
IMF	1,749	1,749

Source: Treasury

Payment of the notes depends upon the operation of the rules of the organisation.

Reserve Bank – demonetised currency

The Crown has a contingent liability for the face value of the demonetised \$1 and \$2 notes issued which have yet to be repatriated.

\$22 million at 31 March 2007 (\$22 million at 31 December 2006).

Social Development – claim for judicial review

Claim for Judicial Review of Ministry's interpretation and application of Special Benefit Direction. Proceeding is brought representatively - on behalf of all applicants for Special Benefit from 12 December 2000 to date, who have been declined special benefit for reasons of "no special or unusual circumstances".

\$93 million at 31 March 2007 (\$76 million at 31 December 2006).

Transpower New Zealand Limited – other quantifiable contingent liabilities

In the current self-regulating environment, Transpower operates its revenue setting methodology with an Economic Value (EV) framework that analyses economic gains and losses between those attributable to shareholders and those attributable to customers. The balance of the accumulated gain (loss) from monopoly activities attributable to customers (the EV balance) may be passed on to customers over time. Any such transfer would occur after consideration by Directors of the balance of this account and its likely future movement in order to preserve stability and predictability of prices.

\$98 million at 31 March 2007 (\$98 million at 31 December 2006).

Other quantified contingent liabilities of SOEs and Crown entities

\$37 million at 31 March 2007 (\$37 million at 31 December 2006).

Other quantifiable contingent liabilities

\$20 million at 31 March 2007 (\$22million at 31 December 2006).

Unquantifiable Contingent Liabilities

This part of the Statement provides details of those contingent liabilities of the Crown which cannot be quantified.

Guarantees and indemnities

Asure New Zealand Limited

The Crown has indemnified the directors of Asure New Zealand Limited in the event that they incur any personal liability for redundancies arising from any agreement by international trading partners that allows post-mortem meat inspection by parties other than the Ministry of Agriculture and Forestry, or its sub-contractor.

At Work Insurance Limited

The Crown has indemnified the liquidators of At Work Insurance Limited (Deloitte Touche Tohmatsu) against various employment-related claims.

Auckland Rail Lease

The Crown has indemnified Toll NZ Limited against any losses arising from breaches of the Sale and Purchase Agreement with the Crown relating to the purchase of the Auckland rail lease and infrastructure assets.

Bona Vacantia property

P&O NZ Ltd sought a declaratory judgement that property disclaimed by a liquidator is bona vacantia. A settlement has been reached, which includes a Crown indemnity in favour of New Zealand Aluminium Smelters and Comalco in relation to aluminium dross disposed of in their landfill, for costs that may be incurred in removing the dross and disposing of it at another site if they are required to do so by an appropriate authority.

The Minister of Finance signed the indemnity on 24 November 2003. In February 2004, a similar indemnity was signed in respect of aluminium dross currently stored at another site in Invercargill.

Building Industry Authority

The Building Industry Authority (BIA) is a joint defendant in a number of claims before the courts and the Weathertight Homes Resolution Service relating to the BIA's previous role as regulator of the building industry. The BIA has been dis-established and absorbed into the Department of Building & Housing and, to prevent conflicts of interest, Treasury was given responsibility for managing weathertight claims against the BIA on behalf of the Crown from 1 July 2005.

Contact Energy Limited

The Crown and Contact Energy (Contact) signed a number of documents to settle in full Contact's outstanding land rights and geothermal asset rights at Wairakei. Those documents contained two reciprocal indemnities between the Crown and Contact to address the risk of certain losses to the respective parties' assets arising from the negligence or fault of the other party.

Crown research institutes (CRIs)

The Crown has indemnified the CRIs for any costs arising from certain third-party claims that are the result of acts or omissions prior to the transfer date, for costs of complying with statutes, ordinances and bylaws which relate to or affect certain buildings, and (subject to certain limitations) for the costs of obtaining title to land.

District Court Judges, Justices of the Peace, Coroners and Disputes Tribunal

Section 119 of the District Courts Act 1947 indemnifies District Court Judges acting in their civil jurisdiction. Section 196A of the Summary Proceedings Act 1957 also indemnifies District Court Judges for any liabilities arising as a result of an act done by a Judge in excess of, or without, jurisdiction.

Section 117 of the Coroners Act 2006 confers on Coroners acting within the Coroner Act 2006 the same privileges and immunities as District Court Judges under the Summary Proceedings Act 1957.

Under section 197 of the Summary Proceedings Act 1957, Justices of the Peace are similarly covered as long as a High Court Judge certifies that they have acted in good faith and ought to be indemnified.

Section 58 of the Disputes Tribunal Act 1988 confers on Disputes Tribunal referees acting within the Disputes Tribunal Act 1988 the same protection as Justices of the Peace under the Summary Proceedings Act 1957.

District health boards – director indemnity - (DHBs)

The Crown has provided transitional indemnities to directors and officers of some DHBs, for liabilities arising from inherited assets and business practices under the Building Act 1991 and the Health and Safety in Employment Act 1992.

Earthquake Commission (EQC)

The Crown is liable to meet any deficiency in the EQC’s assets in meeting the Commission’s financial liabilities (section 16 of the Earthquake Commission Act 1993).

Electricity Corporation of New Zealand Limited (ECNZ)

The ECNZ Sale and Purchase Agreement provides for compensation to ECNZ for any tax, levy, or royalty imposed on ECNZ for the use of water or geothermal energy for plants in existence or under construction at the date of the Sale and Purchase Agreement. The Agreement also provides for compensation for any net costs to ECNZ arising from resumption of assets pursuant to the Treaty of Waitangi (State Enterprises) Act 1988.

The Deed of Assumption and Release between ECNZ, Contact Energy Limited and the Crown provides that the Crown is now longer liable to ECNZ in respect of those assets transferred to it from ECNZ. As a result of the split of ECNZ in 1999, Ministers have transferred the benefits of the Deed to ECNZ’s successors – Meridian Energy Limited, Mighty River Power Limited and Genesis Power Limited.

Under the Transpower New Zealand Limited (Transpower) Sale and Purchase and Debt Assumption Agreements, the Crown has indemnified ECNZ for any losses resulting from changes in tax rules applicable to transactions listed in the Agreements. Additionally, the Crown has indemnified the directors and officers of ECNZ for any liability they may incur in their personal capacities as a result of the Transpower separation process.

Following the split of ECNZ in 1999 into three new companies, the Crown has indemnified ECNZ in relation to all ECNZ’s pre-split liabilities, including:

- existing debt and swap obligations
- hedge contracts and obligations
- any liabilities that arise out of the split itself. [Source: Treasury]

Ministry of Fisheries – indemnity provided for delivery of registry services

The Crown has indemnified Commercial Fisheries Services Limited against claims made by third parties arising from Commercial Fisheries Services undertaking registry services under contract to the Chief Executive of the Ministry of Fisheries. This indemnity, provided under the Fisheries Acts 1983 and 1996, expires on 30 September 2009.

Genesis Power Ltd (Genesis Energy)

The Crown has entered into a deed with Genesis Energy to share a specified and limited amount of risk around the sufficiency of Genesis Energy’s long term supply of gas to

cover the Huntly e3p's (a 385 MW combined cycle gas turbine power station) minimum needs. The agreement sees the Crown compensate Genesis Energy in the event it has less gas than it needs.

Geothermal carbon tax indemnity

As part of the sale and purchase agreement between the Crown and Mighty River Power (MRP), the Crown has agreed to provide an indemnity for the payment of carbon taxes, should legislation be passed that does not allow for an automatic pass-through of the charges to end-users. The indemnity is time bound and contractually limited in the amount that can be claimed. The indemnity is not limited to MRP and will be available to any subsequent owner of the Crown's Kawerau geothermal assets.

Housing New Zealand Corporation (HNZC)

HNZC is liable to the owners (ANZ National Bank Limited, Ichthus Limited and Westpac Banking Corporation) of mortgages sold by HNZC during 1992 to 1999 for credit losses they may incur from specified limited aspects of their ownership of those mortgages with the Crown standing behind this obligation.

HCNZ has provided a Lender's Mortgage Insurance Indemnity under a Mortgage Guarantee Scheme. The Minister of Finance is deemed under section 24(2) of the Housing Corporation Act 1974 to have guaranteed HCNZ in respect of Homebuy first mortgages insured by HCNZ through contracted insurance agents. HNZC ceased providing mortgage guarantees from 1 November 1991.

Legal proceedings have been initiated against a number of defendants, including the Crown, alleging breach of fiduciary duties in respect of the transfer of the Agreement for Sale and Purchase and mortgage agreements to HNZC under the Housing Assets Transfer Act 1993.

The Crown has provided a warranty in respect of title to the assets transferred to Housing New Zealand Limited (HNZL) (HNZL was incorporated into the HNZC group as a subsidiary in 2001 as part of a legislated consolidation of government housing functions) and has indemnified HNZL against any breach of this warranty. In addition, the Crown has indemnified HNZL against any third-party claims that are a result of acts or omissions prior to 1 November 1992. It has also indemnified the directors and officers of HNZL against any liability consequent upon the assets not complying with statutory requirements, provided it is taking steps to rectify any non-compliance.

Indemnities against acts of war and terrorism

The Crown has indemnified Air New Zealand against claims arising from acts of war and terrorism that cannot be met from insurance, up to a limit of US\$1 billion in respect of any one claim.

Maui Partners

The Crown has entered into confidentiality agreements with the Maui Partners in relation to the provision of gas reserves information. The deed contains an indemnity against any losses arising from a breach of the deed.

National Provident Fund

The National Provident Fund (NPF) has been indemnified for certain potential tax liabilities. Under the NPF Restructuring Act 1990, the Crown guarantees:

- the benefits payable by all NPF schemes (section 60)
- investments and interest thereon deposited with the NPF Board prior to 1 April 1991 (section 61)
- payment to certain NPF defined contribution schemes where application of the 4% minimum earnings rate causes any deficiency or increased deficiencies in reserves to arise (section 72).

A provision has been made in these financial statements in respect of the actuarially assessed deficit in the DBP (Annuitants') Scheme (refer Note 17 in the *GAAP Series Tables* chapter of *2007 Budget Update*).

New Zealand Railways Corporation

The Crown has indemnified the directors of the New Zealand Railways Corporation against any liability arising from the surrender of the licence and lease of the Auckland rail corridor.

The Crown has further indemnified the directors of New Zealand Railways Corporation against any liability arising from the transfer of the rail network and associated assets and liabilities to the Corporation on 1 September 2004.

Persons exercising investigating powers

Section 63 of the Corporations (Investigation and Management) Act 1989 indemnifies the Securities Commission, the Registrar and Deputy Registrar of Companies, members of advising committees within the Act, every statutory manager of a corporation, and persons appointed pursuant to sections 17 to 19 of the Act, in the exercise of investigating powers, unless the power has been exercised in bad faith.

Ports of Auckland

The Crown has entered into a confidentiality agreement with Ports of Auckland in relation to the purchase of two marinas. The agreement contains an indemnity against any losses arising from a breach of the agreement.

Public Trust

The Crown is liable to meet any deficiency in the Public Trust's Common Fund (section 52 of the Public Trust Act 2001).

Purchasers of Crown operations

The Crown has indemnified the purchasers of various Crown operations for losses owing to changes in legislation which uniquely and adversely affect those purchasers.

State Insurance and Rural Bank – Tax liabilities

The Crown has granted to the purchasers of the State Insurance Office Limited and the Rural Banking and Finance Corporation Limited an indemnity for certain potential tax liabilities.

Synfuels-Waitara Outfall Indemnity

As part of the 1990 sale of the Synfuels plant and operations to New Zealand Liquid Fuels Investment Limited (NZLFI), the Crown transferred to NZLFI the benefit and obligation of a Deed of Indemnity between the Crown and Borthwick-CWS Limited (and subsequent owners) in respect of the Waitara effluent transfer line which was laid across the Waitara meat processing plant site.

The Crown has the benefit of a counter indemnity from NZLFI which has since been transferred to Methanex Motunui Limited.

Tainui Corporation

Several leases of Tainui land at Huntly and Meremere have been transferred from ECNZ to Genesis Power. The Crown has provided guarantees to Tainui Corporation relating to Genesis Power's obligations under the lease agreements.

Toll NZ Ltd – purchase of rail network assets

The agreement between the Crown and Toll NZ Ltd for the Crown's purchase of the rail network and associated assets on 30 June 2004 contains the following provisions:

- The Crown has indemnified Toll NZ Ltd against any liability arising from the assigned contracts, leases, etc after their assignment dates
- The Crown has indemnified Toll NZ Ltd against certain potential claims by employees
- The Crown has an option to purchase the Tranz Scenic Stations from Toll NZ Ltd for a period of three years (to 30 June 2007).

Works Civil Construction

The Crown has provided an indemnity to the purchasers of Works Civil Construction in relation to the activities of the Ministry of Works and Development prior to 1 April 1989. In addition, an indemnity has been provided against certain costs, claims or damages in relation to the Clyde and Ohaaki power projects.

Works Consultancy Services

The Crown has provided an indemnity to the purchasers of Works Consultancy Services in relation to the activities of the Ministry of Works and Development prior to 1 April 1989.

Other unquantifiable contingent liabilities*Abuse Claims*

There is ongoing legal action against the Crown in relation to historical abuse claims. At this stage the number of claimants and outcome of these cases are uncertain.

Accident Compensation Corporation (ACC) litigations

There are several legal actions against ACC in existence, arising in the main from challenges to operational decisions made by ACC. No accrual has been made for such contingent liabilities as ACC will be vigorously defending these claims.

A particular issue before the courts is access of ACC claimants to lump sum compensation for asbestos related illnesses. On 3 June 2005 the High Court overturned a decision by the District Court made in 2004 that had upheld an interpretation that a lump sum payment was required to be paid in respect of one claimant. Leave to appeal this decision to the Court of Appeal has been granted to the claimant.

If the Court of Appeal overturns the decision made in the High Court, ACC could be exposed to substantial future liability in respect of claims for asbestosis and possibly other illnesses listed under Schedule 2 of the Injury Prevention Rehabilitation and Compensation Act 2001.

Environmental Liabilities

Under common law and various statutes, the Crown may have responsibility to remedy adverse effects on the environment arising from Crown activities.

During 2002/03 departments managing significant Crown properties undertook exercises to establish the nature and quantity of any contaminated sites. These exercises continued into the 2004/05 year. Where appropriate, departmental systems have been implemented to identify, monitor and assess potential contaminated sites.

In accordance with FRS 15: Provisions, Contingent Liabilities and Contingent Assets any contaminated sites for which costs can be reliably measured have been included in the Statement of Financial Position as provisions.

Rugby World Cup 2011

The Crown has agreed in joint venture arrangements with the New Zealand Rugby Union to an uncapped underwrite of the costs of hosting the 2011 Rugby World Cup, on a loss sharing basis (Crown 67%, NZRU 33%). A provision for the forecast losses has been made in the Crown financial statements.

The Crown has agreed to reimburse New Zealand income tax that might be incurred by the joint venture entity (Rugby New Zealand 2011 Limited) or the NZRU in relation to the joint venture entity, and has also agreed to reimburse the NZRU for New Zealand withholding tax that might be incurred on certain payments made in relation to the tournament.

The Crown has further agreed to review its level of support to the tournament if the actual tax revenue arising from the tournament exceeds forecasts.

Sale of Crown assets

On the sale of Crown assets and the corporatisation of Crown assets into SOEs and Crown entities, the Crown has generally provided a warranty that the Crown was the rightful owner of the assets transferred, and that the assets were free of encumbrances.

Treaty of Waitangi claims

Under the Treaty of Waitangi Act 1975, any Māori may lodge claims relating to land or actions counter to the principles of the Treaty with the Waitangi Tribunal. Where the Tribunal finds a claim is well founded, it may recommend to the Crown that action be taken to compensate those affected. The Tribunal can make recommendations that are binding on the Crown with respect to land which has been transferred by the Crown to an SOE or tertiary institution, or is subject to the Crown Forest Assets Act 1989.

Settlement relativity payments

The Deeds of Settlement negotiated with Waikato-Tainui and Ngai Tahu include a relativity mechanism. The mechanism provides that, where the total redress amount for all historical Treaty settlements exceeds \$1 billion in 1994 present-value terms, the Crown is liable to make payments to maintain the real value of Ngai Tahu's and Waikato-Tainui's settlements as a proportion of all Treaty settlements. The agreed relativity proportions are 17% for Waikato-Tainui and approximately 16% for Ngai Tahu. The non-quantifiable contingent liability relates to the risk that total settlement redress, including binding recommendations from the Waitangi Tribunal, will trigger these relativity payments.

Other contingencies*Foreshore and seabed*

The Foreshore and Seabed Act 2004 (FSA):

- vests the full legal and beneficial ownership of the public foreshore and seabed in the Crown
- provides for the recognition and protection of ongoing customary rights with respect to the public foreshore and seabed
- enables applications to the High Court to investigate if previously held common law rights have been adversely impacted, and if so, providing for those affected either to participate in the administration of a foreshore and seabed reserve or else enter into formal discussions on redress, and
- provides for general rights of public access and recreation in, on, over, and across the public foreshore and seabed and general rights of navigation within the foreshore and seabed.

The public foreshore and seabed means the marine area that is bounded on the landward side by the line of mean high water spring; and on the seaward side by the outer limits of the territorial sea, but does not include land subject to a specified freehold interest (refer section 5 of the FSA).

The FSA codifies the nature of the Crown's ownership interest in the public foreshore and seabed on behalf of the public of New Zealand. Although full legal and beneficial ownership of the public foreshore and seabed has been vested in the Crown, there are significant limitations to the Crown's rights under the FSA. As well as recognising and protecting customary rights, the FSA significantly restricts the Crown's ability to alienate or dispose of any part of the public foreshore and seabed and significantly restricts the Crown's ability to exclude others from entering or engaging in recreational activities or navigating in, on or within the public foreshore and seabed. Because of the complex nature of the Crown's ownership interest in the public foreshore and seabed and because

we are unable to obtain a reliable valuation of the Crown's interest, the public foreshore and seabed has not been recognised as an asset in these financial statements.

Quantifiable Contingent Assets

Contingent assets are potential assets dependent on a particular event occurring. As at 31 March 2007, the Crown had quantifiable contingent assets totalling \$103 million (\$103 million at 31 December 2006). \$90 million relates to suspensory loans issued by the Ministry of Education to integrated schools.

Accounting Policies and Forecast Assumptions

The forecast financial statements contained in the Generally Accepted Accounting Practice (GAAP) Series Table Chapter of the published *Budget Economic and Fiscal Update* are prepared on the basis of the following accounting policies and forecast assumptions.

Reporting Entity

The Government's financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989. For the purposes of financial reporting the Government of New Zealand is a public benefit entity. The financial statements of the Government are the consolidated financial statements. The Government reporting entity comprises the Sovereign in right of New Zealand and the legislative, executive and judicial branches of the Government of New Zealand. It comprises:

- Parliament
- Departments
- Reserve Bank of New Zealand
- State owned enterprises
- Crown entities
- Organisations named in Schedule 4 of the Public Finance Act 1989
- Ministers of the Crown
- Offices of Parliament
- Government Superannuation Fund
- New Zealand Superannuation Fund
- Air New Zealand Limited

Reporting Period

The reporting period for these forecast financial statements covers years ending 30 June 2006 to 30 June 2011.

The "Old GAAP 2006 Actual" information is the results for the year-ended 30 June 2006. The "2007 previous budget" data is the original forecast to June 2007, as presented in the 2006 Budget. The 2007 forecasts, as presented in Budget 2007, have been prepared using actual data up to 28 February 2007 and forecast data for the remainder of the financial year.

Statement of Compliance

These Forecast Financial Statements have been prepared in accordance with the accounting policies expected to be used in the comparable audited actual Financial Statements of the Government.

These Forecast Financial Statements comply with generally accepted accounting practice (GAAP) as required by the Public Finance Act 1989.

Forecasts for the year ending 30 June 2008 and beyond have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for public benefit entities. These are the standards to be

adopted by the Crown from 1 July 2007. These forecasts are identified as “New GAAP” in the forecast financial statements.

Historical information prepared under current accounting standards has not been restated and is identified as “Old GAAP”.

Forecasts for the year ending 30 June 2007 have been prepared under both “New GAAP” and “Old GAAP” and both are provided in Budget 2007 to help communicate the transition to NZ IFRS.

All forecasts use the accrual basis of accounting. Forecasts have been prepared for the consolidated financial statements of the government reporting entity, including all entities controlled by the Government (as defined by applicable financial reporting standards).

An explanation of how the transition to NZ IFRS has affected the reported financial position, financial performance, and cash flows of the Government Reporting Entity is provided on pages 191 to 196 of Budget 2007.

Accounting Policies

The accounting policies set out below have been applied consistently to all periods identified as “New GAAP” in Budget 2007 and in preparing an opening NZ IFRS balance sheet as at 1 July 2006 for the purposes of the transition to NZ IFRS. Accounting policies relating to periods identified as “Old GAAP” in Budget 2007 are the same as those used in the *Half Year Economic and Fiscal Update* after updating the finalisation dates (e.g. the base date for actual data from which Budget 2007 forecasts are constructed is typically 28 February 2007), which are available at www.treasury.govt.nz/forecasts/hyefu/2006/hyefu06-7.pdf.

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

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

Judgements and Estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Key assumptions used are set out on page 80 of Budget 2007.

Basis of Combination

Ministers of the Crown, departments, Offices of Parliament, the Reserve Bank of New Zealand, the Government Superannuation Fund, the New Zealand Superannuation Fund, SOEs (including Air New Zealand Limited) and Crown entities (excluding Tertiary education institutions) are combined using the purchase method of combination.

Corresponding assets, liabilities, revenues and expenses are added together line by line. Transactions and balances between these sub-entities are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Government reporting entity.

Tertiary education institutions ('TEIs') are equity accounted, which recognises these entities' net assets, including asset revaluation movements and surpluses and deficits. Page 62 of the 30 June 2006 Crown financial statement outlines in more detail why there is a difference in the accounting treatment of TEIs from other Crown entities.

The basis of combination for joint ventures depends on the form of the joint venture interest:

Forms of Joint Venture	Basis of Combination
Jointly controlled operations	The Government reporting entity recognises the assets it controls, the liabilities and expenses that it incurs, and its share of the jointly controlled operations' income
Jointly controlled assets	The Government reporting entity recognises its share of the jointly controlled assets, its share of any liabilities and expenses incurred jointly, any other liabilities and expenses it has incurred in respect of the jointly controlled asset, and income from the sale or use of its share of the output of the jointly controlled asset.
Jointly controlled entities	Jointly controlled entities are equity accounted, whereby the Government reporting entity initially recognises its share of interest in these entities' net assets at cost and subsequently adjusts the cost for changes in net assets. The Government reporting entities' share of the jointly controlled entity's surpluses and deficits are recognised in the statement of financial performance.

Business combinations that occurred prior to the date of transition to NZ IFRS have not been restated retrospectively.

Revenue

Tax

The Crown provides many services and benefits that do not give rise to revenue. Further, payment of tax does not, of itself, entitle a taxpayer to an equivalent value of services or benefits, as there is no direct relationship between paying tax and receiving Crown services and transfers. Such revenue is received through the exercise of the Crown's sovereign power. Where possible, revenue is recognised at the time the debt to the Crown arises.

Revenue type	Revenue recognition point
Source deductions	When an individual earns income that is subject to

Revenue type	Revenue recognition point
	PAYE
Residents' withholding tax ¹	When an individual is paid interest or dividends subject to deduction at source
Fringe benefit tax (FBT)	When benefits are provided that give rise to FBT
Provisional tax ²	Payment due date
Terminal tax ²	Assessment filed date
Goods and services tax (GST)	When the liability to the Crown is incurred
Customs and Excise duty	When goods become subject to duty
Road user charges and motor vehicle fees	When payment for the fee or charge is made
Stamp, cheque and gaming duties	Assessment filed date
Exhaustible Resources Levy	When the resource is extracted
Other indirect taxes	When the debt to the Crown arises
Levies (eg, ACC levies)	When the obligation to pay the levy to the Crown is incurred
¹ Corresponds to withholding taxes on residents' interest and dividend income in Note 1 to the financial statements.	
² Provisional and terminal taxes are paid by "other persons" and companies (refer to Note 1 to the financial statements).	

Operations

If revenue has been earned by the Crown in exchange for the provision of outputs (products or services) to third parties, the Crown receives its revenue through operations. Revenue from the supply of goods and services is measured at the fair value of consideration received. Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the supply of services is recognised at balance date on a straight line basis over the specified period for the services unless an alternative method better represents the stage of completion of the transaction.

Interest

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

Dividend

Dividend income from investments is recognised when the Government's rights as a shareholder to receive payment have been established.

Forecasts of dividend income are based on long-run rate of return assumptions appropriate to the forecast portfolio mix.

Rental Income

Rental income is recognised in the Statement of Financial Performance on a straight-line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental income.

Donated or Subsidised Assets

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

Expenses

Welfare Benefits and Entitlements

Welfare benefits and entitlements, including New Zealand superannuation, are recognised in the period when an application for a benefit has been received and the eligibility criteria met.

Grants/subsidies

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to the Crown.

There is a multi-year appropriation (MYA) established for the payment of claims associated with Treaty of Waitangi settlements. The actual amount expensed in any one year may be greater or less than the amount forecast for that particular year, since actual expenses depend on the settlements reached.

Interest expense

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

Foreign Currency

Transactions in foreign currencies are initially translated at the foreign exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance, except when deferred in equity when hedge accounting is applied.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated into New Zealand dollars at the exchange rate applicable at the fair value date. The associated foreign exchange gains or losses follow the fair value gains or losses to either the Statement of Financial Performance or directly to equity.

Foreign exchange gains and losses arising from translating monetary items that form part of the net investment in a foreign operation are reported in a translation reserve in equity.

For forecasting purposes, exchange rates prevailing on 28 February 2007 are assumed to prevail for 30 June 2007 forecasts and beyond. As a consequence, no additional realised or unrealised foreign exchange gains or losses are forecast for the forecast period.

Financial Instruments - accounting policies

The measurement (e.g. amortised cost, fair value, hedge accounting) and reporting of financial instruments depends on their designation adopted under NZ IAS 39. The designations used in preparing these forecasts for financial assets are: loans and receivables, available for sale, held for trading and designated at fair value through profit and loss. For financial liabilities the designations are amortised cost, held for trading and designated at fair value through profit and loss.

Designation of financial assets and financial liabilities by individual entities is determined by the business purpose of the financial instruments, policies and practices for their management, their relationship with other instruments and the reporting costs and benefits associated with each designation. The designations applied by entities are reflected in the forecasts (after making necessary consolidation adjustments).

Financial Assets

Financial assets held for trading and financial assets designated at fair value through profit or loss are recorded at fair value with any realised and unrealised gains or losses recognised in the Statement of Financial Performance. A financial asset is designated at fair value through profit and loss if acquired principally for the purpose of selling in the short term. It may also be designated into this category if the accounting treatment results in more relevant information because it either significantly reduces an accounting mismatch with related liabilities or is part of a group of financial assets that is managed and evaluated on a fair value basis. Gains or losses from interest, foreign exchange and other fair value movements are separately reported in the Statement of Financial Performance (refer below for forecasting policies). Transaction costs are expensed as they are incurred.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially recorded at fair value plus transaction costs. They are subsequently recorded at fair value with any resultant fair value gains or losses recognised directly in equity except for impairment losses, any interest calculated using the effective interest method and, in the case of monetary items (such as debt securities), foreign exchange gains and losses resulting from translation differences due to changes in amortised cost of the asset. These latter items are recognised in the Statement of Financial Performance. For non-monetary available-for-sale financial assets (e.g. equity instruments) the fair value movements recognised in equity include any related foreign exchange component (refer below for forecasting policies). At derecognition the cumulative fair value gain or loss previously recognised directly in equity is recognised in the Statement of Financial Performance.

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

initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method (refer interest revenue policy). Loans and receivables issued with duration less than 12 months are recognised at their nominal value, unless the effect of discounting is material. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. Interest, impairment losses and foreign exchange gains and losses are recognised in the Statement of Financial Performance (refer below for forecasting policies).

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

Fair values of quoted investments are based on current bid prices. Regular way purchases and sales of all financial assets are accounted for at trade date.² If the market for a financial asset is not active, fair values for initial recognition and, where appropriate, subsequent measurement are established by using valuation techniques. At each balance date an assessment is made whether there is objective evidence that a financial asset or group of financial assets is impaired.

Financial Liabilities

Financial liabilities held for trading and financial liabilities designated at fair value through profit or loss are recorded at fair value with any realised and unrealised gains or losses recognised in the Statement of Financial Performance. A financial liability is designated at fair value through profit and loss if acquired principally for the purpose of selling in the short term. It may also be designated into this category if the accounting treatment results in more relevant information because it either significantly reduces an accounting mismatch with related assets or is part of a group of financial liabilities that is managed and evaluated on a fair value basis. Gains or losses from interest, foreign exchange and other fair value movements are separately reported in the Statement of Financial Performance (refer below for forecasting policies). Transaction costs are expensed as they are incurred.

Other financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method (refer interest expense policy). Financial liabilities entered into with duration less than 12 months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses, are recognised in the Statement of Financial Performance as is any gain or loss when the liability is derecognised (refer below for forecasting policies). Currency issued for circulation, including demonetised currency, is recognised at face value. Currency issued represents a liability in favour of the holder.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively. Recognition of the movements in the value of derivatives depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged (see Hedging section).

² “Regular way” transactions are those under a contract whose terms require delivery within the time frame established by regulation or marketplace convention.

Derivatives that are not designated as for hedge accounting are classified as held-for-trading financial instruments with fair value gains or losses recognised in the Statement of Financial Performance. Such derivatives may be entered into for risk management purposes, although not formally designated for hedge accounting, or for tactical trading. The underlying intent of the derivative influences where gains and losses are reported in the Statement of Financial Performance (refer below for forecasting policies).

Hedging

Individual entities consolidated within the Government reporting entity apply hedge accounting after considering the costs and benefits of adopting hedge accounting, including whether an economic hedge exists and the effectiveness of that hedge, whether the hedge accounting qualifications could be met, and the extent it would improve the relevance of reported results.

Transactions between entities within the Government reporting entity do not qualify for hedge accounting in the financial statements of the Government (although they may qualify for hedge accounting in the separate financial statements of the individual entities). Where a derivative is used to hedge the foreign exchange exposure of a monetary asset or liability, the effects of the hedge relationship are automatically reflected in the Statement of Financial Performance so hedge accounting is not necessary.

Where a derivative qualifies as a hedge of variability in asset or liability cash flows (cash flow hedge), the effective part of any gain or loss on the derivative is recognised in equity while the ineffective part is recognised in the Statement of Financial Performance. Where the hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability (e.g. where the hedge relates to purchase of an asset in a foreign currency), the amount recognised directly in equity is included in the initial cost of the asset or liability. Otherwise, gains or losses recognised in equity transfer to the Statement of Financial Performance in the same periods as when the hedged item affects the Statement of Financial Performance (e.g. when the forecast sale occurs).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Financial Performance. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the Statement of Financial Performance.

Financial Instruments - forecasting policies

For forecasting purposes, financial instruments held after 28 February 2007 are assumed to be held until they mature. Additional gains and losses on financial assets measured at fair value are based on long-run rate of return assumptions appropriate to the forecast portfolio mix, after adjusting for interest revenue and dividend revenue which are reported separately. Gains and losses on financial liabilities measured at fair value are assumed to unwind over the period to maturity, as they are assumed to be redeemed at par value.

Forecast sales and purchases of financial instruments are assumed to be issued at par value, with no premiums or discounts forecasted. The exceptions are interest-free assets with long maturities, such as student loans and some sovereign receivables, where a write-down to fair value is recognised when the loan or receivable is issued.

Forecasts of borrowings incorporate a number of technical assumptions regarding the use of the Crown's fiscal surplus for domestic debt reduction. These assumptions may not reflect the actual future composition of the domestic debt programmes, as these decisions have yet to be made.

Derivatives held for trading are measured at fair value, which is nil when initially entered into i.e. fair value changes are only recognised after the derivative is created and as a result of changes in underlying variables such as exchange rates. Hence, forecasts for derivatives expected to be entered into over the forecast period are assumed to have a nil balance. Forward margins on forward-exchange contracts existing as at 28 February 2007 are amortised over the period of the contract on a straight line basis.

Gains and losses are not forecast for financial assets measured at amortised cost.

Exchange rates prevailing on 28 February 2007 are assumed to prevail for 30 June 2007 forecasts and beyond. As a consequence, no additional realised or unrealised foreign exchange gains or losses are forecast for the forecast period.

Inventory

Inventories are recorded at the lower of cost (calculated using weighted average method) and net realisable value. Inventories held for distribution for public benefit purposes are recorded at the lower of cost or current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, the cost shall be the current replacement cost at the date of acquisition. Inventories include unissued currency and harvested agricultural produce (e.g. logs, wool). The cost of harvested agricultural produce is measured at fair value less estimated point-of-sale costs at the point of harvest.

Property, Plant & Equipment – accounting policies

Overview

Items of property, plant and equipment are initially recorded at cost. Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Where an asset is acquired for nil or nominal consideration the asset will be recognised initially at fair value, where fair value can be reliably determined, with the fair value of the asset received, less costs incurred to acquire the asset, also recognised as revenue in the Statement of Financial Performance.

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

Land & Buildings

Land and buildings are recorded at fair value less impairment losses and, for buildings, less depreciation accumulated since the assets were last revalued. Valuations undertaken in accordance with standards issued by the New Zealand Property Institute are used where available. Otherwise, valuations conducted in accordance with the Rating Valuation Act 1998, which have been confirmed as appropriate by an independent valuer, have been used.

Specialist Military Equipment

Specialist military equipment is recorded at fair value (which is determined using depreciated replacement cost) less depreciation and impairment losses accumulated since the assets were last revalued. Valuations have been obtained through specialist assessment by New Zealand Defence Force advisers, and the bases of these valuations have been confirmed as appropriate by an independent valuer.

State Highways

State highways are recorded at fair value (which is determined using depreciated replacement cost) less depreciation and impairment losses accumulated since the assets were last revalued. Land associated with the state highways is valued using an opportunity cost based on adjacent use, as an approximation to fair value.

Aircraft

Aircraft (excluding Specialised Military Equipment) are recorded at fair value less depreciation and impairment losses accumulated since the assets were last revalued.

Electricity Distribution

Electricity distribution network assets are recorded at cost, less accumulated depreciation and accumulated impairment losses.

Electricity Generation

Electricity generation assets are recorded at fair value less depreciation and impairment losses accumulated since the assets were last revalued.

Other PPE – at cost

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

Specified cultural and heritage assets

Specified cultural and heritage assets comprise the collections of the National Library, National Archives, Parliamentary Library and Te Papa. Such physical assets are recorded at fair value less subsequent impairment losses and, for non-land assets, less subsequent accumulated depreciation.

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

Accumulated depreciation at revaluation date may be either restated proportionately or eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount. The elimination approach is applied unless otherwise indicated.

Realised gains and losses arising from disposal of property, plant and equipment are recognised in the Statement of Financial Performance in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

For each property, plant and equipment asset project, borrowing costs incurred during the period required to complete and prepare the asset for its intended use are expensed.

The carrying amounts of plant, property and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Financial Performance, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

Property, Plant & Equipment – forecasting policies

The 30 June 2007 forecasts for the value of property, plant and equipment use valuations as recorded in the Crown Financial Statements for the year ended 30 June 2006, and any additional actual valuations that have occurred up to 28 February 2007. The value of property, plant and equipment for the other forecast periods is forecast using the same valuation used for the 30 June 2007 forecasts. Property, plant and equipment forecast to be purchased, constructed, or sold after 28 February 2007 are valued at their forecast cost. As a consequence, no realised or unrealised losses are forecast beyond the current year.

Depreciation

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

Freehold buildings	25 to 60 years
Specialist military equipment	5 to 25 years
State highways:	
Pavement (surfacing)	7 years
Pavement (other)	36 years
Bridges	90 to 100 years
Aircraft (ex specialist military equipment)	10 to 20 years
Electricity distribution network	2 to 80 years
Electricity generation assets	25 to 55 years
Other plant and equipment	3 to 25 years

Biological Assets

Biological assets (e.g. trees, sheep) managed for harvesting into agricultural produce (e.g. logs, wool) are measured at fair value less estimated point-of-sale costs, with any realised and unrealised gains or losses reported in the Statement of Financial Performance. Where fair value cannot be reliably determined, the asset is recorded at cost less accumulated depreciation and accumulated impairment losses. For commercial forests, fair value takes into account age, quality of timber and the forest management plan.

Log prices and other applicable market inputs to determining fair values for biological assets are assumed to be constant over the forecast period.

Biological assets not managed for harvesting into agriculture produce are reported as property, plant and equipment in accordance with the policies identified above.

Intangible Assets

Intangible assets are initially recorded at cost. The cost of intangible assets acquired in a business combination is their fair values at date of acquisition. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and development expenditure can be reliably measured. Expenditure incurred on research³ of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

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

Assets with indefinite useful lives are not amortised, but are tested at least annually for impairment. Where there is an active market for an intangible asset, the asset is recorded at a revalued amount, being fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are done for each intangible asset, not for a class of asset.

Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

Intangible assets with finite lives are reviewed at least annually to determine if there is any indication of impairment. An intangible asset with an indefinite life is tested for impairment annually. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Financial Performance, unless the asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

³ Research is "original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding".

Goodwill is recognised as an asset at cost and tested for impairment at least annually. Any impairment is recognised as an expense. Impairment losses on goodwill are not reversed. For the purpose of impairment testing, goodwill must be allocated to cash generating units. Unless otherwise stated, the cash generating unit is synonymous with the entity acquired (e.g. Air New Zealand). Goodwill arising on acquisitions before the date of transition to NZ IFRS has been retained at the previous NZ GAAP amounts subject to being tested for impairment at that date.

For forecasting purposes, intangible assets forecast to be purchased, developed, or sold after 28 February 2007 are valued at their forecast cost. As a consequence, no realised gains or losses are forecast beyond the current year.

Non-current Assets Held for Sale and Discontinued Operations

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

Forecasting policies for these assets are the same as those applied to property, plant and equipment. As a consequence, no realised gains or losses are forecast beyond the current year.

Investment Property

Investment property is property held primarily to earn rentals or for capital appreciation or both. It does not include property held primarily for strategic purposes or to provide a social service (e.g. affordable housing) even though such property may earn rentals or appreciate in value - such property is reported as property, plant and equipment. Nor does investment property include property interests held under operating leases.

Investment properties are measured at fair value. Gains or losses arising from fair value changes are included in the Statement of Financial Performance. Valuations are undertaken in accordance with standards issued by the New Zealand Property Institute.

Forecasting policies for these assets are the same as those applied to property, plant and equipment. As a consequence, no realised gains or losses are forecast beyond the current year.

Employee Benefits

Pension Liabilities

Obligations for contributions to defined contribution retirement plans are recognised in the Statement of Financial Performance as they fall due. Obligations for defined benefit retirement plans are recorded at the latest actuarial value of the Crown liability. All movements in the liability, including actuarial gains and losses, are recognised in full in the Statement of Financial Performance in the period in which they occur. All actuarial gains and losses as at the date of transition to NZ IFRS were recognised.

Forecasts of Government Superannuation Fund pension liabilities in respect of the contributory service of superannuation scheme members are based on financial assumptions applied to the latest actuarial value of the Crown's liability for pension payments net of the scheme's assets, adjusted in future years for any projected changes in demographic assumptions. Actuarial gains and losses are not forecast beyond the current year; those in the current year relate to those gains or losses identified at the last actuarial valuation.

Other Employee Entitlements

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

Termination Benefits

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

Insurance Contracts

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

Leases

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

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

Forecast operating leases, where the lessors substantially retain the risks and rewards of ownership, are recognised in a systematic manner over the forecast term of the lease.

The cost of forecast leasehold improvements is capitalised and amortised over the forecast unexpired period of the lease or the estimated useful life of the improvements, whichever is the shorter.

Other Liabilities and Provisions

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

Commitments

The commitments reported in these forecast financial statements are **actual** commitments at 31 March 2007.

Existing commitments include those operating and capital commitments arising from non-cancellable contractual or statutory obligations. Interest commitments on debts and commitments relating to employment contracts are not included in the Statement of Commitments.

Specific Fiscal Risks

The specific fiscal risks reported in these forecast financial statements are the **actual** risks **existing at 9 May 2007** and contingent liabilities and assets at 31 March 2007. They include existing contingent liabilities and contingent assets, which are recognised at the point at which the contingency is evident.

The Statement of Specific Fiscal Risks contained in the *Budget Economic and Fiscal Update* has been prepared in accordance with sections 26Q(3)(b) of the Public Finance Act 1989.

Institutional Analysis

The Government reporting entity is not required to provide segment reporting as it is a public benefit entity. Nevertheless, information is presented for material institutional components and major economic activities within or undertaken by the Government Reporting Entity.

Changes in Accounting Policies

Accounting policies are changed only if the change is required by a standard or interpretation or otherwise provides more reliable and more relevant information.

From 1 July 2007 the financial statements of the Government will adopt NZ IFRS as appropriate for public benefit entities. As a consequence, there have been a number of changes to accounting policies to reflect the requirements of these new standards. Pages 191 to 196 of Budget 2007 reconciles forecasts for the year ending 30 June 2007 prepared under current accounting standards (“Old GAAP”) and those prepared under NZ IFRS (“New GAAP”).

Old GAAP tables

The 2006/07 year end financial statements will be prepared on an Old GAAP basis. Included below are the estimated actual for the 2006/07 financial year under the Old GAAP format for comparative purposes. This differs from the Old GAAP tables included in the *Budget Update* as a result of format changes.

Forecast Statement of Financial Performance

for the years ending 30 June

(\$ million)	Note	2007		2007 Forecast
		2006 Actual	Previous Budget	
Revenue				
Taxation revenue	1	51,973	50,669	51,539
Levies, fees, fines and penalties	1	3,411	3,179	3,508
Forecast revenue allocation	1	..	..	..
Total Revenue Levied through the Crown's Sovereign Power	1	55,384	53,848	55,047
Sales of goods and services	2	13,337	12,715	13,111
Investment income	3	5,828	3,687	5,807
Other revenue	4	2,032	2,361	2,238
Total Revenue Earned through the Crown's Operations		21,197	18,763	21,156
Total Crown Revenue		76,581	72,611	76,203
Expenses				
By input type				
Subsidies and transfer payments	5	16,850	18,189	18,430
Personnel expenses	6	15,116	15,136	15,352
Operating expenses	7	29,277	29,820	31,199
New operating spending up to Budget 2008	8	..	320	80
Forecast new operating spending	8	..	..	..
Top-down expense adjustment		..	..	(500)
Finance costs		2,652	2,854	3,023
Net foreign-exchange (gains)/losses		(411)	..	38
Movement in total GSF liability	15	279	(17)	323
Movement in total ACC liability	16	1,321	674	1,742
Total Crown expenses		65,084	66,976	69,687
Revenues less Expenses		11,497	5,635	6,516
Net surplus of TEIs		54	133	52
Operating balance (including minority interest)		11,551	5,768	6,568
Minority interest		(78)	..	..
Operating Balance		11,473	5,768	6,568

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

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)	2007		
	2006 Actual	Previous Budget	2007 Forecast
Total Crown expenses by functional classification			
Social security and welfare	18,969	19,706	21,468
GSF pension expenses	1,671	1,051	1,471
Health	9,262	10,305	10,037
Education	10,430	9,892	9,636
Core government services	2,046	2,031	2,811
Law and order	2,420	2,604	2,872
Defence	1,339	1,405	1,456
Transport and communications	5,986	6,853	7,240
Economic and industrial services	6,334	5,896	5,684
Primary services	1,219	1,198	1,365
Heritage, culture and recreation	2,361	1,900	1,995
Housing and community development	758	851	913
Other	48	110	98
Finance costs	2,652	2,854	3,023
Net foreign-exchange (gains)/losses	(411)	..	38
New operating spending up to Budget 2008	..	320	80
Forecast new operating spending	..	..	..
Top-down expense adjustment	..	..	(500)
Total Crown Expenses	65,084	66,976	69,687
Core Crown expenses by functional classification			
Social security and welfare	15,598	16,956	17,325
GSF pension expenses	1,671	1,051	1,471
Health	9,547	10,732	10,492
Education	9,914	9,068	9,125
Core government services	2,169	2,301	3,083
Law and order	2,235	2,393	2,658
Defence	1,383	1,457	1,508
Transport and communications	1,818	2,524	2,549
Economic and industrial services	1,592	1,721	1,605
Primary services	467	441	584
Heritage, culture and recreation	1,194	812	778
Housing and community development	202	278	277
Other	49	110	97
Finance costs	2,356	2,090	2,553
Net foreign-exchange (gains)/losses	(295)	..	90
New operating spending up to Budget 2008	..	320	80
Forecast new operating spending	..	..	..
Top-down expense adjustment	..	..	(500)
Total Core Crown Expenses	49,900	52,254	53,775

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

Forecast Statement of Cash Flows

for the years ending 30 June

(\$ million)	2007		
	2006 Actual	Previous Budget	2007 Forecast
Cash Flows from Operations			
Cash was Provided from			
Total tax receipts (refer Note 1)	49,706	50,738	51,823
Total other sovereign receipts (refer Note 1)	3,246	3,047	3,387
Forecast revenue allocation (refer Note 1)	..	..	..
Interest	1,622	1,422	2,148
Dividends	117	90	133
Sales of goods and services	13,457	13,089	13,357
Other operating receipts	1,919	2,393	2,091
Total Cash Provided from Operations	70,067	70,779	72,939
Cash was Disbursed to			
Subsidies and transfer payments	16,944	18,665	18,592
Personnel and operating payments	38,964	41,670	41,189
Finance costs	2,047	2,441	2,428
Forecast new operating spending	..	320	80
Top-down cash adjustment	..	..	(500)
Total Cash Disbursed to Operations	57,955	63,096	61,789
Net Cash Flows from Operations	12,112	7,683	11,150
Cash Flows from Investing Activities			
Cash was Provided from			
Sale of physical assets	1,865	..	246
Total Cash Provided	1,865	..	246
Cash was Disbursed to			
Purchase of physical assets	5,909	6,713	6,782
Net increase in advances	1,637	1,808	2,409
Net purchase/(sale) of marketable securities, deposits and other equity investments	5,859	(527)	9,656
Forecast new capital spending	..	256	0
Top-down cash adjustment	..	..	(200)
Total Cash Disbursed	13,405	8,250	18,647
Net Cash Flows from Investing Activities	(11,540)	(8,250)	(18,401)
Net Cash Flows from Operating and Investing Activities	572	(567)	(7,251)
Cash Flows from Financing Activities			
Cash was Provided from			
Issue of circulating currency	165	..	273
Net (repayment)/issue of Government stock ¹	151	(656)	(128)
Total Cash Provided	316	(656)	145
Cash was Disbursed to			
Net (issue)/repayment of foreign-currency borrowing	2,300	(412)	272
Net repayment/(issue) of other New Zealand-dollar borrowing	(1,856)	(394)	(6,692)
Total Cash Disbursed	444	(806)	(6,420)
Net Cash Flows from Financing Activities	(128)	150	6,565
Net Movement in Cash	444	(417)	(686)
Opening Cash Balance	3,710	3,319	4,168
Foreign-exchange (losses)/gains on opening cash	14	..	(4)
Closing Cash Balance	4,168	2,902	3,478

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 years ending 30 June

(\$ million)	2007		
	2006 Actual	Previous Budget	2007 Forecast
Reconciliation Between the Forecast Net Cash Flows from Operations and the Operating Balance			
Net Cash Flows from Operations	12,112	7,683	11,150
<i>Items included in the operating balance but not in net cash flows from operations</i>			
Valuation Changes			
(Increase)/decrease in pension liabilities	(279)	17	(323)
(Increase)/decrease in ACC liability	(1,321)	(674)	(1,742)
Decrease/(increase) in NPF guarantee	(54)	..	..
Unrealised net foreign-exchange (losses)/gains	502	(4)	(281)
Non-cash movements in investments	1,242	548	525
Unrealised losses arising from changes in the value of commercial forests	15	..	..
Total Valuation Changes	105	(113)	(1,821)
Physical Asset Movements			
Depreciation	(2,708)	(2,918)	(3,099)
Gain/(loss) on sale of Southern Hydro	..	..	..
(Loss)/gain on sale of assets	811	..	..
Total Physical Asset Movements	(1,897)	(2,918)	(3,099)
Other Non-cash Items			
Student Loans	(1,671)	(167)	(817)
Amortisation of goodwill	(75)	(89)	(89)
Accrued income from NZS Fund	..	675	1,008
Other	945	133	52
Total Other Non-cash Items	(801)	552	154
Movements in Working Capital			
Increase/(decrease) in taxes receivable	3,225	22	(1,402)
Increase/(decrease) in other receivables	366	307	(825)
Increase/(decrease) in inventories	(39)	161	194
Decrease/(increase) in payables	(1,598)	74	2,217
Total Movements in Working Capital	1,954	564	184
Operating Balance	11,473	5,768	6,568

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

Forecast Statement of Movements in Equity

for the years ending 30 June

(\$ million)	2007		
	2006 Actual	Previous Budget	2007 Forecast
Opening Net Worth	49,983	58,485	71,403
Operating balance for the year	11,473	5,768	6,568
Minority interest in operating balance	78	..	..
Increase in minority interest	..	..	..
Net revaluations	9,869	..	10,489
Total Recognised Revenues and Expenses	21,420	5,768	17,057
Closing Net Worth	71,403	64,253	88,460

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

Forecast Statement of Financial Position

as at 30 June

(\$ million)	Note	2007		
		2006 Actual	Previous Budget	2007 Forecast
Assets				
Cash and bank balances	9	4,168	2,902	3,478
Marketable securities, deposits & equity investments	9	43,520	43,232	52,015
Advances	10	8,758	10,021	10,195
Receivables	11	14,474	10,534	12,247
Inventories		907	1,182	1,101
Other investments	12	323	286	289
Property, plant and equipment	13	79,441	73,863	93,258
TEI investment		5,475	5,301	5,586
Commercial forests		575	232	550
Intangible assets (including goodwill)		630	398	594
Forecast new capital spending		..	256	..
Top-down capital adjustments		..	..	(200)
Total Assets		158,271	148,207	179,113
Liabilities				
Payables and provisions	14	16,133	13,559	14,725
Currency issued		3,362	3,408	3,550
Borrowings - sovereign guaranteed		29,879	28,560	30,819
Borrowings - non-sovereign guaranteed		9,548	9,828	11,548
Provision for GSF pension liability	15	15,231	15,344	15,554
Provision for ACC outstanding claims liability	16	12,715	13,255	14,457
Total Liabilities		86,868	83,954	90,653
Total Assets less Total Liabilities		71,403	64,253	88,460
Net Worth				
Taxpayer funds		33,477	36,049	40,022
Revaluation reserve	17	37,633	27,989	48,145
Minority Interest		293	215	293
Net Worth		71,403	64,253	88,460

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)

		2007		2007
		2006 Actual	Previous Budget	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	6,555	10,015	9,861
Gross contribution	2,337	2,049	2,049
Income after tax	969	675	1,008
NZS Fund balance	9,861	12,739	12,918

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	39,427	38,388	42,367
Core Crown sovereign guaranteed borrowings	34,477	33,356	35,876
excl cross holdings of NZS Fund and GSF	(984)	(1,657)	(1,341)
Gross sovereign-issued debt	35,461	32,663	37,217

Core Crown

Gross sovereign issued debt	35,461	35,013	37,217
Financial assets	(40,599)	(41,028)	(48,192)
	(5,138)	(6,015)	(10,975)
NZS Fund and GSF financial assets	12,883	15,224	15,587
Net Core Crown Debt	7,745	9,209	4,612

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

Forecast Statement of Borrowings

as at 30 June

(\$ million)	2007		
	2006 Actual	Previous Budget	2007 Forecast
Sovereign Guaranteed Debt			
New Zealand-Dollar Debt			
Government stock	17,002	15,982	16,337
Treasury bills	4,860	5,259	2,577
Loans and foreign-exchange contracts	(11,247)	(10,131)	8,944
Retail stock and other	532	482	472
Total New Zealand-Dollar Debt	11,147	11,592	28,330
Foreign-Currency Debt			
United States dollars	14,430	9,309	122
Japanese yen	404	508	(196)
European and other currencies	3,898	7,151	2,563
Total Foreign-Currency Debt	18,732	16,968	2,489
Total Sovereign Guaranteed Debt	29,879	28,560	30,819
Non-Sovereign Guaranteed Debt			
New Zealand	7,198	7,827	9,391
United States dollars	1,794	1,988	2,015
Japanese yen	279	..	..
European and other currencies	277	13	142
Total Non-Sovereign Guaranteed Debt	9,548	9,828	11,548
Total Borrowings (Gross Debt)	39,427	38,388	42,367
Less			
Financial Assets (including restricted assets)			
Marketable Securities, Deposits and Equity Investments			
New Zealand dollars	8,003	5,213	19,072
United States dollars	11,080	11,608	11,221
Japanese yen	615	1,173	719
European and other currencies	7,970	7,255	4,288
Reserve Position at IMF	458	275	221
NZ equity investments	2,721	3,643	2,547
Foreign equity investments	12,673	14,065	13,947
Total	43,520	43,232	52,015
Advances and Cash			
Student loans	5,569	5,868	5,761
Other advances	3,189	4,153	4,434
Cash	4,168	2,902	3,478
Total	12,926	12,923	13,673
Total Financial Assets	56,446	56,155	65,688
Borrowings less Financial Assets	(17,019)	(17,767)	(23,321)
Net New Zealand-dollar debt	(5,569)	(3,562)	1,256
Net foreign-currency debt	(11,450)	(14,205)	(24,577)
Borrowings less Financial Assets	(17,019)	(17,767)	(23,321)

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

Statement of Financial Performance (institutional form)

for the year ended 30 June 2006

	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
(\$ million)	2006 \$m	2006 \$m	2006 \$m	2006 \$m	2006 \$m
Revenue					
Taxation revenue	52,444	-	-	(471)	51,973
Other sovereign levied income	663	2,811	-	(63)	3,411
Forecast revenue allocation	-	-	-	-	-
Sales of goods and services	884	1,865	11,206	(618)	13,337
Investment income	4,496	1,962	1,008	(1,638)	5,828
Other revenues	683	18,677	537	(17,865)	2,032
Total revenue	59,170	25,315	12,751	(20,655)	76,581
Expenses by input type					
Subsidies and transfer payments	15,243	1,708	-	(101)	16,850
Personnel expenses	5,656	7,591	1,876	(7)	15,116
Operating expenses	26,661	12,967	8,558	(18,909)	29,277
Finance costs	2,356	302	443	(449)	2,652
FX losses/(gains)	(295)	(113)	(3)	-	(411)
GSF and ACC liability revaluation movements	279	1,321	-	-	1,600
Total expenses	49,900	23,776	10,874	(19,466)	65,084
Expenses by functional classification					
Social security and welfare	15,598	3,740	-	(369)	18,969
Health	9,547	8,227	-	(8,512)	9,262
Education	9,914	6,539	22	(6,045)	10,430
Other functional classifications	12,780	5,081	10,412	(4,091)	24,182
Forecast new operating spending	-	-	-	-	-
Finance costs and FX losses/(gains)	2,061	189	440	(449)	2,241
Total expenses	49,900	23,776	10,874	(19,466)	65,084
TEI's and Minority Interest	-	54	(78)	-	(24)
Operating balance	9,270	1,593	1,799	(1,189)	11,473

Statement of Financial Position (institutional form)

as at 30 June 2006

	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
(\$ million)	2006 \$m	2006 \$m	2006 \$m	2006 \$m	2006 \$m
Assets					
Financial assets	40,599	17,554	5,368	(7,075)	56,446
Physical assets	25,223	37,987	16,231	-	79,441
Investment in SOEs and CEs (including TEIs)	24,169	5,475	-	(24,169)	5,475
Other assets	12,293	2,433	2,421	(238)	16,909
Total assets	102,284	63,449	24,020	(31,482)	158,271
Liabilities					
Borrowings	34,477	4,124	7,901	(7,075)	39,427
Other liabilities	27,730	17,503	3,004	(796)	47,441
Total liabilities	62,207	21,627	10,905	(7,871)	86,868
Net worth	40,077	41,822	13,115	(23,611)	71,403
Taxpayer funds	28,929	21,086	7,073	(23,611)	33,477
Revaluation reserves	11,148	20,736	5,749	-	37,633
Minority Interest	-	-	293	-	293
Net worth	40,077	41,822	13,115	(23,611)	71,403
Analysis of financial assets and borrowings					
Advances and cash	8,797	2,308	4,148	(2,327)	12,926
MSDs and equity investments	31,802	15,246	1,220	(4,748)	43,520
Total financial assets	40,599	17,554	5,368	(7,075)	56,446
Borrowings - Sovereign guaranteed	34,477	-	-	(4,598)	29,879
Borrowings - Non-sovereign guaranteed	-	4,124	7,901	(2,477)	9,548
Total borrowings	34,477	4,124	7,901	(7,075)	39,427
Borrowings less financial assets	(6,122)	(13,430)	2,533	-	(17,019)
Net Crown debt	7,745				
Gross sovereign-issued debt	35,461				

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 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	52,114	-	-	(575)	51,539
Other sovereign levied income	604	2,946	-	(42)	3,508
Forecast revenue allocation	-	-	-	-	-
Sales of goods and services	955	1,845	10,921	(610)	13,111
Investment income	5,104	1,372	513	(1,182)	5,807
Other revenues	725	20,587	770	(19,844)	2,238
Total revenue	59,502	26,750	12,204	(22,253)	76,203
Expenses by input type					
Subsidies and transfer payments	16,579	1,959	-	(108)	18,430
Personnel expenses	5,497	7,897	1,964	(6)	15,352
Operating expenses	28,733	14,394	8,638	(20,986)	30,779
Finance costs	2,553	307	633	(470)	3,023
FX losses/(gains)	90	44	(96)	-	38
GSF and ACC liability revaluation movements	323	1,742	-	-	2,065
Total expenses	53,775	26,343	11,139	(21,570)	69,687
Expenses by functional classification					
Social security and welfare	17,325	4,525	-	(382)	21,468
Health	10,492	8,812	-	(9,267)	10,037
Education	9,125	6,890	23	(6,402)	9,636
Other functional classifications	14,610	5,765	10,579	(5,549)	25,405
Forecast new operating spending and top-down expense adjustment	(420)	-	-	500	80
Finance costs and FX losses/(gains)	2,643	351	537	(470)	3,061
Total expenses	53,775	26,343	11,139	(21,570)	69,687
Net surplus TEIs	(10)	62	-	-	52
Operating balance	5,717	469	1,065	(683)	6,568

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	48,192	18,847	7,028	(8,379)	65,688
Physical assets	26,279	38,970	28,009	-	93,258
Investment in SOEs and CEs (including TEIs)	24,776	5,586	-	(24,776)	5,586
Other assets	10,457	2,308	2,506	(690)	14,581
Total assets	109,704	65,711	37,543	(33,845)	179,113
Liabilities					
Borrowings	35,875	4,394	10,477	(8,379)	42,367
Other liabilities	27,955	18,675	3,037	(1,381)	48,286
Total liabilities	63,830	23,069	13,514	(9,760)	90,653
Net worth	45,874	42,642	24,029	(24,085)	88,460
Taxpayer funds	34,678	21,883	7,546	(24,085)	40,022
Revaluation reserves	11,196	20,759	16,190	-	48,145
Minority Interest	-	-	293	-	293
Net worth	45,874	42,642	24,029	(24,085)	88,460
Analysis of financial assets and borrowings					
Advances and cash	9,187	2,423	5,396	(3,333)	13,673
MSDs and equity investments	39,005	16,424	1,632	(5,046)	52,015
Total financial assets	48,192	18,847	7,028	(8,379)	65,688
Borrowings - Sovereign guaranteed	35,875	-	-	(5,056)	30,819
Borrowings - Non-sovereign guaranteed	-	4,394	10,477	(3,323)	11,548
Total borrowings	35,875	4,394	10,477	(8,379)	42,367
Borrowings less financial assets	(12,317)	(14,453)	3,449	-	(23,321)
Net Crown debt	4,612	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.			
Gross sovereign-issued debt	37,217				

Notes to the Forecast Financial Statements

(\$ million)	2007		
	2006 Actual	Previous Budget	2007 Forecast
NOTE 1: Revenue Collected Through the Crown's Sovereign Power			
Income Tax Revenue (accrual)			
Individuals			
Source deductions	19,936	20,534	21,012
Other persons	4,940	4,393	4,474
Refunds	(953)	(962)	(1,085)
Fringe benefit tax	450	425	455
Total Individuals	24,373	24,390	24,856
Corporate Tax			
Gross companies tax	9,413	7,966	7,878
Refunds	(270)	(205)	(252)
Non-resident withholding tax	1,096	874	1,142
Foreign-source dividend withholding payments	160	220	146
Total Corporate Tax	10,399	8,855	8,914
Other Income Tax			
Resident withholding tax on interest income	1,879	2,079	2,156
Resident withholding tax on dividend income	74	56	89
Estate and gift duties	3	2	4
Total Other Income Tax	1,956	2,137	2,249
Total Income Tax	36,728	35,382	36,019
Goods and Services Tax			
Gross goods and services tax	18,241	18,542	19,053
Refunds	(7,664)	(8,028)	(8,332)
Total Goods and Services Tax	10,577	10,514	10,721
Other Taxation			
Petroleum fuels excise	852	914	881
Tobacco excise ²	834	145	244
Customs duty	1,083	1,773	1,760
Road user charges	731	793	785
Alcohol excise	516	537	559
Gaming duties	275	256	230
Motor vehicle fees	221	223	220
Energy resources levies	73	58	49
Approved issuer levy (AIL) and cheque duty	83	74	71
Total Other Indirect Taxation	4,668	4,773	4,799
Total Indirect Taxation	15,245	15,287	15,520
Total Tax Revenue Collected	51,973	50,669	51,539
Other Sovereign Revenues (accrual)			
ACC levies	2,326	2,189	2,454
Fire Service levies	254	253	259
EQC levies	82	83	84
Other levies	749	654	711
Total Other Sovereign Revenues	3,411	3,179	3,508
Forecast revenue allocation	..	..	..
Total Sovereign Revenue	55,384	53,848	55,047

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)	2007		
	2006 Actual	Previous Budget	2007 Forecast
NOTE 1: Receipts Collected Through the Crown's Sovereign Power			
Income Tax Receipts (cash)			
Individuals			
Source deductions	19,897	20,534	21,034
Other persons	4,883	5,189	5,296
Refunds	(1,503)	(1,780)	(1,858)
Fringe benefit tax	450	421	469
Total Individuals	23,727	24,364	24,941
Corporate Tax			
Gross companies tax	8,512	8,602	8,865
Refunds	(833)	(746)	(1,091)
Non-resident withholding tax	1,093	874	1,092
Foreign-source dividend withholding payments	157	220	148
Total Corporate Tax	8,929	8,950	9,014
Other Income Tax			
Resident withholding tax on interest income	1,862	2,078	2,154
Resident withholding tax on dividend income	74	56	91
Estate and gift duties	2	2	4
Total Other Income Tax	1,938	2,136	2,249
Total Income Tax	34,594	35,450	36,204
Goods and Services Tax			
Gross goods and services tax	17,705	18,183	18,415
Refunds	(7,216)	(7,669)	(7,604)
Total Goods and Services Tax	10,489	10,514	10,811
Other Taxation			
Petroleum fuels excise	847	914	881
Tobacco excise	842	145	244
Customs duty	1,074	1,773	1,760
Road user charges	721	793	785
Alcohol excise	514	537	559
Gaming duties	273	257	235
Motor vehicle fees	199	223	220
Energy resources levies	73	58	53
Approved issuer levy (AIL) and cheque duty	80	74	71
Total Other Indirect Taxation	4,623	4,774	4,808
Total Indirect Taxation	15,112	15,288	15,619
Total Tax Receipts Collected	49,706	50,738	51,823
Other Sovereign Receipts (cash)			
ACC levies	2,256	2,105	2,401
Fire Service levies	254	253	262
EQC levies	83	83	85
Other levies	653	606	639
Total Other Sovereign Receipts	3,246	3,047	3,387
Forecast revenue allocation	..	..	..
Total Sovereign Receipts	52,952	53,785	55,210

Notes to the Forecast Financial Statements

(\$ million)	2007		
	2006 Actual	Previous Budget	2007 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	1,139	856	1,410
Interest income	2,145	1,873	2,852
Gains/(losses) on marketable securities deposits	1,436	599	878
Dividends	117	71	147
Gain on sale of Southern Hydro	630	..	..
Student loans	344	269	452
Other investment income	17	19	68
Total Investment Income	5,828	3,687	5,807

NOTE 4: Other Revenue

Unrealised (losses)/gains arising from changes in the value of commercial forests	15	..	..
GSF contributions	104	75	79
Petroleum royalties	61	55	62
Cost recovery income from Fisheries	29	30	28
Other	1,823	2,201	2,069
Total Other Revenue	2,032	2,361	2,238

NOTE 5: Subsidies and Transfer Payments

Social assistance grants			
New Zealand Superannuation	6,414	6,782	6,807
ACC payments	1,708	1,845	1,959
Unemployment Benefit	712	783	615
Domestic Purposes Benefit	1,493	1,504	1,467
Family Support	1,285	1,725	1,779
Student allowances	354	364	385
Other social assistance grants	4,393	4,922	4,889
Subsidies	127	140	117
Other transfer payments			
Official development assistance	330	88	374
Other	34	36	38
Total Subsidies and Transfer Payments	16,850	18,189	18,430

Notes to the Forecast Financial Statements

(\$ million)	2007		
	2006 Actual	Previous Budget	2007 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)	1,392	1,068	1,148
Other pension expenses	206	131	139
Other personnel expenses	13,518	13,937	14,065
Total Personnel Expenses	15,116	15,136	15,352

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	880	900	920
Electricity distribution network	109	118	97
Electricity generation assets	198	216	241
Specialist military equipment (SME)	187	216	239
State highways	252	236	242
Rail network	..	..	152
Aircraft (ex SME)	102	246	223
Other plant and equipment	905	913	910
Other assets	75	73	75
Total depreciation costs	2,708	2,918	3,099

Other operating items:

Rental and leasing costs	820	787	843
Change in provision for doubtful debts	429	254	1,235
Write off of bad debts	81	61	401
Goodwill amortised	75	89	89
Grants paid	1,578	1,162	1,771
Lottery prize payments	398	371	397
Loss/(gain) on sale of assets	93	..	..
Write down of existing student loans to fair value	1,415	..	..
Write down of new loans to fair value	328	381	496
Other operating expenses	21,352	23,797	22,868
Total operating expenses	29,277	29,820	31,199

NOTE 8: Forecast New Operating Spending and Top-down Expense Adjustment

New operating spending up to Budget 2008	..	320	80
Forecast new operating spending	..	..	..
Top-down expense adjustment	..	..	(500)
Total Forecast for Future New Spending and Top-down Adjustment	..	320	(420)

Notes to the Forecast Financial Statements

(\$ million)	2007		
	2006 Actual	Previous Budget	2007 Forecast
NOTE 9: Cash and Marketable Securities, Deposits & Equity Investments			
By category:			
Total Cash	4,168	2,902	3,478
Marketable securities and deposits	27,668	25,249	35,300
Equity investments (e.g. shares)	15,394	17,708	16,494
Reserve position at the International Monetary Fund	458	275	221
Total MSDs and Equity Investments	43,520	43,232	52,015
Total Cash and MSDs & Equity Investments	47,688	46,134	55,493

By portfolio management:

Reserve Bank and DMO managed funds	19,284	16,693	23,317
New Zealand Superannuation Fund	8,555	11,765	11,576
Government Superannuation Fund	3,959	3,449	4,112
ACC portfolio	7,882	7,940	8,661
EQC portfolio	1,943	2,390	1,963
Other holdings	1,897	995	2,386
Total MSDs and Equity Investments	43,520	43,232	52,015

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 \$4.2 billion (30 June 2006). 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 \$12.7 billion (30 June 2006) 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	9,726	13,038	12,946
GSF financial assets	4,166	3,833	4,083
ACC portfolio	9,080	9,443	10,061
EQC portfolio	5,232	5,638	5,433

Notes to the Forecast Financial Statements

(\$ million)	2007		2007 Forecast
	2006 Actual	Previous Budget	
NOTE 10: Advances			
Student loans (see analysis below)	5,569	5,868	5,761
Kiwibank deposits	2,609	3,425	3,817
Residential care loans	71	75	8
Maori development rural lending	80	63	68
Other	429	590	541
Total Advances	8,758	10,021	10,195
Analysis of Student Loans			
Stock			
Nominal loan balance	8,370	8,784	9,107
Adjustment to fair value	(2,801)	(2,916)	(3,346)
Total Student Loan Balance	5,569	5,868	5,761
Movements			
Opening balance	6,465	5,472	5,569
Initial fair value write down	(1,415)	..	..
Amount borrowed in current year	1,046	1,157	1,206
Fair value write down on new borrowings	(328)	(381)	(496)
Repayments made during the year	(550)	(634)	(559)
Other impairment	(13)	(15)	(411)
Interest unwind	358	87	362
Other movements	6	182	90
Closing Student Loan Balance	5,569	5,868	5,761
NOTE 11: Receivables			
Taxes receivable	8,720	5,607	7,318
Accounts receivable	5,259	4,706	4,619
Receivable from the sale and purchase of Maui gas	74	32	36
Prepayments	421	189	274
Total Receivables	14,474	10,534	12,247
NOTE 12: Other Investments			
International Bank for Reconstruction and Development	86	76	86
Asian Development Bank	92	81	92
Other	145	129	111
Total Other Investments	323	286	289

Notes to the Forecast Financial Statements

(\$ million)	2007		
	2006 Actual	Previous Budget	2007 Forecast
NOTE 13: Property, Plant and Equipment			
<i>By Type</i>			
Gross Carrying Value			
Land (valuation)	13,803	11,801	14,111
Properties intended for sale (valuation)	467	454	417
Buildings (valuation)	21,859	22,487	23,092
Electricity distribution network (valuation)	2,311	2,668	2,540
Electricity generation assets (valuation)	8,536	8,428	9,378
Aircraft (ex SME) (valuation)	2,068	2,566	2,339
State highways (valuation)	17,948	16,757	19,339
Rail network (valuation)	..	..	10,786
Specialist military equipment (valuation)	3,422	4,013	4,092
Other plant and equipment (cost)	9,692	10,211	10,589
Other assets (valuation)	7,965	7,250	8,368
Total Gross Carrying Value	88,071	86,635	105,051
Accumulated Depreciation			
Buildings	1,307	2,883	2,135
Electricity distribution network	299	421	388
Electricity generation assets	111	525	347
Aircraft (ex SME)	..	444	223
State highways	..	689	719
Rail network	..	..	155
Specialist military equipment	344	1,017	587
Other plant and equipment	6,008	6,420	6,626
Other assets	561	373	613
Total Accumulated Depreciation	8,630	12,772	11,793
Net Carrying Value			
Land (valuation)	13,803	11,801	14,111
Properties intended for sale (valuation)	467	454	417
Buildings (valuation)	20,552	19,604	20,957
Electricity distribution network (valuation)	2,012	2,247	2,152
Electricity generation assets (valuation)	8,425	7,903	9,031
Aircraft (ex SME) (valuation)	2,068	2,122	2,116
State highways (valuation)	17,948	16,068	18,620
Rail network (valuation)	..	..	10,631
Specialist military equipment (valuation)	3,078	2,996	3,505
Other plant and equipment (cost)	3,684	3,791	3,963
Other assets (valuation)	7,404	6,877	7,755
Total Net Carrying Value	79,441	73,863	93,258
<i>By Holding</i>			
Freehold assets	77,858	72,839	91,683
Leasehold assets	1,583	1,024	1,575
Net carrying value	79,441	73,863	93,258

Notes to the Forecast Financial Statements

NOTE 14: Payables and Provisions

Accounts payable and accruals	8,899	7,380	7,570
Taxes repayable	3,570	2,742	3,570
Provisions	477	514	486
Provision for Kyoto Protocol	656	582	557
National Provident Fund guarantee	998	944	998
Provisions for employee entitlements	1,533	1,397	1,544
Total Payables and Provisions	16,133	13,559	14,725

NOTE 15: GSF Liability

(\$ million)	2007		
	2006 Actual	Previous Budget	2007 Forecast
GSF liability and asset information			
GSF liability			
Opening GSF liability	14,952	15,361	15,231
Net projected change	279	(17)	323
Closing GSF liability	15,231	15,344	15,554
Less net assets available to the GSF scheme			
Opening net asset value	3,521	3,768	3,793
Investment valuation changes	368	186	386
Contribution and other income less membership payments	(96)	(97)	(218)
Closing net asset value	3,793	3,857	3,961
Net unfunded liability of the GSF schemes			
Opening unfunded liability	11,431	11,593	11,438
Net projected change	7	(106)	155
Net unfunded liability	11,438	11,487	11,593

NOTE 16: ACC Claims Liability

Calculation information

(\$ million)	2007		
	2006 Actual	Previous Budget	2007 Forecast
ACC liability and asset information			
Gross ACC liability			
Opening gross liability	11,384	12,581	12,715
Net projected change	1,321	674	1,742
Transfer from other insurer	10	..	..
Closing gross liability	12,715	13,255	14,457
Less net assets available to ACC			
Opening net asset value	7,217	8,813	8,880
Net projected change	1,663	802	1,290
Closing net asset values	8,880	9,615	10,170
Net ACC reserves (net liability)			
Opening reserves position	(4,167)	(3,768)	(3,835)
Net projected change	332	128	(452)
Closing reserves position (net liability)	(3,835)	(3,640)	(4,287)

Notes to the Forecast Financial Statements

NOTE 17: Revaluation reserves

Asset Revaluation Reserves

Opening Balance	27,988	27,989	37,633
Net revaluations			
Land and buildings	2,386	..	134
State highways	2,559	..	..
Rail network	..	..	10,329
Electricity generation assets	1,419	..	..
Other assets	3,505	..	26
Total Net Revaluations	9,869	..	10,489
Transfer to taxpayer funds	(224)	..	23
Closing Balance	37,633	27,989	48,145

Notes to the Forecast Financial Statements

(\$ million)	2006 Actual	2007 Previous Budget	2007 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	50,507	51,499	52,868
Total other sovereign receipts	539	503	463
Forecast revenue allocation	..	..	..
Interest, profits and dividends	1,893	1,035	2,147
Sale of goods & services and other receipts	1,449	1,387	1,606
Subsidies and transfer payments	(15,357)	(16,820)	(16,622)
Personnel and operating expenses	(28,167)	(30,815)	(30,750)
Finance costs	(2,005)	(1,781)	(2,200)
Forecast new operating spending	..	(320)	(80)
Top-down expense adjustment	..	..	500
Net Cash Flows from Core Crown Operations	8,859	4,688	7,932
Net purchase of physical assets	(1,826)	(1,953)	(2,141)
Net increase in advances	(822)	(957)	(1,266)
Net purchase of investments	(389)	(441)	(456)
Contribution to the NZS Fund	(2,337)	(2,049)	(2,049)
Purchase of Reserve Bank reserves	(500)	(500)	(500)
Forecast new capital spending	..	(256)	..
Top-down capital adjustment	..	..	200
Available to Repay Debt/(Required to be Financed)	2,985	(1,468)	1,720
Financed by:			
Other net sale/(purchase) of marketable securities and deposits	(2,039)	2,493	(5,728)
Total Operating and Investing Activities	946	1,025	(4,008)
Used in:			
Net (repayment)/issue of other New Zealand-dollar borrowing	419	(1,132)	4,437
Decrease/(increase) in cash	105	(23)	(76)
Issue of circulating currency	165	..	272
Net issue/(repayment) of foreign-currency borrowing	(1,801)	502	(497)
	(1,112)	(653)	4,136
Net Cash Inflow/(Outflow) to be Offset by Domestic Bonds	(166)	372	128
Gross Cash Proceeds from Domestic Bonds			
Domestic bonds (market)	2,375	2,438	2,511
Domestic bonds (non-market)	740	406	559
Total Gross Cash Proceeds from Domestic Bonds	3,115	2,844	3,070
Repayment of domestic bonds (market)	(2,574)	(2,777)	(2,777)
Repayment of domestic bonds (non-market)	(375)	(439)	(421)
Net Cash (Repayments of)/Proceeds from Domestic Bonds	166	(372)	(128)