

Generally Accepted Accounting Practice (GAAP) Series Tables

Forecast Financial Statements

These forecasts and projections have been prepared in accordance with the Fiscal Responsibility Act 1994.

They are based on the accounting policies and assumptions that follow on pages 203 to 216. As with all such assumptions, there is a degree of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends.

The forecasts and projections have been prepared in accordance with the Statement of Responsibility and reflect the judgments and information known at the time they were prepared. They reflect all Government decisions and circumstances communicated to 26 May 1997.

Finalisation Dates

Stop press items	16 June
Fiscal forecasts and specific fiscal risks	10 June
Tax revenue forecasts	29 May
Government decisions and circumstances	26 May
Economic outlook	21 May
Actual asset revaluations	30 April
Foreign-exchange rates	30 April
Contingent liabilities and commitments	30 April

Terms and Definitions

Estimated actual - the forecast of the estimated actual result for the 1996/97 year.

Forecast - prospective financial information prepared on the basis of decisions that the Government has made at the forecast finalisation date. A forecast is prepared for the 1997/98 year.

Projection - prospective financial information based on decisions that the Government has made at the forecast finalisation date and on assumptions as to likely future economic conditions. There is considerably more uncertainty involved in a projection than in a forecast. Projections are prepared for the 1998/1999 and 1999/2000 years.

Reporting Entity as at 10 June 1997

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

<p>Offices of Parliament</p> <p>Audit Office</p> <p>Office of the Ombudsmen</p> <p>Parliamentary Commissioner for the Environment</p> <p>Departments</p> <p>Agriculture</p> <p>Commerce</p> <p>Conservation</p> <p>Corrections</p> <p>Courts</p> <p>Crown Law</p> <p>Cultural Affairs</p> <p>Customs</p> <p>Defence</p> <p>Education</p> <p>Education Review Office</p> <p>Environment</p> <p>Fisheries</p> <p>Foreign Affairs and Trade</p> <p>Forestry</p> <p>Government Communications Security Bureau</p> <p>Government Superannuation Fund</p> <p>Health</p> <p>Housing</p>	<p>Departments Continued</p> <p>Inland Revenue</p> <p>Internal Affairs</p> <p>Justice</p> <p>Labour</p> <p>Land Information New Zealand</p> <p>Māori Development</p> <p>National Library</p> <p>New Zealand Defence Force</p> <p>Office of the Clerk</p> <p>Pacific Island Affairs</p> <p>Parliamentary Counsel Office</p> <p>Parliamentary Service</p> <p>Police</p> <p>Prime Minister and Cabinet</p> <p>Research, Science and Technology</p> <p>Security Intelligence Service</p> <p>Serious Fraud Office</p> <p>Social Welfare</p> <p>State Services Commission</p> <p>Statistics</p> <p>Transport</p> <p>Treasury</p> <p>Valuation</p> <p>Women's Affairs</p> <p>Youth Affairs</p>	<p>State-Owned Enterprises</p> <p>Airways Corporation of New Zealand Limited</p> <p>Coal Corporation of New Zealand Limited</p> <p>Contact Energy Limited</p> <p>Crown Forestry Management Limited</p> <p>Electricity Corporation of New Zealand Limited</p> <p>Government Property Services Limited</p> <p>Land Corporation Limited</p> <p>Meteorological Service of New Zealand Limited</p> <p>New Zealand Post Limited</p> <p>New Zealand Railways Corporation</p> <p>Television New Zealand Limited</p> <p>Terralink NZ Limited</p> <p>Timberlands West Coast Limited</p> <p>Trans Power New Zealand Limited</p> <p>Vehicle Testing New Zealand Limited</p> <p>Crown Entities</p> <p>Accident Rehabilitation and Compensation Insurance Corporation</p>
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Crown Entities (Continued)

Accounting Standards Review Board

Agriculture and Marketing Research and Development Trust

Alcoholic Liquor Advisory Council

Animal Control Products Limited

Arts Council of New Zealand Toi Aotearoa

Asia 2000 Foundation of New Zealand

Auckland International Airport Limited

Blood Transfusion Trust

Broadcasting Commission

Broadcasting Standards Authority

Building Industry Authority

Business development boards (21)

Careers Service

Casino Control Authority

Civil Aviation Authority of New Zealand

Commerce Commission

Commissioner for Children

Crown health enterprises (23)

Crown research institutes (10)

Early Childhood Development Unit

Earthquake Commission

Education and Training Support Agency

Electoral Commission

Environmental Risk Management Authority

Fish and Game Councils (13)

Foundation for Research, Science and Technology

Health and Disability Commissioner

Health Research Council of New Zealand

Health Sponsorship Council

Hillary Commission for Sport, Fitness and Leisure

Housing Corporation of New Zealand

Housing New Zealand Limited

Human Rights Commission

Land Transport Safety Authority of New Zealand

Law Commission

Learning Media Limited

Legal Services Board

Management Development Centre Trust

Maritime Safety Authority of New Zealand

Museum of New Zealand Te Papa Tongarewa

New Zealand Antarctic Institute

New Zealand Artificial Limb Board

New Zealand Film Commission

New Zealand Fire Service Commission

New Zealand Fish and Game Council

New Zealand Game Bird Habitat Trust Board

New Zealand Government Property Corporation

New Zealand Lotteries Commission

New Zealand Lottery Grants Board

New Zealand Qualifications Authority

New Zealand Sports Drug Agency

New Zealand Symphony Orchestra Limited

New Zealand Tourism Board

New Zealand Trade Development Board

Office of Film and Literature Classification

Pacific Islands Employment Development Board

Police Complaints Authority

Privacy Commissioner

Race Relations Conciliator

Radio New Zealand Limited

Regional health authorities (4)

Reserve boards (50)

Residual Health Management Unit

Retirement Commissioner

Road Safety Trust

School boards of trustees (2,677)

Crown Entities (Continued)

Securities Commission

Special Education Service

Standards Council

Takeovers Panel

Te Reo Whakapuaki Irirangi (Te
Mangai Paho)

Te Taura Whiri I Te Reo Maori
(Maori Language Commission)

Teacher Registration Board

Tertiary education institutions
(39)

Testing Laboratory Registration
Council

The Power Company Limited

Transfund New Zealand

Transit New Zealand

Transport Accident Investigation
Commission

Trustees of the National Library

Wellington International Airport
Limited

Reserve Bank of New Zealand

Statement of Accounting Policies and Forecast Assumptions

General Accounting Policies and Forecast Assumptions

General Accounting Policies

Accounting Policy

These Forecast Financial Statements comply with generally accepted accounting practice. The measurement base applied is historical cost adjusted for revaluations of assets.

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

These Forecast Financial Statements have been prepared on a going-concern basis and the policies have been applied consistently throughout the forecast periods.

Forecast Assumptions

For forecast purposes no revaluations are projected.

General Forecast Assumptions

Finalisation Dates

The Forecast Financial Statements were finalised on 10 June 1997 and incorporate all Government decisions and circumstances communicated up to 26 May 1997.

Macroeconomic Assumptions

A summary of the economic assumptions that are particularly relevant to the fiscal forecasts (along with the assumptions used in the 1996 *December Economic and Fiscal Update*) is provided in the following table.

KEY ECONOMIC ASSUMPTIONS

June years	1996/97		1997/98		1998/99		1999/2000	
	DEFU	Budget	DEFU	Budget	DEFU	Budget	DEFU	Budget
Real GDP ¹								
(annual average % change)	3.0	2.5	3.6	2.8	3.0	4.3	3.7	3.1
Nominal GDP (\$ million)	95,690	94,339	100,856	98,889	105,496	104,898	111,298	110,636
Consumers Price Index								
(annual average % change)	1.9	2.0	0.5	0.8	0.8	1.3	0.5	0.8
Interest rates:								
Government 10-year bonds								
(annual average %)	7.4	7.7	6.7	7.3	6.6	7.4	6.3	7.5
90-day bill rate								
(annual average %)	9.0	8.4	7.8	8.0	7.0	8.3	6.1	7.1
Household Labour Force								
Survey unemployment rate								
(annual average %)	6.3	6.4	6.1	6.8	6.0	6.3	5.8	5.8
Full-time equivalent employment								
(annual average % change)	2.4	1.3	1.7	0.4	1.2	2.4	1.9	1.6
Trade Weighted Index								
(annual average)	66.7	67.2	67.8	68.2	68.7	69.0	69.6	69.7

Source: the Treasury

For the purposes of calculating net debt, the projections assume the nominal exchange rate remains fixed at 30 April 1997. Projected exchange-rate losses or gains are not included in the forecasts.

1 Production-based measure.

FORECAST STATEMENT OF FINANCIAL PERFORMANCE for the years ending 30 June

(\$ million)	Note	1996		1997		1998	1999	2000
		Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection	
REVENUE								
Levied through the Crown's Sovereign Power								
Direct taxation	1	21,255	21,212	20,755	21,397	21,740	22,960	
Indirect taxation	2	10,978	11,508	11,450	11,870	12,544	13,033	
Total taxation revenue		32,233	32,720	32,205	33,267	34,284	35,993	
Compulsory fees, fines, penalties and levies		235	242	256	263	271	278	
Total Revenue Levied through the Crown's Sovereign Power		32,468	32,962	32,461	33,530	34,555	36,271	
Earned through the Crown's Operations								
Investment income	3	1,606	1,433	1,590	1,146	1,188	1,294	
Sales of goods and services		662	642	657	643	653	662	
Other operational revenue	4	410	318	386	352	336	326	
Unrealised (losses)/gains arising from changes in the value of commercial forests		(87)	..	8	..	..	..
Total Revenue Earned through the Crown's Operations		2,591	2,393	2,641	2,141	2,177	2,282	
TOTAL REVENUE		35,059	35,355	35,102	35,671	36,732	38,553	
EXPENSES								
By functional classification								
Social security and welfare		12,240	12,510	12,679	13,237	13,532	13,922	
Health		5,228	5,495	5,630	6,013	6,101	6,165	
Education		4,949	5,286	5,353	5,643	5,767	5,861	
Core government services		1,565	1,510	1,623	1,573	1,593	1,620	
Law and order		1,234	1,243	1,279	1,267	1,274	1,270	
Defence		970	1,048	945	1,047	1,050	942	
Transport and communications		821	839	865	910	934	942	
Economic and industrial services		997	761	762	829	743	743	
Primary services		304	292	353	318	333	339	
Heritage, culture and recreation		247	271	274	305	290	275	
Housing and community development		40	51	45	48	43	43	
Other		48	148	67	279	109	108	
Finance costs	5	3,703	3,220	3,066	2,617	2,500	2,489	
Net foreign-exchange (gains)/losses		(603)	..	30	..	..	..
Provision for future initiatives		..	..	..	330	950	1,770
Contingency expense provision		..	200	..	200	200	200	
TOTAL EXPENSES	5	31,743	32,874	32,971	34,616	35,419	36,689	
REVENUE LESS EXPENSES		3,316	2,481	2,131	1,055	1,313	1,864	
Surplus attributable to State-owned enterprises and Crown entities	9	705	946	1,221	1,062	1,192	1,364	
Dividends and other distributions	9	(707)	(669)	(904)	(585)	(578)	(660)	
Net (deficit)/surplus attributable to State-owned enterprises and Crown entities		(2)	277	317	477	614	704	
OPERATING BALANCE		3,314	2,758	2,448	1,532	1,927	2,568	

The accompanying Notes are an integral part of these Statements.

FORECAST STATEMENT OF FINANCIAL POSITION as at 30 June

(\$ million)	Note	1996 Actual	1997		1998 Forecast	1999 Projection	2000 Projection
			Previous Budget	Estimated Actual			
ASSETS							
Cash and bank balances		344	48	51	53	51	58
Marketable securities and deposits	6	9,062	8,323	6,277	5,641	5,549	5,454
Advances	7	3,457	2,951	2,861	3,390	3,920	4,333
Receivables	8	4,782	4,878	5,080	5,180	5,217	5,350
Inventories		336	318	333	341	350	356
State-owned enterprises and Crown entities	9	18,487	18,739	17,414	17,962	18,727	19,535
Other investments		211	214	205	208	208	208
Physical assets	10	13,925	13,927	14,449	14,753	14,838	14,547
Commercial forests		551	646	559	558	550	550
State highways	11	7,759	7,603	7,832	7,959	8,109	8,282
Intangible assets		7	6	7	6	6	6
Contingency capital provision		..	200	..	80	180	240
TOTAL ASSETS		58,921	57,853	55,068	56,131	57,705	58,919
LIABILITIES							
Payables and provisions	12	4,070	3,317	4,110	4,036	4,085	3,971
Currency issued		1,675	1,719	1,734	1,734	1,734	1,734
Borrowings		41,500	38,710	34,799	34,319	33,839	32,530
Pension liabilities		8,332	8,156	8,398	8,483	8,561	8,630
TOTAL LIABILITIES		55,577	51,902	49,041	48,572	48,219	46,865
TOTAL ASSETS LESS TOTAL LIABILITIES		3,344	5,951	6,027	7,559	9,486	12,054
CROWN BALANCE							
Accumulated operating balance		(1,550)	1,717	979	2,511	4,438	7,006
Revaluation reserve	13	4,894	4,234	5,048	5,048	5,048	5,048
CROWN BALANCE		3,344	5,951	6,027	7,559	9,486	12,054

The accompanying Notes are an integral part of these Statements.

FORECAST STATEMENT OF MOVEMENTS IN EQUITY
for the years ending 30 June

(\$ million)	Note	1997		1998 Forecast	1999 Projection	2000 Projection	
		1996 Actual	Previous Budget				Estimated Actual
OPENING CROWN BALANCE		(3,159)	3,193	3,344	6,027	7,559	9,486
Operating balance for the year		3,314	2,758	2,448	1,532	1,927	2,568
Net revaluations	13	3,189	..	235	..	..	..
Total recognised revenues and expenses		6,503	2,758	2,683	1,532	1,927	2,568
CLOSING CROWN BALANCE		3,344	5,951	6,027	7,559	9,486	12,054

The accompanying Notes are an integral part of these Statements.

FORECAST STATEMENT OF CASH FLOWS for the years ending 30 June

(\$ million)	1996	1997		1998	1999	2000
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection
CASH FLOWS FROM OPERATIONS						
Cash provided from						
Direct Taxation						
Individuals						
Source deductions	12,576	12,118	12,255	12,645	12,501	13,228
Other persons	3,629	3,639	3,654	3,652	3,719	3,914
Refunds	(842)	(852)	(936)	(1,000)	(1,025)	(1,025)
Fringe benefit tax	322	325	335	343	358	372
Total Individuals	15,685	15,230	15,308	15,640	15,553	16,489
Companies						
Gross companies	4,471	4,978	3,933	4,463	4,903	5,082
Refunds	(294)	(310)	(565)	(450)	(429)	(426)
Total Companies	4,177	4,668	3,368	4,013	4,474	4,656
Withholding taxes	1,516	1,282	1,970	1,615	1,701	1,696
Other direct taxation	1	1	1	1	1	1
Total Direct Taxation	21,379	21,181	20,647	21,269	21,729	22,842
Indirect Taxation						
Goods and services tax						
Gross goods and services tax	11,197	11,865	11,459	12,400	13,181	13,776
Refunds	(3,929)	(4,288)	(4,088)	(4,427)	(4,685)	(4,925)
Total goods and services tax	7,268	7,577	7,371	7,973	8,496	8,851
Excise duties	1,869	1,838	1,789	1,816	1,837	1,847
Other indirect taxation	1,803	1,786	1,981	2,018	2,177	2,312
Total Indirect Taxation	10,940	11,201	11,141	11,807	12,510	13,010
Total Taxation Receipts	32,319	32,382	31,788	33,076	34,239	35,852
Compulsory fees, fines, penalties and levies	212	236	219	226	232	240
Other Receipts						
Interest, profits and dividends	1,440	1,319	1,406	1,034	1,043	1,158
Sales of goods and services	627	629	640	625	642	655
Other operating receipts	422	336	389	344	328	317
Total Other Receipts	2,489	2,284	2,435	2,003	2,013	2,130
Total cash provided from operations	35,020	34,902	34,442	35,305	36,484	38,222
Cash disbursed to						
Departmental outputs	3,974	3,954	4,056	4,028	3,921	3,845
Other outputs	12,010	12,599	12,531	13,994	13,719	13,723
Finance costs	3,391	3,203	3,004	2,303	2,586	2,567
Subsidies	135	177	149	206	179	172
Current transfers						
Social assistance grants	11,094	11,588	11,739	12,330	12,638	13,019
Other transfers	183	202	202	214	226	239
Provision for future initiatives	..	..	..	330	950	1,770
Contingency expenditure provision	..	200	..	200	200	200
Total cash disbursed to operations	30,787	31,923	31,681	33,605	34,419	35,535
NET CASH FLOWS FROM OPERATIONS (carried forward)	4,233	2,979	2,761	1,700	2,065	2,687

The accompanying Notes are an integral part of these Statements.

FORECAST STATEMENT OF CASH FLOWS (continued)
for the years ending 30 June

(\$ million)	1996 Actual	1997		1998 Forecast	1999 Projection	2000 Projection
		Previous Budget	Estimated Actual			
Subtotal (brought forward)	4,233	2,979	2,761	1,700	2,065	2,687
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash provided from						
Sale of physical assets	164	151	168	124	69	31
Total cash provided	164	151	168	124	69	31
Cash disbursed to						
Purchase of physical assets	1,015	1,124	1,312	1,460	1,037	994
Net (repayment)/increase of advances	(1,190)	(768)	(649)	345	455	342
Net purchase/(sale) of investments	2,865	(900)	(3,585)	(559)	59	11
Contingency capital provision	..	200	..	80	100	60
Total cash disbursed	2,690	(344)	(2,922)	1,326	1,651	1,407
NET CASH FLOWS FROM INVESTING ACTIVITIES	(2,526)	495	3,090	(1,202)	(1,582)	(1,376)
NET CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES	1,707	3,474	5,851	498	483	1,311
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash provided from						
Net issue/(repayment) of Government stock	558	(379)	(1,262)	197	(472)	(1,205)
Issue of circulating currency	82	..	59	..	..	..
Total cash provided	640	(379)	(1,203)	197	(472)	(1,205)
Cash disbursed to						
Net repayment/(issue) of foreign-currency borrowing	2,370	2,971	4,010	408	(1)	..
Net (issue)/repayment of other New Zealand-dollar borrowing	(154)	126	929	285	14	99
Total cash disbursed	2,216	3,097	4,939	693	13	99
NET CASH FLOWS FROM FINANCING ACTIVITIES	(1,576)	(3,476)	(6,142)	(496)	(485)	(1,304)
NET MOVEMENT IN CASH HELD	131	(2)	(291)	2	(2)	7
OPENING CASH BALANCE	210	50	344	51	53	51
Foreign-exchange gains/(losses) on opening cash balances	3	..	(2)	..	..	..
CLOSING CASH BALANCE	344	48	51	53	51	58

The accompanying Notes are an integral part of these Statements.

FORECAST STATEMENT OF CASH FLOWS (continued)
for the years ending 30 June

(\$ million)	1997		Estimated Actual	1998 Forecast	1999 Projection	2000 Projection
	1996 Actual	Previous Budget				
RECONCILIATION BETWEEN THE FORECAST OPERATING BALANCE AND FORECAST NET CASH FLOWS FROM OPERATIONS						
OPERATING BALANCE	3,314	2,758	2,448	1,532	1,927	2,568
<i>Items included in the operating balance but not in net cash flows from operations</i>						
Valuation changes						
Net unrealised (gains)/losses on foreign exchange	(604)	..	5	..	..	..
Unrealised losses/(gains) arising from changes in the value of commercial forests	87	..	(8)	..	..	..
	2,797	2,758	2,445	1,532	1,927	2,568
Physical asset movements						
Depreciation	713	773	744	798	853	903
Loss on sale of assets	44	..	1	..	..	..
Other non-cash items						
Net deficit/(surplus) attributable to State-owned enterprises and Crown entities	2	(277)	(317)	(477)	(614)	(704)
Movements in pension liabilities	226	7	66	85	78	69
Other	(73)	122	37	63	44	8
Other deductions						
Other investing and financing items	162	..	(54)	..	..	..
Movements in working capital						
Increase in taxes receivable	(81)	(341)	(472)	(203)	(47)	(145)
Increase/(decrease) in payables	686	(80)	256	(95)	(179)	(12)
(Increase)/decrease in other receivables	(233)	(12)	52	5	12	6
(Increase)/decrease in inventories	(10)	29	3	(8)	(9)	(6)
Total movements in working capital	362	(404)	(161)	(301)	(223)	(157)
NET CASH FLOWS FROM OPERATIONS	4,233	2,979	2,761	1,700	2,065	2,687

The accompanying Notes are an integral part of these Statements.

FORECAST STATEMENT OF CASH FLOWS (continued)
for the years ending 30 June

(\$ million)	1997		1998	1999	2000	
	1996	Previous				Estimated	Forecast	Projection	Projection
	Actual	Budget	Actual			
RECONCILIATION OF FORECAST NET CASH FLOWS FROM OPERATIONS WITH FORECAST NET CASH PROCEEDS FROM DOMESTIC BONDS						
NET CASH FLOWS FROM OPERATIONS	4,233	2,979	2,761	1,700	2,065	2,687
Net purchase of physical assets	(851)	(973)	(1,144)	(1,336)	(968)	(963)
Net repayment/(increase) of advances	1,190	768	649	(345)	(455)	(342)
Net (purchase)/sale of investments	(2,865)	900	3,585	559	(59)	(11)
Contingency capital provision	..	(200)	..	(80)	(100)	(60)
Available to repay debt (Net cash flows from operating and investing activities)	1,707	3,474	5,851	498	483	1,311
Used in:						
Net issue/(repayment) of other						
New Zealand-dollar borrowing	154	(126)	(929)	(285)	(14)	(99)
(Increase)/decrease in cash	(131)	2	291	(2)	2	(7)
Issue of circulating currency	82	..	59	..	..	..
Net (repayment)/issue of foreign-currency borrowing	(2,370)	(2,971)	(4,010)	(408)	1	..
	(2,265)	(3,095)	(4,589)	(695)	(11)	(106)
NET CASH (OUTFLOW)/INFLOW TO BE OFFSET BY DOMESTIC BONDS	(558)	379	1,262	(197)	472	1,205
Gross cash proceeds from domestic bonds						
Domestic bonds	3,103	2,040	1,565	1,472	1,706	1,513
Inflation bonds	177	336	339	283	289	293
Total gross cash proceeds from domestic bonds	3,280	2,376	1,904	1,755	1,995	1,806
Repayment of domestic bonds	(2,722)	(2,755)	(3,166)	(1,558)	(2,467)	(3,011)
NET CASH PROCEEDS FROM/ (REPAYMENTS OF) DOMESTIC BONDS	558	(379)	(1,262)	197	(472)	(1,205)

The accompanying Notes are an integral part of these Statements.

FORECAST STATEMENT OF BORROWINGS as at 30 June

(\$ million)	Note	1997			1998 Forecast	1999 Projection	2000 Projection
		1996 Actual	Previous Budget	Estimated Actual			
OUTSTANDING DEBT							
New Zealand-Dollar Debt							
Government stock		21,222	21,027	19,968	20,158	19,690	18,479
Treasury bills		6,948	7,018	6,534	6,724	6,731	6,735
Loans and foreign-exchange contracts		982	623	668	255	235	133
Reserve Bank bills		1,249	1,260	1,228	1,228	1,228	1,228
Earthquake Commission deposits		795	818	757	757	757	757
Retail stock		551	589	465	407	407	407
Total New Zealand-Dollar Debt		31,747	31,335	29,620	29,529	29,048	27,739
Foreign-Currency Debt							
United States dollars		5,110	4,359	2,917	2,691	3,156	3,156
Japanese yen		2,542	1,583	1,128	960	847	847
European and other currencies		2,101	1,433	1,134	1,139	788	788
Total Foreign-Currency Debt		9,753	7,375	5,179	4,790	4,791	4,791
TOTAL OUTSTANDING DEBT		41,500	38,710	34,799	34,319	33,839	32,530
Less							
FINANCIAL ASSETS							
Marketable Securities and Deposits							
New Zealand dollars		778	200	726	478	357	227
United States dollars		3,129	4,770	2,911	2,686	3,145	3,145
Japanese yen		2,698	1,583	1,285	1,121	1,008	1,000
European and other currencies		2,457	1,770	1,355	1,356	1,039	1,082
Total Marketable Securities and Deposits	6	9,062	8,323	6,277	5,641	5,549	5,454
Advances and Cash							
Advances to State-owned enterprises and Crown entities	7	1,954	1,065	862	879	883	797
Student loans	7	1,392	1,792	1,883	2,397	2,924	3,422
Other advances		111	94	116	114	113	114
Cash		344	48	51	53	51	58
Total Advances and Cash		3,801	2,999	2,912	3,443	3,971	4,391
TOTAL FINANCIAL ASSETS		12,863	11,322	9,189	9,084	9,520	9,845
NET CROWN DEBT		28,637	27,388	25,610	25,235	24,319	22,685
Net New Zealand-dollar debt		27,233	28,136	25,982	25,608	24,720	23,121
Net foreign-currency debt		1,404	(748)	(372)	(373)	(401)	(436)
NET CROWN DEBT		28,637	27,388	25,610	25,235	24,319	22,685

The accompanying Notes are an integral part of these Statements.

STATEMENT OF ACTUAL COMMITMENTS
as at 30 April 1997

(\$million)	As at 30 September 1996	As at 30 April 1997
Capital Commitments		
Specialist military equipment	503	483
Land and buildings	79	71
Other plant and equipment	76	82
Investments	84	230
Commitments of State-owned enterprises and Crown entities	<u>446</u>	<u>663</u>
Total Capital Commitments	<u>1,188</u>	<u>1,529</u>
Operating Commitments		
Non-cancellable accommodation leases	780	747
Other non-cancellable leases	1,184	1,192
Non-cancellable contracts for the supply of goods and services	442	485
Other operating commitments	834	842
Commitments of State-owned enterprises and Crown entities	<u>2,759</u>	<u>3,081</u>
Total Operating Commitments	<u>5,999</u>	<u>6,347</u>
TOTAL COMMITMENTS	<u>7,187</u>	<u>7,876</u>
By term		
One year or less	2,155	2,274
From one to two years	1,126	1,321
From two to five years	1,865	2,036
Over five years	2,041	2,245
TOTAL COMMITMENTS	<u>7,187</u>	<u>7,876</u>

The Statement of Actual Commitments includes commitments which are also included in the Forecast Statements of Financial Performance and Financial Position.

The accompanying Notes are an integral part of these Statements.

STATEMENT OF ACTUAL SPECIFIC FISCAL RISKS

QUANTIFIABLE CONTINGENT LIABILITIES

(\$million)	As at 30 September 1996	As at 30 April 1997
Guarantees and Indemnities	393	573
Uncalled Capital	2,230	2,241
Legal Proceedings and Disputes	944	977
Other Contingent Liabilities	1,236	1,154
TOTAL QUANTIFIABLE CONTINGENT LIABILITIES	4,803	4,945

Contingent liabilities of the Reserve Bank of New Zealand, State-owned enterprises and Crown entities are included in quantifiable contingent liabilities. Contingent liabilities to sub-entities are excluded.

UNQUANTIFIABLE CONTINGENT LIABILITIES

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

Institutional Guarantees

Commerce Commission - indemnity for damages
 District Court Judges and Justices of the Peace
 Earthquake Commission
 Maori Trustee
 National Provident Fund
 Persons exercising investigating powers
 Public Trust Office
 Reserve Bank of New Zealand

Other Unquantifiable Contingent Liabilities

Alkylammonium compound compensation
 Accident Rehabilitation and Compensation and Insurance Corporation (ARCIC) - attendant care
 Bank of New Zealand - tax and litigation
 Coal Corporation of New Zealand Limited - indemnity
 Contact Energy - indemnity
 Crown health enterprises - transitional indemnities
 Crown research institutes - indemnities
 Development Finance Corporation Limited and National Provident Fund - tax indemnities
 Electricity Corporation of New Zealand Limited (ECNZ) - indemnity
 Fletcher Challenge - partial indemnity for environmental contamination
 GPO Holdings Limited
 Housing Corporation of New Zealand - indemnities
 Housing New Zealand Limited - indemnity
 Maui Developments Limited
 Pharmaceutical Management Agency Limited - indemnity
 Purchasers of Crown operations
 Sale of Crown assets
 Tax liabilities
 Waitangi Tribunal claims
 Works Civil Construction
 Works Consultancy Services

Risks are stated as at 10 June 1997.

Actual Specific Fiscal Risks are discussed in detail in Chapter 5.

STATEMENT OF ACTUAL SPECIFIC FISCAL RISKS (continued)

UNQUANTIFIED RISKS

Accident Rehabilitation Compensation and Insurance Corporation - review of four week entitlements
 Auckland Airport capital review structure
 Crown health enterprise loan covenants
 Crown health enterprises - proposals for changes
 Commerce - Maori broadcasting
 Contaminated sites
 Corrections - construction of new facilities and associated operating expenses
 Crown Lease Forests - sale of the Crown's interest
 Defence - operating costs
 Disaster recovery plan
 ECNZ - sale of small hydro stations
 Education - integrated teaching service/unified pay system
 Education - review of the Private Schools Integration Act
 Education - teacher workloads
 Employment initiatives
 Fisheries - allocation of fishing quota
 Group investment funds
 Goods and Services Tax on travel vouchers
 Housing Corporation of New Zealand - future strategic direction
 Housing Corporation of New Zealand - sale of residual portfolio
 Housing Agencies
 Human Rights Act
 Land Transport Pricing Study
 Police - future requirements
 Scoping of asset sales
 Social Welfare - capital injection
 South Island Landless Maori forests
 Tax treatment - restrictive covenants and lease inducements
 Treaty of Waitangi Settlements
 Vehicle tariffs
 Year 2000 celebrations
 Youth Income Support

Risks are stated as at 10 June 1997.

Actual Specific Fiscal Risks are discussed in detail in Chapter 5.

STATEMENT OF ACTUAL SPECIFIC FISCAL RISKS (continued)**UNQUANTIFIED RISKS**

Accident Rehabilitation Compensation and Insurance Corporation - review of four week entitlements
Auckland Airport capital review structure
CHE loan covenants
CHEs - proposals for changes
Commerce - Maori broadcasting
Contaminated sites
Corrections - construction of new facilities and associated operating expenses
Crown Lease Forests - sale of the Crown's interest
Defence - operating costs
Disaster recovery plan
ECNZ - sale of small hydro stations
Education - integrated teaching service/unified pay system
Education - review of the Private Schools Integration Act
Education - teacher workloads
Employment initiatives
Fisheries - allocation of fishing quota
Group investment funds
Goods and Services Tax on travel vouchers
Housing Corporation of New Zealand (HCNZ) - future strategic direction
HCNZ - sale of residual portfolio
Housing Agencies
Human Rights Act
Land Transport Pricing Study
Police - future requirements
Scoping of asset sales
Social Welfare - capital injection
South Island Landless Maori forests
Tax treatment - restrictive covenants and lease inducements
Treaty of Waitangi Settlements
Vehicle tariffs
Year 2000 celebrations
Youth Income Support

Risks are stated as at 10 June 1997.

Actual Specific Fiscal Risks are discussed in detail in Chapter 5.

Specific Accounting Policies and Forecast Assumptions

Forecast Periods

Accounting Policy

The reporting periods covered by these Forecast Financial Statements are the years ending 30 June 1997, 30 June 1998, 30 June 1999 and 30 June 2000.

Certain State-owned enterprises and Crown entities have different reporting periods from the Crown. These entities have been combined on the basis of the balance dates outlined in Note 9.

Forecast Assumption

Forecasts are prepared for the first two periods (the years ending 30 June 1997 and 1998) while projections are prepared for the latter two periods (the years ending 30 June 1999 and 2000). For simplicity the term “forecast” is used in this Statement of Accounting Policies and Forecast Assumptions to describe all four years.

The forecasts for the estimated actual period have been prepared using actual data to 30 April 1997. Transactions for the remainder of the year are forecast in accordance with these accounting policies and forecast assumptions.

Basis of Combination

Accounting Policy

Ministers of the Crown, departments, Offices of Parliament and the Reserve Bank of New Zealand 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 combination.

State-owned enterprises and Crown entities are combined using an equity method of combination. This records the Crown’s share of these entities’ forecast net assets, including their surpluses and deficits. Any unrealised surpluses and deficits on inter-entity transactions and balances not carried out on an arm’s-length basis are eliminated. Other inter-entity transactions and balances are not eliminated.

Commitments and contingent liabilities of State-owned enterprises and Crown entities are reported in the Statement of Actual Commitments and the Statement of Actual Specific Fiscal Risks.

Revenue

Revenue Levied Through The Crown's Sovereign Power

Accounting Policy

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.

This revenue is recognised at the time the debt to the Crown arises, as identified in the following table:

Revenue Type	Revenue Recognition Point
Source deductions (PAYE)	When an individual is forecast to earn income that is subject to PAYE
Residents' withholding taxes ¹	When an individual is forecast to receive interest or dividends subject to deduction at source
Fringe benefit tax (FBT)	When forecast benefits are provided that give rise to FBT
Provisional tax ²	Forecast payment due date
Terminal tax ²	Forecast assessment filed date
Goods and services tax	When the liability to the Crown is forecast to be incurred
Excise duty	When goods are forecast to be subject to duty
Road user charges and motor vehicle fees	When payment for the fee or charge is forecast to be made
Stamp, cheque and credit card duties	When the liability to the Crown is forecast to be incurred
Other indirect taxes	When the debt to the Crown is forecast to arise

Notes: 1 Corresponds to forecast withholding taxes on residents' interest and dividend income in Note 1 to the Forecast Financial Statements.

2 Provisional and terminal taxes are paid by "other persons" and companies (refer to Note 1 to the Forecast Financial Statements).

Revenue Earned Through Operations

Accounting Policy

Where revenue will be earned by the Crown in exchange for the provision of outputs (products or services) to third parties, the Crown earns its revenue through operations. This revenue is recognised when it is forecast to be earned.

Investment Income

Accounting Policy

Investment income is recognised in the period in which it is forecast to be earned.

Premiums

Accounting Policy

Premiums arising on the issue of New Zealand-dollar and foreign-currency debt instruments up to the forecast finalisation date are treated as a reduction in the cost of borrowing. Premiums are recognised in the Forecast Statement of Financial Position on issue, and are amortised over the period of the instrument on a yield-to-maturity basis.

Premiums on forecast bond sales with the same maturity date and coupon rate as bonds already on issue are calculated using the same maturity and coupon rate information. These premiums are treated on issue as a reduction in the cost of borrowing and in general are amortised over the period of the instrument on a yield-to-maturity basis.

The forward margin associated with forward foreign-exchange contracts is amortised over the period of the contract on a straight-line basis.

Forecast Assumption

Forecast bond sales with new maturity dates are assumed to be issued at par value and therefore no premiums are forecast for these instruments.

Gains

General

Accounting Policy

Realised gains arising from the sale of assets or the early repurchase of liabilities are recognised in the Forecast Statement of Financial Performance in the period in which the transactions are forecast to occur.

Foreign-currency Monetary Assets and Liabilities

Accounting Policy

Unrealised gains are recognised in the Forecast Statement of Financial Performance.

Forecast Assumption

Forecasts of foreign-currency monetary assets and liabilities for the year ending 30 June 1997 and the other forecast periods use the exchange rates prevailing on 30 April 1997. As a consequence no realised or unrealised exchange gains are forecast for the entire forecast period.

Physical Assets

Accounting Policy

To the extent that a forecast gain reverses a loss previously charged to the Statement of Financial Performance, the gain is credited to the Forecast Statement of Financial Performance.

Forecast Assumption

The “estimated actual” forecasts for the value of physical assets use the valuations as recorded in the Crown Financial Statements for the year ended 30 June 1996 and any additional actual valuations that have occurred up to 30 April 1997.

The value of physical assets for the other forecast periods is forecast using the same valuation as that used for the “estimated actual” forecasts. As a consequence, no realised or unrealised gains are forecast for the entire forecast period.

Investments and Marketable Securities held for Investment

Forecast Assumption

All investments and marketable securities held for investment that are forecast to be held after the forecast finalisation date are assumed to be held to maturity. Therefore, no gains are forecast for these assets.

Expenses

General

Accounting Policy

Expenses are recognised in the financial periods to which they are forecast to relate.

Welfare Benefits

Accounting Policy

Welfare benefits are recognised in the reporting periods during which it is forecast an application for a benefit will be accepted and the eligibility criteria met.

Grants and Subsidies

Accounting Policy

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is forecast to be made. Otherwise, the expense is recognised when it is forecast that the specific criteria will be fulfilled and notice given to the Crown.

Discounts

Accounting Policy

Discounts arising on the issue of New Zealand-dollar and foreign-currency debt instruments up to the forecast finalisation date are treated as an increase in the cost of borrowings. Discounts are recognised in the Forecast Statement of Financial Position on issue, and are amortised over the period of the instrument on a yield-to-maturity basis.

Discounts on forecast bond sales with the same maturity date and coupon rate as bonds already on issue are calculated using the same maturity and coupon rate information. These discounts are treated on issue as an increase in the cost of borrowing and in general are amortised over the period of the instrument on a yield-to-maturity basis.

Forecast Assumption

Forecast bond sales with new maturity dates are assumed to be issued at par value and therefore no discounts are forecast for these instruments.

Losses

General

Accounting Policy

Forecast realised losses arising from the sale of assets or the early repurchase of liabilities are recognised in the Forecast Statement of Financial Performance in the period in which the transaction is forecast to occur.

Foreign-currency Monetary Assets and Liabilities

Accounting Policy

Unrealised losses are recognised in the Forecast Statement of Financial Performance.

Forecast Assumption

The “estimated actual” forecasts for foreign-currency monetary assets and liabilities use the exchange rates prevailing on 30 April 1997.

Forecasts of foreign-currency monetary assets and liabilities for the other forecast periods are based on the exchange rates used for the “estimated actual” forecasts. As a consequence no realised or unrealised exchange losses are forecast for these years.

Physical Assets and Liabilities

Accounting Policy

Unrealised losses are first applied against the revaluation reserve for that class of asset. The balance, if any, is charged to the Forecast Statement of Financial Performance.

Forecast Assumption

The “estimated actual” forecasts for the value of physical assets use valuations as recorded in the Crown Financial Statements for the year ended 30 June 1996, and any additional actual valuations that have occurred up to 30 April 1997.

The value of physical assets for the other forecast periods is forecast using the same valuation used for the “estimated actual” forecasts. As a consequence, no realised or unrealised losses are forecast.

Investments and Marketable Securities held for Investment

Forecast Assumption

All investments and marketable securities held for investment that are forecast to be held after the forecast finalisation date are assumed to be held to maturity. Therefore, no losses are forecast for these assets.

Foreign-currency Transactions

Accounting Policy

Short-term transactions covered by forward exchange contracts are translated into New Zealand dollars using the forward rates specified in those contracts.

Other transactions in foreign currencies are translated into New Zealand dollars using the exchange rates prevailing on 30 April 1997. Forecast exchange gains or losses arising on translation of these transactions are recognised in the Forecast Statement of Financial Performance.

The resulting exchange gains or losses are included in the Forecast Statement of Financial Performance in the period in which they are forecast to arise. The forward margin associated with existing forward exchange contracts is amortised over the period of the contract on a straight-line basis.

Forecast Assumption

Outstanding foreign-exchange contracts are translated using the exchange rate prevailing on 30 April 1997.

For forecasting purposes, the exchange rates prevailing on 30 April 1997 are assumed to prevail throughout the other forecast periods.

Depreciation

Accounting Policy

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

Freehold buildings	25 to 60 years
Specialist military equipment	5 to 25 years
Other plant and equipment	3 to 25 years
State highways:	
Pavement	36 years
Bridges	90 years

Assets

Foreign-currency Monetary Assets

Accounting Policy

Foreign-currency monetary assets existing at the forecast finalisation date and subject to forward exchange contracts are translated at the contract rate. Other foreign-currency monetary assets are translated at the exchange rates prevailing on 30 April 1997.

Forecast Assumption

For forecasting purposes, the exchange rates on 30 April 1997 are assumed to prevail throughout the other forecast periods.

Receivables and Advances

Accounting Policy

Receivables and advances are recorded at the amounts forecast to be collected in cash.

Inventories

Accounting Policy

Inventories existing at the forecast finalisation date are recorded at the lower of cost and net current value. Inventories forecast to be acquired after that date are recorded at the forecast cost.

Investments

Marketable Securities held for Trading Purposes

Accounting Policy

Marketable securities held for trading purposes at the forecast finalisation date are recorded at net current value.

Marketable securities that are forecast to be acquired after that date and held for trading purposes are recorded at forecast cost of acquisition.

Equity Investments

Accounting Policy

Equity investments existing at the forecast finalisation date (other than those forming part of the reporting entity) are recorded at the lower of forecast cost and net current value.

Equity investments which are forecast to be purchased after that date are recorded at the forecast cost.

Other Investments

Accounting Policy

Other investments existing at the forecast finalisation date, including marketable securities held for investment, are recorded at the lower of cost and net current value.

Other investments that are forecast to be purchased after that date are valued at the forecast cost.

Investment Sales

Forecast Assumption

The proceeds from sales of investments or entities are only included in the forecasts when those sales have been contractually confirmed at the forecast finalisation date.

Physical Assets

Land and Buildings

Accounting Policy

Holdings of land and buildings at the forecast finalisation date are recorded at the latest available valuation calculated on a net-current-value basis. In cases where valuations conducted in accordance with New Zealand Institute of Valuers' standards are not available, valuations conducted in accordance with the Valuation of Land Act 1951 have been used.

Land and buildings forecast to be purchased after the forecast finalisation date are valued at their forecast cost.

Forecast Assumption

Valuations are assumed to remain constant over the forecast period.

Specialist Military Equipment

Accounting Policy

Specialist military equipment existing at the forecast finalisation date is valued at depreciated replacement cost established through specialist assessment by New Zealand Defence Force advisors.

Specialist military equipment forecast to be purchased after that date is valued at forecast cost.

Other Plant and Equipment

Accounting Policy

Other plant and equipment (including motor vehicles and office equipment) existing at forecast finalisation date are recorded at cost less accumulated depreciation.

Other plant and equipment forecast to be purchased after that date are recorded at forecast cost.

Other Physical Assets for which an Objective Estimate of Market Value is Difficult to Obtain

Accounting Policy

Such assets (national parks, for example) existing at the forecast finalisation date are recorded at the best estimate of net current value.

Any such assets forecast to be acquired after that date are valued at forecast cost.

Forecast Assumption

The value is assumed to be constant over the other forecast periods.

State Highways

Accounting Policy

State highways existing at the forecast finalisation date are recorded at depreciated replacement cost, based on the estimated present cost of constructing the existing asset by the most appropriate method of construction. State highways forecast to be developed after that date are valued at forecast cost.

Land associated with the State highways is valued using an opportunity cost based on adjacent use, as an approximation of net current value.

Forecast Assumption

The value is assumed to be constant over the other forecast periods.

Commercial Forests

Accounting Policy

Commercial forests are recorded at forecast net current value. This takes into account age, quality of timber, market expectations and the forest management plan.

Forecast Assumption

Commercial forests are valued at an estimate of net current value using discounted cash flow techniques. Post-tax cash flows and three-year rolling average log prices have been used. Log prices are assumed to be constant over the forecast period.

Intangible Assets

Accounting Policy

Intangible assets which can be sold or acquired separately from other assets are recorded at forecast net current value if a foreseeable future benefit exists. Otherwise, intangible assets are not recognised.

Forecast Assumption

The value is assumed to be constant over the other forecast periods.

Liabilities

Borrowings

Accounting Policy

In the Forecast Statement of Financial Position, borrowings, including currency swaps existing at the forecast finalisation date, are recorded at nominal value adjusted for the unamortised portion of the premium or discount on issue.

Borrowings forecast to be raised after that date are recorded at forecast cost.

Forecast Assumption

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.

Foreign-currency Monetary Liabilities

Accounting Policy

Foreign-currency monetary liabilities existing at the forecast finalisation date and subject to forward exchange contracts are translated at contract rates. Other foreign-currency monetary liabilities are translated at exchange rates prevailing on 30 April 1997.

Forecast Assumption

For forecasting purposes the exchange rates prevailing on 30 April 1997 are assumed to prevail throughout the other forecast periods.

Pension Liabilities

Forecast Assumption

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.

Currency Issued

Accounting Policy

Currency (including demonetised currency) issued at the forecast finalisation date or forecast to be issued after that date is recognised at face value. Forecast unissued currency stocks are reported as inventory (at cost) and expensed when they are forecast to be issued.

The face value of collectors' currency is recorded as a contingent liability.

Leases

Accounting Policy

Finance leases transfer to the Crown as lessee substantially all the risks and rewards incident on the ownership of a leased asset. The obligations under such forecast leases are capitalised at the forecast present value of the minimum lease payments. The capitalised values are amortised over the period forecast, for benefits from their use to arise.

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.

Compensated Absences

Accounting Policy

Forecast liabilities for annual leave are recognised as they are forecast to accrue to employees. Provision is also made for forecast long-service and retiring leave obligations to employees.

Other Liabilities

Accounting Policy

All other liabilities are recorded at the forecast obligation to pay.

Commitments

The commitments reported in these forecast financial statements are **actual** commitments at 30 April 1997.

Existing commitments include 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.

Specific Fiscal Risks

Accounting Policy

The specific fiscal risks reported in these Forecast Financial Statements are the **actual** risks **existing at 10 June 1997** and contingent liabilities as at 30 April 1997. They include existing contingent liabilities, which are recognised at the point the contingency is evident. The Statement of Specific Fiscal Risks has been prepared in accordance with sections 10(3)(b) and 11 of the Fiscal Responsibility Act 1994.

Changes in Accounting Policies

All policies have been applied on a consistent basis during the forecast periods ending 30 June 1997 to 2000. There have been no changes in accounting policy from those used in the Crown Financial Statements for the year ended 30 June 1996.

Changes in Forecast Assumptions

Changes to the forecast assumptions used for the last set of forecasts published in the 1996 *December Economic and Fiscal Update* are outlined on page 189.

NOTES TO THE FORECAST FINANCIAL STATEMENTS

(\$ million)	1996 Actual	1997		1998 Forecast	1999 Projection	2000 Projection
		Previous Budget	Estimated Actual			
NOTE 1: DIRECT TAXATION						
INCOME TAX						
Individuals						
Source deductions	12,539	12,083	12,265	12,680	12,466	13,263
Other persons	3,310	3,429	3,346	3,332	3,399	3,594
Refunds	(550)	(642)	(618)	(680)	(705)	(705)
Fringe benefit tax	327	326	340	348	363	377
Total Individuals	15,626	15,196	15,333	15,680	15,523	16,529
Companies						
Gross companies	4,144	4,788	3,530	4,188	4,592	4,811
Refunds	(81)	(60)	(102)	(95)	(75)	(75)
Total Companies	4,063	4,728	3,428	4,093	4,517	4,736
Withholding Taxes						
Residents' interest income	984	877	1,011	924	952	926
Non-residents' income	491	365	827	619	665	684
Residents' dividend income	30	35	44	44	44	44
Foreign-source dividends	59	10	111	36	38	40
Total Withholding Taxes	1,564	1,287	1,993	1,623	1,699	1,694
TOTAL INCOME TAX	21,253	21,211	20,754	21,396	21,739	22,959
OTHER DIRECT TAXATION						
Estate and gift duties	3	1	1	1	1	1
Land tax	(1)	..	..	..	..	..
TOTAL OTHER DIRECT TAXATION	2	1	1	1	1	1
TOTAL DIRECT TAXATION	21,255	21,212	20,755	21,397	21,740	22,960
NOTE 2: INDIRECT TAXATION						
Goods and Services Tax						
Gross goods and services tax	11,337	12,235	11,954	12,520	13,236	13,791
Refunds	(4,075)	(4,358)	(4,238)	(4,497)	(4,715)	(4,925)
Total Goods and Services Tax	7,262	7,877	7,716	8,023	8,521	8,866
Excise Duties						
Petroleum fuels	777	749	697	714	724	727
Tobacco products	655	647	644	663	664	668
Alcoholic beverages	443	442	445	441	449	453
Total Excise Duties	1,875	1,838	1,786	1,818	1,837	1,848
Other Indirect Taxation						
Customs duty	843	816	942	968	1,075	1,163
Road user charges	410	425	434	482	510	540
Motor vehicle fees	152	147	156	158	162	164
Stamp, cheque and credit card duties	216	185	186	192	204	211
Gaming duties	126	126	129	134	142	148
Energy resources levies	94	94	101	95	93	93
Total Other Indirect Taxation	1,841	1,793	1,948	2,029	2,186	2,319
TOTAL INDIRECT TAXATION	10,978	11,508	11,450	11,870	12,544	13,033

NOTES TO THE FORECAST FINANCIAL STATEMENTS

(\$ million)	1996 Actual	1997		1998 Forecast	1999 Projection	2000 Projection
		Previous Budget	Estimated Actual			
NOTE 3: INVESTMENT INCOME						
Interest Income						
Marketable securities, deposits, mortgages and cash balances	415	454	386	294	302	309
Advances						
State-owned enterprises	84	44	45	31	20	19
Student loans	110	136	145	180	230	247
Other entities	193	130	66	50	56	57
Total Interest Income	802	764	642	555	608	632
Dividend Income						
State-owned enterprises	690	630	813	449	450	521
Other	19	39	93	142	130	141
Total Dividend Income	709	669	906	591	580	662
Other Investment Income						
Gains on marketable securities and deposits	11	..	40	..	..	..
Gain on sale of The Radio Company Limited	76	..	..	..	..	..
Other	8	..	2	..	..	..
Total Other Investment Income	95	..	42	..	..	..
TOTAL INVESTMENT INCOME	1,606	1,433	1,590	1,146	1,188	1,294

NOTE 4: OTHER OPERATIONAL
REVENUE

Recoveries from the Accident Rehabilitation and Compensation Insurance Corporation	157	125	128	146	148	149
Contributions to Government Superannuation Fund	68	59	67	54	47	39
Income from Earthquake Commission	22	25	20	20	20	20
Petroleum royalties	22	20	38	31	20	20
Radio spectrum fees	20	..	3	1	..	..
Other	121	89	130	100	101	98
TOTAL OTHER OPERATIONAL REVENUE	410	318	386	352	336	326

NOTES TO THE FORECAST FINANCIAL STATEMENTS

(\$ million)	1997					
	1996 Actual	Previous Budget	Estimated Actual	1998 Forecast	1999 Projection	2000 Projection
NOTE 5: EXPENSES BY INPUT TYPE						
Subsidies and transfer payments (see analysis below)	11,441	11,909	12,046	12,695	13,029	13,456
Operating expenses (see analysis below)	12,793	13,454	13,608	14,547	14,480	14,474
Personnel						
Personnel expenses (excluding pension expenses)	2,373	2,344	2,432	2,401	2,380	2,367
Pension expenses	812	736	751	716	722	734
Movement in unfunded pension liability	226	7	66	85	78	69
Depreciation						
Physical assets	644	701	674	726	779	827
State highways	69	72	70	72	74	76
Rental and leasing costs	241	231	227	227	227	227
Loss on sale of assets	44	..	1	..	..	..
Finance costs (see analysis below)	3,703	3,220	3,066	2,617	2,500	2,489
Net foreign-exchange gains on liabilities	(1,276)	..	(694)	..	..	..
Net foreign-exchange losses on assets	673	..	724	..	..	..
Provision for future initiatives	..	..	..	330	950	1,770
Contingency expense provision	..	200	..	200	200	200
TOTAL EXPENSES	31,743	32,874	32,971	34,616	35,419	36,689
Analysis of Subsidies and Transfer Payments						
Social assistance grants						
New Zealand superannuation	5,051	5,058	5,107	5,138	5,203	5,325
Unemployment benefit	1,236	1,246	1,325	1,327	1,273	1,231
Domestic purposes benefit	1,362	1,462	1,449	1,531	1,573	1,661
Family support	748	838	794	902	943	969
Student allowances	293	312	329	356	385	400
Other social assistance grants	2,421	2,615	2,699	3,043	3,251	3,462
Subsidies	147	179	147	185	176	170
Other transfer payments						
Official development assistance	165	184	184	198	210	223
Other	18	15	12	15	15	15
Total Subsidies and Transfer Payments	11,441	11,909	12,046	12,695	13,029	13,456
Analysis of Operating Expenses						
Education purchases						
Early childhood education	227	274	252	280	295	310
Primary and secondary education	2,471	2,615	2,715	2,874	2,926	2,979
Tertiary education and training	1,406	1,430	1,416	1,450	1,468	1,470
Health purchases	4,958	5,193	5,339	5,705	5,793	5,847
Science purchases	304	319	315	355	376	407
Other operating expenses	3,427	3,623	3,571	3,883	3,622	3,461
Total Operating Expenses	12,793	13,454	13,608	14,547	14,480	14,474
Analysis of Finance Costs						
Interest						
New Zealand dollars	2,732	2,591	2,553	2,283	2,192	2,164
Foreign currencies	708	607	430	311	285	302
Other finance costs	263	22	83	23	23	23
Total Finance Costs	3,703	3,220	3,066	2,617	2,500	2,489

NOTES TO THE FORECAST FINANCIAL STATEMENTS

(\$ million)	1996	1997		1998	1999	2000
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection
NOTE 6: MARKETABLE SECURITIES AND DEPOSITS						
Marketable securities held for trading purposes	3,017	2,653	2,881	2,881	2,881	2,881
Marketable securities held for investment purposes	3,416	3,715	1,072	565	566	566
Foreign-currency deposits	1,684	1,516	1,414	1,393	1,382	1,377
New Zealand-dollar deposits	681	102	627	479	357	227
Reserve position at the International Monetary Fund	264	337	283	323	363	403
TOTAL MARKETABLE SECURITIES AND DEPOSITS	9,062	8,323	6,277	5,641	5,549	5,454

NOTE 7: ADVANCES

Advances to State-owned enterprises and

Crown entities						
Housing New Zealand Limited	820	..	..	..	..	..
Housing Corporation of New Zealand	376	405	307	397	382	367
Trans Power New Zealand Limited	200	..	..	..	..	..
Contact Energy Limited	414	397	404	227	216	115
Residual Health Management Unit	115	263	151	255	285	315
Crown research institutes	17	..	..	..	..	..
The Power Company Limited	12	..	..	..	..	..
Total Advances to State-owned enterprises and Crown entities	1,954	1,065	862	879	883	797
Other Advances						
Student loans	1,392	1,792	1,883	2,397	2,924	3,422
Forestry encouragement loans	33	35	36	37	39	41
Catchment authorities	11	11	11	10	9	8
Maori development rural lending	14	8	29	37	43	48
Hotel investments	3	2	2	2	1	1
Other	50	38	38	28	21	16
Total Other Advances	1,503	1,886	1,999	2,511	3,037	3,536
TOTAL ADVANCES	3,457	2,951	2,861	3,390	3,920	4,333

NOTE 8: RECEIVABLES

Taxes receivable	3,506	3,927	3,978	4,181	4,228	4,373
Accounts receivable	917	655	783	704	714	723
Receivable from the sale and purchase of Maui gas	205	177	179	154	132	112
Prepayments	154	119	140	141	143	142
TOTAL RECEIVABLES	4,782	4,878	5,080	5,180	5,217	5,350

NOTES TO THE FORECAST FINANCIAL STATEMENTS

(\$ million)	1997		1998	1999	2000	
	1996	Previous				Estimated	Forecast	Projection	Projection
	Actual	Budget	Actual			
NOTE 9: FINANCIAL INTEREST IN STATE-OWNED ENTERPRISES AND CROWN ENTITIES						
Surplus						
State-owned enterprises	577	685	626	585	612	679
Crown entities	128	261	595	477	580	685
Total Surplus	705	946	1,221	1,062	1,192	1,364
Dividends and Other Distributions						
State-owned enterprises	690	630	813	449	450	521
Crown entities	17	39	91	136	128	139
Total Dividends and Other Distributions	707	669	904	585	578	660
Net Equity						
State-owned enterprises	7,442	7,600	5,568	5,704	5,866	6,024
Crown entities	11,045	11,139	11,846	12,258	12,861	13,511
Total Net Equity	18,487	18,739	17,414	17,962	18,727	19,535

BALANCE DATES

All State-owned enterprises and significant Crown entities have a balance date of 30 June except for the following:

	Balance Dates for the Forecasts
State-owned enterprises	
Contact Energy Limited	30 September
Government Property Services Limited	31 March
New Zealand Post Limited	31 March
Television New Zealand Limited	31 December
Timberlands West Coast Limited	31 March
Significant Crown entities	
School boards of trustees	31 December
Tertiary education institutions	31 December

MINORITY INTERESTS

All State-owned enterprises and Crown entities are 100% owned by the Crown, except for Auckland International Airport Limited and Wellington International Airport Limited, which are 51.6% and 66% owned respectively.

BASIS OF COMBINATION

The Crown's financial interest in State-owned enterprises and Crown entities is accounted for in these Financial Statements using the modified equity method of combination. An alternative presentation would be for these entities to be fully consolidated in these Financial Statements. The 30 June 1996 Crown Financial Statements (Note 9) details the differences between the two presentations.

The Statements of Financial Performance and Financial Position resulting from a full consolidation would present the assets, liabilities, revenues and expenses of the Ministers of the Crown, departments, offices of Parliament, the Reserve Bank of New Zealand, State-owned enterprises and Crown entities as if they were a single entity.

NOTES TO THE FORECAST FINANCIAL STATEMENTS

(\$ million)	1996 Actual	1997		1998 Forecast	1999 Projection	2000 Projection
		Previous Budget	Estimated Actual			
NOTE 10: PHYSICAL ASSETS						
By Type						
Cost or Valuation						
Buildings	7,597	7,877	7,826	8,329	8,589	8,891
Specialist military equipment	2,315	2,751	2,601	2,871	3,312	3,379
Other assets	2,313	2,131	2,338	2,341	2,344	2,358
Land	1,848	1,689	1,906	1,828	1,763	1,715
Other plant and equipment	1,641	2,053	1,947	2,207	2,371	2,517
Total Cost or Valuation	15,714	16,501	16,618	17,576	18,379	18,860
Accumulated Depreciation						
Buildings	537	853	634	934	1,264	1,610
Specialist military equipment	296	473	423	564	719	906
Other assets	10	14	15	19	23	28
Other plant and equipment	946	1,234	1,097	1,306	1,535	1,769
Total Accumulated Depreciation	1,789	2,574	2,169	2,823	3,541	4,313
Net Book Value						
Buildings	7,060	7,024	7,192	7,395	7,325	7,281
Specialist military equipment	2,019	2,278	2,178	2,307	2,593	2,473
Other assets	2,303	2,117	2,323	2,322	2,321	2,330
Land	1,848	1,689	1,906	1,828	1,763	1,715
Other plant and equipment	695	819	850	901	836	748
Total Net Book Value	13,925	13,927	14,449	14,753	14,838	14,547
Movements						
Cost or Valuation						
Opening balance	14,933	15,919	15,714	16,618	17,576	18,379
Net additions	497	582	862	958	803	481
Revaluations	284	..	42	..	..	..
Total Cost or Valuation	15,714	16,501	16,618	17,576	18,379	18,860
Accumulated Depreciation						
Opening balance	1,501	1,941	1,789	2,169	2,823	3,541
Disposals	(135)	(68)	(78)	(72)	(61)	(55)
Depreciation charged for the period	644	701	674	726	779	827
Revaluations	(221)	..	(216)	..	..	..
Total Accumulated Depreciation	1,789	2,574	2,169	2,823	3,541	4,313
NET PHYSICAL ASSETS	13,925	13,927	14,449	14,753	14,838	14,547
By Holding						
Freehold assets	13,877	13,881	14,395	14,698	14,780	14,495
Leasehold assets	48	46	54	55	58	52
NET PHYSICAL ASSETS	13,925	13,927	14,449	14,753	14,838	14,547

NOTES TO THE FORECAST FINANCIAL STATEMENTS

(\$ million)	1996 Actual	1997		1998 Forecast	1999 Projection	2000 Projection
		Previous Budget	Estimated Actual			
NOTE 11: STATE HIGHWAYS						
Cost or Valuation						
Opening balance	7,454	7,589	7,759	7,902	8,101	8,325
Net additions	126	156	143	199	224	249
Revaluations	179	..	..	..	..	..
Total Cost or Valuation	7,759	7,745	7,902	8,101	8,325	8,574
Accumulated Depreciation						
Opening balance	..	70	..	70	142	216
Depreciation charged for the period	69	72	70	72	74	76
Revaluations	(69)	..	..	..	..	..
Total Accumulated Depreciation	..	142	70	142	216	292
TOTAL STATE HIGHWAYS	7,759	7,603	7,832	7,959	8,109	8,282

NOTE 12: PAYABLES AND PROVISIONS

Accounts payable	895	897	902	973	1,209	1,110
Accruals and provisions	973	768	957	1,179	1,001	993
Equiticorp provision	328	..	361	..	..	..
Taxes repayable	1,018	848	1,050	1,050	1,050	1,050
National Provident Fund guarantee	429	429	456	456	456	456
National Provident Fund Board indemnity	96	96	96	96	96	96
Provisions for employee entitlements	331	279	288	282	273	266
TOTAL PAYABLES AND PROVISIONS	4,070	3,317	4,110	4,036	4,085	3,971

NOTE 13: REVALUATION RESERVE

Opening Balance	1,915	4,234	4,894	5,048	5,048	5,048
Net revaluations						
State-owned enterprises and Crown entities	2,436	..	(23)	..	..	..
Land and buildings	420	..	253	..	..	..
State highways	248	..	..	..	..	..
Specialist military equipment	(29)	..	..	..	..	..
Other assets	114	..	5	..	..	..
Total Net Revaluations	3,189	..	235	..	..	..
Transfer to accumulated operating balance	(210)	..	(81)	..	..	..
CLOSING REVALUATION RESERVE	4,894	4,234	5,048	5,048	5,048	5,048

