

# Generally Accepted Accounting Practice (GAAP) Series Tables

## Forecast Financial Statements

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

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

The forecasts have been prepared in accordance with the Statement of Responsibility and reflect the judgements and information known at the time they were prepared. They reflect all Government decisions and circumstances communicated to 8 December 2003.

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 32.

### 10 year trend information

Summary indicators	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
(% of GDP)										
<b>Revenue</b>										
Core Crown	33.8	32.1	32.7	32.1	33.9	34.0	34.1	33.9	33.8	33.7
Tax Revenue	29.3	29.4	29.9	29.2	30.9	31.0	30.9	30.5	30.2	30.1
Total Crown	40.7	38.2	39.1	40.3	44.3	43.7	44.2	43.9	43.6	43.3
<b>Expenses</b>										
Core Crown	33.3	31.7	31.5	30.6	32.4	30.8	30.7	31.2	31.2	31.1
Total Crown	39.0	36.9	38.0	38.4	42.9	39.3	39.8	40.1	39.9	39.6
<b>Operating balance</b>	1.7	1.4	1.2	1.9	1.5	4.5	4.4	3.8	3.7	3.7
<b>OBERAC</b>	0.2	0.8	1.8	2.2	4.3	3.8	4.4	3.8	3.7	3.7
<b>Net Worth</b>	5.8	7.9	9.9	15.2	18.5	22.0	25.4	27.9	30.3	32.5
<b>Gross sovereign-issued debt</b>	35.6	33.1	31.6	29.2	28.0	25.3	23.0	21.9	21.2	20.4
<b>Net Crown debt</b>	18.8	17.6	14.6	14.3	13.1	12.4	10.8	9.7	8.8	8.1
<b>NZS Fund Balance</b>	0.0	0.0	0.0	0.5	1.5	2.9	4.3	5.9	7.4	9.0

# Statement of Accounting Policies and Forecast Assumptions

## General Accounting Policies and Forecast Assumptions

### *General Accounting Policies*

#### *Accounting policy*

These Forecast Financial Statements comply with generally accepted accounting practice. The measurement base applied is historical cost adjusted for revaluations of property, plant and equipment (where appropriate), commercial forests and marketable securities & deposits and equity investments held for trading purposes.

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

#### *Forecast assumptions*

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

## Specific Accounting Policies and Forecast Assumptions

### *Forecast periods*

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

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

The forecasts for 30 June 2004 have generally been prepared using actual data to 30 September or 31 October 2003 (in some instances). Transactions for the remainder of the year are forecast in accordance with the Crown's accounting policies and forecast assumptions.

### *Changes in Accounting Policies*

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

### *Changes in Presentation of Previous Budget Comparatives*

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

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

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

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

### ***Changes in Forecast Assumptions***

Changes to the forecast assumptions used for the forecasts published in the 2003 *Budget Update* are outlined on page 32.

### ***Detailed Accounting Policies and Forecast Assumptions***

The specific accounting and forecasting policies are reproduced in full on Treasury's website at [www.treasury.govt.nz/forecasts/defu/2003/](http://www.treasury.govt.nz/forecasts/defu/2003/).

## Reporting Entity as at 8 December 2003

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:

<b>Departments</b>	<b>Departments</b>	<b>State-owned enterprises</b>
Agriculture and Forestry Archives New Zealand Child, Youth and Family Services Conservation Corrections Crown Law Culture and Heritage Customs Defence Economic Development Education Education Review Office Environment Fisheries Foreign Affairs and Trade Government Communications Security Bureau Health Housing Inland Revenue Internal Affairs	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 New Zealand Limited Airways Corporation of New Zealand Limited Asure New Zealand Limited Electricity Corporation of New Zealand Limited Genesis Power Limited Landcorp Farming Limited Meridian Energy Limited Meteorological Service of New Zealand Limited Mighty River Power Limited New Zealand Post Limited New Zealand Railways Corporation Solid Energy New Zealand Limited Terralink New Zealand Limited (in liquidation) Timberlands West Coast Limited Transpower New Zealand Limited  Air New Zealand Limited (included for disclosure purposes as if it were a SOE)

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

## Forecast Statement of Financial Performance

for the years ending 30 June

(\$ million)	Note	2004						
		2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Revenue</b>								
Taxation revenue	1	39,785	40,651	42,251	44,114	46,043	47,944	50,140
Levies, fees, fines and penalties	1	2,763	2,826	3,013	3,170	3,241	3,303	3,377
<b>Total Revenue Levied through the Crown's Sovereign Power</b>	<b>1</b>	<b>42,548</b>	<b>43,477</b>	<b>45,264</b>	<b>47,284</b>	<b>49,284</b>	<b>51,247</b>	<b>53,517</b>
Sales of goods and services	2	10,385	10,281	10,380	11,657	12,297	12,709	13,034
Investment income	3	1,859	1,831	2,091	2,452	2,886	3,335	3,772
Other revenue	4	2,235	1,681	1,787	1,767	1,756	1,786	1,805
<b>Total Revenue Earned through the Crown's Operations</b>		<b>14,479</b>	<b>13,793</b>	<b>14,258</b>	<b>15,876</b>	<b>16,939</b>	<b>17,830</b>	<b>18,611</b>
<b>Total Crown Revenue</b>		<b>57,027</b>	<b>57,270</b>	<b>59,522</b>	<b>63,160</b>	<b>66,223</b>	<b>69,077</b>	<b>72,128</b>
<b>Expenses</b>								
<b>By input type</b>								
Subsidies and transfer payments	5	15,107	15,787	15,516	15,869	16,584	17,296	18,060
Personnel expenses	6	11,620	12,099	12,245	12,640	12,945	12,993	13,056
Operating expenses	7	22,565	22,888	23,476	24,318	25,302	25,688	25,966
New operating spending for Budget 2004	8	..	175	35	1,153	1,679	1,910	2,113
Forecast new operating spending	8	..	..	..	..	978	2,422	3,915
Finance costs		2,550	2,225	2,556	2,419	2,511	2,427	2,406
Net foreign-exchange (gains)/losses		81	..	(38)	..	..	..	..
Movement in total GSF liability	15	1,647	(87)	(364)	(51)	(75)	(108)	(128)
Movement in total ACC liability	16	1,654	499	82	552	584	612	634
<b>Total Crown expenses</b>		<b>55,224</b>	<b>53,586</b>	<b>53,508</b>	<b>56,900</b>	<b>60,508</b>	<b>63,240</b>	<b>66,022</b>
<b>Revenues less Expenses</b>		<b>1,803</b>	<b>3,684</b>	<b>6,014</b>	<b>6,260</b>	<b>5,715</b>	<b>5,837</b>	<b>6,106</b>
Net surplus of TEIs		151	77	78	78	80	81	81
<b>Operating balance (including minority interest)</b>		<b>1,954</b>	<b>3,761</b>	<b>6,092</b>	<b>6,338</b>	<b>5,795</b>	<b>5,918</b>	<b>6,187</b>
Minority interest	12	..	..	..	..	..	..	..
<b>Operating Balance</b>		<b>1,966</b>	<b>3,761</b>	<b>6,092</b>	<b>6,338</b>	<b>5,795</b>	<b>5,918</b>	<b>6,187</b>

The revenues and expenses are GST exclusive.

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

## Forecast Statement of Financial Performance (continued)

for the years ending 30 June

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

(\$ million)	2004						
	2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Total Crown expenses by functional classification</b>							
Social security and welfare	17,084	16,534	15,971	16,865	17,614	18,354	19,120
GSF pension expenses	2,625	923	622	956	976	981	981
Health	7,412	7,970	7,961	8,166	8,809	8,731	8,666
Education	7,788	8,134	8,245	8,491	8,704	8,872	9,078
Core government services	1,655	1,623	1,683	1,592	1,642	1,595	1,606
Law and order	1,911	1,966	1,999	2,035	2,063	2,077	2,064
Defence	1,154	1,151	1,204	1,153	1,146	1,148	1,150
Transport and communications	5,619	5,738	5,329	5,982	6,190	6,330	6,446
Economic and industrial services	4,280	3,792	4,509	4,643	4,727	4,849	4,877
Primary services	1,023	1,083	1,142	1,113	1,126	1,157	1,173
Heritage, culture and recreation	1,425	1,556	1,561	1,616	1,632	1,672	1,711
Housing and community development	542	607	620	610	607	611	612
Other	75	109	109	106	104	104	104
Finance costs	2,550	2,225	2,556	2,419	2,511	2,427	2,406
Net foreign-exchange (gains)/losses	81	..	(38)	..	..	..	..
New operating spending for the 2004 Budget	..	175	35	1,153	1,679	1,910	2,113
Forecast new operating spending	..	..	..	..	978	2,422	3,915
<b>Total Crown Expenses</b>	<b>55,224</b>	<b>53,586</b>	<b>53,508</b>	<b>56,900</b>	<b>60,508</b>	<b>63,240</b>	<b>66,022</b>
<b>Core Crown expenses by functional classification</b>							
Social security and welfare	13,907	14,446	14,296	14,685	15,316	15,953	16,634
GSF pension expenses	2,625	923	622	956	976	981	981
Health	7,501	8,176	8,245	8,527	9,194	9,187	9,149
Education	7,016	7,607	7,570	7,802	7,981	8,132	8,218
Core government services	1,780	1,693	1,757	1,664	1,719	1,669	1,681
Law and order	1,734	1,774	1,826	1,861	1,884	1,883	1,874
Defence	1,199	1,192	1,247	1,201	1,194	1,194	1,194
Transport and communications	1,408	1,316	1,436	1,413	1,457	1,501	1,553
Economic and industrial services	1,054	1,226	1,297	1,283	1,285	1,253	1,234
Primary services	355	367	417	359	354	353	351
Heritage, culture and recreation	515	575	641	651	647	647	648
Housing and community development	102	135	146	122	117	113	111
Other	75	110	109	106	104	105	105
Finance costs	2,360	2,023	2,249	2,094	2,169	2,082	2,104
Net foreign-exchange losses/(gains)	118	..	(25)	..	..	..	..
New operating spending for the 2004 Budget	..	175	35	1,153	1,679	1,910	2,113
Forecast new operating spending	..	..	..	..	978	2,422	3,915
<b>Total Core Crown Expenses</b>	<b>41,749</b>	<b>41,738</b>	<b>41,868</b>	<b>43,877</b>	<b>47,054</b>	<b>49,385</b>	<b>51,865</b>

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

## Forecast Statement of Cash Flows

for the year ending 30 June

(\$ million)	2004						
	2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Cash Flows from Operations</b>							
<b>Cash was Provided from</b>							
Total tax receipts (refer Note 1)	39,468	40,609	42,215	44,131	46,026	47,920	50,117
Total other sovereign receipts (refer Note 1)	2,531	2,724	2,867	2,940	3,002	3,076	3,096
Interest	1,200	919	1,151	1,093	1,098	1,212	1,257
Dividends	45	47	60	68	78	87	97
Sales of goods and services	10,543	9,798	10,276	11,290	12,034	12,432	12,761
Other operating receipts	1,503	1,816	1,482	1,416	1,425	1,485	1,525
<b>Total Cash Provided from Operations</b>	<b>55,290</b>	<b>55,913</b>	<b>58,051</b>	<b>60,938</b>	<b>63,663</b>	<b>66,212</b>	<b>68,853</b>
<b>Cash was Disbursed to</b>							
Subsidies and transfer payments	15,305	16,187	15,965	16,374	17,115	17,841	18,625
Personnel and operating payments	30,087	31,412	32,385	32,746	33,822	34,052	34,454
Finance costs	2,203	2,168	2,360	2,328	2,310	2,130	2,111
Forecast new operating spending	..	175	35	1,153	2,657	4,332	6,028
<b>Total Cash Disbursed to Operations</b>	<b>47,595</b>	<b>49,942</b>	<b>50,745</b>	<b>52,601</b>	<b>55,904</b>	<b>58,355</b>	<b>61,218</b>
<b>Net Cash Flows from Operations</b>	<b>7,695</b>	<b>5,971</b>	<b>7,306</b>	<b>8,337</b>	<b>7,759</b>	<b>7,857</b>	<b>7,635</b>
<b>Cash Flows from Investing Activities</b>							
<b>Cash was Provided from</b>							
Sale of physical assets	240	103	28	..	..	..	..
<b>Total Cash Provided</b>	<b>240</b>	<b>103</b>	<b>28</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Cash was Disbursed to</b>							
Purchase of physical assets	3,492	3,619	3,893	4,112	3,459	3,074	3,063
Net increase in advances	1,341	1,527	1,366	1,333	1,364	1,140	1,010
Net purchase/(sale) of marketable securities, deposits and other equity investments	5,023	(35)	(87)	1,720	2,705	2,560	2,223
Forecast new capital spending	..	206	124	661	448	500	550
<b>Total Cash Disbursed</b>	<b>9,856</b>	<b>5,317</b>	<b>5,296</b>	<b>7,826</b>	<b>7,976</b>	<b>7,274</b>	<b>6,846</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(9,616)</b>	<b>(5,214)</b>	<b>(5,268)</b>	<b>(7,826)</b>	<b>(7,976)</b>	<b>(7,274)</b>	<b>(6,846)</b>
<b>Net Cash Flows from Operating and Investing Activities</b>	<b>(1,921)</b>	<b>757</b>	<b>2,038</b>	<b>511</b>	<b>(217)</b>	<b>583</b>	<b>789</b>
<b>Cash Flows from Financing Activities</b>							
<b>Cash was Provided from</b>							
Issue of circulating currency	147	..	33	..	..	..	..
Net issue/(repayment) of Government stock <sup>1</sup>	292	(506)	(1,018)	(711)	(169)	286	(288)
<b>Total Cash Provided</b>	<b>439</b>	<b>(506)</b>	<b>(985)</b>	<b>(711)</b>	<b>(169)</b>	<b>286</b>	<b>(288)</b>
<b>Cash was Disbursed to</b>							
Net repayment/(issue) of foreign- currency borrowing	(392)	327	1,330	456	105	107	109
Net repayment/(issue) of other New Zealand-dollar borrowing	(1,542)	(6)	11	(619)	(575)	596	210
<b>Total Cash Disbursed</b>	<b>(1,934)</b>	<b>321</b>	<b>1,341</b>	<b>(163)</b>	<b>(470)</b>	<b>703</b>	<b>319</b>
<b>Net Cash Flows from Financing Activities</b>	<b>2,373</b>	<b>(827)</b>	<b>(2,326)</b>	<b>(548)</b>	<b>301</b>	<b>(417)</b>	<b>(607)</b>
<b>Net Movement in Cash</b>	<b>452</b>	<b>(70)</b>	<b>(288)</b>	<b>(37)</b>	<b>84</b>	<b>166</b>	<b>182</b>
<b>Opening Cash Balance</b>	<b>2,274</b>	<b>2,147</b>	<b>2,732</b>	<b>2,455</b>	<b>2,425</b>	<b>2,516</b>	<b>2,689</b>
Foreign-exchange gains on opening cash balances	6	(4)	11	7	7	7	7
<b>Closing Cash Balance</b>	<b>2,732</b>	<b>2,073</b>	<b>2,455</b>	<b>2,425</b>	<b>2,516</b>	<b>2,689</b>	<b>2,878</b>

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

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



## Forecast Statement of Cash Flows (continued)

for the year ending 30 June

(\$ million)	2003 Actual	2004 Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Reconciliation Between the Forecast Net Cash Flows from Operations and the Operating Balance</b>							
<b>Net Cash Flows from Operations</b>	<b>7,695</b>	<b>5,971</b>	<b>7,306</b>	<b>8,337</b>	<b>7,759</b>	<b>7,857</b>	<b>7,635</b>
<i>Items included in the operating balance but not in net cash flows from operations</i>							
<b>Valuation Changes</b>							
(Increase)/decrease in pension liabilities	(1,647)	87	364	51	75	108	128
(Increase)/decrease in ACC liability	(1,654)	(499)	(82)	(552)	(584)	(612)	(634)
Decrease/(increase) in NPF guarantee	(197)	..	..	..	..	..	..
Unrealised net foreign exchange losses	(247)	..	..	..	..	..	..
Non-cash movements in investments	(349)	108	..	..	..	..	..
Unrealised losses arising from changes in the value of commercial forests	(20)	..	..	..	..	..	..
<b>Total Valuation Changes</b>	<b>(4,114)</b>	<b>(304)</b>	<b>282</b>	<b>(501)</b>	<b>(509)</b>	<b>(504)</b>	<b>(506)</b>
<b>Physical Asset Movements</b>							
Depreciation	(2,177)	(2,340)	(2,446)	(2,551)	(2,642)	(2,722)	(2,789)
(Loss)/gain on sale of assets	(19)	..	..	..	..	..	..
<b>Total Physical Asset Movements</b>	<b>(2,196)</b>	<b>(2,340)</b>	<b>(2,446)</b>	<b>(2,551)</b>	<b>(2,642)</b>	<b>(2,722)</b>	<b>(2,789)</b>
<b>Other Non-cash Items</b>							
Student Loans	(79)	(99)	(49)	(36)	(13)	9	38
Amortisation of goodwill	(84)	(47)	(47)	(47)	(47)	(47)	(47)
Accrued income from NZS Fund	..	187	72	300	449	616	804
Other	127	77	77	78	80	81	81
<b>Total Other Non-cash Items</b>	<b>(36)</b>	<b>118</b>	<b>53</b>	<b>295</b>	<b>469</b>	<b>659</b>	<b>876</b>
<b>Movements in Working Capital</b>							
(Decrease)/increase in taxes receivable	685	37	23	(5)	9	19	17
Increase/(decrease) in other receivables	854	(113)	(517)	167	210	93	203
Increase/(decrease) in inventories	(56)	35	84	68	46	(4)	(6)
(Increase)/decrease in payables	(866)	357	1,307	528	453	520	757
<b>Total Movements in Working Capital</b>	<b>617</b>	<b>316</b>	<b>897</b>	<b>758</b>	<b>718</b>	<b>628</b>	<b>971</b>
<b>Operating Balance</b>	<b>1,966</b>	<b>3,761</b>	<b>6,092</b>	<b>6,338</b>	<b>5,795</b>	<b>5,918</b>	<b>6,187</b>

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

## Forecast Statement of Movement in Equity

for the year ending 30 June

(\$ million)	2003 Actual	2004 Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Opening Crown Balance</b>	<b>18,820</b>	<b>20,197</b>	<b>23,781</b>	<b>29,920</b>	<b>36,258</b>	<b>42,053</b>	<b>47,971</b>
Operating balance for the year	1,966	3,761	6,092	6,338	5,795	5,918	6,187
Net revaluations	2,995	..	47	..	..	..	..
<b>Total Recognised Revenues and Expenses</b>	<b>4,961</b>	<b>3,761</b>	<b>6,139</b>	<b>6,338</b>	<b>5,795</b>	<b>5,918</b>	<b>6,187</b>
Asset and liability recognition policy changes	..	..	..	..	..	..	..
<b>Closing Crown Balance</b>	<b>23,781</b>	<b>23,958</b>	<b>29,920</b>	<b>36,258</b>	<b>42,053</b>	<b>47,971</b>	<b>54,158</b>

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

## Forecast Statement of Financial Position

as at 30 June

(\$ million)	Note	2004						
		2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Assets</b>								
Cash and bank balances	9	2,732	2,073	2,455	2,425	2,516	2,689	2,878
Marketable securities, deposits & equity investments	9	21,306	19,453	21,742	23,728	26,939	30,565	34,234
Advances	10	6,300	7,222	7,587	8,860	10,118	10,948	11,832
Receivables	11	10,143	8,325	9,649	9,811	10,030	10,142	10,362
Inventories		840	902	924	992	1,038	1,034	1,028
Other investments	12	264	396	261	261	261	261	261
Property, plant and equipment	13	52,667	52,105	53,527	55,035	55,794	56,112	56,249
TEI investment		4,212	3,976	4,428	4,534	4,614	4,696	4,777
Commercial forests		312	302	305	306	306	306	306
Intangible assets (including goodwill)		1,075	618	1,130	1,009	912	844	776
Forecast new capital spending		..	206	124	785	1,233	1,733	2,283
<b>Total Assets</b>		<b>99,851</b>	<b>95,578</b>	<b>102,132</b>	<b>107,746</b>	<b>113,761</b>	<b>119,330</b>	<b>124,986</b>
<b>Liabilities</b>								
Payables and provisions	14	11,878	9,744	10,436	10,238	10,103	10,082	9,997
Currency issued		2,895	2,963	2,928	2,928	2,928	2,928	2,928
Borrowings - sovereign guaranteed		31,077	28,957	29,063	26,769	26,002	25,686	25,207
Borrowings - non-sovereign guaranteed		7,208	7,421	7,055	8,322	8,935	8,419	7,946
Provision for GSF pension liability	15	13,857	13,335	13,493	13,442	13,367	13,259	13,131
Provision for ACC outstanding claims liability	16	9,155	9,200	9,237	9,789	10,373	10,985	11,619
<b>Total Liabilities</b>		<b>76,070</b>	<b>71,620</b>	<b>72,212</b>	<b>71,488</b>	<b>71,708</b>	<b>71,359</b>	<b>70,828</b>
<b>Total Assets less Total Liabilities</b>		<b>23,781</b>	<b>23,958</b>	<b>29,920</b>	<b>36,258</b>	<b>42,053</b>	<b>47,971</b>	<b>54,158</b>
<b>Crown Balance</b>								
Taxpayer funds		8,063	11,172	14,257	20,595	26,390	32,308	38,495
Revaluation reserve	17	15,624	12,786	15,663	15,663	15,663	15,663	15,663
Minority Interest		94	..	..	..	..	..	..
<b>Crown Balance</b>		<b>23,781</b>	<b>23,958</b>	<b>29,920</b>	<b>36,258</b>	<b>42,053</b>	<b>47,971</b>	<b>54,158</b>

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

## Forecast Statement of Financial Position (continued)

as at 30 June

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

(\$ million)	2003	2004	2004	2005	2006	2007	2008
	Actual	Previous Budget	Forecast	Forecast	Forecast	Forecast	Forecast
<b>New Zealand Superannuation Fund</b>							
Within MSDs & equity investments is the NZS Fund (except for cross holdings of investments with other parts of the Crown, for example the NZS Fund will hold NZ Government Stock). The following information includes all investments and income, including cross-holdings of NZ Government Stock and accrued interest on such stock.							
Opening balance	615	1,884	1,884	3,885	6,192	8,839	11,777
Gross contribution	1,200	1,879	1,879	1,979	2,156	2,265	2,410
Income after tax	69	187	122	328	491	673	878
<b>NZS Fund balance</b>	<b>1,884</b>	<b>3,950</b>	<b>3,885</b>	<b>6,192</b>	<b>8,839</b>	<b>11,777</b>	<b>15,065</b>

### Gross and Net Debt Information

#### Definitions of debt:

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

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

Total 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 total sovereign-issued debt does not eliminate any internal cross-holdings. The Government's debt objective uses this measure of debt.

### Total Crown Debt

<b>Total Crown gross debt</b>	<b>38,285</b>	<b>36,378</b>	<b>36,118</b>	<b>35,091</b>	<b>34,937</b>	<b>34,105</b>	<b>33,153</b>
<b>Total gross sovereign-issued debt</b>	<b>36,086</b>	<b>34,160</b>	<b>34,469</b>	<b>32,940</b>	<b>33,019</b>	<b>33,604</b>	<b>34,057</b>

### Core Crown

Gross sovereign issued debt	36,086	34,160	34,469	32,940	33,019	33,604	34,057
Financial assets	(23,029)	(22,382)	(23,963)	(26,050)	(29,369)	(33,364)	(37,234)
<b>Borrowings less Financial Assets</b>	<b>13,057</b>	<b>11,778</b>	<b>10,506</b>	<b>6,890</b>	<b>3,650</b>	<b>240</b>	<b>(3,177)</b>
NZS Fund and GSF financial assets	4,520	6,677	6,429	8,552	10,969	13,638	16,616
<b>Net Crown Debt</b>	<b>17,577</b>	<b>18,455</b>	<b>16,935</b>	<b>15,442</b>	<b>14,619</b>	<b>13,878</b>	<b>13,439</b>

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

## Forecast Statement of Borrowings

for the years ending 30 June

(\$ million)	2004						
	2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>Sovereign Guaranteed Debt</b>							
<b>New Zealand-Dollar Debt</b>							
Government stock	18,745	18,259	17,345	16,152	15,438	15,143	14,275
Treasury bills	5,317	5,270	5,389	5,344	5,244	5,222	5,202
Loans and foreign-exchange contracts	(500)	(1,183)	(159)	(778)	(655)	(655)	(246)
Retail stock and other	818	632	659	558	482	483	483
<b>Total New Zealand-Dollar Debt</b>	<b>24,380</b>	<b>22,978</b>	<b>23,234</b>	<b>21,276</b>	<b>20,509</b>	<b>20,193</b>	<b>19,714</b>
<b>Foreign-Currency Debt</b>							
United States dollars	2,495	3,591	1,608	1,272	1,272	1,272	1,272
Japanese yen	835	106	983	983	983	983	983
European and other currencies	3,367	2,282	3,238	3,238	3,238	3,238	3,238
<b>Total Foreign-Currency Debt</b>	<b>6,697</b>	<b>5,979</b>	<b>5,829</b>	<b>5,493</b>	<b>5,493</b>	<b>5,493</b>	<b>5,493</b>
<b>Total Sovereign Guaranteed Debt</b>	<b>31,077</b>	<b>28,957</b>	<b>29,063</b>	<b>26,769</b>	<b>26,002</b>	<b>25,686</b>	<b>25,207</b>
<b>Non-Sovereign Guaranteed Debt</b>							
New Zealand	5,739	6,469	6,039	7,426	8,143	7,734	7,370
United States dollars	977	829	893	773	669	562	453
Japanese yen	212	..	..	..	..	..	..
European and other currencies	280	123	123	123	123	123	123
<b>Total Non-Sovereign Guaranteed Debt</b>	<b>7,208</b>	<b>7,421</b>	<b>7,055</b>	<b>8,322</b>	<b>8,935</b>	<b>8,419</b>	<b>7,946</b>
<b>Total Borrowings (Gross Debt)</b>	<b>38,285</b>	<b>36,378</b>	<b>36,118</b>	<b>35,091</b>	<b>34,937</b>	<b>34,105</b>	<b>33,153</b>
<b>Less</b>							
<b>Financial Assets (including restricted assets)</b>							
<b>Marketable Securities, Deposits and Equity Investments</b>							
New Zealand dollars	8,276	7,670	5,842	5,556	5,825	6,238	6,416
United States dollars	4,144	5,211	3,808	3,737	4,036	4,364	4,726
Japanese yen	838	143	1,017	1,017	1,017	1,017	1,017
European and other currencies	2,247	607	1,153	982	794	591	377
Reserve Position at IMF	1,067	1,074	1,225	1,394	1,581	1,783	1,997
NZ equity investments	1,401	1,362	2,301	2,921	3,625	4,381	5,196
Foreign equity investments	3,333	3,386	6,396	8,121	10,061	12,191	14,505
<b>Total</b>	<b>21,306</b>	<b>19,453</b>	<b>21,742</b>	<b>23,728</b>	<b>26,939</b>	<b>30,565</b>	<b>34,234</b>
<b>Advances and Cash</b>							
Student loans	5,370	5,926	6,073	6,790	7,549	8,357	9,219
Other advances	930	1,296	1,514	2,070	2,569	2,591	2,613
Cash	2,732	2,073	2,455	2,425	2,516	2,689	2,878
<b>Total</b>	<b>9,032</b>	<b>9,295</b>	<b>10,042</b>	<b>11,285</b>	<b>12,634</b>	<b>13,637</b>	<b>14,710</b>
<b>Total Financial Assets</b>	<b>30,338</b>	<b>28,748</b>	<b>31,784</b>	<b>35,013</b>	<b>39,573</b>	<b>44,202</b>	<b>48,944</b>
<b>Borrowings less Financial Assets</b>	<b>7,947</b>	<b>7,630</b>	<b>4,334</b>	<b>78</b>	<b>(4,636)</b>	<b>(10,097)</b>	<b>(15,791)</b>
Net New Zealand-dollar debt	11,478	11,120	11,088	8,940	6,568	3,671	762
Net foreign-currency debt	(3,531)	(3,490)	(6,754)	(8,862)	(11,204)	(13,768)	(16,553)
<b>Borrowings less Financial Assets</b>	<b>7,947</b>	<b>7,630</b>	<b>4,334</b>	<b>78</b>	<b>(4,636)</b>	<b>(10,097)</b>	<b>(15,791)</b>

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

## Statement of Actual Commitments

as at 31 October

(\$ million)	As at 31 October 2003	As at 30 June 2003
<b>Capital Commitments</b>		
Specialist military equipment	160	292
Land and buildings	934	987
Other property, plant and equipment	455	862
Other capital commitments	100	145
Investments	32	32
<b>Total Capital Commitments</b>	<b>1,681</b>	<b>2,318</b>
<b>Operating Commitments</b>		
Non-cancellable accommodation leases	1,220	1,268
Other non-cancellable leases	3,131	3,174
Non-cancellable contracts for the supply of goods and services	3,265	1,907
Other operating commitments	2,054	2,645
TEIs	316	316
<b>Total Operating Commitments</b>	<b>9,986</b>	<b>9,310</b>
<b>Total Commitments</b>	<b>11,667</b>	<b>11,628</b>
<b>Total Commitments by Institutional Segment</b>		
Core Crown	4,923	4,731
Crown entities	4,698	4,783
State-owned enterprises	2,046	2,114
<b>Total Commitments</b>	<b>11,667</b>	<b>11,628</b>

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

## Statement of Actual Contingent Liabilities

as at 31 October

(\$ million)	As at 31 October 2003	As at 30 June 2003
Guarantees and indemnities	347	418
Uncalled capital	2,518	2,641
Legal proceedings and disputes	381	242
Other quantifiable contingent liabilities	1,222	1,316
<b>Total Quantifiable Contingent Liabilities</b>	<b>4,468</b>	<b>4,617</b>
<b>Total Quantifiable Contingent Liabilities by Institutional Segment</b>		
Core Crown	4,336	4,418
Crown Entities	10	45
State-owned enterprises	122	154
<b>Total Quantifiable Contingent Liabilities</b>	<b>4,468</b>	<b>4,617</b>
<b>Quantifiable Contingent Assets</b>		
Core Crown - Education and Transport	129	129
<b>Total Quantifiable Contingent Assets</b>	<b>129</b>	<b>129</b>

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

A detailed Statement of Contingent Liabilities and Assets (quantified and unquantified) is outlined on pages 83 to 85 of the Specific Fiscal Risk chapter.

The Statement of Specific Risks (quantified and unquantified) is outlined on pages 59 to 85 of the Specific Fiscal Risk chapter.

## Forecast Statement of Segments

### Statement of Financial Performance (institutional form)

for the year ended 30 June 2003

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

### Statement of Financial Position (institutional form)

as at 30 June 2003

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

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

## Forecast Statement of Segments (continued)

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

for the year ended 30 June 2004

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2004 \$m	2004 \$m	2004 \$m	2004 \$m	2004 \$m
<b>Revenue</b>					
Taxation revenue	42,614	-	-	(363)	42,251
Other sovereign levied income	594	2,472	-	(53)	3,013
Sales of goods and services	759	1,223	8,814	(416)	10,380
Investment income	1,803	693	108	(513)	2,091
Other revenues	560	15,756	531	(15,060)	1,787
<b>Total revenue</b>	<b>46,330</b>	<b>20,144</b>	<b>9,453</b>	<b>(16,405)</b>	<b>59,522</b>
<b>Expenses by input type</b>					
Subsidies and transfer payments	14,129	1,387	-	-	15,516
Personnel expenses	4,203	6,387	1,658	(3)	12,245
Operating expenses	21,676	10,832	6,888	(15,885)	23,511
Finance costs	2,248	226	315	(233)	2,556
FX losses/(gains)	(24)	-	(14)	-	(38)
GSF and ACC liability revaluation movements	(364)	82	-	-	(282)
<b>Total expenses</b>	<b>41,868</b>	<b>18,914</b>	<b>8,847</b>	<b>(16,121)</b>	<b>53,508</b>
<b>Expenses by functional classification</b>					
Social security and welfare	14,296	2,099	-	(424)	15,971
Health	8,245	6,861	-	(7,145)	7,961
Education	7,570	5,907	-	(5,232)	8,245
Other functional classifications	9,498	3,821	8,546	(3,087)	18,778
Forecast new operating spending	35	-	-	-	35
Finance costs and FX losses/(gains)	2,224	226	301	(233)	2,518
<b>Total expenses</b>	<b>41,868</b>	<b>18,914</b>	<b>8,847</b>	<b>(16,121)</b>	<b>53,508</b>
Net surplus TEIs	-	78	-	-	78
<b>Operating balance</b>	<b>4,462</b>	<b>1,308</b>	<b>606</b>	<b>(284)</b>	<b>6,092</b>

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

as at 30 June 2004

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2004 \$m	2004 \$m	2004 \$m	2004 \$m	2004 \$m
<b>Assets</b>					
Financial assets	23,963	12,103	2,537	(6,819)	31,784
Physical assets	17,616	25,610	10,301	-	53,527
Investment in SOEs and CEs (including TEIs)	24,020	4,428	-	(24,020)	4,428
Other assets	8,310	2,428	2,696	(1,041)	12,393
<b>Total assets</b>	<b>73,909</b>	<b>44,569</b>	<b>15,534</b>	<b>(31,860)</b>	<b>102,132</b>
<b>Liabilities</b>					
Borrowings	33,754	3,402	5,781	(6,819)	36,118
Other liabilities	22,686	12,814	2,570	(1,976)	36,094
<b>Total liabilities</b>	<b>56,440</b>	<b>16,216</b>	<b>8,351</b>	<b>(8,795)</b>	<b>72,212</b>
<b>Net worth</b>	<b>17,469</b>	<b>28,353</b>	<b>7,183</b>	<b>(23,085)</b>	<b>29,920</b>
Taxpayer funds	12,781	18,654	5,907	(23,085)	14,257
Revaluation reserves	4,688	9,699	1,276	-	15,663
Minority Interest	-	-	-	-	-
<b>Net worth</b>	<b>17,469</b>	<b>28,353</b>	<b>7,183</b>	<b>(23,085)</b>	<b>29,920</b>
<b>Analysis of financial assets and borrowings</b>					
Advances and cash	8,474	1,446	2,190	(2,068)	10,042
MSDs and equity investments	15,489	10,657	347	(4,751)	21,742
<b>Total financial assets</b>	<b>23,963</b>	<b>12,103</b>	<b>2,537</b>	<b>(6,819)</b>	<b>31,784</b>
Borrowings - Sovereign guaranteed	33,754	-	-	(4,691)	29,063
Borrowings - Non-sovereign guaranteed	-	3,402	5,781	(2,128)	7,055
<b>Total borrowings</b>	<b>33,754</b>	<b>3,402</b>	<b>5,781</b>	<b>(6,819)</b>	<b>36,118</b>
<b>Borrowings less financial assets</b>	<b>9,791</b>	<b>(8,701)</b>	<b>3,244</b>	<b>-</b>	<b>4,334</b>
<b>Net Crown debt</b>	<b>16,935</b>				
<b>Gross sovereign-issued debt</b>	<b>34,469</b>				

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

## Forecast Statement of Segments (continued)

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

for the year ended 30 June 2005

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2005 \$m	2005 \$m	2005 \$m	2005 \$m	2005 \$m
<b>Revenue</b>					
Taxation revenue	44,583	-	-	(469)	44,114
Other sovereign levied income	654	2,568	-	(52)	3,170
Sales of goods and services	736	1,275	10,045	(399)	11,657
Investment income	2,154	785	97	(584)	2,452
Other revenues	591	16,423	466	(15,713)	1,767
<b>Total revenue</b>	<b>48,718</b>	<b>21,051</b>	<b>10,608</b>	<b>(17,217)</b>	<b>63,160</b>
<b>Expenses by input type</b>					
Subsidies and transfer payments	14,446	1,423	-	-	15,869
Personnel expenses	4,260	6,658	1,727	(5)	12,640
Operating expenses	23,128	11,228	7,743	(16,628)	25,471
Finance costs	2,094	240	357	(272)	2,419
FX losses/(gains)	-	-	-	-	-
GSF and ACC liability revaluation movements	(51)	552	-	-	501
<b>Total expenses</b>	<b>43,877</b>	<b>20,101</b>	<b>9,827</b>	<b>(16,905)</b>	<b>56,900</b>
<b>Expenses by functional classification</b>					
Social security and welfare	14,685	2,613	-	(433)	16,865
Health	8,527	7,289	-	(7,650)	8,166
Education	7,802	6,070	-	(5,381)	8,491
Other functional classifications	9,616	3,889	9,470	(3,169)	19,806
Forecast new operating spending	1,153	-	-	-	1,153
Finance costs and FX losses/(gains)	2,094	240	357	(272)	2,419
<b>Total expenses</b>	<b>43,877</b>	<b>20,101</b>	<b>9,827</b>	<b>(16,905)</b>	<b>56,900</b>
Net surplus TEIs	-	78	-	-	78
<b>Operating balance</b>	<b>4,841</b>	<b>1,028</b>	<b>781</b>	<b>(312)</b>	<b>6,338</b>

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

as at 30 June 2005

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2005 \$m	2005 \$m	2005 \$m	2005 \$m	2005 \$m
<b>Assets</b>					
Financial assets	26,050	13,318	3,135	(7,490)	35,013
Physical assets	17,343	26,140	11,552	-	55,035
Investment in SOEs and CEs (including TEIs)	24,458	4,534	-	(24,458)	4,534
Other assets	9,037	2,419	2,774	(1,066)	13,164
<b>Total assets</b>	<b>76,888</b>	<b>46,411</b>	<b>17,461</b>	<b>(33,014)</b>	<b>107,746</b>
<b>Liabilities</b>					
Borrowings	31,990	3,508	7,083	(7,490)	35,091
Other liabilities	22,561	13,378	2,574	(2,116)	36,397
<b>Total liabilities</b>	<b>54,551</b>	<b>16,886</b>	<b>9,657</b>	<b>(9,606)</b>	<b>71,488</b>
<b>Net worth</b>	<b>22,337</b>	<b>29,525</b>	<b>7,804</b>	<b>(23,408)</b>	<b>36,258</b>
Taxpayer Funds	17,649	19,826	6,528	(23,408)	20,595
Revaluation reserves	4,688	9,699	1,276	-	15,663
Minority Interest	-	-	-	-	-
<b>Net worth</b>	<b>22,337</b>	<b>29,525</b>	<b>7,804</b>	<b>(23,408)</b>	<b>36,258</b>
<b>Analysis of financial assets and borrowings</b>					
Advances and cash	9,333	1,439	2,709	(2,196)	11,285
MSDs and equity investments	16,717	11,879	426	(5,294)	23,728
<b>Total financial assets</b>	<b>26,050</b>	<b>13,318</b>	<b>3,135</b>	<b>(7,490)</b>	<b>35,013</b>
Borrowings - Sovereign guaranteed	31,990	-	-	(5,221)	26,769
Borrowings - Non-sovereign guaranteed	-	3,508	7,083	(2,269)	8,322
<b>Total borrowings</b>	<b>31,990</b>	<b>3,508</b>	<b>7,083</b>	<b>(7,490)</b>	<b>35,091</b>
<b>Borrowings less financial assets</b>	<b>5,940</b>	<b>(9,810)</b>	<b>3,948</b>	<b>-</b>	<b>78</b>
<b>Net Crown debt</b>	<b>15,442</b>				
<b>Gross sovereign-issued debt</b>	<b>32,940</b>				

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



## Forecast Statement of Segments (continued)

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

for the year ended 30 June 2006

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2006 \$m	2006 \$m	2006 \$m	2006 \$m	2006 \$m
<b>Revenue</b>					
Taxation revenue	46,606	-	-	(563)	46,043
Other sovereign levied income	653	2,639	-	(51)	3,241
Sales of goods and services	744	1,330	10,626	(403)	12,297
Investment income	2,586	878	120	(698)	2,886
Other revenues	584	17,025	428	(16,281)	1,756
<b>Total revenue</b>	<b>51,173</b>	<b>21,872</b>	<b>11,174</b>	<b>(17,996)</b>	<b>66,223</b>
<b>Expenses by input type</b>					
Subsidies and transfer payments	15,096	1,488	-	-	16,584
Personnel expenses	4,366	6,802	1,781	(4)	12,945
Operating expenses	25,498	11,744	8,019	(17,302)	27,959
Finance costs	2,169	250	393	(301)	2,511
FX losses/(gains)	-	-	-	-	-
GSF and ACC liability revaluation movements	(75)	584	-	-	509
<b>Total expenses</b>	<b>47,054</b>	<b>20,868</b>	<b>10,193</b>	<b>(17,607)</b>	<b>60,508</b>
<b>Expenses by functional classification</b>					
Social security and welfare	15,316	2,739	-	(441)	17,614
Health	9,194	7,591	-	(7,976)	8,809
Education	7,981	6,287	-	(5,564)	8,704
Other functional classifications	9,737	4,001	9,800	(3,325)	20,213
Forecast new operating spending	2,657	-	-	-	2,657
Finance costs and FX losses/(gains)	2,169	250	393	(301)	2,511
<b>Total expenses</b>	<b>47,054</b>	<b>20,868</b>	<b>10,193</b>	<b>(17,607)</b>	<b>60,508</b>
Net surplus TEIs	-	80	-	-	80
<b>Operating balance</b>	<b>4,119</b>	<b>1,084</b>	<b>981</b>	<b>(389)</b>	<b>5,795</b>

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

as at 30 June 2006

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2006 \$m	2006 \$m	2006 \$m	2006 \$m	2006 \$m
<b>Assets</b>					
Financial assets	29,369	14,643	3,771	(8,210)	39,573
Physical assets	17,060	26,429	12,305	-	55,794
Investment in SOEs and CEs (including TEIs)	24,592	4,614	-	(24,592)	4,614
Other assets	9,408	2,507	2,848	(983)	13,780
<b>Total assets</b>	<b>80,429</b>	<b>48,193</b>	<b>18,924</b>	<b>(33,785)</b>	<b>113,761</b>
<b>Liabilities</b>					
Borrowings	31,800	3,609	7,738	(8,210)	34,937
Other liabilities	22,264	13,955	2,634	(2,082)	36,771
<b>Total liabilities</b>	<b>54,064</b>	<b>17,564</b>	<b>10,372</b>	<b>(10,292)</b>	<b>71,708</b>
<b>Net worth</b>	<b>26,365</b>	<b>30,629</b>	<b>8,552</b>	<b>(23,493)</b>	<b>42,053</b>
Taxpayer Funds	21,677	20,930	7,276	(23,493)	26,390
Revaluation reserves	4,688	9,699	1,276	-	15,663
Minority Interest	-	-	-	-	-
<b>Net worth</b>	<b>26,365</b>	<b>30,629</b>	<b>8,552</b>	<b>(23,493)</b>	<b>42,053</b>
<b>Analysis of financial assets and borrowings</b>					
Advances and cash	10,240	1,424	3,297	(2,327)	12,634
MSDs and equity investments	19,129	13,219	474	(5,883)	26,939
<b>Total financial assets</b>	<b>29,369</b>	<b>14,643</b>	<b>3,771</b>	<b>(8,210)</b>	<b>39,573</b>
Borrowings - Sovereign guaranteed	31,800	-	-	(5,798)	26,002
Borrowings - Non-sovereign guaranteed	-	3,609	7,738	(2,412)	8,935
<b>Total borrowings</b>	<b>31,800</b>	<b>3,609</b>	<b>7,738</b>	<b>(8,210)</b>	<b>34,937</b>
<b>Borrowings less financial assets</b>	<b>2,431</b>	<b>(11,034)</b>	<b>3,967</b>	<b>-</b>	<b>(4,636)</b>
<b>Net Crown debt</b>	<b>14,619</b>				
<b>Gross sovereign-issued debt</b>	<b>33,019</b>				

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

## Forecast Statement of Segments (continued)

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

for the year ended 30 June 2007

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2007 \$m	2007 \$m	2007 \$m	2007 \$m	2007 \$m
<b>Revenue</b>					
Taxation revenue	48,529	-	-	(585)	47,944
Other sovereign levied income	648	2,707	-	(52)	3,303
Sales of goods and services	752	1,390	10,954	(387)	12,709
Investment income	3,029	970	120	(784)	3,335
Other revenues	581	17,144	435	(16,374)	1,786
<b>Total revenue</b>	<b>53,539</b>	<b>22,211</b>	<b>11,509</b>	<b>(18,182)</b>	<b>69,077</b>
<b>Expenses by input type</b>					
Subsidies and transfer payments	15,743	1,553	-	-	17,296
Personnel expenses	4,363	6,830	1,804	(4)	12,993
Operating expenses	27,305	11,866	8,249	(17,400)	30,020
Finance costs	2,082	253	424	(332)	2,427
FX losses/(gains)	-	-	-	-	-
GSF and ACC liability revaluation movements	(108)	612	-	-	504
<b>Total expenses</b>	<b>49,385</b>	<b>21,114</b>	<b>10,477</b>	<b>(17,736)</b>	<b>63,240</b>
<b>Expenses by functional classification</b>					
Social security and welfare	15,953	2,848	-	(447)	18,354
Health	9,187	7,551	-	(8,007)	8,731
Education	8,132	6,327	-	(5,587)	8,872
Other functional classifications	9,699	4,135	10,053	(3,363)	20,524
Forecast new operating spending	4,332	-	-	-	4,332
Finance costs and FX losses/(gains)	2,082	253	424	(332)	2,427
<b>Total expenses</b>	<b>49,385</b>	<b>21,114</b>	<b>10,477</b>	<b>(17,736)</b>	<b>63,240</b>
Net surplus TEIs	-	81	-	-	81
<b>Operating balance</b>	<b>4,154</b>	<b>1,178</b>	<b>1,032</b>	<b>(446)</b>	<b>5,918</b>

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

as at 30 June 2007

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2007 \$m	2007 \$m	2007 \$m	2007 \$m	2007 \$m
<b>Assets</b>					
Financial assets	33,364	16,061	3,986	(9,209)	44,202
Physical assets	16,752	26,659	12,701	-	56,112
Investment in SOEs and CEs (including TEIs)	24,703	4,696	-	(24,703)	4,696
Other assets	9,777	2,552	2,858	(867)	14,320
<b>Total assets</b>	<b>84,596</b>	<b>49,968</b>	<b>19,545</b>	<b>(34,779)</b>	<b>119,330</b>
<b>Liabilities</b>					
Borrowings	32,090	3,624	7,600	(9,209)	34,105
Other liabilities	22,114	14,568	2,636	(2,064)	37,254
<b>Total liabilities</b>	<b>54,204</b>	<b>18,192</b>	<b>10,236</b>	<b>(11,273)</b>	<b>71,359</b>
<b>Net worth</b>	<b>30,392</b>	<b>31,776</b>	<b>9,309</b>	<b>(23,506)</b>	<b>47,971</b>
Taxpayer Funds	25,704	22,077	8,033	(23,506)	32,308
Revaluation reserves	4,688	9,699	1,276	-	15,663
Minority Interest	-	-	-	-	-
<b>Net worth</b>	<b>30,392</b>	<b>31,776</b>	<b>9,309</b>	<b>(23,506)</b>	<b>47,971</b>
<b>Analysis of financial assets and borrowings</b>					
Advances and cash	11,414	1,415	3,515	(2,707)	13,637
MSDs and equity investments	21,950	14,646	471	(6,502)	30,565
<b>Total financial assets</b>	<b>33,364</b>	<b>16,061</b>	<b>3,986</b>	<b>(9,209)</b>	<b>44,202</b>
Borrowings - Sovereign guaranteed	32,090	-	-	(6,404)	25,686
Borrowings - Non-sovereign guaranteed	-	3,624	7,600	(2,805)	8,419
<b>Total borrowings</b>	<b>32,090</b>	<b>3,624</b>	<b>7,600</b>	<b>(9,209)</b>	<b>34,105</b>
<b>Borrowings less financial assets</b>	<b>(1,274)</b>	<b>(12,437)</b>	<b>3,614</b>	<b>-</b>	<b>(10,097)</b>
<b>Net Crown debt</b>	<b>13,878</b>				
<b>Gross sovereign-issued debt</b>	<b>33,604</b>				

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

## Forecast Statement of Segments (continued)

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

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2008 \$m	2008 \$m	2008 \$m	2008 \$m	2008 \$m
<b>Revenue</b>					
Taxation revenue	50,753	-	-	(613)	50,140
Other sovereign levied income	646	2,783	-	(52)	3,377
Sales of goods and services	734	1,447	11,248	(395)	13,034
Investment income	3,470	1,054	120	(872)	3,772
Other revenues	577	17,251	440	(16,463)	1,805
<b>Total revenue</b>	<b>56,180</b>	<b>22,535</b>	<b>11,808</b>	<b>(18,395)</b>	<b>72,128</b>
<b>Expenses by input type</b>					
Subsidies and transfer payments	16,441	1,619	-	-	18,060
Personnel expenses	4,383	6,849	1,828	(4)	13,056
Operating expenses	29,065	11,985	8,472	(17,528)	31,994
Finance costs	2,104	253	420	(371)	2,406
FX losses/(gains)	-	-	-	-	-
GSF and ACC liability revaluation movements	(128)	634	-	-	506
<b>Total expenses</b>	<b>51,865</b>	<b>21,340</b>	<b>10,720</b>	<b>(17,903)</b>	<b>66,022</b>
<b>Expenses by functional classification</b>					
Social security and welfare	16,634	2,942	-	(456)	19,120
Health	9,149	7,554	-	(8,037)	8,666
Education	8,218	6,360	-	(5,500)	9,078
Other functional classifications	9,732	4,231	10,300	(3,539)	20,724
Forecast new operating spending	6,028	-	-	-	6,028
Finance costs and FX losses/(gains)	2,104	253	420	(371)	2,406
<b>Total expenses</b>	<b>51,865</b>	<b>21,340</b>	<b>10,720</b>	<b>(17,903)</b>	<b>66,022</b>
Net surplus TEIs		81	-	-	81
<b>Operating balance</b>	<b>4,315</b>	<b>1,276</b>	<b>1,088</b>	<b>(492)</b>	<b>6,187</b>

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

(\$ million)	Core Crown	Crown entities	State-owned enterprises	Inter-segment eliminations	Total Crown
	2008 \$m	2008 \$m	2008 \$m	2008 \$m	2008 \$m
<b>Assets</b>					
Financial assets	37,234	17,475	4,210	(9,975)	48,944
Physical assets	16,460	26,726	13,063	-	56,249
Investment in SOEs and CEs (including TEIs)	24,804	4,777	-	(24,804)	4,777
Other assets	10,286	2,641	2,850	(761)	15,016
<b>Total assets</b>	<b>88,784</b>	<b>51,619</b>	<b>20,123</b>	<b>(35,540)</b>	<b>124,986</b>
<b>Liabilities</b>					
Borrowings	32,210	3,504	7,414	(9,975)	33,153
Other liabilities	21,966	15,097	2,639	(2,027)	37,675
<b>Total liabilities</b>	<b>54,176</b>	<b>18,601</b>	<b>10,053</b>	<b>(12,002)</b>	<b>70,828</b>
<b>Net worth</b>	<b>34,608</b>	<b>33,018</b>	<b>10,070</b>	<b>(23,538)</b>	<b>54,158</b>
Taxpayer Funds	29,920	23,319	8,794	(23,538)	38,495
Revaluation reserves	4,688	9,699	1,276	-	15,663
Minority Interest	-	-	-	-	-
<b>Net worth</b>	<b>34,608</b>	<b>33,018</b>	<b>10,070</b>	<b>(23,538)</b>	<b>54,158</b>
<b>Analysis of financial assets and borrowings</b>					
Advances and cash	12,371	1,447	3,743	(2,851)	14,710
MSDs and equity investments	24,863	16,028	467	(7,124)	34,234
<b>Total financial assets</b>	<b>37,234</b>	<b>17,475</b>	<b>4,210</b>	<b>(9,975)</b>	<b>48,944</b>
Borrowings - Sovereign guaranteed	32,210	-	-	(7,003)	25,207
Borrowings - Non-sovereign guaranteed	-	3,504	7,414	(2,972)	7,946
<b>Total borrowings</b>	<b>32,210</b>	<b>3,504</b>	<b>7,414</b>	<b>(9,975)</b>	<b>33,153</b>
<b>Borrowings less financial assets</b>	<b>(5,024)</b>	<b>(13,971)</b>	<b>3,204</b>	<b>-</b>	<b>(15,791)</b>
<b>Net Crown debt</b>	<b>13,439</b>				
<b>Gross sovereign-issued debt</b>	<b>34,057</b>				

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

## Notes to the Forecast Financial Statements

(\$ million)	2004						
	2003 Actual	2004 Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>NOTE 1: Revenue Collected Through the Crown's Sovereign Power</b>							
<b>Income Tax Revenue (accrual)</b>							
<b>Individuals</b>							
Source deductions	15,933	16,396	16,897	17,782	18,681	19,586	20,575
Other persons	4,195	4,328	4,172	4,366	4,600	4,859	5,128
Refunds	(834)	(834)	(844)	(844)	(844)	(844)	(844)
Fringe benefit tax	375	373	403	417	436	455	472
<b>Total Individuals</b>	<b>19,669</b>	<b>20,263</b>	<b>20,628</b>	<b>21,721</b>	<b>22,873</b>	<b>24,056</b>	<b>25,331</b>
<b>Corporate Tax</b>							
Gross companies tax	5,244	5,190	5,964	6,168	6,406	6,541	6,812
Refunds	(191)	(138)	(142)	(151)	(160)	(165)	(174)
Non-resident withholding tax	732	702	821	788	832	864	916
Foreign-source dividend withholding payments	154	126	135	135	135	135	135
<b>Total Corporate Tax</b>	<b>5,939</b>	<b>5,880</b>	<b>6,778</b>	<b>6,940</b>	<b>7,213</b>	<b>7,375</b>	<b>7,689</b>
<b>Other Income Tax</b>							
Resident withholding tax on interest income	1,111	1,074	1,163	1,164	1,187	1,187	1,187
Resident withholding tax on dividend income	57	52	55	54	55	56	58
Estate and gift duties	1	1	2	2	2	2	2
<b>Total Other Income Tax</b>	<b>1,169</b>	<b>1,127</b>	<b>1,220</b>	<b>1,220</b>	<b>1,244</b>	<b>1,245</b>	<b>1,247</b>
<b>Total Income Tax</b>	<b>26,777</b>	<b>27,270</b>	<b>28,626</b>	<b>29,881</b>	<b>31,330</b>	<b>32,676</b>	<b>34,267</b>
<b>Goods and Services Tax</b>							
Gross goods and services tax	14,961	15,579	15,752	16,732	17,437	18,308	19,244
Refunds	(6,221)	(6,465)	(6,415)	(6,908)	(7,258)	(7,683)	(8,099)
<b>Total Goods and Services Tax</b>	<b>8,740</b>	<b>9,114</b>	<b>9,337</b>	<b>9,824</b>	<b>10,179</b>	<b>10,625</b>	<b>11,145</b>
<b>Other Taxation</b>							
Petroleum fuels excise	995	918	952	966	981	998	1,015
Tobacco excise	850	876	855	859	871	883	895
Customs duty	750	745	738	770	804	816	805
Road user charges	621	631	646	669	703	739	777
Alcohol excise	465	492	482	489	503	517	531
Gaming duties	247	281	273	306	323	338	355
Motor vehicle fees	197	193	203	211	215	219	223
Energy resources levies	94	86	84	81	76	74	67
Approved issuer levy (AIL) and cheque duty	49	45	55	58	58	59	60
<b>Total Other Indirect Taxation</b>	<b>4,268</b>	<b>4,267</b>	<b>4,288</b>	<b>4,409</b>	<b>4,534</b>	<b>4,643</b>	<b>4,728</b>
<b>Total Indirect Taxation</b>	<b>13,008</b>	<b>13,381</b>	<b>13,625</b>	<b>14,233</b>	<b>14,713</b>	<b>15,268</b>	<b>15,873</b>
<b>Total Tax Revenue Collected</b>	<b>39,785</b>	<b>40,651</b>	<b>42,251</b>	<b>44,114</b>	<b>46,043</b>	<b>47,944</b>	<b>50,140</b>
<b>Other Sovereign Revenues (accrual)</b>							
ACC levies	1,854	1,897	2,033	2,127	2,197	2,263	2,338
Fire Service levies	228	224	224	225	225	225	225
EQC levies	77	78	78	80	82	83	85
Other miscellaneous items	604	627	678	738	737	732	729
<b>Total Other Sovereign Revenues</b>	<b>2,763</b>	<b>2,826</b>	<b>3,013</b>	<b>3,170</b>	<b>3,241</b>	<b>3,303</b>	<b>3,377</b>
<b>Total Sovereign Revenue</b>	<b>42,548</b>	<b>43,477</b>	<b>45,264</b>	<b>47,284</b>	<b>49,284</b>	<b>51,247</b>	<b>53,517</b>

## Notes to the Forecast Financial Statements

(\$ million)	2003	2004	2004	2005	2006	2007	2008
	Actual	Previous Budget	Forecast	Forecast	Forecast	Forecast	Forecast
<b>NOTE 1: Receipts Collected Through the Crown's Sovereign Power</b>							
<b>Income Tax Receipts (cash)</b>							
<b>Individuals</b>							
Source deductions	15,623	16,396	16,897	17,782	18,681	19,586	20,575
Other persons	4,500	4,734	4,631	4,825	5,059	5,317	5,586
Refunds	(1,287)	(1,240)	(1,302)	(1,302)	(1,302)	(1,302)	(1,302)
Fringe benefit tax	374	373	400	414	431	451	468
<b>Total Individuals</b>	<b>19,210</b>	<b>20,263</b>	<b>20,626</b>	<b>21,719</b>	<b>22,869</b>	<b>24,052</b>	<b>25,327</b>
<b>Corporate Tax</b>							
Gross companies tax	6,021	5,775	6,668	6,846	7,022	7,158	7,417
Refunds	(821)	(722)	(869)	(811)	(796)	(803)	(800)
Non-resident withholding tax	741	710	824	788	832	864	916
Foreign-source dividend withholding payments	160	126	129	135	135	135	135
<b>Total Corporate Tax</b>	<b>6,101</b>	<b>5,889</b>	<b>6,752</b>	<b>6,958</b>	<b>7,193</b>	<b>7,354</b>	<b>7,668</b>
<b>Other Income Tax</b>							
Resident withholding tax on interest income	1,104	1,074	1,163	1,164	1,187	1,187	1,187
Resident withholding tax on dividend income	56	52	55	54	55	56	58
Estate and gift duties	1	1	2	2	2	2	2
<b>Total Other Income Tax</b>	<b>1,161</b>	<b>1,127</b>	<b>1,220</b>	<b>1,220</b>	<b>1,244</b>	<b>1,245</b>	<b>1,247</b>
<b>Total Income Tax</b>	<b>26,472</b>	<b>27,279</b>	<b>28,598</b>	<b>29,897</b>	<b>31,306</b>	<b>32,651</b>	<b>34,242</b>
<b>Goods and Services Tax</b>							
Gross goods and services tax	14,489	15,229	15,503	16,482	17,187	18,058	18,994
Refunds	(5,718)	(6,165)	(6,165)	(6,658)	(7,008)	(7,433)	(7,849)
<b>Total Goods and Services Tax</b>	<b>8,771</b>	<b>9,064</b>	<b>9,338</b>	<b>9,824</b>	<b>10,179</b>	<b>10,625</b>	<b>11,145</b>
<b>Other Taxation</b>							
Petroleum fuels excise	971	918	952	966	981	998	1,015
Tobacco excise	867	876	850	859	871	883	895
Customs duty	712	745	738	770	804	816	805
Road user charges	620	629	644	669	703	739	777
Alcohol excise	461	492	479	489	503	517	531
Gaming duties	245	281	272	307	324	339	356
Motor vehicle fees	201	193	203	211	220	219	223
Energy resources levies	97	87	85	82	77	74	68
Approved issuer levy (AIL) and cheque duty	51	45	56	57	58	59	60
<b>Total Other Indirect Taxation</b>	<b>4,225</b>	<b>4,266</b>	<b>4,279</b>	<b>4,410</b>	<b>4,541</b>	<b>4,644</b>	<b>4,730</b>
<b>Total Indirect Taxation</b>	<b>12,996</b>	<b>13,330</b>	<b>13,617</b>	<b>14,234</b>	<b>14,720</b>	<b>15,269</b>	<b>15,875</b>
<b>Total Tax Receipts Collected</b>	<b>39,468</b>	<b>40,609</b>	<b>42,215</b>	<b>44,131</b>	<b>46,026</b>	<b>47,920</b>	<b>50,117</b>
<b>Other Sovereign Receipts (cash)</b>							
ACC levies	1,638	1,931	1,999	2,020	2,080	2,143	2,151
Fire Service levies	227	226	226	226	226	226	226
EQC levies	77	79	79	81	82	84	85
Other miscellaneous items	589	488	563	613	614	623	634
<b>Total Other Sovereign Receipts</b>	<b>2,531</b>	<b>2,724</b>	<b>2,867</b>	<b>2,940</b>	<b>3,002</b>	<b>3,076</b>	<b>3,096</b>
<b>Total Sovereign Receipts</b>	<b>41,999</b>	<b>43,333</b>	<b>45,082</b>	<b>47,071</b>	<b>49,028</b>	<b>50,996</b>	<b>53,213</b>

## Notes to the Forecast Financial Statements

(\$ million)	2004						2008
	2003 Actual	Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 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, tertiary fees and so on. The total sales of SOEs represents the majority of their income from electricity generation and distribution services, postal services, advertising, air travel sales and so on.

### NOTE 3: Investment Income

NZS Fund investment income	..	222	136	461	690	948	1,236
Other investment income	1,466	1,162	1,553	1,523	1,661	1,780	1,858
Student loans	393	447	402	468	535	607	678
<b>Total Investment Income</b>	<b>1,859</b>	<b>1,831</b>	<b>2,091</b>	<b>2,452</b>	<b>2,886</b>	<b>3,335</b>	<b>3,772</b>

### NOTE 4: Other Revenue

Unrealised gains/(losses) arising from changes in the value of commercial forests	(20)	..	..	..	..	..	..
GSF contributions	130	103	110	101	91	80	69
Petroleum royalties	44	30	38	28	25	28	28
Cost recovery income from Fisheries	31	33	..	31	30	30	30
Other	2,050	1,515	1,639	1,607	1,610	1,648	1,678
<b>Total Other Revenue</b>	<b>2,235</b>	<b>1,681</b>	<b>1,787</b>	<b>1,767</b>	<b>1,756</b>	<b>1,786</b>	<b>1,805</b>

### NOTE 5: Subsidies and Transfer Payments

Social assistance grants							
New Zealand Superannuation	5,642	5,894	5,890	6,088	6,419	6,810	7,206
ACC payments	1,309	1,383	1,386	1,423	1,488	1,553	1,618
Unemployment Benefit	1,274	1,317	1,146	1,117	1,193	1,214	1,261
Domestic Purposes Benefit	1,520	1,567	1,561	1,595	1,647	1,701	1,756
Family Support	862	815	836	798	794	792	791
Student allowances	387	433	391	405	418	432	449
Other social assistance grants	3,742	3,965	3,883	4,042	4,226	4,391	4,576
Subsidies	113	135	145	128	128	129	129
Other transfer payments							
Official development assistance	230	246	245	245	245	246	246
Other	28	32	33	28	26	28	28
<b>Total Subsidies and Transfer Payments</b>	<b>15,107</b>	<b>15,787</b>	<b>15,516</b>	<b>15,869</b>	<b>16,584</b>	<b>17,296</b>	<b>18,060</b>

## Notes to the Forecast Financial Statements

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

### NOTE 6: Personnel Expenses

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

GSF pension costs (excluding liability movement)	978	1,010	986	1,007	1,051	1,089	1,109
Other pension expenses	78	81	77	113	114	114	114
Other personnel expenses	10,564	11,008	11,182	11,520	11,780	11,790	11,833
<b>Total Personnel Expenses</b>	<b>11,620</b>	<b>12,099</b>	<b>12,245</b>	<b>12,640</b>	<b>12,945</b>	<b>12,993</b>	<b>13,056</b>

### NOTE 7: Operating Expenses

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

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

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

Buildings	701	550	737	742	735	756	754
Electricity distribution network	86	110	116	119	124	124	124
Electricity generation assets	143	155	161	183	203	224	225
Specialist military equipment (SME)	168	178	182	212	213	213	213
State highways	199	223	211	235	261	285	308
Aircraft (ex SME)	105	84	137	97	92	93	93
Other plant and equipment	676	762	816	870	918	926	967
Other assets	99	278	86	93	96	101	105
<b>Total depreciation costs</b>	<b>2,177</b>	<b>2,340</b>	<b>2,446</b>	<b>2,551</b>	<b>2,642</b>	<b>2,722</b>	<b>2,789</b>
<b>Other operating items:</b>							
Rental and leasing costs	712	797	703	817	812	821	828
Change in provision for doubtful debts	67	338	217	203	200	217	214
Write off of bad debts	188	41	67	64	66	66	65
Goodwill amortised	84	47	47	47	47	47	47
Grants paid	306	293	252	257	265	271	279
Lottery prize payments	301	313	303	314	331	349	367
Loss/(gain) on sale of assets	19	..	..	..	..	..	..
Other operating	18,711	18,719	19,441	20,065	20,939	21,195	21,377
<b>Total operating expenses</b>	<b>22,565</b>	<b>22,888</b>	<b>23,476</b>	<b>24,318</b>	<b>25,302</b>	<b>25,688</b>	<b>25,966</b>

### NOTE 8: Forecast New Operating Spending

New operating spending up to Budget 2004	..	175	..	..	..	..	..
New operating spending for the 2004 Budget	..	..	35	1,153	1,679	1,910	2,113
Forecast new operating spending	..	..	..	..	978	2,422	3,915
<b>Total Forecast for Future New Spending</b>	<b>..</b>	<b>175</b>	<b>35</b>	<b>1,153</b>	<b>2,657</b>	<b>4,332</b>	<b>6,028</b>

The forecast new operating spending represents an amount that indicates in broad terms the potential spending increases that could be introduced in each future budget round. The amounts for spending in the 2004 Budget are \$2.2 billion (GST inclusive) in 2004/05 increasing to \$3.4 billion by 2007/08, though some has already been allocated (e.g. as part of the Health package and other decisions since Budget 2003) leaving \$1.2 billion (GST inclusive) in 2004/05 ranging up to \$2.4 billion in 2007/08 for Budget 2004. The forecasts include \$1.8 billion for Budget 2005 and \$1.6 billion for 2006/07 and 2007/08, though the remaining amounts for 2005/06 and 2006/07 are lower as some has already been allocated (e.g. as part of Health sector funding packages including removal of asset testing and some Education funding), leaving indicative totals of around \$1.1 billion (GST inclusive) for Budget 2005 and \$1.56 billion (GST inclusive) for 2006/07.

## Notes to the Forecast Financial Statements

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

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

#### By category:

<b>Total Cash</b>	<b>2,732</b>	<b>2,073</b>	<b>2,455</b>	<b>2,425</b>	<b>2,516</b>	<b>2,689</b>	<b>2,878</b>
Marketable securities and deposits	15,505	13,632	11,819	11,293	11,672	12,210	12,535
Equity investments (e.g. shares)	4,734	4,747	8,698	11,041	13,686	16,572	19,702
Reserve position at the International Monetary Fund	1,067	1,074	1,225	1,394	1,581	1,783	1,997
<b>Total MSDs and Equity Investments</b>	<b>21,306</b>	<b>19,453</b>	<b>21,742</b>	<b>23,728</b>	<b>26,939</b>	<b>30,565</b>	<b>34,234</b>
<b>Total Cash and MSDs &amp; Equity Investments</b>	<b>24,038</b>	<b>21,526</b>	<b>24,197</b>	<b>26,153</b>	<b>29,455</b>	<b>33,254</b>	<b>37,112</b>

#### By portfolio management:

Reserve Bank and DMO managed funds	11,348	7,506	8,976	8,048	8,023	8,171	8,099
New Zealand Superannuation Fund	1,884	3,950	3,496	5,573	7,955	10,597	13,558
Government Superannuation Fund	2,636	2,727	2,933	2,979	3,014	3,041	3,058
ACC portfolio	3,403	2,829	3,996	4,608	5,278	6,001	6,675
EQC portfolio	1,224	1,384	1,539	1,658	1,777	1,896	2,016
Other holdings	811	1,057	802	862	892	859	828
<b>Total MSDs and Equity Investments</b>	<b>21,306</b>	<b>19,453</b>	<b>21,742</b>	<b>23,728</b>	<b>26,939</b>	<b>30,565</b>	<b>34,234</b>

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

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

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

#### New Zealand Superannuation Fund

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

#### Government Superannuation Fund

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

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

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

#### ACC portfolio

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

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

NZS Fund	1,884	3,950	3,885	6,192	8,839	11,777	15,065
GSF financial assets	3,182	3,026	3,259	3,310	3,349	3,379	3,398
ACC portfolio	4,922	4,981	5,779	6,664	7,634	8,679	9,655
EQC portfolio	4,062	4,303	4,356	4,700	5,078	5,477	5,899



## Notes to the Forecast Financial Statements

(\$ million)	2004		2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
	2003 Actual	Previous Budget					
<b>NOTE 10: Advances</b>							
Student loans (see analysis below)	5,370	5,926	6,073	6,790	7,549	8,357	9,219
Kiwibank deposits	501	857	1,069	1,581	2,052	2,052	2,052
Residential care loans	68	80	75	85	95	105	115
Maori development rural lending	43	45	49	49	48	48	48
Forestry encouragement loans	28	29	28	27	26	25	24
Catchment authorities	6	6	4	4	4	4	4
Other	284	279	289	324	344	357	370
<b>Total Advances</b>	<b>6,300</b>	<b>7,222</b>	<b>7,587</b>	<b>8,860</b>	<b>10,118</b>	<b>10,948</b>	<b>11,832</b>
<b>Analysis of Student Loans</b>							
<b>Outstanding balance</b>							
Total loans outstanding (including interest)	6,094	6,942	6,870	7,676	8,534	9,438	10,403
Total provisions (capital and interest)	(724)	(1,016)	(797)	(886)	(985)	(1,081)	(1,184)
<b>Total Student Loans</b>	<b>5,370</b>	<b>5,926</b>	<b>6,073</b>	<b>6,790</b>	<b>7,549</b>	<b>8,357</b>	<b>9,219</b>
<b>Movement during the year</b>							
Opening balance	4,749	5,322	5,368	6,073	6,790	7,549	8,357
Amount advanced in current year	952	996	1,028	1,082	1,138	1,203	1,272
Interest accrued on outstanding loan balances	393	447	402	468	535	607	678
Repayment of base capital	(252)	(301)	(282)	(337)	(374)	(413)	(454)
Repayment of accrued interest	(186)	(189)	(210)	(212)	(237)	(264)	(293)
Interest written off and movement in provision for interest write-offs and doubtful debts	(291)	(357)	(241)	(292)	(311)	(334)	(347)
Other movements	5	8	8	8	8	9	6
<b>Closing Balance</b>	<b>5,370</b>	<b>5,926</b>	<b>6,073</b>	<b>6,790</b>	<b>7,549</b>	<b>8,357</b>	<b>9,219</b>
<b>NOTE 11: Receivables</b>							
Taxes receivable	5,375	4,533	5,398	5,393	5,402	5,421	5,438
Accounts receivable	4,262	3,453	3,820	3,941	4,212	4,344	4,529
Receivable from the sale and purchase of Maui gas	200	166	153	216	156	119	133
Prepayments	306	173	278	261	260	258	262
<b>Total Receivables</b>	<b>10,143</b>	<b>8,325</b>	<b>9,649</b>	<b>9,811</b>	<b>10,030</b>	<b>10,142</b>	<b>10,362</b>
<b>NOTE 12: Other Investments</b>							
International Bank for Reconstruction and Development	89	99	89	89	89	89	89
Asian Development Bank	92	96	92	92	92	92	92
Other	83	201	80	80	80	80	80
<b>Total Other Investments</b>	<b>264</b>	<b>396</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>261</b>

## Notes to the Forecast Financial Statements

(\$ million)	2004		2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
	2003 Actual	Previous Budget					
<b>NOTE 13: Property, Plant and Equipment</b>							
<b>By Type</b>							
<b>Gross Carrying Value</b>							
Land (valuation)	6,748	5,824	6,532	6,787	6,830	6,893	6,896
Properties intended for sale (valuation)	454	423	459	439	436	436	436
Buildings (valuation)	19,092	19,756	20,270	20,965	21,962	22,971	23,782
Electricity distribution network (valuation)	2,178	2,370	2,293	2,456	2,601	2,746	2,891
Electricity generation assets (cost)	1,253	2,067	1,383	1,658	1,884	2,034	2,184
Aircraft (ex SME) (valuation)	1,234	2,024	1,400	1,742	1,994	2,144	2,298
State highways (valuation)	12,556	12,466	12,980	13,440	13,916	14,398	14,886
Specialist military equipment (valuation)	3,098	3,576	2,929	3,081	3,036	3,082	3,127
Other plant and equipment (cost)	8,584	9,285	9,556	11,034	11,989	12,774	13,623
Other assets (valuation)	5,331	5,365	5,320	5,300	5,363	5,409	5,446
<b>Total Gross Carrying Value</b>	<b>60,528</b>	<b>63,156</b>	<b>63,122</b>	<b>66,902</b>	<b>70,011</b>	<b>72,887</b>	<b>75,569</b>
<b>Accumulated Depreciation</b>							
Buildings	1,503	3,040	2,297	3,006	3,800	4,616	5,333
Electricity distribution network	198	326	310	406	512	644	776
Electricity generation assets	174	227	232	295	359	424	488
Aircraft (ex SME)	..	170	137	234	326	419	512
State highways	..	432	210	446	707	993	1,301
Specialist military equipment	756	934	487	699	802	1,015	1,227
Other plant and equipment	4,776	5,282	5,462	6,295	7,195	8,114	9,092
Other assets	454	640	460	486	516	550	591
<b>Total Accumulated Depreciation</b>	<b>7,861</b>	<b>11,051</b>	<b>9,595</b>	<b>11,867</b>	<b>14,217</b>	<b>16,775</b>	<b>19,320</b>
<b>Net Carrying Value</b>							
Land (valuation)	6,748	5,824	6,532	6,787	6,830	6,893	6,896
Properties intended for sale (valuation)	454	423	459	439	436	436	436
Buildings (valuation)	17,589	16,716	17,973	17,959	18,162	18,355	18,449
Electricity distribution network (valuation)	1,980	2,044	1,983	2,050	2,089	2,102	2,115
Electricity generation assets (cost)	1,079	1,840	1,151	1,363	1,525	1,610	1,696
Aircraft (ex SME) (valuation)	1,234	1,854	1,263	1,508	1,668	1,725	1,786
State highways (valuation)	12,556	12,034	12,770	12,994	13,209	13,405	13,585
Specialist military equipment (valuation)	2,342	2,642	2,442	2,382	2,234	2,067	1,900
Other plant and equipment (cost)	3,808	4,725	4,094	4,739	4,794	4,660	4,531
Other assets (valuation)	4,877	4,003	4,860	4,814	4,847	4,859	4,855
<b>Total Net Carrying Value</b>	<b>52,667</b>	<b>52,105</b>	<b>53,527</b>	<b>55,035</b>	<b>55,794</b>	<b>56,112</b>	<b>56,249</b>
<b>By Holding</b>							
Freehold assets	52,167	51,383	53,121	54,612	55,367	55,689	55,829
Leasehold assets	500	722	406	423	427	423	420
<b>Net carrying value</b>	<b>52,667</b>	<b>52,105</b>	<b>53,527</b>	<b>55,035</b>	<b>55,794</b>	<b>56,112</b>	<b>56,249</b>
<b>NOTE 14: Payables and Provisions</b>							
Accounts payable and accruals	7,054	5,754	5,763	5,558	5,430	5,426	5,367
Taxes repayable	2,154	1,919	2,139	2,134	2,134	2,134	2,134
Provisions	588	242	488	465	447	434	422
National Provident Fund guarantee	882	685	882	882	882	882	882
Provisions for employee entitlements	1,200	1,144	1,164	1,199	1,210	1,206	1,192
<b>Total Payables and Provisions</b>	<b>11,878</b>	<b>9,744</b>	<b>10,436</b>	<b>10,238</b>	<b>10,103</b>	<b>10,082</b>	<b>9,997</b>

## Notes to the Forecast Financial Statements

### NOTE 15: GSF Liability

The Government Superannuation Fund (GSF) assets and liabilities have been calculated by the Government Actuary as at 31 October 2003 for inclusion within the 2003 December Economic and Fiscal Update (DEFU). The liability arises from closed schemes for past and present public sector employees (set out in the GSF Act 1956). A projected Aggregate Funding method is used for the valuation, based on membership data as at the valuation date. The funding method requires the benefits payable from the GSF in respect of past service to be calculated and then discounted back to the valuation date.

The GSF liability included in the 2003 DEFU was calculated using discount rates derived from the market yield curve as at the balance date (31 October 2003). This resulted in a long-term after-tax discount rate of 4.5% (4.0% as at 30 June 2003). The other principal long-term financial assumptions used in the calculation remained unchanged from 30 June 2003, which were an inflation rate of 2.0%, and an annual salary increases rate, before any promotional effects of 3.0%.

The total change in the net unfunded liability is \$466 million in 2003/04 (reflecting a decrease in the gross liability of \$364 million and an increase in the net assets of \$102 million). There are essentially three components to the change, being the net movement in expected investment income and net benefit payments, changes to economic assumptions and actual GSF experience to 31 October 2003. The change in underlying economic assumptions as at 31 October 2003 accounted for approximately \$479 million of the decrease in the net liabilities, primarily due to discount rate movements which were partially offset by changes in demographic assumptions. The net liability decrease by \$50 million due to actual GSF experience to 31 October 2003. Finally the net liability is expected to increase \$165 million reflecting expected contributions and investment income offset by benefit payments. The changes in 2004/05 onwards reflect the net movement expected between investment income and contributions less benefit payments.

#### Presentation approach

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

(\$ million)	2003	2004	2004	2005	2006	2007	2008
	Actual	Previous Budget	Forecast	Forecast	Forecast	Forecast	Forecast
<b>GSF liability and asset information</b>							
<b>Gross GSF liability</b>							
Opening gross liability	12,210	13,422	13,857	13,493	13,442	13,367	13,259
Net projected change	1,647	(87)	(364)	(51)	(75)	(108)	(128)
<b>Closing gross liability</b>	<b>13,857</b>	<b>13,335</b>	<b>13,493</b>	<b>13,442</b>	<b>13,367</b>	<b>13,259</b>	<b>13,131</b>
<b>Less net assets available to the GSF scheme</b>							
Opening asset value	3,287	2,993	3,182	3,284	3,334	3,372	3,400
Net projected change (investment income & contributions less membership payments)	(105)	33	102	50	38	28	19
<b>Closing net asset values</b>	<b>3,182</b>	<b>3,026</b>	<b>3,284</b>	<b>3,334</b>	<b>3,372</b>	<b>3,400</b>	<b>3,419</b>
<b>Net unfunded liability of the GSF schemes</b>							
Opening unfunded liability	8,923	10,429	10,675	10,209	10,108	9,995	9,859
Net projected change	1,752	(120)	(466)	(101)	(113)	(136)	(147)
<b>Net unfunded liability</b>	<b>10,675</b>	<b>10,309</b>	<b>10,209</b>	<b>10,108</b>	<b>9,995</b>	<b>9,859</b>	<b>9,712</b>

## Notes to the Forecast Financial Statements

### NOTE 16: ACC Claims Liability

#### Calculation information

Trowbridge Deloitte Limited, Consulting Actuaries, have prepared the independent actuarial estimate of the ACC outstanding claims liability as at 30 June 2003. 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 2.3% (unchanged from 30 June 2003) and discount rate of 6.0% (5.5% at 30 June 2003). Other key variables in each valuation is the assumed rate at which long-term claimants will leave the scheme over the period. This assessment is largely based on scheme history.

#### Explanation of change

The total change in the gross unfunded liability compared to the expected movement for 2003/04 from the estimate as at 30 June 2003 is \$419 million. The main driver of the change has been the increase in discount rates since the 30 June 2003 valuation.

#### Presentation approach

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

The approach followed in the past has been to show the movement in the ACC liability as a single net movement in the Statement of Financial Performance as part of the net surplus of SOEs and Crown entities. Now movements are shown within the component assets and liabilities.

(\$ million)	2004						
	2003 Actual	2004 Previous Budget	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
<b>ACC liability and asset information</b>							
<b>Gross ACC liability</b>							
Opening gross liability	7,501	8,701	9,155	9,237	9,789	10,373	10,985
Net projected change	1,654	499	82	552	584	612	634
<b>Closing gross liability</b>	<b>9,155</b>	<b>9,200</b>	<b>9,237</b>	<b>9,789</b>	<b>10,373</b>	<b>10,985</b>	<b>11,619</b>
<b>Less net assets available to ACC</b>							
Opening net asset value	3,865	4,527	4,901	5,730	6,645	7,639	8,708
Net projected change	1,036	766	829	915	994	1,069	1,151
<b>Closing net asset values</b>	<b>4,901</b>	<b>5,293</b>	<b>5,730</b>	<b>6,645</b>	<b>7,639</b>	<b>8,708</b>	<b>9,859</b>
<b>Net ACC reserves (net liability)</b>							
Opening reserves position	(3,636)	(4,174)	(4,254)	(3,507)	(3,144)	(2,734)	(2,277)
Net projected change	(618)	267	747	363	410	457	517
<b>Closing reserves position (net liability)</b>	<b>(4,254)</b>	<b>(3,907)</b>	<b>(3,507)</b>	<b>(3,144)</b>	<b>(2,734)</b>	<b>(2,277)</b>	<b>(1,760)</b>

### NOTE 17: Revaluation reserves

#### Asset Revaluation Reserves

<b>Opening Balance</b>	<b>12,672</b>	<b>12,786</b>	<b>15,624</b>	<b>15,663</b>	<b>15,663</b>	<b>15,663</b>	<b>15,663</b>
Net revaluations							
Land and buildings	2,078	..	18	..	..	..	..
State highways	444	..	..	..	..	..	..
TEIs	275	..	..	..	..	..	..
Aircraft (ex SME)	..	..	..	..	..	..	..
Electricity distribution network	..	..	..	..	..	..	..
Other assets	198	..	29	..	..	..	..
<b>Total Net Revaluations</b>	<b>2,995</b>	<b>..</b>	<b>47</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
Transfer to taxpayer funds	(43)	..	(8)	..	..	..	..
<b>Closing Balance</b>	<b>15,624</b>	<b>12,786</b>	<b>15,663</b>	<b>15,663</b>	<b>15,663</b>	<b>15,663</b>	<b>15,663</b>

## Notes to the Forecast Financial Statements

(\$ million)	2003	2004	2004	2005	2006	2007	2008
	Actual	Previous Budget	Forecast	Forecast	Forecast	Forecast	Forecast
<b>NOTE 18: Core Crown</b>							
<b>Reconciliation of Core Crown Forecast Net Cash Flows from Operations with Forecast Net Cash Proceeds from Domestic Bonds (flows of Government stock involving NZS Fund and GSF are not eliminated)</b>							
<b>Core Crown Cash Flows from Operations</b>							
Total tax receipts	39,842	41,056	42,579	44,603	46,609	48,526	50,750
Total other sovereign receipts	399	384	438	488	489	498	509
Interest, profits and dividends	1,310	953	1,161	1,167	1,372	1,601	1,779
Sale of goods & services and other receipts	1,185	1,119	1,307	1,321	1,304	1,332	1,290
Subsidies and transfer payments	(14,071)	(14,510)	(14,351)	(14,722)	(15,391)	(16,047)	(16,756)
Personnel and operating expenses	(21,703)	(23,297)	(24,231)	(24,367)	(25,303)	(25,408)	(25,471)
Finance costs	(2,106)	(2,058)	(2,083)	(1,986)	(1,986)	(1,826)	(1,856)
Forecast new operating spending	..	(175)	(35)	(1,153)	(2,657)	(4,332)	(6,028)
<b>Net Cash Flows from Core Crown Operations</b>	<b>4,856</b>	<b>3,472</b>	<b>4,785</b>	<b>5,351</b>	<b>4,437</b>	<b>4,344</b>	<b>4,217</b>
Net purchase of physical assets	(1,059)	(1,285)	(1,359)	(842)	(689)	(703)	(713)
Net increase in advances	(896)	(1,619)	(1,729)	(830)	(873)	(1,132)	(973)
Net purchase of investments	(484)	(659)	(781)	(348)	(238)	(156)	(101)
Purchase of marketable securities and deposits by NZS Fund	(1,200)	(1,879)	(1,879)	(1,979)	(2,156)	(2,265)	(2,410)
Forecast new capital spending	..	(180)	(144)	(700)	(475)	(500)	(550)
<b>Available to Repay Debt/(Required to be Financed)</b>	<b>1,217</b>	<b>(2,150)</b>	<b>(1,107)</b>	<b>652</b>	<b>6</b>	<b>(412)</b>	<b>(530)</b>
<b>Financed by:</b>							
Other net sale/(purchase) of marketable securities and deposits	(1,944)	2,483	2,391	904	(43)	(152)	52
<b>Total Operating and Investing Activities</b>	<b>(727)</b>	<b>333</b>	<b>1,284</b>	<b>1,556</b>	<b>(37)</b>	<b>(564)</b>	<b>(478)</b>
<b>Used in:</b>							
Net (repayment)/issue of other New Zealand-dollar borrowing	(417)	(238)	61	(718)	(20)	3	411
Decrease/(increase) in cash	69	16	278	(13)	(10)	24	67
Issue of circulating currency	147	..	33	..	..	..	..
Net issue/(repayment) of foreign-currency borrowing	1,658	(105)	(868)	(336)	..	..	..
	<b>1,457</b>	<b>(327)</b>	<b>(496)</b>	<b>(1,067)</b>	<b>(30)</b>	<b>27</b>	<b>478</b>
<b>Net Cash (Outflow)/Inflow to be Offset by Domestic Bonds</b>	<b>730</b>	<b>6</b>	<b>788</b>	<b>489</b>	<b>(67)</b>	<b>(537)</b>	<b>..</b>
<b>Gross Cash Proceeds from Domestic Bonds</b>							
Domestic bonds (market)	2,551	3,234	2,235	2,317	2,841	3,314	..
Domestic bonds (non-market)	279	357	396	263	160	376	..
<b>Total Gross Cash Proceeds from Domestic Bonds</b>	<b>2,830</b>	<b>3,591</b>	<b>2,631</b>	<b>2,580</b>	<b>3,001</b>	<b>3,690</b>	<b>..</b>
Repayment of domestic bonds (market)	(2,823)	(3,044)	(3,044)	(2,797)	(2,774)	(2,777)	..
Repayment of domestic bonds (non-market)	(737)	(553)	(375)	(272)	(160)	(376)	..
<b>Net Cash Proceeds from/(Repayments of) Domestic Bonds</b>	<b>(730)</b>	<b>(6)</b>	<b>(788)</b>	<b>(489)</b>	<b>67</b>	<b>537</b>	<b>..</b>

## Glossary of Terms

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

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

### ***Baselines***

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

### ***Contingent liability***

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

### ***Core Crown***

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

### ***Corporate tax***

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

### ***Current account***

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

### ***Customs duty***

Duty levied on the imports of certain goods.

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

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

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

### ***Demographic changes***

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

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

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

### ***Excise duties***

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

### ***Financial assets***

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

### ***Fiscal allowance***

The amount included in the *Fiscal Strategy Report and Budget Policy Statement* projections for Government decisions on new spending and cost pressures.

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

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

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

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

initiatives expected to be introduced over the forecast period.

***Forecast new operating spending***

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

***Fringe benefit tax (FBT)***

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

***Gross Crown debt***

Total borrowings (financial liabilities).

***Gross domestic product (GDP)***

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

***Gross domestic product (expenditure)***

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

***Gross national expenditure (GNE)***

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

***Labour productivity***

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

***Line-by-line consolidation***

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

***Marketable securities and deposits***

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

***Monetary conditions***

The combination of interest rates and the exchange rate.

***Monetary policy***

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

***Net Crown debt***

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

***Net worth***

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

***Operating balance***

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

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

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

***Participation rate***

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

**Projections**

Tracks of the key fiscal indicators for a further five years beyond the five-year forecast period. The tracks are based on long-run economic assumptions and current fiscal policy settings. For example, the projections assume no economic cycle with constant long-run interest rate, inflation rate and unemployment assumptions.

**Provisional tax**

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

**Scenarios**

Tracks of the key fiscal indicators based on long-run economic and fiscal assumptions. For example growth in expense categories reflects the sum of the change in the appropriate population cohort, inflation and a real growth factor (to reflect rising real wages and technology costs).

**Short-term intentions**

In the *Budget Policy Statement* the Government must, under the Fiscal Responsibility Act 1994, indicate explicitly its planned track for operating expenses, operating revenues, the operating balance, debt and net worth over the Government's planning horizon (defined as the two financial years following the current financial year).

**Source deductions**

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

**Specific fiscal risks**

These are a category of Government decisions or circumstances which may have a material impact on the fiscal position (excluding contingent liabilities). They are not included in the main forecasts because their fiscal impact cannot be reasonably

quantified, the likelihood of realisation is uncertain and/or the timing is uncertain.

**Stock change**

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

**System of National Accounts (SNA)**

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

**Tax revenue**

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

**Trade weighted index (TWI)**

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

**Unit labour costs**

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

**Year ended**

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