

5

Generally Accepted Accounting Practice (GAAP) Series Tables

Forecast Financial Statements

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

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

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

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

10 year trend information

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

Statement of Accounting Policies and Forecast Assumptions

General Accounting Policies and Forecast Assumptions

General accounting policies

Accounting policy

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

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

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

Forecast assumptions

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

Specific Accounting Policies and Forecast Assumptions

Forecast periods

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

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

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

Changes in accounting policies

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

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

Changes in forecast assumptions

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

Detailed accounting policies and forecast assumptions

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

Reporting Entity as at 8 May 2006

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

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

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

Forecast Statement of Financial Performance

for the years ending 30 June

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

The revenues and expenses are GST exclusive.

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

Forecast Statement of Financial Performance (continued)

for the years ending 30 June

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

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

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

Forecast Statement of Cash Flows

for the year ending 30 June

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

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

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

Forecast Statement of Cash Flows (continued)

for the year ending 30 June

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

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

Forecast Statement of Movement in Equity

for the year ending 30 June

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

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

Forecast Statement of Financial Position

as at 30 June

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

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

Forecast Statement of Financial Position (continued)

as at 30 June

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

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

Gross and Net Debt Information

Definitions of debt:

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

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

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

Total Crown (refer to the Forecast Statement of Segments)

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

Core Crown

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

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

Forecast Statement of Borrowings

for the years ending 30 June

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

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

Statement of Actual Commitments

as at 31 March

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

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

Statement of Actual Contingent Liabilities

as at 31 March

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

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

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

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

Forecast Statement of Segments

Statement of Financial Performance (institutional form)

for the year ended 30 June 2005

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

Statement of Financial Position (institutional form)

as at 30 June 2005

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

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

Forecast Statement of Segments (continued)

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

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

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

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

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

Forecast Statement of Segments (continued)

Forecast Statement of Financial Performance (institutional form)

for the year ended 30 June 2007

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

Forecast Statement of Financial Position (institutional form)

as at 30 June 2007

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

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

Forecast Statement of Segments (continued)

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

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

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

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

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

Forecast Statement of Segments (continued)

Forecast Statement of Financial Performance (institutional form)

for the year ended 30 June 2009

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

Forecast Statement of Financial Position (institutional form)

as at 30 June 2009

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

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

Forecast Statement of Segments (continued)

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

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

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

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

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

Notes to the Forecast Financial Statements

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

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

Notes to the Forecast Financial Statements

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

Notes to the Forecast Financial Statements

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

NOTE 2: Sale of Goods and Services

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

NOTE 3: Investment Income

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

NOTE 4: Other Revenue

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

NOTE 5: Subsidies and Transfer Payments

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

Notes to the Forecast Financial Statements

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

NOTE 6: Personnel Expenses

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

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

NOTE 7: Operating Expenses

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

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

Depreciation expense (by class of asset):

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

Other operating items:

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

NOTE 8: Forecast New Operating Spending

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

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

Notes to the Forecast Financial Statements

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

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

By category:

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

By portfolio management:

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

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

Nature of financial assets – some are restricted in their purpose

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

New Zealand Superannuation Fund

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

Government Superannuation Fund

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

EQC – Natural Disaster Fund (NDF)

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

ACC portfolio

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

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

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

Notes to the Forecast Financial Statements

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

Notes to the Forecast Financial Statements

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

Notes to the Forecast Financial Statements

NOTE 15: GSF Liability

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

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

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

Presentation approach

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

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

Notes to the Forecast Financial Statements

NOTE 16: ACC Claims Liability

Calculation information

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

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

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

Explanation of change

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

Presentation approach

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

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

NOTE 17: Revaluation reserves

Asset Revaluation Reserves

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

Notes to the Forecast Financial Statements

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