
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 on pages 125-138. 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 26 November 2001.

| Finalisation Dates | |
|--|-------------|
| Fiscal forecasts | 26 November |
| Tax revenue forecasts | 26 November |
| Economic outlook | 21 November |
| Government decisions and circumstances | 26 November |
| Actual asset revaluations | 31 October |
| Foreign-exchange rates | 31 October |
| Specific fiscal risks | 26 November |
| Contingent liabilities and commitments | 31 October |

Reporting Entity as at 26 November 2001

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

| Offices of Parliament | Departments | State-owned enterprises |
|---|---|---|
| Office of the Controller and Auditor-General Office of the Ombudsmen Parliamentary Commissioner for the Environment | Agriculture and Forestry Archives New Zealand Child, Youth and Family Services Conservation Corrections Courts 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 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 Youth Affairs | Agriquality New Zealand Limited Airways Corporation of New Zealand Limited Asure New Zealand Limited Crown Forestry Management 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 Television New Zealand Limited Terralink New Zealand Limited Timberlands West Coast Limited Transpower New Zealand Limited |

| Crown entities | |
|---|--|
| Accident Compensation Corporation Accounting Standards Review Board Agriculture and Marketing Research and Development Trust Alcoholic Advisory Council of New Zealand Animal Control Products Limited Arts Council of New Zealand Toi Aotearoa Asia 2000 Foundation of New Zealand Broadcasting Commission Broadcasting Standards Authority Building Industry Authority Career Services Casino Control Authority Civil Aviation Authority of New Zealand Commerce Commission Commissioner for Children Crown research institutes (9) District health boards (21) Early Childhood Development Board Earthquake Commission Electoral Commission Energy Efficiency and Conservation Authority Environmental Risk Management Authority Fish and game councils (13) Foundation for Research, Science and Technology Government Property Services Limited Government Superannuation Fund Authority Health and Disability Commissioner Health Research Council of New Zealand Health Sponsorship Council Hillary Commission for Sport, Fitness and Leisure Housing New Zealand Corporation Human Rights Commission Industry New Zealand Land Transport Safety Authority of New Zealand Law Commission Learning Media Limited Legal Services Agency Management Development Centre Trust Maritime Safety Authority of New Zealand Mental Health Commission Museum of New Zealand Te Papa Tongarewa New Zealand Antarctic Institute | New Zealand Artificial Limb Board New Zealand Blood Services New Zealand Business Development Board New Zealand Film Commission New Zealand Fire Service Commission New Zealand Fish and Game Council New Zealand Game Bird Habitat Trust Board New Zealand Government Property Corporation New Zealand Lotteries Commission New Zealand Lottery Grants Board New Zealand Qualifications Authority New Zealand Sports Drug Agency New Zealand Symphony Orchestra Limited New Zealand Tourism Board New Zealand Trade Development Board Ngai Tahu Ancillary Claims Trust Office of Film and Literature Classification Pacific Business Trust Pharmaceutical Management Agency Police Complaints Authority Privacy Commissioner Quotable Value New Zealand Limited Race Relations Conciliator Radio New Zealand Limited Reserve boards (51) Residual Health Management Unit Retirement Commissioner Road Safety Trust School boards of trustees (2,664) Securities Commission Skill New Zealand (Education and Training Support Agency) Specialist Education Services Board Standards Council Takeovers Panel Te Reo Whakapuaki Irirangi (Te Mangai Paho) Te Taura Whiri I Te Reo Māori (Māori Language Commission) Teacher Registration Board Tertiary education institutions (39) Testing Laboratory Registration Council Transfund New Zealand Transit New Zealand Transport Accident Investigation Commission Trustees of the National Library |
| Reserve Bank of New Zealand | Public Trust Office |

Forecast Statement of Financial Performance

for the years ending 30 June

| (\$ million) | Note | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|------|---------------|-----------------|---------------|---------------|---------------|---------------|
| | | Actual | Previous Budget | Forecast | Forecast | Forecast | Forecast |
| Revenue | | | | | | | |
| Levied through the Crown's Sovereign Power | | | | | | | |
| Direct taxation | 1 | 23,863 | 24,505 | 24,226 | 25,257 | 26,999 | 28,390 |
| Indirect taxation | 2 | 12,875 | 13,180 | 13,345 | 13,721 | 14,360 | 14,954 |
| Total taxation revenue | | 36,738 | 37,685 | 37,571 | 38,978 | 41,359 | 44,952 |
| Compulsory fees, fines, penalties and levies | | 385 | 418 | 519 | 485 | 508 | 533 |
| Total Revenue Levied through the Crown's Sovereign Power | | 37,123 | 38,103 | 38,090 | 39,463 | 41,867 | 45,485 |
| Earned through the Crown's Operations | | | | | | | |
| Investment income | 3 | 1,369 | 934 | 1,207 | 1,109 | 1,493 | 1,846 |
| Sales of goods and services | | 659 | 654 | 670 | 655 | 628 | 629 |
| Other operational revenue | 4 | 381 | 305 | 323 | 304 | 295 | 293 |
| Unrealised losses arising from changes in the value of commercial forests | | (40) | .. | .. | .. | .. | .. |
| Total Revenue Earned through the Crown's Operations | | 2,369 | 1,893 | 2,200 | 2,068 | 2,416 | 3,097 |
| Total Revenue | | 39,492 | 39,996 | 40,290 | 41,531 | 44,283 | 48,582 |
| Expenses | | | | | | | |
| By Functional Classification | | | | | | | |
| Social security and welfare | | 13,216 | 13,826 | 13,649 | 13,933 | 14,308 | 15,291 |
| GSF pension expenses | | 855 | 667 | 748 | 597 | 649 | 703 |
| Health | | 7,342 | 7,684 | 7,797 | 8,225 | 8,744 | 9,385 |
| Education | | 6,690 | 7,056 | 7,041 | 7,257 | 7,334 | 7,396 |
| Core government services | | 1,817 | 1,552 | 1,611 | 1,570 | 1,539 | 1,575 |
| Law and order | | 1,560 | 1,640 | 1,737 | 1,687 | 1,661 | 1,650 |
| Defence | | 1,267 | 1,153 | 1,162 | 1,157 | 1,157 | 1,117 |
| Transport and communications | | 1,026 | 1,027 | 1,103 | 1,125 | 1,149 | 1,179 |
| Economic and industrial services | | 1,141 | 1,225 | 1,258 | 1,262 | 1,267 | 1,225 |
| Primary services | | 424 | 320 | 337 | 317 | 303 | 301 |
| Heritage, culture and recreation | | 287 | 456 | 495 | 465 | 503 | 535 |
| Housing and community development | | 50 | 90 | 92 | 87 | 86 | 82 |
| Other | | 75 | 114 | 137 | 93 | 93 | 93 |
| Finance costs | 5 | 2,483 | 2,395 | 2,345 | 2,322 | 2,508 | 2,594 |
| Net foreign-exchange gains | | (47) | .. | 1 | .. | .. | .. |
| Provision for future initiatives | 5 | .. | 160 | 90 | 450 | 975 | 1,475 |
| Total Expenses | 5 | 38,186 | 39,365 | 39,603 | 40,547 | 42,276 | 43,843 |
| Revenue less Expenses | | 1,306 | 631 | 687 | 984 | 2,007 | 2,739 |
| Surplus attributable to state-owned enterprises and Crown entities (excl. ACC liability valuation) | 9 | 844 | 953 | 839 | 1,089 | 1,214 | 1,248 |
| ACC outstanding claims liability valuation | | (420) | .. | (205) | .. | .. | .. |
| Dividends and other distributions | 9 | (321) | (208) | (336) | (250) | (313) | (384) |
| Net Surplus Attributable to State-owned Enterprises and Crown Entities | | 103 | 745 | 298 | 839 | 901 | 864 |
| Operating Balance | | 1,409 | 1,376 | 985 | 1,823 | 2,908 | 3,854 |

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Financial Position

as at 30 June

| (\$ million) | Note | 2002 | | | | | | |
|---|------|----------------|--------------------|------------------|------------------|------------------|------------------|------------------|
| | | 2001 Actual | Previous Budget | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast |
| Assets | | | | | | | | |
| Cash and bank balances | | 115 | 45 | 169 | 66 | 67 | 97 | 40 |
| Marketable securities and deposits ¹ | | 12,060 | 9,067 | 9,821 | 10,254 | 12,106 | 14,551 | 17,268 |
| Advances | 7 | 4,615 | 5,873 | 6,026 | 6,990 | 8,514 | 9,359 | 10,285 |
| Receivables | 8 | 6,197 | 5,439 | 6,125 | 6,070 | 6,036 | 6,023 | 5,970 |
| Inventories | | 193 | 280 | 207 | 213 | 221 | 219 | 217 |
| State-owned enterprises and Crown entities | 9 | 14,077 | 15,114 | 14,713 | 15,794 | 16,933 | 17,883 | 18,860 |
| Other investments | | 354 | 432 | 471 | 453 | 440 | 425 | 411 |
| Physical assets | 10 | 16,102 | 16,076 | 16,303 | 16,394 | 16,406 | 16,120 | 15,795 |
| Commercial forests | | 310 | 359 | 310 | 310 | 310 | 310 | 310 |
| State highways | 11 | 11,055 | 10,847 | 11,131 | 11,165 | 11,207 | 11,256 | 11,310 |
| Intangible assets | | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Capital contingency provision | | .. | 315 | 1,269 | 2,009 | 2,947 | 3,410 | 3,845 |
| Total Assets | | 65,081 | 63,850 | 66,548 | 69,721 | 75,190 | 79,656 | 84,314 |
| Liabilities | | | | | | | | |
| Payables and provisions | 12 | 5,831 | 4,758 | 5,811 | 5,699 | 5,670 | 5,641 | 5,493 |
| Currency issued | | 2,539 | 2,570 | 2,665 | 2,665 | 2,665 | 2,665 | 2,665 |
| Borrowings | | 36,761 | 35,831 | 37,105 | 38,708 | 41,400 | 42,326 | 43,368 |
| Pension liabilities | | 8,487 | 8,734 | 8,525 | 8,384 | 8,282 | 8,181 | 8,091 |
| Total Liabilities | | 53,618 | 51,893 | 54,106 | 55,456 | 58,017 | 58,813 | 59,617 |
| Total Assets less Total Liabilities | | 11,463 | 11,957 | 12,442 | 14,265 | 17,173 | 20,843 | 24,697 |
| Crown Balance | | | | | | | | |
| Accumulated operating balance | | 3,456 | 4,058 | 4,442 | 6,265 | 9,173 | 12,843 | 16,697 |
| Revaluation reserve | 13 | 8,007 | 7,899 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Crown Balance | | 11,463 | 11,957 | 12,442 | 14,265 | 17,173 | 20,843 | 24,697 |

¹ Marketable securities and deposits

| | Note | 2002 | | | | | | |
|---|------|----------------|--------------------|------------------|------------------|------------------|------------------|------------------|
| | | 2001 Actual | Previous Budget | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast |
| New Zealand Superannuation (NZS) Fund | | .. | 617 | 614 | 1,904 | 3,914 | 6,379 | 9,091 |
| Other marketable securities and deposits | 6 | 12,060 | 8,450 | 9,207 | 8,350 | 8,192 | 8,172 | 8,177 |
| Total marketable securities and deposits | | 12,060 | 9,067 | 9,821 | 10,254 | 12,106 | 14,551 | 17,268 |

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Movements in Equity

for the years ending 30 June

| (\$ million) | Note | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | |
|---|------|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| | | Actual | Previous Budget | Forecast | Forecast | Forecast | Forecast | |
| Opening Crown Balance | | 8,583 | 10,581 | 11,463 | 12,442 | 14,265 | 17,173 | 20,843 |
| Operating balance for the year | | 1,409 | 1,376 | 985 | 1,823 | 2,908 | 3,670 | 3,854 |
| Net revaluations | 13 | (179) | .. | (6) | .. | .. | .. | .. |
| Total Recognised Revenues and Expenses | | 1,230 | 1,376 | 979 | 1,823 | 2,908 | 3,670 | 3,854 |
| State highway recognition policy change | 11 | 1,650 | .. | .. | .. | .. | .. | .. |
| Closing Crown Balance | | 11,463 | 11,957 | 12,442 | 14,265 | 17,173 | 20,843 | 24,697 |

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows

for the years ending 30 June

| (\$ million) | 2001 Actual | 2002 Previous Budget | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast |
|---|----------------|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash Flows from Operations | | | | | | | |
| Cash was Provided from | | | | | | | |
| <i>Direct Taxation</i> | | | | | | | |
| Individuals | | | | | | | |
| Source deductions | 13,748 | 14,358 | 14,380 | 15,040 | 16,083 | 17,046 | 17,837 |
| Other persons | 4,221 | 4,319 | 4,300 | 4,475 | 4,604 | 4,766 | 4,916 |
| Refunds | (1,175) | (1,094) | (1,158) | (1,119) | (1,110) | (1,130) | (1,140) |
| Fringe benefit tax | 338 | 324 | 340 | 365 | 360 | 355 | 351 |
| Total Individuals | 17,132 | 17,907 | 17,862 | 18,761 | 19,937 | 21,037 | 21,964 |
| Corporate | | | | | | | |
| Gross companies | 5,377 | 5,518 | 5,255 | 5,373 | 5,790 | 5,975 | 6,088 |
| Refunds | (785) | (701) | (692) | (638) | (628) | (613) | (613) |
| Non-resident withholding tax | 738 | 679 | 714 | 699 | 742 | 762 | 781 |
| Foreign-source dividend withholding payment | 98 | 36 | 108 | 56 | 56 | 56 | 56 |
| Total Corporate | 5,428 | 5,532 | 5,385 | 5,490 | 5,960 | 6,180 | 6,312 |
| Other withholding taxes | 1,043 | 1,046 | 1,009 | 978 | 1,110 | 1,170 | 1,222 |
| Other direct taxation | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Total Direct Taxation | 23,605 | 24,487 | 24,258 | 25,231 | 27,009 | 28,389 | 29,500 |
| <i>Indirect Taxation</i> | | | | | | | |
| Goods and Services Tax | | | | | | | |
| Gross goods and services tax | 14,604 | 14,754 | 15,257 | 15,527 | 16,189 | 16,807 | 17,472 |
| Refunds | (5,657) | (5,418) | (5,846) | (5,690) | (5,774) | (5,861) | (6,075) |
| Total Goods and Services Tax | 8,947 | 9,336 | 9,411 | 9,837 | 10,415 | 10,946 | 11,397 |
| Other indirect taxation | 3,698 | 3,858 | 3,851 | 3,882 | 3,943 | 4,008 | 4,073 |
| Total Indirect Taxation | 12,645 | 13,194 | 13,262 | 13,719 | 14,358 | 14,954 | 15,470 |
| Total Taxation Receipts | 36,250 | 37,681 | 37,520 | 38,950 | 41,367 | 43,343 | 44,970 |
| Compulsory Fees, Fines, Penalties and Levies | 324 | 349 | 345 | 383 | 394 | 405 | 418 |
| Other Receipts | | | | | | | |
| Interest, profits and dividends | 892 | 755 | 1,017 | 811 | 1,053 | 1,221 | 1,342 |
| Sales of goods and services | 622 | 644 | 647 | 646 | 605 | 606 | 606 |
| Other operating receipts | 383 | 301 | 362 | 304 | 294 | 289 | 305 |
| Total Other Receipts | 1,897 | 1,700 | 2,026 | 1,761 | 1,952 | 2,116 | 2,253 |
| Total Cash Provided from Operations | 38,471 | 39,730 | 39,891 | 41,094 | 43,713 | 45,864 | 47,641 |
| Cash was Disbursed to | | | | | | | |
| Departmental outputs | 4,749 | 5,040 | 5,107 | 4,928 | 4,858 | 4,832 | 4,871 |
| Other outputs | 16,008 | 16,610 | 16,802 | 17,498 | 17,994 | 18,566 | 18,811 |
| Finance costs | 2,499 | 2,402 | 2,311 | 2,278 | 2,573 | 2,645 | 2,684 |
| Subsidies | 133 | 181 | 168 | 184 | 200 | 150 | 150 |
| Current transfers | | | | | | | |
| Social assistance grants | 12,910 | 13,610 | 13,502 | 13,715 | 14,108 | 14,546 | 15,130 |
| Other transfers | 250 | 255 | 258 | 254 | 255 | 255 | 255 |
| Provision for future initiatives | .. | 160 | 90 | 450 | 975 | 1,475 | 2,376 |
| Total Cash Disbursed to Operations | 36,549 | 38,258 | 38,238 | 39,307 | 40,963 | 42,469 | 44,277 |
| Net Cash Flows from Operations | 1,922 | 1,472 | 1,653 | 1,787 | 2,750 | 3,395 | 3,364 |

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the years ending 30 June

| (\$ million) | 2001 Actual | 2002 Previous Budget | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast |
|--|----------------|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Subtotal (brought forward) | 1,922 | 1,472 | 1,653 | 1,787 | 2,750 | 3,395 | 3,364 |
| Cash Flows from Investing Activities | | | | | | | |
| Cash was Provided from | | | | | | | |
| Sale of physical assets | 75 | 91 | 94 | 53 | 47 | 43 | 33 |
| Total Cash Provided | 75 | 91 | 94 | 53 | 47 | 43 | 33 |
| Cash was Disbursed to | | | | | | | |
| Purchase of physical assets | 1,205 | 1,288 | 1,456 | 1,234 | 1,148 | 867 | 875 |
| Net increase in advances | 617 | 1,318 | 1,323 | 993 | 1,549 | 860 | 955 |
| Net purchase of investments | (174) | 294 | 440 | 233 | 220 | 44 | 44 |
| Purchase of marketable securities and deposits by NZS Fund | .. | 600 | 600 | 1,200 | 1,800 | 2,100 | 2,150 |
| Other net purchase/(sale) of marketable securities and deposits | 1,001 | (3,185) | (2,889) | (863) | (159) | (20) | 5 |
| Capital contingency provision | .. | 315 | 1,269 | 740 | 938 | 463 | 435 |
| Total Cash Disbursed | 2,649 | 630 | 2,199 | 3,537 | 5,496 | 4,314 | 4,464 |
| Net Cash Flows from Investing Activities | (2,574) | (539) | (2,105) | (3,484) | (5,449) | (4,271) | (4,431) |
| Net Cash Flows from Operating and Investing Activities | (652) | 933 | (452) | (1,697) | (2,699) | (876) | (1,067) |
| Cash Flows from Financing Activities | | | | | | | |
| Cash was Provided from | | | | | | | |
| Issue of circulating currency | 303 | .. | 126 | .. | .. | .. | .. |
| Net issue of Government stock | 1,066 | 391 | 1,056 | 1,647 | 2,576 | 908 | 874 |
| Total Cash Provided | 1,369 | 391 | 1,182 | 1,647 | 2,576 | 908 | 874 |
| Cash was Disbursed to | | | | | | | |
| Net repayment/(issue) of foreign- currency borrowing | 514 | 853 | 596 | 86 | (1) | (1) | .. |
| Net repayment/(issue) of other New Zealand-dollar borrowing | 305 | 479 | 103 | (33) | (123) | 3 | (136) |
| Total Cash Disbursed | 819 | 1,332 | 699 | 53 | (124) | 2 | (136) |
| Net Cash Flows from Financing Activities | 550 | (941) | 483 | 1,594 | 2,700 | 906 | 1,010 |
| Net Movement in Cash | (102) | (8) | 31 | (103) | 1 | 30 | (57) |
| Opening Cash Balance | 210 | 53 | 115 | 169 | 66 | 67 | 97 |
| Foreign-exchange gains on opening cash balances | 7 | .. | 23 | .. | .. | .. | .. |
| Closing Cash Balance | 115 | 45 | 169 | 66 | 67 | 97 | 40 |

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the years ending 30 June

| (\$ million) | 2001 Actual | 2002 Previous Budget | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast |
|---|----------------|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Reconciliation Between the Forecast Net Cash Flows from Operations and the Operating Balance | | | | | | | |
| Net Cash Flows from Operations | 1,922 | 1,472 | 1,653 | 1,787 | 2,750 | 3,395 | 3,364 |
| <i>Items included in the operating balance but not in net cash flows from operations</i> | | | | | | | |
| Valuation Changes | | | | | | | |
| Increase in National Provident Fund guarantee liability | (253) | .. | .. | .. | .. | .. | .. |
| (Increase)/decrease in pension liabilities | (164) | 51 | (38) | .. | .. | .. | .. |
| Unrealised net foreign exchange gains | 100 | .. | .. | .. | .. | .. | .. |
| Unrealised losses arising from changes in the value of commercial forests | (40) | .. | .. | .. | .. | .. | .. |
| Total Valuation Changes | (357) | 51 | (38) | .. | .. | .. | .. |
| Physical Asset Movements | | | | | | | |
| Depreciation | (925) | (879) | (965) | (1,000) | (1,002) | (1,033) | (1,034) |
| (Loss)/gain on sale of assets | (7) | .. | (1) | .. | .. | .. | .. |
| Total Physical Asset Movements | (932) | (879) | (966) | (1,000) | (1,002) | (1,033) | (1,034) |
| Other Non-cash Items | | | | | | | |
| Net surplus attributable to state-owned enterprises and Crown entities | 103 | 745 | 298 | 839 | 901 | 883 | 911 |
| Accrued income from NZS Fund | .. | .. | 14 | 91 | 210 | 372 | 559 |
| Loss on writedown of defence equipment | (103) | .. | .. | .. | .. | .. | .. |
| Student Loans | (61) | (99) | (7) | (50) | (47) | (39) | (45) |
| Other | 55 | 17 | .. | .. | .. | .. | .. |
| Total Other Non-cash Items | (6) | 663 | 305 | 880 | 1,064 | 1,216 | 1,425 |
| Total Other Investing and Financing Items | 177 | .. | .. | .. | .. | .. | .. |
| Movements in Working Capital | | | | | | | |
| Increase/(decrease) in taxes receivable | 737 | 25 | (1) | 29 | (7) | 3 | (9) |
| Decrease/(increase) in payables | 11 | 62 | 89 | 142 | 122 | 107 | 154 |
| (Decrease)/increase in other receivables | (62) | (84) | (71) | (21) | (27) | (16) | (44) |
| (Decrease)/increase in inventories | (81) | 66 | 14 | 6 | 8 | (2) | (2) |
| Total Movements in Working Capital | 605 | 69 | 31 | 156 | 96 | 92 | 99 |
| Operating Balance | 1,409 | 1,376 | 985 | 1,823 | 2,908 | 3,670 | 3,854 |

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the years ending 30 June

| (\$ million) | 2001 Actual | 2002 Previous Budget | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast |
|--|----------------|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Reconciliation of Forecast Net Cash Flows from Operations with Forecast Net Cash Proceeds from Domestic Bonds | | | | | | | |
| Net Cash Flows from Operations | 1,922 | 1,472 | 1,653 | 1,787 | 2,750 | 3,395 | 3,364 |
| Net purchase of physical assets | (1,130) | (1,197) | (1,362) | (1,181) | (1,101) | (824) | (842) |
| Net increase in advances | (617) | (1,318) | (1,323) | (993) | (1,549) | (860) | (955) |
| Net sale/(purchase) of investments | 174 | (294) | (440) | (233) | (220) | (44) | (44) |
| Purchase of marketable securities and deposits by NZS Fund | .. | (600) | (600) | (1,200) | (1,800) | (2,100) | (2,150) |
| Capital contingency provision | .. | (315) | (1,269) | (740) | (938) | (463) | (435) |
| Available to Repay Debt/(Required to be Financed) | 349 | (2,252) | (3,341) | (2,560) | (2,858) | (896) | (1,062) |
| Financed by: | | | | | | | |
| Other net (purchase)/sale of marketable securities and deposits | (1,001) | 3,185 | 2,889 | 863 | 159 | 20 | (5) |
| Total Investing Activities | (652) | 933 | (452) | (1,697) | (2,699) | (876) | (1,067) |
| Used in: | | | | | | | |
| Net (repayment)/issue of other New Zealand-dollar borrowing | (305) | (479) | (103) | 33 | 123 | (3) | 136 |
| Decrease/(increase) in cash | 102 | 8 | (31) | 103 | (1) | (30) | 57 |
| Issue of circulating currency | 303 | .. | 126 | .. | .. | .. | .. |
| Net (repayment)/issue of foreign-currency borrowing | (514) | (853) | (596) | (86) | 1 | 1 | .. |
| | (414) | (1,324) | (604) | 50 | 123 | (32) | 193 |
| Net Cash (Outflow)/Inflow to be Offset by Domestic Bonds | (1,066) | (391) | (1,056) | (1,647) | (2,576) | (908) | (874) |
| Gross Cash Proceeds from Domestic Bonds | | | | | | | |
| Domestic bonds (market) | 3,572 | 3,570 | 4,156 | 5,070 | 5,620 | 3,730 | 874 |
| Domestic bonds (non-market) | 661 | .. | 98 | .. | 478 | 143 | .. |
| Inflation bonds | .. | .. | .. | .. | .. | .. | .. |
| Total Gross Cash Proceeds from Domestic Bonds | 4,233 | 3,570 | 4,254 | 5,070 | 6,098 | 3,873 | 874 |
| Repayment of domestic bonds (market) | (2,651) | (2,582) | (2,590) | (2,823) | (3,044) | (2,822) | .. |
| Repayment of domestic bonds (non-market) | (516) | (597) | (608) | (600) | (478) | (143) | .. |
| Net Cash Proceeds from/(Repayments of) Domestic Bonds | 1,066 | 391 | 1,056 | 1,647 | 2,576 | 908 | 874 |

The accompanying Notes are an integral part of these Statements.

Forecast Statement of Borrowings

as at 30 June

| (\$ million) | Note | 2001 Actual | 2002 Previous Budget | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast |
|--|------|----------------|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Outstanding Debt | | | | | | | | |
| New Zealand-Dollar Debt | | | | | | | | |
| Government stock | | 23,331 | 23,788 | 24,406 | 26,062 | 28,630 | 29,561 | 30,465 |
| Treasury bills | | 5,558 | 5,388 | 5,466 | 5,549 | 5,560 | 5,573 | 5,587 |
| Loans and foreign-exchange contracts | | (272) | (763) | (342) | (392) | (280) | (299) | (175) |
| Retail stock | | 498 | 475 | 527 | 527 | 527 | 527 | 527 |
| Total New Zealand-Dollar Debt | | 29,115 | 28,888 | 30,057 | 31,746 | 34,437 | 35,362 | 36,404 |
| Foreign-Currency Debt | | | | | | | | |
| United States dollars | | 4,780 | 3,799 | 4,170 | 4,083 | 4,083 | 4,083 | 4,083 |
| Japanese yen | | 1,432 | 1,562 | 1,079 | 1,080 | 1,080 | 1,080 | 1,080 |
| European and other currencies | | 1,434 | 1,582 | 1,799 | 1,799 | 1,800 | 1,801 | 1,801 |
| Total Foreign-Currency Debt | | 7,646 | 6,943 | 7,048 | 6,962 | 6,963 | 6,964 | 6,964 |
| Total Outstanding Debt | | 36,761 | 35,831 | 37,105 | 38,708 | 41,400 | 42,326 | 43,368 |
| Less | | | | | | | | |
| Financial Assets | | | | | | | | |
| Marketable Securities and Deposits ¹ | | | | | | | | |
| New Zealand dollars | | 3,971 | 1,154 | 1,862 | 1,186 | 1,031 | 1,024 | 1,035 |
| United States dollars | | 5,093 | 3,909 | 4,358 | 4,171 | 4,167 | 4,153 | 4,147 |
| Japanese yen | | 1,548 | 1,775 | 1,105 | 1,106 | 1,106 | 1,106 | 1,106 |
| European and other currencies | | 1,448 | 1,612 | 1,882 | 1,887 | 1,888 | 1,889 | 1,889 |
| Total Marketable Securities and Deposits | 6 | 12,060 | 8,450 | 9,207 | 8,350 | 8,192 | 8,172 | 8,177 |
| Advances and Cash | | | | | | | | |
| Advances to state-owned enterprises and | | | | | | | | |
| Crown entities | 7 | 261 | 939 | 922 | 1,199 | 1,965 | 2,042 | 2,204 |
| Student loans | 7 | 4,143 | 4,776 | 4,870 | 5,600 | 6,352 | 7,116 | 7,877 |
| Other advances | | 211 | 158 | 234 | 191 | 197 | 201 | 204 |
| Cash | | 115 | 45 | 169 | 66 | 67 | 97 | 40 |
| Total Advances and Cash | | 4,730 | 5,918 | 6,195 | 7,056 | 8,581 | 9,456 | 10,325 |
| Total Financial Assets | | 16,790 | 14,368 | 15,402 | 15,406 | 16,773 | 17,628 | 18,502 |
| Net Crown Debt | | 19,971 | 21,463 | 21,703 | 23,302 | 24,627 | 24,698 | 24,866 |
| Net New Zealand-dollar debt | | 20,495 | 21,816 | 22,000 | 23,504 | 24,825 | 24,882 | 25,044 |
| Net foreign-currency debt | | (524) | (353) | (297) | (202) | (198) | (184) | (178) |
| Net Crown Debt | | 19,971 | 21,463 | 21,703 | 23,302 | 24,627 | 24,698 | 24,866 |

¹ Marketable securities and deposits held by the NZS Fund are excluded from the calculation of net Crown debt.

The accompanying Notes are an integral part of these Statements.

Statement of Actual Commitments

as at 31 October 2001

| (\$ million) | As at 31 October 2001 | As at 30 June 2001 |
|---|-----------------------------|--------------------------|
| By Type | | |
| Capital Commitments | | |
| Specialist military equipment | 617 | 639 |
| Land and buildings | 519 | 383 |
| Other plant and equipment | 35 | 41 |
| Investments | 19 | 15 |
| Commitments of state-owned enterprises and Crown entities | 588 | 619 |
| Total Capital Commitments | 1,778 | 1,697 |
| Operating Commitments | | |
| Non-cancellable accommodation leases | 840 | 842 |
| Other non-cancellable leases | 1,791 | 1,713 |
| Non-cancellable contracts for the supply of goods and services | 1,004 | 367 |
| Other operating commitments | 1,557 | 2,213 |
| Commitments of state-owned enterprises and Crown entities | 2,459 | 2,471 |
| Total Operating Commitments | 7,651 | 7,606 |
| Total Commitments | 9,429 | 9,303 |
| By Term | | |
| One year or less | 4,102 | 3,618 |
| From one to two years | 1,771 | 2,051 |
| From two to five years | 1,706 | 1,754 |
| Over five years | 1,850 | 1,880 |
| Total Commitments | 9,429 | 9,303 |

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

The accompanying Notes are an integral part of these Statements.

Statement of Actual Specific Fiscal Risks

Quantifiable contingent liabilities

| (\$ million) | As at 31 October 2001 | As at 30 June 2001 |
|--|-----------------------------|--------------------------|
| Guarantees and indemnities | 394 | 371 |
| Uncalled capital | 3,522 | 3,594 |
| Legal proceedings and disputes | 519 | 571 |
| Other quantifiable contingent liabilities | 1,962 | 1,965 |
| Total Quantifiable Contingent Liabilities | 6,397 | 6,501 |

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

Unquantified contingent liabilities

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

Institutional Guarantees

Commerce Commission – indemnity for damages
 District Court Judges and Justices of the Peace
 Fletcher Challenge Limited
 Māori Trustee
 Ministry of Fisheries – indemnity provided for delivery of registry services
 National Provident Fund
 Persons exercising investigating powers
 Public Trust Office
 Reserve Bank of New Zealand

Other Unquantified Contingent Liabilities

Accident Compensation Corporation
 Bank of New Zealand
 Contaminated sites
 Crown research institutes
 Development Finance Corporation New Zealand Limited (under statutory management)
 District health boards
 Electricity Corporation of New Zealand Limited
 Housing New Zealand Corporation
 Pharmaceutical Management Agency Limited – indemnity
 Purchasers of Crown operations
 Sale of Crown assets
 Tax liabilities
 Treaty of Waitangi claims
 Treaty of Waitangi claims – settlement relativity payments
 Works Civil Construction
 Works Consultancy Services

Actual contingent liabilities are discussed in detail in Chapter 5.

Statement of Actual Specific Fiscal Risks (continued)

Quantified risks

| | (\$ million) |
|--|---|
| Accident Insurance – treatment cost review | (7) from 2002/03 |
| Child, Youth and Family Services – potential underpayment of care allowances | (15) in 2001/02 |
| Conservation – asset maintenance | up to (100) split between operating and capital |
| Corrections – capital projects | (475) capital and (152) operating across the outyears |
| Defence – capital injections | (1,000) over the next five years to ten years |
| Defence – East Timor | (16) operating in 2002/03 |
| Education – centres of research excellence | (20) capital |
| Education – school property | (68) in 2001/02, (200) in 2002/03, (160) in 2003/04 and subsequent outyears for capital and (10) in 2001/02, (20) in 2002/03, (30) in 2003/04 and (40) in 2004/05 for operating |
| Energy Efficiency and Conservation – national strategy | (78) operating over five years |
| Environment – genetic modification | (10) in 2003/04 and outyears |
| Finance – Air New Zealand | (885) capital in 2001/02 and (150) before June 2003 |
| Finance – purchase of Auckland rail network | (81) capital |
| Health – budget allocation | included in baselines |
| Inland Revenue – tax simplification | 30 to (25) operating |
| Labour – paid parental leave | (40) operating from 2002/03 |
| Responses to Terrorism | (2) in 2001/02, (12) in 2002/03 and (14) in 2003/04 |
| Social Development – making work pay | (16) operating ongoing |
| Social Development – benefit payment system | up to (95) split between operating and capital |
| Transport – transport strategy | (250) per year split between operating and capital |

Many of these risks, if they crystallise, are covered by the provisions for future initiatives and therefore have no impact on the forecasts.

Unquantified risks

Accident Insurance – medical misadventure
 Education – capital injections for tertiary education institutions
 Education – collective employment contracts
 Education – ECE strategic plan
 Education – pay parity for kindergarten teachers
 Education – review of school staffing
 Education – school and early childhood operational funding
 Education – school property code
 Education – stabilisation of tertiary fees
 Education – Tertiary Education Advisory Commission
 Education – Wananga capital injections
 Environment – climate change policy
 Health – District health board financing
 Health – meningococcal vaccine
 Inland Revenue – gaming review
 Inland Revenue – GST and imported services and financial services review
 Inland Revenue – taxation of savings and investment vehicles, including superannuation funds
 Inland Revenue – tax review of international issues
 Inland Revenue – trans-Tasman triangular tax relief
 Police – capital projects
 Social Development – families and work
 TVNZ – change of direction

Risks are stated as at 26 November 2001.

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

Statement of Accounting Policies and Forecast Assumptions

General Accounting Policies and Forecast Assumptions

General Accounting Policies

Accounting policy

These Forecast Financial Statements comply with generally accepted accounting practice. The measurement base applied is historical cost adjusted for revaluations of physical assets (where appropriate), state highways, commercial forests and marketable securities and deposits 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 are projected beyond the current year.

General Forecast Assumptions

Finalisation dates

The Forecast Financial Statements were finalised on 26 November 2001 and incorporate all Government decisions and circumstances communicated up to 26 November 2001.

Macroeconomic assumptions

A summary of the economic assumptions that are particularly relevant to the fiscal forecasts (along with the 2001/02 assumptions used in the 2001 *Budget Economic and Fiscal Update*) are provided in the following table:

Key economic assumptions

| | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | |
|--|-----------------|---------|---------|---------|---------|---------|
| June years | Previous Budget | DEFU | DEFU | DEFU | DEFU | |
| Real GDP (production based measure) | | | | | | |
| (annual average % change) | 2.7 | 2.6 | 2.6 | 3.4 | 2.6 | 2.8 |
| Nominal GDP (\$ million) | 117,323 | 118,980 | 123,271 | 129,725 | 135,373 | 141,076 |
| Consumer Price Index | | | | | | |
| (annual average %) | 2.1 | 2.1 | 1.4 | 1.7 | 1.6 | 1.5 |
| Interest rates | | | | | | |
| Government 10-year bonds | | | | | | |
| (quarterly average %) | 6.1 | 6.4 | 6.4 | 6.2 | 6.2 | 6.2 |
| 90-day bill rate | | | | | | |
| (quarterly average %) | 6.1 | 4.8 | 6.0 | 6.0 | 6.0 | 6.0 |
| Household Labour Force Survey | | | | | | |
| Survey unemployment rate | | | | | | |
| (annual average %) | 5.4 | 5.6 | 5.7 | 5.2 | 5.2 | 5.2 |
| Full-time equivalent employment | | | | | | |
| (annual average % change) | 0.6 | 0.6 | 0.4 | 2.4 | 1.4 | 1.3 |
| Wages – hourly earnings | | | | | | |
| (annual average % change) | 3.8 | 3.8 | 3.6 | 3.4 | 3.5 | 3.0 |
| Trade Weighted Index | | | | | | |
| (quarterly average) | 52.9 | 49.6 | 52.1 | 54.3 | 55 | 55 |

Source: The Treasury

For the purposes of calculating net debt, the forecasts assume that the nominal exchange rate remains fixed at 31 October 2001 exchange rates. Projected exchange rate losses or gains are not included in the forecasts.

Specific Accounting Policies and Forecast Assumptions

Forecast periods

Accounting policy

The reporting periods covered by these Forecast Financial Statements are the years ending 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006.

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

Forecast assumptions

The forecasts for 30 June 2002 have been prepared using actual data to 31 October 2001. Transactions for the remainder of the year are forecast in accordance with these accounting policies and forecast assumptions.

Basis of Combination

Accounting policy

Ministers of the Crown, departments, offices of Parliament and the Reserve Bank of New Zealand are combined using the purchase method of combination. Corresponding assets, liabilities, revenues and expenses are added together line by line. Transactions and balances between these sub-entities are eliminated on combination.

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

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

Revenue

Revenue levied through the Crown's sovereign power

Accounting policy

The Crown provides many services and benefits that do not give rise to revenue. Further, payment of tax does not of itself entitle a taxpayer to an equivalent value of services or benefits, as there is no direct relationship between paying tax and receiving Crown services and transfers.

Such revenue is received through the exercise of the Crown's sovereign power.

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

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

Revenue earned through operations

Accounting policy

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

Investment income

Accounting policy

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

Premiums

Accounting policy

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

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

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

Forecast assumption

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

Gains

General

Accounting policy

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

Foreign-currency monetary assets and liabilities

Accounting policy

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

Forecast assumption

Forecasts of foreign-currency monetary assets and liabilities for the year ending 30 June 2002 and the other forecast periods use the exchange rates prevailing on 31 October 2001. As a consequence, no realised or unrealised exchange gains are forecast for the entire forecast period.

Physical assets

Accounting policy

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

Forecast assumption

The 30 June 2002 forecasts for the value of physical assets use the valuations as recorded in the Crown Financial Statements for the year ended 30 June 2001 and any additional actual valuations that have occurred up to 31 October 2001.

The value of physical assets for the other forecast periods is forecast using the same valuation as that used for the 30 June 2002 forecasts. As a consequence, no realised or unrealised gains are forecast for the entire forecast period.

*Investments and marketable securities held for investment*Forecast assumption

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

Expenses***General****Accounting policy*

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

*Welfare benefits*Accounting policy

Welfare benefits are recognised in the reporting periods during which it is forecast an application for a benefit has been received and the eligibility criteria met.

*Grants and subsidies*Accounting policy

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

*Treaty of Waitangi settlements*Forecast assumption

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

*Discounts*Accounting policy

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

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

Forecast assumption

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

Losses

General

Accounting policy

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

Foreign-currency monetary assets and liabilities

Accounting policy

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

Forecast assumption

The 30 June 2002 forecasts for foreign-currency monetary assets and liabilities use the exchange rates prevailing on 31 October 2001.

Forecasts of foreign-currency monetary assets and liabilities for the other forecast periods are based on the exchange rates used for the 30 June 2002 forecast. As a consequence, no realised or unrealised exchange losses are forecast for these years.

Physical assets and liabilities

Accounting policy

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

Forecast assumption

The 30 June 2002 forecasts for the value of physical assets use valuations as recorded in the Crown Financial Statements for the year ended 30 June 2001, and any additional actual valuations that have occurred up to 31 October 2001.

The value of physical assets for the other forecast periods is forecast using the same valuation used for the 30 June 2002 forecasts. As a consequence, no realised or unrealised losses are forecast beyond the current year.

Investments and marketable securities held for investment

Forecast assumption

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

Foreign-currency transactions

Accounting policy

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

Other transactions in foreign currencies are translated into New Zealand dollars using the exchange rates prevailing on 31 October 2001. Forecast exchange gains or losses arising on translation of these transactions are recognised in the Forecast Statement of Financial Performance.

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

Forecast assumption

Outstanding foreign-exchange contracts are translated using the exchange rate prevailing on 31 October 2001.

For forecasting purposes, the exchange rates prevailing on 31 October 2001 are assumed to prevail throughout the other forecast periods.

Depreciation

Accounting policy

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

| | |
|-------------------------------|-----------------|
| Freehold buildings | 25 to 60 years |
| Specialist military equipment | 5 to 25 years |
| Other plant and equipment | 3 to 25 years |
| State highways: | |
| Pavement (surfacing) | 7 years |
| Pavement (other) | 36 years |
| Bridges | 90 to 100 years |

Assets

Foreign monetary assets

Accounting policy

Foreign monetary assets existing at the forecast finalisation date and subject to forward exchange contracts are translated at the contract rate. Other foreign-currency monetary assets are translated at the exchange rates prevailing on 31 October 2001.

Forecast assumption

For forecasting purposes, the exchange rates on 31 October 2001 are assumed to prevail throughout the other forecast periods.

Receivables and advances

Accounting policy

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

Inventories

Accounting policy

Inventories, except for unissued currency stocks, existing at the forecast finalisation date are recorded at the lower of cost and net realisable value. Inventories forecast to be acquired after that date are recorded at the forecast cost.

Unissued currency stocks are recorded as inventory at the cost of acquisition and expensed when issued.

Investments

Marketable securities held for trading purposes

Accounting policy

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

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

Equity investments

Accounting policy

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

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

Other investments

Accounting policy

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

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

Investment sales

Forecast assumption

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

Physical assets

Accounting policy

Revaluations are made to reflect the service potential or economic benefit obtained through control of assets. Revaluation to fair value is based on the fair value of the asset less estimated disposal costs. Where an asset is recorded at its depreciated replacement cost, depreciated replacement cost is based on the estimated present cost of construction, reduced by factors for age and deterioration of the asset.

Physical assets are revalued at least every three years where appropriate.

Land and buildings

Accounting policy

Holdings of land and buildings at the forecast finalisation date are recorded at the latest available valuation calculated on a fair value basis. In cases where valuations conducted in accordance with New Zealand Institute of Valuers' standards are not available, valuations conducted in accordance with the Rating Valuation Act 1998 have been used.

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

Forecast assumption

Valuations are assumed to remain constant over the forecast period.

Specialist military equipment

Accounting policy

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

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

Other plant and equipment

Accounting policy

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

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

Other physical assets for which an objective estimate of market value is difficult to obtain

Accounting policy

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

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

Forecast assumption

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

State highways

Accounting policy

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

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

Forecast assumption

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

Commercial forests

Accounting policy

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

Forecast assumption

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

Intangible assets

Accounting policy

Identifiable intangible assets existing at the forecast finalisation date are recorded at cost less accumulated amortisation and accumulated impairment losses or if an active market exists identifiable intangible assets are recorded at fair value.

Forecast assumption

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

Liabilities

Borrowings

Accounting policy

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

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

Forecast assumption

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

Foreign monetary liabilities

Accounting policy

Foreign monetary liabilities existing at the forecast finalisation date and subject to forward exchange contracts are translated at contract rates. Other foreign-currency monetary liabilities are translated at exchange rates prevailing on 31 October 2001.

Forecast assumption

For forecasting purposes, the exchange rates prevailing on 31 October 2001 are assumed to prevail throughout the other forecast periods.

Pension liabilities

Forecast assumption

Forecasts of Government Superannuation Fund pension liabilities in respect of the contributory service of superannuation scheme members are based on financial assumptions applied to the latest actuarial value of the Crown's liability for pension payments net of the scheme's assets, adjusted in future years for any projected changes in demographic assumptions.

Currency issued

Accounting policy

Currency (including demonetised currency) issued at the forecast finalisation date or forecast to be issued after that date is recognised at face value.

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

Leases

Accounting policy

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

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

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

Employee entitlements

Accounting policy

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

Other liabilities

Accounting policy

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

Commitments

The commitments reported in these Forecast Financial Statements are **actual** commitments at 31 October 2001.

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

Specific Fiscal Risks

Accounting policy

The specific fiscal risks reported in these Forecast Financial Statements are the **actual** risks **existing at 26 November 2001** and contingent liabilities as at 31 October 2001. They include existing contingent liabilities, which are recognised at the point the contingency is evident. The Statement of Specific Fiscal Risks has been prepared in accordance with sections 10(3)(b) and 11 of the Fiscal Responsibility Act 1994.

Changes in Accounting Policies

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

Changes in Forecast Assumptions

Changes to the forecast assumptions used for the last set of forecasts published in the 2001 *Budget Economic and Fiscal Update* are outlined on page 126.

Notes to the Forecast Financial Statements

| (\$ million) | 2001 | 2002 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| | Actual | Previous Budget | Forecast | Forecast | Forecast | Forecast | Forecast |
| NOTE 1: Direct Taxation | | | | | | | |
| Income Tax | | | | | | | |
| Individuals | | | | | | | |
| Source deductions | 13,703 | 14,358 | 14,380 | 15,040 | 16,083 | 17,046 | 17,837 |
| Other persons | 3,871 | 3,881 | 3,921 | 4,108 | 4,240 | 4,396 | 4,542 |
| Refunds | (790) | (656) | (779) | (752) | (746) | (760) | (766) |
| Fringe benefit tax | 342 | 336 | 349 | 363 | 359 | 354 | 350 |
| Total Individuals | 17,126 | 17,919 | 17,871 | 18,759 | 19,936 | 21,036 | 21,963 |
| Corporate Tax | | | | | | | |
| Gross companies tax | 4,954 | 4,938 | 4,625 | 4,877 | 5,290 | 5,509 | 5,606 |
| Refunds | (123) | (121) | (115) | (122) | (133) | (139) | (143) |
| Non-resident withholding tax | 760 | 685 | 715 | 699 | 742 | 762 | 781 |
| Foreign-source dividend withholding payment | 71 | 36 | 123 | 56 | 56 | 56 | 56 |
| Total Corporate Tax | 5,662 | 5,538 | 5,348 | 5,510 | 5,955 | 6,188 | 6,300 |
| Other Income Tax | | | | | | | |
| Resident withholding tax on interest income | 990 | 993 | 982 | 940 | 1,060 | 1,117 | 1,169 |
| Resident withholding tax on dividend income | 83 | 53 | 23 | 46 | 46 | 47 | 48 |
| Estate and gift duties | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Total Other Income Tax | 1,075 | 1,048 | 1,007 | 988 | 1,108 | 1,166 | 1,219 |
| Total Direct Taxation | 23,863 | 24,505 | 24,226 | 25,257 | 26,999 | 28,390 | 29,482 |

NOTE 2: Indirect Taxation

| | | | | | | | |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Goods and Services Tax | | | | | | | |
| Gross goods and services tax | 15,133 | 15,054 | 15,517 | 15,727 | 16,339 | 16,907 | 17,522 |
| Refunds | (6,007) | (5,718) | (6,046) | (5,890) | (5,924) | (5,961) | (6,125) |
| Total Goods and Services Tax | 9,126 | 9,336 | 9,471 | 9,837 | 10,415 | 10,946 | 11,397 |
| Other Indirect Taxation | | | | | | | |
| Petroleum fuels | 810 | 806 | 825 | 828 | 837 | 847 | 859 |
| Tobacco products | 764 | 802 | 806 | 787 | 783 | 780 | 777 |
| Customs duty | 648 | 649 | 656 | 667 | 686 | 701 | 719 |
| Road user charges | 532 | 575 | 551 | 553 | 572 | 597 | 617 |
| Alcoholic beverages | 436 | 447 | 446 | 441 | 444 | 448 | 452 |
| Gaming duties | 206 | 220 | 239 | 262 | 276 | 288 | 300 |
| Motor vehicle fees | 181 | 181 | 180 | 182 | 184 | 185 | 186 |
| Energy resources levies | 111 | 96 | 107 | 101 | 97 | 93 | 91 |
| Stamp, cheque and credit card duties | 61 | 68 | 64 | 63 | 66 | 69 | 72 |
| Total Other Indirect Taxation | 3,749 | 3,844 | 3,874 | 3,884 | 3,945 | 4,008 | 4,073 |
| Total Indirect Taxation | 12,875 | 13,180 | 13,345 | 13,721 | 14,360 | 14,954 | 15,470 |

Notes to the Forecast Financial Statements

| (\$ million) | 2001 | 2002 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|--------------|-----------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | Previous Budget | Forecast | Forecast | Forecast | Forecast | Forecast |
| NOTE 3: Investment Income | | | | | | | |
| Interest Income | | | | | | | |
| Marketable securities, deposits, mortgages and cash balances | 463 | 305 | 351 | 278 | 336 | 371 | 389 |
| Advances | | | | | | | |
| Student loans | 289 | 326 | 334 | 381 | 438 | 498 | 550 |
| Other entities | 48 | 66 | 80 | 84 | 139 | 143 | 148 |
| Total Interest Income | 800 | 697 | 765 | 743 | 913 | 1,012 | 1,087 |
| Dividend Income | | | | | | | |
| State-owned enterprises | 304 | 199 | 267 | 216 | 279 | 329 | 348 |
| Other | 21 | 13 | 98 | 37 | 39 | 40 | 41 |
| Total Dividend Income | 325 | 212 | 365 | 253 | 318 | 369 | 389 |
| Other Investment Income | | | | | | | |
| Gain/(loss) on marketable securities and deposits | 102 | .. | 62 | .. | .. | .. | .. |
| NZS Fund investment income | .. | 25 | 14 | 113 | 262 | 465 | 699 |
| Gain on sale of 2GHz radio spectrum licences | 140 | .. | .. | .. | .. | .. | .. |
| Other | 2 | .. | 1 | .. | .. | .. | .. |
| Total Other Investment Income | 244 | 25 | 77 | 113 | 262 | 465 | 699 |
| Total Investment Income | 1,369 | 934 | 1,207 | 1,109 | 1,493 | 1,846 | 2,175 |

NOTE 4: Other Operational Revenue

| | | | | | | | |
|---|------------|------------|------------|------------|------------|------------|------------|
| Recoveries from the Accident Compensation Corporation | 106 | 97 | 105 | 101 | 101 | 101 | 101 |
| Petroleum royalties | 82 | 32 | 42 | 33 | 25 | 24 | 24 |
| Cost recovery income from Fisheries | 29 | 27 | 30 | 27 | 27 | 27 | 27 |
| Contributions to Government Superannuation Fund | 16 | 25 | 50 | 50 | 47 | 44 | 44 |
| Income from Earthquake Commission | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Other | 138 | 114 | 86 | 83 | 85 | 85 | 87 |
| Total Other Operational Revenue | 381 | 305 | 323 | 304 | 295 | 291 | 293 |

Notes to the Forecast Financial Statements

| (\$ million) | 2001 | 2002 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------|--------|-----------------|----------|----------|----------|----------|----------|
| | Actual | Previous Budget | Forecast | Forecast | Forecast | Forecast | Forecast |

NOTE 5: Expenses by Input Type

| | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Subsidies and transfer payments (see analysis below) | 13,274 | 13,886 | 13,740 | 14,060 | 14,472 | 14,864 | 15,447 |
| Operating expenses (see analysis below) | 17,719 | 18,307 | 18,619 | 19,072 | 19,635 | 20,183 | 20,394 |
| Personnel | | | | | | | |
| Personnel expenses (excluding pension expenses) | 2,632 | 2,762 | 2,783 | 2,740 | 2,732 | 2,722 | 2,740 |
| GSF pension expenses | 691 | 718 | 710 | 597 | 649 | 668 | 703 |
| Movement in unfunded pension liability | 164 | (51) | 38 | .. | .. | .. | .. |
| Other pension expenses | 56 | 53 | 53 | 53 | 53 | 53 | 53 |
| Depreciation | | | | | | | |
| Physical assets | 751 | 785 | 786 | 812 | 806 | 827 | 818 |
| State highways | 174 | 94 | 179 | 188 | 196 | 206 | 216 |
| Rental and leasing costs | 282 | 256 | 258 | 253 | 250 | 251 | 251 |
| Loss/(gain) on sale of assets | 7 | .. | 1 | .. | .. | .. | .. |
| Finance costs (see analysis below) | 2,483 | 2,395 | 2,345 | 2,322 | 2,508 | 2,594 | 2,641 |
| Net foreign-exchange losses on liabilities | 404 | .. | 11 | .. | .. | .. | .. |
| Net foreign-exchange gains on assets | (451) | .. | (10) | .. | .. | .. | .. |
| Provision for future initiatives (see analysis below) | .. | 160 | 90 | 450 | 975 | 1,475 | 2,376 |
| Total Expenses | 38,186 | 39,365 | 39,603 | 40,547 | 42,276 | 43,843 | 45,639 |

Analysis of Subsidies and Transfer Payments

| | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Social assistance grants | | | | | | | |
| New Zealand Superannuation | 5,273 | 5,472 | 5,452 | 5,621 | 5,816 | 6,045 | 6,388 |
| Community Wage | 1,849 | 1,527 | .. | .. | .. | .. | .. |
| Unemployment Benefit | .. | .. | 1,450 | 1,460 | 1,496 | 1,533 | 1,580 |
| Domestic Purposes Benefit | 1,444 | 1,489 | 1,484 | 1,514 | 1,550 | 1,584 | 1,623 |
| Family Support | 878 | 899 | 879 | 874 | 876 | 878 | 880 |
| Student allowances | 391 | 428 | 417 | 447 | 464 | 478 | 492 |
| Other social assistance grants | 3,073 | 3,692 | 3,653 | 3,739 | 3,845 | 3,961 | 4,099 |
| Subsidies | 115 | 125 | 145 | 145 | 164 | 124 | 124 |
| Other transfer payments | | | | | | | |
| Official development assistance | 226 | 227 | 227 | 227 | 227 | 227 | 227 |
| Other | 25 | 27 | 33 | 33 | 34 | 34 | 34 |
| Total Subsidies and Transfer Payments | 13,274 | 13,886 | 13,740 | 14,060 | 14,472 | 14,864 | 15,447 |

Analysis of Operating Expenses

| | | | | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Education purchases | | | | | | | |
| Early childhood education | 331 | 357 | 356 | 375 | 377 | 378 | 381 |
| Primary and secondary education | 3,505 | 3,677 | 3,683 | 3,729 | 3,755 | 3,758 | 3,768 |
| Tertiary education and training | 1,508 | 1,635 | 1,685 | 1,739 | 1,772 | 1,796 | 1,814 |
| Health purchases | 6,807 | 6,967 | 7,072 | 7,562 | 8,079 | 8,577 | 8,677 |
| Science purchases | 467 | 478 | 478 | 480 | 480 | 482 | 482 |
| Other operating expenses | 5,101 | 5,193 | 5,345 | 5,187 | 5,172 | 5,192 | 5,272 |
| Total Operating Expenses | 17,719 | 18,307 | 18,619 | 19,072 | 19,635 | 20,183 | 20,394 |

Analysis of Finance Costs

| | | | | | | | |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest | | | | | | | |
| New Zealand dollars | 2,035 | 2,044 | 2,011 | 2,040 | 2,196 | 2,254 | 2,298 |
| Foreign currencies | 428 | 328 | 304 | 259 | 289 | 317 | 320 |
| Other finance costs | 20 | 23 | 30 | 23 | 23 | 23 | 23 |
| Total Finance Costs | 2,483 | 2,395 | 2,345 | 2,322 | 2,508 | 2,594 | 2,641 |

Analysis of Provision for Future Initiatives

| | | | | | | | |
|---|-----------|-----------|-----------|------------|------------|--------------|--------------|
| 2001/02 contingency provision | .. | .. | 90 | 35 | 60 | 60 | 61 |
| 2002/03 Budget provision | .. | .. | .. | 415 | 415 | 415 | 415 |
| 2003/04 indicative provision | .. | .. | .. | .. | 500 | 500 | 500 |
| 2004/05 indicative provision | .. | .. | .. | .. | .. | 500 | 500 |
| 2005/06 indicative provision | .. | .. | .. | .. | .. | .. | 900 |
| Total Provision for Future Initiatives | .. | .. | 90 | 450 | 975 | 1,475 | 2,376 |

Notes to the Forecast Financial Statements

| (\$ million) | 2001 | 2002 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---------------|-----------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | Previous Budget | Forecast | Forecast | Forecast | Forecast | Forecast |
| NOTE 6: Marketable Securities and Deposits | | | | | | | |
| Marketable securities held for trading purposes | 6,100 | 3,272 | 3,534 | 2,701 | 2,446 | 2,307 | 2,184 |
| Marketable securities held for investment purposes | 2,491 | 1,356 | 1,768 | 1,652 | 1,628 | 1,615 | 1,601 |
| Foreign-currency deposits | 2,082 | 2,359 | 1,956 | 1,929 | 1,919 | 1,905 | 1,899 |
| New Zealand-dollar deposits | 441 | 557 | 733 | 734 | 732 | 735 | 730 |
| Reserve position at the International Monetary Fund | 946 | 906 | 1,216 | 1,334 | 1,467 | 1,610 | 1,763 |
| Total Marketable Securities and Deposits | 12,060 | 8,450 | 9,207 | 8,350 | 8,192 | 8,172 | 8,177 |

NOTE 7: Advances

Advances to State-owned Enterprises and Crown Entities

| | | | | | | | |
|---|------------|------------|------------|--------------|--------------|--------------|--------------|
| Housing New Zealand Corporation | 163 | 643 | 645 | 726 | 1,070 | 1,102 | 1,134 |
| District health boards/Residual Health Management Unit | 53 | 296 | 274 | 470 | 892 | 937 | 1,067 |
| Other state-owned enterprises and Crown entities | 45 | .. | 3 | 3 | 3 | 3 | 3 |
| Total Advances to State-owned Enterprises and Crown Entities | 261 | 939 | 922 | 1,199 | 1,965 | 2,042 | 2,204 |

Other Advances

| | | | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Student loans | 4,143 | 4,776 | 4,870 | 5,600 | 6,352 | 7,116 | 7,877 |
| Contact Energy Limited | 118 | 48 | 48 | .. | .. | .. | .. |
| Maori development rural lending | 38 | 58 | 43 | 47 | 51 | 55 | 59 |
| Forestry encouragement loans | 29 | 30 | 30 | 28 | 27 | 27 | 26 |
| Other | 26 | 22 | 113 | 116 | 119 | 119 | 119 |
| Total Other Advances | 4,354 | 4,934 | 5,104 | 5,791 | 6,549 | 7,317 | 8,081 |
| Total Advances | 4,615 | 5,873 | 6,026 | 6,990 | 8,514 | 9,359 | 10,285 |

Analysis of Student Loans

Outstanding balance

| | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total loans outstanding (including interest) | 4,655 | 5,355 | 5,439 | 6,254 | 7,088 | 7,936 | 8,782 |
| Total provisions (capital and interest) | (512) | (579) | (569) | (654) | (736) | (820) | (905) |
| Total Student Loans | 4,143 | 4,776 | 4,870 | 5,600 | 6,352 | 7,116 | 7,877 |

Movement during the year

| | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Opening balance | 3,523 | 4,155 | 4,143 | 4,870 | 5,600 | 6,352 | 7,116 |
| Amount advanced in current year | 867 | 963 | 963 | 1,047 | 1,110 | 1,162 | 1,211 |
| Interest accrued on outstanding loan balances | 289 | 326 | 334 | 381 | 438 | 498 | 550 |
| Repayment of base capital | (198) | (250) | (236) | (275) | (320) | (367) | (414) |
| Repayment of accrued interest | (123) | (157) | (145) | (175) | (206) | (240) | (274) |
| Interest written off and movement in provision for interest write-offs and doubtful debts | (227) | (269) | (196) | (256) | (279) | (297) | (321) |
| Other movements | 12 | 8 | 7 | 8 | 9 | 8 | 9 |
| Closing Balance | 4,143 | 4,776 | 4,870 | 5,600 | 6,352 | 7,116 | 7,877 |

NOTE 8: Receivables

| | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Taxes receivable | 4,962 | 4,437 | 4,961 | 4,990 | 4,983 | 4,986 | 4,977 |
| Accounts receivable | 1,024 | 856 | 950 | 900 | 881 | 872 | 828 |
| Receivable from the sale and purchase of Maui gas | 111 | 103 | 116 | 89 | 75 | 58 | 47 |
| Prepayments | 100 | 43 | 98 | 91 | 97 | 107 | 118 |
| Total Receivables | 6,197 | 5,439 | 6,125 | 6,070 | 6,036 | 6,023 | 5,970 |

Notes to the Forecast Financial Statements

| (\$ million) | 2001 | 2002 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------|--------|-----------------|----------|----------|----------|----------|----------|
| | Actual | Previous Budget | Forecast | Forecast | Forecast | Forecast | Forecast |

NOTE 9: Financial Interest in State-Owned Enterprises and Crown Entities

Surplus

| | | | | | | | |
|-------------------------|------------|------------|------------|--------------|--------------|--------------|--------------|
| State-owned enterprises | 432 | 307 | 326 | 428 | 501 | 513 | 543 |
| Crown entities | (8) | 646 | 308 | 661 | 713 | 735 | 752 |
| Total Surplus | 424 | 953 | 634 | 1,089 | 1,214 | 1,248 | 1,295 |

Dividends and Other Distributions

| | | | | | | | |
|--|------------|------------|------------|------------|------------|------------|------------|
| State-owned enterprises | 304 | 199 | 267 | 216 | 279 | 329 | 348 |
| Crown entities | 17 | 9 | 69 | 34 | 34 | 36 | 36 |
| Total Dividends and Other Distributions | 321 | 208 | 336 | 250 | 313 | 365 | 384 |

Net Equity

| | | | | | | | |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| State-owned enterprises | 5,554 | 5,643 | 5,683 | 5,902 | 6,131 | 6,323 | 6,527 |
| Crown entities | 8,523 | 9,471 | 9,030 | 9,892 | 10,802 | 11,560 | 12,333 |
| Total Net Equity | 14,077 | 15,114 | 14,713 | 15,794 | 16,933 | 17,883 | 18,860 |

Balance dates

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

State-owned enterprises

Timberlands West Coast Limited 31 March

Significant Crown entities

School boards of trustees 31 December
Tertiary education institutions 31 December

Minority Interests

All state-owned enterprises and Crown entities are 100% owned by the Crown.

Notes to the Forecast Financial Statements

| (\$ million) | 2001 Actual | 2002 Previous Budget | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast |
|---------------------------------------|----------------|----------------------------|------------------|------------------|------------------|------------------|------------------|
| NOTE 10: Physical Assets | | | | | | | |
| <i>By Type</i> | | | | | | | |
| Cost or Valuation | | | | | | | |
| Land | 1,844 | 1,887 | 1,840 | 1,821 | 1,805 | 1,787 | 1,769 |
| Properties intended for sale | 464 | 446 | 447 | 446 | 440 | 436 | 437 |
| Buildings | 8,654 | 9,066 | 9,156 | 9,498 | 9,836 | 10,119 | 10,313 |
| Specialist military equipment | 2,686 | 2,780 | 2,829 | 3,079 | 3,314 | 3,360 | 3,358 |
| Other assets | 2,688 | 2,639 | 2,442 | 2,620 | 2,786 | 2,902 | 3,014 |
| Other plant and equipment | 2,213 | 2,571 | 2,683 | 2,680 | 2,687 | 2,694 | 2,701 |
| Total Cost or Valuation | 18,549 | 19,389 | 19,397 | 20,144 | 20,868 | 21,298 | 21,592 |
| Accumulated Depreciation | | | | | | | |
| Buildings | 729 | 1,085 | 1,076 | 1,353 | 1,703 | 2,050 | 2,310 |
| Specialist military equipment | 421 | 594 | 590 | 770 | 939 | 1,124 | 1,305 |
| Other assets | 5 | 5 | 7 | 9 | 11 | 13 | 15 |
| Other plant and equipment | 1,292 | 1,629 | 1,421 | 1,618 | 1,809 | 1,991 | 2,167 |
| Total Accumulated Depreciation | 2,447 | 3,313 | 3,094 | 3,750 | 4,462 | 5,178 | 5,797 |
| Net Book Value | | | | | | | |
| Land | 1,844 | 1,887 | 1,840 | 1,821 | 1,805 | 1,787 | 1,769 |
| Properties intended for sale | 464 | 446 | 447 | 446 | 440 | 436 | 437 |
| Buildings | 7,925 | 7,981 | 8,080 | 8,145 | 8,133 | 8,069 | 8,003 |
| Specialist military equipment | 2,265 | 2,186 | 2,239 | 2,309 | 2,375 | 2,236 | 2,053 |
| Other assets | 2,683 | 2,634 | 2,435 | 2,611 | 2,775 | 2,889 | 2,999 |
| Other plant and equipment | 921 | 942 | 1,262 | 1,062 | 878 | 703 | 534 |
| Total Net Book Value | 16,102 | 16,076 | 16,303 | 16,394 | 16,406 | 16,120 | 15,795 |
| <i>Movements</i> | | | | | | | |
| Cost or Valuation | | | | | | | |
| Opening balance | 18,507 | 18,534 | 18,549 | 19,397 | 20,144 | 20,868 | 21,298 |
| Net additions | 905 | 855 | 848 | 747 | 724 | 430 | 294 |
| Revaluations | (863) | .. | .. | .. | .. | .. | .. |
| Total Cost or Valuation | 18,549 | 19,389 | 19,397 | 20,144 | 20,868 | 21,298 | 21,592 |
| Accumulated Depreciation | | | | | | | |
| Opening balance | 2,535 | 2,568 | 2,447 | 3,094 | 3,750 | 4,462 | 5,178 |
| Disposals | (145) | (40) | (145) | (156) | (94) | (111) | (199) |
| Depreciation charged for the period | 751 | 785 | 786 | 812 | 806 | 827 | 818 |
| Revaluations | (694) | .. | 6 | .. | .. | .. | .. |
| Total Accumulated Depreciation | 2,447 | 3,313 | 3,094 | 3,750 | 4,462 | 5,178 | 5,797 |
| Net Physical Assets | 16,102 | 16,076 | 16,303 | 16,394 | 16,406 | 16,120 | 15,795 |
| <i>By Holding</i> | | | | | | | |
| Freehold assets | 16,062 | 16,037 | 16,273 | 16,366 | 16,378 | 16,092 | 15,767 |
| Leasehold assets | 40 | 39 | 30 | 28 | 28 | 28 | 28 |
| Net Physical Assets | 16,102 | 16,076 | 16,303 | 16,394 | 16,406 | 16,120 | 15,795 |

Notes to the Forecast Financial Statements

| (\$ million) | 2001 | 2002 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------|--------|-----------------|----------|----------|----------|----------|----------|
| | Actual | Previous Budget | Forecast | Forecast | Forecast | Forecast | Forecast |

NOTE 11: State Highways

Cost or Valuation

| | | | | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Opening balance | 8,911 | 10,788 | 11,055 | 11,310 | 11,532 | 11,770 | 12,025 |
| Recognition adjustment | 1,650 | .. | .. | .. | .. | .. | .. |
| Net additions | 300 | 245 | 255 | 222 | 238 | 255 | 270 |
| Revaluations | 194 | .. | .. | .. | .. | .. | .. |
| Total Cost or Valuation | 11,055 | 11,033 | 11,310 | 11,532 | 11,770 | 12,025 | 12,295 |

Accumulated Depreciation

| | | | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Opening balance | .. | 92 | .. | 179 | 367 | 563 | 769 |
| Depreciation charged for the period | 174 | 94 | 179 | 188 | 196 | 206 | 216 |
| Revaluations | (174) | .. | .. | .. | .. | .. | .. |
| Total Accumulated Depreciation | .. | 186 | 179 | 367 | 563 | 769 | 985 |
| Total State Highways | 11,055 | 10,847 | 11,131 | 11,165 | 11,207 | 11,256 | 11,310 |

NOTE 12: Payables and Provisions

| | | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Accounts payable | 1,631 | 1,780 | 2,397 | 2,272 | 2,310 | 2,343 | 2,271 |
| Accruals and provisions | 1,193 | 409 | 382 | 407 | 354 | 295 | 225 |
| Taxes repayable | 1,907 | 1,711 | 1,938 | 1,933 | 1,928 | 1,928 | 1,928 |
| National Provident Fund guarantee | 686 | 480 | 686 | 686 | 686 | 686 | 686 |
| Provisions for employee entitlements | 414 | 378 | 408 | 401 | 392 | 389 | 383 |
| Total Payables and Provisions | 5,831 | 4,758 | 5,811 | 5,699 | 5,670 | 5,641 | 5,493 |

NOTE 13: Revaluation Reserve

| | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Opening Balance | 8,201 | 7,899 | 8,007 | 8,000 | 8,000 | 8,000 | 8,000 |
| Net revaluations | | | | | | | |
| State-owned enterprises and Crown entities | 368 | .. | .. | .. | .. | .. | .. |
| Land and buildings | 85 | .. | (6) | .. | .. | .. | .. |
| State highways | (258) | .. | .. | .. | .. | .. | .. |
| Specialist military equipment | 4 | .. | .. | .. | .. | .. | .. |
| Other assets | (378) | .. | .. | .. | .. | .. | .. |
| Total Net Revaluations | (179) | .. | (6) | .. | .. | .. | .. |
| Transfer to accumulated operating balance | (15) | .. | (1) | .. | .. | .. | .. |
| Closing Revaluation Reserve | 8,007 | 7,899 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |