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Financial
Statements of the
Government of
New Zealand

*For the Year Ended
30 June 2000*

Released 14 September 2000



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accordance with Part III of the Public Finance Act 1989*

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Contents

| | |
|--|-----------|
| Statement of Responsibility | 1 |
| Ministerial Statement | 3 |
| Commentary on the Financial Statements | 5 |
| Overview | 6 |
| Financial Performance | 7 |
| Financial Position | 10 |
| Prior Year Comparison | 14 |
| Historical Information | 16 |
| Report of the Audit Office | 17 |
| Financial Statements | 21 |
| Statement of Financial Performance | 22 |
| Statement of Financial Position | 23 |
| Statement of Movements in Equity | 24 |
| Statement of Cash Flows | 25 |
| Statement of Borrowings | 30 |
| Statement of Commitments | 34 |
| Statement of Contingent Liabilities | 35 |
| Statement of Unappropriated Expenditure, Expenses or Liabilities | 44 |
| Statement of Emergency Expenditure, Expenses or Liabilities | 48 |
| Statement of Trust Money | 49 |
| Statement of Accounting Policies | 51 |
| Notes to the Financial Statements | 59 |
| Supplementary Information | 95 |
| Crown Reporting Entity | 96 |
| Physical Assets | 98 |

Statement of Responsibility

These Financial Statements have been prepared by the Treasury in accordance with the provisions of the Public Finance Act 1989. The Financial Statements comply with generally accepted accounting practice.

The Treasury is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance that the transactions recorded are within statutory authority and properly record the use of all public financial resources by the Crown. To the best of my knowledge, this system of internal control has operated adequately throughout the reporting period.

Dr A E Bollard
Secretary to the Treasury
8 September 2000

I accept responsibility for the integrity of these Financial Statements, the information they contain and their compliance with the Public Finance Act 1989.

In my opinion, these Financial Statements fairly reflect the financial position of the Crown as at 30 June 2000 and its operations for the year ended on that date.

Hon Dr Michael Cullen
Treasurer and Minister of Finance
8 September 2000

Ministerial Statement

The financial statements for the year ended 30 June 2000 show the operating surplus result of \$1.4 billion. This was lower than the \$1.8 billion surplus of last year. However, the 1999/2000 surplus mainly reflects an improvement to Crown operations resulting from the improved economic position, whereas last year's result was dominated by one-off gains resulting from the sale of assets.

The \$1.4 billion surplus was \$0.7 billion higher than Treasury projected in the 2000 Budget. However over half of the increase was due to timing issues and favourable valuation movements. As a result, this improvement is not likely to flow through into the coming years.

Net Crown debt to GDP and total expenses to GDP continue to trend downwards.

Looking ahead, we remain committed to:

- remaining within our \$5.9 billion spending cap over the next three years
- focusing our attention on ensuring we get value from the money we spend at the moment
- strengthening fiscal surpluses to ensure we are able to put aside money to partially pre-fund future New Zealand superannuation pressures.

The Government's strategy of continuing to run surpluses and pay down debt, while setting aside an allowance for future superannuation payments remains achievable.

We are confident that we can improve services to all New Zealanders as this Government embarks on implementing a policy programme that is directed towards all New Zealanders, not just a few – including creating a fairer working environment, working in partnership with business through Industry New Zealand, closing the gaps and providing relief to students previously facing the prospect of crippling loan burdens.

It is a policy programme that will provide the foundation for New Zealanders' prosperity – both now and into the future.

Hon Dr Michael Cullen
Treasurer and Minister of Finance

8 September 2000



COMMENTARY ON THE FINANCIAL STATEMENTS

Overview

The Crown financial statements show:

- a \$1.4 billion surplus. While the surplus was lower than last year, the 1999/2000 result reflects an improvement to operations when the large one-off gains experienced in 1998/99 are excluded (ie, gains on sale of the airport companies and Contact Energy Limited)
- a higher-than-forecast surplus by around \$700 million – though over half of this increase was due to timing issues (including tobacco excise revenue, education and transport spending) and valuation movements (GSF and ACC liabilities). As a result, this improvement is not likely to be sustained in coming years
- improving net worth, reflecting the operating balance surplus and a net improvement to asset values from revaluations
- slightly lower net debt than the previous year at \$21.4 billion.

| Financial summary | 30 June 2000 | | 30 June 2000 | | 30 June 1999 | |
|-------------------|--------------|---------------|-------------------------------|---------------|--------------|---------------|
| | Actual \$m | Ratio to GDP% | Estimated actual forecast \$m | Ratio to GDP% | Actual \$m | Ratio to GDP% |
| Operating balance | 1,449 | 1.4% | 763 | 0.7% | 1,777 | 1.8% |
| Net worth | 8,583 | 8.3% | 7,304 | 7.0% | 6,022 | 6.0% |
| Net Crown debt | 21,396 | 20.6% | 21,819 | 21.0% | 21,701 | 21.7% |

(The basis for calculating GDP ratios is actual GDP data to March 2000.)

The 1999/2000 operating balance surplus reflects:

- higher economic growth than experienced in the prior year, which contributed to growing taxation revenues coupled with reduced benefit expenditure from indexation
- the inclusion, for the first time, of the impacts of the ACC outstanding claims obligation. There is an additional expense recognised by ACC each year now that the liability has been recognised. This reduces ACC's and therefore the Crown operating balance. Also recognised are any movements in the valuation of the liability itself
- some one-off expenditure such as the West Coast Accord and the arts and cultural package.

Total expenses (excluding liability valuation movements) grew by 2.8%, largely reflecting the additional policy spending of the previous and current Government, demographic factors (in Health and Education) and benefit indexation, partially offset by a reduction in finance costs.

Financial Performance

This section compares the actual 1999/2000 financial performance against the 2000 Budget estimated actual forecast and the original 1999 Budget forecast.

The **operating balance** for the year ended 30 June 2000 was made up as follows:

| | Actual \$m | Estimated actual forecast \$m | Variance against estimated actual \$m | 1999 Budget forecast \$m | Variance against 1999 Budget forecast \$m |
|------------------------------------|---------------|--|---|--------------------------------|---|
| Operating balance | | | | | |
| Revenue | 36,526 | 36,320 | 206 | 35,741 | 785 |
| Expenses | 36,171 | 36,428 | 257 | 36,358 | 187 |
| SOEs and Crown entities surplus | 1,094 | 871 | 223 | 581 | 513 |
| Operating balance | 1,449 | 763 | 686 | (36) | 1,485 |

The operating surplus was \$686 million higher than the **2000 estimated actual forecast**. The main variances were a higher collection of taxation revenue of \$150 million compared to forecast, lower-than-forecast expenses of \$257 million, and higher-than-forecast net surpluses from state-owned enterprises and Crown entities of \$223 million.

Taxation revenue

Increased tax revenue was largely due to higher-than-forecast Goods and Services Tax of \$102 million due to higher than anticipated consumption, and higher-than-forecast excise duties of \$89 million due largely to the timing of the increase in tobacco excise rates prior to the 2000 Budget. The positive variance in tobacco excise duties was due to the production shift of tobacco as a reaction to the expected increase in excise at the 2000 Budget. (This has largely reversed in the 2000/01 financial year.)

These increases were partially offset by Company tax, which was \$99 million below forecast.

Expenses

Lower-than-forecast expenses were due firstly to lower education expenses, which were \$135 million below forecast due to slower-than-expected spending in schools operations (\$26 million) and tertiary education and training (\$50 million). Some of the tertiary expenses are expected to reverse in 2000/01 as some of the underspend was due to timing issues. In addition, student loan provisioning/write-offs and student allowances were below forecast by \$40 million and \$10 million respectively.

Social security and welfare expenses were also lower-than-forecast by \$47 million, primarily due to IRD benefit payments (Family Support and Independent Family Tax Credits) being below forecast by approximately \$50 million.

The remaining variance is mainly due to lower-than-forecast expenditure in:

- transport and communications – all timing (\$37 million)
- economic and industrial services (\$31 million) partially due to lower-than-forecast spending on the subsidised work scheme (\$14 million)
- GSF pension expenses (\$22 million) due mainly to valuation movements in the GSF unfunded liability.

SOEs and Crown entities surpluses

Higher-than-forecast net surpluses of \$223 million from state-owned enterprises and Crown entities were largely due to a decrease in the valuation of the ACC outstanding claims liability of \$179 million, arising from higher than expected reductions in exit rates (\$224 million decrease to the liability) which was offset by a change in discount rate (\$45 million increase to the liability).

In addition, ACC's surplus was \$124 million ahead of forecast due to increased premium collections and investment income.

Comparison to 1999 Budget forecasts

All of the above items also contributed to the variance against the original **1999 Budget** forecasts. The other significant influence driving the change in the operating balance was a total increase in tax revenue (compared with the 1999 Budget forecast) of \$470 million. This was due to higher-than-forecast:

- Goods and Services Tax of \$237 million, reflecting higher consumption than expected
- Withholding tax of \$185 million, due to higher-than-expected interest rates
- Source deductions of \$113 million, arising from the introduction of the 39% marginal tax rate for income earners above \$60,000 p.a. and increases to NZ Superannuation, both of which were policy changes subsequent to the 1999 Budget. There was also a contribution from higher-than-forecast growth in both employment and wage levels
- Other persons (net of refunds) of \$89 million, partly due to growth in entrepreneurial incomes including farming income and the cancellation of IR5 returns causing a delay in the payment of refunds.

Partially offsetting these variances was company tax, which was \$217 million below the 1999 Budget forecast. The actual company outturn for 1998/99 was \$194 million lower than the estimated actual forecast. This means that the 1999/2000 forecast, in starting from a too high forecast base, was overstated.

The following table provides a breakdown of the significant movements from the budgeted results:

Operating balance changes

| (\$ million) | 2000 Budget | 1999 Budget |
|---|----------------|----------------|
| 1999/2000 Operating balance per Budget | 763 | (36) |
| Revenue items | | |
| Taxation revenue forecasts | 150 | 470 |
| Increase/(reduction) in gains on sale of marketable securities and deposits | 1 | (25) |
| Unrealised loss on commercial forests | (26) | (26) |
| SOE and Crown entity dividend income ¹ | (18) | 158 |
| Compulsory Fees and Fines | 35 | 89 |
| Other operational revenue | 27 | 51 |
| Interest Income | 41 | 76 |
| Other revenue items | (4) | (8) |
| | 206 | 785 |
| Expense items | | |
| Increase in GSF unfunded pension liability | 33 | 188 |
| Provision for future initiatives in 1999 Budget ² | .. | 250 |
| New policy initiatives included in baselines ³ | .. | (199) |
| New policy initiatives included in baselines ³ | .. | (410) |
| Reduction in Treaty of Waitangi settlement expenses | 1 | 120 |
| Finance cost reduction/(increase) | 8 | (79) |
| Increase in foreign exchange gains | 4 | 62 |
| Reduction in Contingency expense provision | .. | 100 |
| Other items ⁴ | 211 | 155 |
| | 257 | 187 |
| SOE and Crown entity items | | |
| Movement in ACC unfunded claims liability | 179 | 519 |
| Other movements in net surplus of SOEs and Crown entities ¹ | 44 | (6) |
| | 223 | 513 |
| Total change | 686 | 1,485 |
| Operating balance per June 2000 | 1,449 | 1,449 |

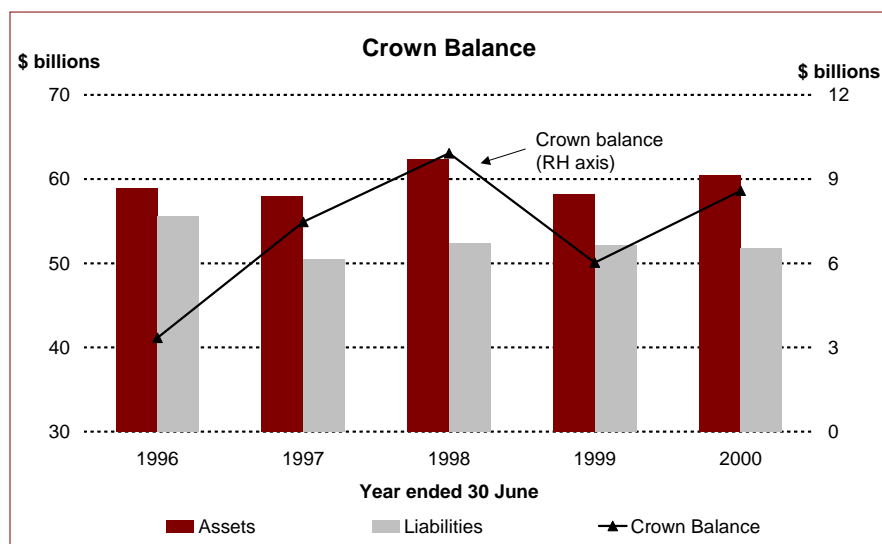
- 1 Dividends from SOEs and CEs do not impact on the operating balance (as an increase in dividend income from SOEs and CEs is offset by a lower net surplus for SOEs and CEs). However, they do influence component sections of the Statement of Financial Performance.
- 2 This represents new policy spending decisions provided for in the 1999 Budget for the 1999/2000 financial year.
- 3 The \$199 million represents forecast new spending identified in the *Pre-Election Economic and Fiscal Update*. The \$410 million represents forecast new spending identified in the *Budget Economic and Fiscal Update 2000*. These amounts have been incorporated into departmental baselines and allocated to the appropriate functional classifications. While these items are forecast numbers, any difference between forecast and actual spending is unlikely to be material (any difference is reflected in the "other items").
- 4 Includes forecasting changes. Refer expenditure explanations for breakdown of "other items".

Financial Position

The **Statement of Financial Position** recording the Crown assets, liabilities and net worth for the year ended 30 June 2000 was made up as follows:

| Statement of Financial Position | Actual \$m | Estimated actual forecast \$m | Variance against estimated actual \$m | 1999 Budget forecast \$m | Variance against 1999 Budget forecast \$m |
|----------------------------------|---------------|--|---|--------------------------------|---|
| SOEs and Crown entities | 14,392 | 13,980 | 412 | 12,964 | 1,428 |
| Physical assets | 15,972 | 15,694 | 278 | 15,595 | 377 |
| Financial assets | 14,645 | 14,518 | 127 | 12,489 | 2,156 |
| Other assets | 15,414 | 15,267 | 147 | 14,560 | 854 |
| | 60,423 | 59,459 | 964 | 55,608 | 4,815 |
| Gross debt | 36,041 | 36,337 | 296 | 36,096 | 55 |
| Pension liabilities | 8,323 | 8,356 | 33 | 7,865 | (458) |
| Other liabilities | 7,476 | 7,462 | (14) | 6,227 | (1,249) |
| | 51,840 | 52,155 | 315 | 50,188 | (1,652) |
| Crown balance (net worth) | 8,583 | 7,304 | 1,279 | 5,420 | 3,163 |
| Net debt | 21,396 | 21,819 | 423 | 23,607 | 2,211 |

Compared to the **2000 estimated actual forecast**, net worth improved, largely due to the flow-on effects of the improved operating balance. In addition, net Crown debt reduced, largely reflecting the cash flow impact of the improved operating balance on cash flows from operations.



State-owned enterprises and Crown entities

The investment in SOEs and Crown entities has increased by \$412 million compared to the **2000 estimated actual forecast**. This was largely due to two factors.

The first factor was the improvement of \$179 million against forecast in the ACC outstanding claims liability valuation at 30 June 2000. As noted previously, the improvement in the valuation was largely due to higher-than-expected exit rates from the various schemes (refer to box below).

The second factor was the net physical asset revaluations (that are not forecast) of \$268 million including:

- Genesis Power Limited and Meridian Energy Limited have revalued their assets in accordance with the separation agreement resulting from the split of ECNZ. In addition, Mighty River Power Limited and Trans Power Limited have undertaken valuation exercises. These revaluation exercises resulted in an increase in physical asset values of \$545 million.
- The annual independent valuation of Housing New Zealand resulted in a valuation decrement of \$465 million due to, among other things, lower forecast sales, higher maintenance costs, lower forecast market rentals and an increase in the weighted average cost of capital.

The value of the investment in SOEs and Crown entities was \$1,428 million higher than in the **1999 Budget**, primarily due to the factors outlined above and revaluations that occurred last year (after the 1999 Budget forecast was finalised).

ACC Outstanding Claims Liability

ACC and the Crown recognise the outstanding claims liability and costs of new claims in the Statement of Financial Position.

This liability was first recognised at 30 June 1999. Changes in the valuation are now recorded through the operating balance, as is the additional expense associated with the liability (moving one year closer to discounted cash flows results in an annual interest expense). The ACC outstanding claims obligation is valued at expected present value and is subject to a number of assumptions. A change in any one of these assumptions can significantly alter the value of the liability. Two key determinants of the valuation are the number of long term claimants who will leave the scheme over the next few years and the rate chosen to discount the obligations due in future years.

Exit Rates

The actuarial assessment of the liability valuation assumes a rate at which long-term claimants will leave the scheme over the forecast period. The assessment is largely based on scheme history.

Discount Rates

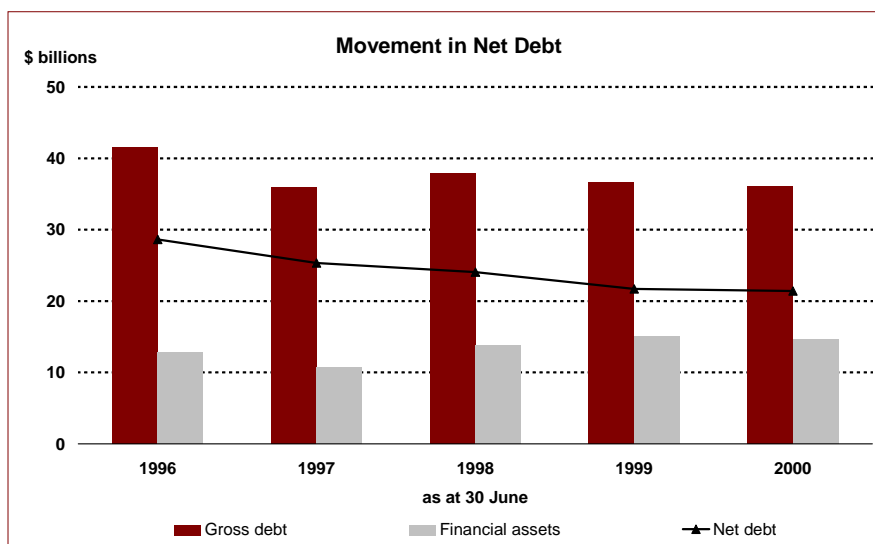
The liability is sensitive to changes in interest rates. The discount rates chosen for the valuation reflect the appropriate risk free rates.

Net Crown Debt

Net Crown debt at 30 June 2000 was \$21,396 million, which was 20.6% of GDP, \$423 million below the **2000 estimated actual forecast**. This was largely due to higher-than-forecast cash inflows of \$338 million. This mainly reflects the cash flow effects of the improved operating balance, which included higher tax revenue and lower expenses than forecast.

Some revenue items (in particular tobacco excise duty) have primarily arisen due to timing differences and have reversed in 2000/01. Some expenditure items (including underspends in tertiary education and in the transport sector) are also due to timing differences, which are expected to reverse in 2000/01.

Net Crown debt was \$2,211 million lower than forecast in the **1999 Budget**, primarily due to the difference in net cash flows from operations of \$1,103 million against 1999 Budget forecasts (essentially the cash flow impact of the improved operating balance). In addition, issues of circulating currency totalling \$275 million improved the net debt position. Issues of circulating currency are not forecast.



Pension Liabilities

Pension liabilities were \$33 million lower than the **2000 estimated actual forecast** due to the decrease in the valuation of the GSF unfunded liability.

GSF Liability

The GSF pension liability fluctuates from year to year due to changes in:

- financial assumptions (inflation, discount rates and salary growth)
- Fund experience (including rates of withdrawal, mortality, and actual investment returns)
- the interest cost associated with the large liability.

Since the unfunded liability represents such a large component of the Crown Statement of Financial Position, relatively small movements in the liability can have a significant impact on the operating balance.

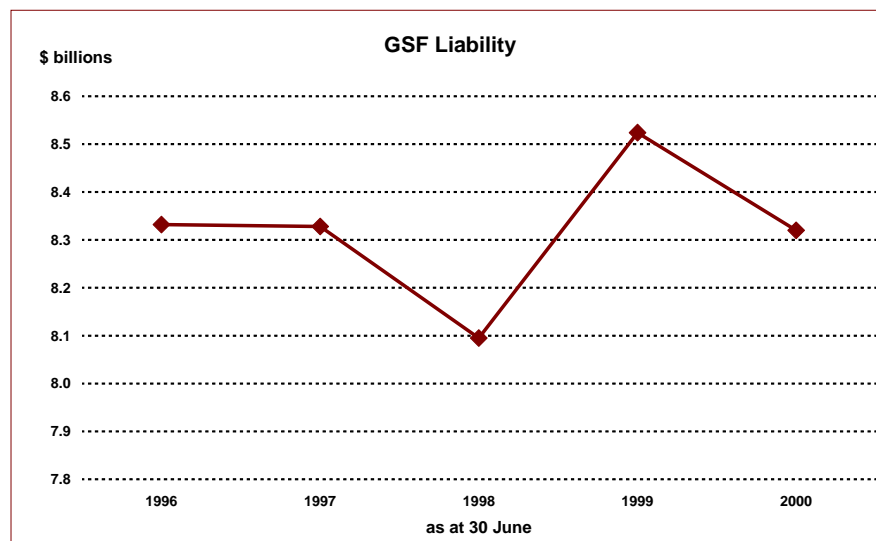
The unfunded liability, as at 30 June 2000, has been assessed at \$8,323 million. This is a decrease of \$33 million from the 31 March 2000 valuation used in the 2000 Budget and a decrease of \$201 million on the 30 June 1999 liability.

The valuation uses discount rates derived from the market yield curve as at balance date. As the average after-tax discount rate (4.7%) was below the Budget 2000 valuation assumptions, this has resulted in an increase in the liability by \$46 million due to discount rates since the 2000 Budget.

In contrast, the liability reduced by \$79 million due to changes to experience ratings including revised assumptions for benefits paid to inactive members, members of Parliament benefits and retirement payments to armed forces members.

The reduction in liability between last year and the 2000 Budget was \$168 million – due solely to changes in the average after-tax discount rate from 4.75% (June 1999) to 4.9% (March 2000).

This change in discount rate approach is consistent with current accounting developments, including the valuation of the ACC outstanding claims liability.



Prior Year Comparison

| | 30 June 2000 Actual \$m | 30 June 1999 Actual \$m | Change \$m | % |
|---|----------------------------------|----------------------------------|---------------|---------------|
| Statement of Financial Performance | | | | |
| Total taxation revenue | 34,035 | 32,156 | 1,879 | 5.8 |
| Total non tax revenue | 2,491 | 4,201 | (1,710) | (40.7) |
| Total revenue | 36,526 | 36,357 | 169 | 0.5 |
| Social security and welfare | 12,896 | 12,906 | 10 | 0.1 |
| GSF pension expenses | 478 | 1,132 | 654 | 57.8 |
| Health | 6,874 | 6,573 | (301) | (4.6) |
| Education | 6,310 | 5,899 | (411) | (7.0) |
| Core government services | 1,710 | 1,705 | (5) | (0.3) |
| Other | 5,592 | 5,141 | (451) | (8.8) |
| Finance costs | 2,373 | 2,516 | 143 | 5.7 |
| Net foreign exchange (gains)/losses | (62) | (47) | 15 | 31.9 |
| Total expenses | 36,171 | 35,825 | (346) | (1.0) |
| SOE and Crown entities net surplus | 1,094 | 1,245 | (151) | (12.1) |
| Operating balance | 1,449 | 1,777 | (328) | (18.5) |
| Statement of Financial Position | | | | |
| SOEs and Crown entities | 14,392 | 12,917 | 1,475 | 11.4 |
| Physical assets | 15,972 | 15,258 | 714 | 4.7 |
| Other assets | 15,414 | 15,037 | 377 | 2.5 |
| | 45,778 | 43,212 | 2,566 | 5.9 |
| Net Crown debt | 21,396 | 21,701 | 305 | 1.4 |
| Other liabilities | 15,799 | 15,489 | (310) | (2.0) |
| | 37,195 | 37,190 | (5) | - |
| Crown balance (Net worth) | 8,583 | 6,022 | 2,561 | 42.5 |

While the **1999/2000 operating balance** was lower than the 1998/99 operating balance, there were a number of offsetting components.

- The \$1,879 million increase in **taxation revenue** largely reflected the impact of growth in the economy and imported goods – reflected in higher Goods and Services Tax and other tax types. In addition, income tax increased due partially to the increase in the marginal tax rate for income earners above \$60,000.
- **Non-tax revenue** for 1998/99 included the one-off gains on sale of Contact Energy (\$1,421 million) and the airport companies (\$204 million).
- Total **expenses** were higher than 1998/99 due to the combined impact of spending on new initiatives of \$609 million (\$410 million from the current Government and \$199 million from the previous Government) in 1999/2000 and forecasting increases (driven by demographic factors for example) being offset by the movement in the GSF valuation from 1998/99.

Significant movements within **expenses** included:

- Higher **health** expenses of \$301 million (4.6%), which were largely due to:
 - increased funding to maintain and improve existing service levels, including more elective services
 - demographic increases.
- Higher **education** expenses of \$411 million (7.0%) largely due to:
 - increased costs as a result of the settlement of the teachers collective employment contract and principals pay;
 - a range of new policy initiatives including Special Education 2000.
- Higher **defence** expenses of \$217 million (21.1%), which were largely due to the GST payment on the frigate *Te Mana* and East Timor operations.

The SOE and Crown entity surplus was slightly lower than last year, mainly due to the inclusion in 1998/99 of gains on sale of hydro stations in the ECNZ and Meridian Energy Limited surplus results. This is offset by the higher ACC surplus in 1999/2000 (growth in investment income and valuation movements).

Net worth improved by \$2,561 million, reflecting:

- the operating balance of \$1,449 million
- total revaluations of physical assets of \$1,112 million – resulting mainly from the revaluation of Schools property, Defence equipment and the net increase to SOEs and Crown entities (refer to earlier explanations).

Net Crown debt was \$305 million lower than the previous year primarily due to favourable net cash flows from operations.

Historical Information

| Year ended 30 June | 2000 \$m | 1999 \$m | 1998 \$m | 1997 \$m | 1996 \$m |
|---|----------------|---------------|---------------|---------------|---------------|
| Statement of Financial Performance | | | | | |
| Total taxation revenue | 34,035 | 32,156 | 32,982 | 31,916 | 32,233 |
| <i>% of GDP</i> | 32.8% | 32.2% | 33.6% | 33.2% | 34.9% |
| Total non tax revenue | 2,491 | 4,201 | 2,599 | 2,862 | 2,826 |
| Total Revenue | 36,526 | 36,357 | 35,581 | 34,778 | 35,059 |
| <i>% of GDP</i> | 35.2% | 36.4% | 36.3% | 36.2% | 37.9% |
| Social security and welfare | 12,896 | 12,906 | 12,509 | 11,881 | 11,229 |
| GSF pension expenses | 478 | 1,132 | 494 | 739 | 1,011 |
| Health | 6,874 | 6,573 | 6,001 | 5,626 | 5,228 |
| Education | 6,310 | 5,899 | 5,714 | 5,335 | 4,949 |
| Core government services | 1,710 | 1,705 | 1,562 | 1,667 | 1,565 |
| Other | 5,592 | 5,141 | 5,114 | 4,621 | 4,661 |
| Finance costs | 2,373 | 2,516 | 2,804 | 3,072 | 3,703 |
| Net foreign exchange (gains)/ losses | (62) | (47) | 13 | 12 | (603) |
| Total expenses | 36,171 | 35,825 | 34,211 | 32,953 | 31,743 |
| <i>% of GDP</i> | 34.8% | 35.8% | 34.9% | 34.3% | 34.4% |
| SOE and Crown entities net surplus | 575 | 1,245 | 1,164 | 83 | (2) |
| ACC valuations movement | 519 | - | - | - | - |
| Operating balance | 1,449 | 1,777 | 2,534 | 1,908 | 3,314 |
| <i>% of GDP</i> | 1.4% | 1.8% | 2.6% | 2.0% | 3.6% |
| Statement of Financial Position | | | | | |
| SOEs and Crown entities | 14,392 | 12,917 | 19,022 | 18,483 | 18,487 |
| Physical assets | 15,972 | 15,258 | 14,962 | 14,502 | 13,925 |
| Other assets | 30,059 | 30,048 | 28,372 | 24,983 | 26,509 |
| Total assets | 60,423 | 58,223 | 62,356 | 57,968 | 58,921 |
| Total liabilities | 51,840 | 52,201 | 52,435 | 50,498 | 55,577 |
| Crown balance (Net worth) | 8,583 | 6,022 | 9,921 | 7,470 | 3,344 |
| <i>% of GDP</i> | 8.3% | 6.0% | 10.1% | 7.8% | 3.6% |
| Net Crown debt | 21,396 | 21,701 | 24,069 | 25,324 | 28,637 |
| <i>% of GDP</i> | 20.6% | 21.7% | 24.5% | 26.4% | 31.0% |
| GDP¹ | 103,857 | 99,986 | 98,128 | 96,011 | 92,386 |

¹ GDP for 1999/2000 is based on data for the year to March 2000. Previous years GDP figures have been restated where appropriate with updated data.



REPORT OF THE AUDIT OFFICE

To the Readers of the Financial Statements of the Government of New Zealand for the Year Ended 30 June 2000

We have audited the financial statements on pages 22 to 93. The financial statements provide information about the past financial performance of the Government of New Zealand (the Government) and its financial position as at 30 June 2000. This information is stated in accordance with the accounting policies as set out on pages 51 to 58.

Responsibilities of the Government

Section 29 of the Public Finance Act 1989 places a responsibility on the Treasurer and Minister of Finance to ensure that the financial statements fairly reflect the performance and position of the Government. Section 27 of the Public Finance Act 1989 requires the Treasury to prepare, in accordance with generally accepted accounting practice, annual financial statements which fairly reflect the financial position of the Government as at 30 June 2000 and the results of its operations and cash flows for the year ended 30 June 2000.

Auditor's responsibilities

Section 30 of the Public Finance Act 1989 requires the Audit Office to audit the annual financial statements presented by the Government. It is the responsibility of the Audit Office to express an independent opinion on the financial statements.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the Government, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Government of New Zealand on pages 22 to 93:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the results of its operations and cash flows for the year ended 30 June 2000; and
 - the financial position as at 30 June 2000.

Our audit was completed on 8 September 2000 and our unqualified opinion is expressed as at that date.

D J D Macdonald
Controller and Auditor-General
Wellington
New Zealand



FINANCIAL STATEMENTS

Statement of Financial Performance
(for the year ended 30 June 2000)

| <i>Forecast</i> | | | <i>Actual</i> | |
|---|---------------------|--|-----------------|-----------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| Revenue | | | | |
| Levied through the Crown's Sovereign Power | | | | |
| 21,368 | 21,522 | Direct taxation | 1 21,499 | 20,289 |
| 12,197 | 12,363 | Indirect taxation | 2 12,536 | 11,867 |
| 33,565 | 33,885 | Total taxation revenue | 34,035 | 32,156 |
| 287 | 341 | Compulsory fees, fines, penalties and levies | 376 | 300 |
| 33,852 | 34,226 | Total Revenue Levied through the Crown's Sovereign Power | 34,411 | 32,456 |
| Earned through the Crown's Operations | | | | |
| 927 | 1,141 | Investment income | 3 1,157 | 2,901 |
| 670 | 637 | Sales of goods and services | 641 | 683 |
| 292 | 316 | Other operational revenue | 4 343 | 401 |
| - | - | Unrealised losses arising from revaluations of commercial forests | (26) | (84) |
| 1,889 | 2,094 | Total Revenue Earned through the Crown's Operations | 2,115 | 3,901 |
| 35,741 | 36,320 | Total Revenue | 36,526 | 36,357 |
| Expenses | | | | |
| By functional classification | | | | |
| 13,027 | 12,943 | Social security and welfare | 12,896 | 12,906 |
| 654 | 500 | GSF pension expenses | 478 | 1,132 |
| 6,822 | 6,873 | Health | 6,874 | 6,573 |
| 6,238 | 6,445 | Education | 6,310 | 5,899 |
| 1,682 | 1,680 | Core government services | 1,710 | 1,705 |
| 1,448 | 1,534 | Law and order | 1,531 | 1,499 |
| 1,135 | 1,242 | Defence | 1,247 | 1,030 |
| 1,027 | 1,073 | Transport and communications | 1,036 | 1,029 |
| 809 | 975 | Economic and industrial services | 944 | 858 |
| 375 | 459 | Heritage, culture and recreation | 456 | 316 |
| 300 | 266 | Primary services | 265 | 334 |
| 48 | 69 | Housing and community development | 68 | 41 |
| 149 | 46 | Other | 45 | 34 |
| 2,294 | 2,381 | Finance costs | 5 2,373 | 2,516 |
| - | (58) | Net foreign-exchange gains | (62) | (47) |
| 250 | - | Provision for future initiatives | - | - |
| 100 | - | Contingency expense provision | - | - |
| 36,358 | 36,428 | Total Expenses | 36,171 | 35,825 |
| (617) | (108) | Revenue less Expenses | 355 | 532 |
| Surplus of SOEs and Crown entities | | | | |
| 861 | 987 | excluding ACC outstanding claims liability | 1,013 | 1,789 |
| - | 340 | ACC outstanding claims liability revaluation | 519 | - |
| (280) | (456) | Distributions and other dividends | (438) | (544) |
| 581 | 871 | Net surplus of SOEs and Crown entities | 1,094 | 1,245 |
| (36) | 763 | Operating Balance | 1,449 | 1,777 |

The accompanying Notes are an integral part of these Statements.

Statement of Financial Position
(as at 30 June 2000)

| <i>Forecast</i> | | | <i>Actual</i> | |
|----------------------|---------------------|------|-----------------------------------|-----------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | Note | \$m | \$m |
| Assets | | | | |
| 106 | 29 | | 210 | 230 |
| 8,084 | 10,492 | 6 | 10,440 | 11,153 |
| 4,299 | 3,997 | 7 | 3,995 | 3,628 |
| 5,013 | 5,382 | 8 | 5,520 | 5,250 |
| 316 | 274 | | 274 | 321 |
| | | | State-owned enterprises and Crown | |
| 12,964 | 13,980 | 9 | 14,392 | 12,917 |
| 195 | 357 | 10 | 338 | 270 |
| 15,595 | 15,694 | 11 | 15,972 | 15,258 |
| 500 | 395 | 12 | 369 | 422 |
| 8,533 | 8,857 | 13 | 8,911 | 8,770 |
| 3 | 2 | | 2 | 4 |
| 55,608 | 59,459 | | 60,423 | 58,223 |
| Liabilities | | | | |
| 4,204 | 5,210 | 14 | 5,240 | 5,005 |
| 2,023 | 2,252 | | 2,236 | 1,960 |
| 36,096 | 36,337 | | 36,041 | 36,712 |
| 7,865 | 8,356 | 15 | 8,323 | 8,524 |
| 50,188 | 52,155 | | 51,840 | 52,201 |
| 5,420 | 7,304 | | 8,583 | 6,022 |
| Crown Balance | | | | |
| (1,631) | (393) | 16 | 382 | (1,197) |
| 7,051 | 7,697 | | 8,201 | 7,219 |
| 5,420 | 7,304 | | 8,583 | 6,022 |

The accompanying Notes are an integral part of these Statements.

**Statement of Movements in Equity
(for the year ended 30 June 2000)**

| <i>Forecast</i> | | | <i>Actual</i> | |
|-----------------|---------------------|--|-----------------|-----------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| 5,456 | 6,022 | Opening Crown Balance | 6,022 | 9,921 |
| (36) | 763 | Operating balance for the period | 1,449 | 1,777 |
| - | 519 | Net revaluations | 1,112 | 466 |
| (36) | 1,282 | Total Recognised Revenues and Expenses | 2,561 | 2,243 |
| - | - | Accident Compensation Corporation recognition policy change | - | (6,142) |
| 5,420 | 7,304 | Closing Crown Balance | 8,583 | 6,022 |

The accompanying Notes are an integral part of these Statements.

Statement of Cash Flows
(for the year ended 30 June 2000)

| <i>Forecast</i> | | | <i>Actual</i> | |
|-----------------------------------|---------------------|---|-----------------|-----------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| Cash Flows from Operations | | | | |
| Cash was Provided From | | | | |
| <i>Direct Taxation</i> | | | | |
| Individuals | | | | |
| 12,859 | 12,943 | Source deductions | 12,920 | 12,328 |
| 3,442 | 3,557 | Other persons | 3,553 | 3,566 |
| (1,023) | (1,124) | Refunds | (1,043) | (1,189) |
| 345 | 302 | Fringe benefit tax | 306 | 329 |
| 15,623 | 15,678 | Total Individuals | 15,736 | 15,034 |
| Companies | | | | |
| 4,906 | 4,762 | Gross companies | 4,726 | 4,467 |
| (551) | (575) | Refunds | (618) | (646) |
| 4,355 | 4,187 | Total Companies | 4,108 | 3,821 |
| 1,388 | 1,550 | Withholding taxes | 1,566 | 1,654 |
| 2 | 2 | Other direct taxation | 1 | 2 |
| 21,368 | 21,417 | Total Direct Taxation | 21,411 | 20,511 |
| <i>Indirect Taxation</i> | | | | |
| Goods and Services Tax | | | | |
| 12,996 | 13,470 | Gross goods and services tax | 13,664 | 12,628 |
| (4,402) | (4,706) | Refunds | (4,852) | (4,194) |
| 8,594 | 8,764 | Total Goods and Services Tax | 8,812 | 8,434 |
| 2,004 | 1,909 | Excise duties | 2,014 | 1,864 |
| 1,560 | 1,629 | Other indirect taxation | 1,627 | 1,575 |
| 12,158 | 12,302 | Total Indirect Taxation | 12,453 | 11,873 |
| 33,526 | 33,719 | Total Taxation Receipts | 33,864 | 32,384 |
| 263 | 283 | Compulsory Fees, Fines, Penalties and Levies | 308 | 251 |
| Other Receipts | | | | |
| 742 | 973 | Interest, profits and dividends | 1,070 | 1,034 |
| 631 | 616 | Sales of goods and services | 621 | 642 |
| 326 | 326 | Other operating receipts | 341 | 372 |
| 1,699 | 1,915 | Total Other Receipts | 2,032 | 2,048 |
| 35,488 | 35,917 | Total Cash Provided from Operations | 36,204 | 34,683 |
| Cash was Disbursed To | | | | |
| 4,578 | 4,426 | Departmental outputs | 4,447 | 4,536 |
| 15,085 | 15,270 | Other outputs | 15,303 | 14,402 |
| 2,387 | 2,458 | Finance costs | 2,507 | 2,398 |
| 156 | 163 | Subsidies | 131 | 134 |
| Current transfers | | | | |
| 12,841 | 12,734 | Social assistance grants | 12,615 | 12,601 |
| 231 | 241 | Other transfers | 238 | 220 |
| 250 | - | Provision for future initiatives | - | - |
| 100 | - | Contingency expense provision | - | - |
| 35,628 | 35,292 | Total Cash Disbursed to Operations | 35,241 | 34,291 |
| (140) | 625 | Net Cash Flows from Operations | 963 | 392 |

The accompanying Notes are an integral part of these Statements.

Statement of Cash Flows (continued)
(for the year ended 30 June 2000)

| <i>Forecast</i> | | | <i>Actual</i> | |
|---|---------------------|---|-----------------|-----------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| (140) | 625 | Subtotal (brought forward) | 963 | 392 |
| Cash Flows from Investing Activities | | | | |
| Cash was Provided From | | | | |
| (271) | (130) | Net (purchase)/sale of investments | (130) | 2,738 |
| 1,715 | 1,218 | Net sale/(purchase) of marketable securities and deposits | 1,983 | (1,184) |
| 150 | 269 | Sale of physical assets | 250 | 239 |
| 1,594 | 1,357 | Total Cash Provided | 2,103 | 1,793 |
| Cash was Disbursed To | | | | |
| 314 | 297 | Net increase in advances | 309 | 179 |
| 1,240 | 1,187 | Purchase of physical assets | 1,160 | 1,142 |
| 1,554 | 1,484 | Total Cash Disbursed | 1,469 | 1,321 |
| 40 | (127) | Net Cash Flows from Investing Activities | 634 | 472 |
| (100) | 498 | Net Cash Flows from Operating and Investing Activities | 1,597 | 864 |
| Cash Flows from Financing Activities | | | | |
| Cash was Provided From | | | | |
| - | 292 | Issue of circulating currency | 275 | 151 |
| 3,077 | 2,800 | Issue of Government stock | 2,867 | 4,756 |
| 335 | - | Other New Zealand-dollar borrowing ¹ | 453 | 1,124 |
| - | 283 | Borrowing in foreign currencies ¹ | 1,683 | 2,703 |
| 3,412 | 3,375 | Total Cash Provided | 5,278 | 8,734 |
| Cash was Disbursed To | | | | |
| 3,305 | 3,305 | Repayment of Government stock | 3,305 | 1,882 |
| - | 776 | Repayment of other New Zealand-dollar borrowing ¹ | 1,280 | 3,915 |
| 36 | - | Repayment of foreign-currency borrowing ¹ | 2,318 | 3,763 |
| 3,341 | 4,081 | Total Cash Disbursed | 6,903 | 9,560 |
| 71 | (706) | Net Cash Flows from Financing Activities | (1,625) | (826) |
| (29) | (208) | Net Movement in Cash | (28) | 38 |
| 135 | 230 | Opening Cash Balance | 230 | 171 |
| - | 7 | Foreign-exchange gains on opening cash | 8 | 21 |
| 106 | 29 | Closing Cash Balance | 210 | 230 |

¹ Issues and repayments of other New Zealand-dollar borrowing and foreign-currency borrowing are forecast on a net basis. Actual issues and repayments are reported on a gross basis.

The accompanying Notes are an integral part of these Statements.

Statement of Cash Flows (continued)
(for the year ended 30 June 2000)

| <i>Forecast</i> | | | | <i>Actual</i> | |
|--|----------------------------|--|--|------------------------|------------------------|
| 1999 Budget \$m | Estimated Actual \$m | | | 30 June 2000 \$m | 30 June 1999 \$m |
| Reconciliation Between the Operating Balance and Net Cash Flows from Operations | | | | | |
| (36) | 763 | Operating Balance | | 1,449 | 1,777 |
| <i>Items included in the operating balance but not in net cash flows from operations</i> | | | | | |
| Valuation Changes | | | | | |
| - | - | Revaluation of commercial forests | | 26 | 84 |
| - | (82) | Unrealised net foreign-exchange gains | | (92) | (44) |
| - | (82) | Total Valuation Changes | | (66) | 40 |
| Physical Asset Movements | | | | | |
| 833 | 805 | Depreciation | | 791 | 765 |
| - | (13) | (Gain)/loss on sale of physical assets | | (7) | 26 |
| 833 | 792 | Total Physical Asset Movements | | 784 | 791 |
| Other Non-cash Items | | | | | |
| (581) | (871) | Net surplus of SOEs and Crown entities | | (1,094) | (1,245) |
| - | - | Gain on sale of Contact Energy Limited and Airport companies | | - | (1,625) |
| - | (14) | Gain on sale of Vehicle Testing New Zealand Limited | | (14) | - |
| (13) | (168) | (Decrease)/increase in pension liabilities | | (201) | 429 |
| (29) | 122 | Other | | 208 | 5 |
| (623) | (931) | Total Other Non-cash Items | | (1,101) | (2,436) |
| (13) | (31) | Total Other Investing and Financing Items | | (36) | 69 |
| Movements in Working Capital¹ | | | | | |
| (55) | (197) | Increase in taxes receivable | | (164) | (135) |
| 106 | 25 | (Increase)/decrease in other receivables | | (168) | (75) |
| (2) | 47 | Decrease/(increase) in inventories | | 47 | (19) |
| (350) | 239 | Increase/(decrease) in payables | | 218 | 380 |
| (301) | 114 | Total Movements in Working Capital | | (67) | 151 |
| (140) | 625 | Net Cash Flows from Operations | | 963 | 392 |

¹ Only movements in working capital resulting from operations are included.

The accompanying Notes are an integral part of these Statements.

Statement of Cash Flows (continued)
(for the year ended 30 June 2000)

| <i>Forecast</i> | | | <i>Actual</i> | |
|--|--------------|--|----------------|----------------|
| 1999 | Estimated | | 30 June | 30 June |
| Budget | Actual | | 2000 | 1999 |
| \$m | \$m | | \$m | \$m |
| Reconciliation of Net Cash Flows from Operations with Net Cash Proceeds from Domestic Bonds | | | | |
| (140) | 625 | Net Cash Flows from Operations | 963 | 392 |
| Investing Flows | | | | |
| <i>Net advances</i> | | | | |
| (23) | 4 | Housing Corporation of New Zealand | 4 | 212 |
| 101 | 101 | Contact Energy Limited | 101 | 11 |
| (565) | (546) | Student loans | (528) | (470) |
| - | (38) | Solid Energy New Zealand Limited | (40) | - |
| 38 | 52 | Residual Health Management Unit | 47 | 43 |
| 135 | 130 | Other | 107 | 25 |
| (314) | (297) | Total Net Advances | (309) | (179) |
| (1,090) | (918) | Net purchase of physical assets | (910) | (903) |
| <i>Net investments</i> | | | | |
| - | 2 | Contact Energy Limited | 2 | 2,331 |
| (185) | (28) | At Work Insurance | (29) | - |
| - | 19 | Vehicle Testing New Zealand Limited | 19 | - |
| - | - | Auckland and Wellington Airport companies | - | 487 |
| (178) | (66) | Hospital and health services | (46) | (45) |
| 92 | (57) | Other | (76) | (35) |
| (271) | (130) | Net (purchase)/sale of investments | (130) | 2,738 |
| (1,815) | (720) | (Required to be financed)/ Available for debt repayment | (386) | 2,048 |
| Financed by: | | | | |
| Net sale/(purchase) of marketable securities and deposits | | | | |
| 1,715 | 1,218 | | 1,983 | (1,184) |
| (100) | 498 | Total Investing Activities | 1,597 | 864 |
| Used in: | | | | |
| Net (repayment)/issue of other New Zealand-dollar borrowing | | | | |
| 335 | (776) | | (827) | (2,791) |
| (36) | 283 | Net (repayment)/issue of foreign-currency borrowing | (635) | (1,060) |
| 29 | 208 | Net outflow/(inflow) of cash | 28 | (38) |
| - | 292 | Issue of circulating currency | 275 | 151 |
| 328 | 7 | | (1,159) | (3,738) |
| Net Repayments of/(Cash Proceeds from) | | | | |
| 228 | 505 | Domestic Bonds | 438 | (2,874) |

The accompanying Notes are an integral part of these Statements.

Statement of Cash Flows (continued)
(for the year ended 30 June 2000)

| <i>Forecast</i> | | | <i>Actual</i> | |
|-----------------|---------------------|--|-----------------|-----------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| | | Net Repayments of/(Cash Proceeds from) | | |
| 228 | 505 | Domestic Bonds (brought forward) | 438 | (2,874) |
| | | Gross Cash Proceeds from Domestic Bonds | | |
| 2,783 | 1,914 | Domestic bonds (market) | 1,924 | 3,450 |
| 294 | 546 | Domestic Bonds (non market) | 598 | 977 |
| - | 340 | Inflation bonds | 345 | 329 |
| 3,077 | 2,800 | Total Gross Cash Proceeds from Domestic Bonds | 2,867 | 4,756 |
| (3,011) | (3,011) | Repayment of domestic bonds (market) | (3,011) | (1,782) |
| (294) | (294) | Repayment of domestic bonds (non market) | (294) | (100) |
| (228) | (505) | Net (Repayments of)/Cash Proceeds from Domestic Bonds | (438) | 2,874 |

The accompanying Notes are an integral part of these Statements.

Statement of Borrowings
Analysis as at 30 June 2000 – Book Values

| <i>Forecast</i> | | | <i>Actual</i> | |
|---|---------------|---|---------------|---------------|
| 1999 | Estimated | | 30 June | 30 June |
| Budget | Actual | | 2000 | 1999 |
| \$m | \$m | | \$m | \$m |
| Outstanding Debt | | | | |
| New Zealand-Dollar Debt | | | | |
| 22,490 | 22,108 | Government stock | 22,239 | 22,701 |
| 6,477 | 5,412 | Treasury bills | 5,370 | 5,881 |
| 172 | 259 | Loans and foreign-exchange contracts | 230 | 299 |
| 490 | 485 | Retail stock | 474 | 729 |
| 29,629 | 28,264 | Total New Zealand-Dollar Debt | 28,313 | 29,610 |
| Foreign-Currency Debt | | | | |
| 2,852 | 4,990 | United States dollars | 4,329 | 3,565 |
| 1,764 | 1,816 | Japanese yen | 2,054 | 1,706 |
| 1,851 | 1,267 | European and other currencies | 1,345 | 1,831 |
| 6,467 | 8,073 | Total Foreign-Currency Debt | 7,728 | 7,102 |
| 36,096 | 36,337 | Total Outstanding Debt | 36,041 | 36,712 |
| Less | | | | |
| Financial Assets | | | | |
| Marketable Securities and Deposits¹ | | | | |
| 1,016 | 1,952 | New Zealand dollars | 2,324 | 3,601 |
| 2,876 | 5,450 | United States dollars | 4,467 | 3,857 |
| 2,356 | 1,816 | Japanese yen | 2,277 | 1,827 |
| 1,836 | 1,274 | European and other currencies | 1,372 | 1,868 |
| 8,084 | 10,492 | Total Marketable Securities and Deposits | 10,440 | 11,153 |
| Advances and Cash | | | | |
| Advances to state-owned enterprises and | | | | |
| 367 | 277 | Crown entities | 259 | 299 |
| 3,703 | 3,506 | Student loans | 3,523 | 3,002 |
| 229 | 214 | Other advances | 213 | 327 |
| 106 | 29 | Cash | 210 | 230 |
| 4,405 | 4,026 | Total Advances and Cash | 4,205 | 3,858 |
| 12,489 | 14,518 | Total Financial Assets | 14,645 | 15,011 |
| 23,607 | 21,819 | Net Crown Debt | 21,396 | 21,701 |
| 24,208 | 22,286 | Net New Zealand-dollar debt | 21,870 | 22,309 |
| (601) | (467) | Net foreign-currency debt | (474) | (608) |
| 23,607 | 21,819 | Net Crown Debt | 21,396 | 21,701 |

¹ As at 30 June 2000 foreign currency securities with a face value of \$1,779 million (30 June 1999: \$1,945 million) had been transferred to counterparties as security for borrowings.

The accompanying Notes are an integral part of these Statements.

Statement of Borrowings (continued)
Analysis as at 30 June 2000 – Nominal and Current Market Values

| | 30 June 2000 | | 30 June 1999 | |
|---|-------------------------|-----------------------------------|-------------------------|-----------------------------------|
| | Nominal value \$m | Current market value \$m | Nominal value \$m | Current market value \$m |
| Outstanding Debt | | | | |
| New Zealand-Dollar Debt | | | | |
| Government stock | 22,191 | 22,486 | 22,460 | 23,445 |
| Treasury bills | 5,500 | 5,368 | 5,980 | 5,879 |
| Loans and foreign-exchange contracts | 231 | 237 | 301 | 316 |
| Retail stock | 474 | 473 | 729 | 737 |
| Total New Zealand-Dollar Debt | 28,396 | 28,564 | 29,470 | 30,377 |
| Foreign-Currency Debt | | | | |
| United States dollars | 4,494 | 4,479 | 3,706 | 3,739 |
| Japanese yen | 2,153 | 2,271 | 1,796 | 1,915 |
| European and other currencies | 1,366 | 1,364 | 1,852 | 1,865 |
| Total Foreign-Currency Debt | 8,013 | 8,114 | 7,354 | 7,519 |
| Total Outstanding Debt | 36,409 | 36,678 | 36,824 | 37,896 |
| Marketable Securities and Deposits | | | | |
| New Zealand dollars | 2,293 | 2,241 | 3,601 | 3,601 |
| United States dollars | 4,434 | 4,517 | 3,787 | 3,851 |
| Japanese yen | 2,124 | 2,285 | 1,675 | 1,834 |
| European and other currencies | 1,356 | 1,377 | 1,814 | 1,870 |
| Total Marketable Securities and Deposits | 10,207 | 10,420 | 10,877 | 11,156 |

The current market value has been determined using the present value of cash flows discounted at a rate derived from a market yield curve.

The accompanying Notes are an integral part of these Statements.

Statement of Borrowings (continued)
Maturity Profile as at 30 June 2000 – Book Values

| | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06- 2009/10 | 2010/11 and after | Total book value |
|---|---------------|--------------|--------------|--------------|------------|---------------------|-------------------------|------------------------|
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Outstanding Debt | | | | | | | | |
| New Zealand-Dollar Debt | | | | | | | | |
| Government stock | 3,174 | 2,994 | 2,573 | 3,619 | - | 6,855 | 3,024 | 22,239 |
| Treasury bills | 5,370 | - | - | - | - | - | - | 5,370 |
| Loans and foreign-exchange contracts | 80 | 71 | 50 | 5 | 18 | 6 | - | 230 |
| Retail stock | 301 | 111 | 35 | 27 | - | - | - | 474 |
| Total New Zealand-Dollar Debt | 8,925 | 3,176 | 2,658 | 3,651 | 18 | 6,861 | 3,024 | 28,313 |
| Foreign-Currency Debt | | | | | | | | |
| United States dollars | 2,403 | - | 88 | 641 | - | 638 | 559 | 4,329 |
| Japanese yen | 125 | 818 | 390 | - | 593 | - | 128 | 2,054 |
| European and other currencies | 1,096 | - | - | - | - | 239 | 10 | 1,345 |
| Total Foreign-Currency Debt | 3,624 | 818 | 478 | 641 | 593 | 877 | 697 | 7,728 |
| Total Outstanding Debt | 12,549 | 3,994 | 3,136 | 4,292 | 611 | 7,738 | 3,721 | 36,041 |
| Marketable Securities and Deposits | | | | | | | | |
| New Zealand dollars | 2,145 | 61 | 31 | 25 | 14 | 48 | - | 2,324 |
| United States dollars | 3,220 | 226 | 79 | (6) | 221 | 606 | 121 | 4,467 |
| Japanese yen | 604 | 516 | 384 | 190 | 318 | 251 | 14 | 2,277 |
| European and other currencies | 1,127 | 130 | 24 | 3 | 8 | 58 | 22 | 1,372 |
| Total Marketable Securities and Deposits | 7,096 | 933 | 518 | 212 | 561 | 963 | 157 | 10,440 |

The maturities of marketable securities and deposits in this Statement are based on the contractual maturity dates.

The accompanying Notes are an integral part of these Statements.

Statement of Borrowings (continued)
Movements during the year ended 30 June 2000

| | As at 1 July 1999 \$m | Increases/ Additions \$m | Decreases/ Disposals/ Repayments \$m | Foreign Exchange Contracts \$m | Currency Realignment \$m | Unamortised premiums/ discounts \$m | As at 30 June 2000 \$m |
|---|--------------------------------|--------------------------------|---|---|--------------------------------|--|---------------------------------|
| Outstanding Debt | | | | | | | |
| <i>By Type</i> | | | | | | | |
| New Zealand-Dollar Debt | | | | | | | |
| Government stock | 22,701 | 3,099 | (3,305) | - | - | (256) | 22,239 |
| Treasury bills | 5,881 | - | (481) | - | - | (30) | 5,370 |
| Loans and foreign-exchange contracts | 299 | - | (70) | - | - | 1 | 230 |
| Retail stock | 729 | 363 | (618) | - | - | - | 474 |
| Total New Zealand-Dollar Debt | 29,610 | 3,462 | (4,474) | - | - | (285) | 28,313 |
| Foreign Currency-Debt | | | | | | | |
| United States dollars | 3,565 | 1,523 | (895) | (224) | 383 | (23) | 4,329 |
| Japanese yen | 1,706 | 142 | (248) | - | 463 | (9) | 2,054 |
| European and other currencies | 1,831 | 363 | (1,164) | 215 | 100 | - | 1,345 |
| Total Foreign-Currency Debt | 7,102 | 2,028 | (2,307) | (9) | 946 | (32) | 7,728 |
| Total Outstanding Debt | 36,712 | 5,490 | (6,781) | (9) | 946 | (317) | 36,041 |
| Less | | | | | | | |
| <i>Financial Assets</i> | | | | | | | |
| Marketable Securities and Deposits | | | | | | | |
| New Zealand dollars | 3,601 | 2 | (1,430) | 154 | - | (3) | 2,324 |
| United States dollars | 3,857 | 56,219 | (56,565) | (98) | 863 | 191 | 4,467 |
| Japanese yen | 1,827 | 2,097 | (1,732) | (84) | 164 | 5 | 2,277 |
| European and other currencies | 1,868 | 636 | (1,291) | 31 | 136 | (8) | 1,372 |
| Total Marketable Securities and Deposits | 11,153 | 58,954 | (61,018) | 3 | 1,163 | 185 | 10,440 |
| Advances and Cash | 3,858 | 1,003 | (656) | - | - | - | 4,205 |
| Total Financial Assets | 15,011 | 59,957 | (61,674) | 3 | 1,163 | 185 | 14,645 |
| Net Crown Debt | 21,701 | (54,467) | 54,893 | (12) | (217) | (502) | 21,396 |

The accompanying Notes are an integral part of these Statements.

**Statement of Commitments
(as at 30 June 2000)**

| | As at 30 June 2000 \$m | As at 30 June 1999 \$m |
|---|---------------------------------|---------------------------------|
| By Type | | |
| Capital Commitments | | |
| Specialist military equipment | 321 | 361 |
| Land and buildings | 87 | 125 |
| Other plant and equipment | 63 | 32 |
| Investments | 17 | 232 |
| State-owned enterprises and Crown entities | 1,016 | 1,207 |
| Total Capital Commitments | 1,504 | 1,957 |
| Operating Commitments | | |
| Non-cancellable accommodation leases | 789 | 638 |
| Other non-cancellable leases | 1,858 | 2,443 |
| Non-cancellable contracts for the supply of goods and services | 432 | 454 |
| Other operating commitments | 1,071 | 909 |
| State-owned enterprises and Crown entities | 2,713 | 2,516 |
| Total Operating Commitments | 6,863 | 6,960 |
| Total Commitments | 8,367 | 8,917 |

By Term

| | | |
|------------------------------------|--------------|--------------|
| Capital Commitments | | |
| One year or less | 1,187 | 1,511 |
| From one year to two years | 205 | 246 |
| From two to five years | 75 | 186 |
| Over five years | 37 | 14 |
| Total Capital Commitments | 1,504 | 1,957 |
| Operating Commitments | | |
| One year or less | 2,379 | 2,136 |
| From one year to two years | 1,057 | 966 |
| From two to five years | 1,359 | 1,293 |
| Over five years | 2,068 | 2,565 |
| Total Operating Commitments | 6,863 | 6,960 |
| Total Commitments | 8,367 | 8,917 |

Commitments of the Reserve Bank of New Zealand, state-owned enterprises and Crown entities are included in the Statement of Commitments. Commitments to state-owned enterprises and Crown entities are excluded.

The accompanying Notes are an integral part of these Statements.

Quantifiable Contingent Liabilities

| | 30 June 2000 \$m | 30 June 1999 \$m |
|--|---------------------|---------------------|
| Guarantees and indemnities | 592 | 541 |
| Uncalled capital | 3,210 | 2,820 |
| Legal proceedings and disputes | 542 | 464 |
| Other contingent liabilities | 1,983 | 1,610 |
| Total Quantifiable Contingent Liabilities | 6,327 | 5,435 |

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

The accompanying Notes are an integral part of these Statements.

Guarantees and indemnities

Cook Islands - Asian Development Bank (ADB) Loans

Before 1992, the New Zealand Government guaranteed the Cook Islands' borrowing from the ADB. These guarantees have first call on New Zealand's Official Development Assistance to the Cook Islands.

\$24 million at 30 June 2000 (\$22 million at 30 June 1999).

Huntly East mine subsidence

For claims from private landowners concerning property damage or loss of value.

\$22 million at 30 June 2000 (\$25 million at 30 June 1999).

Indemnification of touring exhibitions

The Crown has a contingent liability for damages or losses under the scheme for indemnifying touring exhibitions. The contingent liability took effect in June 2000 and expires in October 2000.

\$225 million at 30 June 2000 (\$64 million at 30 June 1999).

Post Office Bank (PostBank) - guaranteed deposits

In the sale of PostBank to ANZ Banking Group Limited (ANZ), the Crown agreed to continue its guarantee, under the Post Office Bank Act 1987, for certain PostBank deposits lodged with the Bank before 1 July 1988. ANZ agreed to indemnify the Crown for the cost of any liability that may arise from the Crown guarantee. The amount guaranteed reduces as deposits mature.

\$19 million at 30 June 2000 (\$23 million at 30 June 1999).

Guarantees and indemnities of state-owned enterprises and Crown entities

\$273 million at 30 June 2000 (\$257 million at 30 June 1999).

Other guarantees and indemnities

\$29 million at 30 June 2000 (\$150 million at 30 June 1999).

Uncalled capital

| The Crown's uncalled capital subscriptions are as follows: | Uncalled Capital at 30 June 2000 \$m | Uncalled Capital at 30 June 1999 \$m |
|--|---|---|
| Asian Development Bank | 1,443 | 1,271 |
| European Bank for Reconstruction and Development | 14 | 14 |
| International Bank for Reconstruction and Development | 1,753 | 1,535 |

Legal proceedings and disputes

The amounts under quantifiable contingent liabilities for legal proceedings and disputes are shown exclusive of any interest and costs that may be claimed if these cases were decided against the Crown.

Agriculture and Forestry - legal claims

For claims against the Ministry of Agriculture and Forestry for alleged legal or administrative faults.

\$24 million at 30 June 2000 (\$24 million at 30 June 1999).

Education – legal claims

For claims against the Crown in respect of the reduction of dental subsidies.

\$10 million at 30 June 2000 (Nil at 30 June 1999).

Health - Lake Alice claims

For claims against the Crown in respect of patients at Lake Alice Hospital in the early to mid-1970s.

\$132 million at 30 June 2000 (\$132 million at 30 June 1999).

Māori Reserved Land

The Māori Reserved Land Amendment Act 1997 provides for compensation to lessees for the move to market rents for land, for shorter review periods and for additional transaction costs. In addition, Schedule 5 to the Act recognises that Māori have not been obtaining fair market rents for their land and that this issue will be dealt with by the Government as part of its consideration of historical grievances.

\$96 million at 30 June 2000 (Nil at 30 June 1999).

New Zealand Defence Force – legal claims

Claims against the New Zealand Defence Force for alleged legal or administrative faults.
\$15 million at 30 June 2000 (\$15 million at 30 June 1999).

Police - legal claims

Claims against the Police for alleged legal or administrative faults.
\$48 million at 30 June 2000 (\$82 million at 30 June 1999).

Tax in dispute

Represents 50% of the outstanding debt of those tax assessments raised, against which an objection has been lodged and legal action is proceeding.
\$107 million at 30 June 2000 (\$111 million at 30 June 1999).

Legal claims against state-owned enterprises and Crown entities

\$63 million at 30 June 2000 (\$30 million at 30 June 1999).

Other legal claims

\$47 million at 30 June 2000 (\$70 million at 30 June 1999).

Other quantifiable contingent liabilities

Health - other contingent liabilities

For claims against the Crown in respect of people allegedly contracting Hepatitis C through contaminated blood and blood products, and other personal injury claims.
\$87 million at 30 June 2000 (\$81 million at 30 June 1999).

Reserve Bank - demonetised currency

The Crown has a contingent liability for the face value of the demonetised \$1 and \$2 notes issued which have yet to be repatriated.
\$23 million at 30 June 2000 (\$23 million at 30 June 1999).

International finance organisations

The Crown has lodged promissory notes with the following international finance organisations:

| | 30 June 2000 \$m | 30 June 1999 \$m |
|---|---------------------|---------------------|
| International Bank for Reconstruction and Development | Nil | 66 |
| International Monetary Fund | 1,754 | 1,348 |

Payment of the notes depends upon the operation of the rules of the individual organisations.

Other quantifiable contingent liabilities against state-owned enterprises and Crown entities

\$57 million at 30 June 2000 (\$8 million at 30 June 1999).

Other quantifiable contingent liabilities

\$62 million at 30 June 2000 (\$84 million at 30 June 1999).

Non-Quantifiable Contingent Liabilities

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

Institutional guarantees

The following institutional guarantees have been provided through legislation.

Commerce Commission - indemnity for damages

The Crown has granted the Commerce Commission an indemnity, under section 59 of the Public Finance Act 1989, to give undertakings as to damages when seeking interim injunctions up to a maximum liability of \$40 million per case.

District Court Judges and Justices of the Peace

Section 119 of the District Courts Act 1947 indemnifies District Court Judges acting in their civil jurisdiction. Section 196A of the Summary Proceedings Act 1957 also indemnifies District Court Judges for any liabilities arising as a result of an act done by a Judge in excess of, or without, jurisdiction. Under section 197 of the Summary Proceedings Act 1957, Justices of the Peace are similarly indemnified as long as a High Court Judge certifies that they have acted in good faith and ought to be excused.

Earthquake Commission

The Crown is liable to meet any deficiency in the Earthquake Commission's assets in meeting the Commission's liabilities (section 16 of the Earthquake Commission Act 1993).

Fletcher Challenge Limited (FCL)

Under the sale and purchase agreement for the sale of Forestry Corporation of New Zealand Limited, the Crown has indemnified FCL for the cost of cleaning up on-site environmental contamination incurred up to settlement date (27 September 1996). The Crown is to pay for half of any cost over \$30 million and for all costs over \$50 million. The on-site indemnity runs until 1 January 2020. The Crown has also indemnified FCL in respect of off-site environmental costs and losses incurred up until settlement date. The off-site indemnity is unlimited as to amount and time.

Māori Trustee

The Crown is liable to meet any deficiency in the Māori Trustee's Common Fund (section 27(1) of the Māori Trustee Act 1953).

National Provident Fund

The Crown guarantees the benefits payable by all National Provident Fund Board schemes (section 60 of the National Provident Fund Restructuring Act 1990). The Crown also guarantees investments and interest thereon deposited with the National Provident Fund Board prior to 1 April 1991 (section 61 of the same Act).

A provision has been made in these Financial Statements in respect of the actuarially assessed deficit in the DBP (Annuitants') Scheme (refer Note 14).

Persons exercising investigating powers

Section 63 of the Corporations (Investigation and Management) Act 1989 indemnifies the Securities Commission, the Registrar and Deputy Registrar of Companies, members of advising committees within the Act, every statutory manager of a corporation, and persons appointed pursuant to sections 17 to 19 of the Act, in the exercise of investigating powers, unless the power has been exercised in bad faith.

Public Trust Office

The Crown is liable to meet any deficiency in the Public Trust Office's Common Fund (section 36 of the Public Trust Office Act 1957).

Reserve Bank of New Zealand (the Reserve Bank)

Under section 146 of the Reserve Bank of New Zealand Act 1989, every statutory manager of a Registered Bank, every person appointed under section 99 or section 101 of the Act and every member of an advisory committee, shall be indemnified by the Crown in respect of any liability arising from the exercise, purported exercise or omission to exercise of any power conferred by Part V of the Act, unless that power has been exercised in bad faith.

The Government pays to the Reserve Bank any exchange losses incurred by the Reserve Bank as a result of dealing in foreign exchange under sections 17, 18 and 21(2) of the Act.

Other non-quantifiable contingent liabilities

Alkylammonium compound compensation

The Crown is liable, under an agreement with Carter Holt Harvey Limited, Thames Sawmilling Limited, Dashwood Treated Timber & Post Limited and McAlpines Limited, to meet 50% of settlement of claims relating to alkylammonium compound preservation of timber. The Crown is also liable for 50% of the costs of private claimants who cannot identify the timber treater and 100% of negotiated settlements of Prolog Industries Limited.

Bank of New Zealand (BNZ)

A deed, entered into by the Crown, Fay Richwhite and Company Limited and National Australia Group Limited (the purchaser of BNZ), provides for the sharing of certain costs arising from defined risks that pre-date the sale of the BNZ. These risks are associated with New Zealand taxation and specified litigation.

Contact Energy Limited (Contact)

The Deed of Assumption and Release between ECNZ, Contact and the Crown provides for compensation to Contact for any tax, levy, royalty or impost imposed on the company's use of water or geothermal energy for plants in existence or under construction at the date of the ECNZ Sale and Purchase Agreement (and which are not reflected in the increased prices of energy generally). It provides for compensation for any net costs to Contact arising from resumption of assets pursuant to the Treaty of Waitangi (State Enterprises) Act 1988. The Deed also provides that the Crown is no longer liable to ECNZ in respect of those assets transferred to Contact.

Contaminated sites

Under common law and various statutes, the Crown may have responsibility to remedy adverse effects on the environment arising from Crown activities. The 'Discussion Document on Contaminated Sites Management' discusses the possibility of the Crown contributing to funding the clean-up of 'orphan' contaminated sites.

Crown research institutes (CRIs)

The Crown has indemnified the CRIs for any costs arising from certain third-party claims that are the result of acts or omissions prior to the transfer date, for costs of complying with statutes, ordinances and bylaws which relate to or affect certain buildings, and (subject to certain limitations) for the costs of obtaining title to land.

DFC New Zealand Ltd (under statutory management) (DFC)

DFC and the National Provident Fund have been indemnified for certain potential tax liabilities.

Electricity Corporation of New Zealand Limited (ECNZ)

The ECNZ Sale and Purchase Agreement provides for compensation to ECNZ for any tax, levy, royalty or impost imposed on ECNZ for the use of water or geothermal energy for plants in existence or under construction at the date of the Sale and Purchase Agreement. The Agreement also provides for compensation for any net costs to the corporation arising from resumption of assets pursuant to the Treaty of Waitangi (State Enterprises) Act 1988.

Under the Trans Power New Zealand Limited (Trans Power) Sale and Purchase and Debt Assumption Agreements, the Crown has indemnified ECNZ for any losses resulting from changes in tax rules applicable to transactions listed in the agreements. Additionally, the Crown has indemnified the directors and officers of ECNZ for any liability they may incur in their personal capacities as a result of the Trans Power separation process.

In addition, the Crown has indemnified ECNZ in relation to all ECNZ's pre-split liabilities, including:

- existing debt and swap obligations;
- hedge contracts and obligations; and
- any liabilities that arise out of the split itself.

Hospital and health services (HHS's)

The Crown has provided transitional indemnities to directors and officers of some HHS's, for liabilities arising from inherited assets and business practices under the Building Act 1991 and the Health and Safety in Employment Act 1992.

Housing Corporation of New Zealand (HCNZ)

The Crown has indemnified the following entities in respect of the accuracy of information provided on the sale of various parcels of HCNZ mortgages: ANZ Banking Group Ltd, Mortgage Corporation, Countrywide Bank, TSB Bank, and Westpac Banking Corporation.

The Crown has indemnified the directors and officers of HCNZ against any liabilities in respect of the sale of mortgages to ANZ Bank and Mortgage Corporation.

Under the sale of mortgages to Westpac, HCNZ has insured the purchaser against certain credit losses with the Crown standing behind this obligation.

Legal proceedings have been initiated against a number of defendants, including the Crown, alleging breach of fiduciary duties in respect of the transfer of the Agreement for Sale and Purchase and mortgage agreements to HCNZ under the Housing Assets Transfer Act 1993.

Housing New Zealand Limited (HNZ)

The Crown has provided a warranty in respect of title to the assets transferred to HNZ and has indemnified the company against any breach of this warranty. The Crown has indemnified the company against any third party claims that are as a result of acts or omissions prior to 1 November 1992. It has also indemnified the directors and officers of the company against any liability consequent upon the assets not complying with statutory requirements, provided they are taking steps to rectify any non-compliance.

Pharmaceutical Management Agency Limited (Pharmac) - indemnity

Section 99 of the Social Security Act 1964 provided for the fixing of prices for pharmaceutical products by way of a list specified by the Minister of Health ("the Drug Tariff"). This list was superseded by a list ("the Pharmaceutical Schedule") developed and issued by Pharmac, a company owned by the Health Funding Authority (HFA) and having various powers under the Health Reforms (Transitional Provisions) Act 1993.

Under the Transfer Agreement between Pharmac and the Crown, the Crown has indemnified Pharmac against any liability in respect of operations, activities, decisions and policies relating to the Drug Tariff and the Pharmaceutical Schedule.

A number of legal claims have been lodged against Pharmac. If these claims are successful, the Crown's financial position may be adversely affected by any damages arising either directly through the indemnity, or indirectly through its ownership of the HFA and Pharmac.

Purchasers of Crown operations

The Crown has indemnified the purchasers of various Crown operations for losses owing to changes in legislation which uniquely and adversely affect those purchasers.

Sale of Crown assets

On the sale of Crown assets and the corporatisation of Crown assets into state-owned enterprises and Crown entities, the Crown has generally provided a warranty that the Crown was the rightful owner of the assets transferred, and that the assets were free of encumbrances.

Tax liabilities

The Crown has granted to the purchasers of the Shipping Corporation of New Zealand Limited, Telecom Corporation of New Zealand Limited, State Insurance Office Limited, and the Rural Banking and Finance Corporation Limited an indemnity for certain potential tax liabilities.

Treaty of Waitangi claims

Under the Treaty of Waitangi Act 1975, any Māori may lodge claims relating to land or actions counter to the principles of the Treaty with the Waitangi Tribunal. Where the Tribunal finds a claim is well founded, it may recommend to the Crown that action be taken to compensate those affected. The Tribunal can make recommendations that are binding on the Crown with respect to land which has been transferred by the Crown to an SOE or tertiary institution, or is subject to the Crown Forests Assets Act 1989.

Settlement relativity payments

The Deeds of Settlement negotiated with Waikato-Tainui and Ngai Tahu include a relativity mechanism. The mechanism provides that where the total redress amount for all historical Treaty settlements exceeds \$1 billion, in 1994 present value terms, the Crown is liable to make payments to maintain the real value of Ngai Tahu and Waikato-Tainui's settlements as a proportion of all Treaty settlements. The agreed relativity proportions are 17% for Waikato-Tainui and approximately 16% for Ngai Tahu. The non-quantifiable contingent liability relates to the risk that total settlement redress, including binding recommendations from the Waitangi Tribunal, will trigger these relativity payments.

Works Civil Construction

The Crown has provided an indemnity to the purchasers of Works Civil Construction in relation to the activities of the Ministry of Works prior to 1 April 1989. In addition, an indemnity has been provided against certain costs, claims or damages in relation to the Clyde and Ohaaki power projects.

Works Consultancy Services

The Crown has provided an indemnity to the purchasers of Works Consultancy Services in relation to the activities of the Ministry of Works prior to 1 April 1989.

Contingent Liabilities Movements

Of the contingent liabilities detailed above, the following are new this year:

Quantifiable Contingent Liabilities

- Education – Legal claims
- Māori Reserved Land

The following items were resolved over the year:

- Rural Banking and Finance Corporation of New Zealand Limited (\$110 million as at 30 June 1999)
 - Solid Energy New Zealand Limited (unquantified)
 - Southland Electric Power Supply Consumer Trust (unquantified)

The following items which were disclosed last year have been included in their respective “Other” categories as they are under the materiality threshold this year:

- Irrigation schemes
- Social Welfare – legal claims.

**Statement of Unappropriated Expenditure, Expenses or Liabilities
(as at 30 June 2000)**

An appropriation is a statutory authorisation by Parliament for the expenditure of public money or the incurring of expenses or liabilities. This statement reports expenditure, expenses or liabilities spent or incurred in excess of or without appropriation by Parliament.

Section 12 (1) of the Public Finance Act 1989 authorises the Minister of Finance to approve limited amounts of expenditure, expenses or liabilities in excess of or without appropriation. Unappropriated amounts spent or incurred in terms of such an approval are shown separately in this statement.

Unappropriated expenditure, expenses or liabilities in excess of the limits which the Minister of Finance can approve require validating legislation.

Amounts in this statement are expressed in thousands of dollars, reflecting the level at which appropriations are made.

| Department | Unappropriated expenditure, expenses or liabilities approved by the Minister of Finance under section 12 (\$000) | Unappropriated expenditure, expenses or liabilities amount requiring validating legislation (\$000) | Amount Appropriated (\$000) |
|--|--|---|-----------------------------------|
| Vote – | | | |
| <i>Appropriation</i> | | | |
| Ministry of Agriculture and Forestry | | | |
| Biosecurity – | | | |
| <i>Outputs supplied by the Department</i> | | | |
| Specific disease and pest responses | 446 | - | 3,270 |
| Department for Courts | | | |
| Courts – | | | |
| <i>Outputs supplied by the Department</i> | | | |
| Collection or enforcement of fines and civil debts | 2,270 | - | 47,279 |
| <i>Other expenses to be incurred by the Crown</i> | | | |
| Abortion Supervisory Committee - certifying consultants fees | 35 | - | 3,200 |
| <i>Other expenses to be incurred by the Crown</i> | | | |
| Children Young Persons and their Families professional costs | 95 | - | 5,600 |
| <i>Other expenses to be incurred by the Crown</i> | | | |
| Family Court counselling and professional services | 277 | - | 18,200 |
| <i>Other expenses to be incurred by the Crown</i> | | | |
| Costs in criminal cases | 14 | - | 220 |
| Crown Law Office | | | |
| Attorney-General - | | | |
| <i>Outputs supplied by the Department</i> | | | |
| Legal advice and representation | 142 | - | 12,967 |
| <i>Outputs supplied by the Department</i> | | | |
| Supervision and conduct of Crown prosecutions | 226 | 244 | 21,173 |
| Ministry of Defence | | | |
| Defence - | | | |
| <i>Outputs supplied by the Department</i> | | | |
| Management of equipment procurement | 2,280 | - | 3,321 |
| Ministry of Economic Development | | | |
| Commerce – | | | |
| <i>Outputs supplied by the Department</i> | | | |
| Registration and provision of statutory information | 122 | - | 15,179 |

Statement of Unappropriated Expenditure, Expenses or Liabilities (continued)
(as at 30 June 2000)

| Department | Unappropriated expenditure, expenses or liabilities approved by the Minister of Finance under section 12 (\$000) | Unappropriated expenditure, expenses or liabilities amount requiring validating legislation (\$000) | Amount Appropriated (\$000) |
|--|--|---|-----------------------------------|
| Department | | | |
| Vote – | | | |
| <i>Appropriation</i> | | | |
| Ministry of Education | | | |
| Education – | | | |
| <i>Outputs supplied by the Department</i> | | | |
| Ministerial services | 13 | - | 3,054 |
| <i>Outputs supplied by the Crown</i> | | | |
| Curriculum support | 74 | - | 89,185 |
| <i>Outputs supplied by the Crown</i> | | | |
| School transport | 1,353 | - | 97,840 |
| <i>Outputs supplied by the Crown</i> | | | |
| Specialist support services | 573 | - | 63,737 |
| <i>Other expenses to be incurred by the Crown</i> | | | |
| Early childhood education | 1,115 | - | 314,189 |
| <i>Other expenses to be incurred by the Crown</i> | | | |
| Residual management unit payments | 284 | - | 1,840 |
| <i>Other expenses to be incurred by the Crown</i> | | | |
| School transport | 2 | - | 1,216 |
| <i>Other expenses to be incurred by the Crown</i> | | | |
| Secondary education | 310 | - | 1,244,758 |
| Ministry of Justice | | | |
| Treaty Negotiations - | | | |
| <i>Other expenses to be incurred by the Crown</i> | | | |
| Waikato - Tainui interest | 105 | - | 1,696 |
| New Zealand Defence Force | | | |
| Defence Force – | | | |
| <i>Outputs supplied by the Department</i> | | | |
| Military policy development, coordination and advice | 62 | - | 7,717 |
| <i>Outputs supplied by the Department</i> | | | |
| Naval combat forces ¹ | 2,159 | - | 397,674 |
| <i>Outputs supplied by the Department</i> | | | |
| Naval support forces | 106 | - | 24,834 |
| <i>Outputs supplied by the Department</i> | | | |
| Specialised forces ² | 80 | - | 16,856 |
| <i>Outputs supplied by the Department</i> | | | |
| Fixed wing transport forces ³ | 573 | - | 145,014 |
| <i>Outputs supplied by the Department</i> | | | |
| Rotary wing transport forces | 63 | - | 81,154 |
| <i>Outputs supplied by the Department</i> | | | |
| Operationally deployed forces ⁴ | 217 | - | 56,791 |
| <i>Other expenses to be incurred by the department</i> | | | |
| Other | 12,500 | - | 64,452 |

¹ Excludes \$883,000 transferred out of this Output Class by the Public Finance (Transfers between Outputs)
Order 2000 (2000/112)

² Includes \$276,000 transferred into this Output Class by the Public Finance (Transfers between Outputs)
Order 2000 (2000/112)

³ Excludes \$366,000 transferred out of this Output Class by the Public Finance (Transfers between Outputs)
Order 2000 (2000/112)

⁴ Includes \$264,000 transferred into this Output Class by the Public Finance (Transfers between Outputs)
Order 2000 (2000/112)

Statement of Unappropriated Expenditure, Expenses or Liabilities (continued)
(as at 30 June 2000)

| Department | Unappropriated expenditure, expenses or liabilities approved by the Minister of Finance under section 12 (\$000) | Unappropriated expenditure, expenses or liabilities amount requiring validating legislation (\$000) | Amount Appropriated (\$000) |
|---|--|---|-----------------------------------|
| Parliamentary Service | | | |
| Parliamentary Service – | | | |
| <i>Other expenses to be incurred by the Crown</i> | | | |
| Members', spouses' and dependants', former members' and spouses' travel | 170 | - | 6,217 |
| <i>Other expenses to be incurred by the Crown</i> | | | |
| Party and member support - New Zealand First | 38 | - | 808 |
| The Police | | | |
| Police – | | | |
| <i>Outputs supplied by the Department</i> | | | |
| Policy advice and ministerial support ¹ | 96 | - | 1,089 |
| <i>Outputs supplied by the Department</i> | | | |
| Policing support to the community through partnerships, education, crime prevention and youth programmes ² | 573 | - | 54,168 |
| <i>Outputs supplied by the Department</i> | | | |
| Public and personal security ³ | 5,630 | - | 30,068 |
| Serious Fraud Office | | | |
| Serious Fraud - | | | |
| <i>Outputs supplied by the Department</i> | | | |
| Investigation and prosecution of complex or serious fraud | 19 | - | 5,031 |
| Department of Work and Income | | | |
| Work and Income – | | | |
| <i>Outputs supplied by the Department</i> | | | |
| Services to minimise the duration of benefit dependency and unemployment and move people into work | 209 | - | 213,201 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Assistance for people requiring care | 68 | - | 4,631 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Benefits paid in Australia | 804 | - | 146,545 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Community wage | 5,408 | - | 1,932,172 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Defence Force allowance | 1,037 | - | 15,808 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Disability allowance | 993 | - | 202,821 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Domestic purposes benefit | 6,373 | - | 1,426,230 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Independent youth benefit | 91 | - | 28,539 |

¹ Includes \$29,000 transferred into this Output Class by the Public Finance (Transfers between Outputs) Order 2000 (2000/112)

² Includes \$900,000 transferred into this Output Class by the Public Finance (Transfers between Outputs) Order 2000 (2000/112)

³ Includes \$1,268,000 transferred into this Output Class by the Public Finance (Transfers between Outputs) Order 2000 (2000/112)

Statement of Unappropriated Expenditure, Expenses or Liabilities (continued)
(as at 30 June 2000)

| Department | Unappropriated expenditure, expenses or liabilities approved by the Minister of Finance under section 12 (\$000) | Unappropriated expenditure, expenses or liabilities amount requiring validating legislation (\$000) | Amount Appropriated (\$000) |
|--|--|---|-----------------------------------|
| Department of Work and Income (continued) | | | |
| Work and Income – | | | |
| <i>Benefits and other unrequited expenses</i> | | | |
| Invalid's benefit | 1,474 | - | 675,337 |
| <i>Benefits and other unrequited expenses</i> | | | |
| New Zealand Superannuation | 241 | - | 5,067,951 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Orphans / Unsupported child's benefit | 43 | - | 35,179 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Special annuities | 2 | - | 103 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Special needs grant | 662 | - | 47,732 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Tenure protection allowance | 5 | - | 11,599 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Training incentive allowance | 434 | - | 34,311 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Widow's benefit | 92 | - | 92,227 |
| <i>Capital contributions to other persons or organisations</i> | | | |
| Community services card reimbursements | 2 | - | 300 |
| <i>Capital contributions to other persons or organisations</i> | | | |
| Recoverable assistance | 2,225 | - | 79,868 |
| Veterans' Affairs - | | | |
| <i>Benefits and other unrequited expenses</i> | | | |
| Interest concessions land and buildings | 12 | - | 269 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Medical treatment | 238 | - | 6,942 |
| <i>Benefits and other unrequited expenses</i> | | | |
| Veterans' pensions | 5 | - | 83,987 |
| | 52,440 | 244 | 12,945,549 |

Under section 13 of the Public Finance Act 1989, if a state of national emergency is declared under the Civil Defence Act 1983 or if the Government declares an emergency because of any situation that affects the public health or safety of New Zealand, then the Minister of Finance may approve expenditure of public money or incurrence of expenses or liabilities to meet such emergency or disaster whether or not an appropriation by Parliament is available for the purpose. Once expenditure, expenses or liabilities have been incurred, the amounts that have not been appropriated must be disclosed in the annual Financial Statements of the Crown for the financial year and sanctioned by Parliament in an Appropriation Act.

During the year, no such emergency expenditure, expenses or liabilities were incurred.

**Statement of Trust Money
(as at 30 June 2000)**

| Department Trust Account | As at 1 July 1999 (\$000) | Transfers (\$000) | Contributions (\$000) | Distributions (\$000) | Revenue (\$000) | Expenses (\$000) | As at 30 June 2000 (\$000) |
|--|------------------------------------|----------------------|--------------------------|--------------------------|--------------------|---------------------|-------------------------------------|
| Agriculture and Forestry | | | | | | | |
| Meat Board Levies Trust | 18 | - | 45,733 | 45,715 | - | - | 36 |
| Audit | | | | | | | |
| South Pacific Association of Supreme Audit Institutions Trust | 251 | - | 359 | 521 | - | - | 89 |
| Child, Youth and Family Services¹ | | | | | | | |
| Children, Young Persons and Their Families Agency Trust | - | 292 | - | - | 9 | - | 301 |
| Conservation | | | | | | | |
| Bonds/Deposits Trust | 594 | - | 292 | 109 | 17 | - | 794 |
| Conservation Project Trust | 263 | - | 213 | 93 | 8 | - | 391 |
| National Parks Trust | 92 | - | 150 | 111 | 4 | - | 135 |
| Walkways Trust | 1 | - | 4 | - | - | - | 5 |
| Wildlife and Reserves Trusts | 3,010 | - | 2,478 | 2,063 | 63 | - | 3,488 |
| Corrections | | | | | | | |
| Prisons Trust | 426 | - | 6,267 | 6,369 | - | - | 324 |
| Courts | | | | | | | |
| Courts Trust | 11,538 | - | 24,982 | 27,943 | 335 | - | 8,912 |
| Fines Trust | 6,016 | - | 132,009 | 132,803 | - | - | 5,222 |
| Maori Land Court Trust | 32 | - | 397 | 383 | 1 | - | 47 |
| Foreign Currency Trust | 18,174 | - | 590 | 19,518 | 978 | - | 224 |
| Crown Law Office | | | | | | | |
| Legal Claims Trust | 57 | - | 1,621 | 1,675 | 3 | 5 | 1 |
| Customs | | | | | | | |
| Alcohol Liquor Advisory Council Trust | 359 | - | 6,102 | 5,961 | 12 | - | 512 |
| Customs Regional Deposit/Bonds Trust | 2,048 | - | 4,487 | 3,595 | 31 | 16 | 2,955 |
| Heavy Engineering Research Association Trust | 1 | - | 615 | 584 | - | - | 32 |
| Maritime Safety Authority Trust | 681 | - | 12,517 | 13,192 | 4 | - | 10 |
| Economic Development² | | | | | | | |
| Coal and Minerals Deposits Trust | 406 | - | 7 | 56 | 8 | - | 365 |
| Official Assignee's Office Trust | 11,647 | - | 9,995 | 7,462 | 609 | 3,645 | 11,144 |
| Patent Co-operation Treaty Fees Trust | 83 | - | 920 | 902 | 11 | 18 | 94 |
| Petroleum Deposits Trust | 243 | - | - | 106 | 11 | - | 148 |
| Proceeds of Crime Trust | 939 | - | 1,797 | 1,285 | - | - | 1,451 |
| Radio Frequencies Tender Trust | 49 | - | 296 | 14 | - | - | 331 |
| Fisheries | | | | | | | |
| MAF Overfishing Account Trust | 4,052 | - | 9,816 | 6,755 | 176 | - | 7,289 |
| MAFFish Snapper Enhancement Trust | 199 | - | - | - | 6 | - | 205 |
| MAFFish Forfeit Property Trust | 117 | - | 328 | 244 | 8 | 24 | 185 |
| Foreign Affairs and Trade | | | | | | | |
| Cape Roberts Project Trust | 274 | - | 576 | 739 | 8 | - | 119 |
| New Zealand/France Friendship Trust | 59 | - | 105 | 156 | 2 | 6 | 4 |
| Subtotal (carried forward) | 61,629 | 292 | 262,656 | (278,354) | 2,304 | (3,714) | 44,813 |

Statement of Trust Money (continued)
(as at 30 June 2000)

| Department Trust Account | As at 1 July 1999 (\$000) | Transfers (\$000) | Contributions (\$000) | Distributions (\$000) | Revenue (\$000) | Expenses (\$000) | As at 30 June 2000 (\$000) |
|---|------------------------------------|----------------------|--------------------------|--------------------------|--------------------|---------------------|-------------------------------------|
| Subtotal (brought forward) | 61,629 | 292 | 262,656 | (278,354) | 2,304 | (3,714) | 44,813 |
| Housing | | | | | | | |
| Housing Tenancy Bonds Trust | 100,074 | - | 62,715 | 55,001 | 5,946 | 5,717 | 108,017 |
| Inland Revenue | | | | | | | |
| Child Support Agency Trust Account Reciprocal Child Support Agreement Trust | 8,690 | - | 73,157 | 75,928 | - | - | 5,919 |
| | 17 | - | 540 | 549 | - | - | 8 |
| Internal Affairs | | | | | | | |
| Australian Trust for Oral History Archives | 1,351 | - | - | 105 | 122 | 4 | 1,364 |
| Dictionary of New Zealand Biography Trust | 982 | - | 72 | - | 58 | 480 | 632 |
| New Zealand 1990 Scholarship Trust | 360 | - | - | 24 | 34 | - | 370 |
| New Zealand Encyclopedia Trust | 1 | - | - | - | - | - | 1 |
| New Zealand Historical Atlas Trust | 38 | - | 6 | - | 2 | 19 | 27 |
| New Zealand History Research Trust | 1,414 | - | - | 92 | 138 | - | 1,460 |
| Problem Gambling Trust | - | - | 1,268 | 1,273 | 5 | - | - |
| Vogel House Trust | - | - | 4 | 4 | - | - | - |
| Justice | | | | | | | |
| Chief Electoral Trust | - | - | - | - | 204 | 66 | 138 |
| Labour | | | | | | | |
| Employment Court Trust | 110 | - | 156 | 148 | - | - | 118 |
| Industrial Relations Service Trust | 13 | - | 219 | 207 | - | - | 25 |
| New Zealand Immigration Service | - | - | - | - | 840 | 205 | 635 |
| Land Information New Zealand | | | | | | | |
| Crown Forestry Licences Trust | 34,547 | - | 73,902 | 68,025 | 4,997 | - | 45,421 |
| Deposits Trust | 812 | - | 3,613 | 793 | - | - | 3,632 |
| Endowment Rentals Trust | 2 | - | 47 | 49 | - | - | - |
| Hunter Gift for the Settlement of Discharged Soldiers Trust | 42 | - | - | - | 2 | - | 44 |
| Police | | | | | | | |
| Bequests, Donations and Appeals Trust | 76 | - | 36 | 44 | 14 | 13 | 69 |
| Found Money Trust | 577 | - | 44 | 560 | 1 | - | 62 |
| Money in Custody Trust | 55 | - | 15 | 52 | - | - | 18 |
| Reparation Trust | 5 | - | 66 | 56 | - | - | 15 |
| Reward Money Trust | - | - | 1 | 1 | - | - | - |
| Social Policy³ | | | | | | | |
| Children, Young Persons and Their Families Agency Trust ¹ | 292 | (292) | - | - | - | - | - |
| Treasury | | | | | | | |
| Trustee Act 1956 Trust | 1,253 | - | 5 | 119 | 66 | - | 1,205 |
| Work and Income | | | | | | | |
| Australian Debt Recoveries Trust | 12 | - | 173 | 173 | - | - | 12 |
| Maintenance Trust | 230 | - | 2,964 | 3,039 | - | - | 155 |
| United Kingdom Reciprocal Pension Trust | 7 | - | 180 | 171 | - | - | 16 |
| Total | 212,589 | - | 481,839 | (484,767) | 14,733 | (10,218) | 214,176 |

¹ Transferred from the Ministry of Social Policy to the Department of Child, Youth and Family Services.

² Name amendment from Ministry of Commerce.

³ Name amendment from Department of Social Welfare.

Reporting Entity

The Crown financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989.

The Crown reporting entity as specified in Part III of the Public Finance Act 1989 comprises:

- Ministers of the Crown
- Departments
- Offices of Parliament
- Reserve Bank of New Zealand
- State-owned enterprises
- Crown entities
- Public Trust Office

A more detailed listing of the components of the Crown Reporting Entity is set out in the Supplementary Information on pages 96 and 97.

General Accounting Policies

These Financial Statements comply with generally accepted accounting practice. The measurement base applied is historical cost adjusted for revaluations of physical assets (where appropriate) and state highways, commercial forests and marketable securities held for trading purposes. The accrual basis of accounting has been used unless otherwise stated.

Specific Accounting Policies

Reporting and forecast period

The reporting and forecast period for these Financial Statements is the year ended 30 June 2000. Different reporting periods have however been applied when combining certain state-owned enterprises and Crown entities, as set out in Note 9.

The Budget forecast is the original forecast for the financial year, as presented in the 1999 Budget on 20 May 1999. The estimated actual forecast, as presented in the 2000 Budget on 15 June 2000, has been prepared using actual data to 31 March 2000, and forecast data for the remainder of the financial year.

Basis of combination

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

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

Commitments and contingent liabilities of state-owned enterprises and Crown entities are reported in the Statement of Commitments and the Statement of Contingent Liabilities.

Revenue

Revenue levied through the Crown's sovereign power

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

Where possible, revenue is recognised at the time the debt to the Crown arises.

| Revenue type | Revenue recognition point |
|--|---|
| Source deductions (PAYE) | When an individual earns income that is subject to PAYE |
| Residents' withholding tax ¹ | When an individual is paid interest or dividends subject to deduction at source |
| Fringe benefit tax (FBT) | When benefits are provided that give rise to FBT |
| Provisional tax | Payment due date |
| Terminal tax | Assessment filed date |
| Goods and services tax | When the liability to the Crown is incurred |
| Excise duty | When goods are subject to duty |
| Road user charges and motor vehicle fees | When payment for the fee or charge is made |
| Stamp, cheque and credit card duties | When the liability to the Crown is incurred |
| Other indirect taxes | When the debt to the Crown arises |

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

Revenue earned through operations

If revenue has been earned by the Crown in exchange for the provision of outputs (products or services) to third parties, then the Crown receives its revenue through operations. Such revenue is recognised when it is earned.

Investment income

Investment income is recognised in the period in which it is earned.

Premiums and discounts

Premiums arising on the issue of a debt instrument are treated as a reduction in the cost of borrowing. Discounts arising on the purchase of a monetary asset are treated as an increase in investment income.

Premiums and discounts are recognised in the Statement of Financial Position on issue, and are amortised over the period of the instrument on a yield-to-maturity basis.

For floating rate debt instruments the amortisation is over the first interest period. Discounts on monetary assets deemed short-term securities are amortised on a straight-line basis.

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

Gains

Realised gains arising from sales of assets or the early repurchase of liabilities are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

Unrealised foreign-exchange gains on monetary assets and liabilities, and unrealised gains on marketable securities held for trading purposes, are recognised in the Statement of Financial Performance.

Unrealised and realised gains related to hedging activity are recognised in the Statement of Financial Performance in the same period in which gains on the underlying hedged position are recognised.

Unrealised gains arising from changes in the value of physical assets (including state highways) are recognised at balance date. To the extent that a gain reverses a loss previously charged to the Statement of Financial Performance, the gain is credited to the Statement of Financial Performance. Otherwise, gains are credited to an asset revaluation reserve for that class of asset.

Unrealised gains arising from changes in the value of commercial forests are credited to the Statement of Financial Performance.

Unrealised gains (excluding foreign-exchange gains) arising from changes in the value of investments and marketable securities held for investment are recognised at balance date only to the extent that they reverse a loss previously charged to the Statement of Financial Performance. Gains effecting such a reversal are credited to the Statement of Financial Performance.

Expenses

General

Expenses are recognised in the period to which they relate.

Welfare benefits

Welfare benefits are recognised in the period when an application for a benefit has been accepted and the eligibility criteria met.

Grants and subsidies

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to the Crown.

Discounts and Premiums

Discounts arising on the issue of a debt instrument are treated as an increase in the cost of borrowing. Premiums arising on the purchase of a monetary asset are treated as a reduction in investment income.

Discounts and premiums are recognised in the Statement of Financial Position on issue, and are amortised over the period of the instrument on a yield-to-maturity basis.

For floating rate debt instruments the amortisation is over the first interest period.

Premiums on monetary assets deemed short-term securities are amortised on a straight-line basis.

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

Losses

Realised losses arising from sales of assets or the early repurchase of liabilities are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

Unrealised foreign-exchange losses on monetary assets and liabilities, and unrealised losses on marketable securities held for trading purposes, are recognised in the Statement of Financial Performance.

Unrealised and realised losses related to hedging activity are recognised in the Statement of Financial Performance in the same period in which gains on the underlying hedged position are recognised.

Unrealised losses (excluding foreign-exchange losses) arising from changes in the value of physical assets (including state highways), and investments and marketable securities held for investment are recognised at balance date. Unrealised losses are first applied against the revaluation reserve for that class of asset. The balance, if any, is charged to the Statement of Financial Performance.

Unrealised losses arising from changes in the value of commercial forests are charged to the Statement of Financial Performance.

Foreign-currency transactions

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

Other transactions in foreign currencies are translated into New Zealand dollars using the exchange rate on the date of the transaction. Exchange differences arising on translation of these transactions are recognised in the Statement of Financial Performance.

Outstanding foreign-exchange contracts are translated at the closing exchange rate. Exchange gains and losses are included in the Statement of Financial Performance in the period in which they arise.

Depreciation

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

| | |
|-------------------------------|----------------|
| Freehold buildings | 25 to 60 years |
| Specialist military equipment | 5 to 25 years |
| Other plant and equipment | 3 to 25 years |
| State highways – pavement | 36 years |
| – bridges | 90 years |

Assets

Foreign monetary assets

Where foreign monetary assets are subject to forward exchange contracts, they are translated into New Zealand dollars at the contract rate. Otherwise, foreign monetary assets are translated at the closing exchange rate.

Exchange gains and losses are included in the Statement of Financial Performance in the period in which they arise.

Receivables and advances

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

Inventories

Inventories, except for unissued currency stocks, are recorded at the lower of cost and net current value. Where inventories acquired since January 1991 are recorded at cost, the weighted average cost method has been used. Appropriate allowance has been made for obsolescence.

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

Investments

Marketable securities held for trading purposes

Marketable securities held for trading purposes are recorded at net current value.

Equity investments

Equity investments (other than those forming part of the reporting entity) are recorded at the lower of cost and net current value.

Other investments and marketable securities held for investment purposes

Other investments, including marketable securities held for investment purposes, are recorded at the lower of cost and net current value.

Investments held for hedging purposes are recorded on the same basis as the item being hedged.

Physical assets

Revaluations are made to reflect the service potential or economic benefit obtained through control of the assets. Assets revalued to net current value are based on the market value of the asset less estimated disposal costs. Where an asset is recorded at its depreciated replacement cost, depreciated replacement cost is based on the estimated present cost of constructing the existing asset by the most appropriate method of construction, reduced by factors for age and deterioration of the asset.

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

Land and buildings

Land and buildings are recorded at net current value. In cases where valuations conducted in accordance with New Zealand Institute of Valuers' standards are not available, valuations conducted in accordance with the Valuation of Land Act 1951 have been used.

Specialist military equipment

Specialist military equipment is recorded at depreciated replacement cost. Valuations have been obtained through specialist assessment by New Zealand Defence Force advisers.

Other plant and equipment

Other plant and equipment, which includes motor vehicles and office equipment, is recorded at cost less accumulated depreciation.

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

Such assets (national parks, for example) are recorded at the best estimate of net current value.

Commercial forests

Commercial forests are recorded at estimated net current value. This takes into account age, quality of timber and the forest management plan.

State highways

State highways are recorded at depreciated replacement cost based on the estimated present cost of constructing the existing asset by the most appropriate method of construction. Land associated with the state highways is valued using an opportunity cost based on adjacent use, as an approximation to net current value.

Intangible assets

Intangible assets which can be sold or acquired separately from other assets are recorded at net current value if a foreseeable future benefit exists and a reliable measure of net current value can be obtained. Otherwise, intangible assets are not recognised.

Liabilities

Borrowings

In the Statement of Financial Position, borrowings (including currency swaps) are recorded at nominal value adjusted for the unamortised portion of the premium or discount on issue.

Foreign monetary liabilities

Where foreign monetary liabilities are subject to forward exchange contracts, they are translated into New Zealand dollars at the contract rate. Otherwise, foreign monetary liabilities are translated at the closing exchange rate.

Exchange gains and losses are recognised in the Statement of Financial Performance in the period in which they arise.

Pension liabilities

Pension liabilities in respect of the contributory service of superannuation scheme members are recorded at the latest actuarial value of the Crown's liability for pension payments, net of the schemes' assets.

Currency issued

Currency issued represents a liability in favour of the holder. Currency issued for circulation, including an amount to cover expected future redemption of demonetised currency, is recognised at face value.

Leases

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

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

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

Employee entitlements

Liabilities for annual leave are recognised as they accrue to employees. Provision is also made for expected payments of long-service and retiring leave obligations to employees.

Other liabilities

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

Commitments

Commitments include those operating and capital commitments arising from non-cancellable contractual or statutory obligations. Interest commitments on debts and commitments relating to employment contracts are not included in the Statement of Commitments.

Contingent liabilities

Contingent liabilities are recorded in the Statement of Contingent Liabilities at the point at which the contingency is evident. Contingent assets are not disclosed.

Changes in Accounting Policies

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

Changes to Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation and classification adopted in the current period.

| <i>Forecast</i> | | | <i>Actual</i> | |
|----------------------------------|------------------|--------------------------------------|---------------|---------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| NOTE 1: Direct Taxation | | | | |
| Income Tax | | | | |
| Individuals | | | | |
| 12,859 | 12,943 | Source deductions | 12,972 | 12,295 |
| 3,061 | 3,143 | Other persons | 3,123 | 3,024 |
| (652) | (663) | Refunds | (625) | (701) |
| 345 | 307 | Fringe benefit tax | 306 | 323 |
| 15,613 | 15,730 | Total Individuals | 15,776 | 14,941 |
| Companies | | | | |
| 4,481 | 4,430 | Gross companies | 4,270 | 3,851 |
| (106) | (173) | Refunds | (112) | (157) |
| 4,375 | 4,257 | Total Companies | 4,158 | 3,694 |
| Withholding Taxes | | | | |
| 660 | 703 | Residents' interest income | 723 | 864 |
| 643 | 721 | Non-residents' income | 735 | 717 |
| 40 | 59 | Foreign-source dividends | 58 | 8 |
| 35 | 50 | Residents' dividend income | 47 | 63 |
| 1,378 | 1,533 | Total Withholding Taxes | 1,563 | 1,652 |
| 21,366 | 21,520 | Total Income Tax | 21,497 | 20,287 |
| Other Direct Taxation | | | | |
| 2 | 2 | Estate and gift duties | 2 | 2 |
| 2 | 2 | Total Other Direct Taxation | 2 | 2 |
| 21,368 | 21,522 | Total Direct Taxation | 21,499 | 20,289 |
| NOTE 2: Indirect Taxation | | | | |
| Goods and Services Tax | | | | |
| 13,176 | 13,785 | Gross goods and services tax | 14,085 | 12,844 |
| (4,542) | (5,016) | Refunds | (5,214) | (4,440) |
| 8,634 | 8,769 | Total Goods and Services Tax | 8,871 | 8,404 |
| Excise Duties | | | | |
| 840 | 784 | Petroleum fuels | 808 | 802 |
| 737 | 729 | Tobacco products | 777 | 714 |
| 428 | 425 | Alcoholic beverages | 442 | 432 |
| 2,005 | 1,938 | Total Excise Duties | 2,027 | 1,948 |
| Other Indirect Taxation | | | | |
| 567 | 629 | Customs duty | 612 | 528 |
| 501 | 515 | Road user charges | 507 | 468 |
| 169 | 179 | Motor vehicle fees | 177 | 174 |
| 157 | 178 | Gaming duties | 176 | 155 |
| 90 | 102 | Energy resources levy | 108 | 96 |
| 74 | 53 | Stamp, cheque and credit card duties | 58 | 94 |
| 1,558 | 1,656 | Total Other Indirect Taxation | 1,638 | 1,515 |
| 12,197 | 12,363 | Total Indirect Taxation | 12,536 | 11,867 |

Tax revenue is net of remissions and write-offs of \$286 million (30 June 1999: \$320 million).

| <i>Forecast</i> | | | <i>Actual</i> | |
|----------------------------------|---------------------|---|-----------------|-----------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| NOTE 3: Investment Income | | | | |
| Interest Income | | | | |
| | | Marketable securities, deposits, mortgages and cash balances | 426 | 343 |
| 317 | 382 | Advances | | |
| | | Student loans | 249 | 229 |
| 268 | 252 | Contact Energy Limited | 16 | 17 |
| 21 | 16 | Other entities | 30 | 41 |
| 39 | 30 | | | |
| 645 | 680 | Total Interest Income | 721 | 630 |
| Dividend Income | | | | |
| | | Dividends from state-owned enterprises | | |
| - | 15 | Electricity Corporation of New Zealand Limited | 15 | 57 |
| 3 | 15 | Land Corporation Limited | - | 3 |
| - | 133 | Meridian Energy Limited | 133 | - |
| 20 | 21 | New Zealand Post Limited | 18 | 14 |
| 70 | 103 | Trans Power New Zealand Limited | 103 | 81 |
| 28 | 51 | Television New Zealand Limited | 51 | 102 |
| 31 | 15 | Other | 14 | 8 |
| - | - | Contact Energy Limited | - | 65 |
| - | - | Government Property Services Limited | - | 17 |
| 120 | 72 | Housing New Zealand | 87 | 122 |
| - | 12 | Housing Corporation of New Zealand | 12 | - |
| 10 | 31 | Other dividends | 16 | 77 |
| 282 | 468 | Total Dividend Income | 449 | 546 |
| Other Investment Income | | | | |
| - | (26) | (Losses)/gains on marketable securities and deposits | (25) | 13 |
| - | 14 | Gain on sale of Vehicle Testing New Zealand Limited | 14 | - |
| - | - | Gain on sale of Contact Energy Limited | - | 1,421 |
| - | - | Gains of sale of Airport companies | - | 204 |
| - | - | Gain on incorporation of Public Trust Office | - | - |
| - | - | reserves | - | 86 |
| - | 5 | Other | (2) | 1 |
| - | (7) | Total Other Investment Income | (13) | 1,725 |
| 927 | 1,141 | Total Investment Income | 1,157 | 2,901 |

NOTE 4: Other Operational Revenue

| | | | | |
|------------|------------|---|------------|------------|
| 109 | 87 | Recoveries from Accident Compensation Corporation | 92 | 142 |
| 30 | 33 | Petroleum royalties | 46 | 26 |
| 31 | 27 | Cost recovery income from fisheries | 27 | 31 |
| 46 | 20 | Contributions to Government Superannuation Fund | 25 | 53 |
| 10 | 10 | Income from Earthquake Commission | 10 | 10 |
| 66 | 139 | Other ¹ | 143 | 139 |
| 292 | 316 | Total Other Operational Revenue | 343 | 401 |

¹ In 1990 the Crown entered into contracts with downstream gas users to limit the risk under the 1973 Maui Gas contract. Revenue reported by the Crown is net of purchase costs and reflects the margin earned by the Crown in its role as onseller of Maui gas.

| <i>Forecast</i> | | | <i>Actual</i> | |
|---------------------------------------|---------------|--|---------------|---------------|
| 1999 | Estimated | | 30 June | 30 June |
| Budget | Actual | | 2000 | 1999 |
| \$m | \$m | | \$m | \$m |
| NOTE 5: Expenses by Input Type | | | | |
| 16,258 | 16,965 | Operating expenses (see analysis below) | 16,792 | 15,681 |
| | | Subsidies and transfer payments | | |
| 13,114 | 13,034 | (see analysis following page) | 12,960 | 12,892 |
| 2,294 | 2,381 | Finance costs (see analysis following page) | 2,373 | 2,516 |
| | | Personnel | | |
| | | Personnel expenses ¹ (excluding pension | | |
| 2,548 | 2,508 | expenses) | 2,527 | 2,541 |
| 654 | 500 | GSF pension expenses (see analysis following page) | 478 | 1,132 |
| 53 | 53 | Other pension expenses | 57 | 50 |
| | | Depreciation | | |
| 750 | 723 | Physical assets | 709 | 684 |
| 83 | 82 | State highways | 82 | 81 |
| 254 | 253 | Rental and leasing costs | 262 | 269 |
| - | 624 | Net foreign-exchange losses/(gains) on liabilities | 997 | (22) |
| - | (682) | Net foreign-exchange gains on assets | (1,059) | (25) |
| - | (13) | (Gain)/loss on sale of assets | (7) | 26 |
| 250 | - | Provision for future initiatives | - | - |
| 100 | - | Contingency expense provision | - | - |
| 36,358 | 36,428 | Total Expenses | 36,171 | 35,825 |

| Analysis of Operating Expenses | | | | |
|---------------------------------------|---------------|---------------------------------------|---------------|---------------|
| | | Education purchases | | |
| 317 | 323 | Early childhood education | 325 | 294 |
| 3,332 | 3,430 | Primary and secondary education | 3,405 | 3,146 |
| 1,414 | 1,430 | Tertiary education and training | 1,380 | 1,357 |
| | | Health purchases | | |
| 4,613 | 4,638 | Personal health services | 4,638 | 4,463 |
| 1,637 | 1,645 | Disability support services | 1,645 | 1,536 |
| 123 | 117 | Public health purchasing | 117 | 108 |
| 420 | 424 | Science purchases | 424 | 405 |
| 130 | 11 | Treaty of Waitangi settlements | 10 | 9 |
| 4,272 | 4,947 | Other operating expenses ² | 4,848 | 4,363 |
| 16,258 | 16,965 | Total Operating Expenses | 16,792 | 15,681 |

¹ Personnel expenses include salaries and allowances to Ministers of the Crown totalling \$4 million (30 June 1999: \$4 million). In addition, Ministers are provided with ministerial accommodation in Wellington and receive allowances when travelling in New Zealand.

² Other operating expenses include:

- Debts owing to the Crown that are no longer considered recoverable and have been written off of \$27 million (30 June 1999: \$16 million).
- Changes in provisions for doubtful debts which increased operating expenses by \$216 million (30 June 1999: \$181 million). The majority of the movement was student loan provision movements of \$133 million (30 June 1999: \$61 million).

| <i>Forecast</i> | | | <i>Actual</i> | |
|--|------------------|--|---------------|---------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| NOTE 5: Expenses by Input Type | | | | |
| <i>(continued)</i> | | | | |
| Analysis of Subsidies and Transfer Payments | | | | |
| | | Social Assistance Grants | | |
| 5,025 | 5,068 | New Zealand superannuation | 5,068 | 5,064 |
| 2,013 | 1,932 | Community wage | 1,937 | 1,487 |
| - | - | Unemployment benefit | - | 369 |
| 1,472 | 1,426 | Domestic purposes benefit | 1,433 | 1,451 |
| 962 | 949 | Family support | 910 | 915 |
| 874 | 868 | Accommodation supplement | 867 | 843 |
| 667 | 675 | Invalid's benefit | 677 | 631 |
| - | - | Sickness benefit | - | 97 |
| 409 | 386 | Student allowances | 376 | 378 |
| 198 | 203 | Disability allowance | 204 | 204 |
| 95 | 105 | Accident compensation for non-earners | 105 | 126 |
| - | - | Training benefit | - | 22 |
| 1,031 | 1,034 | Other social assistance grants | 1,010 | 978 |
| 138 | 151 | Subsidies | 136 | 110 |
| | | Other Transfer Payments | | |
| 213 | 219 | Official development assistance | 219 | 204 |
| 17 | 18 | Other | 18 | 13 |
| 13,114 | 13,034 | Total Subsidies and Transfer Payments | 12,960 | 12,892 |

| Analysis of GSF Pension Expenses | | | | |
|---|------------|--|------------|--------------|
| 667 | 668 | Crown contribution to GSF pension payments | 679 | 703 |
| (13) | (168) | Movement in GSF unfunded pension liability | (201) | 429 |
| 654 | 500 | Total GSF Pension Expenses | 478 | 1,132 |

The total annual expense to the Crown of the GSF scheme is expressed as the combination of the Crown's annual contributions to the GSF scheme and the movement in the residual "unfunded liability" (see Note 15) as outlined above.

Another manner of categorising the total annual expense to the Crown is to represent the expense in terms of (a) the expected liability growth due to increasing service entitlements from members still in the workforce (the service cost), (b) the cost associated with being one year closer to previously discounted cash flows (the interest cost), (c) movements due to changing assumptions to the underlying valuation and (d) the actual experience of the scheme differing from that expected. The following breakdown provides that information.

In addition, that information, along with appropriate cash flow information, enables a reconciliation of the movement between the unfunded liability of the Crown. This reconciliation is illustrated within Note 15.

| | | | |
|---|--|------------|--------------|
| Expected service cost | | 217 | 199 |
| Expected interest cost | | 399 | 532 |
| Change in underlying valuation assumptions (i.e. discount rate, demographics) | | (58) | 470 |
| Experience gains (variation in total cost from that expected) | | (80) | (69) |
| Total GSF Pension Expenses | | 478 | 1,132 |

| Analysis of Finance Costs | | | | |
|----------------------------------|--------------|----------------------------|--------------|--------------|
| | | Interest | | |
| 1,973 | 1,996 | New Zealand dollars | 1,993 | 2,129 |
| 298 | 394 | Foreign currencies | 355 | 343 |
| 23 | (9) | Other finance costs | 25 | 44 |
| 2,294 | 2,381 | Total Finance Costs | 2,373 | 2,516 |

| <i>Forecast</i> | | | <i>Actual</i> | |
|---|------------------|---|---------------|---------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| NOTE 6: Marketable Securities and Deposits | | | | |
| 4,087 | 3,836 | Marketable securities held for trading purposes | 4,071 | 3,280 |
| 700 | 1,967 | Marketable securities held for investment purposes | 2,216 | 1,482 |
| 1,072 | 2,764 | Foreign-currency deposits | 1,746 | 2,424 |
| 1,016 | 1,142 | New Zealand-dollar deposits | 1,600 | 3,064 |
| 1,209 | 783 | Reserve position at the International Monetary Fund | 807 | 903 |
| 8,084 | 10,492 | Total Marketable Securities and Deposits | 10,440 | 11,153 |

NOTE 7: Advances

| Advances to State-owned Enterprises and Crown entities | | | | |
|---|--------------|---|--------------|--------------|
| 195 | 162 | Housing Corporation of New Zealand | 137 | 169 |
| 172 | 75 | Residual Health Management Unit | 80 | 127 |
| - | 39 | Solid Energy | 41 | - |
| - | 1 | Terralink New Zealand Limited | 1 | 3 |
| 367 | 277 | Total Advances to State-owned Enterprises and Crown entities | 259 | 299 |
| Other Advances | | | | |
| 3,703 | 3,506 | Student loans (see analysis below) | 3,523 | 3,002 |
| 116 | 117 | Contact Energy Limited | 117 | 217 |
| 37 | 29 | Forestry encouragement loans | 29 | 34 |
| 42 | 38 | Maori development rural lending | 36 | 34 |
| 8 | 7 | Catchment authorities | 7 | 8 |
| 26 | 23 | Other | 24 | 34 |
| 3,932 | 3,720 | Total Other Advances | 3,736 | 3,329 |
| 4,299 | 3,997 | Total Advances | 3,995 | 3,628 |

Crown advances to Hospital and health services are recorded by the Residual Health Management Unit.

Analysis of Student Loans

| Outstanding balance | | | | |
|---------------------------------|--------------|---|--------------|--------------|
| 4,133 | 3,996 | Total loans outstanding (including interest) | 4,004 | 3,350 |
| (430) | (490) | Total provisions (capital and interest) | (481) | (348) |
| 3,703 | 3,506 | Total Student Loans | 3,523 | 3,002 |
| Movement during the year | | | | |
| 3,061 | 3,002 | Opening balance | 3,002 | 2,470 |
| 784 | 717 | Amount advanced in current year | 702 | 618 |
| 268 | 252 | Interest accrued on outstanding loan balances | 249 | 229 |
| (219) | (171) | Repayment of base capital | (174) | (146) |
| (92) | (106) | Repayment of accrued interest | (108) | (92) |
| (104) | (197) | Interest written off and movement in provision for interest write-offs and doubtful debts | (157) | (86) |
| 5 | 9 | Other movements | 9 | 9 |
| 3,703 | 3,506 | Closing balance | 3,523 | 3,002 |

The methodology used to provide for student loans contains a capital and an interest component. A flat 10% is provided on the outstanding capital issued. A 17% provision was made for interest write-offs on interest accrued on capital issued prior to 31 December 1999. The provision for interest write-offs on interest accrued after 31 December 1999 was reviewed in light of changes to Government policy. The effective provision for interest write-offs from 1 January 2000 was around 70%. This increase was due to the changes to the student loan scheme allowing for full write-off of interest while students continue to study along with the increased income thresholds used to determine repayments through the income tax system. The interest rate provision will be reviewed annually.

| <i>Forecast</i> | | | <i>Actual</i> | |
|----------------------------|--------------|---|---------------|--------------|
| 1999 | Estimated | | 30 June | 30 June |
| Budget | Actual | | 2000 | 1999 |
| \$m | \$m | | \$m | \$m |
| NOTE 8: Receivables | | | | |
| 3,987 | 4,258 | Taxes receivable | 4,225 | 4,061 |
| 776 | 919 | Accounts receivable | 1,029 | 976 |
| 112 | 112 | Receivable from the sale and purchase of Maui gas | 175 | 132 |
| 138 | 93 | Prepayments | 91 | 81 |
| 5,013 | 5,382 | Total Receivables | 5,520 | 5,250 |

\$4,994 million of total receivables is due within one year (30 June 1999: \$4,755 million).

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

Basis of Combination

As noted in the Statement of Accounting Policies (pages 51 and 52), the Crown's financial interest in state-owned enterprises (SOEs) and Crown entities is accounted for in these Financial Statements using the modified equity method of combination. The implications of this policy for the three principal Financial Statements are as follows:

- Dividends and other income received by the Crown from SOEs and Crown entities are included in investment income (Note 3).
- The net surplus attributable to SOEs and Crown entities, net of distributions to the Crown, is reported separately in the Statement of Financial Performance. The attributable surplus comprises the operating results of these entities.
- The Crown's financial interest in SOEs and Crown entities (which is equivalent to the Crown's share of the entities' net assets) is reported separately in the Statement of Financial Position. An analysis of the components of this interest is included in this Note.
- Advances to SOEs and Crown entities are reported under "Advances" in the Statement of Financial Position. The material advances are detailed in Note 7.
- Cash received from dividends and other income, and net cash disbursed to investments in, and advances to, SOEs and Crown entities are reported in the Statement of Cash Flows.

An alternative presentation would be for these entities to be fully consolidated in these Financial Statements. As a guide for users of these Statements, a full consolidation of these entities would result in a Statement of Financial Position that differed in several key respects from that presented in these Financial Statements:

- There would be no investment in SOEs and Crown entities, as the individual assets and liabilities of these entities would be added to those of the Crown on a line-by-line basis.
- The reported value of physical assets would be increased by the amount of SOEs and Crown entities' physical assets. This would increase the reported value from \$16.0 billion to approximately \$34.6 billion.
- Items of working capital (cash, receivables, payables) would increase by the amounts of working capital in SOEs and Crown entities.
- Financial assets and liabilities (advances, investments and borrowings) would increase by the amount of SOEs and Crown entities' financial assets and liabilities. Financing transactions and outstanding balances between the Crown and SOEs and Crown entities would be eliminated.
- Overall, the net impact of full consolidation would be to decrease the net debt of the wider Crown reporting entity from the amount reported in the Statement of Borrowings of \$21.4 billion to approximately \$19.6 billion.

- As there are no material unrealised surpluses and deficits on transactions between the Crown and SOEs and Crown entities, the reported net worth of the Crown would be materially unchanged.

The Statement of Financial Performance includes purchases from Crown entities, the most significant being in the health and education sectors (refer Note 5). These Crown entities use the funds in the delivery of services, and in the process may record surpluses and deficits, as set out below. As a result, were a full consolidation of SOEs and Crown entities to be carried out, expenses by functional classification would differ from those currently reported.

The Statements of Financial Performance and Financial Position resulting from a full consolidation would present the assets, liabilities, revenues and expenses of Ministers of the Crown, departments, offices of Parliament, the Reserve Bank of New Zealand, SOEs and Crown entities as if they were a single economic entity.

Accounting Policies

The Crown's financial interest in state-owned enterprises and Crown entities is reported in accordance with the Crown's accounting policies. Adjustments have been made to restate the financial position and financial performance of certain entities, as reported in their own financial statements, to a basis consistent with the Crown's accounting policies.

State-owned enterprises and several Crown entities are subject to income tax and, in accordance with generally accepted accounting practice, report in their own financial statements a liability for deferred tax. This liability does not represent a current debt to the Crown. Tax revenue is only recognised in the Crown Financial Statements when a debt to the Crown arises (see recognition policies on page 52). In accordance with the Crown's accounting policies, deferred tax balances have not been eliminated on combination (see basis of combination on previous page).

Minority Interests

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

Balance Dates

Except for those entities listed below, all state-owned enterprises and significant Crown entities have a balance date of 30 June, and the information reported in these financial statements is for the period ended 30 June 2000:

| State-owned enterprises | Balance date | Information reported to |
|--------------------------------------|---------------------|--------------------------------|
| Timberlands West Coast Limited | 31 March | 31 March 2000 |
| Crown entities: | | |
| Government Property Services Limited | 31 March | 31 March 2000 |
| School boards of trustees | 31 December | 31 December 1999 |
| Tertiary education institutions | 31 December | 31 December 1999 |

| | Revenue from Crown \$m | Total revenue \$m | Attributable surplus/ (deficit) \$m | Distributions to Crown \$m |
|---|---------------------------------|-------------------------|--|----------------------------------|
| NOTE 9: Financial Interest in State-owned Enterprises and Crown Entities (continued) | | | | |
| State-owned enterprises | | | | |
| Agriquality New Zealand Limited | - | 54 | 1 | - |
| Airways Corporation of New Zealand Limited | - | 100 | 8 | (6) |
| Asure New Zealand Limited | - | 34 | (1) | - |
| At Work Insurance Limited | - | 51 | 10 | - |
| Electricity Corporation of New Zealand Limited | - | 19 | 6 | (15) |
| Genesis Power Limited | - | 455 | (69) | (4) |
| Land Corporation Limited | - | 99 | 19 | - |
| Meridian Energy Limited | - | 577 | 98 | (133) |
| Meteorological Service of New Zealand Limited | - | 23 | 4 | (2) |
| Mighty River Power Limited | - | 475 | 36 | - |
| New Zealand Post Limited | - | 1,141 | 27 | (18) |
| New Zealand Railways Corporation | - | 2 | - | - |
| Solid Energy New Zealand Limited | - | 190 | (3) | - |
| Television New Zealand Limited | - | 473 | 48 | (51) |
| Terralink New Zealand Limited | - | 14 | - | - |
| Timberlands West Coast Limited | - | 26 | (12) | - |
| Trans Power New Zealand Limited | - | 555 | 119 | (103) |
| Vehicle Testing New Zealand Limited | - | 5 | - | (2) |
| Total State-owned Enterprises | - | 4,293 | 291 | (334) |
| Crown Entities | | | | |
| Airport companies | - | - | - | - |
| Accident Compensation Corporation ¹ | 362 | 1,904 | 817 | - |
| Crown research institutes | - | 459 | 22 | (5) |
| Earthquake Commission | - | 301 | 213 | - |
| Health Funding Authority | 5,879 | 5,889 | 44 | - |
| Hospital and health services (including the Residual Health Management Unit) | - | 3,523 | (12) | - |
| Housing Corporation of New Zealand | - | 30 | 13 | (12) |
| Housing New Zealand Limited | - | 510 | 78 | (87) |
| Museum of New Zealand Te Papa Tongarewa | 16 | 34 | (12) | - |
| New Zealand Fire Service Commission | - | 192 | - | - |
| School boards of trustees | 2,725 | 3,075 | 15 | - |
| Tertiary education institutions | 1,033 | 2,144 | 74 | - |
| Other | 2,009 | 3,833 | (11) | - |
| Total Crown Entities | 12,024 | 21,894 | 1,241 | (104) |
| Total Financial Interest in State-owned Enterprises and Crown Entities | 12,024 | 26,187 | 1,532 | (438) |

¹ The attributable surplus of ACC includes \$519 million for the ACC outstanding claims liability revaluation movement.

| | Physical assets \$m | Total assets \$m | Long-term borrowings \$m | Total liabilities \$m | Equity at 30 June 2000 \$m |
|---|---------------------------|------------------------|--------------------------------|-----------------------------|-------------------------------------|
| NOTE 9: Financial Interest in State-owned Enterprises and Crown Entities (continued) | | | | | |
| State-owned Enterprises | | | | | |
| Agriquality New Zealand Limited | 10 | 24 | - | 10 | 14 |
| Airways Corporation of New Zealand Limited | 76 | 95 | 31 | 52 | 43 |
| Asure New Zealand Limited | 1 | 17 | - | 9 | 8 |
| At Work Insurance Limited | 11 | 77 | - | 22 | 55 |
| Electricity Corporation of New Zealand Limited | 1 | 1,016 | 818 | 965 | 51 |
| Genesis Power Limited | 756 | 992 | 87 | 190 | 802 |
| Land Corporation Limited | 452 | 514 | 53 | 73 | 441 |
| Meridian Energy Limited | 2,199 | 2,361 | 444 | 636 | 1,725 |
| Meteorological Service of New Zealand Limited | 5 | 12 | 1 | 4 | 8 |
| Mighty River Power Limited | 1,428 | 1,616 | 664 | 942 | 674 |
| New Zealand Post Limited | 308 | 527 | 154 | 329 | 198 |
| New Zealand Railways Corporation | - | 9 | - | 2 | 7 |
| Solid Energy New Zealand Limited | 74 | 93 | 25 | 56 | 37 |
| Television New Zealand Limited | 232 | 481 | 47 | 133 | 348 |
| Terralink New Zealand Limited | 1 | 8 | 1 | 5 | 3 |
| Timberlands West Coast Limited | 2 | 83 | - | 7 | 76 |
| Trans Power New Zealand Limited | 2,210 | 2,323 | 1,232 | 1,306 | 1,017 |
| Vehicle Testing New Zealand Limited | - | - | - | - | - |
| Total State-owned Enterprises | 7,766 | 10,248 | 3,557 | 4,741 | 5,507 |
| Crown Entities | | | | | |
| Airport companies | - | - | - | - | - |
| Accident Compensation Corporation | 67 | 3,369 | - | 6,935 | (3,566) |
| Crown research institutes | 268 | 396 | 11 | 97 | 299 |
| Earthquake Commission | 1 | 3,649 | - | 49 | 3,600 |
| Health Funding Authority | 7 | 694 | - | 604 | 90 |
| Hospital and health services (including the Residual Health Management Unit) | 1,831 | 2,513 | 706 | 1,559 | 954 |
| Housing Corporation of New Zealand | 161 | 286 | 29 | 227 | 59 |
| Housing New Zealand Limited | 4,266 | 4,297 | 1,000 | 1,352 | 2,945 |
| Museum of New Zealand Te Papa Tongarewa | 803 | 815 | - | 4 | 811 |
| New Zealand Fire Service Commission | 257 | 267 | 1 | 85 | 182 |
| School boards of trustees | 670 | 1,306 | 17 | 497 | 809 |
| Tertiary education institutions | 2,392 | 2,830 | 84 | 514 | 2,316 |
| Other | 133 | 926 | 1 | 540 | 386 |
| Total Crown Entities | 10,856 | 21,348 | 1,849 | 12,463 | 8,885 |
| Total Financial Interest in State-owned Enterprises and Crown Entities | 18,622 | 31,596 | 5,406 | 17,204 | 14,392 |

| | Attributable net surplus/(deficit) after distributions for the year ended | | Equity at | Equity at |
|---|--|--------------|---------------|---------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2000 | 1999 | 2000 | 1999 |
| | \$m | \$m | \$m | \$m |
| NOTE 9: Financial Interest in State-owned Enterprises and Crown Entities (continued) | | | | |
| State-owned Enterprises | | | | |
| Agriquality New Zealand Limited | 1 | 1 | 14 | 13 |
| Airways Corporation of New Zealand Limited | 2 | 6 | 43 | 41 |
| Asure New Zealand Limited | (1) | (1) | 8 | 9 |
| At Work Insurance Limited | 10 | (15) | 55 | 16 |
| Contact Energy Limited | - | 16 | - | - |
| Electricity Corporation of New Zealand Limited | (9) | 276 | 51 | 60 |
| Genesis Power Limited | (73) | 3 | 802 | 544 |
| Government Property Services Limited | - | (22) | - | - |
| Land Corporation Limited | 19 | 14 | 441 | 393 |
| Meridian Energy Limited | (35) | 111 | 1,725 | 1,662 |
| Meteorological Service of New Zealand Limited | 2 | 1 | 8 | 6 |
| Mighty River Power Limited | 36 | 14 | 674 | 607 |
| New Zealand Post Limited | 9 | 9 | 198 | 189 |
| New Zealand Railways Corporation | - | (1) | 7 | 7 |
| Solid Energy New Zealand Limited | (3) | (82) | 37 | 40 |
| Television New Zealand Limited | (3) | 101 | 348 | 351 |
| Terralink New Zealand Limited | - | (1) | 3 | 2 |
| Timberlands West Coast Limited | (12) | (23) | 76 | 88 |
| Trans Power New Zealand Limited | 16 | 22 | 1,017 | 916 |
| Vehicle Testing New Zealand Limited | (2) | 1 | - | 7 |
| Total State-owned Enterprises | (43) | 430 | 5,507 | 4,951 |
| Crown Entities | | | | |
| Airport companies | - | (70) | - | - |
| Accident Compensation Corporation | 817 | 511 | (3,566) | (4,383) |
| Crown research institutes | 17 | 23 | 299 | 282 |
| Earthquake Commission | 213 | 208 | 3,600 | 3,387 |
| Health Funding Authority | 44 | 16 | 90 | 33 |
| Hospital and health services (including the Residual Health Management Unit) | (12) | (65) | 954 | 929 |
| Housing Corporation of New Zealand | 1 | 12 | 59 | 60 |
| Housing New Zealand Limited | (9) | (5) | 2,945 | 3,419 |
| Museum of New Zealand Te Papa Tongarewa | (12) | (4) | 811 | 818 |
| New Zealand Fire Service Commission | - | 1 | 182 | 183 |
| School boards of trustees | 15 | 85 | 809 | 783 |
| Tertiary education institutions | 74 | 58 | 2,316 | 2,071 |
| Other | (11) | 45 | 386 | 384 |
| Total Crown Entities | 1,137 | 815 | 8,885 | 7,966 |
| Total Financial Interest in State-owned Enterprises and Crown Entities | 1,094 | 1,245 | 14,392 | 12,917 |

NOTE 9: Financial Interest in State-owned enterprises and Crown entities (continued)

Analysis of Movement in Equity Investment

The change in the value of the Crown's investment in state-owned enterprises and Crown entities between reporting dates is represented by the change in these entities' net assets, after taking into account any distributions to the Crown. The change in net assets is comprised of operating surpluses or deficits, movements in asset revaluation reserves and capital subscriptions and repayments.

For revaluation purposes, state-owned enterprises and Crown entities are considered as a single class of asset, and if the overall revaluation is an increment it is credited to an asset revaluation reserve (except to the extent that the increment reverses a decrement previously charged to the Statement of Financial Performance). Where the overall revaluation is a decrement, it is applied first against the asset revaluation reserve, and any residue is charged to the Statement of Financial Performance.

There has been a net upward revaluation for state-owned enterprises and Crown entities of \$268 million (1999: net downward revaluation of \$35 million).

Movements in the Crown's investment in state-owned enterprises and Crown entities were as follows:

| | Year ended 30 June 2000 \$m | Year ended 30 June 1999 \$m |
|---|-----------------------------------|-----------------------------------|
| Opening balance | 12,917 | 19,022 |
| Total attributable net operating surpluses, including ACC liability revaluation movement | 1,532 | 1,789 |
| Net physical asset revaluation increment/ (decrement) transferred to revaluation reserve | 268 | (35) |
| Initial ACC outstanding claims liability recognition | - | (6,142) |
| Distributions to the Crown | (438) | (544) |
| Capital contribution to HHSs/RHMU | 46 | 45 |
| Sale of Contact Energy Limited | - | (907) |
| Sale of Auckland and Wellington Airports | - | (285) |
| Sale of Capital Properties New Zealand Limited | - | (137) |
| Sale of Vehicle Testing New Zealand Limited | (5) | - |
| Net other capital repayments to the Crown | 72 | 111 |
| Closing balance | 14,392 | 12,917 |

Claims Obligations of the Accident Compensation Insurance Scheme (ACC)

ACC recognised the outstanding claims obligation in its financial statements for the first time as at 30 June 1999. The total cost of new ACC claims is recognised in the ACC financial statements in the year that claims occur. Some of these claims will have payments for entitlements and treatment in subsequent years. The claims liability estimate is the amount of funds required to be invested now, so that together with the future investment earnings on those funds, ACC has enough funding to meet the estimated future payment obligations on its current claims.

As at 30 June 2000, the Crown has a gross liability of \$6,364 million with respect to ACC. The liability valuation has been undertaken in a manner consistent with the Financial Reporting Standard, FRS 35: Financial Reporting of Insurance Activities.

Claims Calculation

John Trowbridge Consulting Pty Limited, Consulting Actuaries, has prepared the independent actuarial estimate at 30 June 2000. This estimate includes the expected future payments relating to accidents that occurred prior to 30 June 2000 (whether or not the associated claims have been reported to, or accepted by, ACC) and also the expected administrative expenses of meeting these claims.

The estimate of the claims liability prepared as at 30 June 2000 is \$6,364 million. This is a decrease of \$519 million compared to the amount shown in the notes to the financial statements for the previous financial year of \$6,883 million. The reasons for the decrease in the estimated liability are:

- a reduction in weekly compensation expenditure due to ACC exiting more long term claimants receiving weekly compensation in the 1999/2000 year than the actuaries assumed when the 1999 valuation was completed. This effect, combined with improved case management and offset by an increase in rehabilitation costs for seriously injured claimants, has resulted in a \$427 million decrease in the estimated liability.
- A change in the discount rate (from 6.7% to 6.9%) that has been applied to the estimated future cash flows. This has reduced the value of the liability by \$92 million.

Summary of ACC Reserves

The ACC reserves represent the net of the assets and liabilities for each of the various accounts operated by ACC. A summary of the reserves by account is shown in the table below:

| | 30 June 2000 \$m | 30 June 1999 \$m |
|--------------------------------------|---------------------|---------------------|
| By Account: | | |
| Residual Claims Account ¹ | (1,346) | (1,908) |
| Motor Vehicle Account | (1,202) | (1,128) |
| Non-Earners' Account | (945) | (913) |
| Medical Misadventure Account | (158) | (135) |
| Earners' Account | 62 | (299) |
| Self Employed Account | 26 | - |
| Employers' Account ² | (3) | - |
| Account Reserves | (3,566) | (4,383) |

Claims Liability Management

The estimated claims liability of \$6,364 million represents an obligation on the Crown, which is partially funded as at 30 June 2000. This net liability of \$3,566 million will be managed as follows:

- The Residual Claims Account, is now closed and the unfunded liability as at 30 June 2000, of \$1,346 million, is required to be fully funded no later than 30 June 2014 by a residual claims levy;
- The Motor Vehicle Account unfunded liability as at 30 June 2000, of \$1,202 million, is required to be fully funded no later than 30 June 2014 by a motor vehicle account levy;
- The Non Earners' Account will continue to be funded on a pay-as-you-go basis by annual appropriations by Parliament;
- The Medical Misadventure Account will continue to be funded on a pay-as-you-go basis from the Non Earners' Account and a fully funded basis from the Earners' Account.

1 Up until 30 June 1999, this account was known as the Employers Account.

2 As a result of the Accident Insurance Amendment Act 2000, a new Employers' Account was created on 1 April 2000. This Account derives its funds from employers who are insured by ACC from 1 April 2000, and from all employers on and after 1 July 2000.

| <i>Forecast</i> | | | <i>Actual</i> | |
|-----------------------------------|------------------|---|---------------|--------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| NOTE 10: Other Investments | | | | |
| | | International Bank for Reconstruction and Development | | |
| 96 | 104 | | 111 | 31 |
| 29 | 96 | Asian Development Bank | 109 | 96 |
| - | 84 | Public Trust Office | 78 | 86 |
| 70 | 73 | Other | 40 | 57 |
| 195 | 357 | Total Other Investments | 338 | 270 |

| <i>Forecast</i> | | | <i>Actual</i> | |
|---------------------------------|------------------|---------------------------------------|---------------|---------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| NOTE 11: Physical Assets | | | | |
| <i>By Type</i> | | | | |
| Cost or Valuation | | | | |
| 1,724 | 1,823 | Land | 1,830 | 1,763 |
| 525 | 444 | Properties intended for sale | 441 | 525 |
| 8,786 | 8,775 | Buildings | 8,749 | 8,228 |
| 2,607 | 2,598 | Specialist military equipment | 2,753 | 2,357 |
| 2,471 | 2,509 | Other plant and equipment | 2,097 | 2,083 |
| 2,510 | 2,233 | Other assets | 2,637 | 2,511 |
| 18,623 | 18,382 | Total Cost or Valuation | 18,507 | 17,467 |
| Accumulated Depreciation | | | | |
| 1,090 | 880 | Buildings | 866 | 710 |
| 503 | 487 | Specialist military equipment | 487 | 356 |
| 1,428 | 1,321 | Other plant and equipment | 1,182 | 1,138 |
| 7 | - | Other assets | - | 5 |
| 3,028 | 2,688 | Total Accumulated Depreciation | 2,535 | 2,209 |
| Net Book Value | | | | |
| 1,724 | 1,823 | Land | 1,830 | 1,763 |
| 525 | 444 | Properties intended for sale | 441 | 525 |
| 7,696 | 7,895 | Buildings | 7,883 | 7,518 |
| 2,104 | 2,111 | Specialist military equipment | 2,266 | 2,001 |
| 1,043 | 1,188 | Other plant and equipment | 915 | 945 |
| 2,503 | 2,233 | Other assets | 2,637 | 2,506 |
| 15,595 | 15,694 | Total Net Book Value | 15,972 | 15,258 |
| <i>Movements</i> | | | | |
| Cost or Valuation | | | | |
| 17,789 | 17,467 | Opening balance | 17,467 | 16,977 |
| 834 | 635 | Net additions | 407 | 556 |
| - | 280 | Net revaluations | 633 | (66) |
| 18,623 | 18,382 | Total Cost or Valuation | 18,507 | 17,467 |
| Accumulated Depreciation | | | | |
| 2,336 | 2,209 | Opening balance | 2,209 | 2,015 |
| (58) | (74) | Disposals | (194) | (267) |
| 750 | 723 | Depreciation charged for the period | 709 | 684 |
| - | (170) | Net revaluations | (189) | (223) |
| 3,028 | 2,688 | Total Accumulated Depreciation | 2,535 | 2,209 |
| 15,595 | 15,694 | Net Physical Assets | 15,972 | 15,258 |
| <i>By Holding</i> | | | | |
| 15,536 | 15,654 | Freehold assets | 15,930 | 15,213 |
| 59 | 40 | Leasehold assets | 42 | 45 |
| 15,595 | 15,694 | Net Physical Assets | 15,972 | 15,258 |

NOTE 11: Physical Assets (continued)***Other Assets***

There are difficulties associated with obtaining an objective valuation for some of the Crown's assets. These are discussed below:

National Archives

Archives in the possession of the National Archives, part of the Heritage Group division within the Department of Internal Affairs, have been valued at a best estimate of net current value as at 30 June 2000. Determination of the net current value of \$463 million at 30 June 2000 (\$457 million as at 30 June 1999) was based on the application of indicative benchmark values to relevant categories of archives, plus individual valuation of exceptional items. The indicative benchmark values were based on an independent valuation of samples from each category of recent sales for items that reflect the type of archive held. If no recent sales have occurred, an assessment of value compared with other categories has been used. The exceptional items are based on independent valuations, and the remaining items on valuations prepared by National Archives staff, and reviewed by a second valuer and staff from the Alexander Turnbull Library and Hocken Libraries. The values of the exceptional items are based on a valuation supplied by an international auction house.

National Library collections

The general and schools collections are valued using depreciated replacement cost and the heritage collections using estimated net current values. This reflects the intention that the heritage collections are permanently retained and do not depreciate in value. Subsequent additions to the collections are valued at cost.

The valuation of \$666 million as at 30 June 2000 (\$560 million as at 30 June 1999) was prepared by National Library staff based on current catalogues and list prices of similar items.

National parks, forest parks and conservation areas

Government valuations prepared by Quotable Value New Zealand Limited as at 30 June 1999 adjusted for purchases and sales during the year have been used to determine a value for these assets of \$1,506 million as at 30 June 2000 (\$1,449 million as at 30 June 1999). Quotable Value New Zealand Limited uses sales evidence of land in the same general location with comparable topography and vegetation cover. Values are then typically adjusted downwards to reflect restrictions on the use of national parks and the invariably smaller land areas in private sales.

These assets are now revalued by registered valuers on a cyclical basis every three years.

Parliamentary Library

The Parliamentary Library has been valued at \$29 million as at 30 June 2000 (\$25 million as at 30 June 1999) using depreciated replacement cost.

NOTE 12: Commercial Forests

Forests (excluding land and improvements) owned by the Crown are managed by the Ministry of Agriculture and Forestry, the Treasury, the Department of Corrections and the Department of Internal Affairs on a sustainable yield basis.

Commercial forests are valued by discounting at 9% future post-tax cash flows using current standard costs, and realisation values based on a three-year rolling average of log prices weighted equally, unless there has been a permanent diminution in prices below that weighted average, in which case the reduced prices are used.

The valuations of the Crown's forest assets are carried out in accordance with a conventional discounted cash flow forest valuation model and take into account the age and quality of timber, and the forest management plan. No allowance is made for changes in future market demand, efficiency and costs of future operations.

For the purposes of periodic revaluations, direct costs of forest establishment, silviculture and maintenance are capitalised to forest asset book values. The valuations, as determined above, are then compared with the book values, and the difference is recorded in the Statement of Financial Performance.

| <i>Forecast</i> | | | <i>Actual</i> | |
|---------------------------------|------------------|---------------------------------------|---------------|--------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| NOTE 13: State Highways | | | | |
| Cost or Valuation | | | | |
| 8,517 | 8,770 | Opening balance | 8,770 | 8,359 |
| 180 | 169 | Net additions | 201 | 148 |
| - | - | Net revaluations | (60) | 263 |
| 8,697 | 8,939 | Total Cost or Valuation | 8,911 | 8,770 |
| Accumulated Depreciation | | | | |
| 81 | - | Opening balance | - | - |
| 83 | 82 | Depreciation charged for the period | 82 | 81 |
| - | - | Net revaluations | (82) | (81) |
| 164 | 82 | Total Accumulated Depreciation | - | - |
| 8,533 | 8,857 | Net State Highways | 8,911 | 8,770 |

The state highways comprise the land, formation works, road structure, drainage works and traffic facilities of the roads, plus bridges, culverts, tunnels, stock and pedestrian underpasses, protection works and retaining structures. The land was valued on a net current value basis while other elements of the state highways were valued on the basis of depreciated replacement cost.

Replacement costs were determined by estimating the costs of new construction of the network by the most appropriate method of construction. The methodology applied used information from the road assessment and maintenance management (RAMM) database and the bridge inventory held by Transit New Zealand. This information was supplemented by the local knowledge and expertise of the valuers (Opus International Consultants). Land, formation works, and 30% of the road structure have not been depreciated as it is considered that the service potential of these components does not reduce over time.

The valuation is updated annually through the use of price indices. In addition, the state highway regions of New Zealand are subject to an in-depth valuation review on a cyclic basis at an interval not exceeding seven years. In 1999/2000 four of the fourteen state highway regions were the subject of a detailed valuation review. In regions with predominantly rural state highways, the revaluation impact is likely to be small. However, in cities where motorway and urban state highways make up a large proportion of the region's network the revaluation impact can be large.

After allowing for new works and depreciation during the year to 30 June 2000, the depreciated replacement cost is assessed at \$8,911 million (30 June 1999: \$8,770 million).

Only those highways clearly owned by the Crown are included in the Statement of Financial Position. Urban state highways (excluding motorways) are not included in the Statement of Financial Position, as these assets are owned by local authorities. This treatment is under review as signalled in the 2000 Budget Economic and Fiscal Update (page 45).

| <i>Forecast</i> | | | <i>Actual</i> | |
|---|---------------------|--|-----------------|-----------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| NOTE 14: Payables and Provisions | | | | |
| 1,285 | 1,720 | Taxes repayable | 1,714 | 1,686 |
| 1,264 | 1,288 | Accounts payable | 1,243 | 1,219 |
| 771 | 1,267 | Accruals and provisions | 1,363 | 1,247 |
| 423 | 423 | National Provident Fund guarantee ¹ | 433 | 423 |
| 96 | 111 | National Provident Fund Board indemnity ² | 105 | 96 |
| 365 | 401 | Provisions for employee entitlements | 382 | 334 |
| 4,204 | 5,210 | Total Payables and Provisions | 5,240 | 5,005 |

\$4,500 million of total payables and provisions is due within one year (30 June 1999: \$4,284 million).

- ¹ The Crown guarantees the payment of benefits by the National Provident Fund Board. The actuarial valuation report on these schemes as at 31 March 1999, prepared in October 1999, has disclosed that the DBP Annuitants Scheme, which contains pensioners only, has an actuarial deficit of \$433 million.
- ² The Crown has indemnified certain tax losses of the National Provident Fund Board for certain tax liabilities. A provision of \$105 million exists at 30 June 2000 to cover any remaining claims under the indemnity.

| | <i>Actual</i> | |
|---|-----------------|-----------------|
| | 30 June 2000 | 30 June 1999 |
| | \$m | \$m |
| NOTE 15: Pension Liabilities | | |
| Liabilities to Pensioners | | |
| Pensioners | 6,802 | 6,939 |
| Deferred pensioners | 552 | 535 |
| Liabilities to Contributors | | |
| General Government Superannuation Fund members | 3,172 | 3,191 |
| Police | 660 | 659 |
| Armed Forces | 480 | 498 |
| Judges | 57 | 58 |
| Prison Service | 41 | 43 |
| Members of Parliament | 11 | 34 |
| Total Liabilities in respect of Past Service | 11,775 | 11,957 |
| Less: Assets available to schemes | 3,452 | 3,433 |
| Total Pension Liabilities | 8,323 | 8,524 |

The Government Superannuation Fund (GSF) liabilities have been calculated by the Government Actuary as at 30 June 2000. These liabilities arise from closed schemes for past and present public sector employees (set out in the GSF Act 1956). A Projected Aggregate Funding Method, based on balance-date membership data, is used for the valuation. This method requires the benefits payable from the GSF in respect of past service to be estimated and then discounted back to the valuation date.

The GSF liability at this valuation was calculated using discount rates derived from the market yield curve as at the balance date. This resulted in an average after-tax discount rate of 4.7% (4.75% at 30 June 1999), though the short-term rates were slightly higher than last year. The lower average after-tax discount rates, as at 30 June 2000, account for approximately \$122 million of the decrease in the liability from last year. Other changes are due to the general review of the underlying actuarial assumptions and actual fund experience.

Other principal long-term financial assumptions are an inflation rate of 2.0% (as measured by the increase in the Consumer Price Index) and annual salary increases of 3.0%.

Reconciliation of the Movement in Unfunded Liability between years

| | | |
|--|--------------|--------------|
| Opening Balance | 8,524 | 8,095 |
| Expected service cost | 217 | 199 |
| Expected interest cost | 399 | 532 |
| Change in underlying valuation assumptions (ie, discount rate, demographics) | (58) | 470 |
| Experience gains (variation in total cost from that expected) | (80) | (69) |
| Expected return on assets | (115) | (157) |
| Expected contributions | (564) | (546) |
| Closing Balance | 8,323 | 8,524 |

| <i>Forecast</i> | | | <i>Actual</i> | |
|--------------------------------------|------------------|---|----------------|----------------|
| 1999 Budget | Estimated Actual | | 30 June 2000 | 30 June 1999 |
| \$m | \$m | | \$m | \$m |
| NOTE 16: Crown Balance | | | | |
| Accumulated Operating Balance | | | | |
| (1,595) | (1,197) | Opening Balance | (1,197) | 3,132 |
| (36) | 763 | Operating balance for the year | 1,449 | 1,777 |
| - | 41 | Transfer from revaluation reserve | 130 | 36 |
| - | - | Accident Compensation Corporation recognition policy change | - | (6,142) |
| (1,631) | (393) | Closing Balance | 382 | (1,197) |
| Revaluation Reserve | | | | |
| 7,051 | 7,219 | Opening Balance | 7,219 | 6,789 |
| Net Revaluations | | | | |
| - | - | State highways | 22 | 344 |
| - | 449 | Land and buildings | 516 | 245 |
| - | - | Specialist military equipment | 195 | (109) |
| - | 1 | Other assets | 111 | 21 |
| - | 69 | State-owned enterprises and Crown entities | 268 | (35) |
| - | 519 | Total Net Revaluations | 1,112 | 466 |
| - | (41) | Transfers to accumulated operating balance | (130) | (36) |
| 7,051 | 7,697 | Closing Balance | 8,201 | 7,219 |
| 5,420 | 7,304 | Total Crown Balance | 8,583 | 6,022 |

NOTE 17: Foreign Currencies

All monetary amounts in these Financial Statements are expressed in New Zealand dollars. The New Zealand dollar closing rates for major currencies were:

| | 30 June 2000 | 30 June 1999 |
|----------------------|--------------|--------------|
| United States dollar | 0.46835 | 0.53095 |
| Japanese yen | 49.42000 | 64.03000 |
| German mark | 0.96207 | 1.00491 |
| British pound | 0.30855 | 0.33710 |
| Euro | 0.49190 | 0.51380 |

NOTE 18: Risk Management

The Crown has a series of risk management policies covering foreign-exchange, interest-rate and credit risks arising from its portfolio of financial assets and debt. It uses various financial instruments to mitigate these risks.

Debt Management Policies

The New Zealand Debt Management Office (NZDMO) is part of the New Zealand Treasury and is responsible for the efficient management of the Crown's debt and associated assets within an appropriate risk management framework. NZDMO's goal is to maximise the long-term economic return on the Crown's financial assets and debt in the context of the Government's fiscal strategy, particularly its aversion to risk.

In line with the Crown's policy to reduce its exposure to foreign-currency fluctuations, net foreign-currency debt was eliminated in the early part of the 1997 financial year.

Domestically, the Crown manages the composition of the portfolio to diversify risk and reduce cost. The NZDMO is committed to the principles of transparency, neutrality and evenhandedness. Over time, adherence to these principles should lower the Government's domestic borrowing costs by reducing price uncertainty and encouraging competitive bidding in tenders.

Foreign Reserves Management Policies

The Reserve Bank's role as a central bank determines the nature and extent of its activities with respect to financial instruments.

Foreign currency activity arises mainly from the Reserve Bank's holding of foreign-currency assets under its foreign reserves management function. These assets are held in various currencies with the majority denominated in United States dollars, Japanese yen and the Euro.

The Minister of Finance, in consultation with the Reserve Bank, is responsible for determining the overall level of the Crown's foreign reserves. They are held at a level and in a form suitable for foreign-exchange market intervention should this ever be required. The Bank also maintains a standby credit facility (US\$100 million) to augment the amount of foreign currency that can be accessed.

The financial instruments held within these foreign-currency portfolios consist mainly of sovereign securities, securities held under reverse-repurchase transactions or balances held with other central banks, commercial banks and settlement institutions. Liquidity and credit risk are key criteria in determining the type of instruments held. The Reserve Bank also holds, from time to time, foreign-currency assets and liabilities that arise from the implementation of domestic monetary policy. Any foreign-currency exposures related to domestic monetary policy implementation activity are fully hedged through the use of foreign-currency swaps.

Credit Risk

In the case of financial assets and, in some instances, derivative transactions such as swaps, the Crown will have a credit exposure to the counterparty. The Crown's credit policies incorporate counterparty limits to ensure diversification of credit exposures and utilise collateral against certain exposures. The creditworthiness of counterparties is continuously monitored. With the high quality counterparties, due to the Crown's credit policy, no provision has been made for potential losses on off-balance sheet transactions.

The Crown may also require security (such as cash, domestic and overseas government bonds and securities, local authority stocks and banks' certificates of deposit) in the form of collateral from certain counterparties to provide security against the exposure to individual counterparties (to apply in the event of default).

Credit risk in the foreign-currency portfolios is monitored and managed daily. End-of-day exposures are controlled through comprehensive individual counterparty and issuer credit limits. These limits are based mainly on counterparty credit ratings and are measured in credit-equivalent terms depending on the nature of the exposure.

Reserve Bank exposures to particular classes of counterparty are constrained by aggregate credit limits. Counterparties are allocated to a particular class based mainly on their credit rating. Geographical exposures are controlled by country limits. Limits are updated as necessary when new market information emerges with all limits formally reviewed on an annual basis.

Credit risk in the domestic-currency portfolios is also monitored and managed daily. Intra-day and inter-day exposures are controlled through comprehensive individual counterparty and issuer limits.

Maximum Credit Risk Exposure, in the event that other parties fail to perform their obligations under financial instruments, has been calculated based on the value reported in the accounts for Total Marketable Securities and Deposits together with the positive revaluations on individual swaps and foreign-exchange contracts. The calculation does not recognise any collateral that may be held by the Crown under master swap agreements.

| | 30 June 2000 \$m | 30 June 1999 \$m |
|--|---------------------|---------------------|
| Total Marketable Securities and Deposits | 10,440 | 11,153 |
| Positive Revaluations – Swaps and FX | 608 | 517 |
| Maximum Credit Exposure | 11,048 | 11,670 |

The significant end-of-year concentrations of credit exposure by industry type were as follows:

| | 30 June 2000 \$m | 30 June 1999 \$m |
|--------------------------------------|---------------------|---------------------|
| Sovereign Issuers | 4,789 | 5,442 |
| Supranational Financial Institutions | 1,099 | 1,154 |
| Foreign Banks | 2,956 | 1,576 |
| NZ Government | 1,511 | 3,010 |
| Other | 693 | 488 |
| Maximum Credit Exposure | 11,048 | 11,670 |

The significant end-of-year concentrations of credit exposure by geographical area were as follows:

| | 30 June 2000 \$m | 30 June 1999 \$m |
|--------------------------------------|---------------------|---------------------|
| New Zealand | 1,655 | 3,178 |
| USA | 2,785 | 2,668 |
| Japan | 2,549 | 2,096 |
| Germany | 1,301 | 1,630 |
| Australia | 307 | 213 |
| Other | 1,352 | 731 |
| Supranational Financial Institutions | 1,099 | 1,154 |
| Maximum Credit Exposure | 11,048 | 11,670 |

The following table presents the Maximum Credit Exposure, as calculated above, based on the lower of either the Moody's or Standard and Poor's credit rating of the counterparty/issuers. AAA is the highest quality rating possible and indicates the entity has an extremely strong capacity to pay interest and principal. AA is a high grade rating indicating a very strong capacity and A is an upper medium grade indicating a strong capacity. BBB is the lowest investment grade rating indicating a medium capacity to pay interest and principal. Ratings lower than AAA can be modified by + or – signs to indicate relative standing within the major categories.

| | 30 June 2000 \$m | % of 2000 Credit Exposure | 30 June 1999 \$m | % of 1999 Credit Exposure |
|--------------------------------|------------------------|---------------------------------|------------------------|---------------------------------|
| AAA | 5,976 | 54.1% | 6,121 | 52.5% |
| AA+ | 437 | 4.0% | 99 | 0.8% |
| AA | 1,618 | 14.6% | 1,007 | 8.5% |
| AA- | 149 | 1.3% | 198 | 1.7% |
| A | 487 | 4.4% | 332 | 2.9% |
| NZ Government | 1,511 | 13.7% | 3,010 | 25.9% |
| IMF Special Drawing Rights | 807 | 7.3% | 903 | 7.7% |
| Not Rated | 63 | 0.6% | - | - |
| Maximum Credit Exposure | 11,048 | 100% | 11,670 | 100% |

Interest Rate Risk

The NZDMO foreign-currency portfolio has been maintained at a “net-zero” mark to market level for three years and it has been reconstructed to reduce residual foreign-exchange and interest-rate risk to marginal levels. In addition, the Crown has specified conservative position and loss limits, which allow some discretionary transacting to take place. These discretionary portfolio management limits define the extent of movement away from the strategic zero foreign-exchange risk/zero foreign interest-rate risk and set limits on the total losses that can be incurred.

Domestic interest-rate risk is managed strategically by issuing a mix of fixed and floating-rate debt, including interest-rate swaps, over the course of the fiscal year. Bond issuance is targeted toward developing benchmark bonds to assist in maintaining liquidity in the market. Issuance is spread evenly across the benchmark bond maturities.

The Reserve Bank’s foreign-currency assets are funded by foreign-currency liabilities held by the NZDMO, whose interest rate characteristics cannot be exactly replicated. The interest-rate characteristics of the liabilities are similar to those of euro-instruments, but liquidity considerations require that most investments are in sovereign instruments. The Reserve Bank accepts the associated risk as inevitable, but seeks through optimisation methods to closely limit additional (mainly duration-related) interest rate mismatches.

Swaps, Foreign Exchange and Futures Contracts

The Crown uses a number of off balance sheet financial instruments to assist in meeting its debt management objective with respect to currency and interest-rate exposures in the Crown’s net foreign debt portfolio. The range of instruments currently being used includes currency and interest-rate swaps, foreign-exchange contracts and futures contracts. Interest-rate swaps are also used in the domestic debt portfolio.

The Crown had the following entitlements and obligations as at 30 June 2000. These have been adjusted for the effects of netting arrangements under master swap agreements:

| | Net market value ¹ as at 30 June 2000 \$m | Net market value ¹ as at 30 June 1999 \$m |
|---|---|---|
| Entitlements (to receive payments) | | |
| Interest-rate swaps and currency swaps ² | 442 | 436 |
| Foreign-exchange contracts | 20 | 6 |
| Obligations (commitments to make payments) | | |
| Interest-rate swaps and currency swaps ² | 320 | 40 |
| Foreign-exchange contracts | 39 | 31 |
| ¹ The current market value has been determined using the present value of cash flows discounted at a rate derived from a market yield curve. | | |
| ² These take account of provisions in master swap agreements that allow the netting of cash flows on termination of swap contracts. | | |

The notional amount of these instruments represents the volume of outstanding transactions. As at 30 June 2000 the Crown had the following notional amounts of swaps, foreign-exchange and futures contracts outstanding:

| | Notional value as at 30 June 2000 \$m | Notional value as at 30 June 1999 \$m |
|----------------------------|--|--|
| Interest rate swaps | 3,744 | 3,366 |
| Currency swaps | 3,097 | 3,247 |
| Foreign-exchange contracts | 1,414 | 1,476 |
| Futures – buy | 476 | 320 |
| Futures – sell | 1,656 | 587 |

The notional amounts reported above do not attempt to measure the Crown's exposure to credit loss in the event of non-performance by any contract counterparties. This credit exposure is only a small fraction of the notional value. Reference should be made to the Maximum Credit Exposure reported earlier with further recognition of the right of the Crown to request collateral under master swap agreements.

Collateral

Of the deposits held by the Crown as at 30 June 2000, \$168 million (30 June 1999: \$135 million) is held as collateral against counterparties under credit support annexes to master swap agreements in respect of swap transactions. As at 30 June 2000 there is no collateral held in US dollar Treasury Bills (30 June 1999: \$39 million).

Reverse Repurchase Transactions

As part of the active management of both the Reserve Bank's foreign-currency and New Zealand dollar operations, it enters into security repurchase transactions. Of the marketable securities held by the Crown at 30 June 2000, \$2,920 million relate to reverse repurchase transactions (30 June 1999: \$4,920 million).

Forward Marketable Security Transactions

The Crown had commitments in relation to outstanding forward marketable security purchases and sales as at 30 June 2000. The Crown has committed to pay \$123 million under forward marketable security purchases (30 June 1999: \$283 million) and has committed to receive \$91 million under forward marketable security sales (30 June 1999: \$42 million).

Forward Government Stock Transactions

As at 30 June 2000 the Crown had no Government Stock tenders which had not been settled (30 June 1999: nil).

Effective Interest Rates and Repricing

In general, financial instruments held by the Crown effectively reprice at maturity when investment in new instruments may occur. The exceptions are those transactions with floating rates where the interest rates are reset within one year, based on the interest payment frequency, or upon maturity when investment in a new instrument may occur. For floating-rate instruments, the actual interest rates are based on market rates existing on the previous repricing date.

The following tables provide further detail on the information contained in the Statement of Borrowings – book value and nominal value analysis (refer pages 30 and 31).

NOTE 18: Risk Management (continued)

| | Maturity Date | Effective Actual Interest Rate | Outstanding \$m |
|---|----------------------|--------------------------------|-----------------|
| New Zealand Dollar Debt | | | |
| Government Stock¹ | | | |
| | 2000/01 | 7.77% | 3,166 |
| | 2001/02 | 4.55% | 76 |
| | 2001/02 | 9.70% | 2,895 |
| | 2002/03 | 6.19% | 2,608 |
| | 2003/04 | 7.24% | 3,510 |
| | 2006/07 | 8.23% | 3,235 |
| | 2009/10 | 6.43% | 3,462 |
| | 2011/12 | 7.04% | 1,634 |
| | 2015/16 | 4.50% | 1,605 |
| Nominal Value | | | 22,191 |
| Unamortised (Discount)/Premium | | | 48 |
| Total Government Stock | | | 22,239 |
| Treasury Bills | | | |
| - 3 month | 2000/01 | 6.47% | 1,050 |
| - 6 month | 2000/01 | 6.47% | 1,950 |
| - one year | 2000/01 | 6.42% | 2,400 |
| - other | 2000/01 | 6.53% | 100 |
| Nominal Value | | | 5,500 |
| Unamortised (Discount)/Premium | | | (130) |
| Total Treasury Bills | | | 5,370 |
| Loans and Foreign-Exchange Contracts | | | |
| | 2000/01 | Floating | 78 |
| | 2001/02 | 4.04% | 1 |
| | 2001/02 | 10.25% | 70 |
| | 2002/03 | 4.04% | 1 |
| | 2002/03 | Floating | 48 |
| | 2003/04 | 4.04% | 1 |
| | 2003/04 | 16.64% | 3 |
| | 2004/05 | 4.04% | 1 |
| | 2004/05 | 8.16% | 4 |
| | 2004/05 | 16.64% | 10 |
| | 2005/06 | 4.94% | 1 |
| | 2006/07 | 4.94% | 1 |
| | 2013/14 ² | 6.33% | 12 |
| Nominal Value | | | 231 |
| Unamortised (Discount)/Premium | | | (1) |
| Total Loans and Foreign-Exchange Contracts | | | 230 |

¹ Interest-rate swaps have been used to convert \$500 million of fixed interest rate exposures to floating interest rate exposures.

² This transaction has repayments prior to the final maturity date. The early repayment portion of the transaction has not been separately disclosed within this note. However, in the Statement of Borrowings-Maturity Profile these early repayments are reflected in the appropriate financial year of repayment.

NOTE 18: Risk Management (continued)

| | Maturity Date | Effective Annual Interest Rate | Outstanding \$m |
|--|------------------|--------------------------------------|--------------------|
| Retail Stock | 2000/01-03/04 | 5.64% | 441 |
| | At call | | <u>33</u> |
| Nominal Value | | | 474 |
| Unamortised (Discount)/Premium | | | <u>-</u> |
| Total Retail Stock | | | 474 |
| Total New Zealand Dollar Debt Nominal Value | | | 28,396 |
| Unamortised (Discount)/Premium | | | (83) |
| Total New Zealand Dollar Debt | | | 28,313 |

NOTE 18: Risk Management (continued)

| Foreign Currency Debt | Maturity Date | Effective Annual Interest Rate | Outstanding \$m |
|------------------------------------|---------------|--------------------------------|-----------------|
| United States dollars | 2000/01 | 6.25% | 214 |
| | 2000/01 | 6.52% | 867 |
| | 2000/01 | Floating | 1,343 |
| | 2002/03 | Floating | 88 |
| | 2003/04 | Floating | 641 |
| | 2005/06 | 10.91% | 291 |
| | 2006/07 | 7.13% | 401 |
| | 2010/11 | Floating | 87 |
| | 2011/12 | Floating | 201 |
| | 2015/16 | Floating | 242 |
| | 2016/17 | Floating | 119 |
| Nominal Value | | | 4,494 |
| Unamortised (Discount)/Premium | | | (165) |
| Total United States dollars | | | 4,329 |
| Japanese yen | 2000/01 | 0.20% | 126 |
| | 2001/02 | Floating | 360 |
| | 2001/02 | 5.97% | 289 |
| | 2001/02 | 6.00% | 194 |
| | 2002/03 | 4.80% | 199 |
| | 2002/03 | 6.07% | 191 |
| | 2004/05 | 4.64% | 101 |
| | 2004/05 | 1.85% | 491 |
| | 2012/13 | Floating | 202 |
| Nominal Value | | | 2,153 |
| Unamortised (Discount)/Premium | | | (99) |
| Total Japanese yen | | | 2,054 |
| British pounds | 2005/06 | Floating | (54) |
| | 2007/08 | Floating | 60 |
| | 2014/15 | Floating | 15 |
| Nominal Value | | | 21 |
| Unamortised (Discount)/Premium | | | (21) |
| Total British pounds | | | - |

NOTE 18: Risk Management (continued)

| | Maturity Date | Effective Annual Interest Rate | Outstanding \$m |
|--|------------------|--------------------------------------|---------------------|
| German marks | 2000/01 | 3.90% | 365 |
| | 2000/01 | 5.46% | 161 |
| | 2005/06 | Floating | 125 |
| Nominal Value | 2006/07 | 6.04% | 123 |
| Unamortised (Discount)/Premium | | | <u>774</u> |
| Total German marks | | | <u>774</u> |
| | | | |
| Swiss francs | 2000/01 | Floating | <u>126</u> |
| Nominal Value | | | <u>126</u> |
| Unamortised (Discount)/Premium | | | - |
| Total Swiss francs | | | <u>126</u> |
| | | | |
| Special Drawing Rights | 2000/01 | 4.39% | 403 |
| | 2000/01 | 0.00% | 42 |
| Nominal Value | | | <u>445</u> |
| Unamortised (Discount)/Premium | | | - |
| Total Special Drawing Rights | | | <u>445</u> |
| | | | |
| Total New Zealand dollar equivalent - Nominal Value | | | 8,013 |
| Unamortised (Discount)/Premium | | | (285) |
| Total Foreign-Currency Debt | | | <u><u>7,728</u></u> |

NOTE 18: Risk Management (continued)

| | Maturity Date | Effective Annual Interest Rate | Outstanding \$m |
|---|----------------------|---------------------------------------|------------------------|
| Marketable Securities and Deposits | | | |
| United States dollars | | | |
| Deposits | 2000/01 | 6.63% -7.00% | 139 |
| | 2000/01 | 6.66% | 1,216 |
| | 2000/01 | Floating | 40 |
| Marketable Securities | 2000/01 | 5.50% -7.13% | 672 |
| | 2000/01 | 6.52% | 779 |
| | 2000/01 | Floating | 100 |
| | 2001/02 | 6.28% - 7.03% | 141 |
| | 2001/02 | 6.52% | 64 |
| | 2001/02 | Floating | 85 |
| | 2002/03 | 6.56% - 7.36% | 62 |
| | 2002/03 | 6.52% | 38 |
| | 2002/03 | Floating | 11 |
| | 2004/05 | 7.13% -7.65% | 32 |
| | 2004/05 | 6.52% | 201 |
| | 2006/07 | 6.89% | 21 |
| | 2007/08 | 7.25% | 22 |
| | 2008/09 | Floating | 49 |
| | 2009/10 | 6.52% | 572 |
| | 2010/11 | 6.52% | 86 |
| | 2000/01 | Forward FX | 104 |
| Nominal Value | | | 4,434 |
| Unamortised (Discount)/Premium | | | 33 |
| Total United States dollars | | | 4,467 |
| Japanese yen | | | |
| Deposits | 2000/01 | 0.00% | 83 |
| Marketable Securities | 2000/01 | 0.20% - 0.35% | 598 |
| | 2000/01 | 6.52% | 51 |
| | 2000/01 | Floating | 111 |
| | 2001/02 | 0.70% | 399 |
| | 2001/02 | Floating | 61 |
| | 2001/02 | 0.52% | 20 |
| | 2002/03 | 0.70% | 347 |
| | 2003/04 | 0.70% | 170 |
| | 2004/05 | 0.70% | 280 |
| | 2009/10 | 0.70% | 229 |
| | 2010/11 | 0.70% | 10 |
| | 2000/01 | Forward FX | (235) |
| Nominal Value | | | 2,124 |
| Unamortised (Discount)/Premium | | | 153 |
| Total Japanese yen | | | 2,277 |

NOTE 18: Risk Management (continued)

| | Maturity Date | Effective Annual Interest Rate | Outstanding \$m |
|-------------------------------------|------------------|--------------------------------------|--------------------|
| British pounds | | | |
| Deposits | 2000/01 | 6.30% - 6.35% | 21 |
| | 2000/01 | Forward FX | 3 |
| Nominal Value | | | 24 |
| Unamortised (Discount)/Premium | | | - |
| Total British pounds | | | 24 |
| Swiss francs | | | |
| Marketable Securities | 2000/01 | Floating | 128 |
| | 2000/01 | Forward FX | (1) |
| Nominal Value | | | 127 |
| Unamortised (Discount)/Premium | | | - |
| Total Swiss francs | | | 127 |
| Special Drawing Rights | | | |
| Special Drawing Rights - IMF | 2000/01 | 0.00% | 144 |
| | 2000/01 | 4.39% | 663 |
| | 2000/01 | Forward FX | (398) |
| Nominal Value | | | 409 |
| Unamortised (Discount)/Premium | | | - |
| Total Special Drawing Rights | | | 409 |
| Other | | | |
| Deposits | 2000/01 | 6.00% - 6.17% | 45 |
| | 2000/01 | 2.99% | 205 |
| | 2001/02 | Variable | 6 |
| Marketable Securities | 2000/01 | 5.50% - 6.58% | 135 |
| | 2000/01 | 4.66% | 358 |
| | 2001/02 | 4.66% | 122 |
| | 2002/03 | 4.66% | 23 |
| | 2003/04 | 4.66% | 4 |
| | 2004/05 | 4.66% | 7 |
| | 2009/10 | 4.66% | 58 |
| | 2010/11 | 4.66% | 14 |
| | 2000/01 | Forward FX | (181) |
| Nominal Value | | | 796 |
| Unamortised (Discount)/Premium | | | 16 |
| Total Other | | | 812 |

NOTE 18: Risk Management (continued)

| | Maturity Date | Effective Annual Interest Rate | Outstanding \$m |
|---|--------------------------|---|----------------------------|
| New Zealand dollars | | | |
| Deposits | 2000/01 | 6.41% | 1,599 |
| Marketable Securities | 2000/01 | Forward FX | 694 |
| Nominal Value | | | 2,293 |
| Unamortised (Discount)/Premium | | | 31 |
| Total New Zealand dollars | | | 2,324 |
| Total Marketable Securities and Deposits - Nominal Value | | | |
| | | | 10,207 |
| Unamortised (Discount)/Premium | | | 233 |
| Total Marketable Securities and Deposits | | | 10,440 |

Where swaps alter the currency composition of the debt portfolio, the swap and underlying borrowing are offset within the same currency and removed from this note. Only the effective borrowing of the swap is disclosed. The interest rate disclosed reflects the effective borrowing cost to the Crown of the overall transaction. The impact of interest rate swaps has been incorporated in this note.



SUPPLEMENTARY INFORMATION

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

| Offices of Parliament | Departments | State-Owned Enterprises |
|---|---|---|
| Audit Office Office of the Ombudsmen Parliamentary Commissioner for the Environment | Agriculture and Forestry Child, Youth and Family Services Conservation Corrections Courts Crown Law Culture and Heritage Customs Defence Economic Development Education Education Review Office Environment Fisheries Foreign Affairs and Trade Government Communications Security Bureau Health Housing Inland Revenue Internal Affairs Justice Labour Land Information New Zealand Māori Development National Library New Zealand Defence Force Office of the Clerk Pacific Island Affairs Parliamentary Counsel Office Parliamentary Service Police Prime Minister and Cabinet Research, Science and Technology Security Intelligence Service Serious Fraud Office Social Policy State Services Commission Statistics Transport Treasury Women's Affairs Work and Income Youth Affairs | Agriquality New Zealand Limited Airways Corporation of New Zealand Limited Asure New Zealand Limited At Work Insurance Limited Crown Forestry Management Limited Electricity Corporation of New Zealand Limited Genesis Power Limited Land Corporation Limited Meridian Energy Limited Meteorological Service of New Zealand Limited Mighty River Power Limited New Zealand Post Limited New Zealand Railways Corporation Solid Energy New Zealand Limited Television New Zealand Limited Terralink New Zealand Limited Timberlands West Coast Limited Trans Power New Zealand Limited |

Crown Entities

| | |
|--|---|
| Accident Compensation Corporation | New Zealand Antarctic Institute |
| Accounting Standards Review Board | New Zealand Artificial Limb Board |
| Agriculture and Marketing Research and Development Trust | New Zealand Business Development Board |
| Alcoholic Liquor Advisory Council | New Zealand Film Commission |
| Animal Control Products Limited | New Zealand Fire Service Commission |
| Arts Council of New Zealand Toi Aotearoa | New Zealand Fish and Game Council |
| Asia 2000 Foundation of New Zealand | New Zealand Game Bird Habitat Trust Board |
| Broadcasting Commission | New Zealand Government Property Corporation |
| Broadcasting Standards Authority | New Zealand Lotteries Commission |
| Building Industry Authority | New Zealand Lottery Grants Board |
| Careers Service | New Zealand Qualifications Authority |
| Casino Control Authority | New Zealand Sports Drug Agency |
| Civil Aviation Authority of New Zealand | New Zealand Symphony Orchestra Limited |
| Commerce Commission | New Zealand Tourism Board |
| Commissioner for Children | New Zealand Trade Development Board |
| Crown research institutes (9) | Ngai Tahu Ancillary Claims Trust |
| Early Childhood Development Unit | Office of Film and Literature Classification |
| Earthquake Commission | Pacific Business Trust |
| Education and Training Support Agency | Police Complaints Authority |
| Electoral Commission | Privacy Commissioner |
| Environmental Risk Management Authority | Quotable Value New Zealand Limited |
| Fish and game councils (13) | Race Relations Conciliator |
| Foundation for Research, Science and Technology | Radio New Zealand Limited |
| Government Property Services Limited | Reserve boards (51) |
| Health and Disability Commissioner | Residual Health Management Unit |
| Health Funding Authority | Retirement Commissioner |
| Health Research Council of New Zealand | Road Safety Trust |
| Health Sponsorship Council | School boards of trustees (2,664) |
| Hillary Commission for Sport, Fitness and Leisure | Securities Commission |
| Hospital and health services (24) | Specialist Education Service |
| Housing Corporation of New Zealand | Standards Council |
| Housing New Zealand Limited | Takeovers Panel |
| Human Rights Commission | Te Reo Whakapuaki Irirangi (Te Mangai Paho) |
| Land Transport Safety Authority of New Zealand | Te Taura Whiri I Te Reo Māori (Māori Language Commission) |
| Law Commission | Teacher Registration Board |
| Learning Media Limited | Tertiary education institutions (39) |
| Legal Services Board | Testing Laboratory Registration Council |
| Management Development Centre Trust | Transfund New Zealand |
| Maritime Safety Authority of New Zealand | Transit New Zealand |
| Mental Health Commission | Transport Accident Investigation Commission |
| Museum of New Zealand Te Papa Tongarewa | Trustees of the National Library |

Reserve Bank of New Zealand

Public Trust Office

This section provides supplementary information on certain assets that are contained in the Statement of Financial Position.

State Highway Network

The map shows the State highway network that has a total length of 10,601 km. Of this, 5,749 km are in the North Island and the remaining 4,852km in the South Island.

The Crown owns 85% (by value) of the network. The remainder is owned by local authorities.

[To be scanned in]

National Parks, Forest Parks and Conservation Areas

The map shows the area covered by national parks, forest parks, conservation areas and reserves. The areas of each are:

| | Hectares |
|--------------------|------------------|
| National parks | 2,479,953 |
| Forest parks | 1,469,799 |
| Conservation areas | 1,959,303 |
| Reserves | 1,725,691 |
| Total Area | 7,634,746 |

Fiordland National Park covers 1,279,077 hectares (16.75% of the total area).

National Archives

The National Archives contains historically important archives, both textual and non-textual (including maps and plans, photographic prints and negatives and artworks). The collections held in Auckland, Wellington, Christchurch and Dunedin were completely revalued in December 1997.

Items of exceptional value held by the Archives include the Declaration of Independence of the Northern Chiefs (1835), the Treaty of Waitangi (1840), the Letters Patent constituting New Zealand as a separate colony (1840), the proclamation of the Constitution Act (1853), and the Women's Suffrage Petition (1893).

National Library Collections

The National Library's Heritage Collections are mainly in the Alexander Turnbull Library and provide a documentary record of New Zealand's economic, social and cultural history. The major collections are printed (children's historical, music, New Zealand and Pacific, newspapers) and non-printed (cartographic, drawings and prints, manuscripts and archives, photographic).

The General and Schools Collections provide a knowledge base for research and lending. The major collections are lending and reference, microform, schools, and serials.

Specialist Military Equipment

The major items of specialist military equipment included in the Statement of Financial Position are:

- two ANZAC class frigates, including electronic sensors for surface and air surveillance
- two Leander-class frigates, each including electronic sensors for surface and air surveillance
- a fleet tanker and a military sea lift ship (sea lift ship on commercial lease)
- other ships, including a hydrographic/oceanographic surveying ship, two inshore hydrographic ships, a diving tender and five inshore patrol craft
- six P3K Orion aircraft, equipped with sensors for conducting maritime air operations
- fourteen A4K Skyhawk aircraft equipped with sensors for conducting offensive air support operations
- five TA4K training aircraft
- seventeen Aermacchi jet trainer aircraft
- a fixed wing transport force consisting of five C130 Hercules and two Boeing 727s
- other aircraft, fourteen Iroquois helicopters and five Sioux helicopters
- seventy-seven armoured personnel carrier (APC) variants
- twenty-four light gun howitzers
- five medium recovery vehicles
- twelve Matra Mistral firing stations with Very Low Level Air Defence (VLLAD) capability.

In addition there is capital work in progress, covering a variety of projects including Seasprite maritime helicopters.