



Financial Statements of the Government of New Zealand

for the Year Ended 30 June 2001

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of Representatives in 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

7 September 2001

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 2001 and its operations for the year ended on that date.

Hon Dr Michael Cullen
Treasurer and Minister of Finance

7 September 2001

Ministerial Statement

The financial statements for the year ended 30 June 2001 show an operating surplus result of \$1.4 billion. This result was the same as last year's.

However, once the revaluation movements are stripped out, the more appropriate measure of underlying financial stewardship emerges. The OBERAC (operating balance excluding revaluations and accounting policy changes) was \$2.1 billion compared with \$0.9 billion last year. This reflects continued economic growth and the Government remaining true to its spending intentions.

The \$2.1 billion OBERAC was \$0.45 billion higher than Treasury forecasts in the 2001 Budget. In addition, net Crown debt continues to track downwards, consistent with our long-term fiscal objective of net debt below 20% of GDP.

The results continue to indicate that the Labour-Alliance Government is managing the Government's overall finances in a prudent manner. This will construct the fiscal platform to embark on the transformation of the economy we signalled in the 2001 Budget.

The Government's strategy of strengthening fiscal surpluses, investing in much needed capital projects, and setting aside an allowance for future superannuation pressures is being achieved.

We intend to continue balancing economic growth with social responsibility in the upcoming years.

We are positive that the Labour-Alliance Government is in a position to provide security and opportunity to the entire economy, while enhancing human capital and nurturing the economic environment.

Hon Dr Michael Cullen
Treasurer and Minister of Finance

7 September 2001



Commentary on the Financial Statements

Overview

The Crown financial statements show:

- a \$1.4 billion operating balance surplus. The surplus is the same as last year with a higher underlying operating balance being offset by valuation movements
- an OBERAC (operating balance excluding revaluations and accounting policy changes) of \$2.1 billion¹, substantially higher than the prior year of \$0.9 billion – reflecting growth in the economy and the Government staying consistent with its spending intentions
- a higher-than-forecast OBERAC of around \$450 million due mainly to higher tax revenues and surpluses from state-owned enterprises (SOEs) and Crown entities
- improved net worth, largely reflecting the operating balance surplus and the recognition of urban state highways as Crown assets for the first time this year
- a reduction in net debt of \$1.4 billion largely reflecting the positive net cash flows from operations.

Financial summary	30 June 2001		30 June 2001		30 June 2000	
	Actual \$m	Ratio to GDP%	Estimated actual forecast \$m	Ratio to GDP%	Actual \$m	Ratio to GDP%
Operating balance	1,409	1.3%	641	0.6%	1,449	1.4%
OBERAC	2,107	1.9%	1,650	1.5%	884	0.8%
Net worth	11,463	10.4%	10,581	9.6%	8,583	8.1%
Net Crown debt	19,971	18.1%	20,432	18.5%	21,396	20.2%

(The basis for calculating GDP ratios is actual GDP data to March 2001.)

The 2000/01 operating balance surplus compared to 1999/2000 reflects:

- growth in taxation revenue of 8% (mainly taxes on individual incomes and company profits), which has been driven by growth in the nominal economy (largely inflation driven) and the increased tax rate to 39% for personal incomes over \$60,000 pa
- a \$1.3 billion impact across both years due to ACC outstanding claims liability and GSF unfunded pension liability revaluation movements. The revaluations have increased the liabilities and therefore reduced the Crown operating balance by around \$600 million (they increased the operating balance last year by around \$700 million)
- total expenses (excluding liability valuation movements) grew by 4%, largely reflecting the additional policy spending introduced in the 2000 Budget (consistent with the Governments spending intentions), demographic factors (for example in Health and Education) and benefit indexation.

¹ The OBERAC is an additional fiscal indicator that strips out revaluation movements and accounting policy changes to provide a measure of underlying financial stewardship. The OBERAC is not a measure of the controllable portion of the operating balance. As such it does not isolate aspects of the operating balance (such as tax revenue and unemployment benefits) that arise from cyclical factors. Further detail on how OBERAC is calculated is provide within B.2 and B.3: Budget 2001 Speech: Fiscal Strategy Report: Economic and Fiscal Update, pages 76 and 77.

Financial Performance

This section compares the actual 2000/01 financial performance against the 2001 Budget estimated actual forecast and the original 2000 Budget forecast.

The **operating balance** for the year ended 30 June 2001 was made up as follows:

Operating balance	Actual \$m	Estimated actual forecast \$m	Variance against estimated actual \$m	2000 Budget forecast \$m	Variance against 2000 Budget forecast \$m
Revenue	39,492	39,201	291	38,370	1,122
Expenses	38,186	38,280	94	38,057	(129)
SOEs and Crown entities surplus	103	(280)	383	699	(596)
Operating balance	1,409	641	768	1,012	397

The operating surplus was \$768 million higher than the **2001 estimated actual forecast**, largely reflecting lower-than-expected liability valuation increases of around \$400 million and higher tax revenues of around \$250 million.

Reconciling the operating balance to **OBERAC** for the year ended 30 June 2001:

	Actual \$m	Estimated actual forecast \$m	Variance against estimated actual \$m	Variance explanation
Operating balance	1,409	641	768	
GSF unfunded pension liability movement	164	462	(298)	The liability movement was less than forecast due to an increase in the average interest rate used to discount the liability.
ACC outstanding claims liability movement	420	707	(287)	The liability movement was less than forecast due to an increase in the average interest rate used to discount the liability (from 6.1% to 6.9%) and higher exit rate assumptions on weekly compensation, offset by increased estimates of rehabilitation costs and independence allowance costs.
Defence asset write downs	103	103	..	These costs (no change from forecast) represent the write down of air combat force assets that was unable to be absorbed by the relevant asset revaluation reserve.
National Provident Fund (NPF) Crown guarantee	253	..	253	Preliminary results as at 31 March 2001 of the NPF indicate an increased Crown guarantee to \$686 million (30 June 2000: \$433 million). This results from lower asset returns during the year, lower future investment return assumptions and a change to the future CPI assumptions.
Gains on Spectrum sale	(140)	(140)	..	Gain on sale of 2GHz radio spectrum rights (no change from forecast).
Gains on marketable securities	(102)	(123)	21	Gains on marketable securities has decreased marginally from those forecast.
OBERAC	2,107	1,650	457	

The operating surplus was \$768 million higher than the **2001 estimated actual forecast**. The main variances by component were a higher collection of taxation revenue of \$252 million compared to forecast, lower-than-forecast expenses of \$94 million, and higher-than-forecast net surpluses from SOEs and Crown entities of \$383 million.

Taxation revenue

Increased tax revenue was largely due to higher-than-forecast net other persons tax of \$116 million reflecting a higher than expected number of terminal tax assessments. In addition Goods and Services Tax was higher-than-forecast by \$84 million due to higher than anticipated consumption growth.

Expenses

The total lower-than-forecast expenses of \$94 million comprised of two components:

- a lower-than-forecast GSF unfunded liability movement of \$298 million and a higher-than-forecast NPF Crown guarantee movement of \$206 million that largely offset each other (as explained in the OBERAC reconciliation table on the previous page)
- other core functional expenses which were \$2 million under forecast.

Within the net variance of \$2 million were a number of offsetting factors, which include:

- Social security and welfare expenses which were lower-than-forecast by \$47 million, primarily due to IRD benefit payments (Family Support and Independent Family Tax Credits)
- Education expenses which were lower-than-forecast by \$43 million, mainly due to lower than expected spending in primary and secondary school operations
- Health expenses which were higher-than-forecast by \$70 million in the personal health and disability support service areas
- Other expenses which were higher-than-forecast by \$41 million due to recognising additional Treaty of Waitangi settlements (which are not forecast as a matter of policy).

SOEs and Crown entities surpluses

The SOEs and Crown entities surpluses were higher-than-forecast by \$383 million, though \$287 million of this variance was due to the change in the ACC outstanding claims liability movement (as outlined in the OBERAC reconciliation table on the previous page).

The remaining variance of \$96 million was spread throughout the SOEs and Crown entities.

Comparison to 2000 Budget forecasts

All of the above items also contributed to the variance against the original **2000 Budget** forecasts. The other significant influence driving the change in the operating balance was a total increase in tax revenue (compared with the 2000 Budget forecast) of \$586 million. This was due to higher-than-forecast:

- Companies tax of \$306 million, due to stronger than forecast company profits which has been driven by growth in the nominal economy
- Withholding tax of \$230 million, largely due to higher than expected repatriation to overseas shareholders in New Zealand companies of the company profits mentioned above, together with a higher interest rate environment than initially expected.

- Other persons tax (net of refunds) of \$123 million, again due to the higher than expected number of 2000 tax-year terminal tax assessments (as outlined on the previous page).

Partially offsetting these variances were lower-than-forecast excise duties of \$62 million and lower-than-forecast source deductions of \$53 million.

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

Operating balance changes

(\$ million)	2001 Budget	2000 Budget
2000/01 Operating balance per Budget	641	1,012
Revenue items		
Taxation revenue forecasts	252	586
(Reduction)/increase in gains on sale of marketable securities and deposits	(21)	102
Interest income	84	40
Gain on sale of spectrum licences	..	140
Unrealised loss on commercial forests	(40)	(40)
SOE and Crown entity dividend income ¹	(10)	100
Compulsory fees and fines	5	47
Other operational revenue	18	113
Other revenue items	3	34
	291	1,122
Expense items		
Decrease/(increase) in GSF unfunded pension liability	298	(53)
Increase in NPF Crown guarantee	(206)	(253)
Provision for future initiatives in 2000 Budget ²	..	180
New policy initiatives included in baselines ³	..	(152)
(Increase)/reduction in Treaty of Waitangi settlement expenses	(41)	40
Defence asset write downs	..	(103)
Increase in foreign exchange gains	14	47
Other items ⁴	29	165
	94	(129)
SOE and Crown entity items		
Movement in ACC outstanding claims liability	287	(420)
Other movements in net surplus of SOEs and Crown entities ¹	96	(176)
	383	(596)
Total change	768	397
Operating balance per June 2001	1,409	1,409

- 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 provided for in the 2000 Budget for the 2000/01 financial year.
- 3 The \$152 million represents forecast new spending identified in the *2000 December Economic and Fiscal Update* of \$100 million and a further \$52 million in the *2001 Budget Economic and Fiscal Update*. 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".

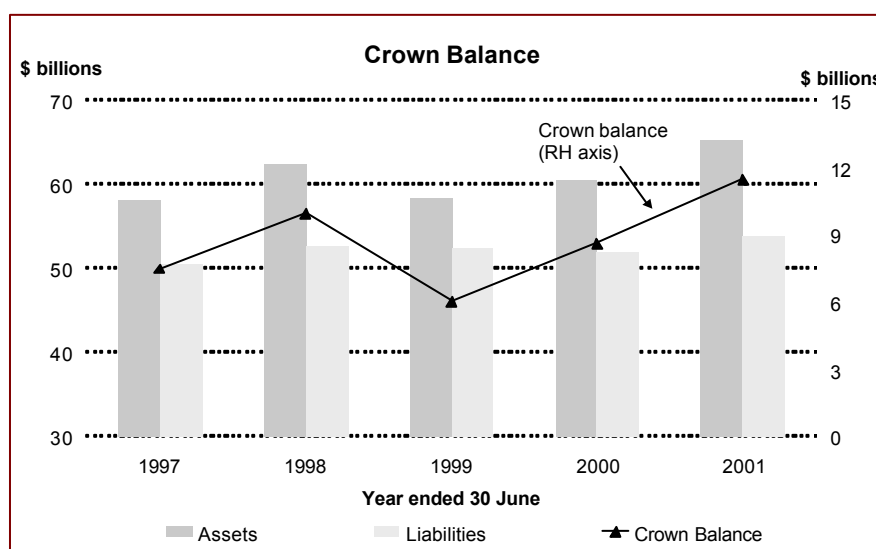
Financial Position

The **Statement of Financial Position** recording the Crown assets, liabilities and net worth for the year ended 30 June 2001 was made up as follows:

Statement of Financial Position	Actual \$m	Estimated actual forecast \$m	Variance against estimated actual \$m	2000 Budget forecast \$m	Variance against 2000 Budget forecast \$m
SOEs and Crown entities	14,077	14,179	(102)	14,773	(696)
Physical assets	16,102	15,966	136	16,131	(29)
Financial assets	16,790	16,472	318	13,810	2,980
Other assets	18,112	17,090	1,022	15,620	2,492
	65,081	63,707	1,374	60,334	4,747
Gross debt	36,761	36,904	143	36,092	(669)
Pension liabilities	8,487	8,785	298	8,467	(20)
Other liabilities	8,370	7,437	(933)	7,459	(911)
	53,618	53,126	(492)	52,018	(1,600)
Crown balance (net worth)	11,463	10,581	882	8,316	3,147
Net Crown debt	19,971	20,432	461	22,282	2,311

Compared to the **2001 estimated actual forecast**, net worth was higher than forecast, largely due to the flow-on effects of the improved operating balance.

In addition, net Crown debt was lower than forecast, which largely reflected delays in cash payment of expenses and lower than forecast net purchase of physical assets and capital injections to hospitals.



State-owned enterprises and Crown entities

The investment in SOEs and Crown entities has decreased by \$102 million compared to the **2001 estimated actual forecast**. This was largely due to three offsetting factors.

The first factor was the improvement to the SOEs and Crown entities surplus of \$383 million, largely reflecting the improvement of \$287 million against forecast in the ACC outstanding claims liability valuation at 30 June 2001. As noted previously, the improvement in the valuation was largely due to the appreciation of the interest rate used to discount the liability offset by higher expected rehabilitation costs and independence allowances (refer to Note 9 on pages 70 to 72 for more explanation and to the box below).

The second factor was the net physical asset devaluations (that are not forecast) of \$389 million including a devaluation of Tertiary assets of around \$230 million², a devaluation in Housing New Zealand assets of \$136 million and a devaluation in Transpower assets of \$60 million.

The third factor was the lower-than-forecast in capital contributions to Hospitals of \$60 million.

The value of the investment in SOEs and Crown entities was \$696 million lower than in the **2000 Budget**, primarily due to the increase in the ACC outstanding claims liability, the factors outlined above and revaluations that occurred last year (after the 2000 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 expected cost associated with such long-term claimants) 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.

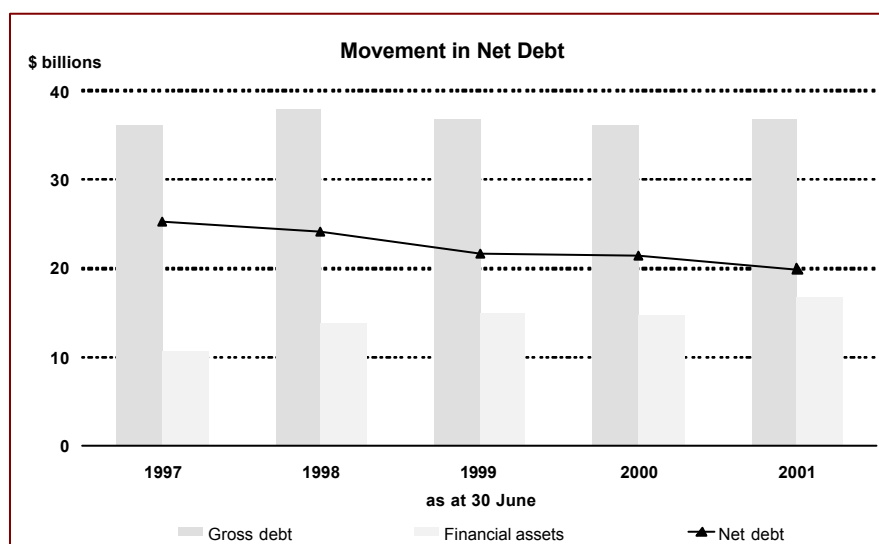
² The devaluation is largely a transfer within the Crown balance sheet as it is largely offset by a revaluation increase to Crown land and buildings of around \$175 million.

Net Crown Debt

Net Crown debt at 30 June 2001 was \$19,971 million, which was 18.1% of GDP, \$461 million below the **2001 estimated actual forecast**. This was largely due to higher-than-forecast cash flows from operations of \$281 million, lower-than-forecast net purchases of physical assets of \$87 million and lower-than-forecast capital injections to hospitals of \$60 million.

The higher cash flows from operations mainly reflected the delay in payment of expenses. Much of the variance in net physical assets was also a timing issue and is expected to reverse in 2001/02.

Net Crown debt was \$2,311 million lower than forecast in the **2000 Budget**, primarily due to the difference in net cash flows from operations of \$833 million against 2000 Budget forecasts (essentially the cash flow impact of the improved OBERAC) and the improved starting net debt position (resulting from improved cash flows in 1999/2000). In addition, the sale of spectrum licences and other investing activity totalling around \$400 million and issues of circulating currency of \$303 million both improved the net debt position further.



Pension Liabilities

The GSF pension liabilities were \$298 million lower than the **2001 estimated actual forecast** due to the decrease in the valuation of the GSF unfunded liability caused by an appreciation in the interest rate used to discount the liability.

GSF Pension Liability

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

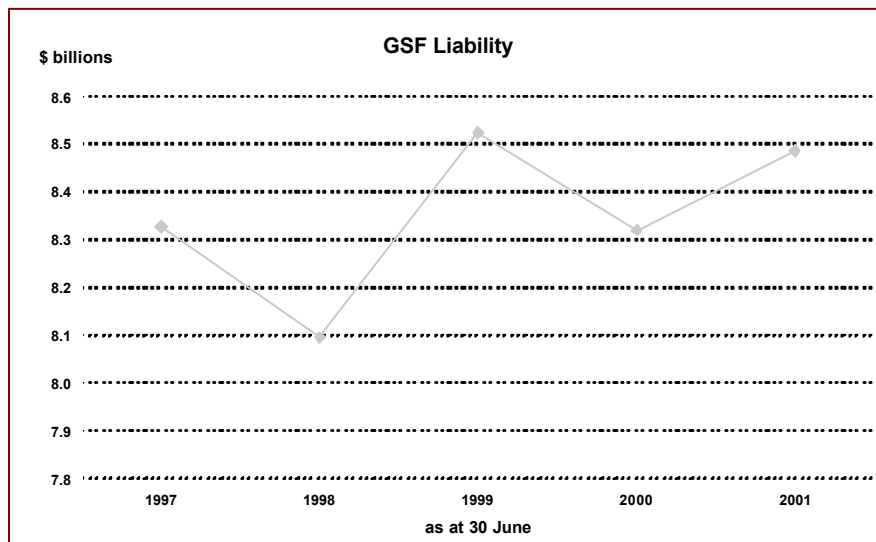
- financial assumptions (inflation, discount rates and salary growth)
- Fund experience (including rates of withdrawal, mortality, and actual investment returns)
- the interest cost associated with the liability.

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 2001, has been assessed at \$8,487 million. This is a decrease of \$298 million from the 31 March 2001 valuation used in the 2001 Budget and an increase of \$164 million on the 30 June 2000 liability.

The valuation uses discount rates derived from the market yield curve as at balance date. As the average after-tax discount rate (4.5%) was above the Budget 2001 valuation assumption (4.2%), this has resulted in the majority of the decrease in the liability since the 2001 Budget.

The increase in liability between last year and the 2001 Budget was \$462 million – due solely to changes in the average after-tax discount rate from 4.7% (June 2000) to 4.2% (March 2001).



Prior Year Comparison

	30 June 2001 Actual \$m	30 June 2000 Actual \$m	Change	
			\$m	%
Statement of Financial Performance				
Total taxation revenue	36,738	34,035	2,703	7.9
Total non tax revenue	2,754	2,491	263	10.6
Total revenue	39,492	36,526	2,966	8.1
Social security and welfare	13,216	12,896	(320)	(2.5)
GSF pension expenses	855	478	(377)	(78.9)
Health	7,342	6,874	(468)	(6.8)
Education	6,690	6,310	(380)	(6.0)
Core government services	1,817	1,710	(107)	(6.3)
Other	5,830	5,592	(238)	(4.3)
Finance costs	2,483	2,373	(110)	(4.6)
Net foreign exchange (gains)/losses	(47)	(62)	(15)	(24.2)
Total expenses	38,186	36,171	(2,015)	(5.6)
SOE and Crown entities net surplus	103	1,094	(991)	(90.6)
Operating balance	1,409	1,449	(40)	(2.8)
Statement of Financial Position				
SOEs and Crown entities	14,077	14,392	(315)	(2.2)
Physical assets	16,102	15,972	130	0.8
Other assets	18,112	15,414	2,698	17.5
	48,291	45,778	2,513	5.5
Net Crown debt	19,971	21,396	1,425	6.7
Other liabilities	16,857	15,799	(1,058)	(6.7)
	36,828	37,195	367	1.0
Crown balance (Net worth)	11,463	8,583	2,880	33.6

While the **2000/01 operating balance** was relatively the same as the 1999/2000 operating balance, there were a number of offsetting components:

- The \$2,703 million increase in **taxation revenue** largely reflected the impact of growth in the nominal economy (largely inflation driven) and the increase in the marginal tax rate to 39% for personal income earners above \$60,000 pa
- **Non-tax revenue** for 2000/01 included the one-off gains on sale of Spectrum licences of \$140 million
- Total **expenses** were higher than 1999/2000 due to the combined impact of additional policy spending on initiatives of around \$800 million in 2000/01, forecasting increases (driven by demographic factors in health and education for example) and an increase in the GSF valuation movement and NPF Crown guarantee from 1999/2000.

Significant movements within **expenses** included:

- Higher **social security and welfare** expenses of \$320 million (2.5%), which was largely due to restoration of NZ Super rates to 65% of the average wage and indexation of benefits.

- Higher **health** expenses of \$468 million (6.8%), which were largely due to:
 - increased funding to maintain and improve existing service levels, including more elective services
 - demographic increases.
- Higher **education** expenses of \$380 million (6.0%) 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 increases to school resources and the full impact of the student loan scheme changes.
- Higher **economic and industrial services** expenses³ of \$197 million (20.9%), which was largely due to:
 - the reallocation of science outputs which have largely been transferred to this functional classification (previously recorded in core government services)
 - increased funding for industry and regional development.

The **SOE and Crown entities surpluses** were lower than last year by \$991 million, mainly due to the ACC outstanding claims liability valuation movements between the two years of \$939 million.

Net worth improved by \$2,880 million, reflecting:

- the operating balance of \$1,409 million for 2000/01
- the recognition of urban state highways as Crown assets in the financial statements for the first time at \$1,650 million
- total devaluations of physical assets of \$179 million – resulting mainly from the devaluation of Defence equipment and the net decrease to SOEs and Crown entities (refer to earlier explanations), partially offset by an increase in valuation of the state highway network.

Net Crown debt was \$1.4 billion lower than the previous year primarily due to favourable net cash flows from operations and further issues of circulating currency (\$303 million) that are not forecast as a matter of policy.

³ Economic and industrial services functional expense classification is a component of “Other” in the preceding table.

Historical Information

Year ended 30 June	2001 \$m	2000 \$m	1999 \$m	1998 \$m	1997 \$m
Statement of Financial Performance					
Total taxation revenue	36,738	34,035	32,156	32,982	31,916
<i>% of GDP</i>	33.2%	32.1%	32.2%	33.6%	33.2%
Total non tax revenue	2,754	2,491	4,201	2,599	2,862
Total Revenue	39,492	36,526	36,357	35,581	34,778
<i>% of GDP</i>	35.7%	34.4%	36.4%	36.3%	36.2%
Social security and welfare	13,216	12,896	12,906	12,509	11,881
GSF pension expenses	855	478	1,132	494	739
Health	7,342	6,874	6,573	6,001	5,626
Education	6,690	6,310	5,899	5,714	5,335
Core government services	1,817	1,710	1,705	1,562	1,667
Other	5,830	5,592	5,141	5,114	4,621
Finance costs	2,483	2,373	2,516	2,804	3,072
Net foreign exchange (gains)/ losses	(47)	(62)	(47)	13	12
Total expenses	38,186	36,171	35,825	34,211	32,953
<i>% of GDP</i>	34.5%	34.1%	35.8%	34.9%	34.3%
SOE and Crown entities net surplus	523	575	1,245	1,164	83
ACC valuations movement	(420)	519	-	-	-
Operating balance	1,409	1,449	1,777	2,534	1,908
<i>% of GDP</i>	1.3%	1.4%	1.8%	2.6%	2.0%
OBERAC	2,107	884	246	2,191	1,904
<i>% of GDP</i>	1.9%	0.8%	0.2%	2.2%	2.0%
Statement of Financial Position					
SOEs and Crown entities	14,077	14,392	12,917	19,022	18,483
Physical assets	16,102	15,972	15,258	14,962	14,502
Other assets	34,902	30,059	30,048	28,372	24,983
Total assets	65,081	60,423	58,223	62,356	57,968
Gross debt	36,761	36,041	36,712	37,892	35,972
<i>% of GDP</i>	33.2%	34.0%	36.7%	38.6%	37.5%
Other liabilities	16,857	15,799	15,489	14,543	14,526
Total liabilities	53,618	51,840	52,201	52,435	50,498
Crown balance (Net worth)	11,463	8,583	6,022	9,921	7,470
<i>% of GDP</i>	10.4%	8.1%	6.0%	10.1%	7.8%
Net Crown debt	19,971	21,396	21,701	24,069	25,324
<i>% of GDP</i>	18.1%	20.2%	21.7%	24.5%	26.4%
GDP¹	110,626	106,065	99,986	98,128	96,011

¹ GDP for 2000/01 is based on data for the year to March 2001. 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 2001

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 2001. 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 2001 and the results of its operations and cash flows for the year ended 30 June 2001.

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 2001; and
 - the financial position as at 30 June 2001.

Our audit was completed on 7 September 2001 and our unqualified opinion is expressed as at that date.

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



Financial Statements

Forecast			Actual	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m	Note	\$m	\$m
Revenue				
Levied through the Crown's Sovereign Power				
23,214	23,662	1	23,863	21,499
12,938	12,824	2	12,875	12,536
36,152	36,486		36,738	34,035
338	380		385	376
36,490	36,866		37,123	34,411
Earned through the Crown's Operations				
985	1,316	3	1,369	1,157
627	656		659	641
268	363	4	381	343
-	-		(40)	(26)
1,880	2,335		2,369	2,115
38,370	39,201		39,492	36,526
Expenses				
By functional classification				
13,215	13,263		13,216	12,896
796	1,146		855	478
7,236	7,272		7,342	6,874
6,818	6,733		6,690	6,310
1,529	1,590		1,817	1,710
1,551	1,583		1,560	1,531
1,142	1,280		1,267	1,247
1,103	1,011		1,026	1,036
1,139	1,150		1,141	944
427	428		424	456
278	289		287	265
52	50		50	68
112	34		75	45
2,479	2,484		2,483	2,373
-	(33)		(47)	(62)
180	-		-	-
38,057	38,280	5	38,186	36,171
313	921		1,306	355
Revenue less Expenses				
Surplus of SOEs and Crown entities excluding				
925	760		844	1,013
-	(707)		(420)	519
(226)	(333)		(321)	(438)
699	(280)	9	103	1,094
1,012	641		1,409	1,449

The accompanying Notes are an integral part of these Statements.

Forecast			Actual	
2000	Estimated		30 June	30 June
Budget	Actual		2001	2000
\$m	\$m		\$m	\$m
			Note	
Assets				
35	53	Cash and bank balances		115
9,234	11,772	Marketable securities and deposits	6	12,060
4,541	4,647	Advances	7	4,615
5,458	5,498	Receivables	8	6,197
315	214	Inventories		193
		State-owned enterprises and Crown entities	9	14,077
14,773	14,179	Other investments	10	354
364	320	Physical assets	11	16,102
16,131	15,966	Commercial forests	12	310
395	359	State highways	13	11,055
8,938	10,696	Intangible assets		3
2	3	Capital contingency provision		-
148	-			-
60,334	63,707	Total Assets		65,081
				60,423
Liabilities				
5,207	4,867	Payables and provisions	14	5,831
2,252	2,570	Currency issued		2,539
36,092	36,904	Borrowings		36,761
8,467	8,785	Pension liabilities	15	8,487
52,018	53,126	Total Liabilities		53,618
				51,840
8,316	10,581	Total Assets less Total Liabilities		11,463
				8,583
Crown Balance				
619	2,682	Accumulated operating balance		3,456
7,697	7,899	Revaluation reserve		8,007
8,316	10,581	Crown Balance	16	11,463
				8,583

The accompanying Notes are an integral part of these Statements.

Statement of Movements in Equity
(for the year ended 30 June 2001)

Forecast			Actual	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
7,304	8,583	Opening Crown Balance	8,583	6,022
-	1,650	State highway recognition policy change	1,650	-
7,304	10,233	Adjusted Opening Crown Balance	10,233	6,022
1,012	641	Operating balance for the period	1,409	1,449
-	(293)	Net revaluations	(179)	1,112
1,012	348	Total Recognised Revenues and Expenses	1,230	2,561
8,316	10,581	Closing Crown Balance	11,463	8,583

The accompanying Notes are an integral part of these Statements.

<i>Forecast</i>			<i>Actual</i>	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
Cash Flows from Operations				
Cash was Provided From				
<i>Direct Taxation</i>				
Individuals				
13,756	13,710	Source deductions	13,748	12,920
3,995	4,116	Other persons	4,221	3,553
(1,067)	(1,101)	Refunds	(1,175)	(1,043)
310	332	Fringe benefit tax	338	306
16,994	17,057	Total Individuals	17,132	15,736
Companies				
5,126	5,434	Gross companies	5,377	4,726
(601)	(666)	Refunds	(785)	(618)
4,525	4,768	Total Companies	4,592	4,108
1,672	1,809	Withholding taxes	1,879	1,566
2	2	Other direct taxation	2	1
23,193	23,636	Total Direct Taxation	23,605	21,411
<i>Indirect Taxation</i>				
Goods and Services Tax				
13,987	14,495	Gross goods and services tax	14,604	13,664
(4,836)	(5,513)	Refunds	(5,657)	(4,852)
9,151	8,982	Total Goods and Services Tax	8,947	8,812
2,070	1,975	Excise duties	1,985	2,014
1,699	1,737	Other indirect taxation	1,713	1,627
12,920	12,694	Total Indirect Taxation	12,645	12,453
36,113	36,330	Total Taxation Receipts	36,250	33,864
330	323	Compulsory Fees, Fines, Penalties and Levies	324	308
Other Receipts				
816	894	Interest, profits and dividends	892	1,070
596	638	Sales of goods and services	622	621
257	382	Other operating receipts	383	341
1,669	1,914	Total Other Receipts	1,897	2,032
38,112	38,567	Total Cash Provided from Operations	38,471	36,204
Cash was Disbursed To				
4,632	4,888	Departmental outputs	4,749	4,447
16,238	16,171	Other outputs	16,008	15,303
2,561	2,443	Finance costs	2,499	2,507
167	174	Subsidies	133	131
Current transfers				
12,995	12,995	Social assistance grants	12,910	12,615
250	255	Other transfers	250	238
180	-	Provision for future initiatives	-	-
37,023	36,926	Total Cash Disbursed to Operations	36,549	35,241
1,089	1,641	Net Cash Flows from Operations	1,922	963

The accompanying Notes are an integral part of these Statements.

Statement of Cash Flows (continued)
(for the year ended 30 June 2001)

Forecast			Actual	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
1,089	1,641	Subtotal (brought forward)	1,922	963
Cash Flows from Investing Activities				
Cash was Provided From				
(87)	85	Net sale/(purchase) of investments	174	(130)
106	96	Sale of physical assets	75	250
19	181	Total Cash Provided	249	120
Cash was Disbursed To				
585	665	Net increase in advances	617	309
(1,094)	930	Net purchase/(sale) of marketable securities and deposits	1,001	(1,983)
1,232	1,313	Purchase of physical assets	1,205	1,160
148	-	Capital contingency provision	-	-
871	2,908	Total Cash Disbursed	2,823	(514)
(852)	(2,727)	Net Cash Flows from Investing Activities	(2,574)	634
237	(1,086)	Net Cash Flows from Operating and Investing Activities	(652)	1,597
Cash Flows from Financing Activities				
Cash was Provided From				
-	334	Issue of circulating currency	303	275
3,149	4,249	Issue of Government stock	4,233	2,867
-	-	Other New Zealand-dollar borrowing ¹	574	453
-	-	Borrowing in foreign currencies ¹	3,884	1,683
3,149	4,583	Total Cash Provided	8,994	5,278
Cash was Disbursed To				
3,166	3,166	Repayment of Government stock	3,167	3,305
56	314	Repayment of other New Zealand-dollar borrowing ¹	879	1,280
158	177	Repayment of foreign-currency borrowing ¹	4,398	2,318
3,380	3,657	Total Cash Disbursed	8,444	6,903
(231)	926	Net Cash Flows from Financing Activities	550	(1,625)
6	(160)	Net Movement in Cash	(102)	(28)
29	210	Opening Cash Balance	210	230
-	3	Foreign-exchange gains on opening cash	7	8
35	53	Closing Cash Balance	115	210

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.

Forecast			Actual	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
Reconciliation Between Net Cash Flows from Operations and the Operating Balance				
1,089	1,641	Net Cash Flows from Operations	1,922	963
<i>Items included in the operating balance but not in net cash flows from operations</i>				
Valuation Changes				
(111)	(462)	(Increase)/decrease in pension liabilities	(164)	201
-	-	Revaluation of commercial forests	(40)	(26)
-	10	Unrealised net foreign-exchange gains	100	92
-	(47)	National Provident Fund guarantee	(253)	(10)
(111)	(499)	Total Valuation Changes	(357)	257
Physical Asset Movements				
(877)	(856)	Depreciation	(925)	(791)
-	(3)	(Loss)/gain on sale of physical assets	(8)	7
(877)	(859)	Total Physical Asset Movements	(933)	(784)
Other Non-cash Items				
699	(280)	Net surplus of SOEs and Crown entities	103	1,094
-	(103)	Loss on writedown of defence equipment	(103)	(155)
(70)	(71)	Student Loans	(61)	(16)
(15)	-	Other	55	(39)
614	(454)	Total Other Non-cash Items	(6)	884
Other Investing and Financing Items				
-	140	2GHz radio spectrum rights auction proceeds	140	-
2	-	Other	37	36
2	140	Total Other Investing and Financing Items	177	36
Movements in Working Capital¹				
62	187	Increase in taxes receivable	737	164
59	(209)	(Decrease)/increase in other receivables	(62)	168
41	(60)	(Decrease)/increase in inventories	(81)	(47)
133	754	Decrease/(increase) in payables	12	(192)
295	672	Total Movements in Working Capital	606	93
1,012	641	Operating Balance	1,409	1,449

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

The accompanying Notes are an integral part of these Statements.

<i>Forecast</i>			<i>Actual</i>	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
Reconciliation of Net Cash Flows from Operations with Net Cash Proceeds from Domestic Bonds				
1,089	1,641	Net Cash Flows from Operations	1,922	963
Investing Flows				
<i>Net advances</i>				
(39)	(12)	Housing Corporation of New Zealand	(27)	4
-	-	Contact Energy Limited	-	101
(618)	(694)	Student loans	(668)	(528)
-	(50)	District health boards	(24)	-
(3)	-	Solid Energy New Zealand Limited	-	(40)
60	24	Residual Health Management Unit	51	47
15	67	Other	51	107
(585)	(665)	Total Net Advances	(617)	(309)
(1,126)	(1,217)	Net purchase of physical assets	(1,130)	(910)
<i>Net investments</i>				
50	55	At Work Insurance Limited	50	(29)
-	140	2GHz radio spectrum rights auction proceeds	140	-
(146)	(101)	District health boards	(41)	(46)
9	(9)	Other	25	(55)
(148)	-	Capital contingency provision	-	-
(235)	85	Net sale/(purchase) of investments	174	(130)
(857)	(156)	Available for debt repayment/(Required to be financed)	349	(386)
Financed by:				
Net (purchase)/sale of marketable securities and deposits				
1,094	(930)		(1,001)	1,983
237	(1,086)	Total Operating and Investing Activities	(652)	1,597
Used in:				
Net repayment of other New Zealand-dollar borrowing				
(56)	(314)		(305)	(827)
(158)	(177)	Net repayment of foreign-currency borrowing	(514)	(635)
(6)	160	Net outflow/(inflow) of cash	102	28
-	334	Issue of circulating currency	303	275
(220)	3		(414)	(1,159)
17	(1,083)	(Cash Proceeds from)/Net Repayments of Domestic Bonds	(1,066)	438

The accompanying Notes are an integral part of these Statements.

<i>Forecast</i>			<i>Actual</i>	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
		(Cash Proceeds from)/Net Repayments of		
17	(1,083)	Domestic Bonds (brought forward)	(1,066)	438
		Gross Cash Proceeds from Domestic Bonds		
2,633	3,588	Domestic bonds (market)	3,572	1,924
516	661	Domestic bonds (non market)	661	598
-	-	Inflation bonds	-	345
3,149	4,249	Total Gross Cash Proceeds from Domestic Bonds	4,233	2,867
(2,650)	(2,650)	Repayment of domestic bonds (market)	(2,651)	(3,011)
(516)	(516)	Repayment of domestic bonds (non market)	(516)	(294)
(17)	1,083	Net Cash Proceeds from/(Repayments of) Domestic Bonds	1,066	(438)

The accompanying Notes are an integral part of these Statements.

Forecast			Actual	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
Outstanding Debt¹				
New Zealand-Dollar Debt				
22,086	23,370	Government stock	23,331	22,239
5,854	5,455	Treasury bills	5,558	5,370
(246)	(188)	Loans and foreign-exchange contracts	(272)	230
482	471	Retail stock	498	474
28,176	29,108	Total New Zealand-Dollar Debt	29,115	28,313
Foreign-Currency Debt				
4,949	4,298	United States dollars	4,780	4,329
1,816	1,916	Japanese yen	1,432	2,054
1,151	1,582	European and other currencies	1,434	1,345
7,916	7,796	Total Foreign-Currency Debt	7,646	7,728
36,092	36,904	Total Outstanding Debt	36,761	36,041
Less				
Financial Assets				
Marketable Securities and Deposits²				
850	3,559	New Zealand dollars	3,971	2,324
5,411	4,472	United States dollars	5,093	4,467
1,816	2,129	Japanese yen	1,548	2,277
1,157	1,612	European and other currencies	1,448	1,372
9,234	11,772	Total Marketable Securities and Deposits	12,060	10,440
Advances and Cash				
Advances to state-owned enterprises and				
258	264	Crown entities	261	259
4,063	4,155	Student loans	4,143	3,523
220	228	Other advances	211	213
35	53	Cash	115	210
4,576	4,700	Total Advances and Cash	4,730	4,205
13,810	16,472	Total Financial Assets	16,790	14,645
22,282	20,432	Net Crown Debt	19,971	21,396
22,750	20,849	Net New Zealand-dollar debt	20,495	21,870
(468)	(417)	Net foreign-currency debt	(524)	(474)
22,282	20,432	Net Crown Debt	19,971	21,396

¹ For further information on the risk management policies of the Crown, including the treatment of net obligations and entitlements arising from forward exchange contracts and swaps, refer to Note 18.

² As at 30 June 2001 foreign currency securities with a face value of \$1,603 million (30 June 2000: \$1,779 million) had been transferred to counterparties as security for borrowings.

The accompanying Notes are an integral part of these Statements.

	30 June 2001		30 June 2000	
	Nominal value \$m	Current market value \$m	Nominal value \$m	Current market value \$m
Outstanding Debt				
New Zealand-Dollar Debt				
Government stock	23,356	23,588	22,191	22,486
Treasury bills	5,675	5,562	5,500	5,368
Loans and foreign-exchange contracts	(271)	(279)	231	237
Retail stock	498	497	474	473
Total New Zealand-Dollar Debt	29,258	29,368	28,396	28,564
Foreign-Currency Debt				
United States dollars	4,948	5,009	4,494	4,479
Japanese yen	1,512	1,575	2,153	2,271
European and other currencies	1,455	1,467	1,366	1,364
Total Foreign-Currency Debt	7,915	8,051	8,013	8,114
Total Outstanding Debt	37,173	37,419	36,409	36,678
Marketable Securities and Deposits				
New Zealand dollars	3,971	3,865	2,293	2,241
United States dollars	5,005	5,172	4,434	4,517
Japanese yen	1,492	1,555	2,124	2,285
European and other currencies	1,449	1,458	1,356	1,377
Total Marketable Securities and Deposits	11,917	12,050	10,207	10,420

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 2001 – Book Values

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07- 2010/11	2011/12 and after	Total book value
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding Debt								
New Zealand-Dollar Debt								
Government stock	2,999	3,278	3,606	1,435	-	6,916	5,097	23,331
Treasury bills	5,558	-	-	-	-	-	-	5,558
Loans and foreign-exchange contracts	149	50	(112)	18	(124)	(253)	-	(272)
Retail stock	376	78	27	17	-	-	-	498
Total New Zealand-Dollar Debt	9,082	3,406	3,521	1,470	(124)	6,663	5,097	29,115
Foreign-Currency Debt								
United States dollars	2,265	114	494	288	336	714	569	4,780
Japanese yen	816	384	-	101	-	-	131	1,432
European and other currencies	471	-	342	194	198	218	11	1,434
Total Foreign-Currency Debt	3,552	498	836	583	534	932	711	7,646
Total Outstanding Debt	12,634	3,904	4,357	2,053	410	7,595	5,808	36,761
Marketable Securities and Deposits								
New Zealand dollars	3,495	267	146	14	3	46	-	3,971
United States dollars	4,022	449	(71)	98	357	158	80	5,093
Japanese yen	837	484	101	126	-	-	-	1,548
European and other currencies	898	45	264	100	85	31	25	1,448
Total Marketable Securities and Deposits	9,252	1,245	440	338	445	235	105	12,060

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.

	As at 1 July 2000 \$m	Net Increases/ (Decreases) \$m	Foreign Exchange Contracts \$m	Currency Realignment \$m	Unamortised Premiums/ Discounts \$m	As at 30 June 2001 \$m
Outstanding Debt						
<i>By Type</i>						
New Zealand-Dollar Debt						
Government stock	22,239	1,165	-	-	(73)	23,331
Treasury bills	5,370	177	-	-	11	5,558
Loans and foreign-exchange contracts	230	(503)	-	-	1	(272)
Retail stock	474	24	-	-	-	498
Total New Zealand-Dollar Debt	28,313	863	-	-	(61)	29,115
Foreign Currency-Debt						
United States dollars	4,329	(14)	-	467	(2)	4,780
Japanese yen	2,054	(597)	-	(44)	19	1,432
European and other currencies	1,345	31	-	58	-	1,434
Total Foreign-Currency Debt	7,728	(580)	-	481	17	7,646
Total Outstanding Debt	36,041	283	-	481	(44)	36,761
Less						
<i>Financial Assets</i>						
Marketable Securities and Deposits						
New Zealand dollars	2,324	913	733	-	1	3,971
United States dollars	4,467	860	(741)	488	19	5,093
Japanese yen	2,277	(842)	137	(18)	(6)	1,548
European and other currencies	1,372	115	(114)	73	2	1,448
Total Marketable Securities and Deposits	10,440	1,046	15	543	16	12,060
Advances and Cash	4,205	518	-	7	-	4,730
Total Financial Assets	14,645	1,564	15	550	16	16,790
Net Crown Debt	21,396	(1,281)	(15)	(69)	(60)	19,971

The accompanying Notes are an integral part of these Statements.

	As at 30 June 2001 \$m	As at 30 June 2000 \$m
By Type		
Capital Commitments		
Specialist military equipment	639	321
Land and buildings	383	87
Other plant and equipment	41	63
Investments	15	17
State-owned enterprises and Crown entities	619	1,016
Total Capital Commitments	1,697	1,504
Operating Commitments		
Non-cancellable accommodation leases	842	789
Other non-cancellable leases	1,713	1,858
Non-cancellable contracts for the supply of goods and services	367	432
Other operating commitments	2,213	1,071
State-owned enterprises and Crown entities	2,471	2,713
Total Operating Commitments	7,606	6,863
Total Commitments	9,303	8,367

By Term

Capital Commitments		
One year or less	967	1,187
From one year to two years	536	205
From two to five years	189	75
Over five years	5	37
Total Capital Commitments	1,697	1,504
Operating Commitments		
One year or less	2,651	2,379
From one year to two years	1,515	1,057
From two to five years	1,565	1,359
Over five years	1,875	2,068
Total Operating Commitments	7,606	6,863
Total Commitments	9,303	8,367

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 2001 \$m	30 June 2000 \$m
Guarantees and indemnities	371	592
Uncalled capital	3,594	3,210
Legal proceedings and disputes	499	542
Other contingent liabilities	2,037	1,983
Total Quantifiable Contingent Liabilities	6,501	6,327

Only contingent liabilities involving amounts of \$10 million or more in any one year are separately disclosed. Contingent liabilities below \$10 million are included in the “other” totals. Comparatives have been adjusted where appropriate to align with the disclosure of new “material” contingent liabilities. The total amount of comparative contingent liabilities remains unchanged.

Contingent liabilities are costs which the Crown will have to face if a particular event occurs. Typically, contingent liabilities consist of guarantees and indemnities, uncalled capital and legal disputes and claims. The contingent liabilities facing the Crown are a mixture of operating and balance sheet risks, and they can vary greatly in magnitude and likelihood of realisation. In general, if a contingent liability were realised it would have a negative impact on the operating balance, net Crown debt and net worth. However, in the case of contingencies for uncalled capital, the negative impact would be restricted to net Crown debt.

Where contingent liabilities have arisen as a consequence of legal action being taken against the Crown, the amount shown is the amount claimed and thus the maximum potential cost. It does not represent either an admission that the claim is valid or an estimation of the possible amount of any award against the Crown.

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.

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.

\$26 million at 30 June 2001 (\$24 million at 30 June 2000).

Huntly East mine subsidence

Claims from private landowners concerning property damage or loss of value.

\$22 million at 30 June 2001 (\$22 million at 30 June 2000).

Indemnification of receivers and managers – Terralink Limited

The Crown has issued a Deed of Receivership indemnity to the appointed receivers of Terralink Limited.

\$10 million at 30 June 2001 (Nil at 30 June 2000).

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.

\$16 million at 30 June 2001 (\$19 million at 30 June 2000).

Guarantees and indemnities of state-owned enterprises and Crown entities

\$243 million at 30 June 2001 (\$273 million at 30 June 2000).

Other guarantees and indemnities

\$54 million at 30 June 2001 (\$254 million at 30 June 2000).

Uncalled capital

The Crown's uncalled capital subscriptions are as follows:	Uncalled Capital at 30 June 2001 \$m	Uncalled Capital at 30 June 2000 \$m
Asian Development Bank	1,553	1,443
European Bank for Reconstruction and Development	15	14
International Bank for Reconstruction and Development	2,026	1,753

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.

Where contingent liabilities have arisen as a consequence of legal action being taken against the Crown, the amount shown is the amount claimed and thus the maximum potential cost. It does not represent either an admission that the claim is valid or an estimation of the possible amount of any award against the Crown.

Agriculture and Forestry – legal claims

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

\$24 million at 30 June 2001 (\$24 million at 30 June 2000).

Education – legal claims

Claims against the Crown in respect of the reduction of dental subsidies.

\$10 million at 30 June 2001 (\$10 million at 30 June 2000).

Health – Lake Alice claims

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

\$132 million at 30 June 2001 (\$132 million at 30 June 2000).

Maori Development – Maori Reserved Land

The Maori 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 Maori 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.

\$94 million at 30 June 2001 (\$96 million at 30 June 2000).

New Zealand Defence Force – legal claims

Claims against the New Zealand Defence Force for alleged legal or administrative faults.

\$15 million at 30 June 2001 (\$15 million at 30 June 2000).

Police – legal claims

Claims against the Police for alleged legal or administrative faults.

\$56 million at 30 June 2001 (\$48 million at 30 June 2000).

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.

\$77 million at 30 June 2001 (\$107 million at 30 June 2000).

Treasury – legal claim

A claim against the Crown relating to a dispute involving the supply of gas in 1987/88.

\$21 million at 30 June 2001 (\$6 million at 30 June 2000).

Legal claims against state-owned enterprises and Crown entities

\$29 million at 30 June 2001 (\$63 million at 30 June 2000).

Other legal claims

\$41 million at 30 June 2001 (\$41 million at 30 June 2000).

Other quantifiable contingent liabilities

Health – other contingent liabilities

Claims against the Crown in respect of people allegedly contracting Hepatitis C through contaminated blood and blood products, and other personal injury claims.

\$67 million at 30 June 2001 (\$87 million at 30 June 2000).

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.

\$24 million at 30 June 2001 (\$23 million at 30 June 2000).

International finance organisations

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

	30 June 2001 \$m	30 June 2000 \$m
International Bank for Reconstruction and Development	12	nil
International Monetary Fund	1,810	1,754

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

\$53 million at 30 June 2001 (\$57 million at 30 June 2000).

Other quantifiable contingent liabilities

\$71 million at 30 June 2001 (\$62 million at 30 June 2000).

Unquantifiable 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

Under a Deed of Indemnity dated 12 November 1991, the Minister of Finance agreed to indemnify the Commission when it gives an undertaking as to damages when seeking injunctions under the Fair Trading and Commerce Acts, and subsequently the Court orders the Commission to pay damages. The sum payable under this Deed is limited to

an amount up to \$40 million per case taken to Court. The Commerce Act was amended with effect from 26 May 2001 by Section 88A, which removed the need for the Commission to provide undertakings as to damages when seeking an interim injunction in respect of cases under the Commerce Act 1986.

District Court Judges, Justices of the Peace, Coroners and Dispute Tribunals

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.

Section 35 of the Coroners Act 1988 confers on Coroners acting within the Coroner Act 1988 the same privileges and immunities as District Court Judges under the Summary Proceedings Act 1957.

Under section 197 of the Summary Proceedings Act 1957, Justices of the Peace are similarly covered as long as a High Court Judge certifies that they have acted in good faith and ought to be indemnified.

Section 58 of the Disputes Tribunal Act 1988 confers on Disputes Tribunal referees acting within the Disputes Tribunal Act 1988 the same protection as Justices of the Peace under the Summary Proceedings Act 1957.

Earthquake Commission

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

Maori Trustee

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

Ministry of Fisheries – indemnity provided for delivery of registry services

The Crown has indemnified the New Zealand Seafood Industry Council and Commercial Fisheries Services Limited against claims made by third parties arising from the New Zealand Seafood Industry Council and Commercial Fisheries Services undertaking registry services under contract to the Chief Executive of the Ministry of Fisheries. This indemnity, provided under the Fisheries Acts 1983 and 1996, expires on 1 October 2003.

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 of the Financial Statements).

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 Crown 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 unquantifiable contingent liabilities

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.

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 Limited (under statutory management) (DFC)

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

District health boards (DHBs)

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

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 ECNZ arising from resumption of assets pursuant to the Treaty of Waitangi (State Enterprises) Act 1988.

The Deed of Assumption and Release between ECNZ, Contact Energy Limited and the Crown provides that the Crown is no longer liable to ECNZ in respect of those assets transferred to Contact Energy. As a result of the split of ECNZ in 1999, Ministers have transferred the benefits of the Deed to ECNZ's successors – Meridian Energy Limited, Mighty River Power Limited, and Genesis Power Limited.

Under the Transpower New Zealand Limited (Transpower) 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 Transpower separation process.

Following the split of ECNZ in 1999 into three new companies, the Crown has indemnified ECNZ in relation to all ECNZ's pre-split liabilities, including:

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

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.

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 Limited, 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 Ministry of Health 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 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 Maori 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 a state-owned enterprise or tertiary institution, or is subject to the Crown Forest 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's 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 and Development 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 and Development prior to 1 April 1989.

Contingent Liabilities Movements

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

- Indemnification of receivers and managers – Terralink Limited
- Ministry of Fisheries – indemnity provided for delivery of registry services

The following items were resolved or expired over the year:

- Indemnification of touring exhibitions (\$225 million as at 30 June 2000)
- Alkylammonium compound compensation (unquantifiable)

Statement of Unappropriated Expenditure, Expenses or Liabilities
(for the year ended 30 June 2001)

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>			
 Audit Office			
Audit –			
<i>Outputs Supplied by the Department</i>			
Provision of Non-contested Audit Services	115	162	5,785
 Department for Courts			
Courts –			
<i>Outputs Supplied by the Department</i>			
Collection or Enforcement of Fines and Civil Debts	349	-	51,828
<i>Other Expenses to be Incurred by the Crown</i>			
Witness Fees and Expenses	222	-	1,900
<i>Other Expenses to be Incurred by the Crown</i>			
Youth Court Professional Fees	53	-	4,150
 Crown Law Office			
Attorney-General –			
<i>Outputs Supplied by the Department</i>			
Legal Advice and Representation	252	-	13,182
<i>Outputs Supplied by the Department</i>			
Supervision and Conduct of Crown Prosecutions	128	134	22,133
 Ministry of Education			
Education –			
<i>Outputs Supplied by the Department</i>			
Purchasing of Services on Behalf of the Crown	5	-	5,714
<i>Outputs Supplied by the Department</i>			
Provision of Teacher and Caretaker Housing	61	-	36,524
<i>Outputs Supplied by the Crown</i>			
School Transport	1,854	-	102,836
<i>Other Expenses to be Incurred by the Crown</i>			
Integrated Schools Property	632	-	26,869
<i>Other Expenses to be Incurred by the Crown</i>			
School Transport	23	-	1,247
<i>Capital Contributions to Other Persons or Organisations</i>			
Wanganui Regional Polytechnic	1,315	-	7,900

Statement of Unappropriated Expenditure, Expenses or Liabilities (continued)
(for the year ended 30 June 2001)

Department Vote – Appropriation	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)
Ministry for the Environment			
Environment –			
<i>Other Expenses to be Incurred by the Crown</i>			
Marlborough Fires	21	-	165
Ministry of Health			
Health –			
<i>Outputs Supplied by the Crown</i>			
Personal Health Services: Northern	24,952	-	1,672,508
<i>Outputs Supplied by the Crown</i>			
Personal Health Services: Midland	10,319	-	1,002,803
<i>Outputs Supplied by the Crown</i>			
Personal Health Services: Central	11,462	-	1,181,533
<i>Outputs Supplied by the Crown</i>			
Personal Health Services: Southern	16,958	-	1,101,998
<i>Outputs Supplied by the Crown</i>			
Disability Support Services: Northern	1,155	-	561,868
<i>Outputs Supplied by the Crown</i>			
Disability Support Services: Midland	1,197	-	333,068
Department of Labour			
Immigration –			
<i>Outputs Supplied by the Department</i>			
Visa and Permit Management	769	-	45,399
<i>Outputs Supplied by the Department</i>			
Refugee Services	41	-	8,660
Labour –			
<i>Outputs Supplied by the Department</i>			
Support Services - Industrial Relations Institutions	62	-	11,265
New Zealand Defence Force			
Defence Force –			
<i>Outputs Supplied by the Department</i>			
Naval Combat Forces ¹	2,160	-	442,484
<i>Outputs Supplied by the Department</i>			
Land Combat Forces ²	79	-	222,733
<i>Outputs Supplied by the Department</i>			
Air Combat Forces ³	1,941	-	231,367
<i>Outputs Supplied by the Department</i>			
Fixed Wing Transport Forces ⁴	856	-	152,619
<i>Outputs Supplied by the Department</i>			
Miscellaneous Support Activities	81	-	11,388
Veterans' Affairs –			
<i>Outputs Supplied by the Department</i>			
Policy, Assessment and Administration	39	-	1,269

¹ Excludes \$1,000,000 transferred out of this Output Class by the Public Finance (Transfers between Outputs) Order 2001 (2001/142)

² Includes \$250,000 transferred into this Output Class by the Public Finance (Transfers between Outputs) Order 2001 (2001/142)

³ Excludes \$1,600,000 transferred out of this Output Class by the Public Finance (Transfers between Outputs) Order 2001 (2001/142)

⁴ Includes \$900,000 transferred into this Output Class by the Public Finance (Transfers between Outputs) Order 2001 (2001/142)

Statement of Unappropriated Expenditure, Expenses or Liabilities (continued)
(for the year ended 30 June 2001)

Department Vote – <i>Appropriation</i>	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)
New Zealand Intelligence Service			
Security Intelligence			
<i>Outputs Supplied by the Department</i>			
Security Intelligence	115	73	11,502
Pacific Island Affairs			
Pacific Island Affairs –			
<i>Outputs Supplied by the Department</i>			
Policy Advice	20	-	3,698
The Police			
Police –			
<i>Outputs Supplied by the Department</i>			
Policing Support to the Community through Partnerships, Education, Crime Prevention and Youth Programmes	2,901	-	57,049
<i>Outputs Supplied by the Department</i>			
Case Management	1,353	-	244,173
<i>Outputs Supplied by the Department</i>			
Case Resolution	1,745	-	24,273
<i>Outputs Supplied by the Department</i>			
Enforcement of Court Orders	84	-	4,663
<i>Outputs Supplied by the Department</i>			
Custodial and Escort Services	34	-	22,474
<i>Outputs Supplied by the Department</i>			
Public and Personal Security ¹	940	-	13,477
<i>Outputs Supplied by the Department</i>			
Vetting and Firearms Licensing	607	-	7,742
<i>Outputs Supplied by the Department</i>			
Lost and Found Property	437	-	4,006
<i>Outputs Supplied by the Department</i>			
Traffic Management Services ²	774	-	29,404
State Services Commission			
State Services –			
<i>Outputs Supplied by the Department</i>			
Public Service Chief Executive Management	31	-	3,669
<i>Outputs Supplied by the Department</i>			
Electronic Government Development and Coordination ³	42	-	3,675

¹ Includes \$640,000 transferred into this Output Class by the Public Finance (Transfers between Outputs) Order 2001 (2001/142)

² Includes \$1,400,000 transferred into this Output Class by the Public Finance (Transfers between Outputs) Order 2001 (2001/142)

³ Includes \$120,000 transferred into this Output Class by the Public Finance (Transfers between Outputs) Order 2001 (2001/142)

Statement of Unappropriated Expenditure, Expenses or Liabilities (continued)
(for the year ended 30 June 2001)

Department Vote – <i>Appropriation</i>	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			
Work and Income –			
<i>Benefits and Other Unrequited Expenses</i>			
Benefits Paid in Australia	1,636	-	168,998
<i>Benefits and Other Unrequited Expenses</i>			
Childcare Subsidy	153	-	51,103
<i>Benefits and Other Unrequited Expenses</i>			
Community Wage	12,958	-	1,835,635
<i>Benefits and Other Unrequited Expenses</i>			
Disability Allowance	840	-	208,723
<i>Benefits and Other Unrequited Expenses</i>			
Disability Allowance Telephone Support	119	-	10,144
<i>Benefits and Other Unrequited Expenses</i>			
Domestic Purposes Benefit	9,605	-	1,434,764
<i>Benefits and Other Unrequited Expenses</i>			
Independent Youth Benefit	28	-	30,657
<i>Benefits and Other Unrequited Expenses</i>			
Invalid's Benefit	2,619	-	742,420
<i>Benefits and Other Unrequited Expenses</i>			
New Zealand Superannuation	235	-	5,273,022
<i>Benefits and Other Unrequited Expenses</i>			
Orphan's/Unsupported Child's Benefit	58	-	38,304
<i>Benefits and Other Unrequited Expenses</i>			
Special Annuities	1	-	89
<i>Benefits and Other Unrequited Expenses</i>			
Transitional Retirement Benefit	13	-	126,712
<i>Benefits and Other Unrequited Expenses</i>			
Widow's Benefit	538	-	90,922
<i>Capital Contributions to Other Persons or Organisations</i>			
Recoverable Assistance	366	-	88,538
Veterans' Affairs –			
<i>Benefits and Other Unrequited Expenses</i>			
Medical treatment	275	-	8,618
<i>Benefits and Other Unrequited Expenses</i>			
Veterans' Pension	131	-	89,641
<i>Benefits and Other Unrequited Expenses</i>			
War Disability Pensions	181	-	93,353
	115,940	369	17,982,643

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.

Department Trust Account	As at 30 June 2000 (\$000)	Transfers (\$000)	Contributions (\$000)	Distributions (\$000)	Revenue (\$000)	Expenses (\$000)	As at 30 June 2001 (\$000)
Agriculture and Forestry							
Meat Board Levies Trust	36	-	44,440	(44,473)	-	-	3
Audit							
South Pacific Association of Supreme Audit Institutions Trust	89	-	4	(49)	-	-	44
Child, Youth and Family Services							
Children and Young Persons and Their Families Agency Trust	301	-	-	-	13	-	314
Conservation							
Bonds/Deposits Trust	794	-	38	(242)	24	-	614
Conservation Project Trust	391	-	397	(184)	20	-	624
National Parks Trust	135	-	55	(51)	3	-	142
Walkways Trust	5	-	-	-	-	-	5
Wildlife and Reserves Trusts	3,488	-	71	(485)	37	-	3,111
Corrections							
Prisons Trust	324	-	6,429	(6,396)	-	-	357
Courts							
Courts Trust	8,912	-	31,180	(31,225)	1,599	-	10,466
Fines Trust	5,222	-	144,865	(135,738)	-	-	14,349
Maori Land Court Trust	47	-	9	(9)	1	-	48
Foreign Currency Trust	224	-	-	-	35	-	259
Crown Law Office							
Legal Claims Trust	1	-	822	(818)	-	-	5
Culture and Heritage							
Australian Trust for Oral History Archives ¹	-	1,364	16	(67)	87	-	1,400
Dictionary of New Zealand Biography Trust ¹	-	632	454	-	134	(522)	698
New Zealand Encyclopaedia Trust ¹	-	-	-	-	-	-	-
New Zealand Historical Atlas Trust ¹	-	27	-	-	11	(7)	31
New Zealand History Research Trust ¹	-	1,460	11	(85)	105	-	1,491
Customs							
Alcohol Liquor Advisory Council Trust	512	-	6,102	(6,095)	15	(10)	524
Customs Regional Deposit/Bonds Trust	2,955	-	4,566	(4,405)	107	(38)	3,185
Heavy Engineering Research Association Trust	32	-	528	(501)	-	-	59
Maritime Safety Authority Trust	10	-	11,943	(11,943)	-	-	10
Economic Development							
Coal and Minerals Deposits Trust	365	-	-	(55)	13	-	323
Official Assignee's Office Trust	11,144	-	11,197	(8,432)	716	(3,952)	10,673
Patent Co-operation Treaty Fees Trust	94	-	978	(973)	14	(19)	94
Petroleum Deposits Trust	148	-	-	(9)	10	-	149
Proceeds of Crime Trust	1,451	-	1,364	(1,060)	-	-	1,755
Radio Frequencies Tender Trust	331	-	34,013	(34,522)	250	-	72
Fisheries							
MAF Overfishing Account Trust	7,289	-	12,077	(13,919)	427	-	5,874
MAFFish Snapper Enhancement Trust	205	-	-	(212)	7	-	-
MAFFish Forfeit Property Trust	185	-	348	(410)	6	(31)	98
Subtotal (carried forward)	44,690	3,483	311,907	(302,358)	3,634	(4,579)	56,777

Statement of Trust Money (continued)
(as at 30 June 2001)

Department Trust Account	As at 30 June 2000 (\$000)	Transfers (\$000)	Contributions (\$000)	Distributions (\$000)	Revenue (\$000)	Expenses (\$000)	As at 30 June 2001 (\$000)
Subtotal (brought forward)	44,690	3,483	311,907	(302,358)	3,634	(4,579)	56,777
Foreign Affairs and Trade							
Cape Roberts Project Trust	119	-	24	(65)	18	-	96
New Zealand/France Friendship Trust	4	-	96	(92)	2	-	10
Housing							
Housing Tenancy Bonds Trust	108,017	-	70,834	(63,230)	8,029	(7,819)	115,831
Inland Revenue							
Child Support Agency Trust Account	5,919	-	80,711	(84,078)	-	-	2,552
Reciprocal Child Support Agreement Trust	8	-	220	(220)	-	-	8
Internal Affairs							
Australian Trust for Oral History Archives ¹	1,364	(1,364)	-	-	-	-	-
Dictionary of New Zealand Biography Trust ¹	632	(632)	-	-	-	-	-
New Zealand 1990 Scholarship Trust	370	-	-	(24)	28	-	374
New Zealand Encyclopedia Trust ¹	1	-	-	(1)	-	-	-
New Zealand Historical Atlas Trust ¹	27	(27)	-	-	-	-	-
New Zealand History Research Trust ¹	1,460	(1,460)	-	-	-	-	-
Problem Gambling Trust	-	-	2,452	(2,459)	7	-	-
Vogel House Trust	-	-	3	(3)	-	-	-
Justice							
Chief Electoral Trust	138	-	-	(138)	-	-	-
Youth Justice Trust ²	-	-	-	-	47	(11)	36
Labour							
Employment Court Trust	118	-	415	(93)	-	-	440
Industrial Relations Service Trust	25	-	242	(251)	-	-	16
New Zealand Immigration Service	635	-	-	-	2,856	(1,691)	1,800
Land Information New Zealand							
Crown Forestry Licences Trust	45,421	-	110,396	(113,323)	7,885	-	50,379
Deposits Trust	3,632	-	83	(16)	27	-	3,726
Endowment Rentals Trust	-	-	140	(135)	-	-	5
Hunter Gift for the Settlement of Discharged Soldiers Trust	44	-	-	-	-	-	44
Police							
Bequests, Donations and Appeals Trust	69	-	24	(29)	2	-	66
Found Money Trust	62	-	18	(5)	2	-	77
Money in Custody Trust	18	-	49	(27)	1	-	41
Reparation Trust	15	-	53	(45)	1	-	24
Reward Money Trust	-	-	-	-	-	-	-
Treasury							
Trustee Act 1956 Trust	1,205	-	173	(1)	1	-	1,378
Work and Income							
Australian Debt Recoveries Trust	12	-	139	(151)	-	-	-
Maintenance Trust	155	-	3,087	(3,099)	-	-	143
United Kingdom Reciprocal Pension Trust	16	-	315	(302)	-	-	29
Total	214,176	-	581,381	(570,145)	22,540	(14,100)	233,852

¹ Trust accounts transferred from the Department of Internal Affairs to the Ministry for Culture and Heritage.

² New Trust account.

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

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), 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 2001. 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 2000 Budget on 15 June 2000. The estimated actual forecast, as presented in the 2001 Budget on 24 May 2001, has been prepared using actual data to 31 March 2001, 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 ²	Payment due date
Terminal tax ²	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.	
² Provisional and terminal taxes are paid by "other persons" and companies (refer to 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 as 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 as 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 received 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 (surfacing)	7 years
– pavement (other)	36 years
– bridges	90 to 100 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 realisable value. 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 fair value.

Equity investments

Equity investments (other than those forming part of the reporting entity) are recorded at the lower of cost and fair 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 fair 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 asset. Revaluation to fair value is based on the fair value of the asset less estimated disposal costs. Where an asset is recorded at its depreciated replacement cost, depreciated replacement cost is based on the estimated present cost of construction, reduced by factors for age and deterioration of the asset.

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

Land and buildings

Land and buildings are recorded at fair value. In cases where valuations conducted in accordance with New Zealand Property Institute's standards are not available, valuations conducted in accordance with the Rating Valuations Act 1998 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 physical assets

Other physical assets, which include motor vehicles and office equipment, are recorded at cost less accumulated depreciation.

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

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

Commercial forests

Commercial forests are recorded at estimated fair value less estimated point of sale costs. 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 fair value.

Intangible assets

Identifiable intangible assets which have been purchased are initially recorded at cost and thereafter at either cost less accumulated amortisation and accumulated impairment losses or, where an active market exists at a revalued amount being fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.

Revaluations are determined by reference to active market. An active market is one in which a willing buyer and seller can normally be found at any time, items traded within the market are homogenous and prices are readily available to the public.

Identifiable intangible assets are amortised on a systematic basis to the Statement of Financial Performance over their period of expected benefit. The maximum period of amortisation is 20 years.

Identifiable intangible assets which have been developed internally 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, and any other similar employee entitlement.

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

Financial Reporting Standard 3: Accounting for Property, Plant and Equipment (FRS 3), takes effect from the 2001/02 financial year. The principles of FRS 3 have been applied early to an accounting recognition issue with the state highway network.

As has been signalled previously, local authorities have legal ownership of sections of state highways that fall within their boundaries. General agreement has been reached that these sections of highway should be recorded as an asset of the Crown because the Crown is responsible for their maintenance, and therefore bears the financial risks and benefits associated with these assets. As a result an adjustment of \$1,650 million is included in these Financial Statements to record this section of highways (as at 1 July 2000). The adjustment is reported in the Statement of Movements in Equity.

There have been no other changes in accounting policies 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.

Forecast			Actual	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
NOTE 1: Direct Taxation				
Income Tax				
Individuals				
13,756	13,710	Source deductions	13,703	12,972
3,587	3,625	Other persons	3,871	3,123
(629)	(660)	Refunds	(790)	(625)
299	342	Fringe benefit tax	342	306
17,013	17,017	Total Individuals	17,126	15,776
Companies				
4,726	4,936	Gross companies	4,954	4,270
(201)	(118)	Refunds	(123)	(112)
4,525	4,818	Total Companies	4,831	4,158
Withholding Taxes				
926	963	Residents' interest income	990	723
647	720	Non-residents' income	760	735
58	76	Foreign-source dividends	83	58
43	66	Residents' dividend income	71	47
1,674	1,825	Total Withholding Taxes	1,904	1,563
23,212	23,660	Total Income Tax	23,861	21,497
Other Direct Taxation				
2	2	Estate and gift duties	2	2
2	2	Total Other Direct Taxation	2	2
23,214	23,662	Total Direct Taxation	23,863	21,499

NOTE 2: Indirect Taxation

Goods and Services Tax				
14,252	14,925	Gross goods and services tax	15,133	14,085
(5,086)	(5,883)	Refunds	(6,007)	(5,214)
9,166	9,042	Total Goods and Services Tax	9,126	8,871
Excise Duties				
825	830	Petroleum fuels	810	808
812	780	Tobacco products	764	777
435	445	Alcoholic beverages	436	442
2,072	2,055	Total Excise Duties	2,010	2,027
Other Indirect Taxation				
611	640	Customs duty	648	612
565	537	Road user charges	532	507
192	202	Gaming duties	206	176
183	176	Motor vehicle fees	181	177
89	107	Energy resources levy	111	108
60	65	Stamp, cheque and credit card duties	61	58
1,700	1,727	Total Other Indirect Taxation	1,739	1,638
12,938	12,824	Total Indirect Taxation	12,875	12,536

Tax revenue is net of remissions and write-offs of \$388 million (30 June 2000: \$286 million).

Forecast			Actual	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
NOTE 3: Investment Income				
Interest Income				
		Marketable securities, deposits, mortgages and cash balances	463	426
398	390	Advances		
		Student loans	289	249
320	276	Contact Energy Limited	11	16
11	11	Other entities	37	30
31	39			
760	716	Total Interest Income	800	721
Dividend Income				
		Dividends from state-owned enterprises		
	44	Electricity Corporation of New Zealand Limited	45	15
-	15	Genesis Power Limited	15	-
11	19	Landcorp Farming Limited	19	-
21	68	Meridian Energy Limited	68	133
52	21	Mighty River Power Limited	21	-
19	7	New Zealand Post Limited	7	18
25	33	Television New Zealand Limited	32	51
34	87	Transpower New Zealand Limited	87	103
49	11	Other	10	14
11	12	Housing Corporation of New Zealand	12	12
3	-	Housing New Zealand	-	87
-	18	Other dividends	9	16
-				
225	335	Total Dividend Income	325	449
Other Investment Income				
	123	Gains/(losses) on marketable securities and deposits	102	(25)
-	140	2GHz radio spectrum rights auction gains	140	-
-	2	Other	2	12
-				
-	265	Total Other Investment Income	244	(13)
985	1,316	Total Investment Income	1,369	1,157

NOTE 4: Other Operational Revenue

89	102	Recoveries from Accident Compensation Corporation	106	92
24	68	Petroleum royalties	82	46
27	29	Cost recovery income from fisheries	29	27
22	26	Contributions to Government Superannuation Fund	16	25
10	10	Income from Earthquake Commission	10	10
96	128	Other ¹	138	143
268	363	Total Other Operational Revenue	381	343

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.

Forecast			Actual	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
NOTE 5: Expenses by Input Type				
17,446	17,522	Operating expenses (see analysis below)	17,719	16,792
		Subsidies and transfer payments		
13,344	13,299	(see analysis following page)	13,274	12,960
2,479	2,484	Finance costs (see analysis following page)	2,483	2,373
		Personnel		
		Personnel expenses ¹ (excluding pension expenses)	2,632	2,527
2,631	2,681			
796	1,146	GSF pension expenses (see analysis following page)	855	478
53	53	Other pension expenses	56	57
		Depreciation		
793	764	Physical assets	751	709
84	92	State highways	174	82
251	269	Rental and leasing costs	282	262
-	475	Net foreign-exchange losses on liabilities	404	997
-	(508)	Net foreign-exchange gains on assets	(451)	(1,059)
-	3	Loss/(gain) on sale of assets	7	(7)
180	-	Provision for future initiatives	-	-
38,057	38,280	Total Expenses	38,186	36,171

Analysis of Operating Expenses				
		Education purchases		
339	331	Early childhood education	331	325
3,598	3,534	Primary and secondary education	3,505	3,405
1,482	1,512	Tertiary education and training	1,508	1,380
		Health purchases		
4,826	4,849	Personal health services	4,923	4,638
1,751	1,774	Disability support services	1,759	1,645
129	121	Public health purchasing	125	117
467	467	Science purchases	467	424
97	16	Treaty of Waitangi settlements	57	10
4,757	4,918	Other operating expenses ²	5,044	4,848
17,446	17,522	Total Operating Expenses	17,719	16,792

¹ Personnel expenses include salaries and allowances to Ministers of the Crown totalling \$4 million (30 June 2000: \$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 \$29 million (30 June 2000: \$27 million).
- Changes in provisions for doubtful debts which increased operating expenses by \$129 million (30 June 2000: \$216 million).

<i>Forecast</i>		<i>Actual</i>	
2000 Budget	Estimated Actual	30 June 2001	30 June 2000
\$m	\$m	\$m	\$m

**NOTE 5: Expenses by Input Type
(continued)**

Analysis of Subsidies and Transfer Payments

<i>Forecast</i>		<i>Actual</i>	
2000 Budget	Estimated Actual	30 June 2001	30 June 2000
\$m	\$m	\$m	\$m
Social Assistance Grants			
5,253	5,273	5,273	5,068
1,867	1,836	1,849	1,937
1,425	1,435	1,444	1,433
913	896	878	910
823	797	795	867
737	742	745	677
394	392	391	376
196	209	210	204
99	97	97	105
1,230	1,246	1,226	1,010
159	124	115	136
Other Transfer Payments			
227	227	226	219
21	25	25	18
13,344	13,299	13,274	12,960

Analysis of GSF Pension Expenses

685	684	691	679
111	462	164	(201)
796	1,146	855	478

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" 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.

Note 15 provides further information that reconciles the movement in the unfunded liability.

Analysis of Finance Costs

Interest			
2,107	2,046	2,035	1,993
349	418	428	355
23	20	20	25
2,479	2,484	2,483	2,373

<i>Forecast</i>		<i>Actual</i>	
2000 Budget	Estimated Actual	30 June 2001	30 June 2000
\$m	\$m	\$m	\$m

NOTE 6: Marketable Securities and Deposits

2,645	5,583	Marketable securities held for trading purposes	6,100	4,071
1,759	2,270	Marketable securities held for investment purposes	2,491	2,216
2,766	2,423	Foreign-currency deposits	2,082	1,746
1,166	651	New Zealand-dollar deposits	441	1,600
898	845	Reserve position at the International Monetary Fund	946	807
9,234	11,772	Total Marketable Securities and Deposits	12,060	10,440

Marketable securities and deposits include net obligations and entitlements arising from forward exchange contracts and swaps. Note 18 provides further information on these obligations and entitlements.

NOTE 7: Advances

Advances to state-owned enterprises and Crown entities

201	164	Housing Corporation of New Zealand	163	137
42	45	Solid Energy New Zealand Limited	45	41
15	5	Residual Health Management Unit	29	80
-	50	District health boards	24	-
-	-	Terralink New Zealand Limited	-	1
258	264	Total Advances to state-owned enterprises and Crown entities	261	259

Other Advances

4,063	4,155	Student loans (see analysis next page)	4,143	3,523
117	117	Contact Energy Limited	118	117
48	49	Maori development rural lending	38	36
29	29	Forestry encouragement loans	29	29
6	6	Catchment authorities	8	7
20	27	Other	18	24
4,283	4,383	Total Other Advances	4,354	3,736
4,541	4,647	Total Advances	4,615	3,995

<i>Forecast</i>			<i>Actual</i>	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
NOTE 7: Advances <i>(continued)</i>				
Analysis of Student Loans				
Outstanding balance				
4,643	4,663	Total loans outstanding (including interest)	4,655	4,004
(580)	(508)	Total provisions (capital and interest)	(512)	(481)
4,063	4,155	Total Student Loans	4,143	3,523
Movement during the year				
3,506	3,523	Opening balance	3,523	3,002
837	894	Amount advanced in current year	867	702
320	276	Interest accrued on outstanding loan balances	289	249
(217)	(198)	Repayment of base capital	(198)	(174)
(141)	(120)	Repayment of accrued interest	(123)	(108)
(249)	(227)	Interest written off and movement in provision for interest write-offs and doubtful debts	(227)	(157)
7	7	Other movements	12	9
4,063	4,155	Closing balance	4,143	3,523

Provision for student loans

The methodology used to provide for student loans contains a capital and an interest component. These provisions are periodically reviewed for appropriateness and the methodologies updated where necessary.

Capital provision

The provision on the outstanding capital issued is 10% (this was revised from 15% in the mid 1990's). The first stage of ongoing work on the methodology used to calculate the capital provision for death and bankruptcy write-offs has been undertaken, using information to hand on borrowing characteristics and updated income growth assumptions of borrowers. Overall there has been no change in the provision level of 10%, from work to date. The provision level will continued to be reviewed as additional information becomes available, which may result in further changes in the future. A 1% change in the provision level would impact the operating balance by around \$40 million.

Interest write-off provision

A 17% provision was made for interest write-offs on interest accrued on capital issues 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, resulting in a substantial increase in the provision level to 70%. This reflected changes to the student loan scheme allowing the 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 effective provision for interest write-offs from 1 January 2001 was around 78% (1 January 2000 70%). The interest rate provision is reviewed annually.

NOTE 8: Receivables

4,320	4,412	Taxes receivable	4,962	4,225
979	916	Accounts receivable	1,024	1,029
95	112	Receivable from the sale and purchase of Maui gas	111	175
64	58	Prepayments	100	91
5,458	5,498	Total Receivables	6,197	5,520

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

Basis of Combination

As noted in the Statement of Accounting Policies (page 51), 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 main 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 \$16.1 billion to approximately \$34.8 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 \$20 billion to approximately \$18.5 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 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 on the following page. 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 2001:

State-owned enterprises	Balance date	Information reported to
Timberlands West Coast Limited	31 March	31 March 2001
Crown entities:		
School boards of trustees	31 December	31 December 2000
Tertiary education institutions	31 December	31 December 2000

	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	12	61	2	(1)
Airways Corporation of New Zealand Limited	-	103	5	(5)
Asure New Zealand Limited	-	39	(3)	-
At Work Insurance Limited	-	-	-	-
Electricity Corporation of New Zealand Limited	-	6	16	(45)
Genesis Power Limited	-	535	61	(15)
Landcorp Farming Limited	-	117	39	(19)
Meridian Energy Limited	-	771	123	(68)
Meteorological Service of New Zealand Limited	-	24	4	(4)
Mighty River Power Limited	-	647	60	(21)
New Zealand Post Limited	-	982	19	(7)
New Zealand Railways Corporation	-	2	-	-
Solid Energy New Zealand Limited	-	221	6	-
Television New Zealand Limited	-	481	27	(32)
Terralink New Zealand Limited	-	-	(3)	-
Timberlands West Coast Limited	-	24	(4)	-
Transpower New Zealand Limited	-	496	80	(87)
Total State-owned Enterprises	12	4,509	432	(304)
Crown Entities				
Accident Compensation Corporation ¹	383	2,292	(313)	-
Crown research institutes	207	484	24	(4)
District health boards (including the Residual Health Management Unit)	3,399	3,706	(45)	-
Earthquake Commission	-	323	241	-
Health Funding Authority	3,074	3,079	(13)	-
Housing Corporation of New Zealand	-	2	-	(12)
Housing New Zealand Limited	158	512	41	-
Museum of New Zealand Te Papa Tongarewa	18	37	(7)	-
New Zealand Fire Service Commission	1	205	4	-
School boards of trustees	2,830	3,216	-	-
Tertiary education institutions	1,047	2,227	65	-
Other	1,682	3,507	(5)	(1)
Total Crown Entities	12,799	19,590	(8)	(17)
Total Financial Interest in State-owned Enterprises and Crown Entities	12,811	24,099	424	(321)

¹ The attributable surplus of ACC includes \$420 million for the ACC outstanding claims liability revaluation movement, resulting from changes in valuation assumptions and variation in actual scheme experience. The total change in the liability was \$777 million all of which impacted on the ACC attributable surplus.

	Physical assets \$m	Total assets \$m	Long-term borrowings \$m	Total liabilities \$m	Equity at 30 June 2001 \$m
NOTE 9: Financial Interest in State-owned Enterprises and Crown Entities (continued)					
State-owned Enterprises					
Agriquality New Zealand Limited	10	25	-	10	15
Airways Corporation of New Zealand Limited	82	104	36	61	43
Asure New Zealand Limited	-	12	-	7	5
At Work Insurance Limited	-	5	-	-	5
Electricity Corporation of New Zealand Limited	-	867	817	845	22
Genesis Power Limited	745	1,105	31	257	848
Landcorp Farming Limited	521	561	44	70	491
Meridian Energy Limited	2,332	2,669	180	889	1,780
Meteorological Service of New Zealand Limited	7	13	1	5	8
Mighty River Power Limited	1,387	1,614	330	901	713
New Zealand Post Limited	283	630	204	421	209
New Zealand Railways Corporation	2	9	-	2	7
Solid Energy New Zealand Limited	44	131	69	88	43
Television New Zealand Limited	240	520	83	177	343
Terralink New Zealand Limited	-	-	-	-	-
Timberlands West Coast Limited	2	79	-	7	72
Transpower New Zealand Limited	2,103	2,280	854	1,330	950
Total State-owned Enterprises	7,758	10,624	2,649	5,070	5,554
Crown Entities					
Accident Compensation Corporation	83	3,781	-	7,660	(3,879)
Crown research institutes	276	435	13	116	319
District health boards (including the Residual Health Management Unit)	2,015	2,632	1,043	1,697	935
Earthquake Commission	1	3,897	-	56	3,841
Health Funding Authority	-	-	-	-	-
Housing Corporation of New Zealand	180	297	99	252	45
Housing New Zealand Limited	4,176	4,185	751	1,335	2,850
Museum of New Zealand Te Papa Tongarewa	830	847	-	6	841
New Zealand Fire Service Commission	269	283	21	98	185
School boards of trustees	720	1,383	19	557	826
Tertiary education institutions	2,257	2,725	108	547	2,178
Other	129	945	2	563	382
Total Crown Entities	10,936	21,410	2,056	12,887	8,523
Total Financial Interest in State-owned Enterprises and Crown Entities	18,694	32,034	4,705	17,957	14,077

	Attributable net surplus/(deficit) after distributions for the year ended		Equity at	Equity at
	30 June	30 June	30 June	30 June
	2001	2000	2001	2000
	\$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	15	14
Airways Corporation of New Zealand Limited	-	2	43	43
Asure New Zealand Limited	(3)	(1)	5	8
At Work Insurance Limited	-	10	5	55
Electricity Corporation of New Zealand Limited	(29)	(9)	22	51
Genesis Power Limited	46	(73)	848	802
Landcorp Farming Limited	20	19	491	441
Meridian Energy Limited	55	(35)	1,780	1,725
Meteorological Service of New Zealand Limited	-	2	8	8
Mighty River Power Limited	39	36	713	674
New Zealand Post Limited	12	9	209	198
New Zealand Railways Corporation	-	-	7	7
Solid Energy New Zealand Limited	6	(3)	43	37
Television New Zealand Limited	(5)	(3)	343	348
Terralink New Zealand Limited	(3)	-	-	3
Timberlands West Coast Limited	(4)	(12)	72	76
Transpower New Zealand Limited	(7)	16	950	1,017
Vehicle Testing New Zealand Limited	-	(2)	-	-
Total State-owned Enterprises	128	(43)	5,554	5,507
Crown Entities				
Accident Compensation Corporation	(313)	817	(3,879)	(3,566)
Crown research institutes	20	17	319	299
District health boards (including the Residual Health Management Unit)	(45)	(12)	935	954
Earthquake Commission	241	213	3,841	3,600
Health Funding Authority	(13)	44	-	90
Housing Corporation of New Zealand	(12)	1	45	59
Housing New Zealand Limited	41	(9)	2,850	2,945
Museum of New Zealand Te Papa Tongarewa	(7)	(12)	841	811
New Zealand Fire Service Commission	4	-	185	182
School boards of trustees	-	15	826	809
Tertiary education institutions	65	74	2,178	2,316
Other	(6)	(11)	382	386
Total Crown Entities	(25)	1,137	8,523	8,885
Total Financial Interest in State-owned Enterprises and Crown Entities	103	1,094	14,077	14,392

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 downward revaluation for state-owned enterprises and Crown entities of \$378 million (2000: net upward revaluation of \$268 million).

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

	Year ended 30 June 2001 \$m	Year ended 30 June 2000 \$m
Opening balance	14,392	12,917
Total attributable net operating surpluses, including ACC liability revaluation movement	424	1,532
Net physical asset revaluation (decrement)/increment transferred to revaluation reserve	(378)	268
Distributions to the Crown	(321)	(438)
Capital contributions to DHBs/RHMU	41	46
Winding up of At Work Insurance Limited	(50)	-
Net other capital repayments to the Crown	(31)	67
Closing balance	14,077	14,392

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 2001, the Crown has a gross liability of \$7,141 million with respect to ACC (\$6,364 million: 30 June 2000).

Claims Calculation

Trowbridge Consulting Pty Limited, Consulting Actuaries, has prepared the independent actuarial estimate at 30 June 2001. This estimate includes the expected future payments relating to accidents that occurred prior to 30 June 2001 (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 2001 is \$7,141 million. This is an increase of \$777 million compared to the prior year estimate of \$6,364 million. The primary reasons for the increase in the estimated liability were:

- an improvement in forecasting the future claims liability, particularly for seriously injured claimants. The effect of these forecast improvements was to increase the expected rehabilitation payments per claim (such as attendant care, childcare and aids and appliances). This has increased the estimated liability by \$662 million.
- an increase in assumed independence allowance costs. The increase results from a change in the long-term exit rate assumption for independence allowances claims from 7.5% to 2.5% per year to reflect recent experiences. This has increased the estimated independence allowance costs by \$114 million.

The explanations also contain the impact of the additional year of exposure. The average discount rate applied to the estimated cash flows has not altered from the previous year and so is not a factor in the change in the estimated liability. The discount rate applied was 6.9%.

Valuation Movement due to Experience and Assumption Changes

Using the assumptions underlying the 30 June 2000 valuation, the estimated 30 June 2001 valuation was \$6,721 million. The actual valuation for 30 June 2001 was \$7,141 million.

The difference between the expected result at 30 June 2001 and the actual result was \$420 million (as outlined in the Statement of Financial Performance). This is portrayed in the following table:

	As at 30 June 2001 \$m	As at 30 June 2001 \$m	Variance \$m
30 June 2000 liability	6,364	6,364	-
30 June 2001 liability	7,141	6,721	420
Change in liability	777	357	420

The \$420 million movement reflects changes in underlying assumptions (such as the estimated rehabilitation costs of long-term claimants) and actual experience of the scheme. As the discount rate was the same at both 30 June 2000 and 30 June 2001, this does not account for any of the change.

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 below:

By Account	30 June 2001 \$m	30 June 2000 \$m
Residual Claims Account ⁴	(1,443)	(1,346)
Motor Vehicle Account	(1,270)	(1,202)
Non-Earners' Account	(1,099)	(945)
Medical Misadventure Account	(218)	(158)
Earners' Account	68	62
Self Employed Account	10	26
Employers' Account ⁵	73	(3)
Account Reserves	(3,879)	(3,566)

Claims Liability Management

The estimated claims liability of \$7,141 million represents an obligation on the Crown, which is partially funded as at 30 June 2001. This net liability of \$3,879 million will be managed as follows:

- The Residual Claims Account, is now closed and the unfunded liability as at 30 June 2001, of \$1,443 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 2001, of \$1,270 million, is required to be fully funded no later than 30 June 2014 by a motor vehicle account levy;
- The Non Earners' Account is moving to full funding of current year claims from 1 July 2001. The unfunded liability of \$1,099 million is to be funded on a pay-as-you-go basis by annual appropriations by Parliament;
- The Medical Misadventure Account will be funded on a fully funded basis from the Earners' and Non Earners' Account.

⁴ Up until 30 June 1999, this account was known as the Employers' Account.

⁵ 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>	
2000 Budget	Estimated Actual	30 June 2001	30 June 2000
\$m	\$m	\$m	\$m

NOTE 10: Other Investments

104	118	International Bank for Reconstruction and Development	128	111
96	107	Asian Development Bank	117	109
86	58	Public Trust Office	72	78
78	37	Other	37	40
364	320	Total Other Investments	354	338

<i>Forecast</i>				<i>Actual</i>	
2000 Budget	Estimated Actual			30 June 2001	30 June 2000
\$m	\$m			\$m	\$m
NOTE 11: Physical Assets					
<i>By Type</i>					
Cost or Valuation					
1,823	1,875	Land		1,844	1,830
444	450	Properties intended for sale		464	441
9,261	8,567	Buildings		8,654	8,749
2,993	2,689	Specialist military equipment		2,686	2,753
2,504	2,317	Other plant and equipment		2,213	2,097
2,513	2,636	Other assets		2,688	2,637
19,538	18,534	Total Cost or Valuation		18,549	18,507
Accumulated Depreciation					
1,231	729	Buildings		729	866
617	429	Specialist military equipment		421	487
1,557	1,408	Other plant and equipment		1,292	1,182
2	2	Other assets		5	-
3,407	2,568	Total Accumulated Depreciation		2,447	2,535
Net Book Value					
1,823	1,875	Land		1,844	1,830
444	450	Properties intended for sale		464	441
8,030	7,838	Buildings		7,925	7,883
2,376	2,260	Specialist military equipment		2,265	2,266
947	909	Other plant and equipment		921	915
2,511	2,634	Other assets		2,683	2,637
16,131	15,966	Total Net Book Value		16,102	15,972
<i>Movements</i>					
Cost or Valuation					
18,382	18,507	Opening balance		18,507	17,467
1,156	1,009	Net additions		905	407
-	(982)	Net revaluations		(863)	633
19,538	18,534	Total Cost or Valuation		18,549	18,507
Accumulated Depreciation					
2,688	2,535	Opening balance		2,535	2,209
(74)	(53)	Disposals		(145)	(194)
793	764	Depreciation charged for the period		751	709
-	(678)	Net revaluations		(694)	(189)
3,407	2,568	Total Accumulated Depreciation		2,447	2,535
16,131	15,966	Net Physical Assets		16,102	15,972
<i>By Holding</i>					
16,095	15,927	Freehold assets		16,062	15,930
36	39	Leasehold assets		40	42
16,131	15,966	Net Physical Assets		16,102	15,972

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 Archives New Zealand, have been valued at a best estimate of fair value as at 30 June 2001. Determination of the fair value of \$510 million at 30 June 2001 (\$463 million as at 30 June 2000) 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 Archives New Zealand 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 fair 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 collections were revalued as at 30 June 2000. The carrying value of \$667 million as at 30 June 2001 (\$666 million as at 30 June 2000) includes the value of purchases for the collections less depreciation on the general and schools collections since the last revaluation. Collection revaluations are 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 \$1,507 million as at 30 June 2001 (\$1,506 million as at 30 June 2000). 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 \$28 million as at 30 June 2001 (\$29 million as at 30 June 2000) 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 expensed through the Statement of Financial Performance. The valuations, as determined above, are compared with the book values, and the difference is recorded in the Statement of Financial Performance.

Forecast			Actual	
2000 Estimated			30 June	30 June
Budget	Actual		2001	2000
\$m	\$m		\$m	\$m
NOTE 13: State Highways				
Cost or Valuation				
8,939	8,911	Opening balance	8,911	8,770
-	1,650	Recognition adjustment	1,650	-
165	227	Net additions	300	201
-	-	Net revaluations	194	(60)
9,104	10,788	Total Cost or Valuation	11,055	8,911
Accumulated Depreciation				
82	-	Opening balance	-	-
84	92	Depreciation charged for the period	174	82
-	-	Net revaluations	(174)	(82)
166	92	Total Accumulated Depreciation	-	-
8,938	10,696	Net State Highways	11,055	8,911

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 fair 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. The price indices for 2000/01 were based on a three year rolling average (previously only based on an annual average). The three year rolling average has been introduced to reduce the impact on the valuation of unusual fluctuations in underlying variables (such as the high fuel prices). 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 five years. In 2000/01 three 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.

The 2000/01 valuation includes urban state highways that fall within the boundaries of local authorities. Agreement has been reached that these sections of highway be included as an asset of the Crown, because the Crown is responsible for their maintenance, and therefore bears the financial risks and benefits associated with these assets. Urban state highways have been recognised at \$1,650 million at 1 July 2000.

After allowing for new works and depreciation during the year to 30 June 2001, the depreciated replacement cost is assessed at \$11,055 million (30 June 2000: \$8,911 million).

<i>Forecast</i>			<i>Actual</i>	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
NOTE 14: Payables and Provisions				
1,720	1,711	Taxes repayable	1,907	1,714
1,782	1,862	Accounts payable	1,631	1,243
844	432	Accruals and provisions	1,193	1,363
423	480	National Provident Fund guarantee ¹	686	433
-	-	National Provident Fund Board indemnity	-	105
438	382	Provisions for employee entitlements	414	382
5,207	4,867	Total Payables and Provisions	5,831	5,240

¹The Crown guarantees the payment of benefits by the National Provident Fund Board. The actuarial valuation report on these schemes on preliminary results as at 31 March 2001, prepared in August 2001 by PriceWaterhouseCoopers, has indicated the DBP Annuitants Scheme, which contains pensioners only, has an actuarial deficit of \$686 million.

	<i>Actual</i>	
	30 June 2001 \$m	30 June 2000 \$m
NOTE 15: Pension Liabilities		
Liabilities to Pensioners		
Pensioners	7,029	6,802
Deferred pensioners	565	552
Liabilities to Contributors		
General Government Superannuation Fund members	3,139	3,172
Police	693	660
Armed Forces	446	480
Judges	57	57
Prison Service	38	41
Members of Parliament	12	11
Total Liabilities in respect of Past Service	11,979	11,775
Less: Assets available to schemes	3,492	3,452
Total Pension Liabilities	8,487	8,323

The Government Superannuation Fund (GSF) liabilities have been calculated by the Government Actuary as at 30 June 2001. 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 4.5% (4.7% at 30 June 2000). Other principal long-term financial assumptions are an inflation rate of 1.5% (2% at 30 June 2000) (as measured by the increase in the Consumer Price Index) and annual salary increases of 2.5% (3.0% at 30 June 2000).

The change in underlying economic assumptions, as at 30 June 2001, accounted for approximately \$45 million of the increase in the liability from last year. Other changes are due to the general review of the underlying actuarial assumptions and actual fund experience.

Reconciliation of the Movement in Unfunded Liability between years

Opening Balance	8,323	8,524
Expected service cost	211	217
Expected interest cost	572	399
Change in underlying valuation assumptions (ie, discount rate, demographics)	(4)	(58)
Experience gains (variation in total cost from that expected)	122	(80)
Expected return on assets	(166)	(115)
Expected contributions	(571)	(564)
Closing Balance	8,487	8,323

<i>Forecast</i>			<i>Actual</i>	
2000 Budget	Estimated Actual		30 June 2001	30 June 2000
\$m	\$m		\$m	\$m
NOTE 16: Crown Balance				
Accumulated Operating Balance				
(393)	382	Opening Balance	382	(1,197)
-	1,650	State highway recognition policy change	1,650	-
(393)	2,032	Adjusted Opening Balance	2,032	(1,197)
1,012	641	Operating balance for the year	1,409	1,449
-	9	Transfer from revaluation reserve	15	130
619	2,682	Closing Balance	3,456	382
Revaluation Reserve				
7,697	8,201	Opening Balance	8,201	7,219
Net Revaluations				
-	-	State highways	368	22
-	(47)	Land and buildings	85	516
-	(258)	Specialist military equipment	(258)	195
-	1	Other assets	4	111
-	11	State-owned enterprises and Crown entities	(378)	268
-	(293)	Total Net Revaluations	(179)	1,112
-	(9)	Transfers to accumulated operating balance	(15)	(130)
7,697	7,899	Closing Balance	8,007	8,201
8,316	10,581	Total Crown Balance	11,463	8,583

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 2001	30 June 2000
United States dollar	0.40525	0.46835
Japanese yen	50.21500	49.42000
German mark	0.93753	0.96207
British pound	0.28765	0.30855
Euro	0.47935	0.49190

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 2001 \$m	30 June 2000 \$m
Total Marketable Securities and Deposits	12,060	10,440
Positive Revaluations – Swaps and FX	768	608
Maximum Credit Exposure	12,828	11,048

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

	30 June 2001 \$m	30 June 2000 \$m
Sovereign Issuers	4,200	4,789
Supranational Financial Institutions	1,437	1,099
Foreign Banks	3,428	2,956
NZ Government	2,515	1,511
Other	1,248	693
Maximum Credit Exposure	12,828	11,048

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

	30 June 2001 \$m	30 June 2000 \$m
New Zealand	2,750	1,655
USA	3,303	2,785
Japan	1,391	2,549
Germany	1,838	1,301
Australia	303	307
Other	1,806	1,352
Supranational Financial Institutions	1,437	1,099
Maximum Credit Exposure	12,828	11,048

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 2001 \$m	% of 2001 Credit Exposure	30 June 2000 \$m	% of 2000 Credit Exposure
AAA	4,296	33.5%	5,976	54.1%
AA+	1,331	10.4%	437	4.0%
AA	2,511	19.6%	1,618	14.6%
AA-	457	3.6%	149	1.3%
A	748	5.8%	487	4.4%
NZ Government	2,516	19.6%	1,511	13.7%
IMF Special Drawing Rights	946	7.4%	807	7.3%
Not Rated	23	0.1%	63	0.6%
Maximum Credit Exposure	12,828	100%	11,048	100%

Interest Rate Risk

The NZDMO foreign-currency portfolio maintains a “net-zero” mark to market level and it is constructed 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. A relatively even maturity profile for term debt across the yield curve is maintained.

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 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 arising from swaps and foreign-exchange contracts as at 30 June 2001. These have been adjusted for the effects of netting arrangements under master swap agreements:

	Net market value ¹ as at 30 June 2001 \$m	Net market value ¹ as at 30 June 2000 \$m
Entitlements (to receive payments)		
Interest-rate swaps and currency swaps ²	599	442
Foreign-exchange contracts	87	20
Obligations (commitments to make payments)		
Interest-rate swaps and currency swaps ²	55	320
Foreign-exchange contracts	100	39
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 cashflows on termination of swap contracts.	

Swaps and foreign exchange contracts used for hedging purposes are accounted for on a consistent basis with the underlying instrument or position. As a consequence, Marketable Securities and Deposits and Borrowings include both entitlements and obligations relating to these financial instruments.

These entitlements and obligations are reported in the financial statements on a modified historical cost basis and the impact of these is represented in the following table.

	Book Value as at 30 June 2001 \$m	Book Value as at 30 June 2000 \$m
Marketable Securities and Deposits		
Entitlements	106	21
Obligations	(100)	(72)
Borrowings		
Entitlements	522	552
Obligations	(357)	(349)

The notional amount of these instruments represents the volume of outstanding transactions. As at 30 June 2001 the Crown had the following notional amounts of swaps, foreign-exchange and futures contracts outstanding:

	Notional value as at 30 June 2001 \$m	Notional value as at 30 June 2000 \$m
Interest rate swaps	5,852	3,744
Currency swaps	4,531	3,097
Foreign-exchange contracts	3,788	1,414
Futures – buy	45	476
Futures – sell	291	1,656

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 2001, \$263 million (30 June 2000: \$168 million) is held as collateral against counterparties under credit support annexes to master swap agreements in respect of swap transactions.

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 2001, \$4,030 million relate to reverse repurchase transactions (30 June 2000: \$2,920 million).

Forward Marketable Security Transactions

The Crown had commitments in relation to outstanding forward marketable security purchases and sales as at 30 June 2001. The Crown has committed to pay \$4 million under forward marketable security purchases (30 June 2000: \$123 million) but has no commitments under forward marketable security sales (30 June 2000: \$91 million).

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).

	Maturity Date	Effective Actual Interest Rate	Outstanding \$m
New Zealand Dollar Debt			
Government Stock¹	2001/02	4.55%	76
	2001/02	9.46%	2,910
	2002/03	6.12%	3,313
	2003/04	7.06%	3,523
	2004/05	5.95%	1,415
	2006/07	8.03%	3,262
	2009/10	6.24%	3,505
	2011/12	6.56%	3,341
	2012/13	6.79%	350
	2015/16	4.50%	1,661
Nominal Value			23,356
Unamortised (Discount)/Premium			(25)
Total Government Stock			23,331
Treasurv Bills			
- 3 month	2001/02	5.76%	1,050
- 6 month	2001/02	5.94%	1,950
- one year	2001/02	6.41%	2,450
- other	2001/02	5.70%	225
Nominal Value			5,675
Unamortised (Discount)/Premium			(117)
Total Treasury Bills			5,558
Loans and Foreign-Exchange Contracts			
	2001/02	10.25%	70
	2001/02	Floating	78
	2002/03	4.04%	1
	2002/03	Floating	48
	2003/04	16.64%	3
	2003/04	Floating	(117)
	2004/05	4.04%	1
	2004/05	8.16%	4
	2004/05	16.64%	10
	2005/06	4.94%	1
	2005/06	Floating	(125)
	2006/07	4.94%	1
	2007/08	4.94%	1
	2007/08	Floating	(258)
	2013/14 ²	6.33%	11
Nominal Value			(271)
Unamortised (Discount)/Premium			(1)
Total Loans and Foreign-Exchange Contracts			(272)

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

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

	Maturity Date	Effective Annual Interest Rate	Outstanding \$m
Retail Stock	2001/02 - 04/05	5.86%	451
	2001/02	Floating	47
Nominal Value			498
Unamortised (Discount)/Premium			-
Total Retail Stock			498
Total New Zealand Dollar Debt			
Nominal Value			29,258
Unamortised (Discount)/Premium			(143)
Total New Zealand Dollar Debt			29,115

	Maturity Date	Effective Annual Interest Rate	Outstanding \$m
Foreign Currency Debt			
United States dollars			
	2001/02	3.59%	124
	2001/02	4.01%	123
	2001/02	4.16%	123
	2001/02	3.43%	925
	2001/02	Floating	978
	2002/03	Floating	114
	2003/04	Floating	494
	2004/05	Floating	288
	2005/06	10.91%	337
	2006/07	7.13%	464
	2007/08	Floating	228
	2010/11	Floating	100
	2011/12	Floating	233
	2015/16	Floating	279
	2016/17	Floating	138
Nominal Value			4,948
Unamortised (Discount)/Premium			(168)
Total United States dollars			4,780
Japanese yen			
	2001/02	Floating	354
	2001/02	5.97%	190
	2001/02	5.97%	95
	2001/02	6.00%	191
	2002/03	4.80%	195
	2002/03	6.07%	188
	2004/05	4.64%	100
	2012/13	Floating	199
Nominal Value			1,512
Unamortised (Discount)/Premium			(80)
Total Japanese yen			1,432

	Maturity Date	Effective Annual Interest Rate	Outstanding \$m
Euro and other currencies	2001/02	4.25%	37
	2003/04	4.71%	116
	2003/04	5.43%	226
	2004/05	Floating	194
	2005/06	Floating	(59)
	2005/06	Floating	128
	2005/06	5.64%	128
	2006/07	6.04%	127
	2007/08	Floating	107
	2014/15	Floating	17
Nominal Value			1,021
Unamortised (Discount)/Premium			(21)
Total Euro Currency			1,000
Special Drawing Rights Nominal Value	2001/02	3.46%	434
Unamortised (Discount)/Premium			-
Total Special Drawing Rights			434
Total New Zealand dollar equivalent - Nominal Value			7,915
Unamortised (Discount)/Premium			(269)
Total Foreign-Currency Debt			7,646

Marketable Securities and Deposits	Maturity Date	Effective Annual Interest Rate	Outstanding \$m
United States dollars			
Deposits	2001/02	3.65% - 4.33%	297
	2001/02	3.77%	1,362
Marketable Securities	2001/02	4.06% - 7.20%	592
	2001/02	4.33%	1,535
	2001/02	Floating	360
	2002/03	4.87% - 7.36%	324
	2002/03	4.33%	197
	2002/03	Floating	202
	2003/04	5.00% - 7.13%	78
	2004/05	5.52% - 7.65%	25
	2004/05	4.33%	82
	2005/06	4.33%	339
	2006/07	4.33%	83
	2006/07	6.89%	25
	2007/08	7.25%	26
	2008/09	Floating	61
	2011/12	4.33%	53
Forward FX	-	-	(636)
Nominal Value			5,005
Unamortised Premium/(Discount)			88
Total United States dollars			5,093
Japanese yen			
Deposits	2001/02	0.00%	4
Marketable Securities	2001/02	0.01% - 0.80%	470
	2001/02	0.05%	392
	2001/02	Floating	60
	2002/03	1.02%	20
	2002/03	0.05%	341
	2002/03	Floating	100
	2003/04	0.05%	92
	2004/05	0.05%	112
Forward FX	-	-	(99)
Nominal Value			1,492
Unamortised Premium/(Discount)			56
Total Japanese yen			1,548

	Maturity Date	Effective Annual Interest Rate	Outstanding \$m
Special Drawing Rights			
Special Drawing Rights - IMF	2001/02	0.00%	155
	2001/02	3.46%	791
Forward FX			(396)
Nominal Value			550
Unamortised (Discount)/Premium			(1)
Total Special Drawing Rights			549
Other			
Deposits	2001/02	4.70% - 5.06%	2
	2001/02	5.25%	22
	2001/02	4.49%	391
	2001/02	Variable	3
Marketable Securities	2001/02	Floating	94
	2001/02	4.47%	55
	2001/02	4.63%- 6.57%	75
	2002/03	4.47%	46
	2003/04	4.47%	271
	2004/05	4.47%	98
	2005/06	4.47%	81
	2006/07	4.47%	29
	2011/12	4.47%	25
Forward FX		-	(293)
Nominal Value			899
Unamortised (Discount)/Premium			-
Total Other			899
New Zealand dollars			
Deposits	2001/02	5.71%	2,544
Forward FX			1,427
Nominal Value			3,971
Unamortised (Discount)/Premium			-
Total New Zealand dollars			3,971
Total Marketable Securities and Deposits - Nominal Value			
			11,917
Unamortised Premium/(Discount)			143
Total Marketable Securities and Deposits			12,060

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 Archives New Zealand Child, Youth and Family Services Conservation Corrections Courts Crown Law Culture and Heritage Customs Defence Economic Development Education Education Review Office Environment Fisheries Foreign Affairs and Trade Government Communications Security Bureau Health Housing Inland Revenue Internal Affairs Justice Labour Land Information New Zealand Maori 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 Crown Forestry Management Limited Electricity Corporation of New Zealand Limited Genesis Power Limited Landcorp Farming Limited Meridian Energy Limited Meteorological Service of New Zealand Limited Mighty River Power Limited New Zealand Post Limited New Zealand Railways Corporation Solid Energy New Zealand Limited Television New Zealand Limited Terralink New Zealand Limited Timberlands West Coast Limited Transpower New Zealand Limited

Crown Entities

Accident Compensation Corporation	New Zealand Artificial Limb Board
Accounting Standards Review Board	New Zealand Blood Services
Agriculture and Marketing Research and Development Trust	New Zealand Business Development Board
Alcoholic Advisory Council of New Zealand	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 Services	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
District health boards (21)	Office of Film and Literature Classification
Early Childhood Development Board	Pacific Business Trust
Earthquake Commission	Pharmaceutical Management Agency
Electoral Commission	Police Complaints Authority
Energy Efficiency and Conservation Authority	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 Research Council of New Zealand	Retirement Commissioner
Health Sponsorship Council	Road Safety Trust
Hillary Commission for Sport, Fitness and Leisure	School boards of trustees (2,664)
Housing Corporation of New Zealand	Securities Commission
Housing New Zealand Limited	Skill New Zealand (Education and Training Support Agency)
Human Rights Commission	Specialist Education Services Board
Industry New Zealand	Standards Council
Land Transport Safety Authority of New Zealand	Takeovers Panel
Law Commission	Te Reo Whakapuaki Irirangi (Te Mangai Paho)
Learning Media Limited	Te Taura Whiri I Te Reo Maori (Maori Language Commission)
Legal Services Agency	Teacher Registration Board
Management Development Centre Trust	Tertiary education institutions (39)
Maritime Safety Authority of New Zealand	Testing Laboratory Registration Council
Mental Health Commission	Transfund New Zealand
Museum of New Zealand Te Papa Tongarewa	Transit New Zealand
New Zealand Antarctic Institute	Transport Accident Investigation Commission
	Trustees of the National Library

Reserve Bank of New Zealand

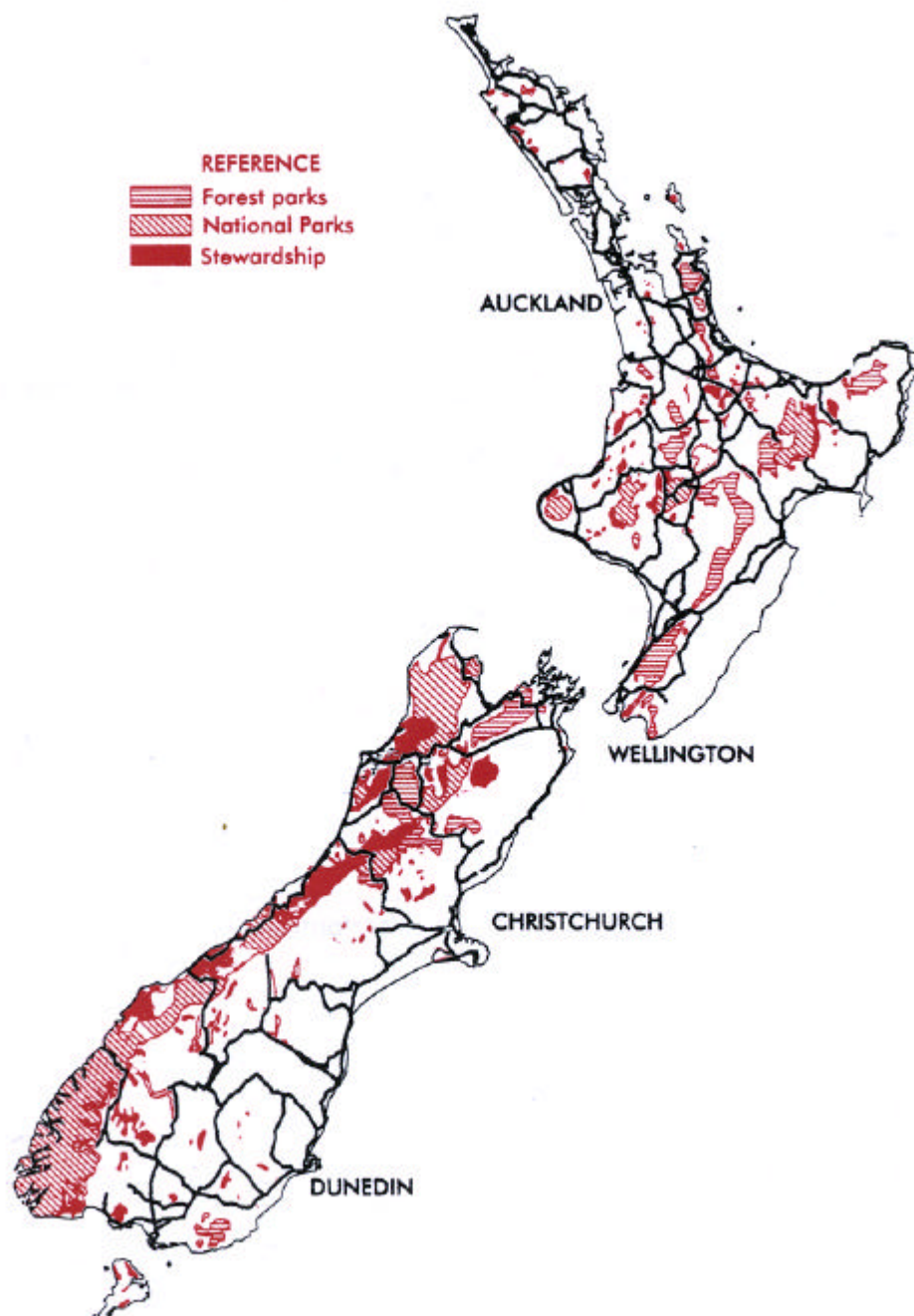
Public Trust Office

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 10,774 km. Of this, 5,874 km are in the North Island and the remaining 4,900 km in the South Island.

The Crown recognises 100% (by value) of the network in the Statement of Financial Position.



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	1,969,185
Reserves	1,729,637
Total Area	7,648,574

Fiordland National Park covers 1,279,077 hectares (16.72% 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 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 collections containing both published and unpublished material, include books, newspapers, manuscripts and archives, drawings and prints, scores and sound recordings, cartographic and photographic items.

The general and schools collections provide a knowledge base for references and lending. The major collections are lending and reference, microfilm, 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
- one Leander-class frigate, including electronic sensors for surface and air surveillance
- a fleet tanker
- other ships, including a hydrographic/oceanographic surveying ship, a diving tender and five inshore patrol crafts
- six P3K Orion aircraft, equipped with sensors for conducting maritime air operations
- 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.

There are major items of specialist military equipment held by the Crown, which are included in the Statement of Financial Position at zero value as they have been devalued. These include:

- the air combat force, comprising of the fleet of A4 Skyhawk and Air Macchi MB339 aircraft including all associated rotables, inventory and munitions; and
- one Leander-class frigate (HMNZS Wellington).