

# Generally Accepted Accounting Practice (GAAP) Series Tables

## Forecast Financial Statements

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

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

The forecasts have been prepared in accordance with the Statement of Responsibility and reflect the judgements and information known at the time they were prepared. They reflect all Government decisions and circumstances communicated to 7 May 2004.

Finalisation dates and key assumptions that underpin the preparation of the GAAP tables are outlined at the start of the Fiscal Outlook chapter on page 51.

### 10 year trend information

Summary indicators	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
(% of GDP)										
<b>Revenue</b>										
Core Crown	33.8	32.1	32.7	32.2	33.9	33.8	33.9	33.8	33.8	33.8
Tax Revenue	29.3	29.4	29.9	29.2	30.9	30.7	30.6	30.4	30.3	30.2
Total Crown	40.7	38.2	39.1	40.3	44.3	43.7	43.3	43.3	43.2	43.1
<b>Expenses</b>										
Core Crown	33.3	31.7	31.5	30.6	32.4	30.6	30.8	31.5	31.6	31.6
Total Crown	39.1	36.9	38.0	38.5	42.9	39.5	39.5	40.1	40.1	40.0
<b>Operating balance</b>	1.7	1.4	1.2	1.9	1.5	4.3	3.9	3.3	3.2	3.2
<b>OBERAC</b>	0.2	0.8	1.8	2.2	4.3	4.3	3.9	3.3	3.2	3.2
<b>Net Worth</b>	5.8	7.9	9.9	15.2	18.5	21.6	24.5	26.8	28.7	30.5
<b>Gross sovereign-issued debt</b>	35.6	33.1	31.6	29.2	28.0	24.7	22.6	22.3	22.0	21.8
<b>Net core Crown debt</b>	21.0	19.7	17.2	15.5	13.7	11.5	10.6	10.0	9.4	9.1
<b>NZS Fund Balance</b>	0.0	0.0	0.0	0.5	1.5	2.8	4.4	6.0	7.6	9.3

# 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 property, plant and equipment (where appropriate), commercial forests and marketable securities & deposits and equity investments held for trading purposes.

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

### *Forecast assumptions*

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

## Specific Accounting Policies and Forecast Assumptions

### *Forecast periods*

The reporting periods covered by these Forecast Financial Statements are the years ending 30 June 2004, 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008.

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

The forecasts for 30 June 2004 have generally been prepared using actual data to 29 February or 31 March 2004 (in some instances). Transactions for the remainder of the year are forecast in accordance with the Crown's accounting policies and forecast assumptions.

### *Changes in accounting policies*

All policies have been applied on a consistent basis during the forecast period. There have been no changes in accounting policies during the period.

### *Changes in presentation of previous Budget comparatives*

The forecast information presented in the 2003 *Budget Update* presumed that the TEIs would be combined on a line-by-line basis. It was noted in previous publications that the combination treatment of TEIs was an issue still to resolve. The combination treatment

adopted in the 30 June 2003 Crown financial statements and the 2004 *Budget Update* is to equity account for the TEIs net surpluses and net investment and not the TEI revenues, expenses, assets and liabilities on a line-by-line basis.

To ensure that valid comparisons can be made, the financial statements contain reclassified 2003 *Budget Update* information. The classification has reduced previously presented forecast information regarding total Crown revenues and expenses and replaced the removed revenues and expenses with the net surplus of TEIs, and reduced total Crown assets and liabilities and replaced them with the net investment in TEIs.

The previously presented forecasts of the operating balance, core Crown information, debt indicators and net worth are unchanged as a result of the combination approach for TEIs.

### ***Changes in forecast assumptions***

Changes to the forecast assumptions used for the forecasts published in the 2004 *Budget Economic and Fiscal Update* are outlined on page 51.

### ***Detailed accounting policies and forecast assumptions***

The specific accounting and forecasting policies are reproduced in full on Treasury's website at [www.treasury.govt.nz/forecasts/befu/2004](http://www.treasury.govt.nz/forecasts/befu/2004).

## Reporting Entity as at 7 May 2004

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

**Crown entities**

Accident Compensation Corporation	New Zealand Film Commission
Accounting Standards Review Board	New Zealand Fire Service Commission
Agriculture and Marketing Research and Development Trust	New Zealand Fish and Game Council
Alcohol Advisory Council of New Zealand	New Zealand Game Bird Habitat Trust Board
Animal Control Products Limited	New Zealand Government Property Corporation
Arts Council of New Zealand Toi Aotearoa	New Zealand Lotteries Commission
Asia 2000 Foundation of New Zealand	New Zealand Lottery Grants Board
Broadcasting Commission	New Zealand Qualifications Authority
Broadcasting Standards Authority	New Zealand Sports Drug Agency
Building Industry Authority	New Zealand Symphony Orchestra
Career Services	New Zealand Teacher's Council
Casino Control Authority	New Zealand Tourism Board
Children's Commissioner	New Zealand Trade and Enterprise
Civil Aviation Authority of New Zealand	New Zealand Venture Investment Fund Limited
Commerce Commission	Ngāi Tahu Ancillary Claims Trust
Crown research institutes (9)	Office of Film and Literature Classification
District health boards (21)	Pacific Islands Business Development Trust
Earthquake Commission	Pharmaceutical Management Agency
Electoral Commission	Police Complaints Authority
Electricity Governance Board	Privacy Commissioner
Energy Efficiency and Conservation Authority	Public Trust
Environmental Risk Management Authority	Quotable Value New Zealand Limited
Fish and game councils (12)	Radio New Zealand Limited
Foundation for Research, Science and Technology	Reserve boards (33)
Government Superannuation Fund Authority	Residual Health Management Unit
Health and Disability Commissioner	Retirement Commissioner
Health Research Council of New Zealand	Road Safety Trust
Health Sponsorship Council	School boards of trustees (2,599)
Housing New Zealand Corporation	Securities Commission
Human Rights Commission	Social Workers Registration Board
Land Transport Safety Authority of New Zealand	Sport and Recreation New Zealand
Law Commission	Standards Council
Leadership Development Centre Trust	Takeovers Panel
Learning Media Limited	Te Reo Whakapuaki Irirangi (Te Mangai Paho)
Legal Services Agency	Te Taura Whiri I Te Reo Māori (Māori Language Commission)
Maritime Safety Authority of New Zealand	Television New Zealand Limited
Mental Health Commission	Tertiary Education Commission
Museum of New Zealand Te Papa Tongarewa	Tertiary education institutions (35)
New Zealand Antarctic Institute	Testing Laboratory Registration Council
New Zealand Artificial Limb Board	The Guardians of New Zealand Superannuation
New Zealand Blood Service	Transfund New Zealand
	Transit New Zealand
	Transport Accident Investigation Commission

## Forecast Statement of Financial Performance

for the years ending 30 June

(\$ million)	Note	2003 Actual	2004 Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Revenue</b>								
Taxation revenue	1	39,785	40,651	42,353	44,193	45,915	48,048	50,532
Levies, fees, fines and penalties	1	2,763	2,826	3,006	3,074	3,274	3,325	3,384
<b>Total Revenue Levied through the Crown's Sovereign Power</b>	1	<b>42,548</b>	<b>43,477</b>	<b>45,359</b>	<b>47,267</b>	<b>49,189</b>	<b>51,373</b>	<b>53,916</b>
Sales of goods and services	2	10,385	10,281	10,207	10,716	11,255	11,781	12,201
Investment income	3	1,859	1,831	2,566	2,517	2,923	3,383	3,831
Other revenue	4	2,235	1,681	2,062	2,025	2,007	2,028	2,052
<b>Total Revenue Earned through the Crown's Operations</b>		<b>14,479</b>	<b>13,793</b>	<b>14,835</b>	<b>15,258</b>	<b>16,185</b>	<b>17,192</b>	<b>18,084</b>
<b>Total Crown Revenue</b>		<b>57,027</b>	<b>57,270</b>	<b>60,194</b>	<b>62,525</b>	<b>65,374</b>	<b>68,565</b>	<b>72,000</b>
<b>Expenses</b>								
<b>By input type</b>								
Subsidies and transfer payments	5	15,107	15,787	15,624	16,249	17,432	18,428	19,399
Personnel expenses	6	11,620	12,099	12,536	13,027	13,379	13,552	13,667
Operating expenses	7	22,565	22,888	22,832	24,311	25,196	26,176	26,777
New operating spending up to Budget 2005	8	..	175	..	441	467	463	461
Forecast new operating spending	8	..	..	..	..	978	1,904	3,367
Finance costs		2,550	2,225	2,576	2,436	2,550	2,555	2,609
Net foreign-exchange losses/(gains)		81	..	80	..	..	..	..
Movement in total GSF liability	15	1,647	(87)	214	(57)	(97)	(116)	(145)
Movement in total ACC liability	16	1,654	499	608	598	626	643	651
<b>Total Crown expenses</b>		<b>55,224</b>	<b>53,586</b>	<b>54,470</b>	<b>57,005</b>	<b>60,531</b>	<b>63,605</b>	<b>66,786</b>
<b>Revenues less Expenses</b>		<b>1,803</b>	<b>3,684</b>	<b>5,724</b>	<b>5,520</b>	<b>4,843</b>	<b>4,960</b>	<b>5,214</b>
Net surplus of TEIs		151	77	151	151	151	151	151
<b>Operating balance (including minority interest)</b>		<b>1,954</b>	<b>3,761</b>	<b>5,875</b>	<b>5,671</b>	<b>4,994</b>	<b>5,111</b>	<b>5,365</b>
Minority interest		12	..	..	..	..	..	..
<b>Operating Balance</b>		<b>1,966</b>	<b>3,761</b>	<b>5,875</b>	<b>5,671</b>	<b>4,994</b>	<b>5,111</b>	<b>5,365</b>

*The revenues and expenses are GST exclusive.*

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

## Forecast Statement of Financial Performance (continued)

for the years ending 30 June

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

(\$ million)	2004						
	2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Total Crown expenses by functional classification</b>							
Social security and welfare	17,084	16,534	16,447	17,180	18,354	19,374	20,336
GSF pension expenses	2,625	923	1,201	985	987	1,000	995
Health	7,412	7,970	7,892	8,486	8,978	9,468	9,491
Education	7,788	8,134	8,235	8,706	8,944	9,177	9,428
Core government services	1,655	1,623	1,652	1,746	1,804	1,733	1,731
Law and order	1,911	1,966	2,036	2,133	2,186	2,212	2,195
Defence	1,154	1,151	1,218	1,225	1,194	1,196	1,192
Transport and communications	5,619	5,738	5,318	5,560	5,901	6,177	6,432
Economic and industrial services	4,280	3,792	4,440	4,559	4,654	4,748	4,904
Primary services	1,023	1,083	1,101	1,128	1,120	1,132	1,144
Heritage, culture and recreation	1,425	1,556	1,602	1,667	1,691	1,739	1,774
Housing and community development	542	607	616	630	606	610	610
Other	75	109	56	123	117	117	117
Finance costs	2,550	2,225	2,576	2,436	2,550	2,555	2,609
Net foreign-exchange losses/(gains)	81	..	80	..	..	..	..
New operating spending for the 2004 Budget	..	175	..	441	467	463	461
Forecast new operating spending	..	..	..	..	978	1,904	3,367
<b>Total Crown Expenses</b>	<b>55,224</b>	<b>53,586</b>	<b>54,470</b>	<b>57,005</b>	<b>60,531</b>	<b>63,605</b>	<b>66,786</b>
<b>Core Crown expenses by functional classification</b>							
Social security and welfare	13,907	14,446	14,205	14,787	15,819	16,720	17,599
GSF pension expenses	2,625	923	1,201	985	987	1,000	995
Health	7,501	8,176	8,123	8,827	9,349	9,870	9,919
Education	7,016	7,607	7,589	7,969	8,184	8,392	8,602
Core government services	1,780	1,693	1,731	1,818	1,877	1,808	1,806
Law and order	1,734	1,774	1,862	1,960	2,008	2,014	2,004
Defence	1,199	1,192	1,266	1,275	1,245	1,244	1,240
Transport and communications	1,408	1,316	1,454	1,498	1,701	1,817	1,891
Economic and industrial services	1,054	1,226	1,246	1,392	1,388	1,363	1,339
Primary services	355	367	373	409	384	376	373
Heritage, culture and recreation	515	575	671	723	713	718	719
Housing and community development	102	135	140	155	127	123	121
Other	75	110	56	123	117	117	117
Finance costs	2,360	2,023	2,273	2,112	2,182	2,133	2,196
Net foreign-exchange losses/(gains)	118	..	21	..	..	..	..
New operating spending for the 2004 Budget	..	175	..	441	467	463	461
Forecast new operating spending	..	..	..	..	978	1,904	3,367
<b>Total Core Crown Expenses</b>	<b>41,749</b>	<b>41,738</b>	<b>42,211</b>	<b>44,474</b>	<b>47,526</b>	<b>50,062</b>	<b>52,749</b>

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

## Forecast Statement of Cash Flows

for the year ending 30 June

(\$ million)	2004						
	2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Cash Flows from Operations</b>							
<b>Cash was Provided from</b>							
Total tax receipts (refer Note 1)	39,499	40,609	42,199	43,992	45,852	47,965	50,444
Total other sovereign receipts (refer Note 1)	2,531	2,724	2,773	2,851	3,075	3,142	3,210
Interest	1,200	919	1,474	933	1,015	1,129	1,153
Dividends	45	47	58	64	70	77	84
Sales of goods and services	10,543	9,798	10,144	10,453	11,035	11,537	12,000
Other operating receipts	1,472	1,816	2,024	1,969	1,946	1,865	1,835
<b>Total Cash Provided from Operations</b>	<b>55,290</b>	<b>55,913</b>	<b>58,672</b>	<b>60,262</b>	<b>62,993</b>	<b>65,715</b>	<b>68,726</b>
<b>Cash was Disbursed to</b>							
Subsidies and transfer payments	15,305	16,187	15,715	16,244	17,434	18,444	19,418
Personnel and operating payments	30,087	31,412	32,585	34,314	34,789	35,693	36,322
Finance costs	2,203	2,168	2,315	2,175	2,193	2,120	2,177
Forecast new operating spending	..	175	..	441	1,445	2,367	3,828
<b>Total Cash Disbursed to Operations</b>	<b>47,595</b>	<b>49,942</b>	<b>50,615</b>	<b>53,174</b>	<b>55,861</b>	<b>58,624</b>	<b>61,745</b>
<b>Net Cash Flows from Operations</b>	<b>7,695</b>	<b>5,971</b>	<b>8,057</b>	<b>7,088</b>	<b>7,132</b>	<b>7,091</b>	<b>6,981</b>
<b>Cash Flows from Investing Activities</b>							
<b>Cash was Provided from</b>							
Sale of physical assets	240	103	230	..	..	..	..
<b>Total Cash Provided</b>	<b>240</b>	<b>103</b>	<b>230</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Cash was Disbursed to</b>							
Purchase of physical assets	3,492	3,619	4,177	4,567	4,524	4,427	3,226
Net increase in advances	1,341	1,527	2,330	1,376	1,372	1,108	992
Net purchase/(sale) of marketable securities, deposits and other equity investments	5,023	(35)	2,160	767	2,794	2,641	2,498
Forecast new capital spending	..	206	..	228	188	207	444
<b>Total Cash Disbursed</b>	<b>9,856</b>	<b>5,317</b>	<b>8,667</b>	<b>6,938</b>	<b>8,878</b>	<b>8,383</b>	<b>7,160</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(9,616)</b>	<b>(5,214)</b>	<b>(8,437)</b>	<b>(6,938)</b>	<b>(8,878)</b>	<b>(8,383)</b>	<b>(7,160)</b>
<b>Net Cash Flows from Operating and Investing Activities</b>	<b>(1,921)</b>	<b>757</b>	<b>(380)</b>	<b>150</b>	<b>(1,746)</b>	<b>(1,292)</b>	<b>(179)</b>
<b>Cash Flows from Financing Activities</b>							
<b>Cash was Provided from</b>							
Issue of circulating currency	147	..	177	..	..	..	..
Net issue/(repayment) of Government stock <sup>1</sup>	292	(506)	(1,150)	(746)	112	476	198
<b>Total Cash Provided</b>	<b>439</b>	<b>(506)</b>	<b>(973)</b>	<b>(746)</b>	<b>112</b>	<b>476</b>	<b>198</b>
<b>Cash was Disbursed to</b>							
Net (issue)/repayment of foreign- currency borrowing	(392)	327	357	(245)	(1,326)	(1,038)	(339)
Net (issue)/repayment of other New Zealand-dollar borrowing	(1,542)	(6)	(1,323)	(131)	(449)	322	237
<b>Total Cash Disbursed</b>	<b>(1,934)</b>	<b>321</b>	<b>(966)</b>	<b>(376)</b>	<b>(1,775)</b>	<b>(716)</b>	<b>(102)</b>
<b>Net Cash Flows from Financing Activities</b>	<b>2,373</b>	<b>(827)</b>	<b>(7)</b>	<b>(370)</b>	<b>1,887</b>	<b>1,192</b>	<b>300</b>
<b>Net Movement in Cash</b>	<b>452</b>	<b>(70)</b>	<b>(387)</b>	<b>(220)</b>	<b>141</b>	<b>(100)</b>	<b>121</b>
<b>Opening Cash Balance</b>	<b>2,274</b>	<b>2,147</b>	<b>2,732</b>	<b>2,341</b>	<b>2,121</b>	<b>2,262</b>	<b>2,162</b>
Foreign-exchange gains on opening cash balances	6	(4)	(4)	..	..	..	..
<b>Closing Cash Balance</b>	<b>2,732</b>	<b>2,073</b>	<b>2,341</b>	<b>2,121</b>	<b>2,262</b>	<b>2,162</b>	<b>2,283</b>

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

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



## Forecast Statement of Cash Flows (continued)

for the year ending 30 June

(\$ million)	2003 Actual	2004 Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Reconciliation Between the Forecast Net Cash Flows from Operations and the Operating Balance</b>							
<b>Net Cash Flows from Operations</b>	<b>7,695</b>	<b>5,971</b>	<b>8,057</b>	<b>7,088</b>	<b>7,132</b>	<b>7,091</b>	<b>6,981</b>
<i>Items included in the operating balance but not in net cash flows from operations</i>							
<b>Valuation Changes</b>							
(Increase)/decrease in pension liabilities	(1,647)	87	(214)	57	97	116	145
(Increase)/decrease in ACC liability	(1,654)	(499)	(608)	(598)	(626)	(643)	(651)
Decrease/(increase) in NPF guarantee	(197)	..	..	..	..	..	..
Unrealised net foreign-exchange (losses)/gains	(247)	..	(278)	..	..	..	..
Non-cash movements in investments	(349)	108	753	425	447	478	511
Unrealised losses arising from changes in the value of commercial forests	(20)	..	..	..	..	..	..
<b>Total Valuation Changes</b>	<b>(4,114)</b>	<b>(304)</b>	<b>(347)</b>	<b>(116)</b>	<b>(82)</b>	<b>(49)</b>	<b>5</b>
<b>Physical Asset Movements</b>							
Depreciation	(2,177)	(2,340)	(2,398)	(2,535)	(2,653)	(2,798)	(2,941)
(Loss)/gain on sale of assets	(19)	..	..	..	..	..	..
<b>Total Physical Asset Movements</b>	<b>(2,196)</b>	<b>(2,340)</b>	<b>(2,398)</b>	<b>(2,535)</b>	<b>(2,653)</b>	<b>(2,798)</b>	<b>(2,941)</b>
<b>Other Non-cash Items</b>							
Student Loans	(79)	(99)	(15)	(5)	19	47	76
Amortisation of goodwill	(84)	(47)	(47)	(47)	(47)	(47)	(47)
Accrued income from NZS Fund	..	187	122	331	502	690	901
Other	127	77	77	78	80	81	81
<b>Total Other Non-cash Items</b>	<b>(36)</b>	<b>118</b>	<b>137</b>	<b>357</b>	<b>554</b>	<b>771</b>	<b>1,011</b>
<b>Movements in Working Capital</b>							
Increase/(decrease) in taxes receivable	685	37	96	106	(4)	7	7
Increase/(decrease) in other receivables	854	(113)	(686)	293	151	216	261
Increase/(decrease) in inventories	(56)	35	48	70	44	3	1
Decrease/(increase) in payables	(866)	357	968	408	(148)	(130)	40
<b>Total Movements in Working Capital</b>	<b>617</b>	<b>316</b>	<b>426</b>	<b>877</b>	<b>43</b>	<b>96</b>	<b>309</b>
<b>Operating Balance</b>	<b>1,966</b>	<b>3,761</b>	<b>5,875</b>	<b>5,671</b>	<b>4,994</b>	<b>5,111</b>	<b>5,365</b>

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

## Forecast Statement of Movement in Equity

for the year ending 30 June

(\$ million)	2003 Actual	2004 Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Opening Net Worth</b>	<b>18,820</b>	<b>20,197</b>	<b>23,781</b>	<b>29,732</b>	<b>35,403</b>	<b>40,397</b>	<b>45,508</b>
Operating balance for the year	1,966	3,761	5,875	5,671	4,994	5,111	5,365
Net revaluations	2,995	..	76	..	..	..	..
<b>Total Recognised Revenues and Expenses</b>	<b>4,961</b>	<b>3,761</b>	<b>5,951</b>	<b>5,671</b>	<b>4,994</b>	<b>5,111</b>	<b>5,365</b>
<b>Closing Net Worth</b>	<b>23,781</b>	<b>23,958</b>	<b>29,732</b>	<b>35,403</b>	<b>40,397</b>	<b>45,508</b>	<b>50,873</b>

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

## Forecast Statement of Financial Position

as at 30 June

(\$ million)	Note	2004						
		2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Assets</b>								
Cash and bank balances	9	2,732	2,073	2,341	2,121	2,262	2,162	2,283
Marketable securities, deposits & equity investments	9	21,306	19,453	22,222	23,296	26,772	30,605	34,699
Advances	10	6,300	7,222	7,602	8,921	10,220	11,097	12,028
Receivables	11	10,143	8,325	9,553	9,952	10,099	10,322	10,590
Inventories		840	902	888	958	1,002	1,005	1,006
Other investments	12	264	396	241	253	254	254	254
Property, plant and equipment	13	52,667	52,105	53,912	56,194	58,148	59,937	60,180
TEI investment		4,212	3,976	4,412	4,610	4,824	4,995	5,177
Commercial forests		312	302	291	291	291	291	291
Intangible assets (including goodwill)		1,075	618	1,131	1,010	912	842	770
Forecast new capital spending		..	206	..	228	416	623	1,067
<b>Total Assets</b>		<b>99,851</b>	<b>95,578</b>	<b>102,593</b>	<b>107,834</b>	<b>115,200</b>	<b>122,133</b>	<b>128,345</b>
<b>Liabilities</b>								
Payables and provisions	14	11,878	9,744	10,315	10,127	10,248	10,550	10,779
Currency issued		2,895	2,963	3,072	3,072	3,072	3,072	3,072
Borrowings - sovereign guaranteed		31,077	28,957	28,682	26,620	26,814	27,321	27,832
Borrowings - non-sovereign guaranteed		7,208	7,421	6,958	8,237	9,765	10,251	9,852
Provision for GSF pension liability	15	13,857	13,335	14,071	14,014	13,917	13,801	13,656
Provision for ACC outstanding claims liability	16	9,155	9,200	9,763	10,361	10,987	11,630	12,281
<b>Total Liabilities</b>		<b>76,070</b>	<b>71,620</b>	<b>72,861</b>	<b>72,431</b>	<b>74,803</b>	<b>76,625</b>	<b>77,472</b>
<b>Total Assets less Total Liabilities</b>		<b>23,781</b>	<b>23,958</b>	<b>29,732</b>	<b>35,403</b>	<b>40,397</b>	<b>45,508</b>	<b>50,873</b>
<b>Net Worth</b>								
Taxpayer funds		8,063	11,172	14,050	19,721	24,715	29,826	35,191
Revaluation reserve	17	15,624	12,786	15,682	15,682	15,682	15,682	15,682
Minority Interest		94	..	..	..	..	..	..
<b>Net Worth</b>		<b>23,781</b>	<b>23,958</b>	<b>29,732</b>	<b>35,403</b>	<b>40,397</b>	<b>45,508</b>	<b>50,873</b>

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

## Forecast Statement of Financial Position (continued)

as at 30 June

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

(\$ million)	2003	2004	2004	2005	2006	2007	2008
	Actual	Previous Budget	Forecast	Forecast	Forecast	Forecast	Forecast

### New Zealand Superannuation Fund

Within MSDs & equity investments is the NZS Fund (except for cross holdings of investments with other parts of the Crown, for example the NZS Fund will hold NZ Government Stock). The following information includes all investments and income, including cross-holdings of NZ Government Stock and accrued interest on such stock.

Opening balance	615	1,884	1,884	3,885	6,323	9,044	12,076
Gross contribution	1,200	1,879	1,879	2,107	2,219	2,342	2,504
Income after tax	69	187	122	331	502	690	901
<b>NZS Fund balance</b>	<b>1,884</b>	<b>3,950</b>	<b>3,885</b>	<b>6,323</b>	<b>9,044</b>	<b>12,076</b>	<b>15,481</b>

### Gross and Net Debt Information

#### Definitions of debt:

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

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

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

#### Total Crown

<b>Total Crown gross debt</b>	<b>38,285</b>	<b>36,378</b>	<b>35,640</b>	<b>34,857</b>	<b>36,579</b>	<b>37,572</b>	<b>37,684</b>
<b>Gross sovereign-issued debt</b>	<b>36,086</b>	<b>34,160</b>	<b>34,031</b>	<b>32,663</b>	<b>33,622</b>	<b>34,946</b>	<b>36,344</b>

#### Core Crown

Gross sovereign issued debt	36,086	34,160	34,031	32,663	33,622	34,946	36,344
Financial assets	(23,029)	(22,382)	(24,581)	(26,051)	(29,715)	(33,992)	(38,359)
<b>Borrowings less financial assets</b>	<b>13,057</b>	<b>11,778</b>	<b>9,450</b>	<b>6,612</b>	<b>3,907</b>	<b>954</b>	<b>(2,015)</b>
NZS Fund and GSF financial assets	4,520	6,677	6,451	8,724	11,255	14,031	17,151
<b>Net Core Crown Debt</b>	<b>17,577</b>	<b>18,455</b>	<b>15,901</b>	<b>15,336</b>	<b>15,162</b>	<b>14,985</b>	<b>15,136</b>

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

## Forecast Statement of Borrowings

for the years ending 30 June

(\$ million)	2003	2004	2004	2005	2006	2007	2008
	Actual	Previous Budget	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Sovereign Guaranteed Debt</b>							
<b>New Zealand-Dollar Debt</b>							
Government stock	18,745	18,259	17,412	16,283	15,974	16,008	15,729
Treasury bills	5,317	5,270	5,435	5,393	5,292	5,276	5,259
Loans and foreign-exchange contracts	(500)	(1,183)	468	(500)	(377)	(377)	30
Retail stock and other	818	632	648	516	496	486	486
<b>Total New Zealand-Dollar Debt</b>	<b>24,380</b>	<b>22,978</b>	<b>23,963</b>	<b>21,692</b>	<b>21,385</b>	<b>21,393</b>	<b>21,504</b>
<b>Foreign-Currency Debt</b>							
United States dollars	2,495	3,591	1,788	1,998	2,499	2,999	3,399
Japanese yen	835	106	729	729	729	729	729
European and other currencies	3,367	2,282	2,202	2,201	2,201	2,200	2,200
<b>Total Foreign-Currency Debt</b>	<b>6,697</b>	<b>5,979</b>	<b>4,719</b>	<b>4,928</b>	<b>5,429</b>	<b>5,928</b>	<b>6,328</b>
<b>Total Sovereign Guaranteed Debt</b>	<b>31,077</b>	<b>28,957</b>	<b>28,682</b>	<b>26,620</b>	<b>26,814</b>	<b>27,321</b>	<b>27,832</b>
<b>Non-Sovereign Guaranteed Debt</b>							
New Zealand	5,739	6,469	5,907	7,247	7,944	7,886	7,545
United States dollars	977	829	928	867	1,698	2,242	2,184
Japanese yen	212	..	..	..	..	..	..
European and other currencies	280	123	123	123	123	123	123
<b>Total Non-Sovereign Guaranteed Debt</b>	<b>7,208</b>	<b>7,421</b>	<b>6,958</b>	<b>8,237</b>	<b>9,765</b>	<b>10,251</b>	<b>9,852</b>
<b>Total Borrowings (Gross Debt)</b>	<b>38,285</b>	<b>36,378</b>	<b>35,640</b>	<b>34,857</b>	<b>36,579</b>	<b>37,572</b>	<b>37,684</b>
<b>Less</b>							
<b>Financial Assets (including restricted assets)</b>							
<b>Marketable Securities, Deposits and Equity Investments</b>							
New Zealand dollars	8,276	7,670	8,230	7,055	7,744	8,565	9,495
United States dollars	4,144	5,211	3,544	3,789	4,326	4,863	5,299
Japanese yen	838	143	763	763	763	763	763
European and other currencies	2,247	607	773	765	750	732	712
Reserve Position at IMF	1,067	1,074	849	857	871	889	909
NZ equity investments	1,401	1,362	1,758	2,036	2,356	2,699	3,071
Foreign equity investments	3,333	3,386	6,305	8,031	9,962	12,094	14,450
<b>Total</b>	<b>21,306</b>	<b>19,453</b>	<b>22,222</b>	<b>23,296</b>	<b>26,772</b>	<b>30,605</b>	<b>34,699</b>
<b>Advances and Cash</b>							
Student loans	5,370	5,926	6,095	6,864	7,672	8,537	9,454
Other advances	930	1,296	1,507	2,057	2,548	2,560	2,574
Cash	2,732	2,073	2,341	2,121	2,262	2,162	2,283
<b>Total</b>	<b>9,032</b>	<b>9,295</b>	<b>9,943</b>	<b>11,042</b>	<b>12,482</b>	<b>13,259</b>	<b>14,311</b>
<b>Total Financial Assets</b>	<b>30,338</b>	<b>28,748</b>	<b>32,165</b>	<b>34,338</b>	<b>39,254</b>	<b>43,864</b>	<b>49,010</b>
<b>Borrowings less Financial Assets</b>	<b>7,947</b>	<b>7,630</b>	<b>3,475</b>	<b>519</b>	<b>(2,675)</b>	<b>(6,292)</b>	<b>(11,326)</b>
Net New Zealand-dollar debt	11,478	11,120	10,000	6,560	3,055	(555)	(4,938)
Net foreign-currency debt	(3,531)	(3,490)	(6,525)	(6,041)	(5,730)	(5,737)	(6,388)
<b>Borrowings less Financial Assets</b>	<b>7,947</b>	<b>7,630</b>	<b>3,475</b>	<b>519</b>	<b>(2,675)</b>	<b>(6,292)</b>	<b>(11,326)</b>

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

## Statement of Actual Commitments

as at 31 March

(\$ million)	As at 31 March 2004	As at 30 June 2003
<b>Capital Commitments</b>		
Specialist military equipment	105	292
Land and buildings	1,241	987
Other property, plant and equipment	482	862
Other capital commitments	134	145
Investments	32	32
<b>Total Capital Commitments</b>	<b>1,994</b>	<b>2,318</b>
<b>Operating Commitments</b>		
Non-cancellable accommodation leases	1,312	1,268
Other non-cancellable leases	2,499	3,174
Non-cancellable contracts for the supply of goods and services	3,748	1,907
Other operating commitments	1,822	2,961
<b>Total Operating Commitments</b>	<b>9,381</b>	<b>9,310</b>
<b>Total Commitments</b>	<b>11,375</b>	<b>11,628</b>
<b>Total Commitments by Institutional Segment</b>		
Core Crown	5,157	4,731
Crown entities	3,997	4,783
State-owned enterprises	2,221	2,114
<b>Total Commitments</b>	<b>11,375</b>	<b>11,628</b>

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

## Statement of Actual Contingent Liabilities

as at 31 March

(\$ million)	As at 31 March 2004	As at 30 June 2003
Guarantees and indemnities	249	418
Uncalled capital	2,324	2,641
Legal proceedings and disputes	653	242
Other quantifiable contingent liabilities	1,076	1,316
<b>Total Quantifiable Contingent Liabilities</b>	<b>4,302</b>	<b>4,617</b>
<b>Total Quantifiable Contingent Liabilities by Institutional Segment</b>		
Core Crown	4,038	4,418
Crown Entities	10	45
State-owned enterprises	254	154
<b>Total Quantifiable Contingent Liabilities</b>	<b>4,302</b>	<b>4,617</b>
<b>Quantifiable Contingent Assets</b>		
Core Crown - Education and Transport	129	129
<b>Total Quantifiable Contingent Assets</b>	<b>129</b>	<b>129</b>

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

A detailed Statement of Contingent Liabilities and Assets (quantified and unquantified) is outlined on pages 101 to 103 of the Specific Fiscal Risk chapter.

The Statement of Specific Risks (quantified and unquantified) is outlined on pages 81 to 103 of the Specific Fiscal Risk chapter.

## Forecast Statement of Segments

### Statement of Financial Performance (institutional form)

for the year ended 30 June 2003

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2003 \$m	2003 \$m	2003 \$m	2003 \$m	2003 \$m
<b>Revenue</b>					
Taxation revenue	40,168	-	-	(383)	39,785
Other sovereign levied income	517	2,297	-	(51)	2,763
Sales of goods and services	730	1,245	8,797	(387)	10,385
Investment income	1,539	718	104	(502)	1,859
Other revenues	670	13,600	588	(12,623)	2,235
<b>Total revenue</b>	<b>43,624</b>	<b>17,860</b>	<b>9,489</b>	<b>(13,946)</b>	<b>57,027</b>
<b>Expenses by input type</b>					
Subsidies and transfer payments	13,798	1,309	-	-	15,107
Personnel expenses	4,011	6,054	1,557	(2)	11,620
Operating expenses	19,815	8,867	7,334	(13,451)	22,565
Finance costs	2,360	202	267	(279)	2,550
FX losses/(gains)	118	48	(85)	-	81
GSF and ACC liability revaluation movements	1,647	1,654	-	-	3,301
<b>Total expenses</b>	<b>41,749</b>	<b>18,134</b>	<b>9,073</b>	<b>(13,732)</b>	<b>55,224</b>
<b>Expenses by functional classification</b>					
Social security and welfare	13,907	3,587	-	(410)	17,084
Health	7,501	5,934	-	(6,023)	7,412
Education	7,016	4,724	-	(3,952)	7,788
Other functional classifications	10,847	3,639	8,891	(3,068)	20,309
Forecast new operating spending	-	-	-	-	-
Finance costs and FX losses/(gains)	2,478	250	182	(279)	2,631
<b>Total expenses</b>	<b>41,749</b>	<b>18,134</b>	<b>9,073</b>	<b>(13,732)</b>	<b>55,224</b>
<b>TEI's and Minority Interest</b>		151	12	-	163
<b>Operating balance</b>	<b>1,875</b>	<b>(123)</b>	<b>428</b>	<b>(214)</b>	<b>1,966</b>

### Statement of Financial Position (institutional form)

as at 30 June 2003

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2003 \$m	2003 \$m	2003 \$m	2003 \$m	2003 \$m
<b>Assets</b>					
Financial assets	23,029	10,947	2,016	(5,654)	30,338
Physical assets	17,450	25,253	9,964	-	52,667
Investment in SOEs and CEs (including TEIs)	23,166	4,212	-	(23,166)	4,212
Other assets	8,589	2,334	2,508	(797)	12,634
<b>Total assets</b>	<b>72,234</b>	<b>42,746</b>	<b>14,488</b>	<b>(29,617)</b>	<b>99,851</b>
<b>Liabilities</b>					
Borrowings	35,575	3,167	5,197	(5,654)	38,285
Other liabilities	23,661	12,753	2,663	(1,292)	37,785
<b>Total liabilities</b>	<b>59,236</b>	<b>15,920</b>	<b>7,860</b>	<b>(6,946)</b>	<b>76,070</b>
<b>Net worth</b>	<b>12,998</b>	<b>26,826</b>	<b>6,628</b>	<b>(22,671)</b>	<b>23,781</b>
Taxpayer funds	8,316	17,160	5,258	(22,671)	8,063
Revaluation reserves	4,682	9,666	1,276	-	15,624
Minority Interest	-	-	94	-	94
<b>Net worth</b>	<b>12,998</b>	<b>26,826</b>	<b>6,628</b>	<b>(22,671)</b>	<b>23,781</b>
<b>Analysis of financial assets and borrowings</b>					
Advances and cash	6,994	1,501	1,541	(1,004)	9,032
MSDs and equity investments	16,035	9,446	475	(4,650)	21,306
<b>Total financial assets</b>	<b>23,029</b>	<b>10,947</b>	<b>2,016</b>	<b>(5,654)</b>	<b>30,338</b>
Borrowings - Sovereign guaranteed	35,575	-	-	(4,498)	31,077
Borrowings - Non-sovereign guaranteed	-	3,167	5,197	(1,156)	7,208
<b>Total borrowings</b>	<b>35,575</b>	<b>3,167</b>	<b>5,197</b>	<b>(5,654)</b>	<b>38,285</b>
<b>Borrowings less financial assets</b>	<b>12,546</b>	<b>(7,780)</b>	<b>3,181</b>	<b>-</b>	<b>7,947</b>
<b>Net Crown debt</b>	<b>17,577</b>				
<b>Gross sovereign-issued debt</b>	<b>36,086</b>				

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

## Forecast Statement of Segments (continued)

### Forecast Statement of Financial Performance (institutional form) for the year ended 30 June 2004

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2004 \$m	2004 \$m	2004 \$m	2004 \$m	2004 \$m
<b>Revenue</b>					
Taxation revenue	42,740	-	-	(387)	42,353
Other sovereign levied income	621	2,441	-	(56)	3,006
Sales of goods and services	735	1,652	8,202	(382)	10,207
Investment income	1,885	994	124	(437)	2,566
Other revenues	640	15,588	671	(14,837)	2,062
<b>Total revenue</b>	<b>46,621</b>	<b>20,675</b>	<b>8,997</b>	<b>(16,099)</b>	<b>60,194</b>
<b>Expenses by input type</b>					
Subsidies and transfer payments	14,205	1,419	-	-	15,624
Personnel expenses	4,336	6,572	1,632	(4)	12,536
Operating expenses	21,162	10,869	6,458	(15,657)	22,832
Finance costs	2,273	216	307	(220)	2,576
FX losses/(gains)	21	147	(88)	-	80
GSF and ACC liability revaluation movements	214	608	-	-	822
<b>Total expenses</b>	<b>42,211</b>	<b>19,831</b>	<b>8,309</b>	<b>(15,881)</b>	<b>54,470</b>
<b>Expenses by functional classification</b>					
Social security and welfare	14,205	2,654	-	(412)	16,447
Health	8,123	6,686	-	(6,917)	7,892
Education	7,589	5,843	-	(5,197)	8,235
Other functional classifications	10,000	4,285	8,090	(3,135)	19,240
Forecast new operating spending	-	-	-	-	-
Finance costs and FX losses/(gains)	2,294	363	219	(220)	2,656
<b>Total expenses</b>	<b>42,211</b>	<b>19,831</b>	<b>8,309</b>	<b>(15,881)</b>	<b>54,470</b>
Net surplus TEIs	-	151	-	-	151
<b>Operating balance</b>	<b>4,410</b>	<b>995</b>	<b>688</b>	<b>(218)</b>	<b>5,875</b>

### Forecast Statement of Financial Position (institutional form) as at 30 June 2004

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2004 \$m	2004 \$m	2004 \$m	2004 \$m	2004 \$m
<b>Assets</b>					
Financial assets	24,581	11,930	2,524	(6,870)	32,165
Physical assets	17,832	25,922	10,158	-	53,912
Investment in SOEs and CEs (including TEIs)	23,451	4,412	-	(23,451)	4,412
Other assets	8,164	2,053	2,692	(805)	12,104
<b>Total assets</b>	<b>74,028</b>	<b>44,317</b>	<b>15,374</b>	<b>(31,126)</b>	<b>102,593</b>
<b>Liabilities</b>					
Borrowings	33,313	3,395	5,802	(6,870)	35,640
Other liabilities	23,286	12,529	2,712	(1,306)	37,221
<b>Total liabilities</b>	<b>56,599</b>	<b>15,924</b>	<b>8,514</b>	<b>(8,176)</b>	<b>72,861</b>
<b>Net worth</b>	<b>17,429</b>	<b>28,393</b>	<b>6,860</b>	<b>(22,950)</b>	<b>29,732</b>
Taxpayer funds	12,726	18,712	5,562	(22,950)	14,050
Revaluation reserves	4,703	9,681	1,298	-	15,682
<b>Net worth</b>	<b>17,429</b>	<b>28,393</b>	<b>6,860</b>	<b>(22,950)</b>	<b>29,732</b>
<b>Analysis of financial assets and borrowings</b>					
Advances and cash	8,482	1,460	2,174	(2,173)	9,943
MSDs and equity investments	16,099	10,470	350	(4,697)	22,222
<b>Total financial assets</b>	<b>24,581</b>	<b>11,930</b>	<b>2,524</b>	<b>(6,870)</b>	<b>32,165</b>
Borrowings - Sovereign guaranteed	33,313	-	-	(4,631)	28,682
Borrowings - Non-sovereign guaranteed	-	3,395	5,802	(2,239)	6,958
<b>Total borrowings</b>	<b>33,313</b>	<b>3,395</b>	<b>5,802</b>	<b>(6,870)</b>	<b>35,640</b>
<b>Borrowings less financial assets</b>	<b>8,732</b>	<b>(8,535)</b>	<b>3,278</b>	<b>-</b>	<b>3,475</b>
<b>Net Crown debt</b>	<b>15,901</b>				
<b>Gross sovereign-issued debt</b>	<b>34,031</b>				

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

## Forecast Statement of Segments (continued)

### Forecast Statement of Financial Performance (institutional form)

for the year ended 30 June 2005

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2005 \$m	2005 \$m	2005 \$m	2005 \$m	2005 \$m
<b>Revenue</b>					
Taxation revenue	44,690	-	-	(497)	44,193
Other sovereign levied income	674	2,457	-	(57)	3,074
Sales of goods and services	704	1,682	8,715	(385)	10,716
Investment income	2,206	786	126	(601)	2,517
Other revenues	636	16,313	624	(15,548)	2,025
<b>Total revenue</b>	<b>48,910</b>	<b>21,238</b>	<b>9,465</b>	<b>(17,088)</b>	<b>62,525</b>
<b>Expenses by input type</b>					
Subsidies and transfer payments	14,705	1,544	-	-	16,249
Personnel expenses	4,564	6,766	1,702	(5)	13,027
Operating expenses	23,150	11,486	6,596	(16,480)	24,752
Finance costs	2,112	246	332	(254)	2,436
FX losses/(gains)	-	-	-	-	-
GSF and ACC liability revaluation movements	(57)	598	-	-	541
<b>Total expenses</b>	<b>44,474</b>	<b>20,640</b>	<b>8,630</b>	<b>(16,739)</b>	<b>57,005</b>
<b>Expenses by functional classification</b>					
Social security and welfare	14,787	2,814	-	(421)	17,180
Health	8,827	6,986	-	(7,327)	8,486
Education	7,969	6,062	-	(5,325)	8,706
Other functional classifications	10,338	4,532	8,298	(3,412)	19,756
Forecast new operating spending	441	-	-	-	441
Finance costs and FX losses/(gains)	2,112	246	332	(254)	2,436
<b>Total expenses</b>	<b>44,474</b>	<b>20,640</b>	<b>8,630</b>	<b>(16,739)</b>	<b>57,005</b>
Net surplus TEIs	-	151	-	-	151
<b>Operating balance</b>	<b>4,436</b>	<b>749</b>	<b>835</b>	<b>(349)</b>	<b>5,671</b>

### Forecast Statement of Financial Position (institutional form)

as at 30 June 2005

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2005 \$m	2005 \$m	2005 \$m	2005 \$m	2005 \$m
<b>Assets</b>					
Financial assets	26,051	12,731	3,026	(7,470)	34,338
Physical assets	18,115	26,755	11,324	-	56,194
Investment in SOEs and CEs (including TEIs)	24,268	4,609	-	(24,267)	4,610
Other assets	8,444	2,074	2,970	(796)	12,692
<b>Total assets</b>	<b>76,878</b>	<b>46,169</b>	<b>17,320</b>	<b>(32,533)</b>	<b>107,834</b>
<b>Liabilities</b>					
Borrowings	31,693	3,653	6,981	(7,470)	34,857
Other liabilities	23,316	12,860	2,708	(1,310)	37,574
<b>Total liabilities</b>	<b>55,009</b>	<b>16,513</b>	<b>9,689</b>	<b>(8,780)</b>	<b>72,431</b>
<b>Net worth</b>	<b>21,869</b>	<b>29,656</b>	<b>7,631</b>	<b>(23,753)</b>	<b>35,403</b>
Taxpayer Funds	17,163	19,983	6,328	(23,753)	19,721
Revaluation reserves	4,706	9,673	1,303	-	15,682
<b>Net worth</b>	<b>21,869</b>	<b>29,656</b>	<b>7,631</b>	<b>(23,753)</b>	<b>35,403</b>
<b>Analysis of financial assets and borrowings</b>					
Advances and cash	9,395	1,373	2,598	(2,324)	11,042
MSDs and equity investments	16,656	11,358	428	(5,146)	23,296
<b>Total financial assets</b>	<b>26,051</b>	<b>12,731</b>	<b>3,026</b>	<b>(7,470)</b>	<b>34,338</b>
Borrowings - Sovereign guaranteed	31,693	-	-	(5,073)	26,620
Borrowings - Non-sovereign guaranteed	-	3,653	6,981	(2,397)	8,237
<b>Total borrowings</b>	<b>31,693</b>	<b>3,653</b>	<b>6,981</b>	<b>(7,470)</b>	<b>34,857</b>
<b>Borrowings less financial assets</b>	<b>5,642</b>	<b>(9,078)</b>	<b>3,955</b>	<b>-</b>	<b>519</b>
<b>Net Crown debt</b>	<b>15,336</b>				
<b>Gross sovereign-issued debt</b>	<b>32,663</b>				

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



## Forecast Statement of Segments (continued)

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

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2006 \$m	2006 \$m	2006 \$m	2006 \$m	2006 \$m
<b>Revenue</b>					
Taxation revenue	46,476	-	-	(561)	45,915
Other sovereign levied income	665	2,663	-	(54)	3,274
Sales of goods and services	699	1,736	9,211	(391)	11,255
Investment income	2,578	853	145	(653)	2,923
Other revenues	609	16,741	630	(15,973)	2,007
<b>Total revenue</b>	<b>51,027</b>	<b>21,993</b>	<b>9,986</b>	<b>(17,632)</b>	<b>65,374</b>
<b>Expenses by input type</b>					
Subsidies and transfer payments	15,772	1,660	-	-	17,432
Personnel expenses	4,708	6,902	1,773	(4)	13,379
Operating expenses	24,961	11,765	6,891	(16,976)	26,641
Finance costs	2,182	255	394	(281)	2,550
FX losses/(gains)	-	-	-	-	-
GSF and ACC liability revaluation movements	(97)	626	-	-	529
<b>Total expenses</b>	<b>47,526</b>	<b>21,208</b>	<b>9,058</b>	<b>(17,261)</b>	<b>60,531</b>
<b>Expenses by functional classification</b>					
Social security and welfare	15,819	2,964	-	(429)	18,354
Health	9,349	7,016	-	(7,387)	8,978
Education	8,184	6,230	-	(5,470)	8,944
Other functional classifications	10,547	4,743	8,664	(3,694)	20,260
Forecast new operating spending	1,445	-	-	-	1,445
Finance costs and FX losses/(gains)	2,182	255	394	(281)	2,550
<b>Total expenses</b>	<b>47,526</b>	<b>21,208</b>	<b>9,058</b>	<b>(17,261)</b>	<b>60,531</b>
Net surplus TEIs	-	151	-	-	151
<b>Operating balance</b>	<b>3,501</b>	<b>936</b>	<b>928</b>	<b>(371)</b>	<b>4,994</b>

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

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2006 \$m	2006 \$m	2006 \$m	2006 \$m	2006 \$m
<b>Assets</b>					
Financial assets	29,715	13,907	3,733	(8,101)	39,254
Physical assets	18,005	27,290	12,853	-	58,148
Investment in SOEs and CEs (including TEIs)	24,586	4,823	-	(24,585)	4,824
Other assets	8,715	2,090	2,966	(797)	12,974
<b>Total assets</b>	<b>81,021</b>	<b>48,110</b>	<b>19,552</b>	<b>(33,483)</b>	<b>115,200</b>
<b>Liabilities</b>					
Borrowings	32,372	3,771	8,537	(8,101)	36,579
Other liabilities	23,276	13,470	2,743	(1,265)	38,224
<b>Total liabilities</b>	<b>55,648</b>	<b>17,241</b>	<b>11,280</b>	<b>(9,366)</b>	<b>74,803</b>
<b>Net worth</b>	<b>25,373</b>	<b>30,869</b>	<b>8,272</b>	<b>(24,117)</b>	<b>40,397</b>
Taxpayer Funds	20,664	21,185	6,983	(24,117)	24,715
Revaluation reserves	4,709	9,684	1,289	-	15,682
<b>Net worth</b>	<b>25,373</b>	<b>30,869</b>	<b>8,272</b>	<b>(24,117)</b>	<b>40,397</b>
<b>Analysis of financial assets and borrowings</b>					
Advances and cash	10,313	1,375	3,258	(2,464)	12,482
MSDs and equity investments	19,402	12,532	475	(5,637)	26,772
<b>Total financial assets</b>	<b>29,715</b>	<b>13,907</b>	<b>3,733</b>	<b>(8,101)</b>	<b>39,254</b>
Borrowings - Sovereign guaranteed	32,372	-	-	(5,558)	26,814
Borrowings - Non-sovereign guaranteed	-	3,771	8,537	(2,543)	9,765
<b>Total borrowings</b>	<b>32,372</b>	<b>3,771</b>	<b>8,537</b>	<b>(8,101)</b>	<b>36,579</b>
<b>Borrowings less financial assets</b>	<b>2,657</b>	<b>(10,136)</b>	<b>4,804</b>	<b>-</b>	<b>(2,675)</b>
<b>Net Crown debt</b>	<b>15,162</b>				
<b>Gross sovereign-issued debt</b>	<b>33,622</b>				

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

## Forecast Statement of Segments (continued)

### Forecast Statement of Financial Performance (institutional form)

for the year ended 30 June 2007

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2007 \$m	2007 \$m	2007 \$m	2007 \$m	2007 \$m
<b>Revenue</b>					
Taxation revenue	48,612	-	-	(564)	48,048
Other sovereign levied income	658	2,725	-	(58)	3,325
Sales of goods and services	708	1,791	9,657	(375)	11,781
Investment income	3,006	934	150	(707)	3,383
Other revenues	602	17,055	640	(16,269)	2,028
<b>Total revenue</b>	<b>53,586</b>	<b>22,505</b>	<b>10,447</b>	<b>(17,973)</b>	<b>68,565</b>
<b>Expenses by input type</b>					
Subsidies and transfer payments	16,706	1,722	-	-	18,428
Personnel expenses	4,709	7,005	1,842	(4)	13,552
Operating expenses	26,630	11,974	7,200	(17,261)	28,543
Finance costs	2,133	262	471	(311)	2,555
FX losses/(gains)	-	-	-	-	-
GSF and ACC liability revaluation movements	(116)	643	-	-	527
<b>Total expenses</b>	<b>50,062</b>	<b>21,606</b>	<b>9,513</b>	<b>(17,576)</b>	<b>63,605</b>
<b>Expenses by functional classification</b>					
Social security and welfare	16,720	3,091	-	(437)	19,374
Health	9,870	7,016	-	(7,418)	9,468
Education	8,392	6,407	-	(5,622)	9,177
Other functional classifications	10,580	4,830	9,042	(3,788)	20,664
Forecast new operating spending	2,367	-	-	-	2,367
Finance costs and FX losses/(gains)	2,133	262	471	(311)	2,555
<b>Total expenses</b>	<b>50,062</b>	<b>21,606</b>	<b>9,513</b>	<b>(17,576)</b>	<b>63,605</b>
Net surplus TEIs	-	151	-	-	151
<b>Operating balance</b>	<b>3,524</b>	<b>1,050</b>	<b>934</b>	<b>(397)</b>	<b>5,111</b>

### Forecast Statement of Financial Position (institutional form)

as at 30 June 2007

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2007 \$m	2007 \$m	2007 \$m	2007 \$m	2007 \$m
<b>Assets</b>					
Financial assets	33,992	15,187	3,643	(8,958)	43,864
Physical assets	17,724	27,918	14,295	-	59,937
Investment in SOEs and CEs (including TEIs)	24,872	4,993	-	(24,870)	4,995
Other assets	8,904	2,120	3,110	(797)	13,337
<b>Total assets</b>	<b>85,492</b>	<b>50,218</b>	<b>21,048</b>	<b>(34,625)</b>	<b>122,133</b>
<b>Liabilities</b>					
Borrowings	33,386	3,849	9,295	(8,958)	37,572
Other liabilities	23,205	14,232	2,855	(1,239)	39,053
<b>Total liabilities</b>	<b>56,591</b>	<b>18,081</b>	<b>12,150</b>	<b>(10,197)</b>	<b>76,625</b>
<b>Net worth</b>	<b>28,901</b>	<b>32,137</b>	<b>8,898</b>	<b>(24,428)</b>	<b>45,508</b>
Taxpayer Funds	24,189	22,461	7,604	(24,428)	29,826
Revaluation reserves	4,712	9,676	1,294	-	15,682
<b>Net worth</b>	<b>28,901</b>	<b>32,137</b>	<b>8,898</b>	<b>(24,428)</b>	<b>45,508</b>
<b>Analysis of financial assets and borrowings</b>					
Advances and cash	11,495	1,405	3,164	(2,805)	13,259
MSDs and equity investments	22,497	13,782	479	(6,153)	30,605
<b>Total financial assets</b>	<b>33,992</b>	<b>15,187</b>	<b>3,643</b>	<b>(8,958)</b>	<b>43,864</b>
Borrowings - Sovereign guaranteed	33,386	-	-	(6,065)	27,321
Borrowings - Non-sovereign guaranteed	-	3,849	9,295	(2,893)	10,251
<b>Total borrowings</b>	<b>33,386</b>	<b>3,849</b>	<b>9,295</b>	<b>(8,958)</b>	<b>37,572</b>
<b>Borrowings less financial assets</b>	<b>(606)</b>	<b>(11,338)</b>	<b>5,652</b>	<b>-</b>	<b>(6,292)</b>
<b>Net Crown debt</b>	<b>14,985</b>				
<b>Gross sovereign-issued debt</b>	<b>34,946</b>				

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

## Forecast Statement of Segments (continued)

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

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2008 \$m	2008 \$m	2008 \$m	2008 \$m	2008 \$m
<b>Revenue</b>					
Taxation revenue	51,113	-	-	(581)	50,532
Other sovereign levied income	657	2,784	-	(57)	3,384
Sales of goods and services	696	1,846	10,043	(384)	12,201
Investment income	3,442	1,020	148	(779)	3,831
Other revenues	591	17,274	649	(16,462)	2,052
<b>Total revenue</b>	<b>56,499</b>	<b>22,924</b>	<b>10,840</b>	<b>(18,263)</b>	<b>72,000</b>
<b>Expenses by input type</b>					
Subsidies and transfer payments	17,612	1,787	-	-	19,399
Personnel expenses	4,745	7,034	1,893	(5)	13,667
Operating expenses	28,341	12,262	7,482	(17,480)	30,605
Finance costs	2,196	263	500	(350)	2,609
FX losses/(gains)	-	-	-	-	-
GSF and ACC liability revaluation movements	(145)	651	-	-	506
<b>Total expenses</b>	<b>52,749</b>	<b>21,997</b>	<b>9,875</b>	<b>(17,835)</b>	<b>66,786</b>
<b>Expenses by functional classification</b>					
Social security and welfare	17,599	3,181	-	(444)	20,336
Health	9,919	7,017	-	(7,445)	9,491
Education	8,602	6,542	-	(5,716)	9,428
Other functional classifications	10,605	4,994	9,375	(3,880)	21,094
Forecast new operating spending	3,828	-	-	-	3,828
Finance costs and FX losses/(gains)	2,196	263	500	(350)	2,609
<b>Total expenses</b>	<b>52,749</b>	<b>21,997</b>	<b>9,875</b>	<b>(17,835)</b>	<b>66,786</b>
Net surplus TEIs		151	-	-	151
<b>Operating balance</b>	<b>3,750</b>	<b>1,078</b>	<b>965</b>	<b>(428)</b>	<b>5,365</b>

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

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2008 \$m	2008 \$m	2008 \$m	2008 \$m	2008 \$m
<b>Assets</b>					
Financial assets	38,359	16,531	3,777	(9,657)	49,010
Physical assets	17,403	28,167	14,610	-	60,180
Investment in SOEs and CEs (including TEIs)	25,046	5,176	-	(25,045)	5,177
Other assets	9,396	2,162	3,219	(799)	13,978
<b>Total assets</b>	<b>90,204</b>	<b>52,036</b>	<b>21,606</b>	<b>(35,501)</b>	<b>128,345</b>
<b>Liabilities</b>					
Borrowings	34,437	3,712	9,192	(9,657)	37,684
Other liabilities	23,112	14,988	2,992	(1,304)	39,788
<b>Total liabilities</b>	<b>57,549</b>	<b>18,700</b>	<b>12,184</b>	<b>(10,961)</b>	<b>77,472</b>
<b>Net worth</b>	<b>32,655</b>	<b>33,336</b>	<b>9,422</b>	<b>(24,540)</b>	<b>50,873</b>
Taxpayer Funds	27,940	23,640	8,151	(24,540)	35,191
Revaluation reserves	4,715	9,696	1,271	-	15,682
<b>Net worth</b>	<b>32,655</b>	<b>33,336</b>	<b>9,422</b>	<b>(24,540)</b>	<b>50,873</b>
<b>Analysis of financial assets and borrowings</b>					
Advances and cash	12,542	1,428	3,296	(2,955)	14,311
MSDs and equity investments	25,817	15,103	481	(6,702)	34,699
<b>Total financial assets</b>	<b>38,359</b>	<b>16,531</b>	<b>3,777</b>	<b>(9,657)</b>	<b>49,010</b>
Borrowings - Sovereign guaranteed	34,437	-	-	(6,605)	27,832
Borrowings - Non-sovereign guaranteed	-	3,712	9,192	(3,052)	9,852
<b>Total borrowings</b>	<b>34,437</b>	<b>3,712</b>	<b>9,192</b>	<b>(9,657)</b>	<b>37,684</b>
<b>Borrowings less financial assets</b>	<b>(3,922)</b>	<b>(12,819)</b>	<b>5,415</b>	<b>-</b>	<b>(11,326)</b>
<b>Net Crown debt</b>	<b>15,136</b>				
<b>Gross sovereign-issued debt</b>	<b>36,344</b>				

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

## Notes to the Forecast Financial Statements

(\$ million)	2004						
	2003 Actual	2004 Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>NOTE 1: Revenue Collected Through the Crown's Sovereign Power</b>							
<b>Income Tax Revenue (accrual)</b>							
<b>Individuals</b>							
Source deductions	15,933	16,396	16,855	17,701	18,613	19,634	20,665
Other persons	4,195	4,328	3,997	3,995	4,143	4,421	4,717
Refunds	(834)	(834)	(874)	(876)	(876)	(876)	(876)
Fringe benefit tax	375	373	412	432	450	471	491
<b>Total Individuals</b>	<b>19,669</b>	<b>20,263</b>	<b>20,390</b>	<b>21,252</b>	<b>22,330</b>	<b>23,650</b>	<b>24,997</b>
<b>Corporate Tax</b>							
Gross companies tax	5,245	5,190	6,134	6,416	6,447	6,528	6,868
Refunds	(191)	(138)	(174)	(187)	(192)	(192)	(192)
Non-resident withholding tax	732	702	803	803	819	847	899
Foreign-source dividend withholding payments	154	126	140	130	130	130	130
<b>Total Corporate Tax</b>	<b>5,940</b>	<b>5,880</b>	<b>6,903</b>	<b>7,162</b>	<b>7,204</b>	<b>7,313</b>	<b>7,705</b>
<b>Other Income Tax</b>							
Resident withholding tax on interest income	1,111	1,074	1,189	1,282	1,337	1,381	1,426
Resident withholding tax on dividend income	57	52	58	58	59	60	63
Estate and gift duties	1	1	2	2	2	2	2
<b>Total Other Income Tax</b>	<b>1,169</b>	<b>1,127</b>	<b>1,249</b>	<b>1,342</b>	<b>1,398</b>	<b>1,443</b>	<b>1,491</b>
<b>Total Income Tax</b>	<b>26,778</b>	<b>27,270</b>	<b>28,542</b>	<b>29,756</b>	<b>30,932</b>	<b>32,406</b>	<b>34,193</b>
<b>Goods and Services Tax</b>							
Gross goods and services tax	14,959	15,579	16,487	17,156	17,629	18,516	19,524
Refunds	(6,221)	(6,465)	(6,915)	(7,120)	(7,349)	(7,715)	(8,141)
<b>Total Goods and Services Tax</b>	<b>8,738</b>	<b>9,114</b>	<b>9,572</b>	<b>10,036</b>	<b>10,280</b>	<b>10,801</b>	<b>11,383</b>
<b>Other Taxation</b>							
Petroleum fuels excise	995	918	950	802	903	924	944
Tobacco excise	850	876	826	831	839	847	853
Customs duty	750	745	725	958	1,051	1,085	1,100
Road user charges	621	631	658	686	754	795	839
Alcohol excise	465	492	473	482	498	514	530
Gaming duties	248	281	268	299	312	328	345
Motor vehicle fees	197	193	203	211	215	219	223
Energy resources levies	94	86	82	77	76	74	67
Approved issuer levy (AIL) and cheque duty	49	45	54	55	55	55	55
<b>Total Other Indirect Taxation</b>	<b>4,269</b>	<b>4,267</b>	<b>4,239</b>	<b>4,401</b>	<b>4,703</b>	<b>4,841</b>	<b>4,956</b>
<b>Total Indirect Taxation</b>	<b>13,007</b>	<b>13,381</b>	<b>13,811</b>	<b>14,437</b>	<b>14,983</b>	<b>15,642</b>	<b>16,339</b>
<b>Total Tax Revenue Collected</b>	<b>39,785</b>	<b>40,651</b>	<b>42,353</b>	<b>44,193</b>	<b>45,915</b>	<b>48,048</b>	<b>50,532</b>
<b>Other Sovereign Revenues (accrual)</b>							
ACC levies	1,854	1,897	1,984	2,000	2,203	2,262	2,319
Fire Service levies	228	224	231	231	230	231	231
EQC levies	77	78	78	80	82	83	85
Other levies	604	627	713	763	759	749	749
<b>Total Other Sovereign Revenues</b>	<b>2,763</b>	<b>2,826</b>	<b>3,006</b>	<b>3,074</b>	<b>3,274</b>	<b>3,325</b>	<b>3,384</b>
<b>Total Sovereign Revenue</b>	<b>42,548</b>	<b>43,477</b>	<b>45,359</b>	<b>47,267</b>	<b>49,189</b>	<b>51,373</b>	<b>53,916</b>

## Notes to the Forecast Financial Statements

(\$ million)	2004						
	2003 Actual	2004 Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>NOTE 1: Receipts Collected Through the Crown's Sovereign Power</b>							
<b>Income Tax Receipts (cash)</b>							
<b>Individuals</b>							
Source deductions	15,623	16,396	16,856	17,702	18,614	19,635	20,666
Other persons	4,499	4,734	4,376	4,414	4,637	4,995	5,321
Refunds	(1,287)	(1,240)	(1,388)	(1,300)	(1,370)	(1,450)	(1,480)
Fringe benefit tax	374	373	409	428	446	466	486
<b>Total Individuals</b>	<b>19,209</b>	<b>20,263</b>	<b>20,253</b>	<b>21,244</b>	<b>22,327</b>	<b>23,646</b>	<b>24,993</b>
<b>Corporate Tax</b>							
Gross companies tax	6,021	5,775	7,056	7,135	7,240	7,347	7,671
Refunds	(821)	(722)	(1,137)	(1,091)	(1,051)	(1,090)	(1,080)
Non-resident withholding tax	740	710	806	794	819	847	899
Foreign-source dividend withholding payments	160	126	137	130	130	130	130
<b>Total Corporate Tax</b>	<b>6,100</b>	<b>5,889</b>	<b>6,862</b>	<b>6,968</b>	<b>7,138</b>	<b>7,234</b>	<b>7,620</b>
<b>Other Income Tax</b>							
Resident withholding tax on interest income	1,104	1,074	1,199	1,282	1,337	1,381	1,426
Resident withholding tax on dividend income	56	52	58	58	59	60	63
Estate and gift duties	2	1	2	2	2	2	2
<b>Total Other Income Tax</b>	<b>1,162</b>	<b>1,127</b>	<b>1,259</b>	<b>1,342</b>	<b>1,398</b>	<b>1,443</b>	<b>1,491</b>
<b>Total Income Tax</b>	<b>26,471</b>	<b>27,279</b>	<b>28,374</b>	<b>29,554</b>	<b>30,863</b>	<b>32,323</b>	<b>34,104</b>
<b>Goods and Services Tax</b>							
Gross goods and services tax	14,489	15,229	15,897	16,906	17,379	18,266	19,274
Refunds	(5,718)	(6,165)	(6,325)	(6,870)	(7,099)	(7,465)	(7,891)
<b>Total Goods and Services Tax</b>	<b>8,771</b>	<b>9,064</b>	<b>9,572</b>	<b>10,036</b>	<b>10,280</b>	<b>10,801</b>	<b>11,383</b>
<b>Other Taxation</b>							
Petroleum fuels excise	971	918	950	802	903	924	944
Tobacco excise	867	876	826	831	839	847	853
Customs duty	712	745	740	958	1,051	1,085	1,100
Road user charges	620	629	656	686	754	795	839
Alcohol excise	461	492	473	482	498	514	530
Gaming duties	277	281	268	299	312	328	345
Motor vehicle fees	201	193	203	211	220	219	223
Energy resources levies	97	87	83	78	77	74	68
Approved issuer levy (AIL) and cheque duty	51	45	54	55	55	55	55
<b>Total Other Indirect Taxation</b>	<b>4,257</b>	<b>4,266</b>	<b>4,253</b>	<b>4,402</b>	<b>4,709</b>	<b>4,841</b>	<b>4,957</b>
<b>Total Indirect Taxation</b>	<b>13,028</b>	<b>13,330</b>	<b>13,825</b>	<b>14,438</b>	<b>14,989</b>	<b>15,642</b>	<b>16,340</b>
<b>Total Tax Receipts Collected</b>	<b>39,499</b>	<b>40,609</b>	<b>42,199</b>	<b>43,992</b>	<b>45,852</b>	<b>47,965</b>	<b>50,444</b>
<b>Other Sovereign Receipts (cash)</b>							
ACC levies	1,638	1,931	1,902	1,936	2,162	2,220	2,274
Fire Service levies	227	226	232	232	232	232	233
EQC levies	77	79	79	81	82	84	85
Other levies	589	488	560	602	599	606	618
<b>Total Other Sovereign Receipts</b>	<b>2,531</b>	<b>2,724</b>	<b>2,773</b>	<b>2,851</b>	<b>3,075</b>	<b>3,142</b>	<b>3,210</b>
<b>Total Sovereign Receipts</b>	<b>42,030</b>	<b>43,333</b>	<b>44,972</b>	<b>46,843</b>	<b>48,927</b>	<b>51,107</b>	<b>53,654</b>

## Notes to the Forecast Financial Statements

(\$ million)	2004						
	2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast

### NOTE 2: Sale of Goods and Services

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

### NOTE 3: Investment Income

NZS Fund investment income	..	222	164	446	673	927	1,210
Other investment income	1,466	1,162	1,947	1,568	1,685	1,825	1,916
Student loans	393	447	455	503	565	631	705
<b>Total Investment Income</b>	<b>1,859</b>	<b>1,831</b>	<b>2,566</b>	<b>2,517</b>	<b>2,923</b>	<b>3,383</b>	<b>3,831</b>

### NOTE 4: Other Revenue

Unrealised (losses)/gains arising from changes in the value of commercial forests	(20)	..	..	..	..	..	..
GSF contributions	130	103	113	100	89	79	68
Petroleum royalties	44	30	35	29	25	28	28
Cost recovery income from Fisheries	31	33	23	31	30	30	30
Other	2,050	1,515	1,891	1,865	1,863	1,891	1,926
<b>Total Other Revenue</b>	<b>2,235</b>	<b>1,681</b>	<b>2,062</b>	<b>2,025</b>	<b>2,007</b>	<b>2,028</b>	<b>2,052</b>

### NOTE 5: Subsidies and Transfer Payments

Social assistance grants							
New Zealand Superannuation	5,642	5,894	5,889	6,086	6,411	6,799	7,191
ACC payments	1,309	1,383	1,420	1,544	1,659	1,723	1,787
Unemployment Benefit	1,274	1,317	1,086	939	1,004	1,058	1,079
Domestic Purposes Benefit	1,520	1,567	1,567	1,577	1,557	1,569	1,619
Family Support	862	815	819	932	1,332	1,487	1,696
Student allowances	387	433	387	413	440	457	470
Other social assistance grants	3,742	3,965	4,054	4,339	4,616	4,918	5,146
Subsidies	113	135	125	135	130	133	128
Other transfer payments							
Official development assistance	230	246	250	259	259	259	259
Other	28	32	27	25	24	25	24
<b>Total Subsidies and Transfer Payments</b>	<b>15,107</b>	<b>15,787</b>	<b>15,624</b>	<b>16,249</b>	<b>17,432</b>	<b>18,428</b>	<b>19,399</b>

## Notes to the Forecast Financial Statements

(\$ million)	2004						
	2003 Actual	2004 Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast

### NOTE 6: Personnel Expenses

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

GSF pension costs (excluding liability movement)	978	1,010	987	1,042	1,084	1,116	1,140
Other pension expenses	78	81	80	90	95	95	95
Other personnel expenses	10,564	11,008	11,469	11,895	12,200	12,341	12,432
<b>Total Personnel Expenses</b>	<b>11,620</b>	<b>12,099</b>	<b>12,536</b>	<b>13,027</b>	<b>13,379</b>	<b>13,552</b>	<b>13,667</b>

### NOTE 7: Operating Expenses

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

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

#### Depreciation expense (by class of asset):

Buildings	701	550	777	803	806	825	818
Electricity distribution network	86	110	116	113	113	106	112
Electricity generation assets	143	155	166	183	203	229	235
Specialist military equipment (SME)	168	178	179	188	190	207	243
State highways	199	223	211	237	267	300	332
Aircraft (ex SME)	105	84	137	120	126	153	189
Other plant and equipment	676	762	729	799	853	877	904
Other assets	99	278	83	92	95	101	108
<b>Total depreciation costs</b>	<b>2,177</b>	<b>2,340</b>	<b>2,398</b>	<b>2,535</b>	<b>2,653</b>	<b>2,798</b>	<b>2,941</b>
<b>Other operating items:</b>							
Rental and leasing costs	712	797	697	679	651	657	681
Change in provision for doubtful debts	67	338	78	74	69	68	67
Write off of bad debts	188	41	247	198	189	213	213
Goodwill amortised	84	47	47	47	47	47	47
Grants paid	306	293	296	310	310	315	324
Lottery prize payments	301	313	304	314	331	349	367
Loss/(gain) on sale of assets	19	..	..	..	..	..	..
Other operating expenses	18,711	18,719	18,765	20,154	20,946	21,729	22,137
<b>Total operating expenses</b>	<b>22,565</b>	<b>22,888</b>	<b>22,832</b>	<b>24,311</b>	<b>25,196</b>	<b>26,176</b>	<b>26,777</b>

### NOTE 8: Forecast New Operating Spending

New operating spending up to Budget 2004	..	175	..	..	..	..	..
New operating spending up to Budget 2005	..	..	..	441	467	463	461
Forecast new operating spending	..	..	..	..	978	1,904	3,367
<b>Total Forecast for Future New Spending</b>	<b>..</b>	<b>175</b>	<b>..</b>	<b>441</b>	<b>1,445</b>	<b>2,367</b>	<b>3,828</b>

The forecast new operating spending represents an amount that indicates in broad terms the potential spending increases that could be introduced in each future budget round. The amount available between budget 2004 and Budget 2005 is between \$500 million and \$525 million (GST inclusive). The forecasts include \$1.8 billion for Budget 2005 and \$1.6 billion for 2006/07 and 2007/08, though the remaining amounts for 2005/06 and 2006/07 are lower as some has already been allocated (e.g. as part of Health sector funding packages including removal of asset testing and some Education funding), leaving indicative totals of around \$1.1 billion (GST inclusive) for Budget 2005 and \$1.0 billion (GST inclusive) for 2006/07.

## Notes to the Forecast Financial Statements

(\$ million)	2004						
	2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast

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

#### By category:

<b>Total Cash</b>	<b>2,732</b>	<b>2,073</b>	<b>2,341</b>	<b>2,121</b>	<b>2,262</b>	<b>2,162</b>	<b>2,283</b>
Marketable securities and deposits	15,505	13,632	13,311	12,372	13,584	14,923	16,269
Equity investments (e.g. shares)	4,734	4,747	8,062	10,067	12,317	14,793	17,521
Reserve position at the International Monetary Fund	1,067	1,074	849	857	871	889	909
<b>Total MSDs and Equity Investments</b>	<b>21,306</b>	<b>19,453</b>	<b>22,222</b>	<b>23,296</b>	<b>26,772</b>	<b>30,605</b>	<b>34,699</b>
<b>Total Cash and MSDs &amp; Equity Investments</b>	<b>24,038</b>	<b>21,526</b>	<b>24,563</b>	<b>25,417</b>	<b>29,034</b>	<b>32,767</b>	<b>36,982</b>

#### By portfolio management:

Reserve Bank and DMO managed funds	11,348	7,506	9,546	7,802	8,013	8,315	8,514
New Zealand Superannuation Fund	1,884	3,950	3,496	5,692	8,138	10,869	13,934
Government Superannuation Fund	2,636	2,727	2,955	3,032	3,117	3,162	3,217
ACC portfolio	3,403	2,829	3,862	4,277	4,879	5,526	6,199
EQC portfolio	1,224	1,384	1,469	1,559	1,678	1,797	1,917
Other holdings	811	1,057	894	934	947	936	918
<b>Total MSDs and Equity Investments</b>	<b>21,306</b>	<b>19,453</b>	<b>22,222</b>	<b>23,296</b>	<b>26,772</b>	<b>30,605</b>	<b>34,699</b>

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

#### Nature of financial assets – some are restricted in their purpose

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

#### New Zealand Superannuation Fund

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

#### Government Superannuation Fund

The GSF Authority administers the financial assets of the GSF totalling around \$3 billion. These assets result from contributions by employees built up through time and can only be applied to the ongoing payment of GSF benefits (as provided by the GSF Act). Also refer Note 15 Outstanding Liability associated with GSF benefits.

#### EQC – Natural Disaster Fund (NDF)

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

#### ACC portfolio

The ACC manages the ACC scheme. At present there is a substantial outstanding claims liability associated with past claims in excess of \$9.1 billion and is expected to increase. To manage the payment of these claims in the future, ACC is building up a matching portfolio of assets. The target is to have the residual claims fully funded by 2014. Also refer Note 16 Outstanding Claims Liability.

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

NZS Fund	1,884	3,950	3,885	6,323	9,044	12,076	15,481
GSF financial assets	3,182	3,026	3,287	3,372	3,445	3,518	3,580
ACC portfolio	4,922	4,981	5,587	6,186	6,995	7,868	8,778
EQC portfolio	4,062	4,303	4,286	4,602	4,979	5,379	5,801



## Notes to the Forecast Financial Statements

(\$ million)	2004						
	2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>NOTE 10: Advances</b>							
Student loans (see analysis below)	5,370	5,926	6,095	6,864	7,672	8,537	9,454
Kiwibank deposits	501	857	1,069	1,581	2,052	2,052	2,052
Residential care loans	68	80	71	73	73	73	73
Maori development rural lending	43	45	48	48	48	48	48
Other	318	314	319	355	375	387	401
<b>Total Advances</b>	<b>6,300</b>	<b>7,222</b>	<b>7,602</b>	<b>8,921</b>	<b>10,220</b>	<b>11,097</b>	<b>12,028</b>
<b>Analysis of Student Loans</b>							
<b>Outstanding balance</b>							
Total loans outstanding (including interest)	6,094	6,942	6,911	7,775	8,686	9,657	10,691
Total provisions (capital and interest)	(724)	(1,016)	(816)	(911)	(1,014)	(1,120)	(1,237)
<b>Total Student Loans</b>	<b>5,370</b>	<b>5,926</b>	<b>6,095</b>	<b>6,864</b>	<b>7,672</b>	<b>8,537</b>	<b>9,454</b>
<b>Movement during the year</b>							
Opening balance	4,749	5,322	5,370	6,095	6,864	7,672	8,537
Amount advanced in current year	952	996	1,021	1,100	1,147	1,204	1,261
Interest accrued on outstanding loan balances	393	447	455	503	565	631	705
Repayment of base capital	(252)	(301)	(289)	(334)	(366)	(395)	(429)
Repayment of accrued interest	(186)	(189)	(203)	(204)	(224)	(245)	(266)
Interest written off and movement in provision for interest write-offs and doubtful debts	(291)	(357)	(267)	(304)	(322)	(339)	(363)
Other movements	5	8	8	8	8	9	9
<b>Closing Balance</b>	<b>5,370</b>	<b>5,926</b>	<b>6,095</b>	<b>6,864</b>	<b>7,672</b>	<b>8,537</b>	<b>9,454</b>
<b>NOTE 11: Receivables</b>							
Taxes receivable	5,375	4,533	5,471	5,577	5,573	5,580	5,587
Accounts receivable	4,262	3,453	3,628	3,996	4,105	4,358	4,605
Receivable from the sale and purchase of Maui gas	200	166	183	114	156	119	133
Prepayments	306	173	271	265	265	265	265
<b>Total Receivables</b>	<b>10,143</b>	<b>8,325</b>	<b>9,553</b>	<b>9,952</b>	<b>10,099</b>	<b>10,322</b>	<b>10,590</b>
<b>NOTE 12: Other Investments</b>							
International Bank for Reconstruction and Development	89	99	79	79	79	79	79
Asian Development Bank	92	96	81	81	81	81	81
Other	83	201	81	93	94	94	94
<b>Total Other Investments</b>	<b>264</b>	<b>396</b>	<b>241</b>	<b>253</b>	<b>254</b>	<b>254</b>	<b>254</b>

## Notes to the Forecast Financial Statements

(\$ million)	2004						
	2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>NOTE 13: Property, Plant and Equipment</b>							
<b>By Type</b>							
<b>Gross Carrying Value</b>							
Land (valuation)	6,748	5,224	6,634	6,891	6,938	7,006	7,011
Properties intended for sale (valuation)	454	423	459	478	466	466	466
Buildings (valuation)	15,956	15,890	17,625	18,731	19,661	20,582	21,175
Electricity distribution network (valuation)	2,178	2,370	2,293	2,466	2,627	2,970	3,317
Electricity generation assets (cost) <sup>1</sup>	5,236	7,879	5,311	6,259	6,869	7,362	7,642
Aircraft (ex SME) (valuation)	1,234	2,024	1,180	1,367	2,331	3,127	3,040
State highways (valuation)	12,556	12,466	12,980	13,445	13,968	14,527	15,062
Specialist military equipment (valuation)	3,098	3,576	2,872	3,038	3,005	3,049	3,094
Other plant and equipment (cost)	7,737	7,939	8,658	9,805	10,675	11,485	12,517
Other assets (valuation)	5,331	5,365	5,298	5,345	5,532	5,775	5,895
<b>Total Gross Carrying Value</b>	<b>60,528</b>	<b>63,156</b>	<b>63,310</b>	<b>67,825</b>	<b>72,072</b>	<b>76,349</b>	<b>79,219</b>
<b>Accumulated Depreciation</b>							
Buildings	1,228	2,688	2,114	2,822	3,602	4,376	5,099
Electricity distribution network	198	326	293	386	479	567	660
Electricity generation assets	557	722	616	791	983	1,197	1,417
Aircraft (ex SME)	..	170	77	98	120	147	180
State highways	..	432	211	447	715	1,014	1,346
Specialist military equipment	756	934	483	671	752	959	1,202
Other plant and equipment	4,668	5,139	5,160	5,931	6,744	7,568	8,485
Other assets	454	640	444	485	529	584	650
<b>Total Accumulated Depreciation</b>	<b>7,861</b>	<b>11,051</b>	<b>9,398</b>	<b>11,631</b>	<b>13,924</b>	<b>16,412</b>	<b>19,039</b>
<b>Net Carrying Value</b>							
Land (valuation)	6,748	5,224	6,634	6,891	6,938	7,006	7,011
Properties intended for sale (valuation)	454	423	459	478	466	466	466
Buildings (valuation)	14,728	13,202	15,511	15,909	16,059	16,206	16,076
Electricity distribution network (valuation)	1,980	2,044	2,000	2,080	2,148	2,403	2,657
Electricity generation assets (cost)	4,679	7,157	4,695	5,468	5,886	6,165	6,225
Aircraft (ex SME) (valuation)	1,234	1,854	1,103	1,269	2,211	2,980	2,860
State highways (valuation)	12,556	12,034	12,769	12,998	13,253	13,513	13,716
Specialist military equipment (valuation)	2,342	2,642	2,389	2,367	2,253	2,090	1,892
Other plant and equipment (cost)	3,069	4,725	3,498	3,874	3,931	3,917	4,032
Other assets (valuation)	4,877	2,800	4,854	4,860	5,003	5,191	5,245
<b>Total Net Carrying Value</b>	<b>52,667</b>	<b>52,105</b>	<b>53,912</b>	<b>56,194</b>	<b>58,148</b>	<b>59,937</b>	<b>60,180</b>
<b>By Holding</b>							
Freehold assets	52,167	51,383	53,502	55,810	57,789	59,578	59,820
Leasehold assets	500	722	410	384	359	359	360
<b>Net carrying value</b>	<b>52,667</b>	<b>52,105</b>	<b>53,912</b>	<b>56,194</b>	<b>58,148</b>	<b>59,937</b>	<b>60,180</b>

<sup>1</sup> Comparative and forecast figures for electricity generation assets include assets previously classified as buildings. This better reflects the actual nature of these assets.

### NOTE 14: Payables and Provisions

Accounts payable and accruals	7,054	5,754	5,587	5,425	5,552	5,852	6,101
Taxes repayable	2,154	1,919	2,139	2,134	2,134	2,134	2,134
Provisions	588	242	539	507	497	497	489
National Provident Fund guarantee	882	685	882	882	882	882	882
Provisions for employee entitlements	1,200	1,144	1,168	1,179	1,183	1,185	1,173
<b>Total Payables and Provisions</b>	<b>11,878</b>	<b>9,744</b>	<b>10,315</b>	<b>10,127</b>	<b>10,248</b>	<b>10,550</b>	<b>10,779</b>

## Notes to the Forecast Financial Statements

### NOTE 15: GSF Liability

The Government Superannuation Fund (GSF) assets and liabilities have been calculated by the Government Actuary as at 29 February 2004 for inclusion within the 2004 Budget Economic and Fiscal Update (BEFU). The liability arises from closed schemes for past and present public sector employees (set out in the GSF Act 1956). A projected Aggregate Funding method is used for the valuation, based on membership data as at the valuation date. The funding method requires the benefits payable from the GSF in respect of past service to be calculated and then discounted back to the valuation date.

The GSF liability included in the 2004 BEFU was calculated using discount rates derived from the market yield curve as at the balance date (29 February 2004). This resulted in a long-term after-tax discount rate of 4.1% (4.0% as at 30 June 2003). The other principal long-term financial assumptions used in the calculation remained unchanged from 30 June 2003, which were an inflation rate of 2.0%, and an annual salary increases rate, before any promotional effects of 3.0%.

The total change in the net unfunded liability is \$83 million in 2003/04 (reflecting an increase in the gross liability of \$214 million and an increase in the net assets of \$131 million). There are essentially three components to the change, being the net movement in expected investment income and net benefit payments, changes to economic assumptions and actual GSF experience to 29 February 2004. The change in underlying economic assumptions as at 29 February 2004 accounted for approximately \$54 million of the increase in the net liabilities due to the change in the discount rate. The net liability decreased by \$17 million due to actual GSF experience to 29 February 2004. Finally the net liability is expected to increase \$12 million reflecting expected contributions and investment income offset by benefit payments. The changes in 2004/05 onwards reflect the net movement expected between investment income and contributions less benefit payments.

Compared to the valuation included in the 2003 December Economic and Fiscal Update, the unfunded liability has increased by \$549 million. Much of this change is due to the change in the long-term discount rate from 4.5% to 4.1% between valuation dates resulting in an increase to the liability of around \$533 million. The balance of the increase is due to the actual experience of the GSF between the valuation dates.

#### Presentation approach

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

(\$ million)	2004		2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
	2003 Actual	Previous Budget					
<b>GSF liability and asset information</b>							
<b>Gross GSF liability</b>							
Opening gross liability	12,210	13,422	13,857	14,071	14,014	13,917	13,801
Net projected change	1,647	(87)	214	(57)	(97)	(116)	(145)
<b>Closing gross liability</b>	<b>13,857</b>	<b>13,335</b>	<b>14,071</b>	<b>14,014</b>	<b>13,917</b>	<b>13,801</b>	<b>13,656</b>
<b>Less net assets available to the GSF scheme</b>							
Opening asset value	3,287	2,993	3,182	3,313	3,400	3,478	3,551
Net projected change (investment income & contributions less membership payments)	(105)	33	131	87	78	73	66
<b>Closing net asset values</b>	<b>3,182</b>	<b>3,026</b>	<b>3,313</b>	<b>3,400</b>	<b>3,478</b>	<b>3,551</b>	<b>3,617</b>
<b>Net unfunded liability of the GSF schemes</b>							
Opening unfunded liability	8,923	10,429	10,675	10,758	10,614	10,439	10,250
Net projected change	1,752	(120)	83	(144)	(175)	(189)	(211)
<b>Net unfunded liability</b>	<b>10,675</b>	<b>10,309</b>	<b>10,758</b>	<b>10,614</b>	<b>10,439</b>	<b>10,250</b>	<b>10,039</b>

## Notes to the Forecast Financial Statements

### NOTE 16: ACC Claims Liability

#### Calculation information

PricewaterhouseCoopers Actuarial Pty Ltd have prepared the independent actuarial estimate of the ACC outstanding claims liability as at 31 March 2004. This estimate includes the expected future payments relating to accidents that occurred prior to balance date (whether or not the associated claims have been reported to, or accepted by, ACC) and also the expected administrative expenses of managing these claims.

The key economic variables that impact on changes to the valuation are the long-term Labour Cost Index (LCI) of 2.4% (2.3% at 30 June 2003) and discount rate of 6.0% (5.5% at 30 June 2003). Other key variables in each valuation is the assumed rate at which long-term claimants will leave the scheme over the period. This assessment is largely based on scheme history.

#### Explanation of change

The total change in the gross unfunded liability compared to the expected movement for 2003/04 from the estimate as at 30 June 2003 is \$107 million. The main drivers of the change have been the impacts of scheme experience and the interpretation of prior experience.

Compared to the valuation included in the 2003 December Economic and Fiscal Update, the liability valuation has changed by around \$526 million. This is largely due to the impacts of scheme experience and resultant changes in the valuation assumptions. Unlike the GSF valuation change, the discount rate used in both valuations for ACC were similar at 6.0% (the reference months for the valuations are slightly different from those used in the GSF valuations being 30 September for the DEFU valuation and 31 March for the BEFU valuation).

#### Presentation approach

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

(\$ million)	2004		2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast	
	2003 Actual	Previous Budget					
<b>ACC liability and asset information</b>							
<b>Gross ACC liability</b>							
Opening gross liability	7,501	8,701	9,155	9,763	10,361	10,987	11,630
Net projected change	1,654	499	608	598	626	643	651
<b>Closing gross liability</b>	<b>9,155</b>	<b>9,200</b>	<b>9,763</b>	<b>10,361</b>	<b>10,987</b>	<b>11,630</b>	<b>12,281</b>
<b>Less net assets available to ACC</b>							
Opening net asset value	3,865	4,527	4,901	5,943	6,659	7,356	8,100
Net projected change	1,036	766	1,042	716	697	744	796
<b>Closing net asset values</b>	<b>4,901</b>	<b>5,293</b>	<b>5,943</b>	<b>6,659</b>	<b>7,356</b>	<b>8,100</b>	<b>8,896</b>
<b>Net ACC reserves (net liability)</b>							
Opening reserves position	(3,636)	(4,174)	(4,254)	(3,820)	(3,702)	(3,631)	(3,530)
Net projected change	(618)	267	434	118	71	101	145
<b>Closing reserves position (net liability)</b>	<b>(4,254)</b>	<b>(3,907)</b>	<b>(3,820)</b>	<b>(3,702)</b>	<b>(3,631)</b>	<b>(3,530)</b>	<b>(3,385)</b>

### NOTE 17: Revaluation reserves

#### Asset Revaluation Reserves

<b>Opening Balance</b>	<b>12,672</b>	<b>12,786</b>	<b>15,624</b>	<b>15,682</b>	<b>15,682</b>	<b>15,682</b>	<b>15,682</b>
Net revaluations							
Land and buildings	2,078	..	57	..	..	..	..
State highways	444	..	..	..	..	..	..
TEIs	275	..	..	..	..	..	..
Aircraft (ex SME)	..	..	..	..	..	..	..
Electricity distribution network	..	..	..	..	..	..	..
Other assets	198	..	19	..	..	..	..
<b>Total Net Revaluations</b>	<b>2,995</b>	<b>..</b>	<b>76</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
Transfer to taxpayer funds	(43)	..	(18)	..	..	..	..
<b>Closing Balance</b>	<b>15,624</b>	<b>12,786</b>	<b>15,682</b>	<b>15,682</b>	<b>15,682</b>	<b>15,682</b>	<b>15,682</b>

## Notes to the Forecast Financial Statements

(\$ million)	2004		2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
	2003 Actual	Previous Budget					
<b>NOTE 18: Core Crown</b>							
<b>Reconciliation of Core Crown Forecast Net Cash Flows from Operations with Forecast Net Cash Proceeds from Domestic Bonds (flows of Government stock involving NZS Fund and GSF are not eliminated)</b>							
<b>Core Crown Cash Flows from Operations</b>							
Total tax receipts	39,842	41,056	42,620	44,720	46,734	48,948	51,554
Total other sovereign receipts	399	384	443	488	484	492	503
Interest, profits and dividends	1,310	953	1,439	848	916	1,026	1,074
Sale of goods & services and other receipts	1,185	1,119	702	668	604	600	576
Subsidies and transfer payments	(14,071)	(14,510)	(14,295)	(14,701)	(15,781)	(16,722)	(17,631)
Personnel and operating expenses	(21,703)	(23,297)	(23,135)	(24,729)	(25,772)	(26,471)	(26,718)
Finance costs	(2,106)	(2,058)	(2,054)	(1,892)	(1,896)	(1,787)	(1,859)
Forecast new operating spending	..	(175)	..	(441)	(1,445)	(2,367)	(3,828)
<b>Net Cash Flows from Core Crown Operations</b>	<b>4,856</b>	<b>3,472</b>	<b>5,720</b>	<b>4,961</b>	<b>3,844</b>	<b>3,719</b>	<b>3,671</b>
Net purchase of physical assets	(1,059)	(1,285)	(1,593)	(1,277)	(891)	(742)	(728)
Net increase in advances	(896)	(1,619)	(1,830)	(857)	(894)	(1,107)	(991)
Net purchase of investments	(484)	(659)	(283)	(800)	(328)	(287)	(175)
Purchase of marketable securities and deposits by NZS Fund	(1,200)	(1,879)	(1,879)	(2,107)	(2,219)	(2,342)	(2,504)
Purchase of Reserve Bank reserves	..	..	..	(500)	(500)	(500)	(400)
Forecast new capital spending	..	(180)	..	(228)	(188)	(207)	(444)
<b>Available to Repay Debt/(Required to be Financed)</b>	<b>1,217</b>	<b>(2,150)</b>	<b>135</b>	<b>(808)</b>	<b>(1,176)</b>	<b>(1,466)</b>	<b>(1,571)</b>
<b>Financed by:</b>							
Other net sale/(purchase) of marketable securities and deposits	(1,944)	2,483	(353)	2,450	259	162	190
<b>Total Operating and Investing Activities</b>	<b>(727)</b>	<b>333</b>	<b>(218)</b>	<b>1,642</b>	<b>(917)</b>	<b>(1,304)</b>	<b>(1,381)</b>
<b>Used in:</b>							
Net (repayment)/issue of other New Zealand-dollar borrowing	(417)	(238)	1,001	(1,349)	3	4	423
Decrease/(increase) in cash	69	16	374	(3)	30	21	20
Issue of circulating currency	147	..	177	..	..	..	..
Net issue/(repayment) of foreign-currency borrowing	1,658	(105)	(573)	211	500	500	400
	<b>1,457</b>	<b>(327)</b>	<b>979</b>	<b>(1,141)</b>	<b>533</b>	<b>525</b>	<b>843</b>
<b>Net Cash Inflow/(Outflow) to be Offset by Domestic Bonds</b>	<b>730</b>	<b>6</b>	<b>761</b>	<b>501</b>	<b>(384)</b>	<b>(779)</b>	<b>(538)</b>
<b>Gross Cash Proceeds from Domestic Bonds</b>							
Domestic bonds (market)	2,551	3,234	2,216	2,311	2,958	3,556	538
Domestic bonds (non-market)	279	357	424	248	170	376	..
<b>Total Gross Cash Proceeds from Domestic Bonds</b>	<b>2,830</b>	<b>3,591</b>	<b>2,640</b>	<b>2,559</b>	<b>3,128</b>	<b>3,932</b>	<b>538</b>
Repayment of domestic bonds (market)	(2,823)	(3,044)	(3,044)	(2,797)	(2,574)	(2,777)	..
Repayment of domestic bonds (non-market)	(737)	(553)	(357)	(263)	(170)	(376)	..
<b>Net Cash (Repayments of)/Proceeds from Domestic Bonds</b>	<b>(730)</b>	<b>(6)</b>	<b>(761)</b>	<b>(501)</b>	<b>384</b>	<b>779</b>	<b>538</b>

## Glossary of Terms

### ***ACC unfunded liability***

The future cost of past ACC claims, less the asset reserves held to meet these claims. The ACC outstanding claims liability is the gross liability of the future cost of past ACC claims.

### ***Baselines***

The level of funding approved for any given spending area (eg, Education). All amounts within baselines are included in the forecasts.

### ***Contingent liability***

Contingent liabilities are costs, which the Crown will have to face if a particular event occurs. Typically, contingent liabilities consist of guarantees and indemnities, legal disputes and claims, and uncalled capital.

### ***Core Crown***

The core Crown represents the revenues, expenses, assets and liabilities of departments, the Reserve Bank, GSF and the NZS Fund.

### ***Corporate tax***

The sum of net company tax, non-resident withholding tax (NRWT) and foreign dividend withholding payments (FDWP).

### ***Current account***

A measure of the flows of income between New Zealand and the rest of the world. A net inflow to New Zealand is a current account surplus, while a net outflow is a deficit. The current account balance is commonly expressed as a percentage of GDP.

### ***Customs duty***

Duty levied on the imports of certain goods.

### ***Cyclically adjusted or structural fiscal balance***

An estimate of the fiscal balance adjusted for short-term fluctuations of actual GDP around the productive potential of the economy. The estimate provides a picture of the underlying trend fiscal position and an indication of the

effects of policy decisions. Because it is based on a number of assumptions and is sensitive to new information, the estimate is subject to some uncertainty. Trends in the cyclically adjusted balance are, however, more reliable.

### ***Demographic changes***

Changes to the structure of the population, for example the age, sex or ethnic make-up of the population.

### ***Domestic bond programme***

The amount of new government stock (taking into account the repayment of maturing government stock) expected to be issued over the financial year to fund the Government's cash flow requirements.

### ***Excise duties***

Tax levied on the domestic production of alcohol, tobacco and light petroleum products (CNG, LPG and petrol).

### ***Financial assets***

Either cash or shares (equity) or a right to receive a financial instrument, which can be converted to cash (see net Crown debt).

### ***Operating allowance***

The amount included in the *Fiscal Strategy Report* projections for new spending and cost pressures. The allowance is a projection assumption.

### ***Fiscal Objectives (long-term)***

The Government's long-term goals for operating expenses, operating revenue, the operating balance, debt and net worth, as required by the Fiscal Responsibility Act 1994. The objectives must be consistent with the principles of responsible fiscal management outlined in the Act.

### ***Forecast new capital spending***

An amount provided in the forecasts to represent the balance sheet impact of capital

initiatives expected to be introduced over the forecast period.

**Forecast new operating spending**

An amount included in the forecasts to provide for the operating balance impact of policy initiatives and changes to demographics and other forecasting changes expected to occur over the forecast period.

**Fringe benefit tax (FBT)**

Tax levied on non-cash benefits provided to employees as part of remuneration packages.

**Gross Crown debt**

Total borrowings (financial liabilities).

**Gross domestic product (GDP)**

A measure of the value of all goods and services produced in New Zealand; changes in GDP measure growth in economic activity or output. GDP can be measured as the actual dollar value of goods and services measured at today's prices (nominal GDP), or excluding the effects of price changes over time (real GDP).

**Gross domestic product (expenditure)**

This is the sum of total final expenditures on goods and services in the economy.

**Gross national expenditure (GNE)**

Measures total expenditure on goods and services by New Zealand residents.

**Labour productivity**

Measures output per input of labour (where labour inputs might be measured as hours worked or people).

**Line-by-line consolidation**

This is a term used to refer to the general approach to the presentation of the Crown financial statements. It means that the revenues, expenses, assets and liabilities of all departments, the Reserve Bank, SOEs and Crown entities are included in the Crown financial statements.

**Marketable securities and deposits**

Assets held with financial institutions. These assets are held for both cash flow and investment purposes, and include any funds the Government has invested in the International Monetary Fund.

**Monetary conditions**

The combination of interest rates and the exchange rate.

**Monetary policy**

Action taken by the Reserve Bank to affect interest rates and the exchange rate in order to control inflation. Tightening monetary policy refers to actions taken by the Reserve Bank to raise interest rates (which can influence the exchange rate) in order to moderate demand pressures to reduce inflationary pressures.

**Net Crown debt**

Borrowings (financial liabilities) less cash and bank balances, marketable securities and deposits, and advances (financial assets). Net debt excludes the assets of the NZS Fund and GSF. Net Crown debt is a measure of the Core Crown.

**Net worth**

Assets less liabilities (also referred to as Crown balance).

**Operating balance**

The operating balance is the residual of revenues less expenses plus surpluses from state-owned enterprises and Crown entities. It is the Government's operating profit or loss.

**Operating balance excluding revaluation and accounting policy changes (OBERAC)**

The OBERAC is the operating balance adjusted for revaluation movements and accounting policy changes. It provides a measure of underlying stewardship.

**Participation rate**

Measures the percentage of the working age population in work or actively looking for work.

**Projections**

Projections of the key fiscal indicators beyond the five-year forecast period. The projections are based on long-run economic and fiscal assumptions. For example, the projections assume no economic cycle and constant long-run interest, inflation and unemployment rates.

**Provisional tax**

A thrice-yearly payment of tax on income that has not been taxed, or been under-taxed, at source (relates only to company tax and other persons' tax).

**Short-term fiscal intentions**

Under the Fiscal Responsibility Act 1994, the Government must indicate explicitly its intentions for operating expenses, operating revenues, the operating balance, debt and net worth over the next three years.

**Source deductions**

Tax withheld on wages, salaries, social welfare benefits, bonuses, lump-sum payments and superannuation fund contributions. About 80% of source deductions come from PAYE on wages and salaries. Source deductions is the biggest single tax type.

**Specific fiscal risks**

These are a category of Government decisions or circumstances which may have a material impact on the fiscal position (excluding contingent liabilities). They are not included in the main forecasts because their fiscal impact cannot be reasonably quantified, the likelihood of realisation is uncertain and/or the timing is uncertain.

**Stock change**

The change in the value of stocks (raw materials, work in progress, and finished goods) during a given period.

**System of National Accounts (SNA)**

SNA is a comprehensive, consistent and flexible set of macroeconomic accounts to meet the needs of government and private sector analysts, policy-makers, and decision-takers. See [www.imf.org](http://www.imf.org) for further information.

**Tax revenue**

The accrual, rather than the cash ("tax receipts") measure of taxation. It is a measure of tax due, regardless of whether or not it has actually been paid.

**Trade weighted index (TWI)**

A measure of movements in the New Zealand dollar against the currencies of our major trading partners. The currencies comprise the US dollar, the Australian dollar, the Japanese yen, the euro and the UK pound.

**Unit labour costs**

The wages and other costs associated with employment per unit of output.

**Year ended**

Graphs and tables use different expressions of the timeframe. For example, 2003/04 or 2004 will generally mean "year ended 30 June" unless otherwise stated.