

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 171 to 185. 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 27 April 1998.¹

Finalisation Dates	
Stop press items	4 May
Fiscal forecasts and specific fiscal risks	4 May
Tax revenue forecasts	16 April
Economic outlook	7 April
Government decisions and circumstances	27 April
Actual asset revaluations	31 March
Foreign-exchange rates	31 March
Contingent liabilities and commitments	31 March

Terms and Definitions

Estimated actual - the forecast of the estimated actual result for the 1997/98 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 1998/99 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 1999/2000 and 2000/01 years.

¹ The exception is the Cabinet agreement, on 4 May, to the motor vehicle industry request to remove motor vehicle tariffs on 14 May 1998.

Reporting Entity as at 4 May 1998

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:

Offices of Parliament

Audit Office
Office of the Ombudsmen
Parliamentary Commissioner
for the Environment

Departments

Agriculture and Forestry
Commerce
Conservation
Corrections
Courts
Crown Law
Cultural Affairs
Customs
Defence
Education
Education Review Office
Environment
Fisheries
Foreign Affairs and Trade
Government Communications
Security Bureau
Government Superannuation
Fund
Health
Housing
Inland Revenue
Internal Affairs
Justice
Labour
Land Information New Zealand
Māori Development
National Library
New Zealand Defence Force
Office of the Clerk
Pacific Island Affairs
Parliamentary Counsel Office
Parliamentary Service
Police
Prime Minister and Cabinet
Research, Science and
Technology
Security Intelligence Service
Serious Fraud Office
Social Welfare
State Services Commission
Statistics
Transport
Treasury
Valuation
Women's Affairs
Youth Affairs

State-Owned Enterprises

Airways Corporation of
New Zealand Limited
Contact Energy Limited
Crown Forestry Management
Limited
Electricity Corporation of
New Zealand Limited
Government Property Services
Limited
Land Corporation Limited
Meteorological Service of
New Zealand Limited
New Zealand Railways
Corporation
New Zealand Post Limited
Solid Energy New Zealand
Limited
Television New Zealand Limited
Terralink NZ Limited
Timberlands West Coast
Limited
Transpower New Zealand
Limited
Vehicle Testing New Zealand
Limited

Crown Entities

Accident Rehabilitation and Compensation Insurance Corporation	Maritime Safety Authority of New Zealand
Accounting Standards Review Board	Museum of New Zealand Te Papa Tongarewa
Agriculture and Marketing Research and Development Trust	New Zealand Antarctic Institute
Alcoholic Liquor Advisory Council	New Zealand Artificial Limb Board
Animal Control Products Limited	New Zealand Film Commission
Arts Council of New Zealand Toi Aotearoa	New Zealand Fire Service Commission
Asia 2000 Foundation of New Zealand	New Zealand Fish and Game Council
Auckland International Airport Limited	New Zealand Game Bird Habitat Trust Board
Blood Transfusion Trust	New Zealand Government Property Corporation
Broadcasting Commission	New Zealand Lotteries Commission
Broadcasting Standards Authority	New Zealand Lottery Grants Board
Building Industry Authority	New Zealand Qualifications Authority
Business development boards (21)	New Zealand Sports Drug Agency
Careers Service	New Zealand Symphony Orchestra Limited
Casino Control Authority	New Zealand Tourism Board
Civil Aviation Authority of New Zealand	New Zealand Trade Development Board
Commerce Commission	Office of Film and Literature Classification
Commissioner for Children	Pacific Islands Employment Development Board
Crown health enterprises (23)	Police Complaints Authority
Crown research institutes (9)	Privacy Commissioner
Early Childhood Development Unit	Race Relations Conciliator
Earthquake Commission	Radio New Zealand Limited
Education and Training Support Agency	Reserve boards (54)
Electoral Commission	Residual Health Management Unit
Environmental Risk Management Authority	Retirement Commissioner
Fish and Game Councils (13)	Road Safety Trust
Foundation for Research, Science and Technology	School boards of trustees (2,664)
Health and Disability Commissioner	Securities Commission
Health Funding Authority	Special Education Service
Health Research Council of New Zealand	Standards Council
Health Sponsorship Council	Takeovers Panel
Hillary Commission for Sport, Fitness and Leisure	Te Reo Whakapuaki Irirangi (Te Mangai Paho)
Housing Corporation of New Zealand	Te Taura Whiri I Te Reo Māori (Māori Language Commission)
Housing New Zealand Limited	Teacher Registration Board
Human Rights Commission	Tertiary education institutions (39)
Land Transport Safety Authority of New Zealand	Testing Laboratory Registration Council
Law Commission	Transfund New Zealand
Learning Media Limited	Transit New Zealand
Legal Services Board	Transport Accident Investigation Commission
Management Development Centre Trust	Trustees of the National Library
	Wellington International Airport Limited

Reserve Bank of New Zealand

Forecast Statement of Financial Performance for the years ending 30 June

(\$ million)	Note	1998			1999 Forecast	2000 Projection	2001 Projection
		1997 Actual	Previous Budget	Estimated Actual			
Revenue							
Levied through the Crown's Sovereign Power							
Direct taxation	1	20,489	21,397	21,778	21,603	23,086	24,491
Indirect taxation	2	11,427	11,870	11,812	12,095	12,530	12,982
Total taxation revenue		31,916	33,267	33,590	33,698	35,616	37,473
Compulsory fees, fines, penalties and levies		263	263	259	263	271	276
Total Revenue Levied through the Crown's Sovereign Power		32,179	33,530	33,849	33,961	35,887	37,749
Earned through the Crown's Operations							
Investment income	3	1,596	1,146	1,122	1,243	1,276	1,401
Sales of goods and services		664	643	698	673	702	704
Other operational revenue	4	387	352	385	380	364	352
Unrealised losses arising from changes in the value of commercial forests		(48)	..	(7)	..	..	..
Total Revenue Earned through the Crown's Operations		2,599	2,141	2,198	2,296	2,342	2,457
Total Revenue		34,778	35,671	36,047	36,257	38,229	40,206
Expenses							
By functional classification							
Social security and welfare		12,620	13,237	13,042	13,677	13,960	14,197
Health		5,626	6,013	6,001	6,444	6,516	6,565
Education		5,335	5,643	5,756	5,953	6,094	6,148
Core government services		1,667	1,573	1,624	1,624	1,628	1,623
Law and order		1,281	1,267	1,342	1,395	1,405	1,395
Defence		946	1,047	1,067	1,115	1,020	1,044
Transport and communications		888	910	903	933	939	974
Economic and industrial services		763	829	875	876	833	822
Primary services		351	318	446	329	332	338
Heritage, culture and recreation		277	305	299	327	302	290
Housing and community development		47	48	47	51	52	52
Other		68	279	166	154	148	145
Finance costs	5	3,072	2,617	2,758	2,564	2,695	2,597
Net foreign-exchange (gains)/losses		12	..	(8)	..	..	..
Provision for future initiatives		..	330	..	290	1,090	1,090
Provision for 2000/01 initiatives		..	..	..	..	..	900
Contingency expense provision		..	200	..	100	100	100
Total Expenses	5	32,953	34,616	34,318	35,832	37,114	38,280
Revenue Less Expenses		1,825	1,055	1,729	425	1,115	1,926
Surplus attributable to State-owned enterprises and Crown entities	9	988	1,062	1,450	1,403	1,402	1,611
Dividends and other distributions	9	(905)	(585)	(401)	(523)	(496)	(553)
Net surplus attributable to State-owned enterprises and Crown entities		83	477	1,049	880	906	1,058
Operating Balance		1,908	1,532	2,778	1,305	2,021	2,984

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Financial Position

for the years ending 30 June

(\$ million)	Note	1998			1999 Forecast	2000 Projection	2001 Projection
		1997 Actual	Previous Budget	Estimated Actual			
Assets							
Cash and bank balances		196	53	43	53	45	42
Marketable securities and deposits	6	7,581	5,641	9,012	8,193	8,103	8,143
Advances	7	2,871	3,390	3,445	4,042	4,526	5,039
Receivables	8	5,091	5,180	5,116	5,135	5,167	5,306
Inventories		295	341	298	306	303	260
State-owned enterprises and Crown entities	9	18,483	17,962	19,443	20,540	21,572	22,615
Other investments		214	208	242	256	253	253
Physical assets	10	14,502	14,753	15,054	15,478	15,256	14,939
Commercial forests		505	558	489	481	481	480
State highways	11	8,210	7,959	8,337	8,490	8,666	8,864
Intangible assets		20	6	14	2	2	2
Contingency capital provision		..	80	..	..	..	300
Total Assets		57,968	56,131	61,493	62,976	64,374	66,243
Liabilities							
Payables and provisions	12	4,457	4,036	4,294	4,426	4,324	4,056
Currency issued		1,741	1,734	1,826	1,826	1,826	1,826
Borrowings		35,972	34,319	36,862	36,860	36,299	35,428
Pension liabilities		8,328	8,483	8,096	8,144	8,184	8,208
Total Liabilities		50,498	48,572	51,078	51,256	50,633	49,518
Total Assets Less Total Liabilities		7,470	7,559	10,415	11,720	13,741	16,725
Crown Balance							
Accumulated operating balance		468	2,511	3,345	4,650	6,671	9,655
Revaluation reserve	13	7,002	5,048	7,070	7,070	7,070	7,070
Crown Balance		7,470	7,559	10,415	11,720	13,741	16,725

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Movements in Equity for the years ending 30 June

(\$ million)	Note	1998			1999 Forecast	2000 Projection	2001 Projection
		1997 Actual	Previous Budget	Estimated Actual			
Opening Crown Balance		3,344	6,027	7,470	10,415	11,720	13,741
Operating balance for the year		1,908	1,532	2,778	1,305	2,021	2,984
Net revaluations	13	2,218	..	167	..	..	..
Total recognised revenues and expenses		4,126	1,532	2,945	1,305	2,021	2,984
Closing Crown Balance		7,470	7,559	10,415	11,720	13,741	16,725

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows

for the years ending 30 June

(\$ million)	1998					
	1997 Actual	Previous Budget	Estimated Actual	1999 Forecast	2000 Projection	2001 Projection
Cash Flows from Operations						
Cash provided from						
Direct Taxation						
Individuals						
Source deductions	12,238	12,645	12,777	12,571	13,267	13,925
Other persons	3,661	3,652	3,730	3,639	3,650	3,892
Refunds	(978)	(1,000)	(1,000)	(1,025)	(1,025)	(1,050)
Fringe benefit tax	331	343	336	344	360	374
Total Individuals	15,252	15,640	15,843	15,529	16,252	17,141
Companies						
Gross companies	3,907	4,463	4,425	4,805	5,376	5,722
Refunds	(560)	(450)	(552)	(485)	(449)	(452)
Total Companies	3,347	4,013	3,873	4,320	4,927	5,270
Withholding taxes	1,906	1,615	1,895	1,688	1,847	2,020
Other direct taxation	2	1	1	1	1	1
Total Direct Taxation	20,507	21,269	21,612	21,538	23,027	24,432
Indirect Taxation						
Goods and services tax						
Gross goods and services tax	11,491	12,400	12,395	12,818	13,441	14,059
Refunds	(4,036)	(4,427)	(4,355)	(4,497)	(4,723)	(4,928)
Total goods and services tax	7,455	7,973	8,040	8,321	8,718	9,131
Excise duties	1,816	1,816	1,862	1,980	1,999	2,015
Other indirect taxation	1,953	2,018	1,852	1,766	1,771	1,796
Total Indirect Taxation	11,224	11,807	11,754	12,067	12,488	12,942
Total Taxation Receipts	31,731	33,076	33,366	33,605	35,515	37,374
Compulsory fees, fines, penalties and levies	227	226	237	250	258	263
Other Receipts						
Interest, profits and dividends	1,398	1,034	852	1,091	1,101	1,208
Sales of goods and services	643	625	686	661	690	688
Other operating receipts	402	344	353	374	366	349
Total Other Receipts	2,443	2,003	1,891	2,126	2,157	2,245
Total cash provided from operations	34,401	35,305	35,494	35,981	37,930	39,882
Cash disbursed to						
Departmental outputs	4,032	4,028	4,281	4,366	4,304	4,162
Other outputs	12,521	13,994	14,304	14,239	14,382	14,514
Finance costs	3,090	2,303	2,340	2,635	2,789	2,930
Subsidies	134	206	188	151	150	152
Current transfers						
Social assistance grants	11,707	12,330	12,422	12,773	13,001	13,343
Other transfers	197	214	210	219	228	238
Provision for future initiatives	..	330	..	290	1,090	1,090
Provision for 2000/01 initiatives	..	..	..	..	..	900
Contingency expenditure provision	..	200	..	100	100	100
Total cash disbursed to operations	31,681	33,605	33,745	34,773	36,044	37,429
Net Cash Flows From Operations (carried forward)	2,720	1,700	1,749	1,208	1,886	2,453

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the years ending 30 June

(\$ million)	1998		1999 Forecast	2000 Projection	2001 Projection	
	1997 Actual	Previous Budget				Estimated Actual
Subtotal (brought forward)	2,720	1,700	1,749	1,208	1,886	2,453
Cash Flows From Investing Activities						
Cash provided from						
Sale of physical assets	183	124	155	171	88	78
Total cash provided	183	124	155	171	88	78
Cash disbursed to						
Purchase of physical assets	1,083	1,460	1,358	1,439	1,015	942
Net (repayment)/increase of advances	(659)	345	383	518	388	407
Net (sale)/purchase of investments	(2,672)	(559)	349	(588)	31	27
Contingency capital provision	..	80	..	..	..	300
Total cash disbursed	(2,248)	1,326	2,090	1,369	1,434	1,676
Net Cash Flows From Investing Activities	2,431	(1,202)	(1,935)	(1,198)	(1,346)	(1,598)
Net Cash Flows From Operating and Investing Activities						
	5,151	498	(186)	10	540	855
Cash Flows From Financing Activities						
Cash provided from						
Issue of circulating currency	66	..	84	..	..	..
Total cash provided	66	..	84	..	..	..
Cash disbursed to						
Net repayment/(issue) of government stock	1,138	(197)	(87)	(573)	504	1,097
Net repayment of foreign-currency borrowing	3,133	408	358	240	..	..
Net repayment/(issue) of other New Zealand-dollar borrowing	1,096	285	(180)	333	44	(239)
Total cash disbursed	5,367	496	91	..	548	858
Net Cash Flows from Financing Activities	(5,301)	(496)	(7)	..	(548)	(858)
Net Movement in Cash Held	(150)	2	(193)	10	(8)	(3)
Opening Cash Balance	344	51	196	43	53	45
Foreign-exchange gains on opening cash balances	2	..	40	..	..	..
Closing Cash Balance	196	53	43	53	45	42

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the years ending 30 June

(\$ million)	1998		1999 Forecast	2000 Projection	2001 Projection	
	1997 Actual	Previous Budget				Estimated Actual
Reconciliation Between the Forecast Operating Balance and Forecast Net Cash Flows from Operations						
Operating Balance	1,908	1,532	2,778	1,305	2,021	2,984
<i>Items included in the operating balance but not in net cash flows from operations</i>						
Valuation changes						
Unrealised net foreign exchange gains	(43)	..	(8)	..	..	..
Unrealised losses arising from changes in the value of commercial forests	48	..	7	..	..	..
	1,913	1,532	2,777	1,305	2,021	2,984
Physical asset movements						
Depreciation	731	798	735	820	854	889
Loss/(gain) on sale of assets	9	..	(8)	..	..	..
Other non-cash items						
Net surplus attributable to State-owned enterprises and Crown entities	(83)	(477)	(1,049)	(880)	(906)	(1,058)
Movements in pension liabilities	(4)	85	(232)	48	40	24
Other	29	63	3	(36)	(54)	(45)
Other deductions						
Other investing and financing items	(58)	..	(40)	..	..	..
Movements in working capital						
Increase in taxes receivable	(410)	(203)	(194)	(88)	(90)	(89)
Increase/(decrease) in payables	572	(95)	(444)	(29)	(61)	(285)
(Increase)/decrease in other receivables	(20)	5	204	76	79	(10)
Decrease/(increase) in inventories	41	(8)	(3)	(8)	3	43
Total movements in working capital	183	(301)	(437)	(49)	(69)	(341)
Net Cash Flows from Operations	2,720	1,700	1,749	1,208	1,886	2,453

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the years ending 30 June

(\$ million)	1998		1999 Forecast	2000 Projection	2001 Projection	
	1997 Actual	Previous Budget				Estimated Actual
Reconciliation of Forecast Net Cash Flows from Operations with Forecast Net Cash Proceeds from Domestic Bonds						
Net Cash Flows from Operations	2,720	1,700	1,749	1,208	1,886	2,453
Net purchase of physical assets	(900)	(1,336)	(1,203)	(1,268)	(927)	(864)
Net repayment/(increase) of advances	659	(345)	(383)	(518)	(388)	(407)
Net (sale)/purchase of investments	2,672	559	(349)	588	(31)	(27)
Contingency capital provision	..	(80)	..	..	..	(300)
Available to repay debt (Net cash flows from operating and investing activities)	5,151	498	(186)	10	540	855
Used in:						
Net (repayment)/issue of other New Zealand-dollar borrowing	(1,096)	(285)	180	(333)	(44)	239
Decrease/(increase) in cash	150	(2)	193	(10)	8	3
Issue of circulating currency	66	..	84	..	..	..
Net repayment of foreign- currency borrowing	(3,133)	(408)	(358)	(240)	..	..
	(4,013)	(695)	99	(583)	(36)	242
Net Cash Inflow/(Outflow) to be Offset by Domestic Bonds	1,138	(197)	(87)	(573)	504	1,097
Gross cash proceeds from domestic bonds						
Domestic bonds	1,684	1,472	1,693	2,392	2,214	1,253
Inflation bonds	356	283	294	289	293	300
Total gross cash proceeds from domestic bonds	2,040	1,755	1,987	2,681	2,507	1,553
Repayment of domestic bonds	(3,178)	(1,558)	(1,900)	(2,108)	(3,011)	(2,650)
Net Cash (Repayments of)/Proceeds from Domestic Bonds	(1,138)	197	87	573	(504)	(1,097)

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Borrowings as at 30 June

(\$ million)	Note	1998			1999 Forecast	2000 Projection	2001 Projection
		1997 Actual	Previous Budget	Estimated Actual			
Outstanding Debt							
New Zealand-Dollar Debt							
Government stock		20,092	20,158	20,166	20,736	20,218	19,107
Treasury bills		6,311	6,724	6,860	6,635	6,694	6,936
Loans and foreign-exchange contracts		672	255	297	277	175	173
Reserve Bank bills		1,236	1,228	1,241	1,241	1,241	1,241
Earthquake Commission deposits		811	757	935	935	935	935
Retail stock		503	407	414	327	327	327
Total New Zealand-Dollar Debt		29,625	29,529	29,913	30,151	29,590	28,719
Foreign-Currency Debt							
United States dollars		2,976	2,691	3,306	3,256	3,256	3,256
Japanese yen		1,578	960	1,761	1,621	1,621	1,621
European and other currencies		1,793	1,139	1,882	1,832	1,832	1,832
Total Foreign-Currency Debt		6,347	4,790	6,949	6,709	6,709	6,709
Total Outstanding Debt		35,972	34,319	36,862	36,860	36,299	35,428
Less							
Financial Assets							
Marketable Securities and Deposits							
New Zealand dollars		848	478	817	376	258	221
United States dollars		3,014	2,686	3,863	3,738	3,726	3,726
Japanese yen		1,734	1,121	2,170	1,998	1,998	1,998
European and other currencies		1,985	1,356	2,162	2,081	2,121	2,198
Total Marketable Securities and Deposits	6	7,581	5,641	9,012	8,193	8,103	8,143
Advances and Cash							
Advances to State-owned enterprises and Crown entities	7	862	879	862	885	804	789
Student loans	7	1,884	2,397	2,464	3,040	3,604	4,124
Other advances		125	114	119	117	118	126
Cash		196	53	43	53	45	42
Total Advances and Cash		3,067	3,443	3,488	4,095	4,571	5,081
Total Financial Assets		10,648	9,084	12,500	12,288	12,674	13,224
Net Crown Debt		25,324	25,235	24,362	24,572	23,625	22,204
Net New Zealand-dollar debt		25,744	25,608	25,608	25,680	24,761	23,417
Net foreign-currency debt		(420)	(373)	(1,246)	(1,108)	(1,136)	(1,213)
Net Crown Debt		25,324	25,235	24,362	24,572	23,625	22,204

The accompanying Notes are an integral part of these Statements.

Statement of Actual Commitments as at 31 March 1998

(\$ million)	As at 30 September 1997	As at 31 March 1998
Capital Commitments		
Specialist military equipment	704	572
Land and buildings	80	92
Other plant and equipment	69	78
Investments	129	249
Commitments of State-owned enterprises and Crown entities	948	1,016
Total Capital Commitments	1,930	2,007
Operating Commitments		
Non-cancellable accommodation leases	716	712
Other non-cancellable leases	3,509	3,499
Non-cancellable contracts for the supply of goods and services	478	477
Other operating commitments	871	864
Commitments of State-owned enterprises and Crown entities	3,375	3,353
Total Operating Commitments	8,949	8,905
Total Commitments	10,879	10,912
By term		
One year or less	3,195	3,330
From one to two years	1,472	1,484
From two to five years	2,016	2,071
Over five years	4,196	4,027
Total Commitments	10,879	10,912

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 1997	As at 31 March 1998
Guarantees and indemnities	352	503
Uncalled capital	2,398	2,761
Legal proceedings and disputes	757	458
Other contingent liabilities	1,281	1,260
Total Quantifiable Contingent Liabilities	4,788	4,982

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.

Non-quantifiable 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
 Fletcher Challenge Limited (FCL)
 Māori Trustee
 National Provident Fund
 Persons exercising investigating powers
 Public Trust Office
 Reserve Bank of New Zealand

Other Unquantifiable Contingent Liabilities

Alkylammonium compound compensation
 Bank of New Zealand (BNZ)
 Contact Energy Limited (Contact)
 Contaminated sites
 Crown health enterprises
 Crown research institutes
 DFC New Zealand Limited (under statutory management) (DFC)
 Electricity Corporation of New Zealand Limited (ECNZ)
 Housing Corporation of New Zealand (HCNZ)
 Housing New Zealand Limited (HCNZ)
 Maui Developments Limited
 Pharmaceutical Management Agency (Pharmac)
 Purchasers of Crown operations
 Sale of Crown assets
 Solid Energy Limited
 Southland Electric Power Supply Consumer Trust
 Tax liabilities
 Treaty of Waitangi claims
 Works Civil Construction
 Works Consultancy Services

Risks are stated as at 4 May 1998.
 Actual specific fiscal risks are discussed in detail in Chapter 5.

Statement of Actual Specific Fiscal Risks (continued)

(\$ million)

Quantified Risks

Agriculture and Forestry - Quality Management review	0 to -35
ARCIC - purchase of elective health services for non-earners	-25 annually from 1998/99
Carbon tax	+70 per year from 1999/2000
Commerce - Māori broadcasting	-11 of capital in 1998/99
Corrections - construction of new facilities and associated operating costs	Up to -140 over three years
Defence - capital injections	-51 in 1999/2000 and -105 in 2000/01
Education - National assessment	up to -25 over three-years
Education - school property	-250 annually in 1999/2000 and 2000/01
Education - Special Education 2000	-50 to -80 over three years
Employment strategy	up to -20 over next two years
Firearms review	-25 over three years
Higher Quality Early Childhood Education	-15 to -35 over two years
Justice - citizens' initiated referenda	Up to -10 per referendum
Māori Trustee - payment for services	-21
Service to Children, Young Persons and their Families	-44 over next three years

A positive sign indicates an improvement in the fiscal position.

Risks are stated as at 4 May 1998.

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 - introduction of competition
 Accident Rehabilitation Compensation and Insurance Corporation - review of four week entitlements
 Crown health enterprise letters of comfort
 Crown health enterprise loan covenant
 Crown lease forests - sale of the Crown's interest
 Customer requirements
 Disaster recovery plan
 ECNZ - sale of small hydro stations
 Education - review of the Private Schools Conditional Integration Act
 Electricity sector review
 Establishment of Integrated Employment and Income Support Department (previously Employment Initiatives)
 Fisheries - allocation of fishing quota
 Group investment funds (GIFs)
 GST on services (previously GST on travel vouchers)
 Housing Corporation of New Zealand - sale of residual mortgage portfolio
 Human Rights Act
 Rooding reform (previously Land Transport Pricing Study)
 School operations grant
 Scoping of Government's ownership interest
 SOE/Crown entity capital structures review
 South Island Landless Māori forests
 Student loans
 Tariff reviews
 Tax reductions
 Tax treatment - restrictive covenants and lease inducements
 Taxation - Committee of Experts on Tax Compliance
 Teacher collective employment contracts (previously Education - integrated teaching service/unified pay system)
 Television New Zealand review
 Timberlands West Coast - compensation for ceasing Buller overcut
 Transfer between Health Votes to establish efficient prices
 Treaty of Waitangi settlements

Risks are stated as at 4 May 1998.

Actual specific fiscal risks are discussed in detail in Chapter 5.

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 4 May 1998 and incorporate all government decisions and circumstances communicated up to 27 April 1998.

Macroeconomic assumptions

A summary of the economic assumptions that are particularly relevant to the fiscal forecasts (along with the assumptions used in the 1997 *December Update*) is provided in the following table.

Key economic assumptions

(June years)	1997/98		1998/99		1999/2000		2000/01	
	DEFU	Budget	DEFU	Budget	DEFU	Budget	DEFU	Budget
Real GDP ²								
(annual average % change)	2.9	2.2	4.2	3.3	3.0	3.7	2.7	3.5
Nominal GDP (\$ million)	99,116	98,758	105,618	103,825	110,854	109,959	115,666	115,696
Consumers Price Index								
(annual average % change)	1.9	1.4	2.5	1.5	0.8	1.7	0.7	1.6
Interest rates								
Government 10-year bonds								
(annual average %)	6.9	6.9	7.1	7.5	7.4	7.1	7.5	7.0
90-day bill rate								
(annual average)	8.3	8.5	9.4	8.2	8.6	8.9	7.7	9.3
Household Labour Force Survey unemployment rate								
(annual average %)	7.0	6.8	6.6	6.8	6.0	6.1	5.6	5.7
Full-time equivalent employment								
(annual average % change)	-0.3	-0.1	2.2	1.0	1.9	2.8	1.0	2.3
Trade Weighted Index								
(annual average)	64.5	62.3	64.9	59.0	65.6	59.1	66.3	59.5

Source: The Treasury

For the purposes of calculating net debt, the projections assume the nominal exchange rate remains fixed at 31 March 1998. Projected exchange-rate losses or gains are not included in the forecasts.

² Production-based measure.

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 1998, 30 June 1999, 30 June 2000 and 30 June 2001.

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 1998 and 1999) while projections are prepared for the latter two periods (the years ending 30 June 2000 and 2001). 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 28 February 1998. 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 ³	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 ⁴	Forecast payment due date
Terminal tax ⁴	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

³ Corresponds to forecast withholding taxes on residents' interest and dividend income in Note 1 to the Forecast Financial Statements.

⁴ 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 1998 and the other forecast periods use the exchange rates prevailing on 31 March 1998. 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 1997 and any additional actual valuations that have occurred up to 31 March 1998.

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 31 March 1998.

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 uses valuations as recorded in the Crown Financial Statements for the year ended 30 June 1997, and any additional actual valuations that have occurred up to 31 March 1998.

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 31 March 1998. 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 31 March 1998.

For forecasting purposes, the exchange rates prevailing on 31 March 1998 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 31 March 1998.

Forecast assumption

For forecasting purposes, the exchange rates on 31 March 1998 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 is recorded at cost less accumulated depreciation.

Other plant and equipment forecast to be purchased after that date is 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 31 March 1998.

Forecast assumption

For forecasting purposes the exchange rates prevailing on 31 March 1998 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 31 March 1998.

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 4 May 1998** and contingent liabilities as at 31 March 1998. 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 1998 to 2001. There have been no changes in accounting policy from those used in the Crown Financial Statements for the year ended 30 June 1997.

Changes in Forecast Assumptions

Changes to the forecast assumptions used for the last set of forecasts published in the 1997 *December Update* are outlined on page 172.

Notes to the Forecast Financial Statements

(\$ million)	1998					
	1997 Actual	Previous Budget	Estimated Actual	1999 Forecast	2000 Projection	2001 Projection
NOTE 1: Direct Taxation						
Income Tax						
Individuals						
Source deductions	12,264	12,680	12,812	12,606	13,302	13,960
Other persons	3,382	3,332	3,360	3,299	3,310	3,552
Refunds	(658)	(680)	(660)	(685)	(685)	(710)
Fringe benefit tax	336	348	340	348	364	378
Total Individuals	15,324	15,680	15,852	15,568	16,291	17,180
Companies						
Gross companies	3,332	4,188	4,135	4,465	5,056	5,402
Refunds	(99)	(95)	(112)	(125)	(109)	(112)
Total Companies	3,233	4,093	4,023	4,340	4,947	5,290
Withholding Taxes						
Residents' interest income	1,001	924	945	954	1,100	1,232
Non-residents' income	824	619	728	664	701	742
Residents' dividend income	35	44	38	31	37	38
Foreign-source dividends	72	36	191	45	9	8
Total Withholding Taxes	1,932	1,623	1,902	1,694	1,847	2,020
Total Income Tax	20,489	21,396	21,777	21,602	23,085	24,490
Other Direct Taxation						
Estate and gift duties	..	1	1	1	1	1
Total Other Direct Taxation	..	1	1	1	1	1
Total Direct Taxation	20,489	21,397	21,778	21,603	23,086	24,491
NOTE 2: Indirect Taxation						
Goods and Services Tax						
Gross goods and services tax	12,237	12,520	12,510	12,933	13,556	14,174
Refunds	(4,512)	(4,497)	(4,430)	(4,572)	(4,798)	(5,003)
Total Goods and Services Tax	7,725	8,023	8,080	8,361	8,758	9,171
Excise Duties						
Petroleum fuels	692	714	746	801	813	823
Tobacco products	666	663	685	739	739	738
Alcoholic beverages	438	441	436	442	449	456
Total Excise Duties	1,796	1,818	1,867	1,982	2,001	2,017
Other Indirect Taxation						
Customs duty	909	968	828	663	649	630
Road user charges	426	482	469	490	508	530
Motor vehicle fees	155	158	157	162	164	166
Stamp, cheque and credit card duties	183	192	189	200	209	220
Gaming duties	129	134	137	139	146	153
Energy resources levies	104	95	85	98	95	95
Total Other Indirect Taxation	1,906	2,029	1,865	1,752	1,771	1,794
Total Indirect Taxation	11,427	11,870	11,812	12,095	12,530	12,982

Notes to the Forecast Financial Statements

(\$ million)	1997		1998		1999	2000	2001
	Actual	Previous Budget	Estimated Actual	Forecast	Projection	Projection	
NOTE 3: Investment Income							
Interest Income							
Marketable securities, deposits, mortgages and cash balances	361	294	385	386	404	437	
Advances							
State-owned enterprises	82	31	31	21	21	11	
Student loans	142	180	185	245	299	346	
Other entities	32	50	43	55	54	51	
Total Interest Income	617	555	644	707	778	845	
Dividend Income							
State-owned enterprises	814	449	326	384	359	386	
Other	93	142	77	152	139	170	
Total Dividend Income	907	591	403	536	498	556	
Other Investment Income							
Gains on marketable securities and deposits	70	..	75	..	..	..
Other	2	..	..	..	..	..
Total Other Investment Income	72	..	75	..	..	..
Total Investment Income	1,596	1,146	1,122	1,243	1,276	1,401	

NOTE 4: Other Operational Revenue

Recoveries from the Accident Rehabilitation and Compensation Insurance Corporation	130	146	146	155	153	156
Contributions to Government Superannuation Fund	74	54	65	53	45	38
Income from Earthquake Commission	15	20	15	15	15	15
Petroleum royalties	40	31	24	47	41	35
Cost recovery income from Fisheries	29	37	35	33	32	32
Other	99	64	100	77	78	76
Total Other Operational Revenue	387	352	385	380	364	352

Notes to the Forecast Financial Statements

(\$ million)	1998			1999 Forecast	2000 Projection	2001 Projection
	1997 Actual	Previous Budget	Estimated Actual			
NOTE 5: Expenses by Input Type						
Subsidies and transfer payments (see analysis below)	12,019	12,695	12,774	13,130	13,425	13,728
Operating expenses (see analysis below)	13,656	14,547	14,793	15,421	15,429	15,467
Personnel						
Personnel expenses (excluding pension expenses)	2,436	2,401	2,494	2,483	2,501	2,488
Pension expenses	778	716	759	725	736	755
Movement in unfunded pension liability	(4)	85	(232)	48	40	24
Depreciation						
Physical assets	663	726	666	749	781	814
State highways	68	72	69	71	73	75
Rental and leasing costs	244	227	253	251	244	242
Loss/(gain) on sale of assets	9	..	(8)	..	..	..
Finance costs (see analysis below)	3,072	2,617	2,758	2,564	2,695	2,597
Net foreign-exchange (gains)/losses on liabilities	(382)	..	982	..	..	..
Net foreign-exchange losses/(gains) on assets	394	..	(990)	..	..	..
Provision for future initiatives	..	330	..	290	1,090	1,090
Provision for 2000/01 initiatives	..	..	..	..	..	900
Contingency expense provision	..	200	..	100	100	100
Total Expenses	32,953	34,616	34,318	35,832	37,114	38,280
Analysis of Subsidies and Transfer Payments						
Social assistance grants						
New Zealand Superannuation	5,102	5,138	5,112	5,173	5,267	5,308
Community Wage	..	..	..	1,470	1,890	1,880
Unemployment Benefit	1,327	1,327	1,438	358	..	..
Domestic Purposes Benefit	1,447	1,531	1,509	1,529	1,576	1,626
Family Support	785	902	896	947	969	994
Student allowances	327	356	353	393	417	426
Other social assistance grants	2,695	3,043	3,083	2,894	2,936	3,099
Subsidies	140	185	176	149	143	158
Other transfer payments						
Official development assistance	184	198	195	204	213	223
Other	12	15	12	13	14	14
Total Subsidies and Transfer Payments	12,019	12,695	12,774	13,130	13,425	13,728
Analysis of Operating Expenses						
Education purchases						
Early childhood education	251	280	277	292	303	312
Primary and secondary education	2,713	2,874	3,000	3,209	3,314	3,366
Tertiary education and training	1,415	1,450	1,438	1,343	1,349	1,344
Health purchases	5,308	5,705	5,723	6,051	6,121	6,160
Science purchases	312	355	369	386	397	409
Other operating expenses	3,657	3,883	3,986	4,140	3,945	3,876
Total Operating Expenses	13,656	14,547	14,793	15,421	15,429	15,467
Analysis of Finance Costs						
Interest						
New Zealand dollars	2,560	2,283	2,359	2,217	2,372	2,271
Foreign currencies	425	311	319	324	300	303
Other finance costs	87	23	80	23	23	23
Total Finance Costs	3,072	2,617	2,758	2,564	2,695	2,597

Notes to the Forecast Financial Statements

(\$ million)	1998			1999 Forecast	2000 Projection	2001 Projection
	1997 Actual	Previous Budget	Estimated Actual			

NOTE 6: Marketable Securities and Deposits

Marketable securities held for trading purposes	3,290	2,881	4,354	4,354	4,354	4,354
Marketable securities held for investment purposes	1,528	565	1,899	1,668	1,744	1,727
Foreign-currency deposits	1,759	1,393	1,526	1,206	1,122	1,180
New Zealand-dollar deposits	749	479	695	247	125	84
Reserve position at the International Monetary Fund	255	323	538	718	758	798
Total Marketable Securities and Deposits	7,581	5,641	9,012	8,193	8,103	8,143

NOTE 7: Advances

Advances to State-owned enterprises and Crown entities

Housing Corporation of New Zealand	309	397	384	382	367	352
Contact Energy Limited	404	227	227	216	115	115
Residual Health Management Unit	146	255	248	284	319	319
Terralink	3	..	3	3	3	3
Total Advances to State-owned enterprises and Crown entities	862	879	862	885	804	789

Other Advances

Student loans	1,884	2,397	2,464	3,040	3,604	4,124
Forestry encouragement loans	36	37	34	36	38	40
Catchment authorities	11	10	10	9	8	7
Māori development rural lending	28	37	33	40	46	56
Hotel investments	2	2	1	1	..	..
Other	48	28	41	31	26	23
Total Other Advances	2,009	2,511	2,583	3,157	3,722	4,250

Total Advances

2,871	3,390	3,445	4,042	4,526	5,039
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NOTE 8: Receivables

Taxes receivable	3,916	4,181	4,110	4,198	4,288	4,377
Accounts receivable	849	704	716	684	686	754
Receivable from the sale and purchase of Maui gas	179	154	154	132	112	95
Prepayments	147	141	136	121	81	80
Total Receivables	5,091	5,180	5,116	5,135	5,167	5,306

Notes to the Forecast Financial Statements

(\$ million)	1998					
	1997 Actual	Previous Budget	Estimated Actual	1999 Forecast	2000 Projection	2001 Projection
NOTE 9: Financial Interest in State-owned enterprises and Crown entities						
Surplus						
State-owned enterprises	632	585	498	514	479	586
Crown entities	356	477	952	889	923	1,025
Total Surplus	988	1,062	1,450	1,403	1,402	1,611
Dividends and Other Distributions						
State-owned enterprises	814	449	326	384	359	386
Crown entities	91	136	75	139	137	167
Total Dividends and Other Distributions	905	585	401	523	496	553
Net Equity						
State-owned enterprises	5,646	5,704	5,817	5,947	6,067	6,268
Crown entities	12,837	12,258	13,626	14,593	15,505	16,347
Total Net Equity	18,483	17,962	19,443	20,540	21,572	22,615

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 1997 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)	1998			1999 Forecast	2000 Projection	2001 Projection
	1997 Actual	Previous Budget	Estimated Actual			
NOTE 10: Physical Assets						
By Type						
Cost or Valuation						
Buildings	7,652	8,329	8,204	8,652	8,861	9,039
Specialist military equipment	2,213	2,871	2,389	2,838	2,927	2,966
Other assets	2,606	2,341	2,329	2,334	2,339	2,344
Land	1,882	1,828	2,087	2,017	2,000	2,004
Other plant and equipment	1,871	2,207	2,157	2,443	2,641	2,819
Total Cost or Valuation	16,224	17,576	17,166	18,284	18,768	19,172
Accumulated Depreciation						
Buildings	460	934	597	907	1,204	1,500
Specialist military equipment	201	564	267	414	570	744
Other assets	5	19	9	12	16	19
Other plant and equipment	1,056	1,306	1,239	1,473	1,722	1,970
Total Accumulated Depreciation	1,722	2,823	2,112	2,806	3,512	4,233
Net Book Value						
Buildings	7,192	7,395	7,607	7,745	7,657	7,539
Specialist military equipment	2,012	2,307	2,122	2,424	2,357	2,222
Other assets	2,601	2,322	2,320	2,322	2,323	2,325
Land	1,882	1,828	2,087	2,017	2,000	2,004
Other plant and equipment	815	901	918	970	919	849
Total Net Book Value	14,502	14,753	15,054	15,478	15,256	14,939
Movements						
Cost or Valuation						
Opening balance	15,714	16,618	16,224	17,166	18,284	18,768
Adjustment to opening balance	..	..	71	..	..	..
Net additions	672	958	997	1,118	484	404
Revaluations	(162)	..	(126)	..	..	..
Total Cost or Valuation	16,224	17,576	17,166	18,284	18,768	19,172
Accumulated Depreciation						
Opening balance	1,789	2,169	1,722	2,112	2,806	3,512
Adjustment to opening balance	..	..	71	..	..	..
Disposals	(60)	(72)	(49)	(55)	(75)	(93)
Depreciation charged for the period	663	726	666	749	781	814
Revaluations	(670)	..	(298)	..	..	..
Total Accumulated Depreciation	1,722	2,823	2,112	2,806	3,512	4,233
Net Physical Assets	14,502	14,753	15,054	15,478	15,256	14,939
By Holding						
Freehold assets	14,451	14,698	15,006	15,421	15,198	14,876
Leasehold assets	51	55	48	57	58	63
Net Physical Assets	14,502	14,753	15,054	15,478	15,256	14,939

Notes to the Forecast Financial Statements

(\$ million)	1998					
	1997 Actual	Previous Budget	Estimated Actual	1999 Forecast	2000 Projection	2001 Projection
NOTE 11: State Highways						
Cost or Valuation						
Opening balance	7,759	7,902	8,210	8,406	8,630	8,879
Net additions	118	199	196	224	249	273
Revaluations	333	..	..	..	..	..
Total Cost or Valuation	8,210	8,101	8,406	8,630	8,879	9,152
Accumulated Depreciation						
Opening balance	..	70	..	69	140	213
Depreciation charged for the period	68	72	69	71	73	75
Revaluations	(68)	..	..	..	..	..
Total Accumulated Depreciation	..	142	69	140	213	288
Total State Highways	8,210	7,959	8,337	8,490	8,666	8,864

NOTE 12: Payables and Provisions

Accounts payable	982	973	972	1,225	1,174	1,161
Accruals and provisions	972	1,179	1,196	1,083	1,038	787
Equiticorp provision	361	..	..	..	..	..
Taxes repayable	1,284	1,050	1,271	1,272	1,272	1,272
National Provident Fund guarantee	456	456	451	451	451	451
National Provident Fund Board indemnity	96	96	96	96	96	96
Provisions for employee entitlements	306	282	308	299	293	289
Total Payables and Provisions	4,457	4,036	4,294	4,426	4,324	4,056

NOTE 13: Revaluation Reserve

Opening Balance	4,894	5,048	7,002	7,070	7,070	7,070
Net revaluations						
State-owned enterprises and Crown entities	1,309	..	(5)	..	..	..
Land and buildings	277	..	448	..	..	..
State highways	401	..	..	..	..	..
Specialist military equipment	(71)	..	2	..	..	..
Other assets	302	..	(278)	..	..	..
Total Net Revaluations	2,218	..	167	..	..	..
Transfer to accumulated operating balance	(110)	..	(99)	..	..	..
Closing Revaluation Reserve	7,002	5,048	7,070	7,070	7,070	7,070